Firestone Diamonds plc

Operations update

LONDON: 6 February 2012

Firestone Diamonds plc, ("Firestone" or the "Company") (AIM:FDI), the AIM-quoted diamond mining and exploration company, is pleased to provide an update on the Company's mining operations in Lesotho and Botswana.

HIGHLIGHTS

Liqhobong Mine, Lesotho

- Mining
  - Mining of K2, K4 and K5 ore types continuing as the Main Pipe pit develops
  - Construction of the tailings facility starter wall underway

- Plant No 1
  - Plant throughput increased from 0.4 million tonnes to 0.6 million tonnes per annum
  - Grade and mine call factors above target
  - Recovery of 3 large approximately 100 carat broken diamonds in plant
  - Increase in number of higher quality diamonds

- Plant 2
  - Definitive Feasibility Study on track for June 2012 completion

BK11 Mine, Botswana

- Production plant
  - Secondary crushing circuit installed and being optimised
  - Bulk sampling continues to confirm resource grades

  Technical challenges remain and management is currently considering various strategic alternatives

- Mineral Resource
  - Higher grade reserve blocks on Bench 5 exposed

Diamond Sales

- First tender of 2012 concluded on 3rd of February

- Tender well supported with 35 international diamond buyers attending and all stock available in the tender was sold
Tim Wilkes, CEO of Firestone Diamonds, commented: "We are very pleased with the performance of the plant at Liqhobong over the past 2 months. We are implementing a programme of continued improvement and enhancement to maximize the recovery of diamonds and we are confident that we will see positive results over the coming weeks. The performance of the mineral resource has been outstanding with respect to grade, mine call factor and diamond assortment. The recovery of three plus 100 carat diamonds, albeit broken, confirms Firestone's conviction that the resource has the ability to produce much higher value diamonds than recovered to date. These positive indicators bode well for Firestone as we shift our focus towards phase 2 of the project, being the development of a world class diamond mine and a purpose built plant facility.

Our recent diamond tender was very well attended and the prices we received for the higher quality stones indicate continued strong demand, whilst the near gem and smalls remain under pressure. We remain cautiously optimistic for the months ahead".

**Liqhobong Mine, Lesotho**

Continued good progress has been made at Firestone's 75% owned Liqhobong Mine in Lesotho.

**Mining**

Mining is now concentrated exclusively on the Main pipe as the pit and its benches are developed and regular blasting is undertaken. The current mine plan is focused on extracting maximum value out of mining the K4 and K5 units on the western side of the pipe and all indications are that these are the areas producing the bigger and better quality diamonds.

The K5 unit is the highest grade geological unit in the Main Pipe resource, with an average resource grade of 45 carats per hundred tonnes ("cpht") compared to the average resource grade of 28 cpht for the K2 and K4 kimberlite units that have been mined to date. As the K5 unit will be the primary focus for mining operations for the next two years, this bodes well for continued increases in production and diamond prices from Liqhobong.

**Plant No 1**

P100, the wet front end installed and commissioned during Q4 2011, has allowed the plant to treat much larger tonnages of the fines-rich K5 ore. Mine management is now implementing a programme of continued enhancement and the replacement of a number of the critical units in order to maximize tonnage throughput and value. A number of these have already been completed and have contributed to the higher than budgeted grades of 38 carats per hundred tonnes and mine call factors of 115% being recovered. A priority area of significant focus at present is to engineer out the components where the larger diamonds are being damaged or broken. Since late December 2011, three large approximately 100 carat gem diamonds have been recovered in fragments indicating breakage is occurring in the plant. The main areas currently being addressed are surge bin capacity feeding into the secondary and tertiary cone crushers. The Company has engaged the required specialists and personnel to expedite these
changes to the plant which should significantly reduce the amount of diamond damage and breakage in the coming weeks, and which will also have a marked beneficial effect on the value per carat of the diamonds recovered.

Plant No 2

DRA were contracted to recommence the Definite Feasibility Study ("DFS") in H2 of 2011 and good progress has been made around a number of the parallel work streams. The information emanating from the current plant, specifically around the treatment of the various ore types and their nuances, is critical to the ore-dressing studies and design of the final flow-sheet. The DFS is planned for completion in June 2012 and the Directors believe that when the DFS's recommendations are implemented, this will transform Liqhobong mine into a world class diamond operation.

BK11 Mine, Botswana

The project continues to encounter technical challenges with respect to the liberation of diamonds from the secondary crushing circuit of the plant.

Production Plant

Construction of the required civils and steelwork to tie-in the secondary crushers to the existing flow sheet was completed in November 2011, and installation and optimizing of the circuit continued for most of December and January. A major gearbox failure to the secondary scrubber limited progress over the holiday period. To date the crushing circuit is only partly effective, as increased recirculating load from the secondary crusher limits the amount of fresh ground that can be treated by the plant. These problems are being addressed whilst management considers a number of strategic options on the way forward for this project.

Mineral Resource

Bulk sampling of the K2 units exposed in the bottom of the pit on levels 4 and 5 in December 2011 returned grades of 8-10pct as predicted, and diamond recovery of the larger diamonds also improved whilst these units were being mined. Three large good quality diamonds of 7, 9 and 11 carats were recovered during this period.

Diamond Sales

The Company has recently held its first diamond tender of 2012 from January 23rd to 2nd February. The tender was well attended with 35 diamond buyers attending whilst 23 bids were submitted. The Company is pleased to announce that all of the diamonds on tender were sold.

The Company plans to hold its next diamond tender in mid March 2012.

A comprehensive update on the diamond sales and mine production data for the first quarter of 2012 will be provided in April, as outlined in the Company's announcement of 14 November 2011.
For further information, visit the Company's web site at www.firestonediamonds.com or contact:

Tim Wilkes, Firestone Diamonds +44 20 8834 1028 / +44 7831 324 645
+27 78 457 6623 / +267 713 77686

Rory Scott, Mirabaud Securities (Broker) +44 20 7878 3360

Robert Beenstock, N+1 Brewin +44 20 3201 3710

(Nominated Adviser)

Jos Simson / Emily Fenton, Tavistock Communications +44 20 7920 3150/+44 7899 870 450

Background information on Firestone Diamonds:

Firestone Diamonds plc is an international diamond mining and exploration company with operations focused on Lesotho and Botswana. Firestone operates the Liqhobong Mine in Lesotho and the BK11 Mine in Botswana. Firestone is also the largest holder of mineral rights in Botswana's diamondiferous kimberlite fields, controlling approximately 5,250 square kilometres around the major Orapamines, the majority of the Kokong kimberlite field and the entire Tsabong kimberlite field. In addition to Liqhobong and BK11, Firestone has 108 kimberlites in its portfolio, of which 30 have been proven to be diamondiferous and several are at the evaluation stage.

Lesotho is emerging as one of Africa's significant new diamond producers, and hosts Gem Diamonds' Letseng Mine, Firestone's Liqhobong Mine as well as the Kao and Mothae development projects. Botswana is the world's largest and lowest cost producer of diamonds, with annual production worth over $2.5 billion, and is considered to be one of the most prospective countries in the world to explore for diamonds.

This information is provided by RNS
The company news service from the London Stock Exchange