Final results for the year ended 30 June 2019

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Firestone Diamonds plc
("Firestone", the "Group" or the "Company")

Final results for the year ended 30 June 2019

Firestone Diamonds (AIM: FDI), a diamond producer with operations focused in Lesotho, announces its final audited results for the year ended 30 June 2019.

Summary

A disappointing year for the Company despite a solid operational performance, which saw revenues decline due to a weak diamond market and a reduction in carats sold.

Liqhobong Diamond Mine ("Liqhobong", the "Project" or the "Mine")

- Lost Time Injury Frequency Rate of 0.23 compares favourably to the Group's peers;
- Strong operational performance:
  - 21% increase in total tonnes mined to 8.1 million tonnes ("mt") (2018: 6.7 mt);
  - Marginally lower ore tonnes treated of 3.7 mt (2018: 3.8 mt);
  - 53% increase in waste tonnes mined to 4.4 mt (2018: 2.9 mt);
  - Higher grade of 22.6 carats per hundred tonnes ("cpht") (2018: 22.0 cpht);
  - Lower operating cost per tonne treated of US$11.48 (2018: US$11.62);
  - 829 458 carats recovered (2018: 835 832 carats); and
  - 774 830 carats sold (2018: 831 637 carats).
- Largest diamond recovered to date in October 2018 was a 311 carat near-gem diamond; and
- Most valuable diamond sold to date in March 2019 was a white makeable diamond which realised US$1.6 million.

Financial

- Lower revenue of US$57.2 million (2018: US$62.2 million);
- Lower average diamond value per carat realised of US$73 (2018: US$75);
- Loss of US$56.9 million (2018: US$14.2 million), which includes an impairment charge of US$41.6 million and a deferred tax charge of US$6.3 million;
- Higher adjusted EBITDA[1] of US$11.7 million (2018: US$7.7 million);
- Cash balance of US$26.3 million (2018: US$18.4 million);
  - US$17.5 million unrestricted (2018:US$9.7 million unrestricted); and
- Loss per share of 8.2 US cents (2018: 2.8 US cents).

1 The measure of operational cash performance calculated as earnings before interest, tax, depreciation, amortisation and non-cash share-based payments expense.

Post Period

- Power supply issue:
  - Power disruption from 1 October due to 'Muela Hydro-Power Station shutdown;
  - Operations resumed from 26 October using diesel generated power;
  - The disruption caused by the electricity supply issue has exacerbated a difficult outlook for the Company, resulting in an inability to meet the scheduled debt repayments in the near term;
- December ABSA capital repayment of US$2.0 million deferred;
- ABSA signed non-binding term sheet received for deferral of capital repayments for a 15-month period to 31 March 2021; and

- Non-binding term sheets received from the bondholders to provide a US$6.0 million working capital facility until 31 March 2021.

Paul Bosma, Chief Executive Officer, commented:

"The year's performance was solid from an operational perspective, as we delivered results within our guidance range for all items within our control. From a diamond pricing perspective, it was a tough year, particularly for the smaller, lower value goods and these conditions are expected to persist for the foreseeable future until the end of 2020 when global rough supply is expected to reduce.

Due to the expectations of a continued subdued pricing environment, combined with the recent power disruption to operations, the Company has continued to engage with its debtholders and has made good progress to ensure it can sustain operations through the current downturn. More information in this regard is contained in this announcement as well as the Annual Report."

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About Firestone

Firestone is an international diamond mining company with operations focused in Lesotho. Firestone commenced commercial production in July 2017 at the Liqhobong Diamond Mine. Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho. Lesotho is one of Africa's significant new diamond producers, hosting Gem Diamonds' Letšeng Mine, Firestone's Liqhobong Mine, Namakwa Diamonds' Kao Mine and Lucapa's Mothae Mine.

Chairman's letter

Dear shareholder

This has been an extremely challenging year for the diamond sector as a whole, with depressed diamond prices being experienced, particularly at the smaller end of the market, which is of particular relevance to Firestone. As a result the Company has received lower prices for diamonds sold during the year, which has resulted in a drop in revenue from expected levels. Our view of forecast diamond pricing over the short-term has also changed and this is the main reason for the US$41.6 million impairment recorded for the year. Nevertheless the team on the ground at our Liqhobong Mine have done an excellent job at focusing on all elements under their control and this has resulted in a strong production result with cost control, in particular, offsetting some of the disappointing revenue shortfall.

More detail is provided later in this report regarding the difficult market conditions, but we have sought to manage the Company such that we can withstand the weakness and maintain our ability to enjoy the benefits of the anticipated market recovery, when it comes.

Performance in FY2019

We are extremely proud of our safety record, which has been exemplary all through construction and during production. Whilst we still maintained an extremely good safety record this year, by industry standards, our record of 6.7 million hours worked without a lost time injury unfortunately came to an end when an incident occurred in the first quarter, followed by another in the final quarter to the end of June. Whilst the injuries were minor, we regard these matters very seriously. We have redoubled our efforts on safety and awareness, in order to ensure this does not become a trend and that we maintain industry-beating standards.

We were particularly pleased with the 4-star NOSA rating that was awarded to Liqhobong during the year in respect of an occupational health, safety and environmental management system audit, which acknowledges the Company's very high standards and performance in this regard.

Firestone realised an average diamond value for the year that was marginally weaker than a year earlier, mainly due to lower prices for smaller run-of-mine ("ROM") diamonds, with larger diamonds helping to boost the average value.

Several larger, more valuable diamonds, the occurrence of which is unpredictable, were recovered in the year. Highlights in this category included several plus-50 carat white and yellow diamonds, as well as some other, smaller high-valued coloured diamonds.

Management did an exemplary job at managing costs during the year, which were significantly lower than guidance and I am pleased to see the culture of cost consciousness which exists across the business. In addition to lower costs in local currency terms, the weaker local currency also provided opportunities which contributed to lower costs being reported in US dollars.

Paul Bosma, in his first year as CEO, and the whole team have done a tremendous job at focusing on those metrics that are within our control, namely: safety, costs and production.

The actions taken at the back end of 2017 to restructure the balance sheet and defer debt has proven to be absolutely the correct decision at the time, given how much further markets have weakened since then. We continue to engage closely with our major shareholders, bondholders and lenders, who continue to provide us with strong support. Prior to year end, ABSA agreed to waive certain covenants at the end of June measurement date, and our bondholders also agreed not to receive interest in cash for the twelve month period to end June 2020, subject to shareholder approval.

Update and outlook for FY2020

Since the year end, the market has remained subdued and as a result we realised lower than expected average values for our September and October sales of US$63 and US$70 respectively. In terms of resource performance, lower carat recoveries have persisted in a particular area of the open pit which has resulted in fewer than expected carats being recovered.

In addition, production was hampered due to an electricity supply issue which occurred on 1 October 2019. Our Liqhobong Mine is supplied electricity from the 'Muela Hydro-Power Station which is owned by the Lesotho Electricity Company ("LEC"). The power station commenced a two-month maintenance shutdown on 1 October 2019 at which time ongoing supply was expected to be provided by Eskom, South Africa's power utility company. However, due to factors that were beyond any of the parties' control, and mainly due to the long distance between the Mine and Eskom's nearest power generation facility, the quality of voltage was insufficient to run our processing plant. Management reacted swiftly, and a battery of diesel generators was sourced on a short-term rental basis. It took until 25 October 2019 to conclude the rental agreement, mobilise, site establish and synchronise with our electrical infrastructure before production recommenced from 26 October 2019.

Whilst we have been in discussions with ABSA Bank and our bondholders for several months to find a longer-term solution to the high levels of debt in the business, the combination of the factors above placed the Company under increased cash pressure in the short term and therefore the urgency to find an interim solution. As disclosed in Note 1 - Going Concern, and subsequent to the year end, non-binding term sheets were received from ABSA Bank in respect of a 15-month capital deferral and from the bondholders in respect of providing a US$6.0 million working capital facility over the same period.

In the coming year, we will focus on completing the financing arrangements, and expect to make progress on a potential extension to the current eight-year mine life. Investigations into the reasons for the lower recoveries are well underway and a process is in place to update the mineral resource in early 2020. We will also continue to ensure that we operate at the required rates and in the most efficient manner, to control costs and optimise revenue, while waste stripping increases as the Mine becomes deeper.

Total cash cost for the year, including waste, is expected to be higher than in FY2019 mainly as a result of the increased waste stripping requirement, and to range between US$13.50 and US$14.50 per tonne treated based on an average Rand:US Dollar exchange rate of R14.50.

Board, corporate culture and governance

A number of changes to the Board reflect the current strategic issues facing the Company as we moved away from construction and ramp up to ongoing production in challenging market conditions. As mentioned last year, Patrick Meier joined the Board in July 2018, and assumed the role of Chair of the Audit Committee. Eileen Carr joined the Board in April 2019, and has become a member of the Audit and Remuneration Committees. Patrick Meier also became the Chair of the Remuneration Committee at the end of April as Paul Sobie stepped down.

Since the financial year end, Michael Stirzaker has joined as the Pacific Road nominee to the Board, replacing Niall Young.

I would like to thank Paul Sobie and Niall Young for their hard work, engagement and wise counsel over many years. Their contributions were invaluable during a key part of the Company's transformation into a major diamond producer.

The Board has always been fully committed to high standards of governance. The Company has adopted the QCA Corporate Governance Code (the 'QCA Code') and recognises that applying sound principles in running the Company will provide a solid basis for growth, optimisation of returns and enhance trust with our stakeholders.

We are committed to ensuring that the highest safety and environmental standards are maintained and see to it that appropriate systems and policies are in place to manage these risks appropriately. We take a serious approach to all safety and environmental incidents as we believe that the action taken when a minor incident occurs will significantly reduce the chances of a similar but more serious accident from occurring in the future.

Further, we take the maintenance of the highest standards of corporate culture, integrity and ethics to be key, and a priority for myself and the Board to instil at all levels of the Company. From a community relations point of view, our work is guided by our CSR Policy with its supporting procedures. The policy defines Liqhobong's standards for corporate social responsibility and community relations which are essential in creating and sustaining lasting relations with the communities alongside which we operate.

In 2018, we conducted an independent community needs analysis so that, as a business, we remain relevant by aligning our goals with the long-term interests of communities affected by our operations. This analysis was used to inform the Company's CSR Policy and will continue to be useful in formulating our strategies and initiatives.

Each month, as part of maintaining open and transparent communication with our communities, we hold leadership meetings with the Company's management team and community leaders. Through these meetings, we have a consistent way of addressing grievances, designing projects and other social responsibility initiatives, and maintaining open communication and mutual relationships.

Lastly, I would like to extend my thanks to our shareholders and lenders for their continued support, the management team and our staff for the excellent operational performance during the year and for maintaining our first-rate safety record. I look forward to updating our shareholders and stakeholders in the coming months.

Lucio Genovese
Non-Executive Chairman

CEO's REVIEW

Highlights

- **3.7m** ore tonnes treated
- **829 458** carats recovered
- **4.4m** waste tonnes mined
- **US$11.48** cash operating cost per tonne treated
- **311** carat near-gem diamond recovered, the largest to date at Liqhobong
- **70** carat white diamond sold for US$1.6m, most valuable diamond sold to date

Introduction

In my first year as CEO of the Company, I am pleased to report on another strong operational performance from our Liqhobong Diamond Mine in Lesotho. However, this was against the backdrop of lower revenue as a result of fewer carats sold, a deteriorating diamond market and poor average sales values received for the ROM diamonds less than approximately 0.7 carats per stone that form the bulk of Liqhobong's production by volume. Nevertheless, we managed to end the year with a higher cash balance of US$26.3 million, mainly due to the 18-month debt repayment holiday agreed with ABSA Bank at the end of 2017. We resumed repayment of our principal debt with ABSA from June 2019.

During the year there were two lost time injuries that occurred after working 6.7 million hours lost time injury free. Fortunately, the two affected contractors sustained minor injuries and were able to return to work after a period of recovery. There were no major environmental incidents during the year, only minor incidents relating mainly to isolated spillages. We recognise that the communities situated in the vicinity of the Mine are crucial stakeholders and an important source of local employment. We aim to provide benefits to those communities and one of the projects that was initiated during the year, "Lema u Phele" which means plant and live, involves providing assistance to local farmers in order for them to grow and harvest fresh produce for sale to the Mine. Five villages have participated so far and the initiative will be expanded in the future to increase the variety and quantity of the fresh produce available for purchase by the Mine.

The operations performed solidly during the year, achieving guidance in respect of the quantity of carats recovered, ore and waste tonnes mined, and exceeding guidance in respect of operating costs. A record quantity of 8.1 million tonnes was mined during the year in terms of the most recent mine plan, which is 1.4 million tonnes more than the 6.7 million tonnes mined in the previous year and includes 4.4 million tonnes of waste (2018: 2.9 million tonnes). The objective of the mine plan is to deliver the best returns in the medium term at low risk whilst at the same time offering optionality of taking advantage of the longer life of mine should the average diamond values increase or should there be an improvement in market conditions. Operating costs continued to be very well managed and were well below guidance for the year, both in local currency terms and in US Dollar terms due to a weaker Lesotho Maloti.

Water supply is crucial to the Mine's operations, and during the year, the rainy season commenced very late; however, we managed to fill our water reservoirs during April just in time, before the onset of the dry season. Unpredictable weather patterns linked to global climate change have become a reality over the last few years in Southern Africa and the rest of the world and we monitor our water availability and consumption closely. Electricity supply is also crucial for the Mine's operations, as highlighted by the power interruption, which occurred subsequent to the year end, and as more fully described in the Chairman's Letter above.

In order for Firestone to thrive, we need to regularly recover larger, better quality diamonds and we need to see an increase in the price we receive for our ROM diamonds. We expect ROM prices to recover, assuming consumer demand for diamond jewellery remains stable, as supply decreases as predicted through 2020 and 2021 due to the closure of mines, most notably the Argyle Mine in Australia.

Our focus is to ensure that the Company makes it through the current downturn in the diamond industry by continuing to excel at the factors that we can control, such as safety, production and operating costs, and by working with our debt holders and major shareholders to find a longer-term solution to the high levels of debt in the business.

Diamond sales

	Q1	Q2	Q3	Q4	**Total FY2018**	Q1	Q2	Q3	Q4	**Total FY2019**
Revenue										
Diamonds sold (carats)	195 330	156 942	217 380	261 985	**831 637**	194 206	191 735	211 368	177 521	**774 830**
Revenue (US$'m)	13.5	12.5	17.6	18.6	**62.2**	13.5	13.9	16.8	12.7	**56.9**
Average value (US$/ct)	69	80	81	71	**75**	70	72	80	71	**73**
Number of sales	2	2	2	2	**8**	1	2	2	2	**7**
Diamonds which sold for over US$500 000 each										
Number					**2**					**5**
Value (US$'m)					**2.1**					**4.9**

The Group realised revenue for the year from its seven sales amounting to US$56.9 million from the sale of 774 830 gem carats at an average value of US$73 per carat. During the year, higher revenue from an increased number of valuable diamonds sold for more than US$500 000 each was offset by a decrease in the average prices for ROM diamonds.
The average value of Liqhobong's larger, better quality diamonds, which includes all diamonds larger than 10.8 carats, was 48% higher than in the prior year, buoyed by the recovery of several high-value diamonds which included a 70 carat white diamond which sold for US$1.6 million and a 46 carat white clivage diamond which sold for US$1.2 million. However, the positive impact was offset by a lower average value realised for ROM diamonds, which decreased by 23% during the year due to a combination of an over-supply of smaller goods and reduced lending in the industry.
Revenue was also lower due to 56 807 fewer carats sold compared to the previous year as a result of the timing of sales and seven sales during the year compared to eight sales in the previous year. Although the average value was lower for the year, it was broadly in line with the base case assumption used for purposes of the ABSA debt restructuring which took place during the previous year.

	Q1	Q2	Q3	Q4	**2019**	2018
Production						
Ore (tonnes)	1 012 323	884 252	862 838	904 902	**3 664 315**	3 802 568
Waste (tonnes)	961 013	902 151	1 242 481	1 337 281	**4 442 926**	2 910 636
Total (tonnes)	1 973 336	1 786 403	2 105 319	2 242 183	**8 107 241**	6 713 204
Carats recovered (carats)	240 733	224 947	155 206	208 572	**829 458**	835 832
Grade (carats per hundred tonnes)	23.8	25.4	18.0	23.0	**22.6**	22.0

Production
During the year, a record 8.1 million tonnes was mined, which was 1.4 million tonnes more than the prior year of 6.7 million tonnes.
The amount of ore tonnes treated for the year is a function of the quantity of tonnes available from mining and from stockpiles, and the availability of the treatment plant which can be impacted by unscheduled maintenance and breakdown delays. During the first quarter, over 1 million tonnes of ore was treated. However, fewer tonnes of ore were treated during Q2 and Q3 due to unplanned downtime as a result of a scrubber failure in November and front end and conveyor breakdowns during early January 2019, at a time when it was challenging to mobilise support crews from South Africa. During the fourth quarter, production increased to just over 0.9 million tonnes and contributed towards the achievement of guidance for the year in respect of ore tonnes treated and carats recovered.
Although the grade for the year of 22.6cpht was marginally higher than the prior year's 22.0cpht, a lower Mine Call Factor ("MCF") of 91% was recorded (2018: 98%). MCF is a function of the actual quantity of carats recovered as a percentage of carats according to the reserve model of a particular ore block. An investigation commenced into the reasons for the lower than expected MCF, particularly in one area in the south eastern part of the open pit. These results will be incorporated in the updated block model which is expected to be completed during the 2020 financial year.
Waste mining for the year of 4.4 million tonnes was 1.5 million tonnes more than the previous year of 2.9 million. During the first two quarters of the year, 1.0 million tonnes and 0.9 million tonnes of waste was mined, which was lower due to restricted access to Cut 2 south and poorer equipment availability during that period. However, there was a marked improvement during Q3 and Q4 as equipment availability and access to Cut 2 improved and additional fleet was supplied by the mining contractor.

Mine development
During the year further work was conducted to determine the viability of a Cut 3 open pit extension based on revised, steeper slope angles. The results of the exercise indicated that a Cut 3 was potentially viable and could extend the mine life by approximately three years should the key economic factor, the average diamond value, improve over time. However, based on average diamond values realised, and considering the increased cost of moving the additional waste tonnes, the extension was not considered economically viable at that stage. However, we continue to assess alternative life of mine extension options that are based on steeper slope angles which may result in a partial as opposed to a full third cut. Work in this regard is expected to be completed during the 2020 financial year.

Diamond breakage
During the year, a number of minor modifications were made to the recovery process which resulted in a substantial decrease in diamond damage to below 2%, which is well within accepted industry standards.

Resource and reserve statement
Diamond Resource and Reserve update for Liqhobong Diamond Resource
Diamond Resource
The Diamond Resource was updated at the end of the financial year to account for the mining that took place during the year. A total of 3.694 million tonnes and 1.103 million carats were depleted. There was a net loss of 0.053 million tonnes containing 0.015 million carats due to changes in the pipe contact. At the end of the year, a total of 0.071 million tonnes of ore and 0.018 million carats was estimated to reside on the ROM, in the pit and in low-grade stockpiles. Therefore, as at 30 June 2019, the total Indicated Resource was 25.234 million tonnes at a grade of 27 cpht containing 6.693 million carats, which is a 13.7% reduction compared to the 2018 Indicated Diamond Resource statement. There were no changes to the Inferred Resource.

Diamond Resource statement for Liqhobong Main Pipe as at 30 June 2019 (including reserves)

		Diamond Resource				
Diamond Resource category	Depth from and to	Volume in m3 (millions)	Density (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Indicated	2 603 masl to 2 467 masl	9.618	2.62	25.234	27	6.693
Inferred	2 467 masl to 2 127 masl	18.135	2.65	48.064	28	13.553
Total Diamond Resource		**27.753**	**2.64**	**73.298**	**28**	**20.246**

- Diamond Resources as at 30 June 2019, reported inclusive of reserves.
- Tonnes are metric tonnes and totals are rounded.
- Stated at a bottom cut-off of 1.25mm square apertures.

Diamond Reserve
The Diamond Reserve was updated at the end of the financial year to account for mining that took place during the year. Therefore, as at 30 June 2019, the total Probable Reserve was 25.230 million tonnes at a grade of 22 cpht containing 5.623 million carats, which is an 11.6% increase compared to the 2018 Probable Diamond Reserve statement. Improved pit design optimisation initiatives resulted in increased recoverable reserves during the period.

In addition to the Probable Diamond Reserve, the 2017 split shell mine plan also assumes mining of a portion of the Inferred Diamond Resource totalling some 5.5 million tonnes and 1.33 million carats. The latest mine plan contemplates mining of a Cut 1 and Cut 2 and has the optionality to revert to a longer LOM plan, which includes a Cut 3, should there be a general improvement in the project economics including average diamond values or exchange rate, or further optimisation which is made possible by adopting steeper slope angles.

Diamond Reserve statement for the Liqhobong Main Pipe as at 30 June 2019

		Diamond Reserve			
Diamond Reserve category	Depth from and to	Density (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Probable	2 603 masl to 2 467 masl	2.62	25.230	22	5.623
Total Diamond Reserve		**2.62**	**25.230**	**22**	**5.623**

- The above Diamond Reserve is stated at a 1.25mm slotted screen bottom cut-off.
- The average diamond price per carat is estimated at US$77/ct.
- The plant is currently using a bottom cut-off configuration of 1.25mm slotted screens which necessitates the application of a resource to reserve modifying factor of 0.84 for mine planning purposes.
- Tonnes are metric tonnes and totals are rounded.

During the 2020 financial year, the geological model will be updated to reflect all geological changes that have taken place since production commenced. Once the geological model is updated, a revised block model will be generated, which will provide the necessary information to determine the potential for a life of mine extension.

FINANCIAL REVIEW

Highlights

- **US$57.2m** revenue
- **774 830** carats sold
- **US$10.3m** gross profit
- **US$73** average value per carat
- **US$56.9m** loss after tax (including an impairment charge of US$41.6 million)
- **US$11.7m** Adjusted EBITDA
- **US$26.3m** in cash

Summary

The Group had a good year from an operating perspective, having produced at similar levels to the previous year at an operating cost of US$46.9 million, which was US$10.2 million lower than the previous year's US$57.1 million. Operating costs, which continued to be very well managed during the year, included the full impact of the lower cost structure of a new mining contractor, which took over mining activities in the second half of the previous financial year. However, continued challenging conditions in the diamond industry resulted in an impairment charge of US$41.6 million and a tax charge of US$6.3 million, due to the write-back of a deferred tax asset which relates to the impairment, resulting in a loss for the year of US$56.9 million (2018: US$14.2 million), and placing the Group's Statement of Financial Position into a negative equity position.

Operational cash performance as measured by Adjusted EBITDA was US$11.7 million, which was US$4.0 million better than the previous year of US$7.7 million. After working capital changes and capital spend, the operating cash result is US$13.1 million, which compares highly favourably to an outflow in the previous year of US$8.6 million. However, this is impacted by the timing of the June 2018 sale proceeds of US$10.4 million which were received at the beginning of the current financial year, and which, once accounted for, result in a more comparable operating cash result of US$2.7 million versus US$1.8 million in the previous year.

Net increase in cash was US$7.3 million (2018: US$0.9 million), mainly due to very low ABSA capital repayments of US$1.9 million in June 2019, after an 18-month capital grace period, and the Group ended the year with cash balances of US$26.3 million (2018: US$18.4 million), of which US$17.5 million (2018: US$9.7 million) was unrestricted.

During the early part of the year, and as a result of the continued weaker diamond market, the Company engaged with the bondholders to consider ways to restructure the bond portion of the Company's debt, having responded in the previous year by shoring up cash reserves and by restructuring the Group's principal debt with ABSA Bank. Engagement continued into the second half of the year when it became evident that, based on lower average diamond value scenarios, Liqhobong forecast that it would breach two of its forward-looking covenants with ABSA Bank, namely the forecast debt service cover ratio and the loan life cover ratio, further details of which is provided in note 15 of this report. Through the mutual support and co-operation of ABSA Bank and the bondholders, agreement was reached and a covenant waiver was granted by ABSA Bank on 28 June 2019. At the same time, the bondholders agreed to receive interest on the Series A Eurobonds in shares rather than in cash, as required by ABSA, and a further condition of maintaining a minimum Group working capital level of US$2.0 million was agreed to.

The Group remains under considerable cash pressure due to the weaker diamond market, and the situation was exacerbated by the commencement of capital repayments to ABSA Bank after an 18-month capital grace period which ended on 30 June 2019, and by the loss of revenue in October and November 2019 due to the power supply issue. Subsequent to the year end, a non-binding term sheet was received from ABSA Bank to defer capital repayments for a further 15-month period to 31 March 2021, and additionally, a non-binding term sheet was received from the bondholders to provide the Company with a US$6.0 million working capital facility to fund short-term forecast cash flow shortfalls which result from the irregular timing of diamond sales proceeds during the same period. The financing arrangements are discussed under the heading "Update and outlook for FY2020" in the Chairman's letter, and in the Going Concern statement. It is anticipated that definitive agreements will be concluded during the first quarter of 2020. Discussions will continue with ABSA Bank and the bondholders during the 2020 financial year as further information becomes available regarding the potential extension of the mine life in order for a longer-term solution to be structured to address the Group's high levels of indebtedness, at lower average diamond values.

Statement of profit and loss

US$'million	**2019**	2018
Revenue	**57.2**	62.2
Less:		
Cost of sales	**46.9**	57.1
Gross profit	**10.3**	5.1
Other income	**1.5**	1.3
Selling and administrative costs	**5.9**	6.1
BK11 care and maintenance	**0.3**	0.5
Corporate costs	**3.2**	3.4
Amortisation and depreciation	**1.4**	2.4
Share-based payments	**0.6**	1.3
Impairment	**41.6**	-
Net finance cost	**9.3**	10.2
Loss before tax	**50.5**	17.5
Income tax (charge)/credit	**(6.4)**	3.3
Net loss after tax	**56.9**	14.2

Cost of sales

Cost of sales relates to Liqhobong and comprises the on-mine operating costs, depreciation and amortisation expenses that are associated with the diamonds sold during the year.

US$'million	**2019**	2018
On-mine cash costs excluding waste stripping	**32.0**	35.6
Waste stripping cost	**10.0**	8.6
On-mine cash costs	**42.0**	44.2
Less: Waste stripping cost capitalised	**(3.0)**	-
Waste stripping amortised	**0.3**	0.3

Depreciation	**8.6**	10.5
Diamond inventory movement	**(1.3)**	1.3
Share-based payments	**0.3**	0.8
Cost of sales	**46.9**	57.1
Production		
Ore (million tonnes)	**3.66**	3.80
Waste (million tonnes)	**4.44**	2.91
KPIs:		
Cash operating cost (US$):		
- per tonne treated	**11.48**	11.62
- per tonne mined	**5.19**	6.59
Cash operating cost (LSL):		
- per tonne treated	**162.23**	149.40
- per tonne mined	**73.32**	84.70
Accounting cost per tonne treated (US$)	**13.09**	14.45

Cost of sales for the year of US$46.9 million was US$10.2 million lower than the previous year's US$57.1 million, mainly due to US$2.2 million lower on-mine cash costs, US$3.0 million of waste costs being capitalised to the balance sheet, and US$1.9 million lower depreciation.
On-mine cash costs of US$42.0 million were US$2.2 million lower than the prior year of US$44.2 million despite a 21% increase in tonnes moved for the year to 8.1 million tonnes (2018: 6.7 million tonnes). A combination of continued stringent cost management and lower costs contributed to the lower cost per tonne mined for the year, in Lesotho Maloti of LSL73.32 compared to LSL84.70 in the previous year. The cost per tonne mined was also favourable in US Dollar terms at US$5.19 compared to US$6.59 in the previous year. Mining costs were 24% lower for the year at US$2.36 per tonne moved compared to US$3.11 per tonne moved in the prior year, including waste, due to a change in rates from a new mining contractor, which accounts for 15% of the variance, and a weaker Lesotho Maloti versus the US Dollar of LSL14.14:US$1 (2018: LSL12.86:US$1) which accounts for the remaining 9% of the variance.
During the year, particularly in the first half, several unexpected production interruptions were experienced. Minor delays occurred due to snowfall which hampered access to ore in the pit, and when one of the two scrubbers was removed from production for a three-week period while a replacement part was manufactured. Despite the interruptions, which resulted in marginally fewer tonnes treated during the year of 3.7 million tonnes (2018: 3.8 million tonnes), and inflationary cost increases in Lesotho, the cash operating cost per tonne treated was lower than the previous year at US$11.48 (2018: US$11.62), which is an excellent result.

Gross profit
Lower revenue for the year of US$57.2 million (2018: US$62.2 million) was offset by lower cost of sales of US$46.9 million (2018: US$57.1 million), resulting in a US$5.2 million increase in gross profit to US$10.3 million for the year (2018: US$5.1 million). This represents a significant increase in margin to 18% (2018: 8%), despite a lower average value achieved for the year of US$73 per carat (2018: US$75 per carat).

Liqhobong selling and administrative expenses
Selling and administrative costs are specific to the Liqhobong operation and incorporate costs to maintain the administrative function of the business and all costs in respect of selling the diamonds that are recovered from the Mine. Costs for the year of US$5.9 million were US$0.2 million lower than the previous year of US$6.1 million mainly due to lower selling costs as a result of lower revenue for the year.

Corporate overhead
Corporate costs for the year of US$3.2 million were marginally lower than the previous year's US$3.4 million and reflect management's continued efforts in reducing operating costs across the business.

Impairment
The value of the Liqhobong cash-generating unit was reassessed at year end based upon key assumptions that were considered reasonable as at the year end, adjusting for relevant impacts that have occurred since the year end, as disclosed more fully in Note 7 - Impairment.
The key assumptions include forecast average diamond values and Mine Call Factor ("MCF"), both of which changed compared with those applied in the previous year. The diamond market has remained weak, particularly in respect of the smaller, lower-quality diamonds which comprise 80% of Liqhobong's production by volume. Based on the forecast diamond supply/demand dynamics as discussed more fully in the Market Context section of this report, we forecast flat pricing for better quality stones over the next four years, thereafter increasing by 1.5% real. The pricing for lower-quality goods is forecast to recover to 2017 price levels by the 2023 financial year and to recover further to 2013 price levels by the 2024 financial year, at a stage where global supply is forecast to be at similar levels to those in 2013. Previously, an MCF of 100% was assumed. Due to the lower than expected MCFs being realised, as more fully discussed in the Grade and Adjusted EBITDA key performance indicators in the complete version of the Annual Report and Accounts, a forecast MCF of 95% has been applied throughout the life of mine.
These assumptions, together with others, were applied to the existing seven year life of mine plan, resulting in a recoverable value for the asset of US$64.3 million, which was US$38.3 million lower than its carrying value of US$102.6 million, giving rise to an impairment charge.

Net finance expense
Net finance cost includes the amortisation of upfront fees and, in the case of the ABSA debt facility, the upfront insurance premium paid to the Export Credit Insurance Corporation of South Africa ("ECIC").

	2019					2018				
Cost of financing (US$'million)	**Cash cost**	**Settled in shares**	**Capitalised**	**Amortised cost**	**Total cost**	Cash cost	Settled in shares	Capitalised	Amortised cost	Total cost
ABSA debt facility	**3.5**	**-**	**-**	**2.4**	**5.9**	3.2	-	-	3.0	6.2
Series A Eurobonds	**-**	**2.4**	**-**	**1.3**	**3.7**	-	2.4	-	1.3	3.7
Series B Eurobonds	**-**	**-**	**0.6**	**0.1**	**0.7**	-	-	0.5	0.1	0.6
Other finance cost	**0.1**	**-**	**0.1**	**0.3**	**0.5**	0.2	-	-	0.3	0.5
	3.6[1]	**2.4**	**0.7**	**4.1**	**10.8**	3.4	2.4	0.5	4.7	11.0
Less: Finance income	**1.0**	**-**	**0.5**	**-**	**1.5**	0.8	-	-	-	0.8
Net finance cost	**2.6**	**2.4**	**0.2**	**4.1**	**9.3**	2.6	2.4	0.5	4.7	10.2

1 - In addition, US$1.3 million in cash finance cost was paid during the year, US$0.9 million of which was accrued in the previous year, and US$0.4 million in respect of an ECIC premium adjustment. Total cash finance cost per the cash flow is therefore US$4.9 million.

During the year, the average US Dollar three-month LIBOR rate was 2.53%, which was higher than the average rate of 1.66% in the previous year.

Tax charge
The tax charge for the year of US$6.4 million comprises a decrease in the deferred tax asset recognised in Liqhobong of US$6.3 million, and an income tax charge of US$0.1 million in Kopane Diamonds. Based on the financial model used for purposes of the impairment assessment discussed above, no tax losses

are forecast to be utilised over the next three-year period to June 2022, resulting in the reversal of the deferred tax asset and the subsequent deferred tax charge, which are further discussed in Note 8 and 11. The tax charge in Kopane Diamonds relates to expired tax credits which are chargeable against income.

Net loss for the year

The Group recorded a net loss for the year of US$56.9 million, which was US$42.7 million more than the prior year's loss of US$14.2 million, due mainly to the impairment charge of US$41.6 million, and associated deferred tax asset reversal of US$6.3 million.

Debt

At the year end, on 28 June 2019, the Company repaid US$1.9 million of the ABSA debt facility after an 18-month capital grace period which had been provided by ABSA Bank as part of a debt restructuring that took place during 2017.

ABSA debt and Eurobonds

	Interest rate	Facility amount	**2019 US$'m**	2018 US$'m
ABSA debt facility	US$ three-month LIBOR plus margin	82.4	**65.9**	67.8
Eurobond (Series A)	8% p.a.	30.0	**30.0**	30.0
Eurobond (Series B)	8% p.a.	15.0	**8.1**[1]	7.5
		127.4	**104.0**	105.3

1 - Balance increases each year due to capitalised interest.

Scheduled loan balance and interest margins on the ABSA debt facility

	Loan balance			Interest - US$ three-month LIBOR plus:			
				A Loan		B Loan	
				Tranche A	Tranche B	Tranche A	Tranche B
	A Loan	B Loan	Total	85%	15%	85%	15%
Year	US$'m	US$'m	US$'m	%	%	%	%
2019	36.1	29.8	65.9	1.80	7.50	3.05	7.50
2020	15.9	39.9	55.8	1.80	7.50	3.55	7.50
2021	-	41.8	41.8	-	-	4.05	7.50
2022	-	20.6	20.6	-	-	4.05	7.50
2023	-	9.0	9.0	-	-	4.55	7.50

Notes:

- The ECIC insurance provides ABSA Bank with cover over both Tranche A and Tranche B (together 100%) in respect of political risk and over Tranche A (85%) in respect of commercial risk.
- The effective interest rate is in aggregate 9.56% (2018: 9.29%), including upfront costs.
- The values stated above are subject to change, pending completion of the proposal to defer capital repayments for a 15-month period.

Covenants

In terms of the debt restructuring that took place in 2017, ABSA debt covenants were due to be measured on 30 June 2019. Management assessed the forward-looking covenants ahead of time and determined that it was likely that certain of the covenants would be breached. Liqhobong applied to ABSA Bank, which, after due consideration of the circumstances, and paying particular regard to the weaker diamond market, granted a waiver in respect of two covenant breaches in respect to the forecast debt service cover ratio and the loan life cover ratio. ABSA Bank provided the covenant waivers on two conditions: firstly that no cash payments were to be made to the bondholders in respect of interest due for the twelve-month period from 1 July 2019 to 30 June 2020; and secondly that the Group maintain a minimum working capital level of US$2.0 million.

Cash flow

US$'million	**2019**	2018
Operating cash flows		
Loss before taxation	**(50.5)**	(17.5)
Adjustments:		
Impairment charge	**41.6**	-
Depreciation and amortisation	**10.3**	13.2
Equity-settled share-based payments	**0.8**	1.9
Changes in provisions	**0.2**	(0.1)
Net finance cost	**9.3**	10.2
Adjusted EBITDA	**11.7**	7.7
Working capital changes	**5.4**	(14.3)
Stay-in-business capital	**(4.0)**	(2.0)
Operating cash result	**13.1**	(8.6)
Cash (repaid)/raised		
Proceeds from share issue	**-**	24.1
Increase in borrowings	**-**	2.0
ABSA repayments	**(1.9)**	(13.5)
Finance income	**1.0**	0.3
Finance cost	**(4.9)**	(3.4)
Net cash (repaid)/raised	**(5.8)**	9.5
Net increase in cash	**7.3**	0.9
Opening cash	**19.0**[1]	17.5[1]
Closing cash	**26.3**	18.4

Notes:

1 Opening cash balance is adjusted for foreign exchange.

The Group's cash performance, as measured by Adjusted EBITDA, which is determined as earnings before interest, taxation, depreciation, amortisation and non-cash share-based payment expense, was US$11.7 million for the year, which was US$4.0 million more than the previous year of US$7.7 million. Working capital inflow of US$5.4 million included US$10.4 million proceeds from a sale that took place in June 2018 and which were received in July 2019, the current financial year.

Stay-in-business capital relates to the Liqhobong Mine and included capitalised waste stripping cost of US$3.0 million and the cost of changes that were made to certain parts of the recovery process which contributed to a significant reduction in diamond breakage during the year to within industry acceptable levels.

Net cash repaid during the year of US$5.8 million included a US$1.9 million capital repayment to ABSA Bank on 30 June 2019, and interest paid to ABSA of US$4.9 million, offset by interest income on cash balances of US$1.0 million.

The result for the year was a net increase in cash of US$7.3 million, and a closing cash balance of US$26.3 million (2018: US$18.4 million).

MARKET CONTEXT

We expect the prices of larger, better quality diamonds to remain strong and for this to partially offset the impact of low prices for ROM diamonds which we expect to remain at current levels over the medium term.

The past year was a particularly challenging period for the diamond industry. The traditional peak retail selling period at the end of 2018 was disappointing, with consumer sentiment negatively affected by the United States ("US") stock market's worst performance for a decade, which ended the year down 4.4%. However the dominant factor impacting the market is a surplus of supply.

The market weakness has been particularly prevalent in the smaller ROM category of diamonds, as opposed to the special plus-10.8 carat diamond category. There has been a relative divergence in prices between ROM diamonds and other diamond categories as a result of increased production of smaller diamonds over the past 2 years, along with challenges facing Indian manufacturers dealing in the smaller size categories and the impact of laboratory grown diamonds ("LGDs") on smaller natural diamonds in this category. The tough market conditions are reflected in the reduced sales values recorded so far during 2019 by the two dominant diamond producers, De Beers and Alrosa, and is reflected in the weak share price performance of many of the diamond producers.

Firestone's average values realised for the year were impacted by the lower prices for ROM diamonds, which comprise a substantial portion of our production by volume. However, weaker prices for ROM diamonds were partially offset by strong prices being realised for larger, better quality diamonds. It is not possible to predict the recoverability of the larger, better quality diamonds that have a material impact on the average sale values realised.

Supply
Supply is expected to reduce over coming years.

Factors impacting supply:
- Lower production from ageing mines, including De Beers' Victor and Voorspoed Mines which are reaching the end of their lives, and Rio Tinto's Argyle Mine in Australia, which is due to close by end 2020;
- there is a lack of new discoveries. ALROSA completed work on its Verkhne-Munskoye Mine in Russia in late 2018, leaving only one large-scale mine available for development, Luaxe situated in Angola; and
- De Beers recently allowed its sight-holders to defer some of their allocations in an attempt to address the imbalance that currently exists in the diamond pipeline.

Supply peaked recently in 2017 at 152 million carats after production had commenced from several new mining operations including De Beers' and Mountain Province's jointly owned Gahcho Kué Mine, Stornoway's Renard Mine and the Company's own Liqhobong Mine. Supply is expected to decrease to 134 million carats by 2022, mainly due to the expected closure of Rio Tinto's Argyle Mine in Australia at the end of 2020, which will result in 14 million carats lower supply annually. The reduction in supply should allow for excess inventories in the midstream to be worked through which should result in improved diamond prices for producers.

In this regard, Firestone's average annual production, at below 1 million carats, is not deemed to have a significant influence on the supply dynamics of the global diamond market. Furthermore, the Mine has limited ability to increase or decrease production volumes materially.

Demand
Recent developments impacting demand:
- Tiffany & Co., a major global jewellery retailer, indicated that it would be entering the Indian market for the first time through a joint venture with Indian retail conglomerate Reliance, planning initially to open two stores, one in Delhi and another in Mumbai in 2020;
- up until Q4-2018, Greater China retail proxy, Chow Tai Fook, saw nine consecutive quarters of same store sales growth in Mainland China, and eight in Hong Kong/Macau;
- Chow Tai Fook is currently opening new stores at the fastest pace in the company's history;
- the Chinese Yuan continues to fall versus the US Dollar due to trade tensions between the two nations. A weaker Yuan tends to reduce Mainland Chinese diamond demand as consumer purchasing power is decreased, especially when shopping abroad;
- De Beers has increased its marketing spend for 2019 to US$170 million, part of which will go towards the Diamond Producers Association ("DPA") budget, which is expected to be upward of US$200 million; and
- the DPA's primary aim in 2019 is to promote self-purchasing, with a new campaign titled "For me, from me" as it identified that almost all of the growth seen in 2018 was due to self-purchasing.

The demand for diamond jewellery has remained steady with the US continuing to be the leading consumer. Diamond demand growth is highly correlated with global GDP growth and therefore the ongoing US-China trade war and other geopolitical uncertainties such as Brexit need to be resolved in order for demand to improve.

China continues to be the major source of growth for jewellery. In its recent half-year report, Tiffany's reported a 3% drop in worldwide sales from a year earlier, which was contrasted to double-digit growth in Mainland China during the first two quarters of the fiscal year. We expect this to continue.

From a Firestone perspective, pressure on the ROM category of diamonds was consistently evident in all sales during the financial year as high inventories in the midstream continued to hinder demand. Q3's average value was boosted by the recovery of several larger, better quality diamonds.

During the year we held seven sales, which were all well attended.

2019 Revenue

Quarter	Diamond sales(carats)	Price per carat
1	194 206	70
2	191 735	72
3	211 368	80
4	177 521	71
Total	**774 830**	**73**

Berenberg forecasts demand to remain steady, resulting in a supply-demand deficit starting to develop from 2020 due to a fall in rough supply.

Looking Forward
In the medium term, we expect prices to remain subdued for ROM diamonds, principally due to a build-up of inventory in the midstream which we think will take time to work through the diamond pipeline. Offsetting this, we expect to continue to see strong pricing for Liqhobong's larger, better quality diamonds.

INDEPENDENT AUDITOR'S REPORT

Opinion
We have audited the financial statements of Firestone Diamonds plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards ("IFRS") 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company's financial statements have been properly prepared in accordance with IFRS 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements which states that the Group lacks sufficient liquidity headroom to meet its debt repayments and other obligations for a period of at least twelve months.

The Directors have received a signed non-binding term sheet from ABSA where ABSA have conditionally agreed to restructure the debt in line with the disclosures made in note 1. However as disclosed in note 1, the debt restructure is subject to the satisfaction of a number of conditions precedent.

Furthermore, as disclosed in note 1 the bondholders have conditionally agreed to restructure the Series A Eurobonds and to provide the Group with a short-term working capital facility ("working capital facility"). The availability of the working capital facility is subject to satisfaction of a number of conditions precedent as disclosed in note 1.

These events or conditions, along with the other matters as set forth in note 1, indicate that material uncertainties exist that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a key audit matter. We have performed the following work as part of our audit:

- we challenged the Directors' forecasts to assess the Group and Company's ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements:
    - we reviewed diamond price forecasts to prices achieved in the year, pricing trends and market forecasts and considered the appropriateness of growth assumptions based on empirical data and industry peers trend growth;
    - we compared foreign exchange rate assumptions to market forecasts; and
    - we reviewed the consistency of committed cash flows against contractual arrangements, and compared forecast operating levels, production costs and overheads in the life of mine model to current run rates.
- we reviewed the terms of the non-binding term sheets with ABSA and the bondholders to understand the conditions attached to the ABSA debt restructure, Series A Eurobonds restructure and the working capital facility;
- we reviewed the covenant terms in the ABSA non-binding term sheet and considered whether these could be met based upon the cash flow forecasts and life of mine model. We reviewed the adequacy of the working capital facility in funding the Group's operational requirements for a period of at least twelve months from the date of approval of the financial statements on the basis that the ABSA debt and Series A Eurobond restructures are secured; and
- we reviewed the adequacy of disclosures in the financial statements in respect of the Group's and Parent Company's funding position and requirement for additional funding to meet its working capital requirements and liabilities as they fall due, which the Directors have concluded represents a material uncertainty regarding their ability to continue as a going concern.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter described below to be a key audit matter.

Key audit matter	How we addressed the key audit matter in our audit
Carrying value of Liqhobong Diamond Mine	
As detailed in note 7 and also explained in note 2, the assessment of impairment to the carrying value of mining assets require significant judgement and estimate by management. As at 30 June 2019, there was a significant risk for our audit that the Liqhobong Diamond Mine is carried at an amount greater than its recoverable amount. In total, impairments amounting to US$38.3 million were recognised in the year ended 30 June 2019.	Our procedures in relation to management's assessment of the carrying value of Liqhobong Diamond Mine included: • evaluating management's impairment models against approved life of mine plans and our understanding of the operations, and critically reviewing the consistency of the mine plan against resource and reserve reports and mine optimisation review undertaken by an independent third party expert; • testing whether the methodology applied in the value-in-use calculation is compliant with the requirements of International Accounting Standards ("IAS") 36 Impairment of Assets, and the mathematical accuracy of management's model; • challenging the significant inputs and assumptions used in the impairment model and whether these were indicative of potential bias. Our testing included: o challenged the short-term pricing assumptions by evaluating management's diamond price forecasts against prices achieved in the year and post year end and challenging management on their assumptions regarding the impact that the current market downturn will have on pricing using public source information including market analyst and other diamond producer commentary on the short-term outlook, together with the effect of product mix on pricing; o challenged the long-term pricing where we considered the appropriateness of the long-term diamond price escalator of 1.5% and assessed whether management's estimate is within an acceptable range by comparing the price escalator to market guidance and historical market pricing trends. We searched for alternative views on the long-term outlook and challenged

- management's forecast using a variety of information sources, including market analyst commentary, other diamond producer pricing outlooks and demand and supply side factors that would be expected to impact market pricing;
  - critically analysing the inputs in management's calculated discount rate. We engaged BDO valuation specialists to assess the reasonableness of the methodology used in determining the discount rate and challenged managements discount rate assumptions by benchmarking against industry peers;
  - comparison of foreign exchange rate assumptions to year-end spot rates; and
  - critical review of the forecast costs against the expected production profiles in the mine plan and historical performance.
- reviewed management's sensitivity analysis and performed our own sensitivity analysis over individual key inputs, together with a combination of sensitivities over such inputs;
- we held discussions with the Audit Committee to consider the recoverable amount under the forecasts and discussed downside risks and sensitivities; and
- assessed the adequacy of impairment related disclosures contained within note 7 of the financial statements.

Key observation

Based on our work, we found management's key judgements in respect of the carrying value of Liqhobong Diamond Mine to be reasonable.

Our application of materiality

Group materiality - 2019	Group materiality - 2018	Basis for materiality
US$1.2 million	US$2.2 million	Approximately 1.5% of total assets (2018: approximately 1.5% of total assets)

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our basis for the determination of materiality has remained unchanged. The benchmark percentage for calculating materiality has remained unchanged at 1.5% in 2018 to 2019 which reflect the public interest in the project as it had two full years of commercial production. We consider total assets to be the most significant determinant of the Group's financial performance used by shareholders.

Whilst materiality for the financial statements as a whole was US$1.2 million, each significant component of the Group was audited to a lower level of materiality. The Parent Company materiality was US$0.4 million (2018: US$0.8 million) with the other components being US$0.9 million. These materiality levels were used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 75% (2018: 75%) of the above materiality levels for both the Group and Parent Company.

We agreed with the Audit Committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of $0.06 million (2018: $0.1 million). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the Group's principal operating company, Liqhobong Mining Development Company (Pty) Limited ("LMDC") which holds the Liqhobong mine in Lesotho. LMDC was subject to a full scope audit as were the Parent Company and its Group consolidation as these represent the other significant components of the Group.

The remaining components of the Group were considered non-significant and were principally subject to analytical review procedures, together with additional substantive testing over material balance where necessary in that component. We set out below the extent to which the Group's revenue and total assets were subject to audit versus review procedures.

Components subject to full scope audits account for 90% of the total assets.

The audits of each of the components were principally performed in South Africa and the United Kingdom. All of the audits were conducted by BDO LLP and a BDO member firm.

As part of our audit strategy, as Group auditors:

- detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas where there was considered to be a significant risk of material misstatement), and set out the information required to be reported to the Group audit team;
- were actively involved in the direction of the audits performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn; and
- provided for a senior member of the Group audit team to attend the local audit clearance meeting.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

19 December 2019
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	**2019 US$'000**	2018 US$'000
Revenue	3	**57 239**	62 246
Cost of sales		**46 924**	57 116
Gross profit		**10 315**	5 130
Other income		**1 405**	1 267
Selling, administrative and other expenses		**52 957**	13 707
Other administrative expenses		**2 123**	1 784
Diamond royalty and selling expenses		**3 753**	4 318
Impairment charge	7	**41 565**	-
Amortisation and depreciation	4	**1 422**	2 408
Share-based payments		**552**	1 345
Care and maintenance		**327**	485
Corporate expenses		**3 215**	3 367
Loss before finance charges and income tax	4	**(41 237)**	(7 310)
Finance income	6	**1 491**	794
Finance costs	6	**10 764**	11 021
Loss before tax		**(50 510)**	(17 537)
Taxation (charge)/credit	8	**(6 349)**	3 304
Loss after tax for the year		**(56 859)**	(14 233)
Loss after tax for the year attributable to:			
Owners of the parent		**(44 065)**	(11 635)
Non-controlling interests		**(12 794)**	(2 598)
Loss after tax for the year		**(56 859)**	(14 233)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations net of tax		**(2 254)**	(7 426)
Movement on cash flow hedges		**104**	791
Other comprehensive loss		**(2 150)**	(6 635)
Total comprehensive loss for the year		**(59 009)**	(20 868)
Total comprehensive loss for the year attributable to:			

	Note		
Owners of the parent		**(45 479)**	(16 432)
Non-controlling interests		**(13 530)**	(4 436)
Total comprehensive loss for the year		**(59 009)**	(20 868)
Basic and diluted loss per share			
Basic and diluted loss per share from continuing operations (US cents)	9	**(8.2)**	(2.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	**2019 US$'000**	2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**51 757**	101 220
Deferred tax	11	**-**	6 501
Loan receivable		**-**	487
Total non-current assets		**51 757**	108 208
Current assets			
Inventory	12	**7 453**	5 881
Other financial assets		**553**	265
Trade and other receivables		**1 699**	13 288
Cash and cash equivalents	13	**26 325**	18 421
Total current assets		**36 030**	37 855
Total assets		**87 787**	146 063
EQUITY			
Share capital	14	**166 888**	166 239
Share premium		**192 986**	191 201
Reserves		**(27 427)**	(24 201)
Accumulated losses		**(296 997)**	(255 607)
Total equity attributable to equity holders of the parent		**35 450**	77 632
Non-controlling interests		**(60 160)**	(46 630)
Total equity		**(24 710)**	31 002
LIABILITIES			
Non-current liabilities			
Borrowings	15	**87 076**	94 225
Rehabilitation provisions		**4 510**	4 313
Total non-current liabilities		**91 586**	98 538
Current liabilities			
Borrowings	15	**10 492**	2 143
Other financial liabilities		**34**	-
Trade and other payables		**9 889**	14 055
Provisions		**496**	325
Total current liabilities		**20 911**	16 523
Total liabilities		**112 497**	115 061
Total equity and liabilities		**87 787**	146 063

The financial statements were approved by the Board of Directors and authorised for issue on 19 December 2019.

Lucio Genovese
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital US$'000	Share premium US$'000	Warrant reserve US$'000	Merger reserve US$'000	Hedging reserve US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Accumulated losses US$'000	Equity attributable to holders of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 30 June 2017	163 557	167 349	7 609	(1 614)	(23)	6 516	(32 577)	(245 452)	65 365	(42 194)	23 171
Comprehensive loss											
Loss for the year	-	-	-	-	-	-	-	(11 635)	(11 635)	(2 598)	(14 233)
Other comprehensive income for the year											
Exchange losses on translating foreign operations	-	-	-	-	-	-	(5 429)	-	(5 429)	(1 997)	(7 426)
Profit on cash flow hedges	-	-	-	-	632	-	-	-	632	159	791
Total comprehensive loss for the year	-	-	-	-	632	-	(5 429)	(11 635)	(16 432)	(4 436)	(20 868)
Contributions by and distributions to owners											
Shares issued in the year	2 682	24 752	-	-	-	-	-	-	27 434	-	27 434
Share issue expenses	-	(900)	-	-	-	-	-	-	(900)	-	(900)
Share-based payment transactions	-	-	-	-	-	2 165	-	-	2 165	-	2 165
Share-based payments lapsed/expired	-	-	-	-	-	(1 480)	-	1 480	-	-	-
Total contributions by and											

distributions to owners	2 682	23 852	-	-	-	685	-	1 480	28 699	-	28 699
Balance as at 30 June 2018	166 239	191 201	7 609	(1 614)	609	7 201	(38 006)	(255 607)	77 632	(46 630)	31 002
Comprehensive loss											
Loss for the year	-	-	-	-	-	-	-	**(44 065)**	**(44 065)**	**(12 794)**	**(56 859)**
Other comprehensive income for the year											
Exchange losses on translating foreign operations	-	-	-	-	-	-	**(1 452)**	-	**(1 452)**	**(802)**	**(2 254)**
Profit on cash flow hedges	-	-	-	-	**38**	-	-	-	**38**	**66**	**104**
Total comprehensive loss for the year	-	-	-	-	**38**	-	**(1 452)**	**(44 065)**	**(45 479)**	**(13 530)**	**(59 009)**
Contributions by and distributions to owners											
Shares issued in the year	**649**	**1 785**	-	-	-	-	-	-	**2 434**	-	**2 434**
Share-based payment transactions	-	-	-	-	-	**863**	-	-	**863**	-	**863**
Share-based payments lapsed/expired	-	-	-	-	-	**(2 675)**	-	**2 675**	-	-	-
Total contributions by and distributions to owners	**649**	**1 785**	-	-	-	**(1 812)**	-	**2 675**	**3 297**	-	**3 297**
Balance as at 30 June 2019	**166 888**	**192 986**	**7 609**	**(1 614)**	**647**	**5 389**	**(39 458)**	**(296 997)**	**35 450**	**(60 160)**	**(24 710)**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from/(used in) operating activities			
Loss before taxation		**(50 510)**	(17 537)
Adjustments for:			
Impairment charge	7	**41 565**	-
Depreciation and amortisation	10	**10 343**	13 158
Equity-settled share-based payments		**806**	1 888
Changes in provisions		**171**	(65)
Finance income	6	**(1 491)**	(794)
Finance cost	6	**10 764**	11 021
Net cash flows from operating activities before working capital changes		**11 648**	7 671
Increase in inventories		**(2 089)**	(34)
Decrease/(increase) in trade and other receivables		**11 775**	(10 421)
Decrease in trade and other payables		**(4 287)**	(3 822)
Net cash flows from/(used in) operating activities		**17 047**	(6 606)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(3 973)**	(1 977)
Net cash used in investing activities		**(3 973)**	(1 977)
Cash flows (used in)/from financing activities			
Proceeds from the issue of ordinary shares		-	25 000
Share issue expense		-	(900)
Increase in borrowings		-	2 000
Repayment of borrowings		**(1 935)**	(13 476)
Finance income		**995**	307
Finance cost		**(4 879)**	(3 421)
Net cash (used in)/from financing activities		**(5 819)**	9 510
Net increase in cash and cash equivalents		**7 255**	927
Cash and cash equivalents at beginning of the year		**18 421**	17 053
Exchange rate movement on cash and cash equivalents at beginning of year		**649**	441
Cash and cash equivalents at end of the year	13	**26 325**	18 421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 2019 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 Directors have reviewed the Group's and Company's cash flow forecast and the forecast covenant compliance in relation to the ABSA debt facility for a period of twelve months from signing these annual financial statements.

The cash generated is not forecast to be sufficient to fund capital and interest repayments to ABSA Bank as currently scheduled. Therefore, additional funding and a restructuring of the existing debt is required within the going concern period. The cash flow forecast shows that without the proposed restructuring, the Group would have sufficient cash to operate until June 2020. However, it would be unable to fund the ABSA debt service reserve account to the required level of six months' debt service during this period, which in itself would be an event of default and which could occur as soon as January 2020. The Group also forecasts a breach of one of its covenants, the project life cover ratio in June 2020.

The Directors engaged with ABSA Bank and the bondholders to restructure the existing debt in order to defer capital repayments in the short term. During these discussions, it was acknowledged that two key aspects: namely future diamond prices, over which the Group has no control; and the possible extension of the mine plan, which requires further work, including an updated resource model and third-party review, will become clearer in the months to come. As a result, ABSA Bank has signed a non-binding term sheet to defer capital repayments and to waive breaches under the forecast and historic debt service cover ratios and the loan life cover ratio covenants for a 15-month period until 31 March 2021, and the bondholders have signed a non-binding term sheet to provide a US$6.0 million working capital facility to cater for short-term funding requirements during this period. Additionally, the bondholders have signed a non-binding term sheet to capitalise interest due on the Series A Eurobonds for the twelve-month period from 1 July 2020, after expiry of a whitewash which permits the Company to issue interest shares in place of paying cash interest. It is anticipated that a further restructuring will be required in the future, during the ABSA deferred capital period, at which stage there is expected to be greater certainty regarding the longer-term diamond market outlook and confirmation of whether or not there is potential for a life of mine extension.

The Directors recognise that the forecast is based on certain forward-looking assumptions, including future diamond prices, exchange rates - particularly between the South African Rand and the United States Dollar, and operating cost per tonne treated, and that the financing arrangements are not legally binding and are subject to certain conditions precedent which are beyond the control of the Directors or management.

The Directors, having reviewed the cash flow forecast and having considered the advanced stage of negotiations with ABSA Bank and the bondholders and the non-binding term sheets in place at this time, consider that there is a reasonable expectation that the Group's existing cash resources, its forecast cash generation and the working capital facility mentioned above, will be sufficient to enable the Group to fund its operational requirements and service the ABSA debt, on a restructured basis, for a period of at least twelve months from the date of approval of this Annual Report. The Directors have considered the single forecast covenant breach and concluded that in light of the efforts being made by all parties to ensure the financial stability of the business over the next 15-month period and the intentions to further restructure the debt over the longer term, it is unlikely that it would lead to a default being called by ABSA which would result in immediate repayment of the facility.

The Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. Notwithstanding this, the Directors conclude that there is material uncertainty as to whether either the financing arrangements will be concluded or that future covenant waivers will be forthcoming or that covenants will be met and that failure regarding either of these may cast significant doubt upon the Group and Company's ability to continue as a going concern and may therefore be unable to realise their assets and discharge their liabilities in the ordinary course of business. These 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 ("IFRS") 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.

Standards and interpretations issued that became effective and changes in accounting policies:
The Group adopted IFRS 9 and IFRS 15 on 1 July 2018. The result of the adoption of IFRS 15 and the changes in the revenue accounting policy, did not have any effect on the recognition of the Group's revenue. The result of the adoption of IFRS 9 and the changes in the financial instrument accounting policy did not have any impact on the recognition and measurement of the Group's financial instruments, as previously disclosed. Further details of the application of these standards are disclosed below:

IFRS 9, Financial Instruments
Classification and measurement of financial instruments
The Group applied IFRS 9 on 1 July 2018. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss, but remains largely the same for financial liabilities. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on the Group's assessment, the new classification requirements, applied on 1 July 2018, did not have a material impact on its accounting for trade receivables, trade payables and loans receivable of the Group or Company.

IFRS 9 replaces the 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The expected credit loss model applies to financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments, and to contract assets. Other than the receivable from the Government of Lesotho which was impaired to nil, the Group does not hold any financial assets that have extended terms of payment and which are subject to significant credit risk. Other than the credit loss recognised on the receivable from the Government of Lesotho the change to the expected credit loss model did not materially impact the Group's remaining financial statements.

The Company holds significant financial assets classified under amortised cost in the form of loans to subsidiaries. The Company has applied the requirements of IFRS 9 to these loans to subsidiaries. As required by the standard, no transitional adjustment was processed at the date of initial application, on 1 July 2018, as the Directors concluded that the loss provision calculated under an ECL approach to be materially consistent with the carried forward loss provision in the 30 June 2018 financial statements.

Hedge accounting
When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. On 1 July 2018 the Group applied the requirements of IFRS 9, which had no impact on the recognition and measurement of current hedging instruments when transitioning from IAS 39.

IFRS 15, Revenue from Contracts with Customers
The Group applied IFRS 15 on 1 July 2018. Management assessed the core principles of IFRS 15, which are to recognise revenue to depict the transfer of diamond sales to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the diamonds sold.

This core principle is delivered in a five-step model framework:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

Diamond sales are realised through a competitive tender process. Each individual customer enters into a sale agreement with the Group once the customer is awarded the winning bid. The transaction price is determined as the winning bid price per parcel sold. The performance obligation to transfer the risks and rewards associated with the ownership of the goods is satisfied when the purchaser has won the bid on the parcel. The Group retains no further rights to the diamonds at that stage as it is legally bound by the sale agreement to deliver the goods to the purchaser.

Following assessment of the new requirements of IFRS 15 and the terms and conditions of the current sale contract entered into with each of our customers, we are satisfied that, based on the terms of the current agreements, there is no change to the timing of revenue recognition on tender sales under IFRS 15.

Standards and interpretations issued but not yet effective:
The following standards and interpretations that have been issued but are not yet effective have not been applied by the Group in these financial statements:

Standard, amendment or interpretation		Effective date
IFRS 16	Leases	Financial years beginning on or after 1 January 2019

IFRS 16, Leases

The Group is required to apply IFRS 16, which replaces IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease,* for financial years beginning on or after 1 January 2019. IFRS 16 is required to be applied to all contracts where that contract meets the definition of a lease. A lease is defined in IFRS 16 as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 will require lessees to account for leases through the recognition of a right of use asset, representing the right to use the leased item and a corresponding liability for future lease payments. The lease cost, i.e. rental charge or contractor fee, will be recognised against the lease liability and replaced by the recognition of a depreciation charge of the right of use asset over the expected lease term and finance charges representing the unwinding of discount on the lease liability. This will affect the classification of cash flow in the Statement of Cash Flows, with operating lease rental payments and contractors' fees re-classified under financing activities rather than operating activities.

The Group has assessed the impact that IFRS 16 will have on the financial statements, through applying the lease definition to service level agreements and current leases that the Group has entered into to determine whether these contracts meet the definition of a lease to be recognised in accordance with IFRS 16. Depending on the practical expedients used and judgements relating to the treatment of non-lease payments, the Group expects the recognition of material right of use assets and corresponding lease liabilities for its larger service level agreements, such as the mining contractor agreement and the tailings management agreement.

The Group expects to apply the modified retrospective approach on transition. The Group will not recognise low-value assets or short-term leases with twelve or fewer months remaining in accordance with the exemptions provided in IFRS 16.

2 Critical accounting estimates and judgements

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.

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. In determining the future cash flows of each cash-generating unit, management makes a number of significant estimates and judgements including the following (refer to note 7):

- estimated resources and reserves;
- estimated life of mine;
- estimated diamond price per carat;
- recovery and productivity rates;
- inflation rates;
- discount rate; and
- exchange rates.

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 tangible 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 Group currently has two main cash-generating units:

Liqhobong Mine

The Liqhobong Mine, which completed its second year of commercial production and is the Group's main focus.

BK11 Mine

The BK11 Mine, which was placed on care and maintenance when the conditional option agreement for the potential disposal to Amulet Diamond Corporation expired on 18 December 2018.

Cash flow forecasts

As part of determining whether the going concern assumption is appropriate, management assesses the cash flow forecasts prepared. The cash flow forecast includes a number of critical estimates and judgements. These estimates and judgements include:

- estimated diamond price per carat;
- estimated production and other operating costs;
- inflation rates; and
- exchange rates.

It is management's policy to obtain sufficient supporting evidence from external sources such as analyst predictions, global supply and demand curves for diamond price estimates as well as internal sources such as the Group's diamond sales history and size distribution to ensure that the cash flow forecast is as accurate as possible.

Deferred tax assets

The recognition of deferred tax assets is based upon whether sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement as set out in note 11.

3 Revenue

	Group	
	2019	2018
	US$'000	US$'000
Sale of gem diamonds	**56 864**	62 246
Sale of non-gem diamonds	**375**	-
	57 239	62 246

All diamonds are sold in Antwerp, Belgium through a competitive tender process. Below is an analysis of major customers which account for more than 10% of the Group's revenue from the sale of gem diamonds:

Group

	2019		2018	
	US$'000	**%**	US$'000	%
Customer - Europe	**5 718**	**10**	6 674	11
Other customers	**51 146**	**90**	55 572	89
	56 864	**100**	62 246	100

4 Operating loss

	Group	
	2019	2018
	US$'000	US$'000
Operating loss for the year is stated after charging:		
Impairment charge (note 7)	**41 565**	-
Cost of inventories recognised as an expense excluding amortisation and depreciation	**38 003**	46 366
Amortisation and depreciation (note 10)	**10 343**	13 158
Included in cost of sales	**8 921**	10 750
Other	**1 422**	2 408
Employee costs	**9 846**	11 691
Operating lease rentals	**429**	203

5 Directors' emoluments

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

	Group	
	2019	2018
	US$'000	US$'000
Short-term benefits	**905**	1 230
Share-based payments	**10**	137
Total	**915**	1 367

US$'000 **Director**	**Salaries and fees**	**Bonus**	**Share-based payments**	**Total**
2019				
Paul Bosma[1]	**410**	**21**	**10**[4]	**441**
Lucio Genovese	**138**	**-**	**-**	**138**
Eileen Carr[2]	**10**	**-**	**-**	**10**
Keith Johnson	**60**	**-**	**-**	**60**
Ken Owen	**60**	**-**	**-**	**60**
Niall Young	**60**	**-**	**-**	**60**
Patrick Meier[3]	**96**	**-**	**-**	**96**
Paul Sobie[2]	**50**	**-**	**-**	**50**
	884	**21**	**10**	**915**

US$'000 **Director**	Salaries and fees	Accrued leave pay	Bonus	Share-based payments	Total
2018					
Stuart Brown[1]	550	154	46	137[5]	887
Lucio Genovese	120	-	-	-	120
Deborah Thomas[3]	60	-	-	-	60
Keith Johnson	60	-	-	-	60
Ken Owen	60	-	-	-	60
Mike Wittet[6]	60	-	-	-	60
Niall Young	60	-	-	-	60
Paul Sobie[2]	60	-	-	-	60
	1 030	154	46	137	1 367

1 Paul Bosma was appointed on 1 July 2018 as Chief Executive Officer. He replaced Stuart Brown, who resigned on 30 June 2018.
2 Eileen Carr was appointed on 30 April 2019 as Non-Executive Director and Member of the Audit and Remuneration Committees. She replaced Paul Sobie, who resigned on 30 April 2019.
3 Patrick Meier was appointed on 5 July 2018 as Non-Executive Director and Chair of the Audit Committee and member of the Remuneration and Nomination Committees. He replaced Deborah Thomas, who resigned on 5 July 2018.
4 During the year a share-based payment expense of US$228 899 was recognised in relation to restricted share units issued to Paul Bosma in January 2017, May 2018 and July 2018. The restricted share units vest in three tranches over a three-year period and the expense is recognised over the vesting period. Paul exercised 285 793 RSUs with a strike price of 1.00 pence, at 3.38 pence in January 2019, resulting in a gain of US$10 290.
5 The share-based payment expense relates to share options issued to Stuart Brown in May 2014 and restricted share units issued in January 2017. The share options vest over a three-year period and the expense is recognised over the vesting period. The restricted share units vest in three tranches over a three-year period and the expense is recognised over the vesting period.
6 Mike Wittet, Non-Executive Director and Chairman of the Safety, Health, Environment and Corporate Social Responsibility Committee and member of the Audit and Remuneration Committees, resigned on 5 July 2018.

During the year, the total remuneration for Directors was US$915 494 (2018: US$1 351 024) and consisted of remuneration for qualifying services of US$905 204 (2018: US$1 230 000) and gains on exercise of options of US$10 290 (2018: US$121 024). The related aggregate remuneration for the highest paid Director was US$441 494 (2018: US$871 024).

6 Finance income and costs

	Group	
	2019	2018
	US$'000	US$'000
Interest income on bank deposits	**714**	202
Interest income on loans receivable	**542**	487
Foreign exchange adjustments on cash balances	**235**	105
Finance income	**1 491**	794
Interest on borrowings (note 15)	**10 474**	10 737
Unwinding of discount on rehabilitation liability	**290**	284
Finance costs	**10 764**	11 021

No borrowing costs were capitalised during the year.

7 Impairment

At the end of each reporting period the Group assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. If an indication exists, the Group estimates the recoverable amount of the asset in order to determine if an impairment charge is required.

Liqhobong Mine
At year end, the Group assessed both external and internal indicators of impairment. The average diamond values achieved at sale during the year decreased from US$75 per carat in the prior year to US$73 per carat in the current year mainly as a result of the oversupply situation affecting the midstream manufacturers that led to continued low prices being offered to the producers of predominantly smaller rough diamonds like Liqhobong.

Value in use of Liqhobong Mine
At year end, the recoverable amount of the Liqhobong CGU was determined using its value in use based on a discounted cash flow model over the remaining seven-year mine life (2018: eight-year mine life). The model was stress tested through applying a range of sensitivities which provided a range of possible values for the Liqhobong Mine. Based on the range of possible values the Board concluded that the carrying value of the Liqhobong CGU was US$64.3 million, which is lower than the recoverable amount and as a result a further impairment of the Liqhobong CGU was recognised. The key assumptions include:

Key assumptions	**2019**	2018	Basis for assumption
Average diamond value per carat over life of mine (REAL)	**US$81**	US$75	The forecast average diamond value for the next two years is US$71 per carat, the same value as that recorded for the final quarter of the current financial year. Thereafter, it is adjusted for a forecast recovery of ROM diamond prices, which is in line with forecast supply/demand dynamics in the diamond industry as falling supply occurs due to the closure of certain mines as they reach the end of their lives. ROM prices are forecast to remain flat over the next two years, recovering thereafter to 2017 price levels (over a two-year period), and finally recovering to 2013 price levels by July 2023, in four years' time. In the previous year the average diamond value was based on the average historic sales data of Liqhobong's assortment.
Real diamond price growth	**1.5% from FY2024**	3%	The diamond price growth is based on long-term diamond price projections.
Mine Call Factor ("MCF")	**95%**	100%	The MCF is based on lower than expected recovered grades from a small portion of ore situated in the southern part of the pit and is considered to be a conservative assumption. Further work is being undertaken to understand the impact over the life of mine.
Discount rate	**11.9%**	11.2% (REAL: 8.9%)	The discount rate used to account for the time value of money represents the pre-tax weighted average cost of capital ("WACC") that would be expected by market participants based on risks specific to the Liqhobong Mine. The rate included adjustments for market risk, volatility and risks specific to the asset.
Exchange rate (ZAR:US$)	**R14.09**	R13.73	The exchange rate is the spot exchange rate as at 30 June.

The value in use of the Liqhobong Mine is impacted mostly by changes in the average diamond value followed by changes in, particularly, the ZAR:US$ exchange rate, sensitivities for which are not presented as the exchange rate is prescribed. The impact of applying sensitivities to the average diamond value is shown below:

US$ per carat	**Potential additional (impairment)/reversal**	**% increase/(decrease) in carrying value**
10% increase	29.1	45%
5% increase	14.6	23%
5% decrease	(14.6)	(23%)
10% decrease	(29.1)	(45%)

BK11 Mine
The expected sale of the BK11 Mine, as reported in the prior period, was subject to a conditional option agreement which expired on 18 December 2018. The expiration of the agreement was considered to be an external indicator of impairment. The Group has previously determined the recoverable amount of the BK11 Mine based on its fair value less cost to sell. In the absence of a pending sale and considering the non-core nature of the asset to the Group, it has been fully impaired.

Impairment summary
The following table presents current and previous impairments recorded against the Group's two CGUs:

Cash-generating unit	Liqhobong US$'000	BK11 US$'000	**Total US$'000**
Carrying value pre-impairment	225 154	5 245	**230 399**
Accumulated impairment	(160 899)	(5 245)	**(166 144)**
Carrying value after impairment	64 255	-	**64 255**

Impairment charge	Group **2019 US$'000**	2018 US$'000
Property, plant and equipment - BK11 Mine (note 10)	**2 239**	-
Property, plant and equipment - Liqhobong Mine (note 10)	**38 297**	-
Loans receivable	**1 029**	-
	41 565	-

8 Taxation

	Group **2019 US$'000**	2018 US$'000
Current tax	**(84)**	(102)
Deferred tax (charge)/credit (note 11)	**(6 265)**	3 406
Total tax (charge)/credit for the year	**(6 349)**	3 304

Factors affecting the tax charge for the year
The reasons for the difference between the actual tax (charge)/credit and the tax (charge)/credit based on the Company's standard corporation tax rate of 19% (2018: 19%) are as follows:

	Group **2019 US$'000**	2018 US$'000
Loss before tax	**(50 510)**	(17 537)
Tax credit on loss at standard rate of 19% (2018: 19%)	**9 596**	3 332

Adjustments to deferred tax not recognised	**(21 874)**	(2 432)
Effect of tax in foreign jurisdictions	**6 196**	2 840
Foreign exchange adjustment on effective interest rate on borrowings	**(167)**	(238)
Withholding tax credits relinquished	**(84)**	(102)
Expenses not deductible for tax purposes	**(16)**	(96)
	(6 349)	3 304

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

9 Loss per share
The calculation of the basic loss per share of 8.2 US cents (2018: 2.8 US cents) is based upon the net loss after tax attributable to ordinary shareholders of US$44.1 million (2018: US$11.6 million) and a weighted average number of shares in issue for the year of 539 644 459 (2018: 419 672 178).

Diluted loss per share
The diluted loss per share in 2019 is equal to (2018: equal to) the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has a further 21 591 354 (2018: 21 299 898) potentially issuable shares in respect of share options issued to employees that do not have a dilutive effect as at 30 June 2019 and 65 101 758 (2018: 65 101 758) potentially issuable shares in respect of warrants issued to strategic investors that do not have a dilutive effect as at 30 June 2019. All of the potentially issuable shares could be dilutive in the future.

10 Property, plant and equipment - Group

US$'000	Mining property	Plant and equipment	Motor vehicles and other assets	**Total**
Cost				
At 30 June 2017	241 667	16 806	3 712	**262 185**
Additions	1 852	35	90	**1 977**
Disposals	-	(2)	(241)	**(243)**
Exchange difference	(16 611)	(1 142)	(239)	**(17 992)**
At 30 June 2018	226 908	15 697	3 322	**245 927**
Additions	3 910	52	11	**3 973**
Disposals	(656)	(180)	(276)	**(1 112)**
Exchange difference	(6 645)	(450)	(86)	**(7 181)**
At 30 June 2019	**223 517**	**15 119**	**2 971**	**241 607**
Accumulated depreciation and impairments				
At 30 June 2017	130 769	10 935	1 891	**143 595**
Amortisation and depreciation charge for the year	11 315	1 270	573	**13 158**
Disposals	-	(2)	(216)	**(218)**
Exchange difference	(10 867)	(839)	(122)	**(11 828)**
At 30 June 2018	131 217	11 364	2 126	**144 707**
Amortisation and depreciation charge for the year	9 343	500	500	**10 343**
Impairment charge (note 7)	38 297	2 239	-	**40 536**
Disposals	(656)	(180)	(276)	**(1 112)**
Exchange difference	(4 498)	(64)	(62)	**(4 624)**
At 30 June 2019	**173 703**	**13 859**	**2 288**	**189 850**
Net book value at 30 June 2017	110 898	5 871	1 821	**118 590**
Net book value at 30 June 2018	95 691	4 333	1 196	**101 220**
Net book value at 30 June 2019	**49 814**	**1 260**	**683**	**51 757**

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

	Group	
	2019	2018
Deferred tax (liability)/asset	**US$'000**	US$'000
Opening balance	**6 501**	3 761
Movement in temporary differences recognised in income	**(6 265)**	3 406
Exchange difference	**(236)**	(666)
At 30 June	**-**	6 501

The deferred tax (liability)/asset comprises:

	Group	
	2019	2018
	US$'000	US$'000
Accelerated capital allowances	**(10 123)**	(21 585)
Provisions	**745**	708
Borrowings	**(887)**	(1 375)
Losses available for offsetting against future taxable income	**10 265**	31 645
Temporary difference arising on acquisition of subsidiary	**-**	(2 892)
	-	6 501

In the previous financial year, a deferred tax asset of US$9.4 million was recognised in respect of the tax loss at Liqhobong as there was compelling evidence at that time to suggest that the value would be realised over the forecast three-year term. However, since then, changes to certain key forecast assumptions have been made in light of continued operations and the continued weaker diamond market, as disclosed in note 7. The Directors, having considered these key assumptions amongst others, and the forecast financial performance of Liqhobong, have determined that there is no longer compelling evidence to suggest that tax losses will be utilised over the forecast three-year period. As a result, the deferred tax asset is derecognised. The position is reassessed at least annually, and there is a possibility that losses, which do not expire, may be used in the future.

Deferred tax assets and deferred tax liabilities relating to the same tax authorities have been disclosed on a net basis.

The Group has unrecognised tax losses of approximately US$259.7 million (2018: US$191.8 million), of which US$245.5 million relates to the Liqhobong Mine (2018: US$164.7 million), US$ nil to the BK11 Mine (2018: US$18.3 million) and US$14.2 million to the Group's corporate entities in the UK and South Africa (2018: US$8.8 million).

12 Inventory

	Group	
	2019	2018
	US$'000	US$'000
Diamond inventory	**4 237**	2 898

Spares and consumables	**3 216**	2 983
	7 453	5 881

13 Cash and cash equivalents

	Group	
	2019	2018
	US$'000	US$'000
Cash and cash equivalents	**26 325**	18 421

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

	Group	
	2019	2018
	US$'000	US$'000
US Dollars	**16 046**	8 188
Pounds Sterling	**104**	3 798
Lesotho Maloti	**10 108**	6 226
Botswana Pula	**27**	162
South African Rand	**40**	47
Cash and cash equivalents	**26 325**	18 421

As at 30 June 2019, the Group had restricted cash deposits of US$8.8 million (2018: US$8.7 million) which comprised US$6.3 million (2018: US$6.5 million) in the ABSA debt service reserve account, US$1.8 million (2018: US$1.8 million) in favour of several key contractors as payment guarantees and US$0.7 million (2018: US$0.4 million) in the rehabilitation reserve account.

There is no significant difference between the fair value of the cash and cash equivalents and the values stated above.

14 Share capital
The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. As at 30 June 2019, the ordinary share capital of the Company was 565 471 782 ordinary shares of 1 pence each (2018: 515 677 580).

During the year, the Company issued a further 49 794 202 new ordinary shares of 1 pence each in respect of the quarterly interest due on the Series A Eurobonds for the June 2018, September 2018, December 2018 and March 2019 quarters. A further 32 783 046 (2018: 8 260 268) shares in respect of interest due on the Series A Eurobonds at 30 June 2019 were issued after the year end and are not reflected in the table below.

	Number of shares		Nominal value of shares	
			2019	2018
	2019	2018	**US$'000**	US$'000
Allotted, called up and fully paid				
Opening balance	**515 677 580**	317 471 892	**6 272**	3 590
Issued during the year	**49 794 202**	198 205 688	**649**	2 682
Closing balance	**565 471 782**	515 677 580	**6 921**	6 272
Deferred type A shares				
Closing balance	**7 079 649 109**	7 079 649 109	**113 345**	113 345
Deferred type B shares				
Closing balance	**308 992 814**	308 992 814	**46 622**	46 622
Total	**7 954 113 705**	7 904 319 503	**166 888**	166 239

Firestone Diamonds Limited, a subsidiary company, has advanced funds to the Group's Employee Share Trust of US$181 329. The Employee Share Trust holds 30 853 ordinary shares in Firestone Diamonds plc. These shares have not been allocated to any employees.

15 Borrowings

			2019		
	Series A Eurobonds	**Series B Eurobonds**	**ABSA debt facility**	**Other loans**	**Group total**
Borrowings	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Capital amount					
Opening balance	30 000	7 528	67 790	1 216	106 534
Finance cost capitalised	-	568	-	87	655
Foreign exchange adjustment	-	-	-	(27)	(27)
Capital repayments	-	-	(1 870)	(65)	(1 935)
At 30 June	**30 000**	**8 096**	**65 920**	**1 211**	**105 227**
Finance cost to be amortised over the life of the facility					
Opening balance	(5 299)	(198)	(4 669)	-	(10 166)
Finance cost capitalised	-	-	(855)	-	(855)
Additions	-	-	(447)	-	(447)
Finance cost	1 284	100	2 425	-	3 809
At 30 June	**(4 015)**	**(98)**	**(3 546)**	**-**	**(7 659)**
Total at amortised cost					
Non-current liabilities	25 985	7 998	52 181	912	87 076
Current liabilities	-	-	10 193	299	10 492
Total	**25 985**	**7 998**	**62 374**	**1 211**	**97 568**

			2019		
	Series A Eurobonds	**Series B Eurobonds**	**ABSA debt facility**	**Other loans**	**Group total**
Finance cost	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Finance charges - paid	-	-	3 534	43	3 577
Amortised finance charges	1 284	100	2 425	-	3 809
Interest settled in shares	1 827	-	-	-	1 827
Accrued interest	606	-	-	-	606
Interest capitalised	-	568	-	87	655
Total	**3 717**	**668**	**5 959**	**130**	**10 474**

Refer to note 6, Finance income and costs, for the total finance cost for the year recognised in profit and loss.

			2018		
	Series A Eurobonds	Series B Eurobonds	ABSA debt facility	Other loans	Group total
Borrowings	US$'000	US$'000	US$'000	US$'000	US$'000

Capital amount					
Opening balance	30 000	5 000	81 007	1 551	117 558
Additions	-	2 000	-	-	2 000
Finance cost capitalised	-	528	-	-	528
Foreign exchange adjustment	-	-	-	(76)	(76)
Capital repayments	-	-	(13 217)	(259)	(13 476)
At 30 June	30 000	7 528	67 790	1 216	106 534
Finance cost to be amortised over the life of the facility					
Opening balance	(6 583)	(300)	(7 884)	-	(14 767)
Finance cost capitalised	-	-	855	-	855
Additions	-	-	(617)	-	(617)
Finance cost	1 284	102	2 977	-	4 363
At 30 June	(5 299)	(198)	(4 669)	-	(10 166)
Total at amortised cost					
Non-current liabilities	24 701	7 330	61 251	943	94 225
Current liabilities	-	-	1 870	273	2 143
Total	24 701	7 330	63 121	1 216	96 368

	2018				
Finance cost	Series A Eurobonds US$'000	Series B Eurobonds US$'000	ABSA debt facility US$'000	Other loans US$'000	Group total US$'000
Finance charges - paid	-	-	3 235	186	3 421
Amortised finance charges	1 284	102	2 977	-	4 363
Interest settled in shares	2 425	-	-	-	2 425
Interest capitalised	-	528	-	-	528
Total	3 709	630	6 212	186	10 737

Refer to note 6, Finance income and costs, for the total finance cost for the year recognised in profit and loss.

The borrowing instruments have the following terms:

ABSA debt facility
Interest on the ABSA facility is calculated at three-month US$ LIBOR plus the following margin:

Original loan
- Tranche A (85% of the loan balance) - 1.8%; and
- Tranche B (15% of the loan balance) - 7.5% post-financial completion.

Deferred loan
- Tranche A (85% of the loan balance) - 1.8% plus staggered margin increase disclosed below; and
- Tranche B (15% of the loan balance) - 7.5% post-financial completion.

Staggered increase in the margin rates payable on the deferred loan	Effective from	Percentage
Deferred loan margin increase	1 January 2019	1.25
	1 January 2020	1.75
	1 January 2021	2.25
	1 January 2022	2.25
	1 January 2023	2.75

The effective interest rate is, in aggregate, 9.56% (2018: 9.29%). Under revised terms, the facility is repayable in 19 quarterly instalments which commenced on 30 June 2019.

The ABSA debt facility is secured by a first-ranking general notarial bond over all movable assets for a total capital amount of US$165.0 million.

ABSA debt facility covenants
In accordance with the revised ABSA debt facility agreement, the first maintenance covenant measurement date occurred on 30 June 2019. Certain of these covenants are forward looking and require forecast assumptions to be made. In light of the current diamond pricing climate, lower average diamond values were used in these covenant calculations, which adversely affected the covenant measurement and gave rise to the need for waivers in respect of two of the six covenants. The Group received a waiver from ABSA Bank Limited on 28 June 2019 for the covenant breaches as measured at 30 June 2019.

The following table provides further details of the performance covenants which need to be met in respect of the ABSA debt facility:

Covenant	Calculation	Maintenance criteria
Forecast debt service cover ratio	Forecast operational cash flow divided by debt service costs for a twelve-month period.	>=1.2 times
Historic debt service cover ratio	Historic operational cash flow divided by debt service costs for a twelve-month period.	>=1.2 times
Loan life cover ratio	Operational cash flow during the loan period discounted by the average interest rate, divided by the capital loan balance outstanding.	>=1.4 times
Project life cover ratio	Operational cash flow over the life of the Project discounted by the average interest rate, divided by the capital loan balance outstanding.	>=1.7 times
Debt/equity ratio	The ratio of the capital loan balance outstanding to total equity and loans provided to Liqhobong by the Group.	<=60:40
Reserve tail ratio	Remaining diamond reserves as a ratio of the total original diamond reserve of 36.4 million tonnes.	>=25%

Series A Eurobonds
The Series A Eurobonds have a coupon rate of 8.00% per annum payable quarterly. The effective interest rate is, in aggregate, 12.02% (2018: 12.02%). The interest can be settled in cash or through the issue of ordinary shares at market value based on the volume-weighted average share price ("VWAP") and average £:US$ exchange rate for the 20 days preceding the interest calculation date.

The Series A Eurobonds are repayable in two tranches, the first tranche of US$20 million on 4 August 2022 and the second tranche of US$10 million on 3 January 2023.

Series B Eurobonds
The Series B Eurobonds have a coupon rate of 8.00% per annum which is capitalised quarterly and is payable at maturity, and an effective interest rate, in

aggregate, of 10.18% (2018: 10.18%).

Warrants were issued upon exercise of the Series B Eurobonds which entitled the bondholder to receive shares in lieu of cash in respect of the outstanding balance of the bonds. The exercise price was calculated based on the lower of a) an amount equal to a 10% premium to the VWAP of an ordinary share over a 30-day period immediately prior to the issue of the bonds and b) 37.5 pence, using an average £:US$ exchange rate over a 20-day period immediately prior to the issue.

The Group did not exercise any further Series B Eurobonds (2018: US$2.0 million). The Series B bonds are repayable in two tranches, the first tranche of US$5 million plus capitalised interest on 22 June 2022 and the second tranche of US$2 million plus capitalised interest on 10 November 2022.

The Directors are of the opinion that the carrying value of borrowings approximates their fair value based on similar loan terms in the market.

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