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INTRODUCTION TO THE STRATEGIC REPORT

CHAIRMAN'S LETTER

Dear shareholder

The year ending 30 June 2022 was another extremely challenging year for the Company. The depressed diamond market and the COVID-19 pandemic had led to the suspension of operations at the Lihobong mine at the end of March 2020. The Mine remained on extended care and maintenance during the 2022 financial year as we continued to work to restructure the Company's senior secured debt and to raise the required new funding to support a Mine restart.

Agreement was reached on 13 May 2022 with our Senior Secured lender, Absa Bank Limited ("ABSA"), to provide new funds, on a super-senior basis, to facilitate the restart of the Lihobong mine. I am pleased to report that following an intensive effort the Mine was successfully restarted in the months after the end of this financial year. The prospects for the Company are now much improved, with production yielding normal levels of cash flow assisted by radically improved market conditions providing, for now at least, excellent prices for our products. However we still carry a significant amount of debt, totalling some US\$132 million as at May 2023. This burden means that returns for shareholders will only be achieved when the debt has been repaid in the years ahead.

The Company continues to enjoy the support of its major shareholder and Bondholder, Pacific Road and our Senior Secured lender, Absa and its credit insurer, the Export Credit Insurance Corporation of South Africa ("ECIC") as we have resumed more normal operations.

Performance in FY2022

On-site activities during this period focused on continued servicing and maintenance of the production plant and related infrastructure while the Mine continued on extended care and maintenance. In addition, preparatory work was undertaken to ensure that we were ready to restart the mine once the financing arrangements had been finalised. During the final quarter of the year, full preparations for the operational restart were carried out as detailed in the Operational and Financial Review.

Financial results for the year recorded a loss given that no diamonds were produced in the period whilst costs continued to be incurred during care and maintenance as well as preparations for the restart. The Operational and Financial Review gives full details.

Safety is crucial and it continued to be a priority throughout the period when, pleasingly, there were no lost time or non-lost time injuries.

Management continued to do an excellent job at managing costs against stringent budgets during the care and maintenance period and restart preparations as we sought to minimise our cash burn whilst preserving the integrity of the Mine, its security, and its environmental responsibilities.

Background to the restructuring

We have previously outlined the long and tortuous route to achieve a restructuring of the Company's senior secured debt but were finally delighted to have reached agreement with ABSA and the ECIC which provided the finance required to proceed with restarting the Mine.

In May 2022 the Company's two major shareholders and Bondholders, Resource Capital Fund VI L.P. ("RCF") and Pacific Road Resources Fund (comprising Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II) entered into a transaction resulting in RCF's bonds being purchased by Pacific Road. In addition, Pacific Road Resources Investment Holding L.P. purchased RCF's shareholding in the Company and made an Offer to all other shareholders in accordance with Rule 9 of the Takeover Code. The Offer was at minimal consideration and reflected the highly indebted balance sheet, losses incurred during the weak diamond markets and the Mine being on care and maintenance. Pacific Road now holds approximately 82% of the shares of the Company.

INTRODUCTION TO THE STRATEGIC REPORT (continued)

Update and outlook for FY2023

The rough diamond market rebounded strongly in 2022 after a long period of depressed activity. Prices for our category of diamonds are particularly strong. It is against this market backdrop that we have restarted the Mine. The restart has gone well, with production commencing in August 2022 and reaching steady state after only 47 days, in October 2022. The first successful sale of diamonds also took place during October.

Results in 2023 will show a marked improvement resulting from resumption of production and the strong market such that we look forward to the future with renewed optimism and enthusiasm, albeit with a continuing sizeable debt burden.

Over the coming months, we look forward to working with our 25% partner in the Liqhobong mine, the Government of Lesotho, to obtain an extension to the current Mining Lease which is due to expire in April 2024.

Board, Corporate Culture and Governance

The Board and management have continued to work extremely hard, through very challenging circumstances, to realise the restart of the Mine which creates value for all stakeholders. We can take satisfaction from the success of the Mine restart which has been well executed and also reflects on the excellent work during the care and maintenance period, thereby ensuring the smooth restart.

Rob De Pretto joined the company as CEO in November 2021 and has provided outstanding leadership throughout the Company and particularly in respect of the restart process. Rob brings with him a wealth of experience in the diamond sector, having worked with De Beers and other operators. He has continued to lead the crucial relationships with the Government and other stakeholders in Lesotho.

We also welcomed Ian Maxwell to the board in November 2022. Ian brings particular strengths on the technical and operational side given his long and excellent record in the industry including senior roles at BHP, Rio Tinto and others. He is an Operating Partner with Pacific Road Capital, is deeply involved in the firm's investment programme, and chairs Pacific Road's ESG Committee.

I would like to thank Paul Bosma for his input as a non-executive director, after transitioning from CEO during 2021. Paul stepped down from the board with effect from 1 November 2022.

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

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

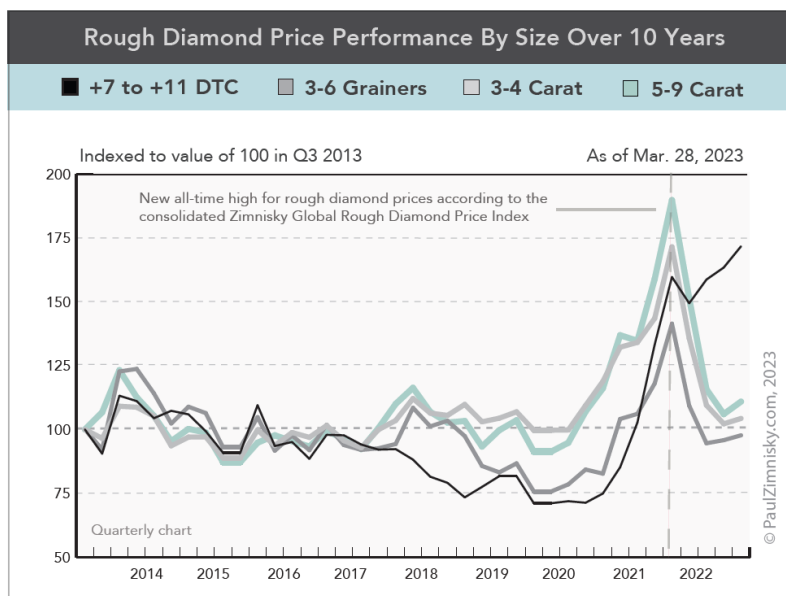
Each month, as part of maintaining open and transparent communication with our neighbouring communities, we hold leadership meetings with the Company's management team and community leaders. Through these meetings, we have a consistent way of addressing grievances, designing projects and other social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

In the following sections of this Strategic Report, shareholders will find a discussion on the diamond market, the risks facing the Company and the steps taken to mitigate those risks, and a detailed operational and financial review. At the end of the Strategic Report, there is a report on other important aspects including health, safety, the environment and community engagement. This is followed by a brief look forward into the 2024 financial year and my concluding remarks.

MARKET CONTEXT

Market conditions continue to be favourable as price increases are observed across all categories, outperforming what was achieved pre-Covid. This is attributable mainly to an increase in consumer spending as a result of higher disposable incomes following the relaxation of Covid restrictions in most parts of the world. However, global economic uncertainty persists as a result of rising inflation and rising interest rates.

As can be seen in the graph below, diamond prices, particularly in the smaller sizes, have increased significantly over the past two years. The increases are due mainly to reduced supply as a result of the closure of Rio Tinto's Argyle Mine in Australia, and the sanctions imposed on Alrosa following Russia's invasion of Ukraine. Additionally, the production of smaller lab-grown diamonds has had a minimal impact on the supply balance as producers favoured production of larger stones which are more valuable and generate higher profit margins.



Source: Paul Zimnisky.

Demand over the past two years has also increased, initially due to Covid related fiscal stimulus and thereafter as markets continued to stabilise post the pandemic.

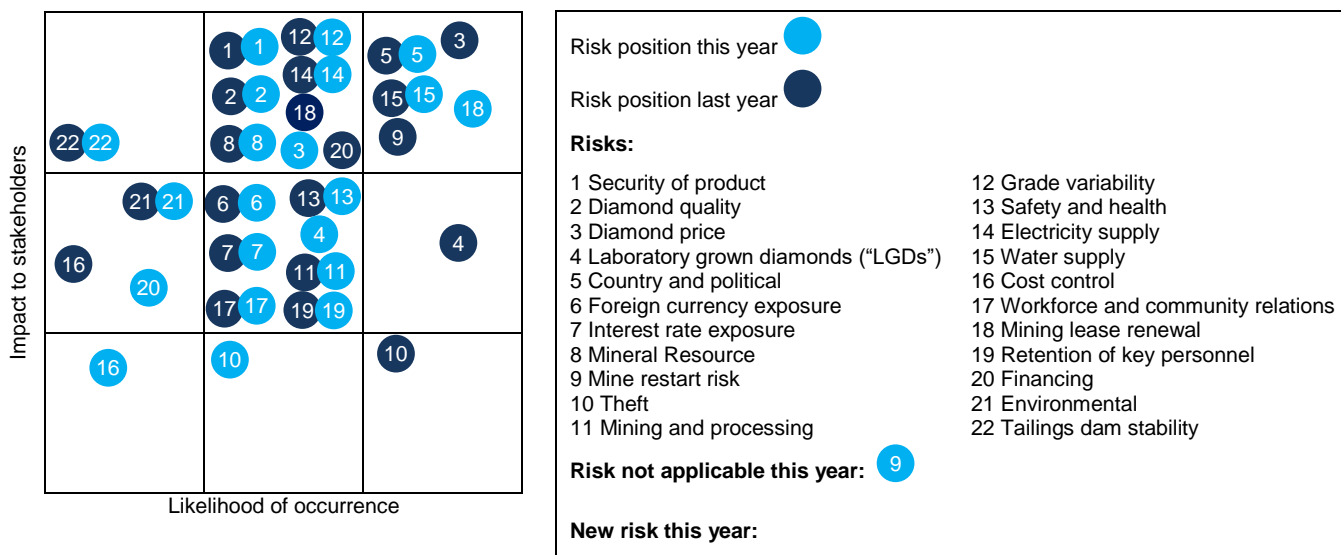
Global natural diamond production is forecast to remain stable in terms of volume. However, it remains to be seen how the ongoing conflict in Ukraine and possible further sanctions on Russian diamond exports will affect the supply of diamonds. It is unlikely that lab-grown diamonds will have a meaningful impact on the natural-diamond supply deficit due to the perceived difference of lab grown diamonds, and therefore support for continued strong prices for smaller diamonds is expected.

RISK REVIEW

Operations resumed at the Liqhobong Diamond Mine during August 2022, having been on care and maintenance for a two-and-a-half-year period since 26 March 2020. Risks which are associated with diamond mining operations, and which were not applicable when the Mine was on care and maintenance, are applicable once more. The risk matrix has been updated accordingly.

The Company is exposed to a number of risks and uncertainties, which, if they occur, could have a material impact on the successful achievement of its goals. Management of these risks and uncertainties is a key function of the Board and management.

The following risks have been identified as the main risks that could possibly impact on the Company achieving its goals:



Commodity risks

Impact	Mitigation	Reason for change
1 Security of product Diamonds are valuable and easily transportable. Product security is a key risk area that is constantly reviewed. Crime and theft syndicates are very sophisticated and operate globally.	Liqhobong operates a completely closed, hands-off diamond recovery process that ensures that there is no physical access to diamonds. In addition to a permanently monitored camera surveillance system, security protocols are reviewed and updated on a regular basis. Personnel who exit the recovery area or red area are subjected to full body search and selective X-ray scanning.	↔ No change
2 Diamond quality Diamond deposits are unique with regard to diamond quality and size frequency distribution. There is a risk that, even if the expected quantity of carats is recovered, that the quality of the diamonds recovered is lower than expected, resulting in lower revenues. The frequency of recovery of large (greater than 10.8cts), better quality diamonds is especially difficult to predict.	Reasonable average diamond values are used when modelling plans and forecasts.	↔ No change

RISK REVIEW

Commodity risks (continued)

Impact	Mitigation	Reason for change
3 Diamond price The Group's financial performance is primarily determined by the volume and quality of diamonds recovered and the average value realised from the sale of its rough diamonds. Rough diamond prices are influenced by many factors beyond the Group's control, including: <ul style="list-style-type: none"> • global over/undersupply of rough diamonds; • economic factors globally affecting consumer demand e.g. the ongoing war in Ukraine; • consumer trends; and • secondary market financing. 	The Group monitors the market continuously to ensure that it is up to date on current diamond market information and trends. Reasonable average diamond values are used when modelling plans and forecasts.	↓ The market, particularly for smaller diamonds has improved considerably resulting in higher average values being realised at sale. The risk of adverse prices negatively impacting the Company is lower at this stage.

External risks

Impact	Mitigation	Reason for change
4 Laboratory grown diamonds ("LGDs") LGDs have been available for many years. Technological advancements have resulted in gem-quality LGDs being more widely available. There is a risk that the demand for natural diamonds could be impacted. De Beers manufactures and sells LGD jewellery under its Lightbox brand. In the longer-term, the risk is a reduction in demand for the lower quality, smaller ROM category diamonds as consumers may instead opt for similar priced LGDs.	The prices of LGD's have continued to decline. Natural diamonds may be certificated, and are separately distinguishable from LGD's thereby safeguarding their classification as a unique premium and valuable product which assists in ensuring consumer confidence. In addition, marketing work performed by the leading diamond producers, and the expanding Natural Diamond Council, will assist in maintaining the profile of natural diamonds as the premium product.	↓ The recent trend of increasing values for smaller natural rough diamonds demonstrates that the market is unaffected by LGD equivalents at this time.
5 Country and political Likhobong is situated in Lesotho, which has experienced several changes of government in recent years. On 28 October 2022, a new Prime Minister was inaugurated following general elections which took place earlier that month. New ministers were appointed, including a new Minister of Natural Resources. Lesotho is an emerging market economy which is subject to greater political volatility and risk. Potential changes to existing legislation, such as the proposed VAT Amendment Bill, and Income Tax Amendment Bill, could have a significant impact on the business.	The Firestone team has extensive experience of operating in Southern Africa. The Company is a member of the Lesotho Chamber of Mines and maintains close contact with representatives of the Government of Lesotho, through the Chamber, to ensure that it keeps abreast of all political and potential regulatory developments, and is in a position, where possible, to address and lobby Government and appropriate legislative bodies on the consequences of proposed legislation.	↔ No change.
6 Foreign currency exposure The Group earns revenue from the sale of its rough diamonds in US Dollars and incurs operating costs in mainly the Lesotho Maloti (which is pegged to the South African Rand), and to a lesser extent the Pound Sterling. Fluctuations in these currencies, particularly the ZAR:US\$, may have a significant impact on the Group's financial performance.	The Group monitors the movement of the Rand against the US Dollar very closely. The Group has a policy to lock in exchange rates where significant capital expenditure is to be incurred. Where possible, and where liquidity allows, short-term forward exchange contracts are entered into.	↔ No change
7 Interest rate exposure The Group is exposed to the risk posed by floating interest rates charged on the Project's debt facilities. Rising interest rates pose a risk to the Group's cash flow, which could lead to the Group being unable to meet its operational and debt covenant cash requirements.	The Group has limited ability to mitigate against a change in interest rates.	↔ No change

RISK REVIEW

Operational risks

Impact	Mitigation	Reason for change
8 Mineral Resource (closely associated with the risk 12 – Grade variability) The Group's financial performance is impacted by the quantity of carats recovered at Liqhobong, and is based on the stated resource. The resource as determined is based on actual results from drilling and bulk sampling which was carried out during the feasibility stage. This is then extrapolated across the deposit. There is a risk of resource over-estimation in areas where there are fewer sampling points.	Liqhobong's resource was independently verified. The Mine's MRM department reconciles resource grades against recovered grades which would identify material changes that would require further investigation. The mineral resource was updated during the 2020 financial year to reflect the latest geological model.	↔ No change
9 Mine restart risk <ul style="list-style-type: none"> The Group will require distinct working capital funding once production commences at Liqhobong. Restarting the Mine entails many aspects including employing and training staff, appointing contractors, re-establishing processes and procedures, among others. Delays in ramping up activities which include commencing mining activities and operating the production plant, which could lead to additional working capital requirements. 	Absa provided restart funding of US\$11.6 million and a US\$11.4 million Working Capital Facility to the Group. The Group has retained staff with the necessary skills and competencies to assist in managing a restart program. A suitably staffed maintenance team continued to maintain key items of plant and equipment at the Liqhobong mine, ensuring that they were in an operationally ready state, in order to facilitate an efficient restart.	The risk is no longer applicable as the Mine was restarted successfully during 2022.
10 Theft Theft, particularly of mine plant or equipment on site, would result in financial loss to the Company.	Liqhobong has established an appropriate security department on site, which was enhanced as the Mine transitioned into the restart phase and then on into continuous production.	↓ The risk has reduced now that the security department is once again fully staffed.
11 Mining and processing The successful operation of a diamond mine is dependent upon its ability to extract ore at a sufficient rate to meet the planned treatment capacity of the processing plant which is 500 tonnes per hour. A number of factors affect ore and waste rock mining from the pit. These include inclement weather conditions, mining equipment reliability, appropriate drilling and blasting practices, and achieving mining targets. Risks facing ore treatment include unscheduled shutdowns, technical failures, incorrect drilling and blasting practices, higher than expected wear rates and power outages.	Liqhobong has established teams with core competencies in each discipline: mining, plant operations, health and safety, engineering and support services. Where required, specialist consultants are employed in a discipline. Each team was staffed by those with the key skills and specialist knowledge required of each distinct discipline. A structured planned maintenance programme is followed ensuring maximum operational uptime and reducing the number of unscheduled plant stoppages. Ore and waste tonnages, recovery results and other performance metrics are monitored daily to ensure early identification of any adverse trends. An ore stockpile is maintained which is sufficient to keep the plant in operation for up to three days should mining from the pit be interrupted.	↑ The risk has increased due to operational challenges relating to drilling and blasting since commencing the restart.

RISK REVIEW

Operational risks (continued)

Impact	Mitigation	Reason for change
12 Grade variability (closely associated with the risk 8 – Mineral resource) The Group's financial performance is impacted by the quantity of carats recovered by the Lihobong treatment plant. The treatment plant is designed to process ore at a rate of 500 tonnes per hour. Grade variability results in greater or fewer carats recovered and consequently impacts revenue.	Lihobong's grade estimate was based on large diameter drilling and bulk sampling, and was independently compiled and signed off. At an operational level, Lihobong's MRM department focuses on grade control on an ongoing basis. Grades recovered are reconciled to the resource grades of particular areas mined to ensure that discrepancies are identified.	↔ No change
13 Safety and health Mining operations involve a range of day-to-day activities which could result in accidents, and in the worst case, the loss of life, should safety standards not be adhered to.	Lihobong is focused on maintaining its safety record through continued adherence to strict safety policies. The Company follows a risk-based approach, assessing and adequately addressing the risks in a particular work area prior to work being performed in that area. Safety training takes place regularly and safety awareness is practised by all employees.	↔ No change
14 Electricity supply Lihobong is connected to the Lesotho national grid. Electricity is supplied by the Lesotho Highlands Development Authority ("LHDA") from its 'Muela Hydro-Power Station, to the Lesotho Electricity Company ("LEC") which is then distributed through the national grid, which includes the 132kW power line that was constructed as part of the Mine's development from Ha Lejone to Lihobong. Previously, when the Muela Hydro-Power Station was not in operation, the quality of the electricity supplied to the Mine by LEC was of insufficient quality to continue operations. In such an instance, the only alternative is for the Mine to rent diesel-powered generating units, which take time to site-establish and result in additional operating costs. Additionally, the Mine experiences electricity outages from time to time as a result of scheduled and unscheduled maintenance being carried out on the infrastructure by LEC. Due to the location of the 132kW power line, which stretches over mountains, there is a potential risk for power trips caused by inclement weather, which could lead to loss of production time.	A power factor correction unit has been installed on site, which regulates the quality of the electricity supplied to the Mine site and to eliminate voltage imbalances. The Mine has a close operational relationship with the LEC which ensures prompt action if and when electrical supply problems occur. The Mine and LEC have agreed to coordinate planned maintenance to ensure that these are performed at the same time to reduce production losses. The Mine is assessing alternative backup power options.	↔ No change
15 Water supply Only a few years ago, Southern Africa, including Lesotho, experienced one of the worst droughts in recent history. The limited availability for water storage facilities in the Lihobong valley poses a risk to normal operation of the treatment plant.	The Mine has sufficient storage capacity for its water needs under normal annual rainfall conditions and carefully manages its various water storage facilities, ensuring that as much water as possible is harvested and stored on site. The Mine also prioritises effective water use. It operates a closed circuit, encourages reducing water use and recycles all water for further use. The Mine is considering constructing an additional storage dam and has the necessary permitting approvals in place to build it.	↔ No change

RISK REVIEW

Operational risks (continued)

Impact	Mitigation	Reason for change
16 Cost control The total operating costs of mining activities comprise both fixed and variable components. There is a risk that fixed costs may increase ahead of expectations or that variable costs escalate, particularly during the restart period, resulting in lower profitability and potentially additional funding.	Firestone has a culture of cost consciousness which ensures that all costs are carefully considered on a continuous basis. The Group also measures its performance monthly against approved budgets and regularly updated forecasts to ensure that costs are in line with expectations and discrepancies are investigated.	↓ The risk has reduced due to the Mine restart having taken place within the cost budget.
17 Workforce and community relations The Group's performance is impacted by relations with its workforce and local communities. There is a risk that increased workforce and community expectations can lead to labour or community unrest and strikes.	Our workforce and surrounding communities form an integral part of Firestone's strategy. The Company operates strict safety protocols which aim at ensuring employees' safety, and adequate long and short-term remuneration structures assist in maintaining a committed and motivated workforce. There is a Community Relations representative who attends regular meetings with the local communities to ensure that mutually beneficial relations are maintained. The Company has successfully implemented a number of community initiatives in past years including provision of water reticulation for the local Liqhobong village, the construction of two road bridges which are crucial to linking local villages with the nearest town and the implementation of the "Lema u Phele" initiative which involves developing local farming capacity to supply the Mine with fresh produce.	↔ No change

Strategic risks

Impact	Mitigation	Reason for change
18 Mining lease renewal Liqhobong's Mining Lease with the Lesotho Government, expires in April 2024. There is a risk that the mining lease is not renewed, or that the terms of a renewal may be based on potentially less favourable terms.	The Mining Lease Agreement provides for two 10-year extensions provided that Liqhobong has complied with the requirements thereof and the statutory renewal process is followed. Management maintains regular and consistent engagement with Government departments in the Kingdom of Lesotho, including the Ministry of Natural Resources, to ensure that they are updated and are aware of the Mine's requirements and objectives. Liqhobong submitted its application for renewal of its Mining Lease in October 2022 and currently awaits the Minister of Natural Resources to constitute a Mining Board, the entity that will consider the application.	↑ The risk has increased due to a lack of progress despite the company actively engaging with the Government of Lesotho.
19 Retention of key personnel The Group is heavily reliant on a small group of key staff to achieve its objectives.	Firestone offers market-related remuneration that is commensurate with the responsibilities and requirements of each key position.	↔ No change

RISK REVIEW

Strategic risks (continued)

Impact	Mitigation	Reason for change
20 Financing		
<p>The Group is indebted to Pacific Road Resources Fund Pacific Road Capital (Bondholder Agent), Absa Bank II L.P and Pacific Road Capital II Pty Ltd in the amount of US\$47.1 million in terms of its Eurobond facilities, and to Absa Bank in the amount of US\$69.6 million comprising:</p> <ul style="list-style-type: none"> US\$20.5 million Super-senior debt (Facility A) US\$49.0 million Subordinated debt (Facility B) ZAR205.2 million Restart Facility (Facility C) ZAR201.7 million Working Capital Facility <p>There is a risk that, should the Group experience financial difficulties, it may be unable to repay its debt obligations as they fall due, and may require further funding.</p>	<p>Pacific Road Capital (Bondholder Agent), Absa Bank and the ECIC have indicated their continued support and ongoing commitment to the Group. In March 2023, Pacific Road Capital undertook to capitalise interest on the Series A and Series B Bonds, and extended the final maturity dates of the Bonds to 30 June 2024.</p> <p>Absa Bank and the ECIC restructured Lihobong's senior secured debt so that it is repaid quarterly in terms of a cash flow waterfall, and to the extent that excess cash is generated. Additionally, Absa Bank and the ECIC provided an US\$11.6 million Bridge Facility to restart the Mine, and a US\$11.4 million Working Capital Facility.</p>	<p>↓</p> <p>The likelihood of occurrence has reduced, due to the conclusion of the Lihobong debt restructuring and refinancing, and the ongoing interaction with Pacific Road Capital to restructure the Bonds.</p>
21 Environmental		
<p>Lihobong operates in an environmentally sensitive area, high up in a valley, which is part of a catchment area for the Motete and Malibamatsu rivers which ultimately flow into the Katse Dam. The Katse Dam supplements the water supply to South Africa.</p> <p>There is a risk that the mining operations could impact the immediate environment or cause contamination to the downstream aquatic system.</p>	<p>Environmental management forms an integral part of Firestone's strategy. Regular tests are conducted to detect any water, air and noise pollution to ensure that any disturbances are within acceptable limits. Any deviations are identified and corrective action is taken immediately.</p>	<p>↔</p> <p>No change</p>
22 Tailings dam stability		
<p>A risk exists of over-topping or a breach of the structural integrity of the dam wall resulting in a partial or full failure. Risks include the loss of life of people or animals situated below the flood line, and widespread environmental damage should a failure occur.</p>	<p>The wall of the tailings dam is constructed using a combination of tailings and waste rock, making it inherently more stable than tailings facilities that are constructed using tailings only. The dam is built according to the downstream construction method and was independently signed off by a reputable, suitably qualified engineer who has Lesotho specific design experience. It is constructed to withstand a one in a 100-year rain event. Risk assessments are carried out regularly to identify changes in key measures which may indicate an increased risk or potential failure and mitigating action is taken accordingly.</p> <p>The Group has adopted and is implementing the Global Standard on Tailings Management ("GISTM"). A recent independent dam failure study, conducted per GISTM requirements, concluded that the tailings dam would not fail because of over-topping.</p>	<p>↔</p> <p>No change</p>

SECTION 172 STATEMENT

The Directors are aware of their duty under Section 172(1) of the Company Act 2006, to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers, and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and forms the Directors' statement under section 414CZA of The Companies Act 2006.

Our key stakeholders and how we engage with them

The Board considers its key stakeholders to be the Group's employees, suppliers, contractors, the communities situated close to the Lihobong mine, the Government of Lesotho (its partner and 25% shareholder in Lihobong), its Bondholders, the senior debt provider Absa and its insurer, ECIC, and its shareholders.

Stakeholders	Stakeholder key interests	How we engage
Our People Having the right people with appropriate qualifications, skills and experience, and work ethic is crucial to our longer-term success.	<ul style="list-style-type: none"> Career development Reward Engagement Morale and motivation Reputation Training and development Health and safety 	<ul style="list-style-type: none"> Direct engagement through the Group's flat organisational structure Board meetings are held at the Firestone Group and Lihobong Mining Development Company (Pty) Ltd ("LMDC") level – direct engagement with key management
Suppliers and contractors We need to maintain trusting relationships with our strategic suppliers and contractors for mutual benefit and to ensure that they are meeting our technical and safety standards.	<ul style="list-style-type: none"> Mine procurement from local sources where possible Quality management Cost-efficiency Long-term relationships 	<ul style="list-style-type: none"> Meetings with key strategic suppliers and contractors Ongoing communication and feedback Contract negotiation and contract renewals
Local communities We need to maintain a trusting relationship with our local communities to understand and mitigate the impact that our operation has on the immediate surroundings, and the benefits that local communities can derive therefrom.	<ul style="list-style-type: none"> Long-term relationships Community support Developing sustainable community enhancement projects 	<ul style="list-style-type: none"> Regular meetings with the Community Forum Open lines of communication, with an active response where appropriate Compensation agreement in place
Government of Lesotho We need to maintain a trusting relationship with our partner and 25% shareholder in the Lihobong mine for mutual benefit and to ensure that the Mine operates for the benefit of all stakeholders.	<ul style="list-style-type: none"> Long-term relationship Sustainable benefits for the Kingdom of Lesotho Commercially viable operation Source of local employment 	<ul style="list-style-type: none"> Through Government appointed directors on the board of LMDC Regular interaction with various government departments, particularly the Ministry of Natural Resources Letters, presentations, and electronic communication Open lines of communication
Debt Providers We need to maintain a trusting relationship with our Bondholders, Absa, and the ECIC who have supported the Project since it commenced in 2014.	<ul style="list-style-type: none"> Success of the Project Repayment of senior and subordinated debt 	<ul style="list-style-type: none"> Monthly operational reports including financial forecasts Regular interaction with debt provider representatives with open lines of communication
Shareholders We ensure that we provide fair, balanced, and comprehensive information to Shareholders on as regular basis as possible, to ensure that they have a strong understanding of our strategy and performance.	<ul style="list-style-type: none"> Financial performance Appropriate corporate governance and transparency Operating and financial information Confidence and trust in the Group's leadership team 	<ul style="list-style-type: none"> Individual meetings Quarterly updates Annual report and accounts Annual General Meeting

SECTION 172 STATEMENT

Key Board decisions during the year

The Board considers the following to be the key decisions and considerations it has made during the year to 30 June 2022. In addition to these decisions, the Board assessed and reviewed the liquidity position of the Group every month and continued to closely manage and facilitate the debt restructuring and refinancing process between the Company, Absa, the ECIC, and the Bondholders.

Board Decision	Considerations
Residue storage dam stability The Board considered whether appropriate steps had been taken and procedures adopted to ensure the stability of the residue storage facility situated at the Liqhobong mine.	An appropriate construction methodology had been adopted, therefore, ensuring that maintenance and control measures and risk monitoring were adequate and applied, and that risks had been sufficiently dealt with.
Debt restructuring and refinancing The Board considered the financial position of the Group, the debt carrying capacity of the business, and the requirement for capital to restart the Liqhobong mine and initiated a debt restructuring and refinancing process with Absa and the ECIC, supported by its Bondholders, which resulted in the conclusion of a Bridge Facility Agreement: ZAR31 560 000 Term Facility and an extension of the Facility to a Bridge Facility Agreement: ZAR182 184 000 Term Facility, to provide funding for ongoing care and maintenance and the capital required to restart Liqhobong mine.	To refinance the Group and restructure the senior Absa project debt to levels in line with an independent assessment of the debt carrying capacity of the business, to ensure a sustainable level of senior debt and sufficient capital to restart and operate the Liqhobong mine.
Liqhobong Care and Maintenance The Board considered the financial position of the Group, the resurgent diamond market post the COVID-19 pandemic and the progress with the Absa debt restructuring and refinancing, and decided to continue to temporarily keep the Liqhobong mine on care and maintenance until the Liqhobong mine could be restarted.	The need to conserve the Group's limited cash resources during the period of uncertainty while negotiations with Absa and ECIC were underway, and to retain the ability to efficiently restart the Liqhobong mine at the appropriate time. Recognition of ongoing obligations to the local communities. The need to preserve the employment of key staff required for restarting the Mine and to re-employ former operational staff and contractor's employees.
Board and management structure Directors' fees and senior management pay were adjusted following the reductions in the prior year.	The need to retain the benefit of the Board and key management's knowledge, skills and experience required to successfully complete the Absa debt restructuring and refinancing, and to manage the efficient and timely restart of the Liqhobong mine.

OPERATIONAL AND FINANCIAL REVIEW

Operational review

The Lihobong mine remained on care and maintenance throughout the year with the focus on ensuring that the plant and equipment remained in a state of readiness so that the Mine could restart in the shortest possible timeframe. The care and maintenance programme included periodic inspections and start/stop tests of equipment across all areas of the plant to ensure all were in good working order.

Preparatory work commenced in July 2021 to restart the Lihobong mine. The following four key work streams were initiated, namely:

- Carrying out a detailed operational readiness risk assessment of the entire operation to identify and address any risks that may have arisen during the care and maintenance period, in order to ensure that employees, once re-engaged, would return to a safe work environment;
- Commencing a tender process to appoint and mobilise a new mining contractor, the longest restart lead item;
- Dewatering the main pit to enable access to the pit for pre-mining development; and
- Pit preparation work which included mine roads and in-pit ramp rehabilitation, as well as mechanical breaking of previously blasted oversize ore boulders and loading and hauling of ore to the primary crusher stockpile and waste to the RSF wall.

Preparatory work was subsequently halted in the second quarter while Bank and the ECIC's appointed Independent Advisor conducted a review of the business and assisted with debt restructuring alternatives.

As a result of the review, restart work recommenced during the final quarter of the financial year.

COVID-19 protocols remained in place throughout the year. Rapid test kits were used to perform on site testing and employees and contractors who tested positive for COVID-19 were required to self-quarantine on site. All persons entering the Mine were required to be vaccinated.

Water management both on site and run-off downstream of the Mine was a critical risk during the care and maintenance period and required stringent management to ensure that excess water, due to significant rainfall during the rainy season between November and March, was discharged safely and in accordance with the relevant permits. The water level in the main pit was maintained at a desired level to allow for access in the shortest possible timeframe upon a Mine restart, and the water level and freeboard of the Residue Tailing Facility ("RSF") was constantly monitored and maintained within industry acceptable standards to ensure the safety and integrity of the facility.

Financial Review

Statement of Profit and Loss

US\$'million	2022	2021
Revenue	—	4.6
Less:		
Cost of sales	—	3.3
Gross profit	—	1.3
Other income	3.1	0.7
Selling and administrative costs	—	0.5
Care and maintenance – continued	3.6	3.5
Care and maintenance – Ramp-up	0.9	—
Corporate costs	1.9	1.4
Amortisation and depreciation	1.2	1.4
Impairment (reversal)/charge	(7.1)	1.9
Net finance cost	9.9	10.2
Loss before tax	7.3	16.9
Income tax (credit)/charge	(0.1)	0.4
Loss from continuing operations after tax for the year	7.2	17.3
Loss from discontinued operations	18.9	0.4
Net loss after tax	26.1	17.7

Revenue and cost of sales

There were no sales during the year as the Mine remained on care and maintenance and the last of its remaining diamond inventory was sold in the prior year.

	Q1	Q2	Q3	Q4	Total FY2021	Q1	Q2	Q3	Q4	Total FY2022
Revenue										
Diamonds sold (carats)	—	43 269	19 942	—	63 211	—	—	—	—	—
Revenue (US\$m)	—	3.7	0.9	—	4.6	—	—	—	—	—
Average value (US\$/ct)	—	84	47	—	72	—	—	—	—	—
Number of sales	—	1	1	—	2	—	—	—	—	—
Diamonds which sold for over US\$500 000 each										
Number					1					—
Value (US\$m)					0.5					—

1 The Lihobong mine was placed on care and maintenance on 26 March 2020 at which point mining operations were suspended.

2 Diamond stock on hand as at 30 June 2020 was sold during the prior year and no sales took place during the year.

OPERATIONAL AND FINANCIAL REVIEW

Other income

Included in other income is a net arbitration award of US\$2.6 million in respect of the favourable outcome of international arbitration proceedings with DRA Africa Holdings (Pty) Ltd.

Care and maintenance costs

Care and maintenance costs for the year of US\$3.6 million (2021: US\$3.5 million) related to activities at the Lihobong mine and included staff and contractor costs.

Corporate overhead

Corporate costs for the year were US\$1.9 million (2021: US\$1.4 million) and included initial costs in respect of the Open Offer process.

Impairment reversal

The impairment assessment which was carried out at the year-end indicated that, based on the imminent restart of the Lihobong mine, the value in use of the assets of US\$41.5 million was US\$7.1 million higher than the carrying value of US\$34.4 million. Accordingly, an impairment reversal was recognised.

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").

	2022					2021				
Cost of financing (US\$'million)	Cash cost	Settled in shares	Capitalised	Amortised cost	Total cost	Cash cost	Settled in shares	Capitalised	Amortised cost	Total cost
ABSA Facility	—	—	2.6	1.1	3.7	2.5	—	—	1.6	4.1
ABSA Bridge Facility	—	—	0.1	—	0.1	—	—	—	—	—
Series A Eurobonds	—	—	3.5	1.3	4.8	—	—	3.2	1.3	4.5
Series B Eurobonds	—	—	0.8	—	0.8	—	—	0.9	—	0.9
Lease liability	—	—	—	0.3	0.3	—	—	—	0.3	0.3
Other finance cost	—	—	0.2	—	0.2	0.1	—	0.4	—	0.5
	—	—	7.2	2.7	9.9	2.6	—	4.5	3.2	10.3
Less: Finance income	—	—	—	—	—	0.1	—	—	—	0.1
Net finance cost	—	—	7.2	2.7	9.9	2.5	—	4.5	3.2	10.2

Loss from discontinued operations

The loss from discontinued operations arose from the Group's disposal of its Botswana assets. The loss of US\$18.9 million was mainly in respect of reversing historic foreign exchange translation reserves previously recognised as a component of equity in the Group's statement of financial position.

Statement of Financial Position

US\$'million	2022	2021
ASSETS		
Non-current assets	48.3	47.6
Inventory	—	—
Trade and other receivables	0.5	0.6
Cash and cash equivalents	4.9	6.2
Total current assets	5.4	6.8
Non-current assets held for sale	—	0.9
TOTAL ASSETS	53.7	55.3
EQUITY AND RESERVES	(73.9)	(63.1)
LIABILITIES		
Deferred tax	0.1	0.2
Lease liabilities	2.1	2.4
Rehabilitation provision, other loans	3.4	3.8
Total non-current liabilities	5.6	6.4
ABSA debt facilities and other loans	70.0	63.2
Eurobonds	46.9	41.3
Lease liabilities	0.6	0.6
Trade and other payables	4.5	5.3
Total current liabilities	122.0	110.4
Liabilities of a disposal group	—	1.6
TOTAL EQUITY AND LIABILITIES	53.7	55.3

OPERATIONAL AND FINANCIAL REVIEW

Debt

As at the year-end, and as a result of restructuring discussions taking place between the Company, Absa Bank and the Bondholders, a Standstill Agreement was in place in respect of US\$82.4 million Senior Secured Term Facility Agreement ("Absa Facility"), and an undertaking was provided by the Bondholders to capitalise quarterly interest due on the Series A Eurobonds up until 30 September 2022. In terms of the Standstill Agreement, interest repayments (from 30 September 2021) and capital repayments under the Absa Facility were suspended until 30 September 2022 and the measurement of the covenants due on 30 June 2022 was waived.

In accordance with relevant accounting standards, as no long-term debt restructuring was agreed as at the year end, it was necessary to classify the outstanding balances of the ABSA Facility and the Series A and Series B Eurobonds as current liabilities as at 30 June 2022.

ABSA Bank debt and Eurobonds

	Interest rate	Original facility amount	2022 US\$'000	2021 US\$'000
ABSA Facility	US\$ three-month LIBOR plus margin	82.4	66.5 ^a	63.9
ABSA Bridge Facility	JIBAR plus margin	11.6	3.1	—
Eurobond (Series A)	10% p.a. (2021: 8% p.a.)	30.0	36.7 ^a	33.1
Eurobond (Series B)	10% p.a. (2021: 8% p.a.)	15.0	10.4 ^a	9.6
		139.0	116.7	106.6

Notes:

a – Balance increased due to capitalised interest during the year.

- The ECIC insurance provides ABSA with cover of 100% in respect of political risk and 85% in respect of commercial risk.
- The effective interest rate is in aggregate 5.77% (2021: 6.45%), including upfront costs.

Cash Flow

US\$'million	2022	2021
Operating cash flows		
Loss before taxation	(7.3)	(16.9)
Adjustments:		
Impairment (reversal)/charge	(7.1)	1.9
Depreciation and amortisation	1.2	1.4
Changes in provisions	0.1	—
Net finance cost	9.9	10.2
Adjusted EBITDA	(3.2)	(3.4)
Working capital changes	(0.5)	2.4
Stay-in-business capital	0.2	—
Operating cash result	(3.9)	(1.0)
Cash repaid		
Increase in borrowings	3.2	—
Repayment of lease liabilities	(0.4)	(0.4)
Finance income	0.1	0.1
Finance cost	(0.1)	(2.6)
Net cash received/(repaid)	2.8	(2.9)
Net cash used in discontinued operations	—	(0.1)
Net decrease in cash	(1.1)	(4.0)
Opening cash	6.0 ¹	10.2 ¹
Closing cash	4.9	6.2

Notes:

- ¹ Opening cash balance is adjusted for movement in foreign exchange rates.

The Group began the year with an adjusted cash balance of US\$6.0 million. Cash outflow from operations (adjusted EBITDA) was negative US\$3.2 million (2021: negative US\$3.4 million) due to the Mine continuing on care and maintenance throughout the year. Working capital of US\$0.5 million and capital of US\$0.2 million resulted in an operating cash result of negative US\$3.9 million. During the year, US\$3.2 million was drawn against the Absa bridge facility, and the Group ended the year with a cash balance of US\$4.9 million.

RESOURCE AND RESERVE STATEMENT

Diamond Resource and Reserve update for Liqhobong mine

The latest Liqhobong Diamond Resource as at 31 December 2019 was updated by Zstar Mineral Resource Consultants. This was the first update since 2015 and was based on the latest geological model and included a number of modifications and improvements including the following:

- production samples derived from focused mining;
- additional density samples collected by mine geologists;
- alignment of estimation block height to a bench height of 14m; and
- change in bottom cut-off to 1.25mm slotted screen panels.

The mining that took place during the third quarter of 2020 prior to the COVID-19 pandemic and the start of the care and maintenance period was depleted from the Diamond Resource estimate. No mining took place between that date and 30 June 2022. The total remaining Indicated Resource at the bottom cut-off of 1.25mm slotted screen panels was 22.898 Mt at a grade of 22 cpht containing 5.082 Mcts.

Diamond Resource statement for Liqhobong Main Pipe as at 30 June 2022 (including Reserves)

Diamond Resource Category	Depth from and to	Diamond Resource				Carats (millions)
		Volume in m3 (millions)	Density (tonnes/m ³)	Metric tonnes (millions)	Grade (cpht)	
Indicated	2 673 masl to 2 463 masl	8.807	2.60	22.898	22	5.082
Inferred	2 463 masl to 2 127 masl	18.184	2.66	48.399	24	11.423
Total Diamond Resource		26.991	2.64	71.297	23	16.505

- Diamond Resource as at 30 June 2022, reported inclusive of reserves.
- Tonnes are metric tonnes and totals are rounded.
- Stated at a bottom cut-off of 1.25mm slotted screen panels.

Diamond Reserve statement for the Liqhobong Main Pipe as at 30 June 2022

The latest 7-year mine plan assumes the recovery of 5.243 Mcts from the treatment of 22.777 Mt of ore both from the Indicated and Inferred Resource categories. Approximately 78% of the planned recovered carats is derived from the Indicated Resource category and can be converted to Probable Reserve. The latest mine plan contemplates the mining of the remainder of cut 1 and cut 2 north and south. Diamond prices will dictate the feasibility of including a cut 3 in future mine plans.

Diamond Reserve Category	Depth from and to	Diamond Reserve				Carats (millions)
		Density (tonnes/m ³)	Metric tonnes (millions)	Grade (cpht)		
Probable	2 673 masl to 2 463 masl	2.62	18.186	23		4.114
Total Diamond Reserve		2.62	18.186	23		4.114

- The above Diamond Reserve is stated at a bottom cut-off of 1.25mm slotted screen panels.
- The average diamond price of US\$70 per carat was used in the estimated.
- Tonnes are metric tonnes and totals are rounded.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Health and safety of our people and communities is key and Lihobong continued to maintain its high standards, despite the much reduced on-site team, while the Mine remained on care and maintenance throughout the year. We were pleased that the year was completed without any Lost time or Non-lost time injuries.

Stringent measures continued to be maintained in order to protect employees and to reduce the prevalence of Covid at the Mine. During the year, three covid-19 cases were detected. The employees were quarantined on site and resumed their duties once they tested negative. All of the Mine's employees were vaccinated as part of the Lesotho Government's COVID-19 program.

During the year, the health and wellbeing of employees was a key priority and so the chronic illnesses management programme was strengthened, which, through continuous monitoring, helped to ensure that affected employees were taking the necessary steps to remain in good health.

Environment

We are committed to comply with all relevant requirements in addition to being guided by international best practice. We aim to achieve this through our site specific Environmental and Social Management System ("ESMS").

Our employees and contractors form an integral part of the Company's ESMS, and through inductions and training are aware of their impact on the environment and their responsibilities. Management systems include information on how to contribute meaningfully to biodiversity and conservation, as well as the procedures in place to reduce, reuse and recycle waste thereby promoting efficient use of natural resources and minimising the quantity of final waste disposal.

We always strive to comply with all requirements of our approved Environmental Management Plan through adhering to strict protocols contained in our ESMS.

The Mine complied with all relevant regulatory requirements during the year and there were no major environmental incidents.

Water Management

Firestone views water as a scarce and vital resource that supports the livelihood of surrounding communities, and the general preservation of the environment.

Water management, on the Mine where a closed-circuit water reticulation system is in place, and in the surrounding environment has been identified as one of the Company's most significant environmental risks.

In periods of high rainfall, water is discharged from the Mine into the Lihobong river out of necessity when it has run out of on-Mine storage capacity. In this regard the requirements of the dewatering permit obtained from the Department of Environment were strictly adhered to which was granted when the Mine was placed on care and maintenance.

The residue storage facilities' operational parameters were reviewed during the year to accommodate the increased levels of water as a result of the high rainfall which occurred, and the significantly reduced water use as a result of the Mine continuing on care and maintenance.

The Company continued to adhere to the requirements of the dewatering and the team remained vigilant in the monitoring of the dam and residue storage facilities' water levels and structural integrity of the facility.

The mining industry in Lesotho has been subjected to unsubstantiated criticism for allegedly contributing to the occurrence of harmful levels of nitrates in certain rivers that ultimately flow into the Katse Dam. Nitrates are an unavoidable by-product of blasting carried out on the Mine and the Company has always, and continues to, vigilantly monitor and mitigate the occurrence of nitrates in the Lihobong river, Motete river and Malibamatsu river to ensure that its operations do not negatively impact the environment. This data, which is reported to the Department of Environment, confirms that the Mine does not contribute to any excessive level of nitrates flowing into the Katse Dam. Furthermore, various projects are currently underway to effectively reduce the level of nitrates on the Mine.

Waste and Pollution Management

Lihobong continues to focus on waste management, water quality monitoring, and incident reporting. There is a strong culture of reusing and recycling at the Mine and all waste is handled and disposed of in a responsible manner.

Monitoring of pertinent waste and pollution parameters continued during care and maintenance to ensure that the baseline was maintained prior to operations resuming. There were no pollution incidents during the year.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Energy Usage

The maintenance team continued to carefully manage energy usage through reducing the maximum demand requirement when starting and maintaining selected equipment items when testing as part of the care and maintenance plan.

A variety of energy saving initiatives are already in place at Liqhobong and these include the installation of Green Energy Efficient lighting throughout the Mine and a power factor correction capacitor, which reduce energy usage by placing less strain on the electricity grid.

Community

Firestone is committed to the highest standard of Corporate Social Responsibility ("CSR") and has a programme which aims to boost economic opportunities arising out of operations, and to contribute meaningfully to social development of the local communities.

The Company understands that significant changes in operations affect local communities and is committed to development initiatives which address vulnerabilities within the local communities, and which respond to the community's needs and priorities. During the year, the Company considered the impact of continued care and maintenance on the local communities. Notably, the Company implemented initiatives aimed at addressing community health and safety challenges, put in place responsive measures for social relief and engaged in activities which strive to strengthen social fabrics for more resilient communities.

Community Engagement

Firestone has a strong relationship with various government institutions and non-governmental organisations. The Company's engagement with these organisations allows for a coordinated approach towards finding solutions and for driving developmental initiatives. The Company understands that it is crucial to create an environment for effective stakeholder dialogue, inclusive of local communities. The Company continued to maintain regular and timely engagement with the community through their representative committee and local authorities, through scheduled meetings. These meetings are essential to address issues emanating from the Company's activities, to plan developments for the community as well as receive constant feedback from the community. This ensured that the community remained aware of updates and developments relating to the operation and allowed for any issues to be addressed.

Community Relations

Firestone recognises that the opportunities emerging from the Company's operations are impact multipliers, and that these opportunities bear potential for realisation of not just economic improvement aspirations, but the general development of communities surrounding the Mine. The Mine continued to provide support to the community association committee regarding management of the accumulated communal grazing land compensation. Compensation is paid to the community association annually.

Furthermore, the Company:

- distributed food relief packages to 97 of the most vulnerable households within the local communities which were headed by elderly people or by single parents;
- provided continuous emergency medical assistance to the local communities;
- employed local villagers to repair crucial sections of the roads leading to the nearby Motete village;
- managed to reduce petty theft in and around the Mine through constructive engagement with the Community;
- provided regular updates regarding the restart of the Mine, including crucially, the employment opportunities which would be available as a result of a restart;
- engaged with Community leadership including chiefs and local councillors and the Community Committee to make them aware of the extension of the perimeter fence to the final position as provided for in the Mine's approved Mining Lease. The extension provides the Mine with adequate space for the Residue Storage Facility requirements for the current life of mine and construction of a potential new seepage dam.
- continued to contribute to the local economy through sourcing fresh produce from local farmers. Through the initiative, the Company aims to strengthen the development of sustainable economic alternatives for the local communities, relevant during and post the life of the Mine.

CONCLUSION TO THE STRATEGIC REPORT

Looking forward

We have every confidence that conditions in the diamond market will remain positive, and we will work to ensure we are able to benefit from the strong rebound. We will continue to manage the Company at the highest level, by excelling at the elements under our control.

Lastly, I would like to extend our thanks to our shareholders and lenders for their continued support, the management team and our staff for their dedication and continued hard work during the year. All employees have endured an extremely difficult period with high levels of uncertainty and the Board has been impressed by our staff's professionalism and focus on doing the best they can in challenging circumstances.

We also acknowledge the Company's role in Lesotho which is to manage the Likhobong resource in the most efficient, beneficial and timely manner and in accordance with mining and environmental best practice. In doing so we seek to deliver, in time, an optimal outcome for all of our stakeholders, and in particular the Government of Lesotho, and to further build on the significant cumulative contribution to the Lesotho fiscus to date. Importantly, we continue to contribute to the agreed annual compensation to the local community at the Mine and will continue to support the local community through certain ongoing Corporate Social Investment initiatives.

We look forward to updating our shareholders and stakeholders in the coming months.

Strategic Report

This Strategic Report was approved by the Board on 30 May 2023 and is signed on its behalf by:



Patrick Meier

Non-Executive Chairman



Rob de Pretto

Chief Executive Officer

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Patrick Meier, Non-Executive Chairman NC AC RC

Mr Meier has over 30 years of experience in investment banking with specialist knowledge of the mining sector. He is Chairman of Ecora Resources plc, the London listed Natural Resources Royalty Company. Mr Meier headed up the investment banking activities for RBC Capital Markets in Europe and Asia and drove a major expansion of RBC's European presence. Prior to this role, he headed up RBC's activities in the Metals and Mining sector in Europe, Africa and Asia for many years, and continues to enjoy strong relationships within the sector. He also served as a Director on the board of RBC's main operating subsidiary in Europe. He has an MA in Natural Sciences from Cambridge University.

Rob De Pretto, Chief Executive Officer

Mr De Pretto has 40 years of experience in the diamond mining industry. Prior to his current appointment, Mr De Pretto was Chief Operating Officer and acting Chief Executive Officer of the Zimbabwe Consolidated Diamond Company. He began his career in 1982 as a trainee engineer at De Beers and has occupied various operational and leadership roles including Production Manager of Venetia Mine, General Manager of Namaqualand Mines and Technical Manager for De Beers Consolidated Mines. He transferred to Anglo American in 2010 to look after the Technology Development portfolio and the Anglo Research Laboratories prior to joining Diamcor as General Manager. Mr De Pretto is a metallurgical engineer with a Bachelor of Engineering and Master of Engineering from the University of the Witwatersrand. He also completed the Management Advancement Programme at Wits Business School and the Executive Management Programme at London Business School. He is a registered Professional Engineer and a Fellow of the South African Institute of Mining and Metallurgy and a Member of the South African Institute of Chemical Engineers.

Ian Maxwell, Non-Executive Director SHECC

Mr. Maxwell has over 30 years of minerals industry experience in operations, exploration, business and project development, project finance, equities, executive leadership, risk management and ESG. He is an Operating Partner with Pacific Road Capital, is deeply involved in the firm's investment program, and chairs Pacific Road's ESG Committee. He is currently an Executive Director of North Coal Limited, a high CSR low carbon metallurgical coal development company and a director of Corbin Road Land Company Limited, a large land company and biodiversity reserve in southeastern British Columbia. He previously led the global coal business at BHP, and BHP's exploration and business development group. Prior to BHP, had substantial corporate mining strategy and business development experience with Rio Tinto and Anglo American, and markets-facing experience with Citigroup.

Mr Maxwell is Pacific Road Capital's nominated Non-Executive Director of the Company and the Chairman of Safety, Health, Environment and CSR Committee.

Keith Johnson, Non-Executive Director RC AC NC

Mr Johnson has over 28 years of experience in the natural resources sector, 18 of which were in the mining industry where he held various senior positions within Rio Tinto plc, including on its executive committee from 2003 to 2009. From 2003 to 2007, he had overall responsibility for Rio's global diamond business which accounted for over US\$1 billion in revenue and operated across three continents. In 2007, Mr Johnson was appointed head of business resources, where he was part of the team responsible for the integration of Alcan Inc., following its acquisition in October 2007. In January 2010, Mr Johnson joined FTSE 250 oil and gas company, BG Group plc, as general manager of strategy and portfolio development. He holds an MBA in Finance and a BSc degree in Mathematics and Operational Research.

Mr Johnson is the Chairman of the Remuneration Committee.

Michael Stirzaker, Non-Executive Director AC NC RC

Mr Stirzaker has 40 years of commercial experience, mainly in mining finance and mining investment. He began his career in Sydney as a Chartered Accountant with KPMG before moving into investment banking with the HSBC Group and then Kleinwort Benson Limited in London. From 1993 to 2007 he was part of the natural resource advisory and investment firm, RFC Group Limited, where he became Joint Managing Director. From 2010 until 2019 Mr Stirzaker was a partner with the private equity mining fund manager, Pacific Road Capital Management, and since 2019 has served in various non-executive director roles. He is currently the Non-executive Chairman of Akora Resources Limited, Base Resources Limited and Southern Palladium Limited. He holds a Bachelor of Commerce degree from the University of Cape Town and is a qualified Chartered Accountant in Australia. Mr Stirzaker was previously Pacific Road Capital Management's nominated Non-Executive Director of the Company and is the Chairman of Audit Committee.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Grant Ferriman, Chief Financial Officer

Mr Ferriman is part of the senior leadership team and attends all Board meetings by invitation. He is a qualified Chartered Accountant with 22 years of experience, including 15 years in the mining industry. He was appointed as Chief Financial Officer of Firestone Diamonds in 2012, and was part of the team which financed the construction of the Lihobong mine which was brought into production during 2016, within the original cost budget. Prior to joining the Company, he was the group financial controller for Mwana Africa plc (subsequently ASA Resources Group plc), an AIM-listed junior mining company with assets based in South Africa, Zimbabwe and the DRC, where he was responsible for reporting and control systems across the Group. Mr Ferriman has extensive experience in public company reporting in the United Kingdom and the development and implementation of control systems for companies with assets based in Southern Africa. He holds an honours bachelor of accounting science degree from the University of South Africa and is a member of the South African Institute of Chartered Accountants.

Ian Crozier, Chief Legal Officer and Group Secretary

Mr. Crozier is part of the senior leadership team and attends all Board meetings by invitation in his capacity as secretary, and general counsel to the Board. He was Admitted as an attorney of the High Court of South Africa in March 2000 and has more than 20 years of experience in the mining industry, during which he worked for De Beers and Anglo-American in senior corporate counsel roles before joining Firestone Diamonds as general counsel in May 2015 as part of the owner's team responsible for the construction and bringing the Lihobong Mine into production. He is an experienced corporate, and commercial mining lawyer with extensive multi-jurisdictional experience in mineral exploration, mine development, project finance, debt restructuring, mergers and acquisitions, and various regulatory regimes. In 2020 he was appointed as the Chief Legal Officer and Group Secretary when Firestone Diamonds delisted from the London Stock Exchange's AIM. He holds a Baccalaureus Procuratoris (BProc) and Baccalaureus Legum (LLB) from Nelson Mandela University and a Master of Laws (LLM) in Corporate and Competition Law from the University of South Africa.

Key

AC Audit Committee

NC Nomination Committee

RC Remuneration Committee

SHECC Safety, Health, Environment and Community Committee

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts for the year ended 30 June 2022, which should be read in conjunction with the Strategic Report.

Results and dividends

The Group made a loss after taxation of US\$26.1 million (2021: loss after tax of US\$17.7 million). Further details are shown in the Consolidated Statement of Comprehensive Income on page 27.

The Directors do not recommend a dividend (2021: nil).

Capital structure

The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. At the date of this report the ordinary share capital of the Company was 789 481 276 ordinary shares of 1 pence each (2021: 789 481 276 ordinary shares of 1 pence each).

Other than the general provision of the Articles (and prevailing legislation) there are no specific restrictions on the size of a holding or on the transfer of ordinary shares.

The Directors are not aware of any agreement between holders of the Company's shares that may result in the restriction on the transfer of securities or on voting rights. No shareholder holds any securities carrying any special rights or control over the Company's share capital.

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

	Shares	% holding
PRRF II Investment Holdings L.P. ¹	621 213 485	78.69%
Edwards Family Holdings Limited	63 472 355	8.04%
Pacific Road Capital II Proprietary Limited ¹	33 577 300	4.25%

¹ Together PRRF II Investment Holdings L.P. and Pacific Road Capital II Proprietary Limited holds 82.94% of the Company's issued ordinary share capital.

Registration change

On 14 December 2022 the Company, formerly registered as a public company, Firestone Diamonds plc, was re-registered as a private company, Firestone Diamonds Limited.

Directors

Biographies of the current Directors as at the date of this report are set out on page 20.

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

	Position	Date of change
Patrick Meier	Non-Executive Chairman	
Rob de Pretto	Chief Executive Officer	Appointed 1 November 2022
Ian Maxwell	Non-Executive Director	Appointed 1 November 2022
Keith Johnson	Non-Executive Director	
Michael Stirzaker	Non-Executive Director	
Paul Bosma	Non-Executive Director	Resigned 1 November 2022

Directors' emoluments are shown in note 6 to the financial statements.

The Company maintains Directors' and Officers' Liability Insurance which in the view of the Directors, should provide appropriate cover for any potential legal action brought against its Directors. The Company has also provided in its Articles of Association an indemnity for its Directors, which is a qualifying third-party indemnity provision for the purposes of section 234 of the Companies Act 2006. This was in place throughout the financial year under review and up to the date of the approval of the financial statements.

Employees

The Group had 54 full-time employees at the year-end (2021: 54 full-time employees at year end).

Employee involvement

The Company's policy is to actively involve its employees in the business and to ensure that matters of concern to them, including the Group's aims and objectives and the financial and economic factors which impact thereon, are communicated in an open and regular manner. This is achieved through regular management briefs.

DIRECTORS' REPORT

Financial risk management and exposure to risks from the use of financial instruments

Financial risk disclosures and details of the Group's exposure to risk arising from the use of financial instruments are provided within the Strategic Report and in note 31 to the financial statements.

Going concern

The Directors, after making enquiries and considering uncertainties associated with the Group's operations, believe that on the basis of the forecast assumptions adopted, there is a reasonable expectation that the Group and Company will continue in operational existence for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts, which do not include any adjustments that would result from the going concern basis of preparation being inappropriate. Notwithstanding this, the Directors conclude that there is material uncertainty as to whether the Mining Lease will be extended and the terms thereof, by April 2024, and that failure to renew, or to be offered a renewal on unfavourable commercial terms, may cast significant doubt upon the Group and Company's ability to continue as a going concern and may therefore be unable to realise their assets and discharge their liabilities in the ordinary course of business. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Further information is included within note 1 going concern on page 34.

We do, however, draw your attention to the fact that at 30 June 2022, the Group's total liabilities exceed its total assets by US\$73.9 million (2021: US\$63.1 million) and that the Company's total liabilities exceed its total assets by US\$47.2 million (2021: US\$42.6 million).

Post-balance sheet events

Post-balance sheet events are detailed in note 33 to the financial statements.

Political donations

The Company made no political donations during the year.

Disclosure of information to the auditor

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware, there was no relevant available information of which the Company's auditor is unaware; and
- that Director has taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

Following the resignation of BDO LLP on 11 November 2022, who confirmed that none of the reasons for them ceasing to hold office and no matters connected with their ceasing to hold office need to be brought to the attention of members or creditors of the Company, the Directors have appointed Crowe U.K. LLP as the Company's auditor. A resolution to re-appoint Crowe U.K. LLP as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



Patrick Meier

Non-Executive Chairman

30 May 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK-adopted International accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and Accounts are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board



Patrick Meier

Non-Executive Chairman

30 May 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FIRESTONE DIAMONDS PLC

Opinion

We have audited the financial statements of Firestone Diamonds plc (the "parent company") and its subsidiaries (the "group") for the year ended 30 June 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, company statement of changes in equity and company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the group is reliant on the renewal in due course of its mining license within the next twelve months. As stated in note 1, 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 and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the consolidated financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FIRESTONE DIAMONDS PLC

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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the procedures in place for ensuring compliance. These included the Companies Act 2006, and the significant laws and regulations in Lesotho including the terms of the mining license agreement, tax legislation and environmental legislation.
- As part of our audit planning process, we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made with management and those charged with governance concerning both whether they had any knowledge of any actual or suspected fraud and their assessment of the susceptibility to fraud. We considered the risk to be greater in areas involving significant management estimation or judgement. Based on this assessment we designed audit procedures to focus on these specific areas.
- We tested the appropriateness of journal entries throughout the year by vouching a risk-based sample of journals to supporting documentation and explanations.
- A detailed review of the Group's year end adjusting entries was performed. Any items that appeared unusual in nature or amount were vouched to supporting documentation.

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



Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

30 May 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 US\$'000	2021 US\$'000
Revenue	3	—	4 577
Cost of sales		—	3 306
Gross profit		—	1 271
Other income		3 144	742
Selling, administrative and other expenses		506	8 740
Diamond royalty and selling expenses		—	487
Impairment (reversal)/charge	9	(7 132)	1 903
Amortisation and depreciation	4	1 219	1 396
Share-based payments	23	—	28
Care and maintenance		4 522	3 514
Corporate expenses		1 897	1 412
Profit/(loss) from continuing operations before finance charges and income tax	4	2 638	(6 727)
Finance income	8	49	61
Finance costs	8	9 922	10 226
Loss from continuing operations before tax		(7 235)	(16 892)
Taxation (credit)/charge	10	(74)	411
Loss from continuing operations after tax for the year		(7 161)	(17 303)
Loss from discontinued operations	21	18 927	400
Loss after tax for the year		(26 088)	(17 703)
Loss after tax for the year attributable to:			
Owners of the parent		(24 139)	(13 455)
Non-controlling interests		(1 949)	(4 248)
Loss after tax for the year		(26 088)	(17 703)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations net of tax		(4 395)	7 363
Exchange differences on disposal of foreign investment	21	19 652	—
Movement on cash flow hedges		—	(212)
Other comprehensive income/(loss)		15 257	7 151
Total comprehensive loss for the year		(10 831)	(10 552)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(6 875)	(8 585)
Non-controlling interests		(3 956)	(1 967)
Total comprehensive loss for the year		(10 831)	(10 552)
Basic and diluted loss per share			
Basic and diluted loss per share from continuing operations (US cents)	11	(0.7)	(1.7)

The notes on pages 34 to 65 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2022 US\$'000	2021 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	46 316	44 962
Right of use assets	13	2 003	2 580
Total non-current assets		48 319	47 542
Current assets			
Inventory	18	—	—
Trade and other receivables	19	517	608
Cash and cash equivalents	20	4 909	6 232
Total current assets		5 426	6 840
Non-current assets held for sale	21	—	924
Total assets		53 745	55 306
EQUITY			
Share capital	22	169 709	169 709
Share premium		193 212	193 212
Reserves		(12 709)	(29 438)
Accumulated losses		(350 479)	(326 875)
Total equity attributable to equity holders of the parent		(267)	6 608
Non-controlling interests		(73 682)	(69 726)
Total equity		(73 949)	(63 118)
LIABILITIES			
Non-current liabilities			
Borrowings	25	27	115
Lease liabilities	26	2 056	2 419
Rehabilitation provisions	27	3 434	3 672
Deferred tax	28	130	215
Total non-current liabilities		5 647	6 421
Current liabilities			
Borrowings	25	116 895	104 541
Lease liabilities	26	583	588
Trade and other payables	29	4 350	5 156
Provisions	30	219	140
Total current liabilities		122 047	110 425
Liabilities of a disposal group	21	—	1 578
Total liabilities		127 694	118 424
Total equity and liabilities		53 745	55 306

The financial statements were approved by the Board of Directors and authorised for issue on 30 May 2023.



Patrick Meier
Director

The notes on pages 34 to 65 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital US\$'000	Share premium US\$'000	Warrant reserve ¹ US\$'000	Merger reserve US\$'000	Hedging reserve US\$'000	Share- based payment reserve US\$'000	Translation reserve US\$'000	Accumulated losses US\$'000	Equity attributable to holders of the parent US\$'000	Non- controlling interests US\$'000	Total equity US\$'000
Balance as at											
30 June 2020	169 102	193 212	7 609	(1 614)	277	5 344	(45 481)	(313 891)	14 558	(67 759)	(53 201)
Comprehensive loss											
Loss for the year	—	—	—	—	—	—	—	(13 455)	(13 455)	(4 248)	(17 703)
Other comprehensive income for the year											
Exchange gains on translating foreign operations	—	—	—	—	—	—	5 147	—	5 147	2 216	7 363
Loss on cash flow hedges	—	—	—	—	(277)	—	—	—	(277)	65	(212)
Total comprehensive loss for the year	—	—	—	—	(277)	—	5 147	(13 455)	(8 585)	(1 967)	(10 552)
Contributions by and distributions to owners											
Shares issued in the year	607	—	—	—	—	—	—	—	607	—	607
Share-based payment transactions	—	—	—	—	—	28	—	—	28	—	28
Share-based payments lapsed/expired	—	—	—	—	—	(471)	—	471	—	—	—
Total contributions by and distributions to owners	607	—	—	—	—	(443)	—	471	635	—	635
Balance as at											
30 June 2021	169 709	193 212	7 609	(1 614)	—	4 901	(40 334)	(326 875)	6 608	(69 726)	(63 118)
Comprehensive loss											
Loss for the year	—	—	—	—	—	—	—	(24 139)	(24 139)	(1 949)	(26 088)
Other comprehensive income for the year											
Exchange losses on translating foreign operations	—	—	—	—	—	—	(3 193)	—	(3 193)	(1 202)	(4 395)
Exchange differences on disposal of foreign investment	—	—	—	—	—	—	19 922	535	20 457	(805)	19 652
Total comprehensive loss for the year	—	—	—	—	—	—	16 729	(23 604)	(6 875)	(3 956)	(10 831)
Contributions by and distributions to owners											
Shares issued in the year	—	—	—	—	—	—	—	—	—	—	—
Share-based payment transactions	—	—	—	—	—	—	—	—	—	—	—
Share-based payments lapsed/expired	—	—	—	—	—	—	—	—	—	—	—
Total contributions by and distributions to owners	—	—	—	—	—	—	—	—	—	—	—
Balance as at											
30 June 2022	169 709	193 212	7 609	(1 614)	—	4 901	(23 605)	(350 479)	(267)	(73 682)	(73 949)

1 Warrants issued relate to the Eurobond transaction, the details of which are disclosed in note 24.

2 The Company issued no new ordinary shares during the year. In the prior year the Company issued 48 397 818 new ordinary shares of 1 pence each in respect of interest of US\$0.6 million due on the Series A Eurobonds.

The notes on pages 34 to 65 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 US\$'000	2021 US\$'000
Cash flows used in continuing operating activities			
Loss from continuing operations before taxation		(7 235)	(16 892)
Adjustments for:			
Impairment (reversal)/charge	9	(7 132)	1 903
Depreciation and amortisation	4	1 219	1 396
Equity-settled share-based payments		—	28
Changes in provisions		54	48
Finance income	8	(49)	(61)
Finance cost	8	9 922	10 226
Net cash flows used in operating activities before working capital changes		(3 221)	(3 352)
(Increase)/Decrease in inventories		(116)	3 167
Decrease in trade and other receivables		329	574
Decrease in trade and other payables		(669)	(1 335)
Net cash flows used in operating activities		(3 677)	(946)
Cash flows used in investing activities			
Additions to property, plant and equipment		(187)	(2)
Net cash used in investing activities		(187)	(2)
Cash flows used in financing activities			
Increase in borrowings	25	3 247	—
Repayment of lease liabilities	26	(393)	(441)
Finance income	8	49	61
Finance cost	8	(152)	(2 535)
Net cash used in financing activities		2 751	(2 915)
Net cash used in discontinued operations		—	(100)
Net decrease in cash and cash equivalents		(1 113)	(3 963)
Cash and cash equivalents at beginning of the year		6 232	9 833
Exchange rate movement on cash and cash equivalents		(210)	362
Cash and cash equivalents at end of the year	20	4 909	6 232

The notes on pages 34 to 65 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2022 US\$'000	2021 US\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	—	—
Loans to subsidiaries	16	—	—
Total non-current assets		—	—
Current assets			
Trade and other receivables	19	368	350
Cash and cash equivalents	20	618	326
Total current assets		986	676
Total assets		986	676
EQUITY			
Share capital	22	169 709	169 709
Share premium		193 212	193 212
Reserves		13 407	13 407
Accumulated losses		(423 520)	(418 907)
Total equity attributable to equity holders of the Company		(47 192)	(42 579)
LIABILITIES			
Current liabilities			
Borrowings	25	46 899	41 317
Trade and other payables	29	1 279	1 938
Total current liabilities		48 178	43 255
Total liabilities		48 178	43 255
Total equity and liabilities		986	676

Companies Act section 408 exemption

The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company incurred a loss on ordinary activities after tax of US\$4.6 million which included an impairment reversal of US\$1.3 million (2021: US\$5.8 million which included an impairment reversal of US\$1.0 million) (refer to note 9). The Company had no other items of comprehensive income in the year (2021: US\$nil).

The financial statements were approved by the Board of Directors and authorised for issue on 30 May 2023.



Patrick Meier
Director

The notes on pages 34 to 65 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital US\$'000	Share premium US\$'000	Warrant reserve US\$'000	Translation reserve US\$'000	Share-based payment reserve US\$'000	Accumulated losses US\$'000	Total equity US\$'000
Balance as at 30 June 2020	169 102	193 212	7 609	897	5 344	(413 290)	(37 126)
Comprehensive loss							
Loss for the year	—	—	—	—	—	(5 827)	(5 827)
Total comprehensive loss for the year	—	—	—	—	—	(5 827)	(5 827)
Contributions by and distributions to owners							
Shares issued in the year	607	—	—	—	—	—	607
Share-based payment transactions	—	—	—	—	28	—	28
Share-based payments lapsed/expired	—	—	—	—	(471)	210	(261)
Total contributions by and distributions to owners	607	—	—	—	(443)	210	374
Balance as at 30 June 2021	169 709	193 212	7 609	897	4 901	(418 907)	(42 579)
Comprehensive loss							
Loss for the year	—	—	—	—	—	(4 613)	(4 613)
Total comprehensive loss for the year	—	—	—	—	—	(4 613)	(4 613)
Contributions by and distributions to owners							
Shares issued in the year	—	—	—	—	—	—	—
Share-based payment transactions	—	—	—	—	—	—	—
Share-based payments lapsed/expired	—	—	—	—	—	—	—
Total contributions by and distributions to owners	—	—	—	—	—	—	—
Balance as at 30 June 2022	169 709	193 212	7 609	897	4 901	(423 520)	(47 192)

The Company had no other comprehensive income in the year.

The notes on pages 34 to 65 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 US\$'000	2021 US\$'000
Cash flows used in operating activities			
Loss before taxation		(4 613)	(5 827)
Adjustments for:			
Impairment charge/(reversal)/charge	9	(1 260)	(974)
Equity-settled share-based payments		—	28
Finance income		(176)	(93)
Finance cost		5 582	5 379
Net cash flows used in operating activities before working capital changes		(467)	(1 487)
(Increase)/decrease in trade and other receivables		(18)	47
Increase in trade and other payables		(658)	261
Net cash used in operating activities		(1 143)	(1 179)
Cash flows from investing activities			
Loans repaid by subsidiaries		1 388	1 000
Loans advanced to subsidiaries		(128)	(287)
Net cash from/(used in) investing activities		1 260	713
Cash flows from financing activities			
Finance income		175	93
Net cash flows from financing activities		175	93
Net increase/(decrease) in cash and cash equivalents		292	(373)
Cash and cash equivalents at beginning of the year		326	699
Cash and cash equivalents at end of the year	20	618	326

The notes on pages 34 to 65 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

Basis of preparation

Firestone Diamonds plc (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in diamond mining in Lesotho.

Going concern

Background

The Group holds a 75% stake in the Liqhobong Diamond Mine which recommenced operations during August 2022 after a two-and-a-half-year period limited to care and maintenance operations.

The restart commenced well with nameplate capacity of 500 tonnes per hour being achieved through the treatment plant within 47 days. Restart costs of US\$2.4 million were well within budget and revenue for the first quarter of operations ended 31 December 2022 of US\$11.6 million realised an average value of US\$95 per carat, which exceeded expectation.

The debt restructuring and refinancing transaction with Absa Bank was completed on 26 January 2023 which provided for the ABSA Facility (comprising the senior secured project debt of US\$69.5 million) to be restructured into a senior US\$20.5 million Facility A and a subordinated US\$49.0 million Facility B. The Bridge Facility was converted into a senior Restart Facility ("Facility C") of ZAR205.2 million (US\$11.6 million equivalent), and a Working Capital Facility of ZAR201.7 million was provided (US\$11.4 million equivalent). The Working Capital Facility remains undrawn as at the date of this report due to significantly stronger cash generation as a result of the stronger diamond market. All debt repayments of each of the Facilities, including interest and capital, are settled by way of a cash sweep in terms of a pre-determined cash flow waterfall, in order of priority, and only to the extent that Liqhobong mine generates surplus cash. The Company's bondholders and 82.94% shareholders, Pacific Road Resources Fund II L.P and Pacific Road Capital II Pty Ltd, extended the final maturity dates of the Series A and Series B Eurobonds to 30 June 2024. Both classes of Bonds are subordinated to the new Absa Facilities.

The Liqhobong Mining Licence expires in April 2024 and the renewal process is underway which seeks to extend the term of the license by ten years (the maximum permissible term) to 2034. If the Mining Licence is not extended within the required timeframe due to unforeseen delays, there is a legal mechanism which allows the Minister to extend the existing Mining License beyond the expiry date while negotiations are continuing.

Statement

The Directors have reviewed the Group's and Company's cash flow forecast for a period of at least twelve months from signing these annual financial statements. The Directors have also considered the key risks affecting the business as detailed in the risk review section of the strategic report, and particularly the risk associated with the Mining Licence renewal. The Directors recognise the importance of the Mining License renewal and receive regular updates from management as engagement continues with the Government of Lesotho. The Directors anticipate the renewal being forthcoming within the required timeframe. However, if the Mining Licence is not renewed before expiry, they would reasonably anticipate, in the context of Liqhobong mine's remaining life of mine and contribution to, *inter alia*, local employment and Government revenue, that the Minister of Natural Resources would exercise his discretion to extend the Mining Licence until negotiations are concluded.

The Group's cash balance at 30 April 2023 of US\$12.4 million is forecast to be sufficient to fund the Group's ongoing activities for a period of at least 12 months from the date of this report. The Group nevertheless, has access to the ZAR201.7 million (US\$11.4 million equivalent) Working Capital Facility, should this be necessary.

The Directors recognise that the cash flow forecast is based on certain forward-looking assumptions, including forecast diamond prices, operating costs, capital requirements, and currency exchange rates – particularly between the South African Rand and the United States Dollar.

The Directors, having reviewed the cash flow forecast, and having considered:

- the anticipated forecast diamond market conditions;
- anticipated operating costs;
- anticipated stay-in-business capital costs;
- the likelihood of obtaining Liqhobong's Mining License renewal on reasonable terms; and
- the impact of the final maturity dates of the Series A and Series B Eurobonds;

confirm that there is a reasonable expectation that together with the Group's existing cash resources and its forecast cash generation, the Group will be able to fund its operational requirements and service the new Absa Facilities for a period of at least twelve months from the date of approval of this Annual Report.

The Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. Notwithstanding this, the Directors conclude that there is material uncertainty as to whether the Mining Lease will be extended and the terms thereof, by April 2024, and that failure to renew, or to be offered a renewal on unfavourable commercial terms, may cast significant doubt upon the Group and Company's ability to continue as a going concern and may therefore be unable to realise their assets and discharge their

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

liabilities in the ordinary course of business. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Statement of compliance

These consolidated financial statements of Firestone Diamonds plc have been prepared in accordance with UK-adopted International Accounting Standards.

Standards and interpretations issued that became effective and changes in accounting policies:

A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 July 2021 and have been applied by the Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Group because they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Standards, interpretations and amendments issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early.

Basis of consolidation

Subsidiaries and acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 30 June each year. Control is recognised where an investor is exposed to, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition above the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by the Group.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Stripping costs incurred during production

To the extent that the benefit of the stripping activity results in improved access to ore, the directly attributable costs are treated as a non-current stripping activity asset where the following criteria are met:

- it is probable that the future economic benefit of improved access to the ore body, associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity to improve access to the ore body can be measured reliably.

The stripping activity asset is recognised initially at cost, treated as an enhancement of an existing asset and not as an independent asset. Subsequently, the stripping activity asset is accounted for in the same manner as that adopted for the asset it has enhanced, and is depreciated on a unit of production method, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is provided for on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life.

Mining and development expenditure in respect of mining properties in production is depreciated on a unit of production method reflecting the production activity in the period as a proportion of the total mining resource for the relevant mining property. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life. The applicable rates are:

Mining property, development expenditure and plant and equipment	Unit of production method (ore tonnes)
Motor vehicles	3 to 5 years
Office equipment and other assets	3 to 10 years
Other equipment	3 to 10 years

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The carrying value of tangible fixed assets is assessed annually and any impairment is charged to profit and loss. The expected useful economic life and residual values of property, plant and equipment are reviewed annually.

Investments in subsidiaries

Investments in subsidiary undertakings are shown at cost less provisions for impairment in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition. Investments in subsidiaries are all classified as non-current assets.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Inventories

Inventories comprise rough diamonds recovered and consumables and spares. Inventories are valued at the lower of cost and net realisable value. Rough diamond inventories cost is calculated on the weighted average cost basis and includes all costs directly incurred up to the relevant point in the process such as mining and processing cost, but excludes other operating costs such as general mine or administration costs. The net realisable value is determined by reference to market prices at year end. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to conclude the sale.

Financial assets

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, fair value through other comprehensive income and fair value through profit or loss as appropriate depending on the purpose for which the asset was acquired or entered into. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Trade and other receivables

Trade and other receivables arise from the sale of diamonds and are held to collect contractual cash flows solely comprising of diamond sale proceeds. Trade and other receivables are held at amortised cost. They are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest rate method less, a loss allowance for expected credit losses.

Provisions for expected credit losses for trade receivables are recognised based on the simplified approach within IFRS 9 by applying a probable default matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within profit and loss in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Loans and receivables

Loans and receivables are held to collect cash flows solely comprising of principal and interest. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less, a loss allowance for expected credit loss. The amount of expected credit losses are updated at each reporting date to reflect changes in credit risk for each financial asset.

Provisions for expected credit losses for loans and other receivables, including loans to subsidiaries are recognised, based on management's assessment and understanding of the credit risk attaching to each financial asset. The expected credit loss will be calculated as the net present value of the difference between the contractual and expected cash flows and the expected credit loss will represent the weighted average of those credit losses based on the respective risks of each scenario.

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The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position and in respect of the Company includes loans to subsidiaries.

Cash and cash equivalents includes cash on hand and deposits held on call with banks.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group classifies its financial liabilities as:

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any modifications to the original terms of the loans are assessed against the rules on modification accounting under IFRS 9. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Amortised interest arising in respect of loans and borrowings specifically allocated to the development of mining assets and production plant is capitalised on a pro-rata basis into the cost of the related asset using a weighted average interest rate applicable to the amount of the loans allocated.

Trade and other payables

These are initially recognised at invoiced value. These arise principally from the receipt of goods and services. There is no material difference between the invoiced value and the value calculated on an amortised cost basis.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the provision.

Decommissioning and site rehabilitation

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and local regulatory requirements. These provisions are subject to regular review.

Decommissioning and site rehabilitation costs arising from a development activity or from the installation of plant and other site preparation work are provided for when the obligation to incur such costs arises and are capitalised as a component of the related assets. These costs are charged against profits through amortisation or impairment of the asset. Amortisation and impairment are included in cost of sales.

Changes in the discounted amount of estimated restoration costs are charged to profit or loss during the period in which such changes occur. Estimated restoration costs are reviewed annually and discounted using a rate which reflects the Company's weighted average cost of capital, which reflects the Company's assessments of the time value of money. The increase in restoration provisions, owing to the passage of time, is charged to finance cost. All other changes in the carrying amount of the provision subsequent to initial recognition are recognised against the carrying value of the decommissioning asset in the Consolidated Statement of Financial Position.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties. Diamond sales are conducted through a competitive tender process where bids for specific parcels of diamonds are offered. The performance obligation to transfer control associated with the ownership of the goods is satisfied when the customer's bid on a parcel has been accepted when the tender closes. 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 customer. Revenue is recognised when the tender closes and the winning bids are accepted.

Other income

Other income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the other income can be reliably measured. Other income is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties.

Borrowing cost

Borrowing costs are recognised as an expense in the period in which they are incurred.

Share capital and reserves

Share capital

Share capital is the amount subscribed for share capital at the nominal value.

Share premium

Share premium is the amount subscribed for share capital in excess of the nominal value.

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Warrant reserve

Warrant reserve is the value of warrants issued by the Company for subscription by warrant holders.

Merger reserve

The merger reserve represents amounts arising from the merger accounting for subsidiary investments under UK GAAP on formation of the Group.

Hedge reserve

The hedge reserve represents gains/(losses) arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge, that was accounted for through other comprehensive income.

Share-based payment reserve

The share-based payment reserve represents amounts where the entity recognises the increases and decreases in equity for equity-settled share-based payment transactions.

Translation reserve

These are the gains and losses arising on retranslating the net assets of overseas operations into the US Dollar, the Group's presentation currency.

Accumulated losses

All other net gains and losses and transactions with owners not recognised elsewhere.

Share-based payment transactions

Certain employees (including Directors and senior executives) of the Group received remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

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

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

Leases

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

At inception, the Group assesses whether a contract contains a lease. This assessment requires judgement on whether the contract contains an identifiable asset, whether the Group obtains substantially all of the economic benefits in relation to that asset as well as whether the Group has the ability to direct the use of the identifiable asset. The Group accounts separately for both lease component and non-lease component contained in contracts that both convey a right to the Group to use an identifiable asset (lease component) and require services to be provided to the Group (non-lease component).

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes

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the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic useful life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except for the discount rate which remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right of use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Foreign currency

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

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

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items is included in the Consolidated Statement of Comprehensive Income for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in US Dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the rate of exchange prevailing on the dates of transactions. Exchange differences arising, if any, are classified as other comprehensive income and are transferred to the Group's translation reserve.

Foreign currency movements arising from the Group's net investment, which comprises equity and long-term debt, in subsidiary companies whose functional currency is not the US Dollar are recognised in the translation reserve, included within equity until such time as the relevant subsidiary company is sold, whereupon the net cumulative foreign exchange difference relating to the disposal is transferred to profit and loss.

Taxation

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

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

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

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The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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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.

Rehabilitation provisions

The Group makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in 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 (refer to note 9):

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

A discount rate of 16.2% (2021: 10.0%) was used to discount the future cash flows of the Liqhobong mine. In determining the higher discount rate management considered the increased risk prevailing in the global economy due to the impact of rising inflation rates, and the impact of the Russian war in Ukraine.

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 one cash-generating unit, the Liqhobong mine, which resumed operations from August 2022 after a two-and-a-half year period of care and maintenance which commenced on 26 March 2020.

Waste stripping cost capitalised

Judgement is required in determining a suitable production measure to allocate waste stripping cost incurred between waste stripping that provided access to ore mined in the current year and waste stripping that provides access to ore that is expected to be mined in future years. The Group capitalises waste stripping costs based on waste mined in excess of the Mine's global stripping ratio based on its Life of Mine.

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 28.

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Valuation of inventories

Judgement is applied in making assumptions about the value of inventories, including diamond prices and expenditure, to determine the extent to which the Group values inventory. The Group uses on-site valuations to determine the net realisable value of diamond inventory on hand at year end.

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 resources and reserves. The relevant resources and reserves are those included in the current approved Life of Mine ("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 an independent competent person.

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 is 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 Company is the US Dollar and of the Group's operating subsidiary, Liqhobong Mining Development Company (Pty) Limited, is the Lesotho Maloti, which is pegged to the South African Rand, on the basis that the Mine operates in Lesotho and the majority of costs are denominated in Lesotho Maloti and internal reporting to the Liqhobong Board is in Lesotho Maloti.

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3 Revenue

	Group	
	2022	2021
	US\$'000	US\$'000
Sale of gem diamonds	—	4 567
Sale of non-gem diamonds	—	10
	—	4 577

There were no sales during the year as the Mine remained on care and maintenance.

All diamonds sold in the prior year were sold in Antwerp, Belgium through a competitive tender process. Below is an analysis of major customers of the Group:

	Group			
	2022		2021	
	US\$'000	%	US\$'000	%
Customer – Europe	—	—	138	3
Customer – India	—	—	262	6
Customer – Europe	—	—	529	12
Customer – Europe	—	—	598	13
Customer – South Africa	—	—	958	21
Other customers	—	—	2 092	45
	—	—	4 577	100

4 Operating loss

	Group	
	2022	2021
	US\$'000	US\$'000
Operating loss for the year is stated after charging:		
Impairment (reversal)/charge (note 9)	(7 235)	1 725
Impairment of spares and consumables (note 9)	103	178
Cost of inventories recognised as an expense excluding amortisation and depreciation	—	3 306
Amortisation and depreciation	1 219	1 396
Right of use asset (included in cost of sales) (note 13)	356	382
Property, plant and equipment (other) (note 12)	863	1 014
Employee costs (note 5)	1 476	1 318
Operating lease rentals	21	84

5 Employee numbers and costs

The average number of persons employed in the Group during the year, including the Executive Director, was:

	Group	
	2022	2021
	Number	Number
Operations	49	64
Administration	6	9
	55	73

The employment benefits were as follows:

	Group	
	2022	2021
	US\$'000	US\$'000
Salaries and wages	1 458	1 276
Social security cost	18	14
Share-based payments	—	28
	1 476	1 318

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6 Directors' emoluments

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

	Group	
	2022	2021
	US\$'000	US\$'000
Short-term benefits	522	467
Total	522	467

During the year, the total remuneration for Directors was US\$521 505 (2021: US\$467 288) and comprised of remuneration for qualifying services. The related aggregate remuneration for the highest paid Director was US\$217 305 (2021: US\$317 288).

7 Auditor's remuneration

	Group	
	2022	2021
	US\$'000	US\$'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements		
Audit of the Group's financial statements	83	94
Fees payable to the Group's auditor and its associates for other services		
Audit of accounts of subsidiaries of the Company	33	34
Taxation compliance services	—	16
	116	144

8 Finance income and costs

	Group	
	2022	2021
	US\$'000	US\$'000
Interest income on bank deposits	49	61
Finance income - Total	49	61
Interest on borrowings (note 25)	—	2 469
Foreign exchange adjustments on cash balances	9	66
Finance cost – cash	9^a	2 535
Interest on borrowings (note 25)	9 372	7 041
Unwinding of discount on rehabilitation liability (note 27)	241	256
Interest on lease liabilities (note 26)	300	341
Other	—	53
Finance costs - Total	9 922	10 226

No borrowing costs were capitalised during the year.

a - In addition to the US\$9 267 interest above, US\$143 284 in cash finance cost was paid in respect of an ECIC premium adjustment. Total cash finance cost per the cash flow statement is therefore US\$152 551.

9 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 reversal or charge is required.

Liqhobong mine

At year end, the Group assessed both external and internal indicators of impairment. The Liqhobong mine has remained on care and maintenance throughout the year. This remains an indicator of impairment and as such the Group is required to perform an impairment test on the Liqhobong CGU. The recent recovery in the diamond market, more especially the Run of Mine ("ROM") diamond prices as a result of a reduced supply following the closure of certain diamond mines, is an indicator for reversal of impairment.

Value in use of Liqhobong mine

At year end, the recoverable amount of the Liqhobong CGU was determined using its value-in-use based on a discounted cash flow model over the Life of Mine plan with a 7-year mine life (2021: 7-year mine life). Using the Life of Mine plan and other key assumptions including those listed below, Liqhobong's value-in-use was determined to be US\$41.6 million, which is \$7.2 million more than its carrying value of US\$34.4 million.

After careful consideration the Board has concluded that it is appropriate to recognise an impairment reversal of US\$7.2 million.

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Key assumptions	2022	2021	Basis for assumption
Average diamond value per carat over Life of Mine - (REAL)	US\$84	US\$78	The average diamond value was based on the 2021 average value adjusted for the impact of the recovery of ROM diamond prices, which is in line with the supply/demand dynamics in the diamond industry following the closure of certain diamond mines. 2021 average values was based on the return to 2018, pre-COVID-19, average diamond values achieved for Lihobong's assortment by the 2022 financial year adjusted for the effect of US\$ inflation.
Real diamond price growth	FY23 – 1.3% FY24 – (1.0)% FY25 – 1.2% FY26 – 6.4% FY27 – (0.1)% FY28 – 1.3%	FY22 – 7.8% FY23 – 3.0% FY24 – (3.0)% FY25 – (0.5)% FY26 – 5.6% FY27 onwards – 2.5%	The diamond price growth is based on long-term projections, taking into account the current diamond market stock levels, and anticipated supply and demand in the future.
Mine Call Factor ("MCF")	90%	90%	The 2022 MCF is based on expected recovered grades.
Discount rate	16.2%	10.0%	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 Lihobong mine. The rate includes adjustments for market risk, volatility and risks specific to the asset.
Planned restart date	October 2022	February 2022	The Mine restart date was determined based on management's best estimate as to when the required restart and working capital funding could be available.
Exchange rate (ZAR:US\$)	R16.33	R14.31	The exchange rate is the spot exchange rate as at 30 June.

The value-in-use of the Lihobong mine, is impacted by changes in the average diamond value followed by changes in, particularly, the ZAR:US\$ exchange rate and discount rate. The impact of applying sensitivities to these assumptions is show below:

	Potential reversal/ (additional impairment) ¹
US\$ per carat	
10% increase – US\$91.9	31.5
5% increase – US\$87.7	19.4
5% decrease – US\$79.3	(4.9)
10% decrease – US\$75.1	(17.0)
ZAR:US\$ exchange rate	
R17.50:US\$1.00	21.1
R17.00:US\$1.00	15.4
R15.50:US\$1.00	(3.9)
R15.00:US\$1.00	(11.2)
Discount rate	
14.0%	10.6
18.0%	4.6

¹ The potential reversal or additional impairment is based on the result compared with the carrying value of the CGU as at year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Impairment summary

The following table presents previous impairments recorded against the Group's Liqhobong CGU:

	Liqhobong US\$'000	Total US\$'000
Cash-generating unit		
Carrying value pre-impairment	162 734	162 734
Accumulated impairment	(121 084)	(121 084)
Carrying value after impairment	41 650	41 650

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Impairment (reversal)/charge				
Property, plant and equipment – Liqhobong mine (note 12)	(7 235)	1 725	—	—
Investments in subsidiaries (note 14)	—	—	—	(261)
Loans to subsidiaries (note 16)	—	—	(1 260)	(713)
Spares and consumables (note 18)	103	178	—	—
	(7 132)	1 903	(1 260)	(974)

Company

During the year, the Company reversed US\$1.3 million impairment (2021: reversed impairment of US\$1.0 million on its investments in subsidiaries and loans to subsidiaries) on its loans to subsidiaries. The reversal of impairment resulted from a reduction in the value of loans to subsidiaries due to repayments being received.

10 Taxation

	Group	
	2022 US\$'000	2021 US\$'000
Current tax	—	—
Prior period tax	—	183
Deferred tax (credit)/charge (note 28)	(74)	228
Total tax charge/(credit) for the year	(74)	411

Prior period tax

The prior period tax charge relates to income tax payable in Lesotho on disallowed intercompany interest between the 2018 and 2021 financial years.

Factors affecting the tax charge/(credit) for the year

The reasons for the difference between the actual tax charge/(credit) and the tax charge/(credit) based on the Company's standard corporation tax rate of 19% (2021: 19%) are as follows:

	Group	
	2022 US\$'000	2021 US\$'000
Loss before tax	(7 235)	(16 407)
Tax credit on loss at standard rate of 19% (2021: 19%)	(1 375)	(3 117)
Adjustments to deferred tax not recognised	11 020	(4 465)
Effect of tax in foreign jurisdictions	(9 751)	8 069
Foreign exchange adjustment on effective interest rate on borrowings	31	(76)
Movement in withholding tax credits	—	—
Expenses not deductible for tax purposes	1	—
	(74)	411

Other comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

11 Loss per share

The calculation of the basic loss per share of 0.7 US cents (2021: 2.7 US cents) is based on the net loss after tax attributable to ordinary shareholders of US\$5.2 million (2021: US\$13.0 million) and a weighted average number of shares in issue for the year of 789 481 276 (2021: 782 984 034).

Diluted loss per share

The diluted loss per share for both the current and prior years is equal to the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has a further 19 577 261 (2021: 19 577 261) potentially issuable shares in respect of share options issued to employees (note 23) that do not have a dilutive effect as at 30 June 2022 and 65 101 758 (2021: 65 101 758) potentially issuable shares in respect of warrants issued to strategic investors that do not have a dilutive effect as at 30 June 2022. All of the potentially issuable shares could be dilutive in the future.

12 Property, plant and equipment – Group

US\$'000	Mining property	Plant and equipment	Motor vehicles and other assets	Total
Cost				
At 30 June 2020	183 650	12 424	2 455	198 529
Additions	—	—	2	2
Movement in decommissioning asset	198	—	—	198
Transfer to non-current assets held for sale (note 21)	—	(14 837)	(82)	(14 919)
Exchange difference	39 089	2 413	627	42 129
At 30 June 2021	222 937	—	3 002	225 939
Additions	186	—	1	187
Movement in decommissioning asset	(25)	—	—	(25)
Disposal	—	—	(28)	(28)
Exchange difference	(22 555)	—	(275)	(22 830)
At 30 June 2022	200 543	—	2 700	203 243
Accumulated depreciation and impairments				
At 30 June 2020	143 739	11 712	2 417	157 868
Amortisation and depreciation charge for the year	905	298	109	1 312
Impairment charge (note 9)	1 725	—	—	1 725
Transfer to non-current assets held for sale (note 21)	—	(13 650)	(374)	(14 024)
Exchange difference	31 979	1 640	477	34 096
At 30 June 2021	178 348	—	2 629	180 977
Amortisation and depreciation charge for the year	839	—	24	863
Impairment reversal (note 9)	(7 235)	—	—	(7 235)
Disposal	—	—	(25)	(25)
Exchange difference	(17 413)	—	(240)	(17 653)
At 30 June 2022	154 539	—	2 388	156 927
Net book value at 30 June 2020	39 911	712	38	40 661
Net book value at 30 June 2021	44 589	—	373	44 962
Net book value at 30 June 2022	46 004	—	312	46 316

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

13 Right of use assets

US\$'000	Mining property	Other assets	Total
At 1 July 2020	2 029	156	2 185
Lease modifications	324	(12)	312
Depreciation charge for the year	(295)	(86)	(381)
Exchange difference	431	33	464
At 1 July 2021	2 489	91	2 580
Lease modifications	7	91	98
Depreciation charge for the year	(264)	(92)	(356)
Exchange difference	(308)	(11)	(319)
At 30 June 2022	1 924	79	2 003

Mining property relates to the lease of the tailings disposal conveyor system. Other assets relates to Liqhobong's office lease in Maseru, Lesotho.

The modification on the Mining property lease resulted from the extended lease period for a further 9 months whilst the Liqhobong mine was on care and maintenance.

The modification on other assets resulted from the extended lease period for a further 12 months.

14 Investments in subsidiaries – Company

	2022 US\$'000	2021 US\$'000
At 1 July	—	—
Share-based payments to employees of subsidiaries lapsed or expired	—	(261)
Reversal of impairment charged Liqhobong CGU(note 9) ¹	—	261
At 30 June	—	—

1 The reversal of impairment charged in the prior year relates to the Liqhobong CGU. During the prior year, share options provided to the employees of the Liqhobong mine expired, resulting in a reversal of the corresponding investment of US\$261 234.

As at 30 June 2022, the Company had direct and indirect holdings in the following subsidiary undertakings.

Subsidiary	Country	Effective percentage of shares held by Company
Diamond mining, exploration and associated companies		
Ilmari Exploration OY	Finland	100%
Infrastructure Projects (Pty) Limited	Lesotho	49%
Liqhobong Mining Development Company (Pty) Limited	Lesotho	75%
Investment holding companies		
Becksham Corporation	Barbados	100%
Becksham Limited	British Virgin Islands	100%
European Diamonds Limited	British Virgin Islands	100%
Firestone Diamonds Limited ¹	British Virgin Islands	100%
Kopane Diamond Developments Limited ¹	United Kingdom	100%
Minegem Inc.	Canada	100%
Management company		
Firestone Diamonds (Pty) Limited	South Africa	100%
Dormant companies		
Kuboes Diamante (Pty) Limited	South Africa	87.5%
Maskam Resources (Pty) Limited	South Africa	100%
Oena Mine (Pty) Limited	South Africa	87.5%

1 Company in which Firestone Diamonds plc has a direct holding.

All subsidiaries are included in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

15 Non-controlling interest

The Group currently has two subsidiaries with significant non-controlling interests. The Group owns 75% of Lihobong Mining Development Company (Pty) Limited and 49% of Infrastructure Projects (Pty) Limited. The non-controlling interest of all other subsidiaries that are not 100% owned by the Group is considered to be immaterial. Summarised financial information in relation to these two subsidiaries, before intra-group eliminations, is presented below together with amounts attributable to non-controlling interests:

	Group	
	2022	2021
	US\$'000	US\$'000
Items included in the Consolidated Statement of Comprehensive Income:		
Revenue	—	4 577
Cost of sales	—	(3 366)
Gross profit	—	1 211
Other income	3 144	743
Impairment (reversal)/charge	(7 132)	1 903
Care and maintenance	4 522	3 514
Administrative expenses	2 094	2 337
Loss before finance charges and income tax	(3 660)	(5 800)
Finance income	48	60
Finance cost	11 350	11 111
Loss before income tax	(7 642)	(16 851)
Taxation credit	(74)	(49)
Loss after tax for the year	(7 568)	(16 802)
Loss after tax allocated to non-controlling interest	(1 949)	(4 247)
Other comprehensive loss allocated to non-controlling interest	(1 202)	2 284
Total comprehensive loss allocated to non-controlling interest	(3 151)	(1 963)

	Group	
	2022	2021
	US\$'000	US\$'000
Items included in the Consolidated Statement of Financial Position		
Assets		
Non-current assets		
Property, plant and equipment	31 595	25 059
Right of use asset	2 468	2 726
Current assets		
Inventories	1 832	1 819
Other financial assets	229	229
Trade and other debtors	2 933	2 980
Cash and cash equivalents	4 481	5 928
Total assets	43 538	38 741
Liabilities		
Non-current liabilities		
Borrowings	133	115
Rehabilitation provisions	3 818	3 603
Lease Liabilities	3 133	3 128
Deferred taxation	2 227	2 301
Loans from Group companies	215 823	217 243
Current liabilities		
Borrowings	69 997	63 124
Trade and other payables	8 388	8 729
Provisions	97	80
Total liabilities	303 616	298 323
Translation reserve	13 187	17 213
Accumulated non-controlling interests	(73 682)	(69 756)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

16 Loans to subsidiaries

	Company	
	2022	2021
	US\$'000	US\$'000
Loan A to Kopane Diamond Developments Limited ¹	67 999	68 014
Loan B to Kopane Diamond Developments Limited ²	5 067	5 036
Loan C to Kopane Diamond Developments Limited ³	24 700	26 065
Firestone Diamonds (Pty) Limited ⁴	7 416	7 252
Firestone Diamonds Limited ⁵	6 595	6 638
Liqhobong Mining Development Company (Pty) Limited ⁵	9 629	9 671
Other ⁵	84	74
	121 490	122 750
Life time expected credit loss provision brought forward	(122 750)	(123 463)
Life time expected credit (reversal)/loss for the year (note 9) ⁶	1 260	(713)
Life time expected credit loss provision carried forward	(121 490)	(122 750)
	—	—
Non-current assets	—	—
Current assets	—	—
Total assets	—	—

- Loan A to Kopane Diamond Developments Limited is in respect of the mine development project. The loan bears interest of 0% (2021: 0%), is unsecured and is repayable in equal instalments over a 60-month period from the time that the ABSA debt facility, which is provided directly to Liqhobong Mining Development Company (Pty) Limited, is repaid. The loan is considered non-current on the basis of the expected recovery profile.
- Loan B to Kopane Diamond Developments Limited is in respect of grid electricity funding. The loan bears interest at 0% (2021: 0%), is unsecured and is repayable in quarterly instalments ending March 2024.
- Loan C to Kopane Diamond Developments Limited is in respect of additional working capital provided to Liqhobong Mining Development Company (Pty) Limited to fund its operations. The loan bears no interest, is unsecured and payable on demand.
- The loan to Firestone Diamonds (Pty) Limited bears interest at 3.3% (2021: 2.1%), is unsecured and has no fixed terms of repayment.
- Other loans to related parties bear no interest, are unsecured and have no fixed terms of repayment.
- During the year, the value of the Company's loans to subsidiaries decreased by US\$1.3 million, which resulted in a US\$1.3 million reversal of the life time expected credit loss.

The Group applies the general approach to measuring the expected credit loss provision for loans to subsidiaries. Accordingly, the Company measured the expected credit losses using a lifetime expected credit loss provision, which is based on the underlying value of the Liqhobong mine attributable to the Company and are calculated as the net present values of the differences between the contractual and expected cash flows. There is no significant difference between the fair value of the loans to subsidiaries and the values stated above.

17 Loan receivable

	Group	
	2022	2021
	US\$'000	US\$'000
Government of Lesotho	6 389	5 816
Accumulated impairment	(6 389)	(5 816)
	—	—
Non-current assets	—	—
Current assets	—	—
Total assets	—	—

The loan to the Government of Lesotho bears interest at 9.75% (2021: 9.50%), is unsecured and is repayable out of dividends declared by Liqhobong Mining Development Company (Pty) Limited. As this loan is considered to be credit impaired no interest was charged during the year.

The Group applies the general approach to measuring expected credit losses using a lifetime expected credit loss provision for loans receivable. The loan receivable remains credit impaired and an expected credit loss provision was recognised for the full loan value.

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FOR THE YEAR ENDED 30 JUNE 2022

18 Inventory

	Group	
	2022	2021
	US\$'000	US\$'000
Diamond inventory	—	—
Spares and consumables	2 999	2 896
	2 999	2 896
Impairment brought forward	(2 896)	(2 718)
Impairment recognised for the year (note 9)	(103)	(178)
Impairment carried forward	(2 999)	(2 896)
At 30 June	—	—

Spares and consumables relating to the Lihobong mine remains fully impaired as at 30 June 2022 as a result of the Mine continuing on extended care and maintenance.

19 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	—	—	248	248
Other receivables	451	522	87	87
Prepayments	66	86	33	15
	517	608	368	350

Other receivables relate to value added taxation due mainly from the Lesotho Revenue Authority.

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivables. Except for the trade receivables discussed above none of the other receivables is past due date and no expected credit loss provision was recognised on these receivables. There is no significant difference between the fair value of the trade and other receivables and the values stated above. Please refer to note 31 for a discussion on credit risk.

20 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	4 909	6 232	618	326

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

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
US Dollars	678	5 179	570	314
British Pounds	48	12	48	12
Lesotho Maloti	4 164	1 018	—	—
South African Rand	19	23	—	—
Cash and cash equivalents	4 909	6 232	618	326

As at 30 June 2022, the Group had restricted cash deposits of US\$1.0 million (2021: US\$1.6 million) which comprises US\$1.0 million (2021: US\$1.0 million) in the rehabilitation reserve account and US\$nil (2021: US\$0.6 million) in the ABSA debt service reserve account.

The Company does not hold any restricted cash.

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

NOTES TO THE FINANCIAL STATEMENTS

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21 Discontinued operations

BK11 Mine

In May 2022 the Group entered into a binding share sale agreement with Visionary Victor Resources Proprietary Limited for the sale of its Botswana operations, including its interest in the BK11 Mine for US\$50,000. The BK11 Mine's assets and liabilities were transferred from other asset and liability classes and classified as non-current assets held for sale and liabilities of a disposal group and its profit after tax was reclassified to profit from discontinued operations. The sale transaction was completed on 17 September 2022.

	Group	
	2022	2021
	US\$'000	US\$'000
Items included in the Consolidated Statement of Comprehensive Income:		
Care and maintenance	—	102
Amortisation and depreciation	—	298
Profit on disposal of BK11 Mine	(725)	—
Exchange differences on disposal of foreign investment	19 652	—
Loss after tax for the year from discontinued operations	18 927	400

	Group	
	2022	2021
	US\$'000	US\$'000
Items included in the Consolidated Statement of Financial Position		
Assets		
Non-current assets		
Property, plant and equipment	—	895
Current assets		
Trade and other debtors	—	27
Cash and cash equivalents	—	2
Non-current assets held for sale	—	924
Liabilities		
Non-current liabilities		
Rehabilitation provisions	—	1 562
Deferred taxation	—	2
Current liabilities		
Trade and other payables	—	14
Liabilities of a disposal group	—	1 578

22 Share capital

The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. As at 30 June 2022, the ordinary share capital of the Company was 789 481 276 ordinary shares of 1 pence each (2021: 789 481 276).

The Company did not issue any new ordinary shares during the year.

	Number of shares		Nominal value of shares	
	2022	2021	2022	2021
			US\$'000	US\$'000
Allotted called up and fully paid				
At 1 July	789 481 276	741 083 458	9 742	9 135
Issued during the year	—	48 397 818	—	607
At 30 June	789 481 276	789 481 276	9 742	9 742
Deferred type A shares				
At 30 June	7 079 649 109	7 079 649 109	113 345	113 345
Deferred type B shares				
At 30 June	308 992 814	308 992 814	46 622	46 622
Total	8 178 123 199	8 178 123 199	169 709	169 709

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.

NOTES TO THE FINANCIAL STATEMENTS

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23 Equity-settled share option schemes

In prior years the Group and Company issued equity-settled share-based payments to employees and Directors. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) as determined at the date of grant, using the Black-Scholes model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's and Company's estimate of shares that will eventually vest, adjusted for the effect of non-market-based vesting conditions.

No new share options were issued during the year.

Details of the total share options outstanding in respect of the Group's four share-based payment schemes during the year are as follows:

	Number of share options		Weighted average fair value (US cents)	
	2022	2021	2022	2021
Outstanding at 1 July	19 577 261	20 681 724	46.0	46.5
Lapsed or expired in the year	—	(1 104 463)	—	55.5
Outstanding at 30 June	19 577 261	19 577 261	46.0	45.0
Exercisable at 30 June	19 577 261	14 992 072	46.0	59.6

The options outstanding as at 30 June 2022 have a weighted average contractual life of five years (2021: five years). These options have an exercise price ranging from 1.0 pence to 85.0 pence (2021: a range of 1.0 pence to 85.0 pence). The options exercisable at 30 June have an exercise price ranging from 1.0 pence to 85.0 pence (2021: a range of 1.0 pence to 85.0 pence). No share options were exercised during the current or prior year.

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Charge for the year allocated to the Company	—	28	—	28
Charge for the year in profit and loss	—	28	—	28

Unapproved Executive Share Option Scheme

Date of grant	Exercise period		Share options held at		Exercise price	
	From	To	2022 number	2021 number	2022 pence	2021 pence
23/11/2014	23/11/2014	23/11/2022	200 000	200 000	85.0	85.0
23/11/2014	23/11/2015	23/11/2022	250 000	250 000	85.0	85.0
23/11/2014	23/11/2015	23/11/2022	250 000	250 000	85.0	85.0
23/11/2014	23/11/2015	23/11/2022	50 000	50 000	85.0	85.0
27/05/2015	27/05/2015	26/05/2024	829 345	829 345	38.8	38.8
15/01/2015	15/01/2015	14/01/2024	9 101 281	9 101 281	30.0	30.0
30/06/2015	30/06/2015	29/06/2024	703 975	703 975	38.8	38.8
01/05/2015	01/05/2015	30/04/2025	430 213	430 213	26.5	26.5
06/10/2015	30/04/2015	29/04/2025	381 121	381 121	26.5	26.5
06/10/2015	30/04/2015	29/04/2025	147 531	147 531	26.5	26.5
			12 343 466	12 343 466		

All options under the Unapproved Executive Share Option Scheme are fully vested.

Unapproved Share Option Scheme

Date of grant	Exercise period		Share options held at		Exercise price	
	From	To	2022 number	2021 number	2022 pence	2021 pence
23/11/2012	23/11/2012	22/11/2022	1 500 000	1 500 000	85.0	85.0

All options under the Unapproved Share Option Scheme are fully vested.

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Restricted Share Plan

Date of grant	Exercise period		Share options held at		Exercise price	
	From	To	2022 number	2021 number	2022 pence	2021 pence
15/01/2017	15/01/2017	14/01/2027	614 333	614 333	1.0	1.0
01/05/2018	01/05/2018	14/01/2027	534 273	534 273	1.0	1.0
01/07/2018	01/07/2018	30/06/2028	4 585 189	4 585 189	1.0	1.0
			5 733 795	5 733 795		

All options under the Restricted Share Plan are fully vested.

Share option settlement scheme

To minimise the share capital dilution that would arise on the exercise of options, the Company has implemented a share option settlement scheme. Under this scheme the Company will, at the time of exercise of any options, agree to issue shares to the option holder with a value equal to the difference between the market value of the shares and the option exercise price on the date of exercise. On the basis of this scheme, the effective dilution resulting from all outstanding basic and performance-related options as at 30 June 2022 at the average share price for the year of 1.0 pence per share would have been nil shares as a result of the shares not trading above the exercisable price limit (2021: nil shares at an average price of 1.0 pence, which were anti-dilutive).

Lapse of all Share options

On 24 June 2022, PRRF II, a newly limited partnership owned by Pacific Road Resources Fund II L.P. and Pacific Road Capital II Pty Ltd, a fund advised by Pacific Road Capital ("Pacific Road") announced a cash offer for the entire issued and to be issued ordinary share capital of Firestone for 1 pence per share. As the Exercise Price of all options currently in issue is higher than the Offer Price all options are out of the money and all options will lapse on 4 September 2022 (40 days from the Unconditional Date of 26 July 2022).

24 Warrant reserve

As part of the funding package, the Group issued warrants to its strategic investors Resource Capital Fund VI L.P ("RCF"), Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II ("Pacific Road"). In terms of the Series A Eurobonds, the obligation to pay the subscription amount of the warrants can be offset against any monies outstanding at the time of exercise under the Eurobonds.

In terms of the Bond Transaction, which was completed on 31 May 2022 Pacific Road acquired all of the Firestone Warrants held by RCF for nil consideration.

The terms of the warrants have remained unaffected by the change of ownership and are as follows:

Series A warrants

- total number of warrants issued: 48 786 436;
- exercise price: 61.4925 US cents;
- exercise period: 26 May 2014 to the later of 28 May 2018 or six calendar months after the repayment of the ABSA debt facility; and
- mandatory exercise if the Company's share price trades above the closing mid-market share price of 75 pence for 60 consecutive trading days.

The warrants were measured at fair value at the date of grant as determined through the use of the Black-Scholes model. The fair value determined at the grant date of the warrants is recognised in the Group's warrant reserve and is amortised as a finance cost over the life of the Series A Eurobonds.

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Warrant reserve	7 609	7 609	7 609	7 609

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25 Borrowings

	2022						
	Series A Eurobonds	Series B Eurobonds	Company Total	ABSA Facility	ABSA Bridge Facility	Other loans	Group Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings							
Capital amount							
At 1 July	33 160	9 600	42 760	63 909	—	191	106 860
Finance cost capitalised	3 492	806	4 298	2 612	50	18	6 978
Foreign exchange adjustment	—	—	—	—	(190)	(26)	(216)
Additions	—	—	—	—	3 247	—	3 247
At 30 June	36 652	10 406	47 058	66 521	3 107	183	116 869
Finance cost to be amortised over the life of the facility							
At 1 July	(1 443)	—	(1 443)	(761)	—	—	(2 204)
Additions	—	—	—	—	(143)	—	(143)
Finance cost	1 284	—	1 284	1 110	—	—	2 394
Foreign exchange adjustment	—	—	—	—	6	—	6
At 30 June	(159)	—	(159)	349	(137)	—	53
Total at amortised cost							
Non-current liabilities	—	—	—	—	—	27	27
Current liabilities	36 493	10 406	46 899	66 870	2 970	156	116 895
Total	36 493	10 406	46 899	66 870	2 970	183	116 922

	2022						
	Series A Eurobonds	Series B Eurobonds	Company Total	ABSA Facility	ABSA Bridge Facility	Other loans	Group Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Finance cost							
Amortised finance charges	1 284	—	1 284	1 110	—	—	2 394
Interest capitalised	3 492	806	4 298	2 612	50	18	6 978
Total	4 776	806	5 582	3 722	50	18	9 372

Refer to note 8, Finance income and cost for the total finance cost for the year recognised in profit and loss.

During the year the following undertakings were provided in relation to the Group's Eurobonds and ABSA Debt facilities:

- On 5 January 2022, the Bondholders provided an undertaking to the Company that interest for the period 1 October 2021 up to and including 30 June 2022 on the Series A Bonds will be capitalised during that period at a rate of 10% per annum;
- On 13 May 2022, Absa (and ECIC) agreed in principle to provide a working capital facility of US\$11.4 million to Lihobong and to restructure the US\$82.4 million Senior Secured Term Facility so that a lower portion of the outstanding debt is repayable on a revised fixed repayment schedule that aligns with a forecast, which, amongst others, is based on more conservative average diamond values, and that the remaining balance of the debt is deferred and repaid to the extent that excess cash is generated.

During the year the following agreements and transactions were concluded:

- On 26 January 2022, Lihobong and Absa Bank (insured by ECIC) entered into a Bridge Facility Agreement of ZAR31 560 000 (US\$2 million).
- On 27 January 2022, Lihobong, and Absa Bank entered into a Standstill Agreement which suspended interest and capital repayments from 30 September 2021 until 30 June 2022, and Absa Bank undertook not to take any enforcement action.
- On 13 May 2022 Lihobong and Absa Bank (insured by ECIC) concluded the First Addendum to the Bridge Facility Agreement. In terms of the First Addendum, the Bridge Facility was extended to ZAR182 184 000 (US\$11.6 million) for funding restart activities at Lihobong mine.
- In conjunction with the conclusion of the First Addendum, the Standstill period in terms of the Standstill Agreement was extended to 30 September 2022.
- On 31 May 2022 Pacific Road Resources Fund II L.P and Pacific Road Capital II Pty Ltd ("Bondholders") acquired all of the Eurobonds (including capitalised interest) held by RCF In terms of the Bond transaction.

As the long term debt restructuring was yet to be finalised at the year end, it remains necessary to present the outstanding balances of the ABSA Facility and Eurobond facility as current liabilities as at 30 June 2022 due to the Bondholder undertaking and Standstill provided by Absa Bank, expiring within the next 12 months.

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	2021					
	Series A Eurobonds US\$'000	Series B Eurobonds US\$'000	Company Total US\$'000	ABSA Facility US\$'000	Other loans US\$'000	Group Total US\$'000
Borrowings						
Capital amount						
At 1 July	30 000	8 665	38 665	63 909	743	103 317
Finance cost capitalised	3 160	935	4 095	—	83	4 178
Foreign exchange adjustment	—	—	—	—	162	162
Reclassification to trade payables	—	—	—	—	(797)	(797)
At 30 June	33 160	9 600	42 760	63 909	191	106 860
Finance cost to be amortised over the life of the facility						
At 1 July	(2 727)	—	(2 727)	(1 918)	—	(4 645)
Additions	—	—	—	(422)	—	(422)
Finance cost	1 284	—	1 284	1 579	—	2 863
At 30 June	(1 443)	—	(1 443)	(761)	—	(2 204)
Total at amortised cost						
Non-current liabilities	—	—	—	—	115	115
Current liabilities	31 717	9 600	41 317	63 148	76	104 541
Total	31 717	9 600	41 317	63 148	191	104 656

	2021					
	Series A Eurobonds US\$'000	Series B Eurobonds US\$'000	Company Total US\$'000	ABSA Facility US\$'000	Other loans US\$'000	Group Total US\$'000
Finance cost						
Finance charges – paid	—	—	—	2 469	—	2 469
Amortised finance charges	1 284	—	1 284	1 579	—	2 863
Interest capitalised	3 160	935	4 095	—	83	4 178
Total	4 444	935	5 379	4 048	83	9 510

Refer to note 8, Finance income and cost for the total finance cost for the year recognised in profit and loss.

The borrowing instruments have the following terms:

ABSA Facility

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

Original loan

- Tranche A (85% of the loan balance) – 1.8%; and
- Tranche B (15% of the loan balance) – 7.5%.

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%.

Staggered increase in the margin rates payable on the deferred loan	Effective from	Incremental %	Cumulative %
Deferred loan margin increase	1 January 2022	-	2.25
	1 January 2023	0.50	2.75

The effective interest rate is, in aggregate 5.77% (2021: 6.45%). The facility is repayable in 19 quarterly instalments which commenced on 30 June 2019, however the capital repayments for the year are deferred to 30 September 2022.

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.

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ABSA Facility covenants

In terms of the Standstill Agreement with Absa, maintenance covenants were not required to be measured on 30 June 2022.

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

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

ABSA Bridge Facility

Interest on the Absa Bridge Facility is calculated at JIBAR plus a margin of 3%.

As at year end the bridge facility including capitalised interest is repayable on 30 September 2022.

Series A Eurobonds

The Series A Eurobonds have a coupon rate of 10% (2021: 8.00%) per annum payable quarterly. The effective interest rate is, in aggregate 15.26% (2021: 12.02%). Interest was capitalised on the Series A Eurobonds during the year.

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

Series B Eurobonds

The Series B Eurobonds have a coupon rate of 10% (2021: 8.00%) per annum which is capitalised quarterly and is payable at maturity, and an effective interest rate in aggregate of 11.18% (2021: 10.18%).

The Series B bonds are repayable in two tranches, the first tranche of US\$5 million plus capitalised interest on 21 June 2022 and the second tranche of US\$2 million plus capitalised interest on 11 October 2022.

Warrants were issued upon exercise of the Series B Eurobonds which entitled the Bondholders to receive shares in lieu of cash in respect of the outstanding balance of the bonds. The exercise price was calculated based on the lower of a) an amount equal to a 10% premium to the VWAP of an ordinary share over a 30-day period immediately prior to the issue of the bonds and b) 37.5 pence, using an average £:US\$ exchange rate over a 20-day period immediately prior to the issue. In terms of the Bond Transaction, which was completed on 31 May 2022 Pacific Road acquired all of the Firestone Warrants held by RCF for nil consideration on 31 May 2022.

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

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26 Lease liabilities

US\$'000	Mining property	Other assets	Total
At 1 July 2019	2 134	169	2 303
Lease modifications	324	(12)	312
Finance cost	328	13	341
Lease payments	(339)	(102)	(441)
Exchange difference	454	38	492
At 30 June 2021	2 901	106	3 007
Lease modifications	7	91	98
Finance cost	287	13	300
Lease payments	(296)	(97)	(393)
Exchange difference	(360)	(13)	(373)
At 30 June 2022	2 539	100	2 639

	Group	
	2022	2021
	US\$'000	US\$'000
Non-current liabilities	2 056	2 419
Current liabilities	583	588
	2 639	3 007

The modification on the Mining property lease resulted from the extended lease period for a further 9 months whilst the Lihobong mine was on care and maintenance.

The modification on other assets resulted from the extended lease period for a further 12 months.

The Group does not recognise lease liabilities for short term and low value leases. The Group expensed US\$20 629 (2021: US\$0.1 million) operating lease payments relating to these leases during the year and has undiscounted short-term lease commitments of US\$nil (2021: US\$nil).

Maturity analysis

Group	Total US\$'000	Current US\$'000	1-2 years US\$'000	2-5 years US\$'000
2022				
Lease liabilities	2 639	583	722	1 334
2021				
Lease liabilities	3 007	588	656	1 763

27 Rehabilitation provisions

	Group	
	2022	2021
	US\$'000	US\$'000
At 1 July	3 672	4 058
Exchange difference	(454)	722
Restated for effect of foreign exchange	3 218	4 780
(Decrease)/increase during the year	(25)	198
Transfer to liabilities of a disposal group	—	(1 562)
Unwinding of discount on rehabilitation liability	241	256
At 30 June	3 434	3 672

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Allocation by Mine

	Group	
	2022	2021
	US\$'000	US\$'000
Liqhobong mine	3 434	3 672

The Group recognises a provision for the rehabilitation of the environmental disturbances caused by continued mining at the Liqhobong mine. The original liability value was capitalised to the cost of the asset and the liability increases annually through the unwinding of discount through profit and loss. The Group assesses the estimated closure cost annually and any increase or decrease in the liability value is capitalised to the cost of the asset.

The environmental rehabilitation provision is based on current best practice and the most recent Environmental Management Plan which was updated in June 2016.

Significant estimates and assumptions are made in determining the amount attributable to this rehabilitation provision. These include uncertainties such as the legal and regulatory framework, and timing and value of future costs. Management estimates the cost of rehabilitation with reference to the rehabilitation activities contained in the Environmental Management Plan.

Key assumptions include the following:

	Group	
	2022	2021
Discount rate	8.9%	7.5%
Lesotho inflation rate	6.5%	5.5%
Remaining open pit Life of Mine	7 years	7 years

28 Deferred tax

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

	Group	
	2022	2021
	US\$'000	US\$'000
Deferred tax liability		
At 1 July	(215)	—
Movement in temporary differences recognised in income	74	(228)
Exchange difference	11	13
At 30 June	(130)	(215)

The deferred tax liability comprises:

	Group	
	2022	2021
	US\$'000	US\$'000
Accelerated capital allowances	(10 977)	(8 706)
Right of use asset	(501)	(645)
Inventories	787	869
Provisions	856	916
Borrowings	87	(190)
Lease liabilities	660	752
Losses available for offsetting against future taxable income	8 958	6 789
	(130)	(215)

The Directors, having considered the fact that the Liqhobong mine has remained on care and maintenance throughout the year and the uncertainty, as at the year end, as to the timing of the expected restart of operations at the Mine, determined that compelling evidence does not exist to suggest that tax losses will be utilised over the forecast three year period. As a result, the deferred tax asset remains unrecognised. The position is reassessed at least annually, and there is a possibility that losses, which do not expire, may be utilised in the future.

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

The Group has unrecognised tax losses of approximately US\$298.3 million (2021: US\$294.7 million), of which US\$271.9 million relates to the Liqhobong mine (2021: US\$271.5 million) and US\$26.4 million to the Group's corporate entities in the UK and South Africa (2021: US\$23.2 million).

NOTES TO THE FINANCIAL STATEMENTS

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29 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	1 038	863	180	28
Inter-company payables	—	—	1 069	1 841
Tax and social security	231	259	30	17
Accruals and other payables	3 081	4 034	—	52
	4 350	5 156	1 279	1 938

The Directors consider there to be no material difference between the book values and fair values of trade and other payables.

30 Provisions

	Group	
	2022	2021
	US\$'000	US\$'000
At 1 July	140	290
Raised/(released) in the year through profit or loss	79	(150)
At 30 June	219	140

Provisions relate to leave pay due to staff.

31 Financial instruments

The Company and its subsidiaries (collectively the "Group") is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and procedures for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1 and the critical accounting estimates and judgements are set out in note 2.

Principal financial instruments

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

- loans receivable;
- trade and other receivables;
- loans to subsidiaries;
- cash and cash equivalents;
- interest-bearing loans and borrowings; and
- trade and other payables.

The above financial instruments are classified in the following categories:

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets at amortised cost				
Trade and other receivables	—	—	248	248
Loans to subsidiaries	—	—	7 416	7 252
Cash and cash equivalents	4 909	6 232	618	326
	4 909	6 232	8 282	7 826
Financial liabilities at amortised cost				
Borrowings	116 922	104 656	46 899	41 317
Trade and other payables	4 350	5 156	1 279	1 938
	121 272	109 812	48 178	43 255

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated part of the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives reports from financial personnel through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The policies adopted by the Board have not changed significantly during the year.

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

Credit risk

Credit risk arises principally from the Group's and Company's trade and other receivables, cash and cash equivalents, and loans to subsidiaries in the case of the Company. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

The Group's trade receivables are derived from diamond sales to customers. The Group mitigates the risk of non-payment from trade debtors by only selling to customers following an assessment of the credit quality of the customer, taking into account its financial position and historic track record. Certain customers may be asked to prove availability of funds before attending a sale. The Group further mitigates the risk of non-payment from trade debtors by releasing parcels of diamonds sold only once the proceeds are received. The Group did not recognise any impairment and believes that credit risk is limited due to the short-term nature of trade and other receivables.

The Group did not have any trade receivables at the year end.

The Company's trade receivables relate primarily to loans to subsidiaries and the Company expects to recoup the value of these loans once the Liqhobong mine returns to production and generates higher levels of positive cash flow which is dependent on the recovery of the diamond market.

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

The maximum exposure to credit risk is the same as the carrying value of these items in the financial statements.

Liquidity risk

Liquidity risk arises from the Group's and Company's management of working capital, finance charges and capital repayments of its debt instruments. It is the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. The Board manages this risk through regular critical review of monthly cash flow projections which include forecast commitments, sales and funding requirements, if any.

The Group's policy is to ensure that it always has sufficient cash to allow it to meet its liabilities as they become due. The principal liabilities of the Group and Company arise in respect of interest and capital repayments to ABSA Bank and its Bondholder, ongoing operating costs, capital expenditure and trade and other payables. Trade and other payables are all payable within six months.

Effective interest rates and maturity analysis

The following table indicates the effective interest rates of interest earning/bearing financial assets and liabilities at 30 June 2022 and the periods in which they mature:

Group	Variable/fixed interest rate	Effective interest rate	Total US\$'000	Current US\$'000	1-2 years US\$'000	2-5 years US\$'000
2022						
Cash and cash equivalents	Variable	0.81%	4 909	4 909	—	—
ABSA debt facility	Variable	5.77%	66 521	66 521	—	—
ABSA bridge facility	Variable	7.37%	3 108	3 108	—	—
Series A Eurobonds	Fixed	15.26%	36 652	36 652	—	—
Series B Eurobonds	Fixed	11.18%	10 406	10 406	—	—
Other loans	Variable	9.75%	183	155	27	—
2021						
Cash and cash equivalents	Variable	0.25%	6 232	6 232	—	—
ABSA debt facility	Variable	6.45%	63 909	63 909	—	—
Series A Eurobonds	Fixed	13.63%	33 160	33 160	—	—
Series B Eurobonds	Fixed	10.18%	9 600	9 600	—	—
Other loans	Variable	9.25%	191	76	115	—

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Company	Variable/fixed interest rate	Effective interest rate	Total US\$'000	Current US\$'000	1-2 years US\$'000	2-5 years US\$'000
2022						
Cash and cash equivalents	Variable	0.81%	618	618	—	—
Loans to subsidiaries	Variable	3.25%	7 416	—	—	7 416
Series A Eurobonds	Fixed	15.26%	36 652	36 652	—	—
Series B Eurobonds	Fixed	11.18%	10 406	10 406	—	—
2021						
Cash and cash equivalents	Variable	0.25%	326	326	—	—
Loans to subsidiaries	Variable	2.10%	7 252	—	—	7 252
Series A Eurobonds	Fixed	13.63%	33 160	33 160	—	—
Series B Eurobonds	Fixed	10.18%	9 600	9 600	—	—

Market risk

The Group is exposed to variable interest rate risk on long-term borrowings and foreign currency exchange risk as a result of the Group's expenses in Lesotho and South Africa which are incurred in Maloti, which is pegged to the Rand, and Rand respectively, being denominated in a different currency than the Group's revenue which is denominated in US Dollars. The Group uses derivative financial instruments in accordance with the Group's hedging strategy, where possible, to mitigate against these market risks. All derivative financial instruments of the Group matured by 30 June 2021. The Group did not enter into new derivative financial instruments during the current year.

Interest rate risk

The Group is exposed to interest rate risk in respect of long-term borrowings entered into for the financing of the Project with variable interest rates and surplus funds held on deposit. The Company is also exposed to interest rate risk on loans to subsidiaries.

An analysis of the Group's and Company's exposure to variable interest loans and the expected maturity of these loans is provided in the table above.

Instruments used by the Group

The Group had no interest rate hedges in place as at 30 June 2022.

Interest rate sensitivity

The following table demonstrates the sensitivity of a reasonably possible change in interest rates, with all other variables held constant, to the Group's and Company's profit or loss before tax and cash flows.

There is no impact on the Group's or Company's equity.

Group	2022		2021	
	Change in rate	US\$'000	Change in rate	US\$'000
US\$ equivalent	-0.5%	560	-0.5%	490
	-1.0%	1 120	-1.0%	979
	-1.5%	1 680	-1.5%	1 469
US\$ equivalent	+0.5%	(560)	+0.5%	(490)
	+1.0%	(1 120)	+1.0%	(979)
	+1.5%	(1 680)	+1.5%	(1 469)

Company	2022		2021	
	Change in rate	US\$'000	Change in rate	US\$'000
US\$ equivalent	-0.5%	194	-0.5%	166
	-1.0%	389	-1.0%	333
	-1.5%	583	-1.5%	499
US\$ equivalent	+0.5%	(194)	+0.5%	(166)
	+1.0%	(389)	+1.0%	(333)
	+1.5%	(583)	+1.5%	(499)

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Currency risk

The Company is exposed to currency risks between mainly the Maloti, which is pegged to the Rand, the Rand and US Dollar.

The Group's exposure of net monetary assets and liabilities by functional currency is as follows:

	2022 US\$'000	2021 US\$'000
Net foreign currency financial (liabilities)/assets		
US Dollar	(1 197)	(2 131)
Lesotho Maloti	(2 559)	(2 971)
Other	—	7
Total	(3 756)	(5 095)

As at 30 June 2022, the Group held no significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2021: nil), other than a cash balance held in Pound Sterling equivalent to US\$47 513 (2021: US\$11 855).

The following significant exchange rates applied against the US Dollar during the year:

	Average rate		Balance sheet rate	
	2022	2021	2022	2021
South African Rand and Lesotho Maloti	15.2162	15.2511	16.3330	14.3099
Pound Sterling	1.3314	1.3515	1.2160	1.3806

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

Instruments used by the Group

The Group's expenses in Lesotho and South Africa are incurred in Maloti, which is pegged to the Rand, and Rand respectively, so any weakening in these currencies would result in a reduction in expenses in US Dollar terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Maloti or Rand.

The Group adopts a hedging strategy, approved by the Board, to mitigate this currency risk. In accordance with the hedging strategy, management has the discretion to hedge against the volatility in the Lesotho Maloti/South African Rand and US Dollar exchange rates up to a maximum of 100% of total funding available for capital projects and up to 70% of US Dollar revenue generated. The Group uses forward foreign currency exchange contracts as the hedging instrument and designates these contracts as cash flow hedges.

The Group formally assesses, at inception, and on an ongoing basis, whether these hedging contracts are highly effective in offsetting changes in the cash flows of the hedged item. The effective portion of the realised foreign exchange losses on matured contracts was included in profit and loss. The effective portion of the unrealised foreign exchange losses on contracts that are still to mature was recognised in other comprehensive income.

The Group had no cash flow hedges in place as at 30 June 2022.

Foreign currency sensitivity

The following table demonstrates the sensitivity of a change in the ZAR:US\$ foreign exchange rate, with all other variables held constant, to the Group's profit or loss before tax and cash flows.

The impact on the Group's equity is insignificant.

	2022		2021	
Group	Change in rate	US\$'000	Change in rate	US\$'000
US\$ equivalent of strengthening of Maloti of Rand	2.5%	(100)	2.5%	(65)
	5.0%	(204)	5.0%	(134)
	7.5%	(315)	7.5%	(206)
US\$ equivalent of weakening of Maloti of Rand	2.5%	95	2.5%	62
	5.0%	185	5.0%	121
	7.5%	271	7.5%	178

The Group's profit or loss and cash flows are impacted mostly by changes in the ZAR:US\$ exchange rate. As such, sensitivities for other foreign currency rates are not presented.

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Hedge reserve and amounts recognised in profit or loss

The effects of changes in value of interest rate swaps and forward foreign currency exchange contracts on the Group's hedge reserve disclosed in the Statement of Changes in Equity are as follows:

	Interest rate swaps US\$'000	Forward foreign currency exchange contracts US\$'000	Total US\$'000
Hedge reserve			
At 1 July 2019	156	121	277
Changes in fair value recognised in Other Comprehensive Income	(120)	(92)	(212)
Minority interest	(36)	(29)	(65)
At 30 June 2021	—	—	—
Changes in fair value recognised in Other Comprehensive Income	—	—	—
Minority interest	—	—	—
At 30 June 2022	—	—	—

During the year, the following amounts were recognised in profit or loss in relation to foreign currency transactions and interest rate swaps:

	2022 US\$'000	2021 US\$'000
Net foreign exchange losses included in other gains	—	(26)
Net realised interest rate swap receipts recognised in finance cost	—	87
Total	—	61

Capital

The Group considers its capital and reserves attributable to equity shareholders together with interest-bearing borrowings to be the Group's capital. In managing its capital, the Group's long-term objectives are to restructure the Group's debt to ensure that it maintains a sustainable gearing ratio and also to maintain a sufficient funding base to enable the Group to meet its working capital needs.

Details of the Group's and Company's capital are disclosed in the Group and Company Statement of Changes in Equity and in note 22.

32 Capital commitments and contingencies

At 30 June 2022 the Group had no capital commitments or contingent liabilities.

33 Post-balance sheet events

Debt restructuring and refinancing

On 30 September 2022, the Standstill period in terms of the Standstill Agreement was first extended to 30 November 2022 to allow for the extended time period required to complete the definitive documentation in respect of the restructuring of the Absa Facility debt, and was again extended for a second time on 30 November 2022 to 31 January 2023 when further delays were experienced in concluding the definitive documentation.

On 26 January 2023, the Absa debt restructuring and refinancing in respect of the restructuring of the ABSA Facility and the refinancing of the Bridge Facility in a Second Amended and Restated Senior Secured Facilities Agreement ("New Facility Agreement"), closed. The New Facilities Agreement contained the following significant Terms:

	Facility A	Facility B	Facility C	Working Capital Facility
Facility amount	US\$20,500,000	US\$48,994,932	ZAR205,204,000	ZAR201,666,000
Availability period	n/a	n/a	26 July 2023	26 January 2024 ¹
Interest calculation	Reference rate + Margin	n/a	Reference rate + Margin	Reference rate
Reference rate	Term SOFR	n/a	JIBAR	South African Prime Lending Rate
Margin	6%	0%	4.5%	0%
Default margin	2%	0%	2%	2%
Commitment fee	n/a	n/a	n/a	0.6%
Final repayment date	26 January 2030	26 January 2030	26 January 2030	26 January 2024 ¹
Covenants				
Loan Life Cover Ratio	n/a	n/a	1.2x	n/a
Project Life Cover Ratio	n/a	n/a	1.2x	n/a
Interest Cover Ratio	n/a	n/a	1.5x	n/a

1 – The Working Capital Facility is renewable annually

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

On, 11 October 2022 the Final Maturity Dates of the Company's Series A and Series B Eurobonds were initially extended to 31 March 2023 and subsequently on 17 March 2023 the Final Maturity Dates were further extended to 30 June 2024.

Liqhobong mine - resumption of operations

On, 15 August 2022 Liqhobong mine resumed operations following a two-and-a-half-year extended care and maintenance period after securing the required restart and working capital facilities and successful restructure of the Company's ABSA debt.

Pac Road offer

The PRRF II offer became unconditional on 27 July 2022 and remains open.

Other than the above, 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.

34 Related party transactions

The Company had the following related party transactions during the year:

	2022	2021
	US\$'000	US\$'000
Finance income received – Firestone Diamonds (Pty) Limited	175	150
Technical service fee received – Liqhobong Mining Development Company (Pty) Ltd	393	—
Management fee paid – Firestone Diamonds (Pty) Limited	—	1 019

The Group provided various subordinations in respect of intra-group debt to creditors of subsidiary companies.

COMPANY INFORMATION

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