

DiamondCorp plc
UK Company Registration No. 5400982
Audited Consolidated and Separate Financial Statements
for the year ended 31 December 2015

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DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

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The reports and statements set out below comprise the audited consolidated and separate financial statements presented to the shareholders:

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Prepared by

S De Wet
Chief Financial Officer (BCompt)

Published

03 May 2016

DiamondCorp plc

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Officers and Professional Advisers

Country of incorporation and domicile	Listed Public company incorporated in the United Kingdom
Directors	E A Worthington (Chairman) P R Loudon J Willis-Richards M Toxvaerd H Scholes C Ellis (Appointed 1 February 2016)
Chief Financial Officer	S De Wet
Registered office	6 Middle Street London, EC1A 7JA United Kingdom Website: www.diamondcorp.plc.uk
Bankers	Barclays Bank plc Town House Gate Church Street East Woking GU21 6XW United Kingdom
Independent Auditors	PricewaterhouseCoopers LLP (UK) Chartered Accountants and Statutory Auditors 1 Embankment Place London, WC2N 6RH United Kingdom PricewaterhouseCoopers Inc (For JSE purposes) 2 Eglin Road Sunninghill, Johannesburg 2157 South Africa
Company Secretary	City Group PLC 6 Middle Street London, EC1A 7JA United Kingdom
AIM Nominated Adviser and broker	Panmure Gordon (UK) Ltd One New Change London, EC4M 9AF United Kingdom
AltX adviser and sponsor	Sasfin Capital 29 Scott Street Waverley, 2090 South Africa

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Officers and Professional Advisers

Technical advisers

MPH Consulting Ltd

Toronto, ON M5H 2L3
Canada

SRK Consulting (South Africa) (Pty) Ltd

Johannesburg, 2196
South Africa

Solicitors

Gowling WLG

4 More London Riverside
London, SE12AU
United Kingdom

Werksmans Inc.

155 - 5th Street
Sandton, 2196
South Africa

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Letter from the Chairman

Dear Shareholder

As I reported in my letter last year, it was hoped that 2015 would be the year that the Lace Mine (74%) resumed commercial production for the first time since 1931. Unfortunately, underground mining operations met a few unforeseen bumps in the road and it is only now, a year later, that we have completed our first diamond tender and are finalising mine development prior to full commercial production of 30,000 tonnes per month of kimberlite from July 2016.

A major advance during 2015 was the final installation and commissioning of the underground conveyor at Lace which is now bringing kimberlite and development waste to the surface without the need for excessively long haul distances for the Company's heavy dump trucks. Another positive event was the completion of dams and water recovery systems on site, which has alleviated concerns about water availability for processing the kimberlite ore. This is important after low annual rainfall in recent years.

After a successful resolution to the strike by our workers who are members of the Association of Mineworkers and Construction Union (AMCU) at the end of 2014, we began wage negotiations early in 2015. In February last year, a new four-year wage agreement was signed based around 8% annual increases in the basic salary for most worker categories, along with a progressive lift in pay for the lowest paid workers. This was a good result as two or three year agreements are more common in the South African mining industry. Since that deal was signed, labour relations at the mine have been very positive with no further stoppages for industrial action.

Financing

In March 2015, we announced that Lace Diamond Mines (Pty) Ltd, our 74% owned subsidiary and operator of the Lace Mine had signed a term sheet with South African group Acrux Resources to sell a 3% net revenue royalty for US\$7 million (£4.5 million). This would have provided funding at the operating level without the capital dilution for DiamondCorp plc shareholders of an equity issue. We were unable to agree final terms and conditions for this royalty and after consultations with our major shareholders, we gained strong support to proceed with a Placing and subscription of new shares, which raised £3.18 million before expenses. The Board had also received encouragement from a number of private individuals and felt it important to allow all shareholders to participate in this financing. Through an Open Offer at the same price as the Placing we raised a further £2.09 million gross with excess demand for over-allotments.

We believed that this financing, completed last July, would cover the final capital development costs for underground development to reach our target of the first diamond sale in Q3 2015. Unfortunately, mining through the K6 kimberlite on the 290m level then encountered unexpectedly very poor ground. This required additional rock support to ensure the safety of our workers and equipment. Also, around the same time the Department of Mineral Resources informed us that anti-roll back idlers had to be installed on the conveyor belt pursuant to new government regulations. As well as slowing progress at this critical time, these events added to costs.

We pursued other financing mechanisms to cover the revised budget but nothing could be concluded quickly, so in mid-November your Board regrettably opted to seek funding from a further share placing. In an environment of weak diamond prices and a depressed mining sector it was disappointing that we had to price this issue at 6 pence per share to raise £4.0 million, when six months earlier there was strong demand at 10 pence per share.

In addition to raising this new working capital, we requested the Investment Development Corporation (IDC) of South Africa to reschedule interest and capital repayments on its ZAR 220 million loan to Lace Diamond Mines (Pty) Ltd. The first payment was due in January 2016 but has now been deferred to 1st February 2017 by which time, the loan and rolled up interest will total some ZAR 311 million (£15 million). DiamondCorp plc Shareholders will gain some comfort from the fall in the South African Rand which now exchanges at ZAR/£20.70 compared to ZAR/£13.33 when we signed the IDC loan agreement in September 2012.

The Company investigates all financing options as they arise and is highly conscious of trying to limit shareholder dilution in any fund raising. As we ramp up to full production, management is focused on keeping all costs minimised and the budget within existing cash resources, whilst cognisant of remaining both on schedule and operating within very high safety levels.

Health and Safety

All through our operations from surface to underground, the safety of our employees is of paramount importance. We strive for 100% accident free working but in an underground mining operation that is difficult to achieve. Luckily, the rock falls which we experienced at Lace last year did not seriously injure any employees, although it did result in a number of lost time injuries and was a stark reminder of the unknown conditions we can sometimes face in mining a kimberlite. Our compliance with a strict safety code may delay operations and cause frustration to investors, but a serious accident could lead to closure of the mine for weeks or months.

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Letter from the Chairman

Letter from the Chairman (continued)

Corporate Governance

The Board considers that the best business practice is very important and adopts the Corporate Code of the Quoted Companies Alliance. This reflects many of the rules in UK Corporate Governance Code (formerly known as the Combined Code) but is more appropriate for a company of the size and in the stage of growth of DiamondCorp plc. As the Company has been developing in recent years, we have considered that the Board has the necessary diversity of skills. In February this year, Mr. R N Allen who had served as an independent non-executive director since March 2005 decided to retire. We must offer him our sincere gratitude for sharing with your Company his great knowledge and valuable connections in the downstream diamond market. In his place, we have recruited Chris Ellis who has some similar skills to Nick and adds a layer of knowledge in the financial aspects of the diamond supply chain. We are pleased to welcome him to the Board and as required by our Articles of Association, he will be standing for election at the forthcoming Annual General Meeting.

Diamond Market

The market for rough diamonds (the product we sell) has been somewhat resilient but not immune to the fall seen in other commodities. Prices, which had started to weaken in the last quarter of 2014, continued to decline during 2015 and on average ended some 15% lower. Until mid-year, it appeared that the prices were relatively stable but then buying dried up and in November, the Diamond Trading Company 'sight' at only US\$70 million was the lowest anyone can remember. Everyone breathed a sigh of relief when the last 'sight' of the year bounced back to over \$250 million while the first three sights of 2016 at \$540 million, \$617 million and \$660 million reflect strengthening demand and stabilisation in the diamond pipeline.

Aside from generally weak commodity prices, the fall in rough prices was not unexpected as for a few years now the trend of rough prices has been out of kilter with prices for polished stones. The downward correction was finally brought on by a number of factors including weaker jewellery demand, the withdrawal of lending to the cutting and polishing industry by a couple of major sector banks and the failure of producers to react to slowing demand. Last year saw tumbling prices for many minerals including oil which was down 33% (Brent spot), copper - 22% (LME 3 months), iron ore -37% (62% Fe fines), nickel - 42% (LME 3 months) and platinum - 27%. Polished diamond prices behaved more in line with the gold price (down 11%) as the Rapaport Diamond Index fell 9% and the IDEX Diamond Index was unchanged.

Some producer cutbacks were noted in 2015 but overall, it is estimated that global output of around 130 million carats (gem quality diamonds) was little changed from the year before. We believe that major producers including De Beers and Alrosa were forced to build stockpiles as demand for rough fell. Reviewing current mines and mines under development, it is quite likely that the peak of global gem diamond production of over 170 million carats reached in 2005 will never be reached again. However, in the absence of producer cutbacks, output is expected to increase in the next few years with new mines including Grib, Gahcho Kue, Liqhobong, Renard, Korpinsky and Lace coming on stream, together with higher production from the Petra Diamonds mines in South Africa and Debswana's Jwaneng mine in Botswana. Set against this will be declining output from such mines as Ekati and Diavik in Canada, Argyle in Australia and the Marange fields in Zimbabwe. Of known projects, it is estimated that world production may reach 150 million carats per year around 2021 before a steady and dramatic fall to some 100 million carats by 2030. In a recent Bain & Company report, the authors say that the gap between supply and demand of rough diamonds is expected to widen from 2019 onwards.

The rough diamonds that we and other miners produce are the feed for cutters and polishers to turn into gems for the jewellery manufacturers. India is now the world's predominant volume cutting centre and, together with tougher credit availability, the strength of the Rupee has impacted on Indian production costs, which creates pressure elsewhere in the supply chain. The slowdown in growth of Chinese economy which is widely reported to have started in the second half of 2014 was a major factor in pulling down the global demand for jewellery which may have even decreased in 2015. An increase in demand of some 3% from the US (still the world's largest market for diamonds) and a firm market in India offset falls in demand in China, Europe and Japan.

Early indications in 2016 are that there has been some stabilization in prices for polished stones as inventories are being drawn down. This is feeding through to better prices for rough diamonds and signs that the cycle has bottomed.

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Letter from the Chairman

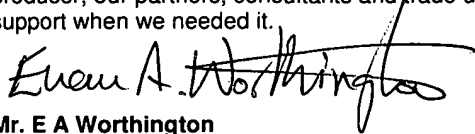
Letter from the Chairman (continued)

In Conclusion

While taking longer than ever hoped, your Company has now joined the ranks of diamond miners with more than 38 million tonnes of kimberlite having been identified for mining. Much work was completed during 2015 in updating the confidence we have in the Lace diamond resource which culminated in the publication after year end of a new SAMREC compliant resource and reserve statement. Details of the statements and their accompanying technical report are discussed in the CEO's letter and are available on the Company's web site.

At the end of March this year, the first sale for 85 years of mined diamonds from Lace was a major milestone for our Company. We can now look forward to unlocking the full value of this exciting long life mine.

Finally, I would like to thank all our employees for their contribution to the successful transition of Lace from developer to producer, our partners, consultants and trade union for their co-operation on the Company's progress and all of you for strong support when we needed it.



Mr. E A Worthington
Chairman
03 May 2016

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Letter from the Chief Executive Officer

Dear Shareholder

Development work at the Lace mine continued through 2015, with tunneling concentrating on the 290m doming level and 310m production level in the Upper K4 (UK4) block.

Kimberlite is a composite volcanic rock with significant amounts of fragmented bits of surrounding rocks that were incorporated in the original volcanic eruption which can sometimes result in a difficult and friable rock engineering environment. Ironically, it is this tendency to crumble which also makes it an ideal candidate for the block caving mining method, the preferred mining method for most modern underground kimberlite mining operations today.

However, getting the needed development tunnels through kimberlite can be challenging, and such was the working conditions for our underground mining teams for most of 2015. It is with considerable pride that we can say that our teams met this challenge and completed the development work for the initial mining ramp up at Lace without any serious injury or damage to our equipment.

While the delay resulting from challenging ground conditions put your Company under cash pressure, management and our technical team will not cut corners or compromise on safety. Thankfully shareholders and lenders also understood that adherence to safety standards over-rides all else, and were supportive of the additional capital raising we required in the midst of difficult market conditions.

The game changer for Lace development during 2015 was the commissioning of our 400 tonne per hour underground conveyor belt system. This piece of "life-of-mine" infrastructure was completed within budget, despite a South Africa wide change to mandatory code of practice on underground conveyor belts half way through the year which delayed its commissioning by five months. The commissioning delay put upward pressures on overall development costs as material needed to be trucked from underground for five months longer than was planned. The conveyor belt is now fully operational and key to achieving a smooth ramp up to 30,000 tonnes per month from the UK4 Block by July 2016.

The year under review was the third year in a row of below average rainfall in South Africa. Mindful that water management and consumption is central to achieving planned future production rates of 100,000 tonne per month, the Lace technical team finalised its trade off studies on bottom cut off screen sizes in the processing plant. The recommendation was to lift the bottom screen size in the plant from 1.00 mm to 1.25 mm. This change results in a significant reduction in recovered diamond grades, however, the diamonds no longer being recovered are the smallest and lowest value diamond sizes. Studies showed that the recovery and sale of these would be break even at best. While the impact on economics was minimal, the biggest driver behind the decision was water saving in the plant as this low value small sand and slime fraction would be the biggest consumer of water and reagents in the processing plant. As a result of the decision, water consumption in the plant has been cut by 30% from 1 cubic metre of water per tonne of kimberlite to 0.7 cubic metres per tonne.

The second stage of the water management project has been trade off studies on different x-ray and optical waste sorting technologies. Because the internal waste with-in the kimberlite cannot possibly contain a diamond, every tonne of waste removed before it reaches the processing plant further reduces water consumption and processing costs. Evidence is also emerging that internal waste (which is predominantly basalt, a harder rock than the rest of the kimberlite) is a major contributor to diamond damage and breakage in the secondary crushing circuits of diamond processing plants, so removing it up front is also beneficial in this regard. During the year, the Lace team completed 3-tonne bulk tests on waste sorting machines at commercial run rates of 250 tonnes per hour. The tests demonstrated that up to 65% of the waste could be ejected before the processing plant without losing any kimberlite. This technology has the ability to cut plant water consumption by a further 33% and deliver a high grade concentrate to the dense media separation units. This technology will be introduced at Lace over the next few years ahead of underground tonnages from the first block cave pushing the plant towards full production. Also, because our conveyor belt capacity from underground is 400 tonnes per hour (double the plant capacity) and (when mature) the planned block caves can be mined faster than is currently proposed, the waste sorting technology will allow higher diamond production from Lace over a shorter time period.

During 2014 and 2015, almost 4,500m of underground core drilling was completed by the Company's in-house drilling crews. This program was designed and supervised by the Company's independent geological consultants, MPH Consulting Ltd of Toronto, and delineated increasing volumes of high-grade K4 kimberlite in the Upper K4 block and deeper levels of the pipe for future block cave mining. This drilling program will be on-going with a further 6,600m of drilling planned over the next few years for rim definition and improved mining grade forecasting purposes. In addition, almost 20,000 tonnes of K4 and K6 kimberlite was extracted during development for the first UK4 mining block. These development tunnels were treated as a controlled bulk test by MPH Consulting Ltd, which also took a channel sample at each bulk test site for microdiamond analysis.

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Letter from the Chief Executive Officer

Letter from the Chief Executive Officer (continued)

More than 3,500kg of drill core and channel sample material was analysed and resulted in the recovery of 5,390 microdiamonds (diamonds less than 1.00 mm in two dimensions). The microdiamond and macrodiamond recoveries were then analysed by Dr Johan Ferreira, the former chief geostatistician for De Beers and one of the world's leading microdiamond experts. After year end, Dr Ferreira aligned his analysis to the new 1.25 mm bottom screen size in the plant, which allowed for very accurate grade and carat value estimates to be made regarding future mine recoveries at Lace. In March 2016, Dr Ferreira and MPH Consulting Ltd's work resulted in the publication of a new technical report and updated Resource and Reserve Statement for the Lace project. The report concludes that the updated resource/reserve statement is a conservative base case with compelling evidence that considerable grade and value per carat upside is likely which will be defined with additional production and evaluation data.

The total resource tonnage in the main Lace pipe has been estimated at 38.49 million tonnes to the 920m level, an increase of 16% from 33.12 million tonnes estimated in March 2012 to the 855m level. The resource remains open at depth. The recoverable diamonds from this resource at the increased bottom screen size of 1.25 mm is estimated at 9.39 million carats (March 2012: 13.39 million carats, at 1.00 mm screen size). The average value of the Lace diamonds from the stone size frequency distribution achieved with the 1.25 mm bottom screen size has been forecast to be \$164 per carat in the current market (March 2012: \$160 per carat). Importantly, this price does not include any values achieved from the recovery of special stones, for which Lace was known during its previous production period pre-Great Depression, including diamonds up to 122 carats in size.

The K4 kimberlite, which comprises 60% of the Lace resource by tonnage and 87% of the resource by diamond content has an estimated average recoverable grade of 40 carats per hundred tonnes (cpht) at 1.25 mm bottom screen size (58 cpht previously at 1.00 mm bottom screen size). The base case average recoverable grade from all tonnage is estimated at 24.4 cpht at 1.25 mm bottom screen size (40 cpht at 1.00 mm previously), equating to an average of US\$40 revenue per tonne. At an exchange rate of 15 South African Rands to the US dollar, the average grade and carat value equate to gross revenue of ZAR 600 per tonne compared with forecast mining and processing costs of ZAR 238 per tonne for the UK4 Block and ZAR 145 per tonne for block caving. This represents robust operating margins of 60% and 76% respectively.

Within the 38.49 million tonnes of resources, 2.21 million tonnes of the UK4 Block has been classified as a mineral reserve between the 230 and 370m levels. This reserve comprises 1.43 million tonnes of K4 in the probable category grading 36.2 cpht and 0.78 million tonnes of low grade K6 kimberlite in the probable category at a grade of 9.0 cpht. The whole block could be mined for 60 months at a rate of 35,000 tonnes per month and generate a positive NPV of ZAR 133.3 million (US\$8.9 million) and a robust IRR of 59%. It is the Company's intention to concentrate on mining the high-grade K4 kimberlite within this reserve first while the first block cave is established on the 500m level (being outside of the current mineral reserve estimate). There may well be opportunities to optimise the mine plan as more K4 is found to be present as the mine progresses. When block caving progresses, any unmined portions of this reserve would then be extracted in subsequent caves.

The small Satellite pipe which was incorporated into the previous resource statement is not included in the new resource statement as it is not considered a feasible mining proposition at this stage. The grade model for the UK4 Block reserve has been found to show high precision in predicting recovered diluted grades achieved in the bulk sampling on -250m, -290m and -310m levels. Lace has been demonstrated as a reliable microdiamond producer allowing for high-confidence grade estimates, and the valuation data from 4,982 carats recovered during bulk sampling similarly gives confidence to the valuation model. There is compelling geological evidence that K4 and K6 grade will improve within the block cave mining depths (and Lift 2 of the UK4 Mine), however more evaluation work is needed to verify these trends. The CRB (country rock breccia) unit which comprises 9% of the current resource model has been assigned zero grade at this time, although it is known to be significantly diamondiferous. The CRB will be bulk and microdiamond sampled in coming months and will be incorporated into updated grade estimations as these data become available, such that the carat content at Lace is highly likely to improve on the current estimates. Kimberlite volumes and tonnages will also change as more delineation work is completed.

The full technical report and resource/reserve statement is available on the Company's website at www.diamondcorp.plc.uk.

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Letter from the Chief Executive Officer

Letter from the Chief Executive Officer (continued)

Resource Statement (Unaudited)

Mining Block	Resource Classification	Kimberlite Facies	Volume (m³ x 1000)	Density	Tonnes	% of Total	Recovered Grade (cpt)	Carats	USD/ct
Upper K4 mine 230-370m levels	Indicated	K4	1,065.486	2.585	2,754,281	36.9%	0.365	1,005,313	\$164.00
	Indicated	K6	1,834.957	2.563	4,702,995	63.1%	0.090	422,329	\$164.00
	Total Indicated		2,900.443		7,457,276	100.0%	0.191	1,427,642	\$164.00
	Inferred	K8	144.722	2.641	382,211	16.3%	0.160	61,154	\$164.00
	Inferred	CRB	723.803	2.709	1,960,782	83.7%	0.000	-	\$164.00
	Total Inferred		868.525		2,342,993	100.0%	0.026	61,154	\$164.00
Block Cave 1 370m– 510m levels	Inferred	K4	1,626.754	2.59	4,213,293	48.4%	0.400	1,685,317	\$164.00
	Inferred	K6	1,262.561	2.56	3,232,157	37.1%	0.100	323,216	\$164.00
	Inferred	K8	13.713	2.64	36,203	0.4%	0.160	5,793	\$164.00
	Inferred	CRB	451.786	2.71	1,224,339	14.1%	0.000	-	\$164.00
	Total		3,354.815		8,705,993	100.0%	0.231	2,014,326	\$164.00
Block Cave 2 510m– 700m levels	Inferred	K4	2,225.776	2.59	5,764,760	59.0%	0.400	2,305,904	\$164.00
	Inferred	K6	1,484.048	2.56	3,799,164	38.9%	0.100	379,916	\$164.00
	Inferred	K8	0.000	2.64	-	0.0%	0.160	-	\$164.00
	Inferred	CRB	74.018	2.71	200,589	2.1%	0.000	-	\$164.00
	Total		3,783.842		9,764,513	100.0%	0.275	2,685,820	\$164.00
Block Cave 3 700m– 920m levels	Inferred	K4	2,800.965	2.59	7,254,499	71.0%	0.400	2,901,799	\$164.00
	Inferred	K6	1,153.812	2.56	2,953,759	28.9%	0.100	295,376	\$164.00
	Inferred	K8	0.000	2.64	-	0.0%	0.160	-	\$164.00
	Inferred	CRB	3.577	2.71	9,694	0.1%	0.000	-	\$164.00
	Total		3,958.354		10,217,952	100.0%	0.313	3,197,175	\$164.00
Lace Mine Totals	Indicated		2,900.443	2.57	7,457,276	19.4%	0.191	1,427,642	\$164.00
	Inferred		11,965.54	2.59	31,031,451	80.6%	0.256	7,958,475	\$164.00
	Total		14,865.979	2.59	38,488,727	100.0%	0.244	9,386,117	\$164.00

All figures are gross. DiamondCorp plc owns a 74% equity interest in the project.

Based on a recoverable grade model for the current Lace plant configuration (+1.25mm bottom cut-off screen size).

Diamond price based on bulk sample parcels and January 2016 price book.

Effective date 1 February 2016.

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Letter from the Chief Executive Officer

Letter from the Chief Executive Officer (continued)

Reserve Statement (Unaudited)

The UK4 Mining block constitutes a portion of the above Indicated Resource, with reserves estimated as per the following table:

Mining Block	Resource Classification	Kimberlite Facies	Tonnes	Recovered Grade (cpt)	Carats	USD/carat	USD/tonne
Upper K4 mine 230-370m levels	Probable	K4	1,427,841	0.362	516,575	\$164.00	\$59.33
	Probable	K6	782,244	0.090	70,296	\$164.00	\$14.74
	Total Probable		2,210,086	0.266	586,870	\$164.00	\$43.55

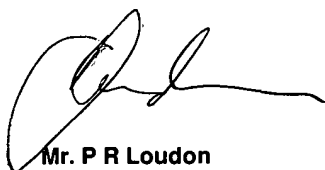
Plant recovery 100% of recoverable grade, mining recovery 100%.

Health and safety remains a priority for management. The Lost Time Injury Frequency Rate (LTIFR) for 2015 was 2.34, up considerably from 0.72 in 2014. Lace had eight lost time injuries and 76,772 lost time injury free shifts during 2015. Management aims for zero harm to its employees and targets a LTIFR of less than 0.5. (LTIFR is an industry standard calculation based on the number of lost time injuries multiplied by 200,000, divided by the number of lost time injuries multiplied by 9). PricewaterhouseCoopers LLP in their 2014 SA Mine Review show LTIFR in South African gold mines averaged 4.2, platinum 2.1, coal 1.2 and other commodities, including diamonds, 1.1. A concerted effort is underway to reduce the LTIFR during 2016.

Last month, the Company enlarged its underground mining fleet by acquiring an additional four secondhand low mileage Sandvik 20-tonne dump trucks, two Sandvik 7-tonne loaders and two Sandvik single boom drill rigs for a quarter of the cost of new equipment which will help Lace achieve its target of 30,000 tonnes per month of kimberlite throughput by July.

The Company looks forward to the rest of 2016 as the year we restart commercial sales of diamonds from the Lace mine for the first time since 1931. This will be a watershed year for the Company as we finally make the long and difficult transition to diamond producer.

Finally, I would like to thank all of our loyal employees for their efforts in contributing to the successful transition of the Lace project from development to producer. In particular, I would like to thank our outgoing Chief Operating Officer Steve West who has retired early due to personal health challenges. Without Steve's unfaltering commitment the Company and the Lace project, would not be in the solid position we are in today.



Mr. P R Loudon
Chief Executive Officer
03 May 2016

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Financial Report

RESULTS

The loss for the year was £2,410,027 (2014 - Loss of £3,251,674) which included the following items:

	2015 £	2014 £
Depreciation not capitalised	(19,818)	(19,818)
Other administrative expenses	(1,836,861)	(1,546,466)
Movement in fair value of bonds	(570,257)	(1,685,439)
Investment income	16,909	49
	(2,410,027)	(3,251,674)

SHARE CAPITAL

In May 2015 the Company issued 5,000,000 ordinary shares of 0.1 pence each at a price of 9 pence per share for a cash consideration of £450,000. This was issued to Darwin Strategic Limited whom exercised their 5,000,000 warrants.

On 8 June 2015, the Company issued 31,837,000 ordinary shares of 0.1 pence each at a price of 10 pence per share for gross proceeds of £3,183,700 which was used to fund the working capital shortfall.

On 6 July 2015, the Company issued 20,894,263 ordinary shares of 0.1 pence each at a price of 10 pence per share for gross proceeds of £2,089,426. These shares were issued in response to the Company's open offer where eligible shareholders were able to purchase 1 open offer share for every 17 existing ordinary shares. The proceeds was used towards discretionary capital expenditure and additional working capital purposes.

On 4 December 2015, the Company issued 32 337 000 ordinary shares of 0.1 pence each at a price of 6 pence per share for gross proceeds of £1,940,220. This was the first Tranche Placing which was part of a two stage placing. On 4 January 2016 a further 34 329 667 ordinary shares of 0.1 pence each at a price of 6 pence per share for gross proceeds of £2,059,780 was placed as the second Tranche Placing. Total proceeds from the two tranches were £4,000,000. These proceeds will be used to fund production ramp up through to becoming cashflow positive.

On 22 December 2015 a UK bondholder exercised his right to convert. The company issued 2,642,689 ordinary share of 0.1 pence at a price of 6.25 pence to the holder.

PROJECT FINANCE

During 2012, the following project finance package was completed for the Lace mine development:

- (i) a loan of ZAR 220,000,000 from the Industrial Development Corporation of SA Limited ("IDC"). The first drawdown under this facility occurred on 14 August 2013 (note 17 of the financial statements);
- (ii) £4,278,864 of convertible bonds placed in South Africa and UK (note 16 of the financial statements);
- (iii) a US\$ 6,000,000 loan and off-take agreement with Laureilton Diamonds Inc., a wholly-owned subsidiary of Tiffany & Co (note 17 of the financial statements).

It was condition precedent of the IDC facility that ZAR 100,000,000 of additional funding be provided to Lace subsequent to initial drawdown of the IDC facility. This condition was met in May 2013 when the South African bonds were listed on the Johannesburg Stock Exchange. At 31 December 2015, the IDC loan was fully drawn down with an outstanding balance of £11,790,545. On 2 December 2015 the IDC agreed to capitalise the interest on the loan for a further 12 months against the existing outstanding balance. As at 31 December 2015 the total loan amount made available by the IDC is ZAR 304,268,117. The Laureilton Diamonds Inc. loan was drawn down in two equal tranches in January and April 2013.

BALANCE SHEET, CASHFLOW AND WORKING CAPITAL

The cash raised from the financing activities, totalling £7,464,680 (2014: £10,704,518), was used primarily as follows:

- (i) £552,992 was used in operating activities (2014: £879,829);
- (ii) £7,289,262 (2014: £8,029,223) was used in investment activities (Development and equipping of the Lace diamond mine), of this £7,284,396 (2014: £7,971,705) was used for the purchase of property, plant and equipment.

Group cash decreased to £1,722,486 at 31 December 2015 from £2,531,420 at the prior year end.

DiamondCorp plc

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Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Financial Report

OTHER DEVELOPMENTS

As previously mentioned in Share Capital, 34,329,667 shares were placed on 4 January 2016. This was the second tranche placement. Total proceeds of this placement is £1,917,078 after commission.



Ms. S de Wet
Chief Financial Officer

03 May 2016

DiamondCorp plc

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Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Remuneration Report

The Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Director and sets the scale and structure of his remuneration including bonus arrangements. The Remuneration Committee also sets the allocation of share options to Directors and other employees. Membership of the Committee comprises Mr. R N Allen as Chairman together with Mr. E A Worthington, Dr. J Willis-Richards and Mr. M Toxvaerd.

Statement of remuneration policy

The Group's policy provides for a competitive package that reflects the Group's performance and is designed to attract and retain high calibre executives. The package currently consists of a base salary and longer-term rewards in the form of share options. There is no fixed bonus plan currently in place.

Remuneration for the year 1 January 2015 to 31 December 2015	Date appointed	Salary or fee and bonus £	Benefits in kind £	Fees paid to third party £	Total £
Mr. E A Worthington	18 May 2006	90,000	-	-	90,000
Mr. R N Allen	29 March 2005	15,000	-	-	15,000
Mr. P R Loudon (1)	29 March 2005	45,810	4,487	134,190	184,487
Dr. J Willis-Richards	18 May 2006	15,000	-	-	15,000
Mr. M Toxvaerd (2)	01 May 2012	-	-	15,000	15,000
Mr. H Scholes	01 August 2013	12,000	-	-	12,000
		177,810	4,487	149,190	331,487

Remuneration for the year 1 January 2014 to 31 December 2014	Date appointed	Salary or fee and bonus £	Benefits in kind £	Fees paid to third party £	Total £
Mr. E A Worthington	18 May 2006	90,000	-	-	90,000
Mr. R N Allen	29 March 2005	15,000	-	-	15,000
Mr. P R Loudon (1)	29 March 2005	50,886	4,904	129,114	184,904
Dr. J Willis-Richards	18 May 2006	15,000	-	-	15,000
Mr. M Toxvaerd (2)	01 May 2012	-	-	15,000	15,000
Mr. H Scholes	01 August 2013	16,000	-	-	16,000
		186,886	4,904	144,114	335,904

(1) Includes amounts paid to Glendree Capital Management Limited where Mr. P R Loudon is a Director and Shareholder.

(2) Includes amounts paid to European Islamic Investment Bank plc where Mr. M Toxvaerd is an officer.

DiamondCorp plc

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Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Directors' Report

The Directors present their report and the audited consolidated and separate financial statements of the Company for the year ended 31 December 2015.

1. Principal activities

The Directors' Report should be read in conjunction with the Letters from the Chairman and Chief Executive Officer. The Company was incorporated on 22 March 2005. On 15 May 2006, the Company acquired 100 percent of the ordinary share capital of Crown Diamond Mining Limited, a Company registered in the British Virgin Islands. In 2007, Crown Diamond Mining Limited changed its name to DiamondCorp Holdings Ltd ("DHL"). DHL owns 74% of the ordinary share capital of Lace Diamond Mines (Pty) Ltd, a Company which is now ramping up to commercial production of the underground block cave at the Lace diamond mine in South Africa. In November 2006 Soapstone Investment Ltd was incorporated in South Africa. It is wholly-owned by DHL and has been established primarily as an investment Company to evaluate other investment opportunities in Southern Africa. DiamondCorp plc is a dual listed company, with listings on the AIM in London and the AltX in Johannesburg.

2. Going concern

In determining the appropriate basis of presentation of the financial statements, the Directors are required to consider whether the Group can continue in existence for the foreseeable future, this being a period of not less than 12 months from the date of the approval of the financial statements. After reviewing the existing cash resources, facilities and Life of Mine model and the ongoing ramp up in production the Directors have a reasonable expectation that the Group can meet all its liabilities as they fall due, therefore they continue to adopt the going concern basis of presentation of the financial statements.

For the year ended 31 December 2015 the Group incurred a loss of £2,410,027 (2014: £3,251,674 loss).

3. Future developments of the group

Future developments of the group are set out in the Letters from the Chairman and Chief Executive Officer which is included in this annual report.

4. Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased during the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Directors

Mr. E A Worthington (Chairman)
Mr. R N Allen (Resigned 1 February 2016)
Mr. P R Loudon
Dr. J Willis-Richards
Mr. M Toxvaerd
Mr. H Scholes
Mr. C Ellis (Appointed 1 February 2016)

5. Share capital

Details of movements in share capital are set out in note 13 of the financial statements.

6. Dividends

No dividends were declared or paid during 2015 (2014: nil).

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Directors' Report

7. Subsequent events

On 4 January 2016, 34,329,667 ordinary shares of 0.1 pence each at a price of 6 pence per share for gross proceeds of £2,059,780 was placed as the second tranche placing. Total proceeds from the two tranches were £4,000,000.

	Shares acquired on 4 Jan 2016	Interests in ordinary shares of 0.1 pence each at the date of this Report
Mr. E A Worthington	830,000	2,807,766
Mr. P R Loudon	830,000	6,977,604
Dr. J Willis-Richards	167,000	2,550,229
	1,827,000	12,335,599

8. Directors

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

Mr. E A Worthington (British) (Non-executive)
 Mr. P R Loudon (Australian) (Executive)
 Mr. R N Allen (British) (Non-executive) (Resigned 1 February 2016)
 Dr. J Willis-Richards (British) (Non-executive)
 Mr. M H Toxvaerd (Danish) (Non-executive)
 Mr. H Scholes (South African) (Non-executive)
 Mr. C Ellis (British) (Non-executive) (Appointed 1 February 2016)

The Directors who held office at 31 December 2015 have the following interests in the shares of the Company and options to purchase ordinary shares of the Company:

	Convertible Bonds	Options to purchase ordinary shares of 0.1 pence each	Options to purchase ordinary shares of 0.1 pence each	Interest in ordinary shares of 0.1 pence each	Interest in ordinary shares of 0.1 pence each
	31 Dec 2015 £	31 Dec 2015 No.	31 Dec 2014 No.	31 Dec 2015 No.	31 Dec 2014 No.
Mr. E A Worthington *	100,000	2,770,000	2,770,000	1,977,766	1,600,000
Mr. R N Allen	-	580,000	580,000	298,976	282,366
Mr. P R Loudon *	100,000	3,350,000	3,350,000	6,147,604	5,888,052
Mr. M Toxvaerd	-	300,000	300,000	-	-
Dr. J Willis-Richards *, **	60,000	580,000	580,000	2,383,229	2,366,666
Mr. H Scholes	-	300,000	300,000	-	-
	260,000	7,880,000	7,880,000	10,807,575	10,137,084

* Messrs. E A Worthington and P R Loudon each took up £100,000, and Dr. J Willis-Richards (via Loeb Aron & Company Limited, a company with which he is connected) took up £60,000 as part of the issue of the UK convertible bonds (see note 16 of the financial statements).

** Includes shares, warrants, options and convertible bonds held by persons and companies to which he is connected.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Directors' Report

8. Directors (continued)

Breakdown of Directors' options and movements during the year are as follows:

	Scheme	1 Jan 2015	Granted	31 Dec 2015	Exercise Price	Vesting Date	Expiry Date
Mr. E A Worthington	2007 Plan	370,000	-	370,000	31p	Vested	24 Jan 2017
Mr. E A Worthington	2013 Plan	2,000,000	-	2,000,000	5p	Vested	08 Jan 2018
Mr. E A Worthington	2014 Plan **	400,000	-	400,000	8.5p	23 Sep 2017	22 Sep 2024
Mr. R N Allen	2007 Plan	280,000	-	280,000	31p	Vested	24 Jan 2017
Mr. R N Allen	2014 Plan **	300,000	-	300,000	8.5p	23 Sep 2017	22 Sep 2024
Mr. P R Loudon	2007 Plan	690,000	-	690,000	31p	Vested	24 Jan 2017
Mr. P R Loudon *	2010 Plan	1,860,000	-	1,860,000	5p	Vested	18 Aug 2020
Mr. P R Loudon	2014 Plan **	800,000	-	800,000	8.5p	23 Sep 2017	22 Sep 2024
Mr. M Toxvaerd	2014 Plan **	300,000	-	300,000	8.5p	23 Sep 2017	22 Sep 2024
Dr. J Willis-Richards	2007 Plan	280,000	-	280,000	31p	Vested	24 Jan 2017
Dr. J Willis-Richards	2014 Plan **	300,000	-	300,000	8.5p	23 Sep 2017	22 Sep 2024
Mr. J H Scholes	2014 Plan **	300,000	-	300,000	8.5p	23 Sep 2017	22 Sep 2024

No options were exercised during the year.

* The options held by Mr. P R Loudon under the 2010 Plan vest equally over a three year period on each anniversary of the date of grant. At the date of this report, 1,860,000 options vested under this scheme. During 2012, the Remuneration Committee resolved that the exercise price of these options was to be decreased from 12 pence to 5 pence.

** As approved and adopted on 26 January 2007 and amended on 23 September 2014.

9. Substantial interests

As at 1 April 2016 the Company had been notified that the following shareholders held in excess of 3% of the share capital of the Company:

	Number of shares held	Percentage held
European Islamic Investment Bank plc	55,761,412	13.31 %
Majedie Asset Management	41,371,088	9.87 %
Hargreaves Lansdown Asset Management	37,166,056	8.87 %
Columbia Threadneedle Investments	22,076,938	5.27 %
TD Direct Investing	19,901,318	4.75 %
Legal and General Investment Management	17,530,329	4.18 %
BlackRock Investment Management	13,173,282	3.14 %
Barclays Wealth	12,803,367	3.06 %

10. Independent Auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the UK Companies Act 2006. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Directors' Report

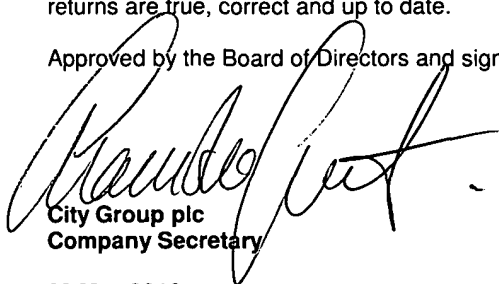
11. Financial Risk Management

Please refer to the Strategic Report for discussion on financial risk management.

Company Secretary's Certification

The Secretary certifies that the Company has lodged with the Registrar of Companies all such returns as are required of a public company, in terms of Section 88(e) of the South African Companies Act No 71 of 2008, as amended, and that all such returns are true, correct and up to date.

Approved by the Board of Directors and signed by order of the Board.



City Group plc
Company Secretary

03 May 2016

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Audit Committee Report

Chairman

Dr. J Willis-Richards

Other members

Mr. E A Worthington

Mr. R N Allen (Resigned 1 February 2016)

Mr. H Scholes

Mr. C Ellis (Appointed 1 February 2016)

All members of the Committee served throughout the year. Dr. J Willis-Richards, Mr. R N Allen, Mr. H Scholes and Mr. C Ellis are considered to be independent Non-Executive Directors. Each member is deemed to be financially literate by virtue of their business experience. The Committee met 3 times during the year and all the Committee members were present.

1. Role and responsibilities

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities with regard to financial reporting, external and internal audit, risk management and controls. This includes:

- monitoring and reviewing the Group's financial and accounting policies and practices;
- monitoring the integrity of the annual and half yearly financial statements and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgments relating to them;
- considering the scope of the annual external audit and the work undertaken by external auditors;
- reviewing and monitoring the independence of the external auditors and the provision of additional services by it;
- monitoring matters that influence or could distort the presentation of financial statements and key figures;
- reviewing DiamondCorp plc's internal financial, operational and compliance controls and internal controls and risk management systems;
- assessing the need for DiamondCorp plc to implement an internal audit function;
- overseeing the Group's procedures for detecting fraud and handling allegations from whistle-blowers; and
- making recommendations to the Board for a resolution to be put to the shareholders for their approval on the appointment of the external auditors and to authorise the Board to fix the remuneration and terms of engagement of the external auditors.

2. Governance processes

The Audit Committee usually invites the Chief Financial Officer and the lead partners from the external auditors to attend each meeting. Other members of management may attend as and when required. The Committee also holds private sessions with the external auditors without members of management being present. The Committee has adopted guidelines allowing non-audit services to be contracted with the external auditors.

3. Main activities

The Committee:

- reviewed the Company's policy for the provision of non-audit services by the external auditors;
- reviewed material engagements with the auditors in respect of non-audit services;
- reviewed the policies detecting, reporting and preventing fraud and serious breaches of business conduct and whistleblowing procedures;
- evaluated the effectiveness of the external auditors;
- reviewed and agreed the global audit plan, scope and fees of the audit work to be undertaken by the external auditors;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- monitored and reviewed the effectiveness of DiamondCorp plc's internal controls;
- reviewed and discussed the full year (audited) financial statements with management and the external auditors;
- discussed various material accounting issues with management and the external auditors, particularly those involving key judgments and estimates primarily in relation to fair value measurements and impairment considerations; and
- reviewed and agreed the preparation and scope of the year end reporting process.


Dr. J Willis-Richards
Audit Committee Chairman
03 May 2016

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Strategic report

The Directors present their strategic report of the Group for the year ended 31 December 2015.

General information

DiamondCorp plc (the "Group") is dual listed on the AIM in the United Kingdom and the AltX in South Africa. The Group has offices in the United Kingdom and in South Africa.

Business Review

DiamondCorp plc's 74%-owned Lace diamond mine is located 200km southwest of Johannesburg in the Free State Province of South Africa. The project comprises the Lace kimberlite which has the potential to support a +25 year underground mining operation and tailings from previous mining operations. Approximately 38.4 million tonnes of kimberlite have been outlined in the main Lace pipe between the 240m and 855m level, containing an estimated 9.4 million carats of diamonds at an average estimated reserve grade of 24.4 carats per hundred tonnes (cpht). Underground drilling in 2014 identified a significant zone of potentially high-grade K4 kimberlite above the 360m level known as the Upper K4 block. An upgraded resource statement incorporating this block was completed early in 2016. (Refer to the Letter of the Chief Executive Officer for further detail and the Resource Statement.)

Late in 2008, the Department of Minerals and Energy granted a mining right for the Lace underground development, which was executed in Welkom on 5 February 2009.

Development of the underground mine commenced in 2009 but was halted in July that year when the mine was put on care and maintenance. Development resumed in April 2010 leading to a bulk sample being extracted in 2011. In 2012, the mine was again put in care and maintenance while the Company sought financing for the capital cost of underground development. The finance package was finalised by the end of 2012 and development resumed early in 2013. Due to challenging ground conditions commercial ramp up was delayed in 2015. This resulted in the extension of commercial ramp up to 2016. Commercial production is now scheduled for the second half of 2016. (Refer to the Letter from the Chairman and Letter from the Chief Executive Officer for further detail on the business review.)

The results for the year ended 31 December 2015 are set out in the consolidated income statement on page 26. These show a loss for the year of £2,410,027 (2014: loss of £3,251,674). The total assets of the Group exceeded its liabilities by £9,773,978 (2014: £6,988,140).

Corporate Social Responsibility

Since acquiring the mining rights to the Lace Diamond Mine (Pty) Ltd in February 2009, DiamondCorp plc has been committed to the continued development of the local community. As a junior production and development company on a restricted budget, one of the main challenges has been managing the expectations and demands presented to the Company. DiamondCorp plc has an on-going socio-economic program and expansion of projects will continue as the Lace Mine moves into production and generates earnings. The main focus is on the training and development of staff through programs aimed at building individual skill sets which in turn adds to the Company's core competencies covering a wide variety of areas from underground mining to on-site workshop refurbishment expertise

In recent years, the company has refurbished and continues to support a local farm school and classrooms have been equipped with textbooks, interactive learning equipment and an outside gym/play area.

During 2014, the Company committed to renovating a science lab at a local high school. The work was completed during 2015 and included the installation of a Smart Board, making Brentpark the first school in Kroonstad to benefit from this technology.

In line with the Social and Labour plan, the Company has assisted a local female entrepreneur with funding and establishing an income generating brick making project using old tailings from the mine, Cornarock Minerals Proprietary Limited, which employs local women.

During the year the Company identified a technology company that has invented a system that monitors power consumption and detects when a meter has been bridged or modified. Due to the current challenge of power shortage in South Africa this project will assist municipalities in saving electricity. Lace Mine has committed to provide business mentoring and financial assistance for another 4 years.

The Company currently employs 2 disabled persons and has committed to appoint a further 3 by 2018. Training of disabled persons are included in the Company's career progression plan which forms part of the Social and Labour plan.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Strategic report

Key Performance Indicators

The main performance indicator for the Directors at the current stage of mine development is the measurement of the progress of the mine development against the projected progress and the projected cash flows and costs. This performance is discussed in the Letters from the Chairman and Chief Executive Officer's Report. As a non-financial performance indicator, safety remains a major priority for the Group. Lost time injury frequency rate (LTIFR) increased from 0.72 in 2014 to 2.34 per 200,000 manhours in 2015, but remains substantially below the industry average in South Africa. Management aims for a zero harm to its employees and targets, a LTIFR of less than 0.50.

Principal Risks And Uncertainties

The key risk to which the business is exposed relates to the underground section of the mine where the grade of ore and the quality of diamonds may not be as expected. This could have either a positive or negative impact on revenues and profits depending on the outcome. Other risks are:

Mining and Recovery Risk

The mining of kimberlites from underground which uses explosives in confined spaces involves an inherent degree of risk including geological, geotechnical and seismic factors. There may also be mechanical accidents and water difficulties caused by heavy rain on surface. The recovery plant can also be subject to breakdowns, mechanical failures and power outages while some diamonds in the ore may escape capture.

Diamond Price Risk

The Company's revenues will be predominately derived from the sale of rough gem diamonds. The prices of these diamonds are dependent on the demand for jewellery containing cut diamonds together with the supply of these stones. Demand is influenced by a number of factors including global economic conditions and consumer spending patterns. The largest market for gem diamonds is currently the USA but in recent years, China has exhibited the highest growth profile and will become the No.1 consumer in the next couple of years.

Legal and Regulatory Risk

DiamondCorp plc currently only operates in South Africa where it owns 74% of Lace Diamond Mines (Pty) Ltd and is fully BEE compliant. Lace has all permits to operate a mine in place and is subject to governance by the SA Department of Mineral Resources. However, there is no guarantee that regulations will not change to cover operations, ownership levels, royalties, tax rates or other matters.

Dependence on key personnel

The Group is dependent on the services of the current and future senior management team. Mining is a global industry which is currently suffering a shortage of professional skills and the retention of staff cannot be guaranteed. The loss of any key employees or consultants may have an adverse effect on the Group's future operations.

Labour relations

The Company communicates with their employees through electronic communication, memorandum boards and union consultation on a regular basis to ensure employees are well informed on Company policies. Monthly newsletters are also prepared and distributed to keep employees up to date on financial and economic matters of the Company.

Health, Safety and Environment

As a one mine company, DiamondCorp plc's performance is aligned to its policies on Health, Safety and the Environment at the Lace mine. It has strict policies to cover these matters and avoiding accidents is of paramount importance. The Company is subject to regulation and monitoring by South African authorities on these matters. While management adopts every measure to comply with the regulations there is no surety that accidents or heavy rainfall might not lead to penalties for non-compliance. In addition, stricter standards may be imposed which could increase the future costs of underground mining and environmental compliance.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Strategic report

Financial Risk Management Objectives and Policies

The Group's activities expose it to a number of financial risks including currency risks, liquidity and interest risks and credit risks. (Also refer to note 31 of the financial statements).

Currency risks

The Group transacts business in four currencies, UK Sterling (GBP), South African Rand (ZAR), United States Dollar (USD) and Euro (EUR). Any revenues are transacted in USD. Bank accounts in all four currencies are used to reduce any risk to exchange rate movements. In 2015, the bulk of the Group's surplus cash was held in GBP to manage the Group's exposure to foreign exchange movements in these currencies.

Liquidity and interest risks

In determining the appropriate basis of presentation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, this being a period of not less than 12 months from the date of the approval of the financial statements. The Group's business activities and goals are set out in the Letters from the Chairman and Chief Executive Officer. (Also refer to note 32 of the financial statements).

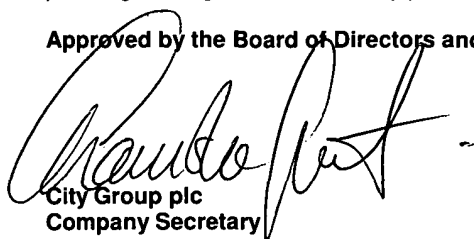
Credit risks

The Group's principal financial assets are bank balances and cash. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Mitigation for risks

The key mitigating actions and procedures mitigating the principle risks and uncertainties as well as the financial risks as outlined above, consists of regular meetings of the executive committee, and appointed sub-committees. These risks form the focus of attention on these meetings to identify and implement identified and possible mitigating factors which is managed on a day to day basis. Key personnel are subject to financial lock-ins and long term incentive arrangements as well as succession planning to mitigate the loss of key personnel as far as possible.

Approved by the Board of Directors and signed by order of the Board.



City Group plc
Company Secretary

03 May 2016

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Corporate Governance Report

The Group is committed to a high standard of corporate governance and operates to clear principles and procedures of control appropriate to a business of its size. Up until this year, the Board had sought to comply with the main provisions of the UK Corporate Governance Code where it considered it was appropriate to do so notwithstanding that there was no requirement for AIM companies to comply with that Code. However, following a review, the Board decided to adopt the Quoted Companies Alliance Corporate Governance Code as it considered this to be more appropriate for a small and developing company. This statement describes how the Group applies the principles of governance.

The Board is responsible for approving Company policy and strategy. It meets regularly throughout the year and there are a number of matters that are reserved for its decision. Management supply the Directors with appropriate and timely information and the Directors are free to ask for any further information they consider necessary. Copies of all regulatory announcements to be made by the Company are reviewed by the Board. Directors may take independent professional advice at the Company's expense and each director has access to the Company Secretary. The Company Secretary is charged with ensuring that the Company complies with all relevant regulations.

The Board consists of a Chairman, a Chief Executive Officer and four Non-Executive Directors. During the year, the senior Independent Non-Executive Director was Mr. R N Allen.

1. Supply of information

To enable the Board to function effectively and allow the Directors to discharge their responsibilities, full and timely access is given to all relevant information. The Board receives a monthly reports from the Chief Executive. In addition:

- an annual budget for each operating subsidiary is approved by the Board; and
- actual results are monitored quarterly.

2. Reappointment

Any Director appointed during the year is required, in accordance with the Company's Articles of Association, to retire and seek appointment by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation each year and seek re-appointment at the Annual General Meeting. The Directors required to retire will be those who have been longest in office since their last appointment or re-appointment.

3. Communication with shareholders

The Company maintains a website (www.diamondcorp.plc.uk) on which the Company regularly provides news updates. All regulatory announcements are also available on the website. The Annual General Meeting gives shareholders the opportunity to question the Board.

Directors maintain regular contact with the Company's larger institutional shareholders.

4. Committees

The Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Director and sets the scale and structure of his remuneration including bonus arrangements. The Remuneration Committee also sets the allocation of share options to Directors and other employees. During the year, the Committee's members were Mr. R N Allen as Chairman together with Mr. E A Worthington, Dr. J Willis-Richards and Mr. M Toxvaerd.

The Nomination Committee

The nomination committee has been established to recommend changes in Board composition. During the year the Committee's members were Mr. E A Worthington (Chairman), Mr. R N Allen and Dr. J Willis-Richards.

Audit Committee

The Board of Directors have overall responsibility for the system of internal financial control which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit Committee comprises Dr. J Willis-Richards (Chairman), Mr. E A Worthington, Mr. R N Allen, Mr. H Scholes and Mr C Ellis. The Committee meets regularly and is joined by the external auditors at least annually. A detailed report on the work of the Audit Committee is set out on page 18.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Directors' Responsibilities Statements

DIRECTORS' RESPONSIBILITIES STATEMENT - UNITED KINGDOM

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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

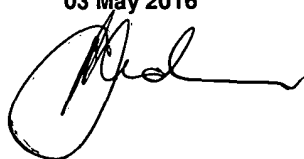
Each of the directors listed on page 14 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU and IFRSs as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Financial Report, Remuneration Report, Directors Report, Audit Committee Report, Strategic Report and Corporate Governance Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

Mr. P R Loudon

Director

03 May 2016



Independent auditors' report to the members of DiamondCorp plc

Report on the financial statements

Our opinion

In our opinion, DiamondCorp plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's and the company's loss and cash flows for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Audited Consolidated and Separate Financial Statements (the "Annual Report"), comprise:

- the Consolidation and Separate Statement of Financial Position as at 31 December 2015;
- the Consolidated and Separate Statement of Comprehensive Income for the year then ended;
- the Consolidated and Separate Statement of Cash Flows for the year then ended;
- the Consolidated and Separate Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 23, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Alison Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 May 2016

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Consolidated and Separate Income Statement

	Note	Group		Company	
		2015 £	2014 £	2015 £	2014 £
Other income		23,311	39,097	2,700	3,500
Operating expenses		(1,879,990)	(1,605,381)	(816,015)	(318,970)
Operating loss	20	(1,856,679)	(1,566,284)	(813,315)	(315,470)
Finance income		16,909	49	110	49
Fair value adjustments		(570,257)	(1,685,439)	(217,699)	(679,367)
Finance costs	22	-	-	(151,308)	(253,466)
Loss before taxation		(2,410,027)	(3,251,674)	(1,182,212)	(1,248,254)
Taxation	23	-	-	-	-
Loss for the year		(2,410,027)	(3,251,674)	(1,182,212)	(1,248,254)
Loss attributable to :					
Owners of the parent		(2,254,597)	(3,141,615)	(1,182,212)	(1,248,254)
Non-controlling interest		(155,430)	(110,059)	-	-
		(2,410,027)	(3,251,674)	(1,182,212)	(1,248,254)
Loss per share					
Per share information					
Basic and diluted loss per share (pence)	26	(0.64)	(1.02)	-	-

The notes on pages 32 to 77 form an integral part of these consolidated financial statements.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Consolidated and Separate Statement of Comprehensive Income

	Note	Group		Company	
		2015 £	2014 Restated £	2015 £	2014 £
Loss for the year		(2,410,027)	(3,251,674)	(1,182,212)	(1,248,254)
Other comprehensive loss:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(2,895,221)	(369,402)	-	-
Other comprehensive loss for the year	25	(2,895,221)	(369,402)	-	-
Total comprehensive loss		(5,305,248)	(3,621,076)	(1,182,212)	(1,248,254)
Total comprehensive loss attributable to:					
Owners of the parent		(4,628,485)	(3,420,581)	(1,182,212)	(1,248,254)
Non-controlling interest		(676,763)	(200,495)	-	-
		(5,305,248)	(3,621,076)	(1,182,212)	(1,248,254)

The notes on pages 32 to 77 form an integral part of these consolidated financial statements.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

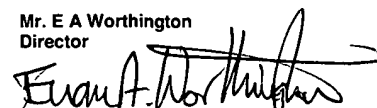
Consolidated and Separate Statement of Financial Position as at 31 December 2015

		Group			Company	
		2015	2014	2013	2015	2014
	Note	£	Restated £	Restated £	£	£
Assets						
Non-Current Assets						
Property, plant and equipment	4	27,472,410	23,993,549	14,892,223	237,804	257,622
Goodwill	5	2,403,483	3,069,294	3,195,164	-	-
Investments in subsidiaries	6	-	-	-	4,672,501	4,672,501
Loans to group companies	7	-	-	-	20,804,406	14,307,300
Rehabilitation deposit	9	128,113	101,199	43,632	-	-
Restricted cash	12	60,913	70,232	73,108	-	-
		30,064,919	27,234,274	18,204,127	25,714,711	19,237,423
Current Assets						
Inventories	10	627,535	455,684	557,085	-	-
Current tax receivable		5,003	6,651	6,651	-	-
Trade and other receivables	11	371,120	648,810	880,990	-	-
Cash and cash equivalents	12	1,722,486	2,531,420	2,220,130	1,618,259	1,054,175
		2,726,144	3,642,565	3,664,856	1,618,259	1,054,175
Total Assets		32,791,063	30,876,839	21,868,983	27,332,970	20,291,598
Equity and Liabilities						
Equity						
Equity Attributable to Equity Holders of Parent						
Share capital	13	44,626,346	37,161,667	35,190,544	44,626,346	37,161,667
Reserves		(5,927,267)	(3,503,973)	(3,218,098)	561,818	611,222
Accumulated loss		(28,303,519)	(26,048,922)	(22,907,307)	(21,781,392)	(20,599,180)
		10,395,560	7,608,772	9,065,139	23,406,772	17,173,709
Non-controlling interest		(2,824,126)	(2,147,363)	(1,946,868)	-	-
Total Equity		7,571,434	5,461,409	7,118,271	23,406,772	17,173,709
Liabilities						
Non-Current Liabilities						
Other financial liabilities	17	16,974,515	17,972,843	9,239,447	455,000	455,000
Provisions	18	518,301	581,756	528,828	-	-
		17,492,816	18,554,599	9,768,275	455,000	455,000
Current Liabilities						
Compound instruments - debt component	16	2,684,835	2,811,742	2,532,981	1,363,050	1,234,488
Compound instruments - derivative component	16	3,596,870	3,730,434	2,107,849	1,480,203	1,409,446
Trade and other payables	19	1,445,108	318,655	341,607	627,945	18,955
		7,726,813	6,860,831	4,982,437	3,471,198	2,662,889
Total Liabilities		25,219,629	25,415,430	14,750,712	3,926,198	3,117,889
Total Equity and Liabilities		32,791,063	30,876,839	21,868,983	27,332,970	20,291,598

The financial statements on pages 26 to 77, of DiamondCorp plc, registered number 5400982, were approved by the Board of Directors and authorised for issue on 03 May 2016 and signed on behalf of the Board of Directors.

The notes on pages 32 to 77 form an integral part of these consolidated financial statements.

Mr. E A Worthington
Director



DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated And Separate Financial Statements for the year ended 31 December 2015

Consolidated and Separate Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Share option reserve	Warrant reserve	Reserves	Accumulated loss	Total attributable to owner of the parent	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£	£	£	£
Group											
Balance as at 1 January 2014 as previously stated	8,305,184	26,885,360	35,190,544	(2,425,367)	526,131	92,000	(1,807,236)	(22,907,307)	10,476,001	(1,580,044)	8,895,957
Restatement of goodwill (Note 5)	-	-	-	(1,410,862)	-	-	(1,410,862)	-	(1,410,862)	(366,824)	(1,777,686)
Balance at 01 January 2014 as restated	8,305,184	26,885,360	35,190,544	(3,836,229)	526,131	92,000	(3,218,098)	(22,907,307)	9,065,139	(1,946,868)	7,118,271
Loss for the year	-	-	-	-	-	-	-	(3,141,615)	(3,141,615)	(110,059)	(3,251,674)
Other comprehensive loss	-	-	-	(278,966)	-	-	(278,966)	-	(278,966)	(90,436)	(369,402)
Total comprehensive loss for the year	-	-	-	(278,966)	-	-	(278,966)	(3,141,615)	(3,420,581)	(200,495)	(3,621,076)
Issue of shares	41,526	1,929,597	1,971,123	-	-	-	-	-	1,971,123	-	1,971,123
Value attributed for equity based share based payments	-	-	-	-	5,899	-	5,899	-	5,899	-	5,899
Fair value adjustment of reserve	-	-	-	-	-	(12,808)	(12,808)	-	(12,808)	-	(12,808)
Total contributions by and distributions to owners of company recognised directly in equity	41,526	1,929,597	1,971,123	-	5,899	(12,808)	(6,909)	-	1,964,214	-	1,964,214
Balance at 01 January 2015	8,346,710	28,814,957	37,161,667	(4,115,195)	532,030	79,192	(3,503,973)	(26,048,922)	7,608,772	(2,147,363)	5,461,409
Loss for the year	-	-	-	-	-	-	-	(2,254,597)	(2,254,597)	(155,430)	(2,410,027)
Other comprehensive loss	-	-	-	(2,373,890)	-	-	(2,373,890)	-	(2,373,890)	(521,333)	(2,895,223)
Total comprehensive loss for the year	-	-	-	(2,373,890)	-	-	(2,373,890)	(2,254,597)	(4,628,487)	(676,763)	(5,305,250)
Issue of shares	92,711	7,292,776	7,385,487	-	-	-	-	-	7,385,487	-	7,385,487
Value attributed for equity settled share based payments	-	-	-	-	29,788	-	29,788	-	29,788	-	29,788
Warrants issued during the year	-	79,192	79,192	-	-	(79,192)	(79,192)	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	92,711	7,371,968	7,464,679	-	29,788	(79,192)	(49,404)	-	7,415,275	-	7,415,275
Balance at 31 December 2015	8,439,421	36,186,925	44,626,346	(6,489,085)	561,818	-	(5,927,267)	(28,303,519)	10,395,560	(2,824,126)	7,571,434

Note

13

13

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The notes on pages 32 to 77 form an integral part of these consolidated financial statements.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated And Separate Financial Statements for the year ended 31 December 2015

Consolidated and Separate Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Share option reserve	Warrant reserve	Reserves	Accumulated loss	Total attributable to owner of the parent	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£	£	£	£
Company											
Balance at 01 January 2014	8,305,184	26,885,360	35,190,544	-	526,131	92,000	618,131	(19,350,926)	16,457,749	-	16,457,749
Loss for the year	-	-	-	-	-	-	-	(1,248,254)	(1,248,254)	-	(1,248,254)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(1,248,254)	(1,248,254)	-	(1,248,254)
Issue of shares	41,526	1,929,597	1,971,123	-	-	-	-	-	1,971,123	-	1,971,123
Value attributed for equity settled share based payments	-	-	-	-	5,899	-	5,899	-	5,899	-	5,899
Fair value adjustment of reserve	-	-	-	-	-	(12,808)	(12,808)	-	(12,808)	-	(12,808)
Total contributions by and distributions to owners of company recognised directly in equity	41,526	1,929,597	1,971,123	-	5,899	(12,808)	(6,909)	-	1,964,214	-	1,964,214
Balance at 01 January 2015	8,346,710	28,814,957	37,161,667	-	532,030	79,192	611,222	(20,599,180)	17,173,709	-	17,173,709
Loss for the year	-	-	-	-	-	-	-	(1,182,212)	(1,182,212)	-	(1,182,212)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(1,182,212)	(1,182,212)	-	(1,182,212)
Issue of shares	92,711	7,292,776	7,385,487	-	29,788	-	29,788	-	7,415,275	-	7,415,275
Warrants exercised during the year	-	79,192	79,192	-	-	(79,192)	(79,192)	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	92,711	7,371,968	7,464,679	-	29,788	(79,192)	(49,404)	-	7,415,275	-	7,415,275
Balance at 31 December 2015	8,439,421	36,186,925	44,626,346	-	561,818	-	561,818	(21,781,392)	23,406,772	-	23,406,772
Note	13	13	13		14	15					

The notes on pages 32 to 77 form an integral part of these consolidated financial statements.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Consolidated and Separate Statement of Cash Flows

		Group		Company	
	Note	2015 £	2014 £	2015 £	2014 £
Cash flows from operating activities					
Cash used in operations	27	(554,640)	(879,829)	(233,911)	(560,646)
Finance costs		-	-	(20,103)	-
Tax received		1,648	-	-	-
Net cash used in operating activities		(552,992)	(879,829)	(254,014)	(560,646)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(7,284,396)	(7,971,705)	-	-
Sale of property, plant and equipment	4	5,139	-	-	-
Loans advanced to group companies		-	-	(6,497,106)	(362,330)
Outflow relating to other non-current asset		(26,914)	(57,567)	-	-
Interest Income		16,909	49	110	49
Net cash used in investing activities		(7,289,262)	(8,029,223)	(6,496,996)	(362,281)
Cash flows from financing activities					
Proceeds on share issue	13	7,464,680	1,971,122	7,464,679	1,971,123
Proceeds from other financial liabilities		-	8,733,396	-	-
Repayment of compound instruments		-	-	(149,585)	-
Net cash generated from financing activities		7,464,680	10,704,518	7,315,094	1,971,123
Total cash movement for the year		(377,574)	1,795,466	564,084	1,048,196
Cash at the beginning of the year		2,531,420	2,220,130	1,054,175	5,979
Effect of exchange rate movement on cash balances		(431,360)	(1,484,176)	-	-
Total cash at end of the year	12	1,722,486	2,531,420	1,618,259	1,054,175

The notes on pages 32 to 77 form an integral part of these consolidated financial statements.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Basis of Preparation and Accounting Policies

1. General information

DiamondCorp plc is a Company incorporated in England and Wales under the Companies Act 2006 and incorporated as an external company in South Africa under the Companies Act No 71 of 2008. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 14.

These financial statements are presented in pounds sterling because that is the functional currency of the parent Company as well as presentation currency of the Group. Foreign operations are included in accordance with the policies set out in this note.

These accounting policies are consistent with the previous period.

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the IASB and in accordance with IFRS interpretations committee (IFRS IC) interpretations. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

Basis of preparation

The financial statements have been prepared in accordance with the UK Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on fair value of the consideration given in exchange for assets. The financial statements have been prepared on a going concern basis. The principal accounting policies adopted are set out below.

1.1 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating-decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

The basis of segmental reporting has been set out in note 3 of the financial statements.

1.2 Consolidation

Basis of consolidation

The audited consolidated and separate financial statements incorporate the audited consolidated and separate financial statements of the group and all investees which are controlled by the Company (its subsidiaries).

The group has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the audited consolidated and separate financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the audited consolidated and separate financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

DiamondCorp plc

UK Company Registration No. 5400982

Audited Consolidated and Separate Financial Statements for the year ended 31 December 2015

Basis of Preparation and Accounting Policies

1.2 Consolidation (continued)

Basis of consolidation (continued)

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of the financial asset in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit expected to benefit from the synergies of the combination. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the presentation currency of the group at the end of each reporting period with the adjustment recognised in equity through other comprehensive income. Refer to note 5 for the prior period restatement of goodwill.

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Basis of Preparation and Accounting Policies

1.3 Significant judgments and sources of estimation uncertainty

In preparing the audited consolidated and separate financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited consolidated and separate financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited consolidated and separate financial statements. Significant judgments include:

Impairment testing

Impairment of goodwill - Judgment is applied in determining appropriate assumptions to be used in testing for and calculating impairment. See policy regarding Goodwill in note 1.2 and estimates in note 5.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions - of the financial statements.

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Valuations

* Valuation of inventory - Judgment was applied in calculating the initial carrying value of inventory and judgment continues to be applied in assessing the net realisable value. See accounting policy regarding Inventories.

* Valuation of warrants, share options and ordinary shares issued as consideration - Judgment is applied in determining appropriate assumptions to be used in calculating the fair value of warrants, shares and share options issued. See notes 14 and 15 of the financial statements.

* Valuation of the bifurcated embedded derivative in the convertible bonds - Judgment is applied in determining appropriate assumptions to be used in calculating the fair value of convertible bonds. See note 16 of the financial statements.

Going concern

Judgment is applied in assessing the likelihood and timing of future cash flows associated with the Group's activities.

During the year management have improved the Group's liquidity position for the next 12 months by raising funds from the share placing and rescheduling the repayment of the loan to IDC. The Group expects to commence commercial production in the third quarter 2016 and thus the current liquidity model is based on the judgements around the adequate production rates and sales prices. Whilst there are uncertainties in relation to certain judgements, management have concluded that no material uncertainty exists in relation to the ability of the Group to continue as a going concern.

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Basis of Preparation and Accounting Policies

1.4 Property, plant and equipment

Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, service it, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant), borrowing costs. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The purchase price or construction cost is the aggregate amount paid and the fair value any other consideration given to acquire the asset.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Upon completion of mine construction, the assets are transferred into "Property, plant and equipment". Items of property, plant and equipment and mining properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Mines under construction

Upon transfer of "Exploration and evaluation assets" into "Construction in progress" within "Property, plant and equipment", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within "Construction in progress". Development expenditure is net of proceeds from the incidental sale of diamonds extracted during the development phase. After production starts, all assets included in "Construction in progress" are transferred to "Mining properties" within "Property, plant and equipment".

Depreciation/amortisation

Mining properties are depreciated/amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied. Only proven and probable reserves are included in the unit of production calculation.

Other plant and equipment such as mobile mine equipment is generally depreciated on a straight-line basis over their estimated useful lives to their residual values.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	N/A
Buildings	20 years
Plant and machinery	5 - 20 years
Mining rights	Life of mine

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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Basis of Preparation and Accounting Policies

1.4 Property, plant and equipment (continued)

Depreciation/amortisation (continued)

Assets which the (company/group) holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset(s).

1.5 Financial liabilities / assets

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("at FVTPL") or 'other financial liabilities'.

Other financial liabilities

Other liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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Basis of Preparation and Accounting Policies

1.5 Financial liabilities / assets (continued)

Financial liabilities at fair value through profit or loss (FVTPL) (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if: (continued)

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Loans to / (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value (net of transaction costs), and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

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Basis of Preparation and Accounting Policies

1.5 Financial liabilities / assets (continued)

Trade and other payables

Trade payables are initially measured at fair value (net of transaction costs), and are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, other short-term highly liquid investments and restricted cash that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Convertible bond policy

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as an amortised cost financial liability and an embedded derivative financial liability in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the embedded derivative financial liability component is estimated using observable market data input into the Black Scholes model, modified for the Barone Adesi Whaley approximation. This amount is recorded as an embedded derivative financial liability held at fair value through profit and loss. The amortised cost financial liability (host debt contract) is determined by deducting the amount of the embedded derivative component from the fair value of the compound instrument as a whole. The host debt contract is held on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised (fair value) less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Equity instruments

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

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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 basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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Basis of Preparation and Accounting Policies

1.6 Tax (continued)

Deferred tax assets and liabilities (continued)

Deferred tax liabilities (assets) are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and is included in the operating expenses of the group. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset / liability. This asset / liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.8 Inventories

Consumable inventories are measured at the weighted average basis, and diamond inventories are measured at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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1.8 Inventories (continued)

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to dispose and its value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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1.11 Share based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments granted. Equity-settled share-based payment instruments issued to persons other than employees are measured at the fair value of the goods and services received, unless that fair value cannot be estimated reliably. If that is the case, the fair value is measured at the fair value of the equity instruments granted. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 14 of the financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

1.12 Revenue

Revenue from the sale of diamonds is recorded when the diamonds are sold.

Incidental sale of diamonds derived from underground development is credited to mine development costs.

Revenue earned from sales prior to the new operations achieving commercial production were recognised as a reduction in the carrying value of the pre-production expenses held within intangible assets. Revenue is measured at the fair value of the consideration received or receivable. Subsequently it is recognised as a reduction in the carrying value of mine development costs until production commences once development is completed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Bank overdraft and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

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Basis of Preparation and Accounting Policies

1.14 Translation of foreign currencies

Functional and presentation currency

Items included in the audited consolidated and separate financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The audited consolidated and separate financial statements are presented in Pounds sterling which is the company's functional and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary 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 on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Group and Company

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In addition, in the case of presenting consolidated financial statements, any foreign exchange differences arising on elimination of intercompany loan balances upon consolidation of the Group Companies, are classified as equity and transferred to the Group's translation reserve, as these loans are for long term investment purposes.

Determining the rate of exchange to be used

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 period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.15 Environmental restoration and decommissioning obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in the income statement over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the income statement as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate) are added to or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy above.

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Basis of Preparation and Accounting Policies

1.16 Rehabilitation deposit

Contributions for the rehabilitation liability are made to an investment with an external insurer to fund the estimated cost of rehabilitation during and at the end of the life of the mine. The amounts contributed to this insurance fund are accounted for at cost and as a non-current asset.

1.17 Warranty reserve policy

Options issued as warrants are treated as equity settled share based payments.

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Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendment to IFRS 2: Share-based Payment: Annual improvements project

Amended the definitions of "vesting conditions" and "market conditions" and added definitions for "performance condition" and "service condition."

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2015 audited consolidated and separate financial statements.

The impact of the amendment is not material.

Amendment to IFRS 8: Operating Segments: Annual improvements project

Management is now required to disclose the judgments made in applying the aggregation criteria. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2015 audited consolidated and separate financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the audited consolidated and separate financial statements.

Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2015 audited consolidated and separate financial statements.

The impact of the amendment is not material.

Amendment to IAS 38: Intangible Assets: Annual improvements project

The amendment adjusts the option to proportionately restate accumulated amortisation when an intangible asset is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated amortisation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2015 audited consolidated and separate financial statements.

The impact of the amendment is not material.

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2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 January 2016 or later periods:

IFRS 9 Financial Instruments

This new standard is the result of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities as well as new hedging requirements. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the group changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- *Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.*
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.
- The new hedging provisions align hedge accounting more closely with the actual risk management approach.
- Certain non-derivative financial instruments are now allowed as hedging instruments.
- Additional exposures are allowed as hedged items. These exposures include risk components of non-financial items, net positions and layer components of items, aggregated exposures combining derivative and non-derivative exposures and equity instruments at fair value through other comprehensive income.
- The hedge effectiveness criteria have been amended, including the removal of the 80%-125% "bright line test" to qualify for hedge accounting.
- The concept of rebalancing has been introduced when the hedging relationship is ineffective because the hedge ratio is no longer appropriate. When rebalancing is required, and provided the risk management objective remains the same, the hedge ratio is adjusted rather than discontinuing the hedging relationship.
- Additional disclosure requirements have been introduced for hedging.

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after 01 January 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The group expects to adopt the standard for the first time in the first annual financial period after the effective date.

The impact of this standard is currently being assessed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programs; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

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2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2017.

The group expects to adopt the standard for the first time in the 2017 audited consolidated and separate financial statements.

The impact of this standard is currently being assessed.

IFRS 16 Leases

After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The effective date of the standard is for years beginning on or after 01 January 2019.

The group expects to adopt the standard for the first time in the 2019 audited consolidated and separate financial statements.

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3. Segmental information

The Group is currently operating the Lace Diamond Mine. This operation is located in the northern part of the Free State province in South Africa, 200 kilometres from Johannesburg, 30 kilometres from Kroonstad and 30 kilometres from Viljoenskroon. The Lace Diamond Mine operation is treated as a single operation with the corporate head office and other subsidiaries reported separately, including consolidation entries.

The Lace Diamond Mine segment will derive income primarily from the production and sale of rough and polished diamonds. All the other segments namely DiamondCorp plc, DiamondCorp Holdings Ltd and Soapstone Investment Ltd are primarily focused on administrative and financing activities.

2015

	Income		Separately disclosable items			
	Total other income	Loss for the year	Depreciation and amortisation	Interest income	Interest expense	Taxation
	£	£	£	£	£	£
Lace Diamond Mines (Pty) Ltd	20,611	(597,807)	-	16,756	-	-
All other segments	2,700	(1,241,963)	(19,818)	153	-	-
Total	23,311	(1,839,770)	(19,818)	16,909	-	-
Reconciling items						
Fair value adjustments		(570,257)				
Loss after tax		(2,410,027)				

2014

	Income		Separately disclosable items			
	Total other income	Loss for the year	Depreciation and amortisation	Interest income	Interest expense	Taxation
	£	£	£	£	£	£
Lace Diamond Mines (Pty) Ltd	35,597	(423,348)	-	-	-	-
All other segments	12,371	(1,142,887)	(19,818)	49	-	-
Total	47,968	(1,566,235)	(19,818)	49	-	-
Reconciling items						
Fair value adjustments		(1,685,439)				
Loss after tax		(3,251,674)				

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Notes to the Consolidated and Separate Financial Statements

3. Segmental information (continued)

Reconciliation of other income	Total segment income	Inter- segment income	Income from external customers	Total segment income	Inter- segment income	Income from external customers
	2015 £	2015 £	2015 £	2014 £	2014 £	2014 £
Lace Diamond Mines (Pty) Ltd						
Profit on foreign exchange transactions	15,472	-	15,472	21,309	-	21,309
Sundry income	5,139	-	5,139	14,288	-	14,288
DiamondCorp Holdings Ltd						
Marketing fee	-	-	-	8,871	(8,871)	-
DiamondCorp plc						
Rental income	2,700	-	2,700	3,500	-	3,500
	23,311	-	23,311	47,968	(8,871)	39,097

Segment assets and liabilities

The amounts provided to the Chief Executive Officer with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

2015

	Additions to non-current assets £	Total assets £
Lace Diamond Mines (Pty) Ltd	10,049,105	26,834,984
All other segments	652,722	5,956,079
Total	10,701,827	32,791,063

2014

	Additions to non-current assets £	Total assets £
Lace Diamond Mines (Pty) Ltd	9,850,018	25,359,311
All other segments	726,519	5,517,528
Total	10,576,537	30,876,839

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Notes to the Consolidated and Separate Financial Statements

4. Property, plant and equipment

Group	2015			2014		
	Cost / Valuation	Accumulated depreciation / amortisation / exchange differences	Carrying value	Cost / Valuation	Accumulated depreciation / amortisation / exchange differences	Carrying value
	£	£	£	£	£	£
Land & Buildings	759,506	(217,075)	542,431	941,662	(231,275)	710,387
Plant and machinery	6,259,799	(3,454,193)	2,805,606	7,202,535	(3,725,078)	3,477,457
Mining Rights	523,591	(209,439)	314,152	558,840	(195,595)	363,245
Construction in Progress	25,590,008	(1,779,787)	23,810,221	21,671,561	(2,229,101)	19,442,460
Total	33,132,904	(5,660,494)	27,472,410	30,374,598	(6,381,049)	23,993,549

Company	2015			2014		
	Cost / Valuation	Accumulated depreciation / amortisation / exchange differences	Carrying value	Cost / Valuation	Accumulated depreciation / amortisation / exchange differences	Carrying value
	£	£	£	£	£	£
Mining Rights	396,343	(158,539)	237,804	396,343	(138,721)	257,622

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions	Disposals	* Foreign exchange movements	Depreciation	Total
	£	£	£	£	£	£
Land & Buildings	710,387	26,059	-	(151,624)	(42,391)	542,431
Plant and machinery	3,477,457	797,116	(10,099)	(642,411)	(816,457)	2,805,606
Mining Rights	363,245	-	-	(21,777)	(27,316)	314,152
Construction in Progress	19,442,460	9,878,652	(25,318)	(5,485,573)	-	23,810,221
	23,993,549	10,701,827	(35,417)	(6,301,385)	(886,164)	27,472,410

* The foreign exchange movements is due to the devaluation of 28% in the ZAR/GBP exchange rate in 2015.

Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Total
	£	£	£	£	£	£
Land & Buildings	671,949	113,565	-	(26,992)	(48,135)	710,387
Plant and machinery	3,542,430	732,968	(5,020)	(70,188)	(722,733)	3,477,457
Mining Rights	395,845	-	-	(4,586)	(28,014)	363,245
Construction in Progress	10,281,999	9,730,004	-	(569,543)	-	19,442,460
	14,892,223	10,576,537	(5,020)	(671,309)	(798,882)	23,993,549

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Notes to the Consolidated and Separate Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	Depreciation	Total
	£	£	£
Mining Rights	257,622	(19,818)	237,804

Reconciliation of property, plant and equipment - Company - 2014

	Opening balance	Depreciation	Total
	£	£	£
Mining Rights	277,440	(19,818)	257,622

Plant and machinery includes mining fleet, processing plant, office equipment and motor vehicles which were previously separately classified. The property, plant and equipment is pledged as security for the Convertible Bonds (note 16 of the financial statements). However, once the Industrial Development Corporation of SA Limited ("IDC") loan is drawn down in whole or in part, the Bondholders security interest in these assets will be subordinated to the security interest of the IDC (note 17 of the financial statements).

5. Goodwill

Group	2015			2014		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
	£	£	£	£	£	£
Goodwill	2,403,483	-	2,403,483	3,069,294	-	3,069,294

The goodwill relates to the acquisition of DiamondCorp Holdings Ltd in 2006. The goodwill was previously denominated in pounds (GBP). However, as the goodwill relates to the Lace diamond mine cash generating unit, which has a rand (ZAR) functional currency, it is more appropriate to denominate this balance in rand (ZAR). Goodwill was therefore retrospectively restated to reflect goodwill at a fixed ZAR 55,247,900 and retranslated to the Group presentation currency being pounds (GBP). This restatement did not have any income statement, cash flow statement or earnings per share impact.

Group

	As previously stated 1 January 2014	As restated 1 January 2014	As previously stated 31 December 2014	As restated 31 December 2014
	£	£	£	£
Goodwill	4,606,026	3,195,164	4,606,026	3,069,294
Foreign currency translation reserve	(2,425,367)	(3,836,229)	(2,578,463)	(4,115,195)
Other Comprehensive Income			243,532	369,402

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired. The Group has one reportable business segment and all goodwill is associated with that segment. The recoverable amounts of the cash generating unit ("CGU") are determined from discounted cash flows to estimate fair value less cost to sell. The key assumptions for the discounted cash flow calculations are those regarding the discount rates, production, resources and expected changes to selling prices and direct costs during the year. A post tax discount rate of 15% (2014: 15%) has been used.

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5. Goodwill (continued)

The Group's test for impairment is based on several considerations including a model adopted by management from the model prepared for the Lace Mine by one of its technical advisors. This model uses grade assumptions based on the resource statement of the Group's technical advisor and it uses diamond prices considered representative of market prices. The model assumes that the Lace mine will reach full production of 1,200,000 tonnes per year of kimberlite in 2019 and run through 2040. Diamond production is expected to ramp up in 2016 reaching full production in 2019 with an average grade of 36.2 carats per hundred tonnes as indicated in the Resource Statement included in the Letter from the Chief Executive Officer. The fair value less cost to sell valuations of the Lace Mine generated by the Model under variable sets of assumptions as to grades, revenues and costs indicate that there has been no impairment of goodwill during the year. Management have considered the key assumptions to be reasonable. A reasonable possible change in a key assumption would not lead to an indicator of impairment of the cash generating unit which contains goodwill.

The 2015 key unobservable assumptions used in the valuation are:

Significant unobservable assumptions	Range of unobservable assumptions	Relationship of unobservable assumptions
The ZAR/US\$ exchange rate	ZAR 13.00 to ZAR 18.00	The higher the ZAR/US\$ exchange rate, the higher the fair value
The average US\$ price per carat for diamonds	US\$ 120 to US\$ 200	The higher the price per carat, the higher the fair value
The yield of diamonds in carats per hundred tonnes	25 carat per 100 tonnes to 40 carat per 100 tonnes	The higher the yield per hundred tonnes, the higher the fair value
Average yearly tonnes processed in the processing plant	1,000,000 tonnes to 1,400,000 tonnes	The higher the average yearly tonnes, the higher the fair value
Discount rate applied (post tax)	10% to 15%	The higher the discount rate, the lower the fair value

6. Investments in subsidiaries

The following table lists the entities which are controlled by the company, either directly or indirectly through subsidiaries.

Company

Name of company	Held by	% holding and voting power 2015	% holding and voting power 2014	Carrying amount 2015 £	Carrying amount 2014 £
DiamondCorp Holdings Ltd - incorporated in the British Virgin Islands	DiamondCorp plc	100.00 %	100.00 %	4,217,500	4,217,500
Botswana DiamondCorp Ltd - incorporated in the British Virgin Islands	DiamondCorp plc	100.00 %	100.00 %	1	1
Lace Diamond Mines (Pty) Ltd - incorporated in South Africa	DiamondCorp Holdings Ltd	74.00 %	74.00 %	-	-
Soapstone Investment Ltd - incorporated in South Africa	DiamondCorp Holdings Ltd	100.00 %	100.00 %	455,000	455,000
DCP Exploration (Pty) Ltd - incorporated in Botswana	Botswana DiamondCorp Ltd	100.00 %	100.00 %	-	-
DCP Diamonds International BVBA - incorporated in Belgium	DiamondCorp Holdings Ltd	100.00 %	- %	-	-
				<u>4,672,501</u>	<u>4,672,501</u>

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6. Investments in subsidiaries (continued)

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	Country of incorporation	% Ownership interest held by non-controlling interest	
		2015	2014
Lace Diamond Mines (Pty) Ltd	South Africa	26%	26%

Summarised statement of financial position	Lace Diamond Mines (Pty) Ltd	
	2015 £	2014 £
Assets		
Non-current assets	25,807,092	22,980,382
Current assets	1,027,892	2,378,950
Total assets	26,834,984	25,359,332
Liabilities		
Non-current liabilities	33,237,639	33,622,121
Current liabilities	1,016,101	563,287
Total liabilities	34,253,740	34,185,408
Total net liabilities	(7,418,756)	(8,826,076)
Carrying amount of non-controlling interest	(2,824,125)	(2,147,362)

Summarised statement of financial performance	Lace Diamond Mines (Pty) Ltd	
	2015 £	2014 £
Other income and expenses	(597,807)	(423,303)
Loss before tax	(597,807)	(423,303)
Loss for the year	(597,807)	(423,303)
Total comprehensive loss	(597,897)	(771,133)
Loss allocated to non-controlling interest	(155,430)	(200,494)

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6. Investments in subsidiaries (continued)

Summarised statement of cash flows

	Lace Diamond Mines (Pty) Ltd	
	2015	2014
	£	£
Cash flows used in operating activities	(47,757)	(177,599)
Cash flows used in investing activities	(7,288,860)	(7,552,003)
Cash flows from financing activities	6,196,400	7,203,248
Net (decrease) in cash and cash equivalents	(1,140,217)	(526,354)

7. Loans to group companies

Company	
2015	2014
£	£

Subsidiaries

DiamondCorp Holdings Ltd	30,728,532	24,231,426
	30,728,532	24,231,426
Impairment of loans to subsidiaries	(9,924,126)	(9,924,126)
	20,804,406	14,307,300

The Directors consider that the carrying amount of these assets approximates their fair value. Fair value was determined at level 3 of the fair value hierarchy based on expected future cash flows from the Lace diamond mine. All receivable balances are non-interest bearing. The loan at the end of the year is in terms of agreement not repayable within the next 12 months.

Credit quality of loans to group companies

The loan is not past due. The loan does not have any published credit rating. The company has subordinated as much of its loan as is requested to support its subsidiary in this position.

Company	
2015	2014
£	£

Non-current assets net after impairment	20,804,406	14,307,300
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8. Deferred tax

Any deferred tax asset relating to the tax loss has only been recognised to the extent that there is deferred tax liabilities. Unutilised deferred tax assets in the Group amounting to £3,742,223 (2014: £4,890,206) and in the Company amounting to £2,755,622 (2014: £2,754,924) have not been recognised due to the uncertainty of the timing and probability of future taxable profits that it can be utilised against. The Group's tax losses have no expiry date.

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8. Deferred tax (continued)

The unrecognised deferred tax asset comprises of:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Capital allowances	(830,030)	509,961	15,854	12,782
Tax losses	2,587,428	2,004,922	754,942	608,455
Temporary differences (Impairment of loan)	1,984,825	2,375,323	1,984,826	2,133,687
	3,742,223	4,890,206	2,755,622	2,754,924

9. Rehabilitation deposit

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
At amortised cost:				
Rehabilitation deposit	128,113	101,199	-	-

Contributions to an insurance and investment product to cover future environmental rehabilitation and closure cost. The premiums and investment returns thereon are recognised as a rehabilitation deposit. This, together with the restricted cash in note 12 of the financial statements, serves as security for the rehabilitation Provision in note 18 of the financial statements.

10. Inventories

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Diamond inventories	490,288	188,827	-	-
Consumable and other inventories	137,247	266,857	-	-
	627,535	455,684	-	-

Diamond inventories at 31 December 2015 totalled 6,207.35 (2014: 2,815.12) carats. There was no write down of inventories (2014: nil) or any reversal of inventory write downs during the year.

11. Trade and other receivables

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade receivables	5,091	57,636	-	-
Prepayments	57,369	128,672	-	-
VAT	308,660	462,502	-	-
	371,120	648,810	-	-

The Directors consider that the carrying amount of these assets approximates their fair value. All receivables balances are non-interest bearing.

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11. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 December 2015, £ - (2014: £ -) were past due but not impaired. Trade and other receivables are considered to be past due after three months of outstanding balances.

The ageing of amounts past due but not impaired is as follows:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
3 months past due	5,091	57,636	-	-

There are no external credit ratings available to assess the credit quality of trade receivables reflected above. Management reviews the credit worthiness of all customers before entering into transactions.

12. Cash and cash equivalents

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Cash & cash equivalents - current	1,722,486	2,531,420	1,618,259	1,054,175
Restricted cash - non-current	60,913	70,232	-	-
	1,783,399	2,601,652	1,618,259	1,054,175

The restricted cash above form the basis of a guarantee issued by the financial institution, where the cash is held, in favour of the Department of Mineral Resources providing for the original determined cost of environmental rehabilitation and decommissioning on termination of the Lace project.

In terms of an agreement the group's right, title and interest in and to the debit balances have been encumbered for the benefit of the bond holders as referred to in note 16 of the financial statements.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates: (Also refer to note 31 of the financial statements).

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Credit rating				
A-	1,658,014	1,983,275	1,618,259	1,054,175
BBB	124,145	616,505	-	-
Other	1,240	1,872	-	-
	1,783,399	2,601,652	1,618,259	1,054,175

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Notes to the Consolidated and Separate Financial Statements

13. Share capital

AUTHORISED

DiamondCorp plc does not have an authorised share capital, in line with the provisions of the UK Companies Act 2006. The Directors' authority to issue and allot shares in the company is set each year by Company's shareholders at the Annual General Meeting. The level of disapplication in respect of pre-emption authority is determined by the Board, in consultation with the Company's Nominated Adviser, and is based on UK corporate governance guidelines for AIM companies.

ISSUED

	Group		Company	
	2015 No.	2014 No.	2015 No.	2014 No.
Reconciliation of number of shares issued:				
Ordinary shares of 0.1 pence each (2014: 0.1 pence)	318,365,478	276,839,478	318,365,478	276,839,478
Issue of shares - ordinary shares	92,711,102	41,526,000	92,711,102	41,526,000
Total number of ordinary shares	411,076,580	318,365,478	411,076,580	318,365,478
Reconciliation of number of shares issued:				
Ordinary shares of 0.1 pence each (2014: 0.1 pence)	411,076,580	318,365,478	411,076,580	318,365,478
Deferred ordinary shares of 2.9 pence each (2014: 2.9 pence)	276,839,478	276,839,478	276,839,478	276,839,478
Total number of ordinary shares	687,916,058	595,204,956	687,916,058	595,204,956

- Existing ordinary shares were sub-divided into one new ordinary share of 0.1 pence each ("New Ordinary Share") and one deferred ordinary share of 2.90 pence each (Deferred Ordinary Share).

- The New Ordinary Shares continue to carry the same rights and benefits as those attached to the Company's existing ordinary shares (save for the reduction in nominal value). The number of New Ordinary Shares in issue following the Share Capital Reorganisation is identical to the number of existing ordinary shares in issue immediately prior to the Share Capital Reorganisation.

- The Deferred Ordinary Shares do not entitle the holders to (a) receive notice of or attend and vote at any general meeting of the Company; (b) to receive any dividend or other distribution; or (c) to participate in any return on capital on winding up, other than the nominal amount paid on such shares following a substantial distribution of ordinary shares in the Company.

- The Deferred Ordinary Shares effectively have a zero value, are non-transferable and have no effect on the economic interest of the Shareholders.

- In April 2014 the Company issued 41,526,000 ordinary shares of 0.1 pence each at a price of 5 pence with gross proceeds of £2,079,514, and transaction costs of £128,878.

- In May 2015 the Company issued 5,000,000 ordinary shares of 0.1 pence each at a price of 9 pence per share for a cash consideration of £450,000. This was issued to Darwin Strategic Limited whom exercised their 5,000,000 warrants.

- On 8 June 2015, the Company issued 31,837,000 ordinary shares of 0.1 pence each at a price of 10 pence per share for gross proceeds of £3,183,700, and transaction cost of £150,826.

- On 6 July 2015, the Company issued 20,894,263 ordinary shares of 0.1 pence each at a price of 10 pence per share for gross proceeds of £2,089,426. These shares were issued in response to the Company's open offer where eligible shareholders were able to purchase 1 open offer share for every 17 existing ordinary shares.

- On 22 December 2015, the Company issued 32,337,000 ordinary shares of 0.1 pence per share at a price of 6 pence per share gross proceeds of £1,940,220. This was the first tranche of a two phase placing. On 4 January 2016 the Company issued 34,329,667 ordinary shares at 0.1 pence at a price of 6 pence per share for gross proceeds of £2,059,780.

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13. Share capital (continued)

- On 22 December 2015, the Company issued 2,642,839 ordinary shares of 0.1 pence each at a price of 5.6 pence per share. This was in response to bondholder converting his bonds.

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Issued				
Ordinary shares of 0.1 pence each (2014: 0.1 pence)	411,076	318,365	411,076	318,365
Deferred ordinary shares of 2.9 pence each (2014: 2.9 pence)	8,028,345	8,028,345	8,028,345	8,028,345
Share premium at shares of 5 pence and 3.5 pence each (2014: 5 pence and 3.5 pence)	36,186,925	28,814,957	36,186,925	28,814,957
	44,626,346	37,161,667	44,626,346	37,161,667

14. Share based payments

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are generally forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows.	2015 Number	2014 Number
Outstanding at the beginning of the year	12,845,000	8,345,000
Granted during the year	-	4,500,000
Forfeited during the year	50,000	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	12,795,000	12,845,000
Exercisable at the end of the year	12,795,000	12,845,000

At 31 December 2015, 12,795,000 (2014: 12,845,000) options were outstanding at a weighted average exercise price of 13.2 pence (2014: 13 pence), and a weighted average remaining contractual life of 5.25 years (2014: 6.25 years).

During 2015, the Group recognised an expense of £29,788 (2014: £5,899) relating to equity-settled share-based payment transactions.

Black-Scholes Assumptions	2014 Option Plan	2013 Option Plan	2010 Option Plan	2007 UK Option Plan	The DiamondCorp Share Option Plan
Vesting period	3 Years	5 Years	3 Years	3 Years	3 Years
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	1.961%	5%	2%	5%	2%
Share price volatility	32%	90%	50%	40%	40%
Share price at time of grant	7 pence	5 pence	6.88 pence	90 pence	34.5 pence

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14. Share based payments (continued)

2007 UK Options ("2007 Plan")

During 2007, options over 2,940,000 ordinary shares of 3 pence each were granted to employees and management of the Company, exercisable at 135 pence for a period of 10 years from the date of issue.

270,000 of these options vested on grant date and the balance vest over 3 years at one-third at each anniversary of the issue date. 690,000 of these options were forfeited during 2008 by reason of retirement and 120,000 options were forfeited in 2009.

Share options granted during the year ended 31 December 2007 were valued by the Directors using the Black-Scholes valuation model, based upon the assumptions as detailed in the table above.

At 31 December 2015, 2,130,000 options were outstanding under this plan (2014 - 2,130,000).

The DiamondCorp Share Option Plan ("DCP Plan")

During 2008, a share option plan was approved and registered in the Republic of South Africa to provide eligible employees of the Group with the opportunity to acquire as an incentive an interest in the equity of the Company. Eligible employees were granted options over 695,000 ordinary shares of 3 pence each, exercisable at 50 pence for a period of 10 years from the date of issue, 16 December 2008. These options vest over 3 years at one-third at each anniversary of the issue date. During 2009, a further 200,000 options were granted under this plan and 340,000 options were forfeited.

These options were valued by the Directors using the Black-Scholes valuation model, based upon the assumptions as detailed in the table above.

In August 2010, the exercise price of these options was adjusted to 21 pence. All other conditions remain unchanged.

At 31 December 2015, the number of options outstanding under this plan was 555,000 (2014 - 555,000).

2010 Option Plan ("2010 Plan")

During 2010, options over 4,570,000 ordinary shares of 3 pence each were granted to employees and management of the Company, exercisable at 12 pence each for a period of 10 years from the date of issue. These options vest over 3 years at one third on each anniversary of the date of issue, subject to the share price of the Company attaining and trading at or above 17 pence for a period of 3 consecutive months.

These options were valued by the Directors using the Black-Scholes valuation model, based upon the assumptions as detailed above.

During the year ended 31 December 2010, 660,000 options expired.

During the year ended 31 December 2011, 250,000 options expired.

During 2012 the exercise price of these options was adjusted to 5 pence. All other conditions remain unchanged.

At 31 December 2015, 3,660,000 options were outstanding under this plan (2014 - 3,660,000).

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14. Share based payments (continued)

2013 Option Plan ("2013 Plan")

During 2013, options over 2,000,000 ordinary shares of 0.10 pence each were granted to Mr. E A Worthington, exercisable at a price of 5 pence each for a period of 5 years from the date of issue. The 2,000,000 options vest immediately.

These options were valued by the Directors using the Black-Scholes valuation model, based upon the assumptions as detailed above.

At 31 December 2015, 2,000,000 options were outstanding under this plan (2014 - 2,000,000).

2014 Option Plan - Amended 2007 option plan

During 2014, options over 4,500,000 ordinary shares of 0.1 pence were granted to employees and management of the Company, exercisable at 8.5 pence for a period of 10 years from the date of issue.

All these options vest over 3 years at one-third at each anniversary of the issue date, and no options vested in 2015.

Share options granted during the year ended 31 December 2014 were valued by the Directors using the Black-Scholes valuation model, based upon the assumptions detailed in the table above.

At 31 December 2015, 4,450,000 options were outstanding under this plan (2014 - 4,500,000).

15. Warrant Reserve

GROUP AND COMPANY

	Warrants in issue	Warrant reserve £
Outstanding at 31 December 2015	-	-

GROUP AND COMPANY

	Warrants in issue	Warrant reserve £
Outstanding at 31 December 2014	5,000,000	79,192

Darwin Warrants

In respect of agreeing to provide a standby equity finance facility of up to £10,000,000 which could be drawn upon at the Company's discretion during a period of 36 months ending on 18 October 2015, the Company grants 5,000,000 warrants to Darwin Strategic Limited, a unit of Henderson Global Investors, which are exercisable at 9 pence on or before 18 October 2015. During May 2015 Darwin Strategic Limited exercised their right to convert the warrant at 9 pence.

The warrants were exercised during the financial year.

These warrants were valued by the Directors using the Black-Scholes valuation model, based on the assumptions as detailed below.

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15. Warrant Reserve (continued)

Black-Scholes Assumptions

	Darwin Warrants
Term range	3 years
Expected dividend yield	Nil
Risk free interest rate	1.68%
Share price volatility	90.09%
Share price at time of grant	4 pence
Exercise price	9 pence

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Warrant Reserve - End of the year	-	79,192	-	79,192

16. Compound instruments

The compound instruments have been split in a debt component and derivative as presented below:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
At amortised cost				
Current liabilities	2,684,835	2,811,742	1,363,050	1,234,488
	2,684,835	2,811,742	1,363,050	1,234,488
At fair value through profit or loss				
Derivative financial instruments	3,596,870	3,730,434	1,480,203	1,409,446
	3,596,870	3,730,434	1,480,203	1,409,446

UK Bonds

On 14 December 2012, the Company, issued £1,410,000 14% senior secured bonds (the "UK Bonds") to investors in the United Kingdom. The proceeds of the UK Bonds was held in escrow and released from escrow upon completion of a loan agreement between DiamondCorp Holdings Ltd, an associated company, and Laureilton Diamonds Inc. The UK Bonds are due for repayment 14 December 2018 with interest payable quarterly in arrears, with the first 24 months of interest on the UK Bonds to be accumulated and added to the principal amount to be repaid. Bondholders can request conversion of the UK Bonds and outstanding interest at any time after 24 January 2013. Any request for conversion can be settled at the absolute discretion of the Company with ordinary shares at 5.80 pence per share or the cash equivalent of the number of underlying shares multiplied by the share price at the time of conversion. The UK Bonds are secured by the assets of the Company and have a reversionary interest in the assets of Lace Diamond Mines (Pty) Ltd. £250,000 of the UK Bonds were taken up by directors of the Company or other related parties (see note 28 of the financial statements).

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16. Compound instruments (continued)

SA Bonds

On 14 December 2012, Soapstone Investment Ltd ("Soapstone"), wholly-owned subsidiary of the Company, issued ZAR40,000,000 (£2,868,864 at spot rate on 14 December 2012) 14% senior secured bonds (the "SA Bonds") to investors in South Africa. The proceeds of the SA Bonds was held in escrow and released from escrow upon completion of a loan agreement between DiamondCorp Holdings Ltd, a subsidiary company, and Laureilton Diamonds Inc. The SA Bonds are due for repayment 14 December 2018 with interest payable quarterly in arrears, the first payment being 14 March 2013. The first two years of interest will be held in escrow to be paid on the quarterly interest dates. Bondholders can request conversion of the SA Bonds and outstanding interest at any time after 24 January 2013. Any request for conversion can be settled at the absolute discretion of the Company with ordinary shares at ZAR 0.81 per share or the cash equivalent of the number of underlying shares multiplied by the share price at the time of conversion. The SA Bonds are secured by the assets of Soapstone Investment Ltd and have a reversionary interest in the assets of Lace Diamond Mines (Pty) Ltd. The SA Bond is also secured by way of a financial guarantee provided by DiamondCorp plc. The SA Bonds is further secured as indicated in note 4 of the financial statements.

Fair Value

Refer to note 36 of the financial statements for the valuation techniques and assumptions applied for the purposes of measuring fair value.

17. Other financial liabilities

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
At fair value through profit or loss				
Financial guarantee contract	-	-	455,000	455,000
Held at amortised cost				
Loan from the Industrial Development Corporation of SA Limited	11,790,454	13,442,518	-	-
Loan from Laureilton Diamonds Inc.	5,184,061	4,530,325	-	-
Total financial liabilities	16,974,515	17,972,843	455,000	455,000

IDC Loan

On 20 September 2012, Lace Diamond Mines (Pty) Ltd ("Lace"), a 74% owned subsidiary of the Company, entered into an agreement with the Industrial Development Corporation of SA Limited ("IDC") whereby IDC will provide a project loan facility of ZAR 220,000,000. The initial term of the loan was 7 years from the initial drawdown date which was 14 August 2013 with an interest rate of South Africa Prime Rate + 2%. Interest was capitalised for two years, subject to a maximum of ZAR 20,141,000 and thereafter is payable bi-annually in arrears. The loan was repayable in 10 bi-annual payments of ZAR 24,014,000 commencing on the date that is 2 years after the initial drawdown date and every six months thereafter. The loan was fully drawn in July 2014, and all interest was capitalised during the year. In December 2015 the IDC agreed to capitalise the interest on the loan for a further 12 months against the outstanding balance. The terms of the agreement were amended. The term of the loan is extended to 8 years with an amended interest rate of South Africa prime plus 3.2%. Interest will be capitalised to a maximum of ZAR44,633,117 repayable in equal quarterly installments, the first of which will be 1 February 2017. The IDC Loan is secured by a general charge over the assets of Lace. In addition there is a cession in favour of IDC of shares held by Lace's shareholders and of loans to Lace by shareholders and associated companies. The initial drawdown was conditional on ZAR 100,000,000 having been advanced to Lace by shareholders and associated companies after 20 September 2012.

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18. Provisions (continued)

Reconciliation of provisions - Group - 2014

	Opening balance	Additions	Exchange differences	Closing balance
	£	£	£	£
Rehabilitation provision	528,828	74,368	(21,440)	581,756

A provision is recognised for the site restoration and decommissioning of current mining activities based on current environmental and regulatory requirements. The additions of £93,394 (2014: £74,368) have been capitalised to construction in progress (mine development costs).

19. Trade and other payables

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade payables	1,363,512	236,309	627,945	18,955
Accrued leave pay	81,596	82,346	-	-
	1,445,108	318,655	627,945	18,955

The Directors consider that the carrying amount of these liabilities approximate their fair value. All payable balances are non-interest bearing.

20. Operating loss

Operating loss for the year is stated after accounting for the following:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Other income				
Gain on foreign exchange transactions	15,472	21,309	-	-
Sundry income	-	14,288	-	-
Office rental income	2,700	3,500	2,700	3,500
Profit on sale of non-current asset	5,139	-	-	-
	23,311	39,097	2,700	3,500
Operating lease charges				
Premises				
• Contractual amounts	62,454	61,526	62,454	61,526

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20. Operating loss (continued)

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Share based payment expense	29,788	5,899	29,788	5,899
Reversal of impairment on loans to group companies	-	-	-	(230,460)
Loss on exchange differences	168,197	285,060	-	-
Depreciation on property, plant and equipment (not capitalised)	19,818	19,818	19,818	19,818
General and administrative expenses	599,942	254,269	526,544	225,713
Employee costs	932,662	913,606	149,811	200,770
Auditors' remuneration	67,129	65,203	27,600	35,704

Attributable depreciation costs of £866,346 (2014: £779,064) were capitalised to mine development cost.

21. Employee cost

Employee costs including Directors' emoluments of the Group and Company were:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Wages and salaries	765,209	756,996	129,976	183,819
Social security costs	19,835	16,951	19,835	16,951
Other pension and medical aid costs	147,618	139,659	-	-
Share-based payment	29,788	5,899	29,788	5,899
	962,450	919,505	179,599	206,669

Additional attributable payroll costs of £2,475,807 were capitalised to mine development cost (2014: £2,033,557).

Average monthly number of persons employed during the year was:

	Group		Company	
	2015	2014	2015	2014
	No.	No.	No.	No.
	£	£	£	£
Administration	13	11	2	2
Operational	249	234	-	-
	262	245	2	2

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22. Finance costs

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Effective interest cost on Bonds	-	-	151,308	253,466

Borrowing costs for the Group capitalised to qualifying assets (mine development) are disclosed as below:

Reconciliation of Group finance cost capitalised - 2015

	Finance cost	Capitalised	Total as per Income Statement
	2015	2015	2015
	£	£	£
IDC interest	1,489,551	(1,489,551)	-
Soapstone Investment Ltd interest	382,394	(382,394)	-
Laurelton interest	414,990	(414,990)	-
Effective interest cost on bonds	539,776	(539,776)	-
	2,826,711	(2,826,711)	-

Reconciliation of Group finance cost capitalised - 2014

	Finance cost	Capitalised	Total as per Income Statement
	2014	2014	2014
	£	£	£
IDC interest	1,117,097	(1,117,097)	-
Soapstone Investment Ltd interest	317,632	(317,632)	-
Laurelton interest	357,445	(357,445)	-
Effective interest cost on bonds	649,900	(649,900)	-
	2,442,074	(2,442,074)	-

23. Taxation

There was no tax expense during the year.

Reconciliation

Reconciliation between accounting loss and tax expense.

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Accounting loss	(2,410,027)	(3,251,674)	(1,182,212)	(1,248,254)
Tax at the applicable weighted UK tax rate of 20% (2014: 20%)	(482,005)	(650,335)	(236,442)	(249,651)
Tax effect of adjustments on taxable income				
Expenses not tax deductible	174,402	424,438	43,540	135,873
Deferred tax not recognised	(4,944,155)	(4,967,297)	(2,562,720)	(2,648,274)
Effect of different tax rates	359,093	249,039	-	199,332
Tax losses carried forward	4,892,665	4,944,155	2,755,622	2,562,720
	-	-	-	-

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23. Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Factors affecting future tax charges

The main UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015. Further reductions in the applicable rate of corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 were enacted on 26 October 2015. On the basis the Company does not have any recognised deferred tax assets or liabilities at the balance sheet date, no re-measurement of these balances is necessary.

24. Auditors' remuneration

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	27,600	35,704	27,600	35,704
Fees payable to the Company's auditors and its associates for audit services: - The audit of company's subsidiaries	39,529	29,499	-	-
Total auditors' remuneration	67,129	65,203	27,600	35,704

There were no non-audit services in 2015 (2014: nil).

25. Other comprehensive loss for the year

Components of other comprehensive loss - Group - 2015

	Gross	Tax	Net before non-controlling interest	Non-controlling interest	Net
	£	£	£	£	£
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations					
Exchange differences arising during the year	(2,895,221)	-	(2,895,221)	521,333	(2,373,888)

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25. Other comprehensive loss for the year (continued)

Components of other comprehensive loss - Group - 2014

	Gross	Tax	Net before non- controlling interest	Non- controlling interest	Net
	£	£	£	£	£
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations					
Exchange differences arising during the year	(369,402)	-	(369,402)	90,436	(278,966)

26. Loss per share

Basic loss per share

Basic loss per share is determined by dividing loss attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the year.

	Group	
	2015	2014
	£	£
Basic loss per share		
From continuing operations (pence per share)	(0.64)	(1.02)

Basic loss per share was based on loss of £ 2,254,597 (2014: £ 3,141,615) and a weighted average number of ordinary shares of 352,438,990 (2014: 307,671,111).

Reconciliation of loss for the year to basic loss

Loss for the year attributable to equity holders of the parent	(2,254,597)	(3,141,615)
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Diluted loss per share

International Accounting Standard 33 requires presentation of diluted loss per share when a company could be called upon to issue shares that would decrease the net profit or increase the net loss per share. The calculation of diluted loss per share does not assume conversion, exercise, or other issue of potential ordinary shares that would increase the net profit or decrease the net loss per share. As the Group is currently in a loss-making position then the inclusion of the potential ordinary shares associated with share options or the convertible bonds in the diluted loss per share calculation would serve to decrease the net loss per share. On that basis, no adjustment has been made for diluted loss per share.

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26. Loss per share (continued)

Headline loss per share

The Group presents an alternative measure, as required by the JSE listing requirements, of loss per share after excluding all capital gains and losses from the loss attributable to ordinary shareholders. Due to there being no adjustments headline loss per share and basic loss per share is the same.

	Group	
	2015 £	2014 £
Headline loss per share (pence)	(0.64)	(1.02)

27. Cash used in operations

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Loss before taxation	(2,410,027)	(3,251,674)	(1,182,212)	(1,248,254)
Adjustments for:				
Depreciation (not capitalised)	19,818	19,818	19,818	19,818
Profit on sale of assets	(5,139)	-	-	-
Loss on foreign exchange	152,455	306,369	-	-
Interest received - investment	(16,909)	(49)	(110)	(49)
Finance costs	-	-	151,308	253,466
Fair value adjustments	570,257	1,685,439	217,699	679,367
Impairment loss	-	-	-	(230,460)
Movements in provisions	(63,455)	52,928	-	-
Share option expense	29,788	5,899	29,788	5,899
Other non-cash loss	-	3,619	-	-
Adjustment for warrant reserve	(79,192)	(12,808)	(79,192)	(12,808)
Changes in working capital:				
Inventories	(171,851)	101,401	-	-
Trade and other receivables	277,690	232,180	-	-
Trade and other payables	1,141,925	(22,951)	608,990	(27,625)
	(554,640)	(879,829)	(233,911)	(560,646)

28. Related parties

Relationships

Subsidiaries

Directors

Company of which Mr. P R Loudon

Company of which Mr. P R Loudon and Dr. J Willis-Richards are directors

Company of which Mr. M Toxvaerd is a director

Company of which Mr. H Scholes is a director

Refer to note 6

Refer to directors' report

GeIndree Capital Management Limited

Loeb Aron & Company Limited

European Islamic Investment Bank plc

Malan Scholes Attorneys

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28. Related parties (continued)

Related party balances

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Loan accounts - Owing (to) by related parties				
DiamondCorp Holdings Ltd (before impairment provision)	-	-	30,728,532	24,231,426
Bonds held by related parties				
Loeb Aron & Company Limited	60,000	60,000	60,000	60,000
Mr. E A Worthington	100,000	100,000	100,000	100,000
Mr. P R Loudon	100,000	100,000	100,000	100,000
Financial Guarantees to bondholders of				
Soapstone Investment Ltd	-	-	455,000	455,000

Related party transactions

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Directors Remuneration paid to related parties				
Glendree Capital Management Limited	134,190	129,114	134,190	129,114
European Islamic Investment Bank plc	15,000	15,000	15,000	15,000
Legal Fees paid to related parties				
Malan Scholes Attorneys	12,747	-	6,744	-

29. Directors' emoluments

Executive and Non-executive

2015

	Emoluments	Medical and pension benefit	Fees paid to third party	Bonuses	Share based payments	Total
	£	£	£	£	£	£
Mr. E A Worthington (Chairman) *	90,000	-	-	-	2,678	92,678
Mr. R N Allen **	15,000	-	-	-	2,008	17,008
Mr. P R Loudon *	45,810	4,487	134,190	-	5,355	189,842
Dr. J Willis-Richards **	15,000	-	-	-	2,008	17,008
Mr. M Toxvaerd **	-	-	15,000	-	2,008	17,008
Mr. H Scholes **	12,000	-	-	-	2,008	14,008
	177,810	4,487	149,190	-	16,065	347,552

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29. Directors' emoluments (continued)

2014

	Emoluments	Medical and pension benefit	Fees paid to third party	Bonuses	Share based payments	Total
	£	£	£	£	£	£
Mr. E A Worthington (Chairman) *	90,000	-	-	-	524	90,524
Mr. R N Allen **	15,000	-	-	-	393	15,393
Mr. P R Loudon *	50,886	4,904	129,114	-	1,049	185,953
Dr. J Willis-Richards **	15,000	-	-	-	393	15,393
Mr. M Toxvaerd **	-	-	15,000	-	393	15,393
Mr. H Scholes **	16,000	-	-	-	393	16,393
	186,886	4,904	144,114	-	3,145	339,049

Indicator	Type of Director
*	Executive
**	Non-executive

30. Compensation to key personnel

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Short term employee benefits	271,775	264,111	-	-
Contribution to pension fund	17,429	18,355	-	-
Share based payment	9,929	1,966	-	-
	299,133	284,432	-	-

The key personnel included in these amounts are Mr. S West, Chief Operating Officer, Mrs. S De Wet, Chief Financial Officer and Mr. A Labuschagne, Lacey Mine Manager. All directors are regarded as key personnel. Their salaries are not included above, refer to note 29 for their remuneration.

31. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 7, 16, 17 & 35, cash and cash equivalents disclosed in note 12, and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

The Group reviews the capital structure on a regular basis. As part of this review the Directors consider the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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31. Risk management (continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Categories of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Categories of financial instruments (continued)

	Group Carrying amount	Group Carrying amount	Company Carrying amount	Company Carrying amount
	2015 £	2014 £	2015 £	2014 £
FINANCIAL ASSETS				
Loans and receivables (Including cash and cash equivalents)	2,093,606	3,180,230	22,422,665	15,361,475
FINANCIAL LIABILITIES				
Amortised cost	21,104,458	21,103,241	1,990,995	1,253,443
Financial guarantee contracts	-	-	455,000	455,000
Derivative instruments designated as fair value through profit and loss (FVTPL)	3,596,870	3,730,434	1,480,203	1,409,446

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The fair value of the embedded derivative component of the convertible bonds (as per note 16 of the financial statements) was determined using the Black Scholes (using the Barone-Adesi and Whaley approximation technique) option pricing model. The table below outlines the fair value inputs used in the embedded derivative valuation.

Black-Scholes Assumptions

	31 December 2015	31 December 2014
Term range	5 years	5 years
Expected dividend yield	Nil	Nil
Risk free interest rate	1.96%	1.68%
Share price volatility	90.70%	90.09%
Share price at time of valuation	6.8 pence	7.4 pence

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31. Risk management (continued)

Financial risk management objectives

The Group's financial function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for any purpose.

Credit risk management

The Group and Company's principal financial assets are bank balances and cash. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Management reviews the credit worthiness of all customers before entering into a transaction.

The Company transacts with the following financial institutions:

Financial Institution	External credit rating
Barclays	A-
ABSA	A-
KBC Bank	A-
Standard Bank	BBB
First National Bank	BBB
Rand Merchant Bank	BBB

The Company also holds amounts receivable from related parties as disclosed in note 28 of the financial statements. Management reviews the credit worthiness of all balances due from related parties with reference to future profitability.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. There has been no change to the Group's exposure to market risks or the manner in which it is measured and managed.

Foreign currency risk management

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

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31. Risk management (continued)

Foreign currency risk management (continued)

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

	Assets (Liabilities)	Assets (Liabilities)
	2015 £	2014 £
Cash denominated in South African Rand	618,302	1,106,488
Loan denominated in South African Rand	(11,790,454)	(13,442,518)
Cash denominated in United States Dollar	7,027	433,355
Loan denominated in United States Dollar	(5,184,061)	(4,530,325)
	(16,349,186)	(16,433,000)

Foreign currency sensitivity analysis

The Group is exposed to the currency of South Africa (ZAR) and the United States Dollar.

The following table details the Group's sensitivity to a 20% increase and decrease in the Great British Pound against South African Rand and United States Dollar. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 20% change in foreign currency rates. A negative number below indicates a decrease in profit where the Great British Pound strengthens 20% against the relevant currency. For a 20% weakening of the Great British Pound against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be positive.

ZAR Currency Impact	2015 £	2014 £
Gain due to a 20% depreciation of the ZAR	2,234,430	2,467,206
Loss due to a 20% appreciation of the ZAR	(2,234,430)	(2,467,206)
USD Currency Impact	2015 £	2014 £
Gain due to a 20% depreciation of the USD	1,035,407	819,394
Loss due to a 20% appreciation of the USD	(1,035,407)	(819,394)

The Group's sensitivity to foreign currency has increased during the current year, because the Company held higher balances of foreign currency. However, the Group's South African Rand deposits are held at a subsidiary level in South Africa and as such this sensitivity analysis does not represent a real cash foreign exchange risk to the Group.

In management's opinion, the impact of the sensitivity analysis is representative of the inherent foreign exchange risk.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes the principal cash flows all of which are due within less than one year and more than one year.

In respect of the financial liability and the financial guarantee contract liability (Company only), the terms on which those instruments might be required to be settled are outlined in note 17 of the financial statements.

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31. Risk management (continued)

Liquidity and interest risk tables (continued)

LIABILITIES

GROUP	Weighted average effective interest rate	Less than 1 year	More than 1 year	Weighted average effective interest rate	Less than 1 year	More than 1 year
	2015 %	2015 £	2015 £	2014 %	2014 £	2014 £
Non-interest bearing	- %	3,596,870	-	- %	4,049,090	-
Fixed interest rate instruments	12.0 %	3,007,015	21,881,454	13.0 %	3,177,268	26,150,487

COMPANY	Weighted average effective interest rate	Less than 1 year	More than 1 year	Weighted average effective interest rate	Less than 1 year	More than 1 year
	2015 %	2015 £	2015 £	2014 %	2014 £	2014 £
Non-interest bearing	- %	2,108,141	-	- %	1,428,401	-
Fixed interest rate instruments	14.0 %	1,553,877	-	23.0 %	1,518,420	-
Financial guarantee contract	- %	-	455,000	- %	-	455,000

LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group expects to ramp up to full production in the second half of 2016 and this will contribute to the Group cash flows.

The following table details the Group's and Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

ASSETS

GROUP	Weighted average effective interest rate	Less than 1 year	More than 1 year	Weighted average effective interest rate	Less than 1 year	More than 1 year
	2015 %	2015 £	2015 £	2014 %	2014 £	2014 £
Non-interest bearing	- %	371,120	128,113	- %	648,810	101,199
Interest bearing	1.0 %	1,728,402	54,997	4.0 %	2,531,420	70,232

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31. Risk management (continued)

LIQUIDITY RISK MANAGEMENT (continued)

COMPANY	Weighted average effective interest rate	Less than 1 year	More than 1 year	Weighted average effective interest rate	Less than 1 year	More than 1 year
	2015 %	2015 £	2015 £	2014 %	2014 £	2014 £
Non-interest bearing	- %	-	20,790,116	- %	-	14,307,300
Interest bearing	- %	1,618,259	-	- %	1,054,175	-

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an approximate mix between fixed and floating rate borrowings.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Based on simulations performed, the recalculated impact on net profit after tax of a 2% shift in the prime interest rate of South Africa would be a maximum increase of £ 268,850.

32. Going concern

In determining the appropriate basis of presentation of the financial statements, the Directors are required to consider whether the Group can continue existence of the foreseeable future, this being a period of not less than 12 months from the date of the approval of the financial statements. The Group's business activities and goals are set out in the Letters from the Chairman and Chief Executive.

For the year ended 31 December 2015 the Group incurred a loss of £2,410,027 (2014: £3,251,674 loss).

After reviewing the existing cash resources, facilities and Life of Mine model and the ongoing ramp up of production the Directors have a reasonable expectation that the Group can meet all its liabilities as they fall due, therefore they continue to adopt the going concern basis of presentation of the financial statements (refer to note 1.3 Going Concern).

33. Contingent liabilities

A claim was submitted by Acrux Resources (Pty) Ltd against Lace Diamond Mines (Pty) Ltd for an amount of £207,229 plus interest during the financial year. The claim submitted is for the structuring fee of a terminated contract between Acrux Resources (Pty) Ltd and Lace Diamond Mines (Pty) Ltd. The claim is disputed by Lace Diamond Mines (Pty) Ltd and management is of the opinion that the claim will be unsuccessful. Management anticipates that the outcome of the claim will only be resolved in 2017.

34. Events after the reporting year

On 4 January 2016, the Company issued 34,329,667 ordinary shares of 0.1 pence each at a price of 6 pence per share for gross proceeds of £2,059,780.

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35. Operating lease

Minimum lease payments due

- within one year
- in second to fifth year inclusive

Present value of minimum lease payments

Group		Company	
2015	2014	2015	2014
£	£	£	£
41,677	50,012	41,677	50,012
-	41,677	-	41,677
41,677	91,689	41,677	91,689

The operating lease on the premises expires in October 2016.

36. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 3

Liabilities

Note

Financial liabilities at fair value through profit or loss

17

Derivative financial instruments
Financial guarantees

Group		Company	
2015	2014	2015	2014
£	£	£	£
3,596,870	3,730,434	1,480,203	1,409,446
-	-	455,000	455,000
3,596,870	3,730,434	1,935,203	1,864,446

Transfers of assets and liabilities within levels of the fair value hierarchy

No transfers were made between levels in the fair value hierarchy in the 2014 or 2015 financial years.

Valuation techniques used to derive level 3 fair values

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The fair value of the embedded derivative component of the convertible bonds was determined using the Black Scholes (using the Barone-Adesi and Whaley approximation technique) option pricing model. The table below outlines the fair value inputs used in the embedded derivative valuation.

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36. Fair value information (continued)

Valuation techniques used to derive level 3 fair values (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

No changes have been made to the valuation technique.

Black Scholes Assumptions

	31 December 2015	31 December 2014
Term range	5 years	5 years
Expected dividend yield	Nil	Nil
Risk free interest rate	1.96%	1.68%
Share price volatility	90.70%	90.09%
Share price at time of grant	6.8 pence	7.4 pence

Description of valuation method and inputs of another class of level 2 fair values.

For the valuation method and assumptions used for the Darwin Warrants refer to note 15 of the financial statements.