

**Firestone Diamonds plc**

**Annual Report and Accounts for the year ended 30 June 2015**

# 2015

## HIGHLIGHTS

**Project on budget of US\$185.4 million**

**Earthworks nearing completion**

**Civil and plant construction commenced**

**LIQHOBONG DIAMOND RESOURCE**  
(sum of Indicated and Inferred Resource)

**23m CARATS**

**IN-SITU VALUE**  
(base case un-escalated)

**US\$3.0bn**

### LIQHOBONG MINE DEVELOPMENT PROJECT

- 892,318 zero Lost Time Injury hours recorded during the year
- On schedule for completion in Q4 2016
- Project fully funded through to production ramp up
- Project completion at 29% at year-end

### FINANCIAL

- Capital investment of US\$82.9 million in the Liqhobong Mine Development Project during the year
- Group net loss decreased to US\$10.4 million (2014: US\$11.2 million loss)
- Eurobond debt facility of US\$30.0 million available to the Group
- ABSA Project Debt Facility of US\$82.4 million available to the Liqhobong Mine Development Project
- Over run facility of US\$15.0 million available to the Liqhobong Mine Development Project

### RESTRUCTURING

- Conditional agreement entered into for the disposal of the Groups Botswana assets for US\$8.0 million
- Sale of South African alluvial assets concluded for US\$0.2 million

### OUTLOOK

- Focused on completing the Project within budget by Q4 2016
- Becoming a 1 million carats per annum producer

## **Chairman's statement**

This has been a period of tremendous progress for the Company and our flagship Liqhobong Diamond Mine (“Liqhobong”, “the Project” or “the Mine”) in the Kingdom of Lesotho (“Lesotho”). If last year can be characterised as the year in which we successfully concluded the financing arrangements for the project, this year can be seen as the period in which we not only broke ground at site but moved into full scale construction mode. The speed at which the Company was able to mobilise at site and begin earthwork and construction activities post financing, was a result of several years of planning and I congratulate Stuart Brown and his team on their approach to ensuring the Project started so swiftly.

We have worked hard in difficult terrain and the first year of construction is now behind us. At the time of writing construction is 49% complete and we remain on track to meet the revised timeline of first production in the fourth quarter of next year. Once in full production, Liqhobong is expected to produce one million carats a year with the potential for large stones, placing it in the mid-tier of diamond mines globally, a goal which we remain entirely focused on reaching.

On 1 May 2015, the Board was further strengthened by the appointment of Mr Keith Johnson (as Non-executive Director nominated by Resource Capital Funds VI L.P.). Keith has considerable experience in the mining sector and I look forward to his valuable contribution to the Group.

### *Operations*

Every large project comes with its challenges but it is how you manage each situation that provides the platform for future success. I have been thoroughly impressed with the team's approach and attitude in managing the unforeseen challenges the Company has experienced since construction began in July 2014. It is important to remember Liqhobong's remote location, nature of terrain and the adverse weather conditions that have impacted construction activities. We were unfortunately reminded of the latter in November 2014, just after the major earthworks had commenced, when Liqhobong received double the average rainfall in a matter of a few days. The team, led by the extremely capable Chief Project Officer, Glenn Black, worked tirelessly to ensure the impact on the construction schedule was minimised. However, the increased level of overburden that had to be removed from the primary crusher and plant terraces led to an unavoidable change in the timetable. While any delay is unwelcome, I am pleased to confirm that despite the increased cost of the Project in ZAR terms to, in aggregate, ZAR2.1 billion, as a result of, inter alia, the revised Project schedule, the US Dollar cost of the Project remains within the Project's original US\$185.4 million budget. With the initiatives introduced by the Project team to recover lost time, I am pleased to report that the critical earth works are complete and the civil and plant construction has now

commenced. Each month the Company uploads images to illustrate the process at site on Firestone's website: [www.firestonediamonds.com/media](http://www.firestonediamonds.com/media).

I am also pleased to confirm that the grid power project for Liqhobong has been completed well ahead of schedule, on budget and that the mine has now been connected to the national grid. This represents an important milestone for the Group as it will allow Liqhobong to use grid power on site during construction earlier than planned, thus realising a small saving.

The newly appointed Government of Lesotho, elected at the end of February 2015, is now in position. We were delighted to host the Minister of Mines and senior government officials at site in September 2015 and we remain fully committed to working alongside the Government with a continued strong positive relationship.

#### *Botswana*

In 2014 Firestone commenced a disposal process for all its assets in Botswana and in July 2015, just after our financial year-end, the Company announced it had entered into a conditional agreement for the disposal of these operations, including the BK11 mine, to Tango Mining Limited ("Tango") for a total cash consideration of US\$8.0 million. Subsequent to year-end, on 2 October 2015, Tango formally requested an extension of time regarding the second tranche of a deposit that was payable on 30 September 2015 of US\$0.3 million. We are in discussions with Tango and still anticipate the agreement will be finalised in early 2016 and following conclusion of this process, the Company will be focussed solely on its flagship asset, the Liqhobong Diamond Mine.

#### *Financial*

The Project finances are well managed and controlled by our Chief Financial Officer, Grant Ferriman, who keeps careful control on all Project costs and overheads. The Project expenditure remains within the original US\$185.4 million budget. Using hedges and the deterioration of the South African Rand against the US Dollar, Firestone has managed to fund the Project acceleration and delay cost overrun within the original budget.

Once again I would like to extend my sincere thanks to the management team for their efforts and commitment to constructing the Project, whose sole focus is clearly on delivering the Project to the revised schedule on time and on budget. I look forward to updating shareholders on our construction activities during the coming year as we near completion of construction and prepare for commencement of production.

**Lucio Genovese**

Non-Executive Chairman

5 October 2015

## **Strategic report**

### **Introduction to strategy**

Firestone is a diamond development company focused on bringing its principal asset, the Liqhobong Diamond Mine (“Liqhobong”) in the Kingdom of Lesotho (“Lesotho”), into production during Q4 2016.

Liqhobong is owned 75% by Firestone with the Government of Lesotho holding the remaining 25%. The diamond deposit was first discovered in the late 1950s and over the past 60 years it has been through a series of feasibility studies and trial mining phases which, due to various reasons, did not reach funding success. In 2010, Firestone acquired its 75% interest and successfully completed all the required work to finalise a detailed definitive feasibility study (“DFS”) and subsequently raised the necessary funds to begin building the Project in 2014.

Liqhobong is on schedule to commence production during Q4 2016. At full production, Liqhobong will produce 1 million carats per annum, which would place it in the mid-tier of diamond mines globally.

In Botswana, Firestone holds a 90% interest in the BK11 diamond mine, a low-grade high-value mine, currently under care and maintenance. In July 2015 Firestone entered into a conditional agreement, which is yet to be completed, for the disposal of its Botswana operations, including its interest in the BK11 mine, to Tango Mining Limited (TSXV: TGV).

### **Our vision**

Firestone’s vision is to become a mid-tier diamond producer and preferred trusted partner of choice by all of its stakeholders and local communities alike.

### **Our strategy**

Firestone’s strategy to become a mid-tier diamond producer, producing one million carats a year, is based on:

- It’s African operating experience  
We have a strong team of highly experienced industry executives who have an in depth understanding of project execution, diamond mining and the sector.
- Skills development

We create in-country skills and capacity through careful recruitment of citizen employees who are then trained and deployed in front-line positions, thereby realising the skills transfer requirements for our partner, the Government of Lesotho.

- **Trusted expertise**

By demonstrating that our actions mirror our words, we will become the preferred investment vehicle for investors and partners in Africa.

- **High quality management**

The formation of a highly skilled and experienced management team, which is able to execute mine construction projects and operate mines to ensure the Company's planned returns are realised for all stakeholders.

### **Risk review**

Firestone's current activity is the successful execution of the Liqhobong Mine Development Project (the "Project") in Lesotho. The Project entails the construction and commissioning of a new main treatment plant capable of treating 500 tonnes per hour, as well as the required infrastructure to ensure that the mine successfully operates over its planned life and once built, operates at the designed specification to deliver the anticipated returns.

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

The following risks have been identified as the main risks that potentially impact on the Company achieving its goals.

### **Strategic risk**

#### **Retention of key personnel**

The Company is heavily reliant on a small group of key staff to achieve its objectives.

#### *Responsibility*

The Board carries the responsibility through its Executive Directors, the Remuneration Committee and the Nomination Committee to ensure appropriate remuneration structures are

adequate to attract and retain staff with the required skills and experience to ensure that the project and operational requirements are met.

*Mitigation*

Firestone believes that it has mitigated this risk by implementing competitive remuneration structures and practices to attract the appropriate individuals to the team. Furthermore the team and employees have been given the authority to fulfil their potential and have been empowered to achieve the desired results.

**External risk**

**Country and political risk**

Liqhobong is situated in Lesotho and BK11 in Botswana, both southern African countries. Whilst Botswana has been politically stable over its history the same is not true for Lesotho. Lesotho is currently experiencing a period of political instability. This is not uncommon in emerging markets which can be subject to greater volatility and political risk.

*Responsibility*

The responsibility for managing this risk lies with the executive management.

*Mitigation*

The Firestone team has extensive experience of operating in southern Africa. The Company keeps in close contact with representatives of the Government in Lesotho to ensure it keeps abreast of all political and regulatory developments. In relation to Lesotho, the political developments in 2015 have not materially disrupted the Company's operations directly but they have caused uncertainty which is being managed as closely as possible under the circumstances and will continue to be monitored.

**Operational risks**

**Health, safety, environmental and community risk**

Failure to comply with any of the legislative or social requirements would cause a delay or suspension of the Company's operational activities in Lesotho or Botswana.

*Responsibility*

The Executive Directors and the Safety, Health, Environment and Corporate Social Responsibility Committee.

*Mitigation*

Firestone is establishing its operational footprint in Lesotho and has been very thorough in the execution of its strategy in engaging with the local community in Liqhobong as well as local and central government representatives to manage expectations and requirements. These relationships are maintained and monitored on a regular basis.

**Project delivery risk**

Firestone is reliant on the Project's construction being executed and completed on time and on budget with initial production to commence during Q4 2016. Should the Company not achieve the completion on time and on budget, this will possibly impact on the Group's ability to complete the project with existing cash and debt facilities, which could result in a further cash requirement.

*Responsibility*

The Executive Directors and the Chief Project Officer.

*Mitigation*

The Company has assembled an experienced team, members of which have a track record of successful project delivery in the diamond industry.

The engineering, procurement and contract management partner also has extensive experience in the diamond industry and importantly, a history of working in the Lesotho Highlands.

The Project design has been selected to mitigate time overruns and is closely monitored and measured by the Project Management Steering Committee.

The Group has a US\$15 million overrun facility in place which has been provided by Resource Capital Fund VI L.P. in full.

### **Financial risk**

The Company raised, what it believes to be sufficient funding, through a combination of debt and equity, to fund the Group through to the production ramp up. A project cost overrun or delay in commissioning could lead to a further funding requirement.

#### *Responsibility*

The Executive Directors, the Audit Committee and the senior management.

#### *Mitigation*

Management has prepared detailed capital expenditure plans and budgets for the construction phase of the Project and whilst these have been carefully considered, it is often the case that actual expenditure can differ from that which is budgeted. The Company has implemented a detailed cash and expenditure monitoring system to ensure that expenditure remains within approved capital and contingency budgets. Cash flow planning is continually updated to take into account historic cash outflow against budget, exchange rate movements as well as budget shifts. The Audit Committee considers cash flow forecasts on a regular basis to ensure that the Company is adequately funded. Project spending is tightly controlled and managed.

### **Currency risk**

The Company is exposed to currency risk as a result of its operations in various jurisdictions which includes Lesotho, South Africa, Botswana and the UK. The most substantial currency risk for the Group relates to the Project costs which are incurred in South African Rand (“Rand”) and Lesotho Maloti (“Maloti”), which is pegged to the Rand, from funds raised through a combination of US Dollars (“USD”) or (“US\$”) and Pounds Sterling (“GBP”) or (“£”). Should the Rand, which is a volatile emerging market currency, strengthen against the US\$ or £ beyond the rates budgeted, the Group could have a potential funding shortfall.

#### *Responsibility*

The Executive Directors and the Audit Committee.

#### *Mitigation*

The Company monitors the movement of the Rand against the US\$ and £ on a daily basis. By applying the Company’s hedging policy, a number of hedging contracts were entered into during financial year, thereby reducing the risk to an acceptable level at this stage of the Project.

## **Chief Executive Officer's review**

### *Liqhobong and the Project*

The 2015 financial year has been a year where our focus has been almost exclusively on the construction and delivery of the Project in Lesotho. The equity and debt funding was successfully secured by the end of the 2014 financial year, allowing Firestone to sign all the relevant contracts and begin the construction phase of the Project. Project team recruitment was finalised by early November 2014 and the team has now formed into a highly motivated and effective unit, driving the Project towards successful completion. The Group employed a total of 55 full time employees and 550 contractors on the Project as at 30 June 2015.

The Project began during June 2014 with the major contractors responsible for the earth works and the construction of the water management and residue storage facility starter wall establishing their site operations. Construction and earthworks began in earnest late in July 2014. Contracts worth US\$104 million were signed at the beginning of the financial year and 73% of the Engineering, Procurement and Construction Management budget was committed to secure financial certainty against the US\$185 million budget.

So far, our safety performance has been outstanding and we are very pleased to report that we have had no lost time injuries to date. This is exceptional when taking into account the nature of the terrain, the adverse weather conditions and the number of contractors we have working on site. The million lost time injury free man hours worked target was achieved shortly after the year-end, a milestone that we are extremely proud of. We remain committed to our target of zero harm.

Whilst the Project was initially able to get ahead on a number of work streams before the start of the 2014/2015 summer rainy season, above average rainfall experienced at critical times of the earthworks hampered progress, and together with an increase in the quantity of overburden to be removed from the primary crusher and plant terraces, as previously announced, has resulted in the civil work programme being extended by six months. Accordingly, the Company now expects initial production to occur during Q4 of 2016 as opposed to the end of H1 2016 as previously indicated.

The additional work required to achieve the revised project schedule is forecast to cost ZAR156 million which will be funded from the Project's surplus cash generated from realised foreign exchange gains, savings on the grid power project, and from contingency reserves included in the original project budget of US\$185.4 million.

Despite the increase in ZAR cost of the Project to, in aggregate, ZAR2.1 billion, the US Dollar cost of the Project remains well within the Project's original US\$185.4 million budget.

Accordingly, the Project continues to be fully funded through to production ramp up, with the Group, having finalised all of the outstanding conditions required to drawdown of the Absa US\$82.4 million project finance facility (the “Facility”). The Group has drawn down its first monies under the Facility in September 2015.

During the year we were also pleased to complete the restructuring of the existing US\$30 million mezzanine financing with Resource Capital Fund VI L.P. (“RCF”) and Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II (“Pacific Road”), through the issue of Eurobonds, of which US\$20 million was drawn down subsequent to the year-end. In addition, we also put in place a US\$15 million standby facility with RCF, to fund any potential cost over-runs or delays in respect of the Project, to satisfy one of the remaining conditions of the Facility.

The Project team has been working hard to seek to recapture some of the time lost to the delays and acceleration plans have been investigated and are being implemented as additional work crews are deployed. This work will carry on throughout the remainder of 2015 and into 2016.

Critical earthworks are now complete and we are progressing with the civil and plant construction at a stable and established site. Measured against the original delivery schedule the Project was 29.1% complete against the plan of 45.0% at the end of June 2015. Taking the revised schedule into account, that allows for the delay of up to six months to the original schedule, at the end of September 2015 we are at 49% complete compared to the 50% required target.

#### *Grid power project*

The grid power project for Liqhobong has been completed on schedule and having been connected to the national grid is undergoing final commissioning. This is an important milestone for the Group as it will allow Liqhobong to use grid power on site during construction earlier than planned, thus reducing the diesel generating costs and realising a small saving.

Apart from the early availability of grid power, the Company has been able to significantly reduce its cost of delivering the grid power project by involving Storm Mountain Diamonds, the owners of the Kao Mine in Lesotho, which neighbours Liqhobong. The capacity of the line is sufficient to cater for the expected maximum demand requirements of both mines. Whilst the cost of the project has increased from the original budget of ZAR165 million to a total of ZAR189 million to extend the line over the mountain to Kao Mine, Storm Mountain Diamonds has agreed to contribute half of the costs of the revised total project resulting in a saving of ZAR70.5 million to the Company.

### *Project optimisation*

During 2014 we stated that we would be reviewing internally the key inputs of the Project's definitive feasibility study ("DFS"), originally completed in October 2012 and updated in November 2013, to further improve the economics of the Project and review execution risks and mitigate these where necessary. I am pleased to report that we have now completed the three key work streams, with the proposed changes now reflected in the long-term business plan. The first work stream was to recalibrate the existing Diamond Resource and Reserve estimates which included the exclusion of the boart carats and increasing the bottom cut off ("BCO") from 1mm to 1.25mm, to align to the new treatment plant's BCO which was determined as being optimal during the DFS. As detailed below, this has obviously resulted in a reduction in Diamond Resource and Diamond Reserve estimates from 29.1 million carats and 11.4 million carats to 23.1 million carats and 9.5 million carats respectively. The mine plan has been completely reviewed to see if it could be optimised and pleasingly we have managed to adjust the early years of the mine plan to reduce the waste stripping requirements compared to the initial concentric design. The third work stream was to create a new refined long term mine plan for Liqhobong. All cost areas were re-calculated and the resultant zero based model has also been completed. The new plan incorporates some additional necessary risk mitigation capital and working costs but has benefited from the weakening of the Lesotho Maloti, which is pegged to the Rand, against the US Dollar. Overall, taking into account the revised mine plan for Liqhobong but with a significantly de-risked operational start up and delivery, the returns show an improvement when compared to the 2013 DFS. Project NPV has increased from US\$379 million to US\$389 million at an 8% discount rate, and the IRR has increased from 30% to 42%. The 2015 mine plan is however post financing whereas the 2013 DFS was pre-financing.

All the work executed during 2015 by the motivated owner's team has been to ensure the Project is successfully concluded and that the desired returns are achieved.

The Project remains robust and when complete and in full production both Firestone and Government of Lesotho shareholders will have cause to be satisfied with the economic and social benefits that Liqhobong will deliver.

During the financial year there was a change of Government in Lesotho. In February 2015 a new coalition was formed after the elections were held some three years earlier than planned. The relationships with the new key stakeholders within Government are being built and I believe that with time will deliver the required support and understanding needed to ensure the project is successful.

*Diamond Resource and Reserve update for Liqhobong*

*Diamond Resource*

As set out above, as part of the optimisation of the life of mine plan, we undertook further work and commissioned an independent Competent Person to update the 2009 SAMREC compliant Diamond Resource estimate for Liqhobong. The new Diamond Resource reflects a number of changes, which include a new geological model with reduced volumes at depth due to the pipe tapering, the removal of the boart carats, as the Company is focusing on gem diamonds, an increase in the BCO to 1.25mm from 1mm, to reflect the new treatment plant's BCO, and depletions as a result of the pilot plant production which was closed in October 2013.

This process started with a detailed re-logging of the main pipe borehole core, enabling the construction of a new 3D geological solid model for the Project. As part of the re-logging exercise, new density measurements were also collected which allowed for a local block estimate of density for the first time. The previous grade estimate was also based on the wide diameter holes drilled during 2008 but has now been updated to exclude the boart component. The US Dollar per carat ("US\$/ct") diamond revenue estimates have also been updated. The independent work, undertaken in accordance with the SAMREC guidelines (2009), estimated that Liqhobong's main pipe contains:

- an Indicated Diamond Resource to a depth of 2,467 metres above sea level ("masl") (183 metres below surface), estimated to comprise 9.5 million carats ("mct") in 35 million tonnes ("mt") of kimberlite at an average grade of 27 carats per hundred tonnes ("cpht"); and
- an Inferred Diamond Resource below 2,467 masl, estimated to contain 13.5 mct in 48 mt at an average grade of 28 cpht.

**SAMREC compliant Diamond Resource statement for Liqhobong Main Pipe as at 30 September 2015 (including Reserves)**

Diamond Resource Category	Depth from and to	DIAMOND RESOURCE				
		Volume in m <sup>3</sup> (millions)	Specific Gravity (tonnes/m <sup>3</sup> )	Metric Tonnes (Millions)	Grade (cpht)	Carats (Millions)
Indicated	Surface (2,650 masl) to 2,467 masl	13.547	2.61	35.364	27	9.533
Inferred	2,467 masl to 2,127 masl	18.135	2.65	48.064	28	13.553
Total diamond resource		31.682	2.63	83.428	28	23.086

The above Diamond Resource is stated at a 1.25mm bottom cut-off.  
The weighted average diamond price per carat is estimated at US\$132/ct.  
Tonnes are metric tonnes and totals are rounded.

The 22% carat reduction in the total Diamond Resource from 2009 is mainly a result of the reduced volume due to the new geological model and the pipe tapering at depth, the removal of the boart carats, the increase in the BCO to 1.25mm from 1.0mm and depletions due to the pilot plant.

#### *Diamond Reserve*

The derivation of a new Diamond Resource and block model provided us with the opportunity to compile a new life of mine plan for Liqhobong. After signing off of the relevant operating and economic assumptions and modifying factors, a Whittle pit optimisation study was conducted by independent Competent Persons for both concentric and split shell mine designs. A split shell design was selected as the most optimal mine plan. Based on this work, a Diamond Reserve statement was prepared in accordance with SAMREC guidelines (2009), to update the existing 2012 Diamond Reserve. The 2015 Probable Diamond Reserve contains some 9.5 mct in 36 mt at an average recovered grade of 26.4 cpht. In addition to the Probable Diamond Reserve, the 2015 split shell mine plan also assumes the mining of a portion of the Inferred Diamond Resource totalling some 17 mt and 4.7 mct.

#### **SAMREC compliant Diamond Reserve statement for the Liqhobong Main Pipe as at 30 September 2015**

Diamond Reserve Category	Depth from and to	DIAMOND RESERVE		
		Metric tonnes (millions)	Grade (cpht)	Carats (Millions)
Probable	Surface (2,650 masl) to 2,467 masl	36.046	26.4	9.523
Total diamond reserve		36.046	26.4	9.523

The above Diamond Reserve is stated at a 1.25mm bottom cut-off.  
The weighted average diamond price per carat is estimated at US\$131/ct.  
Reserve tonnes and grade include dilution as a result of external waste.  
Tonnes are metric tonnes and totals are rounded.

The 16% carat reduction in the Diamond Reserve from 2012 is predominantly due to the reduction in the Diamond Resource described above.

Further detailed information on the Diamond Resource and Diamond Reserve, which have been prepared in accordance with SAMREC guidelines (2009), can be found within the Company's internal Technical Report, which will shortly be available on the Company's website. The internal Technical Report does not constitute a Competent Persons Report as defined in the AIM Rules.

#### *Diamond market*

The diamond market over the last 12 months has been difficult with rough prices coming under pressure in all markets as the global economic situation has been challenging, especially towards the middle of 2015 when weaker economic data came out of China. The supply demand fundamentals of the diamond industry are still favourable when taking a medium to long term view and, in time, the stability and steady growth in prices that we all desire will return. The major producers have acknowledged the challenges facing the industry and over the coming 18 months we hope to see a steady improvement, as rectifying actions are taken to normalise the industry. Retail growth remains key to the success of the diamond industry and while China has certainly slowed down, when compared to its phenomenal growth experienced between 2010 and 2013, it remains a very large growth market that will help drive future demand for diamond jewellery. I remain convinced that being part of an industry where long term demand is forecast to out strip supply is far better than being a participant in an industry where supply is capable of being increased dramatically to meet demand.

#### *Botswana*

As reported in 2014, Firestone has pursued a structured disposal process for all of its assets in Botswana. Shortly after the end of the financial year the Group entered into a conditional agreement for the disposal of all of the Botswana operations to Tango Mining Limited, a TSX listed mining company, for a total consideration of US\$8.0 million in cash. We are currently in discussions with Tango following a request to extend the timetable although we still anticipate the disposal being finalised in early 2016. The conclusion of this process will ensure that Firestone is exclusively focussed on its flagship asset, Liqhobong.

#### *Conclusion*

The 2015 financial year has been extremely successful for Firestone, we have a fully funded project that is well run and well managed by an experienced team. We are confident that we will be able to meet our deadlines with the ongoing help and support of our partners The Government of Lesotho, our contractors and finally our shareholders who all play an important part in the future success of the Company.

The successful commissioning of Liqhobong in 2016 is expected to place Firestone in the mid-tier of diamond producing mines globally. I am very pleased that we have assembled the right team at Firestone that will help shape the future of the Company for years to come.

**Stuart Brown**

Chief Executive Officer

5 October 2015

## **Safety, health, environment and community**

### *Safety*

At the end of the 2015 financial year there were a total of 600 people working on the Liqhobong Mine Diamond Project of which around 80% were Basotho nationals. Firestone appointed DRA as the lead EPCM contractor to manage all construction activities and sub-contractors and be responsible for the safety management system on the site. It is gratifying to report that at the end of June 2015, the Project has recorded a total of 892,318 Lost Time Injury (“LTI”) free man-hours worked since inception. This is a remarkable achievement given the challenges faced by Liqhobong’s remote location and the adverse weather conditions endured in November 2014. As at the end of July 2015, the Company had exceeded its one million LTI free man-hour milestone and as at the end of August 2015 had achieved 1.3 million LTA man hours.

The safety management system encourages a culture of incident and near miss reporting, which are categorised according to potential severity and actioned accordingly. All non-lost time injuries (first aid cases) are thoroughly investigated and preventative actions put in place as appropriate.

### *Health*

The health of its employees and contractors is of the utmost importance to Firestone. Accordingly, a temporary clinic for Liqhobong’s construction phase was built and is staffed by a qualified paramedic. Firestone has also purchased a fully equipped ambulance that can be used to transport patients to the nearest hospital if required. For serious injuries a helicopter casevac is in place. The clinic’s monthly statistics are analysed for trends and appropriate actions are taken as required.

A new fully equipped clinic is currently under construction and due for completion during the 2016 financial year. The new clinic will employ a full time medical practitioner, two paramedics and two occupational nurses.

### *Environment*

A comprehensive Environmental and Social Impact Assessment (“ESIA”) was conducted during 2012 by an independent consultant to understand the baseline conditions prior to construction of the Project and to recommend mitigation actions. Based on the ESIA, Firestone compiled an Environmental Management Plan (“EMP”) that was submitted to the Lesotho Department of Environment (“DoE”). The DoE issued an Environmental Clearance Certificate for the expansion project during August 2102.

At an operational level, Firestone's environmental focus is on waste management, water monitoring, incident reporting, auditing and reporting. The Company enforces waste segregation at source which allows for the separation and collection of recyclable and hazardous material to be removed by accredited service providers.

Water samples are collected twice a month and analysed for bacterial and chemical content. Water sampling points include drinking water sources and points as well as upstream and downstream points. The results are compared against the South African National Standards ("SANS") and all anomalies are investigated and actioned. Due to the construction activity and heavy rainfalls experienced during the rainy season, the increased turbidity of downstream rivers as a result of sedimentation has been a concern. This was addressed recently by the construction of a settling dam downstream of the mine.

### *Community*

A full Social Impact Assessment ("SIA") including community census and qualitative and quantitative interviews was carried out as part of the 2012 ESIA. Aside from this, extensive stakeholder interviews were carried out at national and local levels and the public and local communities were involved through the public consultation meetings.

As a result of the Project, 28 families in the adjacent Liqhobong village were identified for voluntary relocation elsewhere within the village. Firestone is constructing new houses as agreed with the affected families, with the principle of like-for-like replacement. The relocation programme will be concluded during the 2016 financial year.

Given the impact of the construction work at Liqhobong, Firestone acknowledges that securing clean water for the adjacent villages is paramount. To date Firestone has secured three springs in the villages to ensure access clean drinking water which are supplemented by three 10,000 litre water tanks installed by Firestone. Currently five more springs are being rehabilitated and two more tanks installed to be completed during September 2015.

As a result of the construction activities and especially the construction of the new six kilometre access road to the mine, the adjacent villages have experienced some damage to cropland and property as a result of overburden removal. A total of Maloti 109,000 has been paid out as compensation for these damages. In addition the farmers that have incurred permanent loss of crop land area as a result of the new road have been paid out an amount of Maloti 172,572 during the financial year.

Firestone is in the process of finalising its Corporate Social Responsibility ("CSR") strategy in consultation with relevant government ministries and the affected communities. An important aspect of the CSR strategy is to address the issue of community compensation for the loss of communal grazing land and resource use once a portion of the mining lease is fenced in.

## Financial review

Results for the year ended 30 June 2015 reflect the Group's focus on the Project and the initiatives to further streamline the Group. Operations during the year under review were substantially different to the prior year. The prior year included operating results from the Lihobong pilot plant which produced for the first four months of the year, before being placed on care and maintenance in October 2013 pending completion of the funding package in respect of the Project, which was achieved towards the end of the 2014 financial year.

For reasons mentioned above, the previous financial year's results are not a meaningful comparison. Commentary on each of the pro-forma statements is therefore aimed at providing additional insight into the results for the period under review rather than to draw direct comparisons against the results of the preceding year.

## Statement of profit and loss

US\$ million	LMDC		BK11 <sup>a</sup>		CORP		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Revenue</b>	-	3.9	-	-	-	-	-	3.9
Cost of sales	-	(8.5)	-	-	-	-	-	(8.5)
<b>Operating loss excluding depreciation</b>	-	(4.6)	-	-	-	-	-	(4.6)
Administrative expenses	<b>0.5</b>	1.8	-	-	-	-	<b>0.5</b>	1.8
Care and maintenance expenses	-	0.8	<b>0.5</b>	0.6	-	-	<b>0.5</b>	1.4
Corporate expenses	-	-	-	-	<b>3.6</b>	3.4	<b>3.6</b>	3.4
Depreciation and amortisation	-	-	-	-	<b>0.1</b>	0.1	<b>0.1</b>	0.1
Impairment losses	-	-	<b>2.6</b>	-	-	-	<b>2.6</b>	-
Share-based payments	-	-	-	-	<b>0.8</b>	0.5	<b>0.8</b>	0.5
Rehabilitation provision	-	-	<b>0.1</b>	-	-	-	<b>0.1</b>	-
<b>Loss before finance charges</b>	<b>(0.5)</b>	(7.2)	<b>(3.2)</b>	(0.6)	<b>(4.5)</b>	(4.0)	<b>(8.2)</b>	(11.8)
Finance income	-	-	-	-	<b>0.1</b>	0.6	<b>0.1</b>	0.6
Finance cost	-	-	-	-	<b>(2.3)</b>	-	<b>(2.3)</b>	-
<b>Loss before tax</b>	<b>(0.5)</b>	(7.2)	<b>(3.2)</b>	(0.6)	<b>(6.7)</b>	(3.4)	<b>(10.4)</b>	(11.2)

a - This business segment is classified as held for sale. Operating losses of this segment is disclosed as losses from discontinued operations in the consolidated statement of profit and loss.

The Group incurred a loss before tax of US\$10.4 million for the year which is slightly lower than the prior year's loss of US\$11.2 million. The loss for LMDC reduced by US\$6.7 million to US\$0.5 million, which now comprises only costs incurred which are not directly related to the Project. All costs incurred that relate directly to the Project have been capitalised to the cost of the asset as reflected in the Statement of Financial Position. The loss for the Group excluding

LMDC increased by US\$5.9 million to US\$9.9 million (2014: US\$4.0 million) and includes an impairment charge of US\$2.6 million in respect of the BK 11 mine, an increase in losses on foreign exchange of US\$2.9 million (included in finance cost) and an increase in the share-based payment charge from the previous year of US\$0.3 million.

It is pleasing to note that cash costs of the Group have been contained during the year and that the Groups focus has been firmly on the Project where significant progress was achieved during the year.

#### *Liqhobong*

The main focus during the year was the Project which commenced in June 2014. LMDC incurred a loss of US\$0.5 million for the year, which comprises administrative expenses. As stated previously, administrative costs incurred during the year that were not directly related to the Project were expensed through the statement of profit and loss. All other expenses incurred by LMDC which related to the Project were capitalised to the mine asset, which is included within non-current assets in the Statement of Financial Position.

#### *BK11*

The Group continued with its strategy of disposing of its Botswana assets during the year and on 9 July, shortly after the year-end, announced that it had signed a conditional agreement with Tango Mining Limited in respect of the sale of all the Botswana assets for a total consideration of US\$8.0 million before expenses. A non-refundable deposit of US\$0.35 million was received upon signature and a further US\$0.3 million was due at the end of September 2015. On 2 October 2015, Tango formally requested an extension of time regarding payment of the second tranche of the deposit and the Company is in discussions with Tango to resolve this. The remaining balance of the purchase price is due on completion of the transaction, which is subject to approvals including Botswana Competition Authority approval, Ministerial consent to the transaction, and the requisite approvals by the TSX Venture Exchange, the exchange on which the purchaser is listed.

The loss incurred during the year of US\$3.2 million was US\$2.6 million greater than the previous year's loss of US\$0.6 million mainly as a result of an additional impairment charge of US\$2.6 million. The impairment charge was necessary in order to reduce the carrying value of the Botswana assets to their net recoverable value less costs of disposal, which is calculated at US\$7.7 million. Care and maintenance costs during the year of US\$0.5 million were in line with the previous year.

The Botswana assets remain classified as held for sale pending conclusion of the transaction.

*SA Alluvial assets*

The Group is pleased to report that it concluded the sale of these assets during the year for total cash consideration of US\$0.2 million.

*Corporate*

The loss at the corporate level increased by US\$3.3 million to US\$6.7 million (2014: US\$3.4 million), mainly as a result of a loss on foreign exchange during the year of US\$2.3 million (2014: US\$0.6 million profit) and an increase in the share-based payment expense of US\$0.3 million, which relates to the retention of key members of the Firestone management team. Other corporate costs incurred during the year were in line with the previous year.

*Foreign exchange*

The Group reports a foreign exchange loss of US\$2.3 million for the year, mainly as a result of GBP funds being converted to US Dollars at consistently stronger USD rates throughout the year, which saw the US Dollar increase by 7.7% year on year to US\$1.57 against the pound sterling (2014: US\$1.7:GBP1.0). Capital raised in the prior year included US\$74.7 million in US Dollars and US\$34 million in Pound Sterling which were raised specifically for the purposes of constructing the Project and funding the Group through to completion and ramp up of production. Certain of the funds raised by the Group in USD's and GBP's were hedged in line with the Group's currency hedging policy in order to protect their value in ZAR terms, thereby ensuring that a rate more favourable than the budgeted rate of ZAR10:US\$1 could be achieved. However, the Group's presentation currency is the USD, and therefore although an average hedge rate of ZAR10.97:US\$1 was achieved during the year, a loss has nevertheless been recorded reflecting the rampant strength of the US Dollar.

## Statement of financial position

US\$ million	LMDC		BK11		CORP		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>								
Non-current assets	121.2	50.1	-	-	0.1	-	121.3	50.1
Non-current assets held for sale	-	-	9.2	13.8	-	-	9.2	13.8
Current assets (excl. cash)	13.4	0.3	-	-	0.2	0.4	13.6	0.7
Cash equivalents	4.7	15.9	-	-	13.0	91.1	17.7	107.0
	<b>139.3</b>	<b>66.3</b>	<b>9.2</b>	<b>13.8</b>	<b>13.3</b>	<b>91.5</b>	<b>161.8</b>	<b>171.6</b>
<b>LIABILITIES</b>								
Rehabilitation provisions	1.7	1.5	-	-	-	-	1.7	1.5
Deferred tax liabilities	3.5	4.0	-	-	-	-	3.5	4.0
Liabilities of a disposal group	-	-	1.5	2.1	-	-	1.5	2.1
Current liabilities	19.4	3.0	-	-	1.0	1.7	20.4	4.7
	<b>24.6</b>	<b>8.5</b>	<b>1.5</b>	<b>2.1</b>	<b>1.0</b>	<b>1.7</b>	<b>27.1</b>	<b>12.3</b>
<b>EQUITY VALUE</b>	<b>114.7</b>	<b>57.8</b>	<b>1.5</b>	<b>11.7</b>	<b>12.3</b>	<b>89.8</b>	<b>134.7</b>	<b>159.3</b>

The Group's equity value decreased by US\$24.6 million to US\$134.7 million (2014: US\$159.3 million) mainly as a result of the losses recognised through profit and loss of US\$10.4 million and net foreign exchange translation losses of US\$14.3 million reflecting the impact of the strengthening of the US Dollar on the value of the Group's non-US\$ denominated assets and liabilities. The Groups assets and liabilities are mainly denominated in currencies other than the US Dollar, particularly the Lesotho Maloti, which devalued against the US Dollar during the year by 16.1% to ZAR12.28:US\$1 (2014: ZAR10.58:US\$1), resulting in lower values being reported in US Dollar terms.

As a result of activity during the year being focussed on the Project, the value of non-current assets has increased as further asset capitalisation took place, the value of current assets decreased as cash was spent on the Project and the value of current liabilities increased in line with the additional activity on the Project.

Non-current assets increased by US\$71.2 million to US\$121.3 million (2014: US\$50.1 million) and include capitalised development costs for the Project of US\$83.9 million foreign exchange translation losses of US\$12.7 million.

The value of current assets decreased by US\$81.0 million to US\$40.5 million (2014: US\$121.5 million), mainly as a result of the US\$89.3 million decrease in cash balances as cash was used to fund development expenditure of US\$82.9 million and other Group requirements. Trade and other receivables increased by US\$13.1 million to US\$13.6 million (2014: US\$0.5 million), and include advance payments to major contractors to the Project of US\$4.6 million, deposits paid on currency hedging contracts of US\$3.1 million, value-added tax receivable of US\$3.5 million

which is due mainly from the Lesotho Revenue Authority and other prepayments and receivables of US\$0.3 million. Also included are advance borrowing costs of US\$2.1 million which will be amortised to profit and loss on the effective interest rate basis.

Assets held for sale comprise only the Botswana assets in the current year, as the South African assets were disposed of during the year for cash consideration of US\$0.2 million. The carrying value of the Botswana assets have been impaired to their net carrying value of US\$7.7 million based on the sale price, less estimated cost to sell, as announced on 9 July 2015.

Assets held for sale include:

	<b>2015</b>	2014
	<b>US\$m</b>	US\$m
Non-current assets	<b>9.0</b>	13.1
Inventories	<b>0.2</b>	0.3
Cash equivalents	-	0.4
<b>Non-current assets held for sale</b>	<b>9.2</b>	13.8
Rehabilitation provisions	<b>1.3</b>	1.9
Current liabilities	<b>0.2</b>	0.2
<b>Liabilities of a disposal group</b>	<b>1.5</b>	2.1

The increase in current liabilities by US\$15.1 million to US\$21.9 million (2014: US\$6.8 million) is mainly a reflection of the increased activity on the Project. Liabilities excluding those related to the disposal group amounted to US\$20.4 million and include hedge liabilities of US\$2.4 million which are mark to market adjustments on open forward exchange hedge contracts directly related to the Project, trade and other payables of US\$17.1 million related to the Project and US\$0.9 million to other corporate items.

## Cash flow statement

US\$ million	LMDC		BK11		Other Firestone Group		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Opening cash at 1 July</b>	<b>15.9</b>	0.6	-	0.5	<b>91.1</b>	3.0	<b>107.0</b>	4.1
<b>Operations</b>	<b>0.6</b>	(0.7)	<b>(0.4)</b>	(0.6)	<b>(4.6)</b>	(1.9)	<b>(4.4)</b>	(3.2)
Operating cash flow adjusted for non-cash items	<b>(0.5)</b>	(3.0)	<b>(0.5)</b>	(0.6)	<b>(3.6)</b>	(2.5)	<b>(4.6)</b>	(6.1)
Change in working capital	<b>1.1</b>	2.3	<b>0.1</b>	-	<b>(1.0)</b>	0.6	<b>0.2</b>	2.9
<b>Capital development</b>	<b>(82.9)</b>	(5.8)	-	-	<b>0.2</b>	-	<b>(82.7)</b>	(5.8)
Capital expenditure	<b>(82.9)</b>	(5.8)	-	-	-	-	<b>(82.9)</b>	(5.8)
Proceeds of disposal of subsidiaries	-	-	-	-	<b>0.2</b>	-	<b>0.2</b>	-
<b>Cash financing</b>	<b>72.9</b>	21.8	<b>0.4</b>	0.1	<b>(73.7)</b>	90.0	<b>(0.4)</b>	111.9
Equity issues	-	-	-	-	-	114.5	-	114.5
Minority contribution	<b>1.9</b>	-	-	-	-	-	<b>1.9</b>	-
Loans repaid	-	-	-	(2.6)	-	-	-	(2.6)
Finance cost	-	-	-	-	<b>(2.3)</b>	-	<b>(2.3)</b>	-
Inter-group transfers	<b>71.0</b>	21.8	<b>0.4</b>	2.7	<b>(71.4)</b>	(24.5)	-	-
FX Loss on opening balance	<b>(1.8)</b>	-	-	-	<b>(0.1)</b>	-	<b>(1.9)</b>	-
<b>Closing cash at 30 June</b>	<b>4.7</b>	15.9	-	-	<b>12.9</b>	91.1	<b>17.6</b>	107.0

The Group began the year with cash of US\$107 million (2014: US\$4.1 million). During the year, a further US\$1.9 million was raised from financing activities from local Lesotho partners involved in the grid power project to construct the powerline to Liqhobong. During the year US\$4.4 million was spent on operations, US\$82.9 million on the Project, offset by the proceeds on the sale of the South African subsidiaries of US\$0.2 million. The Group incurred US\$2.3 million foreign exchange loss mainly as a result of GBP funds being converted to US Dollars at consistently stronger USD rates throughout the year. The above mentioned resulting in net cash movement of US\$87.5 million and a closing cash balance at the end of the year, after adjusting for the effects of foreign exchange movements of US\$17.6 million.

### *Liqhobong*

Liqhobong began the year with cash of US\$15.9 million. Net cashflows from operations of US\$0.6 million were generated mainly as a result of an increase in working capital, where, due to increased development activities, creditors' balances increased from US\$3.0 million to US\$19.4 million and receivables from only US\$0.3 million to US\$13.4 million at the end of June

2015. During the year, US\$82.9 million was spent on the Project representing 45% of the Project budget in ZAR terms of ZAR2.1 billion. Funding for Lihobong's development activities was made available from Group loans provided to it during the year of US\$71.0 million and US\$1.9 million received from shareholders in the grid power project.

Construction activities on the Project during the year mainly involved earthworks, which included the removal of additional over-burden material which was encountered on the main plant terrace area. Terraces for the various areas of the mine such as the main plant, primary crushing and scrubbing, electrical substations and accommodation had to be established. At the end of June, in addition to establishment of the various terraces, significant work had been carried out on the starter wall for the tailings facility, the raw water storage dam, and 3 out of a total of 24 accommodation units had been constructed. As at year-end, 45% had been spent against the project budget and physical completion of 29.1% had been achieved.

#### *Grid power project*

The Company announced on 23 June 2015 that the cost of the grid power project had increased from ZAR165 million to ZAR189 million to extend the 28 km powerline that will link the Lihobong Mine to Ha Lejone, a nearby town, over the mountain to Kao Mine, and that Storm Mountain Diamonds, the owners of Kao Mine agreed to contribute half of the costs of the revised total project. By the year end ZAR73.0 million of the ZAR94.5 million held in escrow had been received from Storm Mountain Diamonds.

During the year under review, US\$13.8 million was spent on the revised grid power project and construction progress recorded 89% completion by year-end. Apart from being hugely beneficial once in production, the provision of grid power during construction will result in a small cost saving against the expensive alternative of diesel generated supply.

#### *BK11 mine*

The ongoing cost of care and maintenance of US\$0.5 million during the year was offset by a decrease in working capital of US\$0.1 million with the balance of US\$0.4 million funded by Group loans.

#### *Corporate*

Corporate began the year with US\$91.1 million in cash and spent US\$6.9 million on operations which includes a US\$0.1 million increase in working capital and foreign exchange losses of US\$2.3 million as explained previously. Cash advances to operations include US\$71.0 million of further investment in the Project and US\$0.4 million to BK 11 to fund the ongoing cost of the care and maintenance programme. Corporate incurred US\$2.3 million foreign exchange loss

mainly as a result of GBP funds being converted to US Dollars at consistently stronger USD rates throughout the year.

The Group's cash requirements during the year were financed from opening cash balances and neither the Eurobond facility of US\$30 million nor the ABSA debt facility of US\$82.4 million were drawn against during the year. Subsequent to the year end, monies have been drawn against the Eurobond and ABSA debt facility.

### *Conclusion*

In conclusion, I am pleased to report on an eventful year during which construction activities ramped up on the US\$185.4 million Project.

The Project commenced in earnest in July 2014 and the Group has spent US\$82.9 million during the year. Despite challenges encountered with weather delays and additional overburden, which resulted in additional Project cost of ZAR156 million, the Project remains within its original US Dollar budget. This is due to the successful implementation of our hedging strategy and the benefit from further deterioration of the Rand.

Although our focus during the year was firmly on the Project's development, we also managed to finally conclude the sale of the Group's South African alluvial assets and shortly after the end of the financial year, entered into an agreement for the disposal of the Group's Botswana assets. Operational costs have been kept under control across the Group and we are currently fully funded through to completion of the project and production ramp up.

### **Grant Ferriman**

Chief Financial Officer

5 October 2015

### *Strategic report*

This Strategic report was approved by the Board on 5 October 2015 and is signed on its behalf by:

### **Lucio Genovese**

Non-Executive Chairman

5 October 2015

## Board of Directors and senior management



**Stuart Brown**

*Chief Executive Officer*

Mr Brown has over 20 years of experience in the diamond industry where he has gained a wealth of experience across all aspects throughout the diamond pipeline from exploration to selling and marketing of diamonds. In 2006, Mr Brown was appointed as the De Beers Group CFO, a position he held for over five years, and in 2010 was appointed joint acting CEO to run De Beers' global activities in addition to his CFO duties.

Mr Brown has an enviable track record of leading business transformation to develop lean, agile and high performing organisations. Mr Brown holds a Bachelor of Accounting Science (BCompt) from the University of South Africa (UNISA) and is a member of the South African Institute of Chartered Accountants.



**Lucio Genovese**

*Non-Executive Chairman*

Mr Genovese has over 25 years of 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. He is also a member of the board of Ferrous Resources Limited and Crossbow Partners AG, Baar, Switzerland. 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 and has a B.Comm and B.Acc from the University of Witwatersrand, Johannesburg (South Africa).



**Braam Jonker**

*Non-Executive Director*

Mr Jonker was the chief financial officer of Western Coal Corp. (TSX:WTN) until its acquisition by Walter Energy Inc. in 2011. He is a member of the Board of Directors of Mandalay Resources Corporation (TSX:MND) where he is also the Chairman of the Board. Mr Jonker has over 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 master's degree in South African and international tax from the Rand Afrikaans University.



**Ken Owen**

*Non-Executive Director*

Mr Owen has over 30 years of experience in the mining industry. From 1980 to 1995, Mr Owen held a number of management positions at De Beers, including being appointed general manager of the Premier Diamond Mine in South Africa in 1991. After 15 years with De Beers, he moved to Anglo American, where he held a number of senior management positions, culminating with his appointment as senior vice president of Anglo American South Africa. In 2003, Mr Owen became a mining consultant for the international mining and geological consultancy firm, SRK Consulting, before joining AIM quoted resources company Mwana Africa plc as the technical director in 2006. He retired from the position in 2009.

Mr Owen holds an MSc in minerals production management from Imperial College, London.



**Paul Sobie, B.Sc. P.Geo.**

*Non-Executive Director*

Mr Sobie is an economic geologist specialising in the exploration and evaluation of diamond deposits, which included the initial identification and economic evaluations of the Lqhobong kimberlites in Lesotho, in the mid 1990's. Mr Sobie has over 25 years of professional diamond experience in Canada, Russia and Africa, for clients in both the junior and senior mining sectors. He is currently president and managing partner of MPH Consulting Limited of Toronto, Canada, an international geological and geophysical consultancy. Mr Sobie is a practising member of the Association of Professional Geoscientists of Ontario.



**Mike Wittet**

*Non-Executive Director*

Mr Wittet has over 40 years of 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. Mr Wittet also held the position of consulting engineer in charge of De Beers SA operations and deputy managing director of Debswana Diamond Company (Pty) Limited. Mr Wittet holds an honours degree in chemical engineering from Edinburgh University in Scotland.



**Niall Young**

*Non-Executive Director*

Mr Young has over 30 years of experience in the mining industry. Mr Young began his career at Anglo American, where he held various management positions. In 1995, Mr Young moved into senior management at De Beers, leading to his appointment as general manager of mineral resource management in 2006. He left De Beers in 2009, co-founding his own mining and natural resources consultancy, Kleingeld Young & Partners. From 2011 to 2014, Mr Young was also chief executive officer of diamond mining and exploration company, Mantle Diamonds Limited. Mr Young holds a BSc (Hons) in mineral exploitation from University College Cardiff. He is also a Fellow of the Geological Society of London. Mr Young is Pacific Road Capital Management's nominated Non-Executive Director of the Company.



**Keith Johnson**

*Non-Executive Director*

Mr Johnson has over 25 years of experience in the natural resources sector, 18 of which were in the mining industry where he held various senior positions within Rio Tinto plc, including on its Executive Committee from 2003 to 2009. From 2003 to 2007, Mr Johnson had overall responsibility for Rio's global diamond business which accounted for over US\$1 billion in revenue and operated across three continents. In 2007, Mr Johnson was appointed Head of Business Resources, where he was part of the team responsible for the integration of Alcan Inc., following its acquisition in October 2007. In January 2010, Mr Johnson joined FTSE 250 Oil & Gas Company, BG Group plc, as General Manager of Strategy and Portfolio Development. Mr Johnson holds an MBA in Finance and a BSc degree in Mathematics and Operational Research. Mr Johnson is Resource Capital Fund VI L.P.'s nominated Non-Executive Director of the Company.



**Grant Ferriman**

*Chief Financial Officer*

Grant Ferriman is a qualified Chartered Accountant with 15 years of experience, including seven 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. Mr Ferriman holds an honours bachelor of accounting science (Hons. BCompt) degree from the University of South Africa (UNISA) and is a member of the South African Institute of Chartered Accountants. Mr Ferriman is not a statutory Director of Firestone Diamonds plc.



**Glenn Black**

*Chief Project Officer*

Glenn Black is a mechanical engineer with over 40 years of experience in senior management and operational roles in the mining industry. Glenn spent 22 years at De Beers before leaving in 2012. During his time with De Beers, Glenn's primary role focused on project implementation, management, and operation for a variety of major projects globally, having managed nine major projects for the De Beers group of companies. Glenn's career has seen him work in the coal, gold, mineral sands, platinum and diamond mining industries.

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 June 2015. The disclosure requirements of the Companies Act 2006 and AIM Rules and, where the Directors have deemed it appropriate, the Listing Rules and the UKLA Disclosure and Transparency Rules have been met by the contents of this Report, along with the Strategic Report and the Directors' Remuneration Report which should, therefore, be read in conjunction with this report.

### Results and dividends

The Group made a loss after taxation of US\$10.4 million (2014: US\$11.2 million). Further details are shown in the consolidated statement of other comprehensive income on page 58.

The Directors do not recommend a dividend (2014: US\$nil).

### Capital structure

The Company's share capital consists of one class of ordinary shares. At the date of this report the ordinary share capital of the Company was 308,992,814 ordinary shares of 1 pence each. (2014: 308,992,814 ordinary share of 1 pence each).

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

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

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

	Shares	% Holding
Pacific Road Resources <sup>1</sup>	71,146,887	23.0
Resource Capital Fund VI L.P.	71,146,887	23.0
Edwards Family Holdings Limited	28,296,842	9.2
FIL Ltd	15,601,540	5.0
Sustainable Capital Limited	15,501,170	5.0

1. Includes Pacific Road Resources Fund II L.P. (PRC LP) and Pacific Road Resources Fund II (PC Trust)

## Directors

Biographies of the current Directors as at the date of this report are set out on pages 26 and 30.

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

<b>Director</b>	<b>Position</b>	
S M Brown	Chief Executive Officer	
R L Genovese	Non-Executive Chairman	
K Johnson	Non-Executive Director	Appointed 21 May 2015
A Jonker	Non-Executive Director	
K Owen	Non-Executive Director	
P Sobie	Non-Executive Director	
M Wittet	Non-Executive Director	
N Young	Non-Executive Director	

Details of Directors' emoluments and fees are shown in note 7 of the financial statements and further details of their remuneration and share interests are shown in the Remuneration Report on pages 35 to 40.

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

## Employees

The Group had 55 full time employees at the year-end.

## Employee involvement

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

## Financial Instruments

### Eurobond arrangements (April 2015)

On 23 April 2015, Firestone entered into a bond subscription agreement and various related arrangements with its existing mezzanine lenders (Resource Capital Fund VI L.P. (“RCF”), Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II (“Pacific Road” and together the “Lenders”)) in connection with the Project, located in the Lesotho Highlands.

Under that bond subscription agreement, Firestone was granted a put option:

- (a) to raise from the Lenders up to US\$30 million in aggregate by way of the issue of Series A Eurobonds to such lenders; and
- (b) to raise up to US\$15 million in aggregate by way of the issue of Series B Eurobonds to RCF.

The Series A Eurobond structure has been created in order to restructure the existing mezzanine facility from the Lenders on a more efficient basis. The commercial terms of the facility has not changed as a result of such restructuring and Firestone had not drawn down on the mezzanine facility at the time of entering into the bond subscription agreement.

The Series B Eurobond represents a standby debt facility provided by RCF, which was one of the remaining conditions to being able to finalise ABSA’s US\$82.4 million debt facility. The standby debt facility has also been structured as Eurobonds in the interests of efficiency and in order to facilitate RCF’s ability to elect to receive shares in Firestone, as opposed to cash on the redemption of the facility

Upon the raising of monies and issuing of Eurobonds, Firestone has agreed to apply for such Eurobonds to be listed on the Cayman Islands Stock Exchange.

Further details of the Group’s financial instruments and financial risk management objectives and policies are set out in note 28 of the financial statements.

### Post-balance sheet events

Post-balance sheet events are detailed in note 30 to the financial statements.

### **Going concern**

The Directors, after making enquiries and considering uncertainties associated with the Group's operations, believe that the Group and Company have, or have access to the necessary financial resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and financial statements which do not include any adjustments that would result from the going concern basis of preparation being inappropriate. Further details are included within note 1 Basis of preparation - Going concern on page 66.

### **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 re-appoint BDO LLP as auditor to the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Lucio Genovese**

Non-Executive Chairman

5 October 2015

## **DIRECTORS' REMUNERATION REPORT**

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2015. The Company has had an extremely busy year with the Project proceeding at full capacity under the direction of the Company's management and owner's team, with key management personnel being brought on early in the year. In addition there has been a new Board appointment with Keith Johnson joining as Resource Capital's nominated Non-executive Director.

The Remuneration Committee has been working closely with our Chief Executive Officer ("CEO") on the recruitment of and the service contracts for our team, which included key management personnel, to ensure that the best possible candidates have been recruited by the Company, considering the pivotal role that they are required to play in delivering the Project and bring Liqhobong on-stream. We believe the Company has succeeded in assembling a highly experienced team with a proven track record of successful project delivery in the diamond industry, and that the mixture of fixed and performance-related remuneration is well balanced and will motivate the team to achieve exceptional performance.

### **The Remuneration Committee**

The Board has delegated certain responsibilities for executive remuneration to the Remuneration Committee. The Remuneration Committee has approved Terms of Reference, a copy of which is available on the Company's website at [www.firestonediamonds.com](http://www.firestonediamonds.com).

### **Remuneration Committee Membership and Attendance at Meetings**

The current members of the Remuneration Committee are three Non-executive Directors:

Paul Sobie (Chairman)

Braam Jonker

Mike Wittet

The Committee consists of independent Non-executive Directors and therefore complies with best practice guidelines which recommend that all members should be independent.

The Committee met twice during the year with all members in attendance.

### **The Remuneration Committee's main responsibilities**

A summary of the Remuneration Committee's main responsibilities as set out in its Terms of Reference are:

- to determine and agree with the Board the broad policy for the remuneration of the Company's Chairman, Chief Executive Officer, the Executive Directors and such other members of the executive management as it is designated to consider;
- to determine the total individual remuneration package of each Executive Director and other senior executives including bonuses, incentive payments and share options or other share awards;
- to approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- to review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, to 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; and
- to 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.

### **What the Remuneration Committee did during the year**

The main items of business considered by the Remuneration Committee during the year were:

- reviewed the Offer Letter and Service Agreement for the new Chief Project Officer;
- reviewed Non-executive Director letter of appointment and fees in order to make recommendations to the Board;
- reviewed Executive management roles; and
- determined share options and share awards.

### **Priorities for the Remuneration Committee for 2015/2016**

The main priorities for the Remuneration Committee going forward are the continued review and bench marking of the Company's Executive and Non-executive remuneration policies, to ensure competitive compensation packages are in place to recruit, retain and motivate highly qualified executives who will help ensure successful performance of the Company. The Remuneration Committee will be focusing on:

- reviewing Executive remuneration policy and any new appointments;
- reviewing project team remuneration policy and new appointments;
- reviewing of the Company's Short-Term Incentive Plan; and
- reviewing the Company's Long-Term Incentive Plan.

### Advisers to the Remuneration Committee

Wragge Lawrence Graham & Co LLP were the main advisers to the Remuneration Committee during the course of the year. The Chief Executive Officer reported to the Remuneration Committee on remuneration matters relating to senior management and employees.

### Components of Remuneration

	Purpose and link to strategy	Operation	Performance Metrics
Base Salary	To attract and retain talent.	Reflects individual's role, experience and performance. Base salaries are reviewed annually.	Business and individual performance are considered when setting base salary.
Short-Term Incentive Plan - annual performance bonus	Rewards the achievement of short-term financial and strategic project milestones.	Determined by the Remuneration Committee annually.  Maximum level of award is 150% of base salary.	Award quantum is based on achieving both under-budget and ahead of time thresholds on the Project.
Long-Term Incentive Plan - share option awards	To incentivise and reward performance linked to strategic objectives and align the interests of management with those of the shareholders.	Award of share options has been on hiring. The Board may periodically make further awards upon recommendation by the Remuneration Committee.	One-third will vest on the second anniversary of the date of grant, one-third on the third anniversary and the final third upon successful nameplate production from the Lihobong plant.

### Non-executive Directors

#### Dates of appointment

Non-Executive Director	Date appointed
Lucio Genovese	17 January 2012
Keith Johnson	1 May 2015
Braam Jonker	14 December 2011
Ken Owen	18 June 2014
Paul Sobie	20 June 2011
Mike Wittet	24 July 2012
Niall Young	18 June 2014

## Fees

The Board approved base fees for Non-executive Directors and Chairman are as follows:

	2015 US\$	2014 US\$
Chairman	120,000	120,000
Non-Executive Director base fee	60,000	60,000

## Share awards and additional payments to Non-Executive Directors

No share awards or additional payments were made to the Non-Executive Directors during the year.

## Directors' remuneration table

	Base Salary US\$	Base fee US\$	Annual bonus US\$	Share-based payments US\$	Total 2015 US\$	Total 2014 US\$
<b>Executive Director</b>						
S Brown <sup>1</sup>	500,000	-	225,000 <sup>1</sup>	667,972 <sup>2</sup>	1,392,972	724,602
T Wilkes (Resigned 15 February 2014)	-	-	-	-	-	526,707
<b>Non-Executive Directors</b>						
L Genovese	-	120,000	-	-	120,000	189,151
K Johnson (Appointed 1 May 2015)	-	10,000	-	-	10,000	-
A Jonker	-	60,000	-	-	60,000	40,473
P Sobie	-	60,000	-	-	60,000	40,473
M Wittet	-	60,000	-	-	60,000	40,473
K Owen (Appointed 18 June 2014)	-	60,000	-	-	60,000	2,000
N Young (Appointed 18 June 2014)	-	60,000	-	-	60,000	2,000
J Treger (Resigned 18 June 2014)	-	-	-	-	-	90,473
<b>Total</b>	<b>500,000</b>	<b>430,000</b>	<b>225,000</b>	<b>667,972</b>	<b>1,822,972</b>	<b>1,656,352</b>

1 – Included in the bonus amount paid to Stuart Brown is an amount of US\$100,000 which relates to the 2014 financial year but was not authorised until the 2015 financial year.

2 – The share-based payments expense relates to share options issued to Stuart Brown in May 2014. The share options vest over a three year period and the expense is recognised over the vesting period.

## Operation of share option awards

There are two share option plans operated by the Company which have been approved by shareholders. These are the Executive Share Option Plan, for Executives and employees, and the Share Option Plan for Non-Executives. Performance conditions are attached to the exercise of awards under the Executive Share Option Plan. These relate to safety, operational, project and financial targets as appropriate to the individual.

## Share Option Awards table

	Date option granted	Exercise price	1 July 2014	Movements during the year			30 June 2015	Earliest exercise date	Latest exercise date
				Grants	Exercised	Lapsed			
<b>Executive Director</b>									
S Brown	27 May 2014	30p	3,033,760	-	-	-	3,033,760	27 May 2016	26 May 2024
	27 May 2014	30p	3,033,760	-	-	-	3,033,760	27 May 2017	26 May 2024
	27 May 2014	30p	3,033,760	-	-	-	3,033,760	*Achievement of performance condition	26 May 2024
<b>Non-Executive Directors</b>									
L Genovese	23 Nov 2013	85p	900,000	-	-	-	900,000	23 Nov 2013	22 Nov 2022
A Jonker	23 Nov 2013	85p	300,000	-	-	-	300,000	23 Nov 2013	22 Nov 2022
J Treger	23 Nov 2013	85p	300,000	-	-	-	300,000	23 Nov 2013	22 Nov 2022

\*The performance condition is the establishment of successful nameplate production (plant and commissioning complete) of the Liqhobong diamond mine.

No options were exercised or granted to Directors during the year.

### Old share option schemes

Paul Sobie holds 15,000 options granted to him on 19 December 2007, when he was not a Director of the Company, with an exercise price of 200 pence and a term of ten years.

**Directors' interests in the share capital of the Company as at the date of this report**

Director	Number of shares <sup>1</sup>	
	2015	2014
Stuart Brown	485,831	485,831
Lucio Genovese	1,846,945	1,846,945
Braam Jonker <sup>2</sup>	836,347	836,347
Ken Owen	-	-
Paul Sobie	-	-
Mike Wittet	-	-
Niall Young	-	-
Keith Johnson	-	-

(1) Excluding share option awards

(2) Mr. Jonker is interested in 429,794 ordinary shares held directly and 406,553 ordinary shares held by Frog Ventures Limited, a company of which Mr. Jonker is a director and beneficiary.

**Paul Sobie**

Non-Executive Chairman of the Remuneration Committee

5 October 2015

## **Directors' responsibilities**

The Directors are responsible for preparing the strategic report, annual 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 elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the AIM Rules for Companies as published by the London Stock Exchange plc from time to time.

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

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

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

**Website publication**

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

On behalf of the Board

**Lucio Genovese**

Non-Executive Chairman

5 October 2015

## **CORPORATE GOVERNANCE STATEMENT**

Dear Shareholder

I have pleasure in presenting Firestone Diamond's Corporate Governance Report. This report summarises the Company's governance framework and highlights the work the Board has done during the year to develop our governance approach and practice.

Companies on the AIM Market of the London Stock Exchange are not required to comply with the UK Corporate Governance Code (the "Code") and due to its size, the Company does not seek to comply with the Code. As a Board we are fully committed to supporting high standards of governance and recognise that by applying sound principles in running the Company we will provide a solid basis for growth and establish trust with our stakeholders. It is our goal therefore to improve and develop our governance procedures as the Company grows. We apply the Quoted Companies Alliance (QCA) corporate governance guidelines for smaller quoted companies and seek to apply the Code wherever possible and as appropriate to the size, nature and resources of the Group. It is our intention to be open and transparent about our governance arrangements and use the annual report to give details of changes and improvements we have made during the year.

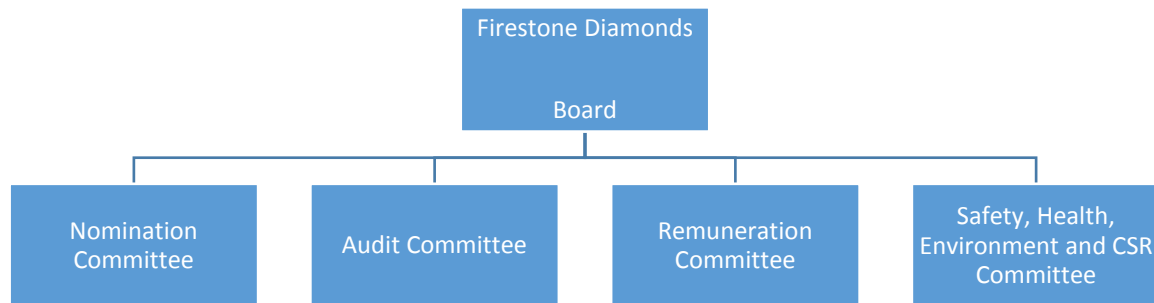
The Directors support high standards of corporate governance. The Company has identified areas of the Code it considers relevant to the current size and nature of the Group's operations and these are set out below.

*Lucio Genovese*

**Non-Executive Chairman**

**5 October 2015**

## AN EFFECTIVE MANAGEMENT FRAMEWORK



### *Role of the Board*

The Board has approved a Schedule of Matters Reserved for the Board, which sets out the Board's responsibilities. The key tasks of the Board are:

- Setting 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; and
- Approval of communication with shareholders and the market.

### *Composition of the Board*

The Board consists of eight Directors: the Chairman, one Executive Director, and six Non-executive Directors. The Board's skill set was enhanced during the year by the appointment, in May 2015, of Keith Johnson, who represents Resource Capital Funds VI L.P. Mr Johnson has over 25 years of experience in the natural resources sector, 18 of which were in the mining industry. The skill set of the Board includes experience in corporate finance, mining and exploration,

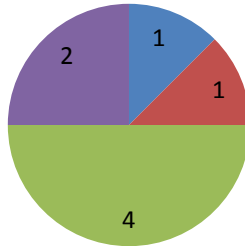
and investor relations. As the requirements and focus of the Company change in the future, so too will the Board composition as we ensure the skills required are in place. Details of each of the Directors' experience and background is given in their biographies on pages 26 to 30.

### *Independence*

The Board considers four of its seven Non-executive Directors, Ken Owen, Paul Sobie, Mike Wittet and Braam Jonker to be fully independent. In this respect the Company is compliant with the Code which requires that smaller companies should have at least two independent Non-Executive Directors. The Board has reviewed the independence of the Chairman, Lucio Genovese, and Non-executive Directors Niall Young and Keith Johnson and is aware that these Directors will not be considered to be independent if strict best practice guidelines are applied. Niall Young and Keith Johnson are the nominated Non-executive Directors of major shareholders of the Company: Pacific Road Capital Management and Resource Capital Fund respectively. Braam Jonker received additional fees for his work in assisting with capital raising for the Company in the previous financial year and, for that reason, Mr Jonker was not previously regarded as fully independent by the Board. The Board has reviewed his status and determined that, as sufficient time has passed since the payment of the additional fees and, Mr Jonker has received no further additional payments, he can now be regarded as a fully independent Non-executive Director. The Chairman, Lucio Genovese is a representative of Nage Capital Management, an adviser to Audley Investment Management Ltd who indirectly holds 4.5% of the Company. The Board maintains that these Directors have retained their independence of thought and support for the interests of all the Company's shareholders.

### Split between Executive and Non-Executive Directors

- Non-Executive Chairman
- Executive Directors
- Independent Non-Executive Directors
- Non-Independent Non-Executive Directors



### *Appointments to the Board and re-election*

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors to the Nomination Committee. Further details on the role of the Nomination Committee may be found on page 54.

With regard to re-election of Directors the Company is governed by its Articles of Association (“Articles”). Under the Articles, the Board has the power to appoint a Director during the year but any person so appointed must stand for election at the next AGM. One-third of the Directors or, if their number exceeds but is not a multiple of three, the number nearest to (but not exceeding) one-third, must retire and stand for re-election at each AGM.

However, in accordance with the Code, all of the Directors will stand at the forthcoming AGM.

### *Chairman and Chief Executive Officer*

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. The Chairman has overall responsibility for the running of the Board, upholding the highest standards of integrity and governance throughout the Group, ensuring that Directors receive appropriate training and ensuring effective communications with shareholders. The Chief Executive Officer’s main responsibilities are the development of objectives and business plans and their implementation following approval by the Board, managing the Group’s risk profile, ensuring appropriate risk management and internal control systems are in place and leading the executive team.

### *Senior Independent Director*

The Company does not have a Senior Independent Director. Given the current stage of its development the Board does not believe that the appointment of a Senior Independent Director would add value to the operation of the Board. In addition the Chairman and other Non-executive Directors are available to shareholders as communication channels if required. The need for a Senior Independent Director will however be kept under review.

### *Non-executive Directors*

Non-executive Directors receive a letter on appointment setting out the time commitment expected of them and their duties. Non-executive Directors are specifically tasked with bringing independent judgement to bear on issues put to the Board and to apply their knowledge and experience in considering matters such as strategy, Company performance, use of resources and standards of conduct.

### *Conflicts of interest*

A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any new conflicts before the start of each Board meeting.

### *Development, information and support*

The Directors are actively encouraged to visit the operations in Lesotho and several site visits have been made by individual Directors during the year. At least one Board meeting per year is held on site at Liqhobong. The Chairman is supported in governance matters by Prism Cosec who also provide company secretarial services to the Company. Updates are given to the Board on developments in governance and regulations as appropriate.

### *Performance evaluation*

A formal performance evaluation has not been carried out during the year under review. It has been agreed, however, that an evaluation will be carried out early in the forthcoming year. The Chairman is very attentive to the operation of the Board, Committees and individual Board members and is aware of any potential issues that may arise.

*Operation of the Board and its Committees*

The Board is supported by Board Committees which are responsible for a variety of tasks delegated by the Board. Each Board Committee has approved Terms of Reference setting out their responsibilities. These are available on the Company's website at [www.firestonediamonds.com](http://www.firestonediamonds.com). Details of the operation of the Audit, Remuneration, Nomination, and Safety, Health, Environmental and Corporate Social Responsibility Committees are set out in their respective reports below. All of the Board Committees 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.

The Board and its Committees meet regularly throughout the year. Directors also have ongoing contact with senior management 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.

Attendance of Directors at Board and Committee meetings is shown below.

	<b>Board (6 meetings)</b>	<b>Audit Committee (3 meetings)</b>	<b>Remuneration Committee (1 meeting)</b>	<b>Nomination Committee (1 meetings)</b>	<b>SHEC (3 meetings)</b>
Lucio Genovese	6/6	-	-	1/1	
Stuart Brown	6/6	-	-	-	
Braam Jonker	6/6	3/3	1/1	1/1	
Ken Owen	5/6				3/3
Paul Sobie	4/6	3/3	1/1	-	
Mike Wittet	6/6	2/3	1/1	1/1	3/3
Niall Young	6/6				

*Note: The number of meetings attended is reported out of the number of the meetings that the Director was eligible to attend. Keith Johnson was appointed to the Board on 1 May 2015 and therefore did not attend any Board meetings prior to the year end.*

*What the Board did during the year*

Much of the Board's time was spent putting in place the infrastructure necessary to ensure that the Project continued to progress at a satisfactory pace. The following areas were all addressed by the Board during the year:

- ensuring key appointments were made in the Company's Technical, HR, Legal and Finance teams;
- debating and approving an appropriate project risk matrix;
- ensuring an efficient tax structure for the Group;
- approving arrangements for the disposal of the Group's Botswana assets;
- putting in place an appropriate Treasury policy;
- approving the Group budget for the year;
- putting in place the necessary policies and procedures to ensure the Group complies with the UK and international anti-bribery and corruption legislation; and
- putting in place the Eurobond arrangements in April 2015.

There are also a number of standing and routine items included for review on each Board agenda. These include the safety, health and environment report, CEO's operations report and project updates, financial reports, consideration of reports from the Board Committees and investor relations updates.

**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. The Board will continuously assess the ongoing need for the

strengthening of internal financial controls as the Group moves out of the development phase at its flagship asset, the Liqhobong diamond mine.

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. Principal risks identified are set out in the Strategic Report on page 6.

### **Relations with Shareholders**

The Board is committed to maintaining an ongoing 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 has been maintained throughout the year. The Directors also encourage communications with private shareholders and 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](http://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 years' Annual General Meeting of the Company will be held on 02 December 2015. 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](http://www.firestonediamonds.com).

## **Audit Committee Report**

### *Members of the Audit Committee*

Braam Jonker (Chairman)

Paul Sobie

Michael Wittet

### **Duties**

The main duties of the Audit Committee are set out in its 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; and
- 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.

### **Principal activities during the year**

The main items of business considered by the Audit Committee during the year included:

- discussions concerning various accounting issues and impairment of assets;
- going concern review and consideration of cash flow reports;
- review of the audit plan and scope and consideration of the key audit risks;
- review of the financial statements and annual report;
- consideration of the external audit report; and
- review of the interim results announcement.

### **Role of the external auditor**

The Audit Committee monitors the relationship with the external auditor, BDO LLP, to ensure that auditor independence is maintained and reviews their performance. Having reviewed the auditor's independence and performance the Audit Committee is recommending that BDO LLP be re-appointed as the Company's auditor at the next Annual General Meeting.

### **Audit Process**

The auditor prepares an Audit Plan for its review of the full year and half year financial statements. The Audit Plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed by the Audit Committee. Following its review the auditor presents its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year.

## **Nomination Committee Report**

### *Members of the Nomination Committee*

The Committee consists of the following Non-Executive Directors:

Lucio Genovese (Chairman)

Braam Jonker

Michael Wittet

### *Duties*

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

- 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 to make recommendations to the Board with regard to any changes;
- to give full consideration to succession planning and formulate succession plans for Directors and other senior Executives and in particular for the key roles of Chairman and Chief Executive Officer 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;
- to be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to 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; and
- 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.

### *Principal activities during the year*

The Nomination Committee met during the year to discuss and recommend to the Board, the appointment of Keith Johnson, who is the nominated Non-executive Director of Resource Capital Fund VI L.P., one of the Company's major shareholders. The Board now has eight Directors and the Committee will continue to meet periodically to assess the skills and

knowledge of the Board as a whole in the light of the challenges and opportunities facing the Company.

## **Safety, Health, Environment and Corporate Social Responsibility (SHEC) Committee Report**

### *Members of the SHEC Committee*

The SHEC Committee consists of the following Non-Executive Directors:

Michael Wittet (Chairman)  
Ken Owen

The Chief Executive Officer also attends and presents reports at SHEC Committee meetings.

### *Duties*

The remit of the SHEC Committee has been extended to include the review of corporate social responsibility matters. The main duties of the SHEC Committee are set out in its Terms of Reference and include:

- 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;
- to assess the policies and systems within the Group for ensuring compliance with health, safety, social and environmental regulatory requirements;
- to 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; and
- to review 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.

The Company has an excellent health, safety and environmental record of which it is proud. Over the last year there have been no lost time injuries and only four minor safety incidents. We are determined to keep this good record. Any incidents that do occur are investigated and reported to the SHEC Committee and the Board where they are discussed. Appropriate corrective actions are agreed and put in place following investigation.

## **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 2015 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, Company statement 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 Statement of Directors' Responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 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 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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.

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**Scott Knight** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
5 October 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts for the year ended 30 June 2015  
Consolidated statement of comprehensive income

	Note	2015 US\$'000	2014 US\$'000
Revenue	3	-	3,954
Cost of sales		-	(8,512)
<b>Gross loss</b>		-	(4,558)
Selling and distribution		-	(507)
Total administrative expenses		(4,938)	(5,959)
Other administrative		(525)	(2,012)
Share-based payments	22	(827)	(547)
Corporate expenses		(3,586)	(3,400)
<b>Loss from continuing operations before finance charges and income tax</b>	5	(4,938)	(11,024)
Finance income	9	76	560
Finance costs	9	(2,290)	(1)
<b>Loss from continuing operations before tax</b>		(7,152)	(10,465)
Income tax credit	11	-	15
<b>Loss from continuing operations after tax for the year</b>		(7,152)	(10,450)
Loss from discontinued operations	20	(3,234)	(749)
<b>Loss after tax for the year</b>		(10,386)	(11,199)
<b>Loss after tax for the year attributable to:</b>			
Owners of the parent		(10,304)	(9,605)
Non-controlling interests		(82)	(1,594)
<b>Loss after tax for the year</b>		(10,386)	(11,199)
<b>Other comprehensive loss:</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translating foreign operations net of tax		(14,588)	(2,720)
Loss on foreign exchanges hedges		(2,438)	-
<b>Other comprehensive loss</b>		(17,026)	(2,720)
<b>Total comprehensive loss for the year</b>		(27,412)	(13,919)
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the parent		(23,702)	(8,260)
Non-controlling interests		(3,710)	(5,659)
<b>Total comprehensive loss for the year</b>		(27,412)	(13,919)
<b>Loss per share</b>			
Basic and diluted loss per share from continuing operations (cents)	12	(2.3)	(9.5)
Basic and diluted loss per share from discontinued operations (cents)	12	(1.0)	(0.8)
<b>Total basic and diluted loss per share</b>		(3.3)	10.3

The notes on pages 65 to 108 form part of these financial statements.

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts as at 30 June 2015  
Consolidated statement of financial position

	Note	2015 US\$'000	2014 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<u>121,266</u>	<u>50,098</u>
<b>Total non-current assets</b>		<u>121,266</u>	<u>50,098</u>
<b>Current assets</b>			
Inventories		67	173
Trade and other receivables	18	13,605	538
Cash and cash equivalents	19	<u>17,628</u>	<u>107,003</u>
<b>Total current assets</b>		<u>31,300</u>	<u>107,714</u>
<b>Non-current assets held for sale</b>	20	<u>9,230</u>	<u>13,810</u>
<b>Total assets</b>		<u>161,796</u>	<u>171,622</u>
<b>EQUITY</b>			
Share capital	21	163,441	163,441
Share premium		163,600	163,600
Reserves		(39,183)	(25,637)
Accumulated losses		<u>(134,250)</u>	<u>(125,103)</u>
<b>Total equity attributable to equity holders of the parent</b>		<u>153,608</u>	<u>176,301</u>
Non-controlling interests		<u>(18,975)</u>	<u>(16,999)</u>
<b>Total equity</b>		<u>134,633</u>	<u>159,302</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax	23	3,480	4,038
Rehabilitation provisions	24	<u>1,746</u>	<u>1,460</u>
<b>Total non-current liabilities</b>		<u>5,226</u>	<u>5,498</u>
<b>Current liabilities</b>			
Other financial liabilities	25	2,438	-
Trade and other payables	26	17,777	4,692
Provisions	27	<u>192</u>	<u>41</u>
<b>Total current liabilities</b>		<u>20,407</u>	<u>4,733</u>
<b>Liabilities of a disposal group</b>	20	<u>1,530</u>	<u>2,089</u>
<b>Total liabilities</b>		<u>27,163</u>	<u>12,320</u>
<b>Total equity and liabilities</b>		<u>161,796</u>	<u>171,622</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5 October 2015.

Lucio Genovese  
Director

The notes on pages 65 to 108 form part of these financial statements.

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts for the year ended 30 June 2015  
Consolidated statement of changes in equity

	Share capital	Share premium	Merger reserve	Hedging reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Equity attributable to holders of the parent	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 30 June 2013</b>	<b>121,703</b>	<b>88,361</b>	<b>(1,614)</b>	<b>-</b>	<b>5,256</b>	<b>(29,058)</b>	<b>(117,611)</b>	<b>67,037</b>	<b>(11,340)</b>	<b>55,697</b>
<b>Comprehensive loss</b>										
Loss for the year	-	-	-	-	-	-	(9,605)	(9,605)	(1,594)	(11,199)
<b>Other comprehensive loss for the year</b>										
Exchange differences on translating foreign operations	-	-	-	-	-	1,345	-	1,345	(4,065)	(2,720)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,345</b>	<b>(9,605)</b>	<b>(8,260)</b>	<b>(5,659)</b>	<b>(13,919)</b>
<b>Contributions by and distributions to owners</b>										
Shares issued in the year	41,738	80,424	-	-	-	-	-	122,162	-	122,162
Share issue expenses	-	(5,185)	-	-	-	-	-	(5,185)	-	(5,185)
Share-based payment transactions	-	-	-	-	547	-	-	547	-	547
Share-based payments lapsed/expired	-	-	-	-	(2,113)	-	2,113	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>41,738</b>	<b>75,239</b>	<b>-</b>	<b>-</b>	<b>(1,566)</b>	<b>-</b>	<b>2,113</b>	<b>117,524</b>	<b>-</b>	<b>117,524</b>
<b>Balance as at 30 June 2014</b>	<b>163,441</b>	<b>163,600</b>	<b>(1,614)</b>	<b>-</b>	<b>3,690</b>	<b>(27,713)</b>	<b>(125,103)</b>	<b>176,301</b>	<b>(16,999)</b>	<b>159,302</b>
<b>Comprehensive loss</b>										
Loss for the year	-	-	-	-	-	-	(10,304)	(10,304)	(82)	(10,386)
<b>Other comprehensive loss for the year</b>										
Exchange differences on translating foreign operations	-	-	-	-	-	(11,570)	-	(11,570)	(3,018)	(14,588)
Loss on foreign exchanges hedges	-	-	-	(1,828)	-	-	-	(1,828)	(610)	(2,438)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,828)</b>	<b>-</b>	<b>(11,570)</b>	<b>(10,304)</b>	<b>(23,702)</b>	<b>(3,710)</b>	<b>(27,412)</b>
<b>Contributions by and distributions to owners</b>										
Non-controlling interest in subsidiary	-	-	-	-	-	-	-	-	1,734	1,734
Share-based payment transactions	-	-	-	-	1,009	-	-	1,009	-	1,009
Share-based payments lapsed/expired	-	-	-	-	(1,157)	-	1,157	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(148)</b>	<b>-</b>	<b>1,157</b>	<b>1,009</b>	<b>1,734</b>	<b>2,743</b>
<b>Balance as at 30 June 2015</b>	<b>163,441</b>	<b>163,600</b>	<b>(1,614)</b>	<b>(1,828)</b>	<b>3,542</b>	<b>(39,283)</b>	<b>(134,250)</b>	<b>153,608</b>	<b>(18,975)</b>	<b>134,633</b>

The notes on pages 65 to 108 form part of these financial statements.

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts for the year ended 30 June 2015  
Consolidated statement of cash flows

		2015	2014
	Note	US\$'000	US\$'000
<b>Cash flows used in continuing operating activities</b>			
Loss from continuing activities before taxation		(7,152)	(10,465)
Adjustments for:			
Depreciation and amortisation	5	35	3,958
Inventory write-off		-	406
Environmental asset de-recognition		-	516
Effect of foreign exchange movements		(396)	933
Equity-settled share-based payments		827	547
Equity-settled creditors		-	2,532
Loss on sale of assets		17	-
Changes in provisions		43	(1,150)
Finance income		(76)	(560)
Finance cost		2,290	1
<b>Net cash flows used in operating activities before working capital changes</b>		<b>(4,412)</b>	<b>(3,282)</b>
Decrease in inventories		95	1,054
(Increase)/decrease in trade and other receivables		(14,142)	1,968
Increase/(decrease) in trade and other payables		14,542	(2,424)
<b>Net cash flows used in continuing operating activities</b>		<b>(3,917)</b>	<b>(2,684)</b>
<b>Net cash flows used in discontinued operating activities</b>		<b>(373)</b>	<b>(505)</b>
<b>Net cash flows used in operating activities</b>		<b>(4,290)</b>	<b>(3,189)</b>
<b>Cash flows used in investing activities</b>			
Additions to property, plant and equipment		(83,122)	(5,922)
Proceeds on disposal of investments		214	-
Proceeds on disposal of property, plant and equipment		29	178
<b>Net cash used in continuing investing activities</b>		<b>(82,879)</b>	<b>(5,744)</b>
<b>Net cash used in discontinued investing activities</b>		<b>-</b>	<b>(361)</b>
<b>Net cash used in investing activities</b>		<b>(82,879)</b>	<b>(6,105)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		-	119,630
Share issue expenses		-	(5,185)
Minority investment in subsidiary		1,861	-
Finance income		76	560
Finance cost		(2,290)	(1)
<b>Net cash from continuing financing activities</b>		<b>(353)</b>	<b>115,004</b>
<b>Net cash used in discontinued financing activities</b>		<b>-</b>	<b>(2,727)</b>
<b>Net cash (used in)/from financing activities</b>		<b>(353)</b>	<b>112,277</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(87,522)</b>	<b>102,983</b>
Cash and cash equivalents at beginning of the year		107,003	4,088
Exchange rate movement on cash and cash equivalents at beginning of year		(1,853)	(68)
<b>Cash and cash equivalents at end of the year</b>	19	<b>17,628</b>	<b>107,003</b>

The notes on pages 65 to 108 form part of these financial statements.

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts as at 30 June 2015  
Company statement of financial position

	Note	2015 US\$'000	2014 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	31	64
Investments in subsidiaries	15	120,700	78,565
Loans to subsidiaries	17	59,526	25,223
<b>Total non-current assets</b>		<u>180,257</u>	<u>103,852</u>
<b>Current assets</b>			
Trade and other receivables	18	183	245
Cash and cash equivalents	19	12,344	90,506
<b>Total current assets</b>		<u>12,527</u>	<u>90,751</u>
<b>Total assets</b>		<u>192,784</u>	<u>194,603</u>
<b>EQUITY</b>			
Share capital	21	163,441	163,441
Share premium		163,600	163,600
Reserves		4,439	4,370
Accumulated losses		(139,164)	(137,770)
<b>Total equity attributable to equity holders of the Company</b>		<u>192,316</u>	<u>193,641</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	26	468	962
<b>Total liabilities</b>		<u>468</u>	<u>962</u>
<b>Total equity and liabilities</b>		<u>192,784</u>	<u>194,603</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2015.

Lucio Genovese  
Director

The notes on pages 65 to 108 form part of these financial statements.

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts for the year ended 30 June 2015  
Company statement of changes in equity

	Share capital US\$'000	Share premium US\$'000	Translation reserve US\$'000	Share- based payment reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
<b>Balance as at 1 July 2013</b>	<b>121,703</b>	<b>88,361</b>	<b>(7,290)</b>	<b>5,026</b>	<b>(138,146)</b>	<b>69,654</b>
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(1,724)	(1,724)
Exchange differences on translating foreign operations	-	-	8,187	-	-	8,187
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>8,187</b>	<b>-</b>	<b>(1,724)</b>	<b>6,463</b>
<b>Contributions by and distributions to owners</b>						
Shares issued in the year	41,738	80,424	-	-	-	122,162
Share issue expenses	-	(5,185)	-	-	-	(5,185)
Share-based payment transactions	-	-	-	547	-	547
Share-based payments lapsed/expired	-	-	-	(2,100)	2,100	-
<b>Total contributions by and distributions to owners</b>	<b>41,738</b>	<b>75,239</b>	<b>-</b>	<b>(1,553)</b>	<b>2,100</b>	<b>117,524</b>
<b>Balance as at 30 June 2014</b>	<b>163,441</b>	<b>163,600</b>	<b>897</b>	<b>3,473</b>	<b>(137,770)</b>	<b>193,641</b>
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(2,334)	(2,334)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,334)</b>	<b>(2,334)</b>
<b>Contributions by and distributions to owners</b>						
Share-based payment transactions	-	-	-	1,009	-	1,009
Share-based payments lapsed/expired	-	-	-	(940)	940	-
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69</b>	<b>940</b>	<b>1,009</b>
<b>Balance as at 30 June 2015</b>	<b>163,441</b>	<b>163,600</b>	<b>897</b>	<b>3,542</b>	<b>(139,164)</b>	<b>192,316</b>

The Company had no other comprehensive income in the year.

The notes on pages 65 to 108 form part of these financial statements.

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts for the year ended 30 June 2015  
Company statement of cash flows

		2015	2014
	Note	US\$'000	US\$'000
<b>Cash flows used in operating activities</b>			
Loss before taxation		(2,334)	(1,724)
Adjustments for:			
Depreciation and amortisation	14	33	38
Increase in provisions		43	-
Effect of foreign exchange movements		227	484
Equity-settled share-based payments		814	547
Equity-settled creditors		-	2,532
Finance cost		-	1
Finance income		(56)	(12)
<b>Net cash flows (used in)/from operating activities before working capital changes</b>		<b>(1,273)</b>	<b>1,866</b>
Decrease/(increase) in trade and other receivables		62	(94)
(Decrease)/increase in trade and other payables		(383)	352
<b>Net cash (used in)/from operating activities</b>		<b>(1,594)</b>	<b>2,124</b>
<b>Cash flows used in investing activities</b>			
Acquisition of investments		(42,094)	-
Loans to subsidiaries		(34,530)	(26,294)
<b>Net cash used in investing activities</b>		<b>(76,624)</b>	<b>(26,294)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		-	119,630
Share issue expenses		-	(5,185)
Finance cost		-	(1)
Finance income		56	12
<b>Net cash flows from financing activities</b>		<b>56</b>	<b>114,456</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(78,162)</b>	<b>90,286</b>
Cash and cash equivalents at beginning of the year		90,506	220
<b>Cash and cash equivalents at end of the year</b>	19	<b>12,344</b>	<b>90,506</b>

The notes on pages 65 to 108 form part of these financial statements.

## 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 2015 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.

### Statement of compliance

These consolidated financial statements of Firestone Diamonds plc have been prepared in accordance with International Financial Reporting Standards (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 and interpretations have been applied by the Group from 1 July 2014*

- Amendments to IFRS 2, Share-Based Payments (endorsed by the European Union on 12 January 2015)
- Amendments to IFRS 8, Operating Segments (endorsed by the European Union on 12 January 2015)
- Amendments to IAS 16 Property, Plant and Equipment (endorsed by the European Union on 12 January 2015)
- Amendments to IAS 24, Related Party Disclosures (endorsed by the European Union on 12 January 2015)
- Amendments to IAS 38, Intangible Assets (endorsed by the European Union on 12 January 2015)

The application of these standards and interpretations did not result in any material changes to the Group's financial statements.

***IFRS effective in 2015 but not relevant***

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

- Amendments to IAS 19, Employee Benefits (endorsed by the European Union on 12 January 2015)
- Amendments to IAS 40 Investment Property (endorsed by the European Union on 22 December 2014)
- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards (endorsed by the European Union on 22 December 2014)
- Amendments to IFRS 3, Business Combinations (endorsed by the European Union on 12 January 2015)
- Amendments to IFRS 13, Fair Value Measurement (endorsed by the European Union on 12 January 2015)

***Standards and interpretations issued but not yet applied***

Any standards and interpretations other than those noted above, that has been issued but is 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 impact on the financial statements in future periods, although amended disclosures may be required.

**Going concern**

The Group currently has two mines, Liqhobong in Lesotho which recently commenced construction of its development project, and the BK11 mine in Botswana, which remains on care and maintenance following its conditional disposal to Tango Mining Limited.

Funding for the Project was made available via an equity raise of US\$110 million, a Eurobond facility of US\$30 million and the Absa debt facility of US\$82.4 million. Construction of the Project commenced at the end of June 2014 and as at 30 September 2015 the Project is 49% complete with ZAR1.0 billion having been spent as at the end of August 2015, representing approximately 48% of the Project budget in ZAR terms of ZAR2.1 billion. As a result of increased overburden and adverse weather conditions, completion of the Project is now scheduled to occur in Q4 2016. Once completed, the main treatment plant will be capable of processing up to 300,000 tonnes per month.

The Directors have prepared cash flow forecasts for the Group based on certain assumptions, and the Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include currency risk, project risk and the risk of change in general market conditions. The Directors are monitoring the working capital requirements of the Group 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 completing construction of the Project.

The Directors are confident that the existing cash resources and debt facilities are sufficient to complete the Project and to maintain other Group working costs through to production ramp up. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements.

#### **Companies Act section 408 exemption**

The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company incurred a loss on ordinary activities after tax of US\$2,334,000 (2014: US\$1,742,000) in respect of the Company which is dealt with in the financial statements of the Company. The Company had other items of comprehensive income in the year of US\$nil (2014: a loss of US\$8,187,000).

#### **Basis of consolidation**

##### *Subsidiaries and acquisitions*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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

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

*Transactions eliminated on consolidation*

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

**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 IAS 39 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.

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 IFRS 3, Business Combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition are expensed as incurred.

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.

#### **Stripping costs incurred during production**

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

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

The stripping activity asset is recognised initially at cost, treated as an enhancement of an existing asset and not as an independent asset. Subsequently, the stripping activity asset is accounted for in the same manner as that adopted for the asset it has enhanced, and is

depreciated on a unit of production method, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is provided 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 'unit 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, development expenditure and plant and equipment	- Unit of production method
Other equipment	- 3 to 10 years
Motor vehicles	- 3 to 5 years
Office equipment and 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 profit and loss. The expected useful economic life and residual values of property, plant and equipment are reviewed annually.

### **Investments in subsidiaries**

Investments in subsidiary undertakings are shown at cost less provisions for impairment in value. The cost of acquisition 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.

### **Assets held for sale and discontinued operations**

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if the sale is highly probable, the asset is available for sale in its present condition, being actively marketed and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical

area of operations; and is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

Non-current assets held for sale and discontinued operations are carried at the lower of carrying value or fair value less costs to sell. Any gain or loss from disposal of a business, together with the results of these operations until the date of disposal, is reported separately as discontinued operations. The financial information of discontinued operations is excluded from the respective captions in the consolidated financial statements and related notes for the current and comparative period and disclosed as results from discontinued operations.

#### **Impairment of non-financial assets**

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

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

### **Inventories**

Inventories comprise uncut diamonds produced, ore stockpiles, and 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 2015 and 30 June 2014. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to conclude the sale.

### **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 activities 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 are 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 and deposits held on call with banks.

### **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.

### **Hedging instruments**

The Group's activities expose it to the financial risks of changes in foreign exchange rates. The Group uses derivatives (forward exchange contracts) to offset changes in cash flow of highly probable forecast transactions. These derivatives are designated as cash flow hedges by the Group.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date.

The Group formally assesses on an ongoing basis whether the changes in cash flow of the derivatives are highly effective in offsetting changes in the cash flow of the hedged item. If these changes are deemed to be effective the changes in cash flow of the hedge instrument is recognised in equity. Amounts recognised in equity are transferred to the initial cost of the asset in the period during which the hedge instrument matures. Any ineffective element of a

cash flow hedge, which has been designated for hedge accounting, is recognised through profit and loss.

### **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.

### **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.

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

### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or 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 the tender closes and the winning bids are accepted.

### **Borrowing cost**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing cost eligible for capitalisation is determined as follows:

- Actual borrowing cost on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing cost applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing cost capitalised do not exceed the total borrowing cost incurred.

The capitalisation of borrowing cost commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing cost is recognised as an expense in the period in which they are incurred.

### **Share capital and reserves**

#### **Share capital**

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

#### **Share premium**

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

#### **Merger Reserve**

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

#### **Hedge reserve**

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

#### **Share-based payment reserve**

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

#### **Translation reserve**

Gains/losses arising on retranslating the net assets of overseas operations into US\$, the Group's functional and presentation currency.

#### **Accumulated losses**

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

#### **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 using an appropriate pricing model.

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a

replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

### **Operating leases**

Operating lease rentals are charged to income in equal annual amounts over the lease term.

### **Foreign currency**

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

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

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items is included in the statement of comprehensive income for the period.

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

Foreign currency movements arising from the Group's net investment, which comprises equity and long-term debt, in subsidiary companies whose functional currency is not the US Dollar are recognised in the translation reserve, included within equity until such time as the relevant subsidiary company is sold, whereupon the net cumulative foreign exchange difference relating to the disposal is transferred to profit and loss. The US\$:Pound Sterling exchange rate at 30 June was US\$1.5721 (2014: US\$1.5733).

### **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.

## **2 Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

### ***(i) 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 22.

***(ii) 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 advisers. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.

***(iii) Impairment testing***

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. In determining the future cash flows per cash-generating unit management makes a number of significant estimates and judgements including the following:

- Estimated reserves and resources
- Estimated life of mine
- Estimated diamond price per carat
- Recovery and productivity rates
- Inflation rate
- Exchange rates

It is reasonably possible that assumptions may change which may impact our estimates and may then require a material adjustment to the carrying value of tangible 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 change materially over time.

The Group currently has two main cash-generating units:

*Liqhobong Mine*

The Liqhobong Mine is currently in the construction phase. Management has determined that at this stage no indication for impairment exists for the Liqhobong Mine. The Group currently has sufficient access to cash and debt facilities to complete the Liqhobong Mine Development Project, valued at US\$185 million. Once completed the Group estimates a life of mine of 15 year with an expected net present value of US\$379 million.

*BK 11 Mine*

The Group received entered into a conditional sale agreement for the BK11 Mine for a sale price of US\$8 million. The Group has determined the carrying value of the BK11 Mine at its estimated sale value less cost to sell.

***(iv) Fair value measurement***

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

Level 1: quoted process in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

***(v) Valuation of hedges***

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

***(vi) Cash flow forecasts***

As part of determining whether the going concern assumption is appropriate management assesses the cash flow forecasts prepared. The cash flow forecast includes a number of critical estimates and judgements. These estimates and judgements includes:

- Estimated project completion date
- Estimated cost to complete the project
- Estimated diamond price per carat

- Inflation rate
- US\$: ZAR exchange rate

It is management's policy to obtain sufficient supporting evidence from the external sources such as analyst predictions, global supply and demand curves for diamond price estimates as well as internal sources such as the Group's diamonds sales history and size distribution to ensure that the cash flow forecast is accurate as possible.

### 3 Revenue

	<b>2015</b>	2014
	<b>US\$'000</b>	US\$'000
Sales of diamonds	-	3,954

### 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 management information will be used by the Chief Executive Officer as the basis for decision making. The sale of diamonds during 2014 was conducted through an electronic 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.

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

	Lesotho		Botswana and South Africa (discontinued activities)		Unallocated (corporate overheads)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
External revenue	-	3,954	-	-	-	-	-	3,954
Segmental operating result	<b>(516)</b>	(7,147)	<b>(3,234)</b>	(585)	<b>(4,422)</b>	(3,367)	<b>(8,172)</b>	(11,099)

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts for the year ended 30 June 2015  
Notes to the financial statements

Finance income	-	39	-	5	76	12	76	56
Finance expense	-	-	-	(173)	(2,290)	(1)	(2,290)	(174)
Taxation	-	15	-	3	-	-	-	18
Segmental result	(516)	(7,093)	(3,234)	(750)	(6,636)	(3,356)	(10,386)	(11,199)
Segmental assets	139,274	66,181	9,230	14,664	13,292	90,777	161,796	171,622
Segmental liabilities	(24,639)	(8,548)	(1,530)	(2,091)	(994)	(1,681)	(27,163)	(12,320)
Other segmental information								
Capital expenditure:								
Property, plant and equipment	83,073	5,489	-	361	49	-	83,122	5,850
Depreciation, amortisation and impairment cost								
Property, plant and equipment	-	3,907	-	-	35	51	35	3,958

## 5 Operating loss

	2015 Group US\$'000	2014 Group US\$'000
<b>Operating loss from continuing operations for the year is stated after charging:</b>		
Depreciation and amortisation of property, plant and equipment (note 13)	35	3,958
Employee costs (note 6)	2,675	2,392
Operating lease rentals	244	248
Share-based payments (note 22)	827	547
<b>Items relating to discontinued operations:</b>		
Employee costs (note 6)	322	513
Hire of plant and equipment	-	2
Operating lease rentals	74	76
Impairment of property, plant and equipment and intangible assets (note 10)	2,558	-

## 6 Employee numbers and costs

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

	2015 Group Number	2014 Group Number
Operations	36	24
Administration	19	18
	<u>55</u>	<u>42</u>
Represented by:		
Continuing operations	38	28
Discontinued operations	17	14
	<u>55</u>	<u>42</u>

The employment benefits were as follows:

	<b>2015 Group US\$'000</b>	2014 Group US\$'000
Wages and salaries	2,119	2,259
Social security cost	51	12
Share-based payments	827	547
Pension costs	-	87
	<u>2,997</u>	<u>2,905</u>
Represented by:		
Continuing operations	2,675	2,392
Discontinued operations	322	513
	<u>2,997</u>	<u>2,905</u>

## 7 Directors' emoluments

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

	<b>2015 Group US\$'000</b>	2014 Group US\$'000
Short term employee benefits	1,155	957
Post-employment benefits	-	87
Share-based payments	668	612
Total	<u>1,823</u>	<u>1,656</u>

<b>2015</b>	<b>Salaries and fees US\$'000</b>	<b>Bonus US\$'000</b>	<b>Pension US\$'000</b>	<b>Share- based payments US\$'000</b>	<b>Total US\$'000</b>
<b>Director</b>					
L Genovese	120	-	-	-	120
A Jonker	60	-	-	-	60
S Brown <sup>1,2</sup>	500	225	-	668 <sup>3</sup>	1,393
P Sobie	60	-	-	-	60
M Wittet	60	-	-	-	60
N Young	60	-	-	-	60
K Owen	60	-	-	-	60
K Johnson	10	-	-	-	10
	<u>930</u>	<u>225</u>	<u>-</u>	<u>668</u>	<u>1,823</u>

2014

L Genovese	63	-	-	126	189
A Jonker	41	-	-	-	41
S Brown <sup>1</sup>	417	-	-	306	723
T Wilkes	309	-	87	130	526
P Sobie	41	-	-	-	41
M Wittet	41	-	-	-	41
J Treger	41	-	-	50	91
N Young	2	-	-	-	2
K Owen	2	-	-	-	2
	<u>957</u>	<u>-</u>	<u>87</u>	<u>612</u>	<u>1,656</u>

1 - Highest paid Director for the year.

2 - Included in the bonus amount paid to Stuart Brown is an amount of US\$100,000 which relates to the 2014 financial year but was not authorised until the 2015 financial year.

3 - The share-based payments expense relates to share options issued to Stuart Brown in May 2014. The share options vest over a three year period and the expense is recognised over the vesting period.

## 8 Auditor's remuneration

	2015 Group US\$'000	2014 Group US\$'000
<b>Fees payable to the Group's auditor for the audit of the Group's annual financial statements</b>		
Audit of the Group's financial statements	78	75
<b>Fees payable to the Group's auditor and its associates for other services</b>		
Audit of accounts of subsidiaries of the Company	31	46
Taxation compliance services	62	23
Other taxation services	-	8
	<u>171</u>	<u>152</u>

## 9 Net finance income and costs

	2015 Group US\$'000	2014 Group US\$'000
Interest income on bank deposits	76	51
Foreign exchange adjustments on cash balances	-	509
<b>Finance income</b>	<u>76</u>	<u>560</u>
Interest paid on overdrawn accounts	-	1
Foreign exchange adjustments on cash balances	2,290	-
<b>Finance costs from continuing operations</b>	<u>2,290</u>	<u>1</u>
Interest paid on loans	-	(173)
<b>Finance costs from discontinued operations (note 20)</b>	<u>-</u>	<u>(173)</u>

During the year borrowing cost to the value of US\$1.8 million was capitalised to the cost of the Liqhobong Mine Development Project. This was offset by finance income generated on surplus cash of US\$0.5 million.

## 10 Impairment of property, plant, equipment and intangible assets

	2015 Group US\$'000	2014 Group US\$'000
Impairment of plant and equipment used in mining operations ( included in loss from discontinued operations)	2,558	-
	<u>2,558</u>	<u>-</u>

The Group's BK11 mine has been on care and maintenance since February 2012, and no further work was performed on the Group's Botswana exploration properties since that time. The Group has entered into a conditional agreement for the disposal of its Botswana operations, including its interest in the BK11 mine, to Tango Mining Limited ("Tango Mining") for a total consideration of US\$8.0 million in cash. As a result of the reduced sales price for the BK11 assets management considered it appropriate to raise a further impairment of US\$2,588,000 in addition to the impairment of US\$3,753,000 raised when the BK11 mine was initially placed on care and maintenance in February 2012. BK11 mine's recoverable amount as at 30 June 2015 is determined on the fair value of the assets less cost of disposal, by reference to the sale price per the conditional sale agreement entered into with Tango Mining.

The sale agreement is subject to, *inter alia*, the following conditions being satisfied within six months of the agreement, being 8 January 2016:

- the parties gaining approval from the Botswana Competition Authority;
- the parties obtaining Botswana ministerial approval for the transfer of the controlling interest in Monak;
- Tango Mining receiving the requisite approvals by the TSX Venture Exchange in respect of the disposal;

#### Fair Value measurement

The fair value of the net assets of the BK 11 Mine was determined through reference to the sale price noted in the conditional sale agreement entered into with Tango Mining. The fair value measurement is categorised as level 3 non-recurring fair value measurements.

The following table sets out the valuation techniques used in the determination of fair values within level 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value:

Item and valuation technique	Key unobservable inputs	Relationship between unobservable inputs to fair value
Assets held for sale Formal disposal process	Offer to purchase	The fair value was determined by placing the assets up for sale to willing and able buyers. There is no current active market for these type of assets, thus the fair value was determined by using the highest offer to purchase received following a formal disposal process. The higher the sales offer received

the higher the fair value will be.

## 11 Taxation

	<b>2015</b>	2014
	<b>Group</b>	Group
	<b>US\$'000</b>	US\$'000
Current tax	-	-
Deferred tax	-	(15)
Total tax credit for the year	<u>-</u>	<u>(15)</u>

The difference between the total tax credit 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 20.75% (2014: 23.75%).

	<b>2015</b>	2014
	<b>Group</b>	Group
	<b>US\$'000</b>	US\$'000
Loss before tax	<u>(7,152)</u>	<u>(11,214)</u>
Tax on loss at standard rate of 20.75% (2014: 23.75%)	<b>(1,484)</b>	(2,663)
Effect of tax in foreign jurisdictions	<b>344</b>	(50)
Effect of the change in the standard tax rate	<b>(10)</b>	-
Expenses not deductible for tax purposes	<b>(290)</b>	314
Adjustments to deferred tax not recognised	<b>1,440</b>	2,384
	<u>-</u>	<u>(15)</u>

### *Other comprehensive income*

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

## 12 Loss per share

The calculation of the basic loss per share from continuing operations is based upon the net loss after tax from continuing operations attributable to ordinary shareholders of US\$7.1 million (2014: US\$8.9 million) and a weighted average number of shares in issue for the year of 308,992,814 (2014: 93,284,647).

The calculation of the basic loss per share from discontinued operations is based upon the net loss after tax from discontinued operations attributable to ordinary shareholders of US\$3.2 million (2014: US\$0.7 million) and a weighted average number of shares in issue for the year of 308,992,814 (2014: 93,284,647).

### Diluted loss per share

The diluted loss per share in 2015 and 2014 is the same as the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has 15,052,200 (2014: 13,680,005) potentially issuable shares in respect of share options issued to employees (note 22).

## 13 Property, plant and equipment - Group

US\$'000	Mining property	Plant and equipment	Motor vehicles and other assets	Total
<b>Cost</b>				
At 1 July 2013	56,222	13,760	1,044	71,026
Additions	749	4,800	373	5,922
Disposals	-	-	(301)	(301)
Decommissioning and removal	-	(7,996)	-	(7,996)
Exchange difference	(3,794)	(864)	(51)	(4,709)
<b>At 30 June 2014</b>	<b>53,177</b>	<b>9,700</b>	<b>1,065</b>	<b>63,942</b>
Additions	83,708	11	168	83,887
Disposals	-	-	(81)	(81)
Reclassification	7,768	(7,768)	-	-
Exchange difference	(14,139)	(268)	(115)	(14,522)
<b>At 30 June 2015</b>	<b>130,514</b>	<b>1,675</b>	<b>1,037</b>	<b>133,226</b>
<b>Accumulated depreciation</b>				
At 1 July 2013	9,381	8,706	583	18,670
Charge for the year	1,118	2,706	134	3,958
Disposals	-	-	(55)	(55)
Decommissioning and removal	-	(7,537)	-	(7,537)
Exchange difference	(650)	(512)	(30)	(1,192)
<b>At 30 June 2014</b>	<b>9,849</b>	<b>3,363</b>	<b>632</b>	<b>13,844</b>
Charge for the year	-	-	35	35
Disposals	-	-	(34)	(34)
Reclassification	2,179	(2,179)	-	-
Exchange difference	(1,664)	(164)	(57)	(1,885)
<b>At 30 June 2015</b>	<b>10,364</b>	<b>1,020</b>	<b>576</b>	<b>11,960</b>
Net book value at 1 July 2013	46,841	5,054	461	52,356
Net book value at 30 June 2014	43,328	6,337	433	50,098



Firestone Diamonds Limited <sup>†</sup>	British Virgin Islands	100%
Kopane Diamond Developments Limited <sup>†</sup>	United Kingdom	100%
Minegem Inc.	Canada	100%

### Management company

Subsidiary	Country	Percentage of shares held by Company
Firestone Diamonds (Pty) Limited	South Africa	100%

### Dormant companies

Subsidiary	Country	Percentage of shares held by Company
African Star Developments (Pty) Limited	South Africa	100%
African Star Exploration (Pty) Limited	South Africa	100%
African Star Mining (Pty) Limited	South Africa	100%
African Star Resources (Pty) Limited	South Africa	100%
Cornerstone (RSA) Limited	British Virgin Islands	100%
Fortuna Investment Holdings Limited	British Virgin Islands	100%
Hantam Resources (Pty) Limited	South Africa	100%
Kuboes Diamante (Pty) Limited	South Africa	87.5%
Maskam Resources (Pty) Limited	South Africa	100%
Matzikamma Resources (Pty) Limited	South Africa	100%
Oena Mine (Pty) Limited	South Africa	87.5%

† - Company in which Firestone Diamonds plc has a direct holding.

All subsidiaries are included in the consolidated financial statements and listed above.

### Investment in new subsidiary

During the year the Group invested a total of US\$2.0 million for a 49% stake in a new company called Infrastructure Projects (Pty) Ltd. The company was set up to finance and manage the construction of the Power Project to connect the Lihobong Mine to national grid power of the Kingdom of Lesotho. Non-controlling investors contributed a total of US\$1.9 million in cash for a corresponding 49% holding. This is reflected as part of the non-controlling interest, which

does not form part of the Group's ownership interest. On the date of investment Infrastructure Projects had no assets or liabilities.

### 16 Non-controlling interest

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

	<b>2015</b>	2014
	<b>Group</b>	Group
<b>For the period ended 30 June</b>	<b>US\$'000</b>	US\$'000
Revenue	-	3,954
Cost of sales	-	(8,512)
Gross profit	-	(4,558)
Administrative expenses	(139)	(1,706)
<b>Loss before finance charges and income tax</b>	<b>(139)</b>	<b>(6,264)</b>
Finance income	-	41
<b>Loss before income tax</b>	<b>(139)</b>	<b>(6,223)</b>
Income tax	-	-
<b>Loss after tax for the year</b>	<b>(139)</b>	<b>(6,223)</b>
Loss after tax allocated to non-controlling interest	(35)	(1,556)
Other comprehensive loss allocated to non-controlling interest	(3,975)	(4,125)
<b>Total comprehensive (loss)/income allocated to non-controlling interest</b>	<b>(4,010)</b>	<b>(5,681)</b>
	<b>2015</b>	2014
	<b>Group</b>	Group
	<b>US\$'000</b>	US\$'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	99,677	18,817
<b>Current assets</b>		
Inventories	23	129
Trade and other debtors	13,256	190
Cash and cash equivalents	4,083	15,526

<b>Total assets</b>	<b>117,039</b>	34,662
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Rehabilitation provisions	(1,734)	(1,460)
Loans from Group companies	(149,209)	(95,762)
<b>Current liabilities</b>		
Trade and other payables	(16,733)	(2,897)
Other financial liabilities	(2,438)	-
Provisions	(148)	(41)
<b>Total liabilities</b>	<b>(170,262)</b>	(100,160)
Accumulated non-controlling interests	<b>(13,306)</b>	(16,375)

## 17 Loans to subsidiaries

	<b>Company 2015 US\$'000</b>	Company 2014 US\$'000
Kopane Diamond Development plc	45,758	17,081
Firestone Diamonds Limited	5,053	4,165
Firestone Diamonds (Pty) Limited	1,265	200
Liqhobong Mining Development Company (Pty) Limited	7,437	3,777
Other	13	-
	<b>59,526</b>	<b>25,223</b>
Non-current assets	<b>59,526</b>	25,223
Current assets	-	-
<b>Total assets</b>	<b>59,526</b>	<b>25,223</b>

The loan to Kopane Diamond Development plc currently bears interest at 11%, is unsecured and has no fixed terms of repayment.

Other loans to related parties bear no interest, are unsecured and have no fixed terms of repayment.

## 18 Trade and other receivables

	<b>2015</b>	2014	<b>2015</b>	2014
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Other receivables	<b>3,685</b>	445	<b>80</b>	152
Prepayments	<b>9,920</b>	93	<b>103</b>	93
	<b>13,605</b>	538	<b>183</b>	245

Other receivables relate to value-added taxation due from mainly the Lesotho Revenue Authority. Pre-payments relate to margin deposits paid on open foreign exchange contracts at year end and advances paid to suppliers of the Project. None of the trade and other receivables are past due date or considered to be impaired, and there is no significant difference between the fair value of the trade and other receivables and the values stated above.

### 19 Cash and cash equivalents

	<b>2015</b>	2014	<b>2015</b>	2014
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Cash and cash equivalents held for continuing operations	<b>17,628</b>	107,003	<b>12,344</b>	90,506
Non-current assets held for sale (note 20)	-	361	-	-
	<b>17,628</b>	107,364	<b>12,344</b>	90,506

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

	<b>2015</b>	2014	<b>2015</b>	2014
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
British Pounds	<b>5,296</b>	34,976	<b>4,539</b>	34,415
US Dollars	<b>7,812</b>	56,203	<b>7,804</b>	56,089
Botswana Pula	<b>98</b>	97	-	-
South African Rand	<b>387</b>	557	<b>1</b>	2
Lesotho Maloti	<b>4,035</b>	15,531	-	-
Cash and cash equivalents	<b>17,628</b>	107,364	<b>12,344</b>	90,506

Cash deposits of US\$45,000 (2014: US\$45,000) are held in favour of various suppliers in Botswana.

### Effective interest rates and repricing analysis

In respect of income-earning financial assets, the following table indicates their effective interest rates at 30 June 2015 and the periods in which they mature or, if earlier, are repriced.

#### Group

For 2015 the effective interest rates and repricing analysis was:

2015	Effective interest rate	Total US\$'000	Current US\$'000	1–2 years US\$'000	2–5 years US\$'000
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Cash and cash equivalents	<b>0.03%</b>	<b>17,628</b>	<b>17,628</b>	-	-
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For 2014 the effective interest rates and repricing analysis was:

2014	Effective interest rate	US\$'000	Current US\$'000	1–2 years US\$'000	2–5 years US\$'000
Cash and cash equivalents	0.03%	107,003	107,003	-	-

#### Company

For 2015 the effective interest rates and repricing analysis was:

2015	Effective interest rate	Total US\$'000	Current US\$'000	1–2 years US\$'000	2–5 years US\$'000
Cash and cash equivalents	<b>0.03%</b>	<b>12,344</b>	<b>12,344</b>	-	-
Loans to subsidiaries	<b>11.00%</b>	<b>45,758</b>	<b>45,758</b>	-	-

2014	Effective interest rate	Total US\$'000	Current US\$'000	1–2 years US\$'000	2–5 years US\$'000
Cash and cash equivalents	0.03%	90,506	90,506	-	-
Loans to subsidiaries	11.00%	17,081	17,081	-	-

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

## 20 Discontinued operations

### *BK11 Mine*

The BK11 mine has been on care and maintenance since February 2012 and Tango Mining has agreed to pay into escrow the ongoing cost of BK11's care and maintenance programme from the date of the Agreement up to the earlier of the date of completion of the Disposal and the Drop Dead Date, up to a maximum of US\$40,000 per month. The Group continued to hold the Botswana operations as held for sale, while the disposal is being concluded.

### *SA Alluvial assets*

Included in the opening balance are the SA Alluvial assets of US\$0.2 million. The Group finally concluded the disposal of these assets during the year for total consideration of US\$0.2 million, after approval was finally obtained from the relevant authorities in South Africa.

	<b>2015</b>	2014
	<b>Group</b>	Group
	<b>US\$'000</b>	US\$'000

#### Consolidated statement of profit and loss

FIRESTONE DIAMONDS PLC  
Annual Report and Accounts for the year ended 30 June 2015  
Notes to the financial statements

Administrative expenses	(1)	(51)
Movement in rehabilitation provision due to unwinding of discount	(123)	-
Care and maintenance expenses	(521)	(534)
Loss of disposed subsidiaries	(31)	-
Impairment loss (refer to note 10)	(2,558)	-
<b>Loss from discontinued operations before finance charges and income tax</b>	<b>(3,234)</b>	<b>(585)</b>
Finance income	-	6
Finance costs	-	(173)
<b>Loss from discontinued operations before income tax</b>	<b>(3,234)</b>	<b>(752)</b>
Income tax credit	-	3
<b>Loss from discontinued operations after tax</b>	<b>(3,234)</b>	<b>(749)</b>
<b>Other comprehensive loss:</b>		
Exchange differences on translating foreign operations net of tax	3,295	(2,598)
<b>Total comprehensive (loss)/income from discontinued operations for the year</b>	<b>61</b>	<b>(3,347)</b>
<b>Loss from discontinued operations for the year attributable to:</b>		
Owners of the parent	(3,198)	(712)
Non-controlling interests	(36)	(37)
	<b>(3,234)</b>	<b>(749)</b>
<b>Total comprehensive loss from discontinued operations for the year attributable to:</b>		
Owners of the parent	(250)	(3,370)
Non-controlling interests	311	23
	<b>61</b>	<b>(3,347)</b>

	2015 Group US\$'000	2014 Group US\$'000
<b>Items reflected in the consolidated statement of financial position</b>		
<b>Non-current assets held for sale</b>		
<b>Non-current assets</b>		
Property, plant and equipment	9,010	13,183
<b>Current assets</b>		
Inventories	203	263
Trade and other debtors	17	3
Cash and cash equivalents	-	361
<b>Total assets held for sale</b>	<b>9,230</b>	<b>13,810</b>
<b>Liabilities of a disposal group</b>		
<b>Non-current liabilities</b>		
Rehabilitation provisions	1,332	1,885
<b>Current liabilities</b>		
Trade and other payables	-	27
Provisions	198	177
<b>Total liabilities of a disposal group</b>	<b>1,530</b>	<b>2,089</b>

## 21 Share capital

The Company's share capital consists of one class of ordinary shares. At the date of this report the ordinary share capital of the Company was 308,992,814 ordinary shares of 1 pence each. (2014: 308,992,814).

There were no changes to the share capital of the Company during the year.

	Number of shares		Nominal value of shares	
	2015	2014	2015 US\$'000	2014 US\$'000
<b>Allotted, called up and fully paid</b>				
Opening balance	308,992,814	546,852,396	3,474	8,358
Issued during the year	-	2,543,075,740	-	41,738
<b>Closing balance before share consolidation</b>	<b>308,992,814</b>	<b>3,089,928,136</b>	<b>3,474</b>	<b>50,096</b>
Share consolidation	-	(2,780,935,322)	-	-
Split to deferred type B shares	-	-	-	(46,622)
<b>Closing balance</b>	<b>308,992,814</b>	<b>308,992,814</b>	<b>3,474</b>	<b>3,474</b>
<b>Deferred type A shares</b>				
Opening balance	7,079,649,109	7,079,649,109	113,345	113,345
<b>Closing balance</b>	<b>7,079,649,109</b>	<b>7,079,649,109</b>	<b>113,345</b>	<b>113,345</b>
<b>Deferred type B shares</b>				
Opening balance	308,992,814	-	46,622	-
Split from ordinary shares	-	308,992,814	-	46,622
<b>Closing balance</b>	<b>308,992,814</b>	<b>308,992,814</b>	<b>46,622</b>	<b>46,622</b>
<b>Total</b>	<b>7,697,634,737</b>	<b>7,697,634,737</b>	<b>163,441</b>	<b>163,441</b>

Firestone Diamonds Limited, a subsidiary company, has advanced funds to the Group's Employee Share Trust of US\$181,329. The Employee Share Trust holds 30,853 ordinary shares in Firestone Diamonds. These shares have not been allocated to any employees.

## 22 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:

	2015	2014
Weighted average share price	<b>35.2p</b>	32.5p
Weighted average option exercise prices	<b>72.5p</b>	59.4p
Expected volatility	<b>24%</b>	52%
Expected option life	<b>5 years</b>	5 years
Risk-free interest rate	<b>1.43%</b>	0.48%
Expected dividend yield	<b>0%</b>	0%
Fair-value of option granted in the year	<b>54.3p</b>	30.5p

The calculation of the volatility of the share price was based on the Company's daily closing share price over the period from July 2014 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:

	Number of share options		Weighted average exercise price (pence)	
	2015	2014	2015	2014
Outstanding at beginning of year	<b>13,680,005</b>	33,560,000	<b>59.4</b>	12.6
Share consolidation (1 share for every 10 held) *	-	(30,204,000)	-	-
Granted during the year	<b>1,512,195</b>	11,049,005	<b>34.5</b>	30.5
Lapsed or expired in the year	<b>(140,000)</b>	(725,000)	<b>112.9</b>	41.6
Outstanding at the end of the year	<b>15,052,200</b>	13,680,005	<b>48.0</b>	59.4
Exercisable at the end of the year	<b>2,391,000</b>	2,231,000	<b>111.5</b>	167.0

\* During the 2014 year the Group consolidated its share capital to 1 share for every 10 held. This consolidation was applied across all outstanding share options.

The options outstanding at as 30 June 2015 have a weighted average contractual life of five years (2014: five years). These options have an exercise price of 26.5 pence to 275.0 pence (2014: a range of 30.0 pence to 275.0 pence). The options exercisable at 30 June have an exercise price of 85.0 pence to 275.0 pence (2014: 85.0 pence to 275.0 pence). No options were exercised in the year.

	2015 Group US\$'000	2014 Group US\$'000	2015 Company US\$'000	2014 Company US\$'000
Charge for the year allocated to the Company	<b>814</b>	479	<b>814</b>	479
Charge for the year allocated to subsidiary companies	<b>195</b>	68	<b>195</b>	68
Total charge for the year	<b>1,009</b>	547	<b>1,009</b>	547
Amount capitalised to the cost of the Liqhobong Mine Development Project	<b>(182)</b>	-	-	-
Amount capitalised to investments	-	-	<b>(41)</b>	(153)
Charge for the year in profit and loss	<b>827</b>	547	<b>968</b>	394

#### Basic Share Option Scheme\*

Date of grant	From	Exercise period To	Share options held at		Exercise price	
			2015 number	2014 number	2015 pence	2014 pence

2004/08/03	2005/08/03	2014/08/03	-	25,000	200.0	200.0
2004/12/22	2005/12/22	2014/12/22	-	50,000	200.0	200.0
2005/05/03	2006/05/03	2015/05/03	-	65,000	200.0	200.0
2007/12/06	2008/12/06	2017/12/06	<b>6,000</b>	6,000	200.0	200.0
2007/12/19	2008/12/19	2017/12/19	<b>15,000</b>	15,000	200.0	200.0
2008/01/15	2009/01/15	2019/01/15	<b>20,000</b>	20,000	200.0	200.0
2011/05/17	2012/05/17	2022/05/17	<b>16,666</b>	16,666	275.0	275.0
2011/05/17	2014/05/17	2022/05/17	<b>16,667</b>	16,667	275.0	275.0
2011/05/17	2015/05/17	2022/05/17	<b>16,667</b>	16,667	275.0	275.0
			<b>91,000</b>	231,000		

#### Unapproved Executive Share Option Scheme\*

Date of grant	From	Exercise period To	Share options held at		Exercise price	
			2015 number	2014 number	2015 pence	2014 pence
2014/11/23	2014/11/23	2022/11/24	<b>200,000</b>	200,000	85.0	85.0
2014/11/23	2015/11/23	2022/11/24	<b>300,000</b>	300,000	85.0	85.0
2014/11/23	2015/11/23	2022/11/24	<b>300,000</b>	300,000	85.0	85.0
2014/11/23	2015/11/23	2022/11/24	<b>100,000</b>	100,000	85.0	85.0
2015/05/27	2015/05/27	2024/05/27	<b>829,345</b>	829,345	38.8	38.8
2015/01/15	2015/01/15	2024/01/16	<b>9,101,281</b>	9,101,281	30.0	30.0
2015/06/30	2015/06/30	2024/06/30	<b>1,118,379</b>	1,118,379	38.8	38.8
2014/09/01	2014/09/01	2024/09/01	<b>164,930</b>	-	38.6	-
2014/09/01	2014/09/01	2024/09/01	<b>339,380</b>	-	37.3	-
2014/10/01	2014/10/01	2024/10/01	<b>355,380</b>	-	36.5	-
2014/11/01	2014/11/01	2024/11/01	<b>222,292</b>	-	33.8	-
2015/05/01	2015/05/01	2025/05/01	<b>430,213</b>	-	26.5	-
			<b>13,461,200</b>	11,949,005		

#### Unapproved Share Option Scheme\*

Date of grant	From	Exercise period To	Share options held at		Exercise price	
			2015 number	2014 number	2015 pence	2014 pence
2013/11/23	2013/11/23	2022/11/24	<b>1,500,000</b>	1,500,000	85.0	85.0
			<b>1,500,000</b>	1,500,000		

\* During the 2014 financial year, the Group consolidated its share capital to 1 ordinary share for every 10 held. This consolidation was applied across all outstanding share options.

#### 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 2015 at the closing share

price on 30 June 2015 of 31.75 pence per share was nil shares as a result of it trading below the exercisable price limit (2014: closing share price of 38.62; no dilutive shares were exercisable).

### Long-Term Incentive Plan

The Company has established a Long-Term Incentive Plan (LTIP) for the benefit of senior management. The LTIP had nil (2014: 1,650,000) shares available to participants. All of the shares allocated during 2014 were for the benefit of Tim Wilkes, a former Director of the Company.

No additional shares have been allocated in the year.

### 23 Deferred tax

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

	<b>Group 2015 US\$'000</b>	Group 2014 US\$'000
At 1 July	<b>(4,038)</b>	(4,342)
Movement in temporary differences recognised in income	-	15
Exchange difference	<b>558</b>	289
At 30 June	<b><u>(3,480)</u></b>	<u>(4,038)</u>

The deferred tax liability comprises:

	<b>Group 2015 US\$'000</b>	Group 2014 US\$'000
Temporary difference arising on acquisition of subsidiary	<b><u>(3,480)</u></b>	<u>(4,038)</u>

No deferred tax asset is recognised in relation to unused tax losses and accelerated capital allowances as the timing of the utilisation of the losses is uncertain as at 30 June 2015. Once the mine is commissioned a deferred tax asset may be recognised to the extent that it is probable that these losses will be utilised against future profits of the Group. The recognition of the deferred tax asset will result in a credit to the tax charge in the statement of profit and loss. The Group has unrecognised tax losses in respect of continuing activities of approximately US\$177.4 million (2014: US\$90.0 million), and unrecognised accelerated capital allowances of US\$6.7 million (2014: US\$2.4 million). There are also unrecognised tax losses of US\$58.2 million (2014: US\$53.7 million) and unrecognised accelerated capital allowances of US\$12.2 million (2014: US\$1.8 million) relating to the disposal the Botswana group.

### 24 Rehabilitation provisions

<b>2015 Group US\$'000</b>	2014 Group US\$'000
------------------------------------	---------------------------

At 1 July	1,460	2,560
Exchange difference	<u>(254)</u>	<u>(153)</u>
Opening balance restated for effect of foreign exchange	1,206	2,407
Increase in the year	511	-
Release of rehabilitation liability	-	(947)
Transferred from liabilities of a disposal group	<u>29</u>	<u>-</u>
At 30 June	<u>1,746</u>	<u>1,460</u>

Construction of the Project commenced in July 2014 causing environmental disturbances. The Group raised a provision for the rehabilitation of the environmental disturbances caused by the construction of the Project that has been capitalised as part of the cost of the asset.

The environmental rehabilitation provision is based on current best practice and the current Environmental Management Program.

Significant estimates and assumptions are made in determining the amount attributable to this rehabilitation provision. These deal with uncertainties such as the legal and regulatory framework, timing and value of future costs. The Company estimates the cost of rehabilitation with reference to the rehabilitation activities contained in the Environmental Management Program. In determining the amount attributable to rehabilitation provision, management used a discount rate of 8%, estimated rehabilitation timing of 15 years to the end of the Lihobong open pit life of mine and Lesotho inflation rate of 4%.

## 25 Other financial liabilities

	2015 Group US\$'000	2014 Group US\$'000
Cash flow hedges	<u>2,438</u>	<u>-</u>
	<u>2,438</u>	<u>-</u>

During the period, the Group designated forward foreign currency exchange contracts as cash flow hedges. The risk being hedged is the volatility in the Lesotho Maloti against the US Dollar, the currency in which the majority of the funding made available for the Project is denominated.

### Timing profile of the nominal amount of the hedging instruments

	Less than 6 months	6 – 12 Months	1 – 2 years	2 – 5 years	5 – 10 years
Cash flow hedges	27,622	3,870	-	-	-

Hedge Effectiveness

	Effective hedge loss	Ineffective hedge loss	Through Other Comprehensive Income	Amount reclassified to fixed assets
Cash flow hedges	4,368	-	2,438	1,930

Management assesses hedge effectiveness in comparison with the Project original budgeted foreign exchange rate against the US Dollar of ZAR10:US\$1. The above table presents the both realised and unrealised foreign exchange losses on forward foreign currency exchange contracts for the year. The effective portion of the realised foreign exchange losses on matured contracts was reclassified as part of the cost of the Project, the hedged item. The effective portion of the unrealised foreign exchange losses on contracts that are still too mature was recognised in other comprehensive income.

The average rate of the realised forward exchange contracts was ZAR10.97:US\$1 and all matured forward exchange contracts were effective. The average rate of the unrealised forward exchange contracts is ZAR11.49:US\$1 and all forward exchange contracts that have not as yet matured are effective.

26 Trade and other payables

	2015 Group US\$'000	2014 Group US\$'000	2015 Company US\$'000	2014 Company US\$'000
Trade payables	4,025	3,385	42	608
Tax and social security	74	36	16	-
Accruals	13,678	1,271	410	354
	<u>17,777</u>	<u>4,692</u>	<u>468</u>	<u>962</u>

The value of both trade payables and accruals have increased from the 2014 year as a result of the increased construction activities on the Project and represents approximately one month's development cost.

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

## 27 Provisions

	<b>2015</b> <b>Group</b> <b>US\$'000</b>	2014 Group US\$'000
At 1 July	41	91
Exchange difference	<u>(14)</u>	<u>(5)</u>
Opening balance restated for effect of foreign exchange	27	86
Raised in the year through profit or loss	43	9
Capitalised as part of the cost of the LMDP	122	-
Reversals through profit or loss	-	(45)
Transferred to assets held for sale	<u>-</u>	<u>(9)</u>
At 30 June	<b><u>192</u></b>	<b><u>41</u></b>

Provisions relate mainly to leave pay due to staff.

## 28 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 procedures for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

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

### *Principal financial instruments*

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

- Trade and other receivables
- Loans to subsidiaries
- Cash and cash equivalents
- Other financial liabilities
- Trade and other payables

The above financial instruments are classified in the following categories:

<b>2015</b> <b>Group</b> <b>US\$'000</b>	2014 Group US\$'000	<b>2015</b> <b>Company</b> <b>US\$'000</b>	2014 Company US\$'000
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### **Financial assets at amortised cost**

Trade and other receivables	10,139	162	167	152
Loans to subsidiaries	-	-	59,526	25,223
Cash and cash equivalents	17,628	107,003	12,344	90,506
Non-current assets held for sale	17	364	-	-
	<u>27,784</u>	<u>107,529</u>	<u>72,037</u>	<u>115,881</u>
<b>Financial liabilities at fair value through other comprehensive income</b>				
Other financial liabilities	<u>(2,438)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	(17,969)	(4,733)	(468)	(962)
Liabilities of a disposal group	(198)	(204)	-	-
	<u>(18,167)</u>	<u>(4,937)</u>	<u>(468)</u>	<u>(962)</u>

### Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables and loans to subsidiaries.

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

### Financial instruments measured at fair value

The following table sets out the Group's financial liabilities measured at fair value by level within the fair value hierarchy:

	Level 1		Level 2		Level 3	
	2015	2014	2015	2014	2015	2014
Other financial liabilities	-	-	2,438	-	-	-

There were no transfers between levels during the period.

The valuation techniques used in determining the fair value measurement of level 2 financial instruments are set out in the table below:

Item	Valuation approach and inputs used
Derivative through fair value through other comprehensive income	The fair value of forward exchange contracts is determined based on the forward exchange rates as at reporting date.

***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 and loans to subsidiaries (Company). It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

Loans to subsidiaries in the Company mostly relates to the funding of the Project and the Company expects to recoup these loans when the projects starts to generate positive cashflows.

The maximum exposure to credit risk equals the carrying value of these items in the financial statements as shown below.

	<b>2015</b>	2014	<b>2015</b>	2014
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Trade and other receivables	<b>10,139</b>	162	<b>167</b>	152
Loans to subsidiaries	-	-	<b>59,526</b>	25,223
Cash and cash equivalents	<b>17,628</b>	107,003	<b>12,344</b>	90,506
Non-current assets held for sale	<b>17</b>	364	-	-
	<b><u>27,784</u></b>	<u>107,529</u>	<b><u>72,037</u></b>	<u>115,881</u>

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

***Liquidity risk***

Liquidity risk arises from the Group's and Company's management of working capital and the amount of funding committed to the Project. It is a risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. The Board manages this risk through monthly cash flow projections containing information regarding what the expected commitments will be per month as well as what the available funding is, before and after settlement of the monthly commitments. As at the year-end, the Group has not yet drawn down on any of its debt facilities, which comprise the US\$82.4 million from ABSA, US\$30 million Eurobond and a US\$15 million Project overrun standby facility also in the form of a Eurobond. Based on the cash flow projections The Directors are confident that existing cash resources and debt facilities are sufficient to complete the Project and to maintain other Group working cost through to production ramp up.

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 operating costs, capital expenditure and trade and other payables. Trade and other payables are all payable within six months.

*Interest rate risk*

The Group and the Company are exposed to interest rate risk in respect of surplus funds held on deposit. The Company is also exposed to interest rate risk on loans to subsidiaries.

*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 and Company's profit or loss before tax (through the impact on floating rate borrowings) and cash flows.

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

<b>Group</b>	<b>Change in rate</b>	<b>2015 US\$'000</b>	<b>Change in rate</b>	<b>2014 US\$'000</b>
US\$ equivalent	-0.5%	(89)	-0.5%	(535)
	-1.0%	(177)	-1.0%	(1,070)
	-1.5%	(266)	-1.5%	(1,605)
US\$ equivalent	+0.5%	89	+0.5%	535
	+1.0%	177	+1.0%	1,070
	+1.5%	266	+1.5%	1,605

<b>Company</b>	<b>Change in rate</b>	<b>2015 US\$'000</b>	<b>Change in rate</b>	<b>2014 US\$'000</b>
US\$ equivalent	-0.5%	(229)	-0.5%	(453)
	-1.0%	(458)	-1.0%	(905)
	-1.5%	(687)	-1.5%	(1,358)
US\$ equivalent	+0.5%	229	+0.5%	453

	+1.0%	458	+1.0%	905
	+1.5%	687	+1.5%	1,358
<b>Fair value of financial liabilities</b>				
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>Group</b>	Group	<b>Company</b>	Company
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Other financial liabilities	2,438	-	-	-
Trade and other payables	17,969	4,733	468	962
Liabilities of a disposal group	198	204	-	-
	<b>20,605</b>	<b>4,937</b>	<b>468</b>	<b>962</b>

There is no difference between the fair value and book value of other financial liabilities and trade and other payables. The same process was adopted for the 2014 analysis.

#### *Currency risk*

The Group adopted a hedging strategy approved by the Board during the year to mitigate against currency risk. The Group designated forward foreign currency exchange contracts as cash flow hedges. The risk being hedged is the volatility in the Lesotho Maloti and US Dollar exchange rates affecting the total funding available for the Project.

As at 30 June 2015 the Group held no significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2014: nil), other than a cash balance held in Pound Sterling equivalent to US\$5.3 million (2014: US\$35.0 million). If the Pound Sterling was to appreciate against US Dollar by 1%, the cash balance would increase by US\$52,500. Similarly if the Pound Sterling was to depreciate against the US Dollar by 1%, the cash balance would decrease by US\$52,500.

Loans between companies that are members of the Group are made in the operating currency of the lending company. In all other respects, the policy for all Group companies is that they only trade in their principal operating currency, except in exceptional circumstances from time to time. Long-term Group loans to South African 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's exposure of net monetary assets and liabilities by functional currency is as follows:

US\$'000	US\$		LSL		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Net foreign currency financial assets/(liabilities)	395	(1,263)	(6,063)	(2,748)	(345)	(185)	(6,803)	(4,196)

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

	Average rate		Balance sheet rate	
	2015	2014	2015	2014
South African Rand	11.4405	10.3706	12.2773	10.5784
Lesotho Maloti	11.4405	10.3706	12.2773	10.5784
Botswana Pula	9.3042	8.6006	9.8260	8.6941
Pound Sterling	1.5733	1.6247	1.5721	1.7047

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

### 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 21.

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.

## 29 Operating lease commitments

	Group				Company			
	Land and buildings		Plant and equipment		Land and buildings		Plant and equipment	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Within one year	235	209	-	-	200	128	-	-
Between one and two years	53	103	-	-	-	96	-	-
Between two and five years	-	-	-	-	-	-	-	-
	<b>288</b>	<b>312</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>224</b>	<b>-</b>	<b>-</b>

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

### 30 Post-balance sheet events

The Group has drawn down US\$20 million of the US\$30 million available pursuant to the Eurobond facility provided by Pacific Road and RCF. The draw-down was required to fund project costs and the Export Credit Insurance premium, a condition precedent for first draw down of the ABSA debt facility, and Project costs.

The Group satisfied the final conditions precedent to the ABSA debt facility and received funds in respect of the first draw down before the end of September 2015.

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

### 31 Capital commitments and contingencies

At 30 June 2015 the Group had contracted capital commitments of US\$47.4 million (2014: US\$68.7 million) relating to the Project. The Board has approved the Project with a total value of US\$185.4 million including capital commitments contracted at 30 June 2014.

### 32 Related-party transactions

At 30 June 2015 the amount of undrawn fees specific to individual Directors was:

	2015 Group US\$'000	2014 Group US\$'000
L Genovese	-	68
S Brown	-	171
B Jonker	-	63
J Treger	-	43
P Sobie	-	43
M Wittet	-	43
<b>Total</b>	<u>-</u>	<u>431</u>

Director emoluments is disclosed in note 7.

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

	<b>2015</b>	2014
	<b>US\$'000</b>	US\$'000
Finance income received	<b>2,935</b>	-
Management fee income received	<b>201</b>	-

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