PANGOLIN DIAMONDS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Pangolin Diamonds Corp. (the "Company") were prepared in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

Management has established processes which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

October 26, 2017

UHY McGovern Hurley LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pangolin Diamonds Corp.

We have audited the accompanying consolidated financial statements of Pangolin Diamonds Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pangolin Diamonds Corp. and its subsidiaries as at June 30, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended June 30, 2017 and a cumulative deficit as at June 30, 2017. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

TORONTO, Canada
October 26, 2017

PANGOLIN DIAMONDS CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at June 30,		2017		2016
ASSETS				
Current assets				
Cash (note 8)	$	**615,238**	$	420,530
Receivables, prepaids and deposits (note 8)		**178,746**		101,711
Total current assets		**793,984**		522,241
Non-current assets				
Equipment (note 4)		**156,936**		20,725
Total assets	$	**950,920**	$	542,966
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Amounts payable and accrued liabilities (note 12)	$	**359,423**	$	373,171
Shareholders' loan (note 12)		**19,620**		19,620
Total current liabilities		**379,043**		392,791
Shareholders' equity				
Share capital (note 5)		**8,707,402**		8,120,928
Contributed surplus		**2,270,618**		1,772,667
Cumulative translation adjustment		**18,242**		18,242
Deficit		**(10,424,385)**		(9,761,662)
Total shareholders' equity		**571,877**		150,175
Total liabilities and shareholders' equity	$	**950,920**	$	542,966

Nature of operations and going concern (note 1)
Commitments and contingencies (notes 8 and 11)
Subsequent event (note 16)

Approved on behalf of the Board:

(Signed) "Louis Peloquin", Director

(Signed) "Thomas A. Fenton", Director

PANGOLIN DIAMONDS CORP.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the Years Ended June 30,	2017	2016
Expenses		
Consulting fees (note 12)	**$ 134,637**	$ 86,461
Exploration and evaluation expenditures (notes 8 and 12)	**576,957**	516,269
Administrative costs	**312,940**	266,639
Professional fees (note 12)	**72,087**	47,978
Share-based compensation (note 6)	**280,997**	330,700
Investor relations, promotion, travel	**53,060**	51,317
Depreciation (note 4)	**7,605**	11,031
Foreign exchange loss	**5,816**	25,644
Sale of royalty interest (note 8)	**(600,000)**	-
Net loss and other comprehensive loss for the year	**$ (844,099)**	$ (1,336,039)
Basic and diluted net loss per share (note 9)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares - outstanding - basic and diluted	**123,855,697**	101,458,640

The accompanying notes are an integral part of these consolidated financial statements

PANGOLIN DIAMONDS CORP.
Consolidated Statements Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended June 30,	2017	2016
Operating activities		
Net (loss) for the year	**$ (844,099)**	$ (1,336,039)
Adjustments for:		
Share-based payments	**280,997**	330,700
Depreciation	**7,605**	11,031
Changes in non-cash working capital items:		
Receivables, prepaids and deposits	**(77,035)**	17,229
Amounts payable and accrued liabilities	**194,084**	221,968
Net cash used in operating activities	**(438,448)**	(755,111)
Investing activities		
Equipment purchases	**(143,816)**	(2,290)
Net cash used in investing activities	**(143,816)**	(2,290)
Financing activities		
Proceeds from warrant exercise	**44,490**	981,538
Proceeds from issuance of units	**764,552**	24,000
Share issue costs	**(32,070)**	(18,651)
Shareholders' loan	**-**	93,906
Net cash provided by financing activities	**776,972**	1,080,793
Net change in cash	**194,708**	323,392
Cash, beginning of year	**420,530**	97,138
Cash, end of year	**$ 615,238**	$ 420,530

Supplemental Information		
Issuance of broker units	**$ 7,540**	$ 33,250
Issuance of units in settlement of debt	**$ 75,000**	$ 141,223
Issuance of broker warrants	**$ 2,379**	$ -
Exercise of options in settlement of debt	**$ 51,330**	$ -
Private placement proceeds in kind	**$ 81,501**	$ -

The accompanying notes are an integral part of these consolidated financial statements

PANGOLIN DIAMONDS CORP.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share Capital Number	Share Capital Amount	Contributed Surplus	Cumulative Translation Adjustment	Deficit	Total
Balance, June 30, 2015	88,154,650	$ 7,384,212	$ 1,249,263	$ 18,242	$ (8,823,626)	$ (171,909)
Issuance of common shares in private placement	26,441,485	1,322,074	-	-	-	1,322,074
Share issue costs	-	(29,621)	(22,280)	-	-	(51,901)
Issuance of broker units	665,000	17,955	15,295	-	-	33,250
Issuance of warrants	-	(606,022)	606,022	-	-	-
Exercise of warrants	400,000	32,330	(8,330)	-	-	24,000
Expiration of options	-	-	(179,243)	-	179,243	-
Expiry of warrants	-	-	(218,760)	-	218,760	-
Share-based payments	-	-	330,700	-	-	330,700
Net loss for the year	-	-	-	-	(1,336,039)	(1,336,039)
Balance, June 30, 2016	**115,661,135**	**$ 8,120,928**	**$ 1,772,667**	**$ 18,242**	**$ (9,761,662)**	**$ 150,175**
Issuance of common shares in private placements	10,362,283	846,054	-	-	-	846,054
Costs of issue	-	(23,996)	(8,074)	-	-	(32,070)
Issuance of broker units	-	(2,379)	2,379	-	-	-
Issuance of warrants	-	(440,763)	440,763	-	-	-
Exercise of warrants	787,000	60,108	(15,618)	-	-	44,490
Expiry of warrants	-	-	(147,860)	-	147,860	-
Expiry of options	-	-	(33,516)	-	33,516	-
Exercise of options	515,000	72,450	(21,120)	-	-	51,330
Shares issued for debt	1,500,000	75,000	-	-	-	75,000
Share-based payments	-	-	280,997	-	-	280,997
Net loss for the year	-	-	-	-	(844,099)	(844,099)
Balance, June 30, 2017	**128,825,418**	**$ 8,707,402**	**$ 2,270,618**	**$ 18,242**	**$ (10,424,385)**	**$ 571,877**

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Pangolin Diamonds Corp. (the “Company” or "Pangolin") was incorporated under the Ontario Business Corporations Act on November 9, 2011. The Company is currently engaged in the acquisition, exploration and development of mineral properties in Botswana. The head office and principal address of the Company is 25 Adelaide Street East, Suite 1614, Toronto, Ontario M5C 3A1.

The Company is in the process of exploring its exploration properties for diamond resources and has not determined whether the properties contain economically recoverable reserves. The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts expended on exploration properties and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. All of the Company’s exploration property interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of operations. The Company has incurred a comprehensive loss during the year ended June 30, 2017 of $844,099 (2016 - $1,336,039) and has working capital of $414,941 (2016 - working capital of $129,450) and has a deficit of $10,424,385 (2016 - $9,761,662) as at June 30, 2017. Further financing will be required for working capital and exploration expenditures. The Company is uncertain whether it can obtain, in the current environment, financing to complete its current work programs. These consolidated financial statements do not reflect any adjustments to amounts that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company currently does not have sufficient cash on hand to meet all exploration and operational expenses for the 2018 fiscal year. Accordingly, there is a material uncertainty that results in significant doubt regarding the applicability of the Company's going concern assumption. The Company plans to raise additional capital to further develop and explore its projects, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations adopted by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on October 26, 2017.

2. BASIS OF PRESENTATION (Continued)

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Functional and Presentation Currency

The presentation currency adopted for these consolidated financial statements is the Canadian dollar. The functional currency of Pangolin Diamonds Corp. and its subsidiaries is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements of the Company consolidate the accounts of Pangolin Diamonds Corp., and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation.

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Name of Subsidiary	Principal Activity	Location	Proportion Ownership Interest and Voting Power Held
Pangolin Diamonds Limited ("PDL")	holding company	Seychelles	100%
Pangolin Diamonds (Pty) Limited	diamond exploration	Botswana	100%
Geocontracts Botswana (Pty) Limited	exploration consulting, and diamond exploration	Botswana	100%

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. As at June 30, 2017 and 2016, the Company did not hold any cash equivalents.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial statement presentation date, the monetary assets and liabilities that are denominated in foreign currencies are translated at rates prevailing at the date of the statement of financial position. Revenues and expenses are translated at exchange rates at the dates of the transactions, and all resulting exchange differences are recognized in operations.

Financial Instruments

The Company's financial instruments consist of the following:

Financial Assets:	Classification:
Cash	Loans and receivables
Receivables	Loans and receivables
Financial Liabilities:	**Classification:**
Amounts payable and accrued liabilities	Other financial liabilities
Shareholders' loan	Other financial liabilities

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other Financial Liabilities

Other financial liabilities are recognized initially at fair value net of any attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs 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) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

The Company assesses at each reporting date whether there is any objective that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e. as prices] or indirectly [i.e. derived from prices]; and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

As of June 30, 2017 and 2016, the Company did not have any financial instruments that are recorded at fair value on the consolidated statement of financial position.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the instrument at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of diamond exploration properties, property option payments and exploration and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when a mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Royalty income is measured at the fair value of the consideration received or receivable. Royalty income is recorded on an accrual basis in accordance with the substance of the resource sublease provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably and collectability is reasonably assured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of the equipment, less its estimated residual value, over its estimated useful life on a straight-line basis at the following rates:

Field equipment	15%
Computer equipment	25%
Vehicle	25%

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

Income Taxes

Income tax included in operations for the years presented comprises current and deferred tax. Income tax is recognized in operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects, to equity.

Share-based Payment Transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods and services cannot be reliably measured, and are recorded at the date the goods or services are received.

The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the contributed surplus amount is transferred to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus. For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

The carrying value of equipment is assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical or licence basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of loss so as to reduce the carrying amount to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at June 30, 2017 or 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, the loss attributed to common shareholders equals the reported loss attributable to owners of the Company. The weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the net proceeds received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share or increase earnings per share.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Judgments and Estimates (Continued)

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' Carrying Value and Impairment Changes

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline in fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Income, Value Added, Withholding and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Existence of Decommissioning and Restoration Costs and the Timing of Expenditure

Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations with regulatory authorities.

Share-based Payments

Management determines costs for share-based payments using market based valuation techniques. The fair value of the market-based and performance based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made on a judgemental basis and are used in applying valuation techniques. The assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingencies

Refer to note 11.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Policies Adopted

The following standards were adopted during the year ended June 30, 2017:

(i) IFRS 10 Consolidated Financial Statements (“IFRS 10”) and IAS 28 Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments were adopted on July 1, 2016, with no material impact to the Company's consolidated financial statements.

(ii) IAS 1 Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments were adopted on July 1, 2016, with no material impact to the Company's consolidated financial statements.

Future Accounting Changes

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective as at January 1, 2018. Earlier adoption is permitted.

(ii) In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

(iii) IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

There are no other relevant IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(Expressed in Canadian Dollars)

4. EQUIPMENT

Cost		**Field Equipment**		**Vehicle**		**Computer Equipment**		**Total**
Balance, June 30, 2015	$	58,952	$	20,251	$	5,892	$	85,095
Additions		-		1,454		836		2,290
Balance, June 30, 2016	$	58,952	$	21,705	$	6,728	$	87,385
Additions		142,201		-		1,615		143,816
Balance, June 30, 2017	**$**	**201,153**	**$**	**21,705**	**$**	**8,343**	**$**	**231,201**
Accumulated Depreciation								
Balance, June 30, 2015	$	28,125	$	24,874	$	2,630	$	55,629
Depreciation		3,562		6,534		935		11,031
Balance, June 30, 2016	$	31,687	$	31,408	$	3,565	$	66,660
Depreciation		4,160		2,330		1,115		7,605
Balance, June 30, 2017	**$**	**35,847**	**$**	**33,738**	**$**	**4,680**	**$**	**74,265**
Carrying Value								
At June 30, 2016	$	27,265	$	(9,703)	$	3,163	$	20,725
At June 30, 2017	**$**	**165,306**	**$**	**(12,033)**	**$**	**3,663**	**$**	**156,936**

(Expressed in Canadian Dollars)

5. SHARE CAPITAL

Common shares

a) Authorized capital

Unlimited number of common shares without par value.

b) Issued and outstanding

	Number		Amount
Balance, June 30, 2015	**88,154,650**	**$**	**7,384,212**
Shares issued on private placements (i)(ii)	26,441,485		1,322,074
Costs of issue (i)(ii)	-		(29,621)
Issuance of warrants - valuation (i)(ii)	-		(606,022)
Issuance of broker warrants (ii)	665,000		17,955
Exercise of warrants - cash	400,000		24,000
Exercise of warrants - valuation	-		8,330
Balance, June 30, 2016	**115,661,135**		**8,120,928**
Issuance of common shares in private placements (iii)(iv)	10,362,283		846,054
Costs of issue (iii)(iv)	-		(23,996)
Issuance of warrants - valuation (iii)(iv)	-		(440,763)
Issuance of broker warrants (iii)	-		(2,379)
Exercise of warrants - cash	787,000		44,490
Exercise of warrants - valuation	-		15,618
Exercise of options - cash	515,000		51,330
Exercise of options - valuation	-		21,120
Shares issued for debt (v)	1,500,000		75,000
Balance, June 30, 2017	**128,825,418**	**$**	**8,707,402**

i) On September 3, 2015, the Company completed a private placement financing of 12,572,425 units for gross proceeds of $628,621 at an issue price of $0.05 per unit. Each unit consisted of one common share and one common share purchase warrant, entitling the holder to acquire an additional common share for $0.05 for five years from the date of issuance. Cash costs of issue incurred under this private placement amounted to $9,060, of which $4,530 was allocated to warrants. Officers and directors of the Company participated in the total amount of $39,623 as settlement of debt.

The 12,572,425 warrants issued in connection with this private placement were assigned a grant date fair value of $287,034 using the Black-Scholes option pricing model, based on a risk-free rate of 0.75%, an expected life of 5 years, an expected volatility of 139% and an expected dividend yield of 0%.

ii) On April 19, 2016, the Company completed a private placement financing of 13,869,060 units for gross proceeds of $693,453 at an issue price of $0.05 per unit. Each unit consisted of one common share and one common share purchase warrant, entitling the holder to acquire an additional common share for $0.05 for five years from the date of issuance. Cash costs of issue incurred under this private placement amounted to $9,591, of which $2,000 was allocated to warrants. Officers and directors of the Company participated in the total amount of $101,600 as settlement of debt.

The 13,869,060 warrants issued in connection with this private placement were assigned a grant date fair value of $318,988 using the Black-Scholes option pricing model, based on a risk-free rate of 0.79%, an expected life of 5 years, an expected volatility of 142% and an expected dividend yield of 0%.

In connection with this financing, the Company issued 665,000 units to the finders at $0.05, with each unit being identical to those issued in the underlying financing. The finder warrants were assigned a grant date fair value of $33,250 based on the value of the units issued as part of the private placement, of which $15,750 was allocated to warrants. The shares were allocated a value of $17,955 and the warrants a value of $15,295.

5. SHARE CAPITAL (Continued)

Common shares (Continued)

iii) On August 15, 2016, the Company completed a private placement financing of 5,607,944 units for gross proceeds of $560,794 at an issue price of $0.10 per unit. Each unit consisted of one common share and one common share purchase warrant, entitling the holder to acquire an additional common share for $0.15 for five years from the date of issuance. Cash costs of issue incurred under this private placement amounted to $17,641, of which $8,074 was allocated to warrants. Officers and directors of the Company participated in the total amount of $244,000.

The 5,607,944 warrants issued in connection with this private placement were assigned a grant date fair value of $308,437 using the Black-Scholes option pricing model, based on a risk-free rate of 0.63%, an expected life of 5 years, an expected volatility of 141% and an expected dividend yield of 0%.

In connection with this financing, the Company issued 35,000 broker warrants exercisable into units at $0.15 per unit for a period of two years, with each unit being identical to those issued in the underlying financing. The broker warrants were assigned a grant date fair value of $2,379 using the Black-Scholes option pricing model, based on a risk-free rate of 0.54%, an expected life of 2 years, an expected volatility of 157% and an expected dividend yield of 0%.

iv) On December 6, 2016, the Company completed a private placement financing of 4,628,666 units for gross proceeds of $277,720 at an issue price of $0.06 per unit. Each unit consisted of one common share and one common share purchase warrant, entitling the holder to acquire an additional common share for $0.07 for five years from the date of issuance. Cash costs of issue incurred under this private placement amounted to $6,889. Officers and directors of the Company participated in the total amount of $170,000.

In connection with this financing, the Company issued 125,673 units to the finders, with each unit being identical to those issued in the underlying financing.

The 4,628,666 warrants and 125,673 warrants issued in connection with this private placement were assigned a grant date fair value of $126,847 and $5,479, respectively, using the Black-Scholes option pricing model, based on a risk-free rate of 1.02%, an expected life of 5 years, an expected volatility of 142% and an expected dividend yield of 0%.

v) On June 14, 2017, the Company issued 500,000 common shares to each of the Company's Chief Executive Officer, Chief Financial Officer, and a consultant, or 1,500,000 common shares in aggregate in settlement of a total of $75,000 in debt.

6. STOCK OPTIONS

In June 2012, the directors of the Company approved the adoption of a stock option plan (the “Plan”). Under the Plan, the Board of Directors of the Company, may from time to time at its discretion, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at that time. Such options may be exercisable for a period of up to 10 years from the date of grant. The exercise price of the options is not to be less than the Company’s closing market price on the day prior to the grant of the options.

(Expressed in Canadian Dollars)

6. STOCK OPTIONS

The following table shows the continuity of stock options for the years ended June 30, 2017 and 2016.

	Number of Options Outstanding	Weighted Average Exercise Price ($)
Balance, June 30, 2015	7,875,000	0.20
Granted (i)(ii)	3,650,000	0.12
Expired	(2,250,000)	0.12
Balance, June 30, 2016	9,275,000	0.13
Granted (iii)(iv)(v)(vi)	2,815,000	0.14
Exercised	(515,000)	0.10
Expired	(450,000)	0.10
Balance, June 30, 2017	**11,125,000**	**0.13**

i) On October 14, 2015, the Company granted an aggregate of 800,000 stock options to a director and two consultants for a period of five years, at an exercise price of $0.10 per share, vesting immediately upon grant. The stock options were valued at the grant date at $26,320, using the Black-Scholes option pricing model, based on a risk-free rate of 0.77%, an expected life of 5 years, an expected volatility of 140% and an expected dividend yield of 0%.

ii) On May 31, 2016, the Company granted an aggregate of 2,850,000 stock options to directors, officers and consultants for a period of five years, at an exercise price of $0.12 per share, vesting immediately upon grant. The stock options were valued at the grant date at $304,380, using the Black-Scholes option pricing model, based on a risk-free rate of 0.74%, an expected life of 5 years, an expected volatility of 142% and an expected dividend yield of 0%.

iii) On August 15, 2016, the Company granted an aggregate of 2,000,000 stock options to a director for a period of five years, at an exercise price of $0.15 per share, vesting immediately upon grant. The stock options were valued at the grant date at $247,400, using the Black-Scholes option pricing model, based on a risk-free rate of 0.63%, an expected life of 5 years, an expected volatility of 141% and an expected dividend yield of 0%.

iv) On March 16, 2017, the Company granted an aggregate of 150,000 stock options to an employee for a period of five years, at an exercise price of $0.10 per share, vesting immediately upon grant. The stock options were valued at the grant date at $6,955, using the Black-Scholes option pricing model, based on a risk-free rate of 1.24%, an expected life of 5 years, an expected volatility of 140% and an expected dividend yield of 0%.

v) On May 23, 2017, the Company granted an aggregate of 150,000 stock options to an employee for a period of five years, at an exercise price of $0.10 per share, vesting immediately upon grant. The stock options were valued at the grant date at $4,950, using the Black-Scholes option pricing model, based on a risk-free rate of 0.97%, an expected life of 5 years, an expected volatility of 140% and an expected dividend yield of 0%.

vi) On June 6, 2017, the Company granted an aggregate of 515,000 stock options to an officer, a director and a consultant for a period of five years, at an exercise price of $0.10 per share, vesting immediately upon grant. The stock options were valued at the grant date at $21,682, using the Black-Scholes option pricing model, based on a risk-free rate of 0.92%, an expected life of 5 years, an expected volatility of 140% and an expected dividend yield of 0%.

(Expressed in Canadian Dollars)

6. STOCK OPTIONS

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2017:

Number of Options Outstanding and Exercisable	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)	Grant Date Black Scholes Value ($)
100,000	0.10	0.67	100,000	8,160
1,175,000	0.25	0.81	1,175,000	241,530
1,200,000	0.11	2.12	1,200,000	110,400
2,185,000	0.10	2.93	2,185,000	69,920
800,000	0.10	3.29	800,000	26,320
2,850,000	0.12	3.92	2,850,000	304,380
2,000,000	0.15	4.13	2,000,000	247,400
150,000	0.10	4.71	150,000	6,965
515,000	0.10	4.94	515,000	21,682
150,000	0.10	4.90	150,000	4,950
11,125,000	**0.13**	**3.23**	**11,125,000**	**1,041,707**

7. WARRANTS

The following table shows the continuity of warrants for the years ended June 30, 2017 and 2016

	Number of Warrants Outstanding	Warrants Weighted Average Exercise Price ($)
Balance, June 30, 2015	23,374,890	0.12
Issued (Note 5(b)(i)(ii))	27,106,485	0.05
Expired	(7,584,600)	0.19
Exercised	(400,000)	0.06
Balance, June 30, 2016	42,496,775	0.06
Issued (Note 5(b(iii)(iv))	10,397,283	0.11
Expired	(7,429,790)	0.12
Exercised	(787,000)	0.06
Balance, June 30, 2017	**44,677,268**	**0.07**

(Expressed in Canadian Dollars)

7. WARRANTS (CONTINUED)

The following table summarizes information about warrants outstanding as at June 30, 2017:

Expiry Date	Number of Warrants Outstanding	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Black Scholes Value ($)
December 6, 2021	4,628,666	0.07	4.44	126,847
December 6, 2021	125,673	0.07	4.44	5,479
March 27, 2020	7,173,500	0.06	2.74	149,381
September 3, 2020	12,572,425	0.05	3.18	282,504
April 19, 2021	13,869,060	0.05	3.81	301,238
April 19, 2021	665,000	0.05	3.81	15,295
August 15, 2018	35,000 (i)	0.15	1.13	2,379
August 15, 2021	5,607,944	0.15	4.13	308,437
	44,677,268	**0.07**	**3.56**	**1,191,560**

(i) Exercisable into one unit comprised of one common share and one warrant exercisable at $0.15 until August 15, 2021.

8. EXPLORATION AND EVALUATION EXPENDITURES

The Company holds prospecting diamond licences in Botswana through its wholly owned Botswana subsidiaries that expire over the period March 31, 2018 to March 31, 2020.

During the years ended June 30, 2017 and 2016, the Company incurred the following exploration and evaluation expenditures:

For the year ended June 30,	**2017**	2016
Exploration drilling	**$ 129,898**	$ 120,290
Exploration sample analysis	**34,172**	35,781
Fuel and oil	**25,629**	24,239
Motor vehicle expenses and transport	**42,750**	21,420
Field consumables and equipment	**28,627**	18,947
Repairs and maintenance	**1,704**	6,585
Geological consulting and licenses	**314,177**	289,007
	$ 576,957	$ 516,269

The Botswana government retains a 10% net royalty on the market value of produced diamonds and can select to participate in development by contribution of its share of development costs. Nomathata Diamonds Inc., a corporation incorporated in the Republic of the Seychelles, which is controlled by a significant shareholder who is also a director and officer of the Company, holds a 1.2% net smelter royalty ("NSR") calculated on the same basis as the government's royalty.

8. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

On May 23, 2017, the Company reached an agreement with Umgeni Holdings International Limited ("Umgeni"), an arm's length company. Under the terms of the agreement with Umgeni, Umgeni has agreed to pay Pangolin $600,000 to acquire the following royalty interests in Pangolin's Malatswae, Moenyenana and Motloutse diamond projects:

- a 1.3% gross overriding royalty of an amount equal to 97% of gross proceeds from the sale of diamonds ("GOR") and a 1.3% NSR on an amount equal to 97% of gross proceeds from the sale of base and precious metals over the licences issued to Pangolin Diamonds (Pty) Limited and Geocontracts Botswana (Pty) Limited, as well as an adjacent area of interest.

During the year ended June 30, 2017, the Company received $500,000 with the balance of $100,000 included in receivables, received subsequent to June 30, 2017. The Company has agreed to spend the $600,000 received on its property interests.

9. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2017 was based on the loss attributable to common shareholders of $844,099 (year ended June 30, 2016 - $1,336,039), and the weighted average number of common shares outstanding of 123,855,697 (June 30, 2016 - 101,458,640). Diluted loss per share does not include the effect of stock options or warrants as they are anti-dilutive.

10. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being diamond exploration and evaluation in Botswana. As at June 30, 2017, cash of $539,019 (June 30, 2016 - $357,899) is held in Canadian chartered banks, with a balance of $76,219 (June 30, 2016 - $62,631) being held in Botswana. All of the Company's equipment is held in Botswana.

11. COMMITMENTS AND CONTINGENCIES

Environmental contingencies

The Company's exploration activities are subject to various federal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Pursuant to a share purchase agreement dated December 22, 2011, as amended November 8, 2012, and December 1, 2013, the Company has agreed to pay Leon Daniels, the former majority shareholder of PDL and a current director and officer of the Company, $1,200,000 in the event that the Company discovers at least ten kimberlites in connection with its properties, payable within 24 months of the discovery of such kimberlites, provided that each such kimberlite is "diamondiferous" as verified by a Qualified Person (as such term in defined in NI 43-101). In addition, the parties have agreed that for a kimberlite to be diamondiferous, it must be a kimberlite in which a "macro" diamond is contained – namely a diamond being greater than 0.5 mm in size. If a known diamondiferous kimberlite is acquired by the Company, it will not be counted as one of the 10 as described above. There have been no such kimberlites discovered by the Company to date.

Corporate finance advisory agreement

On July 17, 2012, the Company entered into an agreement with Aberdeen Gould whereby Aberdeen Gould was engaged to perform corporate financial advisory services for a monthly fee of $6,000. This agreement was effective for a period of twenty-four months and will continue thereafter until such time as a three month termination notice is provided in writing. Effective April 1, 2015, the monthly amount was reduced to $2,000. As of January 1, 2016, terms of service were amended, increasing the monthly fee to $4,000.

Consulting agreement

During 2013, the Company entered into a consulting agreement with an individual to perform functions as the Chief Financial Officer of the Company for a monthly fee of $6,000.

(Expressed in Canadian Dollars)

12. KEY MANAGEMENT PERSONNEL COMPENSATION AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

Compensation of key management personnel of the Company:

The remuneration of directors and other members of key management personnel during the years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Share-based payments	**$ 262,767**	$ 255,510
Consulting fees	**83,444**	69,000
Consulting fees included in exploration expenses	**67,733**	90,600
	$ 413,944	$ 415,110

Related party transactions:

The Company had the following balances payable to related parties that are not subsidiaries of the Company:

	2017	2016
Shareholders' loans	**$ 19,620**	$ 19,620

Shareholders' loans payable are unsecured, non-interest bearing and due on demand.

During the year ended June 30, 2017, the Company incurred legal fees of $43,522 (2016 - $23,067) charged by a law firm of which a director of the Company is a partner. Included in accounts payable as at June 30, 2017 was $7,000 (June 30, 2016 – $2,000) owing to this law firm. This amount is unsecured, non-interest bearing, with no fixed terms for repayment.

During the year ended June 30, 2017, the Company incurred rent expense of $18,000, respectively (2016 - $18,000) charged by a director of the Company for use of a facility in Botswana. As at June 30, 2017, $nil (2016 - $19,500) was included in accounts payable and accrued liabilities pertaining to rent incurred.

In connection with the private placement which closed August 15, 2016, the Company's Chief Executive Officer and Chief Financial Officer subscribed for shares for consideration of $32,000, and $12,000 respectively, or $44,000 in aggregate. Such amounts were accrued and owing by the Company to these individuals and were converted at the issue price of this private placement. In connection with the private placement which closed December 6, 2016, the Company's Chief Executive Officer and a director subscribed for shares for consideration of $50,000, and $120,000 respectively, or $170,000 in aggregate. See note 5.

Included in accounts payable is $4,680 (2016 - $6,000) owed to the Company's Chief Financial Officer and $10,000 (2016 - $36,443) owed to the Company's Chief Executive Officer who is also a director of the Company for consulting fees and sundry expense reimbursements.

The above noted transactions are approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

13. FINANCIAL RISK FACTORS

The nature of the exploration process exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. During 2017 and 2016, the Company has not used derivative financial instruments to manage these risks. There have been no significant changes in the risks, objectives, policies and procedures from the previous periods.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2017, the Company had cash of $615,238 (2016 - $420,530) to settle current liabilities of $379,043 (2016 - $392,791). With the exception of shareholder loans, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, prices and foreign exchange rates. Management believes the risk of loss related to market risk to be remote.

Interest Rate Risk

The Company has cash balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company periodically monitors compliance to its cash management policy.

Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's property interests in Botswana make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows.

The Company is affected by changes in exchange rates between the Canadian dollar and Botswana Pula. As at June 30, 2017, the Company held cash of $76,219 and had shareholder loans of $19,620 denominated in Botswana Pula, (2016 - $62,631 and $19,620, respectively). A 5% change in the Canadian dollar against the Botswana Pula would not have a significant impact on the Company's net loss and comprehensive loss for the years ended June 30, 2017 and 2016.

(Expressed in Canadian Dollars)

13. FINANCIAL RISK FACTORS (Continued)

Commodity Price Risk

The Company is exposed to price risk with respect to commodities (specifically diamonds). Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity price risk is limited as the Company is not a producing entity.

14. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company includes the components of shareholders' equity in the management of capital.

The properties in which the Company currently has an interest are in the exploration and evaluation stage. As such, the Company is dependent upon external financing to fund its activities. In order to carry out planned exploration and evaluation, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek additional to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the year ended June 30, 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX-V which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

15. INCOME TAXES

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 26.5% (2016 - 26.5%) are as follows:

a) Provision for income taxes

	2017	2016
(Loss) before income taxes	**$ (844,099)**	$ (1,336,039)
Expected income tax (recovery)	**(224,000)**	(354,000)
Permanent differences and other	**173,000**	144,000
Change in foreign exchange rates	**(44,000)**	20,000
Differences in tax rates	**28,000**	27,000
Benefit of tax losses not recognized	**67,000**	163,000
Deferred income tax provision (recovery)	**$ -**	$ -

(Expressed in Canadian Dollars)

15. INCOME TAXES (Continued)

b) Deferred tax balances

Deferred income tax assets have not been recognized in Canada and Botswana at June 30, 2017 and 2016 in respect of the following temporary differences:

Deductible temporary differences	**2017**	2016
Non-capital losses - Canada	**$ 2,091,000**	$ 2,408,000
Non-capital losses - Botswana	**3,441,000**	2,632,000
Share issue costs and other	**169,000**	241,000
Deductible temporary differences not recognized	**$ 5,701,000**	$ 5,281,000

c) As at June 30, 2017, the Company has available, non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future periods. If not utilized, the non-capital losses will expire from 2032 - 2036 as follows:

2032	**$ 761,000**
2033	**53,000**
2034	**667,000**
2035	**298,000**
2036	**312,000**
	$ 2,091,000

The Company also has available, non-capital losses of approximately $2,100,000 (Pula - 16,621,000) (2016 - $2,200,000; Pula - 20,585,000) for Botswana tax purposes which may be carried forward to reduce taxable income indefinitely.

16. SUBSEQUENT EVENT

On September 19, 2017, the Company granted 1,650,000 options, expiring 5 years from date of grant, at an exercise price of $0.10 per share.

See note 8.