

28 March 2017

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

Unaudited Interim Results for the six months to 31 December 2016

Firestone Diamonds plc, the AIM-quoted diamond mining company, is pleased to announce its unaudited interim results for the six months ended 31 December 2016 ("H1 2017" or the "Period").

HIGHLIGHTS FOR THE PERIOD

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

- Zero lost time injury record continued, with over 3.6 million man hours worked
- Project completed on time and within the US\$185.4 million budget
- Commissioning commenced in October 2016
- 37 carat white diamond recovered, alongside a further 20 special stones larger than 10.8 carats as well as several fancy yellow diamonds
- Nameplate capacity achieved on multiple occasions and 402,440 tonnes treated

FINANCIAL

- Loss for the Period of US\$8.8 million (H1 2016: US\$4.6 million)
- Loss per share of 2.0 cents (H1 2016: 1.5 cents)
- Total available debt facilities of US\$29.0 million
- Cash of US\$3.3 million

POST PERIOD HIGHLIGHTS

- First two diamond sales completed in February and March 2017 in Antwerp
- Total sale proceeds of US\$13.7 million, all 127,590 carats offered for sale were sold, achieving an average price of US\$107 per carat
- Mine commissioning progressing with continued good recovery of special stones and steadily increasing grade

Stuart Brown, Chief Executive Officer of Firestone, commented:

“Finishing the construction of the Liqhobong Diamond Mine and commencing production in October 2016 are two momentous milestones for the Company and I would like to sincerely thank all of the team that has made our vision possible.

This has been a very successful Project from a construction and commissioning perspective. To have completed the Project within the budget in a very difficult environment and without any lost time injuries, makes us all very proud.

We look forward to the continued trend of over achievement that we have demonstrated throughout as we continue with our ramp-up phase. Importantly we are now working towards achieving commercial production in the coming months.”

ANALYST CONFERENCE CALL

Firestone will be hosting an analyst conference call today, Tuesday 28 March 2017, at 10:00 BST. Participants may access the call by dialling one of the following numbers below approximately 10 minutes prior to the start of the call:

From UK (toll free): 0808 237 0030

From the rest of the world: +44 (0)20 3139 4830

Participant PIN code: 22140509#

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

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Background information on Firestone

Firestone is an international diamond mining company with operations focused on Lesotho. Firestone is currently in the process of commencing commercial production at the Liqhobong Diamond Mine. Liqhobong is owned 75% by Firestone and 25% by the Government of Lesotho.

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 as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

CHIEF EXECUTIVE'S REVIEW

The completion of the Project to a state such that production ramp-up could commence in late October 2016 was very pleasing. This milestone was the culmination of a tremendous amount of hard work and co-operation from many parties. Our sincere thanks go to all our employees and contractors who have worked tirelessly to ensure the Project construction was completed within the revised schedule and commissioning could commence earlier than expected. In addition, the support from our partner, the Government of Lesotho, is greatly appreciated.

By the end of October 2016 we had seen our first carats which were recovered from mixed stockpiled and diluted ore sources. The remainder of the Period was devoted to getting the plant up and running and steadily increasing the daily tonnes treated. By the end of the Period we had successfully treated over 400,000 tonnes and recovered over 57,000 carats. Despite starting our production on treating lower grade ore and old mixed stockpile material, we recovered some high value diamonds that have encouragingly achieved very good prices at our first two sales in Antwerp in February and March 2017.

The Mine's ramp-up process has not been without its challenges. Substantial rain, and some plant and equipment teething problems were experienced initially, but pleasingly these have largely been resolved and the mine and plant have been operating at, and close to, nameplate capacity on a number of occasions since commencing production in October 2016. Initially, grades were impacted by the under recovery of the lower value finer diamonds. The grade is steadily increasing as minor modifications are continuing to be made to the plant, and are expected to improve as we begin treating the better quality ore. The waste stripping is on schedule and we are now in the process of dewatering the south-eastern side of the main pit, to begin accessing better quality ore later in the financial year. We expect the Mine to improve steadily as it reaches commercial production in the coming months.

The Group's finances are well managed with sufficient cash and debt facilities available to fund the Group for the foreseeable future.

The overall diamond market remains fairly difficult although prices for the larger and better quality diamonds continue to be strong. The impact of the Indian demonetisation event towards the end of the Period has negatively affected the lower quality, high volume, end of the diamond market. The impact of this has meant that prices for these goods have weakened and in some cases the very poor quality goods have remained unsold. It is not certain how long this situation will continue for, but there are some signs that pricing is improving in these categories.

Pleasingly, Firestone sold all its goods offered at its first two diamond sales in the first quarter of 2017, generating revenues of, in aggregate, US\$13.7 million.

BK11 in Botswana remains under care and maintenance after the termination of the sale process with Tango Mining Limited. We are currently negotiating a bulk sampling exercise with an external partner, the results of which will enable us to assess our options with BK11.

I am particularly pleased with our safety record. To have continued throughout the Project with no lost time injuries has been simply outstanding and I would like to congratulate all our employees and contractors.

We have maintained our strong relationship with the local communities, continuing the crop loss compensation payments as well as commencing loss of grazing payments. Recently we completed and handed over a new crèche facility at the Lihobong Village and have commenced other community enhancement projects.

Finally, I would like to thank everyone involved to date in the successful completion of the Project and I look forward to bigger, and better, diamonds as we move to the higher grade ore and reach commercial production.

Stuart Brown

Chief Executive Officer

27 March 2017

FINANCIAL REVIEW

Summary

The first half of the financial year saw the Company complete the construction of the Liqhobong Mine and commence the ramp-up of production in October 2016.

A total of 402,440 tonnes were treated recovering 57,723 carats at a total cost of US\$5.6 million. A cost of sales section is excluded from the statement of comprehensive income as production costs are capitalised to the cost of the Project until such time as commercial production is achieved, in line with the applicable accounting standard. Commercial production will be established once certain operating parameters and criteria, as determined by management, have been consistently achieved over a continuous 3 month period.

Administrative expenses for the Period were US\$1.1 million higher than the prior Period at US\$3.6 million (H1 2016: US\$2.5 million) as a result of a depreciation charge of US\$0.6 million related to the BK11 mine and US\$0.5 million to the grid power line which provides electricity to the Liqhobong Mine. No depreciation charge was recognised in the prior period for either of these assets as the BK11 mine was classified as 'held for sale' and the Grid power line was in the process of being commissioned.

Physical Project construction was complete by the end of December 2016 and from a funding perspective, US\$173.8 million had been spent against the original Project budget of US\$185.4 million, leaving a balance of US\$11.6 million to be paid in the second half of the year as scheduled final payments become due. During the Period, US\$25.0 million was drawn against the ABSA Debt Facility to fund Project costs.

At the end of December, the Group had access to total debt facilities of US\$29.0 million, comprising US\$14.0 million from the ABSA Debt Facility, which has now been fully drawn, and the US\$15.0 million standby facility.

Statement of comprehensive income

The Group's loss before tax for the six month Period ended 31 December 2016 of US\$4.1 million was slightly lower than the prior year loss for the same Period of US\$4.6 million. However, due to a deferred tax charge during the Period of US\$4.6 million, the Group's loss after tax is US\$8.8 million (H1 2016: US\$4.6 million).

The deferred tax charge resulted from foreign currency translation gains in Liqhobong. The Maloti, Liqhobong's functional currency strengthened against the US dollar by 7.9% during the Period. This resulted in a lower value of debt in Maloti currency terms at the end of the Period and taxable foreign currency translation gains for the Period. Although a deferred tax charge is recognised for the Period, no cash tax payment is payable until Liqhobong's assessed loss of Maloti 3.7 billion is utilised.

Total comprehensive income for the Period of US\$9.6 million compares favourably to the loss of US\$31.5 million incurred in the prior comparative Period. This was mainly as a result of gains on currency revaluations due to a weaker US Dollar.

The loss incurred of 2.0 cents per share is 0.5 cents per share more than the loss in the prior comparative Period of 1.5 cents per share, largely as a result of the deferred tax charge.

Statement of financial position

The Group's total assets increased by US\$35.8 million to US\$250.0 million (FY 2016: US\$214.2 million) mainly as a result of the continued expenditure on the Project, offset by a decrease in the value of the deferred tax asset. The value of property, plant and equipment increased by US\$37.6 million to US\$214.7 million (FY2016: US\$177.1 million), and includes capitalised Project costs of US\$25.3 million and translation gains on assets held in currencies other than the US dollar of US\$14.9 million, offset by depreciation of US\$2.6 million. The deferred tax balance decreased by US\$2.1 million during the Period to US\$18.1 million (FY2016: US\$20.2 million) as a result of foreign currency translation gains for Liqhobong as discussed above. The value of current assets of \$14.2 million includes cash balances of US\$3.3 million.

Total equity for the Group increased by US\$10.5 million to US\$150.2 million (FY 2016: US\$139.7 million) and includes a US\$12.8 million foreign currency translation gain.

The Group's total liabilities increased by US\$25.3 million to US\$99.8 million (FY 2016: US\$74.5 million) mainly as a result of accessing debt funding from the ABSA Debt Facility of US\$25.0 million, which was used to fund Project costs.

Cash Flow

The Group began the Period with cash of US\$10.3 million, drew down US\$25.0 million from the ABSA debt facility and spent US\$1.9 million on operations, US\$19.9 million on the Project, US\$8.7 million on working capital and incurred net finance costs of US\$1.5 million, resulting in a closing cash balance of US\$3.3 million.

Cash flows used in operating activities of US\$1.9 million during the Period compare favourably with US\$2.3 million in H1 2016 as costs continued to be well managed and completion of the Project was achieved.

Conclusion

The Group had a successful six months which culminated in the completion of the Project in late October and the start of the ramp up in production.

The Group ended the Period with sufficient cash and debt facilities to complete the Project within the original budget, and to fund other Group operating costs for the foreseeable future.

Post Period events

Two sales took place subsequent to the Period end, the first in February and the second in March 2017. Total sales proceeds of US\$13.7 million were received from the sale of 127,590 carats at an average price of US\$107 per carat.

The ABSA Debt Facility was fully drawn in January 2017, when the remaining US\$14 million of the US\$82.4 million facility was received.

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2016
(Unaudited)

	Note	6 months ended 31.12.2016 Unaudited US\$'000	6 months ended 31.12.2015 Unaudited US\$'000	Year ended 30.06.2016 Audited US\$'000
Total administrative expenses		(3,560)	(2,456)	(7,396)
Other administrative expenses		(150)	(133)	(290)
Amortisation and depreciation		(1,121)	-	(2,464)
Care and maintenance		(245)	(258)	(518)
Share-based payments		(467)	(379)	(775)
Corporate expenses		(1,577)	(1,686)	(3,349)
Other income		408	66	450
Loss before finance charges and income tax		(3,152)	(2,390)	(6,946)
Finance income		218	27	111
Finance costs		(1,205)	(2,260)	(2,198)
Loss from operations before tax		(4,139)	(4,623)	(9,033)
Taxation (charge)/credit	2	(4,636)	63	22,641
Loss after tax for the period		(8,775)	(4,560)	13,608
Loss after tax for the period attributable to:				
Owners of the parent		(6,253)	(4,683)	7,884
Non-controlling interest		(2,522)	123	5,724
Loss after tax for the period		(8,775)	(4,560)	13,608
Other comprehensive loss:				
Items that may be reclassified subsequently to profit and loss				
Exchange gains/(losses) on translating foreign operations net of tax		16,974	(26,507)	(20,337)
Profit/(loss) on foreign exchanges hedges		1,454	(429)	344
Other comprehensive income/(loss)		18,428	(26,936)	(19,993)
Total comprehensive income/(loss) for the period		9,653	(31,496)	(6,385)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the parent		7,618	(25,369)	(7,541)
Non-controlling interests		2,035	(6,127)	1,156
Total comprehensive income/(loss) for the period		9,653	(31,496)	(6,385)
Profit/(loss) per share				
Basic profit/(loss) per share (cents)	8	(2.0)	(1.5)	2.5
Diluted profit/(loss) per share				
Diluted profit/(loss) per share (cents)	8	(2.0)	(1.5)	2.5

Consolidated Statement of Financial Position
As at 31 December 2016
(Unaudited)

	Note	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	3	214,676	144,394	177,141
Deferred tax	4	18,057	-	20,248
Loan receivable		3,002	-	2,816
Total non-current assets		235,735	144,394	200,205
Current assets				
Inventories	5	6,859	242	248
Trade and other receivables		4,002	8,455	3,420
Other financial assets		39	-	-
Cash and cash equivalents	6	3,346	14,225	10,282
Total current assets		14,246	22,922	13,950
Total assets		249,981	167,316	214,155
EQUITY				
Share capital	7	163,538	163,447	163,493
Share premium		166,469	163,758	164,680
Reserves		(31,727)	(51,784)	(46,065)
Accumulated losses		(135,294)	(138,933)	(129,041)
Total equity attributable to equity holders of the parent		162,986	136,488	153,067
Non-controlling interests		(12,823)	(25,606)	(13,402)
Total equity		150,163	110,882	139,665
LIABILITIES				
Non-current liabilities				
Borrowings	9	68,137	34,227	50,097
Deferred tax	4	-	2,697	-
Other payables		5,215	5,197	5,255
Provisions		3,588	2,888	3,306
Total non-current liabilities		76,940	45,009	58,658
Current liabilities				
Borrowings	9	14,610	-	4,680
Other financial liabilities		418	2,302	1,688
Trade and other payables		7,417	9,006	8,943
Provisions		433	117	521
Total current liabilities		22,878	11,425	15,832
Total liabilities		99,818	56,434	74,490
Total equity and liabilities		249,981	167,316	214,155

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2016
(Unaudited)

	Share capital	Share premium	Warrant reserve	Merger reserve	Hedging Reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 31 December 2015 (Unaudited)	163,447	163,758	7,609	(1,614)	(2,163)	4,019	(59,635)	(138,933)	136,488	(25,606)	110,882
Profit for the period	-	-	-	-	-	-	-	12,567	12,567	5,601	18,168
Foreign currency translation differences	-	-	-	-	-	-	4,667	-	4,667	1,504	6,171
Profit on cash flow hedges	-	-	-	-	595	-	-	-	595	178	773
Total comprehensive loss for the period	-	-	-	-	595	-	4,667	12,567	17,829	7,283	25,112
Contributions by and distributions to owners											
Issue of ordinary shares	46	922	-	-	-	-	-	-	968	-	968
Minority Investment in subsidiary	-	-	-	-	-	-	-	(2,749)	(2,749)	5,086	2,337
Dividends paid to minorities	-	-	-	-	-	-	-	-	-	(165)	(165)
Share-based payment transactions	-	-	-	-	-	531	-	-	531	-	531
Share-based payment lapse/reversals	-	-	-	-	-	(74)	-	74	-	-	-
Total contributions by and distributions to owners	46	922	-	-	-	457	-	(2,675)	(1,250)	4,921	3,671
Balance at 30 June 2016 (Audited)	163,493	164,680	7,609	(1,614)	(1,568)	4,476	(54,968)	(129,041)	153,067	(13,402)	139,665
Loss for the period	-	-	-	-	-	-	-	(6,253)	(6,253)	(2,522)	(8,775)
Foreign currency translation differences	-	-	-	-	-	-	12,781	-	12,781	4,193	16,974
Profit on cash flow hedges	-	-	-	-	1,090	-	-	-	1,090	364	1,454
Total comprehensive loss for the period	-	-	-	-	1,090	-	12,781	(6,253)	7,618	2,035	9,653
Contributions by and distributions to owners											
Issue of ordinary shares	45	1,789	-	-	-	-	-	-	1,834	(1,456)	378
Share-based payment transactions	-	-	-	-	-	467	-	-	467	-	467
Total contributions by and distributions to owners	45	1,789	-	-	-	467	-	-	2,301	(1,456)	845
Balance at 31 December 2016 (Unaudited)	163,538	166,469	7,609	(1,614)	(478)	4,943	(42,187)	(135,294)	162,986	(12,823)	150,163

Consolidated Statement of Cash Flows
For the six months ended 31 December 2016
(Unaudited)

	6 months ended 31.12.2016 Unaudited US\$'000	6 months ended 31.12.2015 Unaudited US\$'000	Year ended 30.06.2016 Audited US\$'000
Cash flows from operating activities			
Loss before taxation	(4,139)	(4,623)	(9,033)
Adjustments for:			
Depreciation, amortisation and impairment	1,121	16	2,464
Effect of foreign exchange movements	(250)	1,929	(2,615)
Equity-settled share-based payments	467	379	775
Changes in provisions	(88)	(65)	157
Profit on sale of assets	-	-	(3)
Finance cost	1,205	79	2,198
Finance income	(218)	(27)	(111)
Net cash flows used in operating activities before working capital changes	(1,902)	(2,312)	(6,168)
Increase in diamond inventory	(5,531)	-	-
Increase in spares and consumables	(1,058)	-	-
Decrease in trade and other receivables	21	2,723	7,853
(Decrease)/increase in trade and other payables	(2,106)	65	(1,307)
Net cash flows (used in)/from operating activities	(10,576)	476	378
Cash flows used in investing activities			
Additions to property, plant and equipment	(19,919)	(45,969)	(68,209)
Proceeds on disposal of property, plant and equipment	-	-	16
Net cash used in investing activities	(19,919)	(45,969)	(68,193)
Cash flows from financing activities			
Proceeds from borrowings	25,000	52,400	73,400
Dividends paid to minorities	-	-	(165)
Finance cost	(1,583)	(8,231)	(12,062)
Finance income	32	27	111
Net cash from financing activities	23,449	44,196	61,284
Net decrease in cash and cash equivalents	(7,046)	(1,297)	(6,531)
Cash and cash equivalents at beginning of period	10,282	17,628	17,628
Exchange rate movement in cash and cash equivalents at beginning of period	110	(2,106)	(815)
Cash and cash equivalents at end of period	3,346	14,225	10,282

Notes to the condensed Group interim financial statements
For the six months ended 31 December 2016
(Unaudited)

1. Accounting Policies

Basis of preparation

Firestone Diamonds plc (the “Company”) is a company domiciled in the United Kingdom and is quoted on the AIM market of the London Stock Exchange plc. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 December 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 audited consolidated financial statements of the Group for the year ended 30 June 2016 are available upon request from the Company’s registered office at The Triangle, 5-17 Hammersmith Grove, London W6 0LG or at www.firestonediamonds.com.

Statement of compliance

These unaudited condensed interim financial statements of the Group for the six months ended 31 December 2016 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the European Union (IFRSs) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Group’s latest audited financial statements for the year ended 30 June 2016.

These unaudited 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 2016. The auditors’ opinion on those statutory Annual Report and Accounts was unqualified. The auditor’s report did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The comparative figures presented are for the six months ended 31 December 2015 and the year ended 30 June 2016.

Going concern

The Group currently operates the Liqhobong mine which is situated in Lesotho and was under construction since 2014. The mine commenced operations in October 2016 when the first ore was processed. Construction was complete by the end of December 2016. The Group also holds a

90% interest in the BK11 mine, which is situated in Botswana and which remains on care and maintenance.

Funding for the construction phase of the Project was made available by an equity raise of US\$110.7 million, a Eurobond facility of US\$30.0 million and the ABSA Debt Facility of US\$82.4 million. Funds received from the equity raise and Eurobond facility were used to fund Project costs prior to the ABSA Debt Facility being accessed and the final drawdown against the ABSA Debt Facility took place subsequent to the Period end in January 2017. In future, the Group is reliant on proceeds from the sale of diamonds recovered from its Lihobong Mine for its cash generation together with the US\$15 million standby facility that has not yet been drawn.

The Directors have prepared cash flow forecasts for the Group based on certain assumptions, and the Directors are aware that various uncertainties might affect the validity of their forecasts. These uncertainties include currency risk, operational risks and the risk of change in general market conditions. The Directors are monitoring the working capital requirements of the Group on a regular basis to ensure that action will be taken at the appropriate time to ensure that the Group has adequate funding, or access to additional funds to enable it to fund its operating costs as they fall due.

The Directors are confident that the existing cash resources together with the standby facility of US\$15 million are sufficient to fund the Group for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of preparation for the financial statements.

2. Taxation

	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Current tax	-	63	-
Deferred tax (charge)/credit	(4,636)	-	22,641
	<u>(4,636)</u>	<u>63</u>	<u>22,641</u>

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:

	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Loss before tax	(4,139)	(4,623)	(9,033)
Tax on loss at standard rate of 20% (2015: 20.75%)	(828)	(959)	(1,807)
Effect of tax in foreign jurisdictions	4,828	(9)	(1,397)
Effect of the change in the standard tax rate	-	-	126
Foreign exchange adjustment on effective interest rate on borrowings	(231)	-	307
Recognition of previously unrecognised deferred tax assets	-	-	(19,871)
Expenses not deductible for tax purposes	10	(145)	1

Adjustments to deferred tax not recognised

857	1,050	-
<u>4,636</u>	<u>(63)</u>	<u>(22,641)</u>

3. Property, Plant and Equipment

	Mining property US\$'000	Plant and equipment US\$'000	Motor vehicles and other assets US\$'000	Total US\$'000
Cost				
At 31 December 2015	143,695	16,256	2,218	162,169
Additions	25,540	-	169	25,709
Disposals	-	-	(45)	(45)
Exchange difference	9,550	(435)	(77)	9,038
At 30 June 2016	<u>178,785</u>	<u>15,821</u>	<u>2,265</u>	<u>196,871</u>
Additions	24,976	12	302	25,290
Exchange difference	15,193	1,810	206	17,209
At 31 December 2016	<u>218,954</u>	<u>17,643</u>	<u>2,773</u>	<u>239,370</u>
Accumulated depreciation				
At 31 December 2015	8,218	8,233	1,324	17,775
Charge for the period	652	1,599	197	2,448
Disposals	-	-	(32)	(32)
Exchange difference	383	(717)	(127)	(461)
At 30 June 2016	<u>9,253</u>	<u>9,115</u>	<u>1,362</u>	<u>19,730</u>
Charge for the period	1,968	597	49	2,614
Exchange difference	917	1,357	76	2,350
At 31 December 2016	<u>12,138</u>	<u>11,069</u>	<u>1,487</u>	<u>24,694</u>
Net book value at 31 December 2016	206,816	6,574	1,286	214,676
Net book value at 30 June 2016	169,532	6,706	903	177,141
Net book value at 31 December 2015	135,477	8,023	894	144,394

4. Deferred tax

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

	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Opening balance	20,248	(3,480)	(3,480)
Movement in temporary differences recognised in income	(4,636)	-	22,641
Exchange differences	1,735	783	214
Income tax credits	710	-	873
	<u>18,057</u>	<u>(2,697)</u>	<u>20,248</u>

The deferred tax asset/(liability) comprises:

	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Accelerated capital allowances	(47,882)	-	(37,718)
Provisions	567	-	502
Borrowings	(2,498)	-	(2,471)
Losses available for offsetting against future taxable income	69,427	-	61,954
Income tax credits available for offsetting against future taxable income	1,583	-	873
Temporary difference arising on acquisition of subsidiary	(3,140)	(2,697)	(2,892)
	<u>18,057</u>	<u>(2,697)</u>	<u>20,248</u>

The Lihobong Mine Development Project was completed during the Period. The Directors considered Lihobong's financial model which 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 nett asset or liability.

The Group has unrecognised tax losses of approximately US\$52.2 million (full year June 2016: US\$61.4 million), and unrecognised accelerated capital allowances of US\$13.4 million (full year June 2016: US\$13.4 million).

5. Inventories

	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Finished goods	5,577	62	62
Spares and consumables	1,282	180	186
	<u>6,859</u>	<u>242</u>	<u>248</u>

6. Cash and cash equivalents

	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Cash and cash equivalents	3,346	14,225	10,282
	<u>3,346</u>	<u>14,225</u>	<u>10,282</u>

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

United States Dollar	2,836	9,094	7,380
Pound Sterling	311	2,052	549
Lesotho Maloti	74	2,916	2,130
South African Rand	43	78	146
Botswana Pula	82	85	77
Total Cash and Cash Equivalents	<u>3,346</u>	<u>14,225</u>	<u>10,282</u>

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

	6 months ended 31.12.2016 Unaudited		6 months ended 31.12.2015 Unaudited		Year ended 30.06.2016 Audited	
	Average rate	Balance sheet rate	Average rate	Balance sheet rate	Average rate	Balance sheet rate
South African Rand	13.9720	13.6050	13.5952	15.5293	14.4926	14.7737
Lesotho Maloti	13.9720	13.6050	13.5952	15.5293	14.4926	14.7737
Botswana Pula	10.5322	10.5862	10.3074	11.0738	10.6395	10.7880
Pound Sterling	1.2624	1.2284	1.5335	1.4804	1.4819	1.3394

7. Share capital

	Number of shares			Nominal value of shares		
	31.12.2016 Unaudited '000	31.12.2015 Unaudited '000	30.06.2016 Audited '000	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Allotted, called up and fully paid						
Ordinary shares						
Opening balance	312,575	308,993	308,993	3,526	3,474	3,474
Issued during the period	3,312	443	3,582	45	6	52
Closing balance	315,887	309,436	312,575	3,571	3,480	3,526
Deferred shares	7,388,642	7,388,642	7,388,642	159,967	159,967	159,967
TOTAL	7,704,529	7,698,078	7,701,217	163,538	163,447	163,493

During the Period, the Group issued 3,312,728 (H1 2016: 442,962) new ordinary shares of 1 pence each in respect of the quarterly interest due on the Eurobonds.

8. Loss per share

The calculation of the basic loss per share is based upon the net loss after tax attributable to ordinary shareholders of US\$6.2 million (H1 2016: US\$4.7 million loss, after the reallocation of US\$0.3 million from discontinued operations) and a weighted average number of shares in issue for the year of 312,920,412 (H1 2016: 309,077,713).

The diluted loss per share in H1 2017 and H1 2016 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 15,540,589 (H1 2016: 15,133,671) potentially issuable shares in respect of share options issued to employees that do not have a dilutive effect as at 31 December 2016 and 48,786,437 (H1 2016: 48,786,437) potentially issuable shares in respect of warrants issued to strategic investors.

9. Borrowings

	31.12.2016 Unaudited US\$'000	31.12.2015 Unaudited US\$'000	30.06.2016 Audited US\$'000
Series A Eurobonds			
Capital amount			
Opening balance	30,000	-	-
Additions	-	20,000	30,000
Closing balance	30,000	20,000	30,000
Finance cost to be amortised over the life of the instrument			
Opening balance	(7,860)	-	-
Additions	-	(8,959)	(8,959)
Finance cost capitalised to Property, plant and equipment	644	462	1,099
Closing balance	(7,216)	(8,497)	(7,860)
Series A Eurobonds at amortised cost	22,784	11,503	22,140
ABSA Debt Facility			
Capital amount			
Opening balance	43,400	-	-
Additions	25,000	32,400	43,400
Closing balance	68,400	32,400	43,400
Finance cost to be amortised over the life of the loan			
Opening balance	(10,763)	-	-
Additions	(221)	(10,712)	(11,243)
Finance cost capitalised to Property, plant and equipment	967	1,036	480
Closing balance	(10,017)	(9,676)	(10,763)
ABSA Debt Facility at amortised cost	58,383	22,724	32,637
Other loans (previously included in Non-controlling interests)	1,580	-	-
Borrowings at amortised cost	82,747	34,227	54,777
Non-current liabilities	68,137	34,227	50,097
Current liabilities	14,610	-	4,680
	82,747	34,227	54,777

The ABSA Debt Facility incurs interest at a variable rate, based on LIBOR, which was 0.91% as at 31 December 2016, plus a weighted average margin of 8.29%. 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 million.

The Eurobonds have a coupon rate of 8.00% per annum payable quarterly. The effective interest rate is, in aggregate 12.47%. 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.

Other loans relate to the power project in Lesotho which was part funded by Lesotho based investors. The loans bear interest at the prime rate of interest in Lesotho, currently 11.75%, plus 1%, and are unsecured. The loans are repayable in quarterly instalments commencing 31 March 2017.

10. Discontinued operations

The Company decided not to recognise the Group's BK11 Mine as held for sale as at 30 June 2016 as disclosed in the Annual Report and Accounts of 30 June 2016.

The Group's Botswana operations remain under care and maintenance whilst the Company is focused on the commissioning of its Liqhobong Diamond Mine in Lesotho. The Company remains 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 effect of the reclassification was disclosed in the 30 June 2016 Annual Report and Accounts.

11. Commitments and contingent liabilities

Capital Commitments

As at 31 December 2016, the Group had contracted capital commitments of US\$7.0 million (H1 2015: US\$26.6 million) relating to the Project. The total budget for the Project is US\$185.4 million.