



20th July 2020

Botswana Diamonds PLC ("Botswana Diamonds" or the "Company")

Acquisition of KX36 Diamond Discovery in Botswana

Highlights

Botswana Diamonds acquires:

- The KX36 diamond discovery in Botswana.
- Two adjacent prospecting licences.
- A fit for purpose bulk sampling plant.
- An extensive diamond exploration database.

Botswana Diamonds ('BOD'), the AIM and BSE listed diamond explorer, has agreed to acquire the KX36 Diamond discovery in Botswana, along with two adjacent Prospecting Licences and a diamond processing plant. These interests are part of a package held by Sekaka Diamonds. BOD is acquiring 100% of the shares of Sekaka. The vendor is Petra Diamonds. The consideration comprises a cash payment of US\$300,000 and a 5% royalty on future revenues. The cash consideration is payable on a deferred basis with US\$150,000 payable on 31 August 2021 and the balance on or before 31 August 2022. The acquisition is subject to customary regulatory approvals.

James Campbell, Managing Director, commented: *"KX36 is the most significant diamond discovery in Botswana since Orapa and Jwaneng. KX36, together with its associated Prospecting Licences, adds scale to the Company's Sunland and Maibwe JV properties in the Kalahari. Botswana Diamonds will refine resource estimates of KX36, and development options. The Sekaka exploration database adds to Botswana Diamonds' extensive database, improving our diamond exploration programme, particularly in the Kalahari where we are currently focused."*

John Teeling, Chairman, commented: *"This is an important step forward for BOD. KX36 is a very significant diamond discovery and potentially offers upside potential - as do the two contiguous prospecting licences. You rarely, if ever, find a kimberlite pipe on its own and further exploration may find more kimberlite pipes. KX36, located deep in the Kalahari, presents challenges, but the greatest challenge of all is overcome – finding a significantly sized high-grade deposit. We have evaluated options on KX36 and believe we can add value to the discovery."*

Sekaka Diamonds Exploration Pty Ltd (“Sekaka”)

Botswana Diamonds has entered into a Sale of Shares Agreement with Petra Diamonds Limited (“Petra”) and Kalahari Diamonds Limited (“Kalahari Diamonds”) on 18 July 2020 to acquire the entire issued share capital of Sekaka currently held by Kalahari Diamonds, a wholly-owned subsidiary of Petra.

Sekaka is Petra’s exploration vehicle in Botswana and holds three Prospecting Licenses in the Central Kalahari Game Reserve (“Kalahari”) in Botswana, PL169/2019, PL058/2007 and PL224/2007, which includes the high grade KX36 kimberlite pipe. Sekaka also holds a recently constructed, fit-for-purpose bulk sampling plant on site. The sampling plant includes crushing, scrubbing, dense media separation circuits and x-ray recovery modules within a secured area. The acquisition includes an extensive database, built up over 15 years of exploration.

The transaction consideration comprises a deferred cash payment of US\$300,000 of which US\$150,000 is payable on or before 31 August 2021 and the balance in cash on or before 31 August 2022. The Company intends to fund the cash consideration through an issue of new ordinary shares at such time. In addition, Petra is entitled to a 5% royalty on the sale of diamonds that are commercially produced from KX36. The royalty is also payable on diamonds from any kimberlite discovered from Sekaka’s data. BOD has the option to buy-out the royalty for a cash payment of US\$2 million.

The transaction is subject to customary regulatory approvals which include approval by the Botswana Minister of Mineral Resources, Green Technology and Energy Security under Section 23 of the Mines and Minerals Act and Competition Authority approval in Botswana. The transaction is also subject to approval by Petra’s lenders and noteholders.

The long-stop date for fulfilment of the Conditions Precedent is 31 August 2020, which may be extended by mutual agreement of the two parties.

KX36

KX36 is a 3.5Ha kimberlite pipe, discovered by Sekaka, in the Kalahari. The kimberlite is situated approximately 70 km from Gem Diamonds’ Ghaghoo Mine, and 260 km north-west of Botswana’s capital Gaborone.

Sekaka has undertaken extensive exploration work on KX36, including extensive core and Large Diameter Drilling (‘LDD’). There is a historic SAMREC compliant Indicated Resource of 17.9 million tonnes at 35 cpht, and an Inferred Resource of 6.7 million tonnes at 36 cpht, estimated for the pipe by Z-Star in 2016. As Sekaka owns 100% of KX36, gross and net resources are the same. Sekaka is the operator of KX36. BOD has not independently verified the historic resource estimate. Modelling these grade estimates suggests overall grades of between 57 cpht and 76 cpht. The estimated diamond value from the LDD is \$65/ct, with an upside range of between \$97/ct and \$107/ct, all assuming a +1.15mm Bottom Cut-Off (‘BCOS’) or +3 DTC diamond sieve.

BOD plans to conduct a new exploration programme focused on the KX36 pipe and intends to spend approximately US\$100,000 per annum in each of the next three years. No exploration activities are currently possible under the current lockdown restrictions in place in Botswana as a result of Covid-19.

Exploration Database

Sekaka's extensive diamond exploration database contains the results of work undertaken since 2005. The data include data in respect of airborne (including the Falcon survey) and ground magnetics (including gravity and EM), in addition to heavy mineral sampling. BOD believes that the information contained in the database will provide substantial support to its future kimberlite exploration activities in Botswana.

Further AIM Disclosures

Sekaka currently is undertaking no exploration activity and is effectively dormant. At acquisition by Botswana Diamonds, Sekaka will have no employees and will be acquired free of historic liabilities, the most significant of which is the intercompany loan balance owed by Sekaka to its parent Petra, which will effectively be extinguished on acquisition by its assignment to Botswana Diamonds for a nominal consideration. Other than the prospecting licences and its bulk diamond testing processing plant, Sekaka will have no other assets at acquisition. In Sekaka's audited annual financial statements for the year ended 30 June 2019, Sekaka reported a loss before taxation of Pula 16,875,179 (equivalent to approximately £1.16 million, which included a non-cash foreign exchange loss of Pula 11,688,432 (equivalent to approximately £0.8 million) on the carrying value of the historic intercompany debt which will be effectively extinguished on acquisition. As at 30 June 2019, Sekaka had audited total assets of Pula 6,565,700 (equivalent to approximately £425k).

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 34-years' experience in the diamond sector.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014. The person who arranged for the release of this announcement on behalf of the Company was James Campbell, Director

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

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Glossary

Kimberlite: an igneous rock, typically formed under high pressure and temperature, which sometimes contains diamonds.

LDD: Large Diameter Drilling. A drilling technology typically used to evaluate the grade of kimberlites. In this case, 23” wide diameter rotary percussion holes were drilled.

SAMREC: South Africa Mineral Reporting Codes.

CPHT: Carats per Hundred Tons. A unit of measure which defines the grade of a kimberlite. A carat is 0.2 grams and the name is derived from the fruit of the carob seed, a seed commonly found in the Kimberley area of South Africa, one of the most prolific historical diamond producing areas.

BCOS: diamond grades should always be stated with an associated Bottom Cut-Off Size. Typically, the higher the BCOS, the lower the average grade and the higher the average diamond value. This is because diamonds follow a logarithmic distribution.