Final results for the year ended 30 June 2013

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Firestone Diamonds plc

Final results for the year ended 30 June 2013

LONDON: 4 October 2013

The Board of Firestone Diamonds plc, ("Firestone" or "the Company"), the AIM-quoted diamond mining and development company (AIM: FDI), is pleased to announce its final audited results for the year ended 30 June 2013.

Highlights:

RESTRUCTURING INITIATIVES

- Stuart Brown appointed as CEO designate on 2 September 2013
- Unlocking value from the non-core Botswana assets through disposal or joint venture arrangements
- Successful sale of South African alluvial assets

FINANCIAL

- Revenue increased by 52% to £9.9 million (2012: £6.5 million)
- Cash operating loss decreased by 88% to £1.0 million (2012: £8.3 million)
- Care and maintenance costs decreased by 50% to £0.4 million (2012: £0.8 million)
- Corporate expenses decreased by 17% to £1.9 million (2012: £2.3 million)
- Loss for the year decreased by 52% to £14.5 million (2012: £30.4 million)
- Placing concluded on 19 August 2013 raising £3.8 million net of expenses

LIQHOBONG MINE, LESOTHO

PILOT PLANT

- Cash operating loss reduced by 79% to £1.0 million (2012: £4.8 million)
- Grade and diamond quality in line with expectations
- Nine +100 carat stones broken valued at US$15-25 million

MAIN TREATMENT PLANT ('MTP')

- DFS results announced on 25 October 2012
- Pre-tax $NPV_{8\%}$ of US$335 million at a project level
- Financing discussions well advanced

OUTLOOK

- Focused on Liqhobong, with the goal of becoming a +1 million carat per annum producer from 2016

Extracts from the Company's Annual Report and Accounts appear below and the full version will be made available on the Company's website today.

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Background information on Firestone Diamonds:

Firestone Diamonds plc is an international diamond mining and development company with operations focused on Lesotho and Botswana. Firestone currently operates the pilot plant at the Liqhobong Mine in Lesotho and is in the process of developing the Main Treatment Plant to become a +1 million carat per annum producer.

Lesotho is emerging as one of Africa's significant new diamond producers, and hosts Gem Diamonds' Letseng Mine, Firestone's Liqhobong Mine as well as Namakwa Diamonds'Kao Mine and the Mothae development project.

Chairman's Letter

Dear Shareholder,

During early 2012 we announced a revised strategy for the Company that focuses on the future development of the MTP at the Liqhobong mine, converting the operation into a one million plus carats per annum producer, whilst seeking ways to unlock value for our shareholders in respect of the Company's non-core assets. I am pleased to update you on a year during which Firestone has made significant progress in the implementation and delivery of this strategy.

Operations

2012 was a pivotal development period culminating in the completion of the Liqhobong Definitive Feasibility Study ('DFS') during October 2012 and we are closer to achieving our aim of commencing the development of the MTP. This will provide Liqhobong with the capability of reaching its stated production target.

The DFS endorsed the Board's view that Liqhobong is a financially robust diamond project, with an indicated post-tax IRR of 40% and $NPV_{8\%}$ of US$335 million, on a conservative basis.

The DFS also confirmed Liqhobong's total resource of circa 89 million tonnes containing 29 million carats at an average grade of 33 carats per hundred tonnes, which, when brought into production, will elevate Liqhobong Mine into the elite group of mines producing over 1 million carats a year. Applying a conservative US$100 per carat revenue, this equates to a contained value of approximately US$2.9 billion.

To date, the Liqhobong Pilot Plant has produced in excess of 325,000 carats and has provided confirmation of the quality, grade and size of our stones as well as valuable information on the characteristics of the ore body. The Pilot Plant identified the presence of several +100 carat stones, which unfortunately were all broken during the recovery process. The MTP has been specifically designed to successfully recover these stones. Unbroken, these +100 carat stones would have resulted in a significant increase in revenue and profits for the Pilot Plant. An independent evaluation of the fragments recovered, conservatively estimated the combined value of these stones at between US$15 million and US$25 million. The financial evaluation in the DFS excludes the presence of these large special stones, providing further investor upside to the future value of Liqhobong.

Our next steps from an operational perspective include closing the Pilot Plant at an appropriate time in order to prepare the site for construction of the MTP.

Corporate

As announced in May 2013, an international bank was mandated to lead the project finance for the MTP on behalf of the Company. This process remains on track and financing will be subject to the satisfactory completion of the Bank's due diligence and standard internal approval processes as well as debt insurance to be provided by the Export Credit Insurance Corporation of South Africa.

Firestone continues to enjoy the support of its major shareholders as evidenced by the successful completion of our recent equity financing of US$6 million, amid very challenging capital market conditions. We also succeeded in securing another US$6 million off-take agreement with a diamantaire to further strengthen our working capital position. Interest from potential large external investors continues to prove encouraging and the Board and management are making good progress in developing an optimum finance solution for the implementation of the MTP.

In relation to our non-core assets, various opportunities have presented themselves to the Company and we remain committed to unlocking value for our shareholders in this regard either through disposal or an appropriate joint venture arrangement.

As part of the Company's on-going transformation, our efforts to strengthen the executive team culminated in the appointment of Stuart Brown as an Executive Director and CEO designate of Firestone on 2 September 2013. Stuart is the former CFO and Joint Acting CEO of the De Beers Group, the world's leading diamond group, where he worked for 20 years. He will bring highly strategic and coveted expertise to the Firestone management team when he takes over the mantle of CEO from Tim Wilkes on 2 December 2013. An appointment of Stuart's calibre reflects the rigorous ambition of Firestone and the opportunity that Liqhobong presents. We very much look forward to working with Stuart in the coming years.

Finally, I would like to thank Tim Wilkes for his dedication and hard work during his tenure as CEO. Tim has actively contributed towards repositioning the Company to focus on Liqhobong and I look forward to continuing to work with him in assisting Firestone to deliver on its strategy.

Lucio Genovese

Non-Executive Chairman

3 October 2013

Review of operations

The focus during the year was to optimise production from the Company's Pilot Plant operations at the Liqhobong Mine in Lesotho. The information gained from ongoing production endorses the findings of the DFS that was released on 25 October 2012, and gives further comfort to investors who are looking to invest in an expanded built for purpose MTP that will produce more than 1 million carats per annum from 2016.

With our focus firmly on developing Liqhobong, there was no activity at the BK11 Mine in northern Botswana, which remains on care and maintenance. No exploration or evaluation work was undertaken on any of the Company's prospecting licenses in Botswana, and management continue to look for ways to unlock shareholder value from these assets through disposal or joint venture opportunities.

Production results from Liqhobong are discussed below, however cognisance must be taken that the Pilot Plant has served its purpose. In order to allow the site to be prepared for the commencement of the construction of the 500 tonne per hour MTP, the Pilot Plant will be closed in Q4 of 2013 and decommissioned in HI 2014. It is envisaged that mobilisation of the early works contractors will take place in H1 2014, subject to the completion of financing.

Liqhobong Mining Development Company ('LMDC'), Lesotho

The mine has a total resource of 89 million tonnes at the Main Pipe containing 29 million carats at an average grade of 33 carats per hundred tonnes. With an estimated diamond value of US$100/ct the mine has a contained value of approximately US$2.9 billion.

Pilot Plant Production

Mining and associated ore treated continued an upward trend throughout the year and by year-end a total of 623,000 tonnes (2012: 488,000 tonnes) had been treated at an average grade of 25 carats per hundred tonnes, resulting in 156,000 carats (2012: 164,000 carats) being recovered. Although the tonnage treated increased significantly compared to 2012, the carats recovered were lower due to the expected lower grade areas within K2 being mined and treated compared to a higher local grade within K2 in 2012. The K2 unit covers approximately 50% of the pipe in the upper benches of the mine but reduces in volume below bench 6 as the higher grade K5 and K6 units become volumetrically dominant. A total of 166,712 carats were sold during the year realising revenues of US$15.5 million at an average price of US$93/ct. The prices obtained are robust, considering that there were no special or large stones sold in the last three quarters of the year. The average price achieved of US$93/ct reflects the presence of smaller, but higher quality white diamonds recovered from mining the K2 unit.

The Pilot Plant also confirmed the presence of nine +100 carat stones that were unfortunately broken during the recovery process. If recovered, the financial contribution of these stones would have been material. The MTP has been designed to recover stones of this size intact.

Diamond Sales

The newly constructed facilities at the Antwerp Diamond Centre (AWDC) where a further five tenders were held during the year, has proven to be a great success. Well over 100 diamantaires participated in these tenders.

Summary of quarterly production data for LMDC

	FY 2013	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**	FY 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011

Activity Report											
Mining - waste	tons '000	**187**	**40**	**9**	**42**	**96**	401	191	35	93	82
Mining - development	tons '000	**278**	**21**	**8**	**64**	**185**	-	-	-	-	-
Mining - ore	tons '000	**606**	**136**	**140**	**161**	**169**	508	152	136	127	93
Stockpile - ore	tons '000	**43**	**7**	**1**	**12**	**23**	38	6	32	-	-
Tailings handling	tons '000	**294**	**74**	**79**	**66**	**75**	235	69	66	55	45
Mining - total	**tons '000**	**1,408**	**278**	**237**	**345**	**548**	1,182	418	269	275	220
Treatment - ore	tons '000	**623**	**172**	**157**	**151**	**143**	488	152	129	114	93
Recovered Grade	Cpht	**25.1**	**26.7**	**23.8**	**26.8**	**22.7**	33.6	32.3	35.4	31.0	36.5
Carats produced	Cts	**156,131**	**45,892**	**37,309**	**40,488**	**32,442**	164,050	49,240	45,491	35,389	33,930
Revenue											
Gross diamond sales	US$ '000	**15,514**	**4,405**	**3,016**	**4,652**	**3,441**	8,221	943	4,773	2,078	427
Carats sold	Cts	**166,712**	**51,923**	**35,718**	**49,094**	**29,977**	139,556	29,604	67,149	40,957	1,846
Price achieved	US$/ct	**93**	**85**	**84**	**95**	**115**	59	32[i]	71	51	231

i) Average price of US$87/ct was achieved at the June tender. Only the off-take inventory was sold in the 2012 financial year with the remainder in the 2013 financial year.

Diamond prices recovered well from the lows of H1 2012 and remained consistently within the US$85-US$100 range for the year under review. The Company continues to sell its -11 diamond sieve size stones, to a reputable Belgium based diamantaire, in terms of a two year off-take agreement. The remainder of the Pilot Plant's production was sold on tender.

Main Treatment Plant

The DFS was completed in August 2012 and released on 25 October 2012. Price validation exercises, and early work schedules are all in progress as part of the Front End Engineering and Design (FEED) which is well under way in parallel with financing arrangements in order to facilitate the construction of the +1 million carat per annum MTP. Early works required include construction of a new access road, accommodation camp for contractors and the construction of the starter wall for the residue slimes facility.

For further information, a copy of the DFS presentation is available on the Company's website at www.firestonediamonds.com.

Financial review

Pro-forma Statement of Profit and Loss

	LMDC		BK11[a]		EXPL[a]		CORP		TOTAL	
£ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Revenue	**9.9**	5.3	**-**	1.2	**-**	-	**-**	-	**9.9**	6.5
Cost of sales[b]	**(10.9)**	(10.1)	**-**	(4.7)	**-**	-	**-**	-	**(10.9)**	(14.8)
Operating loss excluding depreciation	**(1.0)**	(4.8)	**-**	(3.5)	**-**	-	**-**	-	**(1.0)**	(8.3)
Administrative expenses	**(1.7)**	(1.7)	**-**	-	**-**	-	**-**	-	**(1.7)**	(1.7)
Care and maintenance expenses	**-**	-	**(0.4)**	(0.8)	**-**	-	**-**	-	**(0.4)**	(0.8)
Corporate expenses	**-**	-	**-**	-	**-**	-	**(1.9)**	(2.3)	**(1.9)**	(2.3)
Share-based payments	**-**	-	**-**	-	**-**	-	**(1.2)**	(0.2)	**(1.2)**	(0.2)
Loss before impairment, depreciation and amortisation	**(2.7)**	(6.5)	**(0.4)**	(4.3)	**-**	-	**(3.1)**	(2.5)	**(6.2)**	(13.3)
Impairment loss	**-**	-	**(2.5)**	(13.2)	**-**	(0.6)	**-**	-	**(2.5)**	(13.8)
Depreciation & amortisation	**(4.0)**	(1.2)	**(1.4)**	(1.7)	**(0.1)**	-	**(0.1)**	-	**(5.6)**	(2.9)
Loss before finance charges	**(6.7)**	(7.7)	**(4.3)**	(19.2)	**(0.1)**	(0.6)	**(3.2)**	(2.5)	**(14.3)**	(30.0)
Finance costs	**-**	-	**(0.2)**	(0.4)	**-**	-	**-**	-	**(0.2)**	(0.4)
Loss before tax	**(6.7)**	(7.7)	**(4.5)**	(19.6)	**(0.1)**	(0.6)	**(3.2)**	(2.5)	**(14.5)**	(30.4)

a - These business segments are classified as held for sale. Operating losses of these segments are disclosed as losses from discontinued operations in the consolidated statement of profit and loss.

b - Cost of sales presented in this report excludes depreciation and amortisation charges on assets used in the production process in order to reflect a cash operating result.

The Group loss before taxation was £14.5 million (2012: £30.4 million), including £2.5 million (2012: £13.8 million) impairment losses, a £5.6 million (2012: £2.9 million) charge for depreciation and amortisation and a share-based payment expense of £1.2 million (2012: £0.2 million). Impairment losses during the year mainly relate to the BK11 assets. Cash losses were reduced across all of the Group's business segments during the year under review. Improved operating results were achieved at the Liqhobong Mine where cash losses reduced from £6.5 million in 2012 to £2.7 million for the year, due to both an increase in revenue per carat and a reduction in operating costs. Corporate expenses, which include one-off restructuring costs of £0.1 million, reduced by £0.4 million year on year to £1.9 million (2012: £2.3 million) as the Company continued to drive its cost reduction program. The BK11 Mine remained on care and maintenance resulting in a reduction in losses of £3.9 million compared to the 2012 financial year. Care and maintenance expenses for the BK11 Mine decreased by £0.4 million to £0.4 million for the year (2012: £0.8 million).

Total revenue increased by £3.4 million to £9.9 million for the year (2012: £6.5 million) due to a year on year increase in carats sold from 151,948 to 166,712 during 2013 and an increase in average price per carat from US$59 in 2012 to US$93 during 2013. Revenue for 2012 includes £1.2 million of diamond sales from the BK11 Mine.

Group cost of sales decreased by £3.9 million mainly due to the discontinuation of the BK11 operations during the second half of FY2012.

LMDC

Revenue at LMDC increased by £4.6 million to £9.9 million for the year (2012: £5.3 million) due to the sale of 166,712 carats (2012: 139,556 carats). The average diamond price achieved was 58% higher during the year at US$93/ct compared with US$59/ct in the previous year, partly as a result of a stronger diamond market and an improvement in the quality of the diamonds sold. 15,080 carats of prior year production were sold at the July 2012 tender at an average price of US$197/ct. The sale, which included 4 special stones, boosted the current year's average price by US$10/ct to US$93/ct from US$83/ct.

Cost of sales for the year of £10.9 million (2012: £10.1 million) include a write down of £0.6 million and £0.4 million of uncut diamond inventory and stock piles respectively, in accordance with the Company's adopted accounting policy on inventory. Cost of sales remained largely unchanged from 2012 despite a 19% year on year increase in total tonnes mined and a 28% year on year increase in ore treated.

The operational improvements above resulted in a 58% reduction in cash loss for the year of £2.7 million compared to the previous year's loss of £6.5 million.

BK11 Mine

Operations at the mine remained on care and maintenance costing the Group £0.4 million for the year under review. Management are committed to and continue to seek ways of unlocking shareholder value from this asset and from the Group's portfolio of exploration assets, which have both been classified as non-current assets held for sale in these annual financial statements.

Pro-forma Statement of Financial Position

	LMDC		BK11		EXPL		CORP		TOTAL	
£ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
ASSETS										
Non-current assets	**34.4**	41.9	**-**	10.6	**-**	1.7	**-**	-	**34.4**	54.2
Non-current assets held for sale	**-**	-	**7.7**	-	**1.7**	-	**-**	-	**9.4**	-
Current assets (excl. cash)	**2.4**	2.9	**-**	1.1	**-**	-	**0.4**	-	**2.8**	4.0
Cash equivalents	**0.4**	0.6	**-**	0.4	**-**	-	**2.0**	9.6	**2.4**	10.6
	37.2	45.4	**7.7**	12.1	**1.7**	1.7	**2.4**	9.6	**49.0**	68.8
LIABILITIES										
Interest bearing borrowings	**-**	-	**-**	2.9	**-**	-	**-**	-	**-**	2.9
Rehabilitation provisions	**1.7**	1.9	**-**	0.9	**-**	0.4	**-**	-	**1.7**	3.2
Deferred tax liabilities	**2.9**	3.3	**-**	-	**-**	-	**-**	-	**2.9**	3.3
Liabilities of a disposal group	**-**	-	**2.6**	-	**0.4**	-	**-**	-	**3.0**	-
Current liabilities	**3.7**	2.4	**-**	2.0	**-**	0.4	**1.0**	1.1	**4.7**	5.9
	8.3	7.6	**2.6**	5.8	**0.4**	0.8	**1.0**	1.1	**12.3**	15.3
EQUITY VALUE	**28.9**	37.8	**5.1**	6.3	**1.3**	0.9	**1.4**	8.5	**36.7**	53.5

Non-current assets reduced by £19.8 million year on year to £34.4 million (2012: £54.2 million) mainly due to depreciation and amortisation of £5.6 million, an impairment charge of £2.5 million relating to the BK11 Mine, the transfer of assets to non-current assets held for sale of £9.0 million and foreign exchange losses of £5.4 million, offset by additions to property, plant and equipment of £2.7 million. Exchange losses relate to the strengthening of the British Pound, being the Group's reporting currency, relative to the Lesotho Maloti and the Botswana Pula, currencies in which a majority of the Group's non-current assets are recorded.

Certain of the Group's South African and Botswana assets have been classified as held for sale, in line with the Board's decision to unlock shareholder value from these assets either through joint venture structures or a disposal process. These assets include:

	£'m
Non-current assets	**9.0**
Current assets (excl. cash)	**0.1**
Cash equivalents	**0.3**
Non-current assets held for sale	**9.4**
Interest bearing borrowings	**1.7**
Rehabilitation provisions	**1.2**

Current liabilities	0.1
Liabilities of a disposal group	**3.0**

Current assets excluding cash decreased by £1.2 million (2012: £1.0 million) from £4.0 million to £2.8 million mainly due to the discontinuation of BK11. Current assets include inventory of £1.1 million (2012: £2.4 million) and accounts receivable of £1.7 million (2012: £1.6 million). Inventory at year-end includes 17,392 carats (2012: 30,946 carats) of mostly lower quality rough diamonds valued at US$61/ct (2012: US$69/carat). Accounts receivable, which comprise diamonds sold on tender, were received in full subsequent to year-end.

Interest bearing borrowings were reduced by £1.2 million (2012: £2.2 million) to £1.7 million (2012: £2.9 million) with no new debt financing introduced. All interest bearing borrowings were transferred to liabilities of a disposal group as they relate to the BK11 Mine.

Current liabilities mainly comprise trade creditors and accruals. Increased operational activity at the Liqhobong Mine resulted in an increase in current liabilities from £2.4 million to £3.7 million, offset by a repayment of creditor balances at BK11 Mine where current liabilities decreased from £2.0 million at the end of FY2012 to £0.1 million for the current year, which are classified as liabilities of a disposal group.

Pro-forma Cash Flow Statement

	LMDC		BK11		Other Firestone Group		Total	
£ million	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Opening cash at 1 July	**0.6**	0.1	**0.4**	3.4	**9.6**	0.8	**10.6**	4.3
Operations	**(0.2)**	(9.7)	**(1.1)**	(1.6)	**(2.6)**	(0.9)	**(3.9)**	(12.2)
Operating cash flow	**(2.7)**	(6.5)	**(0.4)**	(6.7)	**(1.9)**	(2.3)	**(5.0)**	(15.5)
Change in working capital	**2.5**	(3.2)	**(0.7)**	5.1	**(0.7)**	1.4	**1.1**	3.3
Capital development								
Capital expenditure	**(2.7)**	(3.8)	**-**	(2.9)	**-**	-	**(2.7)**	(6.7)
Cash financing	**2.7**	14.0	**0.7**	1.5	**(4.7)**	9.7	**(1.3)**	25.2
Equity issues	**-**	-	**-**	-	**-**	27.1	**-**	27.1
Loans repaid	**-**	-	**(1.3)**	(1.9)	**-**	-	**(1.3)**	(1.9)
Inter-group transfers	**2.7**	14.0	**2.0**	3.4	**(4.7)**	(17.4)	**-**	-
Closing cash at 30 June	**0.4**	0.6	**-**	0.4	**2.3**	9.6	**2.7**	10.6

The Group's net cash outflow for the year was £7.9 million (2012: £6.3 million inflow) and its closing cash balance was £2.7 million (2012: £10.6 million) including cash held by disposal groups.

LMDC incurred an operating cash loss for the year of £2.7 million (2012: £6.5 million) which was largely offset by a decrease in working capital of £2.5 million (2012: £3.2 million increase in working capital). £2.7 million was invested in property, plant and equipment (2012: £3.8 million) which relates mainly to the MTP project. The parent company invested a further £2.7 million (2012: £14.0 million) into LMDC during the year to fund these cash expenses.

£0.4 million was spent on BK11 Mine's care and maintenance program for the year. Net working capital payments of £0.7 million and a repayment of £1.3 million (2012: £1.9 million) of debt financing brought the total cash cost of the BK11 Mine for the year to £2.4 million, which was funded from opening cash of £0.4 million and funding from the parent company of £2.0 million.

The Corporate segment spent £1.9 million (2012: £2.3 million) on corporate activities during the year and transferred £4.7 million to fund LMDC and BK11, resulting in closing cash of £2.3 million (2012: £9.6 million).

FIRESTONE DIAMONDS PLC

Consolidated statement of profit and loss

for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Revenue	2	**9,905**	5,281
Cost of sales		**(14,942)**	(12,373)
Gross loss		**(5,037)**	(7,092)
Selling and distribution expenses		**(1,276)**	(594)
Administrative expenses		**(448)**	(324)

	Note	2013	2012
Amortisation and depreciation		**(109)**	(54)
Profit on sale of property, plant and equipment		**88**	-
Share-based payments		**(1,204)**	(148)
Corporate expenses		**(1,920)**	(2,390)
Loss from continuing operations before finance charges and income tax		**(9,906)**	(10,602)
Finance income		**4**	16
Finance costs		**-**	(109)
Loss from continuing operations before tax		**(9,902)**	(10,695)
Loss from discontinued operations	5	**(4,628)**	(19,724)
Loss from operations before tax		**(14,530)**	(30,419)
Income tax credit		**51**	413
Loss after tax for the year		**(14,479)**	(30,006)
Loss after tax for the year attributable to:			
Owners of the parent			
Continuing operations		**(8,555)**	(6,951)
Discontinued operations		**(4,599)**	(17,646)
		(13,154)	(24,597)
Non-controlling interests			
Continuing operations		**(1,296)**	(3,331)
Discontinued operations		**(29)**	(2,078)
		(1,325)	(5,409)
Loss after tax for the year		**(14,479)**	(30,006)
Loss per share			
Basic and diluted loss per share from continuing operations (pence)	4	**(1.6)**	(1.7)
Basic and diluted loss per share from discontinued operations (pence)	4	**(0.8)**	(4.2)
Total basic and diluted loss per share		**(2.4)**	(5.9)

FIRESTONE DIAMONDS PLC

Consolidated statement of profit and loss and other comprehensive income

for the year ended 30 June 2013

	2013	2012
	£'000	£'000
Loss after tax for the year	**(14,479)**	(30,006)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations net of tax		
Continuing operations	**(1,395)**	(5,218)
Discontinued operations	**(2,097)**	(6,848)
	(3,492)	(12,066)
Total comprehensive loss for the year	**(17,971)**	(42,072)
Total comprehensive loss for the year attributable to:		
Owners of the parent		
Continuing operations	**(9,370)**	(11,062)
Discontinued operations	**(6,519)**	(23,968)
	(15,889)	(35,030)
Non-controlling interests		
Continuing operations	**(1,876)**	(4,438)
Discontinued operations	**(206)**	(2,604)
	(2,082)	(7,042)
Total comprehensive loss for the year	**(17,971)**	(42,072)

FIRESTONE DIAMONDS PLC

Consolidated statement of financial position
for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		**34,425**	54,246
Total non-current assets		**34,425**	54,246
Current assets			
Inventories		**1,074**	2,392
Trade and other receivables		**1,648**	1,604
Cash and cash equivalents		**2,390**	10,618
Total current assets		**5,112**	14,614
Non-current assets held for sale	5	**9,407**	-
Total assets		**48,944**	68,860
EQUITY			
Share capital	6	**76,265**	76,252
Share premium		**54,917**	54,856
Reserves		**(10,719)**	(8,758)
Retained earnings		**(76,493)**	(63,559)
Total equity attributable to equity holders of the parent		**43,970**	58,791
Non-controlling interests		**(7,345)**	(5,263)
Total equity		**36,625**	53,528
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings		**-**	1,415
Deferred tax		**2,855**	3,314
Rehabilitation provisions		**1,683**	3,169
Total non-current liabilities		**4,538**	7,898
Current liabilities			
Interest-bearing loans and borrowings		**-**	1,518
Trade and other payables		**4,677**	5,631
Provisions		**60**	285
Total current liabilities		**4,737**	7,434
Liabilities of a disposal group	5	**3,044**	-
Total liabilities		**12,319**	15,332
Total equity and liabilities		**48,944**	68,860

The financial statements were approved by the Board of Directors and authorised for issue on 3 October 2013.

Lucio Genovese

Director

FIRESTONE DIAMONDS PLC

Consolidated statement of changes in equity

for the year ended 30 June 2013

	Share capital	Share premium	Merger reserve[1]	Share-based payment reserve [2]	Translation reserve	Accumulated losses	Equity attributable to holders of the parent	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 30 June 2011	**64,792**	**39,198**	**(1,076)**	**2,040**	**563**	**(38,962)**	**66,555**	**1,779**	**68,334**
Comprehensive loss									
Loss for the year	-	-	-	-	-	(24,597)	(24,597)	(5,409)	(30,006)
Other comprehensive loss for the year									
Exchange differences on translating foreign operations	-	-	-	-	(10,433)	-	(10,433)	(1,633)	(12,066)

Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(10,433)**	**(24,597)**	**(35,030)**	**(7,042)**	**(42,072)**
Contributions by and distributions to owners									
Shares issued in the year	11,460	16,740	-	-	-	-	28,200	-	28,200
Share issue expenses	-	(1,082)	-	-	-	-	(1,082)	-	(1,082)
Share-based payment transactions	-	-	-	148	-	-	148	-	148
Total contributions by and distributions to owners	**11,460**	**15,658**	**-**	**148**	**-**	**-**	**27,266**	**-**	**27,266**
Balance as at 30 June 2012	**76,252**	**54,856**	**(1,076)**	**2,188**	**(9,870)**	**(63,559)**	**58,791**	**(5,263)**	**53,528**
Comprehensive loss									
Loss for the year	-	-	-	-	-	(13,154)	(13,154)	(1,325)	(14,479)
Other comprehensive loss for the year									
Exchange differences on translating foreign operations	-	-	-	-	(2,735)	-	(2,735)	(757)	(3,492)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(2,735)**	**(13,154)**	**(15,889)**	**(2,082)**	**(17,971)**
Contributions by and distributions to owners									
Shares issued in the year	13	61	-	-	-	-	74	-	74
Share-based payment transactions	-	-	-	994	-	-	994	-	994
Share-based payments lapsed/expired	-	-	-	(220)	-	220	-	-	-
Total contributions by and distributions to owners	**13**	**61**	**-**	**774**	**-**	**220**	**1,068**	**-**	**1,068**
Balance as at 30 June 2013	**76,265**	**54,917**	**(1,076)**	**2,962**	**(12,605)**	**(76,493)**	**43,970**	**(7,345)**	**36,625**

(1) The merger reserve represents amounts arising from the merger accounting for subsidiary investments under UK GAAP on formation of the group.
(2) The share-based payment reserve, previously combined with accumulated losses, was reclassified as a separate component of equity.

FIRESTONE DIAMONDS PLC

Consolidated statement of cash flows

for the year ended 30 June 2013

	Note	**2013**	2012
		£'000	£'000
Cash flows used in operating activities			
Loss from continuing activities before taxation		**(9,902)**	(10,695)
Adjustments for:			
Depreciation, amortisation and impairment		**4,196**	1,264
Effect of foreign exchange movements		**1,058**	(1,650)
Equity-settled share-based payments		**1,204**	148
Loss on derivative financial instruments		**-**	109
Profit on sale of assets		**(88)**	-
Changes in provisions		**(27)**	937
Finance income		**(4)**	-
Net cash flows used in operating activities before working capital changes		**(3,563)**	(9,887)
Decrease/(increase) in inventories		**919**	(906)
(Increase)/decrease in trade and other receivables		**(677)**	1,283
(Decrease)/increase in trade and other payables		**(276)**	1,412
Net cash flows used in continuing operating activities		**(3,597)**	(8,098)
Net cash flows used in discontinued operating activities		**(398)**	(4,051)
Net cash flows used in operating activities		**(3,995)**	(12,149)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(2,722)**	(6,709)
Proceeds on disposal of property, plant and equipment		**191**	-
Net cash used in investing activities		**(2,531)**	(6,709)

Cash flows from financing activities		
Proceeds from issue of ordinary shares	**-**	28,200
Share issue expenses	**-**	(1,082)
Finance income	**4**	-
Net cash from continuing financing activities	**4**	27,118
Net cash used in discontinued financing activities	**(1,298)**	(1,898)
Net cash (used in)/from financing activities	**(1,294)**	25,220
Net (decrease)/increase in cash and cash equivalents	**(7,820)**	6,362
Cash and cash equivalents at beginning of the year	**10,618**	4,256
Exchange rate movement on cash and cash equivalents at beginning of year	**(111)**	-
Cash and cash equivalents at end of the year	**2,687**	10,618

FIRESTONE DIAMONDS PLC

Notes to the financial statements

for the year ended 30 June 2013

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 2013 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.

While the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement does not contain sufficient information to comply with IFRS. The Company has published full financial statements that comply with IFRS, which can be downloaded from the company's website at www.firestonediamonds.com.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the year ended 30 June 2013 or the year ended 30 June 2012. The financial information for the year ended 30 June 2013 and the year ended 30 June 2012 are extracted from the statutory accounts of Firestone Diamonds plc. The auditor, BDO LLP, reported on those accounts; their report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The auditor has raised an Emphasis of Matter in relation to going concern as follows:

"In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Group needs to raise additional funds to develop the Liqhobong mine or, in the event that such funds cannot be secured at the current time, needs to raise a lower amount of funds from investors or completing the sale of the non-core Botswana assets for working capital purposes in order to remain a going concern.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern."

NB: The reference to note 1 in the above is a reference to the Basis of Preparation note contained within the Financial Statements from which the extract reproduced below referring to Going concern is taken.

Going concern

The Group currently has two mines, BK11 in Botswana which remains on care and maintenance due to additional capital requirements for waste stripping and plant modifications, and the Liqhobong Mine in Lesotho which produces from its Pilot Plant and is expected to move into the project development phase in the first quarter of 2014. On 25 October 2012, the Company released the results of a Definitive Feasibility Study ('DFS') on the project indicating positive results with an NPV of US$335 million at an 8% discount rate and IRR of 40%. On 20 May 2013 the Company announced that a mandate had been signed with a leading international bank to provide debt financing to fund a portion of the US$167 million required to construct the MTP at Liqhobong Mine. The due diligence process is still under way and progressing well. Discussions are also progressing with a well known and established diamond trader for an off-take agreement which will raise further funding, thus reducing the amount to be funded through equity and minimising dilution to shareholders.

The Directors have prepared cash flow forecasts for the Group on the basis that the funding required for the development of the Liqhobong Mine will be available. The Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include diamond price risk, mining and processing risk, resource risk, currency risk and the risk of change in general market conditions. There can also be no guarantee that the funds required to develop the operations will be made available to the Company. In the event that the funding for the development is not available in the timescales envisaged by the Directors in their forecasts, it will be necessary to raise interim funding, either from investors or by completing the sale of the non-core Botswana assets. The Directors are monitoring the working capital requirements of the Group and Company on a regular basis to ensure that action will be taken at the appropriate time to ensure that they have the necessary capacity to deliver plans for constructing the MTP at the Liqhobong Mine. Notwithstanding this, in the absence of a fundraising as envisaged for the DFS, the Group will require further funding in order to remain a going concern and be in a position to develop Liqhobong when the capital markets improve, albeit the level of immediate funding required is much reduced.

The Directors are confident that they will be able to secure funding to deliver the plans as set out in the DFS or, as a minimum, the funding necessary in order to maintain the Group's mines on a care and maintenance basis such that the Group is able to take advantage of future improvements in capital markets if the development funding cannot be raised immediately. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements. However, the need to raise new funds represents a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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.

2 Revenue

Revenue comprises:

	2013	2012*
	£'000	£'000
Sales of diamonds	9,905	5,281

* - The prior year figure has been restated for the classification impact of accounting for discontinued operations. (Refer note 5, Discontinued operations)

3 Impairment of property, plant, equipment and intangible assets

	2013 Group £'000	2012 Group £'000
Impairment of mining property	-	10,169
Impairment of plant and equipment used in mining operations	2,491	2,995
Impairment of exploration research data base	-	615
	2,491	13,779

The BK11 Mine owned by the Company's Botswana subsidiary remains on care and maintenance. A declining diamond market and the requirement for further capital stripping forced the Company to place the operation on care and maintenance in February 2012 resulting in an impairment charge of the BK11 mining property carrying value of £10.2 million, and plant and equipment of £3.0 million.

BK11 Mine's recoverable amount as at 30 June 2013 is determined on the fair value of the assets less cost of disposal, by reference to current market values. Fair value is the estimated selling price based on offers received for the assets in the ordinary course of business, less estimated costs necessary to conclude the sale. The offers are still subject to negotiation, which may result in the final sales price being higher or lower than the carrying value of the assets. A further impairment of £2.5 million is required to arrive at the recoverable value of plant and equipment.

Oena Mine, situated on the West Coast of South Africa was placed on care and maintenance in 2009. The asset is the last remaining operation from a portfolio of South African alluvial assets which were disposed of in previous years.

The impairment of the South African assets recoverable amount was determined on the fair value of the assets less cost of disposal by reference to current market values of the assets at 30 June 2013. Fair value is the selling price per agreement entered into by willing seller and willing buyer on an arms length basis, less estimated costs necessary to conclude the sale.

4 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 £8.6 million (2012: £7.0 million) and a weighted average number of shares in issue for the year of 546,790,018 (2012: 420,176,802).

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 £4.6 million (2012: £17.6 million) and a weighted average number of shares in issue for the year of 546,790,018 (2012: 420,176,802).

Diluted loss per share

The diluted loss per share in 2013 and 2012 is the same as the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has 33,560,000 (2012: 10,895,000) potential issuable shares in respect of share options issued to employees.

5 Discontinued operations

In line with management's strategy to seek ways of unlocking shareholder value from the Group's Botswana and South African operations, certain of the Group's assets and liabilities were transferred from other asset classes and classified as Non-current assets held for sale and Liabilities of a disposal group.

The Group's BK11 Mine remains on care and maintenance since February 2012, and no further work was performed on the Group's exploration properties during the year. Offers for the assets are being considered. The South African operations which include Oena Mine, situated on the West Coast were last worked on in 2009. Negotiations relating to the disposal commenced before year-end and on 19 August 2013, an agreement was entered into for the disposal of these assets for a total consideration of £173,000.

	2013	2012
	Group	Group
	£'000	£'000
Consolidated statement of profit and loss		
Revenue	**-**	1,237
Cost of sales	**-**	(3,918)
Gross loss	**-**	(2,681)
Administrative expenses	**(123)**	(457)
Care and maintenance expenses	**(367)**	(843)
Amortisation and depreciation	**(1,439)**	(1,670)
Impairment loss	**(2,491)**	(13,779)
Loss from discontinued operations before finance charges and income tax	**(4,420)**	(19,430)
Finance costs	**(208)**	(294)
Loss from discontinued operations	**(4,628)**	(19,724)
Loss from discontinued operations	**(4,628)**	(19,724)
Other comprehensive loss:		
Exchange differences on translating foreign operations net of tax	**(2,097)**	(6,848)
Total comprehensive loss from discontinued operations for the year	**(6,725)**	(26,572)
Loss from discontinued operations for the year attributable to:		
Owners of the parent	**(4,599)**	(17,646)
Non-controlling interests	**(29)**	(2,078)
	(4,628)	(19,724)
Total comprehensive loss from discontinued operations for the year attributable to:		
Owners of the parent	**(6,519)**	(23,968)
Non-controlling interests	**(206)**	(2,604)
	(6,725)	(26,572)

Items reflected in the consolidated statement of financial position

Non-current assets held for sale		
Non-current assets		
Property, plant and equipment	**8,933**	-
Current assets		
Inventories	**177**	-
Cash and cash equivalents	**297**	-
	9,407	-

Liabilities of a disposal group		
Non-current liabilities		
Interest-bearing loans and borrowings	**1,328**	-
Rehabilitation provisions	**1,222**	-
Current liabilities		
Interest-bearing loans and borrowings	**354**	-
Trade and other payables	**28**	-
Provisions	**112**	-
	3,044	-

Included in property, plant and equipment are motor vehicles held under finance leases with a net book value of £36,000 (2012: £57,000). Moveable plant and equipment amounting to £3,101,000 (2012: £5,460,000) provide security for interest-bearing borrowings.

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

	2013		2012	
	Rand value	**Sterling value**	Rand value	Sterling value
	ZAR'000	**£'000**	ZAR'000	£'000
African Star Minerals (Proprietary) Limited	**157**	**10**	157	12
Asam Resources SA (Proprietary) Limited	**1,217**	**81**	1,217	94
Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk	**953**	**64**	953	74
Kuboes Diamante (Proprietary) Limited	**1,150**	**77**	1,150	89
Surf Zone Diamonds (Proprietary) Limited	**334**	**22**	334	26
	3,811	**254**	3,811	295

6 Share capital

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

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

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

On 17 July 2012, the Company issued 1,339,285 ordinary shares of 1p each valued at £75,000 pursuant to an agreement entered into between the Company and Philip Kenny, a former Director of the Company.

	Number of shares		**Nominal value of shares**	
	2013	2012	**2013**	2012
			£'000	£'000
Allotted, called up and fully paid				
Opening balance	**545,513,111**	323,964,111	**5,455**	64,792
Split to deferred shares	**-**	-	**-**	(70,797)
Issued during the year	**1,339,285**	221,549,000	**13**	11,460
Closing balance	**546,852,396**	545,513,111	**5,468**	5,455

Deferred shares				
Opening balance	**7,079,649,109**	-	**70,797**	-
Split from ordinary shares	**-**	7,079,649,109	**-**	70,797
Closing balance	**7,079,649,109**	7,079,649,109	**70,797**	70,797
Total	**7,626,501,505**	7,625,162,220	**76,265**	76,252

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

Annual General Meeting

The Company's Annual General Meeting will be held at the office of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT on 29 November 2013 at 2:30p.m.

Qualified person review

The information in this statement has been reviewed by Mr. Tim Wilkes, B Sc, Pr Sci Nat, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr. Wilkes is a director of the Company and its Chief Executive Officer and has over 25 years experience in diamond exploration, mineral resource management and mining. Mr. Wilkes is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).

Announcement

This announcement was approved by the board on 3 October 2013.

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