



23rd August 2021

Botswana Diamonds PLC
("Botswana Diamonds" or the "Company")
Joint venture acquisition of Ghaghoo diamond mine in Botswana

Botswana Diamonds plc ("BOD") is pleased to announce that Okwa Diamonds Pty Ltd, a joint venture with Vast Resources plc ("VAST") in which Botswana Diamonds has an initial 10% carried interest, has today conditionally agreed to acquire Gem Diamonds Botswana Pty Ltd ("GDB"), a wholly owned subsidiary of Gem Diamonds Ltd ("Gem Diamonds"), for a cash consideration of US\$4 million. GDB's primary asset is the fully permitted Ghaghoo diamond mine in central Botswana which is currently under care and maintenance.

BOD has an initial free carried interest of 10% in Okwa Diamonds Pty Ltd ("Okwa") for the first US\$15 million of expenditure by Okwa, which is being funded by VAST (including the acquisition cash consideration). Thereafter, BOD will not be diluted below 2.5% of Okwa. BOD can also earn up to a further 20% interest in Okwa through funding 20% of expenditure. Under the terms of the joint venture with VAST, BOD will be the operator of the Ghaghoo mine until such time as an agreed management team is in place.

The acquisition of GDB is conditional, *inter alia*, on relevant regulatory and competition authority approvals in Botswana and is expected to complete during the latter part of 2021.

Highlights

- **Ghaghoo is a 10.8 Ha kimberlite pipe in central Botswana, 300km north-west of Gaborone which is currently on care and maintenance**
- **The kimberlite pipe has a reported SAMREC compliant Indicated Resource of 79.3 million tonnes at an average grade of 19.5 cpht and diamond value of \$242/ct (2014 data)**
- **Diamond assortment includes high-value fancy-coloured diamonds, such as orange and blue stones**
- **Conditional acquisition by joint venture, Okwa, of a fully permitted diamond mine including mine infrastructure, fit-for-purpose processing plant and camp, for US\$4m to be funded by VAST**
- **Ghaghoo is currently under care and maintenance the intention is to return the mine back into being a commercially successful diamond-producing asset**
- **Botswana Diamonds has an initial 10% carried interest in Okwa and has been appointed as the operator**

James Campbell, Managing Director, commented: "Working with our joint venture partner VAST, we have completed thorough due diligence on Ghaghoo. We believe there are significant opportunities to improve Ghaghoo's operating and financial performance through both the application of new and optimisation of existing technologies along with a strongly recovering diamond market. Gem Diamonds' advanced underground mine development and the surface infrastructure already in place, means a return to production is potentially possible with an overall objective to target a return to name plate capacity of 1.25 million tonnes yearly."

John Teeling, Chairman, commented: "Our joint venture enables us to acquire an interest in an advanced mining project at minimal initial cost. Ghaghoo is one of the largest available diamond resources, and is contiguous with our KX36 project which should potentially create synergies between operations. Ghaghoo and KX36 are both located in the Central Kalahari, which is our core area of focus in Botswana. VAST are funding the acquisition cost and initial development capital, and our initial 10% free carry. BOD is the operator for the project and has marketing rights equivalent to our shareholding in Okwa. This is a very good development for BOD."

Background on Ghaghoo

Ghaghoo is a 10.8 hectare kimberlite pipe located in the Central Kalahari of Botswana and was discovered in 1982 by Falconbridge Mining (later Xstrata) and evaluated in joint venture with De Beers up to 2007. Gem Diamonds acquired Ghaghoo from De Beers and Xstrata in May 2007. Gem Diamonds continued to evaluate the project and a study was undertaken in 2010 to determine the most viable way in which to exploit the deposit. A Mining License was awarded to GDB in 2010. Further work on the kimberlite was deemed appropriate, and Gem Diamonds embarked on underground development to bulk sample the pipe in 2011/2012 through a decline shaft, and this developed into commercial production in 2015.

GDB is the holder of mining licence 2010/97L issued in terms of Section 41 of the Botswana Mines and Minerals act which grants GDB a mining licence for 25 years until 21 December 2036. The Government of Botswana does not have any equity in GDB but a royalty of 10% is payable to the Government of Botswana on all diamonds produced and sold.

Operations were based on a small underground mine that was ultimately not profitable due largely to the poor diamond market conditions at that time and operational issues. Accordingly, in February 2017, Gem Diamonds placed the mine on care and maintenance after recovery of just under 150,000 carats of diamonds.

There is extensive infrastructure on-site including a diamond processing plant comprising an autogenous mill, dense media separation plant ("DMS"), x-ray recovery and sort house. BOD's due diligence has identified that there is a small low-grade kimberlite stockpile and DMS tailings of up to approximately 80,000 m³ and which may contain up to 60% kimberlite.

A resource estimate for Ghaghoo, which uses a bottom cut-off of +1.5mm was prepared by Venmyn with an effective date of 1 January 2014. This estimate had a reported SAMREC compliant Indicated Resource of 79,390,000 tons with an average grade of 19.51 cpht and diamond value of \$242/ct and an Inferred Resource of 28,777,000 tons with an average grade of 17.52 cpht and an average diamond value of \$239/ct.

Share Sale Agreement

Under the Share Sale Agreement entered into between BOD, VAST, Okwa and Gem, Okwa has conditionally agreed to acquire GDB, a wholly owned subsidiary of Gem Diamonds, for a cash consideration of US\$4 million (the "Purchase Price"). In addition, the Purchase Price will be adjusted upwards or downwards by an amount equal to net current assets (excluding agreed inventory items) as per the final balance sheet of

GDB to be prepared on the effective date (being the tenth business day following the date on which the last condition has been satisfied) – this amount is expected to be minimal.

Completion is subject to a number of conditions (with a long stop date of 31 January 2022 unless otherwise agreed between the parties) including:

- written confirmation of requisite financing undertakings from a bank acceptable to Gem Diamonds guaranteeing payment of 80 per cent of the Purchase Price;
- Okwa providing a replacement guarantee of US\$3 million in terms of section 38 of the Mines and Minerals Act with accompanying evidence of acknowledgement and consent by the Government of Botswana of the cancellation of the Gem Diamonds' Guarantee;
- written approval from:
 - (a) the Government of Botswana approving the transaction in accordance with section 50 of the Mines and Minerals Act; and
 - (b) the Competition Authority of Botswana approving the transaction in accordance with the provisions contained in Part X of the Botswana Competition Act (CAP 46:09).

BOD expects the conditions to be fulfilled and the transaction to complete during Q4 2021. Under the Share Sale Agreement, the consideration is payable in two instalments. The initial payment of US\$2 million is to be paid five days prior to the effective date and the second payment by 23 December 2021, unless the initial payment has not already been made, in which case the full amount of US\$4 million will be payable 5 five days prior to the effective date.

BOD and VAST as shareholders of Okwa have severally guaranteed the obligations and performance of Okwa under the Share Sale Agreement in proportion to their respective shareholdings in Okwa from time to time. The replacement guarantee under the Mines and Minerals Act is a guarantee for the rehabilitation obligation on closure of the mine which has been independently assessed at BWP34,332,195 (approximately US3 million) on sudden closure.

Joint Venture with VAST

BOD and VAST are the shareholders in Okwa, which was established as a special purpose vehicle to carry out due diligence and acquire GDB. Conditional on completion of the Share Sale Agreement, BOD and VAST have agreed the terms of shareholders agreement. On completion of the acquisition, the board of Okwa will constitute a technical subcommittee for oversight of the operation of the mine and to determine funding requirements and VAST will be entitled to appoint two directors (of which one will be Chairman) and BOD will be entitled to appoint one director.

VAST is responsible for funding Okwa with the first US\$15 million of funding required for the purposes of carrying out due diligence, acquiring GDB and placing the mine back into production. BOD has a 10% free carry in consideration of the services it has provided to Okwa up to maximum total expenditure of US\$15 million (including the acquisition consideration) and may not be diluted below 2.5% thereafter. BOD also

can earn-in up to a further 20% interest in Okwa (thereby increasing its total interest to 30%) through funding 20% of expenditure.

Under the joint venture agreement, the parties have agreed that BOD will be responsible for leadership and technical advice until the mine reaches steady state production and will be appointed (subject to agreement of the relevant documentation) as the operator of the Ghaghoo mine until such time as an agreed management team is in place. BOD will oversee the recruitment of the operational team which will be directly employed by Okwa. BOD also has diamond marketing rights equivalent to its shareholding in Okwa.

The shareholder agreement contains standard rights of pre-emption over each parties' shareholding and shareholder loans and drag and tag rights in the event of the sale of Okwa to a third party.

Ghaghoo development plans

BOD and VAST have jointly undertaken extensive internal and third-party due diligence work on Ghaghoo including technical (Paradigm Project Management), financial, legal (Khan corporate law), diamonds (QTS Kristal Dinamika) and mine potential (Interlaced) which indicates that there is significant potential upside in both the potential diamond grade and value as well as various operational efficiencies. A detailed risk assessment was also carried out which included the resource, mining method (in particular with respect to the ingress of sand into the first underground mining level) and infrastructure.

The next stage is expected to include the preparation of an updated feasibility study which is chiefly focused on producing a detailed underground mine plan as much of the other work has already been done. Continuation of the underground mine plan was determined as the most commercial option in PPM's desktop study and is line with the terms of the currently awarded Mining License.

A sinkhole, caused by the partial collapse of a portion of the crown pillar possibly due to over mining, covers an area on the first level of eight in the kimberlite pipe and limits the access to this particular zone of higher-grade kimberlite. Upper production levels will need to have reduced stope extraction so as to better manage the crown pillar and thereby reduce any potential further sand ingress into the underground workings. The changes to the mine plan are not expected to delay access to first ore as there are existing pre-developed crosscuts in place.

The Ghaghoo mine will also need to be de-watered. A rare large earthquake with an epicentre approximately 40km east of Ghaghoo in 2017 resulted in the rupture of the underground water seal leading to a large influx of water into the underground workings. A site visit indicated that the water seal has been repaired and that this has significantly reduced the water ingress into the underground workings and which should result in a mine dewatering time to about 4 months.

Preliminary work has also started on investigating alternative technologies in the diamond sorting area to improve diamond recovery. The re-commissioning programme for the plant will need to include an audit of the DMS operating parameters and optimisation of the autogenous mill to help minimise any loss of diamonds to the DMS tailings.

Sampling is planned on the DMS tailings to assess the diamond potential of the tailings and to establish a Total Content Curve ("TCC") for the kimberlite. The results of this exercise will be used as an input to the feasibility study and could possibly provide the potential for an upgrade in the resource estimate.

The economic performance (and long-term viability) of the mine will also depend on significantly lower unit power costs, such as conversion of the existing diesel generators to solar power or feed from the national grid, together with improvements in road access and potential fiscal concessions.

Further AIM Disclosures

In GDB's audited annual financial statements for the year ended 31 December 2020, GDB reported a loss before taxation of Pula 35,818,687 (equivalent to approximately £2.3 million). As at 31 December 2020, GDB had audited total assets of Pula 37,355,879 (equivalent to approximately £2.4 million) and total liabilities of Pula 45,858,060 (equivalent to approximately £3.0 million).

BOD has acquired its 10% carried interest in Okwa in consideration of the services it has provided to Okwa and does not currently have a funding commitment to Okwa nor does BOD currently intend to provide further funding under its earn-in arrangements. BOD's interest in Okwa will be accounted for as an investment. Under the joint venture agreement, while BOD will be appointed (subject to agreement of the relevant documentation) as the operator of the Ghaghoo mine, the operational team will be directly employed by Okwa and BOD may recharge identified executive management costs to Okwa.

Forward Looking Statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

This release has been approved by James Campbell, Managing Director of Botswana Diamonds plc, a qualified geologist (Pr.Sci.Nat), a Member of the Geological Society of South Africa, a Fellow of the Southern African Institute of Mining and Metallurgy, a Fellow of the Institute of Materials, Metals and Mining (UK) and with over 35-years' experience in the diamond sector.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK Domestic Law by virtue of the European Union (Withdrawal) Act 2018.

The person who arranged the release of this announcement on behalf of the Company was James Campbell.

A copy of this announcement is available on the Company's website, at www.botswanadiamonds.co.uk

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Beaumont Cornish Limited, or for providing advice in relation to the contents of this announcement or any matter referred to in it.

Glossary

Crown Pillar: A crown pillar, defined as a rock mass situated above an uppermost stope of the mine, can be one of two types: a “surface crown pillar” and “crown pillar between open pit and underground”.

Dense Media Separation plant: Dense medium separation (DMS) is a process whereby particles are sorted primarily on the basis of their densities. Particles with a wide range of densities are introduced into a medium suspension of a given density. Particles that are lighter than the medium density rise. These are commonly referred to as floats.

Indicated Resource: An ‘Indicated Diamond Resource’ is that part of a Diamond Resource for which quantity, grade, value, densities, shape and physical characteristics of the deposit are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve (SAMREC).

Inferred Resource: An ‘Inferred Diamond Resource’ is that part of a Diamond Resource for which quantity, grade and average diamond value are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply, but not verify, geological and grade continuity. An Inferred Diamond Resource has a lower level of confidence than that applying to an Indicated Diamond Resource and must not be converted to a Diamond Reserve. It is reasonably expected that the majority of Inferred Diamond Resources could be upgraded to Indicated Diamond Resources with continued exploration (SAMREC).

Carat (ct): a unit of weight for precious stones and pearls, equivalent to 200 milligrams.

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