



## Unaudited results for six months to 31 Dec 2018

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**Firestone Diamonds plc**  
("Firestone", the "Group" or the "Company") (AIM: FDI)

### Unaudited Interim Results for the six months to 31 December 2018

Firestone Diamonds plc, the AIM-quoted diamond mining company, is pleased to announce its unaudited interim results for the six months ended 31 December 2018 ("H1 2019" or the "Period").

#### HIGHLIGHTS FOR THE PERIOD

##### LIQHOBONG DIAMOND MINE ("Liqhobong" or the "Mine")

##### On track to meet guidance:

- 1.9 million tonnes ("mt") treated in the period (H1 2018: 1.9mt), within full year guidance of between 3.6mt and 3.8mt;
- Higher average grade of 24.6 carats per hundred tonnes ("cpht") in the period (H1 2018: 19.9 cpht) mainly due to treating more of the higher grade ore blocks in the southern part of the open pit;
- 465 680 carats recovered (H1 2018: 379 716 carats), within full year guidance range of between 820 000 and 870 000 carats, and including the recovery of the largest diamond to date, a 326 carat light yellow makeable stone;
- Average value per carat of US\$71 (H1 2018: US\$74) realised in the period, impacted by prices for smaller, lower value diamonds;
- Cash operating cost per tonne treated (including waste) of US\$10.96 (H1 2018: US\$11.97), well below full year guidance of US\$15-16 per tonne treated; and
- 1.9mt of waste stripped, with a plan in place to increase waste tonnes mined to meet full year guidance of between 4.3mt and 4.8mt.

#### FINANCIAL

- Revenue of US\$27.4 million from three sales (H1 2018: US\$26.0 million from four sales);
- EBITDA<sup>1</sup> of US\$5.9 million (H1 2018: US\$7.3 million);
- Loss for the period of US\$6.6 million (H1 2018: US\$7.8 million);
- Loss per share of 1.3 US cents (H1 2018: 2.2 US cents);
- Positive cash flow of US\$6.7 million generated from operations during the period (H1 2018: US\$2.1 million<sup>2</sup>); and
- Cash balance at 31 December of US\$26.2 million (H1 2018: US\$29.7 million).

#### POST PERIOD

- An average value of US\$90 per carat was realised at the most recent sale which concluded on 22 March, resulting in a

higher average value realised of US\$80 for the third quarter of the financial year, and US\$74 per carat for the first nine months of the financial year;

- Record price realised for a single stone sold from Liqhobong, a 70 carat diamond recovered in January;
- Positive impact of weaker LSL:US\$ exchange rates on mine operating costs expected to continue as currency hedging in place for the remainder of the 2019 financial year at average rates exceeding LSL14.50:US\$1; and
- First significant rains of the season have yet to arrive on site, management are keeping a close watch on water levels in the reservoirs, currently estimated at two to three months' supply.

<sup>1</sup> - The measure of operational cash performance calculated as earnings before interest, tax, depreciation and amortisation.

<sup>2</sup> - Amount is calculated as cash generated from operations of US\$8.8 million less US\$6.7 million of capitalised waste stripping costs which were subsequently expensed at the 2018 year-end.

**Paul Bosma, Chief Executive Officer of Firestone, commented:**

*"The second half of 2018 saw a global price slump in the smaller, lower value goods which negatively impacted our average dollar per carat achieved. Since then, prices have stabilised at these lower levels and we are looking forward to some improvement once inventory levels in the midstream of the diamond market normalise. Production is on track to meet guidance and we once again did well to manage costs, which are well below full year guidance. Pleasingly, we sold our most valuable stone to date at the recent sale, a 70 carat makeable recovered in January, and aided by a modest price increase in the smaller fraction we realised our highest average sale price since declaring commercial production in mid-2017 of US\$90/ct."*

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

For further information, please visit [www.firestonediamonds.com](http://www.firestonediamonds.com) or contact:

**Firestone Diamonds plc** +44 (0)20 8741 7810  
Paul Bosma  
Grant Ferriman

**Macquarie Capital (Europe) Limited (Nomad and Broker)** +44(0)20 3037 2000  
Nick Stamp  
Nicholas Harland

**Tavistock (Public and Investor Relations)** +44 (0)20 7920 3150  
Jos Simson  
Gareth Tredway  
Annabel de Morgan

**Background information on Firestone**

Firestone is an international diamond mining company with operations 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.

**OPERATIONAL REVIEW FOR THE 6 MONTH PERIOD ENDING 31 DECEMBER 2018**

**Introduction**

The strong operational performance achieved in 2018, Liqhobong's first full year of commercial production, continued into the first half of 2019. Tonnes treated for the period were in-line with expectation despite unscheduled repair work on one of the scrubbers which resulted in lower throughput for a short time.

During the first quarter, there was an unfortunate lost time injury after having worked 6.7 million injury-free man hours. Thankfully the incident was not too serious with the employee returning to work three days later. The Company takes safety very seriously and no lost time injuries were recorded since then.

The demand for smaller diamonds, below 3 grainers (<0.66ct), remained subdued during the first 6 months of the financial year, mainly as a result of pressure on the Indian midstream. This led to a lower average value achieved of US\$71 per carat for the period. Pleasingly there continued to be strong demand for our special diamonds during the period.

**Production**

Production	H1 2019	H1 2018	FY2018
Ore (tonnes)	1 896 575	1 907 795	3 802 568

Waste (tonnes)	1 863 164	1 488 073	2 910 636
Total (tonnes)	3 759 739	3 395 868	6 713 204
Carats recovered (carats)	465 680	379 716	835 832
Grade (carats per hundred tonnes)	24.6	19.9	22.0

The strong operational performance at the end of the 2018 financial year continued into the early part of the current financial year, resulting once again in a solid operational performance.

Liqhobong treated 1,896,575 tonnes of ore during the period which was marginally lower than the 1,907,795 tonnes treated in H1 2018, despite experiencing a period of approximately 3 weeks of reduced production throughput as a result of unscheduled repair work that was required on one of the two scrubbers during November 2018.

The average grade was higher during the period at 24.6 carats per hundred tonnes ("cpht") compared to 19.9 cpht in H1 2018, mainly due to treating proportionately more of the higher grade ore blocks in the southern part of the open pit. The higher grade resulted in 23% more carats recovered for the period of 465,680 compared to 379,716 carats in H1 2018.

A total of 1,863,164 tonnes of waste was mined during the period compared to 1,488,073 tonnes in H1 2018 as waste stripping of Cut 2 south commenced and new access roads and excavation platforms were established. The establishment of the new access roads and platforms took longer than expected due to the steep topography of the Cut 2 work area, resulting in fewer waste tonnes mined than expected.

#### Life of mine

During the period, the work on the Life of Mine ("LOM") plan was completed to determine the viability of a Cut 3 extension based on optimised slope angles. The results indicated that a Cut 3 could increase the life of mine by 3 years and result in 40% more carats compared to the current 8 year mine plan. However, at the current average diamond values realised and based on current economic assumptions, the cost of the additional Cut 3 waste tonnes renders the extension uneconomically viable at this stage.

The Company will however keep under review the option to extend the mine life should economic conditions, particularly the average value per carat and projected price growth assumptions, improve. The Company retains the ability to revert to the longer term plan until FY2021, after which time a mine life extension would become significantly more costly due to the increased amount of waste tonnes that would need to be mined.

#### Health and safety

The Company considers the health and safety of its employees and contractors a top priority as the results indicate. Liqhobong recorded its first lost time injury during the period having worked a total of 6.7 million man-hours since project commencement in July 2014. Fortunately, the incident was not too serious. The operational team will continue to focus on safety in the workplace as a priority in an effort to maintain the exemplary safety record.

#### Diamond sales

Diamond sales	H1 2019	H1 2018	FY2018
Diamonds sold (carats)	385 941	352 272	831 638
Revenue (US\$m)	27.4	26.0	62.2
Average value (US\$/ct)	71	74	75
Number of sales	3	4	8

A total of 385,941 carats were sold across three sales during the period compared to 352,272 carats across four sales during H1 2018. Total sales for the period of US\$27.4 million was marginally higher than sales of US\$26.0 million in H1 2018 despite a lower average value realised of US\$71/ct (H1 2018: US\$74/ct) as a result of the higher quantity of carats sold. The lower average value realised during the period was due mainly to the decrease in prices for run of mine production (minus 3 grainers), which comprises approximately 80% of Liqhobong's production, as a result of pressure on the Indian midstream due to a weaker local currency, high inventory levels and reduced lending into the industry. Pricing for larger, more valuable diamonds remained robust during the period as evidenced by a 68 carat white makeable which sold for more than US\$900k.

#### Operating costs

Management is committed to stringent cost management and as a result, cash operating costs for the period of US\$10.96 per tonne treated were lower than H1 2018 of US\$11.97 per tonne treated. The lower cash operating cost per tonne treated can mainly be attributed to the weaker local currency, the Lesotho Maloti which was 5% weaker against the dollar at LSL14.15:US\$1 for the period compared to LSL13.42:US\$1 in H1 2018, and also to the fewer waste tonnes mined in the period.

The accounting cost per tonne treated includes non-cash items such as depreciation and amortisation charges and amounted to US\$13.37 per tonnes treated which was significantly lower than the cost per tonne treated in H1 2018 of US\$16.32.

Cost per tonne treated (US\$/tonne)	H1 2019	H1 2018	FY2018
Cash operating cost (incl. waste)	10.96	11.97	11.62
Accounting cost	13.37	16.32	14.45

#### Cashflow

During the period, the Group generated cash of US\$6.7 million from operations including waste stripping costs, which compared favourably to H1 2018 of US\$2.1 million after adjusting for US\$6.7 million of capitalised waste stripping costs. A decrease in working capital of US\$4.1 million, which was mainly due to the receipt of the June 2018 sale proceeds in July 2018, resulted in net cash flow from operating activities of US\$10.8 million (H1 2018: US\$4.1 million). The cash generated was sufficient to fund US\$0.7 million of stay in business capital at Lihobong and net debt service costs of US\$2.4 million, resulting in a net increase in cash of US\$7.7 million for the period (H1 2018: net increase in cash of US\$12.2 million after net proceeds from a capital raise and Series A Eurobond facility of US\$26.0 million).

The Group ended the period with a cash balance of US\$26.2 million (H1 2018: US\$29.7 million).

#### Impairment of BK11

The value of the BK11 asset, which is no longer considered core to the Group's business, was impaired by US\$2.2 million during the period.

#### Conclusion

The Group has once again performed well from an operational perspective with all of its key metrics on track to meet guidance by the year-end. We have demonstrated that the production plant is capable of treating ore at rates exceeding its nameplate capacity which has assisted in making up processing shortfalls which have resulted from unexpected interruptions as mentioned previously. Mine development is slightly behind schedule, however plans are in place to increase waste mining over the coming months and we expect to achieve our guidance range of between 4.3mt and 4.8mt by the year-end.

Operating costs remain well managed and even though we anticipate an increase over the second half of the year due to higher waste tonnages, we still expect these to remain well below the lower end of guidance of between US\$15 and US\$16 per tonne treated.

The average value realised for the three sales during the first half of the financial year was disappointing and unfortunately mainly the result of a downturn in the market for smaller diamonds. On a positive note, we saw a modest improvement in pricing for this segment at the recent sale and are hopeful that this trend will continue as the over-stocking works its way through the pipeline. Despite the weaker pricing environment, the Group generated positive cash flow of US\$6.7 million from operations during the period. Pleasingly, pricing has remained robust for the larger, better quality diamonds.

#### Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2018

(Unaudited)

		6 months ended 31 December 2018 Unaudited US\$'000	6 months ended 31 December 2017 Unaudited US\$'000	Year ended 30 June 2018 Audited US\$'000
Revenue	2	27 382	25 990	62 246
Cost of sales		21 945	23 415	57 116
<b>Gross Profit</b>		<b>5 437</b>	<b>2 575</b>	<b>5 130</b>
Other income		764	443	1 267
<b>Total administrative expenses</b>		<b>8 185</b>	<b>6 977</b>	<b>13 707</b>
Other administrative expenses		1 144	957	1 784
Diamond royalty and selling expenses		1 800	1 674	4 318
Impairment charge	3	2 239	-	-
Amortisation and depreciation		1 069	1 252	2 408
Share-based payments		391	1 464	1 345
Care and maintenance		120	-	485
Corporate expenses		1 422	1 630	3 367
<b>Loss before finance charges and income tax</b>		<b>(1 984)</b>	<b>(3 959)</b>	<b>(7 310)</b>
Finance income		697	67	794
Finance costs	4	5 385	6 427	11 021
<b>Loss before tax</b>		<b>(6 672)</b>	<b>(10 319)</b>	<b>(17 537)</b>
Taxation credit	5	25	2 569	3 304

<b>Loss after tax for the period</b>	<b>(6 647)</b>	<b>(7 750)</b>	<b>(14 233)</b>
<b>Loss after tax for the period attributable to:</b>			
Owners of the parent	(6 794)	(7 180)	(11 635)
Non-controlling interest	147	(570)	(2 598)
<b>Loss after tax for the period</b>	<b>(6 647)</b>	<b>(7 750)</b>	<b>(14 233)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange gains on translating foreign operations net of tax	(5 436)	5 540	(7 426)
Profit on cash flow hedges	(79)	349	791
<b>Other comprehensive income</b>	<b>(5 515)</b>	<b>5 889</b>	<b>(6 635)</b>
<b>Total comprehensive loss for the period</b>	<b>(12 162)</b>	<b>(1 861)</b>	<b>(20 868)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the parent	(10 635)	(2 790)	(16 432)
Non-controlling interests	(1 527)	929	(4 436)
<b>Total comprehensive loss for the period</b>	<b>(12 162)</b>	<b>(1 861)</b>	<b>(20 868)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (US cents)	6	(1.3)	(2.2)
			(2.8)

#### Consolidated Statement of Financial Position

As at 31 December 2018

(Unaudited)

	Note	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	89 274	119 859	101 220
Deferred tax	8	6 058	6 627	6 501
Loan receivable		754	-	487
<b>Total non-current assets</b>		<b>96 086</b>	<b>126 486</b>	<b>108 208</b>
<b>Current assets</b>				
Inventories	9	9 724	9 961	5 881
Trade and other receivables		1 916	3 001	13 288
Other financial assets		172	-	265
Cash and cash equivalents		26 230	29 688	18 421
<b>Total current assets</b>		<b>38 042</b>	<b>42 650</b>	<b>37 855</b>
<b>Total assets</b>		<b>134 128</b>	<b>169 136</b>	<b>146 063</b>
<b>EQUITY</b>				
Share capital	10	166 469	166 094	166 239
Share premium		192 191	190 056	191 201
Reserves		(27 532)	(14 280)	(24 201)
Accumulated losses		(262 271)	(252 587)	(255 607)
<b>Total equity attributable to equity holders of the parent</b>		<b>68 857</b>	<b>89 283</b>	<b>77 632</b>
Non-controlling interests		(48 157)	(41 265)	(46 630)
<b>Total equity</b>		<b>20 700</b>	<b>48 018</b>	<b>31 002</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	11	90 596	99 169	94 225
Provisions		4 277	4 566	4 313
<b>Total non-current liabilities</b>		<b>94 873</b>	<b>103 735</b>	<b>98 538</b>
<b>Current liabilities</b>				
Borrowings	11	6 628	285	2 143
Other financial liabilities		-	24	-

Trade and other payables	11 457	16 625	14 055
Provisions	470	449	325
<b>Total current liabilities</b>	<b>18 555</b>	<b>17 383</b>	<b>16 523</b>
<b>Total liabilities</b>	<b>113 428</b>	<b>121 118</b>	<b>115 061</b>
<b>Total equity and liabilities</b>	<b>134 128</b>	<b>169 136</b>	<b>146 063</b>

### Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

(Unaudited)

	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	Total US\$'000	Non- con- trolling interest US\$'000	Total equity US\$'000
<b>Balance at 31 December 2017 (Unaudited)</b>	<b>166 094</b>	<b>190 056</b>	<b>7 609</b>	<b>(1 614)</b>	<b>239</b>	<b>7 935</b>	<b>(28 449)</b>	<b>(252 587)</b>	<b>89 283</b>	<b>(41 265)</b>	<b>48 018</b>
Loss for the period	-	-	-	-	-	-	-	(4 455)	(4 455)	(2 028)	(6 483)
Foreign currency translation differences	-	-	-	-	-	-	(9 557)	-	(9 557)	(3 460)	(13 017)
Profit on cash flow hedges	-	-	-	-	370	-	-	-	370	123	493
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>370</b>	<b>-</b>	<b>(9 557)</b>	<b>(4 455)</b>	<b>(13 642)</b>	<b>(5 365)</b>	<b>(19 007)</b>
<b>Contributions by and distributions to owners</b>											
Issue of ordinary shares	145	1 145	-	-	-	-	-	-	1 290	-	1 290
Share-based payment transactions	-	-	-	-	-	701	-	-	701	-	701
Share-based payment lapse/reversals	-	-	-	-	-	(1 435)	-	1 435	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>145</b>	<b>1 145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(734)</b>	<b>-</b>	<b>1 435</b>	<b>1 991</b>	<b>-</b>	<b>1 991</b>
<b>Balance at 30 June 2018 (Audited)</b>	<b>166 239</b>	<b>191 201</b>	<b>7 609</b>	<b>(1 614)</b>	<b>609</b>	<b>7 201</b>	<b>(38 006)</b>	<b>(255 607)</b>	<b>77 632</b>	<b>(46 630)</b>	<b>31 002</b>
Loss for the period	-	-	-	-	-	-	-	(6 794)	(6 794)	147	(6 647)
Foreign currency translation differences	-	-	-	-	-	-	(3 782)	-	(3 782)	(1 654)	(5 436)
Loss on cash flow hedges	-	-	-	-	(59)	-	-	-	(59)	(20)	(79)

<b>Total comprehensive loss for the period</b>	-	-	-	-	(59)	-	(3 782)	(6 794)	(10 635)	(1 527)	(12 162)
<b>Contributions by and distributions to owners</b>											
Issue of ordinary shares	230	990	-	-	-	-	-	-	1 220	-	1 220
Share issue expense	-	-	-	-	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	640	-	-	640	-	640
Share-based payment lapse/reversals	-	-	-	-	-	(130)	-	130	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>230</b>	<b>990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>510</b>	<b>-</b>	<b>130</b>	<b>1 860</b>	<b>-</b>	<b>1 860</b>
<b>Balance at 31 December 2018 (Unaudited)</b>	<b>166 469</b>	<b>192 191</b>	<b>7 609</b>	<b>(1 614)</b>	<b>550</b>	<b>7 711</b>	<b>(41 788)</b>	<b>(262 271)</b>	<b>68 857</b>	<b>(48 157)</b>	<b>20 700</b>

### Consolidated Statement of Cash Flows

For the six months ended 31 December 2018  
(Unaudited)

	6 months ended 31 December 2018 Unaudited US\$'000	6 months ended 31 December 2017 Unaudited US\$'000	Year ended 30 June 2018 Audited US\$'000
<b>Cash flows from operating activities</b>			
Loss before taxation	(6 672)	(10 319)	(17 537)
Adjustments for:			
Impairment charge	2 239	-	-
Depreciation, amortisation and impairment	5 644	11 222	13 158
Effect of foreign exchange movements	-	-	-
Equity-settled share-based payments	640	1 464	1 888
Changes in provisions	145	60	(65)
Finance cost	5 385	6 427	11 021
Finance income	(697)	(67)	(794)
<b>Net cash flows from/(used) in operating activities before working capital changes</b>	<b>6 684</b>	<b>8 787</b>	<b>(7 671)</b>
Increase in inventories	(3 991)	(3 186)	(34)
Decrease/(increase) in trade and other receivables	11 080	870	(10 421)
Decrease in trade and other payables	(3 003)	(2 390)	(3 822)
<b>Net cash flows from/(used in) operating activities</b>	<b>10 770</b>	<b>4 081</b>	<b>(6 606)</b>
<b>Cash flows used in investing activities</b>			
Additions to property, plant and equipment	(724)	(7 545)	(1 977)
<b>Net cash used in investing activities</b>	<b>(724)</b>	<b>(7 545)</b>	<b>(1 977)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	-	25 000	25 000
Share issue expense	-	(976)	(900)

Increase in borrowings	-	2 000	2 000
Repayment of borrowings	(890)	(8 125)	(13 476)
Finance cost	(1 793)	(2 326)	(3 421)
Finance income	287	67	307
<b>Net cash (used in)/from financing activities</b>	<b>(2 396)</b>	<b>15 640</b>	<b>9 510</b>
<b>Net increase in cash and cash equivalents</b>	<b>7 650</b>	<b>12 176</b>	<b>927</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>18 421</b>	<b>17 053</b>	<b>17 053</b>
Exchange rate movement in cash and cash equivalents at beginning of period	159	459	441
<b>Cash and cash equivalents at end of period</b>	<b>26 230</b>	<b>29 688</b>	<b>18 421</b>

## Notes to the condensed Group interim financial statements

For the six months ended 31 December 2018  
(Unaudited)

### 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 unaudited condensed interim financial statements of the Company for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in diamond mining and exploration in southern Africa. The audited consolidated financial statements of the Group for the year ended 30 June 2018 are available upon request from the Company's registered office at The Triangle, 5-17 Hammersmith Grove, London W6 0LG or at [www.firestonediamonds.com](http://www.firestonediamonds.com).

#### Statement of compliance

These unaudited condensed interim financial statements of the Group for the six months ended 31 December 2018 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. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Group's latest audited financial statements for the year ended 30 June 2018.

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 30 June 2018. The auditors' opinion on those statutory Annual Report and Accounts was unqualified. The auditor's report did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The comparative figures presented are for the six months ended 31 December 2017 and the year ended 30 June 2018.

#### Going concern

The Directors have reviewed the Group's forecast cash flow and have considered the covenants in relation to the ABSA debt facility for a period of twelve months from signing these interim financial statements.

The operations are forecast to generate sufficient cash to fund the Group's operating costs and to repay the scheduled debt over the forecast period. Furthermore, the Directors do not expect, based upon the cash flow forecasts and actions within Management's control, that a covenant breach will be triggered. However, the headroom is not significant and the underlying assumptions are particularly volatile.

The Directors recognise that the covenants are based on certain forward-looking assumptions, including future diamond price, exchange rate - particularly between the South African Rand and the United States Dollar, and operating cost per tonne treated. Due to the nature of the forward-looking assumptions, there is a material possibility that under certain scenarios, covenants could be breached in the future. However, no covenant breach has occurred to date, and consequently no discussion has been held with the lender to date regarding what action may be taken by it in the event of a future covenant breach.

Having reviewed the cash flow forecast and considered the covenants, the Directors are confident that the Group will continue as a going concern for a period of at least twelve months from the date of approval of these interim financial statements.

On this basis, the Directors have concluded that it is appropriate to prepare the interim financial statements on a going concern basis. Notwithstanding this, the Directors, in accordance with Financial Reporting Council guidance in this area, conclude that at this time there is material uncertainty as to whether future covenants will be met and that failure to meet a future covenant may cast significant doubt upon the Group's ability to continue as a going concern and may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. These interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

### 2. Revenue

	<b>31 December 2018 Unaudited US\$'000</b>	<b>31 December 2017 Unaudited US\$'000</b>	<b>30 June 2018 Audited US\$'000</b>
Diamond sales	<b>27 382</b>	<b>25 990</b>	<b>62 246</b>

### 3. 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.

#### BK11 Mine

The sale of the BK11 Mine was subject to a conditional option agreement which expired on 18 December 2018. This 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.

#### Liqhobong Mine

At the end of the period the recoverable amount of the Liqhobong CGU was determined using its value in use based on a discounted cash flow model. The carrying value was similar to the recoverable amount based on discounted cash flows over the remaining seven and a half year mine life (FY2018: eight year mine life) and the following key assumptions were used in the calculation:

Key assumptions	H1 2019	FY2018	Basis for assumption
Discount rate	11.3%	11.2% (2018: 9.2% real)	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.
Diamond price (per carat)	US\$75 till June 2020, US\$80 thereafter	US\$82	The average diamond value is based on forward looking assumptions of management based on available market information pertaining to supply and demand for Liqhobong's assortment.
Real diamond price growth	1.5%	3%	The diamond price growth is based on long-term diamond price projections.
Exchange rate (ZAR:US\$)	R14.45	R13.73	The exchange rate is the spot rate as at the end of the period.

The sensitivity table below provides the potential impact on the carrying value of the Liqhobong CGU using various average diamond values:

US\$ per carat	CGU value US\$m	Potential (impairment)/reversal
75 till June 2020, 85 thereafter	115.7	16.9
79	101.0	2.2
72 till June 2020, 77 thereafter	98.8	-
75	83.2	(15.6)
70	61.1	(37.7)

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.

#### 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	221 420	5 218	226 638
Accumulated impairment	(122 602)	(5 218)	(127 820)
<b>Carrying value post-impairment</b>	<b>98 818</b>	<b>-</b>	<b>98 818</b>

	Group	
	31 December 2018	30 June 2018
	Unaudited US\$'000	Audited US\$'000
<b>Impairment charge</b>		
Property, plant and equipment	2 239	-

### 4. Finance cost

	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
Interest on borrowings	5 243	5 675	10 737
Unwinding of discount on rehabilitation liability	142	155	284
Foreign exchange adjustments on cash balances	-	597	-
	<b>5 385</b>	<b>6 427</b>	<b>11 021</b>

## 5. Taxation

	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
Current tax	-	-	(102)
Deferred tax credit	25	2 569	3 406
	<b>25</b>	<b>2 569</b>	<b>3 304</b>

### Factors affecting the tax charge for the year

The reasons for the difference between the actual tax charge and the standard rate of corporation tax of 19% (2017: 20%) in the United Kingdom applied to the loss for the year are as follows:

	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
Loss before tax	(6 672)	(10 319)	(17 537)
Tax on loss at standard rate of 19% (2017: 20.00%)	1 268	2 064	3 332
Adjustments to deferred tax not recognised	(4 146)	3 394	(2 432)
Effect of tax in foreign jurisdictions	3 184	(2 532)	2 840
Foreign exchange adjustment on effective interest rate on borrowings	(266)	(290)	(238)
Withholding tax credits relinquished	-	-	(102)
Expenses not deductible for tax purposes	(15)	(67)	(96)
	<b>25</b>	<b>2 569</b>	<b>3 304</b>

## 6. Loss per share

	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
Loss for the period	(6 794)	(7 180)	(11 635)
<b>Weighted average number of shares used in basic loss per share</b>			
Opening balance	419 672 178	315 161 224	317 471 892
Effect of shares issued during the Period	99 121 401	7 557 788	102 200 286
<b>Closing balance</b>	<b>518 793 579</b>	<b>322 719 012</b>	<b>419 672 178</b>
Dilutive effect of potential ordinary shares	-	-	-
<b>Weighted average number of ordinary shares in issue used in diluted loss per share</b>	<b>518 793 579</b>	<b>322 719 012</b>	<b>419 672 178</b>
<b>Basic and diluted loss per share (US cents)</b>	<b>(1.3)</b>	<b>(2.2)</b>	<b>(2.8)</b>
Non-dilutive potential ordinary share	89 974 198	88 415 347	86 401 656

As a result of the loss for the current and previous period all potentially issuable shares are considered anti-dilutive. The Company has a further 24 872 440 (H1 2018: 23 313 589) potentially issuable shares in respect of share options issued to employees and 65 101 758 (H1 2018: 65 101 758) potentially issuable shares in respect of warrants issued to strategic investors as at 31 December 2018.

## 7. Property, Plant and Equipment

Property, plant and equipment decreased by US\$11.9 million for the period. The decrease is as a result of US\$5.6 million depreciation and amortisation charge, US\$2.2 million impairment of the BK11 mine as discussed in note 3, the movement in the ZAR:US\$ exchange rate resulting in a decrease in value in US dollar terms of US\$4.8 million, offset by additions of US\$0.7 million.

## 8. Deferred tax

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

	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
Opening balance	6 501	3 761	3 761
Movement in temporary differences recognised in income	25	2 569	3 406
Exchange differences	(468)	297	(666)
	<b>6 058</b>	<b>6 627</b>	<b>6 501</b>

The deferred tax asset/(liability) comprises:

	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
Accelerated capital allowances	(19 406)	(25 777)	(21 585)
Provisions	699	758	708
Borrowings	(1 177)	(1 527)	(1 375)
Losses available for offsetting against future taxable income	28 834	36 063	31 645
Temporary difference arising on acquisition of subsidiary	(2 892)	(2 890)	(2 892)
	<b>6 058</b>	<b>6 627</b>	<b>6 501</b>

The Directors considered the financial projections of Liqhobong and determined that there is compelling evidence to support a deferred tax asset that is based on the value of the taxable profit which is expected to be generated over the next three years. No deferred tax asset was raised for assessed losses remaining to be utilised after the three-year period and these losses do not have an expiry date.

Deferred tax assets and deferred tax liabilities relating to the same tax authorities have been disclosed as a net asset or liability. The Group has unrecognised tax losses of approximately US\$200.4 million (H1 2018: US\$199.5 million), of which US\$170.5 million relates to the Liqhobong Mine (H1 2018: US\$152.2 million), US\$17.9 million to the BK11 Mine (H1 2018: US\$35.6 million) and US\$12.0 million to the Group's corporate entities in the UK and South Africa (H1 2018: US\$11.7 million).

## 9. Inventories

	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	30 June 2018 Audited US\$'000
Diamond inventory	6 560	6 883	2 898
Spares and consumables	3 164	3 078	2 983
	<b>9 724</b>	<b>9 961</b>	<b>5 881</b>

## 10. Share capital

	Number of Shares			Nominal value of shares		30 June 2018 Audited US\$'000
	31 December 2018 Unaudited '000	31 December 2017 Unaudited '000	30 June 2018 Audited '000	31 December 2018 Unaudited US\$'000	31 December 2017 Unaudited US\$'000	
<b>Allotted, called up and fully paid Ordinary shares</b>						
Opening balance	515 678	317 472	317 472	6 272	3 590	3 590

Issued during the period	17 507	187 642	198 206	230	2 537	2 682
<b>Closing balance</b>	<b>533 185</b>	<b>505 114</b>	<b>515 678</b>	<b>6 502</b>	<b>6 127</b>	<b>6 272</b>
<b>Deferred shares</b>	<b>7 388 642</b>	<b>7 388 642</b>	<b>7 388 642</b>	<b>159 967</b>	<b>159 967</b>	<b>159 967</b>
<b>TOTAL</b>	<b>7 921 827</b>	<b>7 893 756</b>	<b>7 904 320</b>	<b>166 469</b>	<b>166 094</b>	<b>166 239</b>

During the period, the Company issued a further 17 507 484 new ordinary shares of 1 pence each was in respect of the quarterly interest due on the Series A Eurobonds.

#### 11. Borrowings

<b>31 December 2018</b>	<b>ABSA</b>					
<b>US\$'000</b>	<b>debt</b>	<b>Series A</b>	<b>Series B</b>	<b>Other</b>		<b>Total</b>
	<b>facility</b>	<b>Eurobonds</b>	<b>Eurobonds</b>	<b>loans</b>		
<b>Capital amount</b>						
At 1 July	67 790	30 000	7 528	1 216		106 534
Foreign exchange adjustments	-	-	-	(55)		(55)
Interest capitalised	-	-	286	-		286
Capital repayments	-	-	-	(35)		(35)
<b>At 31 December</b>	<b>67 790</b>	<b>30 000</b>	<b>7 814</b>	<b>1 126</b>		<b>106 730</b>
<b>Finance cost to be amortised over the life of the instrument</b>						
At 1 July	(4 669)	(5 299)	(198)	-		(10 166)
Payment of capitalised finance cost	(855)	-	-	-		(855)
Additions	(447)	-	-	-		(447)
Finance cost	1 265	647	50	-		1 962
<b>At 31 December</b>	<b>(4 706)</b>	<b>(4 652)</b>	<b>(148)</b>	<b>-</b>		<b>(9 506)</b>
<b>Total at amortised cost</b>						
Non-current liabilities	56 731	25 348	7 666	851		90 596
Current liabilities	6 353	-	-	275		6 628
<b>Total</b>	<b>63 084</b>	<b>25 348</b>	<b>7 666</b>	<b>1 126</b>		<b>97 224</b>

<b>30 June 2018</b>	<b>ABSA</b>					
<b>US\$'000</b>	<b>debt</b>	<b>Series A</b>	<b>Series B</b>	<b>Other</b>		<b>Total</b>
	<b>facility</b>	<b>Eurobonds</b>	<b>Eurobonds</b>	<b>Loans</b>		
<b>Capital amount</b>						
At 1 January	73 006	30 000	7 247	1 492		111 745
Finance cost capitalised	-	-	281	-		281
Foreign exchange adjustments	-	-	-	(141)		(141)
Capital repayments	(5 216)	-	-	(135)		(5 351)
<b>At 30 June</b>	<b>67 790</b>	<b>30 000</b>	<b>7 528</b>	<b>1 216</b>		<b>106 534</b>
<b>Finance cost to be amortised over the life of the instrument</b>						
At 1 January	(6 108)	(5 936)	(247)	-		(12 291)
Finance cost capitalised	855	-	-	-		855
Additions	(617)	-	-	-		(617)
Finance cost	1 201	637	49	-		1 887
<b>At 30 June</b>	<b>(4 669)</b>	<b>(5 299)</b>	<b>(198)</b>	<b>-</b>		<b>(10 166)</b>
<b>Total at amortised cost</b>						
Non-current liabilities	61 251	24 701	7 330	943		94 225
Current liabilities	1 870	-	-	273		2 143
<b>Total</b>	<b>63 121</b>	<b>24 701</b>	<b>7 330</b>	<b>1 216</b>		<b>96 368</b>

#### 12. Commitments and contingent liabilities

The Group had no capital commitments or contingent liabilities as at 31 December 2018.

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