FIRESTONE DIAMONDS

Final results for the year ended 30 June 2016

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

Final results for the year ended 30 June 2016

Firestone Diamonds plc, the AIM-quoted diamond company, is pleased to announce its final audited results for the year ended 30 June 2016.

HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2016

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

- 2,680,784 zero Lost Time Injury ("LTI") hours recorded with zero-LTI record maintained;
- Production plant 18% commissioned; and
- Project completion at 85% at year end.

Financial

- Project fully funded beyond the first sale of diamonds;
- Capital investment of US$68.2 million (2015: US$82.9 million) in the Project during the year;
- Profit after tax of US$13.6 million (2015: US$10.4 million loss);
- US$39.0 million of the ABSA project debt facility still available to the Project; and
- Standby facility of US$15.0 million available to the Project.

Outlook

- Initial production achieved in October 2016, with full production rates expected to take at least six months;
- First diamond sales anticipated in January 2017; and
- Becoming a one million carat per annum producer.

Key statistics

- Project within budget of US$185.4 million;
- Group fully funded beyond the first sale of diamonds in January 2017;
- Steel, mechanical, plate work and piping nearing completion;
- Liqhobong Diamond Resource (sum of Indicated and Inferred Resource) 23 million carats; and
- In-situ value (base case un-escalated) US$3.0 billion.

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Background information on Firestone

Firestone is an international diamond mining company with operations focused on Lesotho. Firestone is currently in the process of commencing production at the Liqhobong Diamond Mine in Lesotho to become a one million carat per annum producer.

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

For more information please visit: www.firestonediamonds.com.

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

Chairman's statement

It is with a great deal of pride that I write to you as your Company embarks on its next chapter as a diamond producer.

Since 2012, the Company has been solely focused on bringing our flagship Liqhobong Diamond Mine into production. I am delighted to report that this has been achieved ahead of the revised schedule and within budget. The Project has been very challenging in many respects; however, the team has never wavered from its goals. I am extremely proud of their performance and in particular the incredible safety record, indeed in August 2016, the Project surpassed three million man-hours worked without a single LTI. This is an outstanding achievement and on behalf of the entire Board, I would like to congratulate Stuart Brown, Glenn Black, their team and all those involved in delivering this Project with such a safety record.

As we conclude the commissioning phase we move ever closer to realising our vision of becoming a mid-tier diamond producer. In doing so, we expect to maximise value for our stakeholders in a sustainable manner, by operating with integrity, and leveraging local resources to the benefit of the Kingdom of Lesotho and the communities in which we operate as well as our shareholders and employees.

Firestone will soon be joining the short list of global producing diamond miners delivering one million carats per annum. This is a milestone the Company has been working towards achieving against the backdrop of an extremely challenging mining sector climate.

A brief look at history reminds us that this deposit was originally discovered in the 1950s and has been explored, evaluated and part developed over many years without success. It was not until Firestone, who acquired the Project from Kopane Diamonds in 2011, was restructured and Stuart Brown appointed in 2013, that Liqhobong really had the opportunity to achieve its full potential.

As mentioned in the last Annual Report, Firestone's focus for 2016 has been delivering Liqhobong with the construction focus shifting from earth works and civils to erecting the plant and installing machinery. Board members have had the pleasure of visiting the site a number of times during the year and the progress the team has made has been exemplary.

Over the last three months, Firestone has been preparing and working with the operational readiness team to ensure a smooth handover from the construction team. All the required planning and operational requirements have been catered for and we have the required operational team in place to ensure we move from the successful commissioning phase into steady state production. Firestone is endeavouring to mitigate all possible risks during this crucial stage of project delivery.

Firestone anticipates that the ramp up process to full nameplate capacity will take at least six months. During this early stage of production, the ore being processed by the plant will be taken from mixed low grade stockpiles and diluted ore from the main pit. This is perfectly normal in the commissioning phase of a mine and the Company will update the market on a regular basis as it moves through the first phases of mining to establish a more representative mining footprint with ore processed across the main pit.

In September 2016, Tango Mining Limited ("Tango") informed Firestone that it had not been able to meet the conditions of the conditional sale agreement for the BK11 mine. As a result, and following several extensions, the Company concluded that Tango would be unlikely to complete the funding requirement and accordingly, the sale process was terminated. The Company remains committed to seeking ways of advancing/unlocking value from its Botswana assets and will keep shareholders abreast of progress as appropriate.

Lastly, I would like to thank each and every individual that has contributed to Liqhobong's success to date, and in particular the construction and operational leadership teams for their hard work. Without you, the construction of the new Mine at Liqhobong would not have been possible and I look forward to updating our shareholders and stakeholders over the coming months as Firestone transforms into a mid-tier diamond producer.

Lucio Genovese

Non-Executive Chairman

31 October 2016

Strategic report

Introduction

Firestone maintained its strategy over the past year as it continued its commitment to developing the Liqhobong Diamond Mine ("Liqhobong") where the focus remained exclusively on construction activities. Once completed, Liqhobong will join the ranks of diamond producing companies, moving one step closer to realising its goal of becoming a mid-tier, one million carat per annum producer.

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, none of which proved to be financially viable. 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 commenced production in October 2016. At full production, Liqhobong will produce one million carats per annum, which would place it in the mid-tier of diamond mines globally.

During 2015 the Company decided to sell its 90% interest in the BK11 mine in Botswana to Tango Mining Limited (TSXV: TGV) in order to focus solely on the development of Liqhobong. Tango was unable to fulfil the conditions of the sale and the process was formally terminated in September 2016. The Company remains of the view that the BK11 mine has value and will look at further options to realise this value.

Our vision

Firestone's vision is to become a mid-tier diamond producer and preferred and 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:

- African operating experience
  We have a strong team of highly experienced industry executives who have worked extensively in Africa and 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 a 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.

Chief Executive Officer's review

Liqhobong and the Project

The focus in 2016 remained on the construction and delivery of the Project in Lesotho. Construction activities developed from earth moving and site civil construction to plant and machinery erection for the majority of the 2016 financial year and I am pleased to report that by the year end we were slightly ahead of schedule on the revised timeline. The weather was relatively stable allowing us to build momentum on the construction execution. The Group employed a total of 61 full time employees and at the peak there were around 1,000 contractors employed on the Project. The shift to specialist contractors took place towards the end of the year and we now employ fewer than 750 contractors on site. Operational capability was increased during the year prior to the commissioning phase of the Project.

From a cost perspective the Project remains well within the original US$185.4 million budget with nearly all the budget committed and agreed, greatly reducing the risk of cost over-runs. Throughout the Project life cycle we have tried to manage our exchange rate risk, and pleasingly we have realised additional gains through the significant weakening of the Rand against the US Dollar. This has allowed us to bring forward some capital items that were in future capital budgets to de-risk the Project at start-up. Our original budget was ZAR1,854 million and now stands at ZAR2,100 million due to the inclusion of the earth moving cost over-run, operational readiness and water risk mitigation.

The safety performance for the Project has been remarkable and we have just completed another year without any LTI. At the year-end, 2.7 million man-hours had been worked and by the end of September 2016, post the year end, over 3.2 million man-hours had been worked without a single LTI. Safety performance, particularly considering the harsh environment and the nature of such a project is extremely pleasing and all team members are to be congratulated. Zero harm remains the target and the new operational team are integrating all new employees into our procedures and safety practices to ensure that the excellent culture of safety, which has been adopted during the construction phase, carries over into operations.

The Company commenced initial production during October 2016 and is targeting January 2017 for its first sale of diamonds.

The Company has managed its funding carefully and had US$39.0 million remaining from the ABSA debt facility at the year end as well as the US$15.0 million standby facility with RCF, to fund the remaining Project costs and any potential cost over-runs or delays.

Grid power project

The grid power project for Liqhobong was completed early in the financial year and successful switchover to the national grid occurred in October 2015. The promised savings have been achieved due to the early switchover and the contribution from Storm Mountain Diamonds was also successfully completed.

Project commissioning

The operational readiness team refined detailed mine plans and recruited the required staff to ensure there is a smooth start-up and successful commissioning of all the operational activities on the Mine. The recruitment of the additional operational staff required to ensure that production ramp up is smooth is in place. Skills remain scarce in Lesotho, however, we have committed to achieving our goal of maximising local Basotho recruitment where possible and we have engaged with all our contractors to retain the best skills from the construction phase of the Project to ensure operational continuity where possible.

Diamond Resource and Reserve update for Liqhobong

Diamond Resource

The Diamond Resource remains the same as released in 2015 as we have yet to commence mining so no changes were necessary.

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

		DIAMOND RESOURCE				
Diamond Resource Category	Depth from and to	Volume in m^3 (millions)	Specific gravity (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Indicated	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.

Diamond Reserve

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

		DIAMOND RESERVE		
Diamond Reserve Category	Depth from and to	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.

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. The internal Technical Report does not constitute a Competent Person's Report as defined in the AIM Rules.

Diamond market

The diamond market over the latter part of 2015 and early 2016 remained relatively subdued with the major producers seeming to have slightly reduced the quantity of goods entering the rough market. This has helped improve sentiment and the pipeline seems to have balanced itself somewhat when compared to early 2015. Polished prices have remained under pressure with some categories of polished doing better than others based on fluctuating supply and demand. The net result of all the movement is that the market experienced a better first half of 2016 when compared to the same period in 2015. However, the mood remains cautious for the remainder of 2016 even though prices seem to have stabilised, albeit, at levels well below the peak of late 2014. Funding and liquidity concerns within the midstream market remain, but sales seem to be executed where price is reasonable. We expect the new production that will come on stream late in 2016 and early in 2017 to be balanced somewhat by the impact of some mine closures (in particular, Snap Lake) and the reduction of supply from ageing mines. Commodities remain under pressure compared to the boom years but we have seen more price stability in 2016, although further shocks such as the Brexit decision have not helped. China retail performance numbers have been subdued and overall, the global value of diamond jewellery sold in 2015 was slightly lower than the previous year at $79 billion. The supply/demand fundamentals of the diamond industry are still favourable when taking a long-term view as they indicate an increase in demand and declining production. The major producers, De Beers, Alrosa, Rio Tinto and Dominion Diamonds along with the mid-tier producers, have continued to work to retain the confidence in the industry which we view as positive in the long term.

Botswana

Throughout the 2016 financial year Management worked to complete the sale of its Botswana assets to Tango Mining Limited, a TSXV-listed mining company, for a total consideration of US$8.0 million in cash. Numerous extensions were granted to Tango in order to finalise its funding arrangements and a final extension was requested in September 2016. After careful consideration of all the facts, we concluded that Tango would be unlikely to complete its funding in a reasonable timeframe and we had to bring the process to a close. We remain committed to unlocking shareholder value from this asset in the future.

Conclusion and outlook

During the year ended June 2016, we continued to focus on the construction of the Mine ahead of the commissioning of the Project during Q4 2016. It was therefore with great pride that, following the completion of all major construction activities, we were able to announce that the first diamonds have been recovered early this month, which was a significant milestone for the Company.

The Project has required considerable effort from all involved and it is a testament to their work that the Project has been delivered ahead of the revised schedule and within budget. The construction team remains committed to completing the Project as the operational team starts to ramp up production to full nameplate capacity, being 3.6 million tonnes per annum or 500 tonnes per hour to recover up to one million carats per annum, over the next six months. On this basis, we currently anticipate treating between 1.8 and 2.0 million tonnes of ore, recovering between 380,000 and 450,000 carats, during the financial year ending 30 June 2017.

The Company's first diamond sale is scheduled to take place in Antwerp in January 2017 and thereafter, we propose to host two sales per quarter. During the initial ramp-up phase, ore from mixed low grade stockpiles and diluted ore from the main pit will be processed through the plant which will have an impact on the quality of diamonds recovered. As we progress with the ramp up of production and begin treating run-of-mine ore from the main pit, we expect that the quality and size of the diamonds recovered will improve. Accordingly, I look forward to updating all our stakeholders as we move through the ramp-up phase to nameplate production.

I wish to thank all those involved in the Project, our shareholders, our employees and contractors and the local community in and around Liqhobong village, without whom the successful completion of the Project and start-up of the Mine would not have been possible.

Safety

Firestone strives to provide its employees with a safe and healthy workplace and it is therefore gratifying to be able to report another fatality-free and LTI-free year at its subsidiary, Liqhobong. At the end of the 2016 financial year, there were 779 people working on the Liqhobong Mine site of which 68% were Basotho nationals. The Project employed well over 1,000 people at its peak. Firestone appointed DRA Minerals in 2014 as the lead engineering, procurement and construction management contractor to manage all construction activities and sub-contractors and to be responsible for the safety management system on the site. Since the start of the Project in July 2014 to the end of June 2016, the Project recorded a total of 2,680,784 LTI-free man-hours worked, which is a significant achievement. We are very proud to report that the 3,000,000 man-hours milestone worked without a LTI was achieved on 2 September 2016. This is a phenomenal achievement for a construction project of this magnitude, situated in a very remote location and harsh environment in the Highlands of Lesotho. We believe our safety approach ranks with the best globally and our results speak for themselves.

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-LTIs (first aid cases) are investigated and preventative actions put in place as appropriate.

The current focus is to ensure a smooth safety management transition between the Project construction teams and the Liqhobong operational team.

Health

The health of employees and contractors is of the utmost importance to Firestone. A new fully equipped clinic was opened during the 2016 financial year at the Liqhobong Mine. The new clinic has seven beds, two consulting rooms, a dispensary and two medical supply store rooms. The clinic is permanently manned by a qualified paramedic. The clinic's monthly statistics are analysed for trends and appropriate action is taken as required.

The clinic has a fully equipped ambulance that can be used to transport patients to the nearest hospital if required. For serious injuries a helicopter casualty evacuation plan is in place.

Environment

Firestone is committed to minimising its impact on the environments in which it operates. It is therefore pleasing to report that no major environmental incidents were recorded at the Liqhobong construction site during the financial year. Liqhobong's Environmental Management Plan ("EMP") was updated to reflect the latest operating parameters and mitigation actions. These were submitted to the Department of Environment ("DOE") during the year and were subsequently approved.

At an operating level, Liqhobong's environmental focus continues to be on waste management, water monitoring, incident reporting and auditing of contractor activities. The Company adopted a waste segregation at source policy which allows for the separation and collection of recyclable and hazardous material that are removed and disposed of by accredited service providers.

Surface water samples are collected monthly and analysed for bacterial and chemical content. Water sampling points include drinking water sources as well as control points upstream and downstream of the mine. The results are compared against the South African National Standards ("SANS") and all anomalies are investigated and action taken accordingly. Liqhobong collaborates and shares water sampling results with stakeholders such as the Lesotho Highlands Development Agency, the Department of Water Affairs and the DOE.

Community

Firestone and its subsidiary, Liqhobong are committed to Corporate Social Investment ("CSI") as an integral part of a sustainable social development programme for the empowerment and economic upliftment of their host communities. Among the Company's most important stakeholders are the communities that live in close proximity to the Mine, the two villages of Liqhobong and Pulane. Over time, these communities have seen previous companies and management teams come and go and were initially sceptical and distrustful of the new Liqhobong operational management team. However, through an ongoing engagement process and ethos of delivering on promises, the project and management teams have improved relationships. In addition to daily interaction between Liqhobong officers and villagers, there is a formal monthly meeting between the management team and the Liqhobong Working Committee ("LWC") which represents the two villages. A grievance process was in place since the commencement of the Project in 2014. Grievances are logged, investigated and resolved.

Relocation

A total of 24 families residing in the Liqhobong village were identified for relocation as a precautionary measure due to their proximity to the new residual storage facility dam wall. New houses were built, and to date 15 of the families have been relocated. Currently the construction of kraals and rondavels, and stabilisation of platforms, are in progress at the remainder of the properties to ensure that facilities at the new sites are equivalent to those at the original sites. The target date for completion is the end of 2016.

Compensation

Construction of a new 6km access road to the Mine at the start of the Project affected a number of croplands. Liqhobong negotiated an annual compensation amount for the affected farmers based on a crop production analysis study that was conducted by an independent consultant.

A portion of the mining lease is in the process of being fenced in and an annual compensation amount was agreed with the local community at the end of 2015 for the loss of grazing land. This compensation amount was also calculated by an independent consultant and based on the Lesotho Highlands Water Project formula used previously in Lesotho. The first annual payment will be made during 2016 once the fence is complete. Payments will be used to fund projects which are in the interests of the communities as a whole. A decision will be taken in collaboration with the LWC as to which projects should be undertaken.

Recruitment

A significant positive contribution to the local people living close to the Mine is the provision of long-term employment once the Mine commences production. Liqhobong has committed to giving local communities first priority in respect of unskilled positions. Job advertisements are translated into Sesotho, the local language, and distributed to the eight villages in the vicinity of the Mine. The recruitment process will be completed by early 2017.

Corporate Social Responsibility ("CSR") projects

Firestone has committed to making funds available for community upliftment projects once the Mine goes into production and profits are being generated. Notwithstanding this commitment, the Company has decided to embark on two projects during 2016 prior to production. The first project was motivated by the need of the Liqhobong community for a pre-primary school. After a consultation process, plans were finalised, a local builder was appointed and construction commenced during September 2016.

Another very important project that commenced is the sustainable supply of drinking water to the two villages adjacent to the mine. In collaboration with the Department of Rural Water Supply, Liqhobong completed a survey and assessment of all the natural water points in the two villages and determined that there is sufficient yield to support the installation of a communal tap system. This project will commence in the latter part of 2016 and is expected to be completed during 2017.

Conclusion

After a challenging two-year period of construction, the Project is nearing completion and we are now entering the operational phase of the Mine life. The Company intends to operate the Mine for many years to come and our commitment is to continually achieve exceptional standards when it comes to the safety of our employees, the care of environments in which we operate and beneficial engagement with the local communities that are situated close to our operations.

Stuart Brown

Chief Executive Officer

31 October 2016

Risk Review

Firestone's focus is the successful execution of the Liqhobong Mine 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, 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 could 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, which includes a balance of fixed and variable remuneration based on the key performance indicators for individuals as well as the Group as a whole, and practices to attract appropriate individuals to the team.

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 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. The political changes and developments in Lesotho during 2016 have not materially disrupted the Company's operations directly but they do cause uncertainty with international investors and other interested and affected parties. The situation is 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

Liqhobong, under the leadership and direction of Firestone is able to operate to the highest standards possible. The operational team remains 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

Should the Company not achieve Project completion on time and on budget, there may be an impact on the Group's ability to complete the Project with existing cash and debt facilities, which could result in a further funding requirement.

Responsibility

The Executive Directors and the Chief Project Officer.

Mitigation

The Company has assembled an experienced team, which has 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 over-runs and is closely monitored and measured by the Project Management Steering Committee.

The Group has a US$15.0 million standby facility in place provided by Resource Capital Fund VI L.P., one of its significant shareholders.

Production start-up risk

Commissioning a new plant is often very difficult and can cause additional expenditure requirements and delays to revenue if not well planned and managed.

Responsibility

The Executive Management and operational team.

Mitigation

The commissioning process has been planned to be very thorough with all installed equipment extensively tested and operated prior to the start of the commissioning phases. Operational staff have been recruited early to ensure a smooth handover between the construction and operational teams on site. Stockpiled ore is available for processing during the first month of ramp up production. The operations team has been carefully selected for its experience and knowledge of the site conditions.

Water supply risk

Southern Africa, including Lesotho, is still experiencing the after effects of one of the worst droughts in recent history. The limited availability for water storage facilities in the Liqhobong valley poses a risk to normal operations of the production plant.

Responsibility

The Executive Directors and the Executive Management.

Mitigation

Efforts to mitigate the risk for the longer term are focused on improved water recycling, enlarging the storage capacity of the satellite pit, making use of the main pit water and constructing an additional storage dam on site. Water collection, storage and use is a key priority for the management team. Additional water reduction and recycling options are continuously considered.

Electricity supply risk

Liqhobong is connected to the Lesotho National Power Grid through a 132kW power line constructed as part of the power project. The power line stretches 28km from the Ha Lejone substation over mountainous terrain and is susceptible to lightning strikes. These can and do lead to power supply interruptions to the Mine. Power supply interruptions thus pose a risk to mine operations.

Responsibility

The Executive Management and Electrical Engineering Department on the Mine site.

Mitigation

A power factor correction unit was installed on site, which manages constant power supply to the Mine site and eliminates any power surges. A close relationship with the Lesotho Electricity Company has been established, with its representatives planned to be permanently based on site when production commences.

Financial risk

Financing risk

The Company raised, what it believes to be sufficient funding through a combination of debt and equity to fund the Group beyond the expected first sale of diamonds in January 2017. A project cost over-run or a delay in commissioning of the Project or first diamond sale 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 and operations phases of the Project. The Company has also 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. Expenditure on the Project has been very close to budget and there is a high level of confidence in the remaining expenditure forecast. In addition, the Company has access to a further US$15.0 million standby facility to fund any over-runs on the Project.

Currency risk

Foreign currency exposure risk

The Company is exposed to currency risk as a result of its operations in various jurisdictions which include Lesotho, South Africa, Botswana and the UK. The most substantial currency risk for the Group relates to the Project and operating 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$") and Pounds Sterling ("GBP") or ("£") and revenues from the sale of diamonds denominated in US Dollars. Should the Rand, which is a volatile emerging market currency, strengthen against the US$ or £ beyond the budgeted rates, the Group could have a potential funding shortfall.

Responsibility

The Executive Directors, Audit Committee and Senior Management.

Mitigation

The Company monitors the movement of the Rand against the US Dollar and Pound Sterling very closely. During the construction phase the Company has mitigated the risk and indeed benefitted from the deterioration of local currency and has used the Company's hedging policy to lock in rates above those expected to ensure certainty. A number of hedging contracts were entered into during the financial year, thereby reducing the risk of a shortfall in funding to an acceptable level.

Interest rate risk

Floating interest rate exposure risk

The Group is exposed to risk posed by floating interest rates charged on the Project's debt facilities. Rising interest rates pose a risk to the Group's cash flow, which could lead to the Group not being able to meet its operational and debt covenant cash requirements.

Responsibility

The Executive Directors, Audit Committee and Senior Management.

Mitigation

By applying the Group's hedging policy the Group has entered into floating-to-fixed interest swaps for a portion of the debt, which will ensure that the interest remains fixed for the duration of the debt facilities.

Market risk

Diamond price risk

The Group is exposed to a number of factors affecting rough diamond prices. These range from oversupply of rough diamonds, polished diamond price weakness, man-made (synthetic) diamonds, currency risk as diamonds are priced in US Dollars and a slowdown in the growth of the global diamond retail market.

Responsibility

The Executive Directors, Management and the Audit Committee.

Mitigation

The diamond prices used in the financial model and budget for the year ended 30 June 2017 are based on conservative forecasts, and no upside for the recovery of large or special stones was taken into account in these models. This ensures that modelled cash flow is robust and leaves a margin of safety between base cash requirements and expected cash received.

Financial review

Summary

- 85% Project construction complete;
- US$142.0 million spent against a total Project budget of US$185.4 million;
- ZAR240 million of additional project costs funded by cash gains from effective treasury management;
- Eurobonds of US$30.0 million issued during the year;
- US$43.4 million utilised against the ABSA project debt facility during the year;
- US$15.0 million standby facility available to the Group; and
- Sufficient cash on hand and debt facilities in place beyond the expected first diamond sale in January 2017.

Results for the year ended 30 June 2016 reflect the Group's focus on the Liqhobong Project. The Group generated a profit after tax of US$13.6 million. However, this resulted from the recognition of tax credits of US$22.6 million, which, if excluded, present a loss of US$9.0 million compared with the prior year loss of US$10.4 million, a more appropriate comparison presenting a slight improvement year on year. The Group had no revenue from the sale of diamonds as it was still developing its Liqhobong mine during the 2016 financial year.

Our aim is to ensure that the Project completes during Q4 2016 within the original US$185.4 million budget and at the year end, the Group was well on track to achieve this, having reached 85% completion at the end of June 2016. Costs across the Group are well controlled, particularly those related to the Project where the team has performed exceptionally.

Whilst the Project has undeniably benefited from the weakness in the Rand, there was no guarantee at the time the funding was secured that the Rand would continue to devalue and this presented a risk which had to be managed accordingly. The Group entered into a series of currency contracts which mitigated this risk, the success of which is clearly evident. As at the year end, additional Project costs of ZAR240 million have all been funded from foreign exchange gains through effective treasury management. ZAR156 million was related to increased overburden and adverse weather delays experienced in the early part of construction and ZAR84 million related to risk mitigation items which include increased water storage capacity on site.

During the year, funding of US$73.4 million was received. Liqhobong commenced drawdown from the ABSA project debt facility in September 2015 and received US$43.4 million during the year, and US$30.0 million in net proceeds was received from the issue of Eurobonds by the Company. This funding, together with opening cash of US$17.6 million was sufficient to cover Project and other operating costs of US$77.6 million and US$3.4 million in corporate overheads.

At the year end, the Group had cash and remaining debt facilities of US$49.3 million with a further US$40.3 million to be spent on the Project and corporate expenses leaving headroom of US$9.0 million excluding the US$15.0 million standby facility.

The funding structure as at the year end is sufficient to fund the Group beyond its first sale of diamonds, which is expected to take place in January 2017.

Statement of profit and loss

	Liqhobong		BK11†		Corporate		Total	
US$ million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Other income	**0.5**	-	-	-	-	-	**0.5**	-
Administrative expenses	**0.4**	0.5	-	-	-	-	**0.4**	0.5
Care and maintenance expenses	-	-	**0.5**	0.5	-	-	**0.5**	0.5
Corporate expenses	-	-	-	-	**3.4**	3.6	**3.4**	3.6
Depreciation and amortisation	**0.6**	-	**1.8**	-	-	0.1	**2.4**	0.1
Impairment losses	-	-	-	2.6	-	-	-	2.6
Share-based payments	-	-	-	-	**0.8**	0.8	**0.8**	0.8
Rehabilitation provision	-	-	-	0.1	-	-	-	0.1
Loss before finance charges	**(0.5)**	(0.5)	**(2.3)**	(3.2)	**(4.2)**	(4.5)	**(7.0)**	(8.2)
Finance income	**0.1**	-	-	-	-	0.1	**0.1**	0.1
Finance cost	**(1.8)**	-	-	-	**(0.3)**	(2.3)	**(2.1)**	(2.3)
Loss before tax	**(2.2)**	(0.5)	**(2.3)**	(3.2)	**(4.5)**	(6.7)	**(9.0)**	(10.4)
Deferred tax credit	**22.6**	-	-	-	-	-	**22.6**	-
Profit/(loss) after tax	**20.4**	(0.5)	**(2.3)**	(3.2)	**(4.5)**	(6.7)	**13.6**	(10.4)

† This business segment was classified as held for sale as at 30 June 2015. As at 30 June 2016 the requirements to recognise the assets as held for sale were not met resulting in reclassification to continuing operations.

The Group generated a profit after tax for the year of US$13.6 million compared with a loss in the previous year of US$10.4 million. The main contributing factor is a tax credit of US$22.6 million in the current year which resulted from recognising the benefit of tax losses brought forward from previous years, the reason for which is discussed further in the report. The loss before tax therefore presents a more appropriate comparison of the financial performance of the Group for the year, where the loss reduced by US$1.4 million to US$9.0 million (2015: US$10.4 million). As reported previously, all costs incurred that relate directly to the Project are capitalised to the cost of the asset as reflected in the Statement of Financial Position. The loss for the Group excluding Liqhobong decreased by US$3.1 million to US$6.8 million (2015: US$9.9 million), mainly due to a reduction in losses on foreign exchange.

It is pleasing to note that cash costs for the Group have been contained during the year and that the cost of the Project remains within the original US$185.4 million budget.

Liqhobong

The Group was firmly focused on the Project during the year, which reached 85% completion at year end. Liqhobong generated a profit of US$20.4 million for the year compared to a loss of US$0.5 million in the previous year. From an operational perspective, excluding the benefit of the tax credit which is explained below, the loss before income tax increased by US$1.7 million to US$2.2 million for the year (2015: US$0.5 million) as a result of foreign exchange losses of US$1.8 million which were offset by savings on administrative expenses of US$0.1 million. Finance costs of US$1.8 million during the year (2015: US$nil) comprise foreign exchange losses on currency contracts which were entered into in order to protect the Project budget rate of ZAR10:US$1. Although an average rate of ZAR11.92:US$1 was achieved, which is favourable when compared to the Project budget rate of ZAR10:US$1, revaluation of the contracts resulted in a book loss.

Liqhobong recognises a tax credit of US$22.6 million which relates to the tax benefit of losses incurred in prior years. The benefit is recognised in the current year as there are reasonable grounds upon which to expect that profits will be generated in the future which can be offset against the tax losses brought forward. Based on current forecasts the Group expects to deplete the tax losses over the next four years.

BK11

On 9 September 2016 the Group was informed by Tango Mining Limited that it has not been able to meet the conditions of the sale agreement entered into on 9 July 2015 for the disposal of its Botswana Operations. The Group classified its Botswana operations as a held for sale asset in the 2015 Annual Report. As the conditions to classify these assets as held for sale are no longer met, the Board decided to reclassify the Botswana operations to continuing operations.

Subsequent to being reclassified to continuing operations, the loss for the year decreased by US$0.9 million to US$2.3 million (2015: US$3.2 million). The reduction in the loss is due to the depreciation charge in the current year of US$1.8 million, which is being offset by the impairment loss recognised in the previous year of US$2.6 million. The ongoing cost of care and maintenance remained consistent at US$0.5 million.

Corporate

The loss at corporate level decreased by US$2.2 million to US$4.5 million (2015: US$6.7 million) mainly as a result of a reduced loss on foreign exchange of US$2.0 million. Corporate expenses of US$3.4 million for the year reduced slightly from US$3.6 million in the previous year.

Statement of financial position

	Liqhobong		BK11†		Corporate		Total	
US$ million	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Non-current assets								
Property, plant and equipment	170.4	121.2	6.6	9.0	0.1	0.1	177.1	130.3
Deferred tax	20.2	-	-	-	-	-	20.2	-
Loan receivable	2.8	-	-	-	-	-	2.8	-
Current assets								
Current assets (excluding cash)	3.6	13.6	0.1	0.1	-	0.2	3.7	13.9
Cash equivalents	6.7	4.5	0.1	0.1	3.5	13.0	10.3	17.6
	203.7	**139.3**	**6.8**	**9.2**	**3.6**	**13.3**	**214.1**	**161.8**
Liabilities								
Non-current liabilities								
Borrowings	27.8	-	-	-	22.2	-	50.0	-
Rehabilitation provisions	2.0	1.7	1.3	1.4	-	-	3.3	3.1
Deferred tax	-	3.5	-	-	-	-	-	3.5
Current liabilities								
Borrowings	4.7	-	-	-	-	-	4.7	-
Other current liabilities	14.7	19.4	0.2	0.1	1.5	1.0	16.4	20.5
	49.2	**24.6**	**1.5**	**1.5**	**23.7**	**1.0**	**74.4**	**27.1**
Equity value	**154.5**	**114.7**	**5.3**	**7.7**	**(20.1)**	**12.3**	**139.7**	**134.7**

† This business segment was classified as held for sale as at 30 June 2015. As at 30 June 2016 the requirements to recognise the assets as held for sale were not met resulting in reclassification to continuing operations.

The Group's equity balance increased by US$5.0 million to US$139.7 million (2015: US$134.7 million). Increases in equity of US$26.7 million included profit of US$13.6 million, an increase in non-controlling interest of US$4.4 million and warrants issued of US$7.6 million together with a share premium of US$1.1 million in relation to the Eurobond facility. Decreases in equity of US$21.7 million included foreign exchange translation losses of US$20.3 million and other reserves of US$1.4 million. Foreign exchange translation losses reflect the impact of the Group's assets and liabilities which are mainly denominated in currencies other than the US Dollar, particularly the Lesotho Maloti, which is pegged at 1:1 to the Rand and which devalued against the US Dollar during the year by 20.3% to ZAR14.77:US$1 (2015: ZAR12.28:US$1), resulting in lower values being reported in US Dollar terms.

Non-current assets increased by US$69.8 million to US$200.1 million (2015: US$130.3 million). The value of property, plant and equipment increased by US$46.8 million to US$177.1 million (2015: US$130.3 million). The current year's movement consists of Project costs of US$71.9 million offset by a depreciation charge of US$1.9 million and foreign exchange translation losses of US$22.6 million and includes a reclassification of Botswana operations of US$0.6 million from discontinued operations. The Group recognises a deferred tax asset of US$23.1 million in respect of the benefit that the Group will receive from tax losses incurred in previous years. The deferred tax liability of US$2.9 million was offset against the deferred tax asset resulting in a net deferred tax asset of US$20.2 million.

The value of current assets decreased by US$17.5 million to US$14.0 million (2015: US$31.5 million) as a result of a US$7.3 million decrease in cash balances and a decrease in trade and other receivables of US$10.2 million. Trade and other receivables decreased as currency contracts matured and deposits were released.

The value of non-current liabilities increased by US$46.7 million to US$53.3 million (2015: US$6.6 million) mainly as a result of an increase in borrowings of US$50.0 million. During the year, the Group accessed total funding of US$73.4 million comprising US$43.4 million of the total US$82.4 million ABSA debt facility and US$30.0 million through the issue of Eurobonds by the Company. The funds raised were applied to Project construction costs and other Group operating costs.

Finance costs paid in advance of US$9.9 million for the ABSA debt facility and US$7.9 million in respect to warrants issued in connection with the Eurobonds have been allocated to each of the debt facilities and are to be amortised over the life of the facilities. This resulted in an effective interest rate for the Eurobond of 12.33% and 9.60% for the ABSA debt facility as at 30 June 2016.

Current liabilities increased by US$0.6 million to US$21.1 million (2015: US$20.5 million) as a result of a US$4.1 million reduction in creditors' balances offset by an increase of US$4.7 million in borrowings which are due for payment within the next twelve months. Liqhobong is in the final stages of development and work is centred around pipework, steel work and electrical and instrumentation where spend is at a lower level compared with the previous year when substantial amounts of earthworks and initial construction work was underway.

Cash flow statement

	Liqhobong		BK11†		Corporate		Total	
US$ million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Opening cash at 1 July	**4.7**	15.9	**0.1**	-	**12.8**	91.1	**17.6**	107.0
Operations	**4.0**	0.6	**(0.5)**	(0.4)	**(3.1)**	(4.6)	**0.4**	(4.4)
Operating cash flow adjusted for non-cash items	**(2.2)**	(0.5)	**(0.5)**	(0.5)	**(3.4)**	(3.6)	**(6.1)**	(4.6)
Change in working capital	**6.2**	1.1	**-**	0.1	**0.3**	(1.0)	**6.5**	0.2
Capital development	**(68.2)**	(82.9)	**-**	-	**-**	0.2	**(68.2)**	(82.7)
Capital expenditure	**(68.2)**	(82.9)	**-**	-	**-**	-	**(68.2)**	(82.9)
Proceeds from disposal of subsidiaries	**-**	-	**-**	-	**-**	0.2	**-**	0.2
Cash financing	**67.0**	72.9	**0.5**	0.5	**(6.2)**	(73.8)	**61.3**	(0.4)
Minority contribution	-	1.9	**-**	-	**-**	-	**-**	1.9
Loans received	**43.4**	-	**-**	-	**30.0**	-	**73.4**	-
Finance income	**0.1**	-	**-**	-	**-**	-	**0.1**	-
Finance cost	**(10.5)**	-	**-**	-	**(1.5)**	(2.3)	**(12.0)**	(2.3)
Dividends paid to minorities	**(0.2)**	-	**-**	-	**-**	-	**(0.2)**	-
Intra-group transfers	**34.2**	71.0	**0.5**	0.5	**(34.7)**	(71.5)	**-**	-
FX loss on opening balance	**(0.8)**	(1.8)	**-**	-	**-**	(0.1)	**(0.8)**	(1.9)
Closing cash at 30 June	**6.7**	4.7	**0.1**	0.1	**3.5**	12.8	**10.3**	17.6

† This business segment was classified as held for sale as at 30 June 2015. As at 30 June 2016 the requirements to recognise the assets as held for sale were not met resulting in reclassification to continuing operations.

The Group started the year with cash of US$17.6 million. During the year, the Group spent US$6.1 million on operating activities, invested a further US$68.2 million in the Project, paid finance costs in advance of US$12.0 million and paid a dividend to minority shareholders of US$0.2 million. The above mentioned spend was funded from opening cash balances, cash raised from debt facilities of US$73.4 million and a reduction in working capital of US$6.5 million. The Group incurred foreign exchange losses on opening cash of US$0.8 million mainly as a result of Maloti-denominated funds being converted to US Dollars at stronger US Dollar rates throughout the year. The result is a net cash movement of US$7.3 million and a closing cash balance at the end of the year, after adjusting for the effects of foreign exchange movements of US$10.3 million.

Liqhobong

Liqhobong started the year with cash of US$4.7 million. During the year, Liqhobong spent USS$68.2 million on the Project, paid finance costs in advance of US$10.5 million, spent US$2.2 million on operating activities and paid a dividend to the minority shareholders of Infrastructure Projects (Proprietary) Limited, who owns the power line, of US$0.2 million. Liqhobong funded its expenditure from cash receipts from the ABSA debt facility of US$43.4 million, Group loans of US$34.2 million, decreased working capital of US$6.2 million and opening cash balances, resulting in net cash movement of US$2.8 million and a closing cash balance after adjusting for the effects of foreign exchange movements of US$6.7 million.

Cash expenditure of US$68.2 million on the Project represents a further 34% of the total project budget of US$185.4 million. This increases total Project spend to 76% (2015: 42%) of the Project budget. During the year all major earthworks, construction of the residual storage facility and major fabrication was completed. Erection of the steel, mechanical, plate and pipework commenced as the various civil areas were completed and signed off by the civils contractor. All critical works streams remain within the revised baseline and at year end overall physical completion was at 85%.

BK11 mine

During the year BK11 expended US$0.5 million on continued care and maintenance expenses. Cash requirements were funded from Group loans.

Corporate

Corporate started the year with cash of US$12.8 million. Corporate spent US$3.4 million on operating activities, paid finance cost in advance of US$1.5 million in relation to the Eurobond and advanced a further US$34.2 million to Liqhobong for further investment in the Project and US$0.5 million to BK11 to fund ongoing care and maintenance costs. Corporate funded its cash expenditure from US$30.0 million cash raised from the Eurobond, a decrease in working capital of US$0.3 million and opening cash balances. This resulted in net cash movement of US$9.3 million and a closing cash balance of US$3.5 million.

Grant Ferriman

Chief Financial Officer

31 October 2016

Strategic report

This Strategic report was approved by the Board on 31 October 2016 and is signed on its behalf by:

Lucio Genovese

Non-Executive Chairman

31 October 2016

The Directors present their Annual Report and Accounts for the year ended 30 June 2016. 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 profit after taxation of US$13.6 million (2015: loss after tax of US$10.4 million). Further details are shown in the Consolidated Statement of Comprehensive Income.

The Directors do not recommend a dividend (2015: US$nil).

Capital structure

The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. At the date of this report the ordinary share capital of the Company was 314,948,244 ordinary shares of 1 pence each (2015: 308,992,814 ordinary shares of 1 pence each).

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

The Directors are not aware of any agreement between holders of the Company's shares that may result in the restriction 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
Resource Capital Fund VI L.P.	74,143,918	23.5
Pacific Road Resources†	74,105,286	23.5
Edwards Family Holdings Limited	28,296,842	9.0

FIL Ltd	15,601,540	5.0
Sustainable Capital Limited	15,501,170	4.9

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

Directors

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

	Position
Stuart Brown	Chief Executive Officer
Lucio Genovese	Non-Executive Chairman
Keith Johnson	Non-Executive Director
Braam Jonker	Non-Executive Director
Ken Owen	Non-Executive Director
Paul Sobie	Non-Executive Director
Mike Wittet	Non-Executive Director
Niall Young	Non-Executive Director

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

Financial risk disclosures and details of the Group's exposure to risk arising from the use of financial instruments are provided within the Strategic report and in note 30 of 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 Accounts which do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Post-balance sheet events

Post-balance sheet events are detailed in note 8 of this report.

Auditor

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

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

A resolution to 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

31 October 2016

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 2016 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 ("IFRS") 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.

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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS 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.

Scott Knight (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

31 October 2016

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

Consolidated statement of comprehensive income for the year ended 30 June 2016

	Note	2016 US$'000	2015* US$'000
Other income		**450**	-
Total administrative expenses		**(7,396)**	(8,172)
Other administrative expenses		**(290)**	(645)
Amortisation and depreciation		**(2,464)**	(35)
Impairment		**-**	(2,558)
Share-based payments		**(775)**	(827)
Care and maintenance		**(518)**	(521)
Corporate expenses		**(3,349)**	(3,586)
Loss before finance charges and income tax		**(6,946)**	(8,172)
Finance income		**111**	76
Finance costs		**(2,198)**	(2,290)
Loss before tax		**(9,033)**	(10,386)
Taxation credit	2	**22,641**	-
Profit / (loss) after tax for the year		**13,608**	(10,386)
Profit / (loss) after tax for the year attributable to:			
Owners of the parent		**7,884**	(10,304)
Non-controlling interests		**5,724**	(82)
Profit / (loss) after tax for the year		**13,608**	(10,386)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations net of tax		**(20,337)**	(14,588)
Profit / (loss) on cash flow hedges		**344**	(2,438)
Other comprehensive loss		**(19,993)**	(17,026)
Total comprehensive loss for the year		**(6,385)**	(27,412)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(7,541)**	(23,702)
Non-controlling interests		**1,156**	(3,710)
Total comprehensive loss for the year		**(6,385)**	(27,412)
Profit/(loss) per share			
Basic profit/(loss) per share from continuing operations (cents)	3	**2.5**	(3.3)
Diluted profit/(loss) per share			
Diluted profit/(loss) per share from continuing operations (cents)	3	**2.5**	(3.3)

* In 2015, the BK11 mine was held for sale, however, as at 30 June 2016 the requirements to recognise the assets as held for sale are no longer met resulting in reclassification to continuing operations for both the current and preceding year. The impact of the change is disclosed in note 6 - Discontinued operations.

Consolidated statement of financial position as at 30 June 2016

	Note	2016 US$'000	2015* US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**177,141**	130,276
Deferred tax	5	**20,248**	-
Loan receivable		**2,816**	-

Total non-current assets		**200,205**	130,276
Current assets			
Inventories		**248**	270
Trade and other receivables		**3,420**	13,622
Cash and cash equivalents		**10,282**	17,628
Total current assets		**13,950**	31,520
Total assets		**214,155**	161,796
EQUITY			
Share capital		**163,493**	163,441
Share premium		**164,680**	163,600
Reserves		**(46,065)**	(39,183)
Accumulated losses		**(129,041)**	(134,250)
Total equity attributable to equity holders of the parent		**153,067**	153,608
Non-controlling interests		**(13,402)**	(18,975)
Total equity		**139,665**	134,633
LIABILITIES			
Non-current liabilities			
Borrowings	7	**50,097**	-
Deferred tax	5	-	3,480
Rehabilitation provisions		**3,306**	3,078
Total non-current liabilities		**53,403**	6,558
Current liabilities			
Borrowings	7	**4,680**	-
Other financial liabilities		**1,688**	2,438
Trade and other payables		**14,198**	17,777
Provisions		**521**	390
Total current liabilities		**21,087**	20,605
Total liabilities		**74,490**	27,163
Total equity and liabilities		**214,155**	161,796

* In 2015, the BK11 mine was held for sale, however, as at 30 June 2016 the requirements to recognise the assets as held for sale are no longer met resulting in reclassification to continuing operations for both the current and preceding year. The impact of the change is disclosed in note 6 - Discontinued operations.

Consolidated statement of changes in equity for the year ended 30 June 2016

	Share capital	Share premium	Warrant reserve	Merger reserve	Hedging reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Equity attributable to holders of the parent	Non-controlling Interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000

Balance as at 30 June 2014	**163,441**	**163,600**	**-**	**(1,614)**	**-**	**3,690**	**(27,713)**	**(125,103)**	**176,301**	**(16,999)**	**159,302**
Comprehensive loss											
Loss for the year	-	-	-	-	-	-	-	(10,304)	(10,304)	(82)	(10,386)
Other comprehensive loss for the year											
Exchange losses on translating foreign operations	-	-	-	-	-	-	(11,570)	-	(11,570)	(3,018)	(14,588)
Loss on foreign exchange hedges	-	-	-	-	(1,828)	-	-	-	(1,828)	(610)	(2,438)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,828)**	**-**	**(11,570)**	**(10,304)**	**(23,702)**	**(3,710)**	**(27,412)**
Contributions by and distributions to owners											
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	-	-	-
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(148)**	**-**	**1,157**	**1,009**	**1,734**	**2,743**
Balance as at 30 June 2015	**163,441**	**163,600**	**-**	**(1,614)**	**(1,828)**	**3,542**	**(39,283)**	**(134,250)**	**153,608**	**(18,975)**	**134,633**
Comprehensive loss											
Profit for the year	-	-	-	-	-	-	-	7,884	7,884	5,724	13,608
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	-	-	-
Exchange losses on translating foreign operations	-	-	-	-	-	-	(15,685)	-	(15,685)	(4,652)	(20,337)
Profit on cash flow hedges	-	-	-	-	260	-	-	-	260	84	344
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**260**	**-**	**(15,685)**	**7,884**	**(7,541)**	**1,156**	**(6,385)**
Contributions by and distributions to owners											
Shares issued in the year	52	1,080	-	-	-	-	-	-	1,132	-	1,132
Warrants issued in the year	-	-	7,609	-	-	-	-	-	7,609	-	7,609
Non-controlling interest in subsidiary	-	-	-	-	-	-	-	(2,749)	(2,749)	4,582	1,833
Share-based payment transactions	-	-	-	-	-	1,008	-	-	1,008	-	1,008
Share-based payments lapsed/expired	-	-	-	-	-	(74)	-	74	-	-	-
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(165)	(165)
Total contributions by and distributions to owners	**52**	**1,080**	**7,609**	**-**	**-**	**934**	**-**	**(2,675)**	**7,000**	**4,417**	**11,417**
Balance as at 30 June 2016	**163,493**	**164,680**	**7,609**	**(1,614)**	**(1,568)**	**4,476**	**(54,968)**	**(129,041)**	**153,067**	**(13,402)**	**139,665**

Consolidated statement of cash flows for the year ended 30 June 2016

	Note	2016 US$'000	2015 US$'000
Cash flows used in operating activities			
Loss before taxation		**(9,033)**	(10,386)
Adjustments for:			
Depreciation and amortisation	4	**2,464**	35
Impairment		-	2,558
Effect of foreign exchange movements		**(2,615)**	(410)
Equity-settled share-based payments		**775**	827
(Profit)/loss on sale of assets		**(3)**	49
Changes in provisions		**157**	203
Finance income		**(111)**	(76)
Finance cost		**2,198**	2,290
Net cash flows used in operating activities before working capital changes		**(6,168)**	(4,910)
Decrease in inventories		-	126
Decrease/(increase) in trade and other receivables		**7,853**	(14,077)
(Decrease)/increase in trade and other payables		**(1,307)**	14,571
Net cash flows from/(used) in operating activities		**378**	(4,290)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(68,209)**	(83,122)
Proceeds on disposal of investments		**-**	214
Proceeds on disposal of property, plant and equipment		**16**	29
Net cash used in investing activities		**(68,193)**	(82,879)
Cash flows from financing activities			
Minority investment in subsidiary		**-**	1,861
Loans received		**73,400**	-
Finance income		**111**	76
Finance cost		**(12,062)**	(2,290)
Dividends paid to minorities		**(165)**	-
Net cash from/(used in) financing activities		**61,284**	(353)
Net decrease in cash and cash equivalents		**(6,531)**	(87,522)
Cash and cash equivalents at beginning of the year		**17,628**	107,003
Exchange rate movement on cash and cash equivalents at beginning of year		**(815)**	(1,853)
Cash and cash equivalents at end of the year		**10,282**	17,628

The financial statements were approved by the Board of Directors and authorised for issue on 31 October 2016.

Lucio Genovese

Director

Notes to the extract of the Consolidated Financial Statements for the year ended 30 June 2016

1. **Basis of preparation**

Firestone Diamonds plc (the "Company") is a company domiciled in the United Kingdom and is quoted on the AIM market of the London Stock Exchange. The consolidated financial statements of the Company for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in diamond mining and exploration in southern Africa.

The financial information for the years ended 30 June 2016 and 30 June 2015 does not constitute statutory accounts as defined by section 435 of the Companies Act 2006 but is extracted from the audited accounts for those years.

The Company has adopted 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 30 June 2015 accounts have been delivered to the Registrar of Companies and the 30 June 2016 accounts will be delivered to the Registrar of Companies within the statutory filing deadline. The auditors have reported on those accounts. Their report is unqualified and does not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

2. Taxation

	Group	
	2016	2015
	US$'000	US$'000
Current tax	-	-
Deferred tax credit	**22,641**	-
Total tax credit for the year	**22,641**	-

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 the tax charge for the year

The reasons for the difference between the actual tax credit and the standard rate of corporation tax of 20% (2015: 20.75%) in the United Kingdom applied to the loss for the year are as follows:

	Group	
	2016	2015
	US$'000	US$'000
Loss before tax	**(9,033)**	(10,386)
Tax on loss at standard rate of 20% (2015: 20.75%)	**(1,807)**	(2,155)
Effect of tax in foreign jurisdictions	**(1,397)**	344
Effect of the change in the standard tax rate	**126**	(18)
Foreign exchange adjustment on effective interest rate on borrowings	**307**	-
Recognition of previously unrecognised deferred tax assets	**(19,871)**	-
Expenses not deductible for tax purposes	**1**	(290)
Adjustments to deferred tax not recognised	-	2,119
	(22,641)	-

Other comprehensive income

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

3. Profit/(loss) per share

The calculation of the basic profit per share is based upon the net profit after tax attributable to ordinary shareholders of US$7.9 million (2015: US$10.3 million loss, after the reallocation of US$3.2 million loss from discontinued operations) and a weighted average number of shares in issue for the year of 310,377,720 (2015: 308,992,814).

Diluted profit/(loss) per share

The calculation of the dilutive profit or loss per share is based upon the net profit after tax attributable to ordinary shareholders of US$7.9 million (2015: US$10.3 million after reallocation of US$3.2 million loss from discontinued operations). The weighted average number of shares in issue for the year of 312,373,475 (2015: 308,992,814), includes potentially issuable shares in respect of share options issued to employees of 1,995,755 (2015: nil).

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

The Company has a further 13,544,834 (2015: 15,052,200) potentially issuable shares in respect of share options issued to employees that do not have a dilutive effect as at 30 June 2016 and 48,786,437 (2015: nil) potentially issuable shares in respect of warrants issued to strategic investors.

4. Property, plant and equipment

Group US$'000	Mining property	Plant and equipment	Motor vehicles and other assets	Total
Cost				
At 1 July 2014	**53,177**	**25,541**	**2,351**	**81,069**
Additions	83,708	11	168	83,887
Disposals	-	-	(81)	(81)
Reclassification	7,768	(7,768)	-	-
Exchange difference	(14,139)	(268)	(115)	(14,522)
At 30 June 2015	**130,514**	**17,516**	**2,323**	**150,353**
Additions	71,652	-	233	71,885
Disposals	-	-	(45)	(45)
Exchange difference	(23,381)	(1,695)	(246)	(25,322)
At 30 June 2016	**178,785**	**15,821**	**2,265**	**196,871**
Accumulated depreciation				
At 1 July 2014	**9,849**	**10,748**	**1,364**	**21,961**
Charge for the year	-	-	35	35
Disposals	-	-	(34)	(34)
Reclassification	2,179	(2,179)	-	-
Exchange difference	(1,664)	(164)	(57)	(1,885)
At 30 June 2015	**10,364**	**8,405**	**1,308**	**20,077**
Charge for the year	652	1,599	213	2,464
Disposals	-	-	(32)	(32)
Exchange difference	(1,763)	(889)	(127)	(2,779)
At 30 June 2016	**9,253**	**9,115**	**1,362**	**19,730**
Net book value at 1 July 2014	43,328	14,793	987	59,108
Net book value at 30 June 2015	120,150	9,111	1,015	130,276
Net book value at 30 June 2016	**169,532**	**6,706**	**903**	**177,141**

The Group capitalised total net borrowing costs of US$4.5 million (2015: US$1.8 million) as part of the cost of the Project. All borrowing costs capitalised are Project specific.

The Group transferred US$9.0 million from assets held for sale relating to the BK11 mine which is no longer classified as held for sale. Refer to note 6 - Discontinued operations for further detail.

5. Deferred tax

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

	Group	
	2016	2015
Deferred tax asset/(liability)	**US$'000**	US$'000
At 1 July	**(3,480)**	(4,038)
Movement in temporary differences recognised in income	**22,641**	-
Exchange difference	**214**	558
Income tax credits receivable	**873**	-
At 30 June	**20,248**	(3,480)

The deferred tax asset/(liability) comprises:

	Group	
	2016	2015
	US$'000	US$'000
Accelerated capital allowances	**(37,718)**	-
Provisions	**502**	-
Borrowings	**(2,471)**	-
Losses available for offsetting against future taxable income	**61,954**	-
Income tax credits available for offsetting against future taxable income	**873**	-
Temporary difference arising on acquisition of subsidiary	**(2,892)**	(3,480)
	20,248	(3,480)

The Liqhobong Mine Development Project ("LMDP") is expected to be completed in the second quarter of the June 2017 financial year. The Directors considered the financial model of the LMDP and the model provides convincing evidence that sufficient taxable profit will be generated from operations in the foreseeable future to offset unused tax losses. Based on current forecasts the Group expects to deplete the tax losses over the next four years.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered.

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

The Group has unrecognised tax losses of approximately US$61.4 million (2015: US$235.6 million), and unrecognised accelerated capital allowances of US$13.4 million (2015: US$18.9 million).

6. Discontinued operations

BK11 Mine

Management decided not to recognise the Group's BK11 mine as held for sale as at 30 June 2016 as described in note 8 - Post-balance sheet events.

The Company's Botswana operations will remain under care and maintenance whilst Management is focused on the completion and commissioning of its Liqhobong Diamond Mine in Lesotho. Management remain committed to seeking ways of unlocking shareholder value from the Group's Botswana assets.

As required by accounting standards certain comparative figures have been reclassified. The effects of the reclassification are as follows:

Items included in the Consolidated Statement of Comprehensive Income:	Before reclassification US$'000	2015 Disposal Group reclassified to continuing operations US$'000	**After Reclassification US$'000**
Other administrative expenses	(490)	(155)	**(645)**
Impairment	-	(2,558)	**(2,558)**
Care and maintenance expenses	-	(521)	**(521)**
Loss from continuing operations before finance charges and income tax	(4,938)	(3,234)	**(8,172)**
Finance income	76	-	**76**
Finance costs	(2,290)	-	**(2,290)**
Loss from continuing operations before tax	(7,152)	(3,234)	**(10,386)**
Loss from discontinued operations	(3,234)	3,234	-
Loss for the year after tax	(10,386)	-	**(10,386)**

Items included in the Consolidated Statement of Financial Position:			
Non-current assets			
Property, plant and equipment	121,266	9,010	**130,276**
Current assets			
Inventories	67	203	**270**
Trade and other debtors	13,605	17	**13,622**
Total assets held for sale reclassified	**134,938**	9,230	**144,168**
Non-current liabilities			
Rehabilitation provisions	1,746	1,332	**3,078**
Current liabilities			
Provisions	192	198	**390**
Total liabilities of a disposal group reclassified	**1,938**	1,530	**3,468**

7. Borrowings

	Group	
	2016	2015
	US$'000	US$'000
ABSA debt facility		
Capital amount	**43,400**	-
Finance cost to be amortised over the life of the loan	**(10,763)**	-
ABSA debt facility at amortised cost	**32,637**	-
Eurobond		
Capital amount	**30,000**	-
Finance cost to be amortised over the life of the instrument	**(7,860)**	-
Eurobond at amortised cost	**22,140**	-
Total	**54,777**	-
Non-current liabilities	**50,097**	-
Current liabilities	**4,680**	-
Total liabilities	**54,777**	-

The ABSA debt facility carries a variable interest rate, based on Libor, which was 0.65% as at 30 June 2016, plus a weighted average margin of 2.66%. The effective interest rate is, in aggregate 9.60%. The facility is repayable in 18 quarterly instalments commencing 31 March 2017.

The ABSA debt facility is secured by a first ranking general notarial bond, over all movable assets for a total capital amount of US$165.0 million.

The Eurobonds have a coupon rate of 8.00% per annum payable quarterly. The effective interest rate is, in aggregate 12.33%. The interest can be settled in cash or through the issue of ordinary shares at market value based on the volume-weighted average price of the share for the 20 days preceding the interest calculation date. The bonds are repayable on the final maturity date, which is August 2022.

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

8. Post-balance sheet events

On 9 September 2016 the Group was informed by Tango Mining Limited that it has not been able to meet the conditions of the sale agreement entered into on 9 July 2015 for the disposal of its Botswana operations. The Group classified its Botswana operations as a held for sale asset in the 2015 Annual Report. As the conditions to classify these assets as held for sale are no longer met, the Board decided to reclassify the Botswana operations to continuing operations. The effects of this reclassification are disclosed in note 6.

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.

9. Capital commitments and contingencies

At 30 June 2015 the Group had contracted capital commitments of US$20.1 million (2015: US$47.4 million) relating to the Project. The Board approved the Project with a total capital budget of US$185.4 million before construction commenced in July 2014.

Annual General Meeting and availability of the Annual Report

The Annual General Meeting ("AGM") of the Company will be held at the offices of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT at 10.30 a.m. on Thursday, 8 December 2016. Copies of the annual report and the notice of AGM will be sent to shareholders shortly and will be available on the Company's website today.

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