



29<sup>th</sup> September 2021

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

### **Botswana Diamonds acquires control of the Thorny River Project**

#### **Highlights**

- Botswana exercises its pre-emption right to acquire control of Vutomi
- Control of Vutomi gives BOD the opportunity to develop the Thorny River Project
- Thorny River is an advanced stage kimberlite exploration property located at the eastern side of a kimberlite dyke and blow system spanning Klipspringer Mine, 15km to west, and the iconic Marsfontein Mine, 4km to the west.
- Plans are in place to re-activate the mining of the Marsfontein gravels and dumps which are also controlled by Vutomi.

Following outside interest in acquiring Vutomi Mining the South African associate company of Botswana Diamonds, the board of Botswana has today exercised its pre-emptive right to acquire the outstanding third-party interests in Vutomi Mining (Proprietary) Limited ("**Vutomi Mining**") and Razorbill Properties 12 (Proprietary) Limited ("**Razorbill**") (together "**Vutomi**") (the "**Acquisition**").

Vutomi holds the mineral rights to the Thorny River Diamond Project ("**Thorny River**" or the "**Project**") as well as other exploration assets.

The consideration for Vutomi comprises 56,989,330 new ordinary shares in the Company which, at the closing mid-market price on 28<sup>th</sup> September 2021 of 1.10p per share, is valued at £627k.

The Company has agreed that immediately on completion of the Acquisition, the Company will sell 26% of Vutomi for a deferred consideration of US\$316,333 to the Company's local South African Empowerment partner, Baroville Trade and Investments 02 Proprietary Limited ("**Baroville**"), in order to comply with South African requirements on empowerment ownership, which will be funded by a loan from Botswana Diamonds. On completion, the Company will own 76% of Vutomi.

The acquisition of Vutomi is conditional on, inter alia, customary regulatory and competition authority approvals in South Africa, including MPRDA Section 11 approval for the transaction, which are expected to complete during the first half of 2022.

Vutomi and Razorbill are currently owned by, among others, James Campbell (a director of the Company) and the other directors of Vutomi. These shareholders are related parties as defined by the AIM Rules and accordingly, the transaction has been treated as a related party transaction pursuant to AIM Rule 13.

**James Campbell, Managing Director**, commented:

*"Since working on Thorny River thirty years ago, we recognised potential for discoveries on a kimberlite system spanning 20km. Recent drilling vindicated this view and indicates potential for additional nearby discoveries."*

*"Following a third party offer for Vutomi, Botswana Diamonds has exercised its pre-emption rights. This transaction streamlines exploration activities and involves the local community as supportive stakeholders in this development."*

**John Teeling, Chairman**, commented:

*"We are very positive on the production opportunities for the Thorny River properties owned by Vutomi. An outside company made an offer for Vutomi. Rather than accept the offer we exercised our pre-emptive right to acquire the outstanding shares. In turn we then sold sufficient shares to a local South African group to ensure compliance with black empowerment regulations. The unsolicited outside offer reinforced our belief that there is something worthwhile in Thorny River. We acted to preserve shareholder value".*

### **Background on Vutomi's projects**

Vutomi's South African projects will be advanced in tandem with ongoing Botswana-based exploration programmes, and may have potential for early commercial diamond mining.

Vutomi's flagship project, Thorny River, spans the Frischgewaagt and Hartbeesfontein farms, which are located within the Limpopo Province of South Africa approximately 300km north of Johannesburg. The Project area encompasses the eastern extent of a kimberlite blow/dyke complex, along which the former Marsfontein and Klipspringer diamond mines occur. Both operations were once mined by a De Beers / SouthernEra joint venture. Thorny River is 4km east of the Marsfontein Mine, whose diamond grade and quality returned the entire capital investment in only four days.

Thorny River consists of a 4km long kimberlite blow/dyke system, where Vutomi has undertaken detailed ground geophysics, macrodiamond and microdiamond sampling and extensive core and percussion drilling programmes over the project area. We encountered Kimberlite intersections in the blow/dyke system of between 1 and 19 metres.

A sample equivalent to 305.38 dry tonnes of kimberlite and host rock was taken from Thorny River in December 2017 from a 42-metre trench on Frischgewaagt, along the strike of the dyke. 512 diamonds weighing 62.883 carats were recovered from this sample following treatment through an independent integrated processing facility, which comprised crushing and re-crush circuits, a Dense Media Separation ('DMS') plant and grease and x-ray technology for final recovery.

Data generated from the sample was assessed together with the results of a 2015 sampling campaign, as well as microdiamond work, to derive an estimated (modelled) macro grade. The

modelling considered host rock dilution, metallurgical process efficiencies and the various diamond size frequency distributions with the result being an estimated Total Content grade range of 46-74 carats per hundred tonne (cpht - at a bottom cut-off ('BCOS') of +1 mm). These correlate with the published resource grade of the neighbouring Klipspringer Mine of 49 cpht (BCOS of +1mm).

The valuation of the diamonds recovered indicated the parcel average to be US\$89/ct in the +11 diamond sieve class, which compares favourably with US\$77/ct achieved in the same diamond sieve class from the 2015 sampling campaign. The average published diamond values achieved by Klipspringer were US\$130/ct (at a BCOS of +1mm). However, the diamonds recovered were insufficient to produce a modelled diamond valuation; therefore the 2016 modelled diamond value of US\$259/ct (at a BCOS of +2mm) continues to apply.

Gem quality diamonds comprised approximately two thirds of the value of the parcel. Less than 40% of the parcel illustrated medium or high fluorescence and less than 10% of the stones were chipped or broken. Yellow stones were also present and there was a small population of unusual colours which were near fancy.

Geophysics and drilling programmes on Frischgewaagt over the last twelve months, including a 9-hole drilling campaign, have uncovered two interconnected blows (named the River and River Extension), and the thickest kimberlite intersection to date of 19m was encountered in these programmes.

### **Background to the Acquisition**

The Acquisition was triggered by an external offer to the third-party shareholders in Vutomi. As the Company is the largest shareholder in Vutomi and the operator and recent exploration results have been particularly encouraging, the Board considered that Thorny River is a key asset which it did not want to cede control over. Under the existing shareholder agreements, the Company had the right to match any offer made for the third-party owned interest in Vutomi. The Company agreed to match the external offer which valued the third-party shareholders interest in Vutomi at US\$640,000 assuming full dilution of the third-party shareholders on conversion of the Company's outstanding convertible funding which it had provided to Vutomi. The final diluted interest of the third-party shareholders in Vutomi, some of whom subsequently matched the Company's convertible funding, was 54.06% and the external offer was pro-rata adjusted for this interest.

The number of Consideration Shares was fixed at an issue price of .85p per new ordinary share and which valued the third-party interests at £484k. The Company's share price has subsequently continued to reflect the progress at Thorny River and, based on the current price of 1.10p per ordinary share, values the Consideration Shares at £627k.

### **Share Sale Agreement**

Under the Share Sale Agreement entered into between the Company and its partners in Vutomi, the Company's wholly-owned subsidiary Kukama Diamonds Investments Limited ("**Kukama**") has today conditionally agreed to acquire the outstanding third-party interests in Vutomi Mining and Razorbill.

The consideration for Vutomi comprises 56,989,330 new ordinary shares in the Company which, at the closing mid-market price on 28<sup>th</sup> September 2021 of 1.10p per share, is valued at £627k. There are no lock-in arrangements, but the consideration shares will be issued in two equal tranches (three months apart) following Completion. Completion is subject to a number of conditions (with a long stop date of 22 September 2022 unless otherwise agreed between the parties) including:

- Section 11 regulatory approval for the transaction in terms of the South African MPRDA
- the Takeover Regulation Panel of South Africa granting an exemption in terms of section 119(6) of the South African Companies Act for the sale of the empowerment partner's shares by Kukama to Baroville.
- the Financial Surveillance Department of the South African Reserve Bank granting the necessary approvals pursuant to South African Exchange Control Regulations.
- Conclusion of a contract exploration agreement between the Company and Vutomi in consultation with the sellers covering site activities between the signature and closing date.

BOD expects the conditions to be fulfilled and the transaction to complete during Q2 2022.

The Company has further agreed that, immediately on completion of the Acquisition, the Company will sell 26% of Vutomi for a deferred consideration of US\$316,333 to the Company's local South African Empowerment partner, Baroville, in order to comply with South African requirements on empowerment ownership, which will be funded by a loan from Botswana Diamonds.

On completion, the Company will own 76% of Vutomi.

The Company has separately agreed to sell its interests in Evoid to Red Sky Trust ("Red Sky"). Evoid is currently dormant and holds the Mooikloof prospecting licence and Palmietgat prospecting licence on which very limited work has been carried out to date. Red Sky has agreed that as soon as Evoid has the available cash to do so, Evoid will settle the outstanding shareholder loans provided by the Company to Evoid and which amounts to ZAR320,374 (equivalent to approximately £16,000). There is no further consideration payable. Any consideration received from the sale to Baroville and Red Sky will be retained for working capital.

### **Related Party transaction**

Vutomi Mining and Razorbill are currently owned by, among others, James Campbell (a director of the Company) and the directors of Vutomi Mining and Razorbill. Furthermore, the beneficial owner of Red Sky is Charl Nienaber, a director of Evoid. These individuals are related parties as defined by the AIM Rules and accordingly, the transaction has been treated as a related party transaction pursuant to AIM Rule 13.

The related parties, and the consideration shares to be issued to them, are set out in the following table:

**Table 1: Related Party Consideration Shares to be issued on the Acquisition of Vutomi Mining and Razorbill**

<b>Related Party</b>	<b>Status</b>	<b>Number of Consideration Shares</b>	<b>Value of Consideration Shares (Note 1)</b>	<b>Consideration shares as a % of the current issued share capital</b>
James Campbell	Director of the Company and Vutomi	9,491,955	£104,412	1.2%
John Shelton	Director of Vutomi	9,491,955	£104,412	1.2%
Charl Nienaber	Director of Vutomi	11,559,044	£127,149	1.46%
Dennis Kekana	Director of Vutomi	11,334,161	£124,676	1.43%

Note:

1. Based on the last closing mid-market price of 1.10p per Botswana Diamonds ordinary share

As described above, the Company has separately agreed to sell its interests in Evoid to Red Sky which has agreed that as soon as Evoid has the available cash to do so, Evoid will settle the outstanding shareholder loans provided by the Company to Evoid and which amounts to ZAR320,374 (equivalent to approximately £16,000). There is no further consideration payable.

As a related party transaction, the Independent Directors of the Company, being the Board of the Company other than James Campbell, having consulted with the Company's nominated adviser, consider that the terms of the transaction are fair and reasonable insofar as all shareholders are concerned. In reaching this view, the Independent Directors have taken into account that the price of Vutomi has been set independently by a third-party offer which triggered the Company's pre-emption rights, Vutomi (and particularly the Thorny River Project) is a key asset for the Company, and the offer enables the Company to buy-out the controlling interest in Vutomi in new ordinary shares at a discount to the Company's own carrying value of Vutomi in its last published accounts.

Evoid has a nominal value as it is currently dormant and holds the Mooikloof prospecting licence and Palmietgat prospecting license on which very limited work has been carried out to date.

#### **Further AIM Disclosures**

The financial statements for the year ended 28 February 2021 for Vutomi Mining, Razorbill and Evoid are set out in Table 2 below:

**Table 2:**

<i>As at 28 February 2021</i>	<b>Vutomi Mining (ZAR'000)</b>	<b>Razorbill (ZAR'000)</b>	<b>Evoid (ZAR'000) <i>(Note 2)</i></b>
Total assets	6,876	1,652	538
Net assets / (liabilities) <i>(Note 1)</i>	6,874	1,445	533
Profit / (loss) before taxation	2,059	nil	nil

Notes:

1. *Treating shareholder loans as equity*
2. *Evoid is dormant*
3. *Current exchange rate £1.00: ZAR20.1*

Botswana Diamond originally acquired its 40% interest in Vutomi through its wholly-owned subsidiary, Kukama, in accordance with an Option and Earn-in Agreement signed with Vutomi as announced in February 2017. The Company paid an exclusivity and option fee of £122,000, with £61,000 in cash and £61,000 in the Company's Ordinary Shares at the then market price of 1.9p per Ordinary Share, and thereafter agreed to earn into Vutomi in three phases, the last of which was not completed. The first and second 12-month phases required the Company to pay £215,000 and £366,000 in order to fund exploration activities in return for 15% and 25% of Vutomi respectively. More recently a separate agreement for funding of exploration resulted in the Company's interest in Vutomi increasing from 40% to 45.94%.

### **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](http://www.botswanadiamonds.co.uk)

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Conduct Authority, is acting as nominated adviser to the Company in relation to the matters referred herein. Beaumont Cornish Limited is acting exclusively for the Company and for no one else in relation to the matters described in this announcement and is not advising any other person and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of Beaumont Cornish Limited, or for providing advice in relation to the contents of this announcement or any matter referred to in it.

## APPENDIX 1

### Glossary

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

**Ct:** 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.

**CPHT** : Carats per Hundred Tons. A unit of measure which defines the grade of a kimberlite.

## APPENDIX 2

The following disclosure is made in accordance with Article 19 of the EU Market Abuse Regulation 596/2014.

<b>1</b>	<b>Details of the person discharging managerial responsibilities / person closely associated</b>	
a)	Name	James Campbell
<b>2</b>	<b>Reason for the notification</b>	
a)	Position/ status	Managing Director
b)	Initial notification /Amendment	Initial Notification
<b>3</b>	<b>Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b>	
a)	Name	Botswana Diamonds PLC
b)	LEI	213800UEF1WVQZIZRA91
<b>4</b>	<b>Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted</b>	
a)	Description of the financial instrument, type of instrument	Ordinary Shares of 0.025p each ("Ordinary Shares")

	Identification code	GB00B5TFC825		
b)	Nature of the transaction	Issued as consideration		
c)	Price(s) and volume(s)		Issue price	Volume(s)
		Director		
		James Campbell	[£1.10]	9,491,955
d)	Aggregated information			
	- Aggregated volume	9,491,955 Ordinary Shares		
	- Price	[1.10p]		
e)	Date of the transaction	28 <sup>th</sup> September 2021		
f)	Place of the transaction	Outside a trading venue		

ENDS