Firestone Diamonds plc

Report and financial statements for the year ended 30 June 2013

2013

KEY STATISTICS

REVENUE

£9.9m
(2012: £6.5m)

REDUCED LOSS BEFORE TAX

£14.5m
(2012: £30.4m)

LIQHOBONG RESOURCE

29m CARATS

CONTAINED VALUE

US$2.9bn

HIGHLIGHTS

LIQHOBONG MINE, PILOT PLANT

- Revenue increased by £4.6 million to £9.9 million from the sale of 166,712 carats
- US$10/carat increase in average diamond price to US$93/carat
- Cash losses reduced by £3.8 million to £2.7 million

DEFINITIVE FEASIBILITY STUDY

- Post-tax $NPV_{8\%}$ of US$335 million and IRR of 40%
- Average annual production of +1 million carats commencing 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 US$167 million
- Average diamond price of US$100/ct, excluding any potential from recovery of large and special stones

FINANCIAL

- £3.8 million raised in August 2013
- £4.0 million, 24 month off-take agreement concluded

RESTRUCTURING

- Strengthened management team: Mr. Stuart Brown, CEO designate
- Corporate costs reduced by £0.4 million to £1.9 million
- Sale of South African alluvial assets
- Non-core Botswana assets held for sale with management committed to unlocking shareholder value

OUTLOOK

- Focused on Liqhobong, with the goal of becoming a +1mcpa producer from 2016
- Project financing progressing
- Outlook for rough diamonds promising

Chairman's Letter

Dear Shareholder,

During early 2012 we announced a revised strategy for the Company that focuses on the future development of the MTP at the Liqhobong mine, converting the operation into a one million plus carats per annum producer, whilst seeking ways to unlock value for our shareholders in respect of the Company's non-core assets. I am pleased to update you on a year during which Firestone has made significant progress in the implementation and delivery of this strategy.

Operations

2012 was a pivotal development period culminating in the completion of the Liqhobong Definitive Feasibility Study ('DFS') during October 2012 and we are closer to achieving our aim of commencing the development of the MTP. This will provide Liqhobong with the capability of reaching its stated production target.

The DFS endorsed the Board's view that Liqhobong is a financially robust diamond project, with an indicated post-tax IRR of 40% and $NPV_{8\%}$ of US$335 million, on a conservative basis.

The DFS also confirmed Liqhobong's total resource of circa 89 million tonnes containing 29 million carats at an average grade of 33 carats per hundred tonnes, which, when brought into production, will elevate Liqhobong Mine into the elite group of mines producing over 1 million carats a year. Applying a conservative US$100 per carat revenue, this equates to a contained value of approximately US$2.9 billion.

To date, the Liqhobong Pilot Plant has produced in excess of 325,000 carats and has provided confirmation of the quality, grade and size of our stones as well as valuable information on the characteristics of the ore body. The Pilot Plant identified the presence of several +100 carat stones, which unfortunately were all broken during the recovery process. The MTP has been specifically designed to successfully recover these stones. Unbroken, these +100 carat stones would have resulted in a significant increase in revenue and profits for the Pilot Plant. An independent evaluation of the fragments recovered, conservatively estimated the combined value of these stones at between US$15 million and US$25 million. The financial evaluation in the DFS excludes the presence of these large special stones, providing further investor upside to the future value of Liqhobong.

Our next steps from an operational perspective include closing the Pilot Plant at an appropriate time in order to prepare the site for construction of the MTP.

Corporate

As announced in May 2013, an international bank was mandated to lead the project finance for the MTP on behalf of the Company. This process remains on track and financing will be subject to the satisfactory completion of the Bank's due diligence and standard internal approval processes as well as debt insurance to be provided by the Export Credit Insurance Corporation of South Africa.

Firestone continues to enjoy the support of its major shareholders as evidenced by the successful completion of our recent equity financing of US$6 million, amid very challenging capital market conditions. We also succeeded in securing another US$6 million off-take agreement with a diamantaire to further strengthen our working capital position. Interest from potential large external investors continues to prove encouraging and the Board and management are making good progress in developing an optimum finance solution for the implementation of the MTP.

In relation to our non-core assets, various opportunities have presented themselves to the Company and we remain committed to unlocking value for our shareholders in this regard either through disposal or an appropriate joint venture arrangement.

As part of the Company's on-going transformation, our efforts to strengthen the executive team culminated in the appointment of Stuart Brown as an Executive Director and CEO designate of Firestone on 2 September 2013. Stuart is the former CFO and Joint Acting CEO of the De Beers Group, the world's leading diamond group, where he worked for 20 years. He will bring highly strategic and coveted expertise to the Firestone management team when he takes over the mantle of CEO from Tim Wilkes on 2 December 2013. An appointment of Stuart's calibre reflects the rigorous ambition of Firestone and the opportunity that Liqhobong presents. We very much look forward to working with Stuart in the coming years.

Finally, I would like to thank Tim Wilkes for his dedication and hard work during his tenure as CEO. Tim has actively contributed towards repositioning the Company to focus on Liqhobong and I look forward to continuing to work with him in assisting Firestone to deliver on its strategy.

Lucio Genovese

Non-Executive Chairman

3 October 2013

Review of operations

The focus during the year was to optimise production from the Company's Pilot Plant operations at the Liqhobong Mine in Lesotho. The information gained from ongoing production endorses the findings of the DFS that was released on 25 October 2012, and gives further comfort to investors who are looking to invest in an expanded built for purpose MTP that will produce more than 1 million carats per annum from 2016.

With our focus firmly on developing Liqhobong, there was no activity at the BK11 Mine in northern Botswana, which remains on care and maintenance. No exploration or evaluation work was undertaken on any of the Company's prospecting licenses in Botswana, and management continue to look for ways to unlock shareholder value from these assets through disposal or joint venture opportunities.

Production results from Liqhobong are discussed below, however cognisance must be taken that the Pilot Plant has served its purpose. In order to allow the site to be prepared for the commencement of the construction of the 500 tonne per hour MTP, the Pilot Plant will be closed in Q4 of 2013 and decommissioned in H1 2014. It is envisaged that mobilisation of the early works contractors will take place in H1 2014, subject to the completion of financing.

Liqhobong Mining Development Company ('LMDC'), Lesotho

The mine has a total resource of 89 million tonnes at the Main Pipe containing 29 million carats at an average grade of 33 carats per hundred tonnes. With an estimated diamond value of US$100/ct the mine has a contained value of approximately US$2.9 billion.

Pilot Plant Production

Mining and associated ore treated continued an upward trend throughout the year and by year-end a total of 623,000 tonnes (2012: 488,000 tonnes) had been treated at an average grade of 25 carats per hundred tonnes, resulting in 156,000 carats (2012: 164,000 carats) being recovered. Although the tonnage treated increased significantly compared to 2012, the carats recovered were lower due to the expected lower grade areas within K2 being mined and treated compared to a higher local grade within K2 in 2012. The K2 unit covers approximately 50% of the pipe in the upper benches of the mine but reduces in volume below bench 6 as the higher grade K5 and K6 units become volumetrically dominant. A total of 166,712 carats were sold during the year realising revenues of US$15.5 million at an average price of US$93/ct. The prices obtained are robust, considering that there were no special or large stones sold in the last three quarters of the year. The average price achieved of US$93/ct reflects the presence of smaller, but higher quality white diamonds recovered from mining the K2 unit.

The Pilot Plant also confirmed the presence of nine +100 carat stones that were unfortunately broken during the recovery process. If recovered, the financial contribution of these stones would have been material. The MTP has been designed to recover stones of this size intact.

Diamond Sales

The newly constructed facilities at the Antwerp Diamond Centre (AWDC) where a further five tenders were held during the year, has proven to be a great success. Well over 100 diamantaires participated in these tenders.

Summary of quarterly production data for LMDC

		FY 2013	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**	FY 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Activity Report											
Mining – waste	tons '000	**187**	**40**	**9**	**42**	**96**	401	191	35	93	82
Mining – development	tons '000	**278**	**21**	**8**	**64**	**185**	-	-	-	-	-
Mining – ore	tons '000	**606**	**136**	**140**	**161**	**169**	508	152	136	127	93
Stockpile – ore	tons '000	**43**	**7**	**1**	**12**	**23**	38	6	32	-	-
Tailings handling	tons '000	**294**	**74**	**79**	**66**	**75**	235	69	66	55	45
Mining – total	**tons '000**	**1,408**	**278**	**237**	**345**	**548**	1,182	418	269	275	220
Treatment – ore	tons '000	**623**	**172**	**157**	**151**	**143**	488	152	129	114	93
Recovered Grade	Cpht	**25.1**	**26.7**	**23.8**	**26.8**	**22.7**	33.6	32.3	35.4	31.0	36.5
Carats produced	Cts	**156,131**	**45,892**	**37,309**	**40,488**	**32,442**	164,050	49,240	45,491	35,389	33,930
Revenue											
Gross diamond sales	US$ '000	**15,514**	**4,405**	**3,016**	**4,652**	**3,441**	8,221	943	4,773	2,078	427
Carats sold	Cts	**166,712**	**51,923**	**35,718**	**49,094**	**29,977**	139,556	29,604	67,149	40,957	1,846
Price achieved	US$/ct	**93**	**85**	**84**	**95**	**115**	59	32[i]	71	51	231

i) Average price of US$87/ct was achieved at the June tender. Only the off-take inventory was sold in the 2012 financial year with the remainder in the 2013 financial year.

Diamond prices recovered well from the lows of H1 2012 and remained consistently within the US$85-US$100 range for the year under review. The Company continues to sell its -11 diamond sieve size stones, to a reputable Belgium based diamantaire, in terms of a two year off-take agreement. The remainder of the Pilot Plant's production was sold on tender.

Main Treatment Plant

The DFS was completed in August 2012 and released on 25 October 2012. Price validation exercises, and early work schedules are all in progress as part of the Front End Engineering and Design (FEED) which is well under way in parallel with financing arrangements in order to facilitate the construction of the +1 million carat per annum MTP. Early works required include construction of a new access road, accommodation camp for contractors and the construction of the starter wall for the residue slimes facility.

For further information, a copy of the DFS presentation is available on the Company's website at www.firestonediamonds.com.

Financial review

Pro-forma Statement of Profit and Loss

	LMDC		BK11[a]		EXPL[a]		CORP		TOTAL	
£ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Revenue	**9.9**	5.3	**-**	1.2	**-**	-	**-**	-	**9.9**	6.5
Cost of sales[b]	**(10.9)**	(10.1)	**-**	(4.7)	**-**	-	**-**	-	**(10.9)**	(14.8)
Operating loss excluding depreciation	**(1.0)**	(4.8)	**-**	(3.5)	**-**	-	**-**	-	**(1.0)**	(8.3)
Administrative expenses	**(1.7)**	(1.7)	**-**	-	**-**	-	**-**	-	**(1.7)**	(1.7)
Care and maintenance expenses	**-**	-	**(0.4)**	(0.8)	**-**	-	**-**	-	**(0.4)**	(0.8)
Corporate expenses	**-**	-	**-**	-	**-**	-	**(1.9)**	(2.3)	**(1.9)**	(2.3)
Share-based payments	**-**	-	**-**	-	**-**	-	**(1.2)**	(0.2)	**(1.2)**	(0.2)
Loss before impairment, depreciation and amortisation	**(2.7)**	(6.5)	**(0.4)**	(4.3)	**-**	-	**(3.1)**	(2.5)	**(6.2)**	(13.3)
Impairment loss	**-**	-	**(2.5)**	(13.2)	**-**	(0.6)	**-**	-	**(2.5)**	(13.8)
Depreciation & amortisation	**(4.0)**	(1.2)	**(1.4)**	(1.7)	**(0.1)**	-	**(0.1)**	-	**(5.6)**	(2.9)
Loss before finance charges	**(6.7)**	(7.7)	**(4.3)**	(19.2)	**(0.1)**	(0.6)	**(3.2)**	(2.5)	**(14.3)**	(30.0)
Finance costs	**-**	-	**(0.2)**	(0.4)	**-**	-	**-**	-	**(0.2)**	(0.4)
Loss before tax	**(6.7)**	(7.7)	**(4.5)**	(19.6)	**(0.1)**	(0.6)	**(3.2)**	(2.5)	**(14.5)**	(30.4)

a - These business segments are classified as held for sale. Operating losses of these segments are disclosed as losses from discontinued operations in the consolidated statement of profit and loss.

b – Cost of sales presented in this report excludes depreciation and amortisation charges on assets used in the production process in order to reflect a cash operating result.

The Group loss before taxation was £14.5 million (2012: £30.4 million), including £2.5 million (2012: £13.8 million) impairment losses, a £5.6 million (2012: £2.9 million) charge for depreciation and amortisation and a share-based payment expense of £1.2 million (2012: £0.2 million). Impairment losses during the year mainly relate to the BK11 assets. Cash losses were reduced across all of the Group's business segments during the year under review. Improved operating results were achieved at the Liqhobong Mine where cash losses reduced from £6.5 million in 2012 to £2.7 million for the year, due to both an increase in revenue per carat and a reduction in operating costs. Corporate expenses, which include one-off restructuring costs of £0.1 million, reduced by £0.4 million year on year to £1.9 million (2012: £2.3 million) as the Company continued to drive its cost reduction program. The BK11 Mine remained on care and maintenance resulting in a reduction in losses of £3.9 million compared to the 2012 financial year. Care and maintenance expenses for the BK11 Mine decreased by £0.4 million to £0.4 million for the year (2012: £0.8 million).

Total revenue increased by £3.4 million to £9.9 million for the year (2012: £6.5 million) due to a year on year increase in carats sold from 151,948 to 166,712 during 2013 and an increase in average price per carat from US$59 in 2012 to US$93 during 2013. Revenue for 2012 includes £1.2 million of diamond sales from the BK11 Mine.

Group cost of sales decreased by £3.9 million mainly due to the discontinuation of the BK11 operations during the second half of FY2012.

LMDC

Revenue at LMDC increased by £4.6 million to £9.9 million for the year (2012: £5.3 million) due to the sale of 166,712 carats (2012: 139,556 carats). The average diamond price achieved was 58% higher during the year at US$93/ct compared with US$59/ct in the previous year, partly as a result of a stronger diamond market and an improvement in the quality of the diamonds sold. 15,080 carats of prior year production were sold at the July 2012 tender at an average price of US$197/ct. The sale, which included 4 special stones, boosted the current year's average price by US$10/ct to US$93/ct from US$83/ct.

Cost of sales for the year of £10.9 million (2012: £10.1 million) include a write down of £0.6 million and £0.4 million of uncut diamond inventory and stock piles respectively, in accordance with the Company's adopted accounting policy on inventory. Cost of sales remained largely unchanged from 2012 despite a 19% year on year increase in total tonnes mined and a 28% year on year increase in ore treated.

The operational improvements above resulted in a 58% reduction in cash loss for the year of £2.7 million compared to the previous year's loss of £6.5 million.

BK11 Mine

Operations at the mine remained on care and maintenance costing the Group £0.4 million for the year under review. Management are committed to and continue to seek ways of unlocking shareholder value from this asset and from the Group's portfolio of exploration assets, which have both been classified as non-current assets held for sale in these annual financial statements.

Pro-forma Statement of Financial Position

	LMDC		BK11		EXPL		CORP		TOTAL	
£ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
ASSETS										
Non-current assets	**34.4**	41.9	**-**	10.6	**-**	1.7	**-**	-	**34.4**	54.2
Non-current assets held for sale	**-**	-	**7.7**	-	**1.7**	-	**-**	-	**9.4**	-
Current assets (excl. cash)	**2.4**	2.9	**-**	1.1	**-**	-	**0.4**	-	**2.8**	4.0
Cash equivalents	**0.4**	0.6	**-**	0.4	**-**	-	**2.0**	9.6	**2.4**	10.6
	37.2	45.4	**7.7**	12.1	**1.7**	1.7	**2.4**	9.6	**49.0**	68.8
LIABILITIES										
Interest bearing borrowings	**-**	-	**-**	2.9	**-**	-	**-**	-	**-**	2.9
Rehabilitation provisions	**1.7**	1.9	**-**	0.9	**-**	0.4	**-**	-	**1.7**	3.2
Deferred tax liabilities	**2.9**	3.3	**-**	-	**-**	-	**-**	-	**2.9**	3.3
Liabilities of a disposal group	**-**	-	**2.6**	-	**0.4**	-	**-**	-	**3.0**	-
Current liabilities	**3.7**	2.4	**-**	2.0	**-**	0.4	**1.0**	1.1	**4.7**	5.9
	8.3	7.6	**2.6**	5.8	**0.4**	0.8	**1.0**	1.1	**12.3**	15.3
EQUITY VALUE	**28.9**	37.8	**5.1**	6.3	**1.3**	0.9	**1.4**	8.5	**36.7**	53.5

Non-current assets reduced by £19.8 million year on year to £34.4 million (2012: £54.2 million) mainly due to depreciation and amortisation of £5.6 million, an impairment charge of £2.5 million relating to the BK11 Mine, the transfer of assets to non-current assets held for sale of £9.0 million and foreign exchange losses of £5.4 million, offset by additions to property, plant and equipment of £2.7 million. Exchange losses relate to the strengthening of the British Pound, being the Group's reporting currency, relative to the Lesotho Maloti and the Botswana Pula, currencies in which a majority of the Group's non-current assets are recorded.

Certain of the Group's South African and Botswana assets have been classified as held for sale, in line with the Board's decision to unlock shareholder value from these assets either through joint venture structures or a disposal process. These assets include:

	£'m
Non-current assets	**9.0**
Current assets (excl. cash)	**0.1**
Cash equivalents	**0.3**
Non-current assets held for sale	**9.4**
Interest bearing borrowings	**1.7**
Rehabilitation provisions	**1.2**
Current liabilities	**0.1**
Liabilities of a disposal group	**3.0**

Current assets excluding cash decreased by £1.2 million (2012: £1.0 million) from £4.0 million to £2.8 million mainly due to the discontinuation of BK11. Current assets include inventory of £1.1 million (2012: £2.4 million) and accounts receivable of £1.7 million (2012: £1.6 million). Inventory at year-end includes

17,392 carats (2012: 30,946 carats) of mostly lower quality rough diamonds valued at US$61/ct (2012: US$69/ct). Accounts receivable, which comprise diamonds sold on tender, were received in full subsequent to year-end.

Interest bearing borrowings were reduced by £1.2 million (2012: £2.2 million) to £1.7 million (2012: £2.9 million) with no new debt financing introduced. All interest bearing borrowings were transferred to liabilities of a disposal group as they relate to the BK11 Mine.

Current liabilities mainly comprise trade creditors and accruals. Increased operational activity at the Liqhobong Mine resulted in an increase in current liabilities from £2.4 million to £3.7 million, offset by a repayment of creditor balances at BK11 Mine where current liabilities decreased from £2.0 million at the end of FY2012 to £0.1 million for the current year, which are classified as liabilities of a disposal group.

Pro-forma Cash Flow Statement

	LMDC		BK11		Other Firestone Group		Total	
£ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Opening cash at 1 July	**0.6**	0.1	**0.4**	3.4	**9.6**	0.8	**10.6**	4.3
Operations	**(0.2)**	(9.7)	**(1.1)**	(1.6)	**(2.6)**	(0.9)	**(3.9)**	(12.2)
Operating cash flow	**(2.7)**	(6.5)	**(0.4)**	(6.7)	**(1.9)**	(2.3)	**(5.0)**	(15.5)
Change in working capital	**2.5**	(3.2)	**(0.7)**	5.1	**(0.7)**	1.4	**1.1**	3.3
Capital development								
Capital expenditure	**(2.7)**	(3.8)	**-**	(2.9)	**-**	-	**(2.7)**	(6.7)
Cash financing	**2.7**	14.0	**0.7**	1.5	**(4.7)**	9.7	**(1.3)**	25.2
Equity issues	**-**	-	**-**	-	**-**	27.1	**-**	27.1
Loans repaid	**-**	-	**(1.3)**	(1.9)	**-**	-	**(1.3)**	(1.9)
Inter-group transfers	**2.7**	14.0	**2.0**	3.4	**(4.7)**	(17.4)	**-**	-
Closing cash at 30 June	**0.4**	0.6	**-**	0.4	**2.3**	9.6	**2.7**	10.6

The Group's net cash outflow for the year was £7.9 million (2012: £6.3 million inflow) and its closing cash balance was £2.7 million (2012: £10.6 million) including cash held by disposal groups.

LMDC incurred an operating cash loss for the year of £2.7 million (2012: £6.5 million) which was largely offset by a decrease in working capital of £2.5 million (2012: £3.2 million increase in working capital). £2.7 million was invested in property, plant and equipment (2012: £3.8 million) which relates mainly to the MTP project. The parent company invested a further £2.7 million (2012: £14.0 million) into LMDC during the year to fund these cash expenses.

£0.4 million was spent on BK11 Mine's care and maintenance program for the year. Net working capital payments of £0.7 million and a repayment of £1.3 million (2012: £1.9 million) of debt financing brought the total cash cost of the BK11 Mine for the year to £2.4 million, which was funded from opening cash of £0.4 million and funding from the parent company of £2.0 million.

The Corporate segment spent £1.9 million (2012: £2.3 million) on corporate activities during the year and transferred £4.7 million to fund LMDC and BK11, resulting in closing cash of £2.3 million (2012: £9.6 million).

Our Journey to +1Million Carats

THE STRATEGY

The Company announced its revised strategy during the first half of 2012, focussing on the development of the Liqhobong mine to become a plus one million carat per annum producer. When brought on stream in 2016, Liqhobong Mine will join an elite group of mines producing over 1 million carats a year, which is significant when considering the medium to long term disparity between the industry's supply and demand fundamentals.

The Company has completed and announced the results of a Definitive Feasibility Study ('DFS') in relation to the expansion of Liqhobong, confirming that the Project is exceptionally robust, both from a contained carats perspective as well as an investment opportunity. Furthermore, the DFS has successfully passed technical due diligence, undertaken by an international group of independent technical engineers working on behalf of a major international bank, with no significant issues arising from the review.

The Company's Board and Management are at an advanced stage in the process of securing the necessary funding to develop the Liqhobong Mine.

THE RESOURCE

The mineral resource at Liqhobong has been classified independently as an indicated and inferred resource of 89 million tonnes ('mt') at the Main Pipe containing 29 million carats at an average grade of 33 carats per hundred tonnes ('cpht'). With a conservative estimated diamond value of US$100/ct the mine has a contained value of approximately US$2.9 billion.

Insitu Mineral Resource (Total Resource)			
	Tons	Cpht	Carats
Indicated Resource	37,083,000	30.96	11,480,500
Inferred Resources	51,471,000	33.95	17,476,000
Total Resource	88,554,000	32.70	28,956,500

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 15 years, down to 393m below surface, at a projected production of 3.6 mt and +1 million carats per annum.

Open Pit Reserve (included in mine model)			
	Tons	Cpht	Carats
Probable Reserve	36,448,000	31.22	11,379,000
Inferred Resource	18,648,000	33.36	6,221,000
Total Resource	55,096,000	31.94	17,600,000

The open pit resource will deplete only about 60% of the total resource indicating that some 33mt and 11.5 million carats 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 an underground operation, further evaluation of which will be conducted at the appropriate time.

THE GEOLOGY

The geology of the Liqhobong Kimberlite comprises four intrusive phases, namely K2, K4, K5 and K6. These units were delineated from diamond drill core and later constructed into a three dimensional geological model which was incorporated into the block model used to optimise the mine plan.

OUR TRACK RECORD

Upon acquiring the Liqhobong project in late 2010, the company modified the existing Pilot Plant on site increasing the throughput capability from 65 to 100 tonnes per hour, whilst pilot production commenced in earnest from June 2011. Over the last 24 months the Pilot Plant has treated some 1.1mt of Main Pipe ore.

Tonnage Mined

	2011	**2012**	**2013**	**Total**
Sat Pipe	18,549	27,921	**5,415**	51,885
K2	31,364	155,663	**225,285**	412,312
K4	23,078	149,846	**217,545**	390,469
K5	-	155,271	**154,580**	309,851
K6	-	-	**3,810**	3,810
Total	72,991	488,701	**606,635**	1,168,327
Actual Carats	23,368	164,050	**156,131**	343,549
Actual Grade	32	33	**25**	30

The grade of 30 cpht recovered over the period correlates well with the average open pit resource grade of 33 carats per hundred tonnes, which again endorses the robustness of the project.

Furthermore, pilot production over the past 24 months has allowed the company to gain valuable information on the four rock types present. The Pilot Plant has treated the Main Pipe ore at relatively low volumes of 2,000 tonnes per day, essentially large scale bulk sampling, which has allowed the unique characteristics of each rock type to be better understood. The increased level of understanding of the ore characterisation and geology will become valuable when production is expanded fivefold via the newly constructed Main Treatment Plant (MTP).

Summary of Main Pipe rock type characteristics:

	Grade	% of Pipe	Stone size	Assortment
K2	24	49%	Fine	Small white high value crystals
K4	30	16%	Med	Cape Yellow and Yellow fancy stones
K5	42	28%	Coarse	Large white stones
K6	35	7%	Coarse	Large white stones

Interestingly, the amount of boart (industrial low quality) diamonds recovered at the Pilot Plant was less than 3% of the total carats recovered which compares favourably to the anticipated 8% from the resource drilling and bulk sampling done prior to 2008.

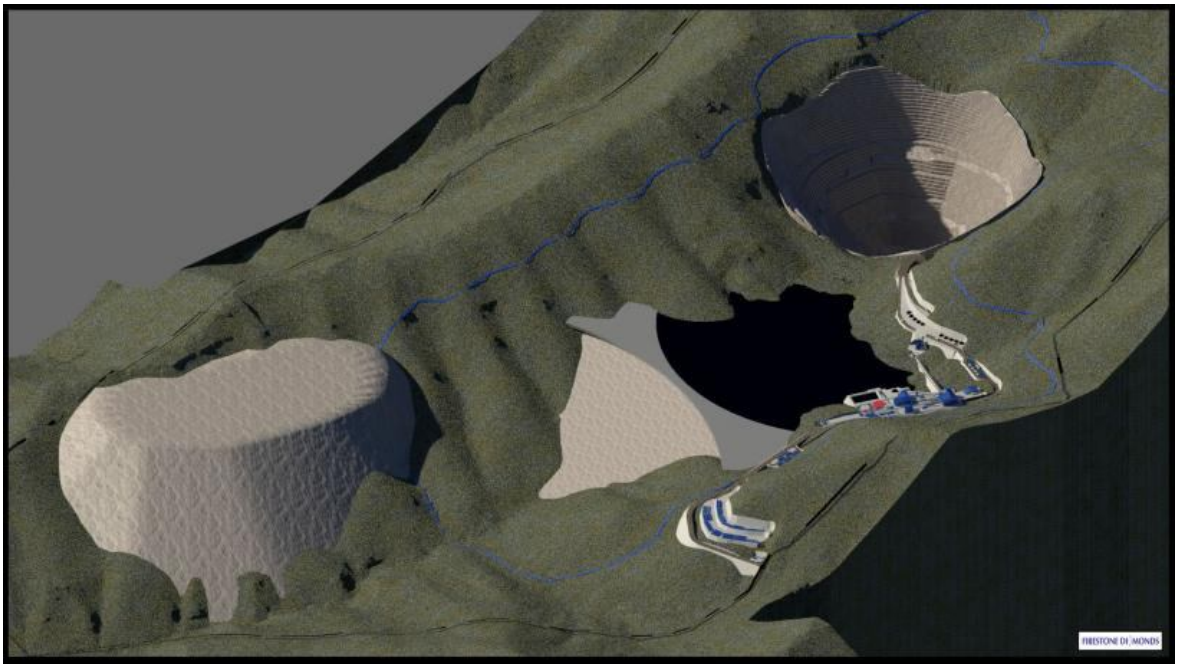
Whilst the Pilot Plant has a finite life and needs to be closed before the end of 2013 before early works and construction of the MTP can commence, the information gained from the 24 months of pilot production has been successfully used to complete the DFS initially, and thereafter provided valuable information for reference and planning of the expanded operation.

THE MAIN TREATMENT PLANT

The MTP has been designed as a “fit for purpose” 500 tonne per hour treatment plant capable of treating 3.6 mt of ore per annum using tried and tested technology. The MTP has also been designed using detailed ore dressing and ore characterisation data derived from the Pilot Plant. The plant has been designed essentially to liberate diamonds as soon as possible in the process, keeping each freshly crushed fraction away from further crushing, with each size fraction having its own circuit to the DMS and final recovery.

The recovery of the larger diamonds will be facilitated by increasing the top cut off size to 40mm from the current 20mm in the Pilot Plant, and by decreasing the reduction ratio between crusher sizes. This will have immediate benefits both to the coarser +100 carat diamonds and the +10-20mm (10-100 carats) diamonds, which were either broken or damaged by the Pilot Plant.

The plant has been designed with location, footprint, and climatic conditions in mind, to de-risk potential operational downtime. It is essentially a scrubbing, screening, crushing and final recovery plant.



Conclusion

The Liqhobong Mine, when developed, will be within the top tier of significant diamond producers worldwide when it reaches full production of +1 million carats per annum in 2016, and will remain so for a significant period owing to the 15 year life of open pit and the potential to either expand the life further by means of a fourth stripping cut and/or an extended underground mining operation. The future of Firestone bodes exceedingly well with such a world class asset which will attract the necessary team initially to construct and develop the project and thereafter manage and maintain the asset for many years to come.

Plans are well underway to attract a highly skilled owners team, with the necessary skills and experience to commence development of the project in 2014 once financing, which is at an advance stage, is completed.

Lucio Genovese

Non-Executive Chairman

Mr Genovese has 25 years' 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, an advisory firm to Audley Investment Management (Ltd.). He is also a member of the board of Ferrexpo PLC, the Armajaro Commodity Funds and Crossbow Partners AG, Baar, Switzerland. Mr. Genovese was employed at InCentive Asset Management which managed InCentive Capital, a leveraged buyout firm listed on the Swiss Stock Exchange. 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 of South Africa and has a B.Comm and B.Acc from the University of Witwatersrand, Johannesburg (South Africa).

Tim Wilkes, B.Sc

Chief Executive Officer

Tim Wilkes is a graduate in geology from Kingston University, England and has over 27 years' experience on kimberlite and alluvial diamond exploration, evaluation and mining projects worldwide. He spent 18 years with De Beers, where he was General Manager – Mineral Resource Management with responsibility for the management of De Beer's mineral resource portfolio worldwide, and was the Competent Person responsible for the evaluation, classification and reporting of the company's mineral resources and reserves. He is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).

Stuart Brown

Chief Executive Officer-Designate

Stuart Brown has over 20 years' experience in the diamond industry. His career began in 1992 when he worked as an Internal Auditor for De Beers. From there, he was promoted to Finance Manager for De Beers Global Exploration in 1999, General Manager for De Beers Geological Services in South Africa in 2001 and subsequently Head of Finance for De Beers in South Africa. In 2006, he became Group CFO - a position he held for five years - and in 2010 Mr Brown was appointed Joint Acting CEO to run De Beers's global activities in tandem with his CFO duties.

As Group CFO at De Beers, he initiated the restructuring and refinancing of the business. This included leading a major financial and operational turnaround, in which he successfully increased Diamond turnover from $3.5bn to $6.8bn, and the profit margin from 10% to 25% over the course of a year.

Mr Brown holds a Bachelor of Accounting Science degree (BCompt) from the University of South Africa (UNISA) and is a member of the South African Institute of Chartered Accountants.

Braam Jonker

Non-executive Director

Mr. Jonker was the Chief Financial Officer of Western Coal Corp.(WTN:TSX) until its acquisition by Walter Energy Inc. in 2011. He is a member of the Board of Directors of Eastcoal Inc. (ECX:TSXV), Canada Coal Corp. (CCK:TSXV) and Mandalay Resources Corporation (MND:TSX) where he is also the Chairman of the Board. Mr. Jonker has 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 Masters Degree in South African and International Tax from the Rand Afrikaans University.

Julian Treger

Non-executive Director

Julian Treger has extensive experience in the restructuring of distressed companies. After graduating with magna cum laude in economics from Harvard, he trained in corporate finance and mergers and acquisitions at Hambros Bank. Julian then specialised in finance at Harvard Business School before assisting Lord Rothchild's group of companies with corporate services. Julian has a BA (Hons) from Harvard College and an MBA from Harvard Business School.

For the past twenty years he has been investing and advising management teams to unlock the value inherent in their businesses. In the mining space, Julian has been involved in several successful turnaround and realisations, including Western Coal which he took from close to bankruptcy to an exit value of over US$3b.

Mike Wittet

Non-executive Director

Mike Wittet has over 40 years' 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, Consulting Engineer in charge of De Beers SA operations and Deputy Managing Director of Debswana Diamond Company (Pty) Ltd. Mike holds an Honours Degree in Chemical Engineering from Edinburgh University in Scotland.

Paul Sobie, B.Sc. P.Geo.

Non-executive Director

Paul 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. He has over 20 years' professional experience, including extensive project development for clients in both the junior and senior mining sectors and with a particular focus on Southern Africa. He is currently President and Managing Partner of MPH Consulting Limited of Toronto, Canada, an international mineral exploration, geological and geophysical consultancy. He is a practising member of the Association of Professional Geoscientists of Ontario.

Grant Ferriman

Chief Financial Officer

Grant is a qualified Chartered Accountant with thirteen years' experience, including 6 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. Grant is a member of the South African Institute of Chartered Accountants. Grant is not a statutory director of Firestone Diamonds plc.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2013.

Results and dividends

The Group made a loss after taxation of £15.7 million (2012: £30.0 million). Further details are shown in the consolidated statement of profit and loss on page 43 and the consolidated statement of profit and loss and other comprehensive income on page 44.

The Directors do not recommend a dividend (2012: £nil).

Principal activities

The principal activity of the Group was diamond mining and development in Southern Africa. The principal activity of the Company was that of a holding company.

Business Review

A detailed review of the business and future developments as required by the Companies Act 2006 can be found within the Chairman's Letter on pages 3 to 4, the Review of Operations on pages 5 to 6, the Financial Review on pages 7 to 11 and are incorporated into this report by reference.

Capital structure

On 1 August 2013 the Company issued share capital, raising £3.97 million before expenses through the issue of 198,500,000 ordinary shares at an issue price of 2p per share. The issue costs accrued for these transactions were £192,033.

The number of Ordinary Shares in issue at the date of this report is 745,352,396 (2012: 546,852,396).

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

	% Shareholding
Legal & General Investment Management Limited (Direct and Indirect)	13.30
Audley Capital Management Limited	11.74
Montoya Investments Limited	10.69
Henderson Global Investors Ltd	8.83
JP Morgan Asset Management	3.57
AXA Investment Managers SA	3.12

Directors

Biographies of the current Directors as at the date of this report are set out on pages 16 to 19.

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

Directors	Position	
T Wilkes	Chief Executive Officer	
S M Brown	Executive Director – CEO Designate	Appointed 2 September 2013
R L Genovese	Non-Executive Chairman	
A Jonker	Non-Executive Director	
P Sobie	Non-Executive Director	
J Treger	Non-Executive Director	Appointed 24 July 2012
M Wittet	Non-Executive Director	Appointed 24 July 2012

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 25 to 29.

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.

Principal risks and uncertainties

Risk	Impact	Mitigation
Exploration and technical	There are a number of inherent risks arising from the mining business. These include failing to identify economically viable diamond deposits and the possible failure to produce the expected tonnage, grade or diamond quality at the Group's mining operations.	The Board is aware of these risks and regularly reviews technical progress in order to identify and manage these risks in the most effective manner.
Health, safety and environmental	Possible health, safety and environmental incidents may impact on the Group's operations and reputation.	The Group endeavours to comply with health, safety and environmental regulations and policies in the areas in which it operates. The Board and SHE Committee regularly reviews in detail the Group's health, safety and environmental record and makes recommendations for improvements as appropriate.
Currency risks	The Company is exposed to a number of different currency risks between the South African Rand, Lesotho Maloti, US Dollar, Sterling and Botswana Pula. The Group values and sells its diamonds in US Dollars and then converts the proceeds to Sterling, Maloti and Pula as required. As the Group reports in Sterling, reported revenue is affected by changes in exchange rates between the above currencies. The Group's expenses in Botswana, South Africa and Lesotho are incurred in Pula, Rand and Maloti respectively, so any weakening in	The Company does not hedge its currency positions other than for short-term transfers of funds between currencies which are expected to be reversed within 12 months. The Board monitors and reviews its policies in this regard on a regular basis.

	these currencies would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Pula, Rand or Maloti. The value of the Maloti is set on a 1:1 basis to the Rand.	

Financial Instruments

Details of the Group's financial instruments and financial risk management objectives and policies are set out in note 27 of the financial statements.

Key Performance Indicators (KPIs)

The Directors constantly review the Group's operations and plans to ensure that cash resources are available prior to commitment to any significant expenditure.

	2013	2012
	£'000	£'000
Cash and cash equivalents at the year-end	**2,390**	10,618

As outlined in the Capital structure section above, the Company raised £3.97 million before expenses after the year-end from a share placing. The funds raised will be used for working capital purposes, further development at Liqhobong and repayment of debt. Further discussions on cash flow may be found in the Financial Review on pages 7 to 11. In addition to the above, the Board also considers non-financial performance factors such as the Group's compliance with corporate governance standards and compliance with environmental, rehabilitation and other legislation within the Group's areas of operations.

Policy and practice on the payment of creditors

The policy of the Group is to settle supplier invoices within the terms and conditions of trade agreed with individual suppliers. At the year-end the Group had an average of 53 days (2012: 47 days) purchases outstanding and the Company an average of 23 days (2012: 73 days).

Political and charitable donations

The Group made no charitable donations or political donations during the year (2012: £nil).

Post-balance sheet events

Post-balance sheet events are detailed in note 29 to the financial statements.

Going concern statement

The Group currently has two mines, BK11 in Botswana which remains on care and maintenance due to additional capital requirements for waste stripping and plant modifications, and the Liqhobong mine in Lesotho which produces from its Pilot Plant and is expected to move into the project development phase in the first quarter of 2014. On 25 October 2012, the company released the results of a Definitive Feasibility Study on the project indicating positive results with an $NPV_{8\%}$ of US$335 million and IRR of 40%. On 20 May 2013 the company announced that a mandate had been signed with a leading international bank to provide debt financing to fund a portion of the US$167 million required to construct the Main Treatment Plant ('MTP') at Liqhobong mine. The due diligence process is still under way and progressing well. Discussions are progressing well with a well known and established diamond trader for an off-take agreement which will raise further funding, thus reducing the amount to be funded through equity and minimising dilution to shareholders.

The Directors have prepared cash flow forecasts for the Group on the basis that the funding required for the development of the Liqhobong Mine will be available. The Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include diamond price risk, mining and processing risk, resource risk, currency risk and the risk of change in general market conditions. There can also be no guarantee that the funds required to develop the operations will be made available to the Company. In the event that the funding for the development is not available in the timescales envisaged by the Directors in their forecasts, it will be necessary to raise interim funding, either from investors or by completing the sale of the non-core Botswana assets. 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 constructing the MTP at the Liqhobong Mine. Notwithstanding this, in the absence of a fundraising as envisaged for the DFS, the Group will require further funding in order to remain a going concern and be in a position to develop Liqhobong when the capital markets improve, albeit the level of immediate funding required is much reduced.

The Directors are confident that they will be able to secure funding to deliver the plans as set out in the DFS or, as a minimum, the funding necessary in order to maintain the Group's mines on a care and maintenance basis such that the Group is able to take advantage of future improvements in capital markets if the development funding cannot be raised immediately. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements. However, the need to raise new funds represents a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. No adjustments that would result from the going concern basis of preparation being inappropriate have been made in the preparation of the financial statements.

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.

During the year, PKF (UK) LLP merged their business with BDO LLP who were appointed as auditor by the directors. 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

3 October 2013

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

The Company is pleased to present its first Directors' Remuneration Report since listing on AIM. The Board of directors remains committed to the implementation of best practice corporate governance standards, including transparency, and the disclosures included in this report are aimed at furthering the Company's efforts in this regard.

As well as ensuring fair reward to the Executive Directors, the focus has been on finding a way to reward those Non-Executive Directors that have taken on additional responsibilities for the Company during this challenging time that does not prejudice their independence in a material way. A further constraint has been the Company's cash position. We believe that the award of options and issue of shares is the fairest way to remunerate these individuals and ensures alignment with shareholders' interests. As explained in the Chairman's letter in the Corporate Governance Statement on page 31, the need to remunerate Non-Executive Directors in this way is a short term situation whilst the Company is in a period of transition. It is intended that this arrangement will be discontinued once this transition is complete.

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 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 membership was reviewed and amended during the year. This was done in order to ensure a better balance of independent Non-Executive Directors. As a result of the review Julian Treger stepped down as a member of the Remuneration Committee and Mike Wittet was appointed in his stead. The Remuneration Committee now 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 Remuneration Committee has been considered extensively by the Board and it believes the current membership includes the necessary skill set in order for it to operate effectively.

The Remuneration Committee met twice during the year.

Attendance at Remuneration Committee meetings is shown below.

Committee member	Meetings attended (out of possible total)
Paul Sobie (Chairman)	2/2
Braam Jonker	2/2
Julian Treger*	1/1
Mike Wittet*	1/1

Note: The number of meetings attended is reported out of the number of the meetings that the Director was eligible to attend.
* - Appointed to the Board on 24 July 2012

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 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;
- To review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, 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;
- 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;
- To determine the total individual remuneration package of each executive director and other senior executives including bonuses, pension arrangements, incentive payments and share options or other share awards.

What the Remuneration Committee did during the year

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

- Consideration and approval of share option awards to Directors and senior management;
- Consideration and approval of performance conditions attaching to share option awards; and
- Review of the remuneration of senior executives and consideration of future remuneration structures.

Advisers to the Remuneration Committee

Lawrence Graham LLP were the main advisers to the Remuneration Committee during the course of the year.

Non-Executive Directors

Fees

	2013	2012
Chairman	**40,000**	139,692
Non-Executive Director base fee	**20,000**	20,000
Additional fees for serving as a Committee member	**5,000**	-

Note: The prior year includes £121,500 paid to Philip Kenny, the previous Executive Chairman and £18,192 paid to Lucio Genovese, who was appointed as Non-Executive Chairman on 17 January 2012.

Dates of appointment

Non-Executive Director	**Date appointed**
Lucio Genovese	17 January 2012
Braam Jonker	14 December 2011
Paul Sobie	20 June 2011
Julian Treger	24 July 2012
Mike Wittet	24 July 2012

Share awards and additional payments to Non-Executive Directors

The Remuneration Committee also approved cash payments of US$5,000 (£3,200) per month to Braam Jonker and US$7,000 (£4,500) per month to Lucio Genovese as well as the award of shares to the value of US$166,000, US$90,000 and US$75,000 to Messrs Lucio Genovese, Braam Jonker and Julian Treger respectively. These payments were for remuneration in respect of services rendered to the Company over and above their normal duties as non-executive directors during the course of the year.

REMUNERATION DURING THE YEAR

Directors' remuneration table

	Base Salary	**Fees**	**Pension**	**Share-based payments***	**Total 2013**	**Total 2012**
	£	**£**	**£**	**£**	**£**	**£**
Executive Director						
T Wilkes	252,000	-	24,000	179,539	455,539	356,500
Non-Executive Directors						
L Genovese	40,000	159,684	-	440,716	640,400	40,505
A Jonker	25,000	95,712	-	146,905	267,617	32,074
P Sobie	17,500	-	-	-	17,500	23,562
J Treger	25,000	47,810	-	146,905	219,715	-
M Wittet	25,000	-	-	-	25,000	-
WD Baxter	-	-	-	-	-	35,000
MJ Hampton	-	-	-	-	-	43,330
J Kenny Jnr	-	-	-	-	-	10,000
P Kenny	-	-	-	-	-	598,499
A Ogilvie	-	-	-	-	-	164,153
	132,500	**303,206**	**-**	**734,526**	**1,170,232**	**947,123**
Total	**384,500**	**303,206**	**24,000**	**914,065**	**1,625,771**	**1,303,623**

* - Included in share-based payments are share options which vested immediately for Lucio Genovese, Julian Treger and Braam Jonker. These share options have a strike price of 8.5p and none were exercisable at the year-end.

Operation of share option awards

Two share option plans were approved by the Board and shareholders during the year. These were 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

				Movements during the year					
	Date Option Granted	**Exercise Price**	**1 July 2012**	**Grants**	**Exercised**	**Lapsed**	**30 June 2013**	**Earliest exercise date**	**Latest exercise date**
Executive Director									
T Wilkes	23 Nov 2012	8.5p	-	2,000,000	-	-	2,000,000	23 Nov 2012	22 Nov 2022
	23 Nov 2012	8.5p	-	2,000,000	-	-	2,000,000	23 Nov 2013	22 Nov 2022
	23 Nov 2012	8.5p	-	2,000,000	-	-	2,000,000	22 Nov 2014	22 Nov 2022
Non-Executive Directors									
L Genovese	23 Nov 2012	8.5p	-	9,000,000	-	-	9,000,000	23 Nov 2012	22 Nov 2022
A Jonker	23 Nov 2012	8.5p	-	3,000,000	-	-	3,000,000	23 Nov 2012	22 Nov 2022
J Treger	23 Nov 2012	8.5p	-	3,000,000	-	-	3,000,000	23 Nov 2012	22 Nov 2022

Note: No options were exercised during the year.

Old share option schemes

In addition to the above Tim Wilkes holds 650,000 share options awarded on 1 June 2005 at an exercise price of 20p and 1,000,000 Long Term Incentive plan shares awarded on 26 October 2006.

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 20p.

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

	Number of shares	
Director	**2013**	2012
Stuart Brown	**-**	-
Lucio Genovese[2]	**9,122,403**	5,722,403
Braam Jonker[2]	**2,255,215**	2,255,215
Paul Sobie	**-**	-
Julian Treger[1] [2]	**92,138,936**	65,394,443
Tim Wilkes	**1,025,938**	1,025,938
Mike Wittet	**-**	-

(1) Julian Treger is a partner in Audley Capital Advisors LLP, which is an advisor to Audley European Opportunities Master Fund, a significant shareholder in Firestone Diamonds PLC. Audley Capital Advisors LLP advises clients with an interest in 84,441,877 ordinary shares in Firestone Diamonds PLC and Mr Treger through a trust of which Mr Treger is a beneficiary , is interested in 7,697,059 ordinary shares.
(2) Excluding share awards.

Paul Sobie
Non-Executive Chairman of the Remuneration Committee

3 October 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the director's 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 rules of the AIM market 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;
- 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

3 October 2013

CORPORATE GOVERNANCE STATEMENT

PRINCIPLES OF CORPORATE GOVERNANCE

As Chairman of Firestone Diamonds I have given my full commitment to supporting high standards of governance and look to improving and developing our procedures as we grow. By applying sound principles in running the Company we will provide a solid basis for growth and establish trust with all our stakeholders. 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 also our intention to be as open and transparent about our governance arrangements as possible and use the annual report to give details of changes and improvements we have made during the year.

The last year has been challenging and this has meant that the Non-Executive Directors have all contributed a significant amount of time to the Company's business over and above what would normally be expected. The Company has relied on their input and expertise on many fronts to ensure its ongoing success. This has created a short term need to fairly compensate these directors during this period of transition. This situation has been addressed by strengthening the management team particularly with the recruitment of a new Chief Executive Officer. However, there will be a requirement for continued extensive input by the Non-Executives possibly throughout 2014. By the end of 2014, the transition should be complete and on current plans, I would expect that the composition of the Board will be reviewed and amended to ensure the proportion of Executive Directors and independent Non-Executive Directors in particular is properly balanced at that stage.

Lucio Genovese
Non-Executive Chairman

AN EFFECTIVE MANAGEMENT FRAMEWORK

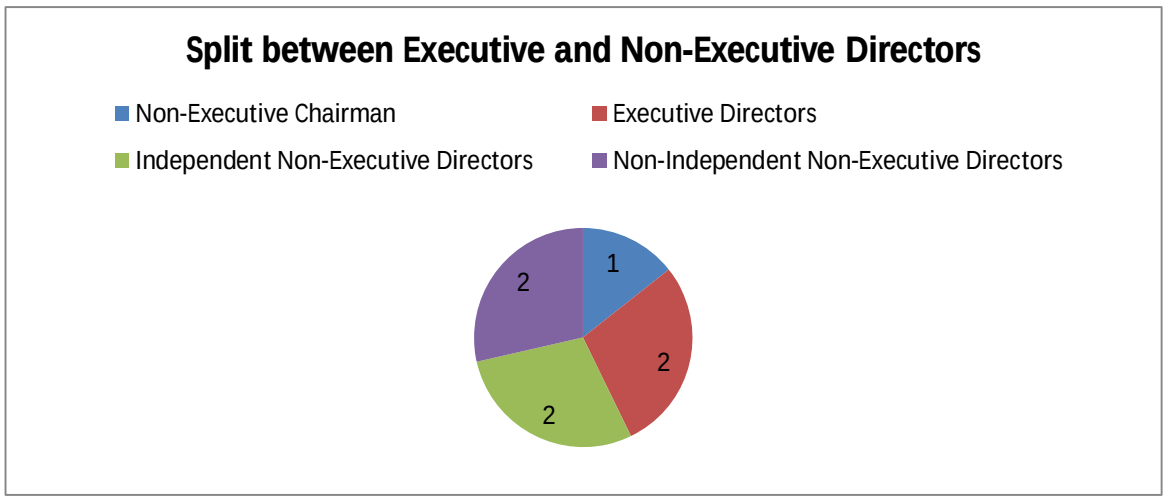
Composition of the Board

The Board consists of seven directors: the Non-Executive Chairman, two Executive Directors, and four Non-Executive Directors. The Board's current composition is geared towards its current stage of development and priorities. The skill set of the Board therefore includes extensive experience in corporate finance, mining and exploration, and investor relations. Details of each of the Directors' experience and background is given in their biographies on pages 16 to 19.

Independence

The Board considers two of its four Non-Executive Directors, 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 Non-Executive Chairman, Lucio Genovese, Braam Jonker and Julian Treger and is aware that these Directors will not be considered to be independent if strict best practice guidelines are applied. Julian Treger, as a partner in Audley Capital Advisors LLP, indirectly represents a major shareholder. The Non-Executive Chairman, Lucio Genovese, is also a representative of Nage Capital Management, an advisor to Audley Investment Management Ltd. Messrs Genovese, Treger and Jonker received share options during the year in recognition of their extensive input into the Company's operations and future development at a time when the Company was cash constrained and was considered by the Board to be in the best interests 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 pages 38 to 39.

The Company is governed by its Articles of Association ('Articles') with regard to re-election of Directors. 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.

The Role of the Board

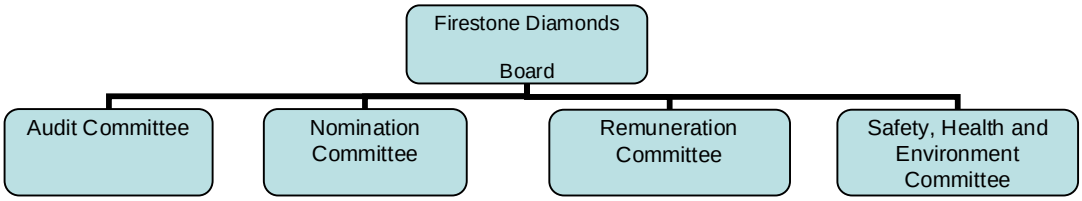
The Board has approved a Schedule of Matters Reserved for the Board, which sets out the Board's responsibilities. The key tasks of the Board are:

- 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 communications with shareholders and the market.

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.

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 www.firestonediamonds.com. Details of the operation of the Board 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.

The Board and its Committees meet regularly throughout the year. Directors also have ongoing contact 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 (7 meetings)	**Audit Committee (3 meetings)**	**Remuneration Committee (2 meetings)**	**Nomination Committee (2 meetings)**	**SHE Committee (1 meeting)**
Lucio Genovese	7/7	1/1	-	2/2	-
Braam Jonker	7/7	3/3	2/2	2/2	-
Paul Sobie	7/7	2/2	2/2	-	1/1
Julian Treger[1]	6/6	1/1	1/1	2/2	-
Timothy Wilkes	7/7	-	-	-	-
Mike Wittet[1]	6/6	2/2	1/1	1/1	1/1

Note: The number of meetings attended is reported out of the number of the meetings that the Director was eligible to attend.
1 Appointed to the Board on 24 July 2012

What the Board did during the year

There are 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. In addition, the Board considered a number of other key items during the year. These included:

- Liqhobong progress review;
- Project financing;
- Approval of sale of South African assets;
- Review of options for BK11 and exploration portfolio;
- Review of Committee membership;
- Approval of financial statements and annual report and accounts;
- Approval of Budget;
- Office restructuring;
- Cash flow review;
- Review of Strategic Business Plan; and
- Proposals and arrangements for capital raising.

Key point
The Board has had a busy year. Much of its activity has been focused on project financing and capital raising for the Liqhobong MTP project to ensure the necessary resources are in place for the future strategic development of the Company.

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. The Chairman is supported in governance matters by Prism Cosec who also provide company secretarial services to the Company. Updates are given to the Board on developments in governance and regulations as appropriate. For example, a briefing on related party transactions and conflicts of interest was given during the year.

Performance Evaluation

A formal performance evaluation has not been carried out during the year as many of the Board members were new to the Company and there needed to be a period of time over which the Board was operating before any meaningful assessment could be made. An evaluation exercise on the Board and its Committees will be performed during the forthcoming year.

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 however continuously assess the appropriateness of the Company's internal financial controls as the Group moves into the development phase at its Liqhobong 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 implement mitigating actions as required.

Relations with Shareholders

The Board is committed to maintaining an ongoing communication with its 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 years' Annual General Meeting of the Company will be held on 29 November 2013.

Audit Committee Report

Members of the Audit Committee

The Committee consists of a majority of independent Non-Executive Directors. The Chairman, Braam Jonker has extensive financial experience, and is a member of the South African Institute of Chartered Accountants, the Institute of Chartered Accountants of England and Wales and the Chartered Institute of Management Accountants (UK).

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 impairment;
- Going concern review;
- Review of the financial statements and annual report;
- Consideration of the external audit report;
- Audit Committee membership;

- Review of interim results announcement;
- Review of the audit plan; and
- Review of the external auditors.

Key point
The Company's auditors, PKF, merged with BDO during the year. The Audit Committee discussed the implications of this and its impact on audit planning. The merger had benefits for the Company and enabled it to use the resources of a large international organisation for a more streamlined and efficient audit process.

Nomination Committee Report

Members of the Nomination Committee

The Nomination 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 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 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 items of business considered by the Nomination Committee during the year included:

- Review of the senior management team; and
- Review of Committee membership.

Key point
The Nomination Committee and the Board have identified the need to strengthen the executive management of the Company including within the finance team and this will be a priority for the forthcoming year.

Safety, Health and Environment ('SHE') Committee Report

Members of the SHE Committee

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

Michael Wittet (Chairman)
Paul Sobie

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

Duties

The main duties of the SHE 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;
- To 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.

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

- Receiving reports and updates on safety, health and environmental matters;
- Reviewing health and safety record; and
- Reviewing statistical trends.

Key point
The Company has an excellent health, safety and environmental record of which it is proud. Over the last year there were two minor lost time injuries but no serious injuries. We are determined to keep this good record. Any incidents that do occur are investigated and reported to the SHE 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 2013 which comprise the consolidated statement of profit and loss, the consolidated statement of profit and loss and other comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council'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 2013 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Group needs to raise additional funds to develop the Liqhobong Mine or, in the event that such funds cannot be secured at the current time, needs to raise a lower amount of funds from investors or complete the sale of the non-core Botswana assets for working capital purposes in order to remain a going concern.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Jason Homewood (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

3 October 2013

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

FIRESTONE DIAMONDS plc
Consolidated statement of profit and loss
for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Revenue	3	**9,905**	5,281
Cost of sales		**(14,942)**	(12,373)
Gross loss		**(5,037)**	(7,092)
Selling and distribution expenses		**(1,276)**	(594)
Administrative expenses		**(448)**	(324)
Amortisation and depreciation		**(109)**	(54)
Profit on sale of property, plant and equipment		**88**	-
Share-based payments	21	**(1,204)**	(148)
Corporate expenses		**(1,920)**	(2,390)
Loss from continuing operations before finance charges and income tax	5	**(9,906)**	(10,602)
Finance income	9	**4**	16
Finance costs	9	**-**	(109)
Loss from continuing operations before tax		**(9,902)**	(10,695)
Loss from discontinued operations	19	**(4,628)**	(19,724)
Loss from operations before tax		**(14,530)**	(30,419)
Income tax credit	11	**51**	413
Loss after tax for the year		**(14,479)**	(30,006)
Loss after tax for the year attributable to:			
Owners of the parent			
Continuing operations		**(8,555)**	(6,951)
Discontinued operations		**(4,599)**	(17,646)
		(13,154)	(24,597)
Non-controlling interests			
Continuing operations		**(1,296)**	(3,331)
Discontinued operations		**(29)**	(2,078)
		(1,325)	(5,409)
Loss after tax for the year		**(14,479)**	(30,006)
Loss per share			
Basic and diluted loss per share from continuing operations (pence)	12	**(1.6)**	(1.7)
Basic and diluted loss per share from discontinued operations (pence)	12	**(0.8)**	(4.2)
Total basic and diluted loss per share		**(2.4)**	(5.9)

The notes on pages 52 to 90 form part of these financial statements.

FIRESTONE DIAMONDS plc
Consolidated statement of profit and loss and other comprehensive income
for the year ended 30 June 2013

	2013	2012
	£'000	£'000
Loss after tax for the year	**(14,479)**	(30,006)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations net of tax		
Continuing operations	**(1,395)**	(5,218)
Discontinued operations	**(2,097)**	(6,848)
	(3,492)	(12,066)
Total comprehensive loss for the year	**(17,971)**	(42,072)
Total comprehensive loss for the year attributable to:		
Owners of the parent		
Continuing operations	**(9,370)**	(11,062)
Discontinued operations	**(6,519)**	(23,968)
	(15,889)	(35,030)
Non-controlling interests		
Continuing operations	**(1,876)**	(4,438)
Discontinued operations	**(206)**	(2,604)
	(2,082)	(7,042)
Total comprehensive loss for the year	**(17,971)**	(42,072)

The notes on pages 52 to 90 form part of these financial statements.

FIRESTONE DIAMONDS plc
Consolidated statement of financial position
as at 30 June 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**34,425**	54,246
Total non-current assets		**34,425**	54,246
Current assets			
Inventories	16	**1,074**	2,392
Trade and other receivables	17	**1,648**	1,604
Cash and cash equivalents	18	**2,390**	10,618
Total current assets		**5,112**	14,614
Non-current assets held for sale	19	**9,407**	-
Total assets		**48,944**	68,860
EQUITY			
Share capital	20	**76,265**	76,252
Share premium		**54,917**	54,856
Reserves		**(10,719)**	(8,758)
Retained earnings		**(76,493)**	(63,559)
Total equity attributable to equity holders of the parent		**43,970**	58,791
Non-controlling interests		**(7,345)**	(5,263)
Total equity		**36,625**	53,528
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	22	**-**	1,415
Deferred tax	23	**2,855**	3,314
Rehabilitation provisions	24	**1,683**	3,169
Total non-current liabilities		**4,538**	7,898
Current liabilities			
Interest-bearing loans and borrowings	22	**-**	1,518
Trade and other payables	25	**4,677**	5,631
Provisions	26	**60**	285
Total current liabilities		**4,737**	7,434
Liabilities of a disposal group	19	**3,044**	-
Total liabilities		**12,319**	15,332
Total equity and liabilities		**48,944**	68,860

The financial statements were approved by the Board of Directors and authorised for issue on 3 October 2013.

Lucio Genovese
Director
The notes on pages 52 to 90 form part of these financial statements.

FIRESTONE DIAMONDS plc
Consolidated statement of changes in equity
for the year ended 30 June 2013

	Share capital	Share premium	Merger reserve[1]	Share-based payment reserve [2]	Translation reserve	Accumulated losses	Equity attributable to holders of the parent	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 30 June 2011	**64,792**	**39,198**	**(1,076)**	**2,040**	**563**	**(38,962)**	**66,555**	**1,779**	**68,334**
Comprehensive loss									
Loss for the year	-	-	-	-	-	(24,597)	(24,597)	(5,409)	(30,006)
Other comprehensive loss for the year									
Exchange differences on translating foreign operations	-	-	-	-	(10,433)	-	(10,433)	(1,633)	(12,066)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(10,433)**	**(24,597)**	**(35,030)**	**(7,042)**	**(42,072)**
Contributions by and distributions to owners									
Shares issued in the year	11,460	16,740	-	-	-	-	28,200	-	28,200
Share issue expenses	-	(1,082)	-	-	-	-	(1,082)	-	(1,082)
Share-based payment transactions	-	-	-	148	-	-	148	-	148
Total contributions by and distributions to owners	**11,460**	**15,658**	**-**	**148**	**-**	**-**	**27,266**	**-**	**27,266**
Balance as at 30 June 2012	**76,252**	**54,856**	**(1,076)**	**2,188**	**(9,870)**	**(63,559)**	**58,791**	**(5,263)**	**53,528**
Comprehensive loss									
Loss for the year	-	-	-	-	-	(13,154)	(13,154)	(1,325)	(14,479)
Other comprehensive loss for the year									
Exchange differences on translating foreign operations	-	-	-	-	(2,735)	-	(2,735)	(757)	(3,492)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(2,735)**	**(13,154)**	**(15,889)**	**(2,082)**	**(17,971)**
Contributions by and distributions to owners									
Shares issued in the year	13	61	-	-	-	-	74	-	74
Share-based payment transactions	-	-	-	994	-	-	994	-	994
Share-based payments lapsed/expired	-	-	-	(220)	-	220	-	-	-
Total contributions by and distributions to owners	**13**	**61**	**-**	**774**	**-**	**220**	**1,068**	**-**	**1,068**
Balance as at 30 June 2013	**76,265**	**54,917**	**(1,076)**	**2,962**	**(12,605)**	**(76,493)**	**43,970**	**(7,345)**	**36,625**

(1) The merger reserve represents amounts arising from the merger accounting for subsidiary investments under UK GAAP on formation of the group.
(2) The share-based payment reserve, previously combined with accumulated losses, was reclassified as a separate component of equity.

The notes on pages 52 to 90 form part of these financial statements.

FIRESTONE DIAMONDS plc
Consolidated statement of cash flows
for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Cash flows used in operating activities			
Loss from continuing activities before taxation		**(9,902)**	(10,695)
Adjustments for:			
Depreciation, amortisation and impairment	5	**4,196**	1,264
Effect of foreign exchange movements		**1,058**	(1,650)
Equity-settled share-based payments		**1,204**	148
Loss on derivative financial instruments		**-**	109
Profit on sale of assets		**(88)**	-
Changes in provisions		**(27)**	937
Finance income		**(4)**	-
Net cash flows used in operating activities before working capital changes		**(3,563)**	(9,887)
Decrease/(increase) in inventories		**919**	(906)
(Increase)/decrease in trade and other receivables		**(677)**	1,283
(Decrease)/increase in trade and other payables		**(276)**	1,412
Net cash flows used in continuing operating activities		**(3,597)**	(8,098)
Net cash flows used in discontinued operating activities		**(398)**	(4,051)
Net cash flows used in operating activities		**(3,995)**	(12,149)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(2,722)**	(6,709)
Proceeds on disposal of property, plant and equipment		**191**	-
Net cash used in investing activities		**(2,531)**	(6,709)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	28,200
Share issue expenses		**-**	(1,082)
Finance income		**4**	-
Net cash from continuing financing activities		**4**	27,118
Net cash used in discontinued financing activities		**(1,298)**	(1,898)
Net cash (used in)/from financing activities		**(1,294)**	25,220
Net (decrease)/increase in cash and cash equivalents		**(7,820)**	6,362
Cash and cash equivalents at beginning of the year		**10,618**	4,256
Exchange rate movement on cash and cash equivalents at beginning of year		**(111)**	-
Cash and cash equivalents at end of the year	18	**2,687**	10,618

The notes on pages 52 to 90 form part of these financial statements.

FIRESTONE DIAMONDS plc
Company statement of financial position
as at 30 June 2013

	Note	**2013 £'000**	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	**57**	76
Investments in subsidiaries	15	**46,780**	53,345
Total non-current assets		**46,837**	53,421
Current assets			
Trade and other receivables	17	**175**	91
Cash and cash equivalents	18	**145**	268
Total current assets		**320**	359
Total assets		**47,157**	53,780
Equity			
Share capital	20	**76,265**	76,252
Share premium		**54,917**	54,856
Share-based payments		**2,990**	2,157
Accumulated losses		**(88,197)**	(79,609)
Total equity attributable to equity holders of the company		**45,975**	53,656
Liabilities			
Current liabilities			
Trade and other payables	25	**1,182**	124
Total liabilities		**1,182**	124
Total equity and liabilities		**47,157**	53,780

The financial statements were approved by the Board of Directors and authorised for issue on 3 October 2013.

Lucio Genovese
Director

The notes on pages 52 to 90 form part of these financial statements.

FIRESTONE DIAMONDS plc
Company statement of change in equity
for the year ended 30 June 2013

	Share Capital £'000	Share Premium £'000	Share-based payment reserve[1] £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 July 2011	**64,792**	**39,198**	**2,009**	**(4,850)**	**101,149**
Comprehensive loss					
Loss for the year	-	-	-	(74,759)	(74,759)
Total comprehensive loss for the year	**-**	**-**	-	(74,759)	(74,759)
Contributions by and distributions to owners					
Shares issued in the year	11,460	16,740	-	-	28,200
Share issue expenses	-	(1,082)	-	-	(1,082)
Share-based payment transactions	-	-	148	-	148
Total contributions by and distributions to owners	11,460	15,658	148	-	27,266
Balance as at 30 June 2012	**76,252**	**54,856**	**2,157**	**(79,609)**	**53,656**
Comprehensive loss					
Loss for the year	-	-	-	(8,749)	(8,749)
Total comprehensive loss for the year	**-**	**-**	-	(8,749)	(8,749)
Contributions by and distributions to owners					
Shares issued in the year	13	61	-	-	74
Share-based payment transactions	-	-	994	-	994
Share-based payments lapsed/expired	-	-	(161)	161	-
Total contributions by and distributions to owners	13	61	833	161	1,068
Balance as at 30 June 2013	**76,265**	**54,917**	**2,990**	**(88,197)**	**45,975**

(1) The share-based payment reserve, previously combined with accumulated losses, was reclassified as a separate component of equity.

The Company had no other comprehensive income in the year.

The notes on pages 52 to 90 form part of these financial statements.

FIRESTONE DIAMONDS plc
Company statement of cash flows
for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Cash flows used in operating activities			
Loss before taxation		**(8,749)**	(74,759)
Adjustments for:			
Depreciation, amortisation and impairment	14 & 15	**6,638**	73,989
Equity-settled share-based payments		**1,151**	148
Net cash flows used in operating activities before working capital changes		**(960)**	(622)
Increase in trade and other receivables		**(21)**	(91)
Increase/(decrease) in trade and other payables		**858**	(458)
Net cash used in operating activities		**(123)**	(1,171)
Cash flows used in investing activities			
Additions to property, plant and equipment		**-**	(64)
Investment in subsidiary companies		**-**	(25,895)
Net cash used in investing activities		**-**	(25,959)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	28,200
Share issue expenses		**-**	(1,082)
Net cash flows from financing activities		**-**	27,118
Net decrease in cash and cash equivalents		**(123)**	(12)
Cash and cash equivalents at beginning of the year		**268**	280
Cash and cash equivalents at end of the year	18	**145**	268

The notes on pages 52 to 90 form part of these financial statements.

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 2013 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.

Going concern

The Group currently has two mines, BK11 in Botswana which remains on care and maintenance due to additional capital requirements for waste stripping and plant modifications, and the Liqhobong Mine in Lesotho which produces from its Pilot Plant and is expected to move into the project development phase in the first quarter of 2014. On 25 October 2012, the Company released the results of a Definitive Feasibility Study ('DFS') on the project indicating positive results with an NPV of US$335 million at an 8% discount rate and IRR of 40%. On 20 May 2013 the Company announced that a mandate had been signed with a leading international bank to provide debt financing to fund a portion of the US$167 million required to construct the Main Treatment Plant ('MTP') at Liqhobong Mine. The due diligence process is still under way and progressing well. Discussions are also progressing with a well known and established diamond trader for an off-take agreement which will raise further funding, thus reducing the amount to be funded through equity and minimising dilution to shareholders.

The Directors have prepared cash flow forecasts for the Group on the basis that the funding required for the development of the Liqhobong Mine will be available. The Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include diamond price risk, mining and processing risk, resource risk, currency risk and the risk of change in general market conditions. There can also be no guarantee that the funds required to develop the operations will be made available to the Company. In the event that the funding for the development is not available in the timescales envisaged by the Directors in their forecasts, it will be necessary to raise interim funding, either from investors or by completing the sale of the non-core Botswana assets. 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 constructing the MTP at the Liqhobong Mine. Notwithstanding this, in the absence of a fundraising as envisaged for the DFS, the Group will require further funding in order to remain a going concern and be in a position to develop Liqhobong when the capital markets improve, albeit the level of immediate funding required is much reduced.

The Directors are confident that they will be able to secure funding to deliver the plans as set out in the DFS or, as a minimum, the funding necessary in order to maintain the Group's mines on a care and maintenance basis such that the Group is able to take advantage of future improvements in capital markets

if the development funding cannot be raised immediately. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements. However, the need to raise new funds represents a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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 2012

- IFRIC 20 Stripping costs in the production phase of a surface mine
- Amendments to IAS 1 Presentation of items of other comprehensive income

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

IFRS effective in 2012 but not relevant

There were no standards and interpretations that were mandatory for the current accounting period, but are not relevant to the operations of the Group.

Standards and interpretations issued but not yet applied

Any standards and interpretations other than those noted above, that have been issued but are not yet effective have not been applied by the Group in these financial statements. Application of these Standards and Interpretations will not have a material impact on the financial statements in future periods, although amended disclosures may be required.

Companies Act s408 exemption

The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company incurred a loss on ordinary activities after tax of £8,749,000 (2012: a loss of £74,759,000) in respect of the Company which is dealt with in the financial statements of the Company. The Company had no other items of comprehensive income in the year.

Basis of consolidation

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The results of subsidiaries have been included from the date of acquisition using the purchase method of accounting.

The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. All subsidiaries have the same 30 June year-end.

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

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 re-measured to

fair-value as at the acquisition date through profit and loss. The value of any non-controlling interest acquired is measured at the proportional share of the acquired net identifiable assets.

Any contingent consideration to be transferred by the Group is recognised at fair-value on the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised in accordance with 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.

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 are 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

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 are 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 2013 and 30 June 2012. 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.

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 is recognised in profit or loss.

Loans and receivables

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

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, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Group as a lessee

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

Foreign currency

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in pound sterling using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as 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 pound sterling are recognised in the translation reserve, included within equity until such time as the relevant subsidiary company is sold, whereupon the net cumulative foreign exchange difference relating to the disposal is transferred to profit and loss.

Pensions

The Group makes payments on behalf of employees to defined contribution pension schemes. These are charged to profit and loss or are capitalised where appropriate on an accrual basis. The Group does not operate any defined benefit pension schemes or similar arrangements.

Taxation

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

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

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

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

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

Operating profit and loss

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

2 Critical accounting estimates and judgments

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

(i) 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 21.

(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.

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.

The effect of the impairment testing of the 30 June 2013 and 30 June 2012 financial statements is set out in note 10.

3 Revenue

Revenue comprises:

	2013	2012*
	£'000	£'000
Sales of diamonds	**9,905**	5,281

* - The prior year figure has been restated for the classification impact of accounting for discontinued operations. (Refer note 19, Discontinued operations)

4 Segmental analysis

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

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

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

	Lesotho		Botswana & South Africa (Discontinued activities)		Unallocated		Intra-segmental		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
External revenue	**9,905**	5,281	**-**	1,237	**-**	-	**-**	-	**9,905**	6,518
Segmental operating result	**(6,673)**	(7,693)	**(4,420)**	(20,042)	**(3,233)**	(2,297)	**-**	-	**(14,326)**	(30,032)
Finance income	**2**	-	**-**	16	**2**	-	**-**	-	**4**	16
Finance expense	**-**	-	**(208)**	(403)	**-**	-	**-**	-	**(208)**	(403)
Taxation	**19**	413	**32**	-	**-**	-	**-**	-	**51**	413
Non-controlling interest	**1,296**	3,331	**29**	2,078	**-**	-	-	-	**1,325**	5,409
Segmental result	**(5,356)**	(3,949)	**(4,567)**	(18,351)	**(3,231)**	(2,297)	**-**	-	**(13,154)**	(24,597)
Segmental assets	**37,143**	45,417	**9,407**	13,829	**2,394**	9,614	**-**	-	**48,944**	68,860
Segmental liabilities	**(8,161)**	(7,615)	**(1,362)**	(3,644)	**(1,114)**	(1,140)	**-**	-	**(10,637)**	(12,399)
Interest-bearing loans and borrowings	**-**	-	**(1,682)**	(2,933)	**-**	-	**-**	-	**(1,682)**	(2,933)
Total segmental liabilities	**(8,161)**	(7,615)	**(3,044)**	(6,577)	**(1,114)**	(1,140)	**-**	-	**(12,319)**	(15,332)
Other segmental information										
Capital expenditure:										
Property, plant and equipment	**2,711**	4,697	**11**	2,823	**-**	64	**-**	-	**2,722**	7,584
Depreciation, amortisation & impairment cost										
Property, plant and equipment	**4,087**	1,140	**3,930**	14,764	**109**	124	**-**	-	**8,126**	16,028
Intangible assets	**-**	-	**-**	615	**-**	-	**-**	-	**-**	615

5 Operating loss

	2013 Group £'000	2012 Group £'000
Operating loss from continuing operations for the year is stated after charging:		
Depreciation and amortisation of property, plant and equipment	**4,196**	1,264
Employee costs (note 6)	**1,914**	4,054
Property rental	**210**	267
Share-based payments (note 21)	**1,204**	148
Items relating to discontinued operations:		
Depreciation and amortisation of property, plant and equipment	**1,439**	1,600
Employee costs (note 6)	**723**	1,007
Hire of plant and equipment	**26**	25
Property rental	**17**	108
Impairment of property, plant and equipment and intangible assets (note 10)	**2,491**	13,779

6 Employee numbers and costs

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

	2013 Group Number	2012 Group Number
Operations	**58**	169
Administration	**20**	32
	78	201
Represented by:		
Continuing operations	**63**	84
Discontinued operations	**15**	117
	78	201

The employment benefits;

	2013 Group £'000	2012 Group £'000
Wages and salaries	**2,604**	5,023
Social security costs	**9**	2
Share-based payments	**1,204**	148
Pension costs	**24**	36
	3,841	5,209
Represented by:		
Continuing operations	**3,118**	4,202
Discontinued operations	**723**	1,007
	3,841	5,209

The prior year expense included salaries of £1,007,000 for an average of 102 employees at the BK11 Mine which was operational for eight months of that financial year. The prior year employee costs also include an amount of £574,000 payable to former directors as termination benefits. Staff costs above include directors emoluments.

7 Directors' emoluments:

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

	2013 Group £'000	2012 Group £'000
Salaries and fees	**688**	693
Pension	**24**	36
Share-based payments	**914**	-
Compensation for loss of office	**-**	574
Total	**1,626**	1,303

2013 Director	**Salaries and fees £**	**Bonus £**	**Pension £**	**Share-based payments £**	**Compensation for loss of office £**	**Total £**
L Genovese	**199,684**	**-**	**-**	**440,716**	**-**	**640,400**
A Jonker	**120,712**	**-**	**-**	**146,905**	**-**	**267,617**
T Wilkes*	**252,000**	**-**	**24,000**	**179,539**	**-**	**455,539**
P Sobie	**17,500**	**-**	**-**	**-**	**-**	**17,500**
M Wittet	**25,000**	**-**	**-**	**-**	**-**	**25,000**
J Treger	**72,810**	**-**	**-**	**146,905**	**-**	**219,715**
	687,706	**-**	**24,000**	**914,065**	**-**	**1,625,771**
2012						
L Genovese	40,505	-	-	-	-	40,505
A Jonker	32,074	-	-	-	-	32,074
P Kenny	121,500	-	12,150	-	464,849	598,499
T Wilkes*	240,000	92,500	24,000	-	-	356,500
A Ogilvie	115,497	-	-	-	48,656	164,153
MJ Hampton	10,000	-	-	-	33,330	43,330
J Kenny jnr	10,000	-	-	-	-	10,000
WD Baxter	7,500	-	-	-	27,500	35,000
P Sobie	23,562	-	-	-	-	23,562
	600,638	92,500	36,150	-	574,335	1,303,623

* - Highest paid director for the year.

The remuneration of key management personnel is shown in note 31.

8 Auditor's remuneration

	2013 Group £'000	2012 Group £'000
Audit of the Group's financial statements	**65**[a]	45
Audit of accounts of associates of the company	**29**[b]	5
Other assurance services	**15**	7
Taxation compliance services	**10**	12
Other taxation services	**23**	-
Other services	**4**	4
	146	73

a) Includes an amount of £18,000 under-provision from the prior year
b) The current year's charge includes the audit of Liqhobong Mining Development Company (Pty) Limited as it was performed by BDO

9 Net finance income and costs

	2013 Group £'000	2012 Group £'000
Interest income on bank deposits	**4**	16
Finance income	**4**	16
Loss on derivative financial instruments	**-**	(109)
Finance costs from continuing operations	**-**	(109)
Interest paid on loans	**(201)**	(260)
Interest paid on finance leases	**(7)**	(34)
Finance costs from discontinued operations (note 19)	**(208)**	(294)

10 Impairment of property, plant, equipment and intangible assets

	2013 Group £'000	2012 Group £'000
Impairment of mining property	**-**	10,169
Impairment of plant and equipment used in mining operations	**2,491**	2,995
Impairment of exploration research data base	**-**	615
	2,491	13,779

The BK11 Mine owned by the Company's Botswana subsidiary remains on care and maintenance. A declining diamond market and the requirement for further capital stripping forced the Company to place the operation on care and maintenance in February 2012 resulting in an impairment charge of the BK11 mining property carrying value of £10.2 million, and plant and equipment of £3.0 million.

BK11 Mine's recoverable amount as at 30 June 2013 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. A further impairment of £2.5 million is required 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.

The impairment of the South African assets recoverable amount was determined on the fair value of the assets less cost of disposal by reference to current market values of the assets at 30 June 2013. 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

	2013 Group £'000	2012 Group £'000
Current tax	**-**	-
Deferred tax	**(51)**	(413)
Total tax credit for the year	**(51)**	(413)

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% (2012: 25.5%).

	2013 Group £'000	2012 Group £'000
Loss before tax	**(14,530)**	(30,419)
Tax on loss at standard rate of 23.75% (2012: 25.5%)	**(3,451)**	(7,757)
Income not taxable	**-**	(129)
Adjustments in respect of prior periods	**-**	66
Effect of tax in foreign jurisdictions	**(1)**	-
Expenses not deductible for tax purposes	**597**	2,569
Adjustments to deferred tax not recognised	**2,804**	4,838
Other differences	**-**	-
	(51)	(413)

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 23 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 £8.6 million (2012: £7.0 million) and a weighted average number of shares in issue for the year of 546,790,018 (2012: 420,176,802).

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 £4.6 million (2012: £17.6 million) and a weighted average number of shares in issue for the year of 546,790,018 (2012: 420,176,802).

Diluted loss per share

The diluted loss per share in 2013 and 2012 is the same as the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has 33,560,000 (2012: 10,895,000) potential issuable shares in respect of share options issued to employees (note 21).

13 Property, plant and equipment

	Mining property	Plant and equipment	Motor vehicles and other assets	Total
	Group £'000	Group £'000	Group £'000	Group £'000
Cost				
At 1 July 2011	57,602	29,047	1,637	88,286
Additions	2,730	4,402	452	7,584
Disposals	-	(43)	(69)	(112)
Exchange difference	(10,282)	(3,948)	(195)	(14,425)
At 30 June 2012	50,050	29,458	1,825	81,333
Additions	2,391	431	7	2,829
Disposals	(1)	(180)	(130)	(311)
Transferred to Assets held for sale	(9,624)	(17,384)	(710)	(27,718)
Exchange difference	(5,849)	(3,277)	(305)	(9,431)
At 30 June 2013	**36,967**	**9,048**	**687**	**46,702**
Accumulated Depreciation				
At 1 July 2011	7,881	5,967	740	14,588
Charge for the year	437	2,143	284	2,864
Disposals	-	-	(25)	(25)
Impairment charges (note 10)	10,169	2,995	-	13,164
Exchange difference	(2,287)	(1,138)	(79)	(3,504)
At 30 June 2012	16,200	9,967	920	27,087
Charge for the year	1,023	4,385	227	5,635
Disposals	-	(158)	(47)	(205)
Transferred to Assets held for sale	(8,968)	(9,289)	(528)	(18,785)
Impairment charges (note 10)	-	2,491	-	2,491
Exchange difference	(2,088)	(1,671)	(187)	(3,946)
At 30 June 2013	**6,167**	**5,725**	**385**	**12,277**
Net book value at 30 June 2013	**30,800**	**3,323**	**302**	**34,425**
Net book value at 30 June 2012	33,850	19,491	905	54,246
Net book value at 1 July 2011	49,721	23,080	897	73,698

14 Property, plant and equipment - Company

	2013	2012
	£'000	£'000
Office furniture and computer equipment		
Cost		
At 1 July	**96**	32
Additions	**-**	64
At 30 June	**96**	96
Depreciation		
At 1 July	**20**	1
Charge for the year	**19**	19
At 30 June	**39**	20
Net book value at end of year	**57**	76
Net book value at beginning of year	**76**	31

15 Investments in subsidiaries

	Company 2013	Company 2012
	£'000	£'000
At 1 July	**53,345**	101,420
Additions to Firestone Diamonds Limited	**-**	25,895
Share based payments to employees of subsidiaries	**54**	-
Total investment in subsidiaries	**53,399**	127,315
Impairment of Firestone Diamonds Limited	**(6,619)**	(73,970)
At 30 June	**46,780**	53,345

The carrying amount of the Firestone Diamonds Ltd investment exceeds the corresponding recoverable amount of the property, plant and equipment in its Botswana and South African subsidiaries, and is impaired and written down to the underlying assets recoverable amount.

At 30 June, the Company held 100% (2012: 100%) of the ordinary shares of Firestone Diamonds Limited, a company incorporated in the British Virgin Islands, whose principal activity is that of a holding company. Firestone Diamonds plc and Firestone Diamonds Limited had the following subsidiary undertakings:

Subsidiary undertakings	Country	Business activity	Percentage of shares held by group %
African Star Minerals (Proprietary) Limited‡	South Africa	Diamond exploration and mining	74%
Asam Resources SA (Proprietary) Limited‡	South Africa	Diamond exploration and mining	100%
Becksham Corporation	Barbados	Investment	100%
Becksham Limited	British Virgin Islands	Investment	100%
Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk‡	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 Ltd†	United Kingdom	Holding Company	100%
Kuboes Diamante (Proprietary) 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 (Proprietary) Limited‡	South Africa	Diamond exploration and mining	87.5%
Surf Zone Diamonds (Proprietary) Limited‡	South Africa	Diamond exploration and mining	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 19.

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 Inventories

	2013 Group £'000	2012 Group £'000
Raw materials and consumables	**346**	689
Inventory – Uncut diamonds for sale	**728**	1,331
Ore stockpiles	**-**	372
	1,074	2,392

At the end of the year, the value of uncut diamond inventory was written down by £0.6 million to net realisable value. Ore in stockpiles with a carrying value of £0.4 million were written down to £nil on a net realisable value basis, as further costs of processing the material exceed its net realisable value.

17 Trade and other receivables

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
Trade receivables	**1,030**	79	**-**	-
Other receivables	**504**	1,432	**14**	-
Prepayments	**114**	93	**86**	91
Amounts due from subsidiaries	**-**	-	**75**	-
	1,648	1,604	**175**	91

Trade receivables of £1,030,000 (2012: £nil) represent the value of diamonds sold at tender which closed on 28 June 2013. The total amount was received on 7 July 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.

18 Cash and cash equivalents

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
Cash and cash equivalents held for continuing operations	**2,390**	10,618	**145**	268
Non-current assets held for sale (note 19)	**297**	-	**-**	-
	2,687	10,618	**145**	268

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

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
British Pounds	**296**	454	**145**	268
US Dollars	**1,676**	9,242	**-**	-
Botswana Pula	**78**	393	**-**	-
South African Rand	**368**	278	**-**	-
Lesotho Maloti	**269**	251	**-**	-
Cash and cash equivalents	**2,687**	10,618	**145**	268

Cash deposits of £254,000 (2012: £295,000) included above are linked to bonds in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa (note 19) and cash deposits of £45,000 (2012: £66,000) 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.

19 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. Offers for the assets are being considered. The South African operations which include Oena Mine, situated on the West Coast were last worked on in 2009. Negotiations relating to the disposal commenced before year-end and on 19 August 2013, an agreement was entered into for the disposal of these assets for a total consideration of £173,000. (Refer to note 29)

	2013 Group £'000	2012 Group £'000
Consolidated statement of profit and loss		
Revenue	**-**	1,237
Cost of sales	**-**	(3,918)
Gross loss	**-**	(2,681)
Administrative expenses	**(123)**	(457)
Care and maintenance expenses	**(367)**	(843)
Amortisation and depreciation	**(1,439)**	(1,670)
Impairment loss	**(2,491)**	(13,779)
Loss from discontinued operations before finance charges and income tax	**(4,420)**	(19,430)
Finance costs	**(208)**	(294)
Loss from discontinued operations	**(4,628)**	(19,724)
Other comprehensive loss:		
Exchange differences on translating foreign operations net of tax	**(2,097)**	(6,848)
Total comprehensive loss from discontinued operations for the year	**(6,725)**	(26,572)
Loss from discontinued operations for the year attributable to:		
Owners of the parent	**(4,599)**	(17,646)
Non-controlling interests	**(29)**	(2,078)
	(4,628)	(19,724)
Total comprehensive loss from discontinued operations for the year attributable to:		
Owners of the parent	**(6,519)**	(23,968)
Non-controlling interests	**(206)**	(2,604)
	(6,725)	(26,572)

	2013 Group £'000	2012 Group £'000
Items reflected in the consolidated statement of financial position		
Non-current assets held for sale		
Non-current assets		
Property, plant and equipment	**8,933**	-
Current assets		
Inventories	**177**	-
Cash and cash equivalents	**297**	-
	9,407	-
Liabilities of a disposal group		
Non-current liabilities		
Interest-bearing loans and borrowings	**1,328**	-
Rehabilitation provisions	**1,222**	-
Current liabilities		
Interest-bearing loans and borrowings	**354**	-
Trade and other payables	**28**	-
Provisions	**112**	-
	3,044	-

Included in property, plant and equipment are motor vehicles held under finance leases with a net book value of £36,000 (2012: £57,000). Moveable plant and equipment amounting to £3,101,000 (2012: £5,460,000) provide security for interest-bearing borrowings.

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.

	2013		2012	
	Rand value ZAR'000	**Sterling value £'000**	Rand value ZAR'000	Sterling value £'000
African Star Minerals (Proprietary) Limited	**157**	**10**	157	12
Asam Resources SA (Proprietary) Limited	**1,217**	**81**	1,217	94
Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk	**953**	**64**	953	74
Kuboes Diamante (Proprietary) Limited	**1,150**	**77**	1,150	89
Surf Zone Diamonds (Proprietary) Limited	**334**	**22**	334	26
	3,811	**254**	3,811	295

20 Share capital

On 27 July 2011, the Company issued 48,649,000 ordinary shares of 20p each for cash proceeds of £12.8 million, net of expenses.

On 2 April 2012, the Company's existing ordinary shares 20p each were sub-divided into one new ordinary share of 1p each and 19 deferred shares of 1p each. Immediately following the sub-division, the Company issued 172,900,000 new ordinary shares for cash proceeds of £14.3 million, net of expenses.

Each new ordinary share of 1p each has the same rights as the ordinary shares of 20p each. The deferred shares do not have any rights attaching, in particular they do not provide a right to receive notice, attend or vote at general meetings, or to receive dividends. They may be repurchased by the Company, in aggregate, for total consideration of £1.

On 17 July 2012, the Company issued 1,339,285 ordinary shares of 1p each valued at £75,000 pursuant to an agreement entered into between the Company and Philip Kenny, a former Director of the Company.

	Number of shares		Nominal value of shares	
	2013	2012	**2013**	2012
			£'000	£'000
Allotted, called up and fully paid				
Opening balance	**545,513,111**	323,964,111	**5,455**	64,792
Split to deferred shares	**-**	-	**-**	(70,797)
Issued during the year	**1,339,285**	221,549,000	**13**	11,460
Closing balance	**546,852,396**	545,513,111	**5,468**	5,455
Deferred shares				
Opening balance	**7,079,649,109**	-	**70,797**	-
Split from ordinary shares	**-**	7,079,649,109	**-**	70,797
Closing balance	**7,079,649,109**	7,079,649,109	**70,797**	70,797
Total	**7,626,501,505**	7,625,162,220	**76,265**	76,252

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

21 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:

	2013	2012
Weighted average share price	**8.5p**	**-**
Weighted average option exercise prices	**8.5p**	**-**
Expected volatility	**71%**	**-**
Expected option life	**5 years**	**-**
Risk-free interest rate	**0.33%**	**-**
Expected dividend yield	**0%**	**-**
Fair-value of option granted in the year	**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 2012 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:

	2013	2012	**2013**	2012
	Number of share options		**Weighted average exercise price (pence)**	
Outstanding at beginning of year	**10,895,000**	11,435,000	**23**	24
Granted during the year	**27,300,000**	-	**8.5**	-
Lapsed/expired in the year	**(4,635,000)**	(540,000)	**14**	27
Outstanding at the end of the year	**33,560,000**	10,895,000	**12.6**	23
Exercisable at the end of the year	**25,610,000**	10,165,000	**13.5**	23

The options outstanding at 30 June have a weighted average contractual life of 5 years (2012: 3 years). These options have an exercise price of 8.5p to 41p (2012: a range of 20p to 41p).

The options exercisable at 30 June have an exercise price of 8.5p to 41p (2012: 20p to 41p). No options were exercised in the year.

	2013 Group £'000	2012 Group £'000
Share-based payment charge	**994**	148
Charge for shares to be issued*	**210**	-
Charge for the year in profit and loss	**1,204**	148

	2013 Company £'000	2012 Company £'000
Charge for the year in profit and loss	**941**	-
Charge for shares to be issued*	**210**	
Charge for the year allocated to subsidiary companies	**53**	148
Total charge for the year	**1,204**	148

* - Shares to the value of US$166,000 for L Genovese, US$90,000 for B Jonker and US$75,000 for Julian Treger are to be issued as compensation for additional services rendered to the Company during the year.

Basic Share Option Scheme

Date of grant	Exercise period From	Exercise period To	Share options held at **2013**	Share options held at 2012	Exercise price (pence)
2003/12/18	2004/12/18	2013/12/18	**40,000**	40,000	20.0
2004/04/08	2005/04/08	2014/04/08	**1,000,000**	1,000,000	20.0
2004/08/03	2005/08/03	2014/08/03	**250,000**	250,000	20.0
2004/12/22	2005/12/22	2014/12/22	**500,000**	500,000	20.0
2005/05/03	2006/05/03	2015/05/03	**650,000**	650,000	20.0
2006/09/13	2007/09/07	2016/09/13	**-**	70,000	20.0
2007/12/06	2008/12/06	2017/12/06	**60,000**	60,000	20.0
2007/12/19	2008/12/19	2017/12/19	**150,000**	150,000	20.0
2008/01/15	2009/01/15	2019/01/15	**200,000**	200,000	20.0
2011/05/17	2012/05/17	2022/05/17	**166,666**	365,000	27.5
2011/05/17	2013/05/17	2022/05/17	**166,667**	365,000	27.5
2011/05/17	2014/05/17	2022/05/17	**166,667**	365,000	27.5
			3,350,000	4,015,000	

Performance-Related Share Option Scheme

Date of grant	Exercise period From	Exercise period To	Share options held at **2013 £'000**	Share options held at 2012 £'000	Exercise price (pence)
2003/04/08	2004/04/08	2013/04/08	**-**	1,085,000	20.0
2004/01/09	2005/01/09	2014/01/09	**2,400,000**	2,400,000	20.0
2004/01/21	2005/01/21	2014/01/21	**1,360,000**	1,360,000	41.0
2004/04/08	2005/04/08	2014/04/08	**2,000,000**	2,000,000	20.0
2009/12/04	2010/12/04	2019/12/04	**-**	35,000	32.0
			5,760,000	6,880,000	

Unapproved Share Option Scheme

Date of grant	Exercise period From	Exercise period To	Share options held at **2013 £'000**	Share options held at 2012 £'000	Exercise price (pence)
2012/11/23	2012/11/23	2022/11/24	**15,000,000**	-	8.5
			15,000,000	-	

Unapproved Executive Share Option Scheme

Date of grant	Exercise period From	Exercise period To	Share options held at **2013 £'000**	Share options held at 2012 £'000	Exercise price (pence)
2012/11/23	2012/11/23	2022/11/24	**2,000,000**	-	8.5
2012/11/23	2013/11/23	2022/11/24	**3,150,000**	-	8.5
2012/11/23	2014/11/23	2022/11/24	**3,150,000**	-	8.5
2012/11/23	2015/11/23	2022/11/24	**1,150,000**	-	8.5
			9,450,000	-	

Share option settlement scheme

To minimise the share capital dilution that would arise on the exercise of options, the Company has implemented a share option settlement scheme. Under this scheme the Company will, at the time of exercise of any options, agree to issue shares to the option holder with a value equal to the difference between the market value of the shares and the option exercise price on the date of exercise. On the basis of this scheme, the effective dilution resulting from all outstanding basic and performance related options as at 30 June 2013 at the closing share price on 30 June 2013 of 2.75 per share was nil shares as a result of it trading below the exercisable price limit (2012: closing share price of 5.65p per share, no dilutive shares were exercisable).

Long-term incentive plan

The Company has established a Long-Term Incentive Plan (LTIP) for the benefit of senior management. The LTIP had 1,650,000 (2012: 1,650,000) shares available to participants at the start of the year, which have been allocated for the benefit of T Wilkes, a director of the company.

No additional shares have been allocated in the year. The Company is currently reviewing the performance conditions relating to the LTIP shares and also the number of additional shares to be allocated to other senior employees of the Group.

22 Interest-bearing loans and borrowings

Non-current	**2013 Group £'000**	2012 Group £'000
Bank loans	**1,315**	1,364
Obligations under finance leases	**13**	51
	1,328	1,415
Transferred to liabilities of a disposal group	**(1,328)**	-
	-	1,415

Current	**2013 Group £'000**	2012 Group £'000
Bank loans	**336**	1,491
Obligations under finance leases	**18**	27
	354	1,518
Transferred to liabilities of a disposal group	**(354)**	-
	-	1,518

Bank loans in Botswana amounting to £1,651,000 (2012: £2,855,000) are secured by a first charge over the Group's shareholding in Monak Ventures (Pty) Limited with additional obligations under finance leases of £31,000 (2012: £78,000) 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 2013 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 interest rate is a floating rate, while First National Bank and Wesbank is fixed against the functional monetary interest rate of each country.

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%	**2,687**	**2,687**	**-**	**-**
Standard Chartered Bank Botswana	6.50%	(1,814)	(445)	(1,369)	-
Wesbank Botswana	10.50%	(34)	(21)	(13)	-
		(1,848)	**(466)**	**(1,382)**	**-**

For 2012 the effective interest rates and repricing analysis was:

2012	Effective interest rate	Group Total £'000	Group Current £'000	Group 1 – 2 years £'000	Group 2 – 5 years £'000
Cash and cash equivalents	1.50%	10,618	10,618	-	-
First National bank of Botswana	10,00%	(91)	(91)	-	-
Standard Chartered Bank Botswana	6.50%	(2,905)	(1,453)	(1,452)	-
Wesbank Botswana	11.50%	(92)	(35)	(35)	(22)
Wesbank South Africa	10.10%	(35)	(35)	-	-
		(3,123)	(1,614)	(1,487)	(22)

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

23 Deferred tax

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

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
At 1 July	**(3,314)**	(3,308)	**-**	-
Movement in temporary differences recognised in income	**51**	413	**-**	-
Exchange difference	**408**	(419)	**-**	-
At 30 June	**(2,855)**	(3,314)	**-**	-

The deferred tax liability comprises:

	Group 2013 £'000	Group 2012 £'000	**Company 2013 £'000**	Company 2012 £'000
Accelerated capital allowances	**-**	(77)	**-**	(19)
Temporary difference arising on acquisition of subsidiary	**(2,855)**	(3,275)	**-**	-
Tax losses	**-**	16	**-**	-
Other differences	**-**	22	**-**	19
	(2,855)	(3,314)	**-**	-

The directors do not anticipate that accumulated reserves of overseas subsidiaries at 30 June 2013 will be remitted to the UK in the foreseeable future. Accordingly, no provision has been made for deferred tax on these balances. The Group has unrecognised tax losses in respect of continuing activities of approximately £50.5 million (2012: £48.2 million), and unrecognised accelerated capital allowances of £10.6 million (2012: £10.2 million). There are also unrecognised tax losses of £30.9 million (2012: £24.0 million) and unrecognised accelerated capital allowances of £0.9 million (2012: £3.0 million) relating to the disposal groups in Botswana and South Africa.

24 Rehabilitation provisions

Rehabilitation costs	**2013 Group £'000**	2012 Group £'000
At 1 July	**3,169**	1,745
Exchange difference	**(371)**	(388)
Opening balance restated for effect of foreign exchange	**2,798**	1357
Raised in the year	**107**	1,812
Transferred to liabilities of a disposal group	**(1,222)**	-
At 30 June	**1,683**	3,169
Disclosed as:		
Non-current	**1,683**	3,169
Current	**-**	-
	1,683	3,169

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

25 Trade and other payables

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
Trade payables	**1,537**	2,951	**62**	66
Amounts due to subsidiary companies	**-**	-	**793**	-
Tax and social security	**16**	219	**-**	-
Other payables	**1,872**	940	**-**	-
Accruals	**1,252**	1,521	**327**	58
	4,677	5,631	**1,182**	124

Amounts due to related parties are set out in note 31. £524,000 of the accrual value (2012: £1,004,000) relates to termination benefits due to former directors. The directors consider there to be no material difference between the book values and fair values of trade and other payables.

26 Provisions

Other provisions	**2013 Group £'000**	2012 Group £'000
At 1 July	**285**	287
Exchange difference	**(30)**	(35)
Opening balance restated for effect of foreign exchange	**255**	252
Raised in the year through profit or loss	**65**	349
Amounts paid in cash	**(79)**	(316)
Reversals through profit or loss	**(69)**	-
Transferred to Assets held for sale	**(112)**	-
At 30 June	**60**	285

Other provisions relate mainly to leave pay due to staff.

27 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 22.

Principal financial instruments

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

Group

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
Trade and other receivables	**1,534**	1,511	**89**	-
Cash and cash equivalents	**2,390**	10,618	**145**	268
Non-current assets held for sale	**297**	-	**-**	-
Trade and other payables	**(4,661)**	(5,412)	**(1,182)**	(124)
Interest-bearing loans and borrowings	**-**	(2,933)	**-**	-

Liabilities of a disposal group	**(1,710)**	-	**-**	-

General objectives, policies and processes

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

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

Credit risk

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

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
Trade and other receivables	**1,534**	1,511	**89**	-
Cash and cash equivalents	**2,390**	10,618	**145**	268
Non-current assets held for sale	**297**	-	**-**	-
	4,221	12,129	**234**	268

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

Liquidity risk

Liquidity risk arises from the Group's and Company's management of working capital and the amount of funding committed to its diamond exploration, evaluation and mine development programmes. It is 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 22.

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**	**2013 £'000**	Change in rate	2012 £'000
Sterling equivalents	**-0.5%**	**8**	-0.5%	**30**
	-1.0%	**17**	-1.0%	**60**
	-1.5%	**25**	-1.5%	**91**
Sterling equivalent	**+0.5%**	**(8)**	+0.5%	**(30)**
	+1.0%	**(17)**	+1.0%	**(60)**
	+1.5%	**(25)**	+1.5%	**(91)**

Fair value of financial liabilities

	2013 Group £'000	2012 Group £'000	**2013 Company £'000**	2012 Company £'000
Bank loans and finance leases	**-**	2,933	**-**	-
Trade and other payables	**4,661**	5,412	**1,182**	124
Liabilities of a disposal group	**1,710**	-	**-**	-
	6,371	8,345	**1,182**	124

The fair value of the bank loans has been calculated at 30 June 2013 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 2012 analysis.

Currency risk

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

As at 30 June 2013 the Group had interest-bearing liabilities of £1,682,000 (2012: £2,933,000) arising from loans advanced to a subsidiary company in Botswana. The revenues from diamond sales made by the Group's subsidiaries are denominated in US dollars. The Group held no other significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2012: nil), other than a cash balance held in US Dollars of £1.7 million (2012: £9.2 million). If the US Dollar was to appreciate against Sterling by 1%, this would increase the cash balance by £17,000.

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

The Company is exposed to a number of different currency risks between the Rand, Maloti, US Dollar and Pula. The Group values and sells its diamonds in US Dollars. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the US Dollar/Maloti and Sterling/Maloti rates.

The following significant exchange rates applied against the British Pound during the year:

	Average Rate		**Balance Sheet Rate**	
	2013	2012	**2013**	2012
South African Rand	**13.8459**	12.2723	**15.0069**	12.9134
Lesotho Maloti	**13.6399**	12.1549	**15.0069**	13.1539
Botswana Pula	**12.3429**	11.3040	**12.9649**	11.7334
US Dollar	**1.5687**	1.5961	**1.5208**	1.5989

The Group's expenses in Botswana, Lesotho and South Africa are incurred in Pula, Maloti and Rand respectively, so any weakening in the Pula, Maloti or Rand would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Pula, Maloti or Rand. The Company does not hedge its currency positions other than for short-term transfers of funds between currencies which are expected to be reversed within 12 months. The Board monitors and reviews its policies in this regard on a regular basis.

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 20, and details of interest-bearing borrowings are given in note 22.

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.

28 Operating lease commitments

	Group				Company			
	Land & buildings		Plant & equipment		Land & buildings		Plant & equipment	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Within 1 year	**183**	138	**56**	125	**96**	96	**-**	**-**
Between 1& 2 years	**132**	138	**-**	74	**96**	96	**-**	**-**
Between 2 & 5 years	**58**	279	**-**	-	**59**	186	**-**	**-**
	373	555	**56**	199	**251**	378	**-**	**-**

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

29 Post-balance sheet events

Placing and Subscription of Shares

At a general meeting held on 1 August 2013, the shareholders approved, inter alia, the placing and subscription of 198,500,000 new ordinary shares at a price of 2.0 pence per share.

On 2 August 2013 the placing and subscription shares were admitted to the AIM market of the London Stock Exchange raising £3.8 million net of expenses.

Sale of South African Assets

On 19 August 2013, an agreement was signed for the disposal of certain South African entities which the company no longer considered of strategic value, for a total consideration of £173,000. Operations at Oena Mine had been maintained on minimal care and maintenance since the property was last worked on in 2009. Certain conditions precedent are required to be fulfilled prior to conclusion of the transaction which management expects to close by the end of the calendar year.

30 Capital commitments and contingencies

At 30 June 2013 the Group had no contracted capital commitments (2012: £nil) and approved but not yet contracted capital commitments of £nil (2012: £1,440,000). There were no capital commitments outstanding at 30 June 2013 for the Company (2012: £nil).

The Company has made a voluntary disclosure to HMRC regarding its failure to deduct PAYE and National Insurance from certain employees based in the United Kingdom. The failure dates back over several years. The Company is in discussions with HMRC to reach a conclusion on the settlement, if any, due by the Company. The Company would seek to recover these amounts 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.

31 Related-party transactions

At 30 June 2013 the amount of undrawn fees specific to individual Directors was:

	2013	2012
	Group	Group
	£'000	£'000
P Kenny*	**n/a**	**713**
MJ Hampton*	**n/a**	**38**
J Kenny*	**n/a**	**60**
T Wilkes	**54**	**30**
P Sobie	**-**	**8**

* - These directors are no longer considered related parties as their directorships terminated in the previous financial year.

Key management personnel, excluding Directors, received the following emoluments for the year:

	2013	2012
	Group	Group
	£'000	£'000
Salary and fees	**501**	**462**
Share-based payments	**53**	**-**
	554	**462**

Remuneration paid to Grant Ferriman, the Chief Financial Officer, who is not a statutory director of the company is included in the current year's amount. The previous year's expense for the Chief Financial Officer was included in Directors' emoluments (note 7).

First Element Diamond Services is contracted to clean and market diamonds on behalf of the company. A family relative of Mr. Tim Wilkes is a director of First Element and is able to exercise control over the financial and operating policies of that entity. During the year, an amount of £350,000 (2012: £171,000) was paid to First Element for diamond cleaning, and sales and marketing services.

In the year the Company increased its investment in Firestone Diamonds Limited by £nil (2012: £25,895,000) to provide funds for onward investment in the Group's operations in the Southern African

region. Firestone Diamonds Limited increased its funding to Group companies within that region by £5,189,000 (2012: £14,265,000). Details of the Company's subsidiary undertakings are shown in note 15.

The Company provided various subordinations in respect of inter-group debt to the secured loan providers as disclosed in note 22.