

27 March 2017



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

Unaudited Interim Results for the six months to 31 December 2017

Firestone Diamonds plc, the AIM-quoted diamond mining company, is pleased to announce its unaudited interim results for the six months ended 31 December 2017 ("H1 2018" or the "Period").

HIGHLIGHTS FOR THE PERIOD

LIQHOBONG DIAMOND MINE ("Liqhobong", the "Project" or the "Mine")

- Zero lost time injury record maintained, with over 5.3 million man hours worked
- Liqhobong commenced commercial production from 1 July 2017
- Approval of a revised mining plan based on maximising cash flow in the near term
- 1.9 million tonnes treated in the six months to 31 December, ahead of the 3.6 million tonne per annum target
- 379,716 carats recovered, including the recovery of the largest diamond to date, a 134 carat gem-quality light yellow diamond
- Average value per carat of US\$74 achieved in the first half
- Cash operating cost per tonne treated (including waste) of US\$11.97
- 1.5 million waste tonnes stripped, slightly ahead of the 2.8 million tonnes required by the revised mine plan in 2018

FINANCIAL

- Revenue of US\$26 million
- Cash of US\$8.8 million generated from operations
- Loss for the Period of US\$7.8 million (H1 2017: US\$8.8 million)
- Loss per share of 2.2 cents (H1 2017: 2.0 cents)
- Successful US\$25 million equity raise in December in conjunction with ABSA debt restructuring
- Cash balance at 31 December 2017 of US\$29.7 million

POST PERIOD

- In February, subsequent to the period end, the Group held its first sale of 2018 when all 114,887 carats on offer were sold at an average value of US\$82 per carat realising total sale proceeds of US\$9.4 million.
- ECIC approval in relation to the ABSA debt restructuring received subject to final documentation and signature.

Stuart Brown, Chief Executive Officer of Firestone, commented:

"In our first six months of full scale production at Liqhobong, processing rates were above expectations, while costs continued to remain below our targeted levels. To address the lower than expected diamond values, we announced a revised mine plan at the end of the period, which is designed to maximise cash flow in the shorter term while we address diamond value recoveries.

"The Company entered the second half of the financial year on a strong financial footing, having raised US\$25.0 million at the end of the period, while also proposing revised terms on its credit facility, as it embarks on its revised mining plan.

“With the strong retail season and the conservative sales volumes from all the major producers towards the end of 2017, we have seen a very encouraging start to 2018 for the rough market, with our first sale of the calendar year realising an average value of US\$82 per carat.

“We look forward to updating shareholders in the next quarter on our diamond recovery initiatives and the improving market conditions for the diamond sector.”

For further information, please visit the Company’s website or contact:

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Background information on Firestone

Firestone is an international diamond mining company with operations focused in Lesotho. Firestone commenced commercial production in July 2017 at the Lihobong Diamond Mine in Lesotho.

Lesotho is emerging as one of Africa's significant new diamond producers, hosting Gem Diamonds' Letseng Mine, Firestone's Lihobong Mine and Namakwa Diamonds' Kao Mine.

For more information please visit: www.firestonediamonds.com

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

OPERATIONAL REVIEW FOR THE 6 MONTH PERIOD ENDING 31 DECEMBER 2017

Introduction

Once again, it was pleasing that we achieved all of our production performance targets without a single Lost Time Injury, which is an exceptional achievement.

It should be noted that the comparative figures provided in these unaudited interim financial statements are based on the accounting which applied to operations prior to commercial production being achieved. As a result all income and expenditure related to the operation in the comparative periods was capitalised to the cost of the asset in the statement of financial position. By contrast, since commercial production was established at Lihobong on 30 June 2017, these interim results present all income and expenditure items in the consolidated statement of comprehensive income.

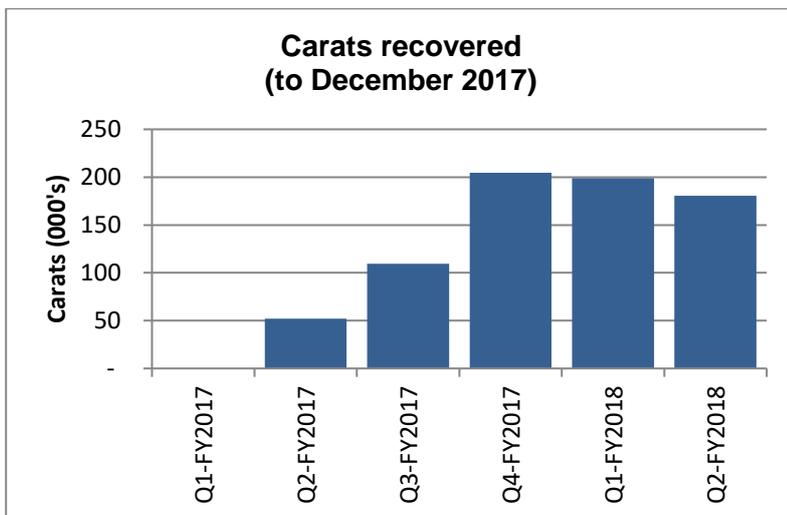
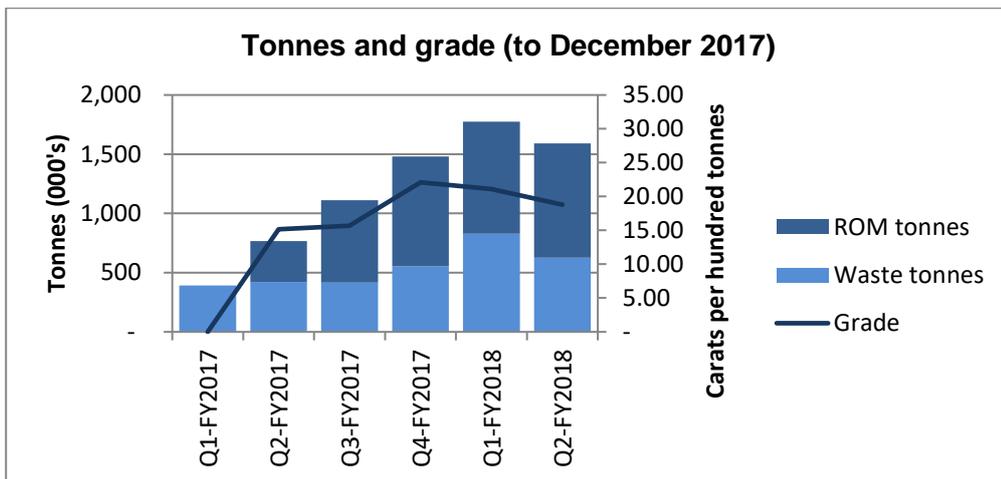
Summary

| | Q1 | Q2 | HY2018 | Q1 | Q2 | HY2017 |
|-----------------------------------|-----------|-----------|-----------|---------|---------|-----------|
| Mining | | | | | | |
| Ore tonnes | 944,582 | 963,213 | 1,907,795 | - | 343,618 | 343,618 |
| Waste tonnes | 861,331 | 626,742 | 1,488,073 | 392,339 | 421,839 | 814,178 |
| Total tonnes mined | 1,805,913 | 1,589,955 | 3,395,868 | 392,339 | 765,457 | 1,157,796 |
| | | | | | | |
| Total tonnes treated | 944,582 | 963,213 | 1,907,795 | - | 343,618 | 343,618 |
| | | | | | | |
| Carat recovered (carats) | 199,007 | 180,709 | 379,716 | - | 51,898 | 51,898 |
| Grade (carats per hundred tonnes) | 21.1 | 18.8 | 19.9 | - | 15.1 | 15.1 |
| | | | | | | |
| Revenue | | | | | | |
| Diamonds sold (carats) | 195,330 | 156,942 | 352,272 | - | - | - |
| Revenue (US\$m) | 13.5 | 12.5 | 26.0 | - | - | - |
| Price achieved (US\$/ct) | 69 | 80 | 74 | - | - | - |

Production

Commercial production commenced at Lihobong from 1 July 2017. Consequently, this is the first complete reporting period during which the plant operated at steady state. During the period, a total of 3.4 million tonnes was mined, 1.9 million tonnes of ore and 1.5 million tonnes of waste. The Mine treated 1.9 million tonnes, 61% from the lower grade K2 material in the pit which included some dilution, 20% from K5, 17% from K4 and the remaining 2% from historic low grade stockpiles.

The production plant operated above expectation, achieving an average throughput rate of 522 tonnes per hour (tph) compared to an expected 500tph. The engineering department achieved a plant utilisation rate of 83%, ahead of the target of 81%.



During the period, 379,716 carats were recovered, 199,007 in Q1 and 180,709 in Q2. In the prior year, the grade increased steadily over the ramp-up period to the end of June 2017. During the half year to December 2017, the grade decreased as expected from 21.1 cpht in Q1 to 18.8 cpht in Q2 as a result of lower grade ore blocks that were scheduled to be mined for that period. An increase in grade is expected in the second half of FY2018 as mining moves to the higher grade ore.

Since commencement of the mining operations in late 2016, a combination of lower than expected average diamond values realised at sale, and earlier waste stripping prompted a revision of the original 15 year mine plan.

During the period, the Company approved a revised mine plan based on a shorter 9 year mine life aimed at maximising cash flow in the near term whilst retaining optionality to revert to the original longer life of mine plan should the average diamond values increase or should there be an improvement in market conditions. The revised mine plan requires 76.0 million fewer waste tonnes to be mined which will reduce costs significantly.

The Group was successful in raising US\$25.0 million in December 2017 which, together with proposed revised terms from ABSA bank, provide the Group with sufficient resources to continue mining according to the revised mine plan. ABSA's proposed revised terms have been agreed and are only subject to final documentation and signature, both of which are expected to be concluded in Q4-FY2018.

Diamond sales

A total of 352,272 carats were sold during the four sales held in the period for total proceeds of US\$26.0 million, and included Liqhobong's second >US\$1 million stone. The first two sales achieved an average value of US\$69 per carat due to the lower than expected occurrence of better quality diamonds recovered, and a generally weaker market. In the second quarter an improvement in market conditions, when very competitive bidding was seen on the lower category run of mine diamonds and particularly strong demand was experienced for the fancy yellow diamonds offered, resulted in a higher average diamond value achieved for the final two sales of US\$80 per carat, increasing the average value realised for the period to US\$74 per carat.

Operating costs

Cash operating costs of US\$11.97 per tonne treated were lower than guidance of between US\$12 and US\$14 per tonne treated despite local currency strength, where the Lesotho Maloti appreciated 4% against the dollar from LSL12.89:US\$1 to LSL12.34:US\$1. The local currency strength resulted in higher than expected costs in US dollar terms, however, continued careful cost management throughout the period resulted in cost savings which offset the higher costs resulting from the stronger local currency.

| | HY2018 | FY2017 |
|---|---------------|---------------|
| | | |
| Unit costs (US\$) | | |
| Direct cash costs (before waste) per tonne treated | 9.21 | 10.05 |
| Direct cash costs (including waste) per tonne treated | 11.97 | 12.26 |
| Operating costs per tonne treated (including depreciation and amortisation) | 13.56 | 16.35 |
| | | |
| Unit costs (Maloti) | | |
| Direct cash costs (before waste) per tonne treated | 124.22 | 136.88 |
| Direct cash costs (including waste) per tonne treated | 158.26 | 167.03 |
| Operating costs per tonne treated (including depreciation and amortisation) | 178.32 | 222.70 |

Cashflow

During the period, the Group generated US\$8.8 million from operations. An increase in working capital of US\$4.7 million was due to lower creditor balances and a higher value of diamond inventory on hand at the end of the period. Liqhobong spent US\$7.5 million on capital expenditure which comprised US\$5.3 million on waste stripping, US\$1.7 million on the residue tailings facility and US\$0.5 million on stay in business expenditure. Total net expenditure of US\$3.4 million was funded from opening cash.

During the period, the Group raised a net US\$15.6 million which included net proceeds of US\$24.0 million from the US\$25 million capital raise and US\$2.0 million from the Standby Facility which were offset by capital and interest payments of US\$10.4 million in respect of the ABSA debt facility. The Group ended the period with a cash balance of US\$29.7 million.

Conclusion

During its first six months of commercial production, the Mine maintained its exemplary safety record which is an aspect that receives our constant attention. At the corporate level, Firestone completed its US\$25 million capital raise in December in conjunction with a restructuring of the ABSA debt facility which has now received ECIC approval and remains subject only to final documentation and signature. The financial impact of the restructuring, as previously disclosed in the 1 December 2017 announcement, remains the same in all material respects.

The funds raised together with the revised debt terms place the Group on a sound financial footing, with the ability to realise its revised mine plan that maximises near term cashflows. With this financing completed, the Group has sufficient headroom from its cash on hand and available debt facilities to continue to operate for the foreseeable future which also takes into account the short-term strength in the local currency which has resulted in a 10% increase in operating costs for January .

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2017

(Unaudited)

| | 6 months ended 31 December 2017 Unaudited US\$'000 | 6 months ended 31 December 2016 Unaudited US\$'000 | Year ended 30 June 2017 Audited US\$'000 |
|--|--|--|---|
| Revenue | 24 953 | - | - |
| Cost of sales | (23 415) | - | - |
| Gross Profit | 1 538 | - | - |
| Other income | 443 | 408 | 1 232 |
| Total administrative expenses | (5 940) | (3 560) | (130 472) |
| Selling and distribution | (637) | - | - |
| Other administrative expenses | (957) | (150) | (518) |
| Impairment charge | - | - | (122 602) |
| Amortisation and depreciation | (1 252) | (1 121) | (2 316) |
| Share-based payments | (1 464) | (467) | (1 268) |
| Care and maintenance | - | (245) | (534) |
| Corporate expenses | (1 630) | (1 577) | (3 234) |
| Loss before finance charges and income tax | (3 959) | (3 152) | (129 240) |
| Finance income | 67 | 218 | 460 |
| Finance costs | (6 427) | (1 205) | (1 235) |
| Loss before tax | (10 319) | (4 139) | (130 015) |
| Taxation credit/(charge) | 2 569 | (4 636) | (21 664) |
| Loss after tax for the period | (7 750) | (8 775) | (151 679) |
| Loss after tax for the period attributable to: | | | |
| Owners of the parent | (7 180) | (6 253) | (116 411) |
| Non-controlling interest | (570) | (2 522) | (35 268) |
| Loss after tax for the period | (7 750) | (8 775) | (151 679) |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit and loss | | | |
| Exchange gains on translating foreign operations net of tax | 5 540 | 16 974 | 29 878 |
| Profit on cash flow hedges | 349 | 1 454 | 1 498 |
| Other comprehensive income | 5 889 | 18 428 | 31 376 |
| Total comprehensive (loss)/income for the period | (1 861) | 9 653 | (120 303) |
| Total comprehensive (loss)/income for the period attributable to: | | | |
| Owners of the parent | (2 790) | 7 618 | (92 475) |
| Non-controlling interests | 929 | 2 035 | (27 828) |
| Total comprehensive (loss)/income for the period | (1 861) | 9 653 | (120 303) |
| Loss per share | | | |
| Basic loss per share (US cents) | 5 | (2.2) | (36.9) |
| Diluted loss per share | | | |
| Diluted loss per share (US cents) | 5 | (2.2) | (36.9) |

Consolidated Statement of Financial Position

As at 31 December 2017

(Unaudited)

| | Note | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|--|------|--|--|-------------------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 6 | 119 859 | 214 676 | 118 590 |
| Deferred tax | 7 | 6 627 | 18 057 | 3 761 |
| Loan receivable | | - | 3 002 | - |
| Total non-current assets | | 126 486 | 235 735 | 122 351 |
| Current assets | | | | |
| Inventories | 8 | 9 961 | 6 859 | 6 420 |
| Trade and other receivables | | 3 001 | 4 002 | 3 590 |
| Other financial assets | | - | 39 | - |
| Cash and cash equivalents | | 29 688 | 3 346 | 17 053 |
| Total current assets | | 42 650 | 14 246 | 27 063 |
| Total assets | | 169 136 | 249 981 | 149 414 |
| EQUITY | | | | |
| Share capital | 9 | 166 094 | 163 538 | 163 557 |
| Share premium | | 190 056 | 166 469 | 167 349 |
| Reserves | | (14 280) | (31 727) | (20 089) |
| Accumulated losses | | (252 587) | (135 294) | (245 452) |
| Total equity attributable to equity holders of the parent | | 89 283 | 162 986 | 65 365 |
| Non-controlling interests | | (41 265) | (12 823) | (42 194) |
| Total equity | | 48 018 | 150 163 | 23 171 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 10 | 99 169 | 68 137 | 79 734 |
| Provisions | | 4 566 | 3 588 | 4 233 |
| Total non-current liabilities | | 103 735 | 71 725 | 83 967 |
| Current liabilities | | | | |
| Borrowings | 10 | 285 | 14 610 | 23 057 |
| Other financial liabilities | | 24 | 418 | 357 |
| Trade and other payables | | 16 625 | 12 632 | 18 472 |
| Provisions | | 449 | 433 | 390 |
| Total current liabilities | | 17 383 | 28 093 | 42 276 |
| Total liabilities | | 121 118 | 99 818 | 126 243 |
| Total equity and liabilities | | 169 136 | 249 981 | 149 414 |

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2017

(Unaudited)

| | Share capital | Share premium | Warrant reserve | Merger reserve | Hedging Reserve | Share-based payment reserve | Translation reserve | Accumulated losses | Total | Non-controlling interest | Total equity |
|---|----------------|----------------|-----------------|----------------|-----------------|-----------------------------|---------------------|--------------------|------------------|--------------------------|------------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Balance at 31 December 2016 (Unaudited) | 163 538 | 166 469 | 7 609 | (1 614) | (478) | 4 943 | (42 187) | (135 294) | 162 986 | (12 823) | 150 163 |
| Profit for the period | - | - | - | - | - | - | - | (110 158) | (110 158) | (32 570) | (142 728) |
| Foreign currency translation differences | - | - | - | - | - | - | 9 610 | - | 9 610 | 3 213 | 12 823 |
| Profit on cash flow hedges | - | - | - | - | 455 | - | - | - | 455 | (14) | 441 |
| Total comprehensive loss for the period | - | - | - | - | 455 | - | 9 610 | (110 158) | (100 093) | (29 371) | (129 464) |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Issue of ordinary shares | 19 | 880 | - | - | - | - | - | - | 899 | - | 899 |
| Share-based payment transactions | - | - | - | - | - | 1 573 | - | - | 1 573 | - | 1 573 |
| Total contributions by and distributions to owners | 19 | 880 | - | - | - | 1 573 | - | - | 2 472 | - | 2 472 |
| Balance at 30 June 2017 (Audited) | 163 557 | 167 349 | 7 609 | (1 614) | (23) | 6 516 | (32 577) | (245 452) | 65 365 | (42 194) | 23 171 |
| Loss for the period | - | - | - | - | - | - | - | (7 180) | (7 180) | (570) | (7 750) |
| Foreign currency translation differences | - | - | - | - | - | - | 4 128 | - | 4 128 | 1 412 | 5 540 |
| Profit on cash flow hedges | - | - | - | - | 262 | - | - | - | 262 | 87 | 349 |
| Total comprehensive loss for the period | - | - | - | - | 262 | - | 4 128 | (7 180) | (2 790) | 929 | (1 861) |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Issue of ordinary shares | 2 537 | 23 683 | - | - | - | - | - | - | 26 220 | - | 26 220 |
| Share issue expense | - | (976) | - | - | - | - | - | - | (976) | - | (976) |
| Share-based payment transactions | - | - | - | - | - | 1 464 | - | - | 1 464 | - | 1 464 |
| Share-based payment lapse/reversals | - | - | - | - | - | (45) | - | 45 | - | - | - |
| Total contributions by and distributions to owners | 2 537 | 22 707 | - | - | - | 1 419 | - | 45 | 26 708 | - | 26 708 |
| Balance at 31 December 2017 (Unaudited) | 166 094 | 190 056 | 7 609 | (1 614) | 239 | 7 935 | (28 449) | (252 587) | 89 283 | (41 265) | 48 018 |

Consolidated Statement of Cash Flows
For the six months ended 31 December 2017
(Unaudited)

| | 6 months ended 31 December 2017 Unaudited US\$'000 | 6 months ended 31 December 2016 Unaudited US\$'000 | Year ended 30 June 2017 Audited US\$'000 |
|--|--|--|---|
| Cash flows from operating activities | | | |
| Loss before taxation | (10 319) | (4 139) | (130 015) |
| Adjustments for: | | | |
| Impairment charge | - | - | 122 602 |
| Depreciation, amortisation and impairment | 11 222 | 1 121 | 2 316 |
| Effect of foreign exchange movements | - | (250) | - |
| Equity-settled share-based payments | 1 464 | 467 | 1 268 |
| Changes in provisions | 60 | (88) | (11) |
| Finance cost | 6 427 | 1 205 | 1 235 |
| Finance income | (67) | (218) | (460) |
| Net cash flows from/(used) in operating activities before working capital changes | 8 787 | (1 902) | (3 065) |
| Increase in inventories | (3 186) | (6 589) | (5 714) |
| Decrease/(increase) in trade and other receivables | 870 | 21 | (648) |
| (Decrease)/increase in trade and other payables | (2 390) | (2 106) | 5 696 |
| Net cash flows from/(used in) operating activities | 4 081 | (10 576) | (3 731) |
| Cash flows used in investing activities | | | |
| Additions to property, plant and equipment | (7 545) | (19 919) | (31 158) |
| Net cash used in investing activities | (7 545) | (19 919) | (31 158) |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares | 25 000 | - | - |
| Share issue expense | (976) | - | - |
| Increase in borrowings | 2 000 | 25 000 | 44 000 |
| Repayment of borrowings | (8 125) | - | (1 509) |
| Finance cost | (2 326) | (1 583) | (462) |
| Finance income | 67 | 32 | 73 |
| Net cash from financing activities | 15 640 | 23 449 | 42 102 |
| Net increase/(decrease) in cash and cash equivalents | 12 176 | (7 046) | (7 213) |
| Cash and cash equivalents at beginning of period | 17 053 | 10 282 | 10 282 |
| Exchange rate movement in cash and cash equivalents at beginning of period | 459 | 110 | (442) |
| Cash and cash equivalents at end of period | 29 688 | 3 346 | 17 053 |

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Notes to the condensed Group interim financial statements

For the six months ended 31 December 2017

(Unaudited)

1. Accounting Policies

Basis of preparation

Firestone Diamonds plc (the “Company”) is a company domiciled in the United Kingdom and is quoted on the AIM market of the London Stock Exchange. The unaudited condensed interim financial statements of the Company for the six months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in diamond mining and exploration in southern Africa. The audited consolidated financial statements of the Group for the year ended 30 June 2017 are available upon request from the Company’s registered office at The Triangle, 5-17 Hammersmith Grove, London W6 0LG or at www.firestonediamonds.com.

Statement of compliance

These unaudited condensed interim financial statements of the Group for the six months ended 31 December 2017 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the European Union (IFRSs) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Group’s latest audited financial statements for the year ended 30 June 2017.

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group’s consolidated annual financial statements for the year ended 30 June 2017. The auditors’ opinion on those statutory Annual Report and Accounts was unqualified. The auditor’s report did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The comparative figures presented are for the six months ended 31 December 2016 and the year ended 30 June 2017.

Going concern

The board has considered the going concern assumption for a period of at least 12 month from the scheduled date of release of these interim results.

The directors have reviewed cashflow forecasts for the Group which have been prepared using a number of key assumptions, and which includes the impact of a restructuring of the ABSA debt facility as previously reported, which is currently only subject to final documentation and signature. The directors recognise that the cash flow forecasts are based on certain forward looking assumptions, which, if not achieved individually or in aggregate, could result in actual results being materially different to those forecast. The key assumptions include average diamond price, operating cost per tonne treated, and exchange rates, in particular, the Lesotho Maloti (pegged to the South African Rand) against the United States dollar. Having reviewed the key assumptions and the cash flow forecasts, which include the impact of the proposed ABSA debt restructuring, the Directors are confident that the existing cash resources together with the remaining balance of US\$8.0 million available under the Standby Facility are sufficient to enable the Group to fund its

operational requirements, for a period of at least twelve months from the date of approval of this Interim report. On this basis, the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

The condensed group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2. Revenue

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|---------------|--|--|-------------------------------------|
| Diamond sales | 25 990 | - | - |
| Royalties | (1 037) | - | - |
| | 24 953 | - | - |

3. Finance cost

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|---|--|--|-------------------------------------|
| Interest paid on borrowings | 5 675 | 294 | 394 |
| Unwinding of discount on rehabilitation liability | 155 | 86 | 278 |
| Foreign exchange adjustments on cash balances | 597 | 825 | 563 |
| | 6 427 | 1 205 | 1 235 |

4. Taxation

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|------------------------------|--|--|-------------------------------------|
| Current tax | - | - | (2 998) |
| Deferred tax credit/(charge) | 2 569 | (4 636) | (18 666) |
| | 2 569 | (4 636) | (21 664) |

Factors affecting the tax charge for the year

The reasons for the difference between the actual tax charge and the standard rate of corporation tax of 20% (2016: 20%) in the United Kingdom applied to the loss for the year are as follows:

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|--|--|--|-------------------------------------|
| Loss before tax | (10 319) | (4 139) | (130 015) |
| Tax on loss at standard rate of 20% (2016: 20.00%) | (2 064) | (828) | (26 003) |
| Effect of tax in foreign jurisdictions | 2 532 | 4 828 | 354 |
| Foreign exchange adjustment on effective interest rate on borrowings | 290 | (231) | 1 423 |
| Recognition of previously unrecognised deferred tax assets | - | - | 472 |
| Withholding tax credits relinquished | - | - | 1 273 |
| Expenses not deductible for tax purposes | 67 | 10 | - |
| Adjustments to deferred tax not recognised | (3 394) | 857 | 44 145 |
| | (2 569) | 4 636 | 21 664 |

5. Loss per share

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|---|--|--|-------------------------------------|
| Loss for the period | (7 180) | (6 253) | (116 411) |
| Weighted average number of shares used in basic loss per share | | | |
| Opening balance | 315 161 224 | 312 097 242 | 310 377 720 |
| Effect of shares issued during the Period | 7 557 788 | 823 170 | 4 783 504 |
| Closing balance | 322 719 012 | 312 920 412 | 315 161 224 |
| Dilutive effect of potential ordinary shares | - | - | - |
| Weighted average number of ordinary shares in issue used in diluted loss per share | 322 719 012 | 312 920 412 | 315 161 224 |
| Basic loss per share (US cents) | (2.2) | (2.0) | (36.9) |
| Diluted loss per share (US cents) | (2.2) | (2.0) | (36.9) |
| Non-dilutive potential ordinary share | 88 415 347 | 64 327 026 | 82 516 077 |

As a result of the loss for the current and previous period all potentially issuable shares are considered anti-dilutive. The Company has a further 23 313 589 (H1 2017: 15 540 589) potentially issuable shares in respect of share options issued to employees and 65 101 758 (H1 2017: 48 786 437) potentially issuable shares in respect of warrants issued to strategic investors as at 31 December 2017.

6. Property, Plant and Equipment

Property, plant and equipment increased by US\$1.3 million for the period. The increase is as a result of capitalised expenditure and additions of US\$7.5 million, the movement in the ZAR:US\$ exchange rate resulting in increase in value in US dollar terms of US\$5.0 million, offset by a depreciation and amortisation charge of US\$11.2 million.

The additions comprise capitalisation of waste stripping cost of US\$5.3 million, capitalisation of cost in respect of the construction of the residual storage facility of US\$1.7 million and US\$0.5 million of other additions.

7. Deferred tax

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

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|--|--|--|-------------------------------------|
| Opening balance | 3 761 | 20 248 | 20 248 |
| Movement in temporary differences recognised in income | 2 569 | (4 636) | (18 666) |
| Exchange differences | 297 | 1 735 | 3 052 |
| Income tax credits | - | 710 | (873) |
| | 6 627 | 18 057 | 3 761 |

The deferred tax asset/(liability) comprises:

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|---|--|--|-------------------------------------|
| Accelerated capital allowances | (25 777) | (47 882) | (25 250) |
| Provisions | 758 | 567 | 698 |
| Borrowings | (1 527) | (2 498) | (1 980) |
| Losses available for offsetting against future taxable income | 36 063 | 69 427 | 33 185 |
| Income tax credits available for offsetting against future taxable income | - | 1 583 | - |
| Temporary difference arising on acquisition of subsidiary | (2 890) | (3 140) | (2 892) |
| | 6 627 | 18 057 | 3 761 |

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

Deferred tax assets and deferred tax liabilities relating to the same tax authorities have been disclosed as a net asset or liability.

The Group has unrecognised tax losses of approximately US\$199.5 million (H1 2017: US\$52.2 million), of which US\$152.2 million relates to the Lihobong Mine, US\$35.6 million to the BK11 Mine and US\$11.7 million to the Group's corporate entities in the UK and South Africa.

8. Inventories

| | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|------------------------|--|--|-------------------------------------|
| Diamond inventory | 6 883 | 5 577 | 4 237 |
| Spares and consumables | 3 078 | 1 282 | 2 183 |
| | 9 961 | 6 859 | 6 420 |

9. Share capital

| | Number of Shares | | | Nominal value of shares | | |
|---|--|--|------------------------------------|--|--|--|
| | 31 December 2017 Unaudited '000 | 31 December 2016 Unaudited '000 | 30 June 2017 Audited '000 | 31 December 2017 Unaudited US\$'000 | 31 December 2016 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
| Allotted, called up and fully paid | | | | | | |
| Ordinary shares | | | | | | |
| Opening balance | 317 472 | 312 575 | 312 575 | 3 590 | 3 526 | 3 526 |
| Issued during the period | 187 642 | 3 312 | 4 897 | 2 537 | 45 | 64 |
| Closing balance | 505 114 | 315 887 | 317 472 | 6 127 | 3 571 | 3 590 |
| Deferred shares | 7 388 642 | 7 388 642 | 7 388 642 | 159 967 | 159 967 | 159 967 |
| TOTAL | 7 893 756 | 7 704 529 | 7 706 114 | 166 094 | 163 538 | 163 557 |

Shares issued during the period ending 31 December 2017 were in respect of:

- On 21 December 2017 the Company issued 184 842 884 new ordinary shares of 1 pence each at a premium of 9 pence per share. The funds were raised to sustain operations at a lower than initially expected average diamond value of US\$75 per carat; and
- During the period 1 096 208 and 1 702 986 new ordinary shares of 1 pence each was issued in respect of the quarterly interest due on the Series A Eurobonds.

10. Borrowings

| 31 December 2017 US\$'000 | ABSA debt facility | Series A Eurobonds | Series B Eurobonds | Other loans | Total |
|---|-----------------------|-----------------------|-----------------------|----------------|-----------------|
| Capital amount | | | | | |
| At 1 July | 81 007 | 30 000 | 5 000 | 1 551 | 117 558 |
| Additions | - | - | 2 000 | - | 2 000 |
| Foreign exchange adjustments | - | - | - | 65 | 65 |
| Interest capitalised | - | - | 247 | - | 247 |
| Capital repayments | (8 001) | - | - | (124) | (8 125) |
| At 30 December | 73 006 | 30 000 | 7 247 | 1 492 | 111 745 |
| Finance cost to be amortised over the life of the instrument | | | | | |
| At 1 July | (7 884) | (6 583) | (300) | - | (14 767) |
| Finance cost | 1 776 | 647 | 53 | - | 2 476 |
| At 30 December | (6 108) | (5 936) | (247) | - | (12 291) |
| At amortised cost | 66 898 | 24 064 | 7 000 | 1 492 | 99 454 |
| Non-current liabilities | 66 898 | 24 064 | 7 000 | 1 207 | 99 169 |
| Current liabilities | - | - | - | 285 | 285 |
| Total | 66 898 | 24 064 | 7 000 | 1 492 | 99 454 |
| 30 June 2017 | | | | | |
| US\$'000 | ABSA debt facility | Series A Eurobonds | Series B Eurobonds | Other Loans | Total |
| Capital amount | | | | | |
| At 1 January | 68 400 | 30 000 | - | - | 98 400 |
| Additions | 14 000 | - | 5 000 | 1 456 | 20 456 |
| Foreign exchange adjustments | - | - | - | 212 | 212 |
| Capital repayments | (1 393) | - | - | (117) | (1 510) |
| At 30 June | 81 007 | 30 000 | 5 000 | 1 551 | 117 558 |
| Finance cost to be amortised over the life of the instrument | | | | | |
| At 1 January | (8 437) | (7 216) | - | - | (15 653) |
| Additions | (10) | - | (300) | - | (310) |
| Finance cost capitalised to property, plant and equipment | 563 | 633 | - | - | 1 196 |
| At 30 June | (7 884) | (6 583) | (300) | - | (14 767) |
| At amortised cost | 73 123 | 23 417 | 4 700 | 1 551 | 102 791 |
| Non-current liabilities | 50 307 | 23 417 | 4 700 | 1 310 | 79 734 |
| Current liabilities | 22 816 | - | - | 241 | 23 057 |
| Total | 73 123 | 23 417 | 4 700 | 1 551 | 102 791 |

Capital repayments on the ABSA debt facility excludes the December capital repayment of US\$5.2 million, which cleared shortly after month end.

The Group is currently awaiting final documentation of the revised terms agreed by ABSA bank as well the revised facility agreement.

11. Commitments and contingent liabilities

At 31 December 2017 the Group had no capital commitments or contingent liabilities.

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