Firestone Diamonds plc

Annual Report and Accounts 2021

FIRESTONE DIAMONDS

CONTENTS

INTRODUCTION TO THE STRATEGIC REPORT

CHAIRMAN'S LETTER

Dear shareholder

The year ending 30 June 2021 was another extremely challenging year for the Company. The depressed diamond market and the COVID-19 pandemic led to the suspension of operations at the Liqhobong Mine during the prior financial year, at the end of March 2020. The Mine remained on extended care and maintenance during the 2021 financial year as we continued to endeavour to restructure the Company's balance sheet and to raise the required new funding to support a Mine restart.

Despite a number of frustrating false starts, I am happy to report that agreement was reached on 13 May 2022 with our Senior Secured lender, Absa Bank, to provide new funds, on a super-senior basis, to facilitate the restart of the Liqhobong mine. As a result, the Company is now actively preparing for a recommencement of production and aims to reach positive cash flow in the autumn of 2022. In addition, in principle agreement has been reached in respect of restructuring the existing senior debt and we anticipate concluding the restructuring and refinancing over the coming months.

Recently, the Company's two major shareholders and Bondholders, Resource Capital Fund VI L.P. and Pacific Road Resources Fund (comprising Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II) entered into a transaction resulting in RCF's bonds being purchased by Pacific Road. In addition, Pacific Road Resources Investment Holding L.P. purchased RCF's shareholding in the Company and made an Offer to all other shareholders in accordance with Rule 9 of the Takeover Code. The Offer is at minimal consideration and reflect the highly indebted balance sheet and losses incurred during the weak diamond markets and the mine shut down. Supported by independent advice, the board concluded that the Offer was fair and reasonable on the basis of certain assumptions which led to the conclusion that the equity of the Company had negative value. Further detail regarding the Offer can be found in the Offer Circular on the Company's website dated 22 July 2022**.**

The Company continues to enjoy the support of its major shareholder and Bondholder, Pacific Road and our Senior Secured lender, Absa Bank and their credit insurer, the Export Credit Insurance Corporation of South Africa ("ECIC") as we work towards a recommencement of full operations in October 2022.

More detail is provided later in this report regarding the difficult conditions under which we have had to operate, but we have sought to manage the Company such that we can withstand the devastating impact of the COVID-19 pandemic and maintain our ability to restart the Mine as we awaited the resolution of the procurement of additional financing and balance sheet restructuring.

Performance in FY2021

On-site activities during this period focused on continued servicing and maintenance of the production plant and related infrastructure while the Mine continued on extended care and maintenance.

Safety is crucial and it received the same attention as when the Mine was fully operational. During the year, a contractor sustained an injury which was the Company's first recorded Lost Time Injury during the care and maintenance period. Thankfully, the contractor made a full recovery and returned to work. We aim to continue to focus on safety to ensure that we maintain high standards, particularly during the restart phase which presents certain health and safety challenges.

Management continued to do an excellent job at managing costs against stringent budgets during the care and maintenance period as we sought to minimise our cash burn whilst preserving the integrity of the Mine, its security, and its environmental responsibilities.

Background to the restructuring discussions

During Q3 2021 due to the progress made on a potential debt restructuring at that time, certain site activities were undertaken in preparation of a mine restart. These included the following:

- Conducting a detailed operational readiness risk assessment of the entire operation to identify and address any risks that may have arisen during the care and maintenance period, in order to ensure that employees, once re-engaged, will return to a safe work environment;
- Commencing a tender process to appoint and mobilise a new mining contractor;
- Dewatering the main pit to enable access to the pit for pre-mining development; and
- Pit preparation work which includes mine roads and in-pit ramp rehabilitation, as well as mechanical breaking of previously blasted oversize ore boulders and loading and hauling of ore to the primary crusher stockpile and waste to the RSF wall.

However, during Q4 2021, restart activities were halted once again due to the transaction that had been agreed following lengthy negotiations which culminated in the signing of a non-binding term sheet, being rejected by the ECIC Board. The ECIC Board rejected the transaction as it was considered to be a sub-optimal outcome for ECIC, which would have suffered a significant write-off. Absa and the ECIC appointed an Independent Advisor during December 2021 to review and assist with restructuring alternatives, and agreed a Bridge Facility of ZAR31.6 million (~US$2 million) to fund ongoing care and maintenance and essential Group costs.

Regrettably, the ongoing uncertainties resulting from the long drawn out nature of the restructuring discussions, delayed the finalisation of the financial statements for the year ending June 2021 such that they are being published much later than normal.

INTRODUCTION TO THE STRATEGIC REPORT

Update and outlook for FY2022

As I write, the rough diamond market has rebounded after a long period of depressed activity and prices for our category of diamonds are strong. It is against this market backdrop that we have been working to achieve a restart of the Mine and the raising of sufficient finance to do so.

I am pleased to report that Absa has provided an extension to the Bridge Facility of ZAR150 million (US$9.6 million) to fund the restart of the Mine and that we are currently engaged with the process of rehiring staff, negotiating a contract with a new mining contractor and ensuring as smooth a ramp up to full production as soon as possible. Additionally, Absa has provided its agreement to provide the necessary working capital facility once the mine returns to production later this year.

In the meantime we continue to work hard with our lenders and shareholders to restructure the balance sheet such that we have a capital structure that is fit for purpose.

Board, Corporate Culture and Governance

The Board and management have worked extremely hard, through very trying circumstances, to maintain the option and realise the restart of the Mine into full production to create value for all stakeholders. This process has been difficult given the state of the markets during 2020 and early 2021 and the overburdened balance sheet. It is essential that the balance sheet be restructured to provide a sustainable basis for continued and viable operation and I am confident that we are on the right path to achieve this.

In October 2021, Paul Bosma stepped down as CEO to pursue other opportunities and we thank him for his commitment and guidance throughout his tenure with the Company. We are delighted that he agreed to remain on the Board as a Non-Executive director and we will value his continuing contribution and continue to benefit from his experience. We welcomed Rob de Pretto as our new CEO in November 2021. Rob brings with him a wealth of experience in the diamond sector, having worked with De Beers and other operators. He has hit the ground running and has been instrumental in preparing the Mine for restart, providing excellent leadership on site and in respect of the crucial relationships with the government and other stakeholders in Lesotho.

We are committed to ensuring that the highest safety and environmental standards are maintained and see to it that appropriate systems and policies are in place to manage these risks appropriately. We take a serious approach to all safety and environmental incidents as we believe that the action taken when a minor incident occurs will significantly reduce the chances of a similar and potentially more serious accident from occurring in the future.

Further, we take the maintenance of the highest standards of corporate culture, integrity and ethics to be key, and a priority for myself and the Board to instil at all levels of the Company. From a community relations point of view, our work is guided by our corporate social responsibility policy with its supporting procedures. The policy defines Liqhobong's standards for corporate social responsibility and community relations which are essential in creating and sustaining lasting relations with the communities alongside which we operate.

Each month, as part of maintaining open and transparent communication with our neighbouring communities, we hold leadership meetings with the Company's management team and community leaders. Through these meetings, we have a consistent way of addressing grievances, designing projects and other social responsibility initiatives and maintaining open communication and mutual relationships.

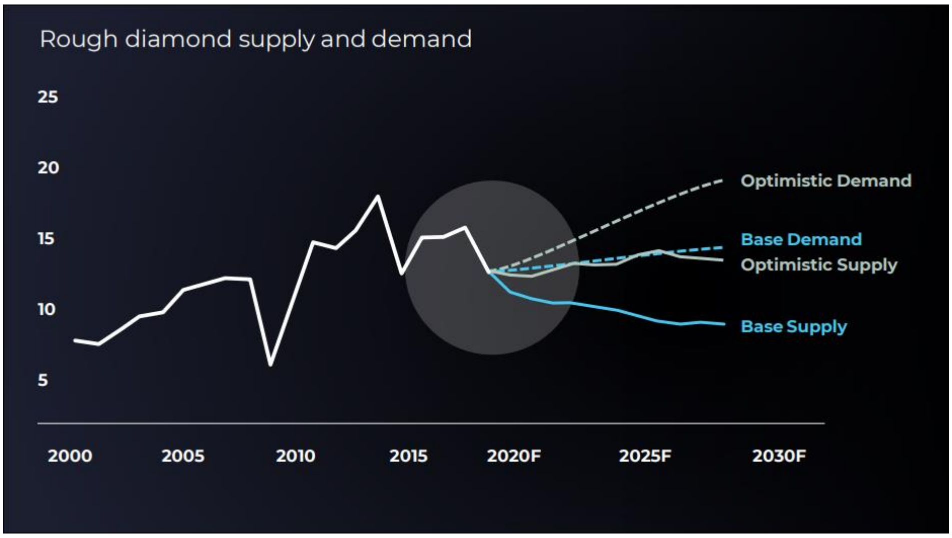
In the following sections of this Strategic Report, shareholders will find a discussion on the diamond market, the risks facing the Company and the steps taken to mitigate those risks, and a detailed operational and financial review. At the end of the Strategic Report, there is a report on other important aspects including health, safety, the environment and community engagement. This is followed by a brief look forward into the 2023 financial year and my concluding remarks.

MARKET CONTEXT

The diamond industry experienced a reversal of fortune in 2021. After rough diamond prices fell as much as 15% in the first half of 2020 following the onset of the pandemic, prices recovered to pre-pandemic levels and beyond as strong mid- and downstream restocking boosted demand for rough. Global natural diamond production remained at multi-year lows in volume terms but recovered in value terms due to the absence of Argyle production, the resumption of operations at most mines that were suspended or curtailed in 2020 and overall higher rough diamond prices. Revenue increased 62% in diamond mining, 55% for cutting and polishing, and 29% for diamond jewellery retail. Profit margins across the entire value chain quickly recovered to pre-pandemic levels.

Supply

Following a steady decline in rough production during 2020, supply started to rebound in 2021. Net production grew by 5% and reached 116 million carats. However, this is still well below peak production of 152 million carats produced worldwide in 2017. A 16 million carat supply increase was offset by 11 million fewer carats as a result of the closure of the Argyle mine in Australia in December 2020. The majority of growth came from Botswana, Canada, Russia and South Africa. In addition to increased production volumes, producers also reduced inventory levels to satisfy strong demand from cutters and polishers. Global rough diamond supply was within a range of 115-125 million carats per annum as indicated in the graphic below. There has been a shortage of major new projects and investments in exploration are limited, resulting in low production growth. The current global shortfall in rough production will likely continue for a decade, while both demand and prices will remain strong. The war in Ukraine and the sanctions imposed on Russia has further reduced the availability of rough in the market and this has led to significant increases in the prices of smaller stones.

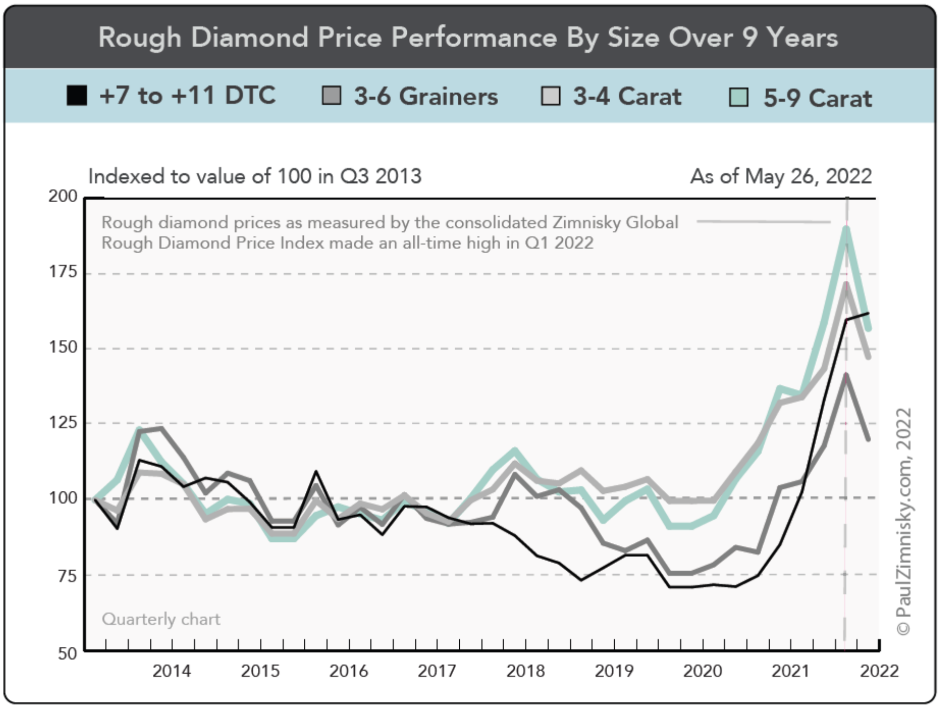


Source: Bain & Company.

MARKET CONTEXT

Demand

The market has demonstrated a strengthening of consumer confidence and higher growth than the pre-pandemic period. Demand for diamonds was strong throughout 2021. Increased consumer demand, depleted inventories and strong balance sheets in the midstream contributed to higher demand for rough diamonds across the entire assortment range. The current strong diamond demand and declining supply has seen sustainable price growth of rough diamonds. Higher diamond prices will remain for as long as the Russian war in Ukraine continues, due to the sanctions against Alrosa, which produces approximately a third of the worlds' diamonds, mostly in the smaller sizes. The rampant demand has been driving up prices and making these goods harder to find. It is interesting to note that Run of Mine prices exceeded 2014 levels as shown in the graphic below which bodes well for Liqhobong mine.



Source: Paul Zimnisky.

Looking Forward

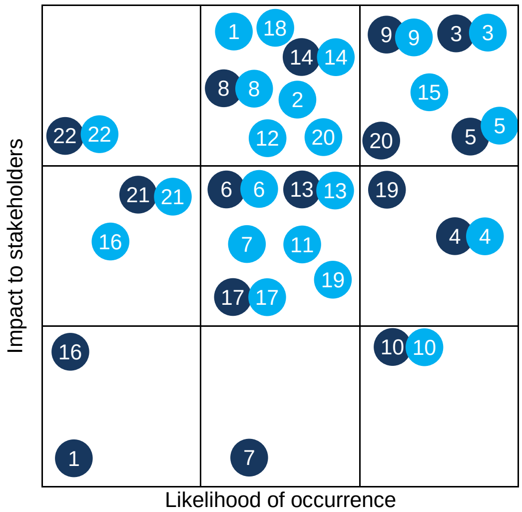
Rough diamond demand is expected to remain steady as although high inflation, Russian supply constraints and Chinese Covid-19 restrictions continue to fuel uncertainty in the market. The current strong diamond demand and the ongoing decrease in the number of diamond producers, suggests that the fundamentals are supportive for achieving higher diamond prices Global rough production is forecast to exceed 120 million carats in 2023 however it is unlikely to reach pre-pandemic levels within the next five years. The long term outlook for diamond jewellery demand remains positive, although this may be affected by the severity of interest rate increases and the potential for a global recession.

RISK REVIEW

Operations at the Liqhobong Diamond Mine remained suspended during the year, having been placed on care and maintenance during the prior financial year on 26 March 2020. Post year-end, during May 2022, Absa Bank committed to provide restart funding of US$9.6 million and a decision was taken to restart the Mine.

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

The following risks have been identified as the main risks that could possibly impact on the Company achieving its goals:



Risk position this year 1

Risk position last year 1

Risks:

1 Security of product
2 Diamond quality
3 Diamond price
4 Laboratory grown diamonds ("LGDs")
5 Country and political
6 Foreign currency exposure
7 Interest rate exposure
8 Mineral Resource
9 Mine restart risk
10 Theft
11 Mining and processing
12 Grade variability
13 Safety and health
14 Electricity supply
15 Water supply
16 Cost control
17 Workforce and community relations
18 Mining lease renewal
19 Retention of key personnel
20 Financing
21 Environmental
22 Tailings dam stability

Risk not applicable last year: 2 11 12 15

New risk this year: 18

* - The Company plans to restart the Liqhobong mine shortly and as a result, risks which were previously no longer applicable or had their risk levels altered due to the Mine being on care and maintenance, have been restated.

Commodity risks

Impact	Mitigation	Reason for change
1 Security of product Diamonds are valuable and easily transportable. Product security is a key risk area that is constantly reviewed. Crime and theft syndicates are very sophisticated and operate globally.	Liqhobong operates a completely closed, hands-off diamond recovery process that ensures that there is no physical access to diamonds. In addition to a permanently monitored camera surveillance system, security protocols are reviewed and updated on a regular basis. Personnel who exit the recovery area or red area are subjected to full body search and selective X-ray scanning.	↑ * Risk level is the same as when the Mine was previously in production.
2 Diamond quality Diamond deposits are unique with regard to diamond quality and size frequency distribution. There is a risk that, even if the expected quantity of carats is recovered, that the quality of the diamonds recovered is lower than expected, resulting in lower revenues. The frequency of recovery of large (greater than 10.8cts), better quality diamonds is especially difficult to predict.	Reasonable average diamond values are used when modelling plans and forecasts.	↓ The risk is reduced as the mine operated prior to being placed onto care and maintenance and the average assortment was fairly consistent over a period of time.

RISK REVIEW

Commodity risks (continued)

Impact	Mitigation	Reason for change
3 Diamond price		↔
The Group's financial performance is primarily determined by the volume and quality of diamonds recovered and the average value realised from the sale of its rough diamonds. Rough diamond prices are influenced by many factors beyond the Group's control, including: • over/undersupply of rough diamonds; • economic factors globally affecting consumer demand e.g. COVID-19 pandemic; • consumer trends; and • secondary market financing.	The Group monitors the market continuously to ensure that it is up to date on current diamond market information and trends. Reasonable average diamond values are used when modelling plans and forecasts.	No change

External risks

Impact	Mitigation	Reason for change
4 Laboratory grown diamonds ("LGDs")		↔
LGDs have been available for many years. Technological advancements have resulted in gem-quality LGDs being more widely available. There is a risk that the demand for natural diamonds could be impacted. De Beers manufactures and sells LGD jewellery under its Lightbox brand. In the longer-term, the risk is a reduction in demand for the lower quality, smaller ROM category diamonds as consumers may instead opt for similar priced LGDs.	Since the introduction of Lightbox, the prices of LGD's have continued to decline. Natural diamonds are required to be certificated, and this represents a key industry control which is essential to maintaining consumer confidence. In addition, marketing work performed by the leading diamond producers, and the expanding Natural Diamond Council, will assist in maintaining the profile of natural diamonds as the premium product.	No change
5 Country and political		↔
Liqhobong is situated in Lesotho, which has experienced several changes of government in recent years. On 20 May 2020, a new Prime Minister was appointed following the formation of a new coalition government. This also resulted in the appointment of a new Mining Minister. Lesotho is an emerging market economy which is generally subject to greater political volatility and risk. Potential changes to legislation, as was seen recently with the proposed VAT Amendment Bill, could have a significant impact on the business.	The Firestone team has extensive experience of operating in Southern Africa. The Company keeps in close contact with representatives of the Government of Lesotho to ensure it keeps abreast of all political and regulatory developments.	No change. Note that General elections are scheduled to take place in Lesotho on 7 October 2022.
6 Foreign currency exposure		↔
The Group earns revenue from the sale of its rough diamonds in US Dollars and incurs operating costs in mainly the Lesotho Maloti (which is pegged to the South African Rand), and to a lesser extent the Pound Sterling. Fluctuations in these currencies, particularly the ZAR:US$, may have a significant impact on the Group's financial performance.	The Group monitors the movement of the Rand against the US Dollar very closely. The Group has a policy to lock in exchange rates where significant capital expenditure is to be incurred. Where possible, and where liquidity allows, short-term forward exchange contracts are entered into.	No change
7 Interest rate exposure		↑
The Group is exposed to the risk posed by floating interest rates charged on the Project's debt facilities. Rising interest rates pose a risk to the Group's cash flow, which could lead to the Group being unable to meet its operational and debt covenant cash requirements.	The Group has limited ability to mitigate against a change in interest rates.	The risk has increased as hedging arrangements matured during the year. The Group will consider the appropriateness of further hedges during the process of restructuring its debt.

RISK REVIEW

Operational risks

Impact	Mitigation	Reason for change
8 Mineral Resource (closely associated with the risk 12 – Grade variability) The Group's financial performance is impacted by the quantity of carats recovered at Liqhobong, and is based on the stated resource. The resource as determined is based on actual results from drilling and bulk sampling which was done during the feasibility stage. This is then extrapolated across the deposit. There is a risk of resource over-estimation in areas where there are fewer sampling points.	Liqhobong's resource was independently verified. The Mine's MRM department reconciles resource grades against recovered grades which would identify material changes that would require further investigation. The mineral resource was updated during the prior year to reflect the latest geological model.	↔ No change
9 Mine restart risk • The Group will require distinct working capital funding once production commences at Liqhobong.	Absa Bank has provided restart funding of US$11.6 million and has agreed in-principle to provide the required US$11.4 million Working Capital to the Group and expects to enter into definitive agreements in this regard as part of the broader debt restructuring over the coming months. The Group has previously enjoyed the support of its lenders and Bondholders in previous restructurings.	↔ No change
• Restarting the Mine entails many aspects including employing and training staff, appointing contractors, re-establishing processes and procedures, among others. • Delays in ramping up activities which include commencing mining activities and operating the production plant, which could lead to additional working capital requirements.	The Group has retained staff with the necessary skills and competencies to assist in managing a restart program. A suitably staffed maintenance team continued to maintain key items of plant and equipment at the Liqhobong Mine, ensuring that they were in an operationally ready state, in order to facilitate an efficient restart.	
10 Theft Theft, particularly of mine plant or equipment on site, would result in financial loss to the Company.	Liqhobong has established an appropriate security department on site, which will be enhanced as the Mine transitions into the restart phase and then on into production.	↔ No change
11 Mining and processing The successful operation of a diamond mine is dependent upon its ability to extract ore at a sufficient rate to meet the planned treatment capacity of the processing plant which is 500 tonnes per hour. A number of factors affect ore and waste rock mining from the pit. These include inclement weather conditions, mining equipment reliability and achieving mining targets. Risks facing ore treatment include unscheduled shutdowns, technical failures, higher than expected wear rates and power outages.	Liqhobong had established teams with core competencies in each discipline: mining, plant operations, health and safety, engineering and support services. Each team was staffed by those with the key skills and specialist knowledge required of each distinct discipline. A structured planned maintenance programme was followed ensuring maximum operational uptime and reducing the number of unscheduled plant stoppages. Ore and waste tonnages, recovery results and other performance metrics were monitored daily to ensure early identification of any adverse trends. An ore stockpile was maintained which was sufficient to keep the plant in operation for up to three days should mining from the pit be interrupted.	*

Operational risks (continued)

Impact	Mitigation	Reason for change
12 Grade variability (closely associated with the risk 8 – Mineral resource) The Group's financial performance is impacted by the quantity of carats recovered by the Liqhobong treatment plant. The treatment plant is specified to process ore at a rate of 500 tonnes per hour. Grade variability results in greater or fewer carats recovered and consequently impacts revenue.	Liqhobong's grade estimate was based on large diameter drilling and bulk sampling, and was independently compiled and signed off. At an operational level, Liqhobong's MRM department focused on grade control on an ongoing basis. Grades recovered were reconciled to the resource grades of particular areas mined to ensure that discrepancies were identified. The Mine operated an audit plant which reprocesses red area recovery tailings to ensure that all diamonds were recovered.	*
13 Safety and health Mining operations involve a range of day to day activities which could result in accidents, and in the worst case, the loss of life, should safety standards not be adhered to.	Liqhobong is focused on maintaining its safety record through continued adherence to strict safety policies. This applied while the Mine was on care and maintenance. The Company follows a risk-based approach, assessing and adequately addressing the risks in a particular work area prior to work being performed in that area. Continuous training takes place and safety awareness is practised by all employees.	↔ No change
14 Electricity supply Liqhobong is connected to the Lesotho National Power Grid which supplies power from its 'Muela Hydro-Power Station through its distribution network which includes the 132kW power line that was constructed as part of the Mine's development. In instances when the Hydro-Power Station is not in operation, the Mine is unable to receive sufficiently stable grid power to continue operations. In these instances, the only alternative is for the Mine to rent diesel-powered generating units, which take time to site establish and result in additional operating costs. The Mine experiences electricity outages from time to time as a result of scheduled maintenance being carried out on the infrastructure by the Lesotho Electricity Company ("LEC"). Due to the location of the 132kW power line which stretches over mountains there is a potential risk for power trips caused by inclement weather, which could lead to loss of production time.	A power factor correction unit is installed on site, which manages constant power supply to the Mine site and eliminates any power surges. The Mine has a close relationship with the LEC which ensures prompt action if and when power supply problems occur. The Mine and LEC has agreed to coordinate planned maintenance to ensure that these are done at the same time and so that production losses are minimised. Should another long term shut down be required for planned maintenance to the 'Muela Hydro-Power Station, as experienced in October and November 2020, the Mine will prepare in advance to rent diesel generators in order to supply alternative power. The Hydro-Power Station has only halted operations twice in the past five years for maintenance.	↔ No change
15 Water supply Only a few years ago, Southern Africa, including Lesotho, experienced one of the worst droughts in recent history. The limited availability for water storage facilities in the Liqhobong valley poses a risk to normal operation of the treatment plant.	The Mine has sufficient storage capacity for its water needs under normal annual rainfall conditions and carefully manages its various water storage facilities, ensuring that as much water as possible is harvested and stored on site. The Mine also prioritises effective water use. It operates a closed circuit, encourages reducing water use and recycles all water for further use. The Mine has the necessary approvals in place to build a further water storage dam should the need arise, however this represents a substantial capital item that would need to be separately funded.	*

RISK REVIEW

Operational risks (continued)

Impact	Mitigation	Reason for change
16 Cost control The total operating costs of mining activities comprise both fixed and variable components. There is a risk that fixed costs may increase ahead of expectations or that variable costs escalate, particularly during the restart period, resulting in lower profitability and potentially additional funding.	Firestone has a culture of cost consciousness which ensures that all costs are carefully considered on a continuous basis. The Group also measures its performance on a monthly basis against approved budgets and regularly updated forecasts to ensure that costs are in line with expectations and discrepancies are investigated.	↑ An increased risk of escalating costs exists during the Mine restart period.
17 Workforce and community relations The Group's performance is impacted by relations with its workforce and local communities. There is a risk that increased workforce and community expectations can lead to labour or community unrest and strikes.	Our workforce and surrounding communities form an integral part of Firestone's strategy. The Company operates strict safety protocols which aim at ensuring employees' safety, and adequate long and short-term remuneration structures assist in maintaining a committed and motivated workforce. There is a Community Relations representative who attends regular meetings with the local communities to ensure that mutually beneficial relations are maintained. The Company has successfully implemented a number of community initiatives in past years including provision of water reticulation for the local Liqhobong village, the construction of two road bridges which are crucial to linking local villages with the nearest town and the implementation of the "Lema u Phele" initiative which involves developing local farming capacity to supply the Mine with fresh produce.	↔ No change

Strategic risks

Impact	Mitigation	Reason for change
18 Mining lease renewal Liqhobong's Mining Lease with the Lesotho Government, expires in April 2024. There is a risk that the mining lease may not be renewed or that an offer to renew may be based on potentially less favourable terms.	The Mining Lease Agreement provides for two 10 year extensions provided that Liqhobong has complied with the requirements thereof. Management maintains regular and consistent engagement with Government departments in the Kingdom of Lesotho, including the Mining Ministry, to ensure that they are updated and are aware of the mines requirements and objectives.	* New risk
19 Retention of key personnel The Group is heavily reliant on a small group of key staff to achieve its objectives.	Firestone offers market related remuneration that is commensurate with the responsibilities and requirements of each key position.	↓ The Company adjusted salaries which were reduced previously in order to ease the business cash commitment during care and maintenance.

Strategic risks (continued)

Impact	Mitigation	Reason for change
20 Financing		↓
The Group owes its Bondholders US$42.7 million in terms of its Eurobond facilities, and Absa Bank US$63.9 million in respect of its project debt facility, and a further US$2.0 million in respect of a Bridge Facility which was made available after the year end in Q2 - FY2022. Recently, Absa approved a US$9.6 million extension to the Bridge Facility to fund restart costs. There is a risk that financing arrangements may not complete as anticipated.	The Bondholders, Absa Bank and the ECIC have indicated their ongoing commitment to the Group. In January 2022, the Bondholders undertook to capitalise interest on the Series A Bonds for the period 1 October 2021 to 30 June 2022, and have indicated their intention to defer all bond maturity dates to the end of the Life of Mine. Absa Bank and the ECIC provided an US$11.6 million Bridge Facility (US$2 million extended by a further US$9.6 million) to restart the Mine and have agreed in-principle to provide an US$11.4 million Working Capital Facility once the Mine returns to production. Absa and the ECIC have agreed in-principle to restructure the Group's Senior Secured Term Facility to a sustainable level by September 2022.	The likelihood of occurrence has reduced, due to the positive progress which has been made, particularly recently, which resulted in the approval of the US$9.6 million extension to the Bridge Facility in order to commence restarting operations at Liqhobong.
21 Environmental		↔
Liqhobong operates in an environmentally sensitive area, high up in a valley, which is a catchment area for the Motete and Malibamatsu rivers which ultimately flow into the Katse Dam. The Katse Dam supplements the water supply to South Africa. There is a risk that the mining operations could impact the immediate environment or cause contamination to the downstream aquatic system.	Environmental management forms an integral part of Firestone's strategy. Regular tests are conducted on water, air and noise pollution to ensure that all disturbances are within acceptable limits. Any deviations are identified and corrective action is taken immediately.	No change
22 Tailings dam stability		↔
A risk exists of over-topping or a breach of the structural integrity of the dam wall resulting in a partial or full failure. Risks include the loss of life of people or animals situated below the flood line, and widespread environmental damage should a failure occur.	The wall of the tailings dam is constructed using a combination of tailings and waste rock, making it inherently more stable than tailings facilities that are constructed using tailings only. The dam is built according to the downstream construction method and was independently signed off by a reputable, suitably qualified engineer who has Lesotho specific design experience. It is constructed to withstand a one in a 100 year rain event. Risk assessments are carried out regularly to identify changes in key measures which may indicate an increased risk or potential failure and mitigating action is taken accordingly.	No change

Section 172 Statement

The Directors are well aware of their duty under Section 172(1) of the Company Act 2006, to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term;
b. the interests of the Company's employees;
c. the need to foster the Company's business relationships with suppliers, customers, and others;
d. the impact of the Company's operations on the community and the environment;
e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly between members of the Company.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and forms the Directors' statement under section 414CZA of The Companies Act 2006.

Our key stakeholders and how we engage with them

The Board considers its key stakeholders to be its employees, suppliers, contractors, the communities situated close to the Liqhobong Mine, the Government of Lesotho (its partner and 25% shareholder in Liqhobong), its Bondholders, the senior debt provider ABSA Bank, and its shareholders.

Stakeholders	Stakeholder key interests	How we engage
Our People Having the right people with appropriate qualifications, skills and experience, and work ethic is crucial to our longer-term success.	• Career development • Reward • Engagement • Morale and motivation • Reputation • Training and development • Health and safety	• Direct engagement through the Group's flat organisational structure • Board meetings are held at the Firestone Group and Liqhobong Mining Development Company (Pty) Ltd level – direct engagement with key management
Suppliers and contractors We need to maintain trusting relationships with our suppliers and contractors for mutual benefit and to ensure that they are meeting our technical and safety standards.	• Mine procurement from local sources where possible • Quality management • Cost-efficiency • Long-term relationships	• Meetings with key suppliers and contractors • Ongoing communication and feedback • Contract negotiation and contract renewals
Local communities We need to maintain a trusting relationship with our local communities to understand and mitigate the impact that our operation has on the immediate surroundings and the benefits that local communities can derive therefrom.	• Long-term relationships • Community support • Developing sustainable community enhancement projects	• Regular meetings with the Community Forum • Open lines of communication, with an active response where appropriate • Compensation agreement in place
Government of Lesotho We need to maintain a trusting relationship with our partner and 25% shareholder in the Liqhobong operation for mutual benefit and to ensure that the Mine operates for the benefit of all stakeholders.	• Long-term relationship • Sustainable benefits for the Kingdom of Lesotho • Commercially viable operation	• Through Government appointed Directors on the Board of Liqhobong Mining Development Company (Pty) Ltd • Meetings with various government departments, particularly the Mining Ministry • Letters, presentations, and electronic communication • Open lines of communication
Debt Providers We need to maintain a trusting relationship with our Bondholders and with ABSA Bank (including the ECIC) who have supported the Project since it commenced in 2014.	• Success of the Project • Repayment of debt	• Monthly reports including financial forecasts • Regular interaction with debt provider representatives with open lines of communication
Shareholders We ensure that we provide fair, balanced, and comprehensive information to Shareholders on as regular basis as possible, to ensure that they have a strong understanding of our strategy and performance.	• Financial performance • Appropriate corporate governance and transparency • Operating and financial information • Confidence and trust in the Group's leadership team	• Individual meetings • Annual report and accounts • Annual General Meeting

Section 172 Statement

Key Board decisions during the year

The Board considers the following to be the key decisions and considerations it has made during the year to 30 June 2021. In addition to these decisions, the Board assessed and reviewed the liquidity position of the Group every month and continued to closely manage the debt restructuring and refinancing process, which continues, with the Bondholders and ABSA Bank.

Board Decision	Considerations
Slimes dam stability The Board considered whether appropriate steps had been taken and procedures adopted to ensure the stability of the residue storage facility situated at the Liqhobong Mine.	To ensure that an appropriate construction methodology was adopted, that maintenance and control measures and risk monitoring were adequate and functioning, and that risks had been sufficiently dealt with.
Debt restructuring and refinancing The Board considered the financial position of the Group, the debt carrying capacity of the business, and the requirement for capital to restart the Liqhobong Mine and initiated a debt restructuring and refinancing process with its Bondholders and ABSA Bank.	To refinance the Group and restructure the senior ABSA project debt and bondholder debt to levels in line with an independent assessment of the debt carrying capacity of the business, to ensure a sustainable level of debt and sufficient capital to start and operate the Liqhobong Mine.
Liqhobong Care and Maintenance The Board considered the financial position of the Group and the implications of operating in the extremely uncertain environment brought about by the COVID-19 pandemic and decided to continue to temporarily keep the Liqhobong Diamond Mine on care and maintenance.	The need to conserve the Group's limited cash resources during the period of extreme uncertainty, and to retain the ability to efficiently restart the Liqhobong Mine at the appropriate time. Recognition of ongoing obligations to the local communities. The need to preserve the employment of key staff required for restarting the Mine.
Board and management structure Directors' fees were reduced by 50%, senior management pay was reduced by up to 40%, and operational staff pay was reduced by up to 15%.	The need to balance cost savings with ensuring continued good governance and adequate staffing, appropriate for the reduced operational activity which resulted from the placing of Liqhobong onto care and maintenance.

OPERATIONAL AND FINANCIAL REVIEW

Operational review

The Liqhobong Mine remained on care and maintenance throughout the year with the focus on ensuring that the plant and equipment remained in a state of readiness so that the Mine could restart in the shortest possible timeframe. The care and maintenance programme included periodic inspections and start/stop tests of equipment across all areas of the plant to ensure all were in good working order.

COVID-19 protocols were adopted and employed on-site which ensured early detection of those affected and assisted in significantly reducing onward transmission of the disease. During the year, awareness sessions were held with employees and with members of the community to provide more information on the disease, its symptoms and mode of transmission, and preventive measures which could be taken. Rapid test kits were used to perform on site testing and employees and contractors who tested positive for COVID-19 were required to self-quarantine on site. Vaccines only became available to the general public in Lesotho after the year end and the majority of the Liqhobong employees and contractors were vaccinated.

Water management both on site and run-off downstream of the Mine is a critical risk during the care and maintenance period and required stringent management to ensure that excess water, due to significant rainfall during the rainy season between November and March, was discharged safely and in accordance with the relevant permits. The water level in the main pit was maintained at a desired level to allow for access in the shortest possible timeframe upon a mine restart, and the water level and freeboard of the Residue Tailing Facility (“RSF”) was constantly monitored and maintained within industry acceptable standards to ensure the safety and integrity of the facility.

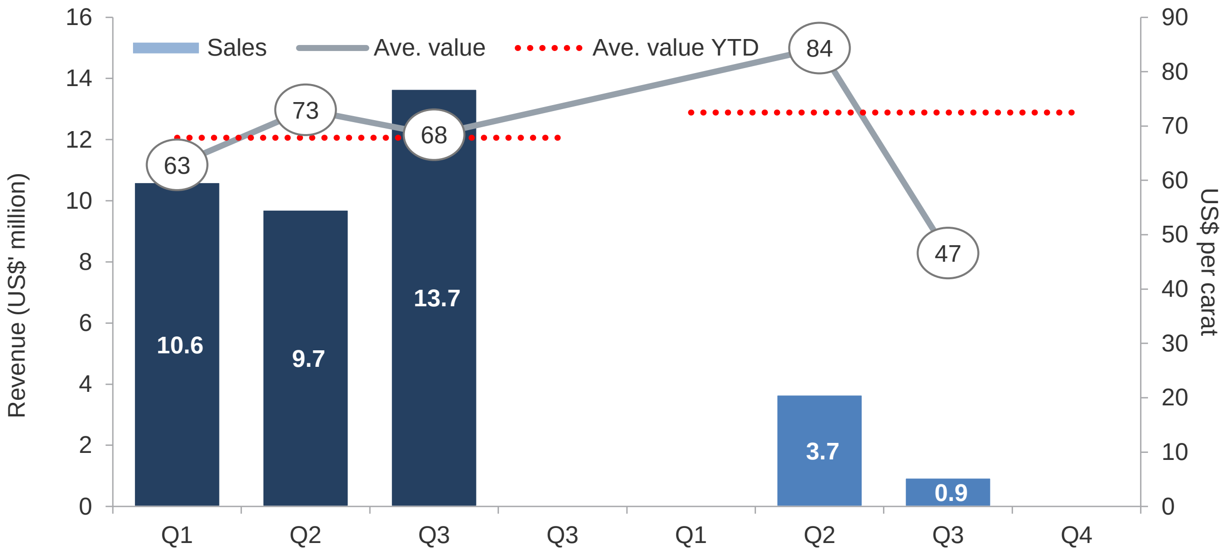
Financial Review

Statement of Profit and Loss

US$’million	**2021**	2020
Revenue	**4.6**	34.2
Less:		
Cost of sales	**3.3**	31.4
Gross profit	**1.3**	2.8
Other income	**0.7**	0.8
Selling and administrative costs	**0.5**	3.6
Care and maintenance – continued	**3.5**	1.5
Care and maintenance – once-off	**—**	2.1
Corporate costs	**1.4**	3.1
Amortisation and depreciation	**1.4**	1.2
Share-based payments	**—**	0.2
Impairment	**1.9**	2.7
Net finance cost	**10.2**	11.3
Loss before tax	**16.9**	22.1
Income tax charge	**0.4**	—
Loss from continuing operations after tax for the year	**17.3**	22.1
Loss from discontinued operations	**0.4**	—
Net loss after tax	**17.7**	22.1

Revenue

The Liqhobong Mine remained on care and maintenance during the year and therefore had no diamond production. It did however have 63 211 gem carats of diamond inventory, which was sold during the year, realising revenue of US$4.6 million (2020: US$34.0 million) at an average value of US$72 per carat (2020: US$68 per carat). These sales were used to gauge the diamond market recovery. The first sale, which comprised 23 007 carats (including all special stones) and 20 262 carats of smaller ROM category stones carried over from the March 2020 sale, sold in November 2020 for US$3.7 million at an average value of US$84 per carat. The second portion of 19 942 carats, which comprised mainly smaller ROM goods, was sold during March 2021 for US$0.9 million at an average value of US$47 per carat. The March 2021 sale result was very encouraging as the average price achieved for the ROM category, which represents over 80% of Liqhobong production by volume, was the highest it had been since June 2018.



1 The Liqhobong Mine was placed on care and maintenance on 26 March 2020 at which point mining operations were suspended.
2 Diamond stock on hand as at 30 June 2020 was sold during the year.

	Q1	Q2	Q3	Q4	Total FY2020	Q1	Q2	Q3	Q4	Total FY2021
Revenue										
Diamonds sold (carats)	168 612	132 885	199 096	—	**500 593**	—	43 269	19 942	—	**63 211**
Revenue (US$'m)	10.6	9.7	13.7	—	**34.0**	—	3.7	0.9	—	**4.6**
Average value (US$/ct)	63	73	68	—	**68**	—	84	47	—	**72**
Number of sales	1	2	2	—	**5**	—	1	1	—	**2**
Diamonds which sold for over US$500 000 each										
Number				**4**						**1**
Value (US$'m)				**3.7**						**0.5**

Cost of sales
Cost of sales relates to cost allocated to opening diamond inventory sold during the year.

Gross profit
Gross profit for the year was US$1.5 million lower than the previous year at US$1.3 million (2020: US$2.8 million) due to lower revenue as there was no production from the Mine.

Care and maintenance costs
Care and maintenance costs for the year of US$3.5 million related to activities at the Liqhobong Mine and included staff and contractor costs.

Liqhobong selling and administrative expenses
Selling and administrative costs for the year of US$0.5 million were US$3.1 million lower than the previous year's US$3.6 million due to lower revenue.

Corporate overhead
Corporate costs for the year of US$1.4 million were US$1.7 million lower than the previous year's US$3.1 million as a result of the salary reductions in place for Directors and corporate staff, and as a result of reduced corporate cost following the delisting of the Company and closure of its London office.

Net finance expense
Net finance cost includes the amortisation of upfront fees and in the case of the ABSA debt facility, the upfront insurance premium paid to the Export Credit Insurance Corporation of South Africa ("ECIC").

	2021					2020				
Cost of financing (US$'million)	**Cash cost**	**Settled in shares**	**Capitalised**	**Amortised cost**	**Total cost**	Cash cost	Settled in shares	Capitalised	Amortised cost	Total cost
ABSA debt facility	**2.5**	**—**	**—**	**1.6**	**4.1**	3.4	—	—	2.0	5.4
Series A Eurobonds	**—**	**—**	**3.2**	**1.3**	**4.5**	—	2.4	—	1.3	3.7
Series B Eurobonds	**—**	**—**	**0.9**	**—**	**0.9**	—	—	0.6	0.1	0.7
Lease liability	**—**	**—**	**—**	**0.3**	**0.3**	—	—	—	0.3	0.3
Other finance cost	**0.1**	**—**	**0.4**	**—**	**0.5**	1.3	—	0.3	—	1.6
	2.6	**—**	**4.5**	**3.2**	**10.3**	4.7[1]	2.4	0.9	3.7	11.7
Less: Finance income	**0.1**	**—**	**—**	**—**	**0.1**	0.4	—	—	—	0.4
Net finance cost	**2.5**	**—**	**4.5**	**3.2**	**10.2**	4.3	2.4	0.9	3.7	11.3

Notes:

1 In addition, US$0.4 million in cash finance cost was paid during the prior year in respect of an ECIC premium adjustment. Total cash finance cost per the cash flow statement is therefore US$5.1 million.

Net loss for the year

The Group recorded a net loss for the year of US$17.7 million, which was US$4.4 million lower than the prior year's loss of US$22.1 million, mainly due to lower corporate costs of US$1.4 million (2020: US$ 3.1 million) as a result of closing the London office and reducing salaries and fees while the mine was on care and maintenance, a lower impairment charge of US$1.9 million (2020: US$ 2.7 million), and lower selling and administrative cost of US$0.5 million (2020: US$3.6 million), offset by lower gross profit of US$1.3 million (2020: US$2.8 million).

Statement of Financial Position

US$'million	**2021**	2020
ASSETS		
Non-current assets	**47.6**	42.9
Inventory	**—**	3.3
Trade and other receivables	**0.6**	1.2
Cash and cash equivalents	**6.2**	9.8
Total current assets	**6.8**	14.3
Non-current assets held for sale	**0.9**	—
TOTAL ASSETS	**55.3**	57.2
EQUITY AND RESERVES	**(63.1)**	(53.2)
LIABILITIES		
Deferred tax	**0.2**	—
Lease liabilities	**2.4**	1.7
Rehabilitation provision, other loans	**3.8**	4.4
Total non-current liabilities	**6.4**	6.1
ABSA debt facility and other loans	**63.2**	62.0
Eurobonds	**41.3**	35.9
Lease liabilities	**0.6**	0.6
Trade and other payables	**5.3**	5.8
Total current liabilities	**110.4**	104.3
Liabilities of a disposal group	**1.6**	—
TOTAL EQUITY AND LIABILITIES	**55.3**	57.2

Debt

As at the year-end, and as a result of restructuring discussions taking place between the Company, Absa Bank and the Bondholders, a Standstill was in place in connection with the Absa debt facility and an undertaking was provided by the Bondholders to capitalise interest on the Series A Eurobonds up until 30 September 2021. In terms of the Standstill, capital repayments under the Absa debt facility were suspended until 30 September 2021 and covenants which were due to be measured on 30 June 2021 were waived.

In accordance with relevant accounting standards, as no long term debt restructuring was agreed at the year end, it is necessary to present the outstanding balances of the ABSA debt facility and Eurobond facility as current liabilities as at 30 June 2021 due to the Bondholder undertaking and Standstill provided by Absa Bank, expiring on 30 September 2021.

ABSA Bank debt and Eurobonds

	Interest rate	Original facility amount	**2021 US$'000**	2020 US$'000
ABSA debt facility	US$ three-month LIBOR plus margin	82.4	**63.9**	63.9
Eurobond (Series A)	8% p.a.	30.0	**33.1**[b]	30.0
Eurobond (Series B)	8% p.a.	15.0	**9.6**[a]	8.7[a]
		127.4	**106.6**	102.6

Notes:

a – Balance increases each year due to capitalised interest.

b - Balance increases due to undertaking of the Bondholders to capitalise interest until 30 September 2021.

Scheduled loan balance and interest margins on the ABSA debt facility

	Loan balance			Interest – US$ three-month LIBOR plus: A Loan		B Loan	
				Tranche A	Tranche B	Tranche A	Tranche B
Year	A Loan US$'m	B Loan US$'m	Total US$'m	85% %	15% %	85% %	15% %
2021	32.6	31.3	63.9	—	—	4.05	7.50
2022	—	25.9	25.9	—	—	4.05	7.50
2023	—	9.0	9.0	—	—	4.55	7.50

Notes:

- The ECIC insurance provides ABSA Bank with cover over both Tranche A and Tranche B (together 100%) in respect of political risk and 85% in respect of commercial risk.
- The effective interest rate is in aggregate 6.45% (2020: 7.19%), including upfront costs.
- The values stated above are subject to change, pending completion of the long term debt restructuring.

Covenants

In terms of the Standstill, covenants which were due to be measured on 30 June 2021 were waived.

Cash Flow

US$'million	**2021**	2020
Operating cash flows		
Loss before taxation	**(16.9)**	(22.1)
Adjustments:		
Impairment charge	**1.9**	2.7
Depreciation and amortisation	**1.4**	3.4
Equity-settled share-based payments	**—**	0.2
Changes in provisions	**—**	(0.2)
Net finance cost	**10.2**	11.3
Adjusted EBITDA	**(3.4)**	(4.7)
Working capital changes	**2.4**	(2.4)
Stay-in-business capital	**—**	(0.8)
Operating cash result	**(1.0)**	(7.9)
Cash repaid		
Repayment of borrowings	**—**	(2.3)
Repayment of lease liabilities	**(0.4)**	(0.6)
Finance income	**0.1**	0.4
Finance cost	**(2.6)**	(5.1)
Net cash repaid	**(2.9)**	(7.6)
Net cash used in discontinued operations	**(0.1)**	—
Net decrease in cash	**(4.0)**	(15.5)
Opening cash	**10.2**[1]	25.3[1]
Closing cash	**6.2**	9.8

Notes:

1 Opening cash balance is adjusted for movement in foreign exchange rates.

During the year, the Group's cash balance decreased by US$4.0 million from an opening balance of US$10.2 million (adjusted for foreign exchange movements), to a closing balance of US$6.2 million. Cash outflow from operations (adjusted EBITDA) was negative US$3.4 million due to the Mine being on care and maintenance throughout the year. This was offset by US$2.4 million in positive working capital movement associated with reduced diamond inventory and recovery of VAT, offset by the impact of lower creditors' balances due to the operation being on care and maintenance.

Net cash repaid during the year of US$2.9 million included finance cost of US$2.6 million and lease and other payments of US$0.4 million, which were offset by interest income on cash balances of US$0.1 million. Finance cost of US$2.6 million comprised US$2.5 million in interest paid to ABSA Bank and US$0.1 million other finance cost.

RESOURCE AND RESERVE STATEMENT

Diamond Resource and Reserve update for Liqhobong Mine

The latest Liqhobong Diamond Resource as at 31 December 2019 was updated by Zstar Mineral Resource Consultants. This was the first update since 2015 and was based on the latest geological model and included a number of modifications and improvements including the following:

- production samples derived from focused mining;
- additional density samples collected by mine geologists;
- alignment of estimation block height to bench height of 14m; and
- change in bottom cut-off to 1.25mm slotted screen panels.

The mining that took place during the third quarter of 2020 prior to the COVID-19 pandemic and the start of the care and maintenance period was depleted from the Diamond Resource estimate. No mining took place since then and as at 30 June 2021, the total remaining Indicated Resource at the bottom cut-off of 1.25mm slotted screen panels was 22.898 Mt at a grade of 22 cpht containing 5.082 Mcts.

Diamond Resource statement for Liqhobong Main Pipe as at 30 June 2021 (including Reserves)

		Diamond Resource				
Diamond Resource Category	Depth from and to	Volume in m3 (millions)	Density (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Indicated	2 673 masl to 2 463 masl	8.807	2.60	22.898	22	5.082
Inferred	2 463 masl to 2 127 masl	18.184	2.66	48.399	24	11.423
Total Diamond Resource		**26.991**	**2.64**	**71.297**	**23**	**16.505**

- Diamond Resources as at 30 June 2021, reported inclusive of reserves.
- Tonnes are metric tonnes and totals are rounded.
- Stated at a bottom cut-off using 1.25mm slotted screen panels.

Diamond Reserve statement for the Liqhobong Main Pipe as at 30 June 2021

The latest 7-year mine plan assumes the recovery of 5.243 Mcts from the treatment of 22.777 Mt of ore both from the Indicated and Inferred Resource categories. Approximately 78% of the planned recovered carats is derived from the Indicated Resource category and can be converted to Probable Reserve. The latest mine plan contemplates the mining of the remainder of cut 1 and cut 2 north and south. Diamond prices will dictate the feasibility of including a cut 3 in future mine plans.

		Diamond Reserve			
Diamond Reserve Category	Depth from and to	Density (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Probable	2 673 masl to 2 463 masl	2.62	18.186	23	4.114
Total Diamond Reserve		**2.62**	**18.186**	**23**	**4.114**

- The above Diamond Reserve is stated at a bottom cut-off of 1.25mm slotted screen panels.
- The average diamond price per carat is estimated at US$70/ct.
- Tonnes are metric tonnes and totals are rounded.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Health and safety of our people and communities is key and LMDC continued to maintain its high standards while the Mine remained on care and maintenance. Additional care was taken to keep our people and communities safe and healthy during the COVID-19 pandemic. COVID-19 protocols were implemented and updated regularly based on the regulatory changes and alert levels put in place by the Government of Lesotho. These included wearing of face masks, social distancing and screening upon entering the Mine site. Any employee or contractor who showed symptoms of the disease was required to self-isolate. Rapid test kits were procured to perform on site testing and fortunately there were no positive cases of COVID-19 detected during the year.

Liqhobong's occupational nurses and paramedics were the first to be vaccinated, with the majority of the remainder of the employees and contractors being vaccinated when vaccinations became available to the general public.

COVID-19 awareness sessions were held for employees, contractors and the community with emphasis on:

- the signs and symptoms of the disease;
- mode of transmission;
- preventive measures; and
- proper use of face masks and face shields.

During the year, there was one Lost Time Injury recorded. Fortunately, however, the contractor who sustained the injury was able to return to work after recovering from surgery.

Environment

We are committed to comply with all relevant local regulatory requirements in addition to being guided by international best practice. We aim to achieve this through our site specific Environmental and Social Management System ("ESMS").

Our employees and contractors form an integral part of the Company's ESMS, and through inductions and training are aware of their impact on the environment and their responsibilities. Management systems include information on how to contribute meaningfully to biodiversity and conservation, as well as the procedures in place to reduce, reuse and recycle waste thereby promoting efficient use of natural resources and minimising the quantity of final waste disposal.

We always strive to comply with all requirements of our approved Environment Management Plan through adhering to strict protocols contained in our ESMS.

The Mine complied with all relevant local regulatory requirements during whilst on care and maintenance and there were no major environmental incidents during the year.

Water Management

Firestone views water as a scarce and vital resource that affects the livelihood of communities, and the general health of the environment. Water management has been identified as one of the Company's most significant environmental risks.

The Company had to review its water management strategy during care and maintenance. The residue storage facilities' operational parameters were reviewed to accommodate the increased levels of water as a result of the high rainfall which occurred and the significantly reduced water use. The relevant permit, which is only valid while the Mine remains on care and maintenance, required to allow discharge of water downstream of the Mine into the Liqhobong valley, was obtained from the relevant government authority. The team remained vigilant in the monitoring of dam and residue storage facilities' water levels and structural integrity.

During the year an assessment of the dam capacities was conducted, which indicated a loss of capacity in one of the Return Water Dams as a result of an accumulation of silt. To compensate for the capacity loss, the Satellite pit dam wall was raised by two meters.

Stakeholder engagement continued through participation in forums with the other mines, relevant government agencies and non-governmental organisations to discuss and to share lessons learnt and exchange ideas regarding the environmental management of water resources and other environmental topics of mutual concern.

Waste and Pollution Management

Liqhobong continues to focus on waste management, water monitoring, and incident reporting. There is a strong culture of reusing and recycling at the Mine and all waste is handled and disposed of in a responsible manner.

Monitoring of pertinent waste and pollution parameters continued during care and maintenance to ensure that the baseline is maintained for when operations resume. There were no pollution incidents during the period.

Energy Usage

The year saw the operation carefully managing its energy usage through reducing the maximum demand requirement when starting and maintaining selected equipment items when testing as part of the care and maintenance plan.

A variety of energy saving initiatives are already in place at Liqhobong and these include the installation of Green Energy Efficient lighting throughout the Mine and a power factor correction capacitor, which reduce energy usage by placing less strain on the electricity grid.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Community
Firestone is committed to the highest standard of Corporate Social Responsibility ("CSR") and has a programme which aims to boost economic opportunities arising out of operations, and to contribute meaningfully to social development of the local communities.

The Company understands that significant changes in operations affect local communities and is committed to development initiatives which address vulnerabilities within the local communities and which respond to the community's' needs and priorities. During the year, the Company considered the risks and vulnerabilities inflicted by the COVID-19 pandemic and demonstrated commitment to the well-being of the local communities. Notably, the Company implemented initiatives aimed at addressing community health and safety challenges, put in place responsive measures for social relief and engaged in activities which strive to strengthen social fabrics for more resilient communities.

Community Engagement
Firestone has a strong relationship with various government institutions and non-governmental organisations. The Company's engagement with these organisations allows for a coordinated approach towards finding solutions and for driving developmental initiatives. The Company understands that it is crucial to create an environment for effective stakeholder dialogue, inclusive of local communities. Amid regulatory restrictions and challenges brought about by COVID-19, the Company continued to maintain regular and timely engagement with the community through their representative committee and local authorities, through scheduled meetings. These meetings are essential to address issues emanating from the Company's activities, to plan developments for the community as well as receive constant feedback from the community. This ensured that the community remained aware of updates and developments relating to the operation and allowed for any issues to be addressed.

Community Relations
Firestone recognises that the opportunities emerging from the Company's operations are impact multipliers, and that these opportunities bear potential for realisation of not just economic improvement aspirations, but the general development of communities surrounding the Mine. During the year the compensation funds accumulated in respect of communal grazing land since commencement of operations was transferred to a community bank account under the administration of a legally registered community association. The Mine provided the association committee and community leaders training and support on a range of matters including financial management and procurement processes.
Furthermore, the Company:

- rolled out a training programme for Community Health Care Workers from surrounding communities. This programme focused on First Aid training, which was identified as a key risk during the COVID-19 global pandemic. This programme also aimed to enhance access to emergency response measures;
- set up a water safety awareness initiative with the aim of protecting the welfare of children within the local communities during the rainy season;
- hosted a netball tournament for teams within the local communities. The platform was also used to raise awareness of COVID-19 and encourage communities to adhere to prevention protocols;
- extended efforts towards combating Gender Based Violence ("GBV") through awareness campaigns for community leaders and groups of men and women, especially relevant during lockdowns when GBV cases were reportedly increasing;
- distributed food relief packages to 97 of the most vulnerable households within the local communities which were headed by elderly people or by single parents; and
- continued to make contributions to the local economy by sourcing fresh produce from local farmers. Through this initiative, the Company aims to strengthen the development of sustainable economic alternatives for the local communities, relevant during and post the life of the Mine.

During the year, the annual compensation payment for loss of communal grazing land and loss of arable fields due to the construction of the Mine access road was made.

CONCLUSION TO THE STRATEGIC REPORT

Looking forward

We have every confidence that conditions in the diamond market will remain positive, and we will continue to manage the business to ensure we are able to benefit from the strong rebound in the market over the last 12 months as we move towards restarting the Mine. We will continue to manage the Company at the highest level, by excelling at the elements under our control.

We will continue to work with our various stakeholders to conclude the financing arrangements required to restart and to operate the Liqhobong mine, to improve the balance sheet and to provide a better basis for the long term health of the Company.

Lastly, I would like to extend our thanks to our shareholders and lenders for their continued support, the management team and our staff for their dedication and continued hard work during the year. All employees have endured an extremely difficult period with high levels of uncertainty and the Board has been impressed by our staff's professionalism and focus on doing the best they can in challenging circumstances.

We also acknowledge the Company's role in Lesotho which is to manage the Liqhobong resource in the most efficient, beneficial and timely manner and in accordance with mining and environmental best practice. In doing so we seek to deliver, in time, an optimal outcome for all of our stakeholders, and in particular the Government of Lesotho, and to further build on the significant cumulative contribution to the Lesotho fiscus to date. Importantly, we continue to contribute to the agreed annual compensation to the local community at the Mine and will continue to support the local community through certain ongoing Corporate Social Investment initiatives.

We look forward to updating our shareholders and stakeholders in the coming months.

Strategic Report
This Strategic Report was approved by the Board on 22 August 2022 and is signed on its behalf by:

Patrick Meier	**Rob de Pretto**
Non-Executive Chairman	Chief Executive Officer

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Patrick Meier, Non-Executive Chairman NC AC RC
Mr Meier has over 30 years of experience in investment banking with specialist knowledge of the mining sector. He is Chairman of Anglo Pacific Group plc, the London listed Natural Resources Royalty Company. Mr Meier headed up the investment banking activities for RBC Capital Markets in Europe and Asia and drove a major expansion of RBC's European presence. Prior to this role, he headed up RBC's activities in the Metals and Mining sector in Europe, Africa and Asia for many years, and continues to enjoy strong relationships within the sector. He also served as a Director on the board of RBC's main operating subsidiary in Europe. He has an MA in Natural Sciences from Cambridge University.

Rob de Pretto, Chief Executive Officer
Mr De Pretto has 39 years of experience in the diamond mining industry. Prior to his current appointment, Mr De Pretto was Chief Operating Officer and acting Chief Executive Officer of the Zimbabwe Consolidated Diamond Company. He began his career in 1982 as a trainee engineer at De Beers and has occupied various operational and leadership roles including General Manager of Namaqualand Mines and Technical Manager for De Beers Consolidated Mines. He transferred to Anglo American in 2010 to look after the Technology Development portfolio and the Anglo Research Laboratories prior to joining Diamcor as General Manager. Mr De Pretto is a metallurgical engineer with a Bachelor of Engineering and Master of Engineering from the University of the Witwatersrand. He also completed the Management Advancement Programme at Wits Business School and the Executive Management Programme at London Business School. He is a registered Professional Engineer and a Fellow of the South African Institute of Mining and Metallurgy and a Member of the South African Institute of Chemical Engineers.

Paul Bosma, Non-Executive Director SHEC
Mr Bosma is a qualified geologist with more than 29 years of experience in the mining industry, of which 14 years were in the diamond industry where he worked for De Beers. Before joining Firestone Diamonds, Mr Bosma was the Vice President of Pala Investments, an international mining investment fund based in Switzerland, prior to which, he was the General Manager of a joint venture between De Beers and Anglo Gold Ashanti. He joined Firestone Diamonds in July 2014 as Mineral Resource Manager and later as General Manager of the Liqhobong Mine where he successfully managed the ramp-up to full commercial production. Mr Bosma was appointed Chief Executive Officer of Firestone Diamonds in July 2018 and held that position until October 2021. He holds a BSc (Honours) and a MSc degree as well as a MBA from the University Of Cape Town Graduate School Of Business.

Keith Johnson, Non-Executive Director RC AC NC
Mr Johnson has over 27 years of experience in the natural resources sector, 18 of which were in the mining industry where he held various senior positions within Rio Tinto plc, including on its executive committee from 2003 to 2009. From 2003 to 2007, he had overall responsibility for Rio's global diamond business which accounted for over US$1 billion in revenue and operated across three continents. In 2007, Mr Johnson was appointed head of business resources, where he was part of the team responsible for the integration of Alcan Inc., following its acquisition in October 2007.

In January 2010, Mr Johnson joined FTSE 250 oil and gas company, BG Group plc, as general manager of strategy and portfolio development. He holds an MBA in Finance and a BSc degree in Mathematics and Operational Research. Mr Johnson is Resource Capital Fund VI L.P.'s nominated Non-Executive Director of the Company and the Chairman of the Remuneration Committee.

Michael Stirzaker, Non-Executive Director AC NC RC
Mr Stirzaker has over 30 years of commercial experience, mainly in mining finance and mining investment. He began his career in Sydney as a Chartered Accountant with KPMG before moving into investment banking with the HSBC Group and then Kleinwort Benson Limited in London. From 1993 to 2007 he was part of the natural resource advisory and investment firm, RFC Group Limited, where he became Joint Managing Director. He has also been a shareholder and Director of Tennant Metals (Pty) Limited, a privately-owned physical-metal trader and investor, and was the Finance Director of Finders Resources Limited, an ASX-listed company producing copper in Indonesia. From 2010 until 2019 Mr Stirzaker was a partner with the private equity mining fund manager, Pacific Road Capital Management. He holds a Bachelor of Commerce degree from the University of Cape Town and is a qualified Chartered Accountant in Australia. Mr Stirzaker was previously Pacific Road Capital Management's nominated Non-Executive Director of the Company and the Chairman of Audit Committee.

Grant Ferriman, Chief Financial Officer
Mr Ferriman is part of the senior leadership team and attends all Board meetings by invitation. He is a qualified Chartered Accountant with 22 years of experience, including 15 years in the mining industry. He was appointed as Chief Financial Officer of Firestone Diamonds in 2012, and was part of the team which financed the construction of the Liqhobong Mine which was brought into production during 2016, within the original cost budget. Prior to joining the Company, he was the group financial controller for Mwana Africa plc (subsequently ASA Resources Group plc), an AIM-listed junior mining company with assets based in South Africa, Zimbabwe and the DRC, where he was responsible for reporting and control systems across the Group. Mr Ferriman has extensive experience in public company reporting in the United Kingdom and the development and implementation of control systems for companies with assets based in Southern Africa. He holds an honours bachelor of accounting science degree from the University of South Africa and is a member of the South African Institute of Chartered Accountants.

Key
AC Audit Committee
NC Nomination Committee
RC Remuneration Committee
SHECC Safety, Health, Environment and Community Committee

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts for the year ended 30 June 2021, which should be read in conjunction with the Strategic Report.

Results and dividends

The Group made a loss after taxation of US$17.3 million (2020: loss after tax of US$22.1 million). Further details are shown in the Consolidated Statement of Comprehensive Income on page 29.

The Directors do not recommend a dividend (2020: nil).

Capital structure

The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. At the date of this report the ordinary share capital of the Company was 789 481 276 ordinary shares of 1 pence each (2020: 789 481 276 ordinary shares of 1 pence each).

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

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

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

	Shares	% holding
PRRF II Investment Holdings L.P.	221 974 712	28.12%
Pacific Road Resources Fund II L.P.	239 853 512	30.38%
Resource Capital Fund VI L.P.[1]	112 004 747	14.19%
Edwards Family Holdings Limited	63 472 355	8.04%
Pacific Road Resources Fund II	33 577 300	4.25%

1 PRRF II Investment Holdings L.P. holds an irrevocable undertaking from Resource Capital Fund VI L.P. to accept, and procure the acceptance of, the Pac Road offer in respect of Resource Capital's entire holding of 274 026 124 Firestone Shares. As at the date of this report 112 004 747 shares have yet to be transferred in terms of the undertaking.

Directors

Biographies of the current Directors as at the date of this report are set out on page 22.

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

	Position
Patrick Meier	Non-Executive Chairman
Keith Johnson	Non-Executive Director
Michael Stirzaker	Non-Executive Director
Paul Bosma	Non-Executive Director[1]

1 Paul Bosma transitioned from being Chief Executive Officer to being a Non-Executive director during October 2021. Rob de Pretto replaced Paul as Chief Executive Officer on 1 November 2022.

Details of Directors' emoluments and fees are shown in note 6 to the financial statements.

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

Employees

The Group had 54 full-time employees at the year-end (2020: 91 full-time employees at year end).

Employee involvement

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

Financial risk management and exposure to risks from the use of financial instruments
Financial risk disclosures and details of the Group's exposure to risk arising from the use of financial instruments are provided within the Strategic Report and in note 32 to the financial statements.

Going concern
The Directors, after making enquiries and considering uncertainties associated with the Group's operations, believe that on the basis of the forecast assumptions adopted, there is a reasonable expectation that the Group and Company will continue in operational existence for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts, which do not include any adjustments that would result from the going concern basis of preparation being inappropriate. Notwithstanding this, the Directors conclude that there is material uncertainty as to whether either the Absa debt will be restructured satisfactorily, that the US$11.4 million Working Capital Facility will be concluded, or that the Bondholders will commit to interest being capitalised on the bonds indefinitely and for bond maturity dates to be extended to after Absa is fully repaid, and that failure regarding any of these may cast significant doubt upon the Group and Company's ability to continue as a going concern and may therefore be unable to realise their assets and discharge their liabilities in the ordinary course of business.

Further information is included within note 1 going concern on page 36.

We do, however, draw your attention to the fact that at 30 June 2021, the Group's total liabilities exceed its total assets by US$63.1 million (2020: US$53.2 million) and that the Company's total liabilities exceed its total assets by US$42.6 million (2020: US$37.1 million).

Post-balance sheet events
Post-balance sheet events are detailed in note 34 to the financial statements.

Political donations
The Company made no political donations during the year.

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

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

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

On behalf of the Board

Patrick Meier
Non-Executive Chairman

22 August 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

On behalf of the Board

Patrick Meier
Non-Executive Chairman

22 August 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FIRESTONE DIAMONDS PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Firestone Diamonds plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows, and , and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Group's and Parent Company's ability to continue as a going concern is reliant on the continued support of its lenders to provide funding to finance working capital needs and to restructure existing financing arrangements, which although agreed in principle, is not contractually certain.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that material uncertainty exists that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with the Management and the Audit Committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud;
- Making enquiries of Management as to whether there was any correspondence from regulators in so far as the correspondence related to the Financial Statements;
- Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations
- Gaining an understanding of the laws and regulations relevant to the Group and Parent Company and the industry in which it operates, through discussion with management and our knowledge of the industry. These included the the financial reporting framework, UK Companies Law, tax legislation and environmental regulations in the UK, and Lesotho;
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Agreeing the financial statement disclosures to underlying supporting documentation;
- Assessing the susceptibility of the Group and Parent Company financial statements to material misstatement, including how fraud might occur by making enquiries of Management and the Audit Committee during the planning and execution phases of our audit. We considered the area in which fraud might occur was in the management override of controls. In response our procedures included, but were not limited to;
    - Addressing the risk of fraud through management override of controls by testing the appropriateness of a sample of journal entries where we considered there to be a higher risk of potential fraud and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
    - Testing the consolidation entries for consistency and appropriateness of application

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Jack Draycott
4FB34D873A17477...

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

23 August 2022
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	**2021 US$'000**	2020 US$'000
Revenue	3	**4 577**	34 183
Cost of sales		**3 306**	31 430
Gross profit		**1 271**	2 753
Other income		**742**	845
Selling, administrative and other expenses		**8 740**	14 428
Other administrative expenses		**-**	1 409
Diamond royalty and selling expenses		**487**	2 234
Impairment charge	9	**1 903**	2 718
Amortisation and depreciation	4	**1 396**	1 158
Share-based payments	24	**28**	154
Care and maintenance		**3 514**	3 629
Corporate expenses		**1 412**	3 126
Loss from continuing operations before finance charges and income tax	4	**(6 727)**	(10 830)
Finance income	8	**61**	382
Finance costs	8	**10 226**	11 670
Loss from continuing operations before tax		**(16 892)**	(22 118)
Taxation charge/(credit)	10	**411**	(57)
Loss from continuing operations after tax for the year		**(17 303)**	(22 061)
Loss from discontinued operations		**400**	-
Loss after tax for the year		**(17 703)**	(22 061)
Loss after tax for the year attributable to:			
Owners of the parent		**(13 455)**	(17 155)
Non-controlling interests		**(4 248)**	(4 906)
Loss after tax for the year		**(17 703)**	(22 061)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations net of tax		**7 363**	(8 592)
Movement on cash flow hedges		**(212)**	(494)
Other comprehensive income/(loss)		**7 151**	(9 086)
Total comprehensive loss for the year		**(10 552)**	(31 147)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(8 585)**	(23 548)
Non-controlling interests		**(1 967)**	(7 599)
Total comprehensive loss for the year		**(10 552)**	(31 147)
Basic and diluted loss per share			
Basic and diluted loss per share from continuing operations (US cents)	11	**(1.7)**	(2.7)

The notes on pages 36 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	**2021 US$'000**	2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**44 962**	40 661
Right of use assets	13	**2 580**	2 185
Total non-current assets		**47 542**	42 846
Current assets			
Inventory	18	**—**	3 306
Other financial assets	19	**—**	65
Trade and other receivables	20	**608**	1 141
Cash and cash equivalents	21	**6 232**	9 833
Total current assets		**6 840**	14 345
Non-current assets held for sale	22	**924**	—
Total assets		**55 306**	57 191
EQUITY			
Share capital	23	**169 709**	169 102
Share premium		**193 212**	193 212
Reserves		**(29 438)**	(33 865)
Accumulated losses		**(326 875)**	(313 891)
Total equity attributable to equity holders of the parent		**6 608**	14 558
Non-controlling interests		**(69 726)**	(67 759)
Total equity		**(63 118)**	(53 201)
LIABILITIES			
Non-current liabilities			
Borrowings	26	**115**	322
Lease liabilities	27	**2 419**	1 706
Rehabilitation provisions	28	**3 672**	4 058
Deferred tax	29	**215**	—
Total non-current liabilities		**6 421**	6 086
Current liabilities			
Borrowings	26	**104 541**	98 350
Lease liabilities	27	**588**	597
Other financial liabilities	19	**—**	85
Trade and other payables	30	**5 156**	4 984
Provisions	31	**140**	290
Total current liabilities		**110 425**	104 306
Liabilities of a disposal group	22	**1 578**	—
Total liabilities		**118 424**	110 392
Total equity and liabilities		**55 306**	57 191

The financial statements were approved by the Board of Directors and authorised for issue on 22 August 2022.

Patrick Meier
Director

The notes on pages 36 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital US$'000	Share premium US$'000	Warrant reserve[1] US$'000	Merger reserve US$'000	Hedging reserve US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Accumulated losses US$'000	Equity attributable to holders of the parent US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 30 June 2019	166 888	192 986	7 609	(1 614)	647	5 389	(39 458)	(296 997)	35 450	(60 160)	(24 710)
Comprehensive loss											
Loss for the year	—	—	—	—	—	—	—	(17 155)	(17 155)	(4 906)	(22 061)
Other comprehensive income for the year											
Exchange losses on translating foreign operations	—	—	—	—	—	—	(6 023)	—	(6 023)	(2 569)	(8 592)
Profit on cash flow hedges	—	—	—	—	(370)	—	—	—	(370)	(124)	(494)
Total comprehensive loss for the year	—	—	—	—	(370)	—	(6 023)	(17 155)	(23 548)	(7 599)	(31 147)
Contributions by and distributions to owners											
Shares issued in the year	2 214	226	—	—	—	—	—	—	2 440	—	2 440
Share-based payment transactions	—	—	—	—	—	216	—	—	216	—	216
Share-based payments lapsed/expired	—	—	—	—	—	(261)	—	261	—	—	—
Total contributions by and distributions to owners	2 214	226	—	—	—	(45)	—	261	2 656	—	2 656
Balance as at 30 June 2020	169 102	193 212	7 609	(1 614)	277	5 344	(45 481)	(313 891)	14 558	(67 759)	(53 201)
Comprehensive loss											
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(13 455)**	**(13 455)**	**(4 248)**	**(17 703)**
Other comprehensive income for the year											
Exchange gains on translating foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**5 147**	**—**	**5 147**	**2 216**	**7 363**
Loss on cash flow hedges	**—**	**—**	**—**	**—**	**(277)**	**—**	**—**	**—**	**(277)**	**65**	**(212)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(277)**	**—**	**5 147**	**(13 455)**	**(8 585)**	**(1 967)**	**(10 552)**
Contributions by and distributions to owners											
Shares issued in the year	**607**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**607**	**—**	**607**
Share-based payment transactions	**—**	**—**	**—**	**—**	**—**	**28**	**—**	**—**	**28**	**—**	**28**
Share-based payments lapsed/expired	**—**	**—**	**—**	**—**	**—**	**(471)**	**—**	**471**	**—**	**—**	**—**
Total contributions by and distributions to owners	**607**	**—**	**—**	**—**	**—**	**(443)**	**—**	**471**	**635**	**—**	**635**
Balance as at 30 June 2021	**169 709**	**193 212**	**7 609**	**(1 614)**	**—**	**4 901**	**(40 334)**	**(326 875)**	**6 608**	**(69 726)**	**(63 118)**

1 Warrants issued relate to the Eurobond transaction, the details of which are disclosed in note 25.

2 During the year, the Company issued a further 48 397 818 new ordinary shares of 1 pence each in respect of interest of US$0.6 million due on the Series A Eurobonds.

The notes on pages 36 to 69 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	**2021 US$'000**	2020 US$'000
Cash flows used in continuing operating activities			
Loss from continuing operations before taxation		**(16 892)**	(22 118)
Adjustments for:			
Impairment charge	9	**1 903**	2 718
Depreciation and amortisation	4	**1 396**	3 419
Equity-settled share-based payments		**28**	216
Changes in provisions		**48**	(206)
Finance income	8	**(61)**	(382)
Finance cost	8	**10 226**	11 670
Net cash flows used in operating activities before working capital changes		**(3 352)**	(4 683)
Decrease in inventories		**3 167**	808
Decrease in trade and other receivables		**574**	224
Decrease in trade and other payables		**(1 335)**	(3 411)
Net cash flows used in operating activities		**(946)**	(7 062)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(2)**	(833)
Net cash used in investing activities		**(2)**	(833)
Cash flows used in financing activities			
Repayment of borrowings	26	**—**	(2 280)
Repayment of lease liabilities	27	**(441)**	(591)
Finance income		**61**	382
Finance cost	8	**(2 535)**	(5 089)
Net cash used in financing activities		**(2 915)**	(7 578)
Net cash used in discontinued operations		**(100)**	—
Net decrease in cash and cash equivalents		**(3 963)**	(15 473)
Cash and cash equivalents at beginning of the year		**9 833**	26 325
Exchange rate movement on cash and cash equivalents at beginning of year		**362**	(1 019)
Cash and cash equivalents at end of the year	21	**6 232**	9 833

The notes on pages 36 to 69 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	**2021 US$'000**	2020 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	**—**	—
Loans to subsidiaries	16	**—**	—
Total non-current assets		**—**	—
Current assets			
Trade and other receivables	20	**350**	396
Cash and cash equivalents	21	**326**	699
Total current assets		**676**	1 095
Total assets		**676**	1 095
EQUITY			
Share capital	23	**169 709**	169 102
Share premium		**193 212**	193 212
Reserves		**13 407**	13 850
Accumulated losses		**(418 907)**	(413 290)
Total equity attributable to equity holders of the Company		**(42 579)**	(37 126)
LIABILITIES			
Non-current liabilities			
Borrowings	26	**—**	—
Total non-current liabilities		**—**	—
Current liabilities			
Borrowings	26	**41 317**	35 938
Trade and other payables	30	**1 938**	2 283
Total current liabilities		**43 255**	38 221
Total liabilities		**43 255**	38 221
Total equity and liabilities		**676**	1 095

Companies Act section 408 exemption

The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company incurred a loss on ordinary activities after tax of US$5.8 million which included an impairment reversal of US$1.0 million (2020: US$10.6 million which included an impairment charge of US$4.1 million) (refer to note 9). The Company had no other items of comprehensive income in the year (2020: US$nil).

The financial statements were approved by the Board of Directors and authorised for issue on 22 August 2022.

Patrick Meier
Director

The notes on pages 36 to 69 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital US$'000	Share premium US$'000	Warrant reserve US$'000	Translation reserve US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Balance as at 30 June 2019	166 888	192 986	7 609	897	5 389	(402 646)	(28 877)
Comprehensive loss							
Loss for the year	—	—	—	—	—	(10 644)	(10 644)
Total comprehensive loss for the year	—	—	—	—	—	(10 644)	(10 644)
Contributions by and distributions to owners							
Shares issued in the year	2 214	226	—	—	—	—	2 440
Share-based payment transactions	—	—	—	—	216	—	216
Share-based payments lapsed/expired	—	—	—	—	(261)	—	(261)
Total contributions by and distributions to owners	2 214	226	—	—	(45)	—	2 395
Balance as at 30 June 2020	169 102	193 212	7 609	897	5 344	(413 290)	(37 126)
Comprehensive loss							
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(5 827)**	**(5 827)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**(5 827)**	**(5 827)**
Contributions by and distributions to owners							
Shares issued in the year	**607**	**—**	**—**	**—**	**—**	**—**	**607**
Share-based payment transactions	**—**	**—**	**—**	**—**	**28**	**—**	**28**
Share-based payments lapsed/expired	**—**	**—**	**—**	**—**	**(471)**	**210**	**(261)**
Total contributions by and distributions to owners	**607**	**—**	**—**	**—**	**(443)**	**210**	**374**
Balance as at 30 June 2021	**169 709**	**193 212**	**7 609**	**897**	**4 901**	**(418 907)**	**(42 579)**

The Company had no other comprehensive income in the year.

The notes on pages 36 to 69 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	**2021 US$'000**	2020 US$'000
Cash flows used in operating activities			
Loss before taxation		**(5 827)**	(10 644)
Adjustments for:			
Impairment (reversal)/charge	9	**(974)**	4 070
Equity-settled share-based payments		**28**	120
Finance income		**(93)**	(303)
Finance cost		**5 379**	4 395
Net cash flows used in operating activities before working capital changes		**(1 487)**	(2 362)
Decrease in trade and other receivables		**47**	48
Increase in trade and other payables		**261**	9
Net cash used in operating activities		**(1 179)**	(2 305)
Cash flows from investing activities			
Loans repaid by subsidiaries		**1 000**	4 770
Loans advanced to subsidiaries		**(287)**	(7 525)
Net cash from/(used in) investing activities		**713**	(2 755)
Cash flows from financing activities			
Finance income		**93**	303
Net cash flows from financing activities		**93**	303
Net decrease in cash and cash equivalents		**(373)**	(4 757)
Cash and cash equivalents at beginning of the year		**699**	5 456
Cash and cash equivalents at end of the year	21	**326**	699

The notes on pages 36 to 69 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Basis of preparation

Firestone Diamonds plc (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2021 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.

Going concern

Background

The Group holds a 75% stake in the Liqhobong Diamond Mine which was placed on care and maintenance on 26 March 2020 due to the onset of the COVID-19 pandemic, and to conserve the Group's limited cash resources for as long as possible while the diamond market recovered from the effects of the pandemic, and the Group restructured its senior and bond debt.

Since then, the Group has actively engaged with its two major shareholders and bondholders, (Pacific Road Resources Fund II L.P., Pacific Road Resources Fund II, and Resource Capital Fund VI L.P. ("RCF")) (collectively, the "Bondholders"), Absa Bank ("Absa"), and its insurer the Export Credit Insurance Corporation of South Africa ("ECIC"), to find a solution to the Group's high debt level. In September 2021, prolonged negotiations between the Bondholders, Absa, ECIC, and the Group resulted in the agreement on the non-binding terms of a debt purchase between RCF, Absa, and the ECIC, in terms of which RCF would acquire Absa's senior secured debt. In conjunction with the acquisition of the senior debt, RCF would provide the required capital to restart the Liqhobong Mine. However, the ECIC board subsequently rejected the proposed transaction in November 2021 due to it being considered to be a sub-optimal outcome for ECIC, which would suffer a significant write-off as a result of the transaction.

Although the parties continued to engage constructively, due to the complex and protracted negotiations since January 2021 which resulted in the Group's cash balance reducing significantly by November 2021, Absa agreed to provide a ZAR31.56 million (US$2 million) Bridge Facility (underwritten by the ECIC) to Liqhobong which was finalised in January 2022. The purpose of the Bridge Facility was to fund ongoing care and maintenance and essential group costs to allow Absa's independent advisor to assess the viability of the business and to advise on debt restructuring and refinancing options. In January 2022, Liqhobong, and Absa entered into a Standstill Agreement which effectively suspended interest and capital repayments from 30 September 2021 until 30 June 2022, and the Absa undertook not to take any enforcement action ("Standstill").

Also in January 2022, the Bondholders provided an undertaking to the Company that interest for the period 1 October 2021 up to and including 30 June 2022 on the Series A Bonds would be capitalised ("Bondholder Undertaking").

Significant progress was made by the parties since the beginning of 2022 and on 13 May 2022 Liqhobong and Absa (insured by ECIC) concluded the First Addendum to Bridge Facility Agreement. In terms of the First Addendum, the Bridge Facility was extended to ZAR182.2 (US$11.6 million) for funding restart activities at Liqhobong Mine. Furthermore, Absa and ECIC have confirmed their in-principle approval to:

- restructure the Senior Secured Term Facility to a sustainable level of senior debt over the longer term; and
- provide the necessary working capital of US$11.4 million once the Mine commences operations.

In conjunction with the conclusion of the First Addendum, the Standstill was extended to 30 September 2022 to allow for the restructuring of the Senior Secured Term Facility.

Additionally, Pacific Road the Group's major shareholder and only remaining Bondholder indicated its intention to capitalise interest on the subordinated bonds and to defer all bond maturity dates to the end of the Life of Mine.

Statement

The Directors have reviewed the Group's and Company's cash flow forecast for a period of at least twelve months from signing these annual financial statements. The Directors have also considered the key risks affecting the business as detailed in the risk review section of the strategic report.

The Group's cash balance at the end of June 2022 of US$5.1 million together with the restart funds available from the recently agreed extension to the Bridge Facility of US$9.6 million is forecast to be sufficient to fund the Group up until production recommences from the Mine, which is anticipated to occur within the next 6 months. Once production resumes, further funding by way of the in-principle agreed Working Capital Facility of US$11.4 million is required to cater for the timing of cash flow receipts from the sales of diamonds which take place at irregular intervals. The Standstill and the Bondholder Undertaking expire at the end of September 2022, and forecast cash generated from sales is insufficient to meet debt repayments which would fall due after this date.

Therefore, notwithstanding the provision by Absa of the restart funding by way of the extension to the Bridge Facility, and the in-principle agreement to provide the Working Capital Facility, a restructuring of the existing Absa and Eurobond debt is required within the going concern period.

Fortunately, Absa has provided in-principle agreement to restructure the Senior Secured Term Facility to a sustainable level by September 2022, and Pac Road has indicated its intention to capitalise interest on the subordinated Eurobonds and to extend the final maturity dates so that they fall due once Absa is fully repaid.

The Directors recognise that the forecast is based on certain forward-looking assumptions, including forecast ramp-up costs, future diamond prices, currency exchange rates – particularly between the South African Rand and the United States Dollar. Furthermore, the Directors recognise that neither of the debt restructuring arrangements, provision by Absa of the Working Capital Facility, nor the proposed amendments to the Bonds is legally binding, and are subject to further negotiation, the outcome of which is beyond the control of the Directors or management.

The Directors, having reviewed the cash flow forecast, and having considered:

- the anticipated forecast diamond market conditions;
- the US$9.6 million extension to the Bridge Facility to fund the Mine restart;
- the preliminary in-principle approval by Absa to restructure the Senior Secured Term Facility to more sustainable levels, based on more conservative average diamond values;
- the preliminary in-principle approval by Absa to provide the US$11.4 million Working Capital Facility; and
- Pacific Road's indicative undertaking to capitalise interest on the Eurobonds and to defer their repayment dates to after Absa is fully repaid;

consider that there is a reasonable expectation that together with the Group's existing cash resources and its forecast cash generation, this will be sufficient to enable the Group to fund its operational requirements and service the ABSA debt, on a restructured basis, for a period of at least twelve months from the date of approval of this Annual Report.

The Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. Notwithstanding this, the Directors conclude that there is material uncertainty as to whether either the Absa debt will be restructured satisfactorily, that the US$11.4 million Working Capital Facility will be concluded, or that the Bondholder, Pacific Road, will commit to interest being capitalised on the bonds indefinitely and for bond maturity dates to be extended to after Absa is fully repaid, and that failure regarding any of these may cast significant doubt upon the Group and Company's ability to continue as a going concern and may therefore be unable to realise their assets and discharge their liabilities in the ordinary course of business. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Statement of compliance

These consolidated financial statements of Firestone Diamonds plc have been prepared in accordance with International Accounting Standards in conformity of the Companies Act 2006.

Standards and interpretations issued that became effective and changes in accounting policies:

A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 July 2020 and have been applied by the Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Group because they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Standards, interpretations and amendments issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early.

Basis of consolidation

Subsidiaries and acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 30 June each year. Control is recognised where an investor is exposed to, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition above the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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

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

Transactions eliminated on consolidation

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

Stripping costs incurred during production

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

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

The stripping activity asset is recognised initially at cost, treated as an enhancement of an existing asset and not as an independent asset. Subsequently, the stripping activity asset is accounted for in the same manner as that adopted for the asset it has enhanced, and is depreciated on a unit of production method, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is provided for a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life.

Mining and development expenditure in respect of mining properties in production is depreciated on a unit of production method reflecting the production activity in the period as a proportion of the total mining resource for the relevant mining property. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life. The applicable rates are:

Mining property, development expenditure and plant and equipment	Unit of production method (ore tonnes)
Motor vehicles	3 to 5 years
Office equipment and other assets	3 to 10 years
Other equipment	3 to 10 years

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to profit and loss. The expected useful economic life and residual values of property, plant and equipment are reviewed annually.

Investments in subsidiaries

Investments in subsidiary undertakings are shown at cost less provisions for impairment in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition. Investments in subsidiaries are all classified as non-current assets.

Impairment of non-financial assets

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

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

Inventories

Inventories comprise rough diamonds recovered and consumables and spares. Inventories are valued at the lower of cost and net realisable value. Rough diamond inventories cost is calculated on the weighted average cost basis and includes all costs directly incurred up to the relevant point in the process such as mining and processing cost, but excludes other operating costs such as general mine or administration costs. The net realisable value is determined by reference to market prices at year end. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to conclude the sale.

Financial assets

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, fair value through other comprehensive income and fair value through profit or loss as appropriate depending on the purpose for which the asset was acquired or entered into. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Trade and other receivables

Trade and other receivables arise from the sale of diamonds and are held to collect contractual cash flows solely comprising of diamond sale proceeds. Trade and other receivables are held at amortised cost. They are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest rate method less, a loss allowance for expected credit losses.

Provisions for expected credit losses for trade receivables are recognised based on the simplified approach within IFRS 9 by applying a probable default matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within profit and loss in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Loans and receivables

Loans and receivables are held to collect cash flows solely comprising of principle and interest. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less, a loss allowance for expected credit loss. The amount of expected credit losses are updated at each reporting date to reflect changes in credit risk for each financial asset.

Provisions for expected credit losses for loans and other receivables, including loans to subsidiaries are recognised, based on management’s assessment and understanding of the credit risk attaching to each financial asset. The expected credit loss will be calculated as the net present value of the difference between the contractual and expected cash flows and the expected credit loss will represent the weighted average of those credit losses based on the respective risks of each scenario.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position and in respect of the Company includes loans to subsidiaries.

Cash and cash equivalents includes cash on hand and deposits held on call with banks.

Hedging instruments

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

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and
- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

Cash flow hedges

The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the hedge reserve.

If a highly probable forecast transaction results in the recognition of a non-monetary asset, the cumulative loss/(gain) is added to/(subtracted from) the cost of the asset acquired ("basis adjustment"). The same approach is followed where a cash flow hedge of a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment to which fair value hedge accounting is applied. Otherwise the cumulative gain or loss recognised in other comprehensive income is reclassified from the hedge reserve to profit or loss at the same time as the hedged transaction affects profit or loss. The Group formally assesses on an ongoing basis whether the changes in cash flow of the derivatives are effective in offsetting changes in the cash flow of the hedged item.

The effective portion of gains and losses on hedges used to manage cash flow interest rate risk (such as floating-to-fixed interest rate swaps) are also recognised in other comprehensive income and accumulated in the hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group classifies its financial liabilities as:

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any modifications to the original terms of the loans are assessed against the rules on modification accounting under IFRS 9. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Amortised interest arising in respect of loans and borrowings specifically allocated to the development of mining assets and production plant is capitalised on a pro-rata basis into the cost of the related asset using a weighted average interest rate applicable to the amount of the loans allocated.

Trade and other payables

These are initially recognised at invoiced value. These arise principally from the receipt of goods and services. There is no material difference between the invoiced value and the value calculated on an amortised cost basis.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning and site rehabilitation

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and local regulatory requirements. These provisions are subject to regular review.

Decommissioning and site rehabilitation costs arising from a development activity or from the installation of plant and other site preparation work are provided for when the obligation to incur such costs arises and are capitalised as a component of the related assets. These costs are charged against profits through amortisation or impairment of the asset. Amortisation and impairment are included in cost of sales.

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties. Diamond sales are conducted through a competitive tender process where bids for specific parcels of diamonds are offered. The performance obligation to transfer control associated with the ownership of the goods is satisfied when the customer’s bid on a parcel has been accepted when the tender closes. The Group retains no further rights to the diamonds at that stage as it is legally bound by the sale agreement to deliver the goods to the customer. Revenue is recognised when the tender closes and the winning bids are accepted.

Other income

Other income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the other income can be reliably measured. Other income is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties.

Borrowing cost
Borrowing costs are recognised as an expense in the period in which they are incurred.

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

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

Warrant reserve
Warrant reserve is the value of warrants issued by the Company for subscription by warrant holders.

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

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

Share-based payment reserve
The share-based payment reserve represents amounts where the entity recognises the increases and decreases in equity for equity-settled share-based payment transactions.

Translation reserve
These are the gains and losses arising on retranslating the net assets of overseas operations into the US Dollar, the Group's presentation currency.

Accumulated losses
All other net gains and losses and transactions with owners not recognised elsewhere.

Share-based payment transactions
Certain employees (including Directors and senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model.

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Leases
All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

At inception, the Group assesses whether a contract contains a lease. This assessment requires judgement on whether the contract contains an identifiable asset, whether the Group obtains substantially all of the economic benefits in relation to that asset as well as whether the Group has the ability to direct the use of the identifiable asset. The Group accounts separately for both lease component and non-lease component contained in contracts that both convey a right to the Group to use an identifiable asset (lease component) and require services to be provided to the Group (non-lease component).

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic useful life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except for the discount rate which remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right of use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Foreign currency

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

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

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items is included in the Consolidated Statement of Comprehensive Income for the period.

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

Foreign currency movements arising from the Group's net investment, which comprises equity and long-term debt, in subsidiary companies whose functional currency is not the US Dollar are recognised in the translation reserve, included within equity until such time as the relevant subsidiary company is sold, whereupon the net cumulative foreign exchange difference relating to the disposal is transferred to profit and loss.

Taxation

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company or different Group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2 Critical accounting estimates and judgements

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

Share-based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 24.

Rehabilitation provisions

The Group makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in Botswana and Lesotho and technical reports and estimates provided by the Group's senior employees and advisers. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. In determining the future cash flows of each cash-generating unit, management makes a number of significant estimates and judgements including the following (refer to note 9):

- estimated resources and reserves;
- estimated Life of Mine;
- estimated diamond price per carat;
- recovery and productivity rates;
- inflation rates;
- discount rate; and
- exchange rates.
- timing of recommencement of mining

A discount rate of 10.0% (2020: 11.7%) was used to discount the future cash flows of the Liqhobong Mine. In determining the lower discount rate management considered the reduced risk prevailing in the diamond market at year-end, which resulted from the global recovery from the impact of the COVID-19 pandemic and the rebalancing of the rough diamond market to more sustainable levels of inventory held in the mid-stream.

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

The Group reviews and tests the carrying value of tangible and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets and of the likely disposal proceeds and related costs.

Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could change materially over time.

The Group currently has one cash-generating unit, the Liqhobong Mine, which was placed on care and maintenance on 26 March 2020.

Fair value measurement

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

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash flow forecasts

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

- estimated diamond price per carat;
- estimated production and other operating costs;
- inflation rates;
- exchange rates;
- restart cost; and
- timing of recommencement of mining.

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

Waste stripping cost capitalised

Judgement is required in determining a suitable production measure to allocate waste stripping cost incurred between waste stripping that provided access to ore mined in the current year and waste stripping that provides access to ore that is expected to be mined in future years. The Group capitalises waste stripping costs based on waste mined in excess of the Mine's global stripping ratio based on its Life of Mine.

Deferred tax assets

The recognition of deferred tax assets is based upon whether sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement as set out in note 29.

Valuation of inventories

Judgement is applied in making assumptions about the value of inventories, including diamond prices and expenditure, to determine the extent to which the Group values inventory. The Group uses on-site valuations to determine the net realisable value of diamond inventory on hand at year end.

Depreciation

Judgement is applied in making assumptions about the depreciation charge for mining assets when using the unit-of-production method in estimating the ore tonnes held in resources and reserves. The relevant resources and reserves are those included in the current approved life of mine ("LOM") plan. Judgement is also applied when assessing the estimated useful life of individual assets and residual values. The assumptions are reviewed at least annually by management and the judgement is based on consideration of the LOM plan, as well as the nature of the assets. The resource and reserve assumptions included in the LOM plan are evaluated by the Mineral Resource Manager and reviewed by the General Manager.

Functional currency

A key issue for mining companies reporting under IFRS is correctly determining their functional currency. This is defined by IAS 21 as 'the currency of the primary economic environment in which the entity operates'.

Whilst an entity's functional currency should be a matter of fact, there are several factors that need to be considered in determining the most appropriate currency against which judgement is required to consider which of these has the strongest weighting. The primary indicator of the appropriate currency is that which most influences sales prices, often that in which revenue is denominated, and is usually the most significant driver of functional currency. Other considerations include the currency in which labour and material expenses are incurred, the currency in which borrowings are denominated, and the currency in which cash is held.

The relative importance of these factors changes during the life cycle of the Company and may present mixed indicators. Management is therefore required to make a judgement on which is the most appropriate currency that faithfully represents the economic effects of the underlying transactions, events and conditions based on the relative weight of each of the indicators.

The functional currency of the Group's operating subsidiary, Liqhobong Mining Development Company (Pty) Limited, is the Lesotho Maloti, which is pegged to the South African Rand, on the basis that the Mine operates in Lesotho and the majority of costs are denominated in Lesotho Maloti and internal reporting to the LMDC Board is in Lesotho Maloti.

3 Revenue

	Group	
	2021	2020
	US$'000	US$'000
Sale of gem diamonds	**4 567**	33 963
Sale of non-gem diamonds	**10**	220
	4 577	34 183

All diamonds are sold in Antwerp, Belgium through a competitive tender process. Below is an analysis of major customers which account for more than 10% of the Group's revenue from the sale of gem diamonds:

	Group			
	2021		2020	
	US$'000	**%**	US$'000	%
Customer – Europe	**138**	**3**	1 928	6
Customer – India	**262**	**6**	4 876	14
Customer – Europe	**529**	**12**	787	2
Customer – Europe	**598**	**13**	570	2
Customer – South Africa	**958**	**21**	—	—
Other customers	**2 082**	**45**	25 802	76
	4 567	**100**	33 963	100

4 Operating loss

	Group	
	2021	2020
	US$'000	US$'000
Operating loss for the year is stated after charging:		
Impairment charge (note 9)	**1 725**	—
Impairment of spares and consumables (note 9 and 18)	**178**	2 718
Cost of inventories recognised as an expense excluding amortisation and depreciation	**3 306**	25 978
Amortisation and depreciation	**1 396**	3 419
Property, plant and equipment (included in cost of sales) (note 12)	**—**	1 825
Right of use asset (included in cost of sales) (note 13)	**382**	436
Property, plant and equipment (other) (note 12)	**1 014**	1 158
Employee costs (note 5)	**1 318**	7 186
Operating lease rentals	**84**	188

5 Employee numbers and costs

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

	Group	
	2021	2020
	Number	Number
Operations	**64**	144
Administration	**9**	14
	73	158

The employment benefits were as follows:

	Group	
	2021	2020
	US$'000	US$'000
Salaries and wages	**1 276**	6 933
Social security cost	**14**	37
Share-based payments	**28**	216
	1 318	7 186

6 Directors' emoluments

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

	Group	
	2021	2020
	US$'000	US$'000
Short-term benefits	**467**	991
Total	**467**	991

During the year, the total remuneration for Directors was US$467 288 (2020: US$990 975) and comprised of remuneration for qualifying services. The related aggregate remuneration for the highest paid Director was US$317 288 (2020: US$478 333).

7 Auditor's remuneration

	Group	
	2021	2020
	US$'000	US$'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements		
Audit of the Group's financial statements	**94**	117
Fees payable to the Group's auditor and its associates for other services		
Audit of accounts of subsidiaries of the Company	**34**	51
Taxation compliance services	**16**	7
Other taxation services	**—**	4
	144	179

8 Finance income and costs

	Group	
	2021	2020
	US$'000	US$'000
Interest income on bank deposits	**61**	382
Finance income - Total	**61**	382
Interest on borrowings (note 26)	**2 469**	3 493
Foreign exchange adjustments on cash balances	**66**	1 174
Finance cost – cash	**2 535**	4 667
Interest on borrowings (note 26)	**7 041**	6 445
Unwinding of discount on rehabilitation liability (note 28)	**256**	285
Interest on lease liabilities (note 27)	**341**	273
Other	**53**	—
Finance costs - Total	**10 226**	11 670

No borrowing costs were capitalised during the year.

In the prior year in addition to the US$4.7 million interest above, US$0.4 million in cash finance cost was paid in respect of an ECIC premium adjustment. Total cash finance cost per the cash flow statement is therefore US$5.1 million.

9 Impairment

At the end of each reporting period the Group assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. If an indication exists, the Group estimates the recoverable amount of the asset in order to determine if an impairment charge is required.

Liqhobong Mine

At year end, the Group assessed both external and internal indicators of impairment. The Liqhobong Mine has remained on care and maintenance throughout the year. This remains an indicator of impairment and as such the Company is required to perform an impairment test on the Liqhobong CGU. No triggers to reverse impairment were identified.

Value in use of Liqhobong Mine

At year end, the recoverable amount of the Liqhobong CGU was determined using its value-in-use based on a discounted cash flow model over the revised life of mine plan with a 7-year mine life (2020: 10-year mine life). Using the revised life of mine plan and other key assumptions including those listed below, Liqhobong's value-in-use was determined to be US$41.0 million, which is less than its carrying value of US$42.7 million.

After careful consideration the Board has concluded that it is appropriate to recognise a further US$1.7 million impairment charge.

Key assumptions	2021	2020	Basis for assumption
Average diamond value per carat over life of mine - (REAL)	**US$78**	US$75	The average diamond value was based on the return to 2018, pre-COVID-19, average diamond values achieved for Liqhobong's assortment by the 2022 financial year (previously: 2023 financial) at which time the diamond market supply/demand is expected to be in balance. This value was adjusted for the effect of one year's US$ inflation.
Real diamond price growth	**FY22 – 7.8%** **FY23 – 3.0%** **FY24 – (3.0)%** **FY25 – (0.5)%** **FY26 – 5.6%** **FY27 onwards – 2.5%**	FY22 onwards - 2.2%	The diamond price growth is based on long-term projections, taking into account the current diamond market stock levels, and anticipated supply and demand in the future.
Mine Call Factor ("MCF")	**90%**	95%	The 2021 MCF is based on expected recovered grades and is considered to be a realistic assumption.
Discount rate	**10.0%**	11.7%	The discount rate used to account for the time value of money represents the pre-tax weighted average cost of capital ("WACC") that would be expected by market participants based on risks specific to the Liqhobong Mine. The rate includes adjustments for market risk, volatility and risks specific to the asset.
Planned restart date	**February 2022**	October 2022	The mine restart date was determined at the end of the year end based on management's best estimate as to when the required restart and working capital funding could be available.
Exchange rate (ZAR:US$)	**R14.31**	R17.36	The exchange rate is the spot exchange rate as at 30 June.

The value-in-use of the Liqhobong Mine, is impacted by changes in the average diamond value followed by changes in, particularly, the ZAR:US$ exchange rate, restart date and discount rate. The impact of applying sensitivities to these assumptions is show below:

US$ per carat	**Potential reversal/ (additional impairment)[1]**
10% increase – US$85.80	25.8
5% increase – US$81.90	12.0
5% decrease – US$74.10	(15.5)
10% decrease – US$70.20	(29.3)

ZAR:US$ exchange rate	**Potential reversal/ (additional impairment)[1]**
R15.50:US$1.00	15.7
R15.00:US$1.00	8.7
R14.00:US$1.00	(6.8)
R13.50:US$1.00	(15.4)

Restart date	**Potential reversal/ (additional impairment)[1]**
3 Month delay – May 2022	(6.2)
6 month delay – August 2022	(9.4)
9 month delay – November 2022	(13.8)

Discount rate	**Potential reversal/ (additional impairment)[1]**
11.0%	(3.5)
12.0%	(5.2)
13.0%	(6.8)

1 The potential reversal or additional impairment is based on the result compared with the carrying value of the CGU as at year end.

BK11 Mine

The BK11 Mine remained on care and maintenance throughout the current financial year and in May 2021, the Group made the decision to dispose of the Mine for US$50,000.

Impairment summary

The following table presents previous impairments recorded against the Group's two CGUs:

Cash-generating unit	Liqhobong US$'000	BK11 US$'000	**Total** **US$'000**
Carrying value pre-impairment	187 472	4 539	**192 011**
Accumulated impairment	(146 463)	(5 193)	**(151 656)**
Carrying value after impairment	**41 009**	**(654)**	**40 355**

	Group		Company	
	2021	2020	**2021**	2020
Impairment charge/(reversal)	**US$'000**	US$'000	**US$'000**	US$'000
Property, plant and equipment – Liqhobong Mine (note 12)	**1 725**	—	**—**	—
Investments in subsidiaries (note 14)	**—**	—	**(261)**	623
Loans to subsidiaries (note 16)	**—**	—	**(713)**	3 447
Spares and consumables (note 18)	**178**	2 718	**—**	—
	1 903	2 718	**(974)**	4 070

Company

During the year, the Company reversed US$1.0 million impairment (2020: raised impairment of US$4.1 million) on its investments in subsidiaries and loans to subsidiaries. The reversal of impairment resulted from the termination of share options provided to employees of the Liqhobong Mine and a reduction in the value of loans to subsidiaries due to repayments being received.

10 Taxation

	Group	
	2021	2020
	US$'000	US$'000
Current tax	**—**	(57)
Prior period tax	**183**	—
Deferred tax charge (note 29)	**228**	—
Total tax charge/(credit) for the year	**411**	(57)

Prior period tax

The prior period tax charge relates to income tax payable in Lesotho on disallowed intercompany interest between the 2018 and 2020 financial years.

Factors affecting the tax charge/(credit) for the year

The reasons for the difference between the actual tax charge/(credit) and the tax charge/(credit) based on the Company's standard corporation tax rate of 19% (2020: 19%) are as follows:

	Group	
	2021	2020
	US$'000	US$'000
Loss before tax	**(16 407)**	(22 118)
Tax credit on loss at standard rate of 19% (2020: 19%)	**(3 117)**	(4 203)
Adjustments to deferred tax not recognised	**(4 465)**	17 628
Effect of tax in foreign jurisdictions	**8 069**	(14 129)
Foreign exchange adjustment on effective interest rate on borrowings	**(76)**	699
Movement in withholding tax credits	**—**	(57)
Expenses not deductible for tax purposes	**—**	5
	411	(57)

Other comprehensive income

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

11 Loss per share

The calculation of the basic loss per share of 1.7 US cents (2020: 2.7 US cents) is based on the net loss after tax attributable to ordinary shareholders of US$13.0 million (2020: US$17.2 million) and a weighted average number of shares in issue for the year of 782 984 034 (2020: 644 940 872).

Diluted loss per share

The diluted loss per share for both the current and prior years is equal to the basic loss per share as the potential ordinary shares to be issued have no dilutive effect.

The Company has a further 19 577 261 (2020: 20 681 724) potentially issuable shares in respect of share options issued to employees (note 24) that do not have a dilutive effect as at 30 June 2021 and 65 101 758 (2020: 65 101 758) potentially issuable shares in respect of warrants issued to strategic investors that do not have a dilutive effect as at 30 June 2021. All of the potentially issuable shares could be dilutive in the future.

12 Property, plant and equipment – Group

US$'000	Mining property	Plant and equipment	Motor vehicles and other assets	**Total**
Cost				
At 30 June 2019	223 517	15 119	2 971	**241 607**
Additions	813	16	4	**833**
Disposals	(338)	—	(37)	**(375)**
Exchange difference	(40 342)	(2 711)	(483)	**(43 536)**
At 30 June 2020	183 650	12 424	2 455	**198 529**
Additions	198	—	2	**200**
Transfer to non-current assets held for sale (note 22)	—	(14 837)	(82)	**(14 919)**
Exchange difference	39 089	2 413	627	**42 129**
At 30 June 2021	**222 937**	**—**	**3 002**	**225 939**
Accumulated depreciation and impairments				
At 30 June 2019	173 703	13 859	2 288	**189 850**
Amortisation and depreciation charge for the year	2 355	6	622	**2 983**
Impairment charge (note 9)	—	—	—	**—**
Disposals	(338)	—	(37)	**(375)**
Exchange difference	(31 981)	(2 153)	(456)	**(34 590)**
At 30 June 2020	143 739	11 712	2 417	**157 868**
Amortisation and depreciation charge for the year	905	298	109	**1 312**
Impairment charge (note9)	1 725	—	—	**1 725**
Transfer to non-current assets held for sale (note 22)	—	(13 650)	(374)	**(14 024)**
Exchange difference	31 979	1 640	477	**34 096**
At 30 June 2021	**178 348**	**—**	**2 629**	**180 977**
Net book value at 30 June 2019	49 814	1 260	683	**51 757**
Net book value at 30 June 2020	39 911	712	38	**40 661**
Net book value at 30 June 2021	**44 589**	**—**	**373**	**44 962**

13 Right of use assets

US$'000	Mining property	Other assets	**Total**
At 1 July 2020	**2 029**	**156**	**2 185**
Lease modifications	324	(12)	**312**
Depreciation charge for the year	(295)	(86)	**(381)**
Exchange difference	431	33	**464**
At 30 June 2021	**2 489**	**91**	**2 580**

Right of use assets were recognised on 1 July 2019 based on the amount equal to the lease liabilities on the date of initial application. Refer to note 27 – Lease liabilities.

Mining property relates to the lease of the tailings disposal conveyor system. Other assets relates to Liqhobong's office lease in Maseru, Lesotho.
The modification on the Mining property lease resulted from the extended lease period of 18 months whilst the Liqhobong Mine was on care and maintenance.
The modification on other assets resulted from a reduced rental escalation as a result of the impact of the COVID-19 pandemic.

14 Investments in subsidiaries – Company

	2021	2020
	US$'000	US$'000
At 1 July	**—**	789
Share-based payments to employees of subsidiaries (note 24)	**—**	95
Share-based payments to employees of subsidiaries lapsed or expired	**(261)**	(261)
Reversal of impairment charged Liqhobong CGU(note 9)[1]	**261**	(623)
At 30 June	**—**	—

1 The reversal of impairment charged relates to the Liqhobong CGU. During the year, share options provided to the employees of the Liqhobong Mine expired, resulting in a reversal of the corresponding investment of US$261k.

As at 30 June 2021, the Company had direct and indirect holdings in the following subsidiary undertakings.

Subsidiary	Country	Effective percentage of shares held by Company
Diamond mining, exploration and associated companies		
Firestone Diamonds (Botswana) (Pty) Limited[2]	Botswana	100%
Ilmari Exploration OY	Finland	100%
Infrastructure Projects (Pty) Limited	Lesotho	49%
Liqhobong Mining Development Company (Pty) Limited	Lesotho	75%
Monak Ventures (Pty) Limited[2]	Botswana	90%
Investment holding companies		
Becksham Corporation	Barbados	100%
Becksham Limited	British Virgin Islands	100%
European Diamonds Limited	British Virgin Islands	100%
Firestone Diamonds Limited[1]	British Virgin Islands	100%
Kopane Diamond Developments Limited[1]	United Kingdom	100%
Minegem Inc.	Canada	100%
Management company		
Firestone Diamonds (Pty) Limited	South Africa	100%
Dormant companies		
Kuboes Diamante (Pty) Limited	South Africa	87.5%
Maskam Resources (Pty) Limited	South Africa	100%
Oena Mine (Pty) Limited	South Africa	87.5%

1 Company in which Firestone Diamonds plc has a direct holding.

2 These subsidiaries are held for sale as at 30 June 2021

All subsidiaries are included in the consolidated financial statements.

15 Non-controlling interest

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

	Group	
	2021	2020
Items included in the Consolidated Statement of Comprehensive Income:	**US$'000**	US$'000
Revenue	**4 577**	34 183
Cost of sales	**(3 366)**	31 222
Gross profit	**1 211**	2 961
Other income	**743**	1 609
Impairment	**1 903**	2 718
Care and maintenance	**3 514**	3 171
Administrative expenses	**2 337**	4 769
Loss before finance charges and income tax	**(5 800)**	(6 088)
Finance income	**60**	341
Finance cost	**11 111**	14 332
Loss before income tax	**(16 851)**	(20 079)
Taxation credit	**(49)**	—
Loss after tax for the year	**(16 802)**	(20 079)
Loss after tax allocated to non-controlling interest	**(4 247)**	(4 897)
Other comprehensive loss allocated to non-controlling interest	**2 284**	(2 696)
Total comprehensive loss allocated to non-controlling interest	**(1 963)**	(7 593)

	Group	
	2021	2020
Items included in the Consolidated Statement of Financial Position	**US$'000**	US$'000
Assets		
Non-current assets		
Property, plant and equipment	**25 059**	**27 581**
Right of use asset	**2 726**	**2 797**
Current assets		
Inventories	**1 819**	**5 697**
Other financial assets	**229**	**3 564**
Trade and other debtors	**2 980**	**204**
Cash and cash equivalents	**5 928**	**9 924**
Total assets	**38 741**	**49 767**
Liabilities		
Non-current liabilities		
Borrowings	**115**	**322**
Rehabilitation provisions	**3 603**	**3 149**
Lease Liabilities	**3 128**	**2 915**
Deferred taxation	**2 301**	**2 088**
Loans from Group companies	**217 243**	**222 582**
Current liabilities		
Borrowings	**63 124**	**62 474**
Trade and other payables	**8 729**	**8 738**
Provisions	**80**	**99**
Total liabilities	**298 323**	**302 367**
Translation reserve	**(17 213)**	**(17 136)**
Accumulated non-controlling interests	**(69 756)**	**(67 238)**

16 Loans to subsidiaries

	Company	
	2021	2020
	US$'000	US$'000
Loan A to Kopane Diamond Developments Limited[1]	**68 014**	68 369
Loan B to Kopane Diamond Developments Limited[2]	**5 036**	4 671
Loan C to Kopane Diamond Developments Limited[3]	**26 065**	27 065
Firestone Diamonds (Pty) Limited[4]	**7 252**	7 102
Firestone Diamonds Limited[5]	**6 638**	6 534
Liqhobong Mining Development Company (Pty) Limited[5]	**9 671**	9 644
Other[5]	**74**	78
	122 750	123 463
Life time expected credit loss provision[6]	**(122 750)**	(123 463)
	—	—
Non-current assets	**—**	—
Current assets	**—**	—
Total assets	**—**	—

1 Loan A to Kopane Diamond Developments Limited is in respect of the mine development project. The loan bears interest of 0% (2020: 0%), is unsecured and is repayable in equal instalments over a 60-month period from the time that the ABSA debt facility, which is provided directly to Liqhobong Mining Development Company (Pty) Limited, is repaid. The loan is considered non-current on the basis of the expected recovery profile.

2 Loan B to Kopane Diamond Developments Limited is in respect of grid electricity funding. The loan bears interest at 0% (2020: 0%), is unsecured and is repayable in quarterly instalments ending March 2024.

3 Loan C to Kopane Diamond Developments Limited is in respect of additional working capital provided to Liqhobong Mining Development Company (Pty) Limited to fund its operations. The loan bears no interest, is unsecured and payable on demand.

4 The loan to Firestone Diamonds (Pty) Limited bears interest at 2.1% (2020: 2.1%), is unsecured and has no fixed terms of repayment.

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

6 During the year, the value of the Company's loans to subsidiaries decreased by US$0.7 million, which resulted in a US$0.7 million reversal of impairment.

The Group applies the general approach to measuring the expected credit loss provision for loans to subsidiaries. Accordingly, the Company measured the expected credit losses using a lifetime expected credit loss provision, which is based on the underlying value of the Liqhobong Mine attributable to the Company and are calculated as the net present values of the differences between the contractual and expected cash flows. There is no significant difference between the fair value of the loans to subsidiaries and the values stated above.

17 Loan receivable

	Group	
	2021	2020
Government of Lesotho	**US$'000**	US$'000
Government of Lesotho	**5 816**	5 295
Accumulated impairment	**(5 816)**	(5 295)
	—	—
Non-current assets	**—**	—
Current assets	**—**	—
Total assets	**—**	—

The loan to the Government of Lesotho bears interest at 9.50% (2020: 9.5%), is unsecured and is repayable out of dividends declared by Liqhobong Mining Development Company (Pty) Limited. As this loan is considered to be credit impaired no interest was charged during the year.

The Group applies the general approach to measuring expected credit losses using a lifetime expected credit loss provision for loans receivable. The loan receivable remains credit impaired and an expected credit loss provision was recognised for the full loan value.

18 Inventory

	Group	
	2021	2020
	US$'000	US$'000
Diamond inventory	**—**	3 306
Spares and consumables	**2 896**	2 718
	2 896	6 024
Provision for impairment of spares and consumables (note 9)	**(2 896)**	(2 718)
	—	3 306

Spares and consumables relating to the Liqhobong Mine remains fully impaired as at 30 June 2021 as a result of the Mine being placed on extended care and maintenance and the uncertainty around the timing of the restart.

19 Other financial assets/(liabilities)

The Group has the following derivative financial instruments:

	Group	
	2021	2020
Cash flow hedges	**US$'000**	US$'000
Current asset		
Forward exchange contracts	**—**	65
Current liability		
Interest rate swap	**—**	(85)

The Group has designated forward foreign currency exchange contracts as cash flow hedges. The risk being hedged is the volatility in the exchange rate of the Maloti, which is pegged to the Rand, against the US Dollar, the currency in which the Group's diamond revenue is denominated.

The Group has also designated interest rate swaps as cash flow hedges. The interest rate swap contract was entered into to mitigate the risk that variable interest rates pose to the Group's cash flow.

Further details on the Group's risk management policy is provided in note 32.

Financial instruments measured at fair value

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

	Level 1		Level 2		Level 3	
	2021	2020	**2021**	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Other financial asset	**—**	—	**—**	65	**—**	—
Other financial liability	**—**	—	**—**	85	**—**	—

There were no transfers between levels during the period.

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

Item	Valuation technique and inputs used
Derivative through fair value through other comprehensive income	The fair value of forward exchange contracts is determined based on the forward exchange rates as at the reporting date. The fair value of floating-to-fixed interest rate swaps' value is provided by ABSA Bank Limited, the counterparty to the instrument. Their valuation is determined though discounting future cash flows using discount rates obtained from the ZAR-swap curve.

20 Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**—**	249	**248**	248
Other receivables	**522**	802	**87**	117
Prepayments	**86**	90	**15**	31
	608	1 141	**350**	396

Trade receivables in the prior year of US$248 635 related to the diamond sale that completed on 19 March 2020 and was fully received during the year, and as such, no credit loss provision was recognised. Other receivables relate to value added taxation due mainly from the Lesotho Revenue Authority.

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivables. Except for the trade receivables discussed above none of the other receivables is past due date and no expected credit loss provision was recognised on these receivables. There is no significant difference between the fair value of the trade and other receivables and the values stated above. Please refer to note 32 for a discussion on credit risk.

21 Cash and cash equivalents

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Cash and cash equivalents	**6 232**	9 833	**326**	699

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

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
US Dollars	**5 179**	6 605	**314**	638
British Pounds	**12**	61	**12**	61
Lesotho Maloti	**1 018**	3 121	**—**	—
Botswana Pula	**—**	5	**—**	—
South African Rand	**23**	41	**—**	—
Cash and cash equivalents	**6 232**	9 833	**326**	699

As at 30 June 2021, the Group had restricted cash deposits of US$1.6 million (2020: US$5.1 million) which comprises US$0.6 million (2020: US$4.2 million) in the ABSA debt service reserve account and US$1.0 million (2020: US$0.9 million) in the rehabilitation reserve account.

The Company does not hold any restricted cash.

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

22 Discontinued operations

BK11 Mine

In May 2021 the Group entered into a binding share sale agreement with Visionary Victor Resources Proprietary Limited for the sale of its Botswana operations, including its interest in the BK11 Mine for US$50,000. The BK11 Mine's assets and liabilities were transferred from other asset and liability classes and classified as non-current assets held for sale and liabilities of a disposal group and its profit after tax was reclassified to profit from discontinued operations.

	Group	
	2021	2020
Items included in the Consolidated Statement of Comprehensive Income:	**US$'000**	US$'000
Care and maintenance	**102**	—
Amortisation and depreciation	**298**	—
Loss after tax for the year from discontinued operations	**400**	—

	Group	
	2021	2020
Items included in the Consolidated Statement of Financial Position	**US$'000**	US$'000
Assets		
Non-current assets		
Property, plant and equipment	**895**	**—**
Current assets		
Trade and other debtors	**27**	**—**
Cash and cash equivalents	**2**	**—**
Non-current assets held for sale	**924**	**—**
Liabilities		
Non-current liabilities		
Rehabilitation provisions	**1 562**	**—**
Deferred taxation	**2**	**—**
Current liabilities		
Trade and other payables	**14**	**—**
Liabilities of a disposal group	**1 578**	**—**

23 Share capital

The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. As at 30 June 2021, the ordinary share capital of the Company was 789 481 276 ordinary shares of 1 pence each (2020: 741 083 458).

During the year, the Company issued a further 48 397 818 new ordinary shares of 1 pence each in respect of the quarterly interest due on the Series A Eurobonds for the June 2020 quarter.

	Number of shares		Nominal value of shares	
			2021	2020
	2021	2020	**US$'000**	US$'000
Allotted called up and fully paid				
At 1 July	**741 083 458**	565 471 782	**9 135**	6 921
Issued during the year	**48 397 818**	175 611 676	**607**	2 214
At 30 June	**789 481 276**	741 083 458	**9 742**	9 135
Deferred type A shares				
At 30 June	**7 079 649 109**	7 079 649 109	**113 345**	113 345
Deferred type B shares				
At 30 June	**308 992 814**	308 992 814	**46 622**	46 622
Total	**8 178 123 199**	8 129 725 381	**169 709**	169 102

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

24 Equity-settled share option schemes

The Group and Company issue equity-settled share-based payments to employees and Directors. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) as determined at the date of grant, using the Black-Scholes model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's and Company's estimate of shares that will eventually vest, adjusted for the effect of non-market-based vesting conditions.

No new share options were issued during the year.

Details of the total share options outstanding in respect of the Group's four share-based payment schemes during the year are as follows:

	Number of share options		Weighted average fair value (US cents)	
	2021	2020	**2021**	2020
Outstanding at 1 July	**20 681 724**	21 591 354	**46.5**	45.5
Lapsed or expired in the year	**(1 104 463)**	(909 630)	**55.5**	0.2
Outstanding at 30 June	**19 577 261**	20 681 724	**45.0**	46.5
Exercisable at 30 June	**14 992 072**	16 096 534	**59.6**	59.4

The options outstanding as at 30 June 2021 have a weighted average contractual life of five years (2020: five years). These options have an exercise price ranging from 1.0 pence to 85.0 pence (2020: a range of 1.0 pence to 275.0 pence). The options exercisable at 30 June have an exercise price ranging from 1.0 pence to 85.0 pence (2020: a range of 1.0 pence to 275.0 pence). No share options were exercised during or prior year.

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Charge for the year allocated to the Company	**28**	121	**28**	121
Charge for the year allocated to subsidiary companies	**—**	95	**—**	95
Included in selling, administrative and other expenses	**—**	33	**—**	—
Included in cost of sales	**—**	62	**—**	—
Total charge for the year	**28**	216	**28**	216
Amount capitalised to investments	**—**	—	**—**	(95)
Charge for the year in profit and loss	**28**	216	**28**	121

Basic Share Option Scheme

	Exercise period		Share options held at		Exercise price	
			2021	2020	**2021**	2020
Date of grant	From	To	**number**	number	**pence**	pence
17/05/2011	17/05/2012	16/05/2022	**—**	16 666	**275.0**	275.0
17/05/2011	17/05/2014	16/05/2022	**—**	16 667	**275.0**	275.0
17/05/2011	17/05/2015	16/05/2022	**—**	16 667	**275.0**	275.0
			—	50 000		

All options under the Basic Share Options Scheme are fully vested.

Unapproved Executive Share Option Scheme

	Exercise period		Share options held at		Exercise price	
			2021	2020	**2021**	2020
Date of grant	From	To	**number**	number	**pence**	pence
23/11/2014	23/11/2014	23/11/2022	**200 000**	200 000	**85.0**	85.0
23/11/2014	23/11/2015	23/11/2022	**250 000**	300 000	**85.0**	85.0
23/11/2014	23/11/2015	23/11/2022	**250 000**	300 000	**85.0**	85.0
23/11/2014	23/11/2015	23/11/2022	**50 000**	100 000	**85.0**	85.0
27/05/2015	27/05/2015	26/05/2024	**829 345**	829 345	**38.8**	38.8
15/01/2015	15/01/2015	14/01/2024	**9 101 281**	9 101 281	**30.0**	30.0
30/06/2015	30/06/2015	29/06/2024	**703 975**	703 975	**38.8**	38.8
01/11/2014	01/11/2014	31/10/2024	**—**	222 292	**33.8**	33.8
01/05/2015	01/05/2015	30/04/2025	**430 213**	430 213	**26.5**	26.5
06/10/2015	30/04/2015	29/04/2025	**381 121**	381 121	**26.5**	26.5
06/10/2015	30/04/2015	29/04/2025	**147 531**	295 061	**26.5**	26.5
			12 343 466	12 863 288		

All options under the Unapproved Executive Share Option Scheme are fully vested.

Unapproved Share Option Scheme

	Exercise period		Share options held at		Exercise price	
			2021	2020	**2021**	2020
Date of grant	From	To	**number**	number	**pence**	pence
23/11/2012	23/11/2012	22/11/2022	**1 500 000**	1 500 000	**85.0**	85.0

All options under the Unapproved Share Option Scheme are fully vested.

Restricted Share Plan

	Exercise period		Share options held at		Exercise price	
			2021	2020	**2021**	2020
Date of grant	From	To	**number**	number	**pence**	pence
15/01/2017	15/01/2017	14/01/2027	**614 333**	**942 333**	**1.0**	1.0
01/05/2018	01/05/2018	14/01/2027	**534 273**	**740 914**	**1.0**	1.0
01/07/2018	01/07/2018	30/06/2028	**4 585 189**	**4 585 189**	**1.0**	1.0
			5 733 795	**6 268 436**		

The restricted share units vest in three tranches over a three-year period.

Share option settlement scheme

To minimise the share capital dilution that would arise on the exercise of options, the Company has implemented a share option settlement scheme. Under this scheme the Company will, at the time of exercise of any options, agree to issue shares to the option holder with a value equal to the difference between the market value of the shares and the option exercise price on the date of exercise. On the basis of this scheme, the effective dilution resulting from all outstanding basic and performance-related options as at 30 June 2021 at the average share price for the year of 1.0 pence per share would have been nil shares as a result of it trading above the exercisable price limit (2020: nil shares at an average price of 1.0 pence, which were anti-dilutive). However, these shares are anti-dilutive as at 30 June 2021 and are thus not taken into account in calculating the diluted loss per share.

25 Warrant reserve

As part of the funding package, the Group issued warrants to its strategic investors Resource Capital Fund VI L.P., Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II. In terms of the Series A Eurobonds, the obligation to pay the subscription amount of the warrants can be offset against any monies outstanding at the time of exercise under the Eurobonds. The terms of the warrants are as follows:

Series A warrants

- total number of warrants issued: 48 786 436;
- exercise price: 61.4925 US cents;
- exercise period: 26 May 2014 to the later of 28 May 2018 or six calendar months after the repayment of the ABSA debt facility; and
- mandatory exercise if the Company's share price trades above the closing mid-market share price of 75 pence for 60 consecutive trading days.

The warrants were measured at fair value at the date of grant as determined through the use of the Black-Scholes model. The fair value determined at the grant date of the warrants is recognised in the Group's warrant reserve and is amortised as a finance cost over the life of the Series A Eurobonds.

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Warrant reserve	**7 609**	7 609	**7 609**	7 609

26 Borrowings

	2021					
Borrowings	**Series A Eurobonds US$'000**	**Series B Eurobonds US$'000**	**Company Total US$'000**	**ABSA debt facility US$'000**	**Other loans US$'000**	**Group Total US$'000**
Capital amount						
At 1 July	30 000	8 665	38 665	63 909	743	**103 317**
Finance cost capitalised	3 160	935	4 095	—	83	**4 178**
Foreign exchange adjustment	—	—	—	—	162	**162**
Reclassification to trade payables	—	—	—	—	(797)	**(797)**
At 30 June	**33 160**	**9 600**	**42 760**	**63 909**	**191**	**106 860**
Finance cost to be amortised over the life of the facility						
At 1 July	(2 727)	—	(2 727)	(1 918)	—	**(4 645)**
Additions	—	—	—	(422)	—	**(422)**
Finance cost	1 284	—	1 284	1 579	—	**2 863**
At 30 June	**(1 443)**	**—**	**(1 443)**	**(761)**	**—**	**(2 204)**
Total at amortised cost						
Non-current liabilities	—	—	—	—	115	**115**
Current liabilities	31 717	9 600	41 317	63 148	76	**104 541**
Total	**31 717**	**9 600**	**41 317**	**63 148**	**191**	**104 656**

	2021					
Finance cost	**Series A Eurobonds US$'000**	**Series B Eurobonds US$'000**	**Company Total US$'000**	**ABSA debt facility US$'000**	**Other loans US$'000**	**Group Total US$'000**
Finance charges – paid	—	—	—	2 469	—	**2 469**
Amortised finance charges	1 284	—	1 284	1 579	—	**2 863**
Interest capitalised	3 160	935	4 095	—	83	**4 178**
Total	**4 444**	**935**	**5 379**	**4 048**	**83**	**9 510**

Refer to note 8, Finance income and cost for the total finance cost for the year recognised in profit and loss.

As at the year-end, and as a result of restructuring discussions taking place between the Company, Absa Bank and the Bondholders, a Standstill was in place in connection with the Absa Debt Facility and an undertaking was provided by the Bondholders to capitalise interest on the Series A Eurobonds up until 30 September 2021. In terms of the Standstill, capital repayments under the Absa debt facility were suspended until 30 September 2021 and covenants which were due to be measured on 30 June 2021 were waived.

As no long term debt restructuring was agreed at the year end, it is necessary to present the outstanding balances of the ABSA debt facility and Eurobond facility as current liabilities as at 30 June 2021 due to the Bondholder undertaking and Standstill provided by Absa Bank, expiring on 30 September 2021.

	2020					
Borrowings	Series A Eurobonds US$'000	Series B Eurobonds US$'000	Company Total US$'000	ABSA debt facility US$'000	Other loans US$'000	Group Total US$'000
Capital amount						
At 1 July	30 000	8 096	38 096	65 920	1 211	105 227
Finance cost capitalised	—	569	569	—	—	569
Foreign exchange adjustment	—	—	—	—	(199)	(199)
Capital repayments	—	—	—	(2 011)	(269)	(2 280)
At 30 June	30 000	8 665	38 665	63 909	743	103 317
Finance cost to be amortised over the life of the facility						
At 1 July	(4 015)	(98)	(4 113)	(3 546)	—	(7 659)
Additions	—	—	—	(422)	—	(422)
Finance cost	1 288	98	1 386	2 050	—	3 436
At 30 June	(2 727)	—	(2 727)	(1 918)	—	(4 645)
Total at amortised cost						
Non-current liabilities	—	—	—	—	322	322
Current liabilities	27 273	8 665	35 938	61 991	421	98 350
Total	27 273	8 665	35 938	61 991	743	98 672

	2020					
Finance cost	Series A Eurobonds US$'000	Series B Eurobonds US$'000	Company Total US$'000	ABSA debt facility US$'000	Other loans US$'000	Group Total US$'000
Finance charges – paid	—	—	—	3 399	94	3 493
Amortised finance charges	1 288	98	1 386	2 050	—	3 436
Interest settled in shares	2 440	—	2 440	—	—	2 440
Interest capitalised	—	569	569	—	—	569
Total	3 728	667	4 395	5 449	94	9 938

Refer to note 8, Finance income and cost for the total finance cost for the year recognised in profit and loss.

The borrowing instruments have the following terms:

ABSA debt facility

Interest on the ABSA facility is calculated at three-month US$ LIBOR plus the following margin:

Original loan

- Tranche A (85% of the loan balance) – 1.8%; and
- Tranche B (15% of the loan balance) – 7.5% post-financial completion.

Deferred loan

- Tranche A (85% of the loan balance) – 1.8% plus staggered margin increase disclosed below; and
- Tranche B (15% of the loan balance) – 7.5% post-financial completion.

Staggered increase in the margin rates payable on the deferred loan	Effective from	Incremental %	Cumulative %
Deferred loan margin increase	1 January 2021	0.50	2.25
	1 January 2022	-	2.25
	1 January 2023	0.50	2.75

The effective interest rate is, in aggregate 6.45% (2020: 7.19%). Under revised terms, the facility is repayable in 19 quarterly instalments which commenced on 30 June 2019, however the capital repayments for the December 2019, March 2020 and June 2020 quarters have been deferred to 30 September 2021.

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

ABSA debt facility covenants
In terms of the Standstill agreement with Absa Bank, maintenance covenants were not required to be measured on 30 June 2021.

The following table provides further details of the performance covenants which need to be met in respect of the ABSA debt facility:

Covenant	Calculation	Maintenance criteria
Forecast debt service cover ratio	Forecast operational cash flow divided by debt service costs for a twelve-month period.	>=1.2 times
Historic debt service cover ratio	Historic operational cash flow divided by debt service costs for a twelve-month period.	>=1.2 times
Loan life cover ratio	Operational cash flow during the loan period discounted by the average interest rate, divided by the capital loan balance outstanding.	>=1.4 times
Project life cover ratio	Operational cash flow over the life of the Project discounted by the average interest rate, divided by the capital loan balance outstanding.	>=1.7 times
Debt/equity ratio	The ratio of the capital loan balance outstanding to total equity and loans provided to Liqhobong by the Group.	<=60:40
Reserve tail ratio	Remaining diamond reserves as a ratio of the total original diamond reserve of 36.4 million tonnes.	>=25%

Series A Eurobonds
The Series A Eurobonds have a coupon rate of 8.00% per annum payable quarterly. The effective interest rate is, in aggregate 13.63% (2020: 12.02%). Interest was capitalised on the Series A Eurobonds during the year.

The Series A bonds are repayable in two tranches, the first tranche of US$20 million plus capitalised interest on 4 August 2022 and the second tranche of US$10 million plus capitalised interest on 3 January 2023.

Series B Eurobonds
The Series B Eurobonds have a coupon rate of 8.00% per annum which is capitalised quarterly and is payable at maturity, and an effective interest rate in aggregate of 10.18% (2020: 10.18%).

Warrants were issued upon exercise of the Series B Eurobonds which entitled the Bondholders to receive shares in lieu of cash in respect of the outstanding balance of the bonds. The exercise price was calculated based on the lower of a) an amount equal to a 10% premium to the VWAP of an ordinary share over a 30-day period immediately prior to the issue of the bonds and b) 37.5 pence, using an average £:US$ exchange rate over a 20-day period immediately prior to the issue.

The Series B bonds are repayable in two tranches, the first tranche of US$5 million plus capitalised interest on 21 June 2022 and the second tranche of US$2 million plus capitalised interest on 11 October 2022.

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

27 Lease liabilities

US$'000	Mining property	Other assets	**Total**
At 1 July 2019	2 943	289	**3 232**
Finance cost	255	18	**273**
Lease payments	(508)	(83)	**(591)**
Exchange difference	(556)	(55)	**(611)**
At 30 June 2020	**2 134**	**169**	**2 303**
Lease modifications	324	(12)	**312**
Finance cost	328	13	**341**
Lease payments	(339)	(102)	**(441)**
Exchange difference	454	38	**492**
At 30 June 2021	**2 901**	**106**	**3 007**

	Group	
	2021	2020
	US$'000	US$'000
Non-current liabilities	**2 419**	1 706
Current liabilities	**588**	597
	3 007	2 303

On 1 July 2019 lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and where practical the rate implicit in the lease.

The following table presents the lease liability value as at 1 July 2019:

	Group
	US$'000
Contractor agreements not previously disclosed as operating leases as at 1 July 2019	**153 325**
Weighted average discount rate 1 July 2019	**8.3%**
Discounted operating lease commitments	**121 936**
Less:	
Non-lease component payments	**(23 100)**
Variable lease payments	**(95 604)**
Lease liability as at 1 July 2019	**3 232**

The modification on the Mining property lease resulted from the extended lease period of 18 months whilst the Liqhobong Mine is on care and maintenance.
The modification on other assets resulted from a reduced rental escalation as a result of the impact of the COVID-19 pandemic.

The Group does not recognise lease liabilities for short term and low value leases. The Group expensed US$0.1 (2020: US$0.2 million) operating lease payments relating to these leases during the year and has undiscounted short-term lease commitments of US$nil (2020: US$22k) relating to the lease of its Cape Town and London offices, both of which expired at the end of September 2020.

Maturity analysis

Group	Total US$'000	Current US$'000	1-2 years US$'000	2-5 years US$'000
2021				
Lease liabilities	**3 007**	**588**	**656**	**1 763**
2020				
Lease liabilities	2 303	597	767	939

28 Rehabilitation provisions

	Group	
	2021	2020
	US$'000	US$'000
At 1 July	**4 058**	4 510
Exchange difference	**722**	(736)
Restated for effect of foreign exchange	**4 780**	3 774
Increase during the year	**198**	—
Transfer to liabilities of a disposal group	**(1 562)**	—
Unwinding of discount on rehabilitation liability	**256**	284
At 30 June	**3 672**	4 058

Allocation by Mine

	Group	
	2021	2020
	US$'000	US$'000
Liqhobong Mine	**3 672**	2 622
BK11 Mine	**—**	1 436
At 30 June	**3 672**	4 058

The Group recognises a provision for the rehabilitation of the environmental disturbances caused by continued mining at the Liqhobong Mine. The original liability value was capitalised to the cost of the asset and the liability increases annually through the unwinding of discount through profit and loss. The Group assesses the estimated closure cost annually and any increase or decrease in the liability value is capitalised to the cost of the asset.

The environmental rehabilitation provision is based on current best practice and the most recent Environmental Management Plan which was updated in June 2016.

Significant estimates and assumptions are made in determining the amount attributable to this rehabilitation provision. These include uncertainties such as the legal and regulatory framework, and timing and value of future costs. Management estimates the cost of rehabilitation with reference to the rehabilitation activities contained in the Environmental Management Plan.

Key assumptions include the following:

	Group	
	2021	2020
Discount rate	**7.5%**	7.5%
Lesotho inflation rate	**5.5%**	5.5%
Remaining open pit Life of Mine	**7 years**	10 years

29 Deferred tax

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

	Group	
	2021	2020
Deferred tax liability	**US$'000**	US$'000
At 1 July	**—**	—
Movement in temporary differences recognised in income	**(228)**	—
Exchange difference	**13**	—
At 30 June	**(215)**	—

The deferred tax liability comprises:

	Group	
	2021	2020
	US$'000	US$'000
Accelerated capital allowances	**(8 706)**	(7 807)
Right of use asset	**(645)**	(546)
Inventories	**869**	680
Provisions	**916**	653
Borrowings	**(190)**	(479)
Lease liabilities	**752**	576
Losses available for offsetting against future taxable income	**6 789**	6 923
	(215)	—

The Directors, having considered the fact that the Liqhobong Mine has remained on care and maintenance throughout the year and the uncertainty, as at the year end, as to the timing of the expected restart of operations at the Mine, determined that compelling evidence does not exist to suggest that tax losses will be utilised over the forecast three year period. As a result, the deferred tax asset remains unrecognised. The position is reassessed at least annually, and there is a possibility that losses, which do not expire, may be used in the future.

Deferred tax assets and deferred tax liabilities relating to the same tax authorities have been disclosed on a net basis.

The Group has unrecognised tax losses of approximately US$294.7 million (2020: US$283.3 million), of which US$271.5 million relates to the Liqhobong Mine (2020: US$262.4 million) and US$23.2 million to the Group's corporate entities in the UK and South Africa (2020: US$20.9 million).

30 Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**863**	1 098	**28**	49
Inter-company payables	**—**	—	**1 841**	1 590
Tax and social security	**259**	554	**17**	24
Accruals and other payables	**4 034**	3 332	**52**	620
	5 156	4 984	**1 938**	2 283

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

31 Provisions

	Group	
	2021	2020
	US$'000	US$'000
At 1 July	**290**	496
Released in the year through profit or loss	**(150)**	(206)
At 30 June	**140**	290

Provisions relate to leave pay due to staff.

32 Financial instruments

The Company and its subsidiaries (collectively the "Group") is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and procedures for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

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

Principal financial instruments

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

- cash flow hedging instruments;
- loans receivable;
- trade and other receivables;
- loans to subsidiaries;
- cash and cash equivalents;
- interest-bearing loans and borrowings; and
- trade and other payables.

The above financial instruments are classified in the following categories:

	Group		Company	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Hedging instruments				
Forward exchange contracts	**—**	65	**—**	—
Financial assets at amortised cost				
Trade and other receivables	**—**	248	**248**	248
Loans to subsidiaries	**—**	—	**7 252**	7 102
Cash and cash equivalents	**6 232**	9 833	**326**	699
	6 232	10 146	**7 826**	8 049
Hedging instruments				
Interest rate swaps	**—**	85	**—**	—
Financial liabilities at amortised cost				
Borrowings	**104 656**	98 672	**41 317**	35 938
Trade and other payables	**5 155**	4 984	**1 938**	2 283
	109 811	103 741	**43 255**	38 221

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

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated part of the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives reports from financial personnel through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The policies adopted by the Board have not changed significantly during the year.

The overall objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk arises principally from the Group's and Company's trade and other receivables, cash and cash equivalents, and loans to subsidiaries in the case of the Company. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

The Group's trade receivables are derived from diamond sales to customers. The Group mitigates the risk of non-payment from trade debtors by only selling to customers following an assessment of the credit quality of the customer, taking into account its financial position and historic track record. Certain customers may be asked to prove availability of funds before attending a sale. The Group further mitigates the risk of non-payment from trade debtors by releasing parcels of diamonds sold only once the proceeds are received. The Group did not recognise any impairment and believes that credit risk is limited due to the short-term nature of trade and other receivables.

The Group has assessed the carrying value of trade receivables, classified at amortised cost, as approximating their fair value.
The Company's other receivables primarily relate to loans to subsidiaries and the Company expects to recoup the value of these loans once the Liqhobong Mine returns to production and generates higher levels of positive cash flow which is dependent on the recovery of the diamond market.

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

The maximum exposure to credit risk is the same as the carrying value of these items in the financial statements.

Liquidity risk

Liquidity risk arises from the Group's and Company's management of working capital, finance charges and capital repayments of its debt instruments. It is the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. The Board manages this risk through monthly cash flow projections containing information regarding what the expected commitments will be per month as well as what the available funding is, before and after settlement of the monthly commitments.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group and Company arise in respect of interest and capital repayments to ABSA Bank and the Bondholders, ongoing operating costs, capital expenditure and trade and other payables. Trade and other payables are all payable within six months.

Effective interest rates and maturity analysis

The following table indicates the effective interest rates of interest earning/bearing financial assets and liabilities at 30 June 2021 and the periods in which they mature:

Group	Variable/fixed interest rate	Effective interest rate	Total US$'000	Current US$'000	1-2 years US$'000	2-5 years US$'000
2021						
Cash and cash equivalents	**Variable**	**0.25%**	**6 232**	**—**	**—**	**—**
ABSA debt facility	**Variable**	**6.45%**	**63 909**	**63 909**	**—**	**—**
Series A Eurobonds	**Fixed**	**13.63%**	**33 160**	**33 160**	**—**	**—**
Series B Eurobonds	**Fixed**	**10.18%**	**9 600**	**9 600**	**—**	**—**
Other loans	**Variable**	**9.25%**	**191**	**76**	**115**	**—**
2020						
Cash and cash equivalents	Variable	0.25%	9 833	—	—	—
ABSA debt facility	Variable	7.19%	63 909	63 909	—	—
Series A Eurobonds	Fixed	12.02%	30 000	30 000	—	—
Series B Eurobonds	Fixed	10.18%	8 665	8 665	—	—
Other loans	Variable	9.50%	743	421	322	—

Company	Variable/fixed interest rate	Effective interest rate	Total US$'000	Current US$'000	1-2 years US$'000	2-5 years US$'000
2021						
Cash and cash equivalents	**Variable**	**0.25%**	**326**	**326**	**—**	**—**
Loans to subsidiaries	**Variable**	**2.10%**	**7 252**	**—**	**—**	**7 252**
Series A Eurobonds	**Fixed**	**13.63%**	**33 160**	**33 160**	**—**	**—**
Series B Eurobonds	**Fixed**	**10.18%**	**9 600**	**9 600**	**—**	**—**
2020						
Cash and cash equivalents	Variable	0.25%	699	699	—	—
Loans to subsidiaries	Variable	2.10%	7 102	—	—	7 102
Series A Eurobonds	Fixed	12.02%	30 000	30 000	—	—
Series B Eurobonds	Fixed	10.18%	8 665	8 665	—	—

Market risk
The Group is exposed to variable interest rate risk on long-term borrowings and foreign currency exchange risk as a result of the Group's expenses in Lesotho and South Africa which are incurred in Maloti, which is pegged to the Rand, and Rand respectively, being denominated in a different currency than the Group's revenue which is denominated in US Dollars. The Group uses derivative financial instruments in accordance with the Group's hedging strategy to mitigate against these market risks as presented below.

Interest rate risk
The Group is exposed to interest rate risk in respect of long-term borrowings entered into for the financing of the Project with variable interest rates and surplus funds held on deposit. The Company is also exposed to interest rate risk on loans to subsidiaries.

An analysis of the Group's and Company's exposure to variable interest loans and the expected maturity of these loans is provided in the table above.

Instruments used by the Group
The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. The Group raises long-term borrowings at floating rates and swaps a portion of floating rate for fixed rates. At 30 June 2021, the floating rate was LIBOR. The effective portion of the realised interest rate swap losses was included in profit and loss. The effective portion of the unrealised interest swaps that are still to mature was recognised in other comprehensive income.

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The effects of the interest rate swap on the Group's financial position and performance are as follows:

	Group	
Interest rate swap	**2021 US$'000**	2020 US$'000
Carrying value liability	**—**	(85)
Notional amount	**—**	7 935
Maturity date	**30 June 2021**	30 June 2021
Hedge ratio	**1:1**	1:1
Changes in fair value of outstanding hedge instruments	**(120)**	(58)
Changes in value of hedge item used to determine hedge effectiveness	**120**	58
Weighted Average hedge rate for the year	**2.09%**	2.09%

Interest rate sensitivity
The following table demonstrates the sensitivity of a reasonably possible change in interest rates, with all other variables held constant, to the Group's and Company's profit or loss before tax and cash flows.

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

	2021		2020	
Group	**Change in rate**	**US$'000**	Change in rate	US$'000
US$ equivalent	**-0.5%**	**490**	-0.5%	444
	-1.0%	**979**	-1.0%	888
	-1.5%	**1 469**	-1.5%	1 333
US$ equivalent	**+0.5%**	**(490)**	+0.5%	(444)
	+1.0%	**(979)**	+1.0%	(888)
	+1.5%	**(1 469)**	+1.5%	(1 333)

	2021		2020	
Company	**Change in rate**	**US$'000**	Change in rate	US$'000
US$ equivalent	**-0.5%**	**166**	-0.5%	141
	-1.0%	**333**	-1.0%	281
	-1.5%	**499**	-1.5%	422
US$ equivalent	**+0.5%**	**(166)**	+0.5%	(141)
	+1.0%	**(333)**	+1.0%	(281)
	+1.5%	**(499)**	+1.5%	(422)

Currency risk

The Company is exposed to currency risks between mainly the Maloti, which is pegged to the Rand, the Rand and US Dollar.

The Group's exposure of net monetary assets and liabilities by functional currency is as follows:

Net foreign currency financial (liabilities)/assets	**2021 US$'000**	2020 US$'000
US Dollar	**(2 131)**	(1 185)
Lesotho Maloti	**(2 971)**	(2 632)
Other	**7**	35
Total	**(5 095)**	(3 782)

As at 30 June 2021, the Group held no significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2020: nil), other than a cash balance held in Pound Sterling equivalent to US$11k (2020: US$61k).

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

	Average rate		Balance sheet rate	
	2021	2020	**2021**	2020
South African Rand	**15.2511**	15.2182	**14.3099**	17.3603
Lesotho Maloti	**15.2511**	15.2182	**14.3099**	17.3603
Botswana Pula	**11.0855**	11.0109	**10.8457**	11.7961
Pound Sterling	**1.3515**	1.2536	**1.3806**	1.2369

Loans between companies that form part of the Group are made in the operating currency of the lending company. In all other respects, the policy for all Group companies is that they only trade in their principal operating currency, except in exceptional circumstances from time to time. Long-term group loans to South African and Botswana subsidiary companies are considered to be part of the net investment by the Group in those subsidiaries.

Instruments used by the Group

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

The Group adopts a hedging strategy, approved by the Board, to mitigate this currency risk. In accordance with the hedging strategy, management has the discretion to hedge against the volatility in the Lesotho Maloti/South African Rand and US Dollar exchange rates up to a maximum of 100% of total funding available for capital projects and up to 70% of US Dollar revenue generated. The Group uses forward foreign currency exchange contracts as the hedging instrument and designates these contracts as cash flow hedges.

The Group formally assesses, at inception, and on an ongoing basis, whether these hedging contracts are highly effective in offsetting changes in the cash flows of the hedged item. The effective portion of the realised foreign exchange losses on matured contracts was included in profit and loss. The effective portion of the unrealised foreign exchange losses on contracts that are still to mature was recognised in other comprehensive income.

The effects of the forward foreign currency exchange contracts on the Group's financial position and performance are as follows:

	Group	
	2021	2020
Forward foreign currency exchange contracts	**US$'000**	US$'000
Carrying value asset	**—**	65
Notional amount	**—**	750
Maturity date	**—**	Jul 20
Hedge ratio	**1:1**	1.08:1
Changes in fair value of outstanding hedge instruments	**(92)**	(435)
Changes in value of hedge item used to determine hedge effectiveness	**92**	435
Weighted average hedged rate for the year	**R14.92:US$1.00**	R14.83:US$1.00
Weighted average hedged rate of open contracts at 30 June	**—**	R18.87:US$1.00

Foreign currency sensitivity
The following table demonstrates the sensitivity of a reasonably possible change in the ZAR:US$ foreign exchange rate, with all other variables held constant, to the Group's profit or loss before tax and cash flows.

The impact on the Group's equity is insignificant.

	2021		2020	
Group	**Change in rate**	**US$'000**	Change in rate	US$'000
US$ equivalent of strengthening of Maloti of Rand	**2.5%**	**(65)**	2.5%	(820)
	5.0%	**(134)**	5.0%	(1 683)
	7.5%	**(206)**	7.5%	(2 592)
US$ equivalent of weakening of Maloti of Rand	**2.5%**	**62**	2.5%	780
	5.0%	**121**	5.0%	1 523
	7.5%	**178**	7.5%	2 231

The Group's profit or loss and cash flows are impacted mostly by changes in the ZAR:US$ exchange rate. As such, sensitivities for other foreign currency rates are not presented.

Hedge reserve and amounts recognised in profit or loss
The effects of changes in value of interest rate swaps and forward foreign currency exchange contracts on the Group's hedge reserve disclosed in the Statement of Changes in Equity are as follows:

Hedge reserve	Interest rate swaps US$'000	Forward foreign currency exchange contracts US$'000	**Total US$'000**
At 1 July 2019	145	502	**647**
Changes in fair value recognised in Other Comprehensive Income	(59)	(435)	**(494)**
Minority interest	70	54	**124**
At 30 June 2020	**156**	**121**	**277**
Changes in fair value recognised in Other Comprehensive Income	(120)	(92)	**(212)**
Minority interest	(36)	(29)	**(65)**
At 30 June 2021	**—**	**—**	**—**

During the year, the following amounts were recognised in profit or loss in relation to foreign currency transactions and interest rate swaps:

	2021	2020
	US$'000	US$'000
Net foreign exchange losses included in other gains	**(26)**	(805)
Net realised interest rate swap receipts/(payments) recognised in finance cost	**87**	(12)
Total	**61**	(817)

Timing profile of the nominal amount of the hedging instruments

Cash flow hedges

2021	**Less than 6 months US$'000**	**6-12 months US$'000**	**1-2 years US$'000**	**2-5 years US$'000**	**5-10 years US$'000**
Forward exchange contracts	—	—	—	—	—
Interest rate swaps	—	—	—	—	—

2020	Less than 6 months US$'000	6-12 months US$'000	1-2 years US$'000	2-5 years US$'000	5-10 years US$'000
Forward exchange contracts	65	—	—	—	—
Interest rate swaps	(52)	(19)	—	—	—

Capital

The Group considers its capital and reserves attributable to equity shareholders together with interest-bearing borrowings to be the Group's capital. In managing its capital, the Group's long-term objectives are to restructure the Group's debt to ensure that it maintains a sustainable gearing ratio and also to maintain a sufficient funding base to enable the Group to meet its working capital needs.

Details of the Group's and Company's capital are disclosed in the Group and Company Statement of Changes in Equity and in note 23.

33 Capital commitments and contingencies

At 30 June 2021 the Group had no capital commitments or contingent liabilities.

34 Post-balance sheet events

Disposal of the BK11 Mine

On 2 July 2021, the Company and Visionary Victor Resources Proprietary Limited entered into a binding share sale agreement in respect of the sale of the Company's Botswana operations for a purchase consideration of US$50,000, together with the assumption of all rehabilitation obligations associated with the operations. The transaction was completed on 17 September 2021.

Debt restructuring and refinancing

On 5 January 2022, the Bondholders provided an undertaking to the Company that interest for the period 1 October 2021 up to and including 30 June 2022 on the Series A Bonds will be capitalised.

On 26 January 2022, Liqhobong and Absa Bank (insured by ECIC) entered into a Bridge Facility Agreement of ZAR31 560 000 (US$2 million) to fund ongoing care and maintenance and essential group costs to allow Absa's independent advisor to assess the viability of the business and to advise on debt restructuring and refinancing options.

On 27 January 2022, Liqhobong, and Absa Bank entered into a Standstill Agreement which effectively suspended interest and capital repayments from 30 September 2021 until 30 June 2022, and Absa Bank undertook not to take any enforcement action.

After concluding that the business of Liqhobong was viable, and considering the debt restructuring and refinancing options, on 13 May 2022 Liqhobong and Absa Bank (insured by ECIC) concluded the First Addendum to the Bridge Facility Agreement. In terms of the First Addendum, the Bridge Facility was extended to ZAR182 184 000 (US$11.6 million) for funding restart activities at Liqhobong Mine. In addition, Absa (and ECIC) have agreed in principle to provide a working capital facility of US$11.4 million to Liqhobong and to restructure the US$82 400 000 Senior Secured Term Facility so that a lower portion of the outstanding debt is repayable on a revised fixed repayment schedule that aligns with a forecast, which, amongst others, is based on more conservative average diamond values, and that the remaining balance of the debt is deferred and repaid to the extent that excess cash is generated.

In conjunction with the conclusion of the First Addendum, the Standstill period in terms of the Standstill Agreement was extended to 30 September 2022.

DRA arbitration

On 17 March 2022, Liqhobong was notified of the favourable outcome of international arbitration proceedings it was involved in with DRA Africa Holding (Pty) Ltd, and on 5 May 2022, it received a net arbitration award of ZAR41.5 million (~US$2.6 million) (including interest of ZAR 12.0 million).

Pac Road offer

On 24 June 2022, PRRF II, a newly established limited partnership owned by Pacific Road Resources Fund II L.P., a fund advised by Pacific Road Capital announced a cash offer for the entire issued and to be issued ordinary share capital of Firestone, other than the Firestone Shares already held by PRRF II, under Rule 9 of the UK Takeover Code. The PRRF II offer became unconditional on 27 July with Resource Capital Fund VI's ("RCF") acceptance of the offer for its 34.71% shareholding in the Company.

Pacific Road also agreed to acquire all of the Eurobonds (including capitalised interest) held by RCF, such that Pacific Road would own all of the Firestone bonds (the "Bond Transaction"), and the Firestone Warrants held by RCF. The Bond Transaction was completed on 31 May 2022 and funds advised by Pacific Road now own all of the Firestone Eurobonds. Funds advised by Pacific Road also acquired all of the Firestone Warrants held by RCF for nil consideration on 31 May 2022 such that the Pacific Road funds now own all of the outstanding Firestone Warrants.

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

35 Related party transactions

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

	2021	2020
	US$'000	US$'000
Finance income received – Firestone Diamonds (Pty) Limited	**150**	162
Management fee paid – Firestone Diamonds (Pty) Limited	**1 019**	729

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

COMPANY INFORMATION

UK office
Firestone Diamonds plc
Highdown House
Yeoman Way
Worthing
West Sussex
BN99 9FJ
Tel: +27 21 816 2940
Email: info@firestonediamonds.com

Lesotho office
Liqhobong Mining Development Company (Pty) Ltd
5th Floor
Pension House
Constitution Road
Maseru West
Lesotho
Tel: +266 223 14120

South Africa office
Firestone Diamonds (Pty) Ltd
Black River Park South
Ground Floor, Old Warehouse Building
2 Fir Street
Observatory, 7925
Cape Town
Tel: +27 21 816 2940

Registered address
Firestone Diamonds plc
Highdown House
Yeoman Way
Worthing
West Sussex
BN99 9FJ

Registered number
3589905

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

Auditor
BDO LLP
55 Baker Street
London, W1U 7EU

Legal adviser
Gowling WLG
4 More London Riverside
London, SE1 2AU

Company Secretary
Ian Crozier
Highdown House
Yeoman Way
Worthing
West Sussex
BN99 9FJ