



# Investor Presentation

## Liqobong Diamond Mine

May 2019

# Key Facts

---

- Firestone Diamonds is an AIM-listed (AIM: FDI) diamond mining company and holds a 75% interest in the Likhobong Diamond Mine, located in the Lesotho highlands, with its 25% partner, the Government of Lesotho
- Early 2014 US\$222m raised to fund project comprising US\$100m equity and the remainder debt
- Construction of the mine completed early Q4 2016, ahead of revised schedule and on budget (US\$185.4m)
- Firestone joined the short list of new diamond producers in late October 2016 when first diamond recoveries commenced. Declared commercial production from 1 July 2017
- Challenges when prices were lower than anticipated
- As a result, at the end of 2017, a new shorter life mine plan was developed, US\$25m capital raised and debt payment rescheduled to provide a more appropriate capital profile for Likhobong's full ramp up during which better understanding of the deposit would be obtained
- Target to treat 3.7 million tonnes of ore and recover approximately 0.9 million carats per annum
- Considerable upside at current market value if diamond prices improve and more valuable stones are recovered

# Investment Highlights



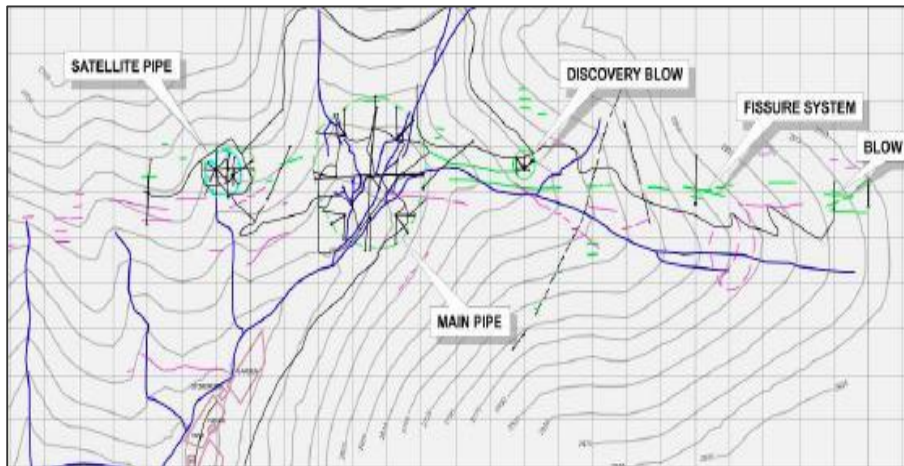
**Firestone Diamonds is currently undervalued and particularly well-positioned to benefit from a recovery in diamond price**

- Excellent operational and safety track record
- Very low cost operation
- Supportive cornerstone investors
- Large mineral resource with LOM extension option
- Competent management team
- US\$29.9 million cash on hand as at 31 March 2019

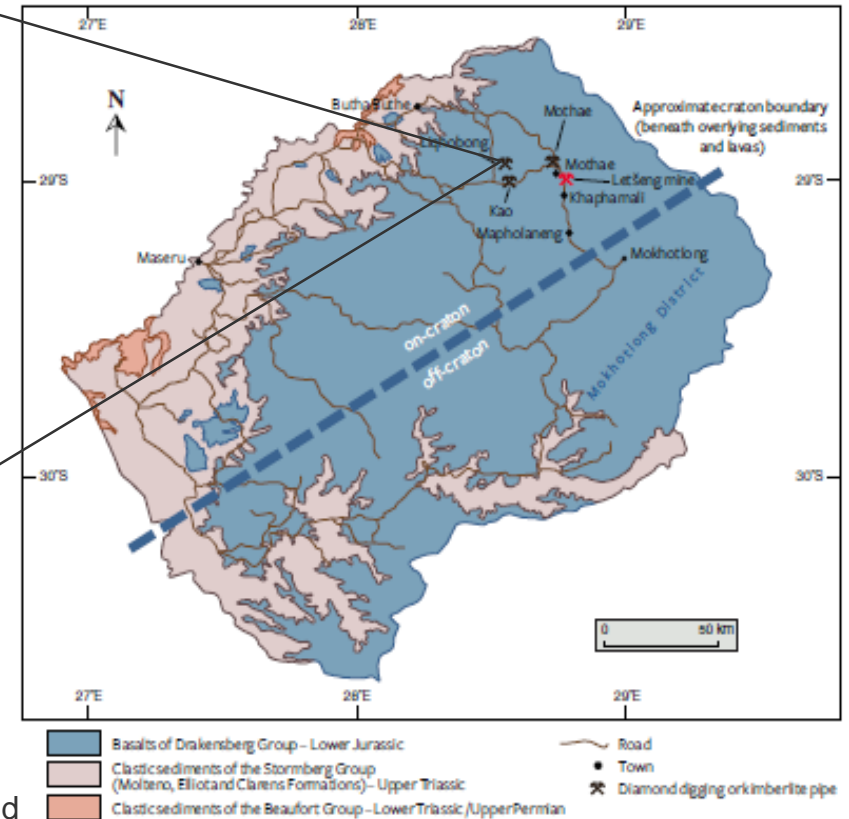




# Location – Likhobong Diamond Mine

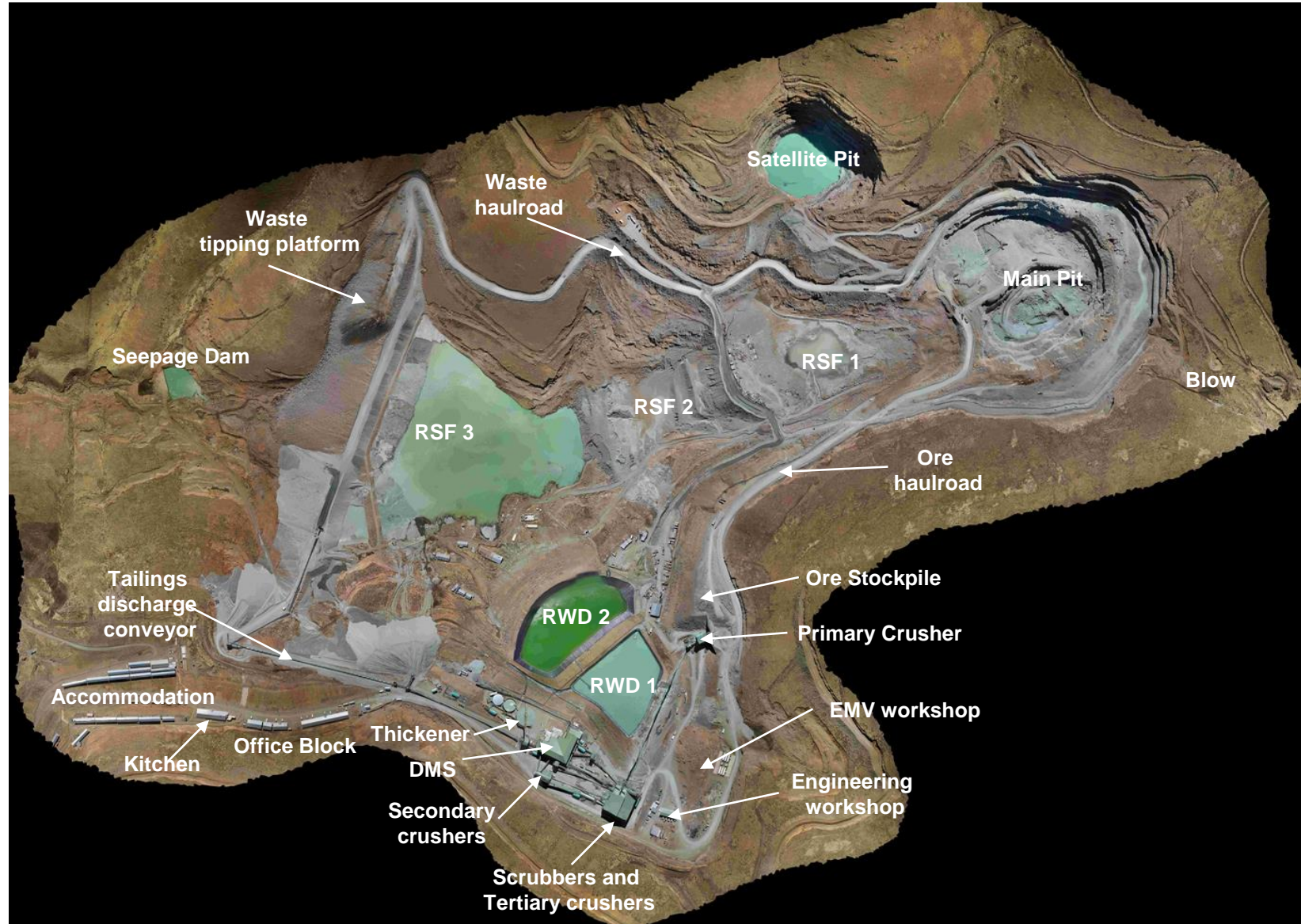


<b>Satellite pipe</b>	<b>1.6 ha</b>
<b>Main pipe</b>	<b>8.6 ha</b>
<b>Discovery blow</b>	<b>0.15 ha</b>
<b>Blow</b>	<b>0.1 ha</b>
<b>Dyke</b>	<b>2.5 km strike</b>



Likhobong Mine is in close proximity to Letseng, Mothae, Kao and Lemphane mines situated in the WNW trending kimberlite belt occurring in the northern part of Lesotho. The 5 mines occur within a radius of  $\pm 25$  km.

# Site Layout





## Commitment to achieve exceptional SHE standards and beneficial engagement with the local communities

### Safety, Health & Environment

- 2 Lost time Injuries recorded by the mine to date since start of construction in June 2014
- No major environmental incidents to date
- Annual Environmental Management Plan performance reporting to authorities
- Total workforce of 654 employees and contractors of which 95% are Basotho citizens
- Equipped clinic, qualified medical staff, mine rescue team and mutual support collaborations with other mines
- Air Evacuation contract with ER24

### Local communities engagement

- Community Needs Assessment study completed
- Community improvement projects: two crossings completed, crèche donations,
- Toilets construction for two villages commenced
- An initiative to buy fresh agricultural produce from local villages commenced in April 2019, supply on weekly basis
- Employment from local communities on-going



# Production Results – Q3 FY2019

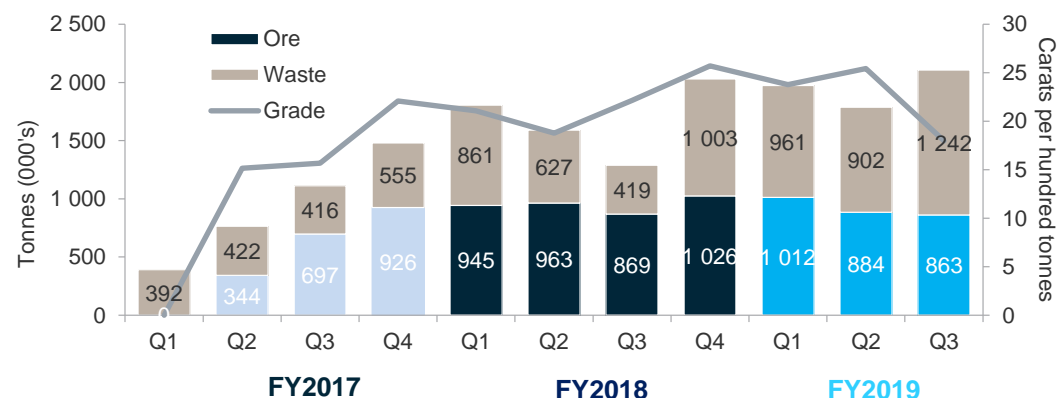


Successful first full year of production in 2018. Currently on track to meet market guidance for FY2019.

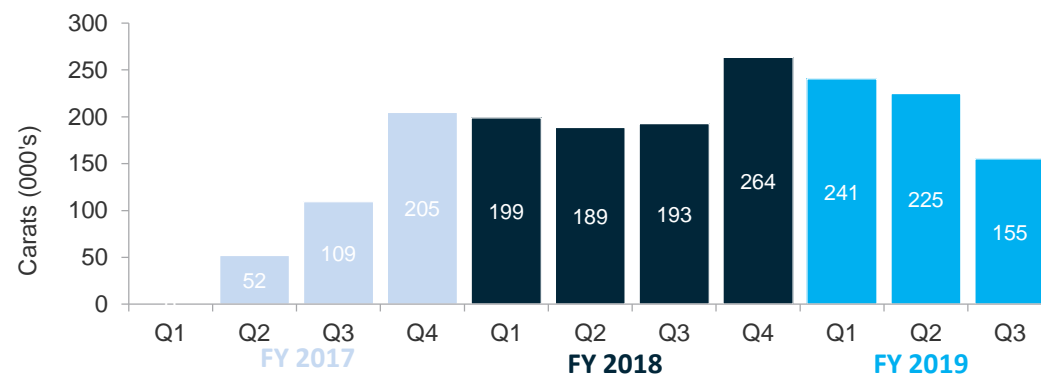
## Operational targets, on track to meet guidance

- ☒ Lihobong safety record of only two LTI since project commencement in 2014
- ☒ 2.8 Mt of ore treated (Q3-FY2018: 2.8 Mt)
- ☒ 620 886 cts recovered (Q3-FY2018: 580 320 cts)
- ☒ 79% overall plant utilisation (Q3-FY2018: 82%)
- ☒ 3.1 Mt of waste mined (Q3-FY2018: 1.9Mt)
- ☒ Cash Operating cost per tonne treated (incl. waste) of US\$11.23 (Q3-FY2018: US\$12.30)
- ☒ Reduced diamond damage to < 2% from Oct 2018 of all +5 carat stones recovered

## Operational performance - tonnes and grade



## Operational performance – diamond production



# Financial Results – Q3 FY2019



## Financial

- Revenue of US\$44.2 million from 597 309 carats sold at an average value of US\$74/ct (FY2018: US\$75/ct)
- Costs of US\$11.23 per tonne treated including waste stripping (FY2018: US\$11.62)
- Cash generated from operations of US\$6.8 million (FY2018: US\$8.1 million)
- Mine operations remain cash positive
- Cash balance at period end of US\$29.9 million (FY2018: US\$18.4 million)

## Diamond Sales



## Average value per carat impacted by:

- Frequency of high value diamonds
- Prices achieved at tenders especially for the smaller goods that have been under pressure

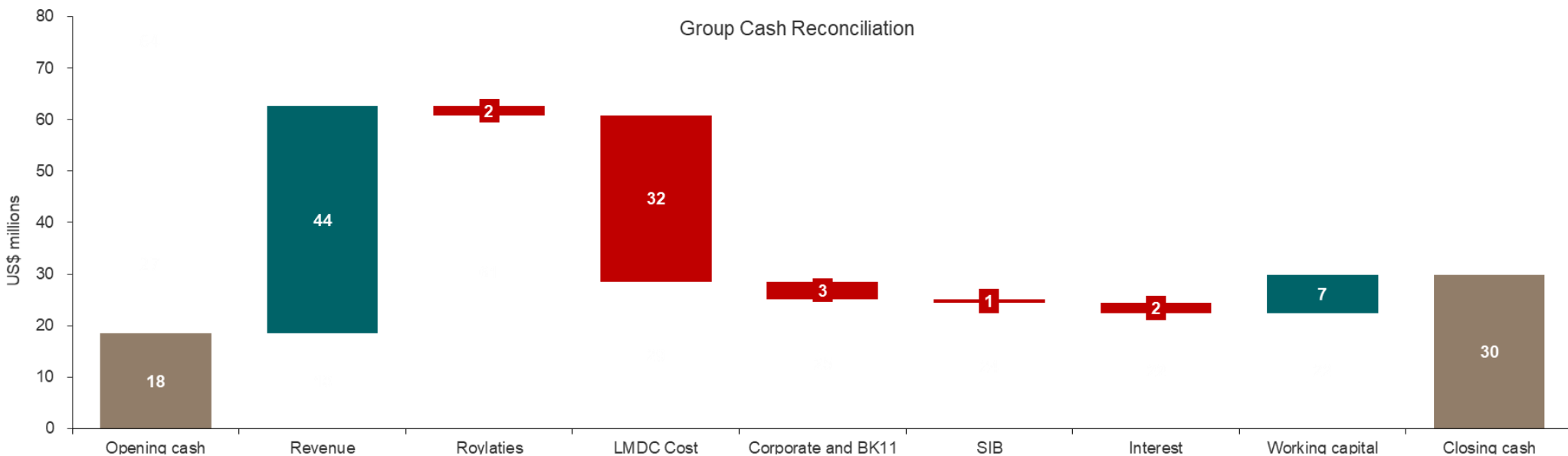


# Cash Flow – Q3 FY2019

## Consolidated cash flow

### KEY ITEMS

- US\$6.8 million generated by operations
- US\$1.9 million net interest paid
- US\$7.4 million working capital inflow
- US\$29.9 million closing cash



# Summary year to date up to 31 March 2019



Solid results and on track to meet production guidance

**US\$29.9 million cash  
balance**

**597 309 carats sold**

Generating proceeds of US\$44.2 million

**2 759 413 ore  
tonnes treated**

On guidance at Q3

**3 578 138 waste  
tonnes mined**

**620 886 carats  
recovered**

At a grade of 22.5 carats per hundred  
tonnes

**US\$11 per tonne\* treated**

Operating cost remains below guidance due  
to continued strong operating cost  
management and favourable exchange rate



*\* Includes waste stripping*

# FY2019 Guidance



On track to meet guidance of:

- Treating 3.6 - 3.8 million tonnes of ore
- Recovering 820 000 - 870 000 carats
- Stripping 4.3 – 4.8 million tonnes of waste rock
- Total cash costs per tonne treated of US\$15-16\*
- Cost per tonne to move waste of US\$3.0 - 3.5\*
- Rough diamond market expected to remain weak for run of mine product in the short term but demand for high quality stones continues to be strong



\*based on exchange rate of US\$1=ZAR12.50



# Some examples of special stones recovered in FY2018



High value stones recovered included:

- our **second largest** stone to date, a **133 carat** light yellow which sold for US\$0.9 million;
- our **most valuable** stone to date, a 38 carat white diamond which sold for **US\$1.45 million**; and
- our **highest dollar per carat** stone to date, a 3.7 carat fancy pink which sold for **US\$112,781 per carat**

## 45 carat

US\$ 1.19 million  
*US\$ 26,455 per carat*  
Flawless white clivage



## 133 carat

US\$ 0.92 million  
*US\$ 6,880 per carat*  
Yellow makeable



## 4 carat

US\$ 0.42 million  
*US\$112,781 per carat*  
Fancy Pink



## 51 carat

US\$ 0.26 million  
*US\$4,986 per carat*  
Yellow clivage



## 62 carat

US\$ 0.36 million  
*US\$5,775 per carat*  
Yellow Clivage



## 9 carat

US\$ 0.15 million  
*US\$16,360 per carat*  
Fancy Vivid Yellow



## 9 carat

US\$ 0.13 million  
*US\$14,764 per carat*  
Fancy Intense Yellow



## 24 carat

US\$ 0.28 million  
*US\$11,518 per carat*  
Sawable fancy yellow



## 30 carat

US\$ 0.26 million  
*US\$8,401 per carat*  
White makeable



## 52 carat

US\$ 0.3 million  
*US\$5,759 per carat*  
Yellow Clivage



# Selection of special stones recovered in FY2019 so far...



Liqhobong has the potential of containing large and valuable diamonds which represent upside

## 18 carat

US\$ 0.36 million  
*US\$ 19,801 per carat*  
Sawable vivid yellow



## 20 carat

US\$ 0.62 million  
*US\$ 31,119 per carat*  
Sawable vivid yellow



## 311 carat!

US\$ 0.23 million  
*US\$ 741 per carat*  
Near gem



## 79 carat

US\$ 0.55 million  
*US\$ 6,877 per carat*  
Yellow clivage



## 68 carat

US\$ 0.9 million  
*US\$ 13,414 per carat*  
White makeable



More recent recoveries included:

- our **most valuable** stone to date, a 70 carat white diamond which sold for **US\$1.62 million**

## 12 carat

Not sold yet  
Fancy pink



## 46 carat

US\$ 1.23 million  
*US\$ 26 500 per carat*  
White clivage  
(Feb 19 tender)



## 70 carat

US\$ 1.62 million  
*US\$ 23 006 per carat*  
**Most valuable stone sold to date (Mar 19 tender)**  
White makeable



## 72 carat

US\$ 0.56 million  
*US\$ 7 777 per carat*  
Yellow makeable



## 22 carat

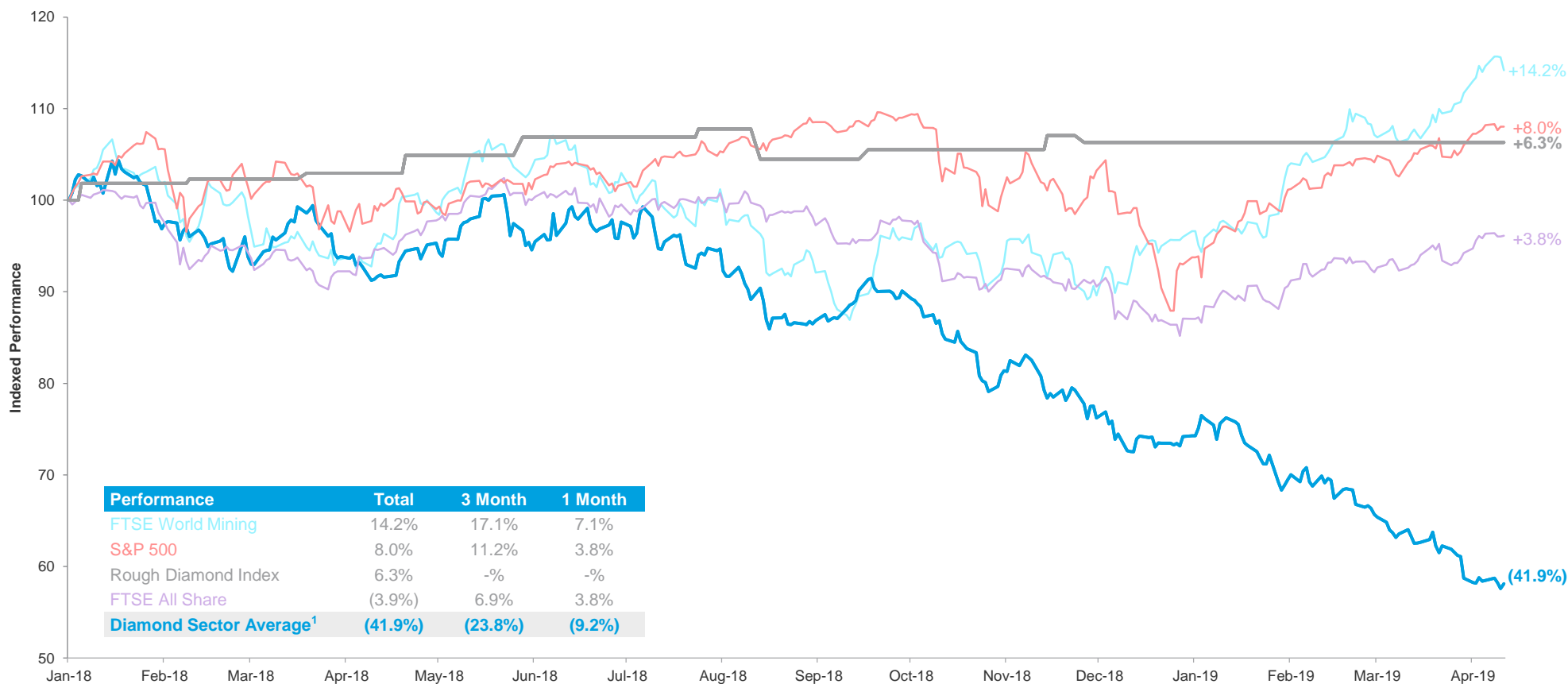
US\$ 0.36 million  
*US\$ 16 118 per carat*  
White makeable



# Industry Performance



The diamond mining sector continues to underperform global equity markets



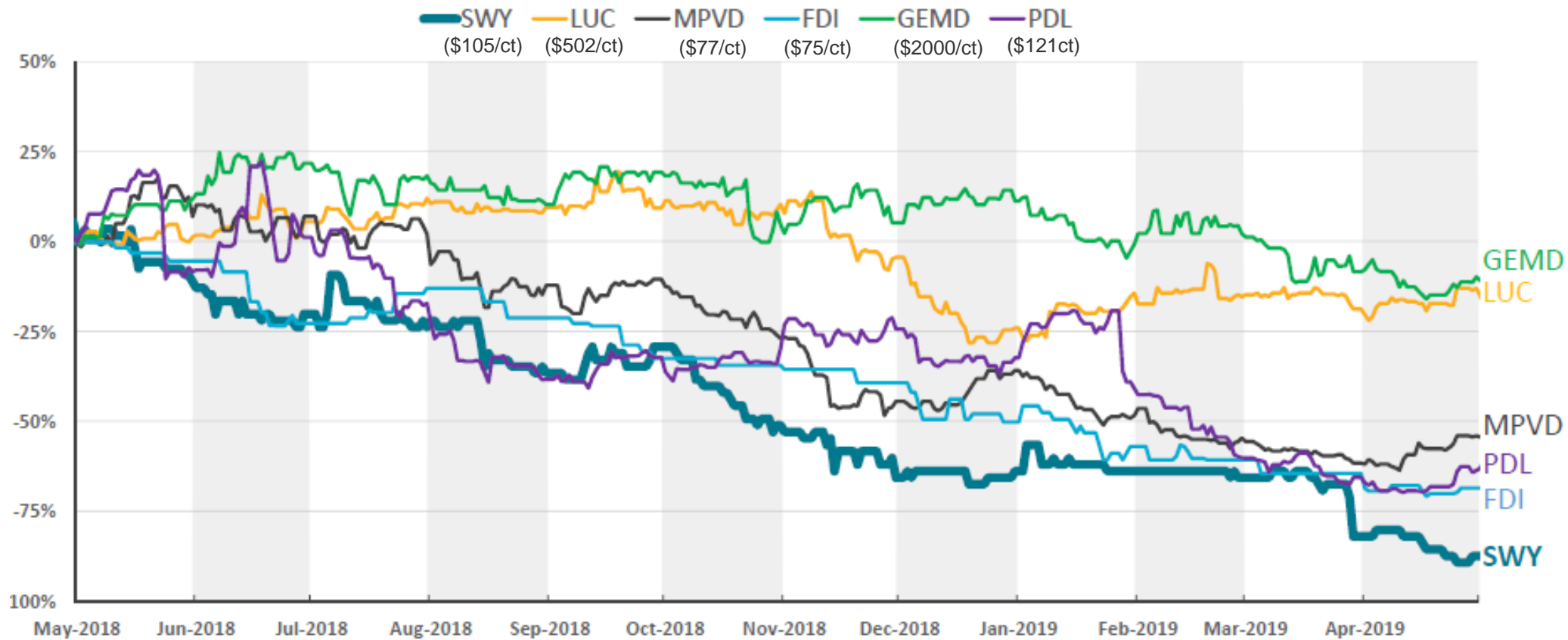
Source: Bloomberg, FactSet as of 12 April 2019; 1. Average includes Alrosa, Firestone, Gem, Lucara, Mountain Province, Petra and Stornoway.



# Share Price Performance



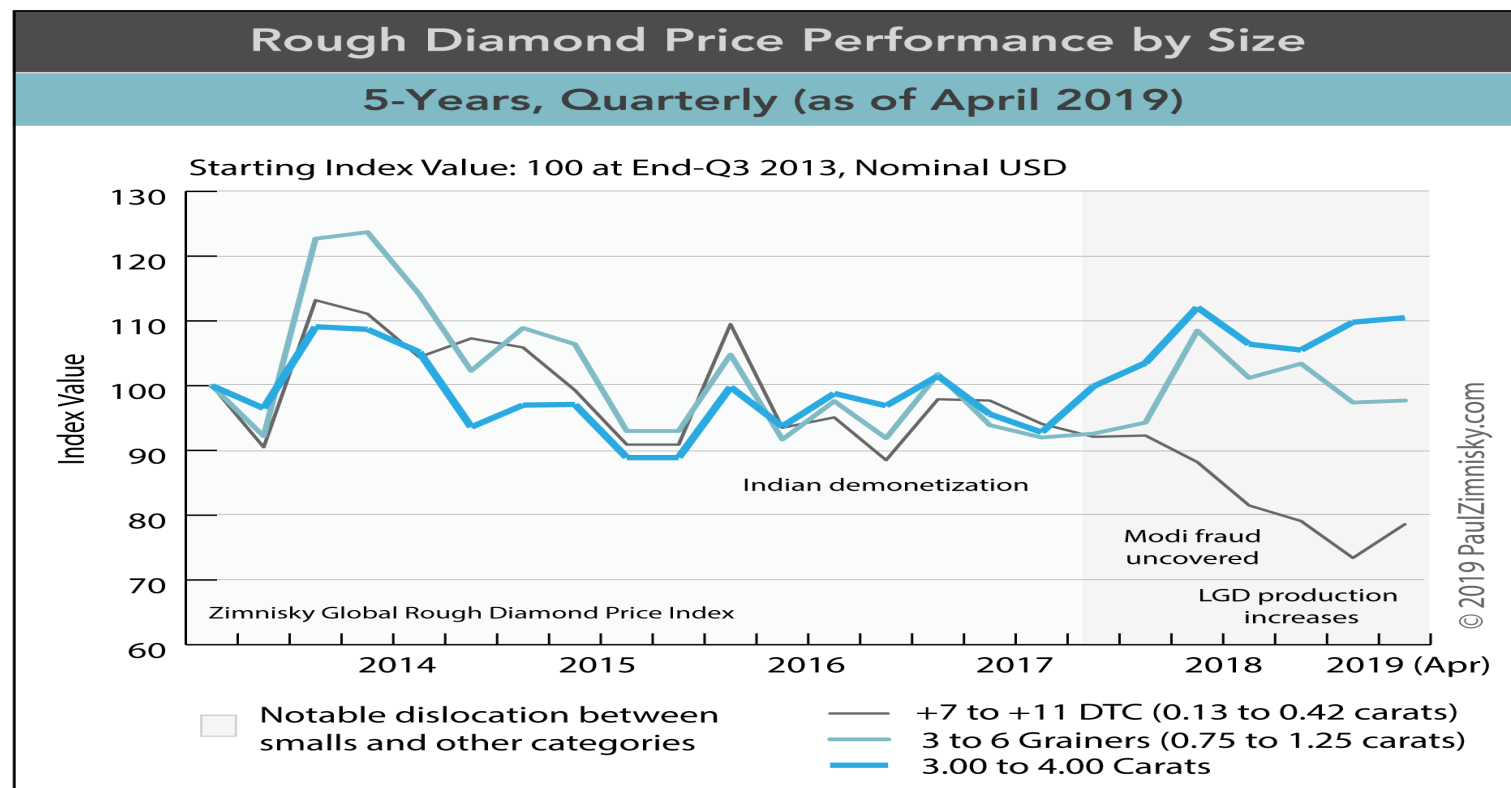
One year share price performance compared against peers



# Market Over Past 5 Years

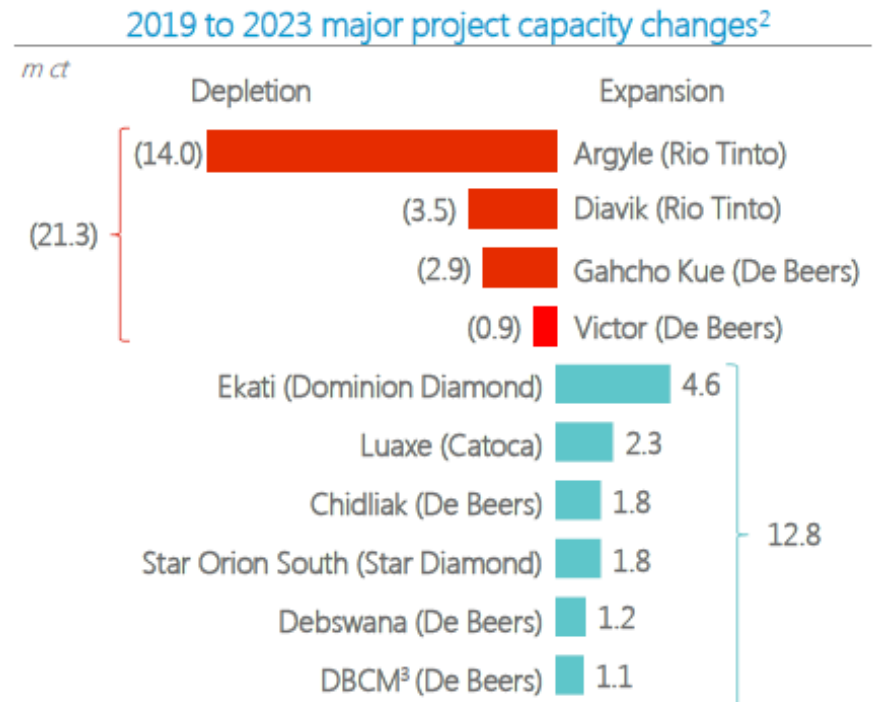
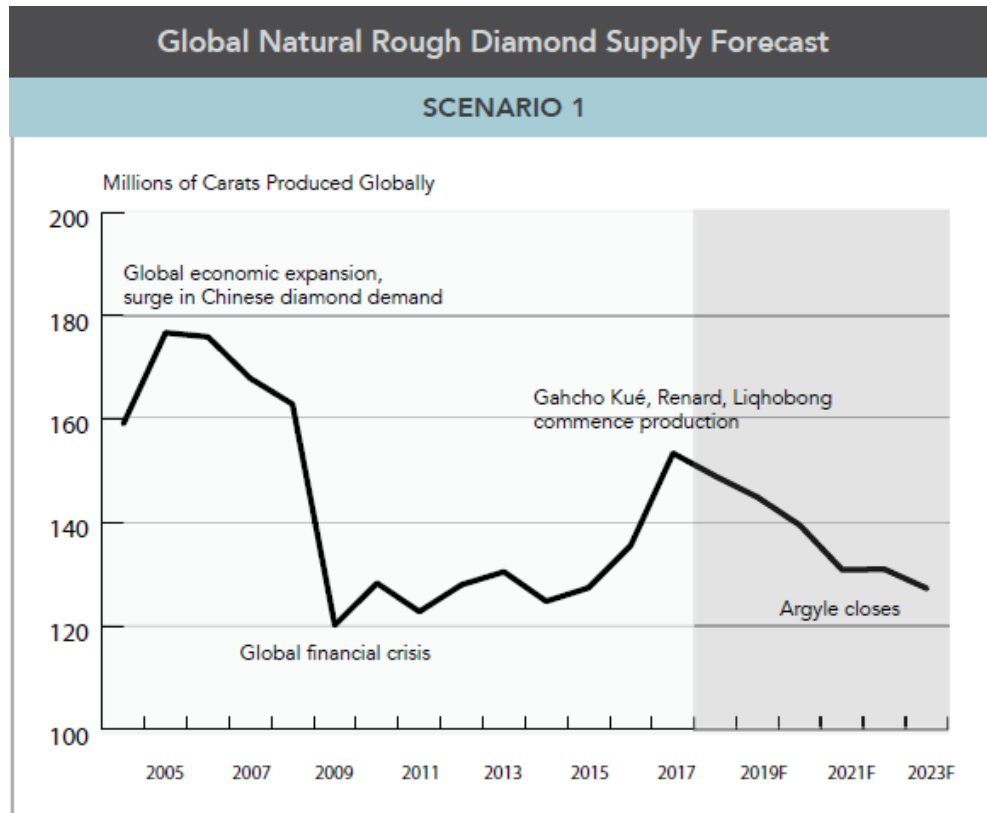


- Prices of larger goods have held up
- Smaller, lower quality goods under pressure due to:
  - Indian demonitisation event
  - Oversupply of smaller stones from new mines
  - Debt availability to midstream reduced
  - Perceived threat from LGD's



# Supply – Historic and Near Term

Dwindling supply of natural diamonds



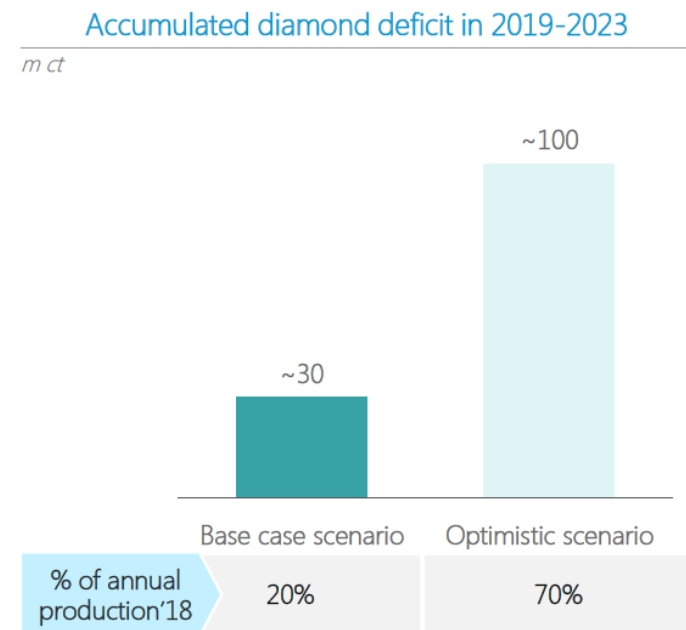
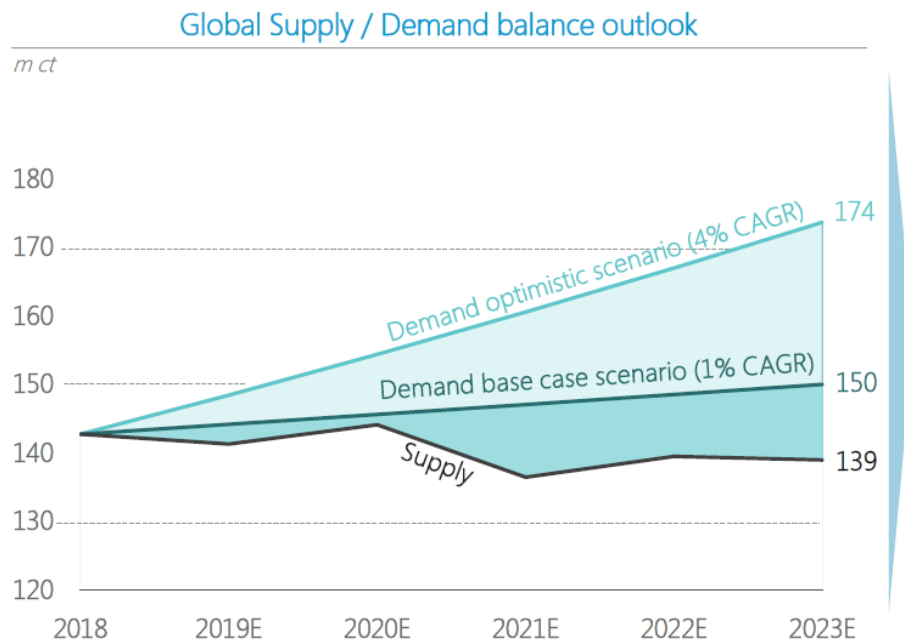
- Even in optimistic scenarios, rough diamond production is expected to decrease in short term (up to 2023) due to depletion of existing mines most notably Argyle mine in 2020/1 which produced around 14 Mct during 2018 of mostly low value stones
- Viability of new mines questionable



# Supply – Long Term

Demand is still expected to exceed supply in the longer term

- US expected to continue to lead demand for diamond jewellery with real GDP growth between 2 and 3%
- China and India are the major growth centres
- For rough prices to grow it is essential that demand for natural diamond jewellery is stimulated through effective marketing
- Paul Zimmisky predicts that at current diamond prices, the global portfolio of diamond mines will shrink from over 50 commercial mines today to an estimated 14 by 2040, consequently production in carat volume will fall from 145 million carats to roughly 60 million carats.



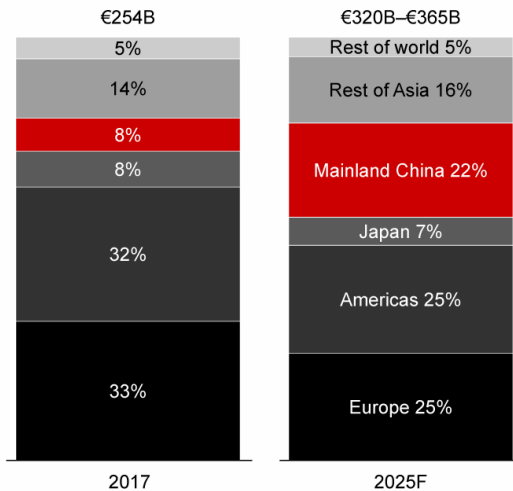
# Demand



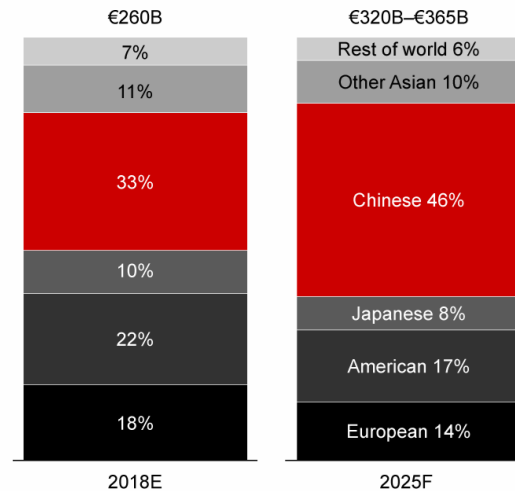
**Worldwide luxury market, 2018E**  
(€ billions)



**Share of global personal luxury goods market, by region**



**Share of global personal luxury goods market, by consumer nationality**



- Luxury market valued at ~ €1.2 trillion up 5% in 2018
- Diamond jewellery demand (US\$82bn) comprises 6% of total luxury market and 28% of personal luxury
- China and the Chinese consumers will continue to drive growth - the personal luxury market in China comprised only 8% of total in 2017
- Diamond jewellery growth as a % of the total luxury market depends on successful marketing campaigns focussed on Millennials and Generation Z in the key regions

# Demand

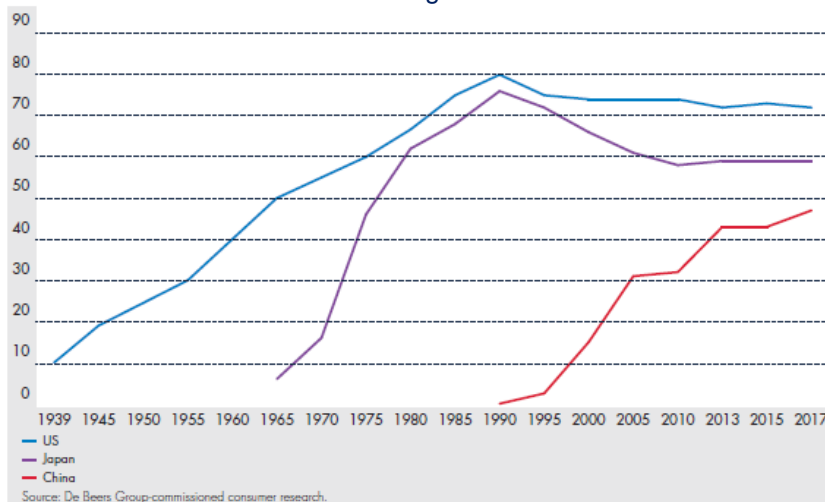


Bain expects market fundamentals to remain favourable for personal luxury goods (3 to 5% growth per year to 2025).

Trends that are likely to shape the market for personal luxury goods between now and 2025:

- Growth in Chinese consumer demand from 35% to 46%
- Growth in online purchase channel from 10% to 25%. Nearly all luxury purchases will be influenced by some form of online interaction.
- Younger consumers will be the primary engine for growth – Millennials and Generation Z
- Importance of cultures and subcultures (religious, ethnic etc.) in understanding consumer trends

**THE BRIDAL TRADITION**  
% Brides receiving a diamond



- The traditional bridal segment represents 27% of all diamond sales by value in the three main consuming countries – US, China and Japan
- In China nearly half (47%) of brides acquire diamond jewellery compared with a rate of more than 70% in the mature US market therefore considerable growth potential

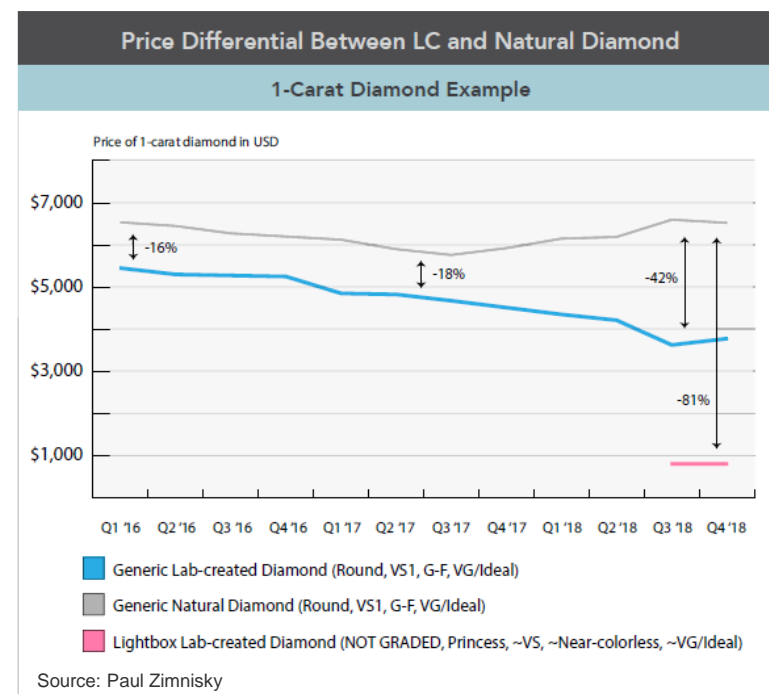


# Lab Grown Diamonds (LGD's)

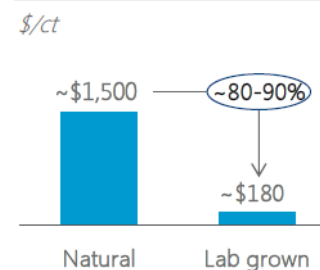


LGD prices are falling and will continue to fall:

- More supply expected especially from China
- Low barriers to entry due to technological innovation
- Retail price of gem-quality LGD's nearly halved over the last two years and is expected to decline further
- LGD's likely to follow the same trend as lab-grown gemstones in the 1990's (rubies, sapphires, emeralds)
- The introduction of Lightbox by De Beers is a successful intervention to accelerate market differentiation:
  - by setting a fixed price floor
  - highlighting the fact that LGD's are not unique
  - and are a mass produced factory product
- Over time it is believed that consumers will view LGD's as fashion jewellery



Price per carat discount  
(2017)<sup>2</sup>

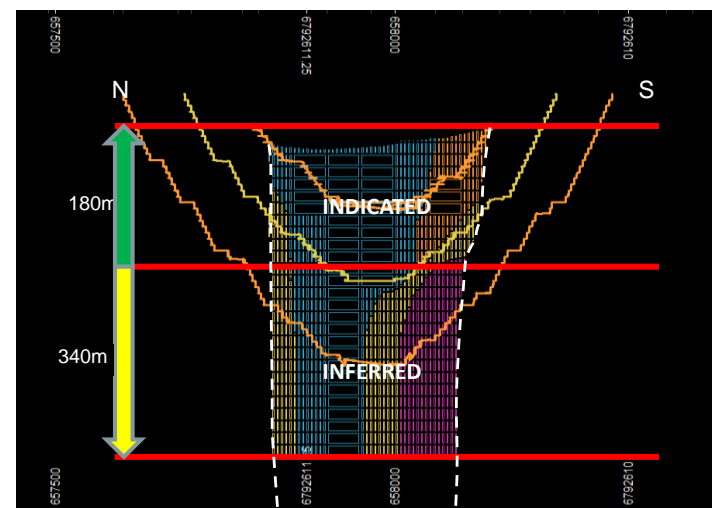
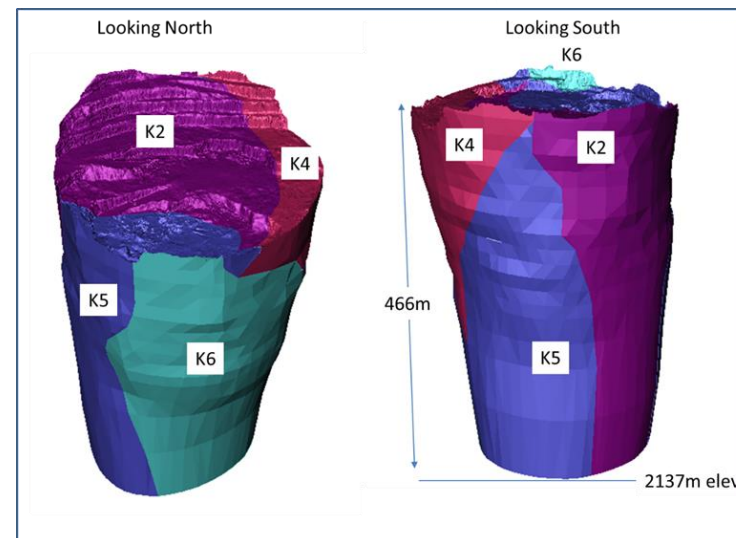


Natural Sapphire  
versus lab grown  
price comparison

# Liqhobong Upside Potential



- Large Mineral Resource – current LOM plan (cut 2) depletes only 38% of total resource tonnes. Two years to decide LOM extension (cut 3) based on slope angles, diamond price and exchange rate
- Market recovery – at current low share price and market cap, Firestone well positioned to take advantage of recovery in diamond prices
- Recoveries of special stones – as continue to mine deeper the possibility exists that the frequency of specials can improve
- Operational efficiencies – further improve plant throughput and availability
- XRT – investigate incidence of Type 2A stones that are potentially missed by X-ray technology
- Lesotho consolidation – highest grade mine in Lesotho with exemplary production record and low cost structure



- 6.5M carat Indicated Resource (at 1.25mm slotted BCO)
- 11.4M carat Inferred Resource (at 1.25mm slotted BCO)

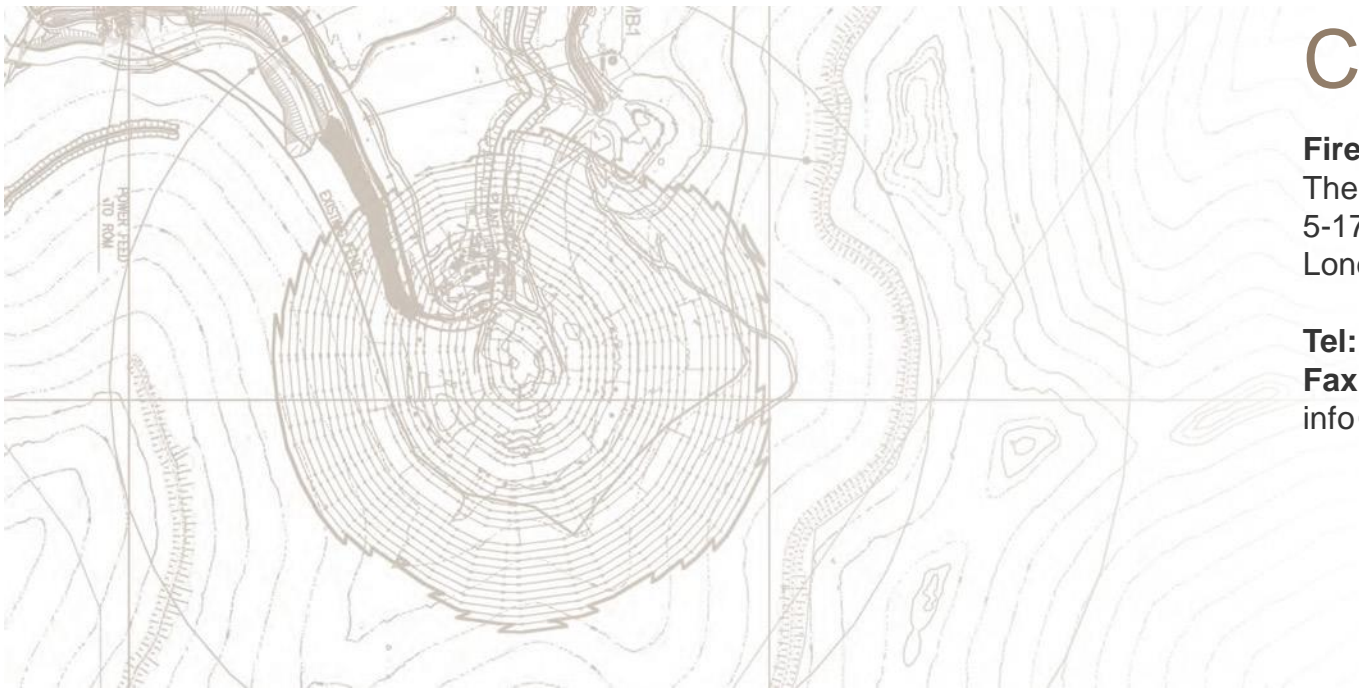
# Investment Summary



**Firestone Diamonds is currently undervalued and particularly well-positioned to benefit from a recovery in diamond prices as markets recover**

- Diamond market and rough pricing for smaller diamonds currently at a low point as reflected in most junior diamond company valuations
- Price recovery expected in the medium term as supply reduces and sustained consumer demand led by the US and growing in China and India
- Firestone's focus is to restructure balance sheet to ensure it can ride out the current subdued pricing environment and reap the benefit of a recovering market





## Contact Us

**Firestone Diamonds plc**

The Triangle  
5-17 Hammersmith Grove  
London W6 0LG

**Tel:** +44 (0)20 8741 7810

**Fax:** +44 (0)20 8748 3261

[info@firestonediamonds.com](mailto:info@firestonediamonds.com)

# APPENDIX: Firestone Diamonds capital structure



## Market information

	AIM: FDI
Daily average trading volumes (last 90 days)	102,811
Shares in issue	546,572,318
Free float	21.12%
Share price (29 March 2019)	2.375p
Market capitalisation (£)	12.98m

## Major shareholders (March 2019)

Shareholder	Shares	% O/S
RCF	152,571,645	27.91%
Pacific Road	151,976,333	27.81%
Edwards Family Holdings	63,472,355	11.61%
Sustainable Capital	59,128,295	10.82%
Other Shareholders	119,423,690	21.85%
<b>Total</b>	<b>546,572,318</b>	<b>100%</b>

## Directors and Officers

Paul Bosma	Chief Executive Officer
Lucio Genovese	Non-Executive Chairman
Ken Owen	Non-Executive Director
Eileen Carr	Non-Executive Director
Patrick Meier	Non-Executive Director
Niall Young	Non-Executive Director
Keith Johnson	Non-Executive Director
Grant Ferriman	Chief Financial Officer