CO. NO 03589905

Firestone Diamonds Limited

Annual Report and Accounts 2023

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CONTENTS

INTRODUCTION TO THE STRATEGIC REPORT

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to provide Firestone's Annual Report for the year ending 30 June 2023 (FY2023).

It was an important year for the Company.

The depressed diamond market and the COVID-19 pandemic led to the suspension of operations at the Liqhobong Mine at the end of March 2020 and the Mine remained on care and maintenance during the 2022 financial year as we continued to work to restructure the Company's senior secured debt and to raise the required new funding to support a Mine restart. An agreement was reached with the lenders, Absa Bank Limited ("Absa") and the Export Credit Insurance Corporation of South Africa ("ECIC"), in May 2022 to provide restart funding in the form of bridge funding ("Restart Funding") subject to the subsequent restructuring of the senior secured debt.

The provision of the Restart Funding together with an in-principal agreement reached with Absa and the ECIC, captured in a Term Sheet, to restructure the senior secured debt, provision of a super-senior restart facility, and provision of a working capital facility, enabled the Board to decide to restart the mine on 7 July 2022, with appointment of the mining contractor on 15 July 2022, restart the plant from stockpiled ore on 15 August 2022, and resume full mining operations from 1 October 2022. Our first diamond sale was made on 6 October 2022 and the plant achieved nameplate capacity of 500 tonnes per hour on 1 November 2022. The Absa senior debt restructuring was completed on 26 January 2023.

I am pleased to report that the restart was undertaken to plan, in large part because of the diligence of the on-site team during care and maintenance through the shut-down, their operational readiness, planning and preparation, and their diligence in executing the plan.

It is especially pleasing that in restarting the mine, 92% of ex-employees were able to return, something that we are proud of given the high levels of unemployment in Lesotho.

We are also pleased that the safety performance during this potentially risky period was excellent, with no lost time injuries.

The prospects for the Company improved through FY2023, with stable operations and production yielding positive cash flow, assisted by good prices for our products throughout the year ending June 2023, and the company meeting all – and accelerating some – senior debt repayments.

We still carry a significant amount of debt, totalling some US$131.1 million as at 30 June 2023. This burden means that returns for shareholders will only be achieved if and when the debt has been repaid in the years ahead.

Furthermore, the diamond market has deteriorated materially in recent months, and, once again, industry margins are being squeezed. Companies are facing uncertain futures, and once again industry and company cash flow is under pressure. We are monitoring the market closely and are taking decisions to improve operating performance and preserve cash flow in these uncertain times.

The Company continues to enjoy the support of its major shareholder and Bondholder, Pacific Road Capital, and our Senior Secured lender, Absa, and its credit insurer, the ECIC.

Our priorities

During FY2023 our key priority areas were: safely and successfully restarting the mine; achieving and maintaining safe and stable operations; capturing the benefit of good diamond prices; and making repayments to our lenders.

We remain focused on debt repayment for the benefit of all our stakeholders - lenders, employees, communities, government, and shareholders – as the clearest path to any shareholder returns is through debt repayment and maintaining our social licence to operate over the long-term.

We are focused on improving operating performance. It is critical that we do everything we realistically can to maximise revenue through achieving mine production tonnages, maximising recoveries in the plant, managing our operating and capital costs tightly, and extending the life of the mine to provide time to repay debt and provide shareholder returns.

We are also focused on control of our material risks. We adopted the Global Industry Standard on Tailings Management in November 2022 and Critical Control Management as a mechanism for operationalising risk control for tailings and other material risks in February 2023. We will continue to focus on material risk control and performance.

I am confident that our ongoing focus on these areas will position Firestone to deliver the best long-term value possible for our shareholders and create social value for our partners and stakeholders.

Safety and Culture
The safety of our people and local communities is a priority.

In FY2023 we had no lost time or restricted work injuries. This was an excellent result as operational start-ups can be risky and correlated with reduced safety performance.

Our commitment to the goal of zero fatalities and serious injuries at Firestone remains unwavering and we are focused on executing our safety systems and processes in the mine and surrounding areas. We continue to drive the safety culture needed to avoid fatalities and serious injuries.

Our commitment to safety includes addressing sexual harassment, racism, and bullying if encountered in our workplaces. In FY2023 we introduced a whistle-blowing programme with a view to uncovering, investigating and preventing these harmful behaviours. We investigated two business conduct cases, which both resulted in disciplinary proceedings, and undertook 455 instances of training.

We are committed to providing a safe, inclusive, and diverse workplace culture where our people can perform at their best.
We know that inclusive and diverse teams are safer and more productive. It is especially pleasing to note that 98% of our workforce is Basotho and that whilst female participation in the workforce was 21%, this number is growing supported by targeted recruitment where possible.

Performance in FY2023
It is important to note that the Group profit after tax for FY2023 of US$38.2 million included a once-off accounting modification gain on debt of US$38.9 million. The modification gain is explained in more detail in note 25 – Borrowings.
During the year we recovered 559 929 carats and sold 441 639 carats at an average realised price of US$101/carat.

We recorded EBITDA of US$16.4 million, operating cash flow of US$9.8 million, repaid US$3.3 million of debt and interest, and finished the year with a closing cash balance of US$14.9 million. Pleasingly we were able to avoid drawing down on the working capital facility provided as part of the Absa senior debt restructuring because of better than expected restart performance and good diamond prices.

Update and outlook for FY2024
After growing at a low-to-mid single digit percentage in the years prior to COVID, global diamond jewellery demand took a material hit in 2020 before rebounding to record-high levels in 2021. Prices for our category of diamonds were particularly strong and it was against this market backdrop that we restarted the Mine.

Prices for larger stones started declining in 2022, and this decline, extended to the Liqhobong assortment in 2023 and accelerated in the second half of CY2023. This industry-wide slowdown appears to be due to slower than expected growth in China, higher interest rates, and high inventories in the mid-stream, especially in India. This culminated in a voluntary two-month import ban request to the Indian mid-stream participants from mid-October to mid-December 2023. Furthermore, man-made diamonds continue to affect certain market categories.

Producers have responded to this latest downturn by deferring sales; producer stocks have increased while midstream and retailer stocks may have declined.

Unsurprisingly, against this backdrop of lower prices and volume offtake, Firestone's profitability has declined so far in FY2024 relative to FY2023, and, while we remain cash flow positive, we are deferring capital spend and non-essential operating expenditure, to the extent possible, until market conditions improve.

The industry and Firestone face a period of market uncertainty during CY2024.

It gives me pleasure to report that Liqhobong Mine was granted a 10-year Mining Lease Renewal on 15 November 2023 and I would like to extend my thanks to our 25% partner in the Liqhobong Mine, the Government of Lesotho, for working together with us.

INTRODUCTION TO THE STRATEGIC REPORT (continued)

Board, Corporate Culture and Governance
Our continuous Board succession and renewal process allows the Board to continue to be fit for purpose and have a balance of experience and fresh perspectives.

Rob De Pretto joined the company as CEO in October 2021, and I was appointed to the board in November 2022.

At the end of FY2023, we restructured and reduced the size of the board from five to three directors following the successful financial restructuring and mine restart and in recognition of deteriorating market conditions and the need to manage cash tightly.

Patrick Meier and Keith Johnson, both non-executive directors, stepped down from the Board; and I succeeded Patrick Meier as Chairman of the Board and assumed the role of Executive Chairman in August 2023.

Patrick and Keith were appointed to the Board in 2018 and 2015, respectively, and were instrumental in guiding the Company through the protracted weak diamond market when the Liqhobong Mine was brought into commercial production, during the period of the COVID-19 pandemic and associated global lock-downs, the placing of the Liqhobong Mine on care and maintenance to preserve value for its stakeholders while the diamond market recovered, the restructuring and refinancing of its senior secured project debt, and the recommencement of operations. I would like to recognise the outstanding contributions of Patrick and Keith and thank them both for their dedication, professionalism, expertise, and service to Firestone.

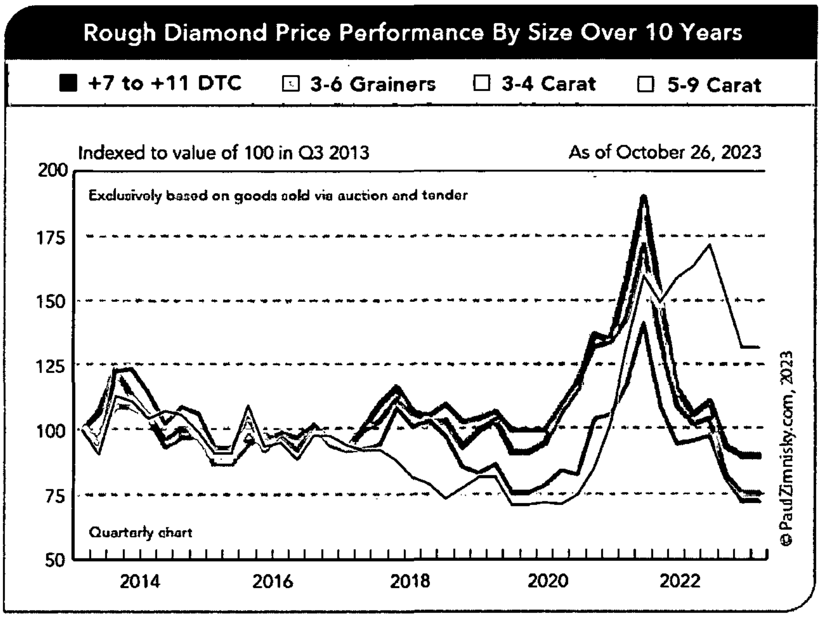
In FY2023 and into FY2024 we reviewed the Board and Committee responsibilities and are refreshing the Board and Committee governance documents to streamline our governance approach.

We remain committed to ensuring that our safety and environmental standards are achieved and maintained through appropriate leadership, policies, and systems. Maintenance of the highest standards of corporate culture, integrity, and ethics are key 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.

MARKET OUTLOOK

The diamond market has deteriorated in recent months due mainly to an overstocking in the midstream. Aggressive restocking in the midstream following record demand for diamonds in 2021/2022 and slower retail sales have resulted in downward pressure on prices for rough diamonds. Major producers have worked towards establishing stability in the market. De Beers permitted Site holders unprecedented flexibility in their purchases, and historically low sales of US$80 million were recorded in site 9 which closed in November 2023. This compares to previous sales of several multiples of that amount. Alrosa has reduced its sales and several other diamond producers cancelled or postponed their sales as India placed a voluntary moratorium on the importation of rough diamonds 2 months from mid-October 2023 to mid-December 2023.

Higher inflation in developed economies has reduced the amount of disposable household income and therefore the amount available for discretionary spend, which may result in lower spend on diamond jewellery. However, as interest rates are forecast to decrease over the coming months in the United States, which is the world's largest diamond market by value, it is expected that disposable incomes will increase and consequently, consumer spending, which could have a positive impact on average diamond prices over the medium to longer term. China, the world's second-largest diamond market has recently experienced muted consumer sentiment and business confidence due to a slowing economy and property industry concerns. The world economy continues to experience the effects of geopolitical uncertainty, including the Russian war in Ukraine and the Israeli-Palestinian conflict. G7 nations introduced sanctions on Russian diamonds in early 2024. Considering that G7 nations generate upwards of ¾ of total global diamond jewellery demand and that Russia produces as much as one-third of supply, the implementation of sanctions by G7 nations is therefore expected to result in support for diamond prices.



Source: State of the Diamond Market (Paul Zimnisky Diamond Analytics)

Average prices for rough diamonds across all size categories increased significantly during 2021, post the Covid-19 pandemic when global jewellery demand aggressively rebounded to record high levels in 2021 as confident consumers looking to give meaningful gifts bought diamonds, especially as experiential consumer discretionary items such as travel and entertainment were unavailable. Average values for larger size diamonds began decreasing during 2022 while demand remained strong for smaller +7 to +11 DTC diamonds, which it is suspected were being purchased for cutting and polishing factories to maintain their operations. However, by 2023, a softening was also evident in the smaller size categories.

Laboratory-Grown Diamonds ("LGDs") continue to diverge as a distinctly separate product category with a lower price point that can work alongside the natural diamond product category to grow the overall diamond market. The global production capacity of LGDs has increased significantly and as a result, prices have decoupled from those of natural diamonds and declined in line with scaled-up production and lower production costs. Prices for LGDs have continued to fall, placing strain on companies and motivating them to consider alternative strategies for their lab-grown goods, including their application in alternative technologies.

RISK REVIEW

Operations resumed at Liqhobong Mine during August 2022, and the Group successfully completed the ABSA debt restructuring in January 2023. The risk matrix has been updated accordingly.

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

The following main risks have been identified as having a possible impact on the Company's goals:

Risk position this year

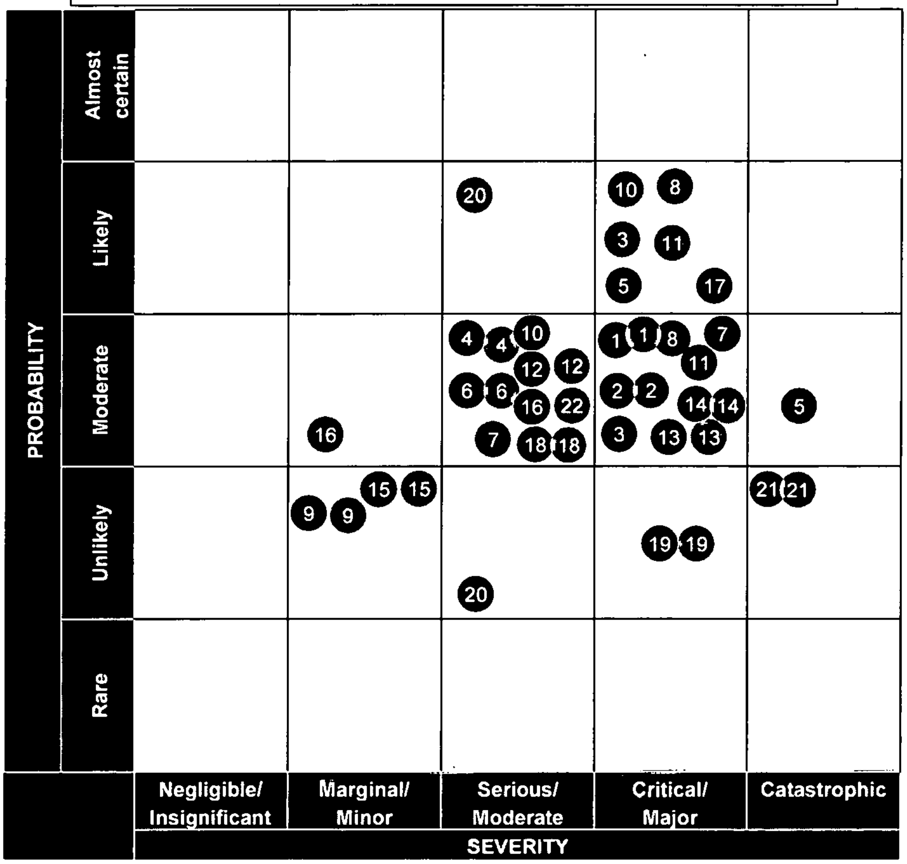
Risk position last year

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 Theft
10 Mining and processing
11 Grade variability
12 Safety and health
13 Electricity supply
14 Water supply
15 Cost control
16 Workforce and community relations
17 Mining lease renewal
18 Retention of key personnel
19 Financing
20 Environmental
21 Tailings dam stability
22 Human rights abuses

Risk not applicable this year: 17

New risk this year: 22



RISK REVIEW

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 regularly. Personnel who exit the recovery area or red area are subjected to a full body search and selective X-ray scanning.	↔ No change
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, 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.	↔ No 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: • global over/undersupply of rough diamonds; • economic factors globally affecting consumer demand e.g. the ongoing war in Ukraine and the Israel/Palestine conflict; • 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.	↑ Subsequent to the year end the impact of the global economic slowdown has negatively impacted diamond prices across all size fractions.

RISK REVIEW

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.	The prices of LGD's have continued to decline. Natural diamonds may be certificated and are separately distinguishable from LGD's thereby safeguarding their classification as a unique premium and valuable product which assists in *ensuring 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 28 October 2022, a new Prime Minister was inaugurated following general elections which took place earlier that month. New ministers were appointed, including a new Minister of Natural Resources. After year-end, a minor cabinet reshuffle took place, however there was no change to the Ministry of Natural Resources. Lesotho is an emerging market economy which is subject to greater political volatility and risk. Potential changes to existing legislation, such as the proposed VAT Amendment Bill, the Income Tax Amendment Bill, and the Tax Administration Amendment Bill would have a significant impact on the business.	The Firestone team has extensive experience operating in Southern Africa. The Company is a member of the Lesotho Chamber of Mines and maintains close contact with representatives of the Government of Lesotho, through the Chamber, to ensure that it keeps abreast of all political and potential regulatory developments, and is in a position, where possible, to address and lobby Government and appropriate legislative bodies on the consequences of proposed legislation.	↑ The severity of the risk has increased as Liqhobong would run cash negative if the proposed amendment bills were to be enforced which would impact on its ability to continue to operate. The probability of the risk has however reduced to moderate due to the observed impact of interaction with Government on this issue thus far.
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. Where possible, and where liquidity allows, short-term forward exchange contracts may be 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 severity of the risk has reduced as US$49 million of the Absa debt is no longer interest bearing. Total interest-bearing debt as at 30 June 2023 was US$21.5 million (excluding Eurobonds) (previously: US$69.5 million)

RISK REVIEW

Operational risks

Impact	Mitigation	Reason for change
8 Mineral Resource (closely associated with the risk 11 – 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 carried out 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, and/or due to internal dilution in the pit.	Liqhobong's resource was independently verified. The Mine's MRM department reconciles resource grades against recovered grades which would identify material changes requiring further investigation. The mineral resource was updated during the 2020 financial year to reflect the latest geological model.	↑ The risk has increased due to internal dilution being observed in two isolated areas in the pit.
9 Theft Theft, particularly of mine plant or equipment on site, would result in financial loss to the Company.	Liqhobong has established an appropriate on-site security department which was enhanced as the Mine transitioned into the restart phase and then on into continuous production.	↔ No change
10 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. Several factors affect ore and waste rock mining from the pit. These include inclement weather conditions, mining equipment reliability, appropriate drilling and blasting practices, and achieving mining targets. Risks facing ore treatment include unscheduled shutdowns, technical failures, incorrect drilling and blasting practices, higher than expected wear rates, and power outages.	Liqhobong has established teams with core competencies in each discipline: mining, plant operations, health and safety, engineering, and support services. Where required, specialist consultants are employed in a particular discipline. Each team is staffed by those with the key skills and specialist knowledge required of each distinct discipline. A structured planned production plant maintenance programme is followed ensuring maximum operational uptime and reducing the number of unscheduled stoppages. Ore and waste tonnages, recovery results, and other performance metrics are monitored daily to ensure early identification of any adverse trends. An ore stockpile is maintained which is sufficient to keep the plant in operation for up to three days should mining from the pit be interrupted.	↑ The risk has increased due to operational challenges relating to drilling, blasting, and equipment availability issues experienced by the mining contractor.
11 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 treatment plant. The treatment plant is designed 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 operating level, Liqhobong's MRM department focuses on grade control on an ongoing basis. Grades recovered are reconciled to the resource grades of particular areas mined to ensure that discrepancies are identified.	↑ The risk has increased due to the internal dilution in the pit as mentioned under risk 8 Mineral Resource above.
12 Safety and health Mining operations involve a range of day-to-day activities that could result in accidents and even 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. 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. Safety training takes place regularly and safety awareness is practiced by all employees.	↔ No change

RISK REVIEW

Operational risks (continued)

Impact	Mitigation	Reason for change
13 Electricity supply Liqhobong is connected to the Lesotho national grid. Electricity is supplied by the Lesotho Highlands Development Authority ("LHDA") from its 'Muela Hydro-Power Station to the Lesotho Electricity Company ("LEC") which is then distributed through the national grid, which includes the 132kW power line that was constructed as part of the Mine's development from Ha Lejone to Liqhobong. If the Muela Hydro-Power Station is not in operation, the quality of the electricity supplied to the Mine by LEC is of insufficient quality to continue operations, the only alternative being for the Mine to rent or purchase diesel-powered generating units, which result in additional operating costs. Additionally, the Mine experiences electricity outages from time to time as a result of scheduled and unscheduled maintenance being carried out on the infrastructure by 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 a loss of production time.	A power factor correction unit has been installed on-site, which regulates the quality of the electricity supplied to the Mine site. The Mine has a close operational relationship with the LEC which ensures prompt action if and when electrical supply problems occur. The Mine and LEC have agreed to coordinate planned maintenance to ensure that these are performed at the same time to reduce production losses. The Mine is in the process of procuring diesel generators to provide backup power during electricity supply disruptions and assessing the purchase of voltage regulators to regulate the quality of electricity received from the LEC if the Muela Hydro-Power Station is not in operation.	↔ No change
14 Water supply Several years ago, Southern Africa, including Lesotho, experienced one of the worst droughts in recent history. The limited availability of water storage facilities in the Liqhobong valley poses a risk to the 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 is considering constructing an additional storage dam and has the necessary permitting approvals in place to build it.	↔ No change
15 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, due to the impact of higher inflation rates, or that variable costs escalate resulting in lower profitability and potentially additional funding being required.	Firestone has a culture of cost consciousness which ensures that all costs are carefully considered continuously. The Group also measures its performance monthly against approved budgets and regularly updated forecasts to ensure that costs are in line with expectations and discrepancies are investigated.	↔ No change

RISK REVIEW

Operational risks (continued)

Impact	Mitigation	Reason for change
16 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 to ensure 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 several community initiatives in the year, including the provision of school shoes and clothes to two local primary schools, an income-generating/livelihood beekeeping project, and the construction of a football field and netball court for the community. The "Lema u Phele" initiative which involves developing local farming capacity to supply the Mine with fresh produce has continued during the year.	↓ The impact of this risk has been reduced due to recommencing operations at the Mine and continued proactive engagement with neighbouring communities.

Strategic risks

Impact	Mitigation	Reason for change
17 Mining lease renewal	n/a	Liqhobong's Mining Lease with the Lesotho Government was renewed in November 2023 for a further 10-year period.
18 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.	↔ No change
19 Financing The Group is indebted to Pacific Road Resources Fund II L.P and Pacific Road Capital II Pty Ltd in the amount of US$54.7 million[1] in terms of its Eurobond facilities, and to Absa Bank in the amount of US$77.7 million[1] comprising: • US$22.7 million Super-senior debt ("Facility A") • US$49.0 million Subordinated debt ("Facility B") • US$6.0 million Restart Facility ("Facility C") There is a risk that, should the Group experience financial difficulties, it may be unable to repay its debt obligations as they fall due and may require further funding.	Pacific Road Capital ("Bondholder Agent"), Absa Bank, and the ECIC have indicated their continued support and ongoing commitment to the Group. Pacific Road Capital undertook to capitalise interest on the Series A and Series B Bonds and extended the final maturity dates of the Bonds to 30 June 2024. Absa Bank and the ECIC restructured Liqhobong's senior secured debt so that it is repaid quarterly in terms of a cash flow waterfall, and only to the extent that excess cash is generated. Additionally, Absa Bank and the ECIC provided a US$11.4 million Working Capital Facility to provide short-term funding should the need arise. The Working Capital Facility remains unutilised.	↔ No change

Notes:

1 Balance as at 31 December 2023.

RISK REVIEW

Strategic risks (continued)

Impact	Mitigation	Reason for change
20 Environmental Liqhobong operates in an environmentally sensitive location, in a high mountain valley, which is part of 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 to detect any water, air, and noise pollution to ensure that any disturbances are within acceptable limits. Any deviations are identified and corrective action is taken immediately.	↑ As mining activities increased since the restart of operations the likelihood and severity of the risk have increased.
21 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 that may indicate an increased risk or potential failure and mitigating action is taken accordingly. The Group has adopted and is implementing the Global Standard on Tailings Management ("GISTM"). A recent independent dam failure study, conducted per GISTM requirements, concluded that the tailings dam would not fail because of over-topping.	↔ No change
22 Human rights abuses There is a risk that the Group's operations could lead to human rights violations such as discrimination or harassment, among other undesirable practices.	The Group has zero tolerance for human rights violations, is committed to the avoidance of any human rights infringements, and addresses any adverse human rights impacts where they may be attributable to its operations. The Group has implemented several policies and provided training to its employees and contractors to ensure this zero-tolerance principle forms the core of the Group's culture. The Group has also implemented an anonymous tip-off line where grievances can be communicated by employees, contractors, and suppliers through a formalised channel.	* New Risk

SECTION 172 STATEMENT

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

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 considered 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 the Group's 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 (including its insurer ECIC), and its shareholders.

Stakeholders	Stakeholder key interests	How we engage
Our People Having the right people with appropriate qualifications, skills 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 Company and Liqhobong Mining Development Co. (Pty) Ltd ("LMDC") level, during which there is regular, direct engagement with key executive management
Suppliers and contractors We must maintain trusting relationships with our strategic 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 strategic suppliers and contractors • Ongoing communication and feedback • Contract negotiation and contract renewals • Pro-active management of potential disputes
Local communities Nurturing a trusting relationship with our local communities will help us to understand and mitigate the impact that our operation has on the immediate surroundings and the benefits that local communities can derive therefrom.	• Responsible environmental stewardship • 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 • Developing relationships with reputable NGOs that support local communities
Government of Lesotho ("GoL") We need to maintain a trusting relationship with our partner and 25% shareholder in the Liqhobong Mine to ensure that the Mine operates for the benefit of all stakeholders for the extent of the life of mine.	• Long-term relationship • Sustainable benefits for the Kingdom of Lesotho – royalties and indirect taxes • Commercially viable operation • Source of local employment • Source of support for the local community	• One-on-one, *ad hoc* meetings between the Minister of Natural Resources and the Company's Executive Chairman, as the respective shareholder representatives • Through Government appointed directors on the board of LMDC • Regular interaction with various government departments, particularly the Ministry of Natural Resources through the office of the Commissioner of Mines • Letters, presentations, and electronic communication • Open lines of communication

SECTION 172 STATEMENT

Stakeholders	Stakeholder key interests	How we engage
Debt Providers We need to maintain a trusting relationship with our Bondholders, Absa, and the ECIC who have supported the Project since it commenced in 2014.	• Success of the Project • Repayment of senior and subordinated debt	• Monthly operational reports including financial forecasts • Quarterly meetings with Absa and ECIC representatives, with open lines of communication • Regular interaction between the Company's Executive Chairman and the Bondholder representatives
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 • Quarterly updates • Annual report and accounts

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 2023. In addition to these decisions, the Board assessed and reviewed the liquidity position of the Group every month.

Board Decision	Considerations
Residue storage 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.	Notwithstanding, an appropriate construction methodology was adopted ensuring that maintenance, control measures, and risk monitoring were adequate and applied, and all identified risks sufficiently mitigated, the Company adopted and implemented the Global Industry Standard on Tailing Management to adhere to best practice tailings management at Liqhobong Mine.
Senior Debt restructuring and refinancing The senior debt restructuring and refinancing process that had been initiated with Absa and the ECIC, supported by the Company's Bondholders, resulting as a preliminary step, in the conclusion of a *Bridge Facility Agreement: ZAR31 560 000 Term Facility* and an extension of the *Facility to a Bridge Facility Agreement: ZAR182 184 000 Term Facility*, to provide, *inter alia*, the capital required to restart Liqhobong Mine, was finalised with the execution of the *Second Amended and Restated Senior Secured Facilities Agreement* which: (i) restructured the senior secured debt into Facility A – US$20.5 million (interest bearing) and Facility B – US$49.0 million (non-interest bearing); (ii) refinanced the total Bridge Facility outstandings by way of a ZAR205.2 million Facility C commitment; and (iii) provides for a Working Capital Facility of ZAR201.7 million.	To refinance the Group and restructure the senior Absa project debt to levels in line with an independent assessment of the debt-carrying capacity of the business, to ensure a sustainable level of senior debt, flexible debt repayments out of available cash flow, and sufficient capital to restart and operate the Liqhobong Mine.
Restart of Liqhobong Mine The Board considered the financial position of the Group, the resurgent diamond market post the COVID-19 pandemic, and the imminent completion of the Absa debt restructuring and refinancing, and decided to restart Liqhobong Mine by reappointing the required staff and appointing a mining contractor to re-commence mining operations.	The efficient restart of the Liqhobong Mine as quickly as possible for the benefit of all the Company's stakeholders (referred to above). Additionally, to be able to repay the restructured senior debt facilities, repay the Bondholders, and retain future optionality to provide a potential return to shareholders.
Company Policies The Board approved a revised *Anti-corruption and Bribery Policy*, a *Whistleblower Policy*, and a *Human Rights Policy*.	To enhance the Company's zero-tolerance approach to corruption and human rights abuses, the Anti-corruption and Human Rights Policies were introduced, as well as the Whistleblower Policy, to encourage reporting of, *inter alia*, any instances of corruption or human rights abuses at or affecting its operations. These steps were also taken as part of a broader initiative to enhance the Company's Environment, Social, and Governance ("ESG") credentials, an ongoing exercise.

OPERATIONAL AND FINANCIAL REVIEW

Operational review

Liqhobong Mine was successfully restarted on 15 August 2022 after a two-and-a-half-year period of Care and Maintenance. A rigorous maintenance schedule and comprehensive operational readiness plan ensured that the restart and ramp-up to nameplate capacity were executed smoothly and in the shortest possible time. 92% of all ex-employees were able to resume their previous roles. Full mining operations commenced on 1 October 2022, following the appointment of a new mining contractor, Turnkey Civils Lesotho (Pty) Ltd, on 15 July 2022. The plant achieved nameplate capacity of 500 tph on 1 November 2022.

Safety, Health, Environmental, Community and Risk

During the year, there were no lost time injuries and only minor environmental incidents relating mainly to isolated spillages.

On the environmental front, there were no major incidents. Most of the environmental incidents were classified as minor and were attributed to hydrocarbon spills. Analysis of water samples at the confluence of the Liqhobong and Motete rivers showed negligible levels of nitrates throughout the year. However, during periods of high rainfall, overflow from the seepage and satellite dams exceeded the South African National Standard of 11 mg/l for drinking water. A discharge permit was obtained from the Department of Environment to allow excess water to exit the Mine perimeter under strict conditions. An independent bio-monitoring assessment was conducted in March to assess the impact of mine water discharge on aquatic life. During the assessment, several fish species were observed and it was concluded that the ecological integrity of the Liqhobong river is in line with the control sample taken upstream of any mining activity.

Before being placed on care and maintenance, the operation had a 4-star National Occupational Safety Association ("NOSA") rating. Strict safety standards were implemented when the Mine restarted and the process is underway to obtain NOSA accreditation.

Good relationships have been maintained with all key stakeholders and these are monitored regularly. Regular meetings were held with the Community where issues such as recruitment, skills development, internships, land compensation, and road maintenance were discussed. An agreement was reached with the community for the extension of the Mine perimeter fence to allow for waste rock dumping.

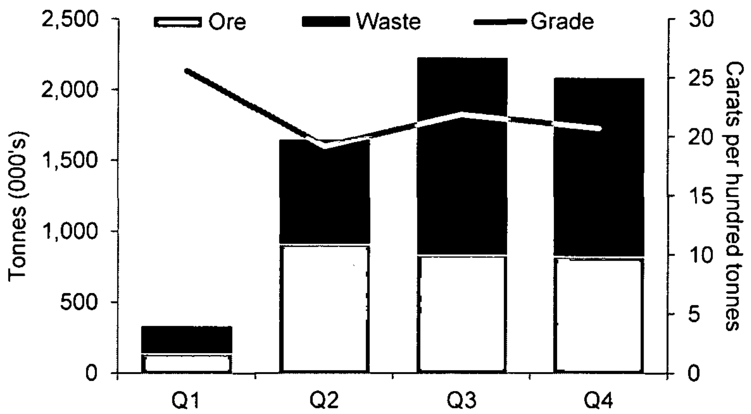
The Mine has adopted the Critical Control Management ("CCM") methodology developed by the International Council of Mining and Metals to strengthen material risk management. Management has identified human rights abuses and tailings dam failure as two Materially Unwanted Events that will be subjected to CCM.

A lean, fit-for-purpose management structure has been implemented, reducing the number of managers from 10 to 5 and the number of expatriates from 7 to 3. This demonstrates commitment towards transformation within the company and is aligned with the Ministry of Labour's localisation programme. Performance Scorecards were developed and approved for the executive and management. As at 30 June 2023, the headcount on the mine was 586 including contractors.

Production

	Q1[1]	Q2	Q3	Q4	**2023**	2022
Production						
Ore (tonnes)	136 783	906 835	829 558	820 066	**2 693 242**	—
Waste (tonnes)	199 654	744 292	1 399 871	1 265 424	**3 609 241**	—
Total (tonnes)	336 437	1 651 127	2 229 429	2 085 490	**6 302 483**	—
Carats recovered (carats)	34 997	173 720	181 700	169 512	**559 929**	—
Grade (carats per hundred tonnes)	25.6	19.2	21.9	20.7	**20.8**	—

1 Operations at the Liqhobong Mine commenced from 15 August 2022.



OPERATIONAL AND FINANCIAL REVIEW

During the year, 2.7 million tonnes of ore and 3.6 million tonnes of waste were mined. The quantity of ore tonnes treated is a function of the quantity of tonnes available from the mining process and from stockpiles, and the availability of the treatment plant which can be impacted by unscheduled maintenance and breakdown delays. During Q3 and Q4, lower tonnages of ore resulted from lower mining fleet equipment availability and weather delays.

A total of 559 929 carats were recovered during the year at an average grade of 20.8 cpht. The Mine Call Factor ("MCF") for the year of 82% was lower than previous years. MCF is a function of the actual quantity of carats recovered as a percentage of carats according to the reserve model of a particular ore block. Investigations into the lower-than-expected MCF are ongoing.

Mine development

During the year, work recommenced on assessing the potential for mine life extension. This work will continue to assess the potential of a Cut 3 open pit extension as well as other life extension alternatives.

Water Dams and Residue Storage Facility

During the year, the levels in the return water dams and residue storage facility were monitored regularly to ensure compliance with safe operating parameters and importantly, to ensure the free-board level is not exceeded. Due to the crucial nature of the Company's residue storage facility, a decision was taken to adopt the GISTM.

Work is progressing well on achieving compliance with the 77 requirements of the standard. The annual review report that was issued by the Engineer of Record in December 2022 indicated that the facility was stable, well-managed, and complied with all operational requirements. A survey was also conducted to determine the life of the facility based on the rate of rise for average deposition. The analysis concluded that the remaining life of the storage facility is approximately 11 – 13 years depending on the percentage of slimes disposed. A dam breach assessment was conducted covering the area from the Liqhobong River up to its confluence with the Malibamatsu river. The modelling suggested that overtopping of the residue facility wall was not a credible failure mode, although the consequence of failure was classified as high.

Water is required to run the process plant, and there is a risk that in the event of drought, there would be insufficient water stored on-site to maintain operations. Construction of the first phase of an additional water storage facility was undertaken.

Financial Review

The Group's profit after tax for the year of US$38.2 million includes a once-off accounting modification gain on borrowings of US$38.9 million which is explained further below and in note 25 - Borrowings.

Statement of Profit and Loss

US$'million	2023[1]	2022
Revenue	**45.0**	—
Less:		
Cost of sales	**22.7**	—
Gross profit	**22.3**	—
Other income	**0.5**	3.1
Accounting modification gain on borrowings	**38.9**	—
Selling and administrative costs	**3.3**	—
Care and maintenance – continued	**1.1**	3.6
Care and maintenance – Ramp-up	**2.2**	0.9
Corporate costs	**3.3**	1.9
Amortisation and depreciation	**0.7**	1.2
Impairment charge/(reversal)	**1.4**	(7.1)
Net finance cost	**11.6**	9.9
Profit/(loss) before tax	**38.1**	(7.3)
Income tax credit	**0.1**	0.1
Profit/(loss) from continuing operations after tax for the year	**38.2**	(7.2)
Loss from discontinued operations	**—**	18.9
Net profit/(loss) after tax	**38.2**	(26.1)

Note 1 – Operations commenced on 15 August 2022.

OPERATIONAL AND FINANCIAL REVIEW

Revenue and cost of sales

During the year, the Company sold 441 639 gem carats at an average value of US$101 per carat, realising total revenue of US$44.8 million. The average value of US$101 per carat for the year was significantly higher than the historic average value of ~US$75 per carat and was due to a strong market during the rebound from the Covid-19 pandemic.

	Q1	Q2	Q3	Q4	Total FY2023	Q1	Q2	Q3	Q4	Total FY2022
Revenue										
Diamonds sold (carats)	—	122 871	193 212	125 556	**441 639**	—	—	—	—	—
Revenue (US$'m)	—	11.6	20.6	12.6	**44.8**	—	—	—	—	—
Average value (US$/ct)	—	94	107	101	**101**	—	—	—	—	—
Number of sales	—	2	2	1	**5**	—	—	—	—	—
Diamonds which sold for over US$500 000 each										
Number				**1**						—
Value (US$'m)				**0.7**						—

Accounting modification gain on borrowings

The restructuring of the Absa Debt Facility on 26 January 2023 (refer to details in the section below on Debt) represents a substantial modification in terms of IFRS 9 – Financial Instruments. As a result of the modification, Facility B with a carrying value of US$49.0 million is restated at fair value of US$10.1 million, with the difference being US$38.9 million recorded as a once-off accounting modification gain on borrowings in the statement of profit and loss. Fair value of the debt is calculated as the net present value using an equity rate of return.

Care and maintenance costs

Care and maintenance costs for the year of US$1.1 million were lower than the prior year of US$3.6 million as the mine resumed operations in August 2022. Ramp-up costs were higher for the year at US$2.2 million (2022: US$0.9 million) due to the increase in restart activities in the early part of the financial year.

Corporate overhead

Corporate costs for the year of US$3.3 million increased from the prior year of US$1.9 million and included certain once-off costs related to restructuring and compensation for staff who took significant pay cuts during the period while the Mine was on care and maintenance.

Impairment charge

The net impairment charge of US$1.4 million is mainly due to a change in modelled assumptions, including a lower MCF and a higher discount rate. Refer to note 9 – Impairment for further details.

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 ECIC.

	2023				2022			
Cost of financing (US$'million)	**Cash cost**	**Capitalised**	**Amortised cost**	**Total cost**	Cash cost	Capitalised	Amortised cost	Total cost
ABSA Debt Facility	—	**3.0**	**(0.4)**	**2.6**	—	2.6	1.1	3.7
ABSA Facility A	—	**1.0**	—	**1.0**	—	—	—	—
ABSA Facility B	—	—	**1.0**	**1.0**	—	—	—	—
ABSA Facility C	—	**0.9**	**0.6**	**1.5**	—	0.1	—	0.1
Series A Eurobonds	—	**3.9**	**0.1**	**4.0**	—	3.5	1.3	4.8
Series B Eurobonds	—	**1.1**	—	**1.1**	—	0.8	—	0.8
Bank overdrafts	**0.2**	—	—	**0.2**	—	—	—	—
Lease liability	—	—	**0.3**	**0.3**	—	—	0.3	0.3
Other finance cost	—	—	**0.2**	**0.2**	—	0.2	—	0.2
	0.2	**9.9**	**1.8**	**11.9**	—	7.2	2.7	9.9
Less: Finance income	**0.3**	—	—	**0.3**	—	—	—	—
Net finance cost	**(0.1)**	**9.9**	**1.8**	**11.6**	—	7.2	2.7	9.9

OPERATIONAL AND FINANCIAL REVIEW

Statement of Financial Position

US$'million	2023	2022
ASSETS		
Non-current assets	**37.2**	48.3
Inventory	**10.5**	—
Trade and other receivables	**1.9**	0.5
Cash and cash equivalents	**14.9**	4.9
Total current assets	**27.3**	5.4
TOTAL ASSETS	**64.5**	53.7
EQUITY AND RESERVES	**(40.4)**	(73.9)
LIABILITIES		
ABSA debt facilities and other loans	**36.7**	—
Deferred tax	**—**	0.1
Lease liabilities	**1.4**	2.1
Rehabilitation provision, other loans	**3.1**	3.4
Total non-current liabilities	**41.2**	5.6
ABSA debt facilities and other loans	**4.1**	70.0
Eurobonds	**52.0**	46.9
Lease liabilities	**0.7**	0.6
Trade and other payables	**6.9**	4.5
Total current liabilities	**63.7**	122.0
TOTAL EQUITY AND LIABILITIES	**64.5**	53.7

Debt

The Absa Debt Facility restructuring completed on 26 January 2023. The outstanding balance of US$69.5 million was restructured into a Senior Facility ("Facility A") of US$20.5 million and a subordinated debt facility ("Facility B") of US$49.0 million. In addition, Absa (insured by the ECIC) provided a restart facility ("Facility C") of ZAR205.2 million (~US$11.6 million) and a Working Capital Facility of ZAR201.7 million (~US$11.4 million). As at year-end, the Working Capital Facility remained unutilised. The Absa facilities have no fixed terms of repayment and are paid to the extent that excess cash flow on a quarterly basis permits. The Absa facilities are repaid essentially in the following order of priority:

1. Working Capital Facility
2. Restart Facility ("Facility C")
3. Facility A
4. Facility B

Additionally, the Bondholders agreed to capitalise interest on the Eurobonds and defer their final maturity dates to 30 June 2024.

ABSA Bank debt and Eurobonds

	Interest rate	Effective Interest rate	Original facility amount	2023 US$'000	2022 US$'000
ABSA Debt Facility	US$ three-month LIBOR plus margin	—	82.4	**—**	66.5
ABSA Facility A	SOFR plus margin	11.3%	20.5	**21.5**	—
ABSA Facility B	0%	0%	49.0	**49.0**	—
ABSA Facility C	JIBAR plus margin	26.1%	11.6	**8.6**	3.1
Eurobond (Series A)	10% p.a.	10.0%	30.0	**40.5**[a]	36.7
Eurobond (Series B)	10% p.a.	10.0%	15.0	**11.5**[a]	10.4
			126.1	**131.1**	116.7

Notes:

a – Balance increased due to capitalised interest during the year.

OPERATIONAL AND FINANCIAL REVIEW

Cash Flow

US$'million	2023	2022
Operating cash flows		
Profit/(loss) before taxation	**38.1**	(7.3)
Adjustments:		
Accounting modification gain on borrowings	**(38.9)**	—
Impairment charge/(reversal)	**1.4**	(7.1)
Depreciation and amortisation	**4.3**	1.2
Changes in provisions	**(0.1)**	0.1
Net finance cost	**11.6**	9.9
Adjusted EBITDA	**16.4**	(3.2)
Working capital changes	**(6.5)**	(0.5)
Stay-in-business capital	**(0.1)**	(0.2)
Waste stripping cost capitalised	**(3.4)**	—
Operating cash result	**6.4**	(3.9)
Cash repaid		
Increase in borrowings	**7.8**	3.2
Repayment of borrowings	**(2.0)**	—
Repayment of lease liabilities	**(0.5)**	(0.4)
Finance income	**0.3**	0.1
Finance cost	**(1.3)**	(0.1)
Net cash received	**4.3**	2.8
Net increase/(decrease) in cash	**10.7**	(1.1)
Opening cash	**4.2**[1]	6.0[1]
Closing cash	**14.9**	4.9

Notes:

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

The Group began the year with an adjusted cash balance of US$4.2 million. Cash flow from operations (adjusted EBITDA) was US$16.4 million compared to the prior year of negative US$3.2 million due to operations resuming at the Mine following the period of care and maintenance, and due to strong market conditions for diamonds. Working capital of US$6.5 million (2022: US$0.5 million) was expected as operations resumed. Borrowings increased by US$7.8 million (2022: US$3.2 million) and included US$5.6 million from the bridge facility to fund continued care and maintenance expenditure and US$2.2 million from the restructured Restart Facility ("Facility C") to specifically fund ramp-up costs. Net cash increased by US$10.7 million (2022: US$1.1 million decrease), and the Group ended the year with a cash balance of US$14.9 million (2022: US$4.9 million).

RESOURCE AND RESERVE STATEMENT

Diamond Resource and Reserve update for Liqhobong Mine

The Diamond Resource was updated at the end of the financial year to account for the mining that took place during the year. Mining operations resumed in August 2022 after a period of care and maintenance that began in March 2020. The depletion during the year ending 30 June 2023 amounted to 2.796 million tonnes and 0.708 million carats. An estimated total of 0.0229 million tonnes of ore and 0.0057 million carats was found to reside on the run-of-mine ("ROM"), in-pit, and low-grade stockpiles. Therefore, as at 30 June 2023, the Liqhobong Mine's total Indicated Resource was estimated to be 20.048 million tonnes at a grade of 22 carats per hundred tonnes ("cpht"), containing 4.363 million carats. This represents a 12.45% reduction in Metric tonnes compared to the 2022 Indicated Diamond Resource statement. There were no changes reported for the Inferred Resource.

Diamond Resource statement for Liqhobong Main Pipe as at 30 June 2023 (including Reserves)

		Diamond Resource				
Diamond Resource Category	Depth from and to	Volume in m3 (millions)	Specific gravity (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Indicated	2 603 masl to 2 467 masl	7.731	2.59	20.048	22	4.363
Inferred	2 467 masl to 2 127 masl	18.184	2.66	48.399	24	11.423
Total Diamond Resource		**25.915**	**2.64**	**68.447**	**23**	**15.786**

- Diamond Resources as at 30 June 2023, reported inclusive of reserves.
- Tonnes are metric tonnes and totals are rounded.
- Stated at a bottom cut-off of 1.25mm slotted screen apertures.

Diamond Reserve

The diamond reserve at Liqhobong Mine was updated at the end of the financial year to reflect the mining activities that occurred during the year. As at 30 June 2023, the total Probable Reserve stood at 20.048 million tonnes at a grade of 22 cpht, containing 4.363 million carats.

The current mine plan includes the mining of cut 1 and cut 2 only. Options to revert to a longer Life of Mine ("LOM") plan, which encompasses, for example, a cut 3 North would be considered in the future, should there be an overall improvement in the project economics, including average diamond prices or exchange rates, or further upside in pit optimisations.

Diamond Reserve statement for the Liqhobong Main Pipe as at 30 June 2023

		Diamond Reserve			
Diamond Reserve Category	Depth from and to	Specific gravity (tonnes/m^3)	Metric tonnes (millions)	Grade (cpht)	Carats (millions)
Probable	2 603 masl to 2 467 masl	2.59	20.048	22	4.363
Total Diamond Reserve		**2.59**	**20.048**	**22**	**4.363**

- Tonnes are metric tonnes and totals are rounded.
- Stated at a bottom cut-off of 1.25mm slotted screen apertures.

The Reserves and Resources Statement was independently compiled by Polite Khutjwe (Pri.Sci.Nat., B.Sc. (Hons) Applied Geology), a competent person, who was appointed as a consultant by the Company for this purpose.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

The health and safety of our people and communities is key and Liqhobong continued to maintain its high standards. This is achieved through the site Safety, Health, and Environmental ("SHE") Management Systems, governed by the National Occupational Safety Association ("NOSA") SHE Management guidelines.

We were pleased that the year was completed without any lost time and only 3 medical treatment cases (non-lost time injuries). During the reporting period, the following audits were undertaken:

- External integrated NOSA GAP SHE System Audit, which affirmed that the operation SHE Management System remained in line with industry best practices; and
- Internal SHE System Audits to evaluate compliance throughout the operation including contractors.

An integrated GAP Safety, Health, and Environmental audit was undertaken towards the end of the 2023 financial year. This audit was undertaken by NOSA based on the integrated SHE Management audit protocol. The audit objective was to assess and evaluate the management of the Operational Risks relating to Safety, Health, and Environmental Management. There were no major findings raised during the audit.

The health and well-being of employees remain a key priority of Firestone and to this end, the chronic illnesses management programme was strengthened. Through monitoring and counselling, this program assists affected employees and contractors in managing their chronic conditions and maintaining their health.

Environment

We are committed to complying with all relevant requirements in addition to being guided by international best practices. 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 the efficient use of natural resources and minimising the quantity of final waste disposal.

We always strive to comply with all requirements of our approved Environmental Management Plan by adhering to strict protocols contained in our ESMS. Firestone continues to maintain a detailed SHE Legal Register as part of the ESMS. The environmental permits, licences, and authorisations for dams and other active projects have been valid throughout the reporting period. The Mine complied with all relevant regulatory requirements during the year and there were no major environmental incidents.

Water Management

The Company views water as a scarce and vital resource that supports the livelihood of surrounding communities and the general preservation of the environment.

The mining industry in Lesotho has been subjected to unsubstantiated criticism for allegedly contributing to the occurrence of harmful levels of nitrates in certain rivers that ultimately flow into the Katse Dam. Nitrates are an unavoidable by-product of blasting carried out on the Mine and the Company has always, and continues to, vigilantly monitor and mitigate the occurrence of nitrates in the Liqhobong Stream, Motete River, and Malibamatsu River to ensure that its operations do not negatively impact the environment.

Water management, on the Mine where a closed-circuit water reticulation system is in place, and the surrounding environment has been identified as one of the Company's most significant environmental risks. As part of the water monitoring programme:

- Monthly surface water monitoring is routinely undertaken for water chemistry (Nitrate levels) and biological analysis (E.coli & total Coliforms) along its zone of influence, downstream of the Mine.
- Seasonal Biomonitoring Assessments (Dry and Wet Season) are undertaken, to establish the cumulative impact of the Mine on the aquatic life, specifically the micro-invertebrates (diatoms), macroinvertebrates, and fish species found in the rivers streams, and dams downstream of the Mine.

In addition to the closed-circuit water reticulation system, Firestone has implemented a Bio-remediation pilot plant, a biological nitrate treatment remediation method, which is widely used to treat Contaminants of Concern ("CoC") such as nitrates, which have been identified as the main CoC at Liqhobong.

In periods of high rainfall, water is discharged from the Mine into the Liqhobong Stream out of necessity when it has run out of on-Mine storage capacity. LMDC complied with the requirements of the dewatering permit received from the Department of Environment, which was renewed during the year.

The Company has in place a Tailings Management System to manage its residue storage facilities, guided by the GISTM. Monthly monitoring is done by the Accountable Executive, supported by the Appointed Engineer of Record, the Responsible Tailings Facility Engineer. In addition, an external audit was conducted during the year by the Senior Independent Technical Reviewer as stipulated by GISTM Principle 4. The audit confirmed that Firestone's tailings management is in accordance with GISTM.

The Company remains vigilant in monitoring the structural integrity of its residue storage facilities' and dam water levels.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Air Quality
As part of its Air Quality Monitoring programme, Firestone monitors dust fallout monthly with the aim to:

- Quantify the operation's contribution to dust deposition in the area;
- Identify potential problems or high-risk areas; and
- Assess compliance to the relevant South African National Standards SANS 1929:2011 Ambient Air Quality Standard.

To date, the dust fallout complied with the set limits of 1200 $mg/mm^2/day$ at all sampling points and also complied with the permitted exceedance frequencies as stipulated by the South African National Dust Control Regulation (Act No.39 of 2004).

Waste and Pollution Management
The Mine continues to focus on waste management, water quality monitoring, and incident reporting. There is a strong culture of reusing and recycling at the Mine and all waste is handled and disposed of responsibly.

Monitoring of pertinent waste and pollution parameters through our ESMS is a key focus. Swift action is taken when our systems identify an increase in potential impact on the environment. There were no pollution incidents during the year.

Energy Usage
The Mine uses energy in its operations in the form of fuel and electricity. We continue to carefully manage energy usage by reducing the maximum demand requirements during the plant startups. Most of the fuel is consumed in the mining operations, which includes drilling, loading, and hauling of ore from the pit to the processing plant and waste rock to the tailings facility wall.

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 reduces energy usage by placing less strain on the electricity grid.

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

The Company understands that significant changes in operations affect local communities and is committed to development initiatives that address vulnerabilities within the local communities, and which respond to the community's needs and priorities. The Company implemented initiatives aimed at addressing community health and safety challenges, put in place responsive measures for social relief, and engaged in activities that strive to strengthen social fabrics for more resilient communities.

The Company honours and acknowledges the values, beliefs, and culture of the local community and understands that the way of life of the local community is built on strong cultural practices. The Company also acknowledges the significance of respectful engagement in cases where the activities of the Company may have a direct impact on the values and beliefs of the community. The Company held multiple engagements with households whose graves would be impacted by the extension of the Mine perimeter fence. Subsequently, affected graves were relocated with observation of applicable legal requirements and cultural practices as directed by the local authorities and the affected households. This approach reassured the community as well as other stakeholders of the Company's commitment to respecting the rights of the local community.

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 toward 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. 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.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Community Relations

The Company recognises that the:

- opportunities emerging from its operations are impact multipliers, and that these opportunities bear the potential for the realisation of not just economic improvement aspirations, but the general development of communities surrounding the Mine; and
- the importance of benefits derived from the existence of the Mine and strives to ensure that benefits from the Mine are maximised beyond employment opportunities.

It provided us with great joy to see the influence that the Mine has made in improving the access to opportunities of local communities when we were able to offer an apprenticeship to a local student as part of their tertiary education.

The Mine continued to provide support to the community association committee regarding the management of the accumulated communal grazing land compensation. Compensation is paid to the community association annually.

Furthermore, the Company:

- donated school shoes and socks to 455 learners at the two local primary schools;
- donated additional school wear items such as shirts and jerseys;
- sponsored the annual district Maths and Science fair targeting 500 learners from 24 schools, this initiative aimed to promote Maths and Science within the local schools;
- initiated an income-generating/livelihood project wherein 11 community members were trained in beekeeping and provided with beekeeping equipment;
- constructed 20 toilets for households to ensure access to decent sanitation facilities;
- made various donations to enhance partnerships including hand tools for environmental campaigns and sanitary products;
- continued with regular engagements with community leadership, the Community Committee and other stakeholders to give them updates on the operations of the Mine as well as projects being implemented;
- repaired the road between Liqhobong and Tiping, which links the Liqhobong and Pulane villages to basic facilities such as schools, churches, and health care facilities;
- built a football field and a netball court for the community, to promote the positive impact of physical activity and sports on wellbeing;
- provided continuous emergency medical assistance to the local communities; and
- continued to contribute to the local economy by sourcing fresh produce from local farmers. Through the 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.

CONCLUSION TO THE STRATEGIC REPORT

The Company faces challenges and uncertainty in FY2024. Cost inflation has impacted us as the changing geopolitical landscape, mixed growth, and interest rates are impacting diamond demand and prices. We are committed to doing what we can to navigate these challenges and create value for shareholders, lenders, communities, government, customers, suppliers, and partners, but we expect FY2024 to be another challenging year for the Company.

I would like to extend my 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 another 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.

Strategic Report
This Strategic Report was approved by the Board on 19 March 2024 and is signed on its behalf by:

Ian Maxwell
Executive Chairman

Rob de Pretto
Chief Executive Officer

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ian Maxwell, Executive Chairman
Mr. Maxwell has over 30 years of minerals industry experience in operations, exploration, business and project development, project finance, equities, executive leadership, risk management and ESG. He is an Operating Partner with Pacific Road Capital. He previously led the global coal business at BHP, and BHP's exploration and business development group. Prior to BHP, he had substantial corporate mining strategy and business development experience with Rio Tinto and Anglo American, and markets-facing experience with Citigroup. Mr Maxwell is Pacific Road Capital's nominated Executive Chairman of the Company.

Rob De Pretto, Chief Executive Officer
Mr De Pretto has 41 years of experience in the diamond mining industry. Prior to his current appointment, Mr De Pretto was the 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 Production Manager of Venetia Mine, 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.

Michael Stirzaker, Non-Executive Senior Independent Director
Mr Stirzaker has 41 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. From 2010 until 2019 Mr Stirzaker was a partner with the private equity mining fund manager, Pacific Road Capital Management, and since 2019 has served in various non-executive director roles. He is currently the Non-executive Chairman of Base Resources Limited and a Non-Executive Director of Southern Palladium Limited. He holds a Bachelor of Commerce degree from the University of Cape Town and is a qualified Chartered Accountant in Australia.

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 23 years of experience, including 16 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.

Ian Crozier, Chief Strategic and Legal Officer
Mr. Crozier is part of the senior leadership team and attends all Board meetings by invitation in his capacity as secretary, and general counsel to the Board. He was Admitted as an attorney of the High Court of South Africa in March 2000 and has more than 20 years of experience in the mining industry, during which he worked for De Beers and Anglo-American in senior corporate counsel roles before joining Firestone Diamonds as general counsel in May 2015 as part of the owner's team responsible for the construction and bringing the Liqhobong Mine into production. He is an experienced corporate, and commercial mining lawyer with extensive multi-jurisdictional experience in mineral exploration, mine development, project finance, debt restructuring, mergers and acquisitions, and various regulatory regimes. In 2020 he was appointed as the Chief Legal Officer and Group Secretary when Firestone Diamonds delisted from the London Stock Exchange's AIM. In September 2023 he was appointed as Chief Strategy and Legal Officer. He holds a Baccalaureus Procurationis (BProc) and Baccalaureus Legum (LLB) from Nelson Mandela University and a Master of Laws (LLM) in Corporate and Competition Law from the University of South Africa.

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts for the year ended 30 June 2023, which should be read in conjunction with the Strategic Report.

Results and dividends

The Group made a profit after taxation of US$38.2 million (2022: loss after tax of US$26.1 million). Further details are shown in the Consolidated Statement of Comprehensive Income on page 31.

The Directors do not recommend a dividend (2022: 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 (2022: 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 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.[1]	633 111 995	80.19%
Edwards Family Holdings Limited	63 472 355	8.04%
Pacific Road Capital II Proprietary Limited[1]	33 577 300	4.25%

1 Together PRRF II Investment Holdings L.P. and Pacific Road Capital II Proprietary Limited hold 84.44% of the Company's issued ordinary share capital.

Registration change

On 14 December 2022 the Company, formerly registered as a public company, Firestone Diamonds Plc, was re-registered as a private company, Firestone Diamonds Limited.

Directors

Biographies of the current Directors as at the date of this report are set out on page 25.

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

	Position	Date of change
Ian Maxwell	Executive Chairman	Appointed as Executive Chairman on 1 August 2023
Rob de Pretto	Chief Executive Officer	
Michael Stirzaker	Senior Independent Director	
Patrick Meier	Non-Executive Chairman	Resigned 28 July 2023
Keith Johnson	Non-Executive Director	Resigned 28 July 2023

Directors' emoluments 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 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 270 full-time employees at the year-end (2022: 54 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 that impact thereon, are communicated openly and regularly This is achieved through regular management briefings.

DIRECTORS' REPORT

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 31 to the financial statements.

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

We do, however, draw your attention to the fact that at 30 June 2023, the Group's total liabilities exceeded its total assets by US$40.4 million (2022: US$73.9 million) and that the Company's total liabilities exceeded its total assets by US$51.7 million (2022: US$47.2 million).

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 consider the Group is reliant on the continued availability of its borrowing facilities, which are subject to the following uncertainties:

- the potential covenant waiver for the interest cover ratio of the Absa Facility; and
- the requirement to renew the Absa Working Capital Facility in January 2025.

These events represent material uncertainties that 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.

Further information is included within note 1 going concern on page 38.

Post-balance sheet events
Post-balance sheet events are detailed in note 33 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.

The Directors will re-appoint Crowe U.K. LLP as auditor to the Company.

On behalf of the Board

Ian Maxwell
Executive Chairman

19 March 2024

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 UK-adopted International accounting standards. 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 UK-adopted International accounting standards, 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

Ian Maxwell
Executive Chairman

19 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FIRESTONE DIAMONDS LIMITED

Opinion

We have audited the financial statements of Firestone Diamonds Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2023 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and Company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

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 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements 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 are independent of the group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Group is reliant on the continued availability of its borrowing facilities, which are subject to the following uncertainties:

- Obtaining a waiver from their lenders in relation to a projected breach of the interest cover ratio covenant on their borrowings Facility C in March 2025; and
- The annual requirement to renew the Working Capital facility with their lenders, next due in January 2025.

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

In auditing the consolidated financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the consolidated 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 contained within the annual report. 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 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FIRESTONE DIAMONDS LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, 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 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 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.

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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the procedures in place for ensuring compliance. These included the Companies Act 2006, and the significant laws and regulations in Lesotho including the terms of the mining lease agreement, tax legislation and environmental legislation.
- As part of our audit planning process, we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made with management and those charged with governance concerning both whether they had any knowledge of any actual or suspected fraud and their assessment of the susceptibility to fraud. We considered the risk to be greater in areas involving significant management estimation or judgement. Based on this assessment we designed audit procedures to focus on these specific areas.
- We tested the appropriateness of journal entries throughout the year by vouching a risk-based sample of journals to supporting documentation and explanations.
- A detailed review of the Group's year end adjusting entries was performed. Any items that appeared unusual in nature or amount were vouched to supporting documentation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

20 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	**2023 US$'000**	2022 US$'000
Revenue	3	**45 001**	—
Cost of sales		**22 688**	—
Gross profit		**22 313**	—
Other income		**478**	3 144
Accounting modification gain - Borrowings	25	**38 858**	—
Selling, administrative and other expenses		**11 969**	506
Diamond royalty and selling expenses		**2 726**	—
Impairment charge/(reversal)	9	**1 381**	(7 132)
Amortisation and depreciation		**709**	1 219
Care and maintenance		**3 332**	4 522
Other administrative expenses		**484**	—
Corporate expenses		**3 337**	1 897
Profit from continuing operations before finance charges and income tax	4	**49 680**	2 638
Finance income	8	**345**	49
Finance costs	8	**11 932**	9 922
Profit/(loss) from continuing operations before tax		**38 093**	(7 235)
Taxation credit	10	**75**	74
Profit/(loss) from continuing operations after tax for the year		**38 168**	(7 161)
Loss from discontinued operations	21	**—**	18 927
Profit/(loss) after tax for the year		**38 168**	(26 088)
Profit/(loss) after tax for the year attributable to:			
Owners of the parent		**29 299**	(24 139)
Non-controlling interests		**8 869**	(1 949)
Profit/(loss) after tax for the year		**38 168**	(26 088)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations net of tax		**(4 669)**	(4 395)
Exchange differences on disposal of foreign investment	21	**—**	19 652
Other comprehensive (loss)/income		**(4 669)**	15 257
Total comprehensive income/(loss) for the year		**33 499**	(10 831)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent		**26 057**	(6 875)
Non-controlling interests		**7 442**	(3 956)
Total comprehensive income/(loss) for the year		**33 499**	(10 831)
Basic and diluted profit/(loss) per share			
Basic and diluted profit/(loss) per share from continuing operations (US cents)	11	**3.7**	(0.7)

The notes on pages 38 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	**2023** **US$'000**	2022 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**35 690**	46 316
Right of use assets	13	**1 494**	2 003
Total non-current assets		**37 184**	48 319
Current assets			
Inventory	18	**10 484**	—
Trade and other receivables	19	**1 856**	517
Cash and cash equivalents	20	**14 930**	4 909
Total current assets		**27 270**	5 426
Total assets		**64 454**	53 745
EQUITY			
Share capital	22	**169 709**	169 709
Share premium		**193 212**	193 212
Reserves		**(20 852)**	(12 709)
Accumulated losses		**(316 279)**	(350 479)
Total equity attributable to equity holders of the parent		**25 790**	(267)
Non-controlling interests		**(66 240)**	(73 682)
Total equity		**(40 450)**	(73 949)
LIABILITIES			
Non-current liabilities			
Borrowings	25	**36 729**	27
Lease liabilities	26	**1 375**	2 056
Rehabilitation provisions	27	**3 045**	3 434
Deferred tax	28	**43**	130
Total non-current liabilities		**41 192**	5 647
Current liabilities			
Borrowings	25	**56 059**	116 895
Lease liabilities	26	**745**	583
Trade and other payables	29	**6 613**	4 350
Provisions	30	**295**	219
Total current liabilities		**63 712**	122 047
Total liabilities		**104 904**	127 694
Total equity and liabilities		**64 454**	53 745

The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2024.

Ian Maxwell
Director

The notes on pages 38 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Share capital US$'000	Share premium US$'000	Warrant reserve[1] US$'000	Merger reserve US$'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 2021	169 709	193 212	7 609	(1 614)	4 901	(40 334)	(326 875)	6 608	(69 726)	(63 118)
Comprehensive loss										
Loss for the year	—	—	—	—	—	—	(24 139)	(24 139)	(1 949)	(26 088)
Other comprehensive income for the year										
Exchange gains on translating foreign operations	—	—	—	—	—	(3 193)	—	(3 193)	(1 202)	(4 395)
Exchange differences on disposal of foreign investment	—	—	—	—	—	19 922	535	20 457	(805)	19 652
Total comprehensive loss for the year	—	—	—	—	—	16 729	(23 604)	(6 875)	(3 956)	(10 831)
Balance as at 30 June 2022	169 709	193 212	7 609	(1 614)	4 901	(23 605)	(350 479)	(267)	(73 682)	(73 949)
Comprehensive loss										
Profit/ for the year	—	—	—	—	—	—	**29 299**	**29 299**	**8 869**	**38 168**
Other comprehensive income for the year										
Exchange losses on translating foreign operations	—	—	—	—	—	**(3 242)**	—	**(3 242)**	**(1 427)**	**(4 669)**
Total comprehensive income for the year	—	—	—	—	—	**(3 242)**	**29 299**	**26 057**	**7 442**	**33 499**
Contributions by and distributions to owners										
Share-based payments lapsed/expired	—	—	—	—	**(4 901)**	—	**4 901**	—	—	—
Total contributions by and distributions to owners	—	—	—	—	**(4 901)**	—	**4 901**	—	—	—
Balance as at 30 June 2023	**169 709**	**193 212**	**7 609**	**(1 614)**	—	**(26 847)**	**(316 279)**	**25 790**	**(66 240)**	**(40 450)**

1 Warrants issued relate to the Eurobond transaction, the details of which are disclosed in note 24.

The notes on pages 38 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 US$'000	2022 US$'000
Cash flows from/(used in) continuing operating activities			
Profit/(loss) from continuing operations before taxation		**38 093**	(7 235)
Adjustments for:			
Accounting modification gain - Borrowings	25	**(38 858)**	—
Impairment charge/(reversal)	9	**1 381**	(7 132)
Depreciation and amortisation	4	**4 269**	1 219
Changes in provisions		**(122)**	54
Finance income	8	**(345)**	(49)
Finance cost	8	**11 932**	9 922
Net cash flows from/(used in) operating activities before working capital changes		**16 350**	(3 221)
Increase in inventories		**(7 803)**	(116)
(Increase)/decrease in trade and other receivables		**(1 330)**	329
Increase/(decrease) in trade and other payables		**2 586**	(669)
Net cash flows from(used in) operating activities		**9 803**	(3 677)
Cash flows used in investing activities			
Additions to property, plant and equipment		**(3 473)**	(187)
Net cash used in investing activities		**(3 473)**	(187)
Cash flows from financing activities			
Increase in borrowings	25	**7 771**	3 247
Repayment of borrowings	25	**(1 941)**	—
Repayment of lease liabilities	26	**(506)**	(393)
Finance income	8	**345**	49
Finance cost	8	**(1 311)**	(152)
Net cash from financing activities		**4 358**	2 751
Net increase/(decrease) in cash and cash equivalents		**10 688**	(1 113)
Cash and cash equivalents at beginning of the year		**4 909**	6 232
Exchange rate movement on cash and cash equivalents		**(667)**	(210)
Cash and cash equivalents at end of the year	20	**14 930**	4 909

The notes on pages 38 to 66 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	**2023 US$'000**	2022 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	**—**	—
Loans to subsidiaries	16	**—**	—
Total non-current assets		**—**	—
Current assets			
Trade and other receivables	19	**1 287**	368
Cash and cash equivalents	20	**384**	618
Total current assets		**1 671**	986
Total assets		**1 671**	986
EQUITY			
Share capital	22	**169 709**	169 709
Share premium		**193 212**	193 212
Reserves		**8 506**	13 407
Accumulated losses		**(423 157)**	(423 520)
Total equity attributable to equity holders of the Company		**(51 730)**	(47 192)
LIABILITIES			
Current liabilities			
Borrowings	25	**51 994**	46 899
Trade and other payables	29	**1 407**	1 279
Total current liabilities		**53 401**	48 178
Total liabilities		**53 401**	48 178
Total equity and liabilities		**1 671**	986

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$4.1 million which included an impairment charge of US$0.1 million (2022: US$4.6 million which included an impairment reversal of US$1.3 million) (refer to note 9). The Company had no other items of comprehensive income in the year (2022: US$nil).

The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2024.

Ian Maxwell
Director

The notes on pages 38 to 66 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	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 2021	169 709	193 212	7 609	897	4 901	(418 907)	(42 579)
Comprehensive loss							
Loss for the year	—	—	—	—	—	(4 613)	(4 613)
Total comprehensive loss for the year	—	—	—	—	—	(4 613)	(4 613)
Balance as at 30 June 2022	169 709	193 212	7 609	897	4 901	(423 520)	(47 192)
Comprehensive loss							
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(4 138)**	**(4 138)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**(4 138)**	**(4 138)**
Contributions by and distributions to owners							
Share-based payments lapsed/expired	**—**	**—**	**—**	**—**	**(4 901)**	**4 501**	**(400)**
Total contributions by and distributions to owners	**—**	**—**	**—**	**—**	**(4 901)**	**4 501**	**(400)**
Balance as at 30 June 2023	**169 709**	**193 212**	**7 609**	**897**	**—**	**(423 157)**	**(51 730)**

The Company had no other comprehensive income in the year.

The notes on pages 38 to 66 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 US$'000	2022 US$'000
Cash flows used in operating activities			
Loss before taxation		**(4 138)**	(4 613)
Adjustments for:			
Impairment charge/(reversal)	9	**100**	(1 260)
Finance income		**(396)**	(176)
Finance cost		**5 095**	5 582
Net cash flows from/(used in) operating activities before working capital changes		**661**	(467)
Increase in trade and other receivables		**(919)**	(18)
Increase/(decrease) in trade and other payables		**125**	(658)
Net cash used in operating activities		**(133)**	(1 143)
Cash flows (used in)/from investing activities			
Loans repaid by subsidiaries		**—**	1 388
Loans advanced to subsidiaries		**(101)**	(128)
Net cash (used in)/from investing activities		**(101)**	1 260
Cash flows from financing activities			
Finance income		**—**	175
Net cash flows from financing activities		**—**	175
Net (decrease)/increase in cash and cash equivalents		**(234)**	292
Cash and cash equivalents at beginning of the year		**618**	326
Cash and cash equivalents at end of the year	20	**384**	618

The notes on pages 38 to 66 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

Basis of preparation

Firestone Diamonds Limited (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in diamond mining in Lesotho.

Going concern

Background

The Group holds a 75% stake in the Liqhobong Diamond Mine which recommenced operations during August 2022 after a two-and-a-half-year period limited to care and maintenance operations.

The restart went well in a buoyant diamond market, especially in the Run of Mine size fractions, resulting in revenue for the year of US$45.0 million from the sale of 441 639 carats at an average value of US$101 per carat, which exceeded expectation.

The diamond market deteriorated after the year end, due mainly to overstocking in the mid-stream and weak demand due to higher interest rates in developed economies, resulting in lower rough diamond prices. It is expected that the diamond market should continue to recover following the end of the voluntary moratorium in India on the importation of rough diamonds for a two-month period from mid-October 2023 to mid-December 2023 and lower sales volumes by major producers to correct the overstocked mid-stream take effect. This is further supported by the forecast decrease in interest rates in developed economies over the coming months which should result in increased retail demand and higher rough diamond prices.

The debt restructuring and refinancing transaction with Absa Bank was completed on 26 January 2023 which provided for the ABSA Facility (comprising the senior secured project debt of US$69.5 million) to be restructured into a senior US$20.5 million Facility A and a subordinated US$49.0 million Facility B. The Bridge Facility was converted into a senior Restart Facility ("Facility C") of ZAR205.2 million (US$11.6 million equivalent), and a Working Capital Facility of ZAR201.7 million was provided (US$11.4 million equivalent). The Working Capital Facility remains undrawn as at the date of this report. All debt repayments of each of the Facilities, including interest and capital, are settled by way of a cash sweep in terms of a pre-determined cash flow waterfall, in order of priority, and only to the extent that Liqhobong Mine generates surplus cash. The Company's bondholders and 84.44% shareholders, Pacific Road Resources Fund II L.P and Pacific Road Capital II Pty Ltd, extended the final maturity dates of the Series A and Series B Eurobonds to 30 June 2024. Both classes of Bonds are subordinated to the new Absa Facilities and are expected to be restructured in the coming months.

The Liqhobong Mining Lease was successfully renewed in November 2023 for a further period of 10 years, with the option to extend the lease for a further 10 years. The Lease was renewed on substantially similar terms.

Statement

The Directors have reviewed the Group's and Company's cash flow forecast for a fifteen-month period from signing these annual financial statements to June 2025. The Directors have also considered the key risks affecting the business as detailed in the risk review section of the strategic report.

The Directors recognise that the cash flow forecast is based on certain forward-looking assumptions, including forecast diamond prices, operating costs, capital requirements, and currency exchange rates – particularly between the South African Rand and the United States Dollar.

The Directors, having reviewed the cash flow forecast confirm that there is a reasonable expectation that together with the Group's existing cash resources, $8.6 million at 31 January 2024, and its forecast cash generation, the Group will be able to fund its operational requirements and service the new Absa Facilities in accordance with the pre-determined cash flow waterfall for a period of at least twelve months from the date of approval of this Annual Report. At the date of signature the Group, has access to the full ZAR201.7 million Working Capital Facility, which remains undrawn and is renewable in January 2025.

The Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. Notwithstanding this, the Directors consider that the Group is reliant on the continued availability of its borrowing facilities, which are subject to the following uncertainties:

- the potential covenant waiver for the interest cover ratio of the Absa Facility; and
- the requirement to renew the Absa Working Capital Facility in January 2025.

These events represent material uncertainties, which 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 Limited have been prepared in accordance with UK-adopted International Accounting Standards.

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 2022 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 UK Endorsement Board 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 retums 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 on 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:

Asset class	Depreciation method
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 spares and consumables. Inventories are valued at the lower of cost and net realisable value. The cost of rough diamond inventories 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 principal and interest. After initial measurement, loans and receivables are carried at amortised cost using the effective interest rate 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.

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 provision.

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.

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

In prior years, certain employees (including Directors and senior executives) of the Group received 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.

Rehabilitation provisions - estimate

The Group makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in 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 carried out in future periods.

Impairment testing – estimate and judgements

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 value per carat;
- recovery and productivity rates;
- inflation rates;
- discount rate; and
- exchange rates.

A discount rate of 19.9% (2022: 16.2%) was used to discount the future cash flows of the Liqhobong Mine. In determining the higher discount rate management considered the increased risk prevailing in the global economy due to the impact of rising inflation rates, the impact of the Russian war in Ukraine, and the Israeli-Palestinian conflict.

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 resumed operations from August 2022 after a two-and-a-half year period of care and maintenance which commenced on 26 March 2020.

Waste stripping cost capitalised - judgement

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 - judgement

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 28.

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

Depreciation - judgement
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 an independent competent person.

Functional currency - judgement
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 Company is the US Dollar and 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 Liqhobong Board is in Lesotho Maloti.

3 Revenue

	Group	
	2023	2022
	US$'000	US$'000
Sale of gem diamonds	**44 772**	—
Sale of non-gem diamonds	**229**	—
	45 001	—

Diamonds are sold in Antwerp, Belgium and in Dubai through a competitive tender process. Below is an analysis of customers of the Group who represent revenue of 5% or more:

	Group			
	2023		2022	
	US$'000	**%**	US$'000	%
Customer – India	**6 894**	**15**	—	—
Customer – United States	**3 382**	**8**	—	—
Customer – Europe	**3 197**	**7**	—	—
Customer – Dubai	**2 538**	**6**	—	—
Other customers	**28 990**	**64**	—	—
	45 001	**100**	—	—

4 Operating profit/(loss)

	Group	
	2023	2022
	US$'000	US$'000
Operating profit/(loss) for the year is stated after charging:		
Impairment charge/(reversal) (note 9)	**4 289**	(7 235)
Impairment (reversal)/charge of spares and consumables (note 9)	**(2 994)**	103
Impairment of other receivables (note 9)	**86**	—
Employee costs (note 5)	**6 624**	1 476
Operating lease rentals	**47**	21
Cost of inventories recognised as an expense excluding amortisation and depreciation	**19 128**	—
Amortisation and depreciation – Property, plant and equipment (note 12)	**3 941**	863
Included in cost of sales	**3 232**	—
Other	**709**	863
Amortisation and depreciation – Right of use asset (note 13)	**328**	356
Included in cost of sales	**328**	356
Amortisation and depreciation – Total	**4 269**	1 219

5 Employee numbers and costs

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

	Group	
	2023	2022
	Number	Number
Operations	**156**	49
Administration	**7**	6
	163	55

The employment benefits were as follows:

	Group	
	2023	2022
	US$'000	US$'000
Salaries and wages	**6 602**	1 458
Social security cost	**22**	18
	6 624	1 476

6 Directors' emoluments

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

	Group	
	2023	2022
	US$'000	US$'000
Short-term benefits	**1 224**	522
Total	**1 224**	522

The related aggregate remuneration for the highest paid Director was US$564 000 (2022: US$217 305).

7 Auditor's remuneration

	Group	
	2023	2022
	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	**123**	83
Fees payable to the Group's auditor and its associates for other services		
Audit of accounts of subsidiaries of the Company	**10**	33
Taxation compliance services	**14**	—
	147	116

8 Finance income and costs

	Group	
	2023	2022
	US$'000	US$'000
Interest income on bank deposits	**274**	49
Foreign exchange adjustments on cash balances	**71**	—
Finance income - Total	**345**	49
Interest on bank overdrafts	**207**	—
Foreign exchange adjustments on cash balances	**—**	9
Finance cost – cash	**207[a]**	9[a]
Interest on borrowings (note 25)	**11 209**	9 372
Unwinding of discount on rehabilitation liability (note 27)	**264**	241
Interest on lease liabilities (note 26)	**252**	300
Other	**—**	—
Finance costs - Total	**11 932**	9 922

No borrowing costs were capitalised during the year.

a - *In addition to the US$207 593 (2022:US$9 267) interest above, US$1 103 121 (2022:US$143 284) in cash finance cost was paid in* respect of transaction costs and ECIC premium on ABSA Facility A. Total cash finance cost per the cash flow statement is therefore US$1 310 714 (2022:US$152 551).

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 reversal or charge is required.

Liqhobong Mine

Operations at the Liqhobong Mine, the Company's only CGU, restarted in August 2022, this along with the recent recovery in the diamond market, more especially the Run of Mine ("ROM") diamond prices as a result of a reduced supply following the closure of certain diamond mines, is an indicator for reversal of impairment. Since the restart of production, it has however become apparent that diamond recoveries are lower than expected, which in turn is an indicator of impairment.

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 Life of Mine plan with a 6-year mine life (2022: 7-year mine life). Using the Life of Mine plan and other key assumptions including those listed below, Liqhobong's value-in-use was determined to be US$51.6 million, which is $4.3 million less than its carrying value of US$55.9 million.

After careful consideration the Board has concluded that it is appropriate to recognise an impairment of US$4.3 million.

Key assumptions	2023	2022	Basis for assumption
Average diamond value per carat over Life of Mine - (REAL)	**US$101**	US$84	The average diamond value was based on the historical average value achieved since the restart of operations in August 2022. The 2022 average value adjusted for the impact of the recovery of ROM diamond prices, which is in line with the supply/demand dynamics in the diamond industry following the closure of certain diamond mines.
Real diamond price growth	**FY24 -%** **FY25 (3.4)%** **FY26 6.4%** **FY27 2.3%** **FY28 0.3%**	FY23 1.3% FY24 (1.0)% FY25 1.2% FY26 6.4% FY27 (0.1)% FY28 1.3%	The diamond price growth is based on long-term projections, taking into account the current diamond market stock levels, and forecast supply and demand.
Mine Call Factor ("MCF")	**77%**	90%	The MCF is based on expected recovered grades, taking into account the lower than expected actual recovered grades.
Discount rate	**19.9%**	16.2%	The discount rate used to account for the time value of money represents the pre-tax weighted average cost of capital ("WACC") that would be expected by market participants based on risks specific to the Liqhobong Mine. The rate includes adjustments for market risk, volatility and risks specific to the asset.
Planned restart date	**n/a**	October 2023	The Mine restarted in August 2022.
Exchange rate (ZAR:US$)	**R18.84**	R16.33	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, MCF and discount rate. The impact of applying sensitivities to these assumptions is shown below:

US$ per carat	**Potential reversal/ (additional impairment)[1]**
10% increase – US$111	12.5
5% increase – US$106	4.1
5% decrease – US$96	(12.7)
10% decrease – US$91	(21.1)
15% decrease – US$86	(29.5)
20% decrease – US$81	(38.0)

ZAR:US$ exchange rate	**Potential reversal/ (additional impairment)[1]**
R20.50:US$1.00	6.4
R19.50:US$1.00	0.2
R18.00:US$1.00	(10.5)
R17.00:US$1.00	(18.6)

MCF	**Potential reversal/ (additional impairment)[1]**
85%	11.9
80%	2.0
70%	(17.8)
65%	(27.7)

Discount rate	**Potential reversal/ (additional impairment)[1]**
18.0%	(1.8)
22.0%	(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 before impairment.

Impairment summary

The following table presents previous impairments recorded against the Group's Liqhobong CGU:

Liqhobong Cash-generating unit	**Total US$'000**
Carrying value pre-impairment	**167 168**
Accumulated impairment	**(115 540)**
Carrying value after impairment	**51 628**

Impairment (reversal)/charge	Group **2023 US$'000**	Group 2022 US$'000	Company **2023 US$'000**	Company 2022 US$'000
Property, plant and equipment – Liqhobong Mine (note 12)	**4 289**	(7 235)	**—**	—
Investments in subsidiaries (note 14)	**—**	—	**(400)**	—
Loans to subsidiaries (note 16)	**—**	—	**414**	(1 260)
Spares and consumables (note 18)	**(2 994)**	103	**—**	—
Other receivables	**86**	—	**86**	—
	1 381	(7 132)	**100**	(1 260)

10 Taxation

	Group **2023 US$'000**	Group 2022 US$'000
Current tax	**—**	—
Prior period tax	**—**	—
Deferred tax credit (note 28)	**(75)**	(74)
Total tax credit for the year	**(75)**	(74)

Factors affecting the tax credit for the year

The reasons for the difference between the actual tax credit and the tax credit based on the Company's standard corporation tax rate of 19% (2022: 19%) are as follows:

	Group **2023 US$'000**	Group 2022 US$'000
Profit/(loss) before tax	**38 093**	(7 235)
Tax charge/(credit) on loss at standard rate of 19% (2022: 19%)	**7 238**	(1 375)
Adjustments to deferred tax not recognised	**3 046**	11 020
Effect of tax in foreign jurisdictions	**(10 343)**	(9 751)
Foreign exchange adjustment on effective interest rate on borrowings	**(19)**	31
Expenses not deductible for tax purposes	**3**	1
	(75)	(74)

The corporate income tax rate in the United Kingdom was increased from 19% to 25% for companies with financial years commencing from 1 April 2023. The new corporate tax rate of 25% is not expected to have a material impact on the Group.

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 profit per share of 3.7 US cents (2022: loss of 0.7 US cents) is based on the net profit after tax attributable to ordinary shareholders of US$29.3 million (2022: loss of US$5.2 million) and a weighted average number of shares in issue for the year of 789 481 276 (2022: 789 481 276).

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 65 101 758 (2022: 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 2023. All of the potentially issuable shares could be dilutive in the future.

12 Property, plant and equipment – Group

US$'000	Mining property	Motor vehicles and other assets	Total
Cost			
At 30 June 2021	222 937	3 002	**225 939**
Additions	186	1	**187**
Movement in decommissioning asset	(25)	—	**(25)**
Disposal	—	(28)	**(28)**
Exchange difference	(22 555)	(275)	**(22 830)**
At 30 June 2022	200 543	2 700	**203 243**
Additions	3 432	41	**3 473**
Movement in decommissioning asset	(197)	—	**(197)**
Other movements	—	(119)	**(119)**
Exchange difference	(28 594)	(346)	**(28 940)**
At 30 June 2023	**175 184**	**2 276**	**177 460**
Accumulated depreciation and impairments			
At 30 June 2021	178 348	2 629	**180 977**
Amortisation and depreciation charge for the year	839	24	**863**
Impairment reversal (note 9)	(7 235)	—	**(7 235)**
Disposal	—	(25)	**(25)**
Exchange difference	(17 413)	(240)	**(17 653)**
At 30 June 2022	154 539	2 388	**156 927**
Amortisation and depreciation charge for the year	3 927	14	**3 941**
Impairment charge (note 9)	4 289	—	**4 289**
Other movements	—	(119)	**(119)**
Exchange difference	(22 971)	(297)	**(23 268)**
At 30 June 2023	**139 784**	**1 986**	**141 770**
Net book value at 30 June 2020	44 589	373	44 962
Net book value at 30 June 2022	46 004	312	46 316
Net book value at 30 June 2023	**35 400**	**290**	**35 690**

13 Right of use assets

US$'000	Mining property	Other assets	Total
At 1 July 2021	2 489	91	**2 580**
Lease modifications	7	91	**98**
Depreciation charge for the year	(264)	(92)	**(356)**
Exchange difference	(308)	(11)	**(319)**
At 1 July 2022	**1 924**	**79**	**2 003**
Lease modifications	—	86	**86**
Depreciation charge for the year	(241)	(87)	**(328)**
Exchange difference	(256)	(11)	**(267)**
At 30 June 2023	**1 427**	**67**	**1 494**

Mining property relates to the lease of the tailings disposal conveyor system. Other assets relate to Liqhobong's office lease in Maseru, Lesotho.
The modification on other assets resulted from the extended lease period for a further 12 months.

14 Investments in subsidiaries – Company

	2023 US$'000	2022 US$'000
At 1 July	**—**	—
Share-based payments to employees of subsidiaries lapsed or expired	**(400)**	—
Reversal of impairment charged Liqhobong CGU (note 9)[1]	**400**	—
At 30 June	**—**	—

1 The reversal of impairment charged in the prior year 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$399 754.

As at 30 June 2023, 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		
Ilmari Exploration OY	Finland	100%
Infrastructure Projects (Pty) Limited	Lesotho	49%
Liqhobong Mining Development Company (Pty) Limited	Lesotho	75%
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 Limited has a direct holding.

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	
	2023	2022
Items included in the Consolidated Statement of Comprehensive Income:	**US$'000**	US$'000
Revenue	**45 001**	—
Cost of sales	**(22 066)**	—
Gross profit	**22 935**	—
Accounting modification gain on borrowings	**38 858**	—
Other income	**478**	3 144
Impairment charge/(reversal)	**1 295**	(7 132)
Care and maintenance	**3 332**	4 522
Administrative expenses	**7 683**	2 094
Profit/(loss) before finance charges and income tax	**49 961**	(3 660)
Finance income	**269**	48
Finance cost	**14 613**	11 350
Loss before income tax	**35 617**	(7 642)
Taxation credit	**(75)**	(74)
Loss after tax for the year	**35 692**	(7 568)
Loss after tax allocated to non-controlling interest	**8 869**	(1 949)
Other comprehensive loss allocated to non-controlling interest	**(1 427)**	(1 202)
Total comprehensive loss allocated to non-controlling interest	**7 442**	(3 151)

	Group	
	2023	2022
Items included in the Consolidated Statement of Financial Position	**US$'000**	US$'000
Assets		
Non-current assets		
Property, plant and equipment	**26 618**	31 595
Right of use asset	**2 227**	2 468
Current assets		
Inventories	**13 250**	1 832
Other financial assets	**229**	229
Trade and other debtors	**4 209**	2 933
Cash and cash equivalents	**15 396**	4 481
Total assets	**61 929**	43 538
Liabilities		
Non-current liabilities		
Borrowings	**38 223**	133
Rehabilitation provisions	**3 885**	3 818
Lease Liabilities	**2 964**	3 133
Deferred taxation	**2 152**	2 227
Loans from Group companies	**215 813**	215 823
Current liabilities		
Borrowings	**3 888**	69 997
Trade and other payables	**11 316**	8 388
Provisions	**195**	97
Total liabilities	**278 436**	303 616
Translation reserve	**8 168**	13 187
Accumulated non-controlling interests	**(66 240)**	(73 682)

16 Loans to subsidiaries

	Company	
	2023	2022
	US$'000	US$'000
Loan A to Kopane Diamond Developments Limited[1]	**68 004**	67 999
Loan B to Kopane Diamond Developments Limited[2]	**5 071**	5 067
Loan C to Kopane Diamond Developments Limited[3]	**24 700**	24 700
Firestone Diamonds (Pty) Limited[4]	**7 792**	7 416
Firestone Diamonds Limited[5]	**6 599**	6 595
Liqhobong Mining Development Company (Pty) Limited[5]	**9 643**	9 629
Other[5]	**95**	84
	121 904	121 490
Life time expected credit loss provision brought forward	**(121 490)**	(122 750)
Life time expected credit (reversal)/loss for the year (note 9)[6]	**(414)**	1 260
Life time expected credit loss provision carried forward	**(121 904)**	(121 490)
	—	—
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% (2022: 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% (2022: 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 7.0% (2022: 3.3%), 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 increased by US$0.4 million, which resulted in a US$0.4 million life time expected credit loss.

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 is 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	
	2023	2022
Government of Lesotho	**US$'000**	US$'000
Government of Lesotho	**7 139**	6 389
Accumulated impairment	**(7 139)**	(6 389)
	—	—
Non-current assets	**—**	—
Current assets	**—**	—
Total assets	**—**	—

The loan to the Government of Lesotho bears interest at 11.75% (2022: 9.75%), is unsecured and is repayable out of dividends declared by Liqhobong Mining Development Company (Pty) Limited.

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 is recognised for the full loan value.

18 Inventory

	Group	
	2023	2022
	US$'000	US$'000
Diamond inventory	**7 144**	—
Spares and consumables	**3 340**	2 999
	10 484	2 999
Impairment brought forward	**(2 999)**	(2 896)
Impairment reversed/(recognised) for the year (note 9)	**2 994**	(103)
Exchange difference	**5**	—
Impairment carried forward	**—**	(2 999)
At 30 June	**10 484**	—

Diamond inventory is valued at the lower of cost and net realisable value which is based on on-site valuations.

Impairment of Spares and consumables of the Liqhobong Mine was reversed during the year due to the restart of operations at the Mine in August 2022.

19 Trade and other receivables

	Group		Company	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**—**	—	**1 278**	248
Other receivables	**1 823**	451	**1**	87
Prepayments	**33**	66	**8**	33
	1 856	517	**1 287**	368

Other receivables relate to value added taxation due mainly from the Revenue Services Lesotho.

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 is 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 31 for a discussion on credit risk.

20 Cash and cash equivalents

	Group		Company	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Cash and cash equivalents	**14 930**	4 909	**384**	618

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

	Group		Company	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
US Dollars	**12 944**	678	**324**	570
British Pounds	**60**	48	**60**	48
Lesotho Maloti	**1 903**	4 164	**—**	—
South African Rand	**23**	19	**—**	—
Cash and cash equivalents	**14 930**	4 909	**384**	618

As at 30 June 2023, the Group had restricted cash deposits of US$1.3 million (2022: US$1.0 million) in the rehabilitation reserve account. The Company does not hold any restricted cash.

During the year the Group received a working capital facility from ABSA Bank. At 30 June 2023 the facility remains undrawn.
The facility has the following terms:

- Facility amount: R201 666 000 (US$11.7 million);
- Interest rate: South Arican Prime Rate, currently 11.75%;
- Availability period: 26 January 2025, renewable annually; and
- Commitment fee: 0.6% on the available commitment

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

21 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 sale transaction was completed in the prior year.

	Group	
	2023	2022
Items included in the Consolidated Statement of Comprehensive Income:	**US$'000**	US$'000
Profit on disposal of BK11 Mine	**—**	(725)
Exchange differences on disposal of foreign investment	**—**	19 652
Loss after tax for the year from discontinued operations	**—**	18 927

22 Share capital

The Company's share capital consists of one class of ordinary shares and two classes of deferred shares. As at 30 June 2023, the ordinary share capital of the Company was 789 481 276 ordinary shares of 1 pence each (2022: 789 481 276).

The Company did not issue any new ordinary shares during the year.

	Number of shares		Nominal value of shares	
			2023	2022
	2023	2022	**US$'000**	US$'000
Allotted called up and fully paid				
At 1 July	**789 481 276**	789 481 276	**9 742**	9 742
Issued during the year	**—**	—	**—**	—
At 30 June	**789 481 276**	789 481 276	**9 742**	9 742
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**	8 178 123 199	**169 709**	169 709

Firestone Diamonds Limited (BVI), 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 Limited. These shares have not been allocated to any employees.

23 Equity-settled share option schemes

No new share options were issued during the year.

Lapse of all Share options

On 24 June 2023, PRRF II, a newly limited partnership owned by Pacific Road Resources Fund II L.P. and Pacific Road Capital II Pty Ltd, a fund advised by Pacific Road Capital ("Pacific Road") announced a cash offer for the entire issued and to be issued ordinary share capital of Firestone Diamonds plc for 1 pence per share. As the Exercise Price of all options currently in issue is higher than the Offer Price all options are out of the money and lapsed on 4 September 2023 (40 days from the Unconditional Date of 26 July 2023).

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)	
	2023	2022	**2023**	2022
Outstanding at 1 July	**19 577 261**	19 577 261	**46.0**	46.0
Lapsed or expired in the year	**(19 577 261)**	—	**46.0**	—
Outstanding at 30 June	**—**	19 577 261	—	46.0
Exercisable at 30 June	**—**	19 577 261	—	46.0

There were no options outstanding as at 30 June 2023. The options outstanding as at 30 June 2022 have a weighted average contractual life of five years and an exercise price ranging from 1.0 pence to 85.0 pence. No share options were exercised during the current or prior year.

24 Warrant reserve

As part of the 2014 funding package, the Group issued warrants to its strategic investors Resource Capital Fund VI L.P ("RCF"), Pacific Road Resources Fund II L.P. and Pacific Road Resources Fund II ("Pacific Road"). 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.

In terms of the Bond Transaction, which was completed on 31 May 2023 Pacific Road acquired all of the Firestone Warrants held by RCF for zero consideration. The terms of the warrants have remained unaffected by the change of ownership and 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	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Warrant reserve	**7 609**	7 609	**7 609**	7 609

25 Borrowings

	2023								
Borrowings	**Series A Eurobonds US$'000**	**Series B Eurobonds US$'000**	**Company Total US$'000**	**ABSA Facility US$'000**	**ABSA Facility A US$'000**	**ABSA Facility B US$'000**	**ABSA Facility C US$'000**	**Other loans US$'000**	**Group Total US$'000**
Capital amount									
At 1 July	36 652	10 406	47 058	66 521	—	—	3 107	183	**116 869**
Finance cost capitalised	3 859	1 077	4 936	2 973	963	—	880	21	**9 773**
Foreign exchange adjustment	—	—	—	—	—	—	(1 172)	(27)	**(1 199)**
Additions	—	—	—	—	—	—	7 771	—	**7 771**
Repayments	—	—	—		—	—	(1 941)	—	**(1 941)**
Transfers	—	—	—	(69 494)	20 500	48 994	—	—	**—**
At 30 June	**40 511**	**11 483**	**51 994**	**—**	**21 463**	**48 994**	**8 645**	**177**	**131 273**
Finance cost to be amortised over the life of the facility									
At 1 July	(159)	—	(159)	349	—	—	(137)	—	**53**
Additions	—	—	—	—	—	—	(1 103)	—	**(1 103)**
Adjustment for effective interest loan modification	—	—	—	—	—	(38 858)	—	—	**(38 858)**
Finance cost	159	—	159	(323)	—	959	641	—	**1 436**
Foreign exchange adjustment	—	—	—	(26)	—	—	13	—	**(13)**
At 30 June	**—**	**—**	**—**	**—**	**—**	**(37 899)**	**(586)**	**—**	**(38 485)**
Total at amortised cost									
Non-current liabilities	—	—	—	—	21 463	11 095	4 171	—	**36 729**
Current liabilities	40 511	11 483	51 994	—	—	—	3 888	177	**56 059**
Total	**40 511**	**11 483**	**51 994**	**—**	**21 463**	**11 095**	**8 059**	**177**	**92 788**

	2023								
Finance cost	**Series A Eurobonds US$'000**	**Series B Eurobonds US$'000**	**Company Total US$'000**	**ABSA Facility US$'000**	**ABSA Facility A US$'000**	**ABSA Facility B US$'000**	**ABSA Facility C US$'000**	**Other loans US$'000**	**Group Total US$'000**
Amortised finance charges	159	—	159	(323)	—	959	641	—	**1 436**
Interest capitalised	3 859	1 077	4 936	2 973	963	—	880	21	**9 773**
Total	**4 018**	**1 077**	**5 095**	**2 650**	**963**	**959**	**1 521**	**21**	**11 209**

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

	2022						
Borrowings	Series A Eurobonds US$'000	Series B Eurobonds US$'000	Company Total US$'000	ABSA Facility US$'000	ABSA Bridge Facility US$'000	Other loans US$'000	Group Total US$'000
Capital amount							
At 1 July	33 160	9 600	42 760	63 909	—	191	106 860
Finance cost capitalised	3 492	806	4 298	2 612	50	18	6 978
Foreign exchange adjustment	—	—	—	—	(190)	(26)	(216)
Additions	—	—	—	—	3 247	—	3 247
At 30 June	36 652	10 406	47 058	66 521	3 107	183	116 869
Finance cost to be amortised over the life of the facility							
At 1 July	(1 443)	—	(1 443)	(761)	—	—	(2 204)
Additions	—	—	—	—	(143)	—	(143)
Finance cost	1 284	—	1 284	1 110	—	—	2 394
Foreign exchange adjustment	—	—	—	—	6	—	6
At 30 June	(159)	—	(159)	349	(137)	—	53
Total at amortised cost							
Non-current liabilities	—	—	—	—	—	27	27
Current liabilities	36 493	10 406	46 899	66 870	2 970	156	116 895
Total	36 493	10 406	46 899	66 870	2 970	183	116 922

	2022						
Finance cost	Series A Eurobonds US$'000	Series B Eurobonds US$'000	Company Total US$'000	ABSA Facility US$'000	ABSA Bridge Facility US$'000	Other loans US$'000	Group Total US$'000
Amortised finance charges	1 284	—	1 284	1 110	—	—	2 394
Interest capitalised	3 492	806	4 298	2 612	50	18	6 978
Total	4 776	806	5 582	3 722	50	18	9 372

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

ABSA Facilities

On 26 January 2023, the Absa debt restructuring and refinancing which entailed the restructuring of the Absa Bank Limited ("Absa") US$82.4 million Senior Secured Term Facility ("Old Facility") and the Bridge Facility, by concluding the Second Amended and Restated Senior Secured Facilities Agreement ("New Facility Agreement"). The New Facility Agreement contains the following significant terms:

	Facility A	**Facility B**	**Facility C**
Facility amount	US$20,500,000	US$48,994,932	ZAR205,204,000
Availability period	n/a	n/a	26 July 2023
Interest calculation	Reference rate + Margin	n/a	Reference rate + Margin
Reference rate	Term SOFR	n/a	JIBAR
Margin	6.0%	0%	4.5%
Default margin	2.0%	0%	2.0%
Effective interest rate	11.3%	0%	26.1%
Commitment fee	n/a	n/a	n/a
Repayment terms	Repayable, quarterly, out of excess cash flow and in accordance with the cash flow waterfall.	Repayable, quarterly, out of excess cash flow and in accordance with the cash flow waterfall.	Repayable, quarterly, out of excess cash flow and in accordance with the cash flow waterfall.
Final repayment date	26 January 2030[1]	26 January 2030[1 & 2]	26 January 2030[1]

1 – Should the LOM exceed the repayment date the final maturity date will be extended to the end of the Mine life.

2 – Facility B is only payable to the extent that the Company is able to service the debt or part thereof.

The Group assessed the modification to the terms of Facility B as substantial under its accounting policies and the requirements of IFRS 9 – Financial Instruments. An accounting modification gain for the difference in present value was recognised in the statement of comprehensive income based on the following:

	Facility B
Facility amount	US$48 994 932
Final repayment date	26 January 2030
Discount rate (Cost of equity)	22.7%
Fair value at 26 January 2023	US$10 136 632
Accounting modification gain	US$38 858 300

ABSA Facility covenants

The following table provides details of the performance covenants which are required to be met in respect of the ABSA Facility C:

Covenant	Calculation	Maintenance criteria
Loan Life Cover Ratio	Net present value of the forecast cashflow from the calculation date to the Facility A repayment date divided by the Facility C balance on the calculation date.	>=1.2 times
Project Life Cover Ratio	Net present value of the forecast cashflow for the remaining Life of Mine divided by the Facility C balance on the calculation date.	>=1.2 times
Interest Cover Ratio	The ratio of EBITDA to finance charges in respect of Facility C and the Working Capital Facility for that calculation period.	>=1.5 times

The ABSA debt facility is secured by amongst others, a general notarial bond over all movable assets of the Liqhobong Mine for a total capital amount of US$165.0 million.

Series A Eurobonds
The Series A Eurobonds have a coupon rate of 10.00% (2022: 10.00%) which is capitalised quarterly and is payable at maturity (2022: per annum payable quarterly). The effective interest rate is, in aggregate 10.00% (2022: 15.26%).

The Series A bonds have a revised final maturity date of 30 June 2024 (2022: are repayable in two tranches, the first tranche of US$20 million plus capitalised interest on 4 August 2023 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 10.00% (2022: 10.00%) per annum which is capitalised quarterly and is payable at maturity. The effective interest rate is, in aggregate 10.00% (2022: 11.18%).

The Series B bonds have a revised final maturity date of 30 June 2024 (2022: are repayable in two tranches, the first tranche of US$5 million plus capitalised interest on 21 June 2023 and the second tranche of US$2 million plus capitalised interest on 11 October 2023).

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. In terms of the Bond Transaction, which was completed on 31 May 2023, Pacific Road acquired all of the Firestone Warrants held by RCF for zero consideration on 31 May 2023.

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

26 Lease liabilities

US$'000	Mining property	Other assets	**Total**
At 1 July 2019	**2 901**	**106**	**3 007**
Lease modifications	7	91	**98**
Finance cost	287	13	**300**
Lease payments	(296)	(97)	**(393)**
Exchange difference	(360)	(13)	**(373)**
At 30 June 2022	**2 539**	**100**	**2 639**
Lease modifications	—	86	**86**
Finance cost	240	12	**252**
Lease payments	(415)	(91)	**(506)**
Exchange difference	(338)	(13)	**(351)**
At 30 June 2023	**2 026**	**94**	**2 120**

	Group	
	2023	2022
	US$'000	US$'000
Non-current liabilities	**1 375**	2 056
Current liabilities	**745**	583
	2 120	2 639

The modification on other assets resulted from the extended lease period for a further 12 months.

The Group does not recognise lease liabilities for short term and low value leases. The Group expensed operating lease payments relating to these leases during the year US$46 828 (2022: US$20 629).

Maturity analysis

Group	Total US$'000	Current US$'000	1-2 years US$'000	2-5 years US$'000
2023				
Lease liabilities	**2 120**	**745**	**656**	**719**
2022				
Lease liabilities	2 639	583	722	1 334

27 Rehabilitation provisions

	Group	
	2023	2022
	US$'000	US$'000
At 1 July	**3 434**	3 672
Exchange difference	**(456)**	(454)
Restated for effect of foreign exchange	**2 978**	3 218
Decrease during the year	**(197)**	(25)
Unwinding of discount on rehabilitation liability	**264**	241
At 30 June	**3 045**	3 434

Allocation by Mine

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 last 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	
	2023	2022
Discount rate	**8.9%**	8.9%
Lesotho inflation rate	**6.5%**	6.5%
Remaining open pit Life of Mine	**6 years**	7 years

28 Deferred tax

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

	Group	
	2023	2022
Deferred tax liability	**US$'000**	US$'000
At 1 July	**(130)**	(215)
Movement in temporary differences recognised in income	**75**	74
Exchange difference	**12**	11
At 30 June	**(43)**	(130)

The deferred tax liability comprises:

	Group	
	2023	2022
	US$'000	US$'000
Accelerated capital allowances	**(6 880)**	(10 977)
Right of use asset	**(374)**	(501)
Inventories	**—**	787
Provisions	**759**	856
Borrowings	**(9 615)**	87
Lease liabilities	**530**	660
Losses available for offsetting against future taxable income	**15 537**	8 958
	(43)	(130)

The Directors, having considered that despite operations at the Mine restarting during the year and that an additional impairment was recognised during the year on the Liqhobong Mine CGU, 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$231.8 million (2022: US$298.3 million), of which US$204.7 million relates to the Liqhobong Mine (2022: US$271.9 million) and US$27.1 million to the Group's corporate entities in the UK and South Africa (2022: US$26.4 million).

29 Trade and other payables

	Group		Company	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**2 106**	1 038	**28**	180
Inter-company payables	**—**	—	**997**	1 069
Tax and social security	**527**	231	**32**	30
Accruals and other payables	**3 980**	3 081	**350**	—
	6 613	4 350	**1 407**	1 279

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

30 Provisions

	Group	
	2023	2022
	US$'000	US$'000
At 1 July	**219**	140
Raised/(released) in the year through profit or loss	**76**	79
At 30 June	**295**	219

Provisions relate to leave pay due to staff.

31 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:

- 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	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Financial assets at amortised cost				
Trade and other receivables	**—**	—	**1 287**	248
Loans to subsidiaries	**—**	—	**7 792**	7 416
Cash and cash equivalents	**14 930**	4 909	**384**	618
	14 930	4 909	**9 463**	8 282
Financial liabilities at amortised cost				
Borrowings	**92 788**	116 922	**51 994**	46 899
Trade and other payables	**6 613**	4 350	**1 407**	1 279
	99 401	121 272	**53 401**	48 178

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 did not have any trade receivables at the year end.

The Company's trade receivables relate primarily to loans to subsidiaries and the Company expects to recoup the value of these loans once the Liqhobong Mine generates higher levels of positive cash flow.

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 regular critical review of monthly cash flow projections which include forecast commitments, sales and funding requirements, if any.

The Group's policy is to ensure that it always has sufficient cash to allow it to meet its liabilities as they become due. The principal liabilities of the Group and Company arise in respect of interest and capital repayments to ABSA Bank and its Bondholder, 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 2023 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
2023						
Cash and cash equivalents	**Variable**	**0.23%**	**14 930**	**14 930**	**—**	**—**
ABSA Facility A	**Variable**	**11.30%**	**21 463**	**—**	**—**	**21 463**
ABSA Facility B	**Variable**	**0.00%**	**48 994**	**—**	**—**	**48 994**
ABSA Facility C	**Variable**	**26.10%**	**8 645**	**3 888**	**4 757**	**—**
Series A Eurobonds	**Fixed**	**10.00%**	**40 511**	**40 511**	**—**	**—**
Series B Eurobonds	**Fixed**	**10.00%**	**11 483**	**11 483**	**—**	**—**
Other loans	**Variable**	**12.25%**	**177**	**177**	**—**	**—**
2022						
Cash and cash equivalents	Variable	0.81%	4 909	4 909	—	—
ABSA debt facility	Variable	5.77%	66 521	66 521	—	—
ABSA bridge facility	Variable	7.37%	3 107	3 107	—	—
Series A Eurobonds	Fixed	15.26%	36 652	36 652	—	—
Series B Eurobonds	Fixed	11.18%	10 406	10 406	—	—
Other loans	Variable	9.75%	183	155	27	—

Company	Variable/fixed interest rate	Effective interest rate	Total US$'000	Current US$'000	1-2 years US$'000	2-5 years US$'000
2023						
Cash and cash equivalents	**Variable**	**0.23%**	**384**	**384**	**—**	**—**
Loans to subsidiaries	**Variable**	**7.00%**	**7 792**	**—**	**—**	**7 792**
Series A Eurobonds	**Fixed**	**10.00%**	**40 511**	**40 511**	**—**	**—**
Series B Eurobonds	**Fixed**	**10.00%**	**11 483**	**11 483**	**—**	**—**
2022						
Cash and cash equivalents	Variable	0.81%	618	618	—	—
Loans to subsidiaries	Variable	3.25%	7 416	—	—	7 416
Series A Eurobonds	Fixed	15.26%	36 652	36 652	—	—
Series B Eurobonds	Fixed	11.18%	10 406	10 406	—	—

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, where possible, to mitigate against these market risks. The Group did not enter into or have any derivative balances outstanding during the current or prior financial year.

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.

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.

	2023		2022	
Group	**Change in rate**	**US$'000**	Change in rate	US$'000
US$ equivalent	**-0.5%**	**334**	-0.5%	560
	-1.0%	**668**	-1.0%	1 120
	-1.5%	**1 001**	-1.5%	1 680
US$ equivalent	**+0.5%**	**(334)**	+0.5%	(560)
	+1.0%	**(668)**	+1.0%	(1 120)
	+1.5%	**(1 001)**	+1.5%	(1 680)

	2023		2022	
Company	**Change in rate**	**US$'000**	Change in rate	US$'000
US$ equivalent	**-0.5%**	**219**	-0.5%	194
	-1.0%	**438**	-1.0%	389
	-1.5%	**657**	-1.5%	583
US$ equivalent	**+0.5%**	**(219)**	+0.5%	(194)
	+1.0%	**(438)**	+1.0%	(389)
	+1.5%	**(657)**	+1.5%	(583)

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	**2023 US$'000**	2022 US$'000
US Dollar	**405**	1 197
Lesotho Maloti	**4 255**	2 559
Other	**—**	—
Total	**4 660**	3 756

As at 30 June 2023, the Group held no significant monetary assets or liabilities in currencies other than the functional currency of the operating units involved (2022: nil), other than a cash balance held in Pound Sterling equivalent to US$60 043 (2022: US$47 513).

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

	Average rate		Balance sheet rate	
	2023	2022	**2023**	2022
South African Rand and Lesotho Maloti	**17.7651**	15.2162	**18.8390**	16.3330
Pound Sterling	**1.2045**	1.3314	**1.2708**	1.2160

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 subsidiary companies are considered to be part of the net investment by the Group in those subsidiaries.

Foreign currency sensitivity

The following table demonstrates the sensitivity of a 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.

	2023		2022	
Group	**Change in rate**	**US$'000**	Change in rate	US$'000
US$ equivalent of strengthening of Maloti of Rand	**2.5%**	**(854)**	2.5%	(100)
	5.0%	**(1 752)**	5.0%	(204)
	7.5%	**(2 699)**	7.5%	(315)
US$ equivalent of weakening of Maloti of Rand	**2.5%**	**95**	2.5%	95
	5.0%	**185**	5.0%	185
	7.5%	**271**	7.5%	271

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.

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 22.

32 Capital commitments and contingencies

At 30 June 2023 the Group had no capital commitments or contingent liabilities.

33 Post-balance sheet events

Liqhobong Mining Lease Renewal

On 15 November 2023, the Mining Lease was successfully renewed for a further period of 10 years, with the option to extend the lease for a further 10 year period. The Lease was renewed on substantially similar terms and provides that the royalty rate will remain at 4% until all project debt is repaid.

India Rough Diamond Import Moratorium

On 27 September 2023, the bodies that oversee the diamond trade in India declared a voluntary moratorium on the importation of rough diamonds, to allow the midstream to normalise high inventory levels amid slow demand. A letter from five organisations, including India's Gems and Jewellery Export Promotion Council (GJEPC), called for the suspension of rough diamond imports between October 15, 2023, and December 15, 2023. The Group will continue to monitor the impact on diamond prices and the impact on the Group closely over the coming months. The impact of this on the diamond market is reflected in the Going Concern Assessment. Refer to note 1.

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.

34 Related party transactions

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

	2023	2022
	US$'000	US$'000
Finance income received – Firestone Diamonds (Pty) Limited	**397**	175
Technical service fee received – Liqhobong Mining Development Company (Pty) Ltd	**2 098**	393

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

COMPANY INFORMATION

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