Final results for the year ended 30 June 2012

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Firestone Diamonds plc

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LONDON: 13 November 2012

The Board of Firestone Diamonds plc, ("Firestone" or "the Company"), the AIM-quoted diamond mining and development company (AIM: FDI), announces its final audited results for the year ended 30 June 2012.

Highlights:

RESTRUCTURING INITIATIVES

- Board and management changes;
    - Mr. Lucio Genovese, Non-Executive Chairman
    - Mr. Abraham Jonker, Non-Executive Director
    - Mr. Julian Treger, Non-Executive Director
    - Mr. Mike Wittet, Non-Executive Director
    - Mr. Grant Ferriman, Chief Financial Officer
- Focus on Definitive Feasibility Study ('DFS') for the Main Treatment Plant at Liqhobong
- BK11 Mine, Botswana on care and maintenance
- Investigating ways to unlock value from the Botswana exploration projects

DFS RESULTS, ANNOUNCED ON 25 OCTOBER 2012

- Post-tax NPV of US$335 million (applying an 8% discount rate) and IRR of 40%
- Average annual production of 1.2 million carats commencing 2015
- 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, escalated at 3% real per annum, excluding full potential from recovery of large and special stones

FINANCIAL

- £13.5 million raised in July 2011 and £14.7 million raised in March 2012 as part of the restructuring initiatives
- Net loss after tax of £30.0 million of which £19.8 million relates to an impairment charge and operating losses at BK11 which is now under care and maintenance
- Cash loss for continuing operations down from £4.8 million in the first half to £4.0 million in the second half of the year

LIQHOBONG MINE, LESOTHO

PILOT PLANT

- Grades and diamond quality in line with expectations
- Processing an average of 100 tonnes per hour, with an annual production of around 200,000 carats
- Full production capacity reached in Q4 2012
- Recovery of rare diamonds: blue 2B & 28 2A diamonds

BK11 MINE, BOTSWANA AND BOTSWANA EVALUATION PROJECTS

- BK11 was placed on temporary care and maintenance from late February 2012
- The Company remains committed to unlocking value from BK11 and its exploration portfolio

ROUGH DIAMOND MARKET AND DIAMOND SALES

- Dual tenders in Gaborone and Antwerp commenced in June/July 2012
- Further six tenders planned for the next financial year
- Rough diamond prices significantly declined in November 2011 and have yet to recover
- Diamond sales have generated US$10 million worth of revenue at an average price of US$66/carat

OUTLOOK

- Focused on Liqhobong, with the goal of becoming a 1 million carat per annum producer from 2015

Extracts from the Company's Annual Report and Accounts appear below and the full version will be made available on the Company's website on 22 November 2012.

Analyst conference call, Tuesday 13 November 2012 - 15:00 (GMT)

Firestone Diamonds plc will be hosting a conference call today at 15:00 (GMT) for interested parties. Participants may join the conference call by dialling one of the following numbers approximately 10 minutes before the start of the call:

From UK (toll free): 0800 368 1950

From South Africa (toll free): 0800 983 097

From the rest of the world: +44 (0) 20 3140 0668

Participant PIN code: 196649#

A recording of the conference call will be available on 14 November 2012 on www.firestonediamonds.co.uk.

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Chairman's Letter

The past year has seen a number of positive restructuring initiatives both at an operational and corporate level to ensure that the Company is well positioned for future growth. The new Board and management team combine a wealth of experience in the capital markets and operations which promises to be invaluable to the Company.

DEAR SHAREHOLDER

I am pleased to provide you with my first Chairman's letter following my appointment in January 2012. The past year has seen a number of positive restructuring initiatives both at an operational and corporate level to ensure that the Company is well positioned for future growth.

The restructuring initiatives were put in place due to the challenging market conditions and the need to establish foundations essential in financing the Main Treatment Plant ("MTP") at the Company's flagship asset, the Liqhobong Mine in the Lesotho highlands. This asset will be the main focus of the Company over the medium term.

Initially in January 2012, and over the course of the calendar year, the Company made a number of changes to its Board of Directors (the 'Board') and management including the appointment of Abraham Jonker, Julian Treger and Mike Wittet as Non-Executive Directors. I was appointed to the position of Non-Executive Chairman and Grant Ferriman to the position of Chief Financial Officer. Philip Kenny, Michael Hampton, William Baxter, Angus Ogilvie and James Kenny all resigned from the Board.

The new Board and management team combine a wealth of experience in the capital markets and operations which promises to be invaluable to the Company as it moves into the project financing stage and subsequent construction of the MTP at Liqhobong.

Following the commencement of the strategic review, the Company took measures to reduce cash outflow. Due to weaker diamond prices and ongoing technical issues, a decision was taken to put the BK11 Mine in Botswana on temporary care and maintenance pending a recovery of the diamond market. The Company remains committed to unlocking value from BK11, and its extensive exploration and evaluation portfolio, however, current diamond and capital market weakness is delaying progress in this regard.

The renewed strategic focus was on completing the Definitive Feasibility Study ('DFS') for the MTP at the Liqhobong Mine which, when operational, is expected to produce approximately 1 million carats per annum. Results of the DFS were announced on 25 October 2012 and the financial evaluation model indicates a post-tax internal rate of return of 40% and a net present value, applying an 8% discount rate, of US$335 million on an ungeared basis for the project as a whole. The Company owns 75% of the project and the Lesotho Government owns the remaining 25%. Initial discussions to raise funding for the project have commenced with a number of debt providers. Our aim is to minimise dilution for our shareholders to the extent possible.

In parallel with the DFS, Liqhobong's production has continued to improve with the Pilot Plant processing an average of 100 tonnes per hour with annual production of around 200,000 carats.

Diamond Value Management ('DVM') initiatives implemented in June 2012 have reduced diamond breakage in the Plant from a high of 27% to an average of 14% which, the Board believes, is considered best practice. While the market for smaller stones continues to remain weak, the prices obtained at our July tender underpin the Board's belief that the outlook is very encouraging for producers of larger and coloured diamonds.

Prior to the strategic review process in July 2011, the Company raised £13.5 million to expand production at Liqhobong, commence construction of the larger tailings dam for the MTP and accelerate activities in Botswana, which were deemed appropriate given the prevailing market conditions at the time.

As part of the restructuring process in March 2012, the Company raised £14.7 million before expenses, for further development of the Liqhobong asset, debt repayment purposes, to complete the DFS, to make certain modifications to the Pilot Plant in Liqhobong, and for working capital purposes.

Our financial results for the 2012 financial year reflect the changes discussed above and the reported loss before taxation for the year is £30.4 million. However, the loss includes impairment and operating losses relating to BK11 prior to its closure in February totalling £18 million.

Cash losses incurred from our ongoing operations were £8.8 million of which only £4.0 million was incurred during the second half of the 2012 financial year. We view the reduction in losses during the second half of the year as a clear indication that our new strategy is positive for the Company. However, we remain committed to further improve future financial performance by improving the results of the Pilot Plant at Liqhobong and by implementing further cost saving initiatives at a corporate level.

To conclude we remain highly focused in our mission to become a 1 million carat per annum producer and very much look forward to commencing the transformation process of Liqhobong from a Pilot Plant operation to a significant diamond producer. I would like to thank both shareholders and employees for their support during a difficult year and I firmly believe the changes implemented will better allow Firestone to maximise the opportunity at our world class Liqhobong asset in Lesotho.

Lucio Genovese
Non-Executive Chairman

12 November 2012

Review of Operations

The focus of the past year has been on building up the production capability at the Company's flagship asset, the Liqhobong Mine in Lesotho, and completing the Definitive Feasibility Study ('DFS') for the Main Treatment Plant, the results of which were released on 25 October 2012. Liqhobong is without doubt where the most value for the Company will lie in the coming years.

Following a strategic review in January 2012, the BK11 Mine was placed on temporary care and maintenance and the Company is actively investigating ways of unlocking value from its Botswana portfolio. Challenges arose with the weakening of the diamond market from November 2011 due to the European economic crisis and the slowdown in the global economy. Nevertheless, good progress was made at Liqhobong on DVM.

LIQHOBONG MINING DEVELOPMENT COMPANY ('LMDC'), LESOTHO

The mine has an indicated resource of 89 million tonnes ('mt') at the Main Pipe containing 29 million carats at an average grade of 32 carats per hundred tonnes ('cpht'). With a current estimated diamond value of US$100/carat the mine has a contained value of approximately US$2.9 billion.

Pilot Plant Production

The Pilot Plant at Liqhobong was constructed initially to treat the harder ore of the smaller Satellite Pipe. Upon acquisition of the project in September 2010, the Satellite Pipe was nearing depletion and all mining activity was focused on the new 8.5 hectare Main Pipe. In order to treat the much softer Main Pipe ore via the Pilot Plant at 100 to 120 tonnes per hour, a number of modifications were undertaken during this financial year, and diamond damage and breakage was reduced. These modifications were 90% complete by year end and as a result it is expected that higher US$/carat values will be realised in the next financial year. In order to sustain production, an Interim Tailings Deposition Facility ('ITDF') was required into which tailings material could be deposited. Waste stripping of what is known as cut 1 commenced so that the basalt waste could be used for the foundation of the ITDF. Cut 1 is a part of the mine's stripping program to further expose the ore body for future mining. The ITDF will provide a further year of sliming capacity until such time as a larger tailings facility can be constructed for the much larger MTP.

Mining and associated ore treated continued an upward trend throughout the year and by year end a total of 488,000 tonnes had been treated at an average grade of 34 carats per hundred tonnes, resulting in 164,050 carats being recovered. A total of 139,556 carats were sold during the year realising revenues of US$8.2 million at an average price of US$59/carat. Prices obtained at our tender in June/July were at a 12 month high of US$87/carat owing to the recovery and sale of four special stones. Now that the third and final modification to the Pilot Plant is complete, it is anticipated that less breakage will occur and a higher dollar per carat realised.

Diamond Sales

Towards the end of the financial year, the decision was taken to hold a dual tender in Gaborone and Antwerp. The first of these dual tenders took place in June/July 2012 and a further six dual tenders are planned for the next financial year.

Summary of quarterly production data for LMDC

Activity Report		Q3 2011 Actual	Q4 2011 Actual	Q1 2012 Actual	Q2 2012 Actual	FY 2012 Actual
Mining - waste	tons '000	82	93	35	191	401
Mining - ore	tons '000	93	127	136	152	508
Stockpile - ore	tons '000	-	-	32	6	38
Tailings handling	tons '000	45	55	66	69	235
Mining - total	tons '000	220	275	269	418	1 182
Treatment - Ore	tons '000	93	114	129	152	488
Grade - Recovered	Cpht	36.5	31.0	35.4	32.3	33.6
Carats Produced	Crts	33 930	35 389	45 491	49 240	164 050
Revenue						
Gross diamond sales	US$	427 321	2 078 149	4 772 899	942 919	8 221 288
Carats sold	Crts	1 846	40 957	67 149	29 604	139 556
Price achieved	US$/crt	231	51	71	32[1]	59

[1] Average price of US$87/carat 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.

Rough diamond prices declined significantly in November 2011 and have not yet recovered. More specifically, the prices of smaller, near gem and brown diamonds present at Liqhobong remain under pressure.

This has been alleviated in part by sales of these diamonds under an off-take agreement at a fixed price. The remainder of the Liqhobong assortment, specifically the better quality crystals, fancy yellows and specials, continue to attract competitive prices.

Main Treatment Plant

The Company commenced the DFS in late 2011. At the 2012 financial year end, the study was essentially complete and an independent Due Diligence and Value Engineering exercise was undertaken to ensure the integrity and accuracy of the data. The results of the DFS were published on 25 October 2012. The study outlines the feasibility of developing a 3.6 million tonne per annum operation producing 1 million carats per annum from 2015. A copy of the DFS presentation is available on the Company's website www.firestonediamonds.com.

BK11 MINE, BOTSWANA

A weak diamond market and further capital requirements on stripping and plant modifications led to a decision in February 2012 to place the BK11 Mine on temporary care and maintenance.

Mining Operations

Mining operations during the third and fourth quarter of 2012 were primarily focused on stripping overburden waste of cut 2 of the pit to expose higher grade K2 units below 50m. Mining and treatment of the upper K1 units above 50m in cut 1 also continued until this time but operations were curtailed and put on hold as the plant struggled to liberate the resource grades.

Production

Initially, the plant, which had been moved from the Bontekoe Alluvial Mine, was set up with a primary crushing circuit and two scrubbing circuits aimed at liberating 70% of the diamonds within the upper K1 ore unit of cut 1. Unfortunately, due to excessive cementation and a relative hardening of the ore, and the absence of a secondary crushing circuit to liberate the diamonds from the cemented material, only around 30% of the diamonds were liberated. In an attempt to resolve this issue, the Company purchased a standalone secondary crusher and attempted to place it in line with the existing plant during Q4 2011. However, with diamond prices falling and the need for the mine to increase its stripping ratio and capital requirements the decision was taken to place the mine on temporary care and maintenance in February 2012.
A total of 475,000 tonnes of K1 ore at an average grade of 2.47 carats per hundred tonnes were treated through the plant during the year which yielded 11,706 carats.

Summary of quarterly production data for BK11

Activity Report		Q3 2011 Actual	Q4 2011 Actual	Q1 2012 Actual	Q2 2012 Actual	FY 2012 Actual
Mining - waste	tons '000	575	381	13	-	969
Mining - ore	tons '000	185	259	57	-	501
Mining - total	tons '000	760	640	70	-	1 470
Treatment - Ore	tons '000	190	209	76	-	475
Grade - Recovered	Cpht	2.42	2.54	2.37	-	2.47
Carats Produced	Crts	4 597	5 313	1 796	-	11 706
Revenue						
Gross diamond sales	US$	461 783	623 406	802 067	-	1 887 256
Carats sold	Crts	2 978	5 191	4 223	-	12 392
Price achieved	US$/crt	155	120	190	-	152

Diamond prices declined throughout the year although one stone sold for US$200,000 in the first quarter of the 2012 financial year, which raised the average price and confirmed that the lower K2 units contained coarser, better quality diamonds. In order for the K2 units to be exploited, further capital would have to be spent on the crushing circuit and on the waste stripping of cut 2.

BOTSWANA EVALUATION PROJECTS

No work was performed on any of the exploration licences during the year. As stated earlier in this report, the Company is currently investigating ways of unlocking value from these assets and the Board will make a decision in this regard in due course.

Financial Review

The financial results shown in the Group Financial Statements reflect the changes brought about by the Company's revised strategy; the efforts by the new management team to curtail costs and to prepare the Company for the development of the MTP at Liqhobong, whilst investigating ways of unlocking value from the Botswana portfolio of assets.

Although the Group reported losses before taxation of £30.4 million for the 2012 financial year, operating losses before depreciation relating to ongoing operations were only £4.8 million during the first half of the year reducing to £4.0 million in the second half of the financial year.

INCOME STATEMENT

	30 June 2012					30 June 2011 Restated				
	LMDC £'m	BK11 £'m	EXPL £'m	CORP £'m	TOTAL £'m	LMDC £'m	BK11 £'m	EXPL £'m	CORP £'m	TOTAL £'m
Revenue	5.3	1.2	-	-	6.5	2.2	0.3	-	-	2.5
Cost of sales	(10.6)	(5.3)	-	-	(15.9)	(2.7)	-	-	-	(2.7)
Gross profit/(loss)	(5.3)	(4.1)	-	-	(9.4)	(0.5)	0.3	-	-	(0.2)
Administrative expenses	(1.2)	(0.4)	-	-	(1.6)	-	-	-	-	-
Corporate expenses	-	-	-	(2.3)	(2.3)	-	-	-	(1.1)	(1.1)
Profit/(loss) before impairment	(6.5)	(4.5)	-	(2.3)	(13.3)	(0.5)	0.3	-	(1.1)	(1.3)
Impairment loss,	-	(13.2)	(0.6)	-	(13.8)	-	-	-	-	-
Depreciation & amortisation	(1.2)	(1.7)	-	-	(2.9)	(0.4)	(0.5)	-	-	(0.9)
Loss before finance charges	(7.7)	(19.4)	(0.6)	(2.3)	(30.0)	(0.9)	(0.2)	-	(1.1)	(2.2)
Finance costs	-	(0.4)	-	-	(0.4)	-	(0.8)	-	-	(0.8)
Loss before tax	(7.7)	(19.8)	(0.6)	(2.3)	(30.4)	(0.9)	(1.0)	-	(1.1)	(3.0)

Revenue increased by £4.0 million to £6.5 million (2011: £2.5 million) for the year under review. The increase in the turnover is mainly as a result of including 12 months production from the Liqhobong Pilot Plant offset by lower turnover from BK11 which ceased production in February 2012.

It should be noted that the results for the 2012 financial year ('FY2012') include a full year of operating for the Liqhobong Pilot Plant, whilst the 2011 results only include 1 month's activity. Furthermore, the move of mines from development to production meant that expenses previously capitalised as part of asset development were now expensed through profit and loss. These changes must be considered when comparing the 2012 and 2011 financial results.

A detailed analysis of the operating losses incurred is set out below:

	30 June 2012				
	LMDC £'m	BK11 £'m	EXPL £'m	CORP £'m	TOTAL £'m
Loss before tax	(7.7)	(19.8)	(0.6)	(2.3)	(30.4)
Adjusted for Impairment loss	-	13.2	0.6	-	13.8
Depreciation & amortisation	1.2	1.7	-	-	2.9
Finance costs	-	0.4	-	-	0.4
Operating loss	(6.5)	(4.5)	-	(2.3)	(13.3)
Operating loss for the first half of the year [1]	(3.6)	(3.4)	-	(1.2)	(8.2)
Operating loss for the second half of the year	(2.9)	(1.1)	-	(1.1)	(5.1)

[1] The analysis above reflects revisions to costs allocated to the first half of the year compared to those announced in the interim results following a comprehensive review of the business carried out in conjunction with the restructuring.

Included in the FY2012 loss before taxation of £30.4 million (2011: £3.0 million) is a non-cash impairment loss of £13.8 million (2011: £nil) and depreciation of £2.9 million (2011: £0.9 million). The impairment charge relates to the BK11 mine following its temporary closure from February 2012. The mine reported operating cash losses of £3.4 million and £1.1 million during the first and second half of FY2012 respectively. The second half losses include costs relating to the mine's closure of £0.2 million. Going forward, the total holding cost of BK11 will be circa £360k per annum.

The operating loss at Liqhobong also reduced during the second half of FY2012, to £2.9 million compared with £3.6 million during the first half. The decrease of £0.7 million in operating losses was achieved despite the plant being closed for a week in April 2012 for certain enhancements and a resulting three week ramp-up period. The plant produced 94,731 carats during the second half of the financial year compared to 69,319 carats during the first half.

Corporate expenses for 2012 totalled £2.3 million (2011: £2.4 million). During the 2011 financial year corporate expenses of £1.3 million were capitalised to development projects resulting in a charge to the income statement of only £1.1 million compared to the £2.3 million charge in FY2012.

In summary, the loss from continuing operations (i.e. Liqhobong and corporate activities) for the 2012 financial year was £8.8 million before finance costs and non-cash depreciation and impairment charges, £4.8 million of which was incurred during the first half of FY2012 and only £4.0 million during the second half of the financial year. The remainder of the £30.4 million loss before taxation relates mainly to BK11. Management does not foresee further impairments or significant costs at BK11.

Management remains committed to minimise losses for the Group and is working towards operational cash break-even at the Liqhobong Pilot Plant whilst pursuing additional corporate cost saving initiatives to further reduce operating losses from ongoing activities.

LMDC

LMDC generated revenue of £5.3 million (2011: £2.2 million) from the sale of 139,556 carats (2011: 17,062 carats for 6 months production). The average diamond price achieved was 54% lower during the year at US$59/carat compared with US$129/carat in the previous year as a result of a weaker diamond market. 15,080 carats of current year production was sold at the July tender at an average price of US$197/carat. The sale, which included 4 special stones, would have resulted in an average price for the year of US$72/carat. Since the sale was only finalised after the year end, the revenue will be recorded in the 2013 financial year.

The £2.9 million operating loss for the second half of FY2012 excludes the revenue for the 15,080 carats which were produced during the year and only sold after year end.

The mine was in commercial production for only one month of the previous financial year when it incurred a loss of £0.5 million. An operating loss of £6.5 million before depreciation and taxation was incurred for the year ended 30 June 2012.

BK11 Mine

The mine commenced commercial production on 1 July 2011 and generated revenue of £1.2 million (2011: £0.3 million) from the sale of 12,392 carats (2011: 6,440 carats trial production). The average diamond price achieved was 29% lower during the year at US$152/carat compared with US$214/carat in the previous year. The average price achieved for the BK11 stones was significantly higher than that of the Liqhobong stones. However, the grade per tonne at BK11 is significantly lower at 2.47 carats per hundred tonnes ('cpht') compared with 33.6 cpht at LMDC, resulting in a lower revenue per tonne of ore.

BK11 is currently reliant on group support to fund its care and maintenance program.

BALANCE SHEET

	LMDC		BK11		EXPL Group		CORP		Total	
	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m
Non-current assets	41.9	44.4	10.6	27.6	1.7	2.3	-	-	54.2	74.3
Current assets (excl. cash)	2.9	2.4	1.1	1.9	-	-	-	0.7	4.0	5.0
Cash equivalents	0.6	0.1	0.4	3.4	-	-	9.6	0.8	10.6	4.3
Interest bearing borrowings	-	-	(2.9)	(5.1)	-	-	-	-	(2.9)	(5.1)
Rehabilitation provisions	(1.9)	(1.1)	(0.9)	(0.6)	(0.4)	-	-	-	(3.2)	(1.7)
Deferred tax liabilities	(3.3)	(3.3)	-	-	-	-	-	-	(3.3)	(3.3)
Current liabilities	(2.4)	(2.3)	(2.0)	(2.3)	(0.4)	(0.2)	(1.1)	(0.4)	(5.9)	(5.2)
Total equity	37.8	40.2	6.3	24.9	0.9	2.1	8.5	1.1	53.5	68.3

During the financial year, the Group changed its accounting policy in respect of exploration costs to better reflect the revised strategy of the Group, primarily focusing on diamond production. As a result, all historical exploration costs have been expensed. Following the change in accounting policy, the Group's total non-current assets as at 30 June 2011 were restated to £74.3 million. During FY2012, additions to property, plant and equipment of £7.6 million, depreciation and amortisation of £2.9 million, an impairment charge of £13.8 million relating to BK11 and foreign exchange losses of £11.0 million led to a decrease of £20.1 million in the value of non-current assets to £54.2 million. Exchange losses relate to the strengthening of Sterling, 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.

Current assets excluding cash decreased by £1 million (2011: £4.0 million increase) from £5 million to £4 million during the financial year (2011: £1 million to £5 million) as a result of derivative financial instruments which matured during the year. Current assets include inventory of £2.4 million (2011: £1.9 million) and accounts receivable of £1.6 million (2011: £2.5 million). Inventory at year end includes 30,946 carats (2011: 8,142 carats) of rough diamonds valued at US$69.25/carat (2011: US$73.42/carat).

At 30 June 2012, the Group had cash balances of £10.6 million (2011: £4.3 million). The increase in cash resources is attributable to an equity placing in March 2012, which raised £14.3 million net of expenses.

Interest bearing borrowings was reduced by £2.2 million (2011: £2.7 million increase) to £2.9 million (2011: £5.1 million) with no new debt financing introduced during the year.

The increase in the rehabilitation provision to £3.2 million (2011: £1.7 million) mainly reflects the Group's increased operating activity at the Liqhobong mine.

Current liabilities mainly comprise trade creditors and accruals. The increase in the current liabilities to £5.9 million at the end of FY2012 (2011: £5.2 million) is mainly due to the Group's increased operating activities.

CASH FLOW

	LMDC		BK11		EXPL		CORP		Total Group	
	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m	2012 £'m	2011 Restated £'m
Cash at the beginning of the year	**0.1**	**-**	**3.4**	**0.1**	**-**	**-**	**0.8**	**5.5**	**4.3**	**5.6**
Cash generated from operations										
Cash generated from operations before working capital adjustments	(5.9)	(0.2)	(6.7)	(0.4)	-	-	(2.3)	(1.1)	(14.9)	(1.7)

Working capital changes	10.2	5.7	8.5	13.7	-	-	(16.0)	(17.3)	2.7	2.1
Cash flows from investing activities										
Property plant and equipment acquired	(3.8)	(5.4)	(2.9)	(12.3)	-	-	-	-	(6.7)	(17.7)
Cash acquired with subsidiaries	-	-	-	-	-	-	-	1.0	-	1.0
Cash flows from financing activities										
Net proceeds from capital raising	-	-	-	-	-	-	27.1	12.7	27.1	12.7
Loan raised	-	-	-	3.6	-	-	-	-	-	3.6
Loans repaid	-	-	(1.9)	(1.3)	-	-	-	-	(1.9)	(1.3)
Cash at the end of the year	**0.6**	**0.1**	**0.4**	**3.4**	**-**	**-**	**9.6**	**0.8**	**10.6**	**4.3**

Cash operating losses during FY2012 of £14.9 million (2011: £1.7 million), £5.9 million (2011: £0.2 million) of which related to LMDC and £6.7 million (2011: £0.4 million) to BK11 were partially offset by an increase in net working capital of £2.7 million (2011: £2.1 million).

The Group invested £6.7 million (2011: £17.7 million) in property, plant and equipment, £3.8 million (2011: £5.4 million) at LMDC and £2.9 million (2011: £12.3 million) at BK11.

On 27 July 2011, the Company issued 48,649,000 shares at 27.75p per share, raising £12.8 million net of expenses, and on 15 March 2012 a further 172,900,000 shares were issued at 8.5p per share raising £14.3 million net of expenses. £12.7 million net of expenses were raised from the issuance of shares during FY2011.

Repayments of £1.9 million (2011: £1.3 million) for debt financing on property, plant and equipment were made during the year with no further debt facilities being raised. £3.6 million of finance was raised during FY2011 from Standard Chartered, mainly to fund development initiatives at the Group's Botswana based assets.

A combination of the above movements resulted in a net increase in cash resources to £10.6 million for the financial year (2011: £4.3 million).

Consolidated statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 £'000	2011 Restated £'000
Revenue	2	6,518	2,453
Raw materials and consumables used		(12,657)	(819)
Employee costs		(5,061)	(829)
Compensation payments to former employees of Kopane		-	(585)
Amortisation and depreciation		(2,864)	(899)
Impairment of property, plant, equipment and intangible assets	4	(13,779)	-
Other operating expenses		(2,189)	(1,600)
Operating loss		**(30,032)**	**(2,279)**
Finance income		16	19
Finance expense		(403)	(753)
Loss before taxation		**(30,419)**	**(3,013)**
Taxation		413	(317)
Loss after tax for the year		**(30,006)**	**(3,330)**
Other comprehensive income:			
Exchange differences on translating foreign operations net of tax		(12,066)	156
Total comprehensive income for the year		**(42,072)**	(3,174)
Loss after tax for the year attributable to:			
Equity holders of the parent		(24,597)	(3,215)
Non-controlling interests		(5,409)	(115)
Loss after tax for the year		**(30,006)**	**(3,330)**
Total comprehensive income for the year attributable to:			
Equity holders of the parent		(35,030)	(3,109)
Non-controlling interests		(7,042)	(65)
Total comprehensive income for the year		**(42,072)**	**(3,174)**
Loss per share			
Basic loss per share (pence)	3	(5.9)	(1.2)

Diluted loss per share (pence)	3	(5.9)	(1.2)

Consolidated statement of financial position as at 30 June 2012

	Note	2012 £'000	Restated 2011 £'000	Restated 2010 £'000
ASSETS				
Non-current assets				
Intangible assets		-	615	1,139
Property, plant and equipment		54,246	73,698	14,568
Total non-current assets		**54,246**	**74,313**	**15,707**
Current assets				
Inventories		2,392	1,853	29
Trade and other receivables		1,604	2,479	1,013
Derivative financial instruments		-	781	-
Cash and cash equivalents		10,618	4,256	5,645
Total current assets		**14,614**	**9,369**	**6,687**
Total assets		**68,860**	**83,682**	**22,394**
EQUITY				
Share capital	5	76,252	64,792	25,578
Share premium		54,856	39,198	25,380
Merger reserve		(1,076)	(1,076)	(1,076)
Translation reserve		(9,870)	563	457
Accumulated losses		(61,371)	(36,922)	(33,836)
Total equity attributable to equity holders of the parent		**58,791**	**66,555**	**16,503**
Non-controlling interests		(5,263)	1,779	(213)
Total equity		**53,528**	**68,334**	**16,290**
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings		1,415	2,736	1,193
Deferred tax		3,314	3,308	-
Provisions		3,169	1,745	-
Total non-current liabilities		**7,898**	**7,789**	**1,193**
Current liabilities				
Interest-bearing loans and borrowings		1,518	2,362	1,168
Trade and other payables		5,916	5,197	3,274
Provisions		-	-	469
Total current liabilities		**7,434**	**7,559**	**4,911**
Total liabilities		**15,332**	**15,348**	**6,104**
Total equity and liabilities		**68,860**	**83,682**	**22,394**

Consolidated statement of changes in equity for the year ended 30 June 2012

Non-con-

	Share capital	Share premium	Merger reserve	Translation reserve	Accumulated losses	Total	trolling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 30 June 2010	**25,578**	**25,380**	**(1,076)**	**429**	**(15,106)**	**35,205**	**75**	**35,280**
Effect of restatement of accounts based on change in accounting policy (note 28)	-	-	-	28	(18,730)	(18,702)	(288)	(18,990)
Restated Balance as at the beginning of the reporting period at 30 June 2010	**25,578**	**25,380**	**(1,076)**	**457**	**(33,836)**	**16,503**	**(213)**	**16,290**
Comprehensive income								
Loss for the year	-	-	-	-	(3,215)	(3,215)	(115)	(3,330)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	-	-	-	106	-	106	50	156
Total comprehensive income for the year	**-**	**-**	**-**	**106**	**(3,215)**	**(3,109)**	**(65)**	**(3,174)**
Contributions by and distributions to owners								
Shares issued in the year	39,214	14,940	-	-	-	54,154	-	54,154
Share issue expenses	-	(1,122)	-	-	-	(1,122)	-	(1,122)
Share-based payment adjustment	-	-	-	-	129	129	-	129
Arising on acquisition of Kopane PLC	-	-	-	-	-	-	2,057	2,057
Total contributions by and distributions to owners	**39,214**	**13,818**	**-**	**-**	**129**	**53,161**	**2,057**	**55,218**
Balance as at 30 June 2011	**64,792**	**39,198**	**(1,076)**	**563**	**(36,922)**	**66,555**	**1,779**	**68,334**
Comprehensive income								
Loss for the year	-	-	-	-	(24,597)	(24.597)	(5,409)	(30,006)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	-	-	-	(10,433)	-	(10,433)	(1,633)	(12,066)
Total comprehensive income 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 adjustment	-	-	-	-	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)**	**(9,870)**	**(61,371)**	**58,791**	**(5,203)**	**53,528**

Consolidated statement of cash flows for the year ended 30 June 2012

	2012	2011 Restated
	£'000	£'000
Cash flows from operating activities		
Loss before taxation	(30,419)	(3,013)
Adjustments for:		
Depreciation, amortisation and impairment	16,643	1,391
Effect of foreign exchange movements	(1,650)	(41)
Interest payable	294	116
Equity-settled share-based payments	148	13
Loss on derivative financial instruments	109	637
Net cash flows from operating activities before working capital changes	**(14,875)**	**(897)**
Increase in inventories	(906)	(1,202)
Decrease in trade and other receivables	1,283	895
Increase in trade and other payables	1,412	1,516
Increase/(Decrease) in provisions	937	(59)
Net cash flows from operating activities	**(12,149)**	**253**
Cash flows from investing activities		
Additions to property, plant and equipment	(6,709)	(17,628)
Cash acquired with subsidiary	-	956
Disposal of non-current assets	-	13
Net cash used in investing activities	**(6,709)**	**(16,659)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares	28,200	13,786
Share issue expenses	(1,082)	(1,122)

Proceeds from long-term borrowings	-	3,633
Repayment of long-term borrowings	(1,556)	(1,049)
Repayment of finance leases	(48)	(40)
Interest paid	(294)	(191)
Net cash from financing activities	**25,220**	**15,017**
Net increase / (decrease) in cash and cash equivalents	**6,362**	**(1,389)**
Cash and cash equivalents at beginning of the year	4,256	5,645
Cash and cash equivalents at end of the year	**10,618**	**4,256**

Notes to the Financial Statements

1. Accounting Policy

Basis of preparation

Firestone Diamonds plc 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 2012 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.

While the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement does not contain sufficient information to comply with IFRS. The Company will publish its full financial statements that comply with IFRS on 22 November 2012 and will make them available to download from the Company's website at www.firestonediamonds.com on that date.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the year ended 30 June 2012 or the year ended 30 June 2011. The financial information for the year ended 30 June 2012 and the year ended 30 June 2011 are extracted from the statutory accounts of Firestone Diamonds plc. The auditor, PKF (UK) LLP, reported on those accounts; their report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The auditor has raised an Emphasis of Matter in relation to going concern as follows:

"In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure 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 for working capital purposes in order to remain a going concern. These conditions, along with the other matters explained in note 1 to the financial statements, 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."

NB: The reference to note 1 in the above is a reference to the Basis of Preparation note contained within the Financial Statements from which the extract reproduced below referring to Going concern is taken.

Going concern

The Group currently has two mines, BK11 in Botswana which is on temporary care and maintenance due to a weak diamond market and additional capital requirements for waste stripping and plant modifications, and Liqhobong in Lesotho which is currently producing from its pilot operation. The Lesotho based Liqhobong mine, the Group's main asset, produced 164,049 carats from its pilot operation during the year. A Definitive Feasibility Study ('DFS') relating to the development of the Liqhobong Mine was released on 25 October 2012. Initial results are positive and the Company is progressing discussions with debt providers and is considering other marketing arrangements to minimise 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 may be necessary to curtail the Group's costs which could include placing the pilot operation at Liqhobong on care and maintenance pending the successful closing of a fundraising. 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 Main Treatment Plant 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.

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 IFRS3, Business Combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition are expensed as incurred.

This represents a change in accounting policy and is reflected within these financial statements as a prior year adjustment. Previously these costs were carried forward as an intangible asset if the rights of tenure for an area was current and it was considered probable that these costs would be recovered through successful development and exploitation of the area of interest. The Group is now focussed upon the development of and production from its mining activities and the Group has reached the conclusion that a policy of immediately expensing exploration and evaluation expenditure provides more relevant information to shareholders than a policy of capitalisation and such a policy more accurately reflects the ongoing activities of the Group. The effect of the restatement of the 30 June 2010 and 30 June 2011 financial statements is set out in note 6.

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.

2. Revenue

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

	2012	2011
	£'000	£'000
Sales of diamonds	6,517	3,005
Sale of other goods and services	1	-
Total revenues	6,518	3,005
Amounts offset against intangible mining under development	-	(552)
Net revenue	6,518	2,453

3. Loss per share

The calculation of the basic loss per share is based upon the net loss after tax attributable to ordinary shareholders of £24.6 million (2011: loss of £3.2 million) and a weighted average number of shares in issue for the year of 420,176,802 (2011: 264,731,812).

4. Impairment of property, plant, equipment and intangible assets

	2012 Group £'000	2011 Group £'000
Impairment of mining property	10,169	-
Impairment of property, plant and equipment used in mining operations	2,995	-
Impairment of exploration research data base	615	-
	13,779	-

The BK11 mine owned by the Company's Botswana subsidiary was placed on short-term care and maintenance in February 2012 as a result of declining diamond prices which also resulted in an impairment charge of the BK11 mining property carrying value of £10.2 million (2011: £nil), and plant and equipment to the value of £3.0 million (2011: £nil),

The impairment of the BK11 mine's recoverable amount was determined on the fair value of the assets less cost of disposal. Fair value of the plant and equipment is determined by reference to current market values of the assets at 30 June 2012. Fair value is the estimated selling price of the assets in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

During the period a further intangible asset, the Group's exploration research data base, was considered fully impaired.

5. Share Capital

On 27 July 2011, the Company issued 46,649,000 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 of 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.

	Ordinary Shares		Deferred Shared		Total Share Equity	
	Number of shares '000	Value of shares £'000	Number of shares '000	Value of shares £'000	Number of shares '000	Value of shares £'000
Allotted, called up and fully paid						
At 1 July 2010	127,891	25,578			127,891	25,578
Issued on 29 September 2010	140,414	28,083			140,414	28,083
Issued on 3 December 2010	52,000	10,400			52,000	10,400
Issued on 14 December 2010	438	87			438	87
Issued on 24 December 2010	47	9			47	9
Issued on 8 March 2011	2,359	472			2,359	472
Issued on 6 May 2011	815	163			815	163
At 1 July 2011	323,964	64,792			323,964	64,792
Issued on 27 July 2011	48,649	9,730			48,649	9,730
Ordinary 20p shares sub-divided into one ordinary share of 1p each and 19 deferred shares of 1p each		(70,797)	7,079,649	70,797	7,079,649	-
Issued on 15 March 2012	172,900	1,730			172,900	1,730
At 30 June 2012	545,513	5,455	7,079,649	70,797	7,625,162	76,252

6. Effect of the change in accounting policy on the net assets and loss after tax

The Company has revised its treatment of exploration costs. Previously these costs were carried forward as an intangible asset if the rights of tenure for an area were current and it was considered probable that these costs would be recovered through successful development and exploitation of the area of interest. The Group is now focussed upon the development of and production from its mining activities and the Group has reached the conclusion that a policy of immediately expensing exploration expenditure provides more relevant information to shareholders than a policy of capitalisation and such a policy more accurately reflects the on-going activities of the Group. Future exploration costs will be expensed in the period in which they are incurred.

This represents a change in accounting policy and is reflected within the financial statements as a prior year adjustment with the opening balance sheet as at 30 June 2010 being restated. There are also consequential restatements of the financial statements as at 30 June 2011 representing the write off of historically incurred exploration expenditures as at 30 June 2010 and expenditure incurred since that date.

	Previously stated £'000	Adjustment £'000	Restated £'000
Net assets:			
30 June 2010	35,280	(18,990)	16,290
30 June 2011	88,174	(19,840)	68,334

The line items affected were intangible assets (2011: £10,597,000 and 2010: £18,990,000) and property, plant and equipment (2011: £9,243,000 and 2010: £nil).

Loss after tax attributable to equity shareholders:			
30 June 2011	(2,998)	(217)	(3,215)

The line item affected was other operating expenses.

Loss per share			
30 June 2011	(1.1p)	(0.1p)	(1.2p)

7. Annual General Meeting

The Company's Annual General Meeting will be held at the office of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT on 14 December at 2:30 pm.

8. Qualified person review

The information in this statement has been reviewed by Mr. Tim Wilkes, B Sc, Pr Sci Nat, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr. Wilkes is a director of the Company and its Chief Executive Officer and has over 25 years experience in diamond exploration, mineral resource management and mining. Mr. Wilkes is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).

9. Announcement and Annual Report

This announcement was approved by the board on 12 November 2012. The Annual Report for the year ended 30 June 2012, including the auditors' report and notice of Annual General Meeting, will be posted to shareholders on 22 November 2012 and will be available from the same date, to download from the Company's website at www.firestonediamonds.com.