BOTSWANA DIAMONDS PLC

ANNUAL REPORT 2016

Contents

Chairman's Statement

Botswana, where we work, is the home of diamonds. It is the world's largest producer by value and is the outstanding provider of large stones including the second largest diamond ever found, the 1,109 ct. stone found in the Karowe mine in 2015. There are 13 known kimberlite fields in the country containing over 400 kimberlites, 8 of which have become mines, including two of the world's biggest diamond mines, Orapa and Jwaneng, producing about 15% of the world's diamonds.

Botswana itself is an excellent place in which to explore. Known to some as the Switzerland of Africa it is a stable democracy. The Rule of Law applies and title to assets is good. There are just over 2 million people in the country with one main ethnic group in a land mass 93% covered by the Kalahari Desert.

Botswana Diamonds (BOD) holds substantial ground in the country and has an active exploration programme ongoing in two separate joint ventures.

The first, Sunland Minerals, is a 50/50 joint venture with Alrosa, the world's biggest diamond producer. The joint venture holds 14 exploration licences of which 7 are in the Orapa area where existing diamond mines operate and 7 are in the Gope area, an emerging diamond province.

The partnership, which is working well, merges the in-house technological expertise of Alrosa with the extensive geological and local expertise of BOD personnel. We run two field campaigns a year. Up to 15 Alrosa geologists, geophysicists and mineralogists work with the local BOD geologists and management team. We have conducted extensive soil sampling, electromagnetic and drilling programmes over a number of licences.

Extensive background research enabled the joint venture to apply for ground in Orapa covering 3 known kimberlites AK 21, AK 22 and AK 23. These had been discovered, explored and abandoned by De Beers in 2008 who believed the diamond grades found at about 1.5 carats per hundred tonne (cpht) were not commercial. Alrosa specialists believe the grades may be higher in fresh kimberlite. They believe that the mineralogy and geology is similar to BK 11 which is a Botswana kimberlite being assessed for commerciality. We were awarded licence PL 260 covering the ground in 2015 and have spent the last two years undertaking work on it.

Fieldwork led to a core hole drilling programme in 2015, followed by a Large Diameter Drilling (LDD) programme on AK 21 in early 2016 and a recent core hole programme on AK 22. Alrosa believes AK 22 and AK 23 are one.

Processing in South Africa of a 80 ton bulk sample from the LDD drilling was poor with no diamonds recovered – not even the nine control diamonds we inserted into the material. We are reworking, in Botswana, the concentrate from the bulk sample and have discovered two small diamonds. Material from an earlier drill hole on AK 21 and from the two new holes drilled on AK 22 is currently being analysed for microdiamonds – again in South Africa, but at a new, independent processing facility. Visual observation of the core from AK 22 noticed a diamond – a positive sign. The objective of the drilling is to assess economic potential.

Drilling has been undertaken, in H2 2016, on two other licences PL 135 in the Gope region of the Kalahari and PL 085 in Orapa. Gope is an emerging diamond area with two projects, the Ghagoo mine and an advanced discovery KX-36. No kimberlites were found. The complex anomaly under 400 feet of sand on PL 135 is a magnetic basalt. Drilling on PL 085 in Orapa encountered dolerite sills rather than kimberlite. No additional work is planned on these licences.

Fieldwork will continue on licence 260 in Orapa and on licence PL 235 in Gope. The initial fieldwork undertaken in 2016 on licences PL 232, PL 233 and PL 234 will be expanded on in 2017.

The second joint venture had exciting results in 2015. Maibwe is a joint venture on 10 licences in the Gope region. The joint venture is made up of three parties BCL, a Botswana state owned copper/nickel producer which was given 51% in return for a 10 million Pula investment (US$1 million approx.); Future Minerals, a local Botswana group (20%) who first acquired the licences and Siseko Minerals (29%), a South African company. Botswana Diamonds holds 51% of Siseko. Siseko and Future have a free carry up to Bankable Feasibility Study. BCL is the operator.

Though 10 prospecting licences are held by Maibwe, comprehensive work has been successfully carried out on PL 186. This work has managed to identify four diamond bearing kimberlite pipes forming a cluster within close proximity to each other. The pipes were identified through a series of ground-magnetic surveys at 50m spacing and 800m of diamond core drilling from which 305kg of sampled material returned diamonds. The work was carried out by Joint Venture partner BCL.

Chairman's Statement
(continued)

The four pipes have sizes 5ha, 6ha, 2ha and 1ha respectively, collectively summing up to more than 12ha of diamondiferous kimberlite material. These pipes are in close proximity to each other. The mineral chemistry shows the pipes have diamond compositions similar to the Orapa diamond composition.

Verification drilling is needed. The fall in commodity prices has made BCL heavily loss making and as a result BCL have been unable to undertake their agreed work programme. To date, BCL have been reluctant to dilute their interest by allowing outside investors to undertake the necessary work. BCL is now in provisional liquidation. Discussions are ongoing with the liquidator to allow a combination of Future Minerals/Siseko/BOD/others, to conduct the essential drilling to verify exactly what is in kimberlite GP 173 on PL 186.

Why Diamonds

Powerful fundamentals are driving the diamond market. Historically the US and Continental Europe drove demand but emphasis is moving now to Asia, led by China and India. As per capita income rises, so too does disposable income. Gem quality diamonds are a major beneficiary of growing incomes. Consumers decide to spend their growing wealth on jewellery. Botswana benefits as a large percentage of its diamond production is gem quality.

Demand is only one side of the equation. Diamonds are hard to find and existing mines are depleted. There has been no major discovery in the past 12 years though there have been several smaller discoveries including the ultra-high value Karowe mine in Botswana in November 2004. The principals of Botswana Diamonds played a seminal role in the discovery of Karowe, then known as AK 6.

There is typically a long lead time from discovery to production so given the lack of new finds analysts expect a demand supply gap to exist in the coming years with upward pressure on prices. In fact, despite world economic uncertainty prices have been very resilient.

Future

We are very active on good ground in the best diamond province in the world. We are partnered with the most technologically advanced diamond explorer in the world. Our own team is very experienced and has found diamonds previously, specifically the Karowe discovery in the early 2000s.

We believe that our expertise and experience can reduce the extreme risk in grass roots diamond exploration. We are making steady progress in the Alrosa/BOD joint venture. To date we have been able to fund the exploration activities. We now have diamonds in two pipes on PL 260. An economic assessment will be made in 2017. The potential in the Maibwe discovery is exciting as GP 173 and PL 186 has kimberlites and diamonds. Verification of the work to date is essential. We are offering to conduct this work. It needs to be drilled.

John J Teeling

John Teeling
Chairman

17 November 2016

Diamond Market - Review

The Diamond World

After a very challenging rough diamond market in 2015, when the market was overstocked and diamond producers suffered a significant drop in both demand and sales, 2016 saw a healthy and strong rebound in performance.

Although the market remained precarious throughout the year, each month saw continued large volumes of restocking in the pipeline. Although there remain several challenges to the trade, overall 2016 will be regarded as a successful year by the industry.

Rough Diamond Market

Global diamond supply continues to be dominated by the two majors, De Beers and Alrosa of Russia, who account for around 65% of global supply by value. They are followed by several other mid-tier diamond producers, including Rio Tinto Diamonds, Dominion Diamond Corporation, Petra Diamonds, Gem Diamonds and Lucara Diamond Corporation. Some new entrants have now started producing in 2016, including Mountain Province (JV partner of De Beers in the Gahcho Kue mine in Canada), Stornoway Diamonds (Renard mine, Canada), while other mines are expanding underground or approaching the end of their producing life. Due to the new market entrants, global rough production is expected to increase to 150mcts p.a. by 2020 and decline after this point.

Over the course of 2016, the market has been in a positive mood. Producers have sold far greater amounts than in 2015 and the cutting centres have absorbed the volumes as manufacturing returned to full capacity and the pipeline restocked. Tenders houses in the main markets have also reported brisk trading.

Diamond prices have remained relatively stable for most of 2016. January kicked off with a 7% price decrease by De Beers which immediately allowed larger volumes to be sold as profitability returned. Interestingly Alrosa, following a price over volume sales strategy, did not adjust its prices but also benefitted from the market restocking. Since then some small price increases have been implemented by De Beers but overall H1 was stable. Post-July rough diamond demand has weakened slightly, although the majors have continued to pump out volumes and it is becoming apparent that the pipeline is becoming sufficiently stocked that strong polished pull-through is required from the key consumer markets to continue the strong flow of rough diamonds to the manufacturing centres.

The so-called middle market, comprised of traders and manufacturers, has seen a strong 2016, but not without some challenges. There have been some high-profile bankruptcies and another bank, this time Standard Chartered, has decided to cease its lending, reportedly $2bn, to the diamond trade which puts further liquidity pressure on the middle market and its ability to fund its diamond purchases.

In diamond product terms, there have been many high profile large stones brought to market this year, with Lucara taking the biggest headlines for its exceptional stones, which are produced in Botswana. Demand for the very smallest diamonds weakened and prices subsequently dropped in the second half as increasing concerns over lab-grown small diamonds impacted the market.

Beneficiation in African countries has continued to struggle as local manufacturing constantly faces the challenge of profitability versus its international counterparts.

The rough diamond market is expected to remain steady as most business has been done for 2016. The rough market is not forecast to show price growth until early 2017 at the earliest, and this will be very much dependant on a strong Thanksgiving and Christmas season drawing down the polished stocks.

Polished Diamond Market

2015 global diamond jewellery sales are reported by De Beers to be $79bn (-2% on 2014).

2016 polished demand and diamond jewellery retail sales show a mixed picture.

The key US retail market, now accounting for 45% of global polished sales (up from 40% in 2014), has become increasingly important. Consumer confidence improved mid-year and luxury goods expenditure form disposable income has been strong. At the time of writing, just after the US Presidential election, it is uncertain how the US economy will respond to the election result, but it is hoped that consumer confidence will remain strong or indeed improve and the key 40 days of sales from Thanksgiving onwards will sustain or even drive industry growth.

Exhibit 1 – Consumer Demand

However, the emerging markets of China and India have struggled and both polished and retail sales figures have weakened. A crackdown on corruption in China has adversely affected the luxury sector in Hong Kong, mainland China and Macau. All the major diamond jewellery retailers are reporting 30-50% drops in sales figures, and the previous decade's retail expansion is going into reverse. There are recent hints that the decline has bottomed out, and the sales around Chinese New Year in February 2017 will serve to confirm which way the Chinese market is heading next.

The Indian market (the 3rd biggest consumer market for diamond jewellery) which has until recently been touted as the great hope for another surge in global diamond jewellery demand has not performed as hoped for, and the November currency crackdown imposed by the government to cleanse so-called "black money" out of the financial system has created a great deal of uncertainty for the diamond trade.

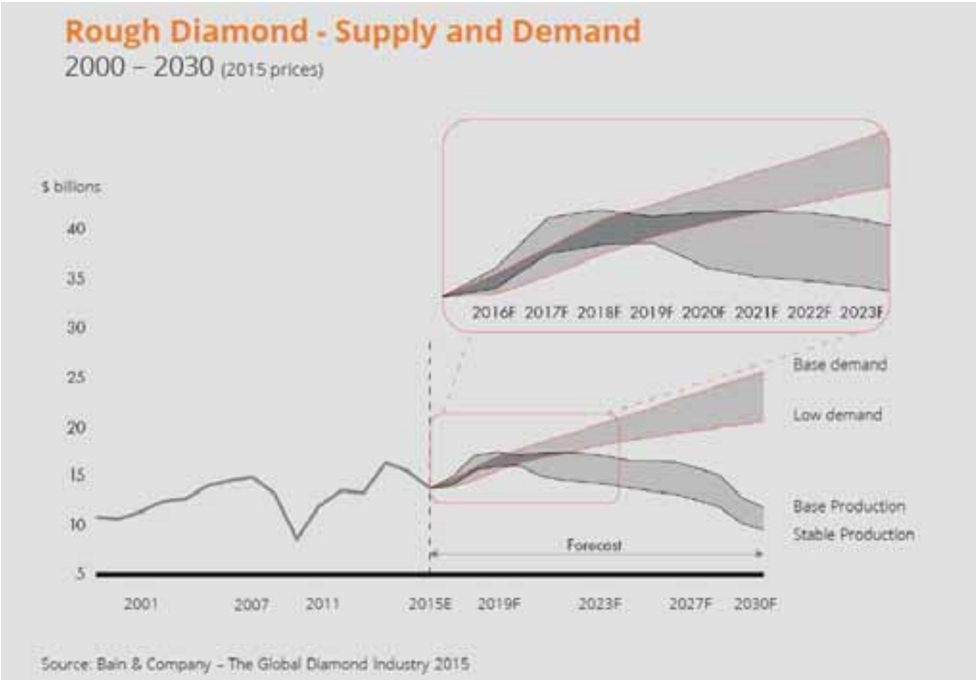
The main trade fairs of 2016 (Basel, Hong Kong, Las Vegas and Mumbai) have been disappointing, with the exception most recently of Hong Kong in September, and what is evident is that polished demand has not greatly increased suddenly. 2016 is clearly a year of restocking rather than booming sales.

The importance of the US market to the health of the diamond trade at present cannot be understated. It is interesting to note that the largest Chinese diamond retailer, Chow Tai Fook, recently announced plans to begin diamond wholesale operations in the US.

Diamond Supply

It is widely projected that diamond supply will peak in 2020 followed by a gradual decline. Ageing mines will close. The big Argyle mine in Australia producing 20 million carats will be gone by 2020. The surge in output from Zimbabwe has stopped. In fact supply is tailing off. There are few reported new discoveries and in recent years exploration activity has been reduced. Combining these factors with the very long lead time to production suggests a gap will emerge and grow between supply and demand (Exhibit 2).

Exhibit 2 – Supply – Demand Gap



The result should be rising prices. Despite volatility diamond prices show a persistent rise (Exhibit 3).

Exhibit 3 – Supply – Demand Gap

Review of Operations

Botswana

Botswana is ranked 3rd best country, after Australia and Canada, for resource exploration. It ranks in the top 5 in Africa on investment allocation, title is good, the rule of law applies and taxation levels are acceptable. It is regarded as the least corrupt nation in Africa. It has good infrastructure and has a wide array of specialised mining services.

But none of the above would matter if there was no diamond potential. Diamond explorers must go where diamonds can be found. Botswana is the largest diamond producer in the world by value. It mines a high percentage of large gemstone quality diamonds. It contains two of the biggest diamond mines in the world, Orapa and Jwaneng, and is host to the very high value Karowe mine. The principals of Botswana Diamonds were closely associated with the discovery of Karowe.

The climate of Botswana is arid, the hottest summer months are December, January and February with maximum air temperature +40 ° C. The same period has the greatest rainfall. Winter months June, July and August are characterized by moderate daily temperature (+ 18-20 ° C) and cool nights (+ 8-12°C).

Botswana is the home of more than 400 kimberlites in 13 clusters. These clusters contain 8 diamond mines as well as a high percentage of diamondiferous kimberlites.

Botswana Diamonds operates in two of the kimberlite clusters, Orapa where the mines are and in Gope in the Kalahari Desert, which is an emerging diamond province with one mine, Ghagoo, and a recent discovery K-X 36.

Our Orapa operations are carried out under Sunland Minerals a 50/50 joint venture with Alrosa of Russia, the biggest diamond company in the world. Gope operations are in two joint ventures, Alrosa/BOD, as above and Maibwe, a 3 way joint venture between BCL, a local copper/nickel producer (51%), Future Minerals, a local company (20%) and Siseko (29%), a South African company controlled 51% by BOD.

Alrosa/BOD Joint Venture in Orapa

In 2016, exploration work was carried out on 10 licenses (1912.4 km^2), in the Orapa kimberlite field (which holds PL 260, PL 085 and PL 210), and the Orapa, Damtshaa, Karowe, Letlhakane diamond mines, and in the Gope kimberlite field (PL 135, PL 136; PL 137; PL 235 and PL 232), where the Ghaghoo mine is found, and where a new kimberlite field (PL 233 and PL 234), is represented by one pipe KX36. The main focus was on PL 260 a small licence in Orapa close to existing diamond mines (Exhibit 4).

Earlier work had identified 3 diamondiferous kimberlites AK 21, AK 22 and AK 23. It is believed that AK 22 and 23 are two lobes of the same pipe. Three drilling campaigns have been undertaken to assess economic potential of this ground.

The following work was undertaken in 2016 on the Alrosa/Botswana Diamonds Joint Venture:

Prospecting works on licensed areas, including geological and geomorphological routes, heavy concentrate sampling of sediments of the Kalahari Group within mineralogical haloes and geophysical anomalies, ground complex geophysical works, mineralogical studies, verification core drilling on geological and geophysical anomalies, laboratory and analytical studies of kimberlite minerals and rocks.

An evaluation of the diamond potential of AK 21 and AK 22 kimberlite pipes, on PL 260 is being undertaken which included the study of the structure and material composition of the body, large diameter drilling (300 mm), bulk sampling and treatment of kimberlites in order to extract diamonds. Drilling is now complete on AK 22 and 400 kg of core is being analysed in South Africa for microdiamonds.

Our Orapa licenses PL 260, PL 085 and PL 210 are situated at altitudes of 900-940 m in the southern part of the Makgadikgadi depression, consisting of vast dry pans: Ntwentwe and Sowa. The main river of the area – Boteti, which has its source in the Okavango delta flows into undrained Lake Xau. Downstream, during the long dry season, the river is devoid of water and forms a wide (up to 1.5-2.0 km), dry floodplain.

The Orapa field is well known and includes more than 80 pipes. Among them 5 are diamond mines: Orapa (AK1), Letlhakane, Damtshaa, Karowe and BK11.

Our Gope licences PL 135-137 and PL 232-235 are situated in the Central Kalahari Game Reserve (CKGR). Within this territory De Beers, Falconbridge, Petra Diamonds, Sekaka Diamonds and TNK Resources have been searching for kimberlites for many years. The discovery of kimberlite fields: Gope (6), Kikau and Quoxo River (12), Khutse (7) and single kimberlite pipe KX 36 is the result. This area of the Central Kalahari is remote and the infrastructure is undeveloped. There are few sandy roads and communications are difficult.

Review of Operations
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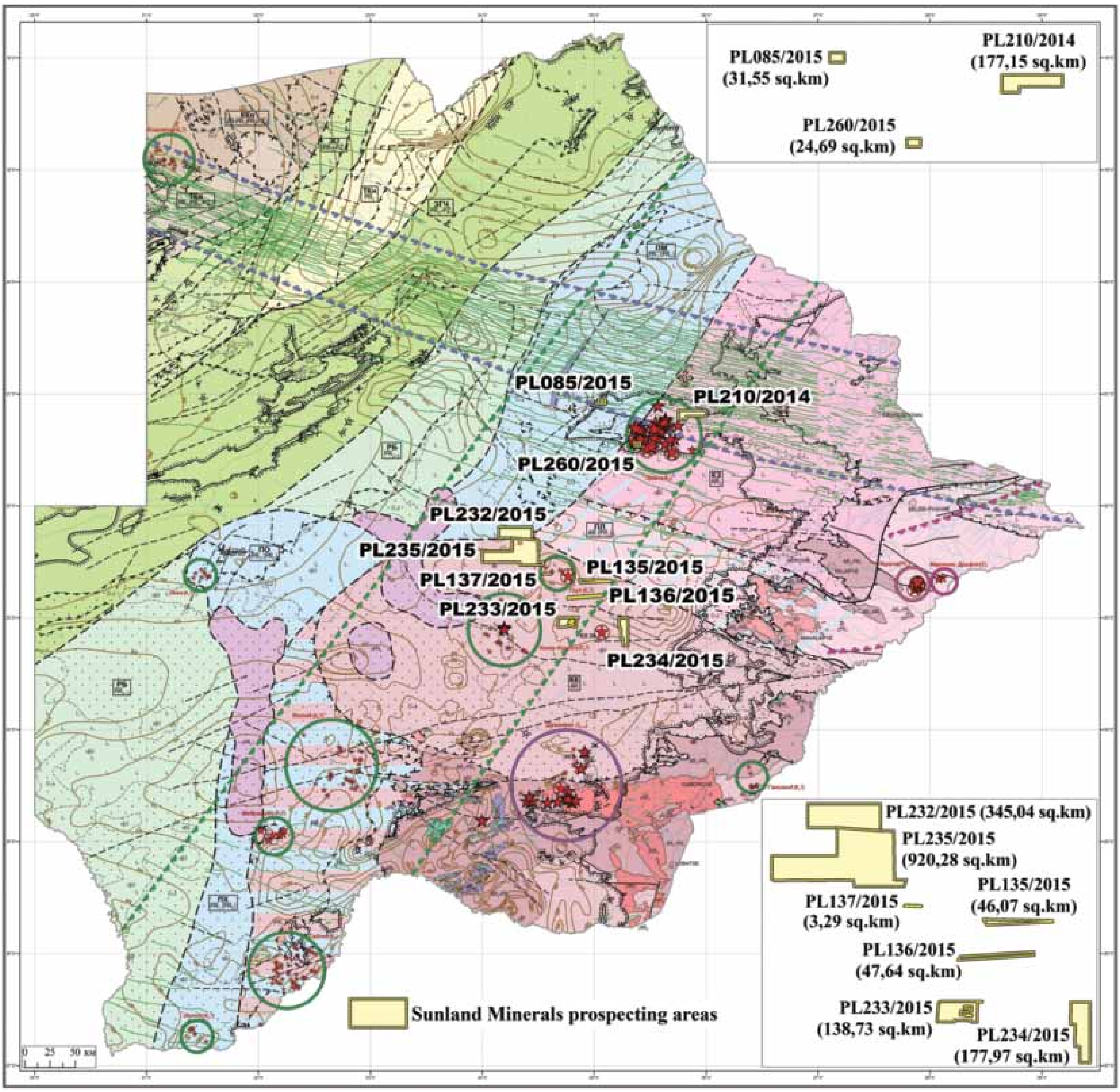
Exhibit 4: Botswana Diamonds/Alrosa Joint Venture Ground:



The Gope field is new relatively unknown and represented by 6 kimberlite pipes, most probably of Cretaceous age. All of them have a magnetic field response and gravity anomalies of low intensity. Kimberlite pipes Go 25, Go 130 and Go 136 have small sizes: 10.3 ha, 8.2 ha and 7.2 ha respectively (the West body of Go 136 – 5.2 ha, the East body – 2.0 ha). The smallest kimberlite bodies (Go 137 and Go 504) are of 1.6 ha and 3.0 ha sizes. In September 2014 Gem Diamonds officially started operations on the first, named Ghaghoo, with a capacity of 720,000 tons of ore and an expected production of 210,000 carats per year. In the first half of 2015 diamond grades were equal to 30cpht with an average price of 210 usd/ct.

The Gope field is completely covered by aeolian sands of Pliocene and Quaternary ages with thickness up to 20 m. The Kalahari sediments of Tertiary age spread down the section, represented by poorly lithified sandstones with thickness up to 90 m. According to drilling data the Kalahari sediments unconformably overlie the Jurassic basalts of Karoo Supergroup. Thickness of basalts varies widely, more often from 50 m to 100 m. Near Lepepe village the thickness reaches 900 m. The lack of basalt cover within some areas is usually explained by the activity of younger tectonics.

The Kimberlites of Gope break through the Karoo basalts and are overlain by Kalahari sediments with thickness of 30-90 m. Almost all known kimberlites form mineralogical haloes with low content of KIMs. They are found by ordinary sampling within the areas with thicknesses of sands less than 40 m.

The KX-36 Kimberlite Discovery, close to where we hold our ground, is situated in the central part of Botswana 60 km to the south-east of Ghagoo diamond mine. The area has a typical two-level structure. The lower structural level is the crystalline basement, which was formed in the Archean-Paleoproterozoic and upper structural level- Paleozoic-Mesozoic platform cover is represented by terrigenous and volcanic formations of Karoo Supergroup. Our ground and adjacent areas are confined to an area of extensive basalts of Stromberg Group, overlain by continental terrigenous sediments of the Kalahari group, the thickness of which, within the licensed areas, varies from 10-20 m to 130-150 m and can reach 180 m. The surface sediments are represented by loose, aeolian, fine-grained, silty quartz-feldspar sands.

Only KX-36 has been discovered to date in the area. This was found in 2011 by Petra Diamonds. A low-contrast halo of KIMs in surface aeolian sediments of the Kalahari group and a magnetic anomaly correspond to the pipe. The mineralogical anomaly is characterized by 28 pyropes and 10 chrome- spinels in 9 samples. The highest concentration of KIMs was in the sample, located in the centre of the magnetic anomaly. The low concentration of KIMs in surface sediments is explained by high thickness of overlaying sediments (78 m of Kalahari group sands). The estimated size of the buried pipe surface is about 5 ha. The upper part of the pipe is composed by calcretized kimberlite, below – by weathered kimberlite. The main part of the body is represented by phlogopite kimberlite of hypabyssal facies. Sampling of rocks of KX 36 pipe in 2011 had the following result: 250 diamonds weighing 0.756 carats were recovered from the total weight of rocks (403.88 kg). The largest diamond was colourless, transparent dodecahedron weighing 0.393 carats.

The 2016 Joint Venture Work Programme

Field work was carried out in March-June and October-November, 2016 within the Orapa and Gope kimberlite fields. They included prospecting, geophysical, mineralogical, drilling and other works (Table 1).

Table 1: Prospecting work Botswana in 2016

Types of works	Unit	H1 2016 (plan/actual)	H2 2016 (plan/actual)
Geological and geomorphological routes	km	90/100	90/95
Selection of heavy concentrate samples (V=20-50 l) from Quaternary polyfacial sediments	sample	70/84	20/29
Selection of heavy concentrate enlarged samples (V=250 l)	sample	46/49	54/55
Selection and crushing of mineralogical hard rock samples	sample	22/25	50/51
Washing of heavy concentrate (standard 50 l) and hard rock samples	sample	322/354	340/355
Study and core sampling of boreholes	m	1140/1230.2	1200/1289
Drilling: - HQ-NQ core drilling (48-64 мм) - LDD RC drilling (300 мм)	m	540/593.2 600/637	1200/1289
Mineralogical research of samples	sample	322/354	340/355
Ground magnetic survey	m	60/60	50/51,4
Ground TEM survey	sounding	270/424	300/300
Treatment of kimberlites	t	80/76	

Work on Licence Area PL 260 Orapa

This is the top priority for the Joint Venture. Two previously known kimberlites AK 21 and AK 22 were evaluated by mineralogical methods and by bulk sampling. In the central part of the AK 21 kimberlite pipe two boreholes AK 21-1 and AK 21-2 with the depth of 206.6 and 216.3 m (respectively) were drilled at a distance of 26 m from each other. Hard rock samples were selected from the core of the boreholes for the study of morphology and composition of Kimberlitic Indicator Minerals (KIMs). A total of 22 samples from kimberlite of 5-10 kg weight (7 kg in average) and 3 heavy concentrate samples from the slime of boreholes were selected and studied.

There is a complete set of indicator minerals in kimberlite AK 21. Picroilmenites prevail, chrome-diopsides, various garnets and chrome-spinels occur less frequently, zircons are found in amount of single grains (Table 2). Ferruginized fragments of rocks, ferrum oxides, almandine, carbonates, mica, apatite and clinopyroxenes, which together account for no more than 5%, were found in heavy fractions of samples in addition to KIMs. Some samples contain fragments of metamorphic rocks, tourmaline (AK 21-1-112), and almandine up to 10% (AK 21-1-83). Picroilmenites were found in all samples in amount of thousands and tens of thousands of grains. They made up to 90-95% (up to 97% in sample AK 21-1-112) of heavy fractions of samples of kimberlites and were found both in electromagnetic and magnetic fraction in all fractions. They are represented by whole grains and fragments of angular, rounded-angular and flattened shape with matted and fresh fractures. The primary surface of grains is shagreen (coarse), less frequently - spinous, some grains have smears of ferrum oxides and light leucoxene coverings. Microprobe analysis of 706 grains of picroilmenites was made, of which 127 grains were ferrimagnetic of magnetic fraction and 579 grains were paramagnetic picroilmenites of electromagnetic fraction.

Table 2: KIMs contents in kimberlite samples from AK 21, Orapa field

№	№ of sample	Sample volume and weight	Heavy fraction, %	-2+1mm				-1,0+0,5mm				-0,5+0,355mm				All KIMs				
				Crsp	Pilm	Prp	Crdi	Crsp	Pilm	Prp	Crdi	Crsp	Pilm	Prp	Crdi	Crsp	Pilm	Prp	Crdi	KIMs
1	AK21-1/60	7 kg	0,36		12	2		4	500				5000			4	5512	2	0	5518
2	AK 21-1/66	8 kg	0,22	1	5000	2		1	5000	68	1		5000	12		2	15000	82	1	15085
3	AK 21-1/83	8 kg	0,57		500	1			5000	6	37		5000	19	500	0	10500	26	537	11063
4	AK21-1/98	7 kg	1,31		46	3			1500	2	35		150	3	200	0	1696	8	235	1939
5	AK21-1/112	7 kg	0,69		500	13		1	5000	53	1		15000	141	8	1	20500	207	9	20717
6	AK21-1/122	8 kg	0,62		50		6	2	1500		86		150		200	2	1700	0	292	1994
7	AK 21-1/126	7 kg	0,49		22		1	5	500		41		5000		250	5	5522	0	292	5819
8	AK 21-1/135	8 kg	0,81		132		18	9	5000		500		5000		5000	9	10132	0	5518	15659
9	AK 21-1/154	8 kg	0,48		42		2		500		500	2	5000		500	2	5542	0	1002	6546
10	AK21-1/159	8 kg	0,67		50				1500		135		15000		500	0	16550	0	635	17185
11	AK21-1/166	7 kg	0,44		500			1	5000	1	8		15000		39	1	20500	1	47	20549
12	AK 21-1/172	8 kg	0,40		24			23	1500		4		5000		25	23	6524	0	29	6576
13	AK 21-1	20 л	0,10		5				1500			1	5000	2	150	1	6505	2	150	6658
14	AK 21-2/105	8 kg	0,71	2	5000	15	1	2	5000	33	4	1	5000	87	27	5	15000	135	32	15172
15	AK 21-2/122	6 kg	0,56		500	9	6	1	5000	48	2		5000	62	4	1	10500	119	12	10632
16	AK21-2/122a	7 kg	0,69		500	20		1	5000	73	1		15000	126	6	1	20500	219	7	20727
17	AK 21-2/125	8 kg	0,35		500	2	1	1	5000	5	12		5000	50	50	1	10500	57	63	10621
18	AK21-2/158	7 kg	0,68	1	500			2	1500	1	29		12000	1	500	3	14000	2	529	14534
19	AK21-2/166	10 kg	0,57		50				1500		50		12000		500	0	13550	0	550	14100
20	AK 21-2/168	6 kg	0,98		500	1	50		5000		150	2	5000		500	2	10500	1	700	11203
21	AK 21-2/170	9 kg	0,55		500		3		5000		50	2	5000		500	2	10500	0	553	11055
22	AK21-2/178	5 kg	0,44		50				1500				12000		23	0	13550	0	23	13573
23	AK21-2/192	7 kg	0,69	1	50	3	3	1	1500		27		12000		50	2	13550	3	80	13635
24	AK21-2	20 l	0,70						140				1500	2	1	0	1640	2	1	1643
25	AK21-RC-1	40 l	0,20		30				500				1500			0	2030	0	0	2030
	Total			5	15063	71	91	54	70640	290	1673	8	176300	505	9533	67	262003	866	11297	274186

Pyropes are distributed in AK 21 and AK 22 irregularly. They were found in 15 samples, of which 8 samples had a minimum amount of grains from 1 to 8 (3 gr./sample in average), in 7 samples the content of pyropes was from 26 to 219 gr./sample (120 gr./sample in average). In 10 samples pyropes are absent (see Table. 2).

Colours of pyropes are various: orange, red, purple, crimson, violet. They are found in all grain-size grades, but most of all in small -0.5+0.355 mm. They are represented by whole grains, their fragments of angular and angular-rounded shape with fresh and matted fractures with primary shagreen and matted surface, some grains have kelyphitic rims or its relicts. Aggregates of purple pyropes with chrome-diopsides occur.

Microprobe analysis was carried out on 712 grains of garnet, including 571 grains of pyrope, 74 of pyrope-almandine, 66 almandines, 1 grain of grossular-almandine. Among pyropes 79 grains belong to eclogitic or websteritic paragenesis by content of $Cr_2O_3<2\%$, 22 pyrope grains belong to ilmenite ultrabasic paragenesis.

Clinopyroxenes were found in 23 samples: in 2 samples – by 1 grain, in 9 samples in amounts from 7 to 80 grains (average 34). In the remaining 12 samples, the content of clynopyroxenes ranged from 150 to 5500 grains (average about 1,000). They were distinguished in all fractions.

Chrome-diopsides are represented by angular-rounded grains, angular fragments and fragments on cleavage of apple-green color with varying intensity with matted and sugary grained surfaces, matted fractures. Some grains have spicular corrosion.

Chrome-spinels are rare and difficult for identification. They were found in 18 samples in amount from 1 to 23 grains in all size fractions.

Microprobe analysis was carried out for 64 grains of chrome-spinels. Among them there are chrome-spinels of variable composition (31 grains in 16 samples). In 6 samples 27 grains of high-alumina chromium hercynite of spinel facies were found, characterized by variations of Cr_2O_3 content from 9.3 to 33%; Al_2O_3 - 35.4-57.4%; TiO_2 – 0-0.3%; MgO – 15.2-20.2%. They have a high content of ferrum oxides and titanium. They are characterized by an inverse correlation of MgO and Cr_2O_3.

Exhibit 5: Drilling AK 21 on PL 260

Exhibit 6: Visual Analysis of Core AK 22 Drilling on PL 260

Zircons of kimberlitic type were found close to AK 21. They are represented by angular and rounded-angular grains (around 2 mm) of irregular shape of beige colour with matted surfaces.

The conclusion is that AK 21 is very similar to BK 11 which is in development.

Large diameter drilling (300 mm) with reverse circulation (RC) was carried out for bulk sampling in the central part of AK 21 in the zone of maximum thickness of kimberlitic rocks. 3 boreholes were drilled, 2 bulk samples: the first (heavily diluted kimberlite) - depth of 55-115 (118)m, weighing about 35 tons, the second (kimberlite breccia) - depth of 115 (118) m to 178 (210) m, weighing about 42 tons (Exhibit 7).

The treatment of kimberlite bulk samples was carried out by Gemcore (Kimberley, South Africa) but no diamonds were found despite 9 control diamonds being included in the samples. As a result the concentrate was taken back to Botswana where an additional mineralogical analysis of DMS concentrate is being undertaken. This has shown the presence of diamonds in AK 21 kimberlite pipe. 2 natural diamonds were found (Exhibit 8):
- in XRay & grease table tailings – 1.1 mm
- in XRay & grease table concentrate - 1.25 mm

Mineralogical analysis is ongoing. Some grains which are similar to diamonds have to be tested by microprobe analysis. In addition it has been decided to send 200 kg of kimberlites from AK 21 to an MSA laboratory in South Africa for microdiamond analysis.

Exhibit 7: Bulk Samples 1 and 2 from Kimberlite Pipe AK 21

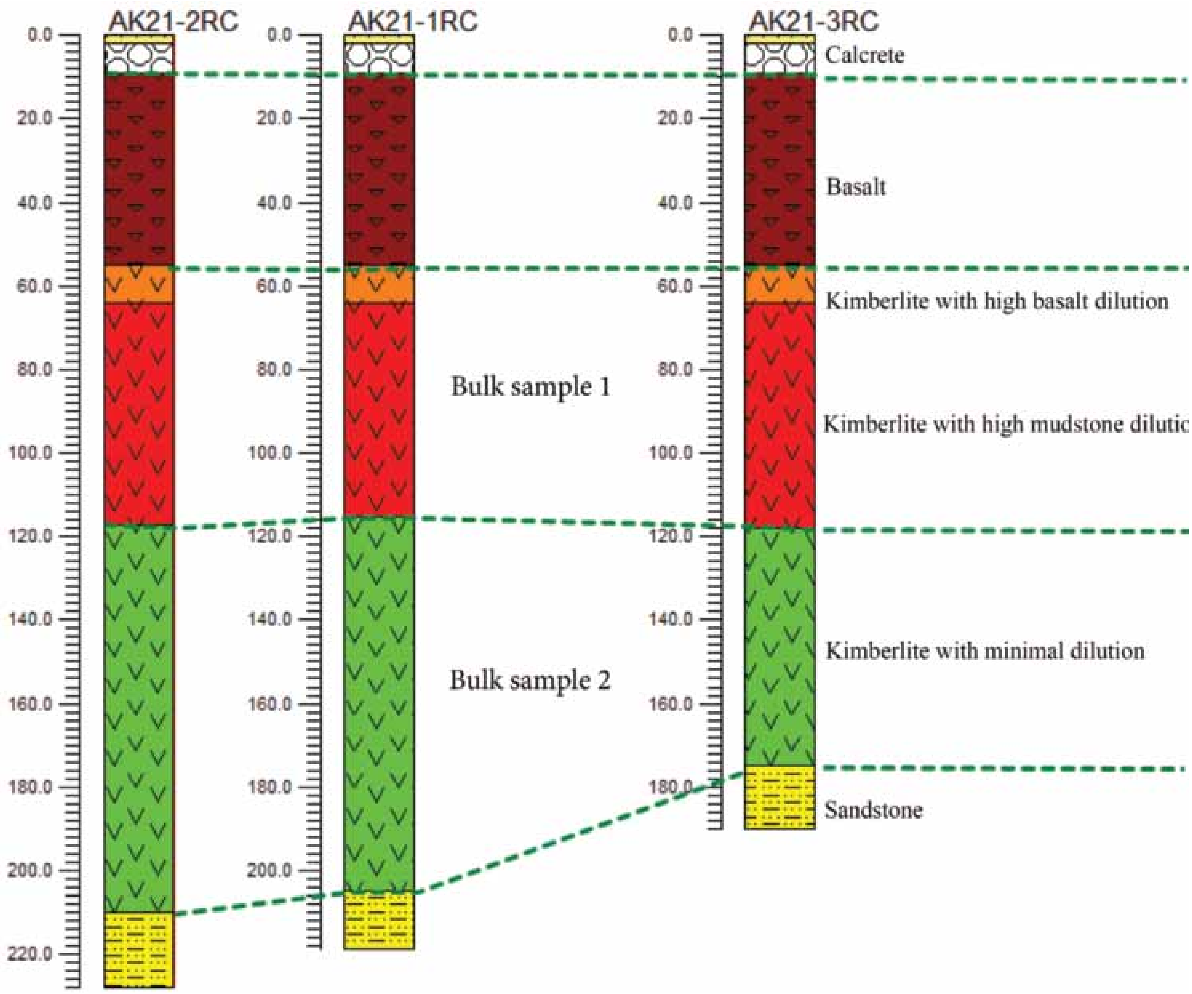
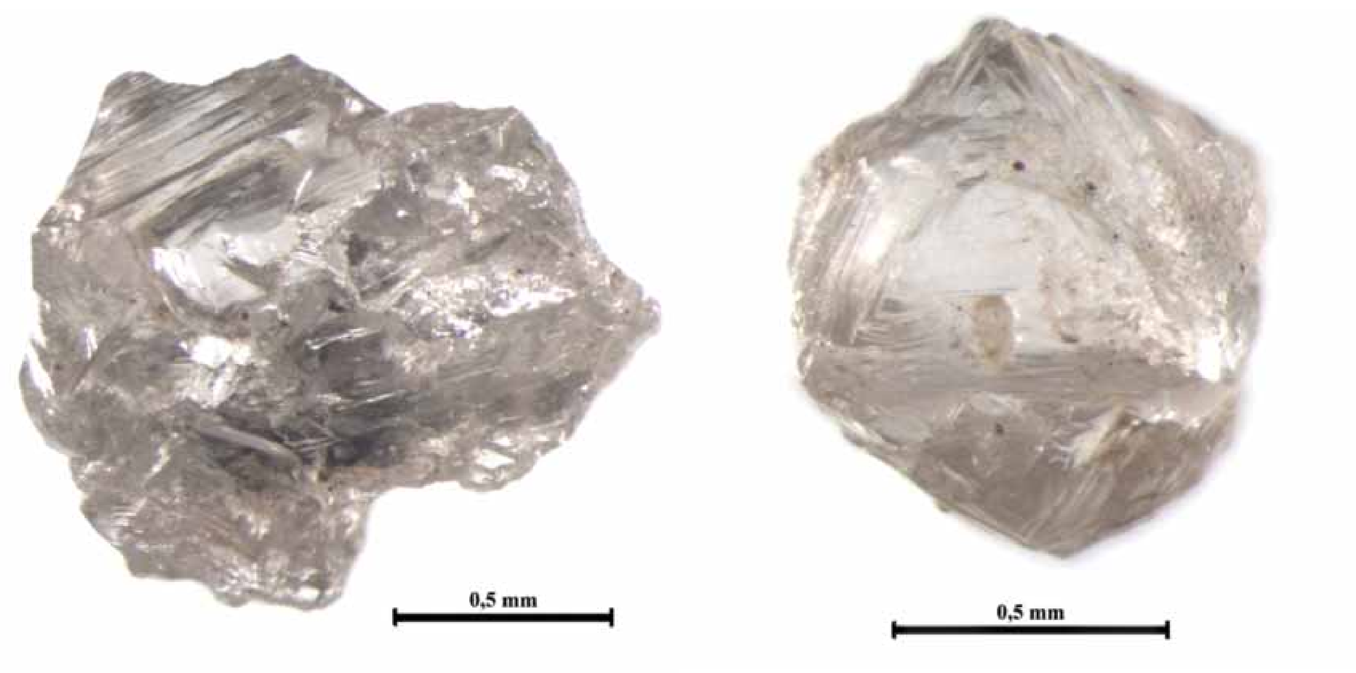


Exhibit 8: Diamonds from kimberlites of AK 21: sample 1 (a) and 2 (b)

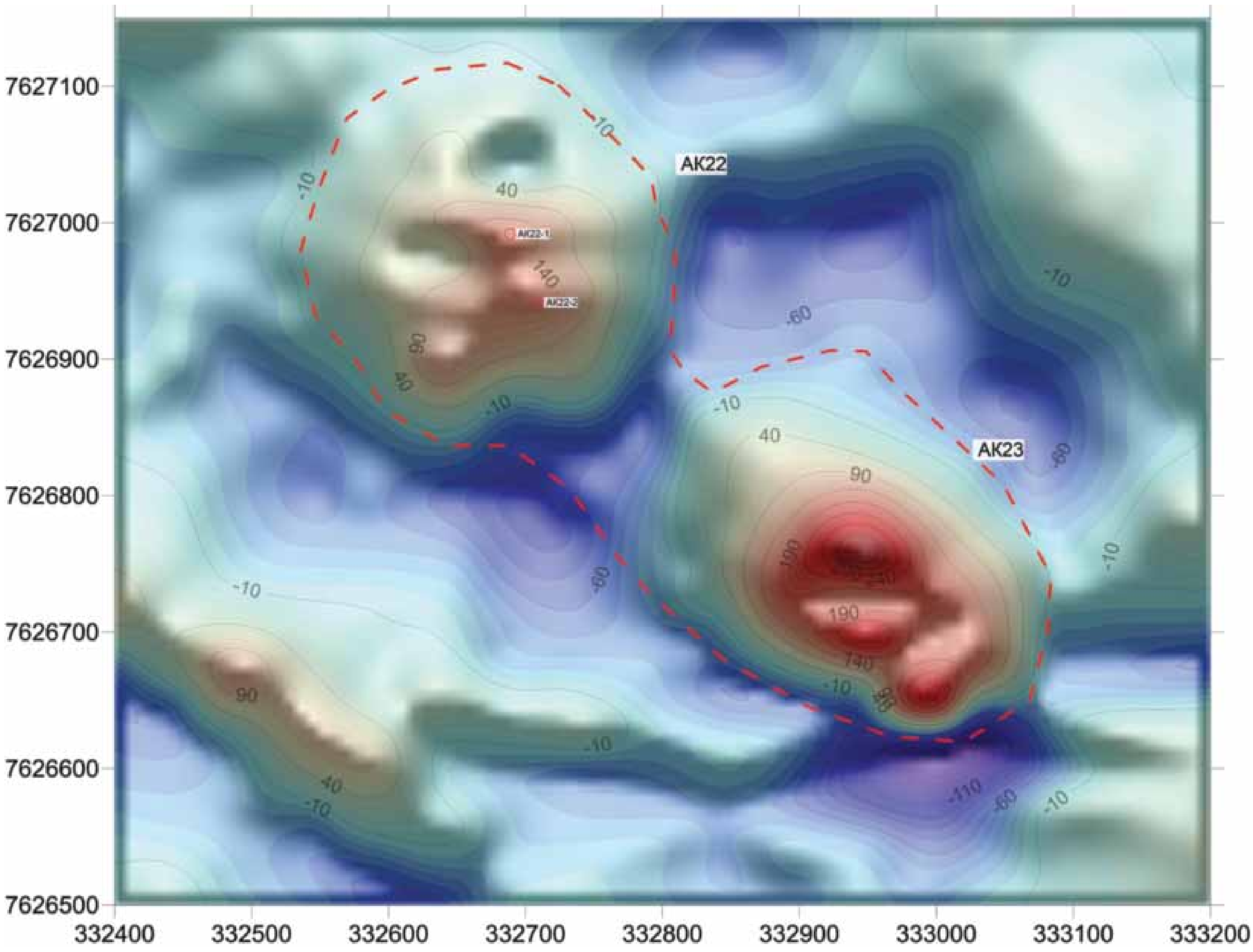


Work on Kimberlite pipe AK 22 (PL 260)

The magnetic anomaly connected with pipe AK 22 is situated in a very short distance from the anomaly of AK 23. We feel they represent one body (128,000 m^2, almost 13 ha) which consist of 2 lobes.

Two holes of a total depth of 404 m were drilled. 21 hard rock samples of kimberlites for mineralogical analysis and two samples of 200 kg each for mineralogical analysis were selected (Exhibit 9).

Exhibit 9: The Position of the Drillholes in AK 22



During analysis of the kimberlitic core in the field one colourless chip of diamond (-1+0.5 mm) was found. This is very positive.

Following a review of the results from AK 21 and AK 22 a decision on their economic potential will be made.

Drilling Licence PL 085 in Orapa

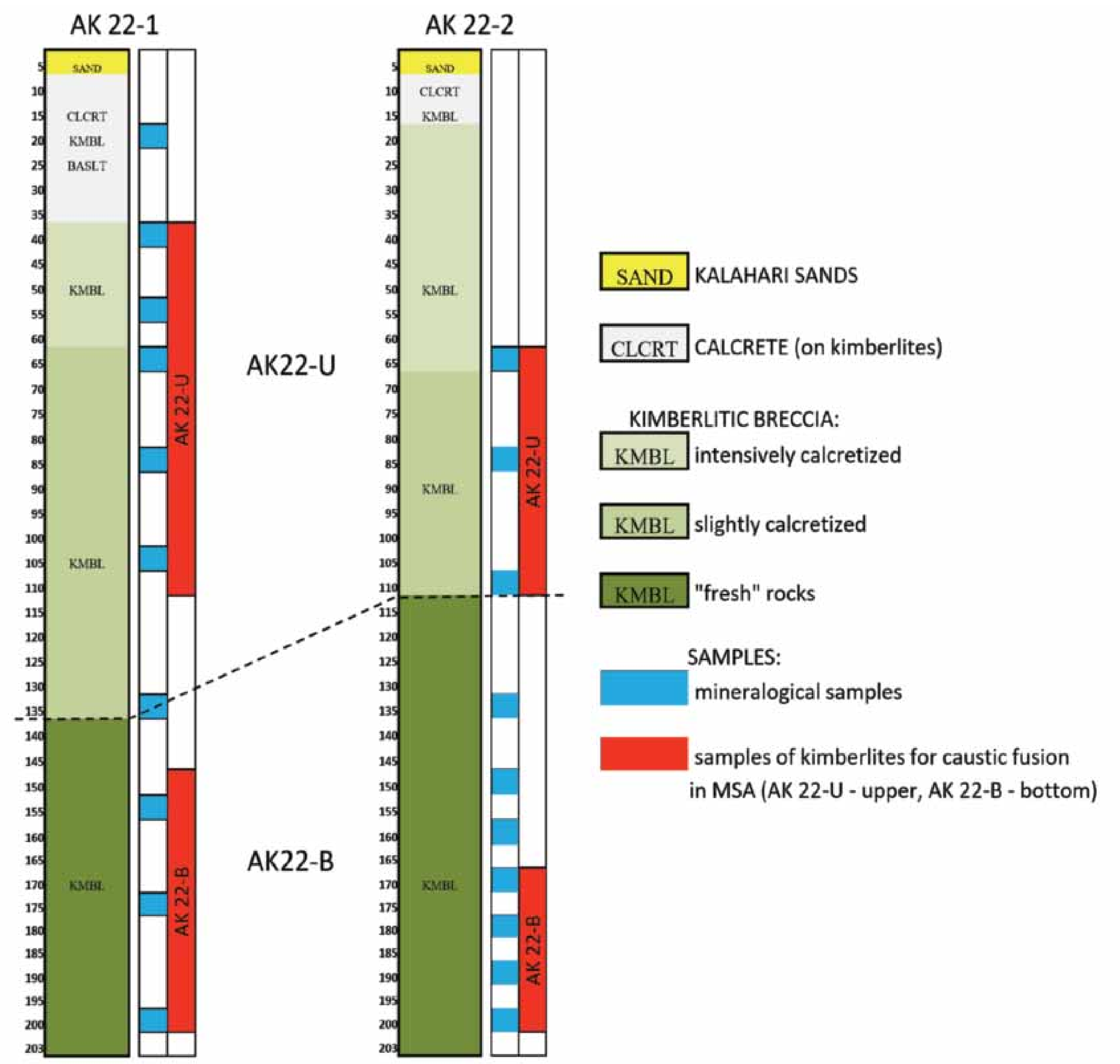
As a result of works carried out in in 2015 and 2016 on licence PL 085 drill sites were selected based on the results of the contour chrome-diopsides and pyropes. The anomaly is geophysically complex. Drilling of two boreholes of 100 m each was undertaken. Dolerite sill was intersected. Further prospecting works on area PL 085 is not being undertaken.

Licence PL 210

Following earlier drill results on PL 210 follow-up sampling was undertaken on prospective sites. Grains of slightly eroded KIMs were confirmed, but their low contents did not allow the estimation of the distance of travel. It is likely that the sources of slightly eroded KIMs are outside the area PL 210.

Review of Operations
(continued)

Exhibit 10: The logs of the Boreholes on AK 22 Kimberlite Pipe on PL 260



The origin of complex geophysical anomalies verified by drilling is caused by the bodies of metamorphosed ultramafites (picrites) and by specific features of lithology of the Karoo Supergroup rocks, developed within tectonic depressions on the slopes of the Kalahari syneclise. Further work on licence PL 210 is not being undertaken.

Results of Exploration in Gope

Licensed areas PL 135, PL 136, PL 137, PL 232, PL 233, PL 234 and PL 235 are located in Gope, an area of broad development of aeolian sands of the Kalahari Desert of Pliocene and Quarternary ages. Underlaying sediments of the Kalahari Group of Paleogene and Neogene ages are represented by poorly lithified sandstones of up to 120-130 m thickness. According to drilling data, the Kalahari sediments unconformably overlie the Jurassic basalts of Karoo Supergroup. Haloes of dispersion of KIMs and geophysical anomalies were found within these areas.

Licence PL 135
Four boreholes (685 m) were drilled on a complicated magnetic and electromagnetic geophysical anomaly AN135-4. The origin of the anomaly is caused by magnetized intensively weathered in the upper part basalt-doleritic rocks forming a plug with the physical features similar to kimberlite pipes of Gope field. Further works on areas PL 135, PL 136, PL 137 are not being undertaken.

Early stage prospecting has been carried out on licences PL 232, PL233, PL234 and PL 235. Picroilmenites of various grades of erosion were found in the surface aeolian sediments **on areas PL 235 and PL 234**, including not eroded grains, ferrimagnetic varieties and olivine. These findings may indicate local kimberlite bodies.

Work Programme in 2017
We will continue on licences **PL 260, PL 232, PL 233, PL 234 and PL 235**.
On Licence PL 260. Evaluation of the diamond potential and study of morphology and structure of kimberlite pipes AK 21, AK 22 and AK 23 will be carried out. We will have the results of the microdiamond analysis to direct the work.

Licence PL 235. Airborne high-resolution magnetic and electromagnetic surveys will be undertaken in the territory closest to kimberlites of Gope. On selected airborne anomalies which can be connected with kimberlites ground geophysical surveys and enlarged heavy concentrate sampling (250 l) will be organized.

Licences PL 232, PL 233, PL 234. Ground geophysical surveys and enlarged heavy concentrate sampling (250 l) will be continued.

Maibwe Kimberlite Project
Maibwe is a joint venture between BCL (51%), a state owned copper/nickel company, Future Minerals (20%), a private Botswana company, (29%) Siseko Minerals, a private South African company which in turn is 51% owned by Botswana Diamonds. BCL is now in liquidation. Maibwe holds 10 licences in the Gope region of the Kalahari Desert (Exhibit 11). BCL agreed to spend 10 million Pula ($1 million) to acquire their holding.

Following desk top studies by BCL 52 targets were selected which took into account the available extensive data from historical works by De Beers and Falconbridge. The datasets used to define prospective targets consisted of historical soil sampling anomalies, aero-magnetic and ground magnetic surveys, drilling reports and core sampling results. The desktop studies resulted in 27 targets being prioritised for immediate follow up work with PL 186 being the highest priority followed by PL 176.

Detailed ground magnetic surveys were carried out over 60 km lines at 50 m spacing over PL 186 to define kimberlite targets picked from aeromagnetic survey and soil geochemical anomalies. The survey was successful in picking 5 kimberlite bodies and increasing their previously reported sizes.

800 metres of core drilling was completed over the ground-magnetic survey anomalies to test the kimberlite and retrieve samples for Micro-Diamond Analysis (MIDA) and Geo-Chemical probing. The drilling programme was successful in intersecting kimberlite in all the 5 targets. Physical core inspection revealed an abundance of G10 dark purple garnets and olivine macrocrysts which shows affinity to diamond stability field.

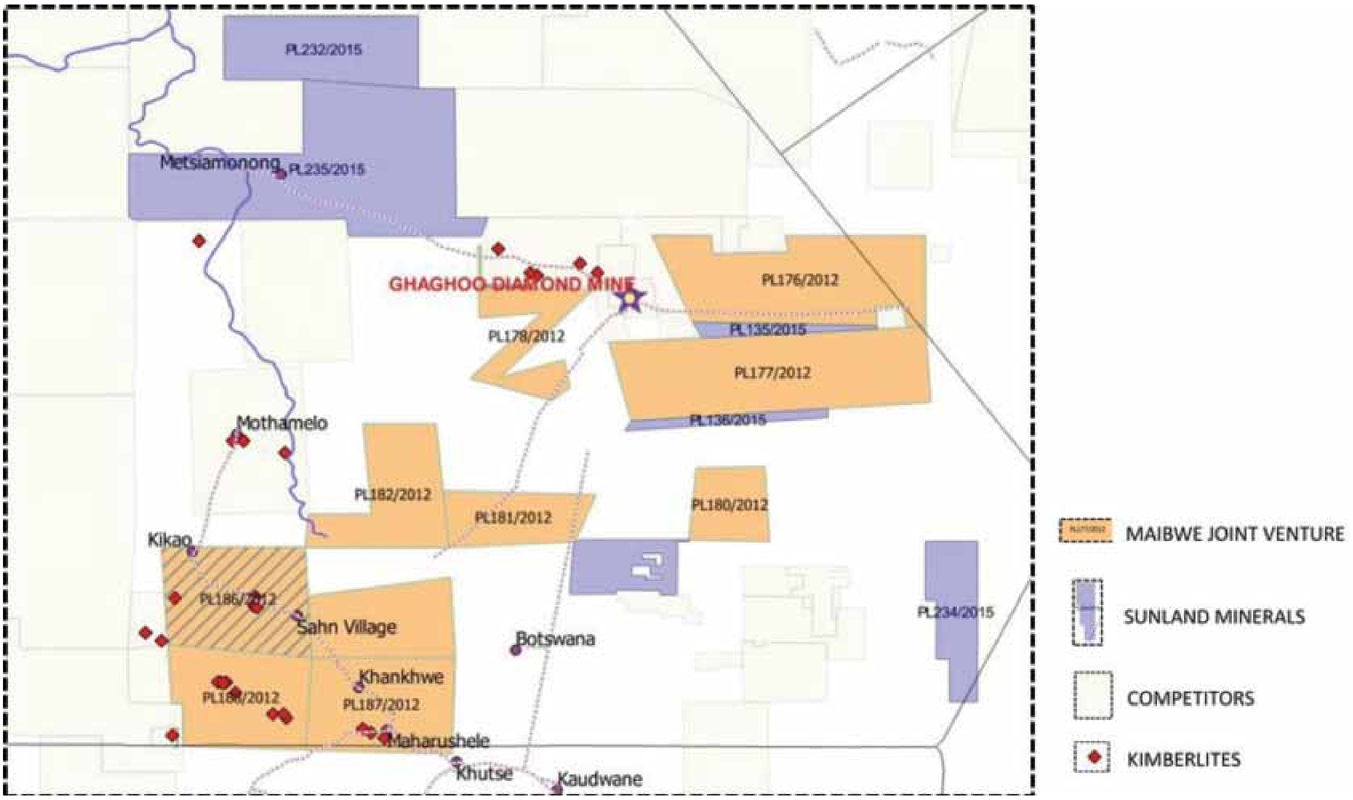
The MSA Group (Pty) Ltd ("MSA") was contracted by BCL Limited ("BCL") to undertake the microdiamond analysis and grade estimation of 38 drill core kimberlite samples. The samples were composited into 15 samples based on facies descriptions provided by BCL and processed by caustic fusion. Diamonds were recovered.

Microdiamond data from the 15 composite samples were used in the assessment of diamond potential on the basis of stone weights, sample stone counts and sample weight.

The samples were collected from five boreholes (KH001, KH003, GP001, GP002 and KH004). These boreholes were drilled into four separate kimberlite bodies.

The results now warrant progression into the next phase which will include primarily the recovery of commercial sized stones for valuing and grade confirmation through bulk sampling by a Large Diameter Drill rig.

Exhibit 11: Mabiwe Licences



Strategic Report

The directors present their annual report and the audited financial statements of the Group and Company for the year ended 30 June 2016.

STRATEGY

Our strategy is the appraisal and exploitation of the assets currently owned. Simultaneous with this process, the Group's management expects to continue to use its expertise to acquire further licence interests for diamond exploration and development. The Group has exploration interests in Botswana. The Group also holds an investment in Stellar Diamonds plc which operates in Sierra Leone and Guinea.

BUSINESS REVIEW

Botswana Diamonds plc is a UK registered Company, focused on diamond exploration and development. Further information concerning the activities of the Group and its future prospects is contained in the Chairman's Statement and the Review of Operations.

The consolidated loss for the year after taxation was £303,254 (2015: £339,529).

The directors do not propose that a dividend be paid.

FURTHER DEVELOPMENTS

The directors intend to continue their involvement with the licences as disclosed in the Chairman's Statement and Review of Operations. They continue to seek further acquisition opportunities in relation to diamond exploration.

KEY PERFORMANCE INDICATORS

The Group's main key performance indicators include measuring:

- ability to raise finance on the alternative investment market; and
- quantity and quality of potential diamond reserves identified by the Group.

In addition, the Group reviews expenditure incurred on exploration projects and ongoing operating costs. As detailed in Note 3 the directors are examining options available to them for the raising of additional finance and expect that adequate resources will become available to meet the Group's committed obligations as they fall due.

IMPAIRMENT

The directors monitor and assess the recoverability of intangible assets and successful development of economic reserves. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

GOING CONCERN

Refer to Note 3 for details in relation to Going Concern.

RISKS AND UNCERTAINTIES

The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group and could cause actual results to differ materially from expectation. The management of risk is the collective responsibility of the Board of Directors and the Group has developed a range of internal controls and procedures in order to manage risk. The following risk factors, which are not exhaustive, are the principal risks relevant to the Group's activities:

Risk	Nature of risk and mitigation
Licence obligations	Operations must be carried out in accordance with the terms of each licence agreed with the relevant ministry for natural resources in the host country. Typically, the law provides that operations may be suspended, amended or terminated if a contractor fails to comply with its obligations under such licences or fails to make timely payments of relevant levies and taxes. The Group has regular communication and meetings with relevant government bodies to discuss future work plans and receive feedback from those bodies. Country Managers in each jurisdiction monitor compliance with licence obligations and changes to legislation applicable to the Company and reports as necessary to the Board.
Requirement for further funding	The Group may require additional funding to implement its exploration and development plans as well as finance its operational and administrative expenses. There is no guarantee that future market conditions will permit the raising of the necessary funds by way of issue of new equity, debt financing or farming out of interests. If unsuccessful, this may significantly affect the Group's ability to execute its long-term growth strategy. The Board regularly reviews Group cash flow projections and considers different sources of funds. The Group regularly meets with shareholders and the investor community and communicates through their website and regulatory reporting.
Geological and development risks	Exploration activities are speculative and capital intensive and there is no guarantee of identifying commercially recoverable reserves. The Group activities in Botswana are in proven resource basins. The Group uses a range of techniques to minimise risk prior to drilling and utilises independent experts to assess the results of exploration activity.
Title to assets	Title to diamond assets in Botswana can be complex. The Directors monitor any threats to the Group's interest in its licences and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests, where appropriate.
Exchange rate risk	The Group's expenses, which are primarily to contractors on exploration and development, are incurred primarily in Sterling, US Dollars and the Botswana Pula. The Group's policy is to conduct and manage its operations in Sterling and therefore it is exposed to fluctuations in the relative values of the other currencies. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and maintaining a level of cash in foreign denominated currencies sufficient to meet planned expenditure in that currency.
Political risk	The Group holds assets in Botswana and therefore the Group is exposed to country specific risks such as the political, social and economic stability of this country. The countries in which the Group operates are encouraging foreign investment. The Group's projects are longstanding and we have established strong relationships with local and national government which enable the Group to monitor the political and regulatory environment.

RISKS AND UNCERTAINTIES (CONTINUED)

Risk	Nature of risk and mitigation
Financial risk management	Details of the Group's financial risk management policies are set out in Note 21.

In addition to the above there can be no assurance that current exploration programmes will result in profitable operations. The recoverability of the carrying value of exploration and evaluation assets is dependent upon the successful discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Group to raise additional financing, if necessary, or alternatively upon the Group's and Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write down of the carrying values of the Group's assets.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 21 to the Financial Statements.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

CORPORATE SOCIAL RESPONSIBILITY

The Group is subject to best practice standards and extensive regulations, which govern environmental protection. The Group is committed to uphold these standards and regulations as a minimum and to keep these important matters under continuous review. When appropriate, adequate action and provision is immediately taken to ensure full compliance with the standards expected of an international exploration and development Company.

The Group works towards positive and constructive relationships with government, neighbours and the public, ensuring fair treatment of those affected by the Group's operations. In particular, the Group aims to provide employees with a healthy and safe working environment whilst receiving payment that enables them to maintain a reasonable lifestyle for themselves and their families.

SUPPLIER PAYMENT POLICY

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Trade payable days for Group and Company for the year were 30-40 days.

APPROVAL OF THE BOARD

This Strategic Report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the natural resources exploration industry. While the directors believe the expectation reflected within the Annual Report to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control, for example owing to a change of plan or strategy.

Accordingly, no reliance may be placed on the forward-looking statements.

On behalf of the Board:

John Teeling
Chairman

17 November 2016

Directors' Report

DIRECTORS

The current directors are listed on the inside back cover.

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors holding office at 30 June 2016 had the following interests in the ordinary shares of the Company:

			30 June 2016			1 July 2015	
		Ordinary Shares of £0.0025 each Shares	**Ordinary Shares of £0.0025 each Options**	**Ordinary Shares of £0.0025 each Warrants**	Ordinary Shares of £0.01 each Shares	Ordinary Shares of £0.01 each Options	Ordinary Shares of £0.01 each Warrants
	Nationality	**Number**	**Number**	**Number**	Number	Number	Number
John Teeling	Irish	**44,154,868**	**2,500,000**	**7,529,450**	36,625,418	2,500,000	-
James Finn	Irish	**19,147,689**	**2,000,000**	**4,705,950**	14,441,739	2,000,000	-
Davin Horgan	Irish	**12,231,034**	**2,000,000**	**2,352,950**	9,878,084	2,000,000	-
Robert Bouquet	English	**-**	**250,000**	**-**	-	250,000	-
Anne McFarland	Irish	**1,207,100**	**250,000**	**1,207,100**	-	250,000	-

There were no share options exercised by the directors during the year (2015: Nil).

DIRECTORS' REMUNERATION REPORT

The remuneration of the directors for the years ended 30 June 2016 and 30 June 2015 was as follows:

		SALARIES AND FEES
	2016	2015
	£	£
John Teeling	**30,000**	65,000
James Finn	**30,000**	35,000
David Horgan	**20,000**	20,000
Robert Bouquet	**13,386**	30,223
Anne McFarland	**3,878**	2,955

Directors' Remuneration is disclosed in Note 6 of these financial statements.

SUBSTANTIAL SHAREHOLDINGS

The share register records that the following shareholders, excluding directors, held 3% or more of the issued share capital of the Company as at 30 June 2016 and 15 November 2016:

	30 June 2016		15 November 2016	
	No. of shares	**%**	No of shares	%
SVS Nominees Limited (POOL)	**19,827,430**	**5.86**	16,068,681	4.75
Rene Nominees (IOM) Limited	**18,229,784**	**5.39**	18,229,784	5.39
HSBC Global Custody Nominee (UK) Limited	**18,173,321**	**5.37**	18,173,321	5.37
Pershing International Nominees Limited (DSCLT)	**15,004,885**	**4.43**	17,023,985	5.03
WB Nominees Limited	**10,588,366**	**3.13**	10,270,041	3.03

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 15 December 2016 in accordance with the Notice of Annual General Meeting on page 52 of the annual report. Details of the resolutions to be passed are included in this notice.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group made no political or charitable donations during the year.

CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of movements in the Company's issued share capital during the year are shown in Note 16. The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. With regard to the appointment and replacement of directors, the Company is governed by the Articles of Association, the Companies Act and related legislation.

DIRECTORS' INDEMNITIES

The Company does not currently maintain directors' or officers' liability insurance.

POST BALANCE SHEET EVENTS

There are no material post balance sheet events affecting the Group.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte will be proposed at the forthcoming Annual General Meeting.

By order of the Board and signed on its behalf by:

James Finn	John Teeling
Secretary	Director

17 November 2016

Directors’ Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the EU. Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the Company's ability to continue as a going concern.

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Botswana Diamonds Plc

We have audited the financial statements of Botswana Diamonds plc for the year ended 30 June 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes In Equity, the Company Statement of Changes In Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going concern and Realisation of Assets
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in:

- Notes 10, 11, and 12 to the financial statements concerning the valuation of intangible assets, investments in subsidiaries amounts due by Group undertakings. The realisation of the intangible assets of £6,689,647 included in the consolidated balance sheet and intangible assets of £3,441,541, investments in subsidiaries of £500,017 and amounts due by Group undertakings of £2,845,627 included in the Company balance sheet are dependent on the discovery and successful development of economic diamond reserves and the ability of the Group to raise sufficient finance to develop the projects. The financial statements do not include any adjustments relating to these uncertainties, and the ultimate outcome cannot, at present, be determined.

Independent Auditor's Report to the Members of Botswana Diamonds Plc (continued)

Emphasis of Matter – Realisation of Assets (continued)

- Note 3 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss for the year of £199,846. This condition indicates the existence of a material uncertainty in respect of the Group's ability to continue as a going concern. The directors have prepared budgets/forecasts for a period of not less than twelve months from the date of approval of the financial statements, which indicate that the company has the ability to meet its liabilities as they fall due. Accordingly, the directors are satisfied that it is appropriate to continue to prepare the financial statements of the group and the company on a going concern basis as there will be sufficient funds in place to continue operations for at least 12 months from the date of approval of the financial statements. The financial statements do not include any adjustments of the group on the basis that the group is a going concern.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group, in addition to complying with its legal obligation to IFRS as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Emer O'Shaughnessy, (Senior Statutory Auditor)
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House
Earlsfort Terrace
Dublin 2

17 November 2016

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 £	2015 £
Administrative expenses	4	**(262,779)**	(335,529)
Impairment of exploration and evaluation assets	10	**(33,625)**	-
OPERATING LOSS		**(296,404)**	(335,529)
Loss due to fair value volatility	12	**(6,850)**	(4,000)
LOSS FOR THE YEAR BEFORE TAXATION		**(303,254)**	(339,529)
Income tax expense	8	**-**	-
LOSS AFTER TAXATION		**(303,254)**	(339,529)
Exchange difference on translation of foreign operations		**103,408**	(32,973)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(199,846)**	(372,502)
Loss per share – basic	5	**(0.11p)**	(0.16p)
Loss per share – diluted	5	**(0.11p)**	(0.16p)

Consolidated Balance Sheet
as at 30 June 2016

	Notes	30/06/2016 £	30/06/2015 £
ASSETS:			
NON CURRENT ASSETS			
Intangible assets	10	**6,689,647**	6,169,129
Financial assets	13	**1,150**	8,000
		6,690,797	6,177,129
CURRENT ASSETS			
Other receivables	13	**30,625**	16,428
Cash and cash equivalents	14	**500,426**	175,850
		531,051	192,278
TOTAL ASSETS		**7,221,848**	6,369,407
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	15	**(152,098)**	(120,475)
TOTAL LIABILITIES		**(152,098)**	(120,475)
NET ASSETS		**7,069,750**	6,248,932
EQUITY			
Called-up share capital – deferred shares	16	**1,796,157**	-
Called-up share capital – ordinary shares	16	**846,028**	2,394,876
Share premium	16	**8,598,008**	7,825,081
Share based payment reserves	17	**90,336**	89,908
Retained deficit		**(3,200,914)**	(2,897,660)
Translation reserve		**(76,578)**	(179,986)
Other reserve		**(983,287)**	(983,287)
TOTAL EQUITY		**7,069,750**	6,248,932

The financial statements of Botswana Diamonds plc, registered number 07384657, were approved by the Board of Directors on 17 November 2016 and signed on its behalf by:

John Teeling
Director

Company Balance Sheet
as at 30 June 2016

	Notes	30/06/2016 £	30/06/2015 £
ASSETS:			
NON CURRENT ASSETS			
Intangible assets	10	**3,441,541**	3,404,188
Investment in subsidiaries	11	**500,017**	500,017
Financial assets	12	**1,150**	8,000
		3,942,708	3,912,205
CURRENT ASSETS			
Other Receivables	13	**2,853,652**	2,306,831
Cash and cash equivalents	14	**359,027**	134,582
		3,212,679	2,441,413
TOTAL ASSETS		**7,155,387**	6,353,618
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	15	**(85,637)**	(104,686)
NET ASSETS		**7,069,750**	6,248,932
EQUITY			
Called-up share capital – deferred shares	16	**1,796,157**	-
Called-up share capital – ordinary shares	16	**846,028**	2,394,876
Share premium	16	**8,598,008**	7,825,081
Share based payment reserves	17	**90,336**	89,908
Retained deficit		**(3,277,492)**	(3,077,646)
Other reserve		**(983,287)**	(983,287)
TOTAL EQUITY		**7,069,750**	6,248,932

The financial statements of Botswana Diamonds plc, registered number 07384657, were approved by the Board of Directors on 17 November 2016 and signed on its behalf by:

John Teeling
Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Called-up Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Deficit £	Translation Reserve £	Other Reserve £	Total £
At 30 June 2014	1,962,283	7,824,825	88,181	(2,558,131)	(147,013)	(983,287)	6,186,858
Share based payment	-	-	1,727	-	-	-	1,727
Issue of shares	432,593	9,907	-	-	-	-	442,500
Share issue expenses	-	(9,651)	-	-	-	-	(9,651)
Loss for the year and total comprehensive income	-	-	-	(339,529)	(32,973)	-	(372,502)
At 30 June 2015	2,394,876	7,825,081	89,908	(2,897,660)	(179,986)	(983,287)	6,248,932
Share based payment	**-**	**-**	**428**	**-**	**-**	**-**	**428**
Issue of shares	**247,309**	**810,208**	**-**	**-**	**-**	**-**	**1,057,517**
Share issue expenses	**-**	**(37,281)**	**-**	**-**	**-**	**-**	**(37,281)**
Loss for the year and total comprehensive income	**-**	**-**	**-**	**(303,254)**	**103,408**	**-**	**(199,846)**
At 30 June 2016	**2,642,185**	**8,598,008**	**90,336**	**(3,200,914)**	**(76,578)**	**(983,287)**	**7,069,750**

Share Premium
The share premium comprises of a premium arising on the issue of shares.

Share Based Payment Reserve
The share based payment reserve arises on the grant of share options under the share option plan.

Retained Deficit
Retained deficit comprises of losses incurred in the current and prior years.

Other Reserve
During 2010 the Company acquired certain assets and liabilities from African Diamonds plc, a Company under common control. In accordance with accounting standards the assets and liabilities acquired were recognised at their book value and no goodwill was recognised on acquisition. The difference between the book value of the assets acquired and the purchase consideration was recognised directly in reserves.

Translation Reserve
The translation reserve arises from the translation of foreign operations.

Company Statement of Changes in Equity

for the year ended 30 June 2016

	Called-up Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Deficit £	Other Reserve £	Total £
At 30 June 2014	1,962,283	7,824,825	88,181	(2,705,144)	(983,287)	6,186,858
Share based payment	-	-	1,727	-	-	1,727
Issue of shares	432,593	9,907	-	-	-	442,500
Share issue expenses	-	(9,651)	-	-	-	(9,651)
Loss for the year and total comprehensive income	-	-	-	(372,502)	-	(372,502)
At 30 June 2015	2,394,876	7,825,081	89,908	(3,077,646)	(983,287)	6,248,932
Share based payment	**-**	**-**	**428**	**-**	**-**	**428**
Issue of shares	**247,309**	**810,208**	**-**	**-**	**-**	**1,057,517**
Share issue expenses	**-**	**(37,281)**	**-**	**-**	**-**	**(37,281)**
Loss for the year and total comprehensive income	**-**	**-**	**-**	**(199,846)**	**-**	**(199,846)**
At 30 June 2016	**2,642,185**	**8,463,161**	**225,183**	**(3,277,492)**	**(983,287)**	**(7,069,750)**

Share Premium
The share premium comprises of a premium arising on the issue of shares.

Share Based Payment Reserve
The share based payment reserve arises on the grant of share options under the share option plan.

Retained Deficit
Retained deficit comprises of losses incurred in the current and prior years.

Other Reserve
During 2010 the Company acquired certain assets and liabilities from African Diamonds plc, a Company under common control. In accordance with accounting standards the assets and liabilities acquired were recognised at their book value and no goodwill was recognised on acquisition. The difference between the book value of the assets acquired and the purchase consideration was recognised directly in reserves.

Consolidated Cash Flow Statement

for the year ended 30 June 2016

	Note	**30/06/2016 £**	30/06/2015 £
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(303,254)**	(339,529)
Share option charge		**-**	1,299
Loss on investment held at fair value		**6,850**	4,000
Foreign exchange losses/ (gains)		**100,426**	(33,537)
Impairment of exploration and evaluation assets		**33,625**	-
		(162,353)	(367,767)
MOVEMENTS IN WORKING CAPITAL			
Increase in trade and other payables		**110,783**	96,041
(Increase)/Decrease in trade and other receivables		**(14,197)**	49,017
NET CASH USED IN OPERATING ACTIVITIES		**(65,767)**	(222,709)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised		**(546,215)**	(294,734)
NET CASH USED IN INVESTING ACTIVITIES		**(546,215)**	(294,734)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		**970,857**	282,500
Share issue costs		**(37,281)**	(9,651)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**933,576**	272,849
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**321,594**	(244,594)
Cash and cash equivalents at beginning of the financial year		**175,850**	419,880
Effect of foreign exchange rate changes		**2,982**	564
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	14	**500,426**	175,850

Company Cash Flow Statement

for the year ended 30 June 2016

	Note	30/06/2016 £	30/06/2015 £
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(303,254)**	(339,529)
Share option charge		**-**	1,299
Loss on investment held at fair value		**6,850**	4,000
Foreign exchange gains		**(2,982)**	(564)
Provision for intercompany receivable		**103,408**	(32,973)
Impairment of exploration and evaluation assets		**33,625**	-
		(162,353)	(367,767)
MOVEMENTS IN WORKING CAPITAL			
Increase in trade and other payables		**60,111**	102,408
Increase in trade and other receivables		**(546,821)**	(194,509)
NET CASH USED IN OPERATING ACTIVITIES		**(649,063)**	(459,868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised		**(63,050)**	(82,280)
NET CASH USED IN INVESTING ACTIVITIES		**(63,050)**	(82,280)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		**970,857**	282,500
Share issue costs		**(37,281)**	(9,651)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**933,576**	272,849
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**221,463**	(269,299)
Cash and cash equivalents at beginning of the financial year		**134,582**	403,317
Effect of foreign exchange rate changes		**2,982**	564
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	14	**359,027**	134,582

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and Company are summarised below:

(i) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in sterling pounds and comply with the Companies Act 2006.

(ii) Statement of compliance

The financial statements of Botswana Diamonds plc and all its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union.

(iii) Basis of consolidation

The consolidated financial statements comprise the financial statements of Botswana Diamonds plc and its subsidiaries as at 30 June 2016. Subsidiaries are fully consolidated from the date of acquisition, being the date which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All intragroup balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

(iv) Investment in subsidiaries

The Company's investments in subsidiaries are stated at cost, less any accumulated impairment losses.

(v) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(vi) Operating loss

Operating loss represents revenue less cost of sales, administrative expenses and listing expenses. It is stated before finance revenue, finance costs and fair value gains/losses on financial assets.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(vii) Foreign currencies

The presentation currency of the Group financial statements is pounds sterling and the functional currency and the presentation currency of the parent Company is pounds sterling. The individual financial statements of each Group Company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in pounds sterling, the presentation currency.

In preparing the financial statements of the individual companies, 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 assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Statement of Comprehensive Income for the year, other than when a monetary item forms part of a net investment in a foreign operation; then exchange differences on that item are recognised in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Statement of Comprehensive Income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

(viii) Intangible fixed assets

Exploration and evaluation assets

Exploration expenditure relates to the initial search for deposits with economic potential in Botswana and South Africa. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration rights and costs incurred in exploration and evaluation activities are capitalised as part of exploration and evaluation assets.

Exploration costs are capitalised until technical feasibility and commercial viability of extraction of reserves are demonstrable. Exploration costs include an allocation of administration and salary costs (including share based payments) attributable to exploration activities as determined by management.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment, and any impairment loss recognised immediately in the statement of comprehensive income.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(viii) Intangible fixed assets

Impairment of intangible assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The Company reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

a) the period for which the Group has a right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
b) substantive expenditure on further exploration for and evaluation of diamond resources in the specific area is neither budgeted nor planned;
c) exploration for an evaluation of diamond resources in the specific area have not led to the discovery of commercially viable quantities of diamond resources and the Group has decided to discontinue such activities in the specific area; and
d) sufficient data exists to indicate that although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

(ix) Financial Instruments

Financial instruments are recognised in the Group and Company's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Where the fair value of a financial asset can be reliably measured the financial asset is initially recognised at fair value through the profit and loss account. At each balance sheet date gains or losses arising from a change in fair value are recognised in the Statement of Comprehensive Income, as other gains or losses.

Financial assets for which the fair value cannot be reliably measured are carried at cost.

Cash

Cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into, mainly trade payables and accruals.

Receivables

Receivables are measured at initial recognition at invoice value, which approximates to fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the carrying value of the asset exceeds the recoverable amount.

Receivables are classified as loans and receivables which are subsequently measured at amortised cost, using the effective interest method.

Trade payables and accruals

Trade payables are classified as financial liabilities, are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the period. Taxable profit differs from net 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 excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable 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 is 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 for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries and associates, only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax 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 is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(xi) Share based payments

The Group issues equity-settled share based payments only to certain employees and directors. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the effect of market based vesting conditions.

Where the value of the goods or services received in exchange for the share based payment cannot be reliably estimated the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(xii) Warrants

Warrants will be transferred to Share Capital once the warrants are exercised in accordance with IFRS.

(xiii) Accounting for business combinations of entities under common control

Assets and liabilities acquired in a business combination under common control are recognised at value carried by the predecessor owner under IFRS. No goodwill is recognised on the acquisition. Internally generated intangible assets and other items carried at zero by the predecessor remain unrecognised following acquisition. Expenses arising on the common control transaction are charged as administrative expenses as incurred in the Statement of Comprehensive Income. The difference between the share of net assets acquired and the purchase consideration is recognised directly in equity.

(xiv) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Exploration and evaluation expenditure

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within intangible assets. Costs which can be demonstrated as project related are included within exploration and evaluation assets. Exploration and evaluation assets relate to prospecting, exploration and related expenditure in Botswana and South Africa. The Group's exploration activities are subject to a number of significant and potential risks including:

- price fluctuations;
- foreign exchange risks;
- uncertainties over development and operational costs;
- political and legal risks, including arrangements with governments for licenses, profit sharing and taxation;
- foreign investment risks including increases in taxes, royalties and renegotiation of contracts;
- liquidity risks;
- funding risks;
- going concern; and
- operational and environmental risks.

The recoverability of these intangible assets is dependent on the discovery and successful development of economic reserves, including the ability to raise finance to develop future projects. Should this prove unsuccessful, the value included in the balance sheet would be written off to the Statement of Comprehensive Income.

Impairment of intangible assets

The assessment of intangible assets for any indications of impairment (1.(viii)) involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

The assessment requires judgement as to: the likely future commerciality of the asset and when such commerciality should be determined; future revenues; capital and operating costs, and the discount rate to be applied to such revenues and costs.

Deferred tax assets

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. No deferred tax has been recognised.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(xiv) Critical accounting judgements and key sources of estimation uncertainty (continued)
Critical judgements in applying the Group's accounting policies (continued)

Going concern
The assessment of the Group's ability to execute its strategy by funding future working capital requirements involves judgement. Further information regarding going concern is outlined in Note 3.

Recoverability of amount due from subsidiaries
The carrying value of amounts due by Group undertakings is dependent on the successful discovery and development of economic diamond resources and the ability of the Group to raise sufficient finance to develop the projects.

Key sources of estimation uncertainty
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangible assets
The assessment of intangible assets for any indication of impairment involves uncertainty. There is uncertainty as to whether the exploration activity will yield any economically viable discovery. Aspects of uncertainty surrounding the Group's intangible assets include the amount of potential reserves, ability to be awarded exploration licences, and the ability to raise sufficient finance, to develop the Group's projects. If the directors determine that an intangible asset is impaired, an allowance is recognised in the Statement of Comprehensive Income.

Share-based payments
The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Group is the Black-Scholes valuation model.

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group did not adopt any new International Financial Reporting Standards (IFRS) or Interpretations in the year that had a material impact on the Group's Financial Statements. The following IFRS became effective since the last Annual Report but had no material impact on the Financial Statements:

Amendments to IAS 1 (Dec 2015) – Disclosure Initiative	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 (Dec 2015) – Investment Entities Applying the Consolidation Exception	1 January 2016
Annual Improvements to IFRSs: 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IAS 27 - Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11 (May 2014) - Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14 - Regulatory Deferral Accounts	1 January 2016

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

	Effective date
IFRS 9 – Financial Instruments	1 January 2018
IFRS 15 - Revenue from Contracts with Customers	1 January 2017
IFRS 16 — Leases	1 January 2019
Amendments to IAS 7 — Disclosure Initiative	1 January 2017
Amendments to IAS 12 — Recognition of Deferred Tax Assets for Unrealized Losses	1 January 2017

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group. However, at this point they do not believe they will have a significant impact on the financial statements of the Group in the period of initial application.

3. GOING CONCERN

The Group incurred a loss for the year of £199,846 after exchange differences on retranslation of foreign operations (2015: £372,502) and had a retained deficit of £3,200,914 (2015: £2,897,660) at the balance sheet date. These conditions represent a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

The directors have prepared cashflow projections and forecasts for a period of not less than 12 months from the date of this report which indicate that the group will require additional finance to fund working capital requirements and develop existing projects. Although it is not possible at this stage to predict whether financing efforts will be successful the directors are confident that they will be able to raise additional finance as required to meet the group's committed obligations as they fall due.

As in previous years the Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements and believe the going concern basis is appropriate for these financial statements. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

4. LOSS BEFORE TAXATION

	2016	2015
	£	£
The loss before taxation is stated after charging:		
Auditor's remuneration	**20,000**	20,000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Group's auditors for the audit of the Group's annual accounts	**18,000**	18,000
Fees payable to the Group's auditors and their associates for other services to the Group	**2,000**	2,000
Total audit fees	**20,000**	20,000
Administrative expenses comprise:		
Professional fees	**110,909**	112,600
Foreign exchange gains	**(2,982)**	(564)
Directors' remuneration (Note 6)	**82,264**	120,678
Wages and salaries	**24,264**	23,072
Other administrative expenses	**48,324**	78,444
Share options valuation	**-**	1,299
	262,779	335,529

5. LOSS PER SHARE

Basic loss per share is computed by dividing the loss after taxation for the year available to ordinary shareholders by the weighted average number of ordinary shares in issue and ranking for dividend during the year. Diluted earnings per share is computed by dividing the profit or loss after taxation for the year by the weighted average number of ordinary shares in issue, adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the year.

The following table sets forth the computation for basic and diluted earnings per share (EPS):

	2016	2015
	£	£
Numerator		
For basic and diluted EPS retained loss	**(303,254)**	(339,529)
Denominator	**No.**	No.
For basic and diluted EPS	**278,469,644**	206,684,510
Basic EPS	**(0.11p)**	(0.16p)
Diluted EPS	**(0.11p)**	(0.16p)

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of shares for the purposes of the diluted earnings per share:

	No.	No.
Share options	**8,410,000**	8,410,000

6. RELATED PARTY AND OTHER TRANSACTIONS

Group and Company
Key Management Compensation and Directors' Remuneration

The remuneration of the directors, who are considered to be the key management personnel, is set out below.

	Salary or fees £	**Share based payments £**	**2016 Total £**	Salary or fees £	Share based payments £	2015 Total £
John Teeling	**30,000**	**-**	**30,000**	65,000	-	65,000
James Finn	**30,000**	**-**	**30,000**	35,000	-	35,000
David Horgan	**20,000**	**-**	**20,000**	20,000	-	20,000
Robert Bouquet	**13,386**	**-**	**13,386**	30,223	-	30,223
Anne McFarland	**3,878**	**-**	**3,878**	2,955	1,727	4,682
	97,264	**-**	**97,264**	153,178	1,727	154,905

6. RELATED PARTY AND OTHER TRANSACTIONS (continued)

All remunerations related to short term employee benefits.

The number of directors to whom retirement benefits are accruing is Nil.

Included in the above is £15,000 (2015: £32,500) of salary payments which were capitalised within exploration and evaluation assets.

Other

The Company shares offices and overheads with a number of other companies also based at 162 Clontarf Road. These companies have some common directors.

Transactions with these companies during the year are set out below:

	Clontarf Energy plc £	Connemara Mining Company plc £	Petrel Resources plc £	Total £
At 1 July 2014	17,191	(10,326)	1,752	8,617
Office and overhead costs recharged	15,000	(27,860)	5,430	(7,430)
Repayments	(32,191)	38,186	(7,182)	(1,187)
At 30 June 2015	-	-	-	-
Office and overhead costs recharged	**16,519**	**(7,910)**	**6,679**	**15,288**
Repayments	**(16,519)**	**7,910**	**(6,679)**	**(15,288)**
At 30 June 2016	**-**	**-**	**-**	**-**

Amounts due to and from the above companies are unsecured and repayable on demand.

Company

At 30 June 2016 the following amounts were due to the Company by its subsidiaries:

	2016 £	2015 £
Kukama Mining & Exploration (Pty) Ltd	**1,101,636**	1,082,578
Atlas Minerals (Pty) Ltd	**1,743,991**	1,210,453
	2,845,627	2,293,031

All movements during the year are due to monies advanced to fund exploration activities. An allowance of £76,577 (2015: £179,986) has been provided in respect of the amount due from Kukama Mining & Exploration (Pty) Ltd.

Recoverability of amounts due from subsidiaries is dependent on the discovery and successful development of economic diamond reserves.

7. EMPLOYEE INFORMATION

The average number of persons employed by the Group and Company including directors during the year was:

	2016 Number	2015 Number
Management and administration	**7**	7

Staff costs for the above persons were:	**£**	£
Wages and salaries	**136,277**	190,258
Share based payments	**-**	1,299
Pension costs	**-**	-
	136,277	191,557

Included in the above is £29,749 (2015: £46,508) of salary payments (including director costs) which were capitalised within exploration assets.

8. INCOME TAX EXPENSE

	2016 £	2015 £
Current tax:		
Tax on loss	**-**	-
	-	-
Factors affecting the tax expense:		
Loss on ordinary activities before tax	**(303,254)**	(339,529)
UK tax calculated at 24% (2015: 24%)	**(72,781)**	(81,487)
Effects of:		
Unutilised Losses	**72,781**	81,487
Tax charge	**-**	-

No charge to corporation tax arises in the year due to losses incurred.

At the balance sheet date the Group had unused tax losses of £2,638,859. (2015: £2,335,605) which equates to an unrecognised deferred tax asset of £633,326 (2015: £560,545).

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

9. SEGMENTAL ANALYSIS

Operating segments are identified on the basis of internal reports about the Group that are regularly reviewed by the chief operating decision maker. The Board is deemed the chief operating decision maker and the Group is organised into two segments: Botswana and Cameroon.

9A. Segment revenue and segment result

Group	**Segment Revenue 2016 £**	**Segment Result 2016 £**	Segment Revenue 2015 £	Segment Result 2015 £
Botswana	**-**	**-**	-	-
South Africa	**-**	**(33,625)**	-	-
Total continuing operations	**-**	**(33,625)**	-	-
Unallocated head office	**-**	**(269,629)**	-	(339,529)
	-	**(303,254)**	-	(339,529)

9B. Segment assets and liabilities

Group	**Assets 2016 £**	**Liabilities 2016 £**	Assets 2015 £	Liabilities 2015 £
Botswana	**6,853,646**	**66,461**	6,192,730	15,789
South Africa	**-**	**-**	20,297	-
Total continuing operations	**6,853,646**	**66,461**	6,213,027	15,789
Unallocated head office	**368,202**	**85,637**	156,380	104,686
	7,221,848	**152,098**	6,369,407	120,475

Company	**Assets 2016 £**	**Liabilities 2016 £**	Assets 2015 £	Liabilities 2015 £
Botswana	**6,787,185**	**-**	6,176,941	-
South Africa	**-**	**-**	20,297	-
Total continuing operations	**6,787,185**	**-**	6,197,238	-
Unallocated head office	**368,202**	**85,637**	156,380	104,686
	7,155,387	**85,637**	6,353,618	104,686

9. SEGMENTAL ANALYSIS (continued)

9C. Other segmental information

Additions to non current assets	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Botswana	**540,815**	282,365	**57,650**	69,911
South Africa	**13,328**	20,297	**13,328**	20,297
Cameroon	**-**	-	**-**	9,730
Total continuing operations	**554,143**	302,662	**70,978**	90,208
Unallocated head office	**-**	-	**-**	-
	554,143	302,662	**70,978**	90,208

10. INTANGIBLE ASSETS

Exploration and evaluation assets:

	2016 Group £	2015 Group £	2016 Company £	2015 Company £
Cost:				
At 1 July	**6,784,925**	6,482,263	**3,601,420**	3,511,212
Additions	**554,143**	302,662	**70,978**	90,208
At 30 June	**7,339,068**	6,784,925	**3,672,398**	3,601,420
Impairment:				
At 1 July	**615,796**	615,796	**197,232**	197,232
Provision for impairment	**33,625**	-	**33,625**	-
At 30 June	**649,421**	615,796	**230,857**	197,232
Carrying Value:				
At 1 July	**6,169,129**	5,866,467	**3,404,188**	3,313,980
At 30 June	**6,689,647**	6,169,129	**3,441,541**	3,404,188

Segmental analysis	2016 Group £	2015 Group £	2016 Company £	2015 Company £
Botswana	**6,689,647**	6,148,832	**3,441,541**	3,383,891
South Africa	**-**	20,297	**-**	20,297
	6,689,647	6,169,129	**3,441,541**	3,404,188

10. INTANGIBLE ASSETS (continued)

Exploration and evaluation assets relate to expenditure incurred in exploration for diamonds in Botswana and South Africa. The directors are aware that by its nature there is an inherent uncertainty in exploration and evaluation assets and therefore inherent uncertainty in relation to the carrying value of capitalized exploration and evaluation assets.

The Group's focus is to maximize the full potential of the Botswana operations. Therefore, in the current year, the directors have decided to provide in full against the carrying value of the operations in South Africa. Accordingly, an impairment provision of £33,625 has been recorded by the Group in the current year (Company: £33,625).

On 23 July 2013 the Group entered into an agreement with Siseko Minerals (Pty) Limited over the 13 licence Brightstone block in the Gope area of Botswana. Under the terms of the agreement the company would have earned a 51% interest in the block by spending up to US $940,000 over three years.

On 11 November 2014 the Brightstone block was farmed out to BCL Investments (Proprietary) Limited, a Botswana Company, who assumed responsibility for the work programme. Botswana Diamonds will retain a 15% carried interest.

On 16 August 2013 the Group entered into a joint venture agreement with Alrosa Overseas SA a wholly owned subsidiary of OJSC Alrosa of Russia to explore for diamonds in Botswana. Further details are outlined in Note 11.

The directors believe that there were no facts or circumstances indicating that the carrying value of intangible assets may exceed their recoverable amount and thus no impairment review was deemed necessary by the directors. The realisation of these intangible assets is dependent on the successful discovery and development of economic diamond resources and the ability of the Group to raise sufficient finance to develop the projects. It is subject to a number of significant potential risks, as set out in Note 1 (xiv).

Included in additions for the year are £428 of share based payments (2015: £428), £14,749 (2015: £14,008) of wages and salaries and £15,000 (2015: £32,500) of directors remuneration.

11. INVESTMENT IN SUBSIDIARIES

	2016	2015
	£	£
At 1 July	**500,017**	500,017
At 30 June	**500,017**	500,017

On 8 October 2013 Botswana Diamonds plc, through its subsidiary Atlas Minerals (Pty) Ltd, acquired 50% shareholding in Sunland Minerals (Pty) Ltd. Sunland Minerals (Pty) Ltd was formed as per the joint venture agreement entered into between Botswana Diamonds plc and OJSC Alrosa Russia to explore for diamonds in Botswana.

In the opinion of the directors, at 30 June 2016, the fair value of the investments in subsidiaries is not less than their carrying amounts.

The subsidiaries of the Company at 30 June 2016 were:

Name of subsidiary	Total allotted Capital	Country of incorporation and operation	% Ownership	Principal activity
Kukama Mining and Exploration (Proprietary) Limited	2 Ordinary shares of BWP1 each	Botswana	100%	Prospecting and exploration for diamonds
Kukama Diamonds Investments Limited	50,000 shares of US$1,000 each	British Virgin Islands	100%	Holding Company

11. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiary	Total allotted Capital	Country of incorporation and operation	% Ownership	Principal activity
Orapa Diamonds plc	5,000,000 shares of £0.01 each	United Kingdom	100%	Dormant
Kukama Diamonds Cameroon Limited SARL	100 shares of FCA 10,000 each	Cameroon	85%	Dormant
Botswana Coal plc	5,000,000 shares of £0.01 each	United Kingdom	100%	Dormant
Congo Diamonds plc	5,000,000 shares of £0.01 each	United Kingdom	100%	Dormant
*** Sunland Minerals (Pty) Limited	5,000 shares of BWP1 each	Botswana	50%	Prospecting and exploration for diamonds
Siseko Minerals (Pty) Limited	517 shares of Rand 1 each	South Africa	51.70%	Prospecting and exploration for diamonds
Atlas Minerals (Botswana) (Pty) Limited	200 shares of BWP1 each	Botswana	100%	Prospecting and exploration for diamonds

*** indirectly held.

The carrying value of investments in subsidiaries is dependent on the successful discovery and development of economic diamond reserves and the ability of the Group to raise sufficient finance to develop the projects. It is subject to a number of significant potential risks as set out in Note 1 (xiv).

12. FINANCIAL ASSETS

	2016 £	2015 £
Group and Company		
Financial assets carried at fair value through profit or loss (FVTPL):		
Non-derivative financial assets designated as at FVTPL	**1,150**	8,000
Investment at FVTPL		
At 1 July 2015	**8,000**	12,000
Fair value movement	**(6,850)**	(4,000)
At 30 June 2016	**1,150**	8,000

At the beginning of the year the Group held 1,000,000 shares in Stellar Diamonds plc. In November 2015 Stellar Diamonds plc consolidated the shares from 50 existing 1p shares into 1 new share of 50p. This was then sub-divided into 1 Ordinary share of 1p and 1 deferred share of 49p. This resulted in Group holding 20,000 ordinary shares and 20,000 deferred shares. At the year end this investment represented 0.063% (2015: 0.12%) of the issued share capital of Stellar Diamonds plc. Stellar Diamonds plc is listed on the London AIM market. In the opinion of the directors, the Company does not have significant influence over Stellar Diamonds plc.

Fair value at 30 June 2016 is based on the market value of the shares of Stellar Diamonds plc at that date. Investment in Stellar Diamonds plc is classified in Level 1 hierarchy.

13. OTHER RECEIVABLES

	2016 Group £	2015 Group £	**2016 Company £**	2015 Company £
Other receivables	**30,625**	16,428	**8,025**	13,800
Due by Group undertakings (Note 6)	**-**	-	**2,845,627**	2,293,031
	30,625	16,428	**2,853,652**	2,306,831

The carrying value of the other receivables approximates to their fair value. The carrying value of amounts due by Group undertakings is dependent on the successful discovery and development of economic diamond resources and the ability of the Group to raise sufficient finance to develop the projects. It is subject to a number of significant potential risks as detailed in Note 1 (xiv).

14. CASH AND CASH EQUIVALENTS

	2016 Group £	2015 Group £	**2016 Company £**	2015 Company £
Cash and cash equivalents	**500,426**	175,850	**359,027**	134,582

Cash at bank earns interest at floating rates based on daily bank deposit rates.

15. TRADE AND OTHER PAYABLES

	2016 Group £	2015 Group £	**2016 Company £**	2015 Company £
Trade payables	**79,279**	47,267	**24,589**	41,671
Accruals	**72,819**	73,208	**61,048**	63,015
	152,098	120,475	**85,637**	104,686

It is the Company's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, payment is made accordingly. In the absence of agreed terms it is the Company's policy that payment is made between 30 – 40 days. The carrying value of trade and other payables approximates to their fair value.

16. CALLED-UP SHARE CAPITAL

Allotted, called-up and fully paid:

	Number	**Share Capital £**	**Share Premium £**
At 1 July 2014	196,228,267	1,962,283	7,824,825
Issued during the year	43,259,381	432,593	9,907
Share issue expenses	-	-	(9,651)
At 30 June 2015	239,487,648	2,394,876	7,825,081

On 22 December 2015 the Group converted the 239,487,648 existing ordinary shares of 1p each into 239,487,648 ordinary shares of 0.25p each and 239,487,648 deferred shares of 0.75p each.

16. CALLED-UP SHARE CAPITAL (continued)

	Number	Share Capital £	Share Premium £
Issued during the year	**98,923,533**	**247,309**	**810,208**
Share issue expenses	**-**	**-**	**(37,281)**
At 30 June 2016	**338,411,181**	**2,642,185**	**8,598,008**

Movements in share capital

On 22 December 2015, the Company raised £458,656 through the issue of 53,959,400 new ordinary shares of 0.25p each at a price of 0.85p per share to provide additional working capital and fund development costs. In addition, the Company settled £86,660 of existing liabilities with the directors of the Company through the issue of 10,195,450 new ordinary shares of 0.25p at a price of 0.85p.

On 22 December 2015, 64,154,850 warrants were granted to the subscribers of the placing at a price of 0.85p per share. These warrants are exercisable for a period of three years from 24 December 2015.

On 6 May 2016, the Company raised £500,000 through the issue of 33,333,333 new ordinary shares at a price of 1.5p to provide additional working capital and fund development costs.

On 15 June 2016, 588,250 warrants were exercised at a price of 0.85p per warrant for £5,000.

On 28 June 2016, 847,100 warrants were exercised at a price of 0.85p per warrant for £7,200.

17. SHARE-BASED PAYMENTS

<u>Share Options</u>

The Group issues equity-settled share-based payments to certain directors and individuals who have performed services for the Group. Equity-settled share-based payments are measured at fair value at the date of grant.

Fair value is measured by use of a Black-Scholes valuation model.

The Group plan provides for a grant price equal to the average quoted market price of the ordinary shares on the date of grant.

	30/06/2016 Options	**2016 Weighted average exercise price in pence**	30/06/2015 Options	2015 Weighted average exercise price in pence
Outstanding at beginning of year	**8,410,000**	**6.35**	8,160,000	6.46
Issued	**-**	**-**	250,000	2.75
Outstanding at end of the year	**8,410,000**	**6.35**	8,410,000	6.35
Exercisable at end of the year	**8,410,000**	**6.35**	8,370,000	6.36

The options outstanding at 30 June 2016 had a weighted average exercise price of 6.35p, and a weighted average remaining contractual life of 1.87 years.

17. SHARE-BASED PAYMENTS (continued)

During the year ended 30 June 2015, 250,000 options were granted with a fair value of £1,299. These fair values were calculated using the Black-Scholes valuation model. These options will vest immediately.

The inputs into the Black-Scholes valuation model were as follows:

Grant 1 September 2014	
Weighted average share price at date of grant (in pence)	2.75p
Weighted average exercise price (in pence)	2.75p
Expected volatility	16.8%
Expected life	7 years
Risk free rate	0.5%
Expected dividends	none

Expected volatility was determined by management based on their cumulative experience of the movement in share prices over the year.

The terms of the options granted do not contain any market conditions within the meaning of IFRS 2.

The Group capitalised expenses of £428 (2015: £428) and expensed costs of £Nil (2015: £1,299) relating to equity-settled share-based payment transactions during the year.

Warrants

	30/06/2016 Options	**2016 Weighted average exercise price in pence**	30/06/2015 Options	2015 Weighted average exercise price in pence
Outstanding at beginning of year	**-**	**-**	-	-
Issued	**64,154,850**	**2.15**	-	-
Exercised	**(1,435,350)**	**2.15**	-	-
Outstanding and exercisable at end of the year	**62,719,500**	**2.15**	-	-

18. MATERIAL NON-CASH TRANSACTIONS

Material non-cash transactions during the year have been outlined in Notes 10, 11, 16 and 17.

19. CAPITAL COMMITMENTS

There is no capital expenditure authorised or contracted for which is not provided for in these accounts.

20. PARENT COMPANY INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the parent Company's income statement has not been presented in this document. The loss after taxation, as determined in accordance with IFRS, for the parent Company for the year is £199,846 (2015: loss of £372,502).

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Group and Company

The Group's financial instruments comprise of cash and cash equivalent balances, investments at fair value and various items such as trade receivables and trade payables which arise directly from trading operations.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group holds cash as a liquid resource to fund obligations of the Group. The Group's cash balances are held in euro, US dollar and sterling. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure.

The Group has a policy of not hedging due to no significant dealings in currencies other than the reporting currency and euro denominated transactions and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposure on an ad hoc basis.

The Group does not enter into any derivative transactions and it is the Group's policy that no trading in derivatives shall be undertaken.

The main financial risks arising from the Group's financial instruments are as follows:

Interest rate risk
The Group has no outstanding bank borrowings at the year end. New projects and acquisitions are financed by a combination of existing cash surpluses and through funds raised from equity share issues. The Group may use project finance in the future to finance exploration and development costs on existing licences.

Liquidity risk
As regards liquidity, the Group's policy is to ensure continuity of funding primarily through fresh issues of shares. Short-term funding is achieved through utilising and optimising the management of working capital. The directors are confident that adequate cash resources exist to finance operations in the short term, including exploration and development.

Capital management
The capital structure of the Company consists primarily of equity raised through issue of share capital, which it has invested in operations in Botswana and South Africa.

The primary objective of the Company's capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Credit Risk
The maximum credit exposure of the Group as at 30 June 2016 amounted to £531,051 (2015: £192,278) relating to the Group's cash and cash equivalents and receivables. The directors believe there is limited exposure to credit risk as the Group's cash and cash equivalents are held with major financial institutions. The aging of receivables is reviewed on a regular basis to ensure the timely collection of amounts owing to the Group.

The Group manages its credit risk in cash and cash equivalents by holding surplus funds in high credit worthy financial institutions and maintains minimum balances with financial institutions in remote locations.

	2016	2015
	£	£
Cash held in financial institutions with S&P A- rating or higher	**500,426**	175,850

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit Risk (continued)

The credit risk on receivables from subsidiaries is significant and their recoverability is dependent on the discovery and successful development of economic reserves by those subsidiary undertakings. Given the nature of the Group's business, significant amounts are required to be invested in exploration and evaluation activities at different locations. The directors manage this risk by reviewing expenditure plans and budgets in relation to projects before any monies are advanced to subsidiary undertakings in respect of those projects. This review ensures that any expenditure is value-enhancing and as a result the amounts receivable will be recoverable subject to successful discovery and development of economic reserves.

Foreign currency risk

In the normal course of business, the Group enters into transactions denominated in foreign currencies (US Dollars, Sterling and Euros). As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates; however it does review its currency exposures on an *ad hoc* basis.

The carrying amounts of the Group and Company foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

Group		**Assets**		**Liabilities**
	2016	2015	**2016**	2015
	£	£	**£**	£
Euro	**26,200**	5,210	**12,685**	17,138
US Dollar	**100,317**	21,687	**-**	9,035

Company		**Assets**		**Liabilities**
	2016	2015	**2016**	2015
	£	£	**£**	£
Euro	**26,200**	5,210	**12,685**	17,138
US Dollar	**200**	914	**-**	9,035

22. POST BALANCE SHEET EVENTS

There are no material post balance sheet events affecting the Group.

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Botswana Diamonds plc (the "Company") will be held on Thursday 15th December 2016 at 10.00am at the Hilton London Paddington Hotel, 146 Praed Street, London W2 1EE for the following purposes:

Ordinary Business

1. To receive and consider the Director's Report, Audited Accounts and Auditor's Report for the year ended 30 June 2016.
2. To elect Director: James Finn retires in accordance with the Articles of Association and seeks re-election.
3. To elect Director: Robert Bouquet retires in accordance with the Articles of Association and seeks re-election.
4. To re-elect Deloitte as auditors and to authorise the Directors to fix their remuneration.
5. To transact any other ordinary business of an annual general meeting.

By order of the Board.

James Finn
Secretary

Registered Office: 20-22 Bedford Row, London WCIR 4JS
Registered in England and Wales with company number: 07384657

17 November 2016

Notes:

1. A member who is unable to attend and vote at the above Annual General Meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from the Meeting and voting in person.

2. To be effective, the completed Form of Proxy duly signed, together with the power of attorney (if any) or other authority under which it is executed, or a notarially certified copy thereof, must be deposited at the Company's Registrars, Computershare Investor Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, not less than forty-eight hours before the time appointed for the Meeting or any adjournment thereof at which the person named in the form of Proxy is to vote. A shareholder wishing to appoint a proxy by electronic means may do so on www.eproxyappointment.com. A shareholder who wishes to appoint more than one proxy by electronic means must contact the Registrar by sending an email to clientservices@computershare.ie.

3. A shareholder may appoint more than one proxy to attend, speak, ask questions and vote at the meeting provided each proxy is appointed to exercise rights attached to different shares held by that shareholder. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on +353 1 216 3100 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name on the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided in the Form of Proxy if the proxy instruction is one of multiple instructions being given. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name on the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if the Form of Proxy has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). All Forms of Proxy must be signed and should be returned together in the same envelope. Where a poll is taken at the Meeting, a shareholder, present in person or proxy, holding more than one share is not required to cast all their votes in the same way.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

5. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a' Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on 13 of December 2016 (or in the case of an adjournment as at close of business on the day that is two days before the adjourned meeting). Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 10a.m. on 13th December 2016 (or in the case of an adjournment as at 48 hours before the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Directors and other information

DIRECTORS	Dr. John Teeling James Finn David Horgan Robert Bouquet Anne McFarland
SECRETARY	James Finn
REGISTERED OFFICE	20-22 Bedford Row London, WCIR 4JS United Kingdom
BUSINESS ADDRESS	162 Clontarf Road Dublin 3 Ireland
REGISTERED AUDITORS	Deloitte Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
COMPANY REGISTRATION NUMBER	07384657
SOLICITORS	McEvoy Partners 27 Hatch Street Lower Dublin 2 Ireland
NOMINATED ADVISOR & JOINT BROKER	Northland Capital Partners Limited 60 Gresham Street 4th Floor London EC2V 7BB
JOINT BROKER	Dowgate Capital Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ UK
REGISTRARS	Computershare Services (Ireland) Limited Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland
BANKERS	Barclays Bank Ireland Plc Two Park Place Hatch Street Upper Dublin 2 Ireland

A view of the Gope region in the Kalahari Desert

Front Cover: Drilling rig in the desert

BOTSWANA DIAMONDS PLC ANNUAL REPORT 2010

Directors: John Teeling - *Executive Chairman*, Jim Finn - *Finance Director*,
David Horgan - *Director*, Robert Bouquet - *Director* - Anne McFarland- *Director*
162 Clontarf Road, Dublin 3, Ireland. t: +353 1 833 2833 f: +353 1 833 3505 e: info@botswanadiamonds.co.uk www.botswanadiamonds.co.uk
A company incorporated and registered in England & Wales under the Companies Act 2006 with registered number 07384657