Final results for the year ended 30 June 2018

Released : 28 Sep 2018 07:00

RNS Number : 2536C
Firestone Diamonds PLC
28 September 2018

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

Final results for the year ended 30 June 2018

Firestone Diamonds (AIM: FDI), a new diamond producer with operations focused in Lesotho, announces its final audited results for the year ended 30 June 2018.

Summary

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

- Zero lost time injury record maintained with over 6.2 million man hours worked since project; commencement in July 2014;
- First full year of production characterised by exceptional operational performance:
    - 128% increase in diamonds recovered to 835 832 carats (2017:365 891 carats);
    - 18% increase in grade to 22.0 carats per hundred tonnes ("cpht") (2017: 18.6cpht);
    - 93% increase in ore tonnes treated to 3.8 million tonnes ("mt") (2017: 1.97mt);
    - 5% decrease in operating costs to US$11.62 per tonne treated (2017: US$12.26); and
    - 168% increase in carats sold to 831 637 carats (2017: 310 376 carats).
- Largest diamond recovered to date (recovered in September 2017) was a 134 carat gem-quality light yellow diamond; and
- Most valuable diamond recovered, as measured by US Dollar per carat, was a fancy pink diamond which realised a sales price of US$112 781 per carat.

Financial

- Revenue increased by 125% to US$62.2 million (2017: US$27.8 million[1]);
- Loss for the year decreased by 91% to US$14.2 million (2017: US$151.7 million which includes an impairment charge of US$122.6 million);
- Loss per share improved by 92% to 2.8 US cents (2017: 36.9 US cents);
- Cash balance of US$18.4 million (2017: US$17.1 million);
- Successful US$25 million equity raise in December 2017; and
- Successful restructuring of the US$82.4 million ABSA Debt Facility with a capital repayment grace period up until 30 June 2019.

1 Common convention during commissioning and test production phases or operation is such that all revenues and operating costs are capitalised to the cost of the asset in the Statement of Financial Position until commercial production is achieved.

Post Period

- Paul Bosma appointed as CEO effective from 1 July 2018, following the departure of Stuart Brown;
- Several other board changes took place:
    - Patrick Meier joined the Board as a non-executive director on 5 July 2018; and
    - Mike Wittet and Deborah Thomas resigned from the board on 5 July 2018.

Paul Bosma, Chief Executive Officer, commented:

"The 2018 financial year was an eventful one, marking the first full year as a diamond producer at Liqhobong. Having concluded a US$25.0 million fundraising at the end of December 2017 and restructuring our ABSA debt facility, we entered the second half of the financial year on a much stronger financial footing. We had an exceptional final quarter from an operational perspective, and I am pleased to say that this trend has continued into the 2019 financial year. I look forward to providing an update on the Q1-FY2019 results towards the end of October. We continue to evaluate our life of mine plan to assess the viability of an extension.

"From a market perspective, we have seen further evidence of subdued pricing for smaller, lower quality goods at the most recent diamond sales

putting pressure on overall dollar per carat. However, the demand for larger, better quality stones remain strong. The overall supply-demand dynamics in the natural diamond market remain favourable in the short to medium term with no new sources of supply on the horizon and the major producers carrying minimal stock and operating close to full capacity. This bodes well for Liqhobong which is only just starting its journey."

Analyst Conference Call and Presentation

Firestone Diamonds will host an analyst conference call and presentation today, 28 September, at 12:00 BST. Participants can access the call by dialling one of the following numbers below approximately 10 minutes prior to the start of the call.

United Kingdom Toll: +44 (0)2031394830
United Kingdom Toll-Free: 08082370030
Participant PIN code: 61997336#

The presentation will be available for download from the Company's website: http://www.firestonediamonds.com or by clicking on the link below:

http://www.anywhereconference.com?UserAudioMode=DATA&Name=&Conference=131699075&PIN=61997336

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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 in Lesotho. Lesotho is emerging as 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

Firestone's objective is to be a profitable mid-tier diamond producer and the preferred and trusted partner of choice for its stakeholders and local communities alike. The Company seeks to achieve this goal through production from the Liqhobong Diamond Mine in Lesotho, Southern Africa. The Liqhobong Diamond Mine is 75% owned by Firestone and 25% by the Government of Lesotho.

The 2018 financial year was exceptional in terms of all aspects which were within management's control, from achieving and exceeding recovery and tonnage treated guidance respectively, to operating at significantly lower than expected operating costs, and maintaining the unparalleled safety record, of which, we are very proud.

Just prior to the start of the financial year, we declared commercial production at our Liqhobong Diamond Mine in Lesotho, and as a result, 2018 represents the first full year of commercial production from the new plant.

During the first half of the year, a combination of lower than expected average diamond sale values, and earlier waste stripping requirements prompted a revision of the original 14-year mine plan. In December 2017, the Company announced a revised nine-year mine plan that was verified by its technical advisers in order to deliver the best returns in the medium term at low risk. Importantly, the new plan retained the optionality of taking advantage of a longer life of mine should the average diamond values increase or should there be an improvement in market conditions. The revised plan is over a shorter period and involves the stripping of fewer waste tonnes, resulting in higher cash generation.

In addition to this operational decision, the Group was successful in raising US$25.0 million in December 2017, which, together with revised lending terms from ABSA bank, provides Firestone with sufficient resources to carry out the shorter mine plan. I would like to thank our shareholders for their continued support, and also ABSA Bank for extending the debt facility by 2 and a half years.

Concluding these efforts meant we were able to start off the second half of the financial year with a strong base and we went on to report ever improving operational numbers from the Mine, despite a heavier than expected rainy season, with the final quarter to end June resulting in several production records being achieved.

The Company also places great emphasis on its responsibility to its employees to provide safe working conditions. During the year, Liqhobong maintained its zero Lost Time Injury record with a further 1.8 million LTI free man hours, resulting in a total, since Project commencement, of over 6.2 million LTI free man hours which is a considerable achievement.

A number of Board changes took place towards the end of the year. On behalf of the Board of Directors, I would like to thank Stuart Brown for his efforts over his five years as Chief Executive Officer ("CEO") of Firestone. Having achieved his mandate to lead the financing and construction of Liqhobong and therefore placing Firestone into the elite group of producing diamond companies, Stuart decided to embark on other challenges and we wish him every success for the future.

I would also like to thank Mike Wittet for his services to the Company over the past 6 years during a key part of the Company's transformation into a major diamond producer and would also like to thank Deborah Thomas for her contribution.

I am very pleased to welcome Paul Bosma as CEO, who we feel with more than 24 years' experience in the mining industry together with his existing knowledge of the Mine gained as General Manager, is the appropriate person to guide the Group towards achieving its ambitious goals going forward.

I would also like to welcome Mr Patrick Meier to the Board as a Non-Executive Director. Patrick brings with him a wealth of knowledge and experience in the mining sector, having been an adviser and financier to numerous companies over the past 25 years.

Lastly, I would like to extend my thanks to the management team and to all staff for the excellent operational performance during the year and for maintaining the exemplary safety record of zero LTI's at year-end. I look forward to updating our shareholders and stakeholders in the coming months.

Lucio Genovese
Non-Executive Chairman

OPERATIONAL REVIEW

Liqhobong

Liqhobong successfully completed its first full year of production, achieved market guidance for carats recovered and exceeded the plant's nameplate capacity.

Highlights:

- 3.8 million ore tonnes treated
- 835 832 carats recovered
- Average value per carat of US$75 achieved
- Cash operating cost per tonne treated (including waste) of US$11.62

Introduction

The Mine achieved commercial production at the end of the previous financial year resulting in the 2018 financial year being the first full year of steady-state production. The lower than expected frequency of valuable diamonds recovered and continued low prices for the ROM category diamonds during the early part of the year resulted in lower than expected average diamond values achieved at sale, prompting a revision to the mine plan. The result was a shorter nine-year mine plan, which could be supported by a lower average diamond value of US$75 per carat, whilst retaining the optionality of taking advantage of the longer 14-year life of mine should realised diamond values increase or should there be a sustained improvement in market conditions. Together with the mine plan revision, the ABSA debt facility was also restructured in order to align the capital repayments to the expected cash flows according to the revised mine plan.

Pleasingly, the impeccable safety record was maintained throughout the 2018 financial year, reaching 6.2 million man hours worked without a single lost time injury at the end of the year. It was also an exceptional year from a production perspective as all production targets were exceeded. Weather incidents and power outages resulted in lower tonnages treated during the rainy season in Q3. However, that was quickly caught up during Q4, demonstrating the plant's ability to treat higher quantities of throughput on a short-term basis and was assisted by excellent overall plant utilisation. The grade recovered increased, as expected, in the final two quarters of the year and operating costs remained very well managed as demonstrated by the low operating cost per tonne of US$11.62 for the year.

	Q1	Q2	Q3	Q4	**2018**	2017
Production						
Ore (tonnes)	944 582	963 213	869 126	1 025 647	**3 802 568**	1 966 493
Waste (tonnes)	861 331	626 742	419 122	1 003 441	**2 910 636**	1 784 894
Total (tonnes)	**1 805 913**	**1 589 955**	**1 288 248**	**2 029 088**	**6 713 204**	3 751 387
Carats recovered (carats)	199 007	180 709	192 604	263 512	**835 832**	365 891
Grade (carats per hundred tonnes)	21.07	18.76	22.16	25.69	**21.98**	18.61
Revenue						
Diamonds sold (carats)	195 330	156 942	217 380	261 985	**831 637**	310 376
Revenue (US$'m)	13.5	12.5	17.6	18.6	**62.2**	27.8
Price achieved (US$/ct)	69	80	81	71	**75**	90

Production

Having achieved commercial production at the end of June 2017, production got off to a good start in Q1. One of the highlights of the first quarter was the recovery of the largest diamond recovered to date, a light yellow 134 carat gem-quality stone.

The strong production performance continued in Q2. The decrease in grade during the quarter was expected, as was the subsequent increase in grade during the second half of the year as mining followed the mine plan and progressed to the higher-grade areas in the southern part of the pit.

Q3 was particularly challenging as a result of adverse weather conditions that, although providing welcome rainfall, caused more disruptions than expected, resulting in lower plant throughput and fewer tonnes treated. Waste stripping was lower during this period to allow the new mining contractor, which commenced its ramp-up in February 2018 to focus on initially mining ore only, and to become familiar with the terrain and mobilise the necessary fleet before increasing its waste rock mining.

After a challenging Q3, Q4 performance resulted in several new production records, ending the year on a high note.

- Tonnes treated for the year of 3.8 million, were 93% higher than the previous year's 2.0 million and exceeded the plant nameplate capacity of 500tph.
- Carats recovered of 835 832 were 128% higher than the previous year's 365 891 and within guidance of between 800 000 and 850 000 carats.
- Grade recovered for the year of 21.98 cpht, was 18% higher than the previous year's 18.61 cpht.

Mine development

Mine development commenced according to the original 14-year LOM plan and towards the end of the second quarter, was adjusted according to the revised nine-year LOM plan. Waste stripping is necessary to provide access to ore for mining. In Liqhobong's case, the mine plan also needs to provide for sufficient waste rock required to construct the Residue Storage Facility ("RSF") wall. The height of the RSF wall needs to increase in line with the rate of rise of slimes being generated by the treatment plant and a combination of waste rock and course tailings are being used for the ongoing construction of the wall. During the year, 2.9 million tonnes of waste rock was mined and placed on the RSF wall.

Diamond breakage

Our processing plant includes a conventional 3-stage crushing circuit which is designed to crush kimberlite and to liberate diamonds. We do our best to minimise diamond damage, however, the recovery process is inherently abrasive and damage does occur as in all recovery plants to a greater or lesser extent. During the year, there was an increase in diamond damage which is assessed on all +5 carat stones recovered, which resulted in a thorough investigation into all possible areas where damage might occur within the plant. Pleasingly, the minor modifications made subsequently to certain parts of the plant and recovery areas resulted in a decrease in diamond damage to well within acceptable industry standards by the year end.

Diamond Resource and Reserve update for Liqhobong

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 3.908 million tonnes and 1.068 million carats were depleted. A further 0.198 million tonnes of ore containing 0.082 million carats was reclassified as waste as a result of contamination and dilution. There was a net gain of 0.014 million tonnes containing 0.008 million carats due to changes in the pipe contact. At the end of the year, a total of 0.118 million tonnes of ore and 0.026 million carats was estimated to reside on the ROM, in pit and low-grade stockpiles. Therefore, as at 30 June 2018, the total Indicated Resource was 28.910 million tonnes at a grade of 27 cpht containing 7.793 million carats which is a 12.8% reduction compared to the 2017 Indicated Diamond Resource statement. There were no changes to the Inferred Resource.

Diamond Resource statement for Liqhobong Main Pipe as at 30 June 2018 (including Reserves)

		Diamond Resource				
Diamond Resource category	Depth from and to	Volume in m^3 (millions)	Specific gravity (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Indicated	2 603 masl to 2 467 masl	11.031	2.62	28.910	27	7.793
Inferred	2 467 masl to 2 127 masl	18.135	2.65	48.064	28	13.553
Total Diamond Resource		**29.166**	**2.64**	**76.974**	**28**	**21.346**

- Diamond Resources as at 30 June 2018, 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 2018, the total Probable Reserve was 22.613 million tonnes at a grade of 23 cpht containing 5.274 million carats, which is a 15.4% reduction compared to the 2017 Probable Diamond Reserve statement.

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 2017 mine plan contemplates mining of a cut 1 and cut 2 and has the optionality to revert to a longer LOM plan, which includes the original cut 3, within the next two year period 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 2018

		Diamond Reserve		
Diamond Reserve category	Depth from and to	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Probable	2 603 masl to 2 467 masl	22.613	23	5.274
Total Diamond Reserve		**22.613**	**23**	**5.274**

- 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$75/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.

FINANCIAL REVIEW

Summary

- Revenue of US$62.2 million (2017: US$27.8 million)
- 831 637 carats sold (2017: 310 376 carats)
- Average value per carat of US$75 (2017: US$90 per carat)
- Cash operating cost per tonne treated (including waste) of US$11.62 (2017: US$12.26)
- Loss of US$14.2 million (2017: US$151.7 million which included an impairment charge of US$122.6 million)
- ABSA debt facility restructured
- US$25.0 million capital raise concluded

Summary

Towards the end of the previous financial year, it was apparent that lower than expected average diamond values were likely to persist due to continued lower than expected quality and occurrence of larger, higher value diamonds and continued depressed pricing of ROM goods. A revised mine plan was developed to support the Mine at lower average diamond values, US$25 million capital was raised and the ABSA debt facility was successfully restructured at the end of the year.

Performance against the revised plan for the six months to end June 2018 was better than expected, mainly due to lower operating costs as a result of stringent cost management.

The capital raised in December 2017 of US$24.1 million after costs was essentially still available to the Group at year end, represented by closing cash of US$18.4 million and trade receivables which includes proceeds of US$10.4 million from the June 2018 sale which were received shortly after the year end.

Financial statement presentation

Commercial production was achieved at the end of the previous financial year, bringing to an end the capitalisation of all revenues and operating costs associated with the commissioning and early stage production phase of the Mine. All revenues and operating costs for the 2018 financial year are once again reflected in the Statement of Comprehensive Income, impacting on a direct comparison against the previous year's results. This financial review presents the financial performance in such a way as to provide a more meaningful comparison with the prior year.

Diamond sales

	Q1	Q2	Q3	Q4	**FY2018**
Revenue					
Diamonds sold (carats)	195 330	156 942	217 380	261 985	**831 637**
Revenue (US$'m)	13.5	12.5	17.6	18.6	**62.2**
Price achieved (US$/ct)	69	80	81	71	**75**
No.of sales	2	2	2	2	**8**

	Q1	Q2	Q3	Q4	**FY2017**
Revenue					
Diamonds sold (carats)	-	-	127 590	182 786	**310 376**
Revenue (US$'m)	-	-	13.7	14.1	**27.8**
Price achieved (US$/ct)	-	-	107	77	**90**
No.of sales	-	-	2	2	**4**

The Group realised total revenue for the year from its eight sales of US$62.2 million where 831 637 carats were sold at an average value of US$75 per carat. The realised average diamond value was lower than that achieved in the prior year, mainly due to the recovery of fewer, better quality large stones and continued depressed prices for ROM goods. Although the average value was lower, it was in line with the base case assumption used for purposes of the ABSA debt facility restructuring.

A combination of an over-supply of smaller goods and the impact of the Indian demonetisation programme persisted into the current year where prices remained under pressure and well below the average value for similar goods sold during 2013, prior to the commencement of the Mine construction project.

Average values achieved were higher in the second and third quarters as a result of a slightly improved diamond assortment which included a 134 carat light yellow diamond which sold for US$0.9 million and a fancy pink diamond which sold for US$112 781 per carat, the highest Dollar per carat realised for a single diamond to date. Average values achieved in the fourth and final quarter of the year disappointed somewhat and were negatively impacted by a lower incidence of special diamonds.

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.

Cost of sales for the year of US$57.1 million was US$37.8 million higher than the previous year's US$19.3 million and comprised of a full year of operating costs compared to the prior year cost of seven to eight months of ramp-up activities. Also included, is a depreciation charge of US$10.5 million in the current year compared to US$1.0 million in the prior year.

The cash operating cost per tonne treated for the year of US$11.62 was well below guidance of US$13.80 and was lower than the prior year's US$12.26 due to continued careful cash management and the higher tonnages mined and treated.

Additionally, during the year, the local currency weakened by 6.5% from LSL12.89:US$1 to LSL13.73:US$1 which contributed towards a decrease in operating costs.

US$'million	**2018**	2017
On-mine cash costs	**44.2**	24.1
Less: Waste stripping cost capitalised	-	(4.4)
Waste stripping amortised	**0.3**	2.3
Depreciation	**10.5**	1.0
Diamond inventory movement	**1.3**	(3.9)
Share-based payments	**0.8**	0.2
Sub-total	**57.1**	19.3
Less: cost reclassified directly	-	(1.7)
Cost of sales	**57.1**	17.6[1]
Production		
Ore (million tonnes)	**3.80**	1.96
Waste (million tonnes)	**2.90**	1.78
KPIs:		
Cash operating cost per tonne treated	**11.62**	12.26
Accounting cost per tonne treated	**14.45**	11.69

1 The 2017 cost of sales was reclassified to the cost of the Liqhobong Mine, which reached commercial production on 30 June 2017.

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 which are recovered from the Mine. Costs for the year of US$1.8 million were US$1.3 million higher than the previous year mainly due to the increase in selling costs which are directly attributable to the increase in revenue.

BK11 care and maintenance

BK11 was temporarily taken out of care and maintenance to allow Amulet Diamond Corporation to conduct bulk sampling of low grade tailings stockpiles and to access the pit to bulk sample in-situ kimberlite as part of its due diligence on the BK11 Mine and mineral resource. Amulet contributes up to US$30,000 of the monthly operating costs until 31 December 2018 during which time it has an option to purchase the Company's 90% interest in the BK11 Mine for US$5.1 million.

Corporate overhead

Corporate costs for the year of US$3.4 million were marginally higher than the previous year's US$3.2 million mainly due to inflationary cost increases.

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").

	2018					2017			
Cost of financing (US$'million)	**Cash cost**	**Settled in shares**	**Capitalised**	**Amortised cost**	**Total cost**	Cash cost	Settled in shares	Amortised cost	Total cost
• ABSA debt facility	**3.2**	**-**	**-**	**3.0**	**6.2**	2.7	-	3.0	5.7
• Series A Eurobonds	**-**	**2.4**	**-**	**1.3**	**3.7**	-	2.4	1.3	3.7
• Series B Eurobonds	**-**	**-**	**0.5**	**0.1**	**0.6**	-	-	-	-
	3.2	**2.4**	**0.5**	**4.4**	**10.5**	2.7	2.4	4.3	9.4[1]
• Other finance cost	**0.2**	**-**	**-**	**0.3**	**0.5**	1.0	-	0.3	1.3
• Less: Finance income	**0.8**	**-**	**-**	**-**	**0.8**	0.5	-	-	0.5
Net finance cost	**2.6**	**2.4**	**0.5**	**4.7**	**10.2**	4.2	2.4	4.6	10.2

2 In 2017 the Group capitalised total net borrowing costs of US$9.4 million as part of the cost of the Project. All borrowing costs capitalised are Project specific.

Tax charge
The tax credit for the year of US$3.3 million comprises an increase of the deferred tax asset recognised in Liqhobong of US$3.4 million and an income tax charge of US$0.1 million in Kopane Diamonds. The deferred tax credit is due to an increase in the amount of tax losses which are expected to be offset against taxable profit over a three year rolling period to June 2021. The tax charge resulted from taxable interest income earned on loan funding provided to Infrastructure Projects, a Group company. Withholding tax is levied by the Lesotho Revenue Authority on the interest paid by Infrastructure Projects at a rate of 10%, which is sufficient to offset the tax payable.

Net loss for the year
In summary, the Group incurred a loss for the year of US$14.2 million (2017: US$151.7 million including an impairment charge of US$122.6 million), made up as follows:

US$'million	**2018**	2017
Revenue	**62.2**	27.9
Less:		
Cost of sales	**57.1**	17.6
Gross profit	**5.1**	10.3[1]
Other income	**1.3**	1.2
Administration and other costs	**13.7**	7.8
Impairment	-	122.6
Net finance cost	**10.2**	0.8[2]
Loss before tax	**17.5**	130.0
Income tax credit/(charge)	**3.3**	(21.7)
Net loss after tax	**14.2**	151.7

3 The 2017 gross profit was reclassified to the cost of the Liqhobong Mine, which reached commercial production on 30 June 2017.
4 Excludes US$9.4 million that was capitalised to the cost of the Liqhobong Mine.

Capex
During the year, US$2.0 million was spent on capital items for the Mine.

Debt

	Interest rate	Facility amount	**2018 US$'000**	2017 US$'000
ABSA debt facility	US$ three month LIBOR plus margin	82.4	**67.8**	81.0
Eurobond (Series A)	8% p.a.	30.0	**30.0**	30.0
Eurobond (Series B)	8% p.a.	15.0	**7.5**	5.0
		127.4	**105.3**	116.0

Scheduled loan balance and interest margins on the ABSA debt facility

	Loan balance			Interest - US$ three month LIBOR plus: A Loan		B Loan	
Year	A Loan US$'m	B Loan US$'m	Total US$'m	Tranche A - 85% %	Tranche B - 15% %	Tranche A - 85% %	Tranche B - 15% %
2018	58.2	9.6	67.8	1.80	7.50	2.55	7.50
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

Note:
1. 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.
2. The effective interest rate is in aggregate 9.29%, including upfront cost.

During the year, the Company repaid US$13.2 million of the ABSA debt facility in accordance with the original agreement, and during October 2017 drew US$2.0 million of the Series B Eurobonds to strengthen the Group's cash position at that time.

The ABSA debt facility was restructured during the year, allowing for a capital grace period of 18 months with capital repayments to commence from 30 June 2019, and an extension of the loan term by 2.5 years to 31 December 2023.

Covenant measurement

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 ABSA debt facility 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%

Cash flow

The Company began the year with US$17.1 million in cash. During the year, Liqhobong generated operational cash of US$11.9 million (revenue of US$62.2[1] million less cash operating costs of US$50.3 million). The opening cash balance and cash generated from operations was sufficient to fund corporate and BK11 costs of US$3.8 million, ABSA capital and interest payments of US$16.6 million, stay-in-business capital of US$2.0 million and working capital outflows of US$3.9 million.

During the year, the Company raised a combined US$26.1 million which comprised a capital raise of US$24.1 million after expenses and US$2.0 million from the Eurobond facility. This amount was still available at the year end and is represented by closing cash of US$18.4 million and sales proceeds of US$10.4 million included in trade and other receivables which were received shortly after the year end.

1 Including June 2018 sale, proceeds received in early July 2018.

MARKET CONTEXT

During the year, the demand for better quality rough diamonds was strong as evidenced by competitive bidding for our special stones. However the demand and average values achieved for the run of mine ("ROM") category diamonds (smaller than 3 grainers) remained subdued and substantially lower than the pricing levels achieved during 2012 and 2013 when the Pilot Plant at Liqhobong was still in operation.

The De Beers Lightbox offering that was launched at the end of May 2018 caused a large amount of debate in the industry due to the uncertain impact it will have on the natural diamond market in the long term and more specifically on the smaller, less valuable ROM segment. Firestone believes that the impact of lab grown diamonds ("LGD") will be minimal in the short term due to the relatively low quantity of LGD polished production compared to that of the natural diamond polished output. This view is supported by independent diamond analyst, Paul Zimnisky, in a recent report dated 28 August 2018, where he places the projected production volumes of LGD's into perspective. Currently LGD's constitute only 2% of the US$87 billion diamond jewellery market by value for items selling for more than US$250 and although it is predicted that output will increase to US$14.9 billion by 2035, this will still only represent approximately 4.5% of the diamond jewellery market and approximately 7% of the fashion jewellery market (items selling for less than US$250).

De Beers' latest Diamond Insight Report shows that global demand for diamond jewellery increased by 2% in 2017 to US$82 billion due to sustained robust growth in the US which grew by 4.2% and a return in growth in China to 0.9%. De Beers' view is that the outlook for 2018 demand remains favourable in most countries due in part to strong macro-economics and continued marketing investment by the diamond industry. De Beers' market research found that together, the Millennial and Gen Z generations accounted for two-thirds of global diamond jewellery sales in 2017 in the four main diamond consuming countries. Understanding the views, preferences, personal and social values and lifestyles of Millennials and Gen Z is essential if businesses in the diamond sector are to grow in the future.

The overall supply-demand dynamics in the natural diamond market remain favourable in the short to medium term with no new sources of supply on the horizon and the major producers carrying minimal stock and operating close to full capacity. Global production capacity in the short term is expected to decline due to the closure of a number of ageing mines including Voorspoed and Victor within a year and Argyle in two to three years' time. Diamond production is expected to continue falling in the longer term as new projects and expansions fail to replace lost output from closing mines. By 2025, several large mines will reach the end of their life, while only a few new projects are in the pipeline.

Looking forward, the demand for quality stones is expected to remain strong and growing in the short to medium term whilst the market for lower quality, smaller goods will likely remain subdued in the short term.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Firestone Diamonds plc (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2018 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 ("IFRSs") as adopted by the European Union and, as regards the 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 Company's affairs as at 30 June 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (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 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 in relation to going concern

We draw attention to Note 1 in the financial statements, which states that there is a risk the Group might breach its future lending covenants on the ABSA debt facility. If the covenants are breached, ABSA would have the right to put the loan into default and require immediate repayment.

These events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group'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 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 ABSA debt restructure including the covenants;
- we checked that no covenants were breached to date and we recalculated the estimates of forecast covenant compliance; and
- we reviewed the disclosures in the financial statements to ensure these were adequate.

Key audit matters

In addition to the matter described in the Material uncertainty in relation to going concern section above, key audit matters are those matters that, in our professional judgement, 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. These matters were 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 these matters.

Key audit matter

Carrying value of Liqhobong Diamond Mine

As detailed in note 7, the assessment of any impairment to the carrying value of mining assets require significant judgement and estimate by management. As at 30 June 2018, there is a risk that the Liqhobong Diamond Mine is carried at an amount greater than its recoverable amount through continued use or sale.

The carrying value of the Liqhobong Diamond Mine represent a significant risk for our audit given the level of estimation and judgements required such as future diamond pricing, foreign exchange rates, diamond recoveries, operational inputs and discount rate and the possibility that these judgements and estimates could be influenced by management bias. Whilst partially impaired there remains significant judgement and risk associated with the life of mine plans which could give rise to an additional impairment.

Our response

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:
  - critically assessing the diamond price forecasts to prices achieved in the year, pricing trends and market forecasts and considering the appropriateness of growth assumptions based on empirical data and industry peers trend growth;
  - 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.
- assessing the adequacy of impairment related disclosures contained within note 7 of the financial statements.

Our application of materiality

Group materiality FY 2018	Group materiality FY 2017	Basis for materiality
US$2.2 million	US$2.0 million	1.5% of total assets (2017: 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 at 1.5% of total assets which reflects the stakeholders interest in the project as it had a full year of commercial production. We consider total assets to be the most significant determinant of the Group's financial performance used by stakeholders.

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 for the financial statements as a whole. Performance materiality was set at $1.6 million (2017: $1.5 million) which represents 75% (2017 75%) of the above materiality levels.

Whilst materiality for the Group financial statements as a whole was US$2.2 million, each significant component of the Group was audited to a lower level of materiality ranging from US$1.7 million to US$0.7 million which is 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.

Materiality in respect of the audit of the Parent Company has been set at $0.7 million (2017: $ 0.7 million) using a benchmark of 1.5% of total assets (2017: 1.5% of total assets). Due to the focus of stakeholders being, the assets of the Parent Company we consider total assets to be the most appropriate measure for the basis of materiality.

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 US$0.1 million (2017: US$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 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 the Group risk areas applicable to that component. We set out below the extent to which the Group's revenue and total assets were subject to audit versus review procedures. Entities 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;
- the Group audit team was 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
- a senior member of the Group audit team attended 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, 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, 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 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 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.

Scott Knight (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

27 September 2018

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 2018

	Note	**2018** US$'000	2017 US$'000
Revenue	3	**62 246**	-
Cost of sales		**57 116**	-
Gross profit		**5 130**	-
Other income		**1 267**	1 232
Selling, administrative and other expenses		**13 707**	130 472
Other administrative expenses		**1 784**	518
Diamond royalty and selling expenses		**4 318**	-
Impairment charge	7	-	122 602

	Note		
Amortisation and depreciation	4	**2 408**	2 316
Share-based payments		**1 345**	1 268
Care and maintenance		**485**	534
Corporate expenses		**3 367**	3 234
Loss before finance charges and income tax	4	**(7 310)**	(129 240)
Finance income	6	**794**	460
Finance costs	6	**11 021**	1 235
Loss before tax		**(17 537)**	(130 015)
Taxation credit/(charge)	8	**3 304**	(21 664)
Loss after tax for the year		**(14 233)**	(151 679)
Loss after tax for the year attributable to:			
Owners of the parent		**(11 635)**	(116 411)
Non-controlling interests		**(2 598)**	(35 268)
Loss after tax for the year		**(14 233)**	(151 679)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations net of tax		**(7 426)**	29 878
Movement on cash flow hedges		**791**	1 498
Other comprehensive (loss)/income		**(6 635)**	31 376
Total comprehensive loss for the year		**(20 868)**	(120 303)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(16 432)**	(92 475)
Non-controlling interests		**(4 436)**	(27 828)
Total comprehensive loss for the year		**(20 868)**	(120 303)
Basic and diluted loss per share			
Basic and diluted loss per share from continuing operations (US cents)	9	**(2.8)**	(36.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		2018	2017
	Note	**US$'000**	US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**101 220**	118 590
Deferred tax	11	**6 501**	3 761
Loan receivable		**487**	-
Total non-current assets		**108 208**	122 351
Current assets			
Inventory	12	**5 881**	6 420
Other financial assets		**265**	-
Trade and other receivables	13	**13 288**	3 590
Cash and cash equivalents	14	**18 421**	17 053
Total current assets		**37 855**	27 063
Total assets		**146 063**	149 414
EQUITY			
Share capital	15	**166 239**	163 557
Share premium		**191 201**	167 349
Reserves		**(24 201)**	(20 089)
Accumulated losses		**(255 607)**	(245 452)
Total equity attributable to equity holders of the parent		**77 632**	65 365
Non-controlling interests		**(46 630)**	(42 194)
Total equity		**31 002**	23 171
LIABILITIES			
Non-current liabilities			

	Note	2018	2017
Borrowings	16	**94 225**	79 734
Rehabilitation provisions		**4 313**	4 233
Total non-current liabilities		**98 538**	83 967
Current liabilities			
Borrowings	16	**2 143**	23 057
Other financial liabilities		**-**	357
Trade and other payables		**14 055**	18 472
Provisions		**325**	390
Total current liabilities		**16 523**	42 276
Total liabilities		**115 061**	126 243
Total equity and liabilities		**146 063**	149 414

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2018.

Lucio Genovese

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Share premium	Warrant reserve[1]	Merger reserve	Hedging reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Equity attributable to holders of the parent	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 30 June 2016	163 493	164 680	7 609	(1 614)	(1 568)	4 476	(54 968)	(129 041)	153 067	(13 402)	139 665
Comprehensive loss											
Loss for the year	-	-	-	-	-	-	-	(116 411)	(116 411)	(35 268)	(151 679)
Other comprehensive income for the year											
Exchange gains on translating foreign operations	-	-	-	-	-	-	22 391	-	22 391	7 487	29 878
Profit on cash flow hedges	-	-	-	-	1 545	-	-	-	1 545	(47)	1 498
Total comprehensive loss for the year	-	-	-	-	1 545	-	22 391	(116 411)	(92 475)	(27 828)	(120 303)
Contributions by and distributions to owners											
Shares issued in the year	64	2 669	-	-	-	-	-	-	2 733	-	2 733
Non-controlling interest in subsidiary	-	-	-	-	-	-	-	-	-	492	492
Transfer to other loans	-	-	-	-	-	-	-	-	-	(1 456)	(1 456)
Share-based payment transactions	-	-	-	-	-	2 040	-	-	2 040	-	2 040
Total contributions by and distributions to owners	64	2 669	-	-	-	2 040	-	-	4 773	(964)	3 809
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 payments lapsed/expired	**-**	**-**	**-**	**-**	**-**	**(1 480)**	**-**	**1 480**	**-**	**-**	**-**
Share-based payment transactions	**-**	**-**	**-**	**-**	**-**	**2 165**	**-**	**-**	**2 165**	**-**	**2 165**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		US$'000	US$'000

Cash flows used in operating activities			
Loss before taxation		**(17 537)**	(130 015)
Adjustments for:			
Impairment charge	7	**-**	122 602
Depreciation and amortisation	10	**13 158**	2 316
Equity-settled share-based payments		**1 888**	1 268
Changes in provisions		**(65)**	(11)
Finance income	6	**(794)**	(460)
Finance cost	6	**11 021**	1 235
Net cash flows from/(used in) operating activities before working capital changes		**7 671**	(3 065)
Increase in inventories		**(34)**	(5 714)
Increase in trade and other receivables		**(10 421)**	(648)
(Decrease)/increase in trade and other payables		**(3 822)**	5 696
Net cash flows used in operating activities		**(6 606)**	(3 731)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(1 977)**	(31 158)
Net cash used in investing activities		**(1 977)**	(31 158)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		**25 000**	-
Share issue expense		**(900)**	-
Increase in borrowings		**2 000**	44 000
Repayment of borrowings		**(13 476)**	(1 509)
Finance income		**307**	73
Finance cost		**(3 421)**	(462)
Net cash from financing activities		**9 510**	42 102
Net increase in cash and cash equivalents		**927**	7 213
Cash and cash equivalents at beginning of the year		**17 053**	10 282
Exchange rate movement on cash and cash equivalents at beginning of year		**441**	(442)
Cash and cash equivalents at end of the year	14	**18 421**	17 053

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 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 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.

Going concern

The Directors have reviewed the Group'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 operations are forecast to generate sufficient cash to fund the Group's operating costs and to repay the scheduled debt over the forecast period.

The underlying assumptions in the covenant forecasts are volatile and the current headroom in relation to covenant compliance is limited.

The Directors recognise that the covenant forecast is based on certain forward looking assumptions, including future diamond price, exchange rates - particularly between the South African Rand and the United States Dollar, and operating cost per tonne treated.

In the event that diamond prices fall or the South African Rand strengthens against the United States Dollar, covenants may be breached. Importantly, no covenant breach has occurred to date. If a breach did occur, the lender could require immediate repayment of the loan. No discussion has been held with the lender to date regarding what action may be taken by the lender in the event of a future covenant breach.

Having reviewed the cash flow forecast and forecast covenant compliance, the Directors are confident that the existing cash resources are sufficient to enable the Group to fund its operational requirements for a period of at least twelve months from the date of approval of this Annual Report, and that no covenant breaches are forecast to occur during this period.

On this basis, the Directors have concluded that it is appropriate to prepare the 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 financial statements do not include the adjustments that would result if the Group was 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.

No new standards and interpretations issued by The International Accounting Standards Board became effective for accounting periods starting on or before 1 July 2017.

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 9	Financial Instruments	Financial years beginning on or after 1 January 2018
IFRS 15	Revenue from Contracts with Customers	Financial years beginning on or after 1 January 2018
IFRS 16	Leases	Financial years beginning on or after 1 January 2019

The effect on the financial statements of the application of the standards and interpretations that are expected to have a significant impact or are relevant to the Group, are:

IFRS 9, Financial Instruments
IFRS 9 is effective for financial years beginning on or after 1 January 2018, with early adoption permitted. The Group will apply IFRS 9 initially 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, if applied at 30 June 2018 or in the future, will not have a material impact on its accounting for trade receivables, trade payables and loans receivable.

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. The Group plans to apply the new requirements of IFRS 9 as the application of IFRS 9 to current hedging instruments is not different to those of IAS 39.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments, and to contract assets. The Group does not hold any financial assets that have extended terms of payment and which are subject to significant credit risk. The change in impairment model will not have a material impact on the Group's financial statements.

IFRS 15, Revenue from Contracts with Customers
The Group is required to apply IFRS 15 for financial years beginning on or after 1 January 2018. Management have 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 diamond sales.

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 (the contract) with the Group once he 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 contracts, there is no change to the timing of revenue recognition on tender sales under IFRS 15.

IFRS 16, Leases
The Group is required to apply IFRS 16 for financial years beginning on or after 1 January 2019. The Group will not early adopt this standard. The core principle of IFRS 16 is to change the accounting of operating leases for lessees. 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 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.

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.

The Group is currently assessing 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. The Group expects the impact on normal operating leases to be immaterial. There is however the possibility that the recognition of right of use assets for some of its larger service level agreements could have a potential material impact at asset and liability levels, but in aggregate the net impact on the financial statements should not be material. Once the final impact of applying IFRS 16 has been assessed the Group will make the required disclosures.

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.

Share-based payments
In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model.

Warrants
In order to calculate the fair value of warrants issued as required by IAS 32, the Group makes estimates principally relating to the assumptions used in its warrant-pricing model.

Rehabilitation provisions
The Group makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in Botswana and Lesotho and technical reports and estimates provided by the Group's senior employees and advisers. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.

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:

- estimated reserves and resources;
- estimated life of mine;
- estimated diamond price per carat;
- recovery and productivity rates;
- inflation rates; 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, where commissioning and testing activities were completed at 30 June 2017, at which time commercial production was established.

BK11 Mine
The BK11 Mine, which remained on care and maintenance until 24 May 2017, when the Group entered into a conditional option agreement for the potential disposal to Amulet Diamond Corporation for a total consideration of US$5.1 million in cash.

Fair value measurement
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritises the inputs to valuation techniques used to measure fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments and other assets and liabilities for which the fair value was used:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation of hedges
The fair value of open forward foreign exchange contracts were measured using the current market exchange rate that would have been obtained if the forward foreign exchange contract was entered into on the last day of the financial year for the remaining period of the contract.

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 value 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.

Valuation of inventories
Judgement is applied in making assumptions about the value of inventories and inventory stockpiles, including diamond prices and expenditure, to determine the extent to which the Group values inventory and inventory stockpiles. The Group uses on site valuations to determine the net realisable value of diamond inventory on hand at year end. Inventory stock piles are measured using actual mining costs.

Depreciation
Judgement is applied in making assumptions about the depreciation charge for mining assets when using the unit-of-production method in estimating the ore tonnes held in reserves and resources. The relevant reserves and resources are those included the in current approved LOM plan. Judgement is also applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by Management and the judgement is based on consideration of the LOM plan, as well as the nature of the assets. The resource and reserve assumptions included in the LOM plan are evaluated by the on-mine geologists and reviewed by the General Manager.

Functional currency

A key issue for mining companies reporting under IFRS is correctly determining their functional currency. This is defined by IAS 21 as 'the currency of the primary economic environment in which the entity operates'.

Whilst an entity's functional currency should be a matter of fact, there are several factors that need to be considered in determining the most appropriate currency against which judgement is required to consider which of these has the strongest weighting. The primary indicator of the appropriate currency is that which most influences sales prices, often that in which revenue is denominated, and is usually the most significant driver of functional currency. Other considerations include the currency in which labour and material expenses are incurred, the currency in which borrowings are denominated, and the currency in which cash is held.

The relative importance of these factors changes during the life cycle of the Company and may present mixed indicators. Management are therefore required to make a judgement on which is the most appropriate currency that faithfully represents the economic effects of the underlying transactions, events and conditions based on the relative weight of each of the indicators.

The functional currency of the Group's operating subsidiary Liqhobong Mining Development Company (Pty) Limited is Maloti, which is pegged to the Rand, on the basis that the Mine operates in Lesotho and the majority of costs are denominated in Maloti and internal reporting to LMDC board is in Maloti.

3 Revenue

	Group	
	2018	2017
	US$'000	US$'000
Sale of diamonds	**62 246**	27 846

All diamonds are sold in Antwerp, Belgium through a competitive tender process. In 2017 total revenue of US$27.8 million, was capitalised to the cost of the asset. Below is an analysis of major customers which accounts for more than 10% of the Group's revenue:

	Group			
	2018	**2018**	**2017**	**2017**
	US$'000	**%**	**US$'000**	**%**
Customer - Europe	**6 674**	**11**	6 353	23
Other customers	**55 572**	**89**	21 493	77
	62 246	**100**	27 846	100

4 Operating loss

	Group	
	2018	2017
	US$'000	US$'000
Operating loss for the year is stated after charging:		
Impairment charge (note 7)	**-**	122 602
Cost of inventories recognised as an expense excluding amortisation and depreciation	**46 366**	-
Amortisation and depreciation	**13 158**	2 316
Included in cost of sales	**10 750**	-
Other	**2 408**	2 316
Employee costs	**11 691**	6 195
Operating lease rentals	**203**	401
Operating results of commissioning and testing phase:		
Revenue	**-**	27 846
Selling expenses	**-**	534
Government royalty	**-**	1 119
Production costs	**-**	15 913
Operating profit reclassified to property, plant and equipment (note 10)	**-**	10 280

5 Directors' emoluments

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

	Group	
	2018	2017
	US$'000	US$'000
Short-term benefits	**1 230**	2 130
Share-based payments	**137**	944
Total	**1 367**	3 074

US$'000 Director	Salaries and fees	Accrued leave pay	Bonus	Share-based payments	Total
2018					
Stuart Brown[1]	**550**	**154**	**46**	**137**[2]	**887**
Lucio Genovese	**120**	**-**	**-**	**-**	**120**
Deborah Thomas[3]	**60**	**-**	**-**	**-**	**60**
Keith Johnson	**60**	**-**	**-**	**-**	**60**
Ken Owen	**60**	**-**	**-**	**-**	**60**
Mike Wittet[4]	**60**	**-**	**-**	**-**	**60**
Niall Young	**60**	**-**	**-**	**-**	**60**
Paul Sobie	**60**	**-**	**-**	**-**	**60**
	1 030	**154**	**46**	**137**	**1 367**

US$'000 Director	Salaries and fees	Bonus	Share-based payments	Total
2017				
Stuart Brown	550	1 100[5]	944[2]	2 594
Lucio Genovese	120	-	-	120
Braam Jonker	20	-	-	20
Deborah Thomas	40	-	-	40
Keith Johnson	60	-	-	60
Ken Owen	60	-	-	60
Mike Wittet	60	-	-	60
Niall Young	60	-	-	60
Paul Sobie	60	-	-	60

	1 030	1 100	944	3 074

1 Stuart Brown, the Chief Executive Officer, resigned on 30 June 2018.
2 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.
3 Deborah Thomas, Non-Executive Director and Chairperson of the Audit Committee and member of the Remuneration and Nomination Committees, resigned on 5 July 2018.
4 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.
5 The bonus payment in 2017 was in respect of the successful completion of the Liqhobong Mine Development Project which was completed within budget and on the revised schedule.

During the year, the total remuneration for Directors was US$1 351 024 and consisted of remuneration for qualifying services of US$1 230 000 and gains on exercise of options of US$121 024. The related aggregate remuneration for the highest paid director was US$871 024.

6 Finance income and costs

	Group	
	2018	2017
	US$'000	US$'000
Interest income on bank deposits	**202**	73
Interest income on loans receivable	**487**	387
Foreign exchange adjustments on cash balances	**105**	-
Finance income	**794**	460
Interest on borrowings	**10 737**	394
Unwinding of discount on rehabilitation liability	**284**	278
Foreign exchange adjustments on cash balances	**-**	563
Finance costs	**11 021**	1 235

No borrowing costs were capitalised during the year. During 2017, borrowing cost on the Series A Eurobond and ABSA debt facility to the value of US$9.4 million was capitalised to the cost of the Liqhobong Mine Development Project, refer to note 16.

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$82 per carat to US$75 per carat mainly as a result of the recovery of fewer more valuable diamonds.

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. The carrying value was similar to the recoverable amount based on discounted cash flows over the remaining eight-year mine life (2017: nine year mine life) and the following key assumptions were used in the calculation:

Key assumptions	2018	2017	Basis for assumption
Discount rate	8.9%	9.2%	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	US$82	The average diamond value is based on average historic sales data of Liqhobong's assortment.
Real diamond price growth	3%	3%	The diamond price growth is based on long-term diamond price projections.
Exchange rate (ZAR:US$)	R13.73	R12.89	The exchange rate is the spot rate as at 30 June.

However, subsequent to the year end it became apparent that price pressure, particularly on the ROM category diamonds (smaller than 3 grainers) existed, which could lead to a potential indicator of impairment in the future. The Board expects the price pressure to continue in the short term and for prices to recover thereafter as the market stabilises. 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**
76	111.4	**4.0**
75	107.4	**-**
74	102.2	**(5.2)**
70	73.9	**(23.5)**

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.

BK11 Mine
At year end the Group assessed both external and internal indicators of impairment. No indicators of impairment were identified and therefore no impairment test was performed.

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	**230 011**	**6 033**	**236 044**
Accumulated impairment	**(122 602)**	**(3 125)**	**(125 727)**
Carrying value after impairment	**107 409**	**2 908**	**110 317**

	Group	
	2018	2017
Impairment charge	**US$'000**	US$'000
Property, plant and equipment (note 10)	**-**	118 908

Loans receivable	-	3 694
	-	122 602

8 Taxation

	Group	
	2018	2017
	US$'000	US$'000
Current tax	**(102)**	(2 998)
Deferred tax credit/(charge)	**3 406**	(18 666)
Total tax credit/(charge) for the year	**3 304**	(21 664)

Factors affecting the tax charge for the year

The reasons for the difference between the actual tax charge and the tax charge based on the Company's standard corporation tax rate of 19% (2017: 20%) are as follows:

	Group	
	2018	2017
	US$'000	US$'000
Loss before tax	**(17 537)**	(130 015)
Tax credit on loss at standard rate of 19% (2017: 20%)	**3 332**	26 003
Adjustments to deferred tax not recognised	**(2 432)**	(44 145)
Effect of tax in foreign jurisdictions	**2 840**	(354)
Foreign exchange adjustment on effective interest rate on borrowings	**(238)**	(1 423)
Withholding tax credits relinquished	**(102)**	(1 273)
Recognition of previously unrecognised deferred tax assets	**-**	(472)
Expenses not deductible for tax purposes	**(96)**	-
	3 304	(21 664)

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 profit/(loss) per share is based upon the net loss after tax attributable to ordinary shareholders of US$11.6 million (2017: US$116.4 million) and a weighted average number of shares in issue for the year of 419 672 178 (2017: 315 161 224).

Diluted loss per share

The diluted loss per share in 2018 is the same as the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has a further 21 299 898 (2017: 23 313 589) potentially issuable shares in respect of share options issued to employees that do not have a dilutive effect as at 30 June 2018 and 65 101 758 (2017: 59 202 488) potentially issuable shares in respect of warrants issued to strategic investors, which 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 1 July 2016	178 785	15 821	2 265	196 871
Additions	34 297	80	705	35 082
Assets purchased	34 363	80	705	35 148
Operating profit reclassified to property, plant and equipment (note 4)	(10 280)	-	-	(10 280)
Finance cost capitalised	9 442	-	-	9 442
Share-based payments capitalised	772	-	-	772
Exchange difference	28 585	905	742	30 232
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**
Accumulated depreciation and impairments				
At 1 July 2016	9 253	9 115	1 362	19 730
Amortisation and depreciation charge for the year	575	1 239	502	2 316
Impairment charge for the year (note 7)	118 908	-	-	118 908
Exchange difference	2 033	581	27	2 641
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**
Net book value at 1 July 2016	169 532	6 706	903	177 141
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**

In 2017, the Group capitalised total net borrowing costs of US$9.4 million as part of the cost of the Project. All borrowing costs capitalised were Project specific.

11 Deferred tax

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

	Group	
	2018	2017
Deferred tax asset/(liability)	**US$'000**	US$'000
At 1 July	**3 761**	20 248
Movement in temporary differences recognised in income	**3 406**	(18 666)
Exchange difference	**(666)**	3 052
Income tax credits receivable	**-**	(873)
At 30 June	**6 501**	3 761

The deferred tax asset/(liability) comprises:

	Group	
	2018	2017
	US$'000	US$'000
Accelerated capital allowances	**(21 585)**	(25 250)
Provisions	**708**	698
Borrowings	**(1 375)**	(1 980)
Losses available for offsetting against future taxable income	**31 645**	33 185
Temporary difference arising on acquisition of subsidiary	**(2 892)**	(2 892)
	6 501	3 761

The Directors, having considered the financial projections of Liqhobong, 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 initial 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$191.8 million (2017: US$205.0 million), of which US$164.7 million relates to the Liqhobong Mine (2017: US$163.3 million), US$18.3 million to the BK11 Mine (2017: US$34.2 million) and US$8.8 million to the Group's corporate entities in the UK and South Africa (2017: US$7.5 million).

12 Inventory

	Group	
	2018	2017
	US$'000	US$'000
Diamond inventory	**2 898**	4 687
Write down to net realisable value	**-**	450
Diamond inventory at the lower of cost or net-realisable value	**2 898**	4 237
Spares and consumables	**2 983**	2 183
	5 881	6 420

13 Trade and other receivables

	Group	
	2018	2017
	US$'000	US$'000
Trade receivables	**10 696**	1 262
Other receivables	**2 302**	2 010
Prepayments	**290**	318
	13 288	3 590

Trade receivables relate to the diamond sale that completed on 29 June 2018 from which proceeds were received shortly after the year end. Other receivables relate to value added taxation due mainly from the Lesotho Revenue Authority. None of the trade and other receivables are past due date or considered to be impaired, and there is no significant difference between the fair value of the trade and other receivables and the values stated above.

14 Cash and cash equivalents

	Group	
	2018	2017
	US$'000	US$'000
Cash and cash equivalents	**18 421**	17 053
	18 421	17 053

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

	Group	
	2018	2017
	US$'000	US$'000
US Dollars	**8 188**	15 490
British Pounds	**3 798**	404
Lesotho Maloti	**6 226**	982
Botswana Pula	**162**	77
South African Rand	**47**	100
Cash and cash equivalents	**18 421**	17 053

As at 30 June 2018 the Group had restricted cash deposits of US$8.7 million (2017: US$0.1 million) which comprised US$6.5 million in the ABSA debt service reserve account, US$1.8 million in favour of several suppliers and US$0.4 million in the rehabilitation reserve account.

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

15 Share capital

The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. As at 30 June 2018, the ordinary share capital of the Company was 515 677 580 ordinary shares of 1 pence each (2017: 317 471 892).

On 21 December 2017 the Company issued 184 842 884 new ordinary shares of 1 pence each at a premium of 9 pence per share. The funds were raised to sustain operations at a lower than initially expected average diamond value of US$75 per carat.

During the year the Company issued a further 13 362 804 new ordinary shares of 1 pence each in respect of the quarterly interest due on the Series A Eurobonds. A further 8 260 268 (2017: 1 096 208) shares in respect of interest due on the Series A Eurobonds at 30 June 2018 were issued after the year end and are not reflected in the table below.

	Number of shares		Nominal value of shares	
	2018	2017	**2018**	2017
			US$'000	US$'000
Allotted called up and fully paid				
Opening balance	**317 471 892**	312 574 644	**3 590**	3 526
Issued during the year	**198 205 688**	4 897 248	**2 682**	64
Closing balance	**515 677 580**	317 471 892	**6 272**	3 590
Deferred type A shares				
Opening balance	**7 079 649 109**	7 079 649 109	**113 345**	113 345
Closing balance	**7 079 649 109**	7 079 649 109	**113 345**	113 345

Deferred type B shares				
Opening balance	**308 992 814**	308 992 814	**46 622**	46 622
Closing balance	**308 992 814**	308 992 814	**46 622**	46 622
Total	**7 904 319 503**	7 706 113 815	**166 239**	163 557

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.

16 Borrowings

	Group - 2018				
	ABSA debt facility US$'000	**Series A Eurobonds US$'000**	**Series B Eurobonds US$'000**	**Other loans US$'000**	**Total US$'000**
Capital amount					
At 1 July	81 007	30 000	5 000	1 551	117 558
Additions	-	-	2 000	-	2 000
Finance cost capitalised	-	-	528	-	528
Foreign exchange adjustments	-	-	-	(76)	(76)
Capital repayments	(13 217)	-	-	(259)	(13 476)
At 30 June	**67 790**	**30 000**	**7 528**	**1 216**	**106 534**
Finance cost to be amortised over the life of the facility					
At 1 July	(7 884)	(6 583)	(300)	-	(14 767)
Finance cost capitalised	855	-	-	-	855
Additions	(617)	-	-	-	(617)
Finance cost	2 977	1 284	102	-	4 363
At 30 June	**(4 669)**	**(5 299)**	**(198)**	**-**	**(10 166)**
Total at amortised cost					
Non-current liabilities	61 251	24 701	7 330	943	94 225
Current liabilities	1 870	-	-	273	2 143
Total	**63 121**	**24 701**	**7 330**	**1 216**	**96 368**

	Group - 2017				
	ABSA debt facility US$'000	Series A Eurobonds US$'000	Series B Eurobonds US$'000	Other loans US$'000	Total US$'000
Capital amount					
At 1 July	43 400	30 000	-	-	73 400
Additions	39 000	-	5 000	1 456	45 456
Foreign exchange adjustments	-	-	-	212	212
Capital repayments	(1 393)	-	-	(117)	(1 510)
At 30 June	81 007	30 000	5 000	1 551	117 558
Finance cost to be amortised over the life of the facility					
At 1 July	(10 763)	(7 860)	-	-	(18 623)
Additions	(178)	-	(300)	-	(478)
Finance cost capitalised to property, plant and equipment	3 057	1 277	-	-	4 334
At 30 June	(7 884)	(6 583)	(300)	-	(14 767)
Total at amortised cost					
Non-current liabilities	50 307	23 417	4 700	1 310	79 734
Current liabilities	22 816	-	-	241	23 057
Total	73 123	23 417	4 700	1 551	102 791

Finance charges - ABSA debt facility

	Group	
	2018 US$'000	2017 US$'000
Interest paid	**3 235**	2 666
Amortised finance charges	**2 977**	3 057
	6 212	5 723

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.

The effective interest rate is, in aggregate 9.29% (2017: 9.90%). Under revised terms the facility is repayable in 19 quarterly instalments which will commence 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.

Finance charges - Series A Eurobonds

	Group	
	2018 US$'000	2017 US$'000
Interest settled in shares	**2 425**	2 442
Amortised finance charges	**1 284**	1 277
	3 709	3 719

The Series A Eurobonds have a coupon rate of 8.00% per annum payable quarterly. The effective interest rate is, in aggregate 12.02% (2017: 13.77%). 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 bonds are repayable on the final maturity date, which is 20 August 2022.

Finance charges - Series B Eurobonds

	Group	
	2018	2017
	US$'000	US$'000
Interest capitalised	**528**	-
Amortised finance charges	**102**	-
	630	-

During the year, the Group exercised a further US$2.0 million Series B Eurobonds, in addition to the US$5.0 million exercised in 2017.

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% (2017: 10.18%).

Warrants are issued upon exercise of the Series B bonds which entitles the bondholder to receive shares in lieu of cash in respect of the outstanding balance of the bonds. The exercise price is 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 Series B bonds are repayable no later than 36 months following the first drawdown, being 21 June 2020.

Finance charges - other loans

	Group	
	2018	2017
	US$'000	US$'000
Interest paid	**186**	394
Finance charges		
Finance charges capitalised to property, plant and equipment	**-**	9 442
Finance charges recognised in profit and loss	**10 737**	394
	10 737	9 836

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

ABSA Debt facility

In June 2018, the Company amended the terms of its ABSA Debt facility following lower than expected average diamond values achieved since the commencement of production in October 2016. The changes in terms are noted below:

- an 18-month debt standstill on capital repayments from January 2018 to June 2019;
- an extension of debt tenure by two and a half years to December 2023;
- re-profiled debt repayments;
- a credit review in November 2018 to assess actual performance against expectations and consider additional restructuring actions if necessary;
- the ability to call a credit review before December 2018, or to declare default in the event of average diamond values for three consecutive sales being below US$70 per carat, which is below the base case value of US$75 per carat adopted by ABSA for measurement during the standstill period;
- an increase in the cash sweep from 40% to 50% of excess operational cash generated; and
- amendments to covenants:

Covenant	**Revised maintenance criteria**	**Previous maintenance criteria**
Forecast debt service cover ratio	>=1.2 times	>=1.3 times
Historic debt service cover ratio	>=1.2 times	>=1.3 times
Loan life cover ratio	>=1.4 times	>=1.5 times
Project life cover ratio	>=1.7 times	n/a
Debt/equity ratio	<=60:40	<=60:40
Reserve tail ratio	>=25%	>=25%

- staggered increase in the margin rates payable on the deferred loan:

Deferred loan margin increase	**Percentage**
March 2018	0.75
March 2019	1.25
March 2020	1.75
March 2021	2.25
March 2022	2.25
March 2023	2.75

17 Post-balance sheet events

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

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