Firestone Diamonds plc

Unaudited Interim Results for the six months to 31 December 2013

LONDON: 6 March 2014

Firestone Diamonds plc ("Firestone", the "Group" or the "Company"), the AIM-quoted diamond development company (ticker: AIM: FDI) announces its unaudited interim results for the six months ended 31 December 2013 ("H1 2014" or "the period").

HIGHLIGHTS

Liqhobong Diamond Mine, Lesotho

Project financing

- Credit approval for finance of up to US$82.4 million, subject to certain conditions precedent, from Absa Bank Limited announced on 25 November 2013 ("Absa Debt Facility")

Diamond Sales

- 58,086 carats sold (*H1 2013: 79,071 carats*) at an average price of US$69/carat (*H1 2013: US$102/carat*)

Pilot Plant

- 42,929 carats produced (*H1 2013: 72,833 carats*) at a grade of 21.6 carats per hundred tons ("cpht") (*H1 2013: 24.8 cpht*)
- 199,122 tons treated in H1 2014 (*H1 2013: 294,106 tons*)
- Production ceased 21 October 2013 in preparation for the start of the construction phase of the Main Treatment Plant ("MTP") at Liqhobong

BK11 Mine, Botswana

- Remains on care and maintenance at a cost of £29,000 (*H1 2013: £29,000*) per month

Corporate

- Placing successfully concluded on 16 July 2013 to raise US$6 million (£3.9 million)
- Stuart Brown appointed on 2 September 2013 and assumed the role of CEO on 1 December 2013

Financial

- £0.3 million reduction in loss attributable to Firestone shareholders of £4.1 million (H1 2013 loss: £4.4 million)
- Loss per share reduced by 0.24 pence to 0.56 pence (H1 2013: 0.80 pence)
- Consolidated net cash at 31 December 2013 was £2.8 million (H1 2013: £4.2 million)

Post period highlights

- Additional US$140 million funding package, subject to certain conditions precedent, announced on 15 January 2014 which, combined with the Absa Debt Facility, fully funds the development of the MTP and provides general working capital to the Company
- Delisting from the Botswana Stock Exchange effective on 28 February 2014
- Glenn Black appointed to Senior Management Team as Chief Project Officer for Liqhobong on 27 February 2014

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Chairman's Statement

Dear Shareholder,

I am pleased to report that following the positive restructuring initiatives and strategic review process of 2013, Firestone has arguably achieved its most important milestones since the beginning of the current financial year. As a result the Company is a major step closer to realising its strategy of becoming a mid-tier diamond producer.

I was particularly delighted to welcome Stuart Brown to the Board in September 2013 and subsequently as Chief Executive Officer ("CEO") of the Company, effective from 1 December 2013. Stuart is exceptionally well placed to lead Firestone and brings with him a wealth of experience following his previous positions at the De Beers Group, as a former Joint Acting CEO and as Chief Finance Officer, having been an employee for almost 20 years. His timely appointment occurs as Firestone progresses with the development of its key value driver, and therefore our absolute focus, the Liqhobong Diamond Mine ("Liqhobong"). Liqhobong is located in the Lesotho-highlands where the Group has a 75 per cent. interest and the remaining interest is held by the Government of the Kingdom of Lesotho.

Firestone originally completed a definitive feasibility study ("DFS") for Liqhobong in October 2012 which set out the basis for an open pit mine with a 15 year life and a Main Treatment Plant ("MTP") capable of producing in excess of 1 million carats per annum. This study has since been further updated to reflect the trial mining production from the Pilot Plant between July 2011 and October 2013, in which 325,000 carats were produced. On 5 November 2013, the Company announced an update to the DFS which included a revalidated initial capital expenditure for Liqhobong of US$185.4 million, now incorporating the full cost of the grid power infrastructure required for the Liqhobong project. At a project level the updated DFS confirmed the strong base case economics for Liqhobong, setting out a compelling base case post tax NPV (using US$107 per carat and applying an 8 per cent. discount rate) of approximately US$379 million and post tax IRR of 30 per cent. and a significant upside post tax NPV, taking account of the potential revenues from larger stones (100 carats plus) (using US$156 per carat and applying an 8 per cent. discount rate) of approximately US$728 million and post tax IRR of 45 per cent.

Following the publication of the updated DFS, we focussed our efforts on raising the necessary funding to develop Liqhobong and the required infrastructure and I am delighted to report that in addition to securing the US$82.4 million (£50.3 million) Absa Debt Facility, announced on 25 November 2013, on 15 January 2014, we successfully agreed in principle, subject to certain conditions precedent (which includes the approval of Shareholders), a funding package of US$140 million, raising, in aggregate, the required US$222.4 million (£135.6 million) of financing to build and commission the MTP at Liqhobong, with expected full nameplate production in early 2016. This is an exceptionally impressive achievement, particularly given Firestone's market capitalisation and the difficult current macro environment for junior mining companies. The significant investment by the two high quality strategic investors joining the register, namely Pacific Road Resources Funds ("Pacific Road") and Resource Capital Fund VI L.P. ("RCF VI"), also represents a clear endorsement for the quality of the Company's assets both in terms of people and Liqhobong.

The Pilot Plant at Liqhobong ceased production in October 2013 as we began to prepare the site for the onset of the early works construction required for the MTP and associated infrastructure. The production, prior to the closure of the Pilot Plant, was from lower grade ore blocs and stockpiled low grade material. This production was sold at two tenders held at the World Diamond Centre in Antwerp. The tender results were, as expected, less than pleasing due to the lower quality nature of the diamond parcels. A total of 58,086 carats were sold which included lower quality inventory, achieving an average sales price of US$69 per carat.

The Group recorded revenues of £2.6 million for the six months ended 31 December 2013, down considerably from the previous period due to the closure of the Pilot Plant at Liqhobong. At the end of December 2013, the Company held £2.8 million in cash.

As previously communicated to shareholders, the Board is considering various strategic alternatives for its Botswana operation and exploration portfolio, including disposal or a joint venture.

With regards to the Absa Debt Facility and the funding package, the Company is currently in the process of finalising the relevant documentation and will, in the near term, issue a circular to shareholders which will, *inter alia*, include a notice of the General Meeting required to seek shareholder approval in respect of the funding package. In addition, it will also include details of the open offer to be made to eligible shareholders on the register on 14 January 2014 to participate in a retail offer, at a price of 3.0 pence per share, on a pro-rata basis, raising up to a further EUR5 million as announced on 15 January 2014.

Firestone will also be putting in place an experienced project management team who will be responsible for delivering and building the MTP at Liqhobong, on time and on budget and for appointing, as appropriate, the key engineering, procurement, construction and maintenance contractors. A significant step was made in this regard with the appointment of Glenn Black to the Senior Management Team as Chief Project Officer which was announced on 27 February 2014.

Finally I would like to thank our shareholders for their continued commitment and support in what has been an exceptionally challenging and exciting time. Firestone has achieved what some thought was near impossible, in a short period of time and I look forward to updating you on our progress as we develop and build Lesotho's next diamond mine.

Lucio Genovese
Non-Executive Chairman
6 March 2014

Operational Review

Liqhobong Mining Development Company ("LMDC"), Lesotho

Pilot Plant production

During the period, a total of 42,929 carats (H1 2013: 72,833 carats) were produced at an average grade of 21.6 cpht (H1 2013: 24.8 cpht). The Pilot Plant at Liqhobong was placed on care and maintenance, with the last day of production being 21 October 2013, in preparation for the construction of the MTP. Accordingly, the aforementioned production represents just over three and a half months for the period under review. The grade achieved during the period under review was lower, mainly due to the mining of lower grade areas of K2 and K4 rock units which were exposed in the open pit and the loading and clearing of the "Run of Mine" (ROM) stockpiles adjacent to the plant. All mining and treatment activity was aimed at minimising cost and preparing the site for the onset of the early works construction required for the MTP and associated infrastructure.

Summary of quarterly production data for LMDC:

		Q1 2014	Q2 2014	H1 2014	Q1 2013	Q2 2013	H1 2013
Activity Report							
Mining – waste	tons '000	13	0	14	280	106	386
Mining – ore	tons '000	135	29	165	169	161	330
Stockpile – ore	tons '000	0	0	0	24	13	37
Tailings handling	tons '000	81	22	103	75	66	141
Mining – total	**tons '000**	**230**	**52**	**282**	**548**	**346**	**894**
Treatment – ore	tons '000	155	44	199	143	151	294
Grade recovered	Cpht	21.8	20.8	21.6	22.7	26.8	24.8
Carats produced	Crts	33,732	9,197	42,929	32,443	40,390	72,833
Revenue							
Gross diamond sales	US$	2,086,905	1,910,271	3,997,176	2,973,273	5,119,798	8,093,071
Carats sold	Crts	23,495	34,591	58,086	15,081	63,990	79,071
Price achieved	US$/crt	89	55	69	197[1]	80	102

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

Main treatment plant

- On 25 November 2013, the Company announced that a debt facility had been secured with ABSA Bank to the value of US$82.4 million (£50.3 million) for the Liqhobong MTP project, subject to certain conditions precedent.
- In addition, the Company announced on 15 January 2014 that a further funding package had been secured which comprises bridge and mezzanine facilities and equity subscriptions from two new strategic investors, being Pacific Road Resource Funds ("Pacific Road") and Resource Capital Fund VI L.P. ("RCF VI"), both leading mining-focussed investment groups, together with a brokered equity placing with new and existing Shareholders, totalling, in aggregate, US$140.0 million (£85.4 million) (before expenses).
- The funding above excludes further new Ordinary Shares which will be offered to shareholders who were on the register at the close of trading on 14 January 2014 and who did not participate in the brokered equity

placing, at the placing price of 3.0 pence per share, on a pro rata basis, to raise, in aggregate, up to the sterling equivalent of EUR5 million.

Copies of the full announcements are available on the Company's website at www.firestonediamonds.com.

BK11 Mine, Botswana

The mine continued to be on care and maintenance. The continued cost of the care and maintenance paid for by the Group is £29,000 (*H1 2013: £29,000*) per month.

As previously communicated to shareholders, the Board is considering various strategic alternatives for its Botswana operation and exploration portfolio, including disposal or joint venture, but it recognises that extracting fair value from the asset in the current market could be challenging.

Financial Review

Income Statement

Group

Revenue of £2.6 million was £2.5 million lower than H1 2013 of £5.1 million as a result of lower volumes and quality of diamonds sold during the period. Total costs of £7.2 million were £1.7 million lower than H1 2013 of £8.9 million, mainly due to lower production activity resulting from Liqhobong being placed on care and maintenance in October 2013 in preparation for the construction of the MTP. The loss for the period before tax of £4.9 million was the same as that incurred in the comparative period in 2013.

Liqhobong Mining Development Company ("LMDC"), Lesotho

LMDC generated revenue of £2.6 million (H1 2013: £5.1 million) from the sale of 58,086 carats (H1 2013: 79,071 carats). Average diamond price of US$69/carat for the first half of the year was 32 per cent. lower than the comparative period in 2013 of US$102/carat. The decrease in revenue per carat was affected in two respects. Revenue in H1 2013 included the positive impact of high quality diamonds sold at the June 2012 tender, and in H1 2014 lower quality diamonds were processed from ore mined and from low grade stock piles. Processing this lower grade material was necessary to clear surface areas in preparation for the early works construction of the MTP and associated infrastructure.

Operating costs of £5.8 million were £1.5 million lower than H1 2013 of £7.3 million. These costs comprise cost of sales of £3.3 million (H1 2013: £4.6 million), including £0.2 million for care and maintenance and restructuring; selling, distribution and administrative expenses of £0.5 million (H1 2013: £1.0 million); and non-cash depreciation and amortisation of £2.0 million (H1 2013: £1.7 million). The lower operating costs resulted from the operation being placed onto care and maintenance in October 2013 in preparation for commencement of early works related to construction of the MTP.

BK11 Mine

The mine incurred ongoing care and maintenance costs of £0.2 million for the period under review, unchanged from the comparative period (H1 2013: £0.2 million).

Balance sheet

Group

Total equity attributable to holders of the parent decreased by £3.9 million to £40.1 million (FY 2013: £44.0 million) as proceeds from the placing in July 2013 of £4.0 million net of costs were offset by the loss during the period of £4.1 million and translation reserve losses of £3.8 million. Translation losses were caused by a significant weakening in the South African Rand, Botswana Pula and Lesotho Maloti, currencies in which a majority of the groups assets are denominated, which resulted in reduced values in sterling terms.

Total assets reduced by £9.0 million mainly as a result of the translation into sterling as discussed above. Inventory and receivable balances decreased as most of the diamonds were disposed of during the period with the final tender taking place in November 2013 followed shortly by the collection of proceeds on the sale.

Total liabilities decreased by £3.7 million as operations at the Liqhobong mine were placed on care and maintenance and creditor balances were settled.

Cash Flow

Group

The Group began the period with cash resources of £2.7 million (*H1 2013: £10.6 million*).

£4.0 million net of costs was raised through a placing in July 2013 increasing cash resources to approximately £6.7 million.

Total operating cash costs of £2.9 million combined with £0.5 million in working capital requirements brought the total cash used in operating activities to £3.4 million (H1 2013: £3.3 million). Cash received from the disposal of inventory and collection of receivables of £2.1 million was offset by payments to suppliers of £2.6 million resulting in a net decrease in working capital of £0.5 million. The decrease in balances owed to suppliers is indicative of the slowdown in operating activities as the mine was placed on care and maintenance in preparation for the early works construction phase of the project.

The Group invested £0.5 million (H1 2013: £2.2 million) in property, plant and equipment at LMDC, £0.3 million to increase sliming capacity and £0.2 million on updating the Definitive Feasibility Study.

The Group ended the period with £2.8 million in cash and cash equivalents (H1 2013: £4.2 million).

Consolidated Statement of Profit and Loss

For the six months ended 31 December 2013
(Unaudited)

	6 months ended 31.12.2013 Unaudited £'000	6 months ended 31.12.2012 Unaudited £'000	Year ended 30.06.2013 Audited £'000
Revenue	2,573	5,098	9,905
Less: cost of sales	4,930	6,333	14,942
Gross loss	**2,357**	**1,235**	**5,037**
Selling and distribution expenses	324	662	1,276
Care and maintenance expenses	-	-	-
Administrative expenses	223	305	448
Amortisation and depreciation	297	160	109
Loss/(profit) on sale of property, plant and equipment	10	-	(88)
Share-based payments	77	-	1,204
Corporate expenses	1,363	1,451	1,920
Loss before finance charges and income tax	**(4,651)**	**(3,813)**	**(9,906)**
Finance income	3	40	4
Finance costs	(3)	(211)	-
Loss from continuing operations	**(4,651)**	**(3,984)**	**(9,902)**
Loss from discontinued operations	(226)	(962)	(4,628)
Loss from operations before tax	**(4,877)**	**(4,946)**	**(14,530)**
Income tax (expense)/credit	(5)	-	51
Loss for the period	**(4,882)**	**(4,946)**	**(14,479)**
Loss after tax for the period attributable to:			
Owners of the parent			
Continuing operations	(3,858)	(3,506)	(8,555)
Discontinued operations	(207)	(921)	(4,599)
	(4,065)	(4,427)	(13,154)
Loss after tax for the year attributable to:			
Non–controlling interests			
Continuing operations	(798)	(478)	(1,296)
Discontinued operations	(19)	(41)	(29)
	(817)	(519)	(1,325)
Loss after tax for the period	**(4,882)**	**(4,946)**	**(14,479)**

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 31 December 2013

(Unaudited)

	6 months ended 31.12.2013 Unaudited £'000	6 months ended 31.12.2012 Unaudited £'000	Year ended 30.06.2013 Audited £'000
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations net of tax			
Continuing operations	(4,666)	(100)	(1,395)
Discontinued operations	136	-	(2,097)
	(4,530)	**(100)**	**(3,492)**
Total comprehensive loss for the period	**(9,412)**	**(5,046)**	**(17,971)**
Total comprehensive loss for the year attributable to:			
Owners of the parent			
Continuing operations	(7,699)	(3,536)	(9,370)
Discontinued operations	(253)	(921)	(6,519)
	(7,952)	**(4,457)**	**(15,889)**
Total comprehensive income/(loss) for the year attributable to:			
Non–controlling interests			
Continuing operations	(1,623)	(548)	(1,876)
Discontinued operations	163	(41)	(206)
	(1,460)	**(589)**	**(2,082)**
Total comprehensive loss for the year	**(9,412)**	**(5,046)**	**(17,971)**
Loss per share			
Basic and diluted loss per share from continuing operations (pence)	(0.53)	(0.63)	(1.57)
Basic and diluted loss per share from discontinued operations (pence)	(0.03)	(0.17)	(0.84)
Total Basic and diluted loss per share	**(0.56)**	**(0.80)**	**(2.41)**

Consolidated Statement of Financial Position

As at 31 December 2013
(Unaudited)

	Note	31.12.2013 Unaudited £'000	31.12.2012 Unaudited £'000	30.06.2013 Audited £'000
ASSETS				
Non-current assets				
Property, plant and equipment		28,490	39,527	34,425
Total non-current assets		**28,490**	**39,527**	**34,425**
Current assets				
Inventories		313	1,794	1,074
Trade and other receivables		123	472	1,648
Cash and cash equivalents	4	2,782	4,153	2,390
Total current assets		**3,218**	**6,419**	**5,112**
Non-current assets held for sale		**8,229**	**13,130**	**9,407**
Total assets		**39,937**	**59,076**	**48,944**
EQUITY				
Share capital	5	78,334	76,265	76,265
Share premium		56,857	54,917	54,917
Reserves		(14,543)	(10,976)	(10,719)
Accumulated losses		(80,544)	(65,798)	(76,493)
Total equity attributable to equity holders of the parent		**40,104**	**54,408**	**43,970**
Non-controlling interests		(8,805)	(5,852)	(7,345)
Total equity		**31,299**	**48,556**	**36,625**
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings		-	14	-
Deferred tax		2,484	3,148	2,855
Provisions		1,461	1,909	1,683
Total non-current liabilities		**3,945**	**5,071**	**4,538**
Current liabilities				
Trade and other payables		1,781	1,659	4,677
Provisions		41	200	60
Total current liabilities		**1,822**	**1,859**	**4,737**
Liabilities of disposal group		**2,871**	**3,590**	**3,044**
Total liabilities		**8,638**	**10,520**	**12,319**
Total equity and liabilities		**39,937**	**59,076**	**48,944**

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013
(Unaudited)

	Share capital	Share premium	Merger reserve	Share-based payment reserve	Translation reserve	Accumul ated losses	Total	Non-con-trolling interest	Total equity
	£'000	£'000	£'000	£000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2012 (Unaudited)	**76,265**	**54,917**	**(1,076)**	**2,962**	**(9,900)**	**(68,760)**	**54,408**	**(5,852)**	**48,556**
Profit or loss	-	-	-	-	-	(7,733)	(7,733)	(1,106)	(8,839)
Foreign currency translation differences	-	-	-	-	(2,705)	-	(2,705)	(387)	(3,092)
Total comprehensive loss for the period	**-**	**-**	**-**	-	**(2,705)**	**(7,733)**	**(10,438)**	**(1,493)**	**(11,931)**
Balance at 30 June 2013 (Audited)	**76,265**	**54,917**	**(1,076)**	**2,962**	**(12,605)**	**(76,493)**	**43,970**	**(7,345)**	**36,625**
Profit or loss	-	-	-	-	-	(4,065)	(4,065)	(817)	(4,882)
Foreign currency translation differences	-	-	-	-	(3,887)	-	(3,887)	(643)	(4,530)
Total comprehensive loss for the period	**-**	**-**	**-**	-	**(3,887)**	**(4,065)**	**(7,952)**	**(1,460)**	**(9,412)**
Contributions by and distributions to owners									
Issue of ordinary shares	2,069	1,940	-	-	-	-	4,009	-	4,009
Share-based payment transactions	-	-	-	77	-	-	77	-	77
Share-based payment lapse/reversals	-	-	-	(14)	-	14	-	-	-
Total contributions by and distributions to owners	**2,069**	**1,940**	**-**	**63**	**-**	**14**	**4,086**	**-**	**4,086**
Balance as at 31 December 2013 (Unaudited)	**78,334**	**56,857**	**(1,076)**	**3,025**	**(16,492)**	**(80,544)**	**40,104**	**(8,805)**	**31,299**

Consolidated Statement of Cash Flows

For the six months ended 31 December 2013
(Unaudited)

	Note	6 months ended 31.12.2013 Unaudited £'000	6 months ended 31.12.2012 Unaudited £'000	Year ended 30.06.2013 Audited £'000
Cash flows from operating activities				
Loss from continuing activities before income tax		(4,651)	(3,984)	(9,902)
Adjustments for:				
Depreciation, amortisation and impairment		1,982	1,733	4,196
Effect of foreign exchange movements		(28)	(22)	1,058
Equity-settled share-based payments		54	-	1,204
Changes in provisions		(4)	3	(27)
Loss / (profit) on sale of non-current assets		10	-	(88)
Finance income		(1)	(1)	(4)
Cash flows from operating activities before working capital changes		(2,638)	(2,271)	(3,563)
Decrease/(increase) in inventories		675	300	919
Decrease in trade and other receivables		1,432	1,224	(677)
(Decrease)/increase in trade and other payables		(2,661)	(1,610)	(276)
Net cash used in continuing operating activities		**(3,192)**	**(2,357)**	**(3,597)**
Net cash used in discontinued operating activities		**(191)**	**(981)**	**(398)**
Net cash used in operating activities		**(3,383)**	**(3,338)**	**(3,995)**
Cash flows from investing activities				
Additions to property, plant and equipment		(476)	(2,222)	(2,722)
Proceeds on sale of non-current assets		70	-	191
Finance income		1	2	4
Net cash used in discontinued investing activities		**2**	**-**	**-**
Net cash used in investing activities		**(403)**	**(2,220)**	**(2,527)**
Cash flows from financing activities				
Proceeds from issue of ordinary shares		4,201	-	-
Share issue expenses		(192)	-	-
Repayment of long-term borrowings		-	-	-
Repayment of finance leases		-	-	-
Finance costs		-	-	-
Net cash from continuing financing activities		**4,009**	**-**	**-**
Net cash from discontinued financing activities		**(35)**	**(861)**	**(1,298)**
Net cash from financing activities		**3,974**	**(861)**	**(1,298)**
Net increase/(decrease) in cash and cash equivalents		**188**	**(6,419)**	**(7,820)**
Cash and cash equivalents at beginning of period		**2,687**	**10,618**	**10,618**
Exchange rate movement in cash and cash equivalents at beginning of period		(93)	(46)	(111)
Cash and cash equivalents at end of period	4	**2,782**	**4,153**	**2,687**

Notes to the condensed Group interim financial statements

For the six months ended 31 December 2013
(Unaudited)

1. Reporting entity

Firestone Diamonds plc (the "Company") is incorporate in England and Wales and quoted on the London Stock Exchange's AIM market. The condensed consolidated interim financial statements of the Company for the six months ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The audited consolidated financial statements of the Group for the year ended 30 June 2013 are available upon request from the Company's registered office at The Triangle, 5-17 Hammersmith Grove, London W6 0LG or at www.firestonediamonds.com.

2. Basis of preparation

These condensed interim financial statements of the Group for the six months ended 31 December 2013 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs"). The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Group's latest audited financial statements for the year ended 30 June 2013.

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 30 June 2013. The auditors' opinion on these Statutory Annual Accounts was unqualified and included an emphasis of matter paragraph in which the auditor drew attention to the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The auditor's report did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The comparative figures presented are for the six months ended 31 December 2012 and the year ended 30 June 2013.

3. Going concern

The Directors, having considered the Group's current trading activities, funding position and projected funding requirements for at least 12 months from the date of approval of these interim financial statements, consider it appropriate to adopt the going concern basis in preparing results for the six months ended 31 December 2013.

The Directors acknowledge that in order for the their plans of developing the Main Treatment Plant at Liqhobong to succeed, the total financing package of US$222.4 million as announced on 15 January 2014 would have to be available to the Group. The financing package is subject to the completion of final documentation and execution of conditions precedent which the Directors are confident will be met.

Short term financing, provided by two strategic investors, Pacific Road Resource Funds and Resource Capital Fund VI L.P. has been arranged in the form of a bridging loan, as part of the larger US$222.4 million financing package. Although final documentation and execution of conditions precedent are applicable prior to drawdown of the bridging loan, the Directors are confident that these conditions can be satisfied in order to allow drawdown of the funds.

However, the need to raise new funds for commencement of constructing the Main Treatment Plant, or, alternatively, for the Group to continue operating until other sources of funding can be arranged, represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. No adjustments that would result from the going concern basis of preparation being inappropriate have been made in the preparation of the financial information.

Notes to the condensed Group interim financial statements (continued)

For the six months ended 31 December 2013
(Unaudited)

4. Cash and cash equivalents

	31.12.2013 Unaudited £'000	31.12.2012 Unaudited £'000	30.06.2013 Audited £'000
Cash and cash equivalents	2,782	4,153	2,390
Non-current assets held for sale	-	-	297
	2,782	**4,153**	**2,687**

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

	31.12.2013 Unaudited £'000	31.12.2012 Unaudited £'000	30.06.2013 Audited £'000
Botswana Pula	242	213	78
British Pound	1,539	542	296
Lesotho Maloti	301	281	269
South African Rand	233	373	368
United States Dollar	467	2,744	1,676
Total Cash and Cash Equivalents	**2,782**	**4,153**	**2,687**

The following significant exchange rates applied against the pound sterling during the period:

	6 months ended 31.12.2013 Unaudited		6 months ended 31.12.2012 Unaudited		Year ended 30.06.2013 Audited	
	Balance sheet rate	Average rate	Balance sheet rate	Average rate	Balance sheet rate	Average rate
Botswana Pula	14.2556	13.4249	12.3601	12.214	12.9649	12.3429
Lesotho Maloti	17.2922	15.9388	13.4430	13.2730	15.0069	13.6399
South African Rand	17.2922	15.9388	13.6859	13.4916	15.0069	13.8459
United States Dollar	1.6488	1.5839	1.6153	1.5926	1.5208	1.5687

Notes to the condensed Group interim financial statements (continued)

For the six months ended 31 December 2013
(Unaudited)

5. Called up share capital

	Number of shares			Nominal value of shares		
	31.12.2013	31.12.2012	30.06.2013	31.12.2013	31.12.2012	30.06.2013
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	'000	'000	'000	£'000	£'000	£'000
Allotted, called up and fully paid						
Ordinary shares						
Opening balance	**546,852**	**545,513**	**545,513**	**5,468**	**5,455**	**5,455**
Issued during the period	206,901	1,339	1,339	2,069	13	13
Split to deferred shares	-	-	-	-	-	-
Closing balance	**753,753**	**546,852**	**546,852**	**7,537**	**5,468**	**5,468**
Deferred shares						
Opening balance	7,079,649	7,079,649	7,079,649	70,797	70,797	70,797
Split from ordinary shares	-	-	-	-	-	-
Closing balance	**7,079,649**	**7,079,649**	**7,079,649**	**70,797**	**70,797**	**70,797**
TOTAL	**7,833,402**	**7,626,501**	**7,626,501**	**78,334**	**76,265**	**76,265**

- On 16 July 2013, the Company issued 198,500,000 ordinary shares of 1p each for a premium of 1p per share. The total receipt after expenses of £192,035 was £3,777,965. The funds were raised to use for working capital at the Liqhobong Mine and repayment of debt.
- On 10 October 2013 the Company issued 8,400,838 ordinary shares of 1p each valued at £231,023 as payment to directors for services rendered to the Group.

6. Commitments and contingent liabilities

The Group has the following total minimum lease payments under non-cancellable operating leases:

	31.12.2013	31.12.2012	30.06.2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating leases which expire:			
Within one year	165	226	239
Two to five years	165	336	190
Over five years	-	-	-
Contracted	**330**	**562**	**429**

Contingent liabilities

As detailed in note 30 to the annual financial statements for the year ended 30 June 2013, the Company made a voluntary disclosure to HM Revenue & Customs ("HMRC") regarding its failure to deduct PAYE and National Insurance over several years from certain employees based in the United Kingdom. Discussions continue with HMRC to reach a conclusion on the settlement, if any, due by the Company. The Company confirms that it would seek to recover any amounts due from the individuals affected.