Firestone Diamonds plc

Annual Report and Accounts 2014

Firestone Diamonds plc

We are an international diamond development company with operations focused on Lesotho and Botswana.

Firestone is fully financed to develop the Main Treatment Plant and related infrastructure at its flagship Liqhobong Diamond Mine in Lesotho. At full production, Liqhobong will produce plus 1 million carats per annum. Production ramp up is targeted for mid 2016.

Discover more about Firestone online
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2014 HIGHLIGHTS

LIQHOBONG MINE DEVELOPMENT PROJECT

- The project is fully funded to completion
- The management team and contractors in place to deliver the development project
- Construction commenced in late June 2014

UPDATED PROJECT DEFINITIVE FEASIBILITY STUDY

- **Base Case** Post-tax $NPV_{8\%}$ of $379 million and IRR of 30% at an average diamond price of $107/ct excluding any potential from recovery of large plus 100 carat stones
- **Upside Case** Post-tax $NPV_{8\%}$ of $728 million and IRR of 45% at an average diamond price of $156/ct
- Average annual production of plus 1 million carats commencing in 2016
- 15 year life of open pit mine
- 3.6 million run of mine tonnes per annum
- Total capital expenditure for the plant and associated infrastructure of $185 million

STRENGTHENED MANAGEMENT TEAM

- Chief Executive Officer, Mr Stuart Brown, appointed 2 September 2013
- Chief Project Officer, Mr Glenn Black, appointed 3 March 2014

FINANCIAL

- Group net loss decreased to $11.2 million (2013: $22.6 million)
- Net amount of $114.5 million equity funding raised in two separate equity raises
- Group is fully funded to project completion

OUTLOOK

- Focused on Liqhobong, with the goal of becoming a plus 1 million carats per annum producer from mid 2016
- Initiated formal disposal process for Botswana assets

KEY STATISTICS

LIQHOBONG RESOURCE
(INCLUDING INFERRED RESOURCES ESTIMATES)

29m carats

IN-SITU VALUE
(BASE CASE UN-ESCALATED)

$3.2bn

CHAIRMAN'S STATEMENT

The Board firmly believes that the successful financing represents a clear endorsement for the quality of the Liqhobong project, Firestone's management team and, importantly, the Kingdom of Lesotho.

Lucio Genovese
Non-Executive Chairman

SUMMARY

- We now have the required financing and management to realise our strategy of becoming a mid-tier, plus 1 million carat per year, diamond producer
- The revised DFS confirmed the strong economics of the Liqhobong project including a net present value of $379 million rising to $728 million when the large +100 carat stones are also included
- Despite a very challenging environment for mining finance, Firestone raised $222.4 million to build our flagship project
- I am pleased to report that the Liqhobong Mine Development Project started as planned in late June 2014 with the commencement of the decommissioning and removal of the existing pilot plant, and the beginning of general site earthworks

The past year has seen some very exciting developments for Firestone Diamonds plc (Firestone or the Company) culminating in the Company now having the required management and financing in place to realise its strategy of becoming a mid-tier, plus 1 million carat per year diamond producer.

The beginning of the year saw the recruitment of Stuart Brown to the Board and subsequently his appointment as Chief Executive Officer (CEO). Stuart joined the Company from De Beers where he held the position of Joint Acting CEO and Chief Finance Officer, having been with De Beers for almost 20 years. Attracting a CEO of Stuart's calibre with such extensive diamond experience was a significant achievement for Firestone and reflects the underlying quality of Firestone's Liqhobong Diamond Mine (Liqhobong or the Project) in Lesotho.

The Company was similarly pleased that Tim Wilkes, the outgoing CEO, agreed to remain involved with the Project in a consultancy capacity and assisted Stuart during the revision of the Liqhobong Definitive Feasibility Study (DFS), which was published in November 2013 and was a requirement in securing funding for the Project. The revised DFS confirmed the strong economics of the Project, setting out a compelling base case post tax net present value at an 8% discount rate ($NPV_{8\%}$) of $379 million and an IRR of 30%, and a significant upside case post tax $NPV_{8\%}$ of $728 million and an IRR of 45% which also includes large plus 100 carat stones.

For the mining sector, and in particular for junior mining companies, it has been a very challenging environment for seeking finance. Fortunately, this environment did not affect Firestone and, in May 2014, the Company announced the completion of its $222.4 million funding package which is required for the construction and commissioning of the Liqhobong Mine Development Project and other working capital requirements of the Group. The Board firmly believes that the successful financing represents a clear endorsement for the quality of the Project, Firestone's management team and, importantly, the Kingdom of Lesotho.

I am particularly pleased that we have now completed the funding required to enable the development of the Project in order to achieve its full potential after so many years in preparation and planning.

We were also pleased to be able to secure the renewal of the mining lease and mining agreement for the Liqhobong mine with our partners, the Government of The Kingdom of Lesotho. We look forward to a long and rewarding partnership with the Kingdom of Lesotho.

As the Company enters its next phase of development, it was necessary to make certain changes to the Board and on 18 June 2014, Mr Niall Young (as the representative of Pacific Road Capital Management) and Mr Ken Owen were appointed to the Board. At the same time Mr Julian Treger resigned. Both Ken and Niall have considerable experience in mining and in the diamond industry having both worked for De Beers for many years earlier in their careers. I welcome them and look forward to their valuable contribution and take this opportunity to also thank Julian for his tremendous support and contribution in helping to successfully restructure the Company.

Operations

Due to the continued operating losses from the pilot plant and the potential to break large valuable stones, we took the decision to close the pilot plant at Liqhobong and ceased production in October 2013. While this decision was extremely difficult to make, it was necessary from both a financial and operational perspective to allow site preparation to begin for the construction of the Liqhobong Mine Development Project in 2014.

Following completion of the project financing in May 2014, Firestone commenced its development programme to build and commission the Liqhobong Mine Development Project. The development programme is being executed by Firestone's project team, led by the Chief Project Officer, Mr Glenn Black, who was appointed to the Senior Management Team of the Company in March 2014. Glenn has over 40 years' experience in the mining industry including over 30 years' project experience at a senior management level.

I am pleased to report that the Liqhobong Mine Development Project started as planned in late June 2014 with the commencement of the decommissioning and removal of the existing pilot plant, the beginning of general site earthworks and with overhead power line contractors working hard establishing site works and logistics.

As previously communicated to shareholders, the Board is considering various strategic alternatives for its Botswana operations and exploration portfolio, and commenced a formal disposal process in August 2014. We hope to conclude this process in 2015, thus allowing the management team to completely focus their attention on the successful completion of the Liqhobong Mine Development Project.

Financial

In a year of transition, where the Company was focused on preparing itself for the necessary fundraising, I am pleased to report that we contained our losses and costs while we successfully raised sufficient funding to begin our journey to success.

On behalf of the Board, I would like to take this opportunity to thank the management team for their efforts in securing the funds required to commence the construction of the Liqhobong Mine Development Project. I welcome our new investors, in particular Pacific Road Resources and Resource Capital Fund, to our register and I look forward to keeping shareholders up to date towards the commencement of production in 2016 and thereafter to achieving average annual production of plus 1 million carats.

Lucio Genovese
Non-Executive Chairman
1 October 2014

STRATEGY

Introduction to strategy

Firestone is a diamond mining and exploration company focused on developing its principal asset, the Liqhobong Diamond Mine in Lesotho.

Firestone's interest in Lesotho is its 75% ownership of Liqhobong (with the Government of the Kingdom of Lesotho holding 25%). The deposit was first discovered in the late 1950s and over the past 60 years it has been through a series of trial mining and feasibility studies, which due to various issues, could never reach funding success. In 2010, Firestone acquired its 75% interest in Liqhobong and successfully completed all the required work to finalise the DFS and subsequently raised the necessary funds to begin building and commissioning the Liqhobong Mine Development Project in 2014.

The Liqhobong Mine Development Project is expected to take two years to build and commission and when completed in 2016, Liqhobong is expected to be a plus one million carat a year producer, which would place it in the top tier of diamond mines globally.

In Botswana, Firestone's principle investment is the BK11 diamond mine, a low-grade high-value mine, currently under care and maintenance. Firestone has been active in Botswana through exploration and mining since its inception in 1998. The Company has commenced a formal disposal process in respect of the BK11 mine and other assets in Botswana, which the Company hopes to conclude in the first half of 2015.

OUR VISION

Our vision is to be a mid-tier diamond producer that is trusted by its partners, stakeholders and investors and is the preferred partner of choice for investors and local communities alike.

OUR STRATEGY

Firestone's strategy is to become a world-class mid-tier diamond producer, producing over 1 million carats a year and is based on:

- **Our African operating experience**
  We have a strong team of experienced industry executives who have an in depth understanding of the diamond sector.
- **Skills development**
  We create in-country skills and capacity through careful recruitment of local employees who are then trained and deployed in front-line positions in the Company thereby realising the skills transfer requirements for our partner, the Government of the Kingdom of Lesotho.
- **Trusted expertise**
  By demonstrating that our actions mirror our words we will become the preferred investment vehicle for global investors and partners in Africa.
- **High quality management**
  The formation of a highly skilled and experienced management team, which is able to execute mine construction projects and operate mines to ensure the Company's planned returns are realised.

RISK REVIEW

Firestone's current activity is the successful execution of the Liqhobong Mine Development Project in Lesotho. The Liqhobong Mine Development Project entails the construction and commissioning of a new main treatment plant capable of treating 500 tonnes per hour, as well as the required infrastructure to ensure that the mine successfully operates over its planned life and once built operates at the designed specification to deliver the anticipated returns.

The Company is exposed to a number of risks and uncertainties, which, if they occur or manifest, could have a material impact on the successful achievement of its goals. Management of these risks and uncertainties is a key function of the board and management of the Company. The following risks have been identified as the main risks that potentially impact on the Company achieving its goals.

Strategic risk

RETENTION OF KEY PERSONNEL

The Company is heavily reliant on a small group of key staff to achieve its objectives.

Responsibility

The Board carries the responsibility through its Executive Directors, the Remuneration Committee and the Nomination Committee to ensure appropriate remuneration structures are adequate to attract and retain staff with the required skills and experience to ensure the project and operational requirements are met.

Mitigation

Firestone believes it has mitigated this risk by implementing competitive remuneration structures and practices and has attracted the required team. Furthermore the team and employees have been given the authority to fulfil their potential and have been empowered to achieve the desired results.

External risk

COUNTRY AND POLITICAL RISK

Firestone's Liqhobong mine is situated in Lesotho and its BK11 mine is situated in Botswana, both in southern Africa. Whilst Botswana has been politically stable over its history the same is not true for Lesotho. Lesotho is currently experiencing a period of political difficulty. This is not uncommon in emerging markets which can be subject to greater volatility and political risk.

Responsibility

The responsibility for managing this risk lies with the executive management.

Mitigation

The Firestone team has extensive experience of operating in southern Africa. The Company keeps in close contact with representatives of the Government in Lesotho in order to ensure it is as up to date as possible with all political and regulatory developments. In relation to Lesotho, the issues in 2014 have not materially disrupted the Company's operations directly but they have caused uncertainty which is being managed as closely as possible under the circumstances and will continue to be monitored.

Operational risk

HEALTH, SAFETY, ENVIRONMENTAL AND COMMUNITY RISK

Failure to comply with any of the legislative or social requirements would cause a delay or suspension of the Company's operational activities in Lesotho or Botswana.

Responsibility

The Executive Directors and the Safety, Health, Environment and Corporate Social Responsibility Committee.

Mitigation

Firestone is establishing its operational footprint in Lesotho and has been very thorough in the execution of its strategy in engaging with the local community in Liqhobong as well as local and central government representatives to manage expectations and requirements. These relationships are maintained and monitored on a regular basis.

RISK REVIEW CONTINUED

Operational risk

PROJECT DELIVERY RISK

Firestone is exclusively reliant on the Liqhobong Mine Development Project being executed and completed on time and on budget by mid-2016. Should the Company not achieve the completion on time, this will impact on the Company achieving its goal of producing 1 million carats per annum by 2016.

Responsibility

The Executive Directors and the Chief Project Officer.

Mitigation

The Company has assembled an experienced team, members of which have a track record of successful project delivery in the diamond industry.

The engineering, procurement and contract management partner also has extensive experience in the diamond industry and importantly, a history of working in the Lesotho Highlands.

The project design has been selected to mitigate time overruns and is closely monitored and measured by the Project Management Steering Committee.

Financial risk

FINANCING RISKS

The Company raised what it believes to be sufficient funding, through a combination of debt and equity, to fund the Group through to early commissioning of Liqhobong in mid-2016. A project cost overrun or delay in commissioning could lead to a further funding requirement.

Responsibility

The Executive Directors, the Audit Committee and the senior management.

Mitigation

Management has prepared detailed capital expenditure plans and budgets for the construction phase of the Liqhobong Mine Development Project and whilst these have been carefully considered, it is often the case that actual expenditure can differ from that which is budgeted. The Company has implemented a detailed cash and expenditure monitoring system to ensure that expenditure remains within approved capital and contingency budgets. Cash flow planning is continually updated to take into account historic cash outflow against budget, exchange rate movements as well as budget shifts. The Audit Committee considers cash flow forecasts on a regular basis to ensure that the Company is adequately funded. Project spending is tightly controlled and managed.

Currency risk

CURRENCY RISKS

The Company is exposed to currency risk as a result of its operations in various jurisdictions which includes Lesotho, South Africa, Botswana and the UK. The most substantial currency risk for the Group relates to the Liqhobong Mine Development Project costs which are incurred in South African Rand (Rand) and Lesotho Maloti (Maloti), which is pegged to the Rand, from funds raised through a combination of US Dollars (USD) or ($) and Pounds Sterling (£). Should the Rand, which is a volatile currency, strengthen against these currencies beyond the rates budgeted, the Group could have a potential funding shortfall.

Responsibility

The Executive Directors and the Audit Committee.

Mitigation

The Company monitors the movement of the Rand against the $ and £ on an ongoing basis. By applying the Company's hedging policy, a number of hedging contracts were entered into after the financial year end, thereby reducing the risk to an acceptable level at this stage of the Liqhobong Mine Development Project.

CHIEF EXECUTIVE OFFICER'S REVIEW

The major focus of the management team was to prepare the Company for the required fundraise to execute the Liqhobong Mine Development Project.

Stuart Brown
Chief Executive Officer

SUMMARY

- We remain cautiously optimistic that the rough market fundamentals are solid in that forecast demand for diamond retail jewellery continues to grow at a higher rate than rough diamond production from all producers
- The Company completed all the required funding and licensing requirements by the end of the financial year with construction commencing at the end of June 2014
- I have been extremely pleased with the quality of the work undertaken on the Project to date and am also pleased that we have engaged an experienced team under Mr Glenn Black to bring the project to completion
- The successful commissioning of Liqhobong in 2016 is expected to place Firestone in the top tier of diamond producing mines globally

Operationally, 2014 was a year of transition for Firestone, with material changes in the Senior Management Team, which included my appointment in September 2013, subsequently taking over as CEO in December 2013. I was specifically recruited to restructure and assist with developing the Company into a successful and focused mid-tier diamond producer. To do this, we have moved all our available resources and attention to the successful execution of the economically robust Liqhobong Mine Development Project.

The major focus of the management team was to prepare the Company for the required fundraise to execute the Liqhobong Mine Development Project. To maximise the ability to successfully raise the required debt and equity the Company took the difficult decision to close the loss making pilot plant at Liqhobong. This step was taken at the end of October 2013 and stopped the associated losses and allowed the team to focus on completing the fundraising required to build and commission the Liqhobong Mine Development Project.

With our focus firmly on developing Liqhobong, there continued to be no further activity at the BK11 mine in northern Botswana, which remained on care and maintenance. No exploration or evaluation work was undertaken on any of the Company's prospecting licences in Botswana and where possible, these licences were relinquished. The BK11 mine and other in-country assets in Botswana have been prepared for a potential sale process that commenced following the year end and is expected to be completed in the first half of 2015.

Liqhobong Mining Development Company (LMDC), Lesotho
The 2009 independent resource estimate concluded that to a depth of about 150 metres (2370 metres above sea level (masl)), the extent of the majority of drillholes, the Liqhobong main pipe indicated resource is estimated to comprise 12.0 million carats (Mcts) in 38.5 million tonnes (Mt) at an average grade of 31 carats per hundred tonnes (cpht) at a 1.0 millimetres (mm) bottom cut off. A further 17.6 Mcts in 51.5 Mt at an average grade of 34 cpht is estimated to a depth of 2040 masl. These carats are classified at the Inferred level and also stated at a 1.0 mm bottom cut off. The total undepleted diamond resource is therefore approximately 90 Mt and 29.6 Mcts at an average grade of 33 cpht.

Liqhobong Mining Development Company (LMDC), Lesotho continued

When adjusted for depletions up to 1 July 2012 the diamond resource figures change as follows:

Diamond resource estimate for the Liqhobong main pipe as at 1 July 2012:

	Tonnes	Cpht	Carats
Indicated Resource (surface to 2370 masl)	37,083,000	31	11,480,500
Inferred Resource (2370 to 2040 masl)	51,471,000	34	17,655,000
Total Resource	**88,554,000**	**33**	**29,135,500**

Diamond resources are stated at a 1mm bottom cut off.
The 2009 estimate includes boart diamonds.
75% of diamond resources are attributable to Firestone Diamonds.
2370 metres above sea level (masl) is approximately 150 metres below the surface.
2040 metres above sea level (masl) is approximately 480 metres below the surface.
Source: 2012 DFS.

Included in the current open pit mine plan is a probable reserve of circa 36.4 Mt and a further inferred resource of 18.6 Mt, providing a life of mine of around 15 years, down to 393 metres below surface, at a projected production capacity of 3.6 Mt and plus 1 million carats per annum.

Diamond resource and reserve included in the original 2012 Definitive Feasibility Study Open Pit Mine Plan:

	Tonnes	Cpht	Carats
Probable Reserve (surface to 2370 masl)	36,448,000	31	11,379,000
Inferred Resource (2370 to 2157 masl)	18,648,000	33	6,221,000

Total DFS open pit plan contains 55Mt and 17.6Mct to 393 metres below surface.

Open pit mining will deplete only about 60% of the total resource indicating that some 35 Mt and 12 Mcts will remain in and below the open pit. It is envisaged that the remaining resource could be mined by either a fourth cut in the open pit or through the development of an underground operation. Trade-off studies will be conducted at the appropriate time when further drilling results can be evaluated and the options for mine expansion can be considered. Furthermore, the current resource is still open at depth as evidenced by a vertical hole drilled to a depth of 650 metres and terminating in kimberlite.

The latest base case revenue estimate completed in October 2013 as part of the revision to the DFS, incorporated the latest pilot plant parcel valuations and size frequencies derived from bulk samples which were then modelled to include stone sizes up to 100 carats. This exercise resulted in a range of values between an expected $107 per carat to an upside value of $156 per carat when plus 100 carat stones are included.

The expected value of $107 per carat was used in the revised DFS published in November 2013. Due to the substantial number of broken and damaged large stones recovered during the trial mining activities using the pilot plant, we are hopeful that we will recover a number of stones above 100 carats, however, this upside has not been modelled into any of our expectations.

During early 2015, as part of the operational readiness work, the diamond resource and reserve will be updated to reflect depletions as a result of the pilot plant production up to October 2013 as well as incorporate an improved density dataset and fine-tuning of internal geology. The boart factor used in the 2009 estimate will be removed as part of the update. The update will also incorporate all the latest indices relating to diamond revenue, costs, exchange rates and other relevant information which will allow us to calculate the expected performance of the plant and ore body with greater confidence as we head to the commencement of production.

Pilot plant production

Due to ongoing losses from operating the pilot plant at Liqhobong, Firestone had to prioritise the use of their remaining cash prior to the potential fundraise. Consequently a decision was taken to close the loss making pilot plant at the end of October 2013. In the four month period up until the closure of the plant, ore treated totalled 282,000 tonnes (2013: 1,408,000 tonnes) at an average grade of 21.6 cpht (2013: 25.1 cpht), producing 42,929 carats (2013: 156,131 carats).

The reduction in recovered grade was due to a number of factors that included processing of remaining low-grade ore stockpiles whilst simultaneously minimising mining costs at the closure period, as well as lower recovery factors from the pilot plant prior to closure.

Diamond tenders continued to be conducted at the Antwerp Diamond Centre (AWDC) where interest in the Liqhobong goods remained high. A total of 58,086 carats were sold during the year realising revenues of $3.9 million at an average price of $68 per carat. The prices obtained were market related and steady considering that no large or special stones were sold in the last two tenders, which also included the sale of lower quality and near gem inventory.

Summary of production data for LMDC:

		FY 2014	FY 2013
Activity report			
Mining – waste	tonnes '000	**7**	187
Mining – development	tonnes '000	**7**	278
Mining – ore	tonnes '000	**165**	606
Stockpile – ore	tonnes '000	**—**	43
Tailings handling	tonnes '000	**103**	294
Mining – total	tonnes '000	**282**	1,408
Treatment – ore	tonnes '000	**199***	623
Recovered grade	Cpht	**21.6**	25.1
Carats produced	Cts	**42,929**	156,131
Revenue			
Gross diamond sales	$ '000	**3,954**	15,516
Carats sold	Cts	**58,086**	166,712
Price achieved	$/ct	**68**	93

* Ore treated consists of 165,000 tonnes from ore mined and 34,000 tonnes of ore in process from the prior year. All of the ore was processed prior to closure of the plant in October 2013.

Rough diamond prices continued to experience single-digit growth for the second half of 2013 and the first half of 2014, providing us with a level of confidence that the rough diamond market is well supported at present. Global demand for rough diamonds is being driven by the increasing demand in retail diamond jewellery from China and India as well as the ongoing recovery and growth in the United States. We remain cautiously optimistic that the rough market fundamentals are solid in that forecast demand for diamond retail jewellery continues to grow at a higher rate than rough diamond production from all producers. In the long term, this divergence is positive for rough producers and while there may be short-term fluctuations in rough prices, the trend for price growth in the long term is positive. The Company continued to sell its -11 sieve size diamonds, to a reputable Belgium based diamantaire, under the terms of a $6 million two year off-take agreement, with the remainder of the pilot plant's production being sold via electronic tender. The early closure of the pilot plant in October 2013 resulted in an outstanding balance of $1.8 million owing against the off-take agreement. This was settled by way of new ordinary shares issued as part of the fundraise in May 2014.

Liqhobong Mine Development Project

As part of the fundraise preparation, the capital estimates in the original DFS completed in October 2012 were revalidated and a revised DFS was published in November 2013. As part of the fundraise process, the revised DFS was subjected to three sets of due diligence from our new major shareholders and financiers and we were pleased that it withstood the process and we were able to complete the financing in May 2014.

In parallel, we were also renegotiating the mining lease and mining agreement with the Government of Lesotho. A new mining lease agreement for Liqhobong was signed in April 2014, which is valid for 10 years and has renewal provisions contained in the agreement and in accordance with the Lesotho Mines and Minerals act.

The total capital expenditure for the Liqhobong Mine Development Project, which includes the building and commissioning of the Main Treatment Plant, associated infrastructure to maintain the mine operation and appropriate risk mitigation assets as well as a grid power solution is estimated to be $185 million.

I have been extremely pleased with the quality of the work undertaken on the Project to date and am also pleased that we have engaged an experienced team under Mr Glenn Black to bring the project to completion.

Conclusion

2014 has been a defining year in the history of Firestone Diamonds. It has been a long journey that has culminated in the successful fundraising to move Firestone from an explorer for diamonds to a company that will soon be a mid-tier producer with the Liqhobong diamond mine producing over 1 million carats per annum when in full production.

The Company completed all the required funding and licensing requirements by the end of the financial year with construction commencing at the end of June 2014.

The 2015 financial year will be focused on Project execution with commissioning of the plant and infrastructure expected in mid-2016.

The successful commissioning of Liqhobong in 2016 is expected to place Firestone in the top tier of diamond producing mines globally. I am very pleased that we have assembled the right team at Firestone that will help shape the future of the Company for years to come.

Stuart Brown
Chief Executive Officer
1 October 2014

FINANCIAL REVIEW

Financing in place to realise our strategy of becoming a mid-tier, plus 1 million carat per year diamond producer.

Grant Ferriman
Chief Financial Officer

SUMMARY

- During the year, the Company undertook two separate equity raises, raising, in aggregate net proceeds of $114.5 million after expenses
- Revenue for the year was lower as the pilot plant was only operational for four months before being closed in October 2013 in preparation for the Liqhobong Development Project
- The Group had cash balances at 30 June of $107 million (2013: 4.1 million)
- During 2013, the Group's South African and Botswana assets were classified as held for sale

With the Group firmly focused on the Liqhobong Mine Development Project, and subsequent to a review of the Group's Botswana assets, a decision was taken to dispose of or joint venture the assets, with the principle asset being the BK11 mine.

Statement of profit and loss

$ million	LMDC 2014	LMDC 2013	BK11* 2014	BK11* 2013	Corp 2014	Corp 2013	Total 2014	Total 2013
Revenue	**3.9**	15.4	**—**	—	**—**	—	**3.9**	15.4
Cost of sales	**8.5**	23.2	**—**	—	**—**	—	**8.5**	23.2
Operating loss excluding depreciation	**(4.6)**	(7.8)	**—**	—	**—**	—	**(4.6)**	(7.8)
Administrative expenses	**1.8**	2.6	**—**	0.2**	**—**	—	**1.8**	2.8
Care and maintenance expenses	**0.8**	—	**0.6**	0.6	**—**	—	**1.4**	0.6
Corporate expenses	**—**	—	**—**	—	**3.4**	2.9	**3.4**	2.9
Depreciation and amortisation	**—**	—	**—**	2.3	**0.1**	0.2	**0.1**	2.5
Impairment losses	**—**	—	**—**	3.8	**—**	—	**—**	3.8
Share-based payments	**—**	—	**—**	—	**0.5**	1.9	**0.5**	1.9
Loss before finance charges	**(7.2)**	(10.4)	**(0.6)**	(6.9)	**(4.0)**	(5.0)	**(11.8)**	(22.3)
Finance income	**—**	—	**—**	—	**0.6**	—	**0.6**	—
Finance costs	**—**	—	**—**	0.3	**—**	—	**—**	0.3
Loss before tax	**(7.2)**	(10.4)	**(0.6)**	(7.2)	**(3.4)**	(5.0)	**(11.2)**	(22.6)

* This business segment is classified as held for sale. Operating losses of this segment is disclosed as losses from discontinued operations in the consolidated statement of profit and loss.

** Operational changes in the Group resulted in certain corporate and administrative functions being transferred from Botswana to South Africa, where the Group established a new corporate office. Administrative costs of $0.2 million incurred during 2013 in Botswana which previously formed part of corporate costs, are classified as BK11 costs as they are closely associated with the BK11 operation.

The Group incurred a loss of $11.2 million for the year ended 30 June 2014 which is substantially lower than the prior year's loss of $22.6 million, mainly as a result of lower depreciation and amortisation charges of $3.4 million (2013: $8.8 million) (of which $3.3 million (2013: $6.3 million) is classified within cost of sales) and no impairment expense for the year (2013: $3.8 million). Pleasingly, losses were reduced across all business segments. Losses at LMDC reduced to $7.2 million (2013: $10.4 million) as a result of a lower depreciation charge due to closure of the pilot plant at Liqhobong in October 2013 in preparation for the Liqhobong Mine Development Project. At BK11, losses reduced substantially to $0.6 million (2013: $7.2 million) as a result of no depreciation charges or impairment expense which, in the prior year, amounted to $2.3 million and $3.8 million respectively. The loss from corporate activities decreased to $3.4 million (2013: $5.0 million) as a result of a lower share-based payments expense of $0.5 million (2013: $1.9 million) and foreign exchange gains of $0.6 million (2013: $nil).

LMDC

LMDC's main focus during the year was to reduce operating losses from the pilot plant whilst financing arrangements for the Liqhobong Mine Development Project were progressing. LMDC incurred a loss for the year of $7.2 million (2013: $10.4 million). Due to the drive to curtail costs and reduce losses at Liqhobong, mine development and plant maintenance was reduced, resulting in mostly low-grade free-dig ore and existing low-grade stockpiles being treated through the pilot plant. During the year, LMDC sold 58,086 carats (2013: 166,712 carats) at an average price of $68 per carat (2013: $93 per carat), generating revenue of $3.9 million (2013: $15.4 million). Revenue for the year was lower as the pilot plant was only operational for four months before being closed in October 2013. Cost of sales decreased to $8.5 million (2013: $23.2 million), which includes a lower depreciation charge of $3.3 million (2013: $6.3 million) and $0.4 million of inventory write downs (2013: $nil). Administrative expenses were lower at $1.8 million (2013: $2.6 million) due to a weaker Lesotho Maloti, the currency in which LMDC's expenses are denominated, and the classification of certain expenses as care and maintenance costs since closure in October 2013.

BK11 mine

With the Group firmly focused on the Liqhobong Mine Development Project, and subsequent to a review of the Group's Botswana assets, a decision was taken to dispose of or joint venture the assets, with the principle asset being the BK11 mine. The mine remained on care and maintenance during the year at a cost of $0.6 million (2013: $0.6 million) whilst management progressed their strategy, which included delisting Firestone from the Botswana Stock Exchange in April 2014 and commencing a disposal process, which took place after the year end.

The BK11 assets have been classified as held for sale since the end of the 2013 financial year.

Corporate

Corporate costs which include corporate expenses, share-based payments and finance income decreased to $3.4 million for the year (2013: $5.0 million). The increase in corporate expenses to $3.4 million (2013: $2.9 million), which resulted mainly from additional costs in connection with the $222.4 million funding arrangements, was partially offset by a decrease in the share-based payment expense of $0.5 million (2013: $1.9 million).

Statement of financial position

	LMDC		BK11		Corp		Total	
$ million	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Assets								
Non-current assets	**50.1**	52.4	**—**	—	**—**	—	**50.1**	52.4
Non-current assets held for sale	**—**	—	**13.8**	13.8	**—**	—	**13.8**	13.8
Current assets (excl. cash)	**0.3**	3.6	**—**	—	**0.4**	0.5	**0.7**	4.1
Cash equivalents	**15.9**	0.6	**—**	0.5	**91.1**	3.0	**107.0**	4.1
	66.3	56.6	**13.8**	14.3	**91.5**	3.5	**171.6**	74.4
Liabilities								
Rehabilitation provisions	**1.5**	2.6	**—**	—	**—**	—	**1.5**	2.6
Deferred tax liabilities	**4.0**	4.3	**—**	—	**—**	—	**4.0**	4.3
Liabilities of a disposal group	**—**	—	**2.1**	4.6	**—**	—	**2.1**	4.6
Current liabilities	**3.0**	5.5	**—**	—	**1.7**	1.7	**4.7**	7.2
	8.5	12.4	**2.1**	4.6	**1.7**	1.7	**12.3**	18.7
Equity value	**57.8**	44.2	**11.7**	9.7	**89.8**	1.8	**159.3**	55.7

The equity raise in May 2014 increased the equity value of the Group to $159.3 million (2013: $55.7 million) and cash equivalents to $107.0 million (2013: $4.1 million).

Non-current assets reduced by $2.3 million year on year to $50.1 million (2013: $52.4 million) due to depreciation and amortisation of $4.7 million, which included the accelerated depreciation of the pilot plant at LMDC of $0.8 million and foreign exchange losses of $3.5 million offset by additions to property, plant and equipment of $5.9 million. Exchange losses relate to the strengthening of the US Dollar, being the Group's reporting currency, relative to the Lesotho Maloti, the currency in which the Group's non-current assets are recorded.

Current assets excluding cash decreased by $3.4 million to $0.7 million (2013: $4.1 million). This is mainly due to the receipt in the current year of proceeds from the final tender held at the end of the 2013 financial year, and the write down of consumables inventory relating to the pilot plant. Current assets at year end include consumables inventory of $0.2 million (2013: $1.6 million) and prepayments and value-added tax receivable of $0.5 million (2013: $2.5 million). All gem diamond inventory was sold during the year after the pilot plant was closed in October 2013.

Current liabilities at the end of the year of $4.7 million (2013: $7.2 million) comprise mainly construction-related creditors.

During 2013, the Group's South African and Botswana assets were classified as held for sale. Sale of the South African assets is nearly complete, pending only local regulatory approval and in August 2014, a formal disposal process commenced for the Botswana assets.

Assets held for sale include:

	2014 $'m	2013 $'m
Non-current assets	**13.1**	13.5
Inventories	**0.3**	0.3
Cash equivalents	**0.4**	—
Non-current assets held for sale	**13.8**	13.8
Interest-bearing borrowings	**—**	2.6
Rehabilitation provisions	**1.9**	1.9
Current liabilities	**0.2**	0.1
Liabilities of a disposal group	**2.1**	4.6

The decrease in liabilities of a disposal group by $2.5 million to $2.1 million (2013: $4.6 million) was due to settlement of an interest-bearing loan with Standard Chartered Bank Botswana.

Cash flow statement

$ million	LMDC 2014	LMDC 2013	BK11 2014	BK11 2013	Other Firestone Group 2014	Other Firestone Group 2013	Total 2014	Total 2013
Opening cash at 1 July	**0.6**	0.9	**0.5**	0.6	**3.0**	15.0	**4.1**	16.5
Operations	**(0.7)**	(0.3)	**(0.6)**	(1.6)	**(1.9)**	(4.4)	**(3.2)**	(6.3)
Operating cash flow	**(3.0)**	(4.2)	**(0.6)**	(0.6)	**(2.5)**	(3.2)	**(6.1)**	(8.0)
Change in working capital	**2.3**	3.9	**—**	(1.0)	**0.6**	(1.2)	**2.9**	1.7
Capital development								
Capital expenditure	**(5.8)**	(4.2)	**—**	—	**—**	—	**(5.8)**	(4.2)
Cash financing	**21.8**	4.2	**0.1**	1.5	**90.0**	(7.6)	**111.9**	(1.9)
Equity issues	**—**	—	**—**	—	**114.5**	0.1	**114.5**	0.1
Loans repaid	**—**	—	**(2.6)**	(2.0)	**—**	—	**(2.6)**	(2.0)
Inter-group transfers	**21.8**	4.2	**2.7**	3.5	**(24.5)**	(7.7)	**—**	—
Closing cash at 30 June	**15.9**	0.6	**—**	0.5	**91.1**	3.0	**107.0**	4.1

The Group began the year with cash of $4.1 million (2013: $16.5 million) and raised a net $114.5 million in two separate capital raises, providing the Group with total cash of $118.6 million. A total of $11.6 million was spent during the year; $3.2 million on operations, $5.8 million on capital development and $2.6 million on repayments of loans resulting in a closing cash balance of $107 million (2013: $4.1 million) which includes cash held by disposal groups.

LMDC

LMDC began the year with cash of $0.6 million, received $21.8 million in funding from the parent company and spent $6.5 million, $5.8 million relating to the Liqhobong Mine Development Project resulting in closing cash of $15.9 million (2013: $0.6 million).

BK11 mine

During the year, BK11 spent $0.6 million (2013: $0.6 million) on continued care and maintenance expenses and settled an outstanding balance of $2.6 million on an interest-bearing loan with Standard Chartered Bank. Cash requirements for the year were funded from opening cash of $0.5 million and additional funding from the parent company of $2.7 million.

Corporate and other

Corporate began the year with $3.0 million and received a further net $114.5 million taking total cash available to $117.5 million. During the year, $2.5 million (2013: $3.2 million) was spent on activities, which was offset by a decrease in working capital of $0.6 million (2013: $1.2 million increase in working capital). Cash advances to operations include $21.8 million (2013: $4.2 million) of further investment in LMDC, of which $21.1 million relates to the Liqhobong Mine Development Project, and $2.7 million (2013: $3.5 million) to BK11 to settle the balance owing on its loan with Standard Chartered Bank.

Equity raises

During the year, the Company undertook two separate equity raises, raising, in aggregate net proceeds of $114.5 million after expenses.

The first equity raise took place in July 2013 when 198.5 million new ordinary shares were issued at 2 pence per share raising $5.8 million net of expenses. These funds were utilised to progress the development project at Liqhobong, fund working capital costs and repay debt.

The second equity raise, in May 2014, raised a total of $108.7 million net of expenses from the issue of 2.3 billion new shares at 3 pence each. This equity raise formed part of the total funding package of $222.4 million secured to build and commission the Liqhobong Mine Development Project, and fund working capital requirements of the Group.

Strategic Report

This Strategic Report was approved by the Board on 1 October and is signed on its behalf by:

Lucio Genovese
Non-Executive Chairman
1 October 2014

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Stuart Brown

Chief Executive Officer

Mr Brown has over 20 years of experience in the diamond industry where he has gained a wealth of experience across all aspects throughout the diamond pipeline from exploration to selling and marketing of diamonds. In 2006, Mr Brown was appointed as the De Beers Group CFO, a position he held for over five years, and in 2010 was appointed joint acting CEO to run De Beers' global activities in addition to his CFO duties.

Mr Brown has an enviable track record of leading business transformation to develop lean, agile and high performing organisations. Mr Brown holds a Bachelor of Accounting Science (BCompt) from the University of South Africa (UNISA) and is a member of the South African Institute of Chartered Accountants.

Lucio Genovese ⬣

Non-Executive Chairman

Mr Genovese has 26 years of experience in both the merchant and financial sector of the metals and mining industry. Mr Genovese is the CEO of Nage Capital Management in Baar, Switzerland. He is also a member of the board of Ferrous Resources Limited and Crossbow Partners AG, Baar, Switzerland. He was previously employed at Glencore International AG where he held several senior positions including CEO of the CIS region and manager of the Moscow office. Mr Genovese is a qualified Chartered Accountant and has a B.Comm and B.Acc from the University of Witwatersrand, Johannesburg (South Africa).

Braam Jonker ■ ● ⬣

Non-Executive Director

Mr Jonker was the chief financial officer of Western Coal Corp. (TSX:WTN) until its acquisition by Walter Energy Inc. in 2011. He is a member of the Board of Directors of Mandalay Resources Corporation (TSX:MND) where he is also the Chairman of the Board. Mr Jonker has over 20 years of extensive accounting and corporate finance experience, mostly in the mining industry. He is a Chartered Accountant (South Africa, England and Wales) and holds a master's degree in South African and international tax from the Rand Afrikaans University.

Ken Owen ▲

Non-Executive Director

Mr Owen has over 30 years of experience in the mining industry. From 1980 to 1995, Mr Owen held a number of management positions at De Beers, including being appointed general manager of the Premier Diamond Mine in South Africa in 1991. After 15 years with De Beers, he moved to Anglo American, where he held a number of senior management positions, culminating with his appointment as senior vice president of Anglo American South Africa. In 2003, Mr Owen became a mining consultant for the international mining and geological consultancy firm, SRK Consulting, before joining AIM quoted resources company Mwana Africa plc as the technical director in 2006. He retired from the position in 2009.

Mr Owen holds an MSc in minerals production management from Imperial College, London.

Key

- ■ Audit Committee
- ● Remuneration Committee
- ⬣ Nomination Committee
- ▲ SHEC Committee

Paul Sobie, B.Sc. P.Geo. ■ ●

Non-Executive Director

Mr Sobie is a graduate of Laurentian University, Sudbury, Canada. He is an economic geologist specialising in the exploration and evaluation of diamond deposits, which included the initial economic evaluations of the Liqhobong kimberlites in Lesotho. Mr Sobie has over 20 years of 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. Mr Sobie is a practising member of the Association of Professional Geoscientists of Ontario.

Mike Wittet ■ ● ⬢ ▲

Non-Executive Director

Mr Wittet has over 40 years of experience in mining, the majority of which were spent in the diamond industry. His career includes various senior positions in the industry including general manager of Jwaneng, Orapa and Namdeb diamond mines. Mr Wittet also held the position of consulting engineer in charge of De Beers SA operations and deputy managing director of Debswana Diamond Company (Pty) Limited. Mr Wittet holds an honours degree in chemical engineering from Edinburgh University in Scotland.

Niall Young

Non-Executive Director

Mr Young has over 30 years of experience in the mining industry. Mr Young began his career at Anglo American, where he held various management positions. In 1995, Mr Young moved into senior management at De Beers, leading to his appointment as general manager of mineral resource management in 2006. He left De Beers in 2009, co-founding his own mining and natural resources consultancy, Kleingeld Young & Partners. From 2011 to 2014, Mr Young was also chief executive officer of diamond mining and exploration company, Mantle Diamonds Limited. Mr Young holds a BSc (Hons) in mineral exploitation from University College Cardiff. He is also a Fellow of the Geological Society of London. Mr Young is a representative of Pacific Road Capital Management.

Grant Ferriman

Chief Financial Officer

Grant Ferriman is a qualified Chartered Accountant with 14 years of experience, including seven years in the mining industry. Prior to joining Firestone Diamonds, he was the group financial controller for Mwana Africa plc responsible for reporting and control systems across the Group's assets in South Africa, Zimbabwe and the DRC. He has extensive experience in public company reporting in the United Kingdom and the development and implementation of control systems for companies with assets based in Southern Africa.

Mr Ferriman holds an honours bachelor of accounting science (Hons. BCompt) degree from the University of South Africa (UNISA) and is a member of the South African Institute of Chartered Accountants. Mr Ferriman is not a statutory Director of Firestone Diamonds plc.

Glenn Black

Chief Project Officer

Glenn Black is a mechanical engineer with over 40 years of experience in senior management and operational roles in the mining industry. Glenn spent 22 years at De Beers before leaving in 2012. During his time with De Beers, Glenn's primary role focused on project implementation, management, and operation for a variety of major projects globally, having managed nine major projects for the De Beers group of companies. Glenn's career has seen him work in the coal, gold, mineral sands, platinum and diamond mining industries.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 June 2014.

Results and dividends
The Group made a loss after taxation of $11.2 million (2013: $22.6 million). Further details are shown in the consolidated statement of comprehensive income on pages 31 and 32.

The Directors do not recommend a dividend (2013: $nil).

Strategic Report
A detailed review of the important events affecting the Company and likely future developments of the business and future developments as required by the Companies Act 2006 can be found within the Strategic Report on pages 1 to 13.

Capital structure
As part of the fundraising exercise carried out in May 2014 2,336,174,902 new ordinary shares were issued following which a share capital reorganisation was carried out on 6 June 2014 such that:

- all ordinary shares were consolidated on the basis of 1 ordinary share of 10 pence each for every 10 existing ordinary shares of 1 pence each; and
- immediately following the share consolidation each ordinary share of 10 pence each was subdivided and converted into 1 ordinary share of 1 pence each and one B deferred share of 9 pence each.

At the date of this report the ordinary share capital of the Company was 308,992,814 ordinary shares (2013 un-adjusted share capital: 745,352,396).

At the date of this report the Company had been notified of the following interests in the issued ordinary share capital:

	Shares	% holding
Pacific Road Resources*	71,146,887	23.0
Resource Capital Fund VI L.P.	71,146,887	23.0
Edwards Family Holdings Limited	20,327,682	6.6
FIL Limited	15,601,540	5.0
Julian Treger**	13,986,868	4.5

* Includes Pacific Road Resources Fund II L.P. (PRC LP) and Pacific Road Resources Fund II (PC Trust).

** Mr Treger is interested in 2,208,110 ordinary shares, being 271,466 ordinary shares held directly by Mr Treger and 1,936,644 ordinary shares held by trusts of which Mr Treger is a beneficiary. Mr Treger is a partner in Audley Capital Advisors LLP, which advises clients who have an interest in, in aggregate, 11,778,758 ordinary shares. As a result, Mr Treger has an interest in, in aggregate, 13,986,868 ordinary shares which represent approximately 4.5% of the Company's issued share capital.

Directors
Biographies of the current Directors as at the date of this report are set out on pages 14 and 15.

Details of Directors' emoluments and fees are shown in note 7 of the financial statements and further details of their remuneration and share interests are shown in the Remuneration Report on pages 18 to 21.

The Company maintains directors' and officers' liability insurance which in the view of the Directors, should provide appropriate cover for any potential legal action brought against its Directors. The Company has also provided in its Articles of Association an indemnity for its Directors, which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006. This was in place throughout the financial year under review and up to the date of the approval of the financial statements.

The Directors who served during the year and up to the date of this report were as follows:

Director	Position	
S M Brown	Chief Executive Officer	Appointed 2 September 2013
R L Genovese	Non-Executive Chairman	
B Jonker	Non-Executive Director	
K Owen	Non-Executive Director	Appointed 18 June 2014
P Sobie	Non-Executive Director	
J Treger	Non-Executive Director	Resigned 18 June 2014
M Wittet	Non-Executive Director	
T Wilkes	Chief Executive Officer	Resigned 15 February 2014
N Young	Non-Executive Director	Appointed 18 June 2014

Financial instruments
Details of the Group's financial instruments and financial risk management objectives and policies are set out in note 28 of the financial statements.

Political and charitable donations
The Group made no political donations during the year (2013: $nil).

Post-balance sheet events
Post-balance sheet events are detailed in note 30 to the financial statements.

Going concern
The Directors, after making enquiries and considering uncertainties associated with the Group's operations, believe that the Group and Company have, or have access to the necessary financial resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and accounts which do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

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 BDO LLP as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Lucio Genovese
Non-Executive Chairman
1 October 2014

DIRECTORS' REMUNERATION REPORT

Paul Sobie
Non-Executive Director

I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2014. The Company has had an extremely busy year with the completion of the equity raise in May 2014 and the start of the Liqhobong mine development project on the ground. There have also been new Board appointments with the recruitment of a new Chief Executive Officer and two new Non-Executive Directors. This has meant both the Executive and Non-Executive Directors have been very active in working to achieve the Company's strategic goals.

The Remuneration Committee has been active in ensuring a fair reward to the new Chief Executive Officer (CEO) on his recruitment taking into account the pivotal role he would play in the success of the Company and the extremely demanding remit for the years ahead. We believe the mixture of fixed and performance-related remuneration is well balanced and motivating to achieve exceptional performance.

As in the previous year, it has been appropriate to compensate those Non-Executive Directors that have taken on additional responsibilities for the Company during this challenging time, in a manner that does not prejudice their independence in a material way. A further constraint has been the Company's cash position. After consideration, the view was accepted that issuing shares to the Non-Executive Directors concerned in line with previous years' additional remuneration rates provided appropriate compensation, whilst maintaining their independence. It was deemed that by the beginning of the second half of the year, our new CEO had completed his transition and taken up full responsibilities, sufficient to relieve the Non-Executive Directors of their additional duties. This was a unanimous decision of the Board considered to be in the best interests of the Company to ensure that the Liqhobong project remained on track and therefore in the best interests of shareholders as a whole.

The Remuneration Committee
The Board has delegated certain responsibilities for executive remuneration to the Remuneration Committee. The Remuneration Committee has approved Terms of Reference, a copy of which is available on the Company's website at www.firestonediamonds.com.

Remuneration Committee membership and attendance at meetings
The current members of the Remuneration Committee are three Non-Executive Directors:

- Paul Sobie (Chairman)
- Braam Jonker
- Mike Wittet

The Remuneration Committee consists of a majority of independent Non-Executive Directors. This is not in strict compliance with best practice guidelines which recommend that all members should be independent. However, the composition of the Committee has been extensively considered by the Board and it believes the current membership includes the necessary skill set in order for the Committee to operate effectively.

The Remuneration Committee met five times during the year.

Attendance at Remuneration Committee meetings is shown below.

Committee member	Meetings attended (out of possible total)
Paul Sobie (Chairman)	5/5
Braam Jonker	4/5
Mike Wittet	4/5

The Remuneration Committee's main responsibilities
A summary of the Remuneration Committee's main responsibilities as set out in its Terms of Reference are:

- to determine and agree with the Board the broad policy for the remuneration of the Company´s Chairman, Chief Executive, the Executive Directors and such other members of the executive management as it is designated to consider;
- to determine the total individual remuneration package of each Executive Director and other senior Executives including bonuses, incentive payments and share options or other share awards;
- to approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;

The Remuneration Committee's main responsibilities continued

- to review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, to determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives, and the performance targets to be used; and
- to ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

What the Remuneration Committee did during the year

The main items of business considered by the Remuneration Committee during the year were:

- reviewed the Offer Letter and Service Agreement for the new Chief Executive Officer;
- proposed terms of employment for the new Chief Project Officer;
- reviewed Non-Executive Director letters of appointment and fees in order to make recommendations to the Board;
- reviewed Executive management roles; and
- determined share option and share awards.

Priorities for the Remuneration Committee for 2014/2015

The main priorities for the Remuneration Committee going forward are the continued review and bench marking of the Company's Executive and Non-Executive remuneration policies, to ensure competitive compensation packages are in place to recruit, retain and motivate highly qualified executives who will help ensure successful performance of the Company. The Remuneration Committee will be focusing on:

- working closely with the Chief Executive Officer and Chief Project Officer to recruit a highly qualified management team to implement the Liqhobong Mine Development Project and thereafter to manage the operation;
- reviewing executive remuneration policy and any new appointments;
- reviewing project team remuneration policy and new appointments;
- reviewing the Company's Short-Term Incentive Plan; and
- reviewing the Company's Long-Term Incentive Plan.

Advisors to the Remuneration Committee

Lawrence Graham LLP was the main advisor to the Remuneration Committee during the course of the year. The Chief Executive Officer reported to the Remuneration Committee on remuneration matters relating to senior management and employees.

Components of remuneration

	Purpose and link to strategy	Operation	Performance metrics
Base salary	To attract and retain talent.	Reflects individual's role, experience and performance. Base salaries are reviewed annually.	Business and individual performance are considered when setting base salary.
Short-Term Incentive Plan – annual performance bonus	To reward the achievement of short-term financial and strategic project milestones.	Determined by the Remuneration Committee annually. Maximum level of award is 150% of base salary.	Award quantums are based on achieving both under-budget and ahead-of-time thresholds on the Liqhobong Mine Development Project.
Long-Term Incentive Plan – share option awards	To incentivise and reward performance linked to strategic objectives and align the interests of management with those of the shareholders.	Award of share options has been on hiring. The Board may periodically make further awards upon recommendation by the Remuneration Committee.	One-third will vest on the second anniversary of the date of grant, one-third on the third anniversary and the last third upon successful nameplate production from the Liqhobong plant.

Non-Executive Directors

Dates of appointment

Non-Executive Director	Date appointed
Lucio Genovese	17 January 2012
Braam Jonker	14 December 2011
Ken Owen	18 June 2014
Paul Sobie	20 June 2011
Mike Wittet	24 July 2012
Niall Young	18 June 2014

Fees

The Board has approved a new base fee for Non-Executive Directors and Chairman as follows:

	2014 $	2013 $
Chairman	**120,000**	62,748
Non-Executive Director base fee	**60,000**	31,374
Additional fees for serving as a Committee member	—	7,844

Share awards and additional payments to Non-Executive Directors

The Board approved payments to certain Non-Executive Directors in respect of additional services over and above their normal duties as Non-Executive Directors, for the first half of the financial year. These were payments to the value of $126,000 and $50,000 to Lucio Genovese and Julian Treger respectively through the issue of new ordinary shares on completion of the equity raise. In addition the Board approved a payment to the value of $250,000 to Frog Ventures Limited, a company of which Braam Jonker is a director and beneficiary, of which $200,000 was satisfied through the issue of new ordinary shares and $50,000 was paid in cash on completion of the equity raise. In addition a further cash payment of $30,000 was approved by the Board to be made to Frog Ventures Limited.

Remuneration during the year

Directors' remuneration table

	Base salary $	Base fee $	Pension $	Share-based payments $	Total 2014 $	Total 2013 $
Executive Director						
S Brown	418,448	—	—	306,154	**724,602**	—
T Wilkes (resigned 15 February 2014)	309,872	—	86,663	130,172	**526,707**	714,347
	728,320	**—**	**86,663**	**436,326**	**1,251,309**	**714,347**
Non-Executive Directors						
L Genovese	—	63,151	—	126,000	**189,151**	1,004,234
B Jonker	—	40,473	—	—	**40,473**	419,660
P Sobie	—	40,473	—	—	**40,473**	27,442
J Treger (resigned 18 June 2014)	—	40,473	—	50,000	**90,473**	344,543
M Wittet	—	40,473	—	—	**40,473**	39,203
K Owen (appointed 18 June 2014)	—	2,000	—	—	**2,000**	—
N Young (appointed 18 June 2014)	—	2,000	—	—	**2,000**	—
	—	**229,043**	**—**	**176,000**	**405,043**	**1,835,082**
Total	**728,320**	**229,043**	**86,663**	**612,326**	**1,656,352**	**2,549,429**

Operation of share option awards

There are two share option plans operated by the Company which have been approved by shareholders. These are the Executive Share Option Plan, for Executives and employees, and the Share Option Plan for Non-Executives. Performance conditions are attached to the exercise of awards under the Executive Share Option Plan. These relate to safety, operational, project and financial targets as appropriate to the individual.

Share option awards table

	Date option granted	Exercise price	1 July 2013	Movements during the year: Grants	Movements during the year: Exercised	Movements during the year: Lapsed	**30 June 2014**	Earliest exercise date	Latest exercise date
Executive Director									
S Brown	27 May 2014	30p	—	3,033,760	—	—	**3,033,760**	27 May 2016	26 May 2024
	27 May 2014	30p	—	3,033,760	—	—	**3,033,760**	27 May 2017	26 May 2024
	27 May 2014	30p	—	3,033,760	—	—	**3,033,760**	*Achievement of performance condition	26 May 2024
T Wilkes (resigned 15 February 2014)	23 Nov 2013	85p	200,000	—	—	—	**200,000**	23 Nov 2013	22 Nov 2022
	23 Nov 2013	85p	200,000	—	—	—	**200,000**	23 Nov 2014	22 Nov 2022
	23 Nov 2013	85p	200,000	—	—	—	**200,000**	22 Nov 2014	22 Nov 2022
Non-Executive Directors									
L Genovese	23 Nov 2013	85p	900,000	—	—	—	**900,000**	23 Nov 2013	22 Nov 2022
B Jonker	23 Nov 2013	85p	300,000	—	—	—	**300,000**	23 Nov 2013	22 Nov 2022
J Treger	23 Nov 2013	85p	300,000	—	—	—	**300,000**	23 Nov 2013	22 Nov 2022

* The performance condition is the establishment of successful nameplate production (plant and commissioning complete) of the Liqhobong diamond mine.

No options were exercised during the year.

Old share option schemes

Paul Sobie holds 150,000 options granted to him on 19 December 2007, when he was not a Director of the Company, with an exercise price of 200 pence and a term of ten years.

Directors' interests in the share capital of the Company as at the date of this report

Director	Number of shares: **2014**	Number of shares: 2013
S Brown*	**485,831**	—
L Genovese*	**1,846,945**	9,122,403
B Jonker**	**836,347**	2,255,215
K Owen	**—**	—
P Sobie	**—**	—
M Wittet	**—**	—
N Young	**—**	—

2013 figures are before the share capital consolidation carried out in June 2014.

* Excluding share option awards.

** Mr Jonker is interested in 429,794 ordinary shares held directly and 406,553 ordinary shares held by Frog Ventures Limited, a company of which Mr Jonker is a director and beneficiary.

Paul Sobie
Non-Executive Chairman of the Remuneration Committee
1 October 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

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 elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the AIM Rules of the London Stock Exchange.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board

Lucio Genovese
Non-Executive Chairman
1 October 2014

CORPORATE GOVERNANCE STATEMENT

Lucio Genovese
Non-Executive Chairman

PRINCIPLES OF CORPORATE GOVERNANCE

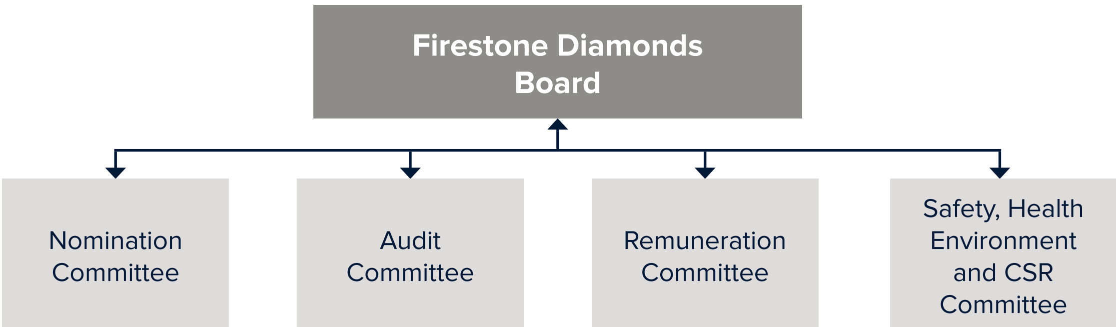
As a Board we are fully committed to supporting high standards of governance and recognise that by applying sound principles in running the Company we will provide a solid basis for growth and establish trust with our stakeholders. It is our goal therefore to improve and develop our governance procedures as the Company grows.

As an AIM company, Firestone Diamonds is not required to follow the requirements of the UK Corporate Governance Code (the Code). However, we seek to apply the Quoted Companies Alliance (QCA) corporate governance guidelines for smaller quoted companies and of the Code wherever possible and as appropriate to the size, nature and resources of the Group. It is our intention to be open and transparent about our governance arrangements and use the annual report to give details of changes and improvements we have made during the year.

Companies on the AIM market of the London Stock Exchange are not required to comply with the UK Corporate Governance Code (the Code) and due to its size, the Company does not seek to comply in full with the Code. While the Company is not required to present a corporate governance statement, as it is not subject to the Listing Rules of the Financial Conduct Authority, it has disclosed here certain information in respect of the corporate governance.

The Directors support high standards of corporate governance. The Company has identified areas of the Code it considers relevant to the current size and nature of the Group's operations and these are set out below.

AN EFFECTIVE MANAGEMENT FRAMEWORK



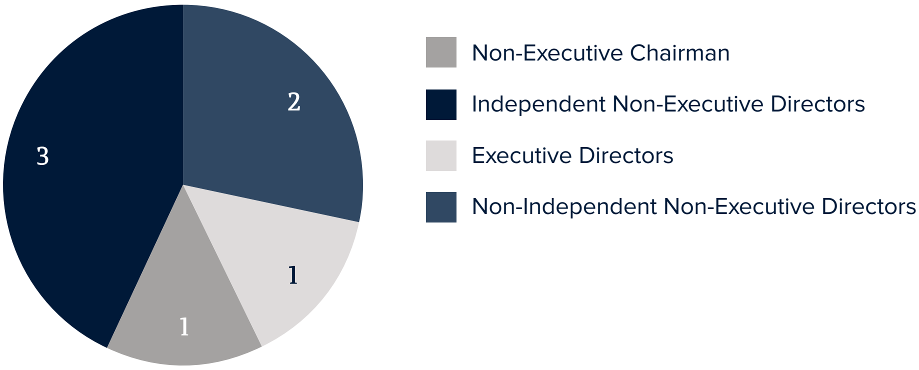
An effective management framework

Role of the Board

The Board has approved a Schedule of Matters Reserved for the Board, which sets out the Board's responsibilities. The key tasks of the Board are:

- setting the Group's values and standards;
- approval of long-term objectives and strategy;
- approval of revenue and capital budgets and plans;
- review of performance in light of strategy and budgets ensuring any necessary corrective actions are taken;
- approval of the financial statements, annual report and accounts, material contracts and major projects;
- determination of the financial structure of the Group including dividend policy;
- oversight of the internal control and risk management environments; and
- approval of communication with shareholders and the market.

SPLIT BETWEEN EXECUTIVE AND NON-EXECUTIVE DIRECTORS



An effective management framework continued

Composition of the Board

The Board consists of seven Directors out of a maximum of eight: the Chairman, one Executive Director, and five Non-Executive Directors. The Board's skill set was enhanced during the year as the Group entered into its next phase of development by the appointment of Ken Owen and Niall Young as Non-Executive Directors both of whom have extensive mining and diamond industry experience. The Board's composition is geared towards its current stage of development and priorities. The skill set of the Board therefore includes experience in corporate finance, mining and exploration, and investor relations. As the requirements and focus of the Company change in the future, so too will the Board composition as we ensure the skills required are in place. Details of each of the Directors' experience and background are given in their biographies on pages 14 and 15.

Independence

The Board considers three of its four Non-Executive Directors, Ken Owen, Paul Sobie and Mike Wittet, to be fully independent. In this respect the Company is compliant with the Code which requires that smaller companies should have at least two independent Non-Executive Directors. The Board has reviewed the independence of the Chairman, Lucio Genovese, Niall Young and Braam Jonker and is aware that these Directors will not be considered to be independent if strict best practice guidelines are applied. Niall Young is the appointed representative of Pacific Road Capital Management, a major shareholder of the Company. Braam Jonker has received additional fees for his work in assisting with the fundraise in respect of the Liqhobong Mine Development Project. The Chairman, Lucio Genovese is a representative of Nage Capital Management, an advisor to Audley Investment Management Limited who indirectly is a major shareholder of the Company. The Board maintains that these Directors have retained their independence of thought and support for the interests of all the Company's shareholders.

The only Board Committee not to comply with QCA and Code guidelines in terms of membership is the Remuneration Committee as this Committee is composed of a majority of independent Non-Executive Directors rather than all independent members. The Nomination Committee and Board have considered this and have concluded that the current composition is the most effective to ensure the Committee fulfils its role given the skill set of its members.

Appointments to the Board and Re-election

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Nomination Committee. Further details on the role of the Nomination Committee may be found on page 28.

With regard to re-election of Directors the Company is governed by its Articles of Association (Articles). Under the Articles, the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next AGM. One-third of the Directors or, if their number exceeds but is not a multiple of three, the number nearest to (but not exceeding) one third, must retire and stand for re-election at each AGM.

However, in accordance with the Code, all of the Directors will stand at the forthcoming AGM.

Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The Chairman has overall responsibility for the running of the Board, upholding the highest standards of integrity and governance throughout the Group, ensuring that Directors receive appropriate training and ensuring effective communications with shareholders. The Chief Executive Officer's main responsibilities are the development of objectives and business plans and their implementation following approval by the Board, managing the Group's risk profile, ensuring appropriate risk management and internal control systems are in place and leading the Executive team.

An effective management framework continued

Senior Independent Director

The Company does not have a Senior Independent Director. Given the current stage of its development the Board does not believe that the appointment of a Senior Independent Director would add value to the operation of the Board. In addition the Chairman and other Non-Executive Directors are available to shareholders as communication channels if required. The need for a Senior Independent Director will however be kept under review.

Non-Executive Directors

Non-Executive Directors receive a letter on appointment setting out the time commitment expected of them and their duties. Non-Executive Directors are specifically tasked with bringing independent judgment to bear on issues put to the Board and to apply their knowledge and experience in considering matters such as strategy, Company performance, use of resources and standards of conduct.

Conflicts of interest

A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any new conflicts before the start of each Board meeting.

Development, information and support

The Directors are actively encouraged to visit the operations in Lesotho and several site visits have been made by individual Directors during the year. It is planned to hold one Board meeting per year on site at Liqhobong in Lesotho. The Chairman is supported in governance matters by Prism Cosec which also provide company secretarial services to the Company. Updates are given to the Board on developments in governance and regulations as appropriate.

Performance evaluation

A formal performance evaluation has not been carried out during the year. The focus of the Board over the past year was on putting in place the funding necessary to deliver the Company's strategy. In addition there were three Board changes. It has been agreed therefore that an evaluation would be more appropriately carried out in the forthcoming year when the Board and its Committees have settled into a regular meeting pattern and new Board members have become established. The Chairman is very attentive to the operation of the Board, Committees and individual Board members and is aware of any potential issues that may arise.

Operation of the Board and its Committees

The Board is supported by Board Committees which are responsible for a variety of tasks delegated by the Board. Each Board Committee has approved Terms of Reference setting out their responsibilities. These are available on the Company's website at www.firestonediamonds.com. Details of the operation of the Audit, Remuneration, Nomination and Safety, Health, Environmental and CSR Committees are set out in their respective reports below.

All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

Following the progression into the next stage of the Liqhobong mine development the Board also approved the formation of a Technical Committee, membership of which includes Ken Owen and Mike Wittet, both independent Non-Executive Directors.

The Board and its Committees meet regularly throughout the year. Directors also have ongoing contact with senior management on a variety of issues between formal meetings. Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate.

Attendance of Directors at Board and Committee meetings is shown below.

		Board (12 meetings)	Audit Committee (3 meetings)	Remuneration Committee (5 meetings)	Nomination Committee (2 meetings)
L Genovese		10/12	—	—	2/2
S Brown	(appointed as a Director 23 September 2013)	7/8	—	—	—
B Jonker		10/12	3/3	4/5	2/2
P Sobie		9/12	3/3	5/5	—
J Treger	(resigned as a Director 18 June 2014)	11/12	—	—	—
T Wilkes	(resigned as a Director 15 February 2014)	6/9	—	—	—
M Wittet		9/12	2/3	4/5	2/2

Note: The number of meetings attended is reported out of the number of the meetings that the Director was eligible to attend. Ken Owen and Niall Young were appointed to the Board on 18 June 2014 and therefore did not attend any Board meetings prior to the year end.

An effective management framework continued

What the Board did during the year

Unsurprisingly a considerable amount of the Board's time was spent on ensuring that the Company's key strategic platform of the Liqhobong Mine Development Project was able to progress. This required an immense amount of input from the Board to ensure that the financial and human resources were in place to enable the project to proceed. Crucial items that the Board reviewed and approved in this regard were:

- approval of a placing in July 2013;
- approval to close the pilot plant;
- capital raising through debt and equity and approval of the fund raising in May 2014 to raise the total project cost commitment of $185.4 million;
- approval of new Board appointments including the appointment of a new Chief Executive Officer;
- approval of the appointment of a Chief Project Officer;
- ensuring Non-Executive Directors were adequately remunerated for the input required above that normally expected in this role; and
- approval of share capital reorganisation following completion of the fund raising exercise.

There are also a number of standing and routine items included for review on each Board agenda. These include the safety, health and environment report, CEO's operations report and project updates, financial reports, consideration of reports from the Board Committees and investor relations updates.

Risk management and internal 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. The Board will continue to assess the ongoing need for the strengthening of internal financial controls as the Group moves into the development phase at its flagship asset, the Liqhobong diamond mine.

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and a risk matrix, detailing the major risks, is prepared. The risk matrix is used to track and monitor risks and put in place mitigating actions as required. Principal risks identified are set out in the Strategic Report on pages 5 and 6.

Relations with shareholders

The Board is committed to maintaining an ongoing communication with its shareholders. The Directors are keen to build a mutual understanding of objectives with its institutional shareholders and a regular dialogue with institutional investors has been maintained throughout the year. The Directors also encourage communications with private shareholders and their participation in the Company's Annual General Meeting.

The annual report and accounts is a key communication document and is available on the Company's website (www.firestonediamonds.com) together with the annual and half year results, trading statements, press releases, regulatory announcements and other information on the Group's operations.

This year's Annual General Meeting of the Company will be held on 26 November 2014. The Notice of this years' Annual General Meeting is included with this annual report and is available on the Company's website at www.firestonediamonds.com.

AUDIT COMMITTEE REPORT

Members of the Audit Committee

The Committee consists of the following Non-Executive Directors:

Braam Jonker (Chairman)
Paul Sobie
Michael Wittet

Duties
The main duties of the Audit Committee are set out in its Terms of Reference and include:

- to monitor the integrity of the financial statements of the Company, including its annual and half year reports;
- to review and challenge where necessary any changes to, and consistency of, accounting policies, whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, the going concern assumption and all material information presented with the financial statements;
- to keep under review the effectiveness of the Company's internal controls and risk management systems and to review and approve the statements to be included in the annual report concerning internal controls and risk management;
- to consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor; and
- to oversee the relationship with the external auditor including approval of their remuneration, approval of their terms of engagement, assessment annually of their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.

Principal activities during the year
The main items of business considered by the Audit Committee during the year included:

- discussions concerning various accounting issues and impairment of assets;
- going concern review and consideration of cash flow reports;
- review of the audit plan and scope and consideration of the key audit risks;
- review of the financial statements and annual report;
- consideration of the external audit report; and
- review of the interim results announcement.

Role of the external auditor
The Audit Committee monitors the relationship with the external auditor, BDO LLP, to ensure that auditor independence is maintained and reviews their performance. Having reviewed the auditor's independence and performance the Audit Committee is recommending that BDO LLP be re-appointed as the Company's auditor at the next Annual General Meeting.

Audit process
The auditor prepares an Audit Plan for its review of the full year and half year financial statements. The Audit Plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed by the Audit Committee. Following its review, the auditor, presents its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year although it drew attention to the need to strengthen the accounting team. This has been actioned.

Members of the Nomination Committee

The Committee consists of the following Non-Executive Directors:

Lucio Genovese (Chairman)
Braam Jonker
Michael Wittet

Duties
The main duties of the Nomination Committee are set out in its Terms of Reference and include:

- to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and to make recommendations to the Board with regard to any changes;
- to give full consideration to succession planning and formulate succession plans for Directors and other senior Executives and in particular for the key roles of Chairman and Chief Executive Officer in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- to be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to assess the re-appointment of any Non-Executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required; and
- to assess the re-election by shareholders of any Director, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

Principal activities during the year
The main focus for the Nomination Committee during the year was the search for and recruitment of a new Chief Executive Officer, a Chief Project Officer and the appointment of two new Non-Executive Directors. This was done against a background of the need for specific and specialised skill sets and the individuals identified and appointed are of the highest calibre and will be key in the success of the Liqhobong mine development project.

SAFETY, HEALTH, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY (SHEC) COMMITTEE REPORT

Members of the SHEC Committee

The SHEC Committee consists of the following Non-Executive Directors:

Michael Wittet (Chairman)
Ken Owen

The Chief Executive Officer also attends and presents reports at SHEC Committee meetings.

Duties

The remit of the SHEC Committee has been extended to include the review of corporate social responsibility matters. The main duties of the SHEC Committee are set out in its Terms of Reference and include:

- to receive reports from management concerning all fatalities and serious accidents within the Group and actions taken by management as a result of such fatalities or serious accidents;
- evaluate the effectiveness of the Group's policies and systems for identifying and managing health, safety, social, and environmental risks within the Group's operations;
- to assess the policies and systems within the Group for ensuring compliance with health, safety, social and environmental regulatory requirements;
- to assess the performance of the Group with regard to the impact of health, safety, social and environmental decisions and actions upon employees, communities and other third parties and also to assess the impact of such decisions upon the reputation of the Group; and
- to review of the results of independent audits of the Group's performance in regard to health, safety, social or environmental matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same.

The Company has an excellent health, safety and environmental record of which it is proud. Over the last year there have been no lost time injuries and only four minor safety incidents. We are determined to keep this good record. Any incidents that do occur are investigated and reported to the SHEC Committee and the Board where they are discussed. Appropriate corrective actions are agreed and put in place following investigation.

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 2014 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position and Company balance sheet, the Group statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, Company statement 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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 and 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 matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and 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.

Scott Knight (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
1 October 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	Restated 2013 $'000
Revenue	3	**3,954**	15,416
Cost of sales		**(8,512)**	(23,266)
Gross loss		**(4,558)**	(7,850)
Selling and distribution		**(507)**	(1,991)
Administrative		**(1,961)**	(682)
Amortisation and depreciation		**(51)**	(171)
Loss on sale of property, plant and equipment		**—**	(89)
Profit on foreign exchange		**509**	34
Share-based payments	22	**(547)**	(1,916)
Corporate expenses		**(3,400)**	(2,861)
Loss from continuing operations before finance charges and income tax	5	**(10,515)**	(15,526)
Finance income	9	**51**	4
Finance costs	9	**(1)**	—
Loss from continuing operations before tax		**(10,465)**	(15,522)
Loss from discontinued operations	20	**(749)**	(7,064)
Loss from operations before tax		**(11,214)**	(22,586)
Income tax credit	11	**15**	31
Loss after tax for the year		**(11,199)**	(22,555)
Loss after tax for the year attributable to:			
Owners of the parent			
Continuing operations		**(8,893)**	(13,475)
Discontinued operations		**(712)**	(7,017)
		(9,605)	(20,492)
Non-controlling interests			
Continuing operations		**(1,557)**	(2,016)
Discontinued operations		**(37)**	(47)
		(1,594)	(2,063)
Loss after tax for the year		**(11,199)**	(22,555)
Loss per share			
Basic and diluted loss per share from continuing operations (cents)	12	**(9.5)**	(24.6)
Basic and diluted loss per share from discontinued operations (cents)	12	**(0.8)**	(12.8)
Total basic and diluted loss per share		**(10.3)**	(37.4)

The notes on pages 39 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONTINUED
FOR THE YEAR ENDED 30 JUNE 2014

	2014 $'000	Restated 2013 $'000
Loss after tax for the year	**(11,199)**	(22,555)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations net of tax		
Continuing operations	**(122)**	(14,530)
Discontinued operations	**(2,598)**	7,498
	(2,720)	(7,032)
Total comprehensive loss for the year	**(13,919)**	(29,587)
Total comprehensive loss for the year attributable to:		
Owners of the parent		
Continuing operations	**(4,890)**	(26,651)
Discontinued operations	**(3,370)**	76
	(8,260)	(26,575)
Non-controlling interests		
Continuing operations	**(5,681)**	(3,371)
Discontinued operations	**22**	359
	(5,659)	(3,012)
Total comprehensive loss for the year	**(13,919)**	(29,587)

The notes on pages 39 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $'000	Restated 2013 $'000
Assets			
Non-current assets			
Property, plant and equipment	13	**50,098**	52,356
Total non-current assets		**50,098**	52,356
Current assets			
Inventories	17	**173**	1,633
Trade and other receivables	18	**538**	2,506
Cash and cash equivalents	19	**107,003**	4,088
Total current assets		**107,714**	8,227
Non-current assets held for sale	20	**13,810**	13,856
Total assets		**171,622**	74,439
Equity			
Share capital	21	**163,441**	121,703
Share premium		**163,600**	88,361
Reserves		**(25,637)**	(25,416)
Retained earnings		**(125,103)**	(117,611)
Total equity attributable to equity holders of the parent		**176,301**	67,037
Non-controlling interests		**(16,999)**	(11,340)
Total equity		**159,302**	55,697
Liabilities			
Non-current liabilities			
Deferred tax	24	**4,038**	4,342
Rehabilitation provisions	25	**1,460**	2,560
Total non-current liabilities		**5,498**	6,902
Current liabilities			
Trade and other payables	26	**4,692**	7,116
Provisions	27	**41**	91
Total current liabilities		**4,733**	7,207
Liabilities of a disposal group	20	**2,089**	4,633
Total liabilities		**12,320**	18,742
Total equity and liabilities		**171,622**	74,439

The financial statements were approved by the Board of Directors and authorised for issue on 1 October 2014.

Lucio Genovese
Director

The notes on pages 39 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share capital $'000	Share premium $'000	Merger reserve* $'000	Share-based payment reserve $'000	Translation reserve $'000	Accumulated losses $'000	Equity attributable to holders of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 30 June 2012	**121,682**	**88,265**	**(1,614)**	**4,023**	**(22,974)**	**(97,472)**	**91,910**	**(8,328)**	**83,582**
Comprehensive loss									
Loss for the year	—	—	—	—	—	(20,492)	(20,492)	(2,063)	(22,555)
Other comprehensive loss for the year									
Exchange differences on translating foreign operations	—	—	—	—	(6,084)	—	(6,084)	(949)	(7,033)
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(6,084)**	**(20,492)**	**(26,576)**	**(3,012)**	**(29,588)**
Contributions by and distributions to owners									
Shares issued in the year	21	96	—	—	—	—	117	—	117
Share-based payment transactions	—	—	—	1,586	—	—	1,586	—	1,586
Share-based payments lapsed/expired	—	—	—	(353)	—	353	—	—	—
Total contributions by and distributions to owners	**21**	**96**	**—**	**1,233**	**—**	**353**	**1,703**	**—**	**1,703**
Balance as at 30 June 2013	**121,703**	**88,361**	**(1,614)**	**5,256**	**(29,058)**	**(117,611)**	**67,037**	**(11,340)**	**55,697**
Comprehensive loss									
Loss for the year	—	—	—	—	—	(9,605)	(9,605)	(1,594)	(11,199)
Other comprehensive loss for the year									
Exchange differences on translating foreign operations	—	—	—	—	1,345	—	1,345	(4,065)	(2,720)
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**1,345**	**(9,605)**	**(8,260)**	**(5,659)**	**(13,919)**
Contributions by and distributions to owners									
Shares issued in the year	41,738	80,424	—	—	—	—	122,162	—	122,162
Share issue expenses	—	(5,185)	—	—	—	—	(5,185)	—	(5,185)
Share-based payment transactions	—	—	—	547	—	—	547	—	547
Share-based payments lapsed/expired	—	—	—	(2,113)	—	2,113	—	—	—
Total contributions by and distributions to owners	**41,738**	**75,239**	**—**	**(1,566)**	**—**	**2,113**	**117,524**	**—**	**117,524**
Balance as at 30 June 2014	**163,441**	**163,600**	**(1,614)**	**3,690**	**(27,713)**	**(125,103)**	**176,301**	**(16,999)**	**159,302**

* The merger reserve represents amounts arising from the merger accounting for subsidiary investments under UK GAAP on formation of the Group.

The notes on pages 39 to 64 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	Restated 2013 $'000
Cash flows used in operating activities			
Loss from continuing activities before taxation		**(10,465)**	(15,522)
Adjustments for:			
Depreciation, amortisation and impairment	5	**3,958**	8,748
Inventory write off		**406**	—
Environmental asset de-recognition		**516**	—
Effect of foreign exchange movements		**933**	1,800
Equity-settled share-based payments		**547**	1,586
Equity-settled creditors		**2,532**	—
Loss on sale of assets		**—**	96
Changes in provisions		**(1,150)**	(63)
Finance income		**(51)**	(4)
Net cash flows used in operating activities before working capital changes		**(2,774)**	(3,359)
Decrease in inventories		**1,054**	1,430
Decrease/(increase) in trade and other receivables		**1,968**	(1,129)
Decrease in trade and other payables		**(2,424)**	(344)
Net cash flows used in continuing operating activities		**(2,176)**	(3,402)
Net cash flows used in discontinued operating activities		**(505)**	(2,529)
Net cash flows used in operating activities		**(2,681)**	(5,931)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(5,922)**	(4,223)
Proceeds on disposal of property, plant and equipment		**178**	30
Net cash used in continuing investing activities		**(5,744)**	(4,193)
Net cash (used in)/from discontinued investing activities		**(361)**	78
Net cash used in investing activities		**(6,105)**	(4,115)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**119,630**	118
Share issue expenses		**(5,185)**	—
Finance income		**51**	4
Net cash from continuing financing activities		**114,496**	122
Net cash used in discontinued financing activities		**(2,727)**	(2,035)
Net cash from/(used in) financing activities		**111,769**	(1,913)
Net increase/(decrease) in cash and cash equivalents		**102,983**	(11,959)
Cash and cash equivalents at beginning of the year		**4,088**	16,644
Exchange rate movement on cash and cash equivalents at beginning of year		**(68)**	(597)
Cash and cash equivalents at end of the year	19	**107,003**	4,088

The notes on pages 39 to 64 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 $'000	Restated 2013 $'000
Assets			
Non-current assets			
Property, plant and equipment	14	**64**	87
Investments in subsidiaries	15	**78,565**	70,877
Loans to subsidiaries	16	**25,223**	117
Total non-current assets		**103,852**	71,081
Current assets			
Trade and other receivables	18	**245**	151
Cash and cash equivalents	19	**90,506**	220
Total current assets		**90,751**	371
Total assets		**194,603**	71,452
Equity			
Share capital	21	**163,441**	121,703
Share premium		**163,600**	88,361
Reserves		**4,370**	(2,263)
Accumulated losses		**(137,770)**	(138,147)
Total equity attributable to equity holders of the Company		**193,641**	69,654
Liabilities			
Current liabilities			
Loans from subsidiaries	16	**—**	1,188
Trade and other payables	26	**962**	610
Total liabilities		**962**	1,798
Total equity and liabilities		**194,603**	71,452

The financial statements were approved by the Board of Directors and authorised for issue on 1 October 2014.

Lucio Genovese
Director

The notes on pages 39 to 64 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Share capital $'000	Share premium $'000	Translation reserve $'000	Share-based payment reserve $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 July 2012	**121,682**	**88,265**	**—**	**3,692**	**(124,653)**	**88,986**
Comprehensive loss						
Loss for the year	—	—	—	—	(13,745)	(13,745)
Exchange differences on translating foreign operations	—	—	(7,290)	—	—	(7,290)
Total comprehensive loss for the year	**—**	**—**	**(7,290)**	**—**	**(13,745)**	**(21,035)**
Contributions by and distributions to owners						
Shares issued in the year	21	96	—	—	—	117
Share-based payment transactions	—	—	—	1,586	—	1,586
Share-based payments lapsed/expired	—	—	—	(252)	252	—
Total contributions by and distributions to owners	**21**	**96**	**—**	**1,334**	**252**	**1,703**
Balance as at 30 June 2013	**121,703**	**88,361**	**(7,290)**	**5,026**	**(138,146)**	**69,654**
Comprehensive loss						
Loss for the year	—	—	—	—	(1,724)	(1,724)
Exchange differences on translating foreign operations	—	—	8,187	—	—	8,187
Total comprehensive loss for the year	**—**	**—**	**8,187**	**—**	**(1,724)**	**6,463**
Contributions by and distributions to owners						
Shares issued in the year	41,738	80,424	—	—	—	122,162
Share issue expenses	—	(5,185)	—	—	—	(5,185)
Share-based payment transactions	—	—	—	547	—	547
Share-based payments lapsed/expired	—	—	—	(2,100)	2,100	—
Total contributions by and distributions to owners	**41,738**	**75,239**	**—**	**(1,553)**	**2,100**	**117,524**
Balance as at 30 June 2014	**163,441**	**163,600**	**897**	**3,473**	**(137,770)**	**193,641**

The Company had no other comprehensive income in the year.

The notes on pages 39 to 64 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	Restated 2013 $'000
Cash flows used in operating activities			
Loss before taxation		**(1,724)**	(13,745)
Adjustments for:			
Depreciation, amortisation and impairment	14 and 15	**38**	10,409
Effect of foreign exchange movements		**484**	6
Equity-settled share-based payments		**547**	1,500
Equity-settled creditors		**2,532**	—
Finance cost		**1**	1
Finance income		**(12)**	—
Net cash flows used in operating activities before working capital changes		**1,866**	(1,829)
Increase in trade and other receivables		**(94)**	(34)
Increase in trade and other payables		**352**	433
Net cash from/(used in) operating activities		**2,124**	(1,430)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**119,630**	117
Share issue expenses		**(5,185)**	—
Loans (to)/from subsidiaries		**(26,294)**	1,124
Finance cost		**(1)**	(1)
Finance income		**12**	—
Net cash flows from financing activities		**88,162**	1,240
Net increase/(decrease) in cash and cash equivalents		**90,286**	(190)
Cash and cash equivalents at beginning of the year		**220**	419
Exchange rate movement on cash and cash equivalents at beginning of year		**—**	(9)
Cash and cash equivalents at end of the year	19	**90,506**	220

The notes on pages 39 to 64 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1 Accounting policies

Basis of preparation

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 2014 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.

Statement of compliance

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.

The following standards and interpretations have been applied by the Group from 1 July 2013

- Amendments to IAS 12, Income Tax (endorsed by the European Union on 1 January 2013)
- Amendments to IAS 27, Consolidated and Separate Financial Statements (endorsed by the European Union on 1 January 2013)
- Amendments to IAS 28, Investments in Associates and Joint Ventures (endorsed by the European Union on 1 January 2013)
- IFRS 10, Consolidated Financial Statements (endorsed by the European Union on 1 January 2013)
- IFRS 11, Joint Arrangements (endorsed by the European Union on 1 January 2013)
- IFRS 12, Disclosure of Interest in Other Entities (endorsed by the European Union on 1 January 2013)
- IFRS 13, Fair value measurement (endorsed by the European Union on 1 January 2013)
- Annual Improvements to IFRSs (endorsed by the European Union on 31 April 2013)

The application of these standards and interpretations did not result in any material changes to the Group's financial statements.

IFRS effective in 2014 but not relevant

The following changes and new standards and interpretations were mandatory for the current accounting period, but are not relevant to the operations of the Group:

- Amendments to IAS 19, Employee Benefits (endorsed by the European Union on 9 June 2012)
- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards (endorsed by the European Union on 23 April 2013)
- Amendments to IFRS 7, Financial Instruments – Disclosures (endorsed by the European Union on 1 January 2013)

Standards and interpretations issued but not yet applied

Any standards and interpretations other than those noted above, that has been issued but is 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 impact on the financial statements in future periods, although amended disclosures may be required.

Change in presentation and functional currency

Change in functional currency of the Company

Effective 1 June 2014, the Company's functional currency changed from Pounds Sterling (£) to the US Dollar ($). This change was made as a result of the $222.4 million funding package that was concluded for the Liqhobong Mine Development Project and to cover Group working capital requirements over the development period. The Company raised $110 million through the issue of new ordinary shares, of which $70 million was received in US Dollars along with a further $30 million mezzanine facility. The ABSA debt facility of $82.4 million will be provided directly to LMDC, the company which owns Liqhobong and in which the Company has a 75% interest with the remaining 25% held by the Government of Lesotho. In accordance with International Accounting Standards, the change in functional currency has been accounted for prospectively by translating all non-equity items using the $:£ spot exchange rate on the effective date. The change in functional currency for equity transactions was accounted for using the spot exchange rate on the date of the transaction.

1 Accounting policies continued

Change in presentation and functional currency continued

Change in presentation currency of the Group

Concurrent with the change in functional currency of the Company, the Group adopted the US Dollar as its presentation currency, which it consider more appropriately presents the financial performance of the Group as it develops into a mid-tier diamond producer. Consequently the financial information for the year ended 30 June 2014 is re-presented in the US Dollar. For the purposes of changing the Group's presentation currency, the comparatives for the year ended 30 June 2013 was translated using the $:£ spot exchange rate on the last day of the year for items included in the statement of financial position and the average rate over the year for items in the statement of comprehensive income. Resulting exchange differences were taken to the foreign currency reserve. The comparative balance sheet as at 30 June 2012 has not been included in the consolidated statement of financial position on the basis that it does not provide additional relevant information and is therefore not a material disclosure.

	Spot rate
Change in functional currency	
1 June 2014	1.6762

	Average rate	Spot rate
Change in presentation currency		
30 June 2013	1.5681	1.5216
30 June 2012	1.5843	1.5681

Going concern

The Group currently has two mines, Liqhobong in Lesotho which recently commenced construction of its Development Project, and the BK11 mine in Botswana which remains on care and maintenance whilst a formal disposal process is underway.

On 15 January 2014, the Company announced that it had secured funding of $222.4 million required to build and commission the Liqhobong Mine Development Project and funding ongoing working capital costs of the Group. Funding was made available via an equity raise of $110 million, a mezzanine debt facility of $30 million from two new strategic investors, being Pacific Road Resources and Resource Capital Fund VI L.P., and a debt facility provided by ABSA Bank directly to LMDC of $82.4 million. Construction commenced at the end of June 2014 and is expected to take 24 months to complete. Once completed, the main treatment plant will be capable of processing at 300,000 tonnes per month, which should be achieved by mid 2016.

During 2013, the Board decided to either dispose of or joint venture the BK11 mine in Botswana. The mine was placed on care and maintenance in 2012 due to additional capital requirements for waste stripping and plant modifications and is considered non-core to the strategic focus of the Group which is now firmly on Liqhobong. In line with this strategic focus, the Company delisted from the Botswana Stock Exchange on 28 February 2014 and commenced a formal disposal process of its Botswana assets, which was announced on 14 August 2014.

The Directors have prepared cash flow forecasts for the Group on the basis that the final conditions to drawdown of the ABSA and mezzanine debt facilities will be met. The Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include currency risk, project risk and the risk of change in general market conditions. The Directors are monitoring the working capital requirements of the Group and Company on a regular basis to ensure that action will be taken at the appropriate time to ensure that they have the necessary capacity to deliver plans for completing construction of the Liqhobong Mine Development Project.

The Directors are confident that they have raised sufficient cash and credit facilities to complete the Liqhobong Mine Development Project and to maintain other Group working costs. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements.

Companies Act section 408 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 Company incurred a loss on ordinary activities after tax of $1,742,000 (2013: $13,745,000) in respect of the Company which is dealt with in the financial statements of the Company. The Company had other items of comprehensive income in the year of $8,187,000 (2013: a loss of $7,290,000).

1 Accounting policies continued

Basis of consolidation

Subsidiaries and acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by the Group.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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 fair value of the consideration transferred, measured at the acquisition date and the fair value of any previously held equity interests. 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 remeasured 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 IAS 39 either in profit or loss or as a 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 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.

1 Accounting policies continued

Exploration and evaluation expenditure

Exploration and evaluation expenditure is written off as incurred, except for amounts arising on the accounting for business combinations. 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 IFRS 3, Business Combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition are expensed as incurred.

Once a development decision has been taken, the carrying amount of any exploration and evaluation expenditure in respect of the area of interest recognised as an asset in accordance with the above policy is aggregated with subsequent development expenditure (see below).

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 is 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 development expenditure.

Development costs

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 costs 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.

Stripping costs incurred during production

To the extent that the benefit of the stripping activity results in improved access to ore, the directly attributable costs are treated as a non-current stripping activity asset where the following criteria are met:

- it is probable that the future economic benefit of improved access to the ore body, associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity to improve access to the ore body can be reliably measured.

The stripping activity asset is recognised initially at cost, treated as an enhancement of an existing asset and not as an independent asset. Subsequently, the stripping activity asset is accounted for in the same manner as that adopted for the asset it has enhanced, and is depreciated on a unit of production method, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

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 is stated at cost 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 unit 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
Plant and equipment	– 3 to 10 years
Motor vehicles	– 3 to 5 years
Office equipment and other assets	– 3 to 10 years

1 Accounting policies continued

Property, plant and equipment continued

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the statement of profit and loss. 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 excludes directly attributable professional fees and other expenses incurred in connection with the acquisition which is expensed as incurred. Investments in subsidiaries are all classified as non-current assets.

Assets held for sale and discontinued operations

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if the sale is highly probable, the asset is available for sale in its present condition, being actively marketed and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations; and is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

Non-current assets held for sale and discontinued operations are carried at the lower of carrying value or fair value less costs to sell. Any gain or loss from disposal of a business, together with the results of these operations until the date of disposal, is reported separately as discontinued operations. The financial information of discontinued operations is excluded from the respective captions in the consolidated financial statements and related notes for the current and comparative period.

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.

Inventories

Inventories comprise uncut diamonds produced, ore stockpiles, and consumables and spares. Inventories are valued at the lower of cost and net realisable value. Rough diamond inventories and ore stockpile cost is calculated on a first in first out basis and includes all costs directly incurred up to the relevant point in the process such as mining and processing cost, but excludes other operating costs such as general mine or administration costs. The net realisable value is determined by reference to market prices at 30 June 2014 and 30 June 2013. 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 conclude 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.

1 Accounting policies continued

Investment in financial assets continued

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 and are classified as 'loans and receivables'. These are recognised at invoice value adjusted for any allowance for impairment. Impairment and any reversal are 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 on hand, deposits held on 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.

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 development activity or from the installation of plant and other site preparation work are provided for when the obligation to incur such costs arises and are capitalised as a component of the related assets. These costs are charged against profits through amortisation or impairment of the asset. Amortisation and impairment is included in operating costs.

1 Accounting policies continued

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 funds are received, at which point the parcel is released to the winning bidder. Revenue is recognised when the tender closes and the winning bids are accepted.

Share-based payment transactions

Certain employees (including Directors and senior Executives) of the Group receive remuneration in the form of share-based payments, 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 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 that 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.

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 US Dollars which is the presentation currency for the Group and Company financial statements. The functional currency of the Company is the US Dollar.

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 settlement of monetary items and on the retranslation of monetary items is included in the statement of comprehensive income for the period.

1 Accounting policies continued

Foreign currency continued

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in US Dollars 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 other comprehensive income 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 the US Dollar 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 the disposal is transferred to profit and loss.

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) 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 22.

(ii) 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.

(iii) 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.

2 Critical accounting estimates and judgments continued

(iii) Impairment testing continued

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 and of the likely disposal proceeds and related costs.

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

3 Revenue

	2014 $'000	2013 $'000
Sales of diamonds	**3,954**	15,416

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 management information will be used by the Chief Executive Officer as the basis for decision making. The sale of diamonds was conducted through an electronic 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 table presents revenue and profit, asset and liability information regarding the Group's geographical segments:

	Lesotho		Botswana and South Africa (discontinued activities)		Unallocated		Total	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
External revenue	**3,954**	15,416	**—**	—	**—**	—	**3,954**	15,416
Segmental operating result	**(7,147)**	(10,404)	**(585)**	(6,789)	**(3,367)**	(5,121)	**(11,099)**	(22,314)
Finance income	**39**	4	**5**	2	**12**	—	**56**	6
Finance expense	**—**	—	**(173)**	(327)	**(1)**	—	**(174)**	(327)
Taxation	**15**	30	**3**	50	**—**	—	**18**	80
Non-controlling interest	**1,556**	2,016	**38**	47	**—**	—	**1,594**	2,063
Segmental result	**(5,537)**	(8,354)	**(712)**	(7,017)	**(3,356)**	(5,121)	**(9,605)**	(20,492)
Segmental assets	**66,181**	56,488	**14,664**	14,120	**90,777**	3,831	**171,622**	74,439
Segmental liabilities	**(8,548)**	(12,413)	**(2,091)**	(2,618)	**(1,681)**	(1,691)	**(12,320)**	(16,722)
Interest-bearing loans and borrowings	**—**	—	**—**	(2,020)	**—**	—	**—**	(2,020)
Total segmental liabilities	**(8,548)**	(12,413)	**(2,091)**	(4,638)	**(1,681)**	(1,691)	**(12,320)**	(18,742)
Other segmental information								
Capital expenditure:								
Property, plant and equipment	**5,489**	4,219	**361**	13	**—**	4	**5,850**	4,236
Depreciation, amortisation and impairment cost								
Property, plant and equipment	**3,907**	6,362	**—**	2,257	**51**	171	**3,958**	8,790
Intangible assets	**—**	—	**—**	—	**—**	—	**—**	—

5 Operating loss

	2014 Group $'000	2013 Group $'000
Operating loss from continuing operations for the year is stated after charging:		
Depreciation and amortisation of property, plant and equipment	**3,958**	8,748
Employee costs (note 6)	**2,392**	5,066
Operating lease rentals	**248**	243
Share-based payments (note 22)	**547**	1,916
Items relating to discontinued operations:		
Depreciation and amortisation of property, plant and equipment	**—**	2,257
Employee costs (note 6)	**513**	1,134
Hire of plant and equipment	**2**	3
Operating lease rentals	**76**	134
Impairment of property, plant and equipment and intangible assets (note 10)	**—**	3,788

6 Employee numbers and costs

The average number of persons employed in the Group during the year, including Executive Directors, was:

	2014 Group Number	2013 Group Number
Operations	**24**	58
Administration	**18**	20
	42	78
Represented by:		
Continuing operations	**28**	63
Discontinued operations	**14**	15
	42	78

The employment benefits were as follows:

	2014 Group $'000	2013 Group $'000
Wages and salaries	**2,271**	4,273
Share-based payments	**547**	1,889
Pension costs	**87**	38
	2,905	6,200
Represented by:		
Continuing operations	**2,392**	5,066
Discontinued operations	**513**	1,134
	2,905	6,200

7 Directors' emoluments

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

	2014 Group $'000	2013 Group $'000
Short-term employee benefits	**957**	1,078
Post-employment benefits	**87**	38
Share-based payments	**612**	1,433
Total	**1,656**	2,549

7 Directors' emoluments continued

2014	Salaries and fees $	Pension $	Share-based payments $	Total $
Director				
L Genovese	**63,151**	**—**	**126,000**	**189,151**
A Jonker	**40,473**	**—**	**—**	**40,473**
S Brown*	**418,448**	**—**	**306,154**	**724,602**
T Wilkes	**309,872**	**86,663**	**130,172**	**526,707**
P Sobie	**40,473**	**—**	**—**	**40,473**
M Wittet	**40,473**	**—**	**—**	**40,473**
J Treger	**40,473**	**—**	**50,000**	**90,473**
N Young	**2,000**	**—**	**—**	**2,000**
K Owen	**2,000**	**—**	**—**	**2,000**
	957,363	**86,663**	**612,326**	**1,656,352**
2013				
L Genovese	313,132	—	691,102	1,004,234
A Jonker	189,293	—	230,367	419,660
T Wilkes*	395,170	37,635	281,541	714,346
P Sobie	27,442	—	—	27,442
M Wittet	39,203	—	—	39,203
J Treger	114,176	—	230,367	344,543
	1,078,416	37,635	1,433,377	2,549,428

* Highest paid Director for the year.

8 Auditor's remuneration

	2014 Group $'000	2013 Group $'000
Audit of the Group's financial statements	**75**	102*
Audit of accounts of associates of the Company	**46**	45
Other assurance services	**—**	24
Taxation compliance services	**23**	16
Other taxation services	**8**	36
Other services	**—**	6
	152	229

* Includes an amount of $18,000 under-provision from the prior year.

9 Net finance income and costs

	2014 Group $'000	2013 Group $'000
Interest income on bank deposits	**51**	4
Finance income	**51**	4
Interest paid on overdrawn accounts	**1**	—
Finance costs from continuing operations	**1**	—
Interest paid on loans	**(173)**	(316)
Interest paid on finance leases	**—**	(11)
Finance costs from discontinued operations (note 20)	**(173)**	(327)

10 Impairment of property, plant, equipment and intangible assets

	2014 Group $'000	2013 Group $'000
Impairment of plant and equipment used in mining operations	—	3,788
	—	3,788

The Group's BK11 mine remains on care and maintenance since February 2012, and no further work was performed on the Group's Botswana exploration properties since that time. The Group has initiated a formal disposal process of the Botswana assets. As a result of placing BK11 on care and maintenance during 2012 a full impairment review of the BK11 assets was performed and the assets were impaired. BK11 mine's recoverable amount as at 30 June 2014 is determined on the fair value of the assets less cost of disposal, by reference to current market values. Fair value is the estimated selling price based on offers received for the assets in the ordinary course of business, less estimated costs necessary to conclude the sale. The offers are still subject to negotiation, which may result in the final sales price being higher or lower than the carrying value of the assets. An impairment of $3,753,000 was required during 2013 to arrive at the recoverable value of plant and equipment.

Oena Mine, situated on the west coast of South Africa was placed on care and maintenance in 2009. The asset is the last remaining operation from a portfolio of South African alluvial assets which were disposed of in previous years. An impairment of $35,000 was required during 2013 to arrive at the recoverable value of plant and equipment.

The impairment of the South African assets recoverable amount was determined on the fair value of the assets less cost of disposal. Fair value is the selling price per agreement entered into by willing seller and willing buyer on an arms-length basis, less estimated costs necessary to conclude the sale.

11 Taxation

	2014 Group $'000	2013 Group $'000
Current tax	—	—
Deferred tax	**(15)**	(31)
Total tax credit for the year	**(15)**	(31)

The difference between the total tax credit 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 23.75% (2013: 23.75%).

	2014 Group $'000	2013 Group $'000
Loss before tax	**(11,214)**	(22,586)
Tax on loss at standard rate of 23.75% (2013: 23.75%)	**(2,663)**	(5,364)
Effect of tax in foreign jurisdictions	**(50)**	(41)
Expenses not deductible for tax purposes	**314**	909
Adjustments to deferred tax not recognised	**2,384**	4,428
Other adjustments	—	37
	(15)	(31)

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 detailed in note 24 as there is insufficient evidence that the benefit of the losses will be recovered.

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.

12 Loss per share

The calculation of the basic loss per share from continuing operations is based upon the net loss after tax from continuing operations attributable to ordinary shareholders of $8.9 million (2013: $13.5 million) and, taking into account the share consolidation, a weighted average number of shares in issue for the year of 93,284,647 (2013: 54,679,002 – amended for the share consolidation).

The calculation of the basic loss per share from discontinued operations is based upon the net loss after tax from discontinued operations attributable to ordinary shareholders of $0.7 million (2013: $7.0 million) and a weighted average number of shares in issue for the year of 93,284,647 (2013: 54,679,002).

Diluted loss per share

The diluted loss per share in 2014 and 2013 is the same as the basic loss per share as the potential ordinary shares to be issued have no dilutive effect. The Company has 11,927,054 (2013: 33,560,000 before the share consolidation of 1 share for every 10 held) potential issuable shares in respect of share options issued to employees (note 22).

13 Property, plant and equipment – Group

	Mining property $'000	Plant and equipment $'000	Motor vehicles and other assets $'000	Total $'000
Cost				
At 1 July 2012	83,123	42,363	2,611	128,097
Additions	3,556	670	12	4,238
Disposals	(1)	(282)	(204)	(487)
Transferred to assets held for sale	(19,055)	(24,166)	(1,097)	(44,318)
Exchange difference	(11,401)	(4,825)	(278)	(16,504)
At 30 June 2013	56,222	13,760	1,044	71,026
Additions	749	4,800	373	5,922
Disposals	—	—	(301)	(301)
Decommissioning and removal	—	(7,996)	—	(7,996)
Exchange difference	(3,794)	(864)	(51)	(4,709)
At 30 June 2014	**53,177**	**9,700**	**1,065**	**63,942**
Accumulated depreciation				
At 1 July 2012	30,279	10,712	1,305	42,296
Charge for the year	1,568	6,841	339	8,748
Disposals	—	(247)	(74)	(321)
Transferred to assets held for sale	(19,055)	(10,482)	(821)	(30,358)
Impairment charges (note 10)	—	3,788	—	3,788
Exchange difference	(3,411)	(1,906)	(166)	(5,483)
At 30 June 2013	9,381	8,706	583	18,670
Charge for the year	1,118	2,706	134	3,958
Disposals	—	—	(55)	(55)
Decommissioning and removal	—	(7,537)	—	(7,537)
Exchange difference	(650)	(512)	(30)	(1,192)
At 30 June 2014	**9,849**	**3,363**	**632**	**13,844**
Net book value at 30 June 2014	**43,328**	**6,337**	**433**	**50,098**
Net book value at 30 June 2013	46,841	5,054	461	52,356
Net book value at 1 July 2012	52,844	31,651	1,306	85,801

14 Property, plant and equipment – Company

	2014 $'000	2013 $'000
Office furniture and computer equipment		
Cost		
At 1 July	**146**	146
Additions	**15**	—
At 30 June	**161**	146
Accumulated depreciation		
At 1 July	**59**	29
Charge for the year	**38**	30
At 30 June	**97**	59
Net book value at end of year	**64**	87
Net book value at beginning of year	**87**	117

15 Investments in subsidiaries – Company

	2014 $'000	2013 $'000
At 1 July	**70,877**	81,170
Share-based payments to employees of subsidiaries	**153**	86
Foreign currency difference	**7,535**	—
Total investment in subsidiaries	**78,565**	81,256
Impairment of Firestone Diamonds Limited	**—**	(10,379)
At 30 June	**78,565**	70,877

There is no significant difference between the fair values of the investments stated above. The value of the investments is determined by their underlying mineral deposits. Management will take into consideration the in-situ value of the mineral deposit when determining whether there are any indications of impairment.

15 Investments in subsidiaries – Company continued

At 30 June 2014, the Company held 100% (2013: 100%) of the ordinary shares of Firestone Diamonds Limited and Kopane Diamond Development plc, whose principal activities is that of a holding company. As at 30 June 2014, Firestone Diamonds, Kopane Diamond Development plc and Firestone Diamonds Limited had the following subsidiary undertakings:

Subsidiary undertakings	Country	Business activity	Percentage of shares held by Company
African Star Minerals (Pty) Limited**	South Africa	Diamond exploration and mining	74%
Asam Resources SA (Pty) Limited**	South Africa	Diamond exploration and mining	100%
Becksham Corporation	Barbados	Investment	100%
Becksham Limited	British Virgin Islands	Investment	100%
Bonte Koe Mynbou Ondernemings (Pty) Limited**	South Africa	Diamond exploration and mining	74%
Cornerstone (RSA) Limited	British Virgin Islands	Dormant	100%
Daly City Ventures (Pty) Limited	Botswana	Diamond exploration and mining	51%
Firestone Diamonds (Botswana) (Pty) Limited	Botswana	Diamond exploration and mining	100%
Firestone Diamonds Limited*	British Virgin Islands	Investment	100%
Fortuna Investment Holdings Limited	British Virgin Islands	Dormant	100%
Kenrod Engineering (Pty) Limited	Botswana	Diamond exploration and mining	45%
Kopane Diamond Developments plc*	United Kingdom	Holding company	100%
Kuboes Diamante (Pty) Limited**	South Africa	Diamond exploration and mining	87.5%
Liqhobong Mining Development Company (Pty) Limited	Lesotho	Diamond exploration and mining	75%
Minegem Inc	Canada	Investment	100%
Monak Ventures (Pty) Limited	Botswana	Diamond exploration and mining	90%
Oena Mine (Pty) Limited**	South Africa	Diamond exploration and mining	87.5%
Surf Zone Diamonds (Pty) Limited**	South Africa	Diamond exploration and mining	100%
Firestone Diamonds (Pty) Limited	South Africa	Management company	100%

* Company in which Firestone Diamonds plc has a direct holding.

** Agreements have been signed for the sale of these companies. Their assets and liabilities have been transferred to assets held for sale and liabilities of a disposal group on the Group statement of financial position and further information can be found in note 20.

Distributions by the Group's South African subsidiaries are subject to exchange control approval in that country. All material subsidiaries are included in the consolidated financial statements.

16 Loans to subsidiaries

	Company 2014 $'000	Company 2013 $'000
Kopane Diamond Development plc	**17,081**	31
Firestone Diamonds Limited	**4,165**	(1,188)
Liqhobong Mining Development Company (Pty) Limited	**3,777**	64
Firestone Diamonds (Botswana) (Pty) Limited	**—**	22
Firestone Diamonds (Pty) Limited	**200**	—
	25,223	1,071
Non-current assets	**25,223**	117
Current assets	**—**	—
Total assets	**25,223**	117
Non-current liabilities	**—**	—
Current liabilities	**—**	1,188
Total liabilities	**—**	1,188

Loans to related parties bear no interest, are unsecured and have no fixed terms of repayment.

17 Inventories

	2014 Group $'000	2013 Group $'000
Raw materials and consumables	**102**	526
Inventory – uncut diamonds for sale	**71**	1,107
	173	1,633

All diamond inventory relating to LMDC was sold during the year after the pilot plant was closed in October 2013. Current uncut diamonds for sale relate to diamonds held that were produced from the BK11 mine.

18 Trade and other receivables

	2014 Group $'000	2013 Group $'000	2014 Company $'000	2013 Company $'000
Trade receivables	**—**	1,567	**—**	—
Other receivables	**445**	766	**152**	21
Prepayments	**93**	173	**93**	130
	538	2,506	**245**	151

Other receivables relate to value-added taxation due from various tax authorities. Trade receivables of $1,567,000 in 2013 represent the value of diamonds sold at tender which closed on 28 June 2013. None of the other receivables are past due date or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above.

19 Cash and cash equivalents

	2014 Group $'000	2013 Group $'000	2014 Company $'000	2013 Company $'000
Cash and cash equivalents held for continuing operations	**107,003**	4,088	**90,506**	220
Non-current assets held for sale (note 20)	**361**	—	**—**	—
	107,364	4,088	**90,506**	220

Net cash and cash equivalents were represented by the following major currencies:

	2014 Group $'000	2013 Group $'000	2014 Company $'000	2013 Company $'000
British Pounds	**34,976**	450	**34,415**	220
US Dollars	**56,203**	2,551	**56,089**	—
Botswana Pula	**97**	118	**—**	—
South African Rand	**557**	560	**2**	—
Lesotho Maloti	**15,531**	409	**—**	—
Cash and cash equivalents	**107,364**	4,088	**90,506**	220

Cash deposits of $339,000 (2013: $387,000) included above are linked to bonds in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa (note 20) and cash deposits of $45,000 (2013: $45,000) are held in favour of various suppliers in Botswana. There is no significant difference between the fair value of the cash and cash equivalents and the values stated above.

20 Discontinued operations

In line with management's strategy to seek ways of unlocking shareholder value from the Group's Botswana and South African operations, certain of the Group's assets and liabilities were transferred from other asset classes and classified as non-current assets held for sale and liabilities of a disposal group.

The Group's BK11 mine remains on care and maintenance since February 2012, and no further work was performed on the Group's exploration properties during the year. The Group has initiated a formal disposal process for the Botswana assets. The South African operations which include Oena Mine, situated on the west coast were last operated in 2009. A sale agreement has been signed for the sale of the South African assets, and the sale is awaiting local regulatory approval.

20 Discontinued operations continued

Consolidated statement of profit and loss	2014 Group $'000	2013 Group $'000
Administrative expenses	**(51)**	(193)
Care and maintenance expenses	**(534)**	(552)
Amortisation and depreciation	**—**	(2,257)
Impairment loss	**—**	(3,788)
Loss from discontinued operations before finance charges and income tax	**(585)**	(6,790)
Finance income	**6**	3
Finance costs	**(173)**	(327)
Loss from discontinued operations before income tax	**(752)**	(7,114)
Income tax	**3**	50
Loss from discontinued operations	**(749)**	(7,064)
Other comprehensive loss:		
Exchange differences on translating foreign operations net of tax	**(2,598)**	7,499
Total comprehensive (loss)/income from discontinued operations for the year	**(3,347)**	435
Loss from discontinued operations for the year attributable to:		
Owners of the parent	**(712)**	(7,017)
Non-controlling interests	**(37)**	(47)
	(749)	(7,064)
Total comprehensive loss from discontinued operations for the year attributable to:		
Owners of the parent	**(3,370)**	76
Non-controlling interests	**23**	359
	(3,347)	435

Items reflected in the consolidated statement of financial position	2014 Group $'000	2013 Group $'000
Non-current assets held for sale		
Non-current assets		
Property, plant and equipment	**13,183**	13,586
Current assets		
Inventories	**263**	269
Trade and other debtors	**3**	1
Cash and cash equivalents	**361**	—
Total assets held for sale	**13,810**	13,856
Liabilities of a disposal group		
Non-current liabilities		
Interest-bearing loans and borrowings	**—**	2,020
Rehabilitation provisions	**1,885**	1,859
Current liabilities		
Interest-bearing loans and borrowings	**—**	539
Trade and other payables	**27**	214
Provisions	**177**	1
Total liabilities of a disposal group	**2,089**	4,633

Included in property, plant and equipment are motor vehicles held under finance leases with a net book value of $nil (2013: $55,000).
Moveable plant and equipment amounting to $nil (2013: $4,719,000) provide security for interest-bearing borrowings.

20 Discontinued operations continued

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.

	2014		2013	
	Rand value ZAR'000	US Dollar value $'000	Rand value ZAR'000	US Dollar value $'000
African Star Minerals (Pty) Limited	**157**	**14**	156	16
Asam Resources SA (Pty) Limited	**1,196**	**113**	1,214	123
Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk	**953**	**90**	953	97
Kuboes Diamante (Pty) Limited	**1,153**	**109**	1,155	117
Surf Zone Diamonds (Pty) Limited	**134**	**13**	334	34
	3,593	**339**	3,812	387

21 Share capital

On 16 July 2013, the Company issued 198,500,000 ordinary shares of 1 pence each for a premium of 1 pence per share. The total receipt after expenses was $5,745,151. The funds were raised to use for working capital at the Liqhobong mine and repayment of debt.

On 10 October 2013 the Company issued 8,400,838 ordinary shares of 1 pence each for a premium of 1.75 pence per share. These shares were issued to Lucio Genovese, Braam Jonker and Julian Treger who are Directors of the Company, as remuneration in respect of additional services rendered to the Company over and above their normal duties as Non-Executive Directors during the course of the year to June 2013 and to Tim Wilkes in connection with his resignation as CEO of the Company. The exchange rate at the date of issue was £1:$1.5982. The total share-based payment was $369,221.

On 30 May 2014 the Company issued 2,336,174,902 ordinary shares of 1 pence each as part of the Fundraising for the construction of the Liqhobong Mine Development Project to various strategic investors as well as through an open offer. The total capital that was raised after expenses was $108,699,714.

On 6 June 2014 the Company's existing ordinary shares were consolidated as follows:

- all ordinary shares of 1 pence each in issue were consolidated on the basis of 1 ordinary share of 10 pence each for every 10 existing ordinary shares; and
- immediately following such share consolidation, each ordinary share of 10 pence each was subdivided and converted into 1 ordinary share of 1 pence each and 1 deferred B share of 9 pence each.

	Number of shares		Nominal value of shares	
	2014	2013	2014 $'000	2013 $'000
Allotted, called up and fully paid				
Opening balance	**546,852,396**	545,513,111	**8,358**	8,337
Issued during the year	**2,543,075,740**	1,339,285	**41,738**	21
Closing balance before share consolidation	**3,089,928,136**	546,852,396	**50,096**	8,358
Share consolidation	**(2,780,935,322)**	—	**—**	—
Split to deferred type B shares	**—**	—	**(46,622)**	—
Closing balance	**308,992,814**	546,852,396	**3,474**	8,358
Deferred type A shares				
Opening balance	**7,079,649,109**	7,079,649,109	**113,345**	113,345
Split from ordinary shares	**—**	—	**—**	—
Closing balance	**7,079,649,109**	7,079,649,109	**113,345**	113,345
Deferred type B shares				
Opening balance	**—**	—	**—**	—
Split from ordinary shares	**308,992,814**	—	**46,622**	—
Closing balance	**308,992,814**	—	**46,622**	—
Total	**7,697,634,737**	7,626,501,505	**163,441**	121,703

Firestone Diamonds Limited, a subsidiary company, has advanced funds to the Group's Employee Share Trust of $181,329. The Employee Share Trust holds 308,351 ordinary shares in Firestone Diamonds. These shares have not been allocated to any employees.

22 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:

	2014	2013
Weighted average share price	**32.5p**	8.5p
Weighted average option exercise prices	**59.4p**	8.5p
Expected volatility	**52%**	71%
Expected option life	**5 years**	5 years
Risk-free interest rate	**0.48%**	0.33%
Expected dividend yield	**0%**	0%
Fair value of option granted in the year	**30.5p**	4.9p

The calculation of the volatility of the share price was based on the Company's daily closing share price over the period from July 2013 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:

	Number of share options		Weighted average exercise price (pence)	
	2014	2013	2014	2013
Outstanding at beginning of year	**33,560,000**	10,895,000	**12.6**	23
Share consolidation (1 share for every 10 held)*	**(30,204,000)**	—	**—**	—
Granted during the year	**9,296,054**	27,300,000	**30.5**	8.5
Lapsed/expired in the year	**(725,000)**	(4,635,000)	**41.6**	14.0
Outstanding at the end of the year	**11,927,054**	33,560,000	**59.4**	12.6
Exercisable at the end of the year	**2,231,000**	25,610,000	**167.0**	13.5

* During the year the Group consolidated its share capital to 1 share for every 10 held. This consolidation was applied across all outstanding share options.

The options outstanding at as 30 June 2014 have a weighted average contractual life of five years (2013: five years). These options have an exercise price, following the share consolidation completed in June 2014, of 30.0 pence to 275.0 pence (2013: a range of 8.5 pence to 41.0 pence).

The options exercisable at 30 June have an exercise price of 85.0 pence to 275.0 pence (2013: 8.5 pence to 41.0 pence). No options were exercised in the year.

	2014 Group $'000	2013 Group $'000
Share-based payment charge	**547**	1,586
Charge for shares to be issued*	**—**	330*
Charge for the year in profit and loss	**547**	1,916

	2014 Company $'000	2013 Company $'000
Charge for the year in profit and loss	**479**	1,500
Charge for shares to be issued*	**—**	330
Charge for the year allocated to subsidiary companies	**68**	86
Total charge for the year	**547**	1,916

* Shares to the value of US$166,000 for Lucio Genovese, US$90,000 for Braam Jonker and US$75,000 for Julian Treger were issued as compensation for additional services rendered to the Company during 2013 year.

22 Equity-settled share option schemes continued

Basic Share Option Scheme*

Date of grant	Exercise period From	Exercise period To	Share options held at 2014 number	Share options held at 2013 number	Exercise price 2014 pence	Exercise price 2013 pence
2003/12/18	2004/12/18	2014/12/18	—	40,000	—	20.0
2004/04/08	2005/04/08	2014/04/08	—	1,000,000	—	20.0
2004/08/03	2005/08/03	2014/08/03	**25,000**	250,000	**200.0**	20.0
2004/12/22	2005/12/22	2014/12/22	**50,000**	500,000	**200.0**	20.0
2005/05/03	2006/05/03	2015/05/03	**65,000**	650,000	**200.0**	20.0
2007/12/06	2008/12/06	2017/12/06	**6,000**	60,000	**200.0**	20.0
2007/12/19	2008/12/19	2017/12/19	**15,000**	150,000	**200.0**	20.0
2008/01/15	2009/01/15	2019/01/15	**20,000**	200,000	**200.0**	20.0
2011/05/17	2012/05/17	2022/05/17	**16,666**	166,666	**275.0**	27.5
2011/05/17	2013/05/17	2022/05/17	**16,667**	166,667	**275.0**	27.5
2011/05/17	2014/05/17	2022/05/17	**16,667**	166,667	**275.0**	27.5
			231,000	3,350,000		

Performance-Related Share Option Scheme*

Date of grant	Exercise period From	Exercise period To	Share options held at 2014 number	Share options held at 2013 number	Exercise price 2014 pence	Exercise price 2013 pence
2004/01/09	2005/01/09	2014/01/09	—	2,400,000	—	20.0
2004/01/21	2005/01/21	2014/01/21	—	1,360,000	—	41.0
2004/04/08	2005/04/08	2014/04/08	—	2,000,000	—	20.0
			—	5,760,000		

Unapproved Share Option Scheme*

Date of grant	Exercise period From	Exercise period To	Share options held at 2014 number	Share options held at 2013 number	Exercise price 2014 pence	Exercise price 2013 pence
2013/11/23	2013/11/23	2022/11/24	**1,500,000**	15,000,000	**85.0**	8.5
			1,500,000	15,000,000		

Unapproved Executive Share Option Scheme*

Date of grant	Exercise period From	Exercise period To	Share options held at 2014 number	Share options held at 2013 number	Exercise price 2014 pence	Exercise price 2013 pence
2013/11/23	2013/11/23	2022/11/24	**200,000**	2,000,000	**85.0**	8.5
2013/11/23	2014/11/23	2022/11/24	**300,000**	3,150,000	**85.0**	8.5
2013/11/23	2014/11/23	2022/11/24	**300,000**	3,150,000	**85.0**	8.5
2013/11/23	2015/11/23	2022/11/24	**100,000**	1,150,000	**85.0**	8.5
2014/05/27	2014/05/27	2024/05/27	**82,935**	—	**38.8**	—
2014/01/15	2014/01/15	2024/01/16	**9,101,281**	—	**30.0**	—
2014/06/30	2014/06/30	2024/06/30	**111,838**	—	**38.8**	—
			10,196,054	9,450,000		

* During the year the Group consolidated its share capital to 1 ordinary share for every 10 held. This consolidation was applied across all outstanding share options.

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 2014 at the closing share price on 30 June 2014 of 38.62 pence per share was nil shares as a result of it trading below the exercisable price limit (2013: closing share price of 2.75 pence per share before share consolidation of 1 share for every 10 held; no dilutive shares were exercisable).

22 Equity-settled share option schemes continued

Long-Term Incentive Plan

The Company has established a Long-Term Incentive Plan (LTIP) for the benefit of senior management. The LTIP had nil (2013: 1,650,000) shares available to participants. All of the shares allocated during 2013 were for the benefit of Tim Wilkes, a former Director of the Company.

No additional shares have been allocated in the year.

23 Interest-bearing loans and borrowings

Non-current	2014 Group $'000	2013 Group $'000
Bank loans	—	2,000
Obligations under finance leases	—	20
	—	2,020
Transferred to liabilities of a disposal group	—	(2,020)
	—	—

Current	2014 Group $'000	2013 Group $'000
Bank loans	—	490
Obligations under finance leases	—	49
	—	539
Transferred to liabilities of a disposal group	—	(539)
	—	—

The Group does not have any interest-bearing borrowings outstanding at year end that are secured by any of its assets. During 2013, bank loans in Botswana amounting to $nil (2013: $2,490,000) were secured by a first charge over the Group's shareholding in Monak Ventures (Pty) Limited with additional obligations under finance leases of $nil (2013: $68,000) being secured on plant and equipment held by the Group's subsidiaries in Botswana.

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 2014 and the periods in which they mature or, if earlier, are repriced. Amounts shown for debt include both capital repayments and interest calculated at year-end rates. Standard Chartered Bank of Botswana's interest rate is a floating rate, while First National Bank and Wesbank rates are fixed against the functional monetary interest rate of each country.

For 2014 the effective interest rates and repricing analysis was:

2014	Effective interest rate	Group Total $'000	Group Current $'000	Group 1–2 years $'000	Group 2–5 years $'000
Cash and cash equivalents	**0.03%**	**107,003**	**107,003**	**—**	**—**

For 2013 the effective interest rates and repricing analysis was:

2013	Effective interest rate	Group Total $'000	Group Current $'000	Group 1–2 years $'000	Group 2–5 years $'000
Cash and cash equivalents	0.03%	4,088	4,088	—	—
Standard Chartered Bank Botswana	6.50%	(2,490)	(490)	(2,000)	—
Wesbank Botswana	10.50%	(69)	(49)	(20)	—
		(2,559)	(539)	(2,020)	—

The Directors consider there to be no material difference between the book values and fair values of interest-bearing liabilities.

24 Deferred tax

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

	Group 2014 $'000	Group 2013 $'000
At 1 July	**(4,342)**	(5,167)
Movement in temporary differences recognised in income	**15**	31
Exchange difference	**289**	794
At 30 June	**(4,038)**	(4,342)

The deferred tax liability comprises:

	Group 2014 $'000	Group 2013 $'000
Accelerated capital allowances	**—**	(3)
Temporary difference arising on acquisition of subsidiary	**(4,038)**	(4,339)
	(4,038)	(4,342)

The Directors do not anticipate that accumulated reserves of overseas subsidiaries at 30 June 2014 will be remitted to the UK in the foreseeable future. Accordingly, no provision was made for deferred tax on these balances. The Group has unrecognised tax losses in respect of continuing activities of approximately $90.0 million (2013: $76.9 million), and unrecognised accelerated capital allowances of $2.4 million (2013: $1.8 million). There are also unrecognised tax losses of $53.7 million (2013: $46.9 million) and unrecognised accelerated capital allowances of $1.8 million (2013: $10.2 million) relating to the disposal groups in Botswana and South Africa.

25 Rehabilitation provisions

Rehabilitation costs	2014 Group $'000	2013 Group $'000
At 1 July	**2,560**	4,948
Exchange difference	**(153)**	(712)
Opening balance restated for effect of foreign exchange	**2,407**	4,236
Raised in the year	**—**	166
Release of rehabilitation liability	**(947)**	
Transferred to liabilities of a disposal group	**—**	(1,842)
At 30 June	**1,460**	2,560
Disclosed as:		
Non-current	**1,460**	2,560
Current	**—**	—
	1,460	2,560

Production at Liqhobong ceased at the end of October 2013 in preparation for the construction of the Liqhobong Mine Development Project and the pilot plant was decommissioned. All rehabilitation work required was performed during decommissioning at zero cost to the Group. The total liability of $947,000 and the coinciding decommissioning asset were released at year end. The net amount was recorded in profit and loss.

26 Trade and other payables

	2014 Group $'000	2013 Group $'000	2014 Company $'000	2013 Company $'000
Trade payables	**3,385**	2,325	**608**	94
Tax and social security	**36**	24	**—**	—
Other payables	**—**	2,861	**—**	—
Accruals	**1,271**	1,906	**354**	516
	4,692	7,116	**962**	610

The Directors consider there to be no material difference between the book values and fair values of trade and other payables.

27 Provisions

Other provisions	2014 Group $'000	2013 Group $'000
At 1 July	**91**	434
Exchange difference	**(5)**	(46)
Opening balance restated for effect of foreign exchange	**86**	388
Raised in the year through profit or loss	**9**	99
Amounts paid in cash	**—**	(120)
Reversals through profit or loss	**(45)**	(105)
Transferred to assets held for sale	**(9)**	(171)
At 30 June	**41**	91

Other provisions relate mainly to leave pay due to staff.

28 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 23.

Principal financial instruments

The principal financial instruments used by the Group are as follows:

	2014 Group $'000	2013 Group $'000	2014 Company $'000	2013 Company $'000
Trade and other receivables	**538**	2,506	**245**	151
Loans to subsidiaries	**—**	—	**25,223**	117
Cash and cash equivalents	**107,003**	4,008	**90,506**	220
Non-current assets held for sale	**364**	1	**—**	—
Trade and other payables	**(4,692)**	(7,116)	**(962)**	(610)
Loans from subsidiaries	**—**	—	**—**	1,188
Bank loans and finance leases	**—**	(2,559)	**—**	—
Liabilities of a disposal group	**(204)**	(215)	**—**	—

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.

28 Financial instruments continued

General objectives, policies and processes continued

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.

	2014 Group $'000	2013 Group $'000	2014 Company $'000	2013 Company $'000
Trade and other receivables	538	2,506	245	151
Loans to subsidiaries	—	—	25,223	117
Cash and cash equivalents	107,003	4,088	90,506	220
Non-current assets held for sale	364	1	—	—
	107,905	6,595	115,974	488

Credit risk with cash and cash equivalents is reduced by placing funds with banks that have 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 a 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 operating costs, capital expenditure, trade and other payables and the servicing of interest-bearing debt. Trade and other payables are all payable within six months.

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 23.

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 hedging arrangements in respect of the interest-bearing borrowings exist to manage interest rate risks.

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.

Group	Change in rate	2014 $'000	Change in rate	2013 $'000
US Dollar equivalent	-0.5%	(535)	-0.5%	(8)
	-1.0%	(1,070)	-1.0%	(15)
	-1.5%	(1,605)	-1.5%	(23)
US Dollar equivalent	+0.5%	535	+0.5%	8
	+1.0%	1,070	+1.0%	15
	+1.5%	1,605	+1.5%	23

Fair value of financial liabilities

	2014 Group $'000	2013 Group $'000	2014 Company $'000	2013 Company $'000
Bank loans and finance leases	—	2,559	—	—
Loans from subsidiaries	—	—	—	1,118
Trade and other payables	4,692	7,116	962	610
Liabilities of a disposal group	204	215	—	—
	4,896	9,890	962	1,728

The fair value of the bank loans has been calculated at 30 June 2014 as the interest rate is a 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 2013 analysis.

28 Financial instruments continued

Fair value of financial liabilities continued

Currency risk

The Group adopted a hedging strategy approved by the Board after the year end to mitigate against currency risk. The Company had no outstanding hedge contracts at year end.

As at 30 June 2014 the Group had interest-bearing liabilities of $nil (2013: $2,559,000) arising from loans advanced to a subsidiary company in Botswana. The Group held no other significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2013: nil), other than a cash balance held in Pound Sterling equivalent to $35 million (2013: $450,000). If the Pound Sterling was to appreciate against US Dollar by 1%, the cash balance would increase by $330,000. Similarly if the Pound Sterling was to depreciate against the US Dollar by 1%, the cash balance would decrease by $330,000.

Loans between companies that 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, Maloti, US Dollar and Pula.

The following significant exchange rates applied against the US Dollar during the year:

	Average rate		Balance sheet rate	
	2014	2013	**2014**	2013
South African Rand	**10.3706**	8.8328	**10.5784**	9.8675
Lesotho Maloti	**10.3706**	8.7633	**10.5784**	9.8675
Botswana Pula	**8.6006**	7.8723	**8.6941**	8.5249
Pound Sterling	**1.6247**	1.5681	**1.7047**	1.5216

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 US Dollar 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.

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 21, and details of interest-bearing borrowings are given in note 23.

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.

29 Operating lease commitments

	Group				Company			
	Land and buildings		Plant and equipment		Land and buildings		Plant and equipment	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Within one year	**209**	296	**—**	91	**128**	155	**—**	—
Between one and two years	**103**	214	**—**	—	**96**	155	**—**	—
Between two and five years	**—**	94	**—**	—	**—**	96	**—**	—
	312	604	**—**	91	**224**	406	**—**	—

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

30 Post-balance sheet events

The Directors are not aware of any significant matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the annual financial statements, that significantly affects the financial position of the Company or the results of its operations to the date of this report.

31 Capital commitments and contingencies

At 30 June 2014 the Group had contracted capital commitments of $68.7 million (2013: $nil) relating to the Liqhobong Mine Development Project. The Board has approved the Liqhobong Mine Development Project with a total value of $185 million including capital commitments contracted at 30 June 2014.

The Company remains in discussions with HMRC regarding a voluntary disclosure in the previous year of its failure to deduct PAYE and National Insurance from certain employees based in the United Kingdom. The failure dated back over several years and the Company would seek to recover any potential claim from the individuals affected. There is uncertainty regarding both the timing and amount of the potential settlement due to HMRC by the Company, although the maximum exposure before interest and penalties is estimated to be $500,000. After anticipated recoveries from employees, the final exposure to the Company is not expected to be material.

32 Related-party transactions

At 30 June 2014 the amount of undrawn fees specific to individual Directors was:

	2014 Group $'000	2013 Group $'000
L Genovese	**68**	—
S Brown	**171**	—
B Jonker	**63**	—
J Treger	**43**	—
P Sobie	**43**	—
M Wittet	**43**	—
Total	**431**	—

The Board approved a payment to the value of $250,000 to Frog Ventures Limited, a company of which Braam Jonker is a director and beneficiary, of which $200,000 was satisfied through the issue of shares and $50,000 was paid in cash. In addition a further cash payment of $30,000 was approved by the Board to be made to Frog Ventures Limited.

A payment of $88,000 was made to Audley Capital Advisors Limited, a company of which Julian Treger is also a director, for services rendered to the Group for professional fees relating to investor presentations and other public relation services. Julian Treger resigned as director of Firestone Diamonds on 18 June 2014.

Remuneration to key management personnel is considered to be director emoluments and is disclosed in note 7.

The Group provided various subordinations in respect of inter-group debt to creditors of subsidiary companies.

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