Firestone Diamonds plc
Annual Report & Accounts

2012

Firestone Diamonds plc is an international diamond mining, development and exploration company with operations focused on Lesotho and Botswana.

Firestone Diamonds currently operates the world class Liqhobong Project in Lesotho and with its planned expansion of production will move Firestone into the ranks of leading mid-tier diamond producers.

Firestone is also the largest holder of mineral rights in Botswana's diamondiferous kimberlite fields, controlling 173 kimberlites, of which 43 are diamondiferous.

CONTENTS

2012

KEY STATISTICS

Total resource

102 mt

2011 : 102mt

Contained value

$3.1bn

2011 : $3.5 bn

Diamond sales

$10.1m

2011 : $5m

Kimberlites in licence area

173

2011 : 179

Diamondiferous kimberlites

43

2011 : 45

HIGHLIGHTS

RESTRUCTURING INITIATIVES

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

DFS RESULTS, ANNOUNCED ON 25 OCTOBER 2012

- Post-tax NPV of US$335 million (applying an 8% discount rate) and IRR of 40%
- Average annual production of 1.2 million carats commencing 2015
- 15 year life of open pit mine
- 3.6 million run of mine tonnes per annum
- Total capital expenditure for the plant and associated infrastructure of US$167 million
- Average diamond price of US$100/ct, escalated at 3% real per annum, excluding full potential from recovery of large and special stones

FINANCIAL

- £13.5 million raised in July 2011 and £14.7 million raised in March 2012 as part of the restructuring initiatives
- Cash loss for continuing operations down from £4.8 million in the first half to £4.0 million in the second half of the year

LIQHOBONG MINE, LESOTHO PILOT PLANT

- Grades and diamond quality in line with expectations
- Processing an average of 100 tonnes per hour, with an annual production of around 200,000 carats
- Full production capacity reached in Q4 2012 realising revenue of US$16mpa
- Recovery of rare diamonds: blue 2B & 28 2A diamonds

BK11 MINE, BOTSWANA AND BOTSWANA EVALUATION PROJECTS

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

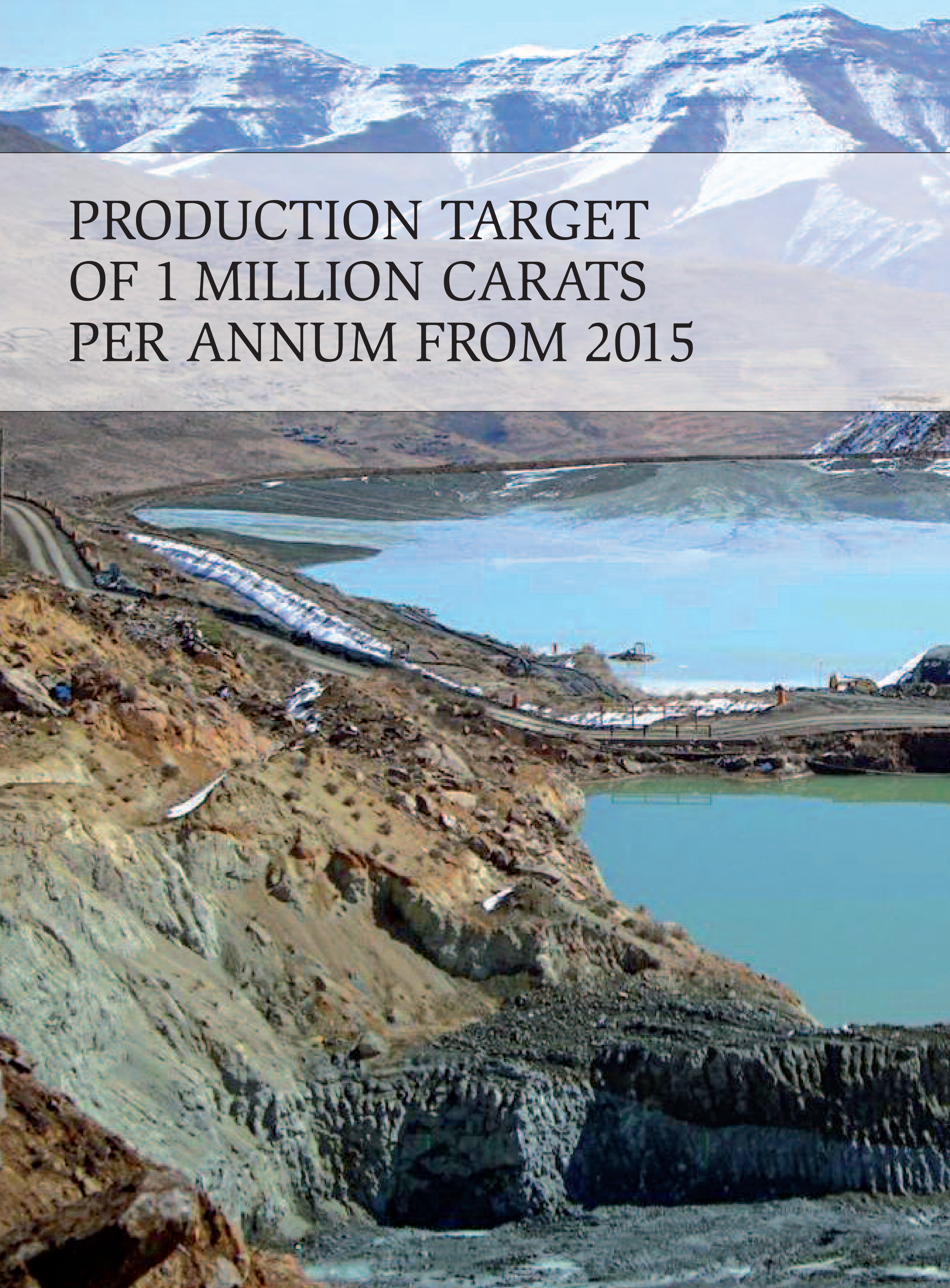
ROUGH DIAMOND MARKET AND DIAMOND SALES

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

OUTLOOK

- Focused on Liqhobong, with the goal of becoming 1mcpa producer from 2015

PRODUCTION TARGET OF 1 MILLION CARATS PER ANNUM FROM 2015



OUR STRATEGY

- Develop Liqhobong into a world class mine producing 1 million carats per annum from 2015
- Unlock value from our exploration and evaluation portfolio in Botswana

PRODUCING ASSET LIQHOBONG MINE, LESOTHO

A world class indicated resource of 89 mt containing 29 million carats down to 510 metres.

Operated by Firestone since June 2011 producing 202,645 carats via a 100 tonne per hour pilot plant.

Established sales infrastructure for the sale of diamonds in the diamond buying centres of Gaborone and Antwerp.

Aggregate diamond sales to date of approximately US$15.1 million at an average price of US$78/carat.

Definitive Feasibility Study ('DFS') announced on 25 October 2012, indicating attractive post-tax NPV and IRR (applying an 8% discount rate) of US$335 million and 40% respectively.

Development of mine expected to commence H1 2013 with commissioning during H1 CY 2015.

EVALUATION AND DEVELOPMENT PROJECTS

BK11 Mine, Botswana

Placed on temporary care and maintenance in February 2012 due to:

- the need to invest additional capital into the plant;
- additional waste rock stripping required to expose the higher grade ore at depth;
- weaker diamond prices.

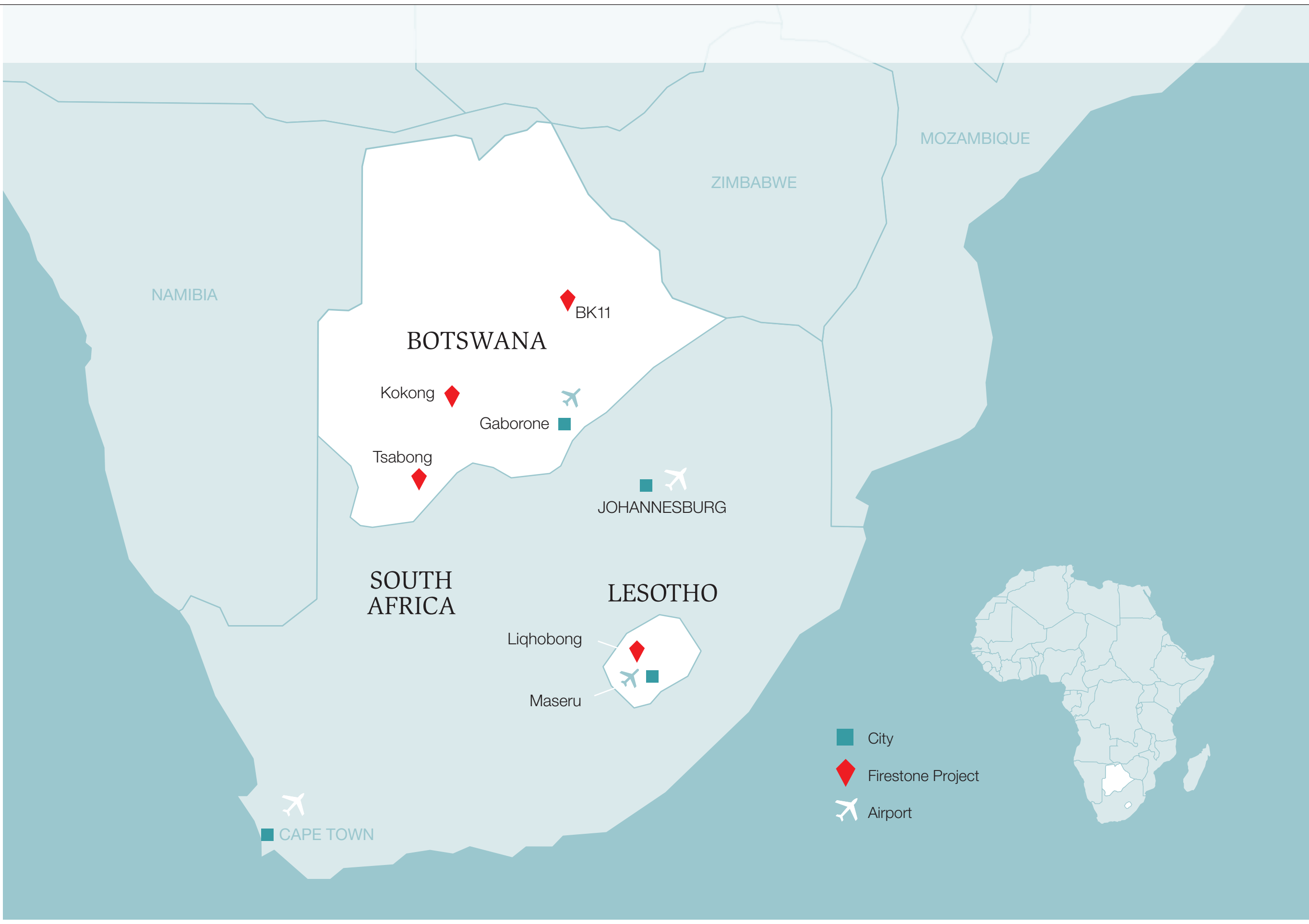
Exploration Portfolio

Extensive exploration portfolio including some 5,510 km2 of prospecting licences, covering 173 kimberlites.

Portfolio includes large licence areas in the highly prospective Kokong and Tsabong areas.

The Company remains committed to unlocking value from its Evaluation and Development Projects for which various alternatives are being considered.

OUR STRATEGY



Above Location of Firestone Projects

CHAIRMAN'S LETTER

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

DEAR SHAREHOLDER

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

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

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

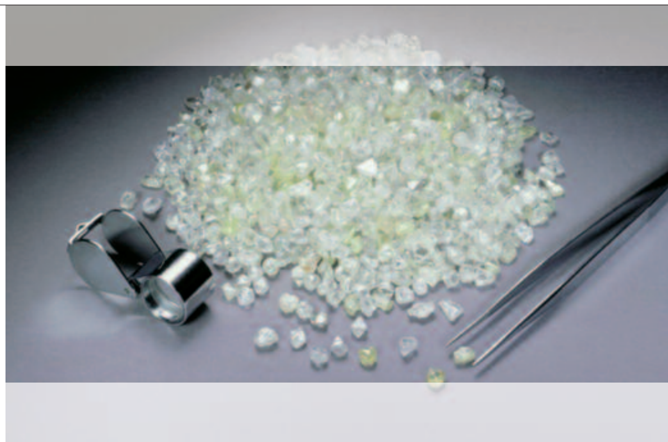
The new Board and management team combine a wealth of experience in the capital markets and operations which promises to be invaluable to the Company as it moves into the project financing stage and subsequent construction of the Main Treatment Plant at Liqhobong.

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

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

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

CHAIRMAN'S LETTER



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

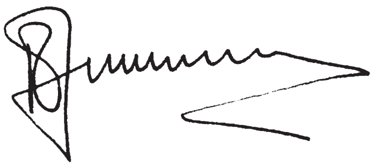
Prior to the strategic review process in July 2011, the Company raised £13.5 million to expand production at Liqhobong, commence construction of the larger tailings dam for the MTP and accelerate activities in Botswana, which were deemed appropriate given the prevailing market conditions at the time.

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

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

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

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



Lucio Genovese Non-Executive Chairman
9 November 2012

REVIEW OF OPERATIONS

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

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

LIQHOBONG MINING DEVELOPMENT COMPANY ('LMDC'), LESOTHO

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

Pilot Plant Production

The Pilot Plant at Liqhobong was constructed initially to treat the harder ore of the smaller Satellite Pipe. Upon acquisition of the project in September 2010, the Satellite Pipe was nearing depletion and all mining activity was focused on the new 8.5 hectare Main Pipe. In order to treat the much softer Main Pipe ore via the Pilot Plant at 100 to 120 tonnes per hour, a number of modifications were undertaken during this financial year, and diamond damage and breakage was reduced.

These modifications were 90% complete by year end and as a result it is expected that higher US$/carat values will be realised in the next financial year. In order to sustain production, an Interim Tailings Deposition Facility ('ITDF') was required into which tailings material could be deposited. Waste stripping of what is known as cut 1 commenced so that the basalt waste could be used for the foundation of the ITDF. Cut 1 is a part of the mine's stripping program to further expose the ore body for future mining. The ITDF will provide a further year of sliming capacity until such time as a larger tailings facility can be constructed for the much larger MTP.

Mining and associated ore treated continued an upward trend throughout the year and by year end a total of 488,000 tonnes had been treated at an average grade of 34 carats per hundred tonnes, resulting in 164,050 carats being recovered. A total of 139,556 carats were sold during the year realising revenues of US$8.2 million at an average price

of US$59/carat. Prices obtained at our tender in June/July were at a 12 month high of US$87/carat owing to the recovery and sale of four special stones. Now that the third and final modification to the Pilot Plant is complete, it is anticipated that less breakage will occur and a higher dollar per carat realised.

Diamond Sales

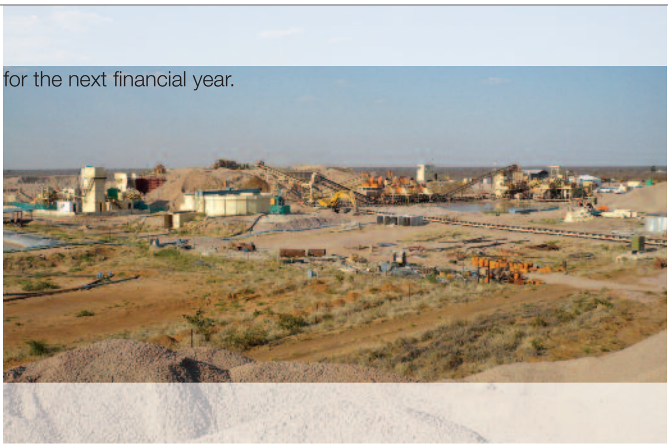
Towards the end of the financial year, the decision was taken to hold a dual tender in Gaborone and Antwerp. The first of these dual tenders took place in June/July 2012 and a further six dual tenders are planned

Summary of quarterly production data for LMDC

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

[1] Average price of US$87/carat was achieved at the June tender. Only the off-take inventory was sold in the 2012 financial year with the remainder in the 2013 financial year.

for the next financial year.



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

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

Main Treatment Plant

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

BK11 MINE, BOTSWANA

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

Summary of quarterly production data for BK11

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

FINANCIAL REVIEW

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

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

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

INCOME STATEMENT

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

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

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

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

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

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

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

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

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

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

LMDC

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

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

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

BK11 Mine

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

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

FINANCIAL REVIEW

BALANCE SHEET

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

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

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

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

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

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

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

CASH FLOW

	LMDC		BK11		EXPL		CORP		Total Group	
	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Cash at the beginning of the year	**0.1**	**-**	**3.4**	**0.1**	**-**	**-**	**0.8**	**5.5**	**4.3**	**5.6**
Cash generated from operations										
Cash generated from operations before working capital adjustments	(5.9)	(0.2)	(6.7)	(0.4)	-	-	(2.3)	(1.1)	(14.9)	(1.7)
Working capital changes	10.2	5.7	8.5	13.7	-	-	(16.0)	(17.3)	2.7	2.1
Cash flows from investing activities										
Property plant and equipment acquired	(3.8)	(5.4)	(2.9)	(12.3)	-	-	-	-	(6.7)	(17.7)
Cash acquired with subsidiaries	-	-	-	-	-	-	-	1.0	-	1.0
Cash flows from financing activities										
Net proceeds from capital raising	-	-	-	-	-	-	27.1	12.7	27.1	12.7
Loan raised	-	-	-	3.6	-	-	-	-	-	3.6
Loans repaid	-	-	(1.9)	(1.3)	-	-	-	-	(1.9)	(1.3)
Cash at the end of the year	**0.6**	**0.1**	**0.4**	**3.4**	**-**	**-**	**9.6**	**0.8**	**10.6**	**4.3**

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

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

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

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

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

PROJECT OVERVIEW - MINES

LIQHOBONG MINE, LESOTHO

- 8.5 hectare kimberlite located in northern Lesotho
- Resource of over 89 mt at a grade of 32 cpht, containing 29 million carats
- Diamonds valued at $100 per carat, giving a gross in-situ value of US$2.9 billion
- Expected revenue of US$43/t and operating costs of US$18/t
- Production recommenced through the Pilot Plant in 2011

The Liqhobong Mine in Lesotho is Firestone's principal asset, and was acquired as a result of the acquisition of Kopane Diamond Developments plc in September 2010. Liqhobong is located at the head of the Liqhobong Valley in the Maluti Mountains of northern Lesotho and is operated by Liqhobong Mining Development Company (Proprietary) Limited, which is 75% owned by Firestone and 25% owned by the Government of Lesotho. Liqhobong is considered by Firestone to be one of the largest and most attractive undeveloped kimberlite resources in the world. The Letseng Mine, which is operated by Gem Diamonds Limited, and a number of other kimberlites that are currently undergoing evaluation by other companies, including the Kao and Mothae kimberlites, are located close to Liqhobong.

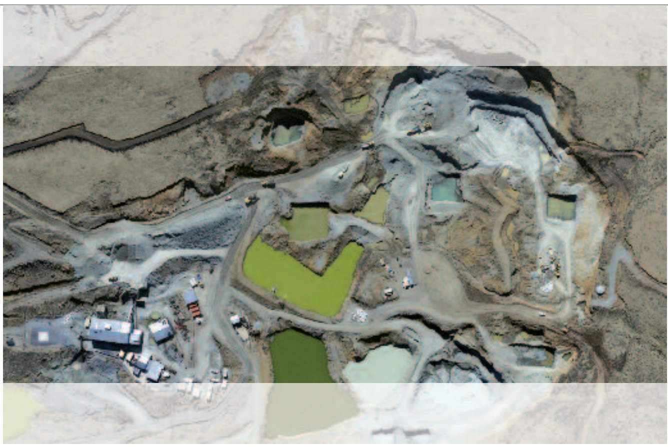
The Liqhobong Mine comprises the Main Pipe and the Satellite Pipe, which cover areas of 8.5 hectares and 0.8 hectares respectively. LMDC has been granted a mining lease covering an area of 390 hectares in respect of both pipes which expires in August 2017, but is then renewable for a further ten years. This licence contains three further kimberlites which have yet to be extensively evaluated. Small scale production was carried out at the Satellite Pipe up to December 2008, when mining operations were suspended due to the sharp fall in diamond prices at that time.

A substantial resource of over 89 mt at an average grade of 32 carats per hundred tonnes containing 29 million carats has been identified at the Main Pipe at Liqhobong by independent mining and geological consultants, ACA Howe Limited. With an independent run of mine valuation of US$100 per carat (September 2012 valuation), this gives a gross in-situ value of US$2.9 billion.

Current economics indicate the Main Pipe is expected to yield revenues of US$43/tonne (US$100/carat escalated at 3% real per annum and grades of 32 carats per hundred tonnes) with corresponding operational costs of US$18/tonne, therefore indicating robust profit margins of 58%. With the medium to long term supply demand fundamental indicating significant increases in diamond prices going forward, the economics of the mine are compelling.

For most of 2012, the Company and its technical staff have been engaged with independent consultants to complete the Definitive Feasibility Study ('DFS'), the results of which were published on 25 October 2012 and a presentation of which is available on the Company's website.

PROJECT OVERVIEW - MINES



The study is focused on delivering a positive outcome for the Company to construct and operate a purpose built 3.6 million tonne per annum Main Treatment Plant ('MTP'), capable of recovering 1.2 million carats and generating US$120 million of revenues per year. Provisional project timelines indicate that, subject to financing being in place in H1 2013, the plant will be in full production in Q4 of CY2015.

The Company currently operates a 100 tonne per hour Pilot Plant at Liqhobong which is capable of treating 600,000 tonnes and producing close to 200,000 carats during 2013. Results and experience gained from operating the Pilot Plant have provided valuable information which has been incorporated into the DFS. The Pilot Plant is planned to continue to operate well into 2014 and 2015 until the new MTP is operating at name plate tonnage.

During the year, four special diamonds were recovered and sold subsequently in the July tender. The recovery of these specials indicates the MTP Resource has the capability to yield high quality large stones that are not included in the aforementioned economics of the MTP going forward.

74 carat light yellow makeable

26 carat white makeable

9 carat fancy yellow

39 carat light yellow makeable

PROJECT OVERVIEW - MINES

BK11 MINE, BOTSWANA

- 8 hectare kimberlite
- Located in the centre of Orapa kimberlite field in northern Botswana
- Resource of over 11 mt at a grade of 8.5 cpht, containing 1 million carats

The Mine was placed on temporary care and maintenance in February 2012.

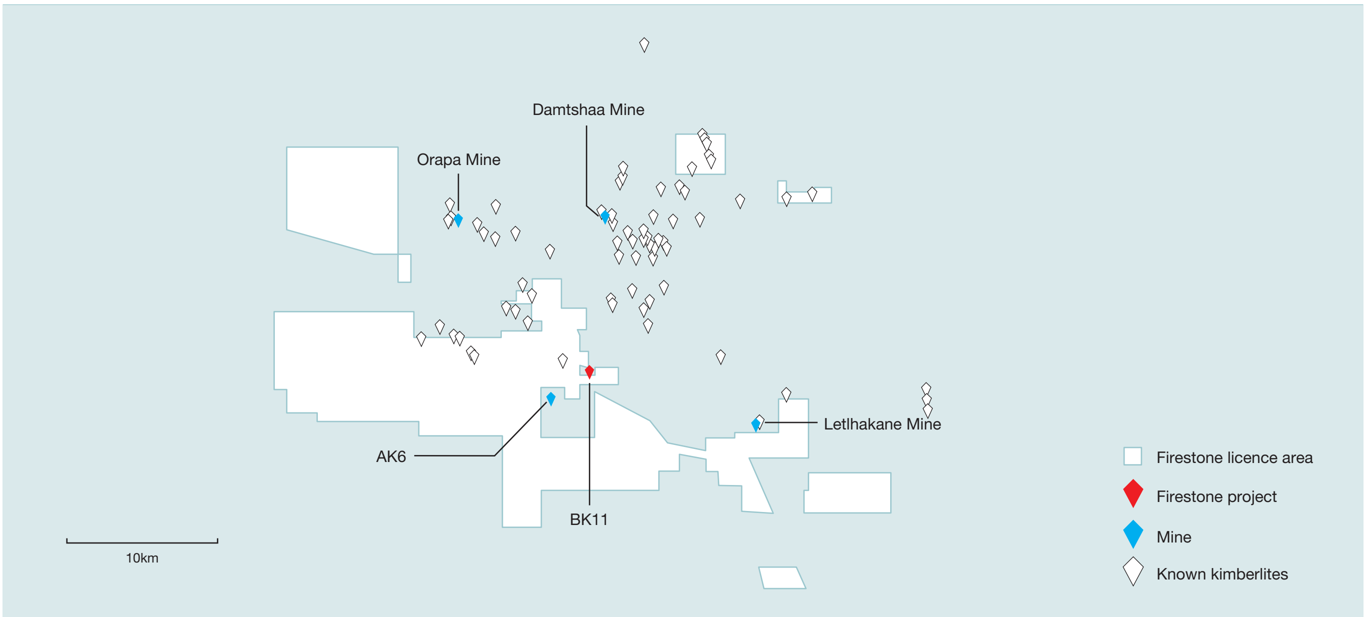
The BK11 Mine is located in the Orapa kimberlite field in northern Botswana, approximately 7 kilometres north-west and 20 kilometres south-east of De Beers' Letlhakane and Orapa mines, respectively, and is within 5 kilometres of a proposed new mine at AK6 being developed by Lucara Diamond Corporation. The surface area of BK11 is estimated to be eight hectares and overburden is shallow at less than 20 metres. Firestone owns a 90% interest in BK11.

In July 2009 Firestone commenced work on the final phase of evaluation on BK11. The primary objective of this work was to recover a sufficiently large parcel of diamonds in order for a high confidence diamond valuation to be obtained and to allow a mine development decision to be made. The quality of diamonds recovered from the bulk sampling trench was very good, comprising mostly clear white gemstones and very little boart. Firestone announced in December 2009 that it intended to proceed to mine development on BK11. Phase 1 construction was completed and commercial production commenced in July 2010.

A resource of over 11 mt at an average grade of 8.5 carats per hundred tonnes containing 1 million carats has been identified at BK11 by independent mining and geological consultants, MPH Consulting Limited. With an independent run of mine valuation of US$175 per carat (in 2010), this gave a gross in-situ value of US$175 million.

However, due to the sudden weakening of the diamond market in November 2011, it was decided to place the BK11 Mine on temporary care and maintenance from February 2012. This decision was exacerbated by the continued technical problems that the treatment plant was experiencing in liberating diamonds from the ore via the crushing circuit and by the need for substantial capital on undertaking cut 2 waste stripping to expose the higher grade K2 units at depth.

With the Company now primarily focused on developing Liqhobong Mine, its major asset in Lesotho, BK11 is being considered for sale and or joint venture partnerships.


Damtshaa Mine
Orapa Mine
Letlhakane Mine
AK6
BK11
10km
Firestone licence area
Firestone project
Mine
Known kimberlites

PROJECT OVERVIEW – EVALUATION AND DEVELOPMENT

ORAPA

- 21 kimberlites located in the Orapa field, 8 proven diamondiferous
- Prospecting licences over an area of approximately 600 square kilometres in the Orapa area

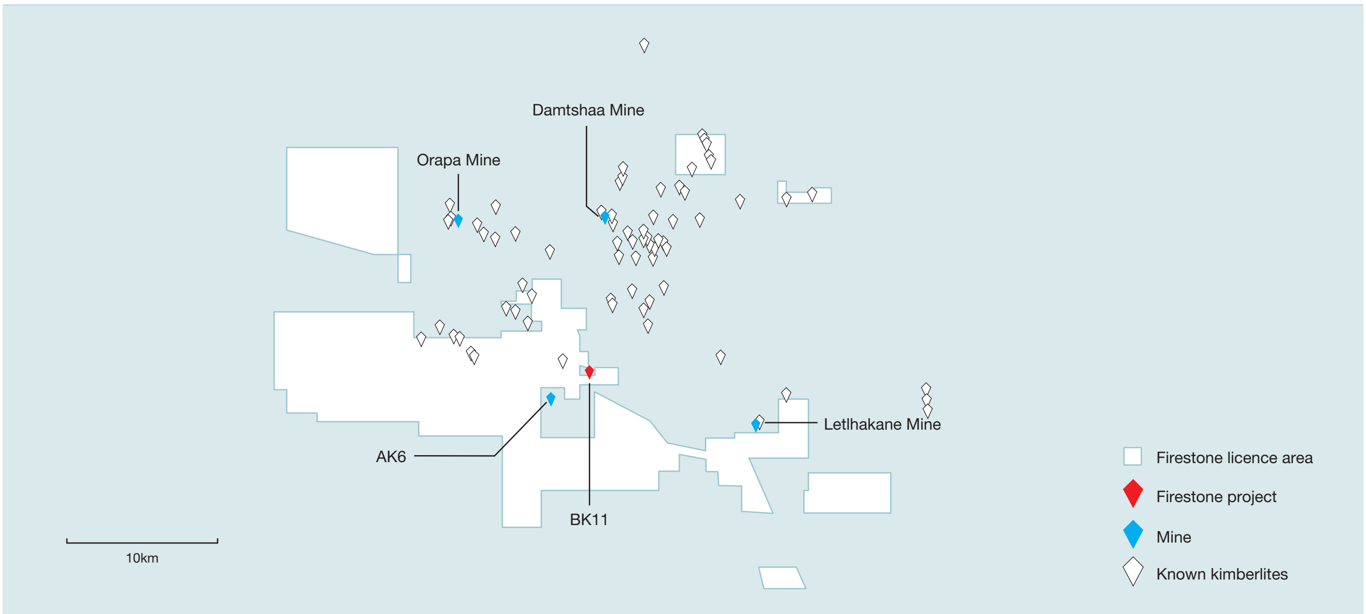
ORAPA KIMBERLITES

Firestone controls 21 other kimberlites in the Orapa kimberlite field close to the BK11 Mine, of which 8 have been proven to be diamondiferous. Some of these kimberlites are 100% owned by Firestone and some are controlled through a joint venture with Tawana Resources NL, under the terms of which Firestone can earn an 85% interest.

ORAPA PROJECT

Most of these licences have been explored by Firestone and by De Beers in joint venture. The results from exploration carried out by Firestone and by De Beers were subjected to a thorough assessment. With Firestone's activities in Botswana being primarily focused on the areas immediately surrounding the Orapa and Tsabong kimberlite fields, the Company only retained areas identified by the final assessment as still being prospective for kimberlite discovery.

Orapa Mine (Debswana)



PROJECT OVERVIEW – EVALUATION AND DEVELOPMENT

TSABONG

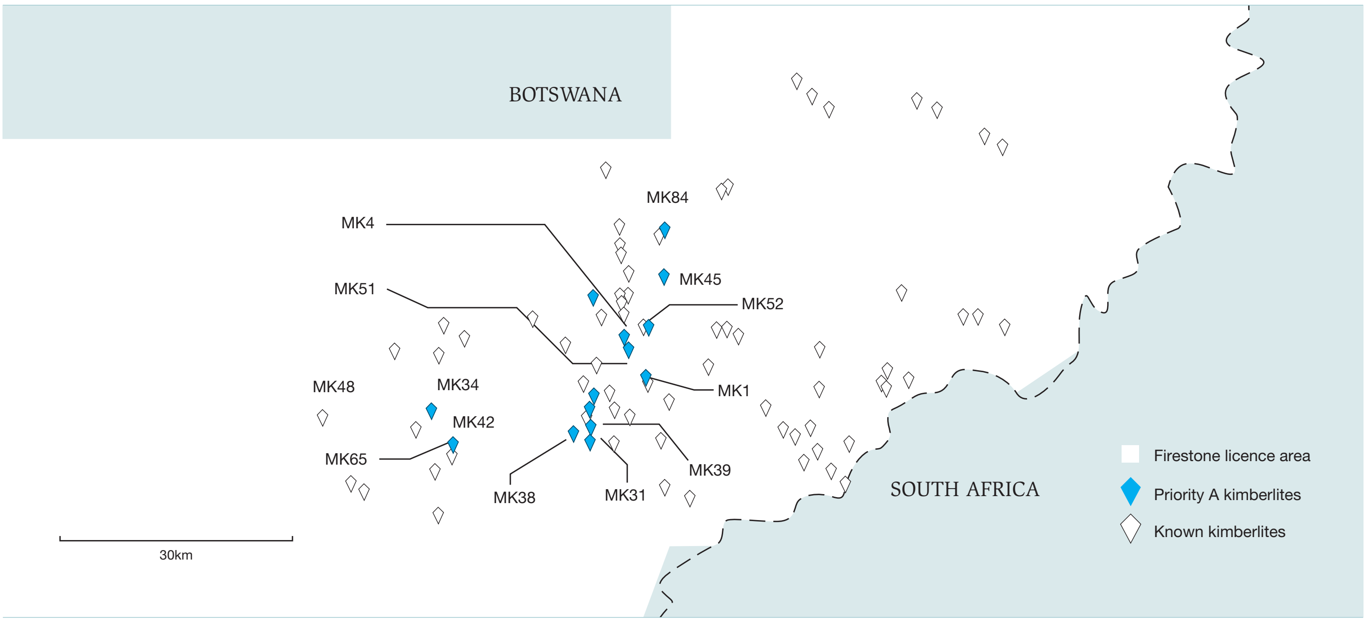
- Covers 4,000 square kilometres and the entire Tsabong field
- Contains 84 kimberlites, 20 proven diamondiferous
- 146 hectare MK1 is one of the largest known diamondiferous kimberlites in the world
- Expect number of kimberlites in the Tsabong field to reach more than 100

The Tsabong kimberlite field is located in south western Botswana, approximately 280 kilometres south west of the Jwaneng Mine, which is one of the world's most profitable diamond mines. The Tsabong project extends over an area of approximately 4,000 square kilometres, and covers the entire Tsabong kimberlite field. Firestone owns a 100% interest in the Tsabong project.

Tsabong is one of the largest diamondiferous kimberlite fields in the world, with 84 kimberlites discovered to date, of which 20 have been proven to contain diamonds. Tsabong is noted for the exceptionally large size of many of its kimberlites, in particular the 146 hectare MK1 kimberlite, which is one of the largest known diamondiferous kimberlites. Substantial work has been carried out at Tsabong by Firestone, the results of which indicate that the Tsabong kimberlite field is located in a similar geological setting to the major Jwaneng Mine and that it has the potential to contain economic large sized diamondiferous kimberlite deposits.

The Tsabong field also contains 5 kimberlites larger than 50 hectares and 32 kimberlites between 20 and 50 hectares in size. Work performed previously at Tsabong focused primarily on 14 high interest kimberlites that were selected on the basis of diamond content, kimberlite indicator mineral ('KIM') chemistry and size. A programme of 17,000 metres of core and percussion drilling was undertaken on these kimberlites to obtain material for detailed microdiamond, KIM chemistry and petrographic analyses. No exploration work was carried out at Tsabong during the year.

Tsabong Bulk Sampling Plant



PROJECT OVERVIEW – EVALUATION AND DEVELOPMENT

KOKONG

- Covers 1,000 square kilometres and the majority of the Kokong field
- Contains 68 kimberlites, 15 diamondiferous
- Kimberlite K295 considered to be of high interest

The Kokong kimberlite field is located in south western Botswana, approximately 200 kilometres west of the Jwaneng Mine. The Kokong project extends over an area of approximately 1,000 square kilometres, and covers the majority of the Kokong kimberlite field. Firestone owns a 100% interest in the Kokong project.

Kokong is one of the largest diamondiferous kimberlite fields in the world, with 76 kimberlites discovered to date, of which 68 are located in Firestone's licence area and 15 have been proven to contain diamonds. A limited amount of microdiamond and macrodiamond sampling has been carried out at Kokong by Rio Tinto and others. This work has confirmed that 18 of the kimberlites in the Kokong field are diamondiferous.

Firestone considers the results from a number of the kimberlites to be very encouraging and that the potential for economic kimberlites to be present in the Kokong field is good. Kimberlite K295 is considered to be of high interest, having produced good indicator mineral geochemistry and been proven to contain macrodiamonds by limited percussion drilling and sampling. There are in excess of 200 geophysical targets that have not yet been drilled and the potential for the discovery of new kimberlites in the area is believed to be very good.

DIRECTORS AND SENIOR MANAGEMENT

Initially in January 2012, and over the course of the year, the Company made a number of changes to its Board of Directors and management. Firestone Diamonds plc has a highly qualified management team with extensive experience in the exploration, evaluation and development of diamond projects.

Lucio Genovese Non-Executive Chairman Mr Genovese has 24 years' experience in both the merchant and financial sector of the metals and mining Industry. Mr Genovese is the CEO of Nage Capital Management in Baar, Switzerland, an advisory firm to Audley Investment Management (Ltd.) He is also a member of the board of Ferrexpo PLC, the Armajaro Commodity Funds and Crossbow Partners AG, Baar, Switzerland. Mr. Genovese was employed at InCentive Asset Management which managed InCentive Capital, a leveraged buyout firm listed on the Swiss Stock Exchange. He was previously employed at Glencore International AG where he held several senior positions including CEO of the CIS region and manager of the Moscow office. Mr. Genovese is a qualified Chartered Accountant of South Africa and has a B.Comm and B.Acc from the University of Witwatersrand, Johannesburg (South Africa).

Tim Wilkes, B.Sc. Chief Executive Officer Tim Wilkes is a graduate in geology from Kingston University, England and has over 26 years' experience on kimberlite and alluvial diamond exploration, evaluation and mining projects worldwide. He spent 18 years with De Beers, where he was General Manager – Mineral Resource Management with responsibility for the management of De Beer's mineral resource portfolio worldwide, and was the Competent Person responsible for the evaluation, classification and reporting of the company's mineral resources and reserves. He is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).

Paul Sobie, B.Sc. P.Geo., Non-Executive Director Paul Sobie is a graduate of Laurentian University, Sudbury, Canada. He is an economic geologist specializing in the exploration and evaluation of diamond deposits, which included the initial economic evaluations of the Liqhobong kimberlites in Lesotho. He has over 20 years' professional experience, including extensive project development for clients in both the junior and senior mining sectors and with a particular focus on Southern Africa. He is currently President and Managing Partner of MPH Consulting Limited of Toronto, Canada, an international mineral exploration, geological and geophysical consultancy. He is a practising member of the Association of Professional Geoscientists of Ontario.

Braam Jonker Non-Executive Director Mr. Jonker was the Chief Financial Officer of Western Coal Corp.(WTN:TSX) until its acquisition by Walter Energy Inc. in 2011. He is a member of the Board of Directors of Eastcoal Inc. (ECX:TSXV) and Mandalay Resources Corporation (MND:TSX) where he is also the Chairman of the Board. Mr. Jonker has almost 20 years of extensive accounting and corporate finance experience mostly in the mining industry. He is a Chartered Accountant (South Africa, England and Wales) and holds a Masters Degree in South African and International Tax from the Rand Afrikaans University.

Julian Treger Non-Executive Director With 20 years' experience in shareholder activism, Julian co-founded Audley Capital in 2005 to pioneer cross-over investment combining hedge fund, activist and private equity strategies. Audley European Opportunities Fund turned £200m of mining investments into £700m. In particular Audley was instrumental in restructuring Western Coal, a near-bankrupt Canadian coal company, which was ultimately sold for over $3bn in 2011. Audley has also launched a global mining equities hedge fund. Julian has a BA (Hons) from Harvard College and an MBA from Harvard Business School.

Mike Wittet Non-Executive Director Mike Wittet has over 40 years' experience in mining, the majority of which were spent in the diamond industry. His career includes various senior positions in the industry including General Manager of Jwaneng, Orapa and Namdeb diamond mines, Consulting Engineer in charge of De Beers SA operations and Deputy Managing Director of Debswana Diamond Company (Pty) Ltd. Mike holds an Honours Degree in Chemical Engineering from Edinburgh University in Scotland.

Grant Ferriman Chief Financial Officer Grant is a qualified Chartered Accountant with twelve years' experience, including 5 years in the mining industry. Prior to joining Firestone Diamonds, he was the Group Financial Controller for Mwana Africa Plc responsible for reporting and control systems across the Group's assets in South Africa, Zimbabwe and the DRC. He 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. Grant is a Chartered Accountant registered in South Africa.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2012.

Results and dividends

The Group made a loss after taxation of £30.0 million (2011: loss of £3.3 million as restated). Further details are shown in the consolidated statement of comprehensive income on page 28.

The Directors do not recommend a dividend (2011: £nil).

Principal activities

The principal activity of the Group was diamond exploration and mining in Southern Africa. The principal activity of the Company was that of a holding company.

Business review

A detailed review of the business and future developments as required by the Companies Act 2006 can be found within the Chairman's Letter on page 6, the Operational Review on page 8, the Financial Review on pages 10 to 13 and are incorporated into this report by reference.

Capital structure

On 27 July 2011 the Company raised £13.5 million before expenses through the issue of 48,649,000 ordinary shares at an issue price of 27.75p and a further £14.7 million on 15 March 2012 through the issue of 172,900,000 ordinary shares at an issue price of 8.5p. The issue costs accrued for these transactions were approximately £1.08 million.

As the Company's shares in March 2012 were trading at a price below their par value, the Directors were unable to allot the Placing Shares on 15 March 2012 under the Companies Act 2006. Consequently, the Directors proposed a capital reorganisation whereby each existing ordinary share of 20p ('Existing Ordinary Share') would be subdivided into 1 new ordinary share of 1p ('New Ordinary Shares') and 19 deferred shares of 1p each ('Deferred Shares'). The capital reorganisation was approved by shareholders at a general meeting held on 2 April 2012 following which the issued ordinary share capital was 545,513,111. The New Ordinary Shares have the same rights and benefits as the Existing Ordinary Shares. The Deferred Shares have no voting rights and are not transferable.

The number of Ordinary Shares in issue at the date of this report is 546,852,396 (2011: 323,964,111).

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

	Shares	%
Henderson Global Investors Ltd	65,836,214	12.03
Audley Capital Management Limited	65,417,643	11.96
Legal & General Group PLC	28,502,331	5.21
JP Morgan Asset Management	26,587,826	4.86
AXA Investment Managers SA	23,219,600	4.25

Directors

Biographies of the current Directors as at the date of this report are set out on page 21.

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

Executive Directors	Position	
P Kenny	Executive Chairman	Resigned 16 January 2012
R L Genovese	Chairman	Appointed 17 January 2012
T Wilkes	Chief Executive Officer	
A Ogilvie	Finance Director	Resigned 18 April 2012

Non Executive Directors	
W D Baxter	Resigned 15 March 2012
M J Hampton	Resigned 15 March 2012
A Jonker	Appointed 14 December 2011
J Kenny jnr	Resigned 30 December 2011
J Treger	Appointed 24 July 2012
M Wittet	Appointed 24 July 2012
P Sobie	

Directors' interests in the Company

	2012 Interest in equity shares Number	**Interest in options Number**	2011 Interest in equity shares Number	Interest in options Number
L Genovese	5,722,403	–	–	–
A Jonker	2,255,215	–	–	–
T Wilkes	1,025,938	1,650,000	250,000	1,650,000
J Treger [1]	65,394,443	–	–	–
P Sobie	–	150,000	–	150,000
M Wittet	–	–	–	–

[1] Julian Treger is a partner in Audley Capital Advisors LLP, which is an advisor to Audley European Opportunities Master Fund, a significant shareholder in Firestone Diamonds PLC. Audley Capital Advisors LLP advises clients with an interest in 57,697,384 ordinary shares in Firestone Diamonds PLC and Mr Treger through a trust of which Mr Treger is a beneficiary, is interested in 7,697,059 ordinary shares.

Details of Directors' emoluments and fees are shown in note 7 of the financial statements.

The Company maintains Directors' and Officers' Liability Insurance which gives appropriate cover for any legal action brought against its directors. The Company has also provided in its articles of association an indemnity for its directors, which is 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.

The Company has effective procedures in place to deal with conflicts of interest which must be disclosed to the Board. The Board is aware of the other commitments of its directors.

Principal risks and uncertainties

Business risks

The business of diamond exploration and mining has a number of inherent risks. These include the Group failing to identify economically viable diamond deposits at its exploration and evaluation projects and the possible failure to produce the expected tonnage; grade or diamond quality at the Group's mining operations. The Board is aware of these risks and regularly reviews technical progress at all of the Group's projects in order to identify and manage these risks in the most effective manner.

Environmental and other regulatory requirements
The Group endeavours to comply with the environmental regulations and policies of the areas in which it operates. Where necessary, the Group establishes rehabilitation provisions to reflect current legislation within the areas in which it operates.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. No assurance can be given that new rules and regulations will not be enacted or existing legislation will not be applied in a manner which could limit or curtail the Group's activities.

Financial risks
The Company is exposed to a number of different currency risks between the South African Rand, Lesotho Maloti, US Dollar, Sterling and Pula. The Group values and sells its diamonds in US Dollars and then converts the proceeds to Sterling, Maloti and Pula as required. As the Group reports in Sterling, reported revenue is affected by changes in exchange rates between the above currencies. The Group's expenses in Botswana, South Africa and Lesotho are incurred in Pula, Rand and Maloti respectively, so any weakening in these currencies would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Pula, Rand or Maloti. It is the current policy of the Government of Lesotho to 'peg' the value of the Maloti to the Rand. The Company does not hedge its currency positions other than for short-term transfers of funds between currencies which are expected to be reversed within 12 months. The Board monitors and reviews its policies in this regard on a regular basis.

The Company takes out suitable insurance against operational risks that are anticipated as being material.

The Group's borrowings are all subject to a floating rate of interest and taken out in US Dollars, Rand and Pula. The Group's policy for future borrowings will be to continue to take floating rates unless fixed-rate financing is available at particularly attractive rates.

Further details of the Group's financial instruments and financial risk management objectives and policies are set out in note 29 of the financial statements.

Key Performance Indicators (KPIs)
The Directors constantly review the Group's operations and plans to ensure that cash resources are available prior to commitment to any significant expenditure.

	2012 £000	2011 £000
Cash and cash equivalents at the year-end	**10,618**	4,256

As outlined in the Capital structure section above, the Company raised £28.2 million before expenses in the year from share placings. The funds raised were used to finance the development of the Group's operations at the Liqhobong Mine in Lesotho and the BK11 Mine in Botswana, which is currently on care and maintenance.

In addition to the above, the Board also considers non-financial factors such as the Group's compliance with Corporate Governance Standards and compliance with environmental, rehabilitation and other legislation within the Group's areas of operations.

Policy and practice on the payment of creditors
The policy of the Group is to settle supplier invoices within the terms and conditions of trade agreed with individual suppliers. At the year-end the Group had an average of 47 days (2011: 55 days) purchases outstanding and the Company an average of 73 days (2011: 35 days).

Political and charitable donations
The Group made no charitable donations or political donations in the year (2011: £nil).

Post-balance sheet events
Post-balance sheet events are detailed in note 31 to the financial statements.

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

The Directors have prepared cashflow forecasts for the Group on the basis that the funding required for the development of the Liqhobong Mine will be available. The Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include diamond price risk, mining and processing risk, resource risk, currency risk and the risk of changes in general market conditions. There can also be no guarantee that the funds required to develop the operations will be made available to the Company. In the event that the funding for the development is not available in the timescales envisaged by the Directors in their forecasts, it may be necessary to curtail the Group's costs which could include placing the pilot operation at Liqhobong on care and maintenance pending the successful closing of a fundraising. The Directors are monitoring the working capital requirements of the Group and Company on a regular basis to ensure that action will be taken at the appropriate time to ensure that they have the necessary capacity to deliver plans for constructing the Main Treatment Plant at the Liqhobong Mine. Notwithstanding this, in the absence of a fundraising as envisaged for the DFS, the Group will require further funding in order to remain a going concern and be in a position to develop Liqhobong when the capital markets improve, albeit the level of immediate funding required is much reduced.

The Directors are confident that they will be able to secure funding to deliver the plans as set out in the DFS or, as a minimum, the funding necessary in order to maintain the Group's mines on a care and maintenance basis such that the Group is able to take advantage of future improvements in capital markets if the development funding cannot be raised immediately. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements. However, the need to raise new funds represents a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. No adjustments that would result from the going concern basis of preparation being inappropriate have been made in the preparation of the financial statements.

DIRECTORS' REPORT

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.

A resolution to reappoint PKF (UK) LLP as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

Corporate governance report

As a Board we are committed to sound and appropriate standards of corporate governance as an important part of ensuring a well managed and effective company. We have made progress this year in reviewing the Company's governance practices. As a result the following actions have been taken:

- approval of a new Schedule of Matters Reserved for the Board;
- approval of new terms of reference for the Audit and Remuneration Committees;
- establishment of a Nomination Committee and Safety, Health and Environment ('SHE') Committee.

Steps have also been taken to refresh the Company's Share Dealing Code and Disclosure Policy.

We will continue to review our governance practices throughout the coming year and intend to build on our sound base to further strengthen procedures to assist the Board and management in carrying out their responsibilities.

The Role of the Board

The responsibilities of the Board are set out in the Schedule of Matters Reserved for the Board. The Board's primary tasks are the:

- setting of the Group's values and standards;
- approval of long term objectives and strategy;
- approval of revenue and capital budgets and plans;
- review of performance in light of strategy and budgets ensuring any necessary corrective actions are taken;
- approval of the financial statements, annual report and accounts, material contracts and major projects;
- determination of the financial structure of the Group including dividend policy;
- oversight of the internal control and risk management environments;
- approval of communications with shareholders.

How the Board Operates

The Board is supported by Board Committees which are responsible for a variety of tasks delegated by the Board. Brief details of the Board Committees and their responsibilities are set out below.

In addition there is an Executive Committee which meets on a monthly basis. The Committee consists of the Chief Executive Officer, Chief Financial Officer and other members of senior management. The responsibilities of the Executive Committee are to oversee the day-to-day management of the Group's business, implement the strategy and policies of the Board and review progress and financial performance against approved budgets and plans. The proceedings of the Executive Committee are reported to the Board by the Chief Executive Officer.

The Board and its Committees meet regularly throughout the year. Directors also have ongoing contact on a variety of issues between formal meetings. Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate.

What the Board did during the year

The Board met seven times during the year. There are a number of standing and routine items included for review on each Board agenda. These include the health and safety report, CEO's operations report and project updates, financial reports, market updates and outlook, consideration of reports from the Board Committees, and investor relations updates. In addition a number of other key items were considered and approved by the Board during the year. These included:

- Financing and capital raising options, approval of placings and relevant circulars;
- Strategy review;
- Review of Board composition and approval of appointment of new directors;
- Capital reorganisation;
- Review of share option plans and approval of new share option plans to put to shareholders;
- Approval of governance documents.

Division of Responsibilities

There is clear division of responsibility between the roles of Chairman and Chief Executive Officer. The Chairman is responsible for the leadership and governance of the Board and the Chief Executive Officer is responsible for the management of the Group and the implementation of strategy and policy approved by the Board.

The Role of the Board Committees

All of the Board Committees are authorised to examine any activity within their terms of reference, are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resources in order to carry out their duties.

Audit Committee

Membership

Braam Jonker (Chairman)
Lucio Genovese
Julian Treger

Duties

The main duties of the Audit Committee are set out in the Terms of Reference and include:

- To monitor the integrity of the financial statements of the Company, including its annual and half year reports;

- To review and challenge where necessary any changes to, and consistency of, accounting policies, whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, the going concern assumption and all material information presented with the financial statements,
- To keep under review the effectiveness of the Company's internal controls and risk management systems and to review and approve the statements to be included in the annual report concerning internal controls and risk management.
- To consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- To oversee the relationship with the external auditor including approval of their remuneration, approval of their terms of engagement, assessment annually of their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

Remuneration Committee

Membership

Paul Sobie (Chairman)
Braam Jonker
Julian Treger

Duties

The main duties of the Remuneration Committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman, Chief Executive, the executive directors, and other members of the executive management as it is designated to consider. (The remuneration of non-executive directors shall be a matter for the Board as a whole).
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- determine the total individual remuneration package of each executive director and other senior executives including bonuses, pension arrangements, incentive payments and share options or other share awards within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate.

Nomination Committee

Membership

Lucio Genovese (Chairman)
Braam Jonker
Mike Wittet

Duties

The main duties of the Nomination Committee are to:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- formulate plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive;
- assess the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- to assess the re-election by shareholders of any director having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

Safety, Health and Environment ('SHE') Committee

Membership

Mike Wittet (Chairman)
Paul Sobie

Duties

The Main duties of the SHE Committee are to:

- receive reports from management concerning all fatalities and serious accidents within the Group and actions taken by management as a result of such fatalities or serious accidents;
- evaluate the effectiveness of the Group's policies and systems for identifying and managing health, safety, social, and environmental risks within the Group's operations;
- assess the policies and systems within the Group for ensuring compliance with health, safety, social and environmental regulatory requirements;
- assess the performance of the Group with regard to the impact of health, safety, social and environmental decisions and actions upon employees, communities and other third parties and also to assess the impact of such decisions upon the reputation of the Group;
- review of the results of independent audits of the Group's performance in regard to health, safety, social or environmental matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same.

DIRECTORS' REPORT

Risk Management and Internal Control
The Group operates a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

The Board has responsibility for the effectiveness of the internal financial control framework. Such a system can only provide reasonable and not absolute assurance against material misstatement. The Group does not currently have, nor considers there is currently a need for, an internal audit function. As production increases at the Group's operations during the coming year the Board will continuously assess the ongoing need for the strengthening of internal financial controls.

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and a risk matrix, detailing the major risks, is prepared. The risk matrix is used to track and monitor risks and put in place mitigating actions as required.

Relations with Shareholders
The Board is committed to maintaining communication with its shareholders. The Directors are keen to build a mutual understanding of objectives with its institutional shareholders and a regular dialogue with institutional investors is maintained throughout the year. The Directors also encourage communications with private shareholders and encourage their participation in the Company's Annual General Meeting.

The Annual Report and Accounts is a key communication document and is available on the Company's website (www.firestonediamonds.com) together with the annual and half year results, trading statements, press releases, regulatory announcements and other information on the Group's operations.

This year's Annual General Meeting of the Company will be held on 14 December 2012. The Notice of this year's Annual General Meeting is included with this Annual Report and is available on the Company's website at www.firestonediamonds.com.

Directors' Responsibilities Statement

The Directors are responsible for preparing the directors' report and the financial statements 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, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those 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 Company and the Group and of the profit or loss of the Group for that period.

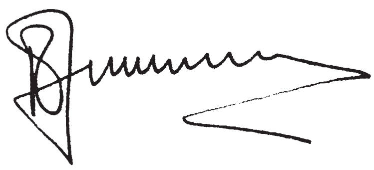
In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

On behalf of the Board



Lucio Genovese
Chairman

9 November 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRESTONE DIAMONDS PLC

We have audited the financial statements of Firestone Diamonds plc for the year ended 30 June 2012 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor
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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Group needs to raise additional funds to develop the Liqhobong mine or, in the event that such funds cannot be secured at the current time, needs to raise a lower amount of funds for working capital purposes in order to remain a going concern. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Jason Homewood (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
London, UK

9 November 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	Note	2012 £'000	Restated 2011 £'000
Revenue	3	**6,518**	2,453
Raw materials and consumables used		**(12,657)**	(819)
Employee costs	6	**(5,061)**	(829)
Compensation payments to former employees of Kopane	6	–	(585)
Amortisation and depreciation		**(2,864)**	(899)
Impairment of property, plant, equipment and intangible assets	11	**(13,779)**	–
Other operating expenses		**(2,189)**	(1,600)
Operating loss	5	**(30,032)**	(2,279)
Finance income	9	**16**	19
Finance expense	10	**(403)**	(753)
Loss before taxation		**(30,419)**	(3,013)
Taxation	12	**413**	(317)
Loss after tax for the year		**(30,006)**	(3,330)
Other comprehensive income:			
Exchange differences on translating foreign operations net of tax		**(12,066)**	156
Total comprehensive income for the year		**(42,072)**	(3,174)
Loss after tax for the year attributable to:			
Equity holders of the parent		**(24,597)**	(3,215)
Non-controlling interests		**(5,409)**	(115)
Loss after tax for the year		**(30,006)**	(3,330)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**(35,030)**	(3,109)
Non-controlling interests		**(7,042)**	(65)
Total comprehensive income for the year		**(42,072)**	(3,174)
Loss per share			
Basic loss per share (pence)	13	**(5.9)**	(1.2)
Diluted loss per share (pence)	13	**(5.9)**	(1.2)

All amounts relate to continuing operations.

The notes on pages 35 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2012

	Note	2012 £'000	Restated 2011 £'000	Restated 2010 £'000
Assets				
Non-current assets				
Intangible assets	14	–	615	1,139
Property, plant and equipment	15	**54,246**	73,698	14,568
Total non-current assets		**54,246**	74,313	15,707
Current assets				
Inventories	18	**2,392**	1,853	29
Trade and other receivables	19	**1,604**	2,479	1,013
Derivative financial instruments	20	–	781	–
Cash and cash equivalents	21	**10,618**	4,256	5,645
Total current assets		**14,614**	9,369	6,687
Total assets		**68,860**	83,682	22,394
Equity				
Share capital	22	**76,252**	64,792	25,578
Share premium		**54,856**	39,198	25,380
Merger reserve		**(1,076)**	(1,076)	(1,076)
Translation reserve		**(9,870)**	563	457
Accumulated losses		**(61,371)**	(36,922)	(33,836)
Total equity attributable to equity holders of the parent		**58,791**	66,555	16,503
Non-controlling interests		**(5,263)**	1,779	(213)
Total equity		**53,528**	68,334	16,290
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	24	**1,415**	2,736	1,193
Deferred tax	25	**3,314**	3,308	–
Provisions	26	**3,169**	1,745	–
Total non-current liabilities		**7,898**	7,789	1,193
Current liabilities				
Interest-bearing loans and borrowings	24	**1,518**	2,362	1,168
Trade and other payables	27	**5,916**	5,197	3,274
Provisions	26	–	–	469
Total current liabilities		**7,434**	7,559	4,911
Total liabilities		**15,332**	15,348	6,104
Total equity and liabilities		**68,860**	83,682	22,394

The financial statements were approved by the Board of Directors and authorised for issue on 9 November 2012.

Lucio Genovese
Director

The notes on pages 35 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance as at 30 June 2010	**25,578**	**25,380**	**(1,076)**	**429**	**(15,106)**	**35,205**	**75**	**35,280**
Effect of restatement of accounts based on change in accounting policy (note 28)	–	–	–	28	(18,730)	(18,702)	(288)	(18,990)
Restated Balance as at the beginning of the reporting period at 30 June 2010	25,578	25,380	(1,076)	457	(33,836)	16,503	(213)	16,290
Comprehensive income								
Loss for the year	–	–	–	–	(3,215)	(3,215)	(115)	(3,330)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	–	–	–	106	–	106	50	156
Total comprehensive income for the year	–	–	–	106	(3,215)	(3,109)	(65)	(3,174)
Contributions by and distributions to owners								
Shares issued in the year	39,214	14,940	–	–	–	54,154	–	54,154
Share issue expenses	–	(1,122)	–	–	–	(1,122)	–	(1,122)
Share-based payment adjustment	–	–	–	–	129	129	–	129
Arising on acquisition of Kopane PLC	–	–	–	–	–	–	2,057	2,057
Total contributions by and distributions to owners	39,214	13,818	–	–	129	53,161	2,057	55,218
Balance as at 30 June 2011	**64,792**	**39,198**	**(1,076)**	**563**	**(36,922)**	**66,555**	**1,779**	**68,334**
Comprehensive income								
Loss for the year	–	–	–	–	(24,597)	(24,597)	(5,409)	(30,006)
Other comprehensive income for the year								
Exchange differences on translating foreign operations	–	–	–	(10,433)	–	(10,433)	(1,633)	(12,066)
Total comprehensive income for the year	–	–	–	(10,433)	(24,597)	(35,030)	(7,042)	(42,072)
Contributions by and distributions to owners								
Shares issued in the year	11,460	16,740	–	–	–	28,200	–	28,200
Share issue expenses	–	(1,082)	–	–	–	(1,082)	–	(1,082)
Share-based payment adjustment	–	–	–	–	148	148	–	148
Total contributions by and distributions to owners	11,460	15,658	–	–	148	27,266	–	27,266
Balance as at 30 June 2012	**76,252**	**54,856**	**(1,076)**	**(9,870)**	**(61,371)**	**58,791**	**(5,263)**	**53,528**

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

The notes on pages 35 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	Note	2012 £'000	Restated 2011 £'000
Cash flow from operating activities			
Loss before taxation		**(30,419)**	(3,013)
Adjustments for:			
Depreciation, amortisation and impairment	5	**16,643**	1,391
Effect of foreign exchange movements		**(1,650)**	(41)
Interest payable		**294**	116
Equity-settled share-based payments		**148**	13
Loss on derivative financial instruments		**109**	637
Net cash flows from operating activities before working capital changes		**(14,875)**	(897)
Increase in inventories		**(906)**	(1,202)
Decrease in trade and other receivables		**1,283**	895
Increase in trade and other payables		**1,412**	1,516
Increase/(decrease) in provisions		**937**	(59)
Net cash flows from operating activities		**(12,149)**	253
Cash flows from investing activities			
Additions to property, plant and equipment		**(6,709)**	(17,628)
Cash acquired with subsidiary		–	956
Disposal of non-current assets		–	13
Net cash used in investing activities		**(6,709)**	(16,659)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**28,200**	13,786
Share issue expenses		**(1,082)**	(1,122)
Proceeds from long-term borrowings		–	3,633
Repayment of long-term borrowings		**(1,556)**	(1,049)
Repayment of finance leases		**(48)**	(40)
Interest paid		**(294)**	(191)
Net cash from financing activities		**25,220**	15,017
Net increase/(decrease) in cash and cash equivalents		**6,362**	(1,389)
Cash and cash equivalents at beginning of the year		**4,256**	5,645
Cash and cash equivalents at the end of the year	21	**10,618**	4,256

The notes on pages 35 to 56 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2012

	Note	**2012 £'000**	2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**76**	31
Investment in subsidiaries	17	**53,345**	101,420
Total non-current assets		**53,421**	101,451
Current assets			
Cash and cash equivalents	21	**268**	280
Trade and other receivables	19	**91**	–
Total current assets		**359**	280
Total assets		**53,780**	101,731
Equity			
Share capital	22	**76,252**	64,792
Share premium		**54,856**	39,198
Accumulated losses		**(77,452)**	(2,841)
Total equity attributable to equity holders of the company		**53,656**	101,149
Liabilities			
Current liabilities			
Trade and other payables	27	**124**	582
Total liabilities		**124**	582
Total equity and liabilities		**53,780**	101,731

The financial statements were approved by the Board of Directors and authorised for issue on 9 November 2012.

Lucio Genovese
Director

The notes on pages 35 to 56 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	Share Capital £'000	Share Premium £'000	Retained earnings £'000	Total Equity £'000
Balance as at 1 July 2010	**25,578**	**25,380**	**(2,313)**	**48,645**
Comprehensive income				
Loss for the year	–	–	(657)	(657)
Total comprehensive income for the year	–	–	(657)	(657)
Contributions by and distributions to owners				
Shares issued in the year	39,214	14,940	–	54,154
Share issue expenses	–	(1,122)	–	(1,122)
Share-based payment adjustment	–	–	129	129
Total contributions by and distributions to owners	39,214	13,818	129	53,161
Balance as at 30 June 2011	**64,792**	**39,198**	**(2,841)**	**101,149**
Comprehensive income				
Loss for the year	–	–	(74,759)	(74,759)
Total comprehensive income for the year	–	–	(74,759)	(74,759)
Contributions by and distributions to owners				
Issue of ordinary shares	11,460	16,740	–	28,200
Share issue expenses	–	(1,082)	–	(1,082)
Share-based payment adjustment	–	–	148	148
Total contributions by and distributions to owners	11,460	15,658	148	27,266
Balance as at 30 June 2012	**76,252**	**54,856**	**(77,452)**	**53,656**

The Company had no other comprehensive income in the year.

The notes on pages 35 to 56 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	Note	**2012 £'000**	2011 £'000
Cash flow from operating activities			
Loss before taxation		**(74,759)**	(657)
Adjustments for:			
Depreciation, amortisation and impairment		**73,989**	–
Equity-settled share-based payments		**148**	129
Net cash flows from operating activities before working capital changes		**(622)**	(528)
(Increase)/decrease in trade and other receivables		**(91)**	454
Decrease in trade and other payables		**(458)**	(1,205)
Net cash used in operating activities		**(1,171)**	(1,279)
Cash flows from investing activities			
Additions to property, plant and equipment		**(64)**	(32)
Investment in subsidiary companies		**(25,895)**	(15,094)
Net cash used in investing activities		**(25,959)**	(15,126)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**28,200**	13,786
Share issue expenses		**(1,082)**	(1,122)
Net cash flows from financing activities		**27,118**	12,664
Net decrease in cash and cash equivalents		**(12)**	(3,741)
Cash and cash equivalents at beginning of the year		**280**	4,021
Cash and cash equivalents at end of the year	21	**268**	280

The notes on pages 35 to 56 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

1 Accounting policies

Basis of preparation

Firestone Diamonds plc (the "Company") is a company domiciled in the United Kingdom and is quoted on the AIM market of the London Stock Exchange. The consolidated financial statements of the Company for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in diamond mining and exploration in Southern Africa.

Going concern

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

The Directors have prepared cash flow forecasts for the group on the basis that the funding required for the development of the Liqhobong Mine will be available. The Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include diamond price risk, mining and processing risk, resource risk, currency risk and the risk of change in general market conditions. There can also be no guarantee that the funds required to develop the operations will be made available to the Company. In the event that the funding for the development is not available in the timescales envisaged by the Directors in their forecasts, it may be necessary to curtail the Group's costs which could include placing the pilot operation at Liqhobong on care and maintenance pending the successful closing of a fundraising. The Directors are monitoring the working capital requirements of the Group and Company on a regular basis to ensure that action will be taken at the appropriate time to ensure that they have the necessary capacity to deliver plans for constructing the Main Treatment Plant at the Liqhobong Mine. Notwithstanding this, in the absence of a fundraising as envisaged for the DFS, the Group will require further funding in order to remain a going concern and be in a position to develop Liqhobong when the capital markets improve, albeit the level of immediate funding required is much reduced.

The Directors are confident that they will be able to secure funding to deliver the plans as set out in the DFS or, as a minimum, the funding necessary in order to maintain the Group's mines on a care and maintenance basis such that the Group is able to take advantage of future improvements in capital markets if the development funding cannot be raised immediately. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements. However, the need to raise new funds represents a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. No adjustments that would result from the going concern basis of preparation being inappropriate have been made in the preparation of the financial statements.

Statement of compliance

These consolidated financial statements of Firestone Diamonds plc have been prepared in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively 'IFRSs') as issued by the International Accounting Standards Board and as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following standards have been applied by the Group from 1 July 2011

- Improvements to IFRSs (endorsed by the European Union in February 2011).
- Revised IAS 24 Related party disclosures (Endorsed by the European Union (EU) in July 2010).

There has been no material impact on the group arising from the adoption of these standards.

IFRS effective in 2011 but not relevant

The following standards and interpretations were mandatory for the current accounting period, but are not relevant to the operations of the Group:

- Amendments to IFRS 1 Limited Exemption from Comparative IFRS7 Disclosures for First-time adopters.
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement.
- IFRIC19 Extinguishing Financial Liabilities with Equity Instruments.

Standards and interpretations issued but not yet applied

Any standards and interpretations that have been issued but are not yet effective have not been applied by the group in these financial statements. Application of these Standards and Interpretations will not have a material effect on the financial statements in future periods.

Companies Act s408 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 £74,759,000 (2011: a loss of £657,000) in respect of the Company which is dealt with in the financial statements of the Company. The Company had no other items of comprehensive income in the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

1 Accounting policies continued

Basis of consolidation
The consolidated financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The results of subsidiaries have been included from the date of acquisition using the purchase method of accounting.

The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. All subsidiaries have a co-terminous year-end.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group. Profits and losses attributable to the non-controlling interest are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Losses attributable to non-controlling interests are allocated to the non-controlling interest prospectively from 1 July 2009.

Merger accounting
In accordance with the exemption in IFRS 1, where merger accounting has been used for the relevant acquisition in years prior to the transition date to IFRS of 1 July 2006, the accounting method used for the relevant acquisition has not been restated.

Business combinations and goodwill
The consolidated financial statements incorporate the results of business combinations using the purchase method. The cost of an acquisition is measured as an aggregate of the fair value of the consideration transferred, measured at the acquisition date and the fair value of any previously held equity interests. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Subsequent changes in the proportion of the non-controlling interests, which do not result in derecognition of the subsidiary, are accounted for in equity. Acquisition costs are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the acquisition date fair-value of the Group's previously-held equity interest in the acquiree is re-measured to fair-value as at the acquisition date through profit and loss. The value of any non-controlling interest acquired is measured at the proportional share of the acquired net identifiable assets.

Any contingent consideration to be transferred by the Group is recognised at fair-value on the acquisition date. Subsequent changes to the fair-value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised in accordance with IAS39 either in profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled in equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's share of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair-value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any recognised impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms a part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising from business combinations is assessed for impairment annually.

The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Exploration and evaluation expenditure
Exploration and evaluation expenditure is written off as incurred, except for amounts arising on the accounting for business combinations. Identifiable exploration and evaluation acquired as part of a business combination are recognised as assets at their fair value, as determined by the requirements of IFRS3, Business Combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition are expensed as incurred.

This represents a change in accounting policy and is reflected within these financial statements as a prior year adjustment. Previously these costs were carried forward as an intangible asset if the rights of tenure for an area was current and it was considered probable that these costs would be

1 Accounting policies continued

recovered through successful development and exploitation of the area of interest. The Group is now focussed upon the development of and production from its mining activities and the Group has reached the conclusion that a policy of immediately expensing exploration and evaluation expenditure provides more relevant information to shareholders than a policy of capitalisation and such a policy more accurately reflects the on-going activities of the Group. The effect of the restatement of the 30 June 2010 and 30 June 2011 financial statements is set out in note 28.

Once a development decision has been taken, the carrying amount of any exploration and evaluation expenditure in respect of the area of interest recognised as an asset in accordance with the above policy is aggregated with subsequent development expenditure (see below).

No amortisation is recognised in respect of exploration and evaluation expenditure until it is reclassified as a development property and commercial production commences.

Exploration and evaluation expenditure is tested for impairment annually if facts and circumstances indicate that impairment may exist. Exploration and evaluation expenditure is also tested for impairment once commercial reserves are found, before the assets are transferred to development expenditure.

Development costs
Development costs incurred by or on behalf of the Group or acquired from a third party are classified as a tangible asset included within property, plant and equipment and are accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises acquisition costs and other incurred costs directly attributable to the construction of a mine and the related infrastructure. This expenditure is carried at cost less accumulated amortisation and impairment.

Licences
Licence rights acquired are amortised over the period of the licence to exploit such rights, typically five to fifteen years. Provision is made for any impairment in value, and the provision is reviewed on an annual basis.

Property, plant and equipment
Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided 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 amortised on a ‘units of production basis’ 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 and development expenditure	– Unit of production method
Mining equipment	– 3 to 10 years
Production plant and equipment	– Unit of production method
Office equipment	– 3 to 10 years
Motor vehicles	– 3 to 5 years
Other assets	– 3 to 10 years

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the statement of comprehensive income. 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 excludes directly attributable professional fees and other expenses incurred in connection with the acquisition which is expensed as incurred. 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 an 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

1 Accounting policies continued

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Inventories
Inventories comprise diamond carats produced, ore stockpiles, consumables and spares. Inventories are valued at the lower of cost and net realisable value. Rough diamond inventories and ore stockpile cost is calculated on a first in first out 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 30 June 2012 and 30 June 2011. 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 make the sale.

Investment in financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Trade and other receivables
Trade and other receivables arise from normal commercial sales by the Group and are classified as 'loans and receivables'. These are recognised at invoice value adjusted for any allowance for impairment. Impairment and any reversal is recognised in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. The Group's loans and receivables include cash and cash equivalents. These include cash on hand, deposits held on call with banks, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

Available-for-sale financial investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as either fair value through profit and loss or loans and receivables. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Financial liabilities
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, and have not been designated 'as at fair value through profit or loss'. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. 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.

1 Accounting policies continued

Provisions
A provision is recognised in the balance sheet 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 benefits 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 liability.

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 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 is included in operating costs.

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 duty. Diamond sales are conducted through a competitive tender process where bids for specific parcels of diamonds are made, and the highest bid above the reserve price for the parcel is accepted provisionally until funds are received, at which point the parcel is released to the winning bidder. Revenue is recognised when funds are received.

Revenues arising from the sale of diamonds recovered when the mining property and related processing plant are being commissioned are treated as incidental revenues. Net proceeds of diamond sales arising during the development of the relevant mining property once a decision to proceed to commercial production has been made are offset against the related development costs.

Revenue arising from the provision of services is recognised when and to the extent that the Group obtains the right to consideration in exchange for the performance of its contractual obligations.

Share-based payment transactions
Certain employees (including directors and senior executives) of the Group receive 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 by an external valuer 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, which 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.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease rentals are charged to income in equal annual amounts over the lease term.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

1 Accounting policies continued

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 pound sterling which is the presentation currency for the Group and Company financial statements. The functional currency of the Company is pound sterling.

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 settlements of monetary items and on the retranslation of monetary items are included in the 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 pound sterling using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity 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 pounds sterling 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 this disposal is transferred to profit and loss.

Pensions
The Group makes payments on behalf of employees to defined contribution pensions schemes. These are charged to profit and loss or are capitalised where appropriate on an accrual basis. The Group does not operate any defined benefit pension schemes or similar arrangements.

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 income statement 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.

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.

Operating profit and loss
Operating profit and loss comprises revenues less operating costs. Operating costs comprise adjustments for changes in inventories, raw materials and consumables used, employee costs, amortisation, depreciation and impairment and other operating expenses.

2 Critical accounting estimates and judgments
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.

(i) Valuation of development expenditure, mining property and mining equipment.
The value of the Group's development expenditure, mining property and mining equipment is dependent upon the success of the Group in discovering economic and recoverable diamond resources. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the US Dollar, South African Rand, Botswanan Pula, Lesotho Maloti and Sterling, and potential new legislation and related environmental requirements.

2 Critical accounting estimates and judgments continued

(ii) Share-based payments
In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 23.

(iii) Rehabilitation provisions
The Group makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in Botswana, Lesotho and South Africa and technical reports and estimates provided by the Group's senior employees and advisors. 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.

(iv) 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. These calculations require the use of estimates and assumptions. 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 goodwill, tangible assets 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 materially change over time.

The effect of the impairment testing of the 30 June 2012 and 30 June 11 financial statements is set out in note 11.

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

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

4 Segmental analysis
For management purposes, the Group is organised into geographical units as the Group's risks and required rates of return are affected by differences in the geographical regions of the mines and areas in which the Group operates. The Group operated in the year in one sector, diamond mining, exploration and development, and in two principal geographic areas – Lesotho and Botswana. Botswana and support operations based in South Africa are considered to be linked operations. The management information received by the Chief Executive Officer and the Board is prepared on this basis. The sale of diamonds is conducted through a tender process to many potential buyers.

The Group does also conduct business within the UK including ad hoc raising of funds, subsequently passed to subsidiary companies, and incurring of expenditure in relation to the Company's activities as a holding company. None of this activity is considered to be significantly different to the principal activity of the Group within the Southern African region.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

4 Segmental analysis continued

The following tables present revenue and profit, asset and liability information regarding the Group's geographical segments:

	Lesotho		Botswana & South Africa		Unallocated		Intra-segmental		Total	Restated Total
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
External revenue	**5,281**	2,202	**1,237**	251	–	–	–	–	**6,518**	2,453
Segmental operating result	**(7,693)**	(942)	**(20,042)**	99	**(2,297)**	(1,103)	–	(333)	**(30,032)**	(2,279)
Finance income	–	–	**16**	12	–	7	–	–	**16**	19
Finance expense	–	–	**(403)**	(117)	–	(636)	–	–	**(403)**	(753)
Taxation	**413**	–	–	(317)	–	–	–	–	**413**	(317)
Non-controlling interest	**3,331**	(47)	**2,078**	162	–	–	-	-	**5,409**	115
Segmental result	**(3,949)**	(989)	**(18,351)**	(161)	**(2,297)**	(1,732)	-	(333)	**(24,597)**	(3,215)
Segmental assets	**45,417**	47,222	**13,829**	35,073	**9,614**	1,387	–	–	**68,860**	83,682
Segmental liabilities	**(7,615)**	(5,751)	**(3,644)**	(3,608)	**(1,140)**	(891)	–	–	**(12,399)**	(10,250)
Interest-bearing loans and borrowings	–	–	**(2,933)**	(5,098)	–	–	–	–	**(2,933)**	(5,098)
Total segmental liabilities	**(7,615)**	(5,751)	**(6,577)**	(8,706)	**(1,140)**	(891)	–	–	**(15,332)**	(15,348)
Other segmental information										
Capital expenditure:										
Property, plant and equipment	**4,697**	5,359	**2,823**	12,454	**64**	32	–	–	**7,584**	17,845
Depreciation, amortisation and impairment cost:										
Property, plant and equipment	**1,140**	377	**14,764**	521	**124**	1	–	–	**16,028**	899
Intangible assets	–	–	**615**	–	–	–	–	–	**615**	–

5 Operating loss

	2012 Group £'000	2011 Group £'000
Operating loss for the year is stated after charging		
Depreciation and amortisation of property, plant and equipment	**2,864**	899
Employee costs (note 6)	**5,061**	1,414
Hire of plant and equipment	**25**	281
Property rental	**197**	105
Share-based payments (note 23)	**148**	13
Impairment of intangible and tangible mining assets (note 11)	**13,779**	–

The prior year depreciation and amortisation is declared net after capitalisation of £492,000 against property, plant and equipment.

6 Employee numbers and costs

The average number of persons employed in the Group, including executive directors, was:

	2012 Group Number	2011 Group Number
Operations	**169**	183
Administration	**32**	41
	201	224

6 Employee numbers and costs continued

The employment benefits:

	2012 Group £'000	2011 Group £'000
Wages and salaries	**5,023**	2,738
Social security costs	**2**	95
Pension costs	**36**	33
	5,061	2,866
Amounts capitalised in property, plant and equipment	–	(1,452)
	5,061	1,414

The prior year employee costs include an amount of £585,000 payable to former directors and employees of Kopane following the acquisition of Kopane on 29 September 2010. Staff costs above include directors emoluments.

7 Directors' emoluments

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

	2011 Group £'000	2010 Group £'000
Salaries and fees	**693**	397
Pension	**36**	33
Compensation for loss of office	**574**	249
Total	**1,303**	679

The emoluments of the highest-paid director were £598,499 (2010: £267,300).

Directors' remuneration by individual	Salaries and fees 2012 £	Salaries and fees 2011 £	Bonus 2012 £	Bonus 2011 £	Pension 2012 £	Pension 2011 £	Compensation for loss of office 2012 £	Compensation for loss of office 2011 £	Total 2012 £	Total 2011 £
L Genovese	**40,505**	–	–	–	–	–	–	–	**40,505**	–
A Jonker	**32,074**	–	–	–	–	–	–	–	**32,074**	–
JF Kenny	–	7,500	–	–	–	–	–	163,000	–	170,500
P Kenny	**121,500**	243,000	–	–	**12,150**	24,300	**464,849**	–	**598,499**	267,300
T Wilkes	**240,000**	60,000	**92,500**	–	**24,000**	6,000	–	–	**356,500**	66,000
A Ogilvie	**115,497**	23,334	–	–	–	2,333	**48,656**	–	**164,153**	25,667
MJ Hampton	**10,000**	20,000	–	–	–	–	**33,330**	–	**43,330**	20,000
J Kenny jnr	**10,000**	20,000	–	–	–	–	–	–	**10,000**	20,000
HCD Jenner-Clarke	–	7,500	–	–	–	–	–	86,101	–	93,601
WD Baxter	**7,500**	15,000	–	–	–	–	**27,500**	–	**35,000**	15,000
P Sobie	**23,562**	625	–	–	–	–	–	–	**23,562**	625
	600,638	396,959	**92,500**	–	**36,150**	32,633	**574,335**	249,101	**1,303,623**	678,693

The remuneration of key management personnel is shown in note 33.

8 Auditor's remuneration

	2012 Group £'000	2011 Group £'000
Audit of the Group's financial statements	**45**	49
Audit of accounts of associates of the company	**5**	8
Other assurance services	**7**	–
Taxation services	**12**	14
Other services	**4**	3
	73	74

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

9 Financial income

	2012 Group £'000	2011 Group £'000
Interest on cash balances	**16**	19
	16	19

10 Finance expense

	2012 Group £'000	2011 Group £000
Interest payable on loans	**260**	78
Interest payable on finance leases	**34**	113
Loss on derivative financial instruments	**109**	637
	403	828
Amounts capitalised into deferred development costs and plant and machinery	–	(75)
	403	753

11 Impairment of property, plant, equipment and intangible assets

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

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

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

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

12 Taxation

	2012 Group £'000	2011 Group £'000
Current tax	–	–
Deferred tax	**(413)**	317
Total tax for the year	**(413)**	317

12 Taxation continued

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

Factors affecting tax charge for the year
The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 25.5% (2011: 27.5%).

	2012 Group £'000	2011 Group £'000
Loss before tax	**(30,419)**	(3,013)
Tax on loss at standard rate of 25.5% (2011: 27.5%)	**(7,757)**	(829)
Income not taxable	**(129)**	(412)
Adjustments in respect of prior periods	**66**	166
Expenses not deductible for tax purposes	**2,569**	1,656
Adjustments to deferred tax not recognised	**4,838**	(601)
Other differences	–	337
	(413)	317

Factors that may affect the future tax charge
Deferred tax has not been provided in full in respect of temporary differences relating primarily to revenue losses, losses on derivative financial instruments and investment in property, plant and equipment as detailed in note 25 as there is insufficient evidence that the benefit of the losses will be recovered.

The tax charge in the future will be affected by the rate at which the Group generates profits and by the utilisation of existing losses within the relevant jurisdictions.

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

13 Loss per share
The calculation of the basic loss per share is based upon the net loss after tax attributable to ordinary shareholders of £24.597 million (2011: loss of £3.215 million) and a weighted average number of shares in issue for the year of 420,176,802 (2011: 264,731,812).

Diluted loss per share
The diluted loss per share in 2012 and 2011 is the same as the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has 10,895,000 potential issuable shares in respect of share options issued to employees (note 23).

14 Intangible assets

	Deferred exploration and evaluation Group £'000	Total Group £'000
Cost		
At 1 July 2010 – restated (note 28)	1,139	1,139
Acquisition of Kopane	38,926	38,926
Exchange difference	(575)	(575)
Transfer to tangible mining assets (note 15)	(38,875)	(38,875)
At 30 June 2011 and 2012	**615**	**615**
Amortisation and impairment		
At 1 July 2010	–	–
Charge for the year	–	–
At 30 June 2011	–	–
Charge for the year	–	–
Impairment charges (note 11)	615	615
At 30 June 2012	**615**	**615**
Net book value at 30 June 2012	–	–
Net book value at 30 June 2011	615	615
Net book value at 1 July 2010	1,139	1,139

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

15 Property, plant and equipment

	Mining property Group £'000	Plant and equipment Group £'000	Motor vehicles and other assets Group £'000	Total Group £'000
Cost				
At 1 July 2010	7,401	18,582	1,058	27,041
Acquisition of Kopane	206	1,327	97	1,630
Additions	9,526	8,054	457	18,037
Disposals	–	–	(13)	(13)
Transfer from intangible mining assets (note 14)	38,875	–	–	38,875
Exchange difference	1,594	1,084	38	2,716
At 30 June 2011	57,602	29,047	1,637	88,286
Additions	1,855	4,402	452	6,709
Increase environmental provision	875	-	-	875
Disposals	-	(43)	(69)	(112)
Exchange difference	(10,282)	(3,948)	(195)	(14,425)
At 30 June 2012	**50,050**	**29,458**	**1,825**	**81,333**
Accumulated depreciation				
At 1 July 2010	7,375	4,619	479	12,473
Charge for the year	25	1,114	252	1,391
Exchange difference	481	234	9	724
At 30 June 2011	7,881	5,967	740	14,588
Charge for the year	437	2,143	284	2,864
Disposals	-	-	(25)	(25)
Impairment charges (note 11)	10,169	2,995	–	13,164
Exchange difference	(2,287)	(1,138)	(79)	(3,504)
At 30 June 2012	**16,200**	**9,967**	**920**	**27,087**
Net book value at 30 June 2012	**33,850**	**19,491**	**905**	**54,246**
Net book value at 30 June 2011	49,721	23,080	897	73,698
Net book value at 1 July 2010	26	13,963	579	14,568

Additions of plant and equipment for 2011 include capitalised interest of £75,000 at capitalisation rates between 9.85% - 11.5%. Motor vehicles include vehicles held under finance leases with a net book value of £57,000 (2011: £185,000). Moveable plant and equipment amounting to £1,509,000 (2011: £1,137,000) is secured against interest-bearing borrowings.

16 Property, plant and equipment - Company

	2012 £'000	2011 £'000
Cost		
At 1 July	**32**	–
Additions	**64**	32
At 30 June	**96**	32
Depreciation		
At 1 July	**1**	–
Charge for the year	**19**	1
At 30 June	**20**	1
Net book value at 30 June 2012	**76**	**31**
Net book value at 30 June 2011	31	-

17 Investments in subsidiaries

	Company 2012 £'000	Company 2011 £'000
At 1 July	**101,420**	45,957
Additions Firestone Diamonds Limited	**25,895**	15,094
Acquisitions Kopane Diamond Developments Limited	–	40,369
Total investment in subsidiaries	**127,315**	101,420
Impairment of Firestone Diamonds Limited	**(73,970)**	–
At 30 June	**53,345**	101,420

The carrying amount of the Firestone Diamonds Ltd investment exceeds the corresponding recoverable amount of the property, plant and equipment value in its Botswana and South African subsidiaries, and is impaired and written down to the underlying assets recoverable amount.

At 30 June 2012, the Company held 100% (2011: 100%) of the ordinary shares of Firestone Diamonds Limited, a company incorporated in the British Virgin Islands, whose principal activity was that of a holding company. Firestone Diamonds Limited had the following subsidiary undertakings:

Subsidiary undertakings	Country	Business activity	Percentage of shares held by group %
Fortuna Investment Holdings Limited	British Virgin Islands	Dormant	100%
Asam Resources SA (Proprietary) Limited	South Africa	Diamond exploration and mining	100%
Cornerstone (RSA) Limited	British Virgin Islands	Dormant	100%
Surf Zone Diamonds (Proprietary) Limited [i]	South Africa	Diamond exploration and mining	100%
Oena Mine (Proprietary) Limited	South Africa	Diamond exploration and mining	87.5%
Kuboes Diamante (Proprietary) Limited	South Africa	Diamond exploration and mining	87.5%
African Star Minerals (Proprietary) Limited	South Africa	Diamond exploration and mining	74%
Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk [ii]	South Africa	Diamond exploration and mining	74%
Firestone Diamonds (Botswana) (Pty) Limited	Botswana	Diamond exploration and mining	100%
Daly City Ventures (Pty) Limited	Botswana	Diamond exploration and mining	51%
Monak Venture (Pty) Limited	Botswana	Diamond exploration and mining	90%
Kenrod Engineering (Pty) Limited [iii]	Botswana	Diamond exploration and mining	45%
Kopane Diamond Developments Ltd	United Kingdom	Holding Company	100%
Minegem Inc [iv]	Canada	Investment	100%
Liqhobong Mining Development Company (Pty) Limited [iv]	Lesotho	Diamond exploration and mining	75%
Becksham Corporation [iv]	Barbados	Investment	100%
Becksham Limited [iv]	British Virgin Islands	Investment	100%

i Held by Cornerstone (RSA) Limited.
ii Held by African Star Minerals (Proprietary) Limited.
iii Management and operational control through Firestone Diamonds Limited.
iv Held by Kopane Diamond Developments Limited.

Distributions by the Group's South African's subsidiaries are subject to exchange control approval in that country. All material subsidiaries are included in the consolidated financial statements. In the opinion of the directors, the aggregate value of shares in subsidiary undertakings is not less than the amount at which they are stated in these financial statements.

18 Inventories

	2012 Group £'000	2011 Group £'000	2010 Group £'000
Raw materials and consumables	**689**	371	–
Inventory – Uncut diamonds for sale	**1,331**	374	29
Ore stockpile	**372**	1,108	–
	2,392	1,853	29

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

19 Trade and other receivables

	2012 Group £'000	2011 Group £'000	2010 Group £'000	2012 Company £'000	2011 Company £'000
Trade receivables	**79**	303	–	–	–
Other receivables	**1,432**	2,166	548	–	–
Prepayments	**93**	10	465	**91**	–
	1,604	2,479	1,013	**91**	–

There were no receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above. The other receivables balances are categorised as loans and receivables.

20 Derivative financial instruments

Derivative financial instruments comprise of £nil (2011: £781,000) receivable in respect of derivative financial instruments that were entered into by Kopane as part of equity financing arrangements in 2010. Kopane issued shares in 2010 in exchange for the right to receive the proceeds of monthly swap settlements. Each settlement was determined by the Company's share price and by interest on the notional balance outstanding during the settlement period. Until the settlement of each swap the Company held the risk and reward of market movements. These derivative financial instruments were in situ when the Company acquired Kopane on 29 September 2010. Subsequent to this acquisition these arrangements were adjusted to reflect movements in the Company's share price in place of that of Kopane. The arrangement has been determined by calculating the discounted forecast cash flows by reference to the current share price on the relevant reference date. Movements in the value of these instruments are recognised in profit and loss. The discount rate used was 8%. The agreements expired in September 2011 and February 2012 respectively.

21 Cash and cash equivalents

	2012 Group £'000	2011 Group £'000	2010 Group £'000	2012 Company £'000	2011 Company £'000
Cash at bank and on hand net of bank overdrafts	**10,618**	4,256	5,645	**268**	280

Net cash and cash equivalents were represented by the following major currencies

	2012 Group £000	2011 Group £'000	2012 Company £'000	2011 Company £'000
British Pounds	**454**	280	**268**	280
US Dollars	**9,242**	–	–	–
Botswana Pula	**393**	3,070	–	–
South African Rand	**278**	338	–	–
Lesotho Maloti	**251**	568	–	–
Cash and cash equivalents	**10,618**	4,256	**268**	280

Cash deposits of £221,000 (2011: £263,000) included above are linked to bonds in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa (note 26). There is no material foreign exchange movement in respect of cash and cash equivalents. There is no significant difference between the fair value of the cash and cash equivalents and the values stated above.

22 Share capital

On 27 July 2011, the Company issued 48,649,000 ordinary shares of 20p each for cash proceeds of £12.8 million, net of expenses.

On 2 April 2012, the Company's existing ordinary shares of 20p each were sub-divided into one new ordinary share of 1p each and 19 deferred shares of 1p each. Immediately following the sub-division, the Company issued 172,900,000 new ordinary shares for cash proceeds of £14.3 million, net of expenses.

Each new ordinary share of 1p each has the same rights as the ordinary shares of 20p each. The deferred shares do not have any rights attaching, in particular they do not provide a right to receive notice, attend or vote at general meetings, or to receive dividends. They may be repurchased by the Company, in aggregate, for total consideration of £1.

22 Share capital continued

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

Firestone Diamonds Limited, a subsidiary company, has advanced funds to the Group's Employee Share Trust of £108,181. The Employee Share Trust holds 308,351 ordinary shares in Firestone Diamonds plc. These shares have not been allocated to any employees.

23 Equity-settled share option schemes

The Group and Company issue 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 through use of the Black-Scholes technique, at the date of grant. 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 and Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The inputs into the Black-Scholes model for the share option plans for the share options issued in the year are as follows:

	2012	2011
Weighted average share price	–	27p
Weighted average option exercise prices	–	27.5p
Expected volatility	–	43%
Expected option life	–	5 years
Risk-free interest rate	–	3%
Expected dividend yield	–	Nil
Fair-value of option granted in the year	–	11p

The calculation of the volatility of the share price was based on the Company's daily closing share price over the period from July 2006 to the date of grant.

Details of the total share options outstanding in respect of the Basic Share Option Scheme and the Performance-Related Share Option Scheme during the year are as follows:

	2012 Number of share options	**2012 Weighted average exercise price (pence)**	2011 Number of share options	2011 Weighted average exercise price (pence)
Outstanding at beginning of year	**11,435,000**	**24**	10,010,000	23
Granted during the year	–	–	1,425,000	28
Cancelled in the year	**(540,000)**	**27**	–	–
Outstanding at the end of the year	**10,895,000**	**23**	11,435,000	24
Exercisable at the end of the year	**10,165,000**	**23**	10,010,000	23

The options outstanding at 30 June 2012 have a weighted average contractual life of 3 years (2011: 4.3 years), These options have an exercise price of 20p to 41p (2011: a range of 20p to 41p).

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23 Equity-settled share option schemes continued

The options exercisable at 30 June 2012 have an exercise price of 20p to 41p. No options were exercised in the year.

	2012 Group £'000	2011 Group £'000
Charge for the year in profit and loss	**148**	13
Charge for the year capitalised	–	116
Total charge for the year	**148**	129

	2012 Company £'000	2011 Company £'000
Charge for the year in profit and loss	–	–
Charge for the year allocated to subsidiary companies	**148**	129
Total charge for the year	**148**	129

As at 30 June 2012, options granted under the Basic Share Option scheme were outstanding over a total of 4,015,000 (2011: 4,500,000) ordinary shares as follows:

Date of grant	Exercise period From	To	Share options held at 30 June 2012	Share options held at 30June 2011	Exercise price (pence)
2003/12/18	2004/12/18	2013/12/18	40,000	40,000	20.0
2004/04/08	2005/04/08	2014/04/08	1,000,000	1,000,000	20.0
2004/08/03	2005/08/03	2014/08/03	250,000	250,000	20.0
2004/12/22	2005/12/22	2014/12/22	500,000	500,000	20.0
2005/05/03	2006/05/03	2015/05/03	650,000	650,000	20.0
2006/09/13	2007/09/07	2016/09/13	70,000	75,000	20.0
2007/12/06	2008/12/06	2017/12/06	60,000	60,000	20.0
2007/12/19	2008/12/19	2017/12/19	150,000	150,000	20.0
2008/01/15	2009/01/15	2019/01/15	200,000	200,000	20.0
2008/01/22	2009/01/22	2019/01/22	–	150,000	20.0
2011/05/17	2012/05/17	2022/05/17	365,000	475,000	27.5
2011/05/17	2013/05/17	2022/05/17	365,000	475,000	27.5
2011/05/17	2014/05/17	2022/05/17	365,000	475,000	27.5
			4,015,000	4,500,000	

As at 30 June 2012, options granted under the Performance-Related Share Option Scheme were outstanding over a total of 6,880,000 (2011: 6,935,000) ordinary shares as follows:

Date of grant	Exercise period From	To	Share options held at 30 June 2012	Share options held at 30 June 2011	Exercise price (pence)
2003/04/08	2004/04/08	2013/04/08	1,085,000	1,085,000	20.0
2004/01/09	2005/01/09	2014/01/09	2,400,000	2,400,000	20.0
2004/01/21	2005/01/21	2014/01/21	1,360,000	1,360,000	41.0
2004/04/08	2005/04/08	2014/04/08	2,000,000	2,000,000	20.0
2009/12/04	2010/12/04	2019/12/04	35,000	90,000	32.0
			6,880,000	6,935,000	

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 2012 at the closing share price on 30 June 2012 of 5.65p per share was nil shares as a result of it trading below the exercisable price limit (2011: closing share price of 30p per share, dilutive shares 3,046,373 respectively).

23 Equity-settled share option schemes continued

Long-term incentive plan

The Company has established a Long-Term Incentive Plan (LTIP) for the benefit of senior management. The LTIP had 3,000,000 (2011: 3,000,000) shares available to participants at the start of the year, which have been allocated for the benefit of T Wilkes, a director of the company.
No additional shares have been allocated in the year. The Company is currently reviewing the performance conditions relating to the LTIP shares and also the number of additional shares to be allocated to other senior employees of the Group.

24 Interest-bearing loans and borrowings

Non-current	**2012 Group £'000**	2011 Group £'000	2010 Group £'000
Bank loans	**1,364**	2,646	1,071
Obligations under finance leases	**51**	90	122
	1,415	2,736	1,193

Current	**2012 Group £000**	2011 Group £000	2010 Group £000
Bank loans	**1,491**	2,326	1,129
Obligations under finance leases	**27**	36	39
	1,518	2,362	1,168

Bank loans in Botswana amounting to £2,855,000 (2011: £3,663,000) are secured by a first charge over the Group's shareholding in Monak Ventures (Pty) Limited with additional bank loans of £79,000 (2011:£414,000) being secured on plant and equipment held by the Group's subsidiaries in Botswana. Bank loans amounting to £nil (2011:£723,000) are secured over plant and machinery held by subsidiary companies in South Africa. The Company and certain of its South African subsidiary companies have entered into subordination agreements in respect of intra-group indebtedness to a maximum of ZAR25,000,000 (£1,936,000) in African Star Minerals (Proprietary) Limited and ZAR 40,000,000 (£3,098,000) in Surf Zone Diamonds (Proprietary) Limited in support of the bank loans taken out in South Africa.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at 30 June 2012 and the periods in which they mature or, if earlier, are repriced. Amounts shown for debt include both capital repayments and interest calculated at year-end rates. Standard Chartered interest rate is a floating rate, while First National Bank and Wesbank is fixed against the functional monetary interest rate of each country.

For 2012 the effective interest rates and repricing analysis was:

2012	Effective interest rate	Group Total £'000	Group Current £'000	Group 1–2 years £'000	Group 2–5 years £'000
Cash and cash equivalents	1.50%	10,618	10,618	–	–
First National Bank of Botswana	10,00%	(91)	(91)	–	–
Standard Chartered Bank Botswana	6.50%	(2,905)	(1,453)	(1,452)	–
Wesbank Botswana	11.50%	(92)	(35)	(35)	(22)
Wesbank South Africa	10.10%	(35)	(35)	–	–
		(3,123)	**(1,614)**	**(1,487)**	**(22)**

For 2011 the effective interest rates and repricing analysis was

2011	Effective interest rate	Group Total £'000	Group Current £'000	Group 1–2 years £'000	Group 2–5 years £'000
Cash and cash equivalents	1.50%	4,256	4,256	–	–
First National Bank of Botswana	10,00%	(440)	(240)	(200)	–
Standard Chartered Bank Botswana	6.50%	(4,209)	(1,486)	(1,403)	(1,360)
Wesbank Botswana	11.50%	(152)	(49)	(45)	(18)
Wesbank South Africa	10.10%	(140)	(92)	(48)	–
ABSA South Africa	9.85%	(614)	(614)	–	–
		(5,555)	(2,481)	(1,696)	(1,378)

The directors consider that there is no material difference between the book values and fair values of interest-bearing liabilities.

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for the year ended 30 June 2012

25 Deferred tax

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

	2012 Group £'000	2011 Group £'000	2012 Company £'000	2011 Company £'000
At 1 July	**(3,308)**	–	–	–
Movement in temporary differences recognised in income	**413**	(317)	–	–
Arising on acquisition of subsidiary	–	(3,013)	–	–
Exchange difference	**(419)**	22	–	–
At 30 June	**(3,314)**	(3,308)	–	–

The deferred tax liability comprises:

	2012 Group £'000	2011 Group £'000	2012 Company £'000	2011 Company £'000
Accelerated capital allowances	**(77)**	(1,103)	**(19)**	–
Temporary difference arising on acquisition of subsidiary	**(3,275)**	(3,013)	–	–
Tax losses	**16**	875	–	–
Other differences	**22**	(67)	**19**	–
	(3,314)	(3,308)	–	–

The directors do not anticipate that accumulated reserves of overseas subsidiaries at 30 June 2012 will be remitted to the UK in the foreseeable future. Accordingly, no provision has been made for deferred tax on these balances. The Group has unrecognised tax losses of approximately £72.2 million (2011: £49.7 million), and unrecognized accelerated capital allowances of £6.3 million (2011: £13.6 million).

26 Provisions

Rehabilitation costs	2012 Group £'000	2011 Group £'000
At 1 July	**1,745**	469
Arising from acquisition of Kopane	–	87
Raised in the year	**1,812**	1,154
Exchange difference	**(388)**	35
At 30 June	**3,169**	1,745
Disclosed as:		
Non-current	**3,169**	1,745
Current	–	–
	3,169	1,745

The following cash deposits are linked to bonds held by subsidiaries in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2004 of South Africa.

	Rand value	Sterling value £'000
African Star Minerals (Proprietary) Limited	156,864	12
Asam Resources SA (Proprietary) Limited	1,216,897	94
Kuboes Diamante (Proprietary) Limited	1,150,000	89
Surf Zone Diamonds (Proprietary) Limited	334,290	26
	2,858,051	221

Rehabilitation work is planned as an integral part of mining operations as land disturbed by mining is backfilled, and will include surface profiling of the backfilled areas at a later date. The financial implications of these activities are considered by the directors to be of minimal consequence and inseparable from the normal running costs of the operation. With the cessation of mining operations in South Africa the provision for rehabilitation is raised as a non-current liability. The amounts disclosed in respect of the rehabilitation provisions are not discounted. The deferred assets which arise have not been recognised. The cost of all other provisions has been expensed in the year or in prior years.

27 Trade and other payables

	2012 Group £'000	2011 Group £'000	2010 Group £'000	2012 Company £'000	2011 Company £'000
Trade payables	**2,951**	3,019	711	**66**	–
Amounts due to subsidiary companies	–	–	–	–	439
Tax and social security	**219**	263	6	–	–
Other payables	**940**	637	661	–	–
Accruals	**1,806**	1,278	1,896	**58**	143
	5,916	5,197	3,274	**124**	582

Amounts due to related parties are set out in note 33. £1,004,000 of the accrual value relates to termination benefits due to former directors. The directors consider that there is no material difference between the book values and fair values of trade and other payables.

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

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

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

The effect of the restatement of the 30 June 2010 and 30 June 2011 financial statements is set out below.

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

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

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

The line item affected was other operating expenses.

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

29 Financial instruments

In common with other businesses, the Group and Company (collectively the 'Group') is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes 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.

Substantive changes to the Group's exposure to interest-bearing indebtedness are disclosed in note 24.

Principal financial instruments

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

Group	2012 Group £'000	2011 Group £'000	2012 Company £'000	2011 Company £'000
Trade and other receivables	**1,511**	2,469	–	–
Derivative financial instruments	–	781	–	–
Cash and cash equivalents	**10,618**	4,256	**268**	280
Trade and other payables	**(5,697)**	(4,934)	**(124)**	(582)
Interest-bearing loans and borrowings	**(2,933)**	(5,098)	–	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

29 Financial instruments continued

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 retained full control over the Group's past investments in quoted securities and associated derivative financial instruments. 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 risks to which the Group is exposed and the policies adopted by the Board have not changed significantly in 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 and cash and cash equivalents. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements as shown below.

	2012 Group £'000	2011 Group £'000	**2012 Company £'000**	2011 Company £'000
Trade and other receivables	**1,511**	2,469	**–**	–
Derivative financial instruments	**–**	781	**–**	–
Cash and cash equivalents	**10,618**	4,256	**268**	280
	12,129	**7,506**	**268**	**280**

The derivative financial instruments were acquired with Kopane (see note 20 for further details). There were two derivative financial instruments, which expired in September 2011 and February 2012 respectively. It is not the intention of the Board to renew or conduct further investment in derivative financial instruments.

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

Liquidity risk
Liquidity risk arises from the Group's and Company's management of working capital and the amount of funding committed to its diamond exploration, evaluation and mine development programmes. It is a risk that the Group will encounter difficulties in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group and Company arise in respect of the ongoing exploration, evaluation and development programmes, building and commissioning mining plant, trade and other payables and the servicing of interest-bearing debt. Trade and other payables are all payable within six months.

The Board receives cash flow projections on a regular basis as well as information on cash balances. An effective interest rates and repricing analysis which indicates the cash outflows expected in respect of interest-bearing debt is disclosed in note 24.

Interest rate risk
The Group and the Company are exposed to interest rate risk in respect of interest-bearing loans and borrowings which are variable rate instruments. The Group and Company are also exposed to interest rate risk in respect of surplus funds held on deposit. The hedging arrangements in respect of the interest-bearing borrowings exist to manage interest rate risks.

Interest rate table
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit or loss before tax (through the impact on floating rate borrowings) and cash flows. There is no impact on the Group's equity.

29 Financial instruments continued

Group	**Change in rate**	**2012 £'000**	Change in rate	2011 £'000
Sterling equivalents	**-0.5%**	**30**	-0.5%	25
	-1.0%	**60**	-1.0%	51
	-1.5%	**91**	-1.5%	76
Sterling equivalent	**+0.5%**	**(30)**	+0.5%	(25)
	+1.0%	**(60)**	+1.0%	(51)
	+1.5%	**(91)**	+1.5%	(76)

Fair value of financial liabilities

	2012 Group £'000	2011 Group £'000
Bank loans and finance leases	**(2,933)**	(5,098)
Trade and other payables	**(5,697)**	(4,934)
	(8,630)	(10,032)

The fair value of the bank loans has been calculated at 30 June 2012 as the interest rate is a variable bank base rate plus a margin which management consider reflects current interest rates and current spreads for the entity. There is no difference between the fair value and book value of trade and other payables. The same process was adopted for the 2011 analysis.

Currency risk
The Group does not currently enter into forward exchange contracts or otherwise hedge its potential foreign exchange exposure.

As at 30 June 2012 the Group had interest-bearing liabilities of £2.933 million (2011: £5.098 million) arising from loans advanced to a subsidiary company in Botswana. The revenues from diamond sales made by the Group's subsidiaries are denominated in US dollars. The Group held no other significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2011: nil), other than a cash balance held in US Dollars of £9.2 million (2011: £nil). If the US Dollar was to appreciate against Sterling by 1%, this would increase the cash balance by £92,000.

Loans between companies which are members of the Firestone Diamonds 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 and Botswana subsidiary companies are considered to be part of the net investment by the Group in those subsidiaries.

The Company is exposed to a number of different currency risks between the Rand, Maloti, US Dollar and Pula. The Group values and sells its diamonds in US Dollars. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the US Dollar/Rand and Sterling/Rand rates.

The following significant exchange rates applied against the British Pound during the year:

	Average Rate		Balance Sheet Rate	
	2012	2011	**2012**	2011
South African Rand	**12.2723**	10.9857	**12.9134**	10.8796
Lesotho Maloti	**12.1549**	10.9901	**13.1539**	10.9096
Botswana Pula	**11.3040**	10.3829	**11.7334**	10.3074
US Dollar	**1.5961**	1.5544	**1.5989**	1.6033

The Group's expenses in Botswana, Lesotho and South Africa are incurred in Pula, Maloti and Rand respectively, so any weakening in the Pula, Maloti or Rand would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Pula, Maloti or Rand. The Company does not hedge its currency positions other than for short-term transfers of funds between currencies which are expected to be reversed within 12 months. The Board monitors and reviews its policies in this regard on a regular basis.

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 primary long-term objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital needs.

Details of the Group and Company capital are disclosed in the Group and Company statement of changes in equity and in note 22, and details of interest-bearing borrowings are given in note 24.

There have been no other significant changes to the Group's management objectives, policies and processes in the year nor has there been any change in what the Group considers to be capital.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

30 Operating lease commitments

	Land and buildings 2012 Group £'000	Land and buildings 2012 Company £'000	Land and buildings 2011 Group £'000	Land and buildings 2011 Company £'000	Plant and machinery 2012 Group £'000	Plant and machinery 2012 Company £'000	Plant and machinery 2011 Group £'000	Plant and machinery 2011 Company £'000
Within 1 year	**138**	**96**	147	96	**125**	–	225	–
Between 1& 2 years	**138**	**96**	138	96	**74**	–	125	–
Between 2 & 5 years	**279**	**186**	417	282	–	–	74	–
	555	**378**	702	474	**199**	–	424	–

There is no material difference between the fair value of these commitments shown and the values disclosed.

31 Post-balance sheet events
No significant events have been recognised after the reporting period other than the allotment of 1,339,285 ordinary shares to Mr P Kenny in July 2012 as part of his compensation for loss of office.

On 25 October 2012 the company published the results of its SAMREC compliant Definitive Feasibility Study for the Liqhobong Diamond Project in Lesotho. Further details are provided in the project overview on pages 14 and 15.

32 Capital commitments
At 30 June 2012, the Group had contracted capital commitments of £nil (2011: £nil) and approved but not contracted capital commitments of £1,440,000 (2011: £4,927,000). There were no capital commitments outstanding at 30 June 2012 for the company (2011: £nil).

33 Related-party transactions
At 30 June 2012 the amount of undrawn fees specific to individual Directors was:

	2012 Group £'000	2011 Group £000
P Kenny	**713**	393
MJ Hampton	**38**	73
H Jenner-Clark	–	21
J Kenny	**60**	50
T Wilkes	**30**	6
P Sobie	**8**	–

£150,000 of the balance due to P Kenny has been settled by a post year-end share issue as detailed in note 31. The balance is payable in 18 monthly instalments. The amounts due to other individuals are payable on demand. None of the above amounts carry interest. The Group has advanced funds to its Employee Share Trust of £nil (2011: £108,181). Directors' emoluments are shown in note 7.

Key management personnel, excluding Directors, received the following emoluments from the Group through companies in which they have an interest in the year:

	2012 Group £'000	2011 Group £000
Salary and fees	**462**	296
Share-based payments	–	129
	462	425

In the year the Company increased its investment in Firestone Diamonds Limited by £25,895,00 (2011: £15,094,000) to provide funds for onward investment in the Group's operations in the Southern Africa region. Firestone Diamonds Limited increased its funding to Group companies within that region by £14,265,000 (2011: £16,002,000). Details of the Company's subsidiary undertakings are shown in note 17.

The Company provided various subordinations in respect of inter-group debt to the secured loan providers as disclosed in note 24.

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