FIRESTONE DIAMONDS

2011

Firestone Diamonds plc
Annual Report & Accounts 2011

Firestone Diamonds plc is an emerging force in diamond mining in Africa, with a diversified portfolio of production, development and exploration stage projects.

Firestone operates the world class Liqhobong Mine in Lesotho and the BK11 Mine in Botswana. The planned expansion of production from Liqhobong is expected to move Firestone into the ranks of leading mid-tier diamond producers.

Firestone is the largest holder of diamond exploration rights in Botswana's diamondiferous kimberlite fields, controlling 174 kimberlites, of which 43 are diamondiferous.

Contents

Key statistics

Total resource

102 mt

2010 : **11 mt**

Contained value

$3.5 bn

2010 : **0.15 bn**

Diamond sales

$5 m

2010 : **nil**

Kimberlites in licence area

179

2010 : **95**

Diamondiferous kimberlites

45

2010 : **30**

2011 Highlights

Liqhobong Mine, Lesotho

Acquisition of Kopane Diamond Developments plc

- Acquisition completed in September 2010
- 91 Mt resource identified at an average grade of 34 cpht; contains 31 million carats with a gross value of $3.4 billion

Production Plant 1

- Grades and diamond quality from initial production in line with expectations
- Plant capacity expanded to 0.65 mtpa and further expansion in progress
- Q1 FY 2012 production increased 551% from Q3 FY 2011, to approximately 34,000 carats
- Expected revenue of approximately $45m pa, when full production capacity reached in Q4 FY 2012

Production Plant 2

- Planning for Plant 2 now at an advanced stage, with target capacity of 4.2 mtpa and annual production of $135m

BK11 Mine, Botswana

Mining

- Mining licence granted in July 2010
- 11.5 Mt of kimberlite to be mined at an average grade of 8.5 cpht
- Pre-stripping of overburden and low grade kimberlite completed in Q2 FY 2012
- Mining operations progressing well, with pit deepened to 50 metres
- Sampling from base of the mining pit indicates grades of 8-10 cpht, in line with resource grade

Production

- New secondary crushing circuit has significantly improved diamond liberation; circuit to be placed in line with scrubbing and DMS circuits in November 2011
- Q1 FY 2012 production increased 80% from Q3 FY 2011, to approximately 4,500 carats
- Significant increase in production expected as production increases to full operating capacity of 1.5 mtpa in Q4 FY 2012

Botswana Evaluation Projects

- Prospecting licences granted over Kokong kimberlite field, containing 68 kimberlites
- Firestone now holds prospecting licences containing a total of 174 kimberlites in Botswana, of which 43 are diamondiferous
- Potential for economic kimberlites to be identified is very good

Rough diamond market and diamond sales

- Four diamond sales held at the Company's tender office in Botswana since December 2010
- Prices increased to record highs in the first half of 2011, but have recently fallen back, primarily due to uncertainty in international financial markets
- Fundamentals remain positive, with demand from China and India and shortfall in supply expected to continue to support prices in the long term

Financial

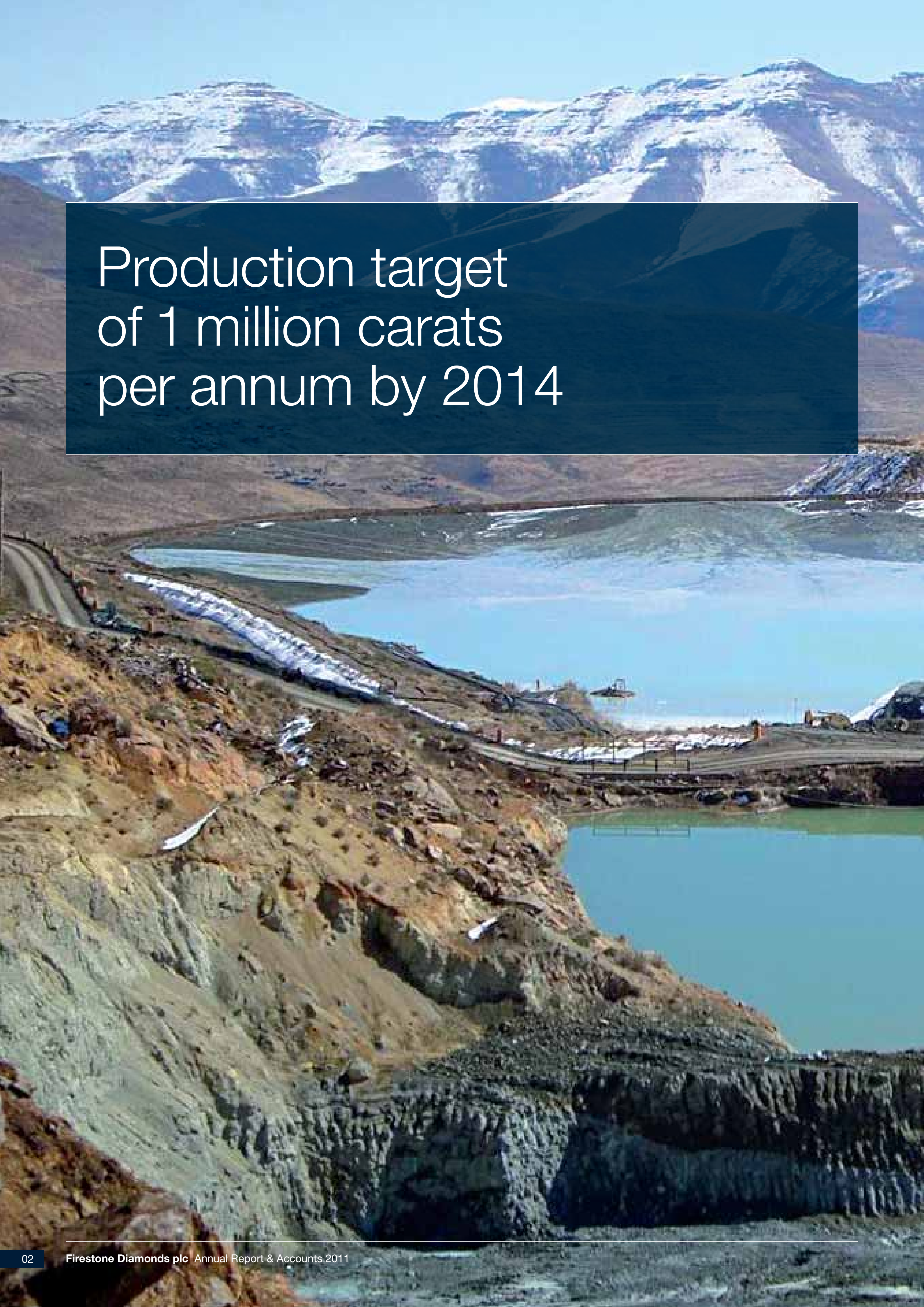
Financial

- £13 million raised in December 2010 and £13.5 million in August 2011 from share placements
- $6 million credit facility established with Standard Chartered Bank of Botswana
- Financial position secure, with $15m in cash and $3m in diamond stocks as of October 2011

Outlook

- Significant increases in production from BK11 and Liqhobong during FY 2012
- Rough diamond prices to recover in 2012 driven by long term shortfall in supply
- Target production level of 1 million carats per annum by 2014

Production target of 1 million carats per annum by 2014



Our strategy

Our short term objective is to increase diamond production to 1 million carats per annum by 2014.

Our long term objective is to identify new economic deposits within our portfolio of 174 kimberlites in Botswana.

Mines

Liqhobong
A world class resource, and one of the most attractive undeveloped kimberlite resources in the world. Production commenced in 2011.

BK11
Production commenced in July 2010.

Evaluation & development

BK16
Located close to BK11; high quality diamonds and encouraging grades recovered from historical work.

Orapa
Twenty two kimberlites located in the Orapa field, of which eight have been proven to be diamondiferous.

Tsabong
One of the largest diamondiferous kimberlite fields in the world, with 84 kimberlites discovered to date, of which 20 have been proven to contain diamonds.

Kokong
Also one of the largest diamondiferous kimberlite fields in the world, with 68 kimberlites discovered to date, of which 15 have been proven to contain diamonds.

Exploration

Tsabong and Kokong
prospecting licences covering an area of approximately 6,000 square kilometres in the Tsabong and Kokong fields, with potential for discovery of new kimberlites.

Focus on low risk, proven diamond producing regions

Botswana
Botswana is the world's largest and lowest cost producer of diamonds, with annual production worth approximately $3 billion, and is considered to be one of the most prospective countries in the world to explore for kimberlite – the primary source rock for diamonds. Botswana hosts Debswana's world class Orapa Mine and Jwaneng Mine.

Lesotho
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.

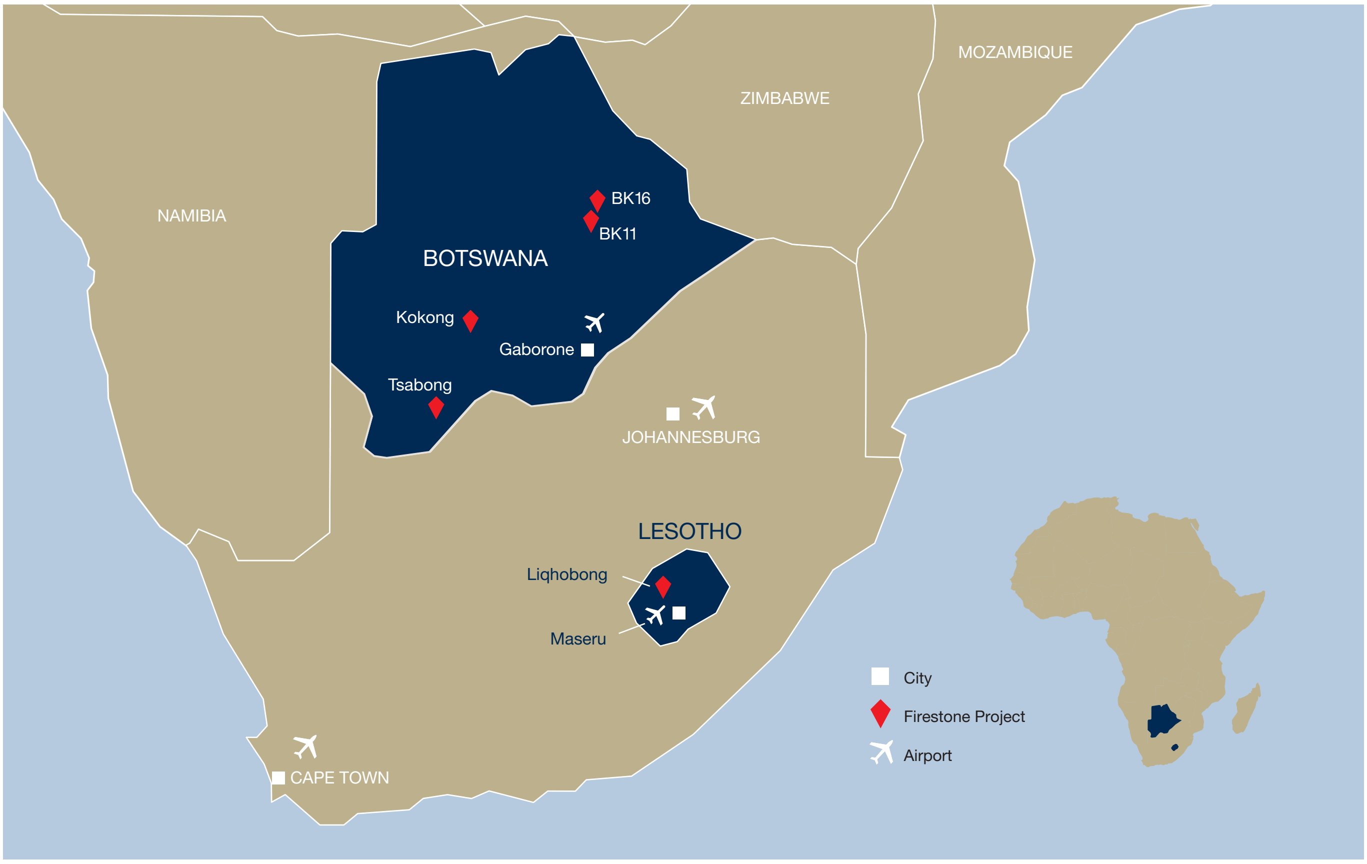
Proven operating capability

BK11
Progressed from grant of prospecting licence to mine development and commencement of production in three years.

Liqhobong
Restarted production within five months of acquisition.

South Africa
Developed and operated three diamond mines.

Tsabong
Discovered and evaluated 18 kimberlites.



Above Location of Firestone Projects

Chairman's statement

The past year has been a transformational one for Firestone and the most significant in the Company's history

Dear Shareholder

The past year has been a transformational one for Firestone and the most significant in the Company's history. The commencement in July 2010 of mining operations at the BK11 Mine in Botswana resulted in Firestone becoming one of only three junior listed kimberlite producers worldwide. In September 2010 Firestone completed the acquisition of Kopane Diamond Developments plc ("Kopane"). This acquisition gave Firestone control of the Liqhobong Mine in Lesotho, which we consider to be a world class asset and one of the most attractive undeveloped kimberlites in the world.

Liqhobong Mine, Lesotho

A resource of 91 million tonnes ("mt") has been identified at the Main Pipe at Liqhobong at an average grade of 34 carats per hundred tonnes ("cpht") and containing 31 million carats. With a contained value of approximately $3.4 billion, Liqhobong is considered by the Company to be one of the most attractive undeveloped kimberlites in the world. The Company owns a 75% interest in Liqhobong.

Plant 1 Production

Excellent progress has been made at Liqhobong since its acquisition in September 2010. Production commenced at Liqhobong in Q3 FY 2011 and Plant 1 reached its operating capacity of 0.4 million tonnes per annum "mtpa" on schedule in Q4 FY 2011. Construction work on the first phase of the planned Plant 1 expansion was completed during Q1 FY 2012, and, following a two month commissioning period, the target production capacity of 0.65 mtpa was reached in October 2011. The modifications made to the plant allow the processing for the first time of significant amounts of material from the higher grade K5 and K6 kimberlite units. Production grades have been in line with expectations, with current production grades averaging 37 cpht, which is 8% higher than the average resource grade of 34 cpht.

A summary of quarterly production data is provided below.

	Q3 FY 2011	Q4 FY 2011	Q1 FY 2012
Production plant throughput (t)	22,421	49,796	92,659
Production (cts)	5,210	18,158	33,930
Production grade (cpht)	23.2	36.5	36.6

In Q1 FY 2012 the Company retained Dowding Reynard and Associates ("DRA") to review the current Plant 1 design with the objective of optimising its throughput and efficiency and increasing production capacity. This work is now at an advanced stage and production is expected to increase each quarter until Plant 1 reaches its target capacity in Q4 FY 2012, at which point it is expected to generate revenue of approximately $45 million per annum.

The Company has awarded a contract to operate the production plant at Liqhobong to Minopex (Pty) Limited. Minopex is one of the leading specialists in the operation of mineral processing facilities in the coal, platinum and diamond industries in Southern Africa, and operates the processing plants at Gem Diamonds' Letseng Mine, and Namakwa Diamonds' Kao Mine in Lesotho.

Diamond Sales

Diamond values from the Main Pipe increased significantly during the year. The table below provides results from the first three sales from December 2010 onwards.

	Dec 2010	Apr 2011	Jul 2011
Main Pipe diamond value ($/ct)	$98	$130	$149

A further diamond tender was held in August 2011, but rough diamond prices were very volatile at the time due to uncertainty in global financial markets. Reserve prices for most of the smaller diamonds were not achieved at the tender and they were withdrawn.

Mining Operations
In Q3 FY 2011 Matekane Mining Investment Company (Pty) Limited, ("Matekane") was awarded a contract to undertake all mining and earth moving operations at Liqhobong. Matekane is one of the largest earthmoving and mining contractors in Lesotho, and is currently responsible for mining operations at Gem Diamonds' Letseng Mine.

Mining operations at the Main Pipe during the year were primarily focused on the lower grade K2 and K4 kimberlite units, which have an average grade of 28 cpht. Since the end of the financial year mining operations have been focused on the higher grade K5 unit, which will be the primary focus for mining operations for the next two years.

Plant 2 Development Plans
The Company has signed a letter of intent with DRA under which DRA will complete a Definitive Feasibility Study ("DFS") and commence detailed engineering studies for the planned 4.2 mtpa Plant 2 at Liqhobong. Work on the specifications and design for Plant 2 is progressing well. Plant 2 is expected to commence operation in 2013 and to generate revenue of $135 million per annum at full production.

Mine Infrastructure
Substantial work was carried out in Q1 FY 2012 to expand the current tailings dam capacity. The extensions to the tailings dam have been designed to be able to accommodate further capacity expansions to handle tailings from Plant 2 when it commences operation. A de-grit plant has also been erected and has resulted in significant improvements in management of tailings and water recovery from the tailings dam. Approximately 200,000 tonnes of kimberlite was mined during the year from the Satellite Pipe, which is now mined out and being used as a raw water storage dam to supply Plant 1. Significant work was undertaken during the year on the access road to Liqhobong. The road is greatly improved, and provides access for the large trucks that are required to transport equipment for the Plant 1 expansion to site.

BK11 Mine, Botswana
A mining licence for BK11 was granted in July 2010. Under the current BK11 mine plan approximately 11.5 mt of kimberlite is expected to be mined at an average grade of 8.5 cpht, giving total production of approximately 1 million carats over a 10 year mine life. The Company owns a 90% interest in BK11.

Mining Operations
Mining operations during Q1 and Q2 FY 2011 were primarily focused on pre-stripping of overburden and low grade kimberlite. Pre-stripping was completed in December 2010, following which the first kimberlite ore was available for processing. Mining operations have progressed well since then and the floor of the pit has now been deepened to bench 5 at a depth of 50 metres.

Production
Commissioning of the production plant was carried out using low grade kimberlite from the pre-stripping that was carried out up to December 2010. Results from processing of the first ore that was available in Q3 FY 2011 indicated that the crushing and scrubbing circuits were providing insufficient diamond liberation, with up to 70% of head feed reporting to the oversize stockpile and only 30% reporting to the DMS. A secondary crushing circuit based on mobile crushers was designed to address these problems and testing of this circuit commenced in July 2011. Significant increases in diamond liberation and grade have been achieved with this circuit, and it is now planned to place the secondary crushing circuit in line with the current scrubbing and DMS circuits. This work will be completed in November 2011.

While recovered grades have been low due to the crushing and diamond liberation problems, based on the percentage of head feed reporting to the oversize stockpile the average grade of the ore that has been processed is estimated to be 8 cpht. This estimate has been confirmed by the processing of large samples of ore through the BK11 bulk sampling plant, which has an in line secondary crushing circuit. The results from the bulk sampling plant indicate grades of 8-10 cpht, which is in line with the resource grade of 8.5 cpht.

Significant increases in production expected at both Liqhobong and BK11 during the coming year

A summary of production data since processing of ore commenced in January 2011 is provided below.

	Q3 FY 2011	Q4 FY 2011	Q1 FY 2012
Production plant throughput (t)	118,745	212,479	185,009
Production (cts)	2,508	1,812	4,523
Recovered grade (cpht)	2.1	0.9	2.4
Estimated ore grade (cpht)1	7	3	8

Note: 1. Estimated ore grade is calculated based on 70% of head feed reporting to the oversize stockpile and 30% reporting to the DMS.

The production plant is currently operating at a capacity of 1 mtpa and following completion of the final work on the secondary crushing circuit is expected to reach its full operating capacity of 1.5 mtpa in Q4 FY 2012.

Diamond Sales

Diamond values from BK11 increased significantly during the year. The table below provides results from the first three sales from December 2010 onwards.

	Dec 2010	Apr 2011	Jul 2011
BK11 diamond value ($/ct)	$177	$230	$235

Reserve prices for smaller, lower quality diamonds from BK11 were also not achieved at the August 2011 tender and they were withdrawn.

Mine Infrastructure

The connection to the new power line being constructed by Botswana Power Corporation is expected to be completed in Q2 FY 2012. This is expected to result in both lower costs and improved production plant availability.

Botswana Evaluation Projects

Since the end of the financial year the Company has been granted prospecting licences over the Kokong kimberlite field in Botswana. Firestone now holds prospecting licences containing a total of 174 kimberlites in Botswana - 22 in the Orapa field, 84 in the Tsabong field and 68 in the Kokong field - of which 43 have been proven to be diamondiferous. The Company considers the results from exploration and evaluation work carried out by it and other companies in these areas to be very encouraging, and that the potential for economic kimberlites to be identified is very good.

While the primary focus in the short term will continue to be on completing the expansion projects and reaching target production levels at Liqhobong and BK11, the Company intends to use cash flow from its mining operations to evaluate these kimberlites with the objective of identifying additional resources that can be developed and brought into production. This work is expected to commence in 2012.

Diamond Sales

During the year a diamond sorting and sales facility was constructed at the Diamond Technology Park in Gaborone, Botswana. Diamonds from Liqhobong and BK11 are sold by competitive tender at this facility. The first tender was held in December 2010, and a total of four tenders have been held to date.

Rough diamond prices increased strongly during the year, rising approximately 40% in the six months to June 2011, driven largely by significant growth in demand from China and India. The uncertainty in global financial markets since August 2011 has resulted in significant volatility in the rough diamond market, and prices have dropped by about 30% from their highs in July 2011. The Company's last tender, which commenced in August 2011, was affected by this volatility, and the majority of the diamonds offered for sale did not achieve reserve prices and were withdrawn.

Prices now appear to have stabilised and it is expected that De Beers and Alrosa, who are the two largest diamond producers in the world, will limit their volume of sales in the short term in order to promote a stable pricing environment. The Company remains positive about the fundamentals of the diamond market, as long term demand is expected to continue to outstrip supply.

The schedule for and frequency of diamond sales in 2012 has not yet been finalised, but will be determined by both market conditions in the rough diamond market and production levels at Liqhobong and BK11. Results of diamond sales will in future be announced on a quarterly basis after the end of each quarter.

Financial

The acquisition of Kopane was the most significant event during the year. The acquisition was implemented by way of the issuance of 0.4657 Firestone shares for every Kopane share, which resulted in Kopane shareholders being issued with shares equivalent to 52% of the Company's enlarged share capital at the time. The financial accounts for the year reflect the consolidation of the Kopane accounts from the acquisition date of 29 September 2010. Revenue generated during the year was from both Liqhobong and BK11.

In December 2010 the Company raised £13 million to finance the recommencement of production at Liqhobong. In August 2011 the Company raised a further £13.5 million, primarily to support and accelerate the expansion of production capacity at Liqhobong. During the year the Company agreed terms with Standard Chartered Bank of Botswana for a $6 million, three year, 6.5% fixed rate credit facility. This facility was drawn down in June 2011. Discussions have also commenced with a number of banks in respect of a debt facility to finance the construction of Plant 2 at Liqhobong.

The Company intends to take a cautious approach to further capital commitments until it is clear that sufficient stability has returned to both international financial markets and the rough diamond market. In the meantime, the Company's financial position remains secure, with $15 million in cash and diamond stocks with an estimated value of $3 million as of October 2011.

Board

A significant number of changes were made to the Company's Board of Directors during the year, with three new directors being appointed and two resigning. Philip Kenny, who had been Chief Executive Officer of the Company since it was admitted to AIM in 1998, was appointed as Executive Chairman, and Tim Wilkes, who had been Chief Operating Officer of the Company since 2005, was appointed to the Board as Chief Executive Officer. Angus Ogilvie was appointed as Finance Director and Paul Sobie was appointed as a Non-executive Director. A further Non-executive Director appointment is also currently being considered. The Board has been significantly strengthened by these changes and is now well positioned to provide the guidance needed as the Company makes the transition to becoming a significant mid-tier diamond producer.

Outlook

With a world class asset at the Liqhobong Mine and a portfolio of exciting kimberlite projects in Botswana, significant increases in production expected at both Liqhobong and BK11 during the coming year, and a very favourable long term outlook for diamond prices, we believe that Firestone's prospects are better than at any time in its history and that the Company is well positioned to reach its target of producing 1 million carats per annum by 2014.

PKenny

Philip Kenny
Executive Chairman
11 November 2011

Project overview Mines

Liqhobong Mine

- 9 hectare kimberlite
- Located in northern Lesotho
- Resource of over 90 Mt at a grade of 34.3 cpht, containing 31 million carats
- Diamonds valued at over $110 per carat, giving a gross in-situ value of $3.4 billion
- Production commenced in 2011
- Production target of 1 million carats per annum by 2014

The Liqhobong Mine in Lesotho is Firestone's principal asset, and was acquired as a result of the acquisition of Kopane Diamond Developments plc in September 2010.

Liqhobong is located at the head of the Liqhobong Valley in the Maluti Mountains of northern Lesotho and is operated by Liqhobong Mining Development Company (Proprietary) Limited "LMDC", which is 75% owned by Firestone and 25% owned by the Government of Lesotho. Liqhobong is considered to be one of the largest and most attractive undeveloped kimberlite resources in the world. The Letseng Mine, which is operated by Gem Diamonds Limited, and a number of other kimberlites that are currently undergoing evaluation by other companies, including the Kao and Mothae kimberlites, are located close to Liqhobong.

The Liqhobong Mine is comprised of the Main Pipe and the Satellite Pipe, which cover areas of 8.5 hectares and 0.8 hectares, respectively. LMDC has been granted a mining lease covering an area of 390 hectares in respect of both pipes which expires in August 2017, but is then renewable for a further ten years.

A substantial resource of over 90 Mt at an average grade of 34.3 carats per hundred tonnes containing 31 million carats has been identified at the Main Pipe at Liqhobong by independent mining and geological consultants, ACA Howe Limited. With run of mine production valued at US$110 per carat (October 2011 estimate), this gives a gross in-situ value of $3.4 billion.

With expected revenues of $38/t and estimated operating costs of $12/t for a large scale kimberlite mining operation in Lesotho, this provides an indication of the significant economic potential at Liqhobong.

Firestone recommenced production at the Main Pipe in February 2011 and is in the process of increasing the capacity of the Number 1 plant to 1.3 million tonnes per annum (mtpa). Planning for the development of a 4 mtpa Number 2 plant at Liqhobong in 2014 is now at an advanced stage.

Liqhobong development history

Pre 2000

1950's

Liqhobong discovered

1990's

Frst large scale evaluation programme undertaken

2005 – 2010

Production commenced at Satellite Pipe in 2005

Definitive Feasibility Study for development of Main Pipe commenced in 2007

Production suspended at Satellite Pipe in 2008

Acquired by Firestone in 2010

2011

Production restarted by Firestone

2012+

Definitive Feasibility Study on Main Pipe to be completed in 2012

Target production of 1 million carats per annum by 2014

Top Liqhobong Plant

Left Vivid Yellow 13.32ct Diamond.

Middle Aerial View of Liqhobong Mine

Project overview Mines

BK11 Mine

- 8 hectare kimberlite
- Located in the centre of Orapa kimberlite field in northern Botswana
- Resource of over 11 Mt at a grade of 8.5 cpht, containing 1 million carats
- Diamonds valued at over $160 per carat, giving a gross in-situ value of $150 million
- Production commenced in July 2010

The BK11 Mine is located in the Orapa kimberlite field in northern Botswana, approximately 7 kilometres north-west and 20 kilometres south-east of De Beers' Letlhakane and Orapa mines, respectively, and approximately 5 kilometres of the new mine being developed by Lucara Diamond Corporation at the AK6 kimberlite. The surface area of BK11 is estimated to be eight hectares. Firestone owns a 90% interest in BK11.

A resource of over 11 Mt at an average grade of 8.5 carats per hundred tonnes containing 1 million carats has been identified at BK11 by independent mining and geological consultants, MPH Consulting Limited. With run of mine production valued at US$160 per carat (October 2011 estimate), this gives a gross in-situ value of $150 million.

BK11 development history

2007
Evaluation
Licence awarded to Firestone

Very good results from initial evaluation work in 2007 and 2008

2009
Development
Mine development decision made and mine development work commences

2010
Production
Production commenced July 2010

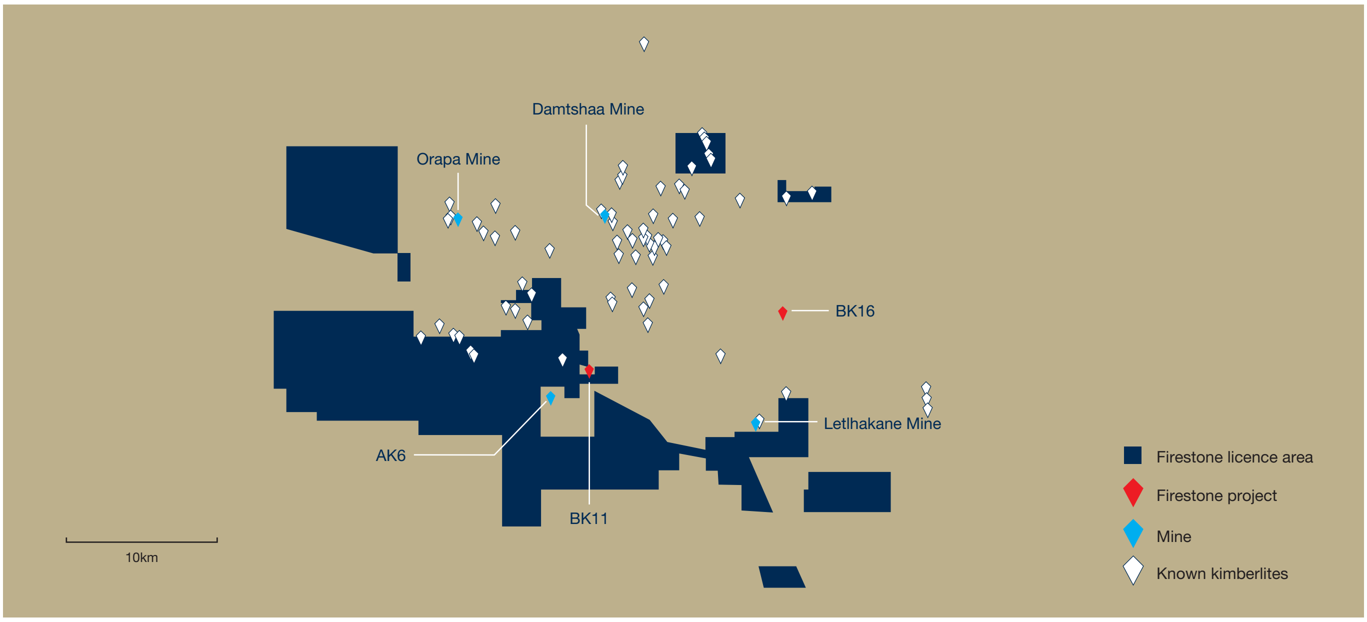
2011
Full production capacity

Top BK11 Pit

Opposite BK11 Mine

Left BK11 Diamonds

Middle BK11 Workers



BK16 and Orapa satellite kimberlites

- BK16 – located close to BK11
  - high quality diamonds and encouraging grades recovered from historical work
- Orapa satellite kimberlites
  - Twenty kimberlites located in the Orapa field, of which 7 have been proven to be diamondiferous

Firestone intends to use the infrastructure that has been established at BK11 to evaluate the economic potential of BK16 and the Orapa satellite kimberlites rapidly and at relatively low cost. The Company believes that there is potential to develop a sizeable satellite mining operation in the Orapa area based around these kimberlites.

BK16 Mine

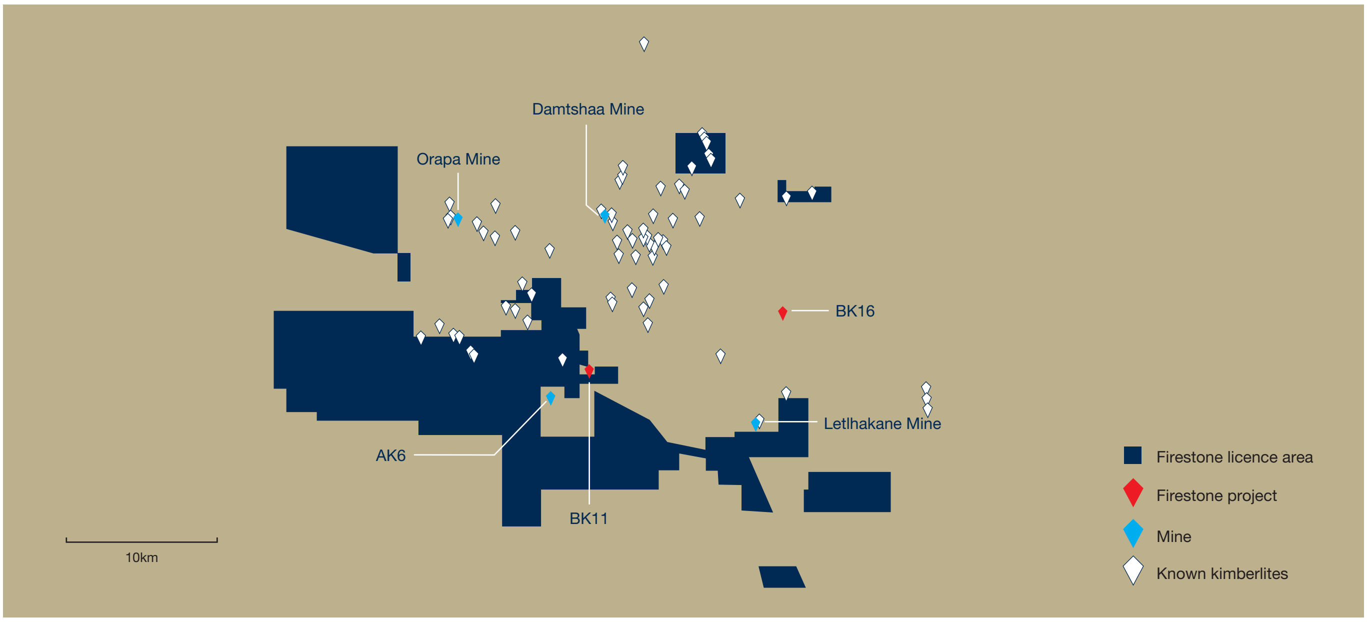
Firestone has a joint venture agreement with SouthernEra, a subsidiary of Mwana Africa plc, under which it can acquire an 87.5% interest in the BK16 kimberlite in return for carrying all costs to completion of bankable feasibility. BK16 is situated approximately 22 kilometres north east of BK11. It was discovered by De Beers in the 1970's and a grade of 15 cpht was reported from bulk sampling.

Limited work has been carried out on BK16 since then, until SouthernEra acquired control of the project in 2007. SouthernEra carried out high resolution ground geophysical surveys and drilled 19 core and percussion holes totalling approximately 2,300 metres. Based on this work, BK16 is estimated to be a minimum of 3.5 hectares in size and to contain approximately 17 million tonnes of kimberlite to a depth of 200 metres. Diamonds recovered by the limited sampling carried out by SouthernEra and others has recovered predominantly high quality, white gemstones, with few industrial diamonds. This indicates that diamonds from BK16 are likely to have a high average value.

Orapa satellite kimberlites

Firestone controls 20 other kimberlites in the Orapa kimberlite field close to the BK11 Mine, of which 7 have been proven to be diamondiferous. Some of these kimberlites are 100% owned by Firestone and some are controlled through a joint venture with Tawana Resources NL, under the terms of which Firestone can earn an 85% interest.

Orapa Mine (Debswana)



Tsabong

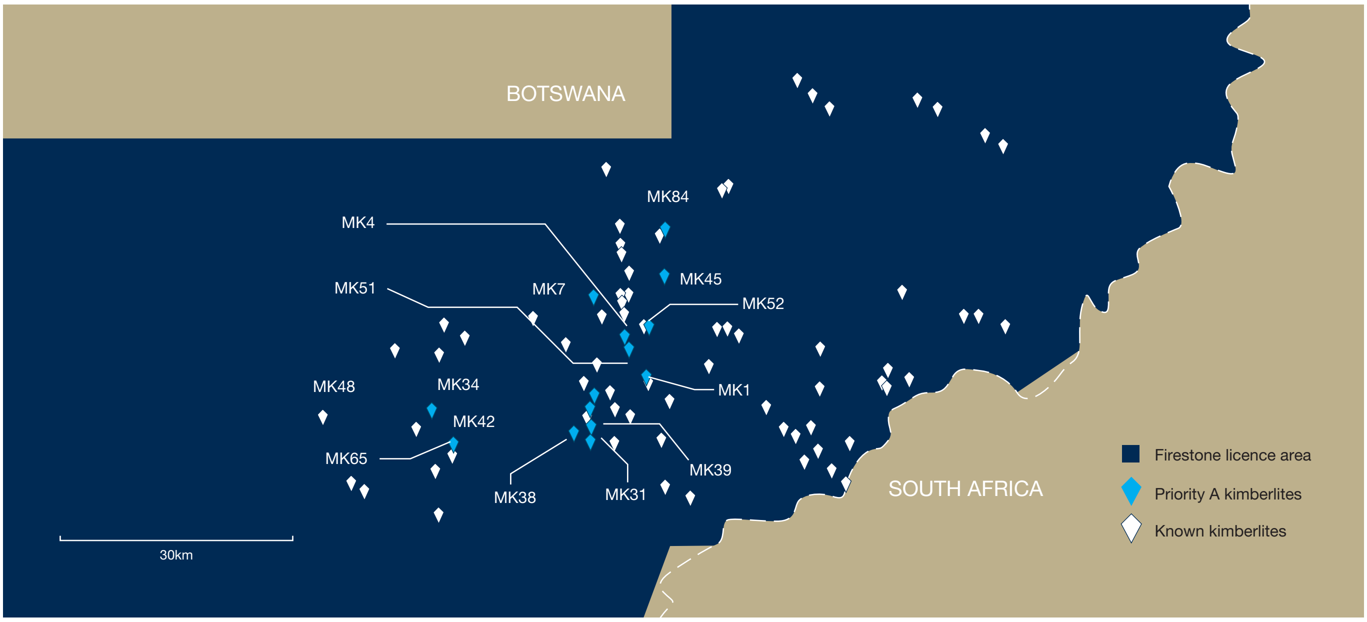
- Covers 5,000 square kilometres and the entire Tsabong field
- Contains 84 kimberlites, 20 diamondiferous
- 146 hectare MK1 is one of the largest known diamondiferous kimberlites
- Expect number of kimberlites in the Tsabong field to reach more than 100

The Tsabong kimberlite field is located in south western Botswana, approximately 280 kilometres south west of the Jwaneng Mine, which is the world's most profitable diamond mine, producing over $2 billion revenue and over $1.8 billion operating profit per annum. The Tsabong project extends over an area of approximately 4,000 square kilometres, and covers the entire Tsabong kimberlite field. Firestone owns a 100% interest in the Tsabong project.

Tsabong is one of the largest diamondiferous kimberlite fields in the world, with 86 kimberlites discovered to date, of which 20 have been proven to contain diamonds.Tsabong is noted for the exceptionally large size of many of its kimberlites, in particular the 146 hectare MK1 kimberlite, which is one of the largest known diamondiferous kimberlites. Substantial work has been carried out at Tsabong by Firestone, the results of which indicate that the Tsabong kimberlite field is located in a similar geological setting to the major Jwaneng Mine and that it has the potential to contain economic large sized diamondiferous kimberlite deposits.

The Tsabong field also contains 5 kimberlites larger than 50 hectares and 32 kimberlites between 20 and 50 hectares in size. Work at Tsabong has been primarily focused on 14 high interest kimberlites that were selected on the basis of diamond content, kimberlite indicator mineral ("KIM") chemistry and size. A programme of 17,000 metres of core and percussion drilling has been undertaken on these kimberlites to obtain material for detailed microdiamond, KIM chemistry and petrographic analyses. Exploration at Tsabong will target approximately 80 well defined geophysical anomalies that have been identified by interpretation of aeromagnetic survey data over the area and the likelihood of new discoveries being made is very good.

Tsabong Bulk Sampling Plant



Project overview Evaluation and Development

Kokong

- Covers 1,000 square kilometres and the majority of the Kokong field
- Contains 68 kimberlites, 15 diamondiferous
- Kimberlite K295 considered to be of high interest

The Kokong kimberlite field is located in south western Botswana, approximately 200 kilometres west of the Jwaneng Mine, which is the world's most profitable diamond mine, producing over $2 billion revenue and over $1.8 billion operating profit per annum. The Kokong project extends over an area of approximately 1,000 square kilometres, and covers the majority of the Kokong kimberlite field. Firestone owns a 100% interest in the Kokong project.

Kokong is one of the largest diamondiferous kimberlite fields in the world, with 76 kimberlites discovered to date, of which 68 are located in Firestone's licence area and 15 have been proven to contain diamonds. A limited amount of microdiamond and macrodiamond sampling has been carried out at Kokong by Rio Tinto and others. This work has confirmed that 18 of the kimberlites in the Kokong field are diamondiferous.

Firestone considers the results from a number of the kimberlites to be very encouraging and that the potential for economic kimberlites to be present in the Kokong field is good. Kimberlite K295 is considered to be of high interest, having produced good indicator mineral geochemistry and been proven to contain macrodiamonds by limited percussion drilling and sampling. There are in excess of 200 geophysical targets that have not yet been drilled and the potential for the discovery of new kimberlites in the area is believed to be very good.

Exploration Drilling in Botswana

Directors and Senior Management

Philip Kenny, B.E., M.B.A., Executive Chairman
Philip Kenny is a graduate in Mechanical Engineering from University College, Dublin, and holds postgraduate qualifications in Engineering from Trinity College, Dublin and a Master of Business Administration in Finance from Boston College, Massachusetts. He has twenty five years' experience in the mining and oil and gas sectors in Europe, Africa and the US, and has worked for more than fifteen years in the diamond mining and exploration business.

Tim Wilkes, B.Sc., Chief Executive Officer
Tim Wilkes is a graduate in geology from Kingston University, England and has over 26 years experience on kimberlite and alluvial diamond exploration, evaluation and mining projects worldwide. He spent 18 years with De Beers, where he was General Manager - Mineral Resource Management with responsibility for the management of De Beer's mineral resource portfolio worldwide, and was the Competent Person responsible for the evaluation, classification and reporting of the company's mineral resources and reserves. He is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).

Angus Ogilvie, B.Compt., Finance Director
Angus Ogilvie is a graduate in Accounting Science from the University of South Africa. He has thirteen years' experience in the mining sector in Africa, including five years with Debswana and three years with Stellar Diamonds plc. Mr Ogilvie has worked as an accountant in Botswana for Debswana and Botswana Ash and in South Africa for Deloitte, Dunlop and Wilkinson Sword. He has also worked in the UK as a stockbroker for Edward Jones and in senior financial management roles for companies including Elsevier, Beko and Siemens.

Michael Hampton, B.A., Non Executive Director [1, 2]
Mike Hampton holds a Bachelor of Arts degree from Harvard University. He has an extensive background in financing in the mining, commodities and shipping sectors. He spent 20 years at Chase Manhattan Bank and Swiss Bank in New York, Hong Kong, London and Chicago and has been involved in raising start-up and development capital for clients in the mining sector for over 15 years.

James Kenny, B. Comm., M.B.S., Non-executive Director [1, 2]
James Kenny holds a Bachelor of Commerce (Honours) and a Master's Degree in Finance from University College, Dublin. He has over 20 years' investment banking and corporate experience in the natural resources sector, He has worked in corporate finance in NatWest and is a former Director of ABN AMRO Corporate Finance and ABN AMRO Rothschild. He was the founder and former Chief Executive of Evolution Capital Limited, now part of Evolution Securities Plc and is currently Chief Executive of Frontier Rare Earths Limited.

Paul Sobie, B.Sc., P.Geo., Non-executive Director
Paul Sobie is a graduate of Laurentian University, Sudbury, Canada. He is an economic geologist specializing in the exploration and evaluation of diamond deposits, which included the initial economic evaluations of the Liqhobong kimberlites in Lesotho. He has over 20 years' professional experience, including extensive project development for clients in both the junior and senior mining sectors and with a particular focus on Southern Africa. He is currently President and Managing Partner of MPH Consulting Limited of Toronto, Canada, an international mineral exploration, geological and geophysical consultancy. He is a practising member of the Association of Professional Geoscientists of Ontario.

William Douglas Baxter, M.A., M.A.I., Non-executive Director [1]
Doug Baxter holds a Masters degree in Engineering from Trinity College, Dublin, and is a Fellow of both the Institution of Civil Engineers of Ireland and of the Institution of Civil Engineers (UK). He has over 35 years experience with Ove Arup & Partners and other companies in major engineering projects in Europe, Asia, the Middle East and Africa.

[1] Member of remuneration committee [2] Member of audit committee

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2011.

Results and dividends
The Group made a loss after taxation of £3,113,000 (2010: loss of £2,406,000). Further details are shown in the consolidated statement of comprehensive income on page 22.

The Directors do not recommend a dividend (2010: nil).

Principal activities
The principal activity of the Group was diamond exploration and mining in Southern Africa. The principal activity of the Company was that of a holding company. On 29 September 2010 the Group acquired Kopane Diamond Developments plc ("Kopane"), whose principal activity is diamond exploration and mining in Lesotho. Kopane's operations have been integrated into the Group's activities in Southern Africa.

Review of the business
A detailed review of the business and future developments of the business is included within the Chairman's statement on page 6 and the Project overview on page 10.

Capital structure
At 1 July 2010 the Company's issued share capital comprised 127,891,637 ordinary shares of £0.20 ("Ordinary Shares"). On 29 September 2010 the Company issued 140,413,477 ordinary shares of £0.20 at a price of 28.75 pence per share pursuant to the acquisition of Kopane. On 3 December 2010 the Company raised £13 million through a financing which resulted in the issuance of a further 52,000,000 Ordinary Shares at an issue price of 25p. Following the acquisition of Kopane, members of the Kopane employee share option scheme were granted replacement options in the Company exercisable at 21.47p for each Ordinary Share. Pursuant to this arrangement, on 14 December 2010 the Company issued 438,177 Ordinary Shares, on 24 December 2010 the Company issued 46,570 Ordinary Shares, on 8 March 2011 the Company issued 2,359,275 Ordinary Shares and on 6 May 2011 the Company issued 814,975 Ordinary Shares to former Kopane employee share option scheme members. See note 33 for more information on the acquisition of Kopane.

On 28 July 2011 the Company announced that it intended to raise up to £13.5 million through the issue of 48,649,000 Ordinary Shares at an issue price of 27.75p. Pursuant to this arrangement on 3 August 2011 28,865,000 Ordinary Shares were issued and on 31 August 2011, following the approval at a general meeting of the Company held on 30 August 2011, a further 19,784,000 Ordinary Shares were issued.

The number of Ordinary Shares in issue is 372,613,111.

At 11 November 2011 the Company had been notified of the following interests in the issued ordinary share capital:

	Shares	%
Henderson	**39,115,206**	**10.50**
Audley Capital Management Limited	**36,562,584**	**9.81**
Legal & General Group PLC	**32,613,035**	**8.75**
JP Morgan Asset Management	**26,587,826**	**7.14**

Directors
The directors who served during the year were as follows:

P Kenny	- Executive Chairman (Chief Executive Officer until appointment as Chairman on 30 March 2011)
T Wilkes	- Chief Executive Officer (Appointed 30 March 2011)
A Ogilvie	- Finance Director (Appointed 3 May 2011)
M J Hampton *1 2	- Non-executive Director (Acting Chairman from 24 December 2010 to 29 March 2011)
J Kenny jnr *1 2	- Non-executive Director
W D Baxter *1	- Non-executive Director
P Sobie	- Non-executive Director (Appointed 20 June 2011)
J F Kenny	- Chairman (Resigned 23 December 2010)
H C D Jenner-Clarke	- Non-executive Director (Resigned 23 December 2010)

*1 Member of the remuneration committee
*2 Member of the audit committee

Directors' interests in the Company

	2011 Interest in equity shares Number	2011 Interest in options Number	2010 Interest in equity shares Number	2010 Interest in options Number
P Kenny	**838,806**	**350,000**	538,806	350,000
T Wilkes *	**250,000**	**650,000**	–	650,000
A Ogilvie	**–**	**–**	–	–
M J Hampton	**190,712**	**110,000**	190,712	110,000
J Kenny jnr	**157,023**	**200,000**	157,023	200,000
W D Baxter	**22,000**	**–**	22,000	–
P Sobie	**–**	**–**	–	–

* T Wilkes also has a potential interest in 3 million ordinary shares in respect of the Group's long-term management incentive plan. See also note 25.

Principal risks and uncertainties

Business risks
The business of diamond exploration and mining has a number of inherent risks. These include the Group failing to identify economically viable diamond deposits at its exploration and evaluation projects and the possible failure to produce the expected tonnage; grade or diamond quality at the Group's mining operations. The Board is aware of these risks and regularly reviews technical progress at all of the Group's projects in order to identify and manage these risks in the most effective manner.

Environmental and other regulatory requirements
The Group endeavours to comply with the environmental regulations and policies of the areas in which it operates. Where necessary, the Group establishes rehabilitation provisions to reflect current legislation within the areas in which it operates.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. No assurance can be given that new rules and regulations will not be enacted or existing legislation will not be applied in a manner which could limit or curtail the Group's activities.

Financial risks
The Company is exposed to a number of different currency risks between the Rand, Maloti, US Dollar, Sterling and Pula. The Group values and sells its diamonds in US Dollars and then converts the proceeds to Sterling, Maloti and Pula as required. As the Group reports in Sterling, reported revenue is affected by changes in exchange rates between the above currencies. The Group's expenses in Botswana, South Africa and Lesotho are incurred in Pula, Rand and Maloti respectively, so any weakening in the Pula, Rand or Maloti would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Pula, Rand or Maloti. It is the current policy of the Government of Lesotho to 'peg' the value of the Maloti to the Rand.

The Company does not hedge its currency positions other than for short-term transfers of funds between currencies which are expected to be reversed within 12 months. The Board monitors and reviews its policies in this regard on a regular basis.

The Company takes out suitable insurance against operational risks that are anticipated as being material.

The Group's borrowings are all subject to a floating rate of interest and taken out in US Dollars, Rand and Pula. The Group's policy for future borrowings will be to continue to take floating rates unless fixed-rate financing is available at particularly attractive rates.

Further details of the Group's financial instruments and financial risk management objectives and policies are set out in note 30 of the financial statements.

Key Performance Indicators (KPIs)
During the year to 30 June 2011 the Group's operations in Lesotho and Botswana were ramping up to commercial production, as a result of which the Directors are of the opinion that analysis using financial KPIs is not appropriate for an understanding of the development, performance or position of the business at this time. The Directors constantly review the Group's operations and plans to ensure that cash resources are available prior to commitment to any significant expenditure.

	2011 £000	2010 £000
Cash and cash equivalents at the year-end	**4,256**	5,645

As outlined in the Capital structure section above the Company raised £13 million before expenses in the year from a placing of shares. The funds raised were used to finance the development of the Group's operations at the Liqhobong Mine in Lesotho and the BK11 Mine in Botswana. In addition to the above, the Board also considers non-financial factors such as the Group's compliance with Corporate Governance Standards and compliance with environmental, rehabilitation and other legislation within the Group's areas of operations. As the Group is now in commercial production at both of its mines, additional KPIs will be introduced for future reporting periods.

Policy and practice on the payment of creditors
The policy of the Group is to settle supplier invoices within the terms and conditions of trade agreed with individual suppliers. At the year-end the Group had an average of 55 days (2010: 47 days) purchases outstanding and the Company an average of 35 days (2010: 116 days).

Political and charitable donations
The Group made no charitable donations or political donations in the year (2010: nil).

Post-balance sheet events
After the year end the Group completed a placing of 48,649,000 Ordinary Shares to raise £13.5 million before expenses.

Going concern
Following a review of the Company's financial position and the projected cash flows from the Liqhobong Mine and BK11 Mine, the directors have concluded that sufficient financial resources will be available to meet the Company's current and foreseeable investment and working capital requirements. On this basis, they consider it appropriate to prepare the financial statements on a going concern basis.

Auditor
In the case of each person who was a director at the time this report was approved:
- so far as that director was aware, there was no relevant available information of which the Company's auditor is unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

A resolution to reappoint PKF (UK) LLP as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

Corporate governance

Internal financial control
The Group operates a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

The Board has responsibility for the effectiveness of the internal financial control framework. Such a system can only provide reasonable and not absolute assurance against material misstatement. The Group does not currently have, nor considers there is currently a need for, an internal audit function. As production increases at the Group's operations during the coming year the Board will continuously assess the ongoing need for the strengthening of internal financial controls.

Statement of Directors' responsibilities
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Annual General Meeting
Notice of the Annual General Meeting of the Company for 2011 is on page 53.

On behalf of the Board

Philip Kenny
Director

Date 11 November 2011

Independent auditor's report to the members of Firestone Diamonds plc

We have audited the financial statements of Firestone Diamonds plc for the year ended 30 June 2011 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jason Homewood (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

Date 11 November 2011

Consolidated statement of comprehensive income
for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Revenue	3	**2,453**	3
Raw materials and consumables used		**(819)**	(180)
Employee costs	7	**(829)**	(477)
Compensation payments to former employees of Kopane	7	**(585)**	–
Amortisation and depreciation		**(899)**	(369)
Impairment of property, plant and equipment	12	**–**	(200)
Release of rehabilitation provisions	13	**–**	528
Acquisition expenses	6	**–**	(1,234)
Other operating expenses		**(1,383)**	(490)
Operating loss	5	**(2,062)**	(2,419)
Finance income	10	**19**	24
Finance expense	11	**(753)**	(11)
Loss before tax		**(2,796)**	(2,406)
Taxation	14	**(317)**	–
Loss after tax for the year		**(3,113)**	(2,406)
Other comprehensive income:			
Exchange differences on translating foreign operations net of tax		**789**	1,135
Total comprehensive income and expense for the year		**(2,324)**	(1,271)
Loss after tax for the year attributable to:			
Equity holders of the parent		**(2,998)**	(2,478)
Non-controlling interests		**(115)**	72
		(3,113)	(2,406)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**(2,274)**	(1,346)
Non-controlling interest		**(50)**	75
		(2,324)	(1,271)
Basic loss per share	15	**(1.1)p**	(2.4)p
Diluted loss per share	15	**(1.1)p**	(2.4)p

All amounts relate to continuing operations.

The notes on pages 29 to 52 form part of these financial statements.

Consolidated statement of financial position
for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Assets			
Non-current assets			
Intangible assets	16	**11,212**	20,129
Property, plant and equipment	17	**82,941**	14,568
		94,153	34,697
Current assets			
Inventories	20	**1,853**	29
Trade and other receivables	21	**2,479**	1,013
Derivative financial instruments	22	**781**	–
Cash and cash equivalents	23	**4,256**	5,645
		9,369	6,687
Total assets		**103,522**	41,384
Equity and liabilities			
Equity			
Share capital	24	**64,792**	25,578
Share premium		**39,198**	25,380
Merger reserve		**(1,076)**	(1,076)
Translation reserve		**1,153**	429
Accumulated losses		**(17,975)**	(15,106)
Total equity attributable to equity holders of the parent		**86,092**	35,205
Non-controlling interests		**2,082**	75
Total equity		**88,174**	35,280
Non-current liabilities			
Interest-bearing loans and borrowings	26	**2,736**	1,193
Deferred tax	27	**3,308**	–
Provisions	28	**1,247**	–
		7,291	1,193
Current liabilities			
Interest-bearing loans and borrowings	26	**2,362**	1,168
Trade and other payables	29	**5,197**	3,045
Current tax liabilities		**–**	229
Provisions	28	**498**	469
		8,057	4,911
Total liabilities		**15,348**	6,104
Total equity and liabilities		**103,522**	41,384

The financial statements were approved by the Board of Directors and authorised for issue on 11 November 2011.

Philip Kenny
Director
Company Registration Number 3589905

The notes on pages 29 to 52 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 30 June 2011

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Accumulated losses £000	Total £000	Non-controlling interests £000	Total equity £000
At 1 July 2009	12,346	22,768	(1,076)	(703)	(12,905)	20,430	–	20,430
Comprehensive income								
Loss for the year	–	–	–	–	(2,478)	(2,478)	72	(2,406)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	–	–	–	1,132	–	1,132	3	1,135
Total comprehensive income/(loss) for the year	–	–	–	1,132	(2,478)	(1,346)	75	(1,271)
Shares issued in the year	13,232	3,480	–	–	–	16,712	–	16,712
Share issue expenses	–	(868)	–	–	–	(868)	–	(868)
Share-based payment adjustment	–	–	–	–	277	277	–	277
At 30 June 2010	25,578	25,380	(1,076)	429	(15,106)	35,205	75	35,280
At 1 July 2010	25,578	25,380	(1,076)	429	(15,106)	35,205	75	35,280
Comprehensive income								
Loss for the year	–	–	–	–	(2,998)	(2,998)	(115)	(3,113)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	–	–	–	724	–	724	65	789
Total comprehensive income/(loss) for the year	–	–	–	724	(2,998)	(2,274)	(50)	(2,324)
Shares issued in the year	39,214	14,940	–	–	–	54,154	–	54,154
Share issue expenses	–	(1,122)	–	–	–	(1,122)	–	(1,122)
Arising on the acquisition of Kopane (note 33)	–	–	–	–	–	–	2,057	2,057
Share-based payment adjustment	–	–	–	–	129	129	–	129
At 30 June 2011	**64,792**	**39,198**	**(1,076)**	**1,153**	**(17,975)**	**86,092**	**2,082**	**88,174**

The following describes the nature and purpose of each reserve within owners' equity.

Share capital	Amount subscribed for shares at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Amounts arising from the merger of subsidiary investments.
Translation reserve	Gains/(losses) arising on retranslating the net assets and net income of overseas subsidiary companies denominated in foreign currencies into sterling.
Accumulated losses	Cumulative profit/(loss) of the Group attributable to equity shareholders.

The notes on pages 29 to 52 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 30 June 2011

	Note	**2011 £000**	2010 £000
Cash flow from operating activities			
Loss before taxation		**(2,796)**	(2,406)
Adjustments for:			
Depreciation, amortisation and impairment		**1,435**	570
Effect of foreign exchange movements		**(85)**	157
Interest payable		**116**	11
Equity-settled share-based payments		**13**	277
Loss on derivative financial instruments		**637**	–
Net cash flow from operating activities before changes in working capital		**(680)**	(1,391)
Increase in inventories		**(1,202)**	–
Decrease/(increase) in trade and other receivables		**895**	(426)
Increase in trade and other payables		**1,516**	1,926
Decrease in provisions		**(59)**	(739)
Net cash flow from operating activities		**470**	(630)
Investing activities			
Payments for property, plant and equipment		**(17,845)**	(5,472)
Payments for intangible assets		**–**	(3,991)
Cash acquired with subsidiary		**956**	–
Disposal of non-current assets		**13**	–
Net cash flow from investing activities		**(16,876)**	(9,463)
Financing activities			
Issue of ordinary shares		**13,786**	16,712
Share issue expenses		**(1,122)**	(868)
Proceeds from long-term borrowings		**3,633**	–
Proceeds from lease finance arrangements		**–**	140
Repayment of long-term borrowings		**(1,049)**	(1,082)
Repayment of lease finance		**(40)**	(12)
Interest paid		**(191)**	(171)
Net cash flow from financing activities		**15,017**	14,719
Net (decrease)/increase in cash and cash equivalents in the year		**(1,389)**	4,626
Cash and cash equivalents at the beginning of the year		**5,645**	1,019
Cash and cash equivalents at the end of the year	23	**4,256**	5,645

On 29 September 2010 the Company acquired Kopane Diamond Developments plc for a non-cash consideration of £40,369,000 (note 33).

The notes on pages 29 to 52 form part of these financial statements.

Company statement of financial position
for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Assets			
Non-current assets			
Property, plant and equipment	18	**31**	–
Investment in subsidiaries	19	**101,420**	45,957
		101,451	45,957
Current assets			
Trade and other receivables	21	–	454
Cash and cash equivalents	23	**280**	4,021
		280	4,475
Total assets		**101,731**	50,432
Equity and liabilities			
Equity			
Share capital	24	**64,792**	25,578
Share premium		**39,198**	25,380
Accumulated losses		**(2,841)**	(2,313)
Total equity attributable to equity holders of the parent		**101,149**	48,645
Current liabilities			
Trade and other payables	29	**582**	1,787
Total liabilities		**582**	1,787
Total equity and liabilities		**101,731**	50,432

The financial statements were approved by the Board of Directors and authorised for issue on 11 November 2011.

Philip Kenny
Director
Company Registration Number 3589905

The notes on pages 29 to 52 form part of these financial statements.

Company statement of changes in equity
for the year ended 30 June 2011

Attributable to equity shareholders of the Company

	Share capital £000	Share premium £000	Accumulated losses £000	Total £000
At 1 July 2009	12,346	22,768	(948)	34,166
Comprehensive income				
Loss for the year	–	–	(1,642)	(1,642)
Total comprehensive income for the year	–	–	(1,642)	(1,642)
Shares issued in the year	13,232	3,480	–	16,712
Share issue expenses	–	(868)	–	(868)
Share-based payment adjustment	–	–	277	277
At 30 June 2010	25,578	25,380	(2,313)	48,645
At 1 July 2010	25,578	25,380	(2,313)	48,645
Comprehensive income				
Loss for the year	–	–	(657)	(657)
Total comprehensive income for the year	–	–	(657)	(657)
Shares issued in the year	39,214	14,940	–	54,154
Share issue expenses	–	(1,122)	–	(1,122)
Share-based payment adjustment	–	–	129	129
At 30 June 2011	**64,792**	**39,198**	**(2,841)**	**101,149**

The Company had no other comprehensive income in the year.

The notes on pages 29 to 52 form part of these financial statements.

Company statement of cash flows
for the year ended 30 June 2011

	Note	2011 £000	2010 £000
Cash flow from operating activities			
Loss before taxation		**(657)**	(1,642)
Adjustments for:			
Equity-settled share-based payments		**129**	–
Net cash flow from operating activities before changes in working capital		**(528)**	(1,642)
Decrease/(increase) in trade and other receivables		**454**	(177)
(Decrease)/increase in trade and other payables		**(1,205)**	1,606
Net cash flow used in operating activities		**(1,279)**	(213)
Investing activities			
Payments for property, plant and equipment		**(32)**	–
Investment in subsidiary companies		**(15,094)**	(11,860)
Net cash flow used in investing activities		**(15,126)**	(11,860)
Financing activities			
Issue of ordinary shares		**13,786**	16,712
Share issue expenses		**(1,122)**	(868)
Net cash flow from financing activities		**12,664**	15,844
Net (decrease)/increase in cash and cash equivalents in the year		**(3,741)**	3,771
Cash and cash equivalents at the beginning of the year		**4,021**	250
Cash and cash equivalents at the end of the year	23	**280**	4,021

The notes on pages 29 to 52 form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2011

1 Basis of preparation and accounting policies
Firestone Diamonds plc (the "Company") is a company domiciled in the United Kingdom and is quoted on the AIM market of the London Stock Exchange. The consolidated financial statements of the Company for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in diamond mining and exploration in Southern Africa. The Directors regularly review cash flow forecasts to determine whether the Group will have sufficient cash reserves to meet future working capital requirements, progress its exploration projects and take advantage of business opportunities that may arise.

Based on performance of the operations at the Liqhobong Mine and the BK11 Mine to date and the forecast cash flows in respect of the rest of the Group's activities, which include £13.5 million raised through the issue of new ordinary shares since the year-end (note 32), the Directors are satisfied that the Group will have sufficient cash resources to continue its operations and meet its commitments for the foreseeable future. The Directors have therefore concluded that it is appropriate for the financial statements to be prepared on a going concern basis.

These consolidated financial statements of Firestone Diamonds plc have been prepared in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively 'IFRSs') as issued by the International Accounting Standards Board and as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Companies Act s408 exemption
The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Group loss for the year included a loss on ordinary activities after tax of £657,000 (2010: a loss of £1,642,000) in respect of the Company which is dealt with in the financial statements of the Company. The Company had no other items of comprehensive income in the year.

The following standards have been applied by the Group from 1 July 2010
- Improvements to IFRSs (endorsed by the European Union in February 2011).
- Revised IAS 24 Related party disclosures (Endorsed by the European Union in July 2010).

There has been no material impact on the group arising from the adoption of these standards.

IFRS effective in 2011 but not relevant
The following standards and interpretations were mandatory for the current accounting period, but are not relevant to the operations of the Group:

- Amendments to IFRS 1 Limited Exemption from Comparative IFRS7 Disclosures for First-time adopters.
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement.
- IFRIC19 Extinguishing Financial Liabilities with Equity Instruments.

Standards and interpretations issued but not yet applied
Any standards and interpretations that have been issued but are not yet effective have not been applied by the group in these financial statements. Application of these Standards and Interpretations will not have a material effect on the financial statements in future periods.

Basis of consolidation
The consolidated financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The results of subsidiaries have been included from the date of acquisition using the purchase method of accounting.
The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. All subsidiaries have a co-terminous year-end.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group. Profits and losses attributable to the non-controlling interest are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses attributable to the non-controlling interest are allocated to the non-controlling interest prospectively from 1 July 2009.

1 Basis of preparation and accounting policies continued

Merger accounting
In accordance with the exemption in IFRS 1, where merger accounting has been used for the relevant acquisition in years prior to the transition date to IFRS of 1 July 2006, the accounting method used for the relevant acquisition has not been restated.

Business combinations and goodwill
The consolidated financial statements incorporate the results of business combinations using the purchase method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at the acquisition date fair-value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Subsequent changes in the proportion of the non-controlling interests, which do not result in derecognition of the subsidiary, are accounted for in equity.

Acquisition costs are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the acquisition date fair-value of the Group's previously-held equity interest in the acquiree is re-measured to fair-value as at the acquisition date through profit and loss. The value of any non-controlling interest acquired is measured at the proportional share of the acquired net identifiable assets.

Any contingent consideration to be transferred by the Group is recognised at fair-value on the acquisition date. Subsequent changes to the fair-value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised in accordance with IAS39 either in profit or loss or as change in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled in equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's share of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair-value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any recognised impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to either the acquired business or to each of the Group's cash generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms a part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising from business combinations is assessed for impairment annually.

The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Exploration and evaluation expenditure and development costs
Exploration and evaluation expenditure related to an area of interest are carried forward as an intangible asset in the balance sheet where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale. Where these conditions are not met, such costs are written off as incurred. This expenditure is carried at cost less accumulated amortisation and impairment.

Development costs incurred by or on behalf of the Group or acquired from a third party are classified as a tangible asset included within property, plant and equipment and are accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises acquisition cost and other incurred costs directly attributable to the construction of a mine and the related infrastructure. This expenditure is carried at cost less accumulated amortisation and impairment.

Exploration, evaluation and development expenditure is categorised under exploration and evaluation costs, deferred development costs, exploration data and prospecting rights and mining licences in the balance sheet according to the nature of the expenditure. Exploration and development costs include all directly attributable expenditure together with the relevant depreciation on plant and equipment utilised within the project.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as 'deferred development costs' within property, plant and equipment.

1 Basis of preparation and accounting policies continued

Exploration and evaluation expenditure and development costs continued
No amortisation is recognised in respect of exploration and evaluation expenditure until it is reclassified as a development property and commercial production commences.

Exploration and evaluation expenditure and mining property are tested for impairment annually if facts and circumstances indicate that impairment may exist. Exploration and evaluation expenditure is also tested for impairment once commercial reserves are found, before the assets are transferred to mining property.

Identifiable exploration and evaluation acquired as part of a business combination are recognised as assets at their fair value, as determined by the requirements of IFRS3, Business Combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition is accounted for in accordance with the policy outlined above.

Licences
Licence rights acquired are amortised over the period of the licence to exploit such rights, typically five to fifteen years. Provision is made for any impairment in value, and the provision is reviewed on an annual basis.

Property, plant and equipment
Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. Mining and development expenditure in respect of mining properties in production is amortised on a 'units of production basis' reflecting the production activity in the period as a proportion of the total mining resource for the relevant mining property. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life. The applicable rates are:

Mining property and development expenditure	– Unit of production method
Mining equipment	– 3 to 10 years
Production plant and equipment	– Unit of production method
Office equipment	– 3 to 10 years
Motor vehicles	– 3 to 5 years
Other assets	– 3 to 10 years

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the statement of comprehensive income. The expected useful economic life and residual values of property, plant and equipment are reviewed annually.

Investments in subsidiaries
Investments in subsidiary undertakings are shown at cost less provisions for impairment in value. The cost of acquisition for years commencing 1 July 2009 excludes directly attributable professional fees and other expenses incurred in connection with the acquisition which are expensed as incurred. The cost of investments made prior to 1 July 2009 has not been restated. Investments in subsidiaries are all classified as non-current assets.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

1 Basis of preparation and accounting policies continued

Impairment of non-financial assets continued

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials and consumables – purchase cost on a first-in, first-out basis.
Finished goods – the cost of diamonds produced is calculated on a first in first out basis and includes all costs directly incurred up to the relevant point, such as mining costs and processing costs but exclude general mine or administration costs. Net realisable value is determined by reference to current market prices.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investment in financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Trade and other receivables
Trade and other receivables arise from normal commercial sales by the Group are classified as 'loans and receivables'. These are recognised at invoice value adjusted for any allowance for impairment. Impairment and any reversal is recognised in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group's loans and receivables include cash and cash equivalents. These include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

Available-for-sale financial investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as either fair value through profit and loss or loans and receivables. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Financial liabilities
The Group classifies its financial liabilities as:

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Amortised interest arising in respect of loans and borrowings specifically allocated to the development of mining assets and production plant is capitalised on a pro-rata basis into the cost of the related asset using a weighted-average interest rate applicable to the amount of the loans allocated.

Trade and other payables
These are initially recognised at invoiced value. These arise principally from the receipt of goods and services. There is no material difference between the invoiced value and the value calculated on an amortised cost basis.

1 Basis of preparation and accounting policies continued

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning and site rehabilitation

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and local regulatory requirements. These provisions are subject to regular review.

Decommissioning and site rehabilitation costs arising from exploration, evaluation and development activity or from the installation of plant and other site preparation work are provided when the obligation to incur such costs arises and are capitalised as a separate category in the balance sheet. These costs are charged against profits through amortisation or impairment of the asset. Amortisation and impairment is included in operating costs.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. Diamond sales are conducted through a competitive tender process where bids for specific parcels of diamonds are made, and the highest bid above the reserve price for the parcel is accepted provisionally until cleared funds are received, at which point the parcel is released to the winning bidder. Revenue is recognised when cleared funds are received.

Revenues arising from the sale of diamonds recovered when the mining property and related processing plant are being commissioned are treated as incidental revenues. Net proceeds of diamond sales arising during the development of the relevant mining property once a decision to proceed to commercial production has been made are offset against the related development costs.

Revenue arising from the provision of services is recognised when and to the extent that the Group obtains the right to consideration in exchange for the performance of its contractual obligations.

Share-based payment transactions

Certain employees (including directors and senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (‘equity-settled transactions’).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease rentals are charged to income in equal annual amounts over the lease term.

1 Basis of preparation and accounting policies continued

Foreign currency
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pound sterling which is the presentation currency for the Group and Company financial statements. The functional currency of the Company is pound sterling.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in the income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in pound sterling using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are transferred to the Group's translation reserve.
Foreign currency movements arising from the Group's net investment, which comprises equity and long-term debt, in subsidiary companies whose functional currency is not pounds sterling are recognised in the translation reserve, included within equity until such time as the relevant subsidiary company is sold, whereupon the net cumulative foreign exchange difference relating to this disposal is transferred to profit and loss.

Pensions
The Group makes payments on behalf of employees to defined contribution pensions schemes. These are charged to the income statement or capitalised where appropriate on an accruals basis. The Group does not operate any defined benefit pension schemes or similar arrangements.

Taxation
Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company or different Group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Operating profit and loss
Operating profit and loss comprises revenues less operating costs. Operating costs comprise adjustments for changes in inventories, raw materials and consumables used, employee costs, amortisation, depreciation and impairment and other operating expenses.

2 Critical accounting estimates and judgments
The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Valuation of exploration, evaluation and development expenditure, mining property and mining equipment.
The value of the Group's exploration, evaluation and development expenditure, mining property and mining equipment is dependent upon the success of the Group in discovering economic and recoverable diamond resources. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the US Dollar, the Rand, the Pula, the Maloti and Sterling, and potential new legislation and related environmental requirements.

2 Critical accounting estimates and judgments continued

(ii) Share-based payments
In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 25.

(iii) Rehabilitation provisions
The Group makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in Botswana, Lesotho and South Africa and technical reports and estimates provided by the Group's senior employees and advisors. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.

(iv) Impairment testing
The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may impact our estimates and may then require a material adjustment to the carrying value of goodwill, tangible assets and intangible assets.

The Group reviews and tests the carrying value of tangible and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

The key assumptions used in the review of intangible mining assets in 2011 and 2010 were: life of mine between 9 to 15 years for the various Group's projects, a discount rate of 10%, applied to estimated net cash flow realisable, comprising weighted average cost of capital 7%, Country risk 2% and Technical risk 1%, inflation of 6% on local costs and adjusted exchange rates to reflect the inflation assumption. Diamond prices, which are denominated in US dollars, are assumed to grow at between 3 to 11% per annum dependent upon the expected quality of carats produced per mining site.

Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

(v) Assets and liabilities acquired in business combinations
The Group makes estimates of the fair values of assets and liabilities acquired in business combinations at the date of acquisition. The primary assets acquired relate to deferred exploration and development costs, mining equipment and other items of property, plant and equipment. The recoverable values of these acquired assets and the actual amount of the acquired liabilities may differ materially from the estimated values made at the date of acquisition.

3 Revenue
An analysis of the Group's revenue is as follows:

	2011 £000	2010 £000
Sales of diamonds	**3,005**	–
Sale of other goods and services	**–**	3
Total revenues	**3,005**	3
Amounts offset against intangible mining assets under development	**(552)**	–
Net revenue	**2,453**	3

Revenues in the year arise from the sale of diamonds. An amount of £552,000 relating to the sale of diamonds recovered during the commissioning and testing of mining and processing operations at the BK11 Mine has been allocated against the costs incurred in developing the mine. An additional amount of £251,000 arising from the sale of diamonds recovered from the BK11 Mine has been classified as incidental revenue. In relation to the application of accounting policies, the Liqhobong Mine is considered to have commenced commercial production on 1 June 2011 and the BK11 Mine on 1 July 2011.

An analysis of the Group's revenue by country of origin is:

	2011 £000	2010 £000
Botswana	**803**	–
Lesotho	**2,202**	–
South Africa	**–**	3
Total revenues	**3,005**	3

4 Segmental analysis

For management purposes, the Group is organised into geographical units as the Group's risks and required rates of return are affected by differences in the geographical regions of the mines and areas in which the Group operates. The Group operated in the year in one sector, diamond mining, exploration and development, and in two principal geographic areas – Lesotho and Botswana. Botswana and support operations based in South Africa are considered to be linked operations. The management information received by the Chief Executive Officer and the Board is prepared on this basis. The sale of diamonds is conducted through a tender process to many potential buyers.

The Group does also conduct business within the UK including ad hoc raising of funds, subsequently passed to subsidiary companies, and incurring of expenditure in relation to the Company's activities as a holding company. None of this activity is considered to be significantly different to the principal activity of the Group within the Southern African region.

The following tables present revenue and profit, asset and liability information regarding the Group's geographical segments:

	Lesotho 2011 £000	**Botswana and South Africa 2011 £000**	**South Africa 2011 £000**	**Intra-segmental South Africa 2011 £000**	**Total 2011 £000**
Revenue	2,202	251	–	–	2,453
Segmental operating result	(942)	316	(1,103)	(333)	(2,062)
Finance income		12	7	–	19
Finance expense	–	(117)	(636)	–	(753)
Taxation	–	(317)	–	–	(317)
Non-controlling interest	(47)	162	–	–	115
Segmental result	**(989)**	**56**	**(1,732)**	**(333)**	**(2,998)**

	Lesotho 2011 £000	**Botswana and South Africa 2011 £000**	**Unallocated 2011 £000**	**Intra-segmental trading 2011 £000**
Segmental assets	47,222	54,913	1,387	103,522
Segmental liabilities	(5,751)	(3,608)	(891)	(10,250)
Interest-bearing loans and borrowings	–	(5,098)	–	(5,098)
Total segmental liabilities	**(5,751)**	**(8,706)**	**(891)**	**(15,348)**
Other segmental information				
Capital expenditure:				
Property, plant and equipment	5,359	14,276	32	19,667
Intangible assets	38,926	191	–	39,117
Depreciation, amortisation and impairment:				
Property, plant and equipment	377	521	1	899
Intangible assets	–	54	–	54

	Lesotho 2010 £000	Botswana and South Africa 2010 £000	Unallocated 2010 £000	Intra-segmental South Africa 2010 £000	Total 2010 £000
Revenue	–	3	–	–	3
Segmental operating result	–	(551)	(1,868)	–	(2,419)
Finance income		22	2	–	24
Finance expense	–	(11)	–	–	(11)
Taxation	–	–	–	–	–
Non-controlling interest	–	(72)	–	–	(72)
Segmental result	–	(612)	(1,866)	–	(2,478)

4 Segmental analysis continued

	Lesotho 2010 £000	Botswana and South Africa 2010 £000	Unallocated 2010 £000	Intra-segmental trading 2010 £000
Segmental assets	–	35,973	5,411	41,384
Segmental liabilities	–	(1,515)	(2,228)	(3,743)
Interest-bearing loans and borrowings	–	(2,361)	–	(2,361)
Total segmental liabilities	–	(3,876)	(2,228)	(6,104)
Other segmental information				
Capital expenditure:				
Property, plant and equipment	–	5,543	–	5,543
Intangible assets	–	4,212	–	4,212
Depreciation, amortisation and impairment:				
Property, plant and equipment	–	417	72	489
Intangible assets	–	200	–	200

5 Operating loss

	2011 Group £000	2010 Group £000
Operating loss for the year is stated after charging:		
Depreciation of property, plant and equipment	**899**	359
Employee costs (note 7)	**1,414**	477
Hire of plant and equipment	**281**	63
Property rental	**105**	–
Acquisition expenses	–	1,234
Share-based payments (note 25)	**13**	28
Impairment of intangible mining assets (note 16)	**54**	–

6 Acquisition expenses included within operating loss

In 2010 the Group and Company incurred fees and expenses amounting to £1,234,000 arising from the pending acquisition of Kopane. This acquisition was completed on 29 September 2010. See also note 33.

7 Employee numbers and costs

The average number of persons employed in the Group, including executive directors, was:

	2011 Group Number	2010 Group Number
Operations	**183**	34
Administration	**41**	5
	224	39

There are no Company employees other than the directors.

7 Employee numbers and costs continued

	2011 Group £000	2010 Group £000
Wages and salaries	**2,738**	733
Social security costs	**95**	2
Pension costs	**33**	14
	2,866	749
Amounts capitalised in intangible assets	**(1,452)**	(272)
	1,414	477

Employee costs for 2011 include an amount of £585,000 payable to former directors and employees of Kopane (2010: nil) following the acquisition of Kopane on 29 September 2010. Staff costs above include the directors.

8 Directors' emoluments:

Directors' emoluments for the period that each individual served as a director were as follows:

	2011 £000	2010 £000
Salaries and fees	**679**	452

The emoluments of the highest-paid director were £267,300 (2010: £243,000).

Directors' remuneration by individual	2011 Salaries and fees £	2011 Pension £	2011 Compensation for loss of office £	2011 Total £	2010 Total £
J F Kenny	**7,500**	**–**	**163,000**	**170,500**	81,500
P Kenny	**243,000**	**24,300**	**–**	**267,300**	243,000
T Wilkes	**60,000**	**6,000**	**–**	**66,000**	–
A Ogilvie	**23,334**	**2,333**	**–**	**25,667**	–
M J Hampton	**20,000**	**–**	**–**	**20,000**	20,000
J Kenny jnr	**20,000**	**–**	**–**	**20,000**	20,000
H C D Jenner-Clarke	**7,500**	**–**	**86,101**	**93,601**	72,335
W D Baxter	**15,000**	**–**	**–**	**15,000**	15,000
P Sobie	**625**	**–**	**–**	**625**	–
	396,959	**32,633**	**249,101**	**678,693**	451,835

The remuneration of key management personnel is shown in note 35.

9 Auditors' remuneration

	2011 Group £000	2010 Group £000
Fees payable for the audit of the Group's financial statements	**49**	31
Fees payable for the audit of accounts of associates of the company	**8**	–
Fees payable for taxation services	**14**	10
Fees payable for corporate finance services	**–**	130
Fees payable for other services	**3**	6
	74	177

10 Financial income

	2011 Group £000	2010 Group £000
Interest receivable	**19**	24

11 Finance expense

	2011 Group £000	2010 Group £000
Interest payable on loans	**78**	166
Interest payable on finance leases	**113**	15
Loss on derivative financial instruments	**637**	–
	828	181
Amounts capitalised into deferred development costs and plant and machinery	**(75)**	(170)
	753	**11**

12 Impairment of property, plant and equipment

	2011 Group £000	2010 Group £000
Infrastructure costs	**–**	200

In 2010, the Group's processing plant in South Africa was dismantled and relocated to the Group's operations in Botswana. The remaining infrastructure costs relating to the site in South Africa were expensed in full in 2010.

13 Release of rehabilitation provision

	2011 Group £000	2010 Group £000
Release of rehabilitation provision	**–**	528

In 2010, the Group appointed an independent contractor to assess the remaining rehabilitation costs at its South African sites. These sites are no longer in operation. The result of the review led to a reduction in the expected rehabilitation costs in respect of these sites.

14 Taxation

	2011 Group £000	2010 Group £000
Current tax	**–**	–
Deferred tax	**317**	–
Total tax for the year	**317**	–

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

Factors affecting tax charge for the year
The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 27.5% (2010: 28%).

	2011 £000	2010 £000
Loss before tax	**(2,796)**	(2,406
Tax on loss at standard rate of 27.5% (2010: 28%)	**(769)**	(673)
Income not taxable	**(412)**	(919)
Adjustments in respect of prior periods	**166**	–
Expenses not deductible for tax purposes	**1,656**	843
Adjustments to deferred tax not recognised	**(661)**	135
Other differences	**337**	614
	317	–
Total tax analysed as:		
Income statement charge	**317**	–
Credited to reserves	**–**	–
Total tax charge	**317**	–

Factors affecting tax charge for the year continued

Factors that may affect the future tax charge
Deferred tax has not been provided in full in respect of temporary differences relating primarily to revenue losses, losses on derivative financial instruments and investment in property, plant and equipment as there is insufficient evidence that the benefit of the losses will be recovered. The potential deferred tax asset has been calculated based on a UK tax rate of 26% and amounts to £16.3 million. The tax charge in the future will be affected by the rate at which the Group generates profits and by the utilisation of existing losses within the relevant jurisdictions.

Other comprehensive income
There is no tax movement arising in respect of the Group's other comprehensive income.

15 Loss per share

The calculation of the basic loss per share is based upon the net loss after tax attributable to ordinary shareholders of £2,998,000 (2010: loss of £2,478,000) and a weighted average number of shares in issue for the year of 264,731,812 (2010: 103,197,603).

Diluted loss per share
The diluted loss per share in 2011 and 2010 is the same as the basic loss per share as the potential ordinary shares to be issued have an anti-dilutive effect.

On 3 August 2011 the Company issued new equity totalling 28,865,000 Ordinary Shares and on 31 August 2011 the Company issued new equity totalling 19,784,000 Ordinary Shares. The Company has 11,435,000 shares potential issuable in respect of share options issued to employees (note 25).

16 Intangible assets

	Deferred exploration and development Group £000	Exploration data and prospecting rights Group £000	Mining licences Group £000	Total Group £000
Cost				
At 1 July 2009	19,696	520	230	20,446
Additions	4,212	–	–	4,212
Exchange difference	2,058	140	–	2,198
At 30 June 2010	25,966	660	230	26,856
Additions	191	–	–	191
Acquisition of Kopane (note 33)	38,926	–	–	38,926
Exchange difference	(814)	72	–	(742)
Transfer to tangible mining assets (note 17)	(48,118)	–	–	(48,118)
At 30 June 2011	**16,151**	**732**	**230**	**17,113**
Amortisation and impairment				
At 1 July 2009	4,961	–	–	4,961
Charge for the year	–	–	–	–
Exchange difference	1,626	140	–	1,766
At 30 June 2010	6,587	140	–	6,727
Charge for the year	–	–	–	–
Exchange difference	(952)	72	–	(880)
Impairment charges	54	–	–	54
At 30 June 2011	**5,689**	**212**	**–**	**5,901**
Net book value at 30 June 2011	**10,462**	**520**	**230**	**11,212**
Net book value at 30 June 2010	19,379	520	230	20,129
Net book value at 1 July 2009	14,735	520	230	15,485

17 Property, plant and equipment

	Deferred development and mining property Group £000	Plant and equipment Group £000	Motor vehicles Group £000	Total Group £000
Cost				
At 1 July 2009	6,529	12,019	754	19,302
Additions	–	5,275	268	5,543
Disposals	–	–	(1)	(1)
Transfer	–	–	–	–
Exchange difference	872	1,288	37	2,197
At 30 June 2010	7,401	18,582	1,058	27,041
Additions	9,526	8,054	457	18,037
Acquisition of Kopane (note 33)	206	1,327	97	1,630
Disposals	–	–	(13)	(13)
Transfer from intangible mining assets (note 16)	48,118	–	–	48,118
Exchange difference	1,594	1,084	38	2,716
At 30 June 2011	**66,845**	**29,047**	**1,637**	**97,529**
Depreciation				
At 1 July 2009	6,506	3,684	341	10,531
Charge for the year	–	346	143	489
Disposals	–	–	(1)	(1)
Exchange difference	869	389	(4)	1,254
Impairment charges	–	200	–	200
At 30 June 2010	7,375	4,619	479	12,473
Charge for the year	25	1,114	252	1,391
Disposals	–	–	–	–
Exchange difference	481	234	9	724
Impairment charges	–	–	–	–
At 30 June 2010	**7,881**	**5,967**	**740**	**14,588**
Net book value at 30 June 2011	**58,964**	**23,080**	**897**	**82,941**
Net book value at 30 June 2010	26	13,963	579	14,568
Net book value at 1 July 2009	23	8,335	413	8,771

Additions of plant and equipment include capitalised interest of £75,000 (2010: £71,000). The capitalisation rates were between 9.85% - 11.5% (2010: 9.85% - 11.5%). Motor vehicles include vehicles held under finance leases with a net book value of £185,000 (2010: £449,000). Moveable plant and equipment amounting to £1,137,000 (2009: £1,815,000) is secured against interest-bearing borrowings.

18 Property, plant and equipment - Company

	Plant and equipment £000
Cost	
At 1 July 2010	–
Additions	32
At 30 June 2011	**32**
Depreciation	
At 1 July 2010	–
Charge for the year	1
At 30 June 2011	**1**
Net book value at 30 June 2011	**31**
Net book value at 30 June 2010	–
Net book value at 1 July 2009	–

19 Investment in subsidiary companies

	Company £000
At 30 June 2009	34,097
Additions in Firestone Diamonds Limited	11,860
At 30 June 2010	45,957
Additions in Firestone Diamonds Limited	15,094
Acquisition of Kopane Diamond Developments plc (note 33)	40,369
At 30 June 2011	**101,420**

At 30 June 2011, the Company held 100% (2010: 100%) of the ordinary shares of Firestone Diamonds Limited, a company incorporated in the British Virgin Islands, whose principal activity was that of a holding company. Firestone Diamonds Limited had the following subsidiary undertakings:

Name	Holding	Business activities	Country of incorporation
Fortuna Investment Holdings Limited	100%	Dormant	British Virgin Islands
Asam Resources SA (Proprietary) Limited	100%	Diamond exploration and mining	South Africa
Cornerstone (RSA) Limited	100%	Dormant	British Virgin Islands
Surf Zone Diamonds (Proprietary) Limited*	100%	Diamond exploration and mining	South Africa
Oena Mine (Proprietary) Limited	87.5%	Diamond exploration and mining	South Africa
Kuboes Diamante (Proprietary) Limited	87.5%	Diamond exploration and mining	South Africa
African Star Minerals (Proprietary) Limited	74%	Diamond exploration and mining	South Africa
Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk**	74%	Diamond exploration and mining	South Africa
Firestone Diamonds (Botswana) (Pty) Limited	100%	Diamond exploration and mining	Botswana
Daly City Ventures (Pty) Limited	51%	Diamond exploration and mining	Botswana
Monak Venture (Pty) Limited	90%	Diamond exploration and mining	Botswana
Kenrod Engineering (Pty) Limited ***	45%	Diamond exploration and mining	Botswana

* Held by Cornerstone (RSA) Limited.
** Held by African Star Minerals (Proprietary) Limited.
*** Management and operational control through Firestone Diamonds Limited.

Distributions by the Group's South African subsidiaries are subject to exchange control approval in that country.

On 29 September 2010 the Company acquired 100% of the equity capital of Kopane Diamond Developments PLC (Kopane) which is unchanged at 30 June 2011. Kopane has the following subsidiaries:

Name	Holding	Business activities	Country of incorporation
Minegem Inc	100%	Investment	Canada
Liqhobong Mining Development Limited	75%	Diamond exploration and mining	Lesotho
Becksham Corporation	100%	Investment	Barbados
Becksham Limited	100%	Investment	British Virgin Islands

All material subsidiaries are included in the consolidated financial statements. In the opinion of the directors, the aggregate value of shares in subsidiary undertakings is not less than the amount at which they are stated in these financial statements.

20 Inventories

	2011 Group £000	2010 Group £000
Raw materials and consumables	**371**	–
Cut and uncut diamonds held for sale	**1,482**	29
	1,853	29

21 Trade and other receivables

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Trade receivables	**303**	–	**–**	–
Other receivables	**2,166**	548	**–**	–
Prepayments	**10**	465	**–**	454
	2,479	1,013	**–**	454

There were no receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above. The other receivables balances are categorised as loans and receivables.
The prepayment in the Company in 2010 arose from share issue expenses in respect of the Kopane acquisition on 29 September 2010 which were deducted from the share premium relating to the issue of the acquisition shares in 2011 (note 33).

22 Derivative financial instruments

Derivative financial instruments comprise of £781,000 receivable in respect of two derivative financial instruments that were entered into by Kopane as part of equity financing arrangements in 2010. Kopane issued shares in 2010 in exchange for the right to receive the proceeds of monthly swap settlements. Each settlement was determined by the Company's share price and by interest on the notional balance outstanding during the settlement period. Until the settlement of each swap the Company holds the risk and reward of market movements. These derivative financial instruments were in situ when the Company acquired Kopane on 29 September 2010. Subsequent to this acquisition these arrangements were adjusted to reflect movements in the Company's share price in place of that of Kopane. The arrangement has been determined by calculating the discounted forecast cash flows by reference to the current share price on the relevant reference date. Movements in the value of these instruments are recognised in profit and loss. The discount rate used was 8%. The agreements expire in September 2011 and February 2012 respectively.

23 Cash and cash equivalents

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Cash at bank and in hand net of bank overdrafts	**4,256**	5,645	**280**	4,021

Cash deposits of £263,000 (2010: £226,000) included above are linked to bonds in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa (note 28). There is no material foreign exchange movement in respect of cash and cash equivalents. There is no significant difference between the fair value of the cash and cash equivalents and the values stated above. Cash and cash equivalents comprise of cash.

24 Share capital

	Group and Company Number	Group and Company £000
Authorised		
Ordinary shares of 20p each	363,129,600	72,626
Redeemable preference shares of £1 each	49,998	50
	363,179,598	**72,676**

On 3 September 2010 the authorised ordinary share capital of the Company was increased to 363,129,600 shares (£72,625,920) pursuant to a share issue to acquire Kopane on 29 September 2010 (note 33).

24 Share capital continued

	Group and Company Number	Group and Company £000
Allotted, called up and fully paid		
Ordinary shares of 20p each		
At 1 July 2009	61,732,194	12,346
Issued on 8 July 2009	35,873,480	7,175
Issued on 14 January 2010	285,963	57
Issued on 15 April 2010	30,000,000	6,000
At 1 July 2010	127,891,637	25,578
Issued on 29 September 2010	140,413,477	28,083
Issued on 3 December 2010	52,000,000	10,400
Issued on 14 December 2010	438,177	87
Issued on 24 December 2010	46,570	9
Issued on 8 March 2011	2,359,275	472
Issued on 6 May 2011	814,975	163
At 30 June 2011	**323,964,111**	**64,792**

Firestone Diamonds Limited, a subsidiary company, has advanced funds to the Group's Employee Share Trust of £108,181. The Employee Share Trust holds 308,351 ordinary shares in Firestone Diamonds plc. These shares have not been allocated to any employees.

25 Equity-settled share option schemes

The Group and Company issue equity-settled share-based payments to employees and directors. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) as determined through use of the Black-Scholes technique, at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group and Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The inputs into the Black-Scholes model for the share option plans for the share options issued in the year are as follows:

	2011	2010
Weighted average share price	**27p**	33p
Weighted average option exercise prices	**27.5p**	20p
Expected volatility	**43%**	43%
Expected option life	**5 years**	5 years
Risk-free interest rate	**3%**	4%
Expected dividend yield	**Nil**	Nil
Fair-value of option granted in the year	**11p**	19p

The calculation of the volatility of the share price was based on the Company's daily closing share price over the period from July 2006 to the date of grant.

Details of the total share options outstanding in respect of the Basic Share Option Scheme and the Performance-Related Share Option Scheme during the year are as follows:

	2011 Number of share options	**2011 Weighted average exercise price (pence)**	2010 Number of share options	2010 Weighted average exercise price (pence)
Outstanding at beginning of year	**10,010,000**	**23**	11,315,000	57
Granted during the year	**1,425,000**	**28**	90,000	20
Cancelled in the year	**–**	**–**	(1,395,000)	76
Outstanding at the end of the year	**11,435,000**	**24**	10,010,000	23
Exercisable at the end of the year	**8,560,000**	**20**	1,360,000	41

The options outstanding at 30 June 2011 have a weighted average contractual life of 0.43 years (2010: 0.90 years, subsequent to the repricing of certain options as disclosed above). These options have an exercise price in the range of 20p to 41p (2010: a range of 20p to 41p).

The options exercisable at 30 June 2011 have an exercise price of 20p. No options were exercised in the year.

25 Equity-settled share option schemes continued

	2011 Group £000	2010 Group £000
Charge for the year in profit and loss	**13**	28
Charge for the year capitalised in Intangible Mining Assets	**116**	249
Total charge for the year	**129**	277

	2011 Company £000	2010 Company £000
Charge for the year in profit and loss	**–**	–
Charge for the year allocated to subsidiary companies	**129**	277
Total charge for the year	**129**	277

As at 30 June 2011, options granted under the Basic Share Option scheme were outstanding over a total of 4,500,000 (2010: 3,075,000) ordinary shares as follows:

Date of grant	Exercise period	Share options held at 30 June 2011	Share options held at 30June 2010	Exercise price (pence)
18/12/2003	18/12/04 to 18/12/13	20,000	20,000	20.0
08/04/2004	8/4/05 to 8/4/14	1,000,000	1,000,000	20.0
03/08/2004	3/8/05 to 3/8/14	250,000	250,000	20.0
22/12/2004	22/12/05 to 22/12/14	500,000	500,000	20.0
03/05/2005	3/5/06 to 3/5/15	650,000	650,000	20.0
13/09/2006	13/9/07 to 13/9/16	95,000	95,000	20.0
06/12/2007	06/12/08 to 06/12/17	60,000	60,000	20.0
19/12/2007	19/12/08 to 19/12/17	150,000	150,000	20.0
15/01/2008	15/01/09 to 15/01/19	200,000	200,000	20.0
22/01/2008	22/01/09 to 22/01/19	150,000	150,000	20.0
17/05/2011	17/05/2012 to 17/05/2022	475,000	–	27.5
17/05/2011	17/05/2013 to 17/05/2022	475,000	–	27.5
17/05/2011	17/05/2014 to 17/05/2022	475,000	–	27.5
		4,500,000	3,075,000	

As at 30 June 2011, options granted under the Performance-Related Share Option Scheme were outstanding over a total of 6,935,000 (2010: 6,935,000) ordinary shares as follows:

Date of grant	Exercise period	Share options held at 30 June 2011	Share options held at 30June 2010	Exercise price (pence)
08/04/2003	8/4/04 to 8/4/13	1,085,000	1,085,000	20.0
09/01/2004	9/1/05 to 9/1/14	2,400,000	2,400,000	20.0
21/01/2004	21/1/05 to 21/1/14	1,360,000	1,360,000	41.0
08/04/2004	8/4/05 to 8/4/14	2,000,000	2,000,000	20.0
04/12/2009	04/12/10 to 04/12/19	90,000	90,000	32.0
		6,935,000	6,935,000	

Share option settlement scheme

To minimise the share capital dilution that would arise on the exercise of options, the Company has implemented a share option settlement scheme. Under this scheme the Company will, at the time of exercise of any options, agree to issue shares to the option holder with a value equal to the difference between the market value of the shares and the option exercise price on the date of exercise. On the basis of this scheme, the effective dilution resulting from all outstanding basic and performance related options as at 30 June 2011 at the closing share price on 30 June 2011 of 30p per share was 3,046,373 shares (2010: closing share price of 33p per share, dilutive shares 3,568,856 respectively).

Long-term incentive plan

The Company has established a Long-Term Incentive Plan (LTIP) for the benefit of senior management. The LTIP had 3,000,000 (2010: 3,000,000) shares available to participants at the start of the year, which have been allocated for the benefit of T Wilkes, a director of the company. No additional shares have been allocated in the year. The Company is currently reviewing the performance conditions relating to the LTIP shares and also the number of additional shares to be allocated to other senior employees of the Group.

26 Interest-bearing loans and borrowings

	Non-current Group £000 2011	Non-current Group £000 2010
Bank loans	**2,646**	1,071
Obligations under finance leases	**90**	122
	2,736	1,193

	Current Group £000 2011	Current Group £000 2010
Bank loans	**2,326**	1,129
Obligations under finance leases	**36**	39
	2,362	1,168

Bank loans in Botswana amounting to £3,663,000 (US$ 6.0 million) are secured by a first charge over the Group's shareholding in Monak Ventures (Pty) Limited with additional bank loans of £414,000 being secured on plant and equipment held by the Group's subsidiaries in Botswana. Bank loans amounting to £723,000 are secured over plant and machinery held by subsidiary companies in South Africa. The Company and certain of its South African subsidiary companies have entered into subordination agreements in respect of intra-group indebtedness to a maximum of ZAR25,000,000 (£2,075,000) in African Star Minerals (Proprietary) Limited and ZAR 40,000,000 (£3,092,000) in Surf Zone Diamonds (Proprietary) Limited in support of the bank loans taken out in South Africa.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at 30 June 2011 and the periods in which they mature or, if earlier, are repriced. Amounts shown for debt include both capital repayments and related interest calculated at year-end rates.

	Effective interest rate	Group Total £000 2011	Group Current £000 2011	Group 1–2 years £000 2011	Group 2–5 years £000 2011
Cash and cash equivalents	1.50%	4,256	4,256	–	–
First National Bank of Botswana	10.00%	(440)	(240)	(200)	–
Standard Chartered Bank Botswana	6.50%	(4,209)	(1,486)	(1,403)	(1,360)
WesBank Botswana	11.50%	(152)	(49)	(45)	(18)
WesBank South Africa	10.10%	(34)	(34)	–	–
WesBank South Africa	10.10%	(106)	(58)	(48)	–
ABSA South Africa	9.85%	(614)	(614)	–	–
		(5,555)	**(2,481)**	**(1,696)**	**(1,378)**

For 2010 the effective interest rates and repricing analysis was:

	Effective interest rate	Group Total £000 2010	Group Current £000 2010	Group 1–2 years £000 2010	Group 2–5 years £000 2010
Cash and cash equivalents	1.50%	5,645	5,645	–	–
First National Bank of Botswana	10.00%	(760)	(448)	(296)	(16)
WesBank Botswana	11.50%	(178)	(43)	(40)	(95)
WesBank South Africa	10.10%	(216)	(121)	(95)	–
ABSA South Africa	9.85%	(1,443)	(672)	(719)	(52)
		(2,597)	(1,284)	(1,150)	(163)

The directors consider that there is no material difference between the book values and fair values of interest-bearing liabilities.

27 Deferred tax

The deferred tax included in the balance sheet is as follows:

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Included in non-current assets	**–**	–	**–**	–
Included in non-current liabilities	**(3,308)**	–	**–**	–
	(3,308)	–	**–**	–

	At 1 July 2009 £000	Movement in year £000	At 30 June 2010 £000	Movement in year £000	At 30 June 2011 £000
Accelerated capital allowances	–	293	293	(1,396)	**(1,103)**
Temporary differences arising on the acquisition of Kopane (note 33)	–	–	–	(3,013)	**(3,013)**
Tax losses	–	–	–	875	**875**
Other temporary differences	–	(293)	(293)	226	**(67)**
	–	–	–	(3,308)	**(3,308)**

The directors do not anticipate that accumulated reserves of overseas subsidiaries at 30 June 2011 will be remitted to the UK in the foreseeable future. Accordingly, no provision has been made for deferred tax on these balances. The Group has unrecognised tax losses of approximately £14.2 million.

28 Provisions

	Rehabilitation costs Group £000	Directors' emoluments Group £000	Total Group £000
At 1 July 2009	910	188	1,098
Released in the year	(528)	–	(528)
Raised in the year	–	–	–
Utilised in the year	–	(188)	(188)
Exchange difference	87	–	87
At 30 June 2010	469	–	469
At 1 July 2010	469	–	469
Released in the year	–	–	–
Arising from acquisition of Kopane (note 33)	87	–	87
Raised in the year	1,154	–	1,154
Utilised in the year	–	–	–
Exchange difference	35	–	35
At 30 June 2011	**1,745**	**–**	**1,745**
Disclosed as:			
Non-current	1,247	–	1,247
Current	498	–	498
	1,745	**–**	**1,745**

The following cash deposits are linked to bonds held by subsidiaries in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa.

	Rand value	Sterling value £000
African Star Minerals (Proprietary) Limited	156,864	14
Asam Resources SA (Proprietary) Limited	1,216,897	112
Kuboes Diamante (Proprietary) Limited	1,150,000	106
Surf Zone Diamonds (Proprietary) Limited	334,290	31
	2,858,051	263

Rehabilitation work is planned as an integral part of mining operations as land disturbed by mining is backfilled, and will include surface profiling of the backfilled areas at a later date. The financial implications of these activities are considered by the directors to be of minimal consequence and inseparable from the normal running costs of the operation. With the cessation of mining operations in South Africa the provision for rehabilitation is raised as a current liability. The amounts disclosed in respect of the rehabilitation provisions are not discounted. The deferred assets which arise have not been recognised. The cost of all other provisions has been expensed in the year or in prior years.

29 Trade and other payables

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Trade payables	**3,019**	711	**–**	–
Amounts due to subsidiary companies	**–**	–	**439**	–
Tax and social security	**263**	6	**–**	–
Other payables	**637**	432	**–**	–
Accruals	**1,278**	1,896	**143**	1,787
	5,197	3,045	**582**	1,787

Amounts due to related parties are set out in note 35. The directors consider that there is no material difference between the book values and fair values of trade and other payables.

30 Financial instruments

In common with other businesses, the Group and Company (collectively the 'Group') is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1 and the critical accounting estimates and judgements are set out in note 2.

Substantive changes to the Group's exposure to interest-bearing indebtedness are disclosed in note 26.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Group	2011 £000	2010 £000
Trade and other receivables	**2,469**	548
Derivative financial instruments	**781**	–
Cash and cash equivalents	**4,256**	5,645
Trade and other payables	**(4,934)**	(3,039)
Interest-bearing loans and borrowings	**(5,098)**	(2,361)

Company	2011 £000	2010 £000
Cash and cash equivalents	**280**	4,021
Trade and other payables	**(582)**	(1,787)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated part of the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board retained full control over the Group's past investments in quoted securities and associated derivative financial instruments. The Board receives reports from financial personnel through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The risks to which the Group is exposed and the policies adopted by the Board have not changed significantly in the year.

The overall objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk arises principally from the Group's and Company's trade and other receivables and cash and cash equivalents. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements as shown below.

	2011 Group £000	2010 Group £000	2011 Company £000	2010 Company £000
Trade and other receivables	**2,469**	548	**–**	–
Derivative financial instruments	**781**	–	**–**	–
Cash and cash equivalents	**4,256**	5,645	**280**	4,021
	7,506	6,193	**280**	4,021

30 Financial instruments continued

The Group's trade receivables are £303,000. The derivative financial instruments were acquired with Kopane (see notes 22 and 33 for further details). There are two derivative financial instruments, which expire in September 2011 and February 2012 respectively. It is not the intention of the Board to renew or conduct further investment in derivative financial instruments.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with acceptable credit ratings and indicated government support where applicable.

Liquidity risk
Liquidity risk arises from the Group's and Company's management of working capital and the amount of funding committed to its diamond exploration, evaluation and mine development programmes. It is the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group and Company arise in respect of the ongoing exploration, evaluation and development programmes, building and commissioning mining plant, trade and other payables and the servicing of interest-bearing debt. Trade and other payables are all payable within six months.

As noted in the Directors' report and in note 33, the Group acquired Kopane on 29 September 2010. The acquisition was primarily funded through a share-for-share exchange. The expenses of the acquisition and the related share issue costs were included within the 2010 trade and other payables in these financial statements. There was no further liability at 30 June 2011.

The Board receives cash flow projections on a regular basis as well as information on cash balances. An effective interest rates and repricing analysis which indicates the cash outflows expected in respect of interest-bearing debt is disclosed in note 26.

Interest rate risk
The Group and the Company are exposed to interest rate risk in respect of interest-bearing loans and borrowings which are variable rate instruments. The Group and Company are also exposed to interest rate risk in respect of surplus funds held on deposit. The Board does not currently undertake hedging arrangements in respect of its interest-bearing borrowings.

Interest rate table
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit or loss before tax (through the impact on floating rate borrowings) and cash flows. There is no impact on the Group's equity.

	Change in rate	**2011 £000**	Change in rate	2010 £000
Sterling equivalent	– 0.5%	25	– 0.5%	12
	– 1.0%	51	– 1.0%	24
	– 1.5%	76	– 1.5%	35
Sterling equivalent	+ 0.5%	(25)	+ 0.5%	(12)
	+ 1.0%	(51)	+ 1.0%	(24)
	+ 1.5%	(76)	+ 1.5%	(35)

Fair value of financial liabilities

	2011 Group £000	2010 Group £000
Bank loans and finance leases	**(5,098)**	(2,341)
Trade and other payables	**(4,934)**	(3,021)
	(10,032)	(5,362)

The fair value of the bank loans has been calculated at 30 June 2011 as the interest rate is variable bank base rate plus a margin which management consider reflects current interest rates and current spreads for the entity. There is no difference between the fair value and book value of trade and other payables. The same process was adopted for the 2010 analysis.

Currency risk
The Group does not currently enter into forward exchange contracts or otherwise hedge its potential foreign exchange exposure.

As at 30 June 2011 the Group has interest-bearing liabilities of US$6.0 million (2010: nil) arising from loans advanced to a subsidiary company in Botswana. The revenues from diamond sales made by the Group's subsidiaries are denominated in US dollars. The Group held no other significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2010: nil).

30 Financial instruments continued

Loans between companies which are members of the Firestone Diamonds Group are made in the operating currency of the lending company. In all other respects, the policy for all Group companies is that they only trade in their principal operating currency, except in exceptional circumstances from time-to-time. Long-term Group loans to South African and Botswana subsidiary companies are considered to be part of the net investment by the Group in those subsidiaries.

The Company is exposed to a number of different currency risks between the Rand, US Dollar, Sterling and Pula. The Group values and sells its diamonds in US Dollars. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the US Dollar/Rand and Sterling/Rand rates. The Group's expenses in Botswana, Lesotho and South Africa are incurred in Pula, Maloti and Rand respectively, so any weakening in the Pula, Maloti or Rand would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Pula, Maloti or Rand. The Company does not hedge its currency positions other than for short-term transfers of funds between currencies which are expected to be reversed within 12 months. The Board monitors and reviews its policies in this regard on a regular basis.

On 29 September 2010 the Company completed the acquisition of Kopane. The principal area of operation of Kopane is Lesotho. Operational costs are incurred in Maloti and Rand. Diamond sales are in US Dollars. Currently the policy of the government of Lesotho is to 'peg' the value of the Maloti exchange rate to the South African Rand.

The Group holds substantial assets, comprising mining properties and property, plant and equipment in Botswana, Lesotho and South Africa. Accordingly the Group is exposed directly or will benefit from exchange rate fluctuations between pounds sterling and the Botswana Pula, the Lesotho Maloti and the South African Rand in respect to these assets held by the Group. The effect on profit and loss is not significant as current ongoing expenditures are incurred in respect of the Group's exploration and evaluation activities and are capitalised as intangible assets. At 30 June 2011 the effect of a significant movement in the above exchange rates would have the following effect on the net assets and net equity of the Group:

	2011 £000	2010 £000
Lesotho		
Base currency: Maloti		
Current balance sheet value	**47,222**	–
Sterling depreciates by 5%	**2,361**	–
Sterling depreciates by 10%	**4,722**	–
Sterling appreciates by 5%	**(2,361)**	–
Sterling appreciates by 10%	**(4,722)**	–
Botswana		
Base currency: Pula		
Value of assets held	**45,809**	26,050
Sterling depreciates by 5%	**2,290**	1,302
Sterling depreciates by 10%	**4,581**	2,605
Sterling appreciates by 5%	**(2,290)**	(1,302)
Sterling appreciates by 10%	**(4,581)**	(2,605)
South Africa		
Base currency: Rand		
Current balance sheet value	**9,104**	9,923
Sterling depreciates by 5%	**455**	496
Sterling depreciates by 10%	**910**	992
Sterling appreciates by 5%	**(455)**	(496)
Sterling appreciates by 10%	**(910)**	(992)

Capital

The Group considers its capital and reserves attributable to equity shareholders together with interest-bearing borrowings to be the Group's capital. In managing its capital, the Group's primary long-term objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital needs.

Details of the Group and Company capital are disclosed in the Group and Company statement of changes in equity and in note 24, and details of interest-bearing borrowings are given in note 26.

There have been no other significant changes to the Group's management objectives, policies and processes in the year nor has there been any change in what the Group considers to be capital.

31 Operating lease commitments

	2011 Land and buildings Group £000	2011 Plant and machinery Group £000	2010 Land and buildings Group £000	2010, Plant and machinery Group £000
Within one year	**147**	**225**	–	247
Between one and two years	**138**	**125**	–	240
Between two and five years	**417**	**74**	–	321

	2011 Land and buildings Company £000	2011 Plant and machinery Company £000	2010 Land and buildings Company £000	2010, Plant and machinery Company £000
Within one year	**96**	**–**	–	–
Between one and two years	**96**	**–**	–	–
Between two and five years	**282**	**–**	–	–

There is no material difference between the fair-value of these commitments shown and the values disclosed.

32 Post-balance sheet events

On 31 August 2011 the Group completed a placing of 48,649,000 Ordinary Shares to raise £13.5 million before expenses.

33 Acquisition of Kopane Diamond Developments plc

On 29 September 2010 the Company acquired the whole of the issued share capital of Kopane Diamond Developments plc. Kopane is a diamond producer, developer and explorer whose principal assets are located in Lesotho in Southern Africa. Kopane was quoted on AIM until the date of acquisition by the Company.

The acquisition was implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006. The terms of the arrangement were that Kopane shareholders received 0.4657 of a new Ordinary Share for every 1 Kopane share held.

Both the Company and Kopane are diamond exploration and development companies with a geographical focus on Southern Africa. The majority of Firestone's assets are located in Botswana and Kopane's principal asset is located in Lesotho. Liqhobong is considered by the Directors to be one of the most attractive undeveloped kimberlites in the world. The Company has resumed production at Liqhobong and is currently completing a definitive feasibility study in respect of the construction of a significantly larger processing plant at Liqhobong.

The Kopane acquisition has been accounted for using the purchase method of accounting and Kopane's accounts have been consolidated within the Group financial statements from 29 September 2010.

The book values and fair values of the assets and liabilities acquired are set out below.

	Book value £000	Fair value £000
Goodwill	925	–
Intangible mining assets	6,089	38,926
Property plant and equipment	3,520	1,630
Derivative financial instruments	891	891
Inventories	540	622
Trade and other receivables	2,793	2,887
Cash	1,043	956
Trade and other payables	(374)	(386)
Provisions	(64)	(87)
Deferred tax	–	(3,013)
Non-controlling interests	145	(2,057)
	15,508	40,369
Fair-value of consideration		40,369
Goodwill		–

The fair value of the purchase consideration arises from the issue of 140,413,477 Ordinary Shares at a price of 28.75p per share, being the market price of an Ordinary Share as of the date of acquisition.

Kopane had a number of employee share options outstanding as at the date of acquisition. As part of the acquisition the Company amended the Kopane option agreements to substitute options over Ordinary Shares in place of the Kopane options at an exercise price of price of 21.47 pence. All of the Kopane options have either been exercised or expired. See also note 24.

33 Acquisition of Kopane Diamond Developments plc continued

There were no contingent arrangements affecting the consideration paid. No contingent liabilities have been recognised. The Company has received no indemnities from the previous shareholders or management.

The transaction costs incurred in relation to the acquisition of Kopane were £1,689,000 of which £1,234,000 was expensed in 2010 and £454,000 deducted from the Company's share premium account in 2011.

A non-controlling interest of 25% of the Liqhobong Mining Development Limited is held by the Government of Lesotho.

The fair value of the intangible mining asset was determined by an analysis of the market value of the consideration paid for each Kopane ordinary share and was supported by the results of a risk-adjusted discounted cash flow analysis. No other intangible assets have been recognised.

The results of Kopane for the year to 30 June 2011 and for the period after acquisition from 29 September 2010 to 30 June 2011 are set out below:

	Year ended 30 June 2011 £000	Period 29 September 2010 to 30 June 2011 £000
Revenue	2,202	2,202
Loss before taxation	(1,191)	(1,578)
Taxation	–	–
Loss after taxation	(1,191)	(1,578)
Other comprehensive income	2,073	341
Total comprehensive income and expense for the year/period	882	(1,237)

34 Capital commitments

At 30 June 2011 the Group had contracted capital commitments of £nil (2010: £2,116,000) and approved but not contracted capital commitments of £4,927,000 (2010: nil). There were no capital commitments outstanding at 30 June 2011 for the Company (2010: nil).

35 Related-party transactions

At 30 June 2011 the amount of undrawn fees specific to individual Directors was: P Kenny £393,251 (2010: £347,592), M J Hampton £72,915 (2010: £52,915), W D Baxter nil (2010: £3,645), H Jenner-Clark £21,418 (2010: £22,918), J F Kenny nil (2010: £7,042), J Kenny £50,000 (2010: £30,000), T Wilkes £6,000 (2010: nil). The amounts due to directors are repayable on demand and carry no rate of interest. The Group has advanced funds to its Employee Share Trust of £108,181. Directors' emoluments are shown in note 8.

Key management personnel, excluding Directors, received the following emoluments and provided good and services to the Group through companies in which they have an interest in the year:

	2011 £000	2010 £000
Salary and fees	**296**	441
Share-based payments	**129**	277
Provision of goods and services to the Group	**–**	8
	425	726

In the year the Company increased its investment in Firestone Diamonds Limited by £15,094,000 (2010: £11,860,000) to provide funds for onward investment in the Group's operations in the Southern Africa region. Firestone Diamonds Limited increased its funding to Group companies within that region by £16,002,000 (2010: £10,790,000). Details of the Company's subsidiary undertakings are shown in note 19 above.

During the year, the following amounts were invoiced for goods and services between operations in Southern Africa. All amounts invoiced were on normal commercial terms. All goods and services provided are classified as operating expenses or are capitalised within intangible mining assets.

	2011 £000	2010 £000
Invoiced from:		
African Star Minerals	**597**	–
Surf Zone Diamonds (Proprietary) Limited	**301**	1,297
Oena Mine (Proprietary) Limited	**63**	44
Asam Resources SA (Proprietary) Limited	**106**	111
Firestone Diamonds (Botswana)(Pty) Limited	**8,560**	363
	9,627	1,815

The Company provided various subordinations in respect of inter-group debt to the secured loan providers as disclosed in note 26.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the office of Tavistock Communications, 131 Finsbury Pavement, London, EC2A 1NT on 14 December 2011 at 2.30 pm for the following purposes:

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 30 June 2011, the directors' report and the auditors' report on those accounts.
2. To reappoint PKF (UK) LLP as auditors to hold office from the conclusion of this Meeting until the conclusion of the next general meeting of the Company at which accounts are laid, and to authorise the directors to fix their remuneration.
3. To reappoint Mr. W Baxter, retiring by rotation in accordance with the Company's articles of association, as a director of the Company.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolution 4 will be proposed as an ordinary resolution and resolution 5 will be proposed as a special resolution:

4. That, in substitution for all existing authorities, the directors be generally and unconditionally authorised to exercise all the powers of the company to allot shares pursuant to section 551 of the Companies Act 2006 (the "Act") up to an aggregate nominal amount of £24,600,000 for a period expiring (unless previously renewed, varied or revoked by the Company in a general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require shares to be allotted after expiry of this authority and the directors may allot shares in pursuance of that offer or agreement.
5. That, in substitution for all existing authorities and subject to the passing of resolution 4 above, the directors be generally authorised pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act), pursuant to the authority conferred by that resolution as if section 561(1) of the Act did not apply to the allotment. This authority will expire 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement and will be limited to:
   (a) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company and, if in accordance with their rights the directors so determine, holders of other equity securities of any class made in proportion (as nearly as may be) to their existing holdings of ordinary shares or (as the case may be) other equity securities of the class concerned (so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive such offer and, failing which, shall be on the basis that their holdings had been converted into or that they had subscribed for ordinary shares on the basis then applicable) but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:
      (i) to deal with equity securities representing fractional entitlements; and
      (ii) to deal with legal problems under the laws of any territory, or the requirements of a regulatory body; and
   (b) allotments of equity securities for cash otherwise than pursuant to sub-paragraph (a) up to an aggregate nominal amount of £14,800,000.

By Order of the Board	Registered office:
P Kenny	1 Park Row
11 November 2011	Leeds LS1 5AB

Notes:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the company. A Form of Proxy which may be used to make such an appointment and give proxy instructions accompanies this notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network charge)(Phone lines are open Monday—Friday, 8.30 a.m. to 5.30 p.m.) or you may photocopy the Form of Proxy.
2. A Form of Proxy is enclosed. To be effective, the Form of Proxy, together with any power of attorney or other written authority under which it is signed, or a notarially certified copy or a certified copy in accordance with the Powers of Attorney Act 1971 of such power or written authority must be completed signed and to be valid the proxy must be duly executed and deposited with the Company at the offices of the Company's registrars, Capita Registrars, by no later than 48 hours (excluding weekends and public holidays) before the time fixed for the Meeting.
3. To be valid any Form of Proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU no later than 48 hours (excluding weekends and public holidays) before the time fixed for the Meeting.
4. The return of a completed Form of Proxy will not prevent a shareholder attending the Meeting and voting in person if he/she wishes to do so.
5. To be entitled to attend and vote at the Meeting (and for the purpose of determination by the company of the votes they may cast), shareholders must be registered in the register of members of the company at 6.00 p.m. on the date which is two days before the time of the Meeting (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
7. In the case of a corporation, the Form of Proxy must be executed under its common seal or signed on its behalf by a duty authorized attorney or duly authorised officer of the corporation.
8. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. In order to revoke a proxy instruction you will need to inform the Company using one of the following method: By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Capita Registrars no later than 48 hours before the time of the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
11. As at 5.00 p.m. on the date of this notice, the Company's issued share capital comprised 372,613,111 ordinary shares of 20p each ("Ordinary Shares"). Each Ordinary Share carries the right to one vote at a Meeting of the Company, so the total number of voting rights in the Company as of the date of this notice is 372,613,111.

Form of Proxy – Firestone Diamonds plc

For use at the Annual General Meeting to be convened for 2.30 pm, 14 December 2011

I/We

(BLOCK CAPITALS)

of

being (a) member(s) of the above named Company hereby appoint the Chairman of the Meeting or
(see Note 2) as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the office of Tavistock Communications, 131 Finsbury Pavement, London, EC2A 1NT on 14 December, 2011 at 2.30 pm and at every adjournment thereof and I/we direct my/our proxy to vote as indicated below.

		For	Against	Withheld
Resolution 1	To receive the Company's annual accounts for the financial year ended 30 June, 2011, the directors' report and the auditors' report on those accounts.			
Resolution 2	To reappoint PKF (UK) LLP as auditors and authorise the directors to fix their remuneration.			
Resolution 3	To reappoint W Baxter as a director.			
Resolution 4	To authorise the directors to allot shares.			
Resolution 5	To disapply statutory pre-emption rights.			

Please indicate with a cross in each appropriate box how you wish your votes to be cast on each resolution. Unless so instructed, your proxy will vote or abstain at his/her discretion, as he/she will on any other matter (including amendments to resolutions) which may properly come before the Meeting. This Form of Proxy will be used only in the event that a poll be directed or demanded.

Signed: Date:

(See Notes 5 and 7)

Notes:
1. A member entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. The proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. If you wish to appoint some other person as your proxy, please delete the words 'the Chairman of the Meeting or' and insert the full name of your proxy in the space provided.
3. If you wish you may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. To appoint more than one proxy please photocopy this form indicating on each copy the name of the proxy and the number of shares in respect of which the proxy is appointed. All forms must be signed and should be returned in the same envelope.
4. To be valid, the completed Form of Proxy must be lodged with the Company not less than 48 hours (excluding weekends and public holidays) before the time fixed for holding the Meeting.
5. In the case of a corporation, the Form of Proxy should be signed under the common seal or under the hand of a duly authorised officer or attorney.
6. A proxy need not be a member of the Company.
7. Any one of two or more joint holders may sign, or vote in person or by proxy, but if more than one of the joint holders is present at the Meeting or represented by proxy, only the holder whose name stands first in the Register of Members shall be entitled to vote.
8. Completion of this Form of Proxy will not prevent a member from attending the Meeting and voting in person should he/she so wish.
9. Any alterations made to this Form of Proxy should be initialled.

Company information

UK Office
Firestone Diamonds plc
The Triangle
5 - 17 Hammersmith Grove
London W6 0LG
Tel: +44 20 8741 7810
Fax: +44 20 8748 3261
Email: info@firestonediamonds.com

Botswana Office
Firestone Diamonds Botswana (Pty) ltd
Suite 33/34
Sebele Centre
Block 10
Gaborone
Tel: +267 3181852
Fax: +267 3187680

Nominated Broker
Mirabaud Securities LLP
33 Grosvenor Place
London SW1X 7HY

Nominated Adviser
Brewin Dolphin Limited
12 Smithfield Street
London EC1A 9BD

Registrars in the UK
Capita Registrars
Northern House
Woodsome Park, Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA

Registrars in Botswana
Corpserve Botswana
First Floor, Unit 22
Kgale Court
Millennium Office Park
Gaborone

Auditors
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Legal Advisors
Lawrence Graham LLP
4 More London Riverside
London SE1 2AU

PR Consultants
Tavistock Communications
131 Finsbury Pavement
London
EC2A 1NT

Company Secretary
Pinsent Masons Secretarial Limited
1 Park Row
Leeds LS1 5AB

Registered Address
Firestone Diamonds plc
1 Park Row
Leeds LS1 5AB

Registered Number
3589905

www.firestonediamonds.com

Firestone Diamonds plc
The Triangle
5-17 Hammersmith Grove
London W6 0LG
UK

Tel: +44 (0)20 8741 7810
Fax: +44 (0)20 8748 3261