



25th March 2019

Botswana Diamonds PLC (“Botswana Diamonds” or the “the Company”)

Interim Statement and Financial Results for the Six Months Ended 31st December 2018

Botswana Diamonds (AIM: BOD) is on track to commence bulk sampling and become a diamond producer by mid-2019.

Highlights

- The Thorny River project is on target to commence bulk sampling and produce diamonds. Agreements have been finalised with a mining contractor and a diamond processor. Delineation drilling is completed. Assuming final permits are obtained, bulk sampling will commence in May.
- A study of the Heritage Concession in the Marange Diamond Fields in Zimbabwe yielded positive results. Botswana Diamonds has a joint venture agreement with Vast Resources plc (‘Vast’) to develop Heritage.
- A report on the Maibwe prospect in Botswana has been completed and sent to BCL, the 51% owner of the licences. We expect that BCL will offer their stake for sale.

Botswana

1. Heavy mineral sampling over the eight previously discovered and announced geophysical anomalies in the Gope Region of the Kalahari Desert was completed. A total of 267 kimberlitic indicator minerals were discovered, which included 41 garnets, 13 chromites, 139 ilmenites, 4 chrome diopsides and 70 olivines. A grain analysis by Remote Exploration Services of Cape Town concluded that the sources were likely to be local due to the abundance, size and fresh surface textures of the indicator minerals.
2. Botswana Diamonds now holds 100% of the equity in Sunland Minerals, having acquired for a nominal sum the 50% previously held by Alrosa as part of the Company’s joint venture with Alrosa. A potential new investor, itself a large diamond producer with new ideas and keen to find new kimberlites in Botswana, is interested in acquiring 50% of Sunland.
3. A report has been completed on the Maibwe licences in the Gope region of the Kalahari. The report was prepared for the liquidator of BCL which holds a 51% interest in Maibwe. Botswana Diamonds holds a net 15% interest in the company. It is expected that the liquidator will offer the BCL stake for sale.



South Africa

- (A) The development of the Thorny River diamond dyke project is underway. A mining contractor has been appointed. Agreement to process the kimberlites at a nearby processing plant is finalised. Refurbishment of the plant is ongoing, with wet testing expected to commence within weeks.

A drilling programme to delineate the dyke in order to optimise bulk sampling is completed.

We expect bulk sampling to commence by mid 2019, ramping up to 20,000 tons a month.

- (B) Following the re-discovery of eight kimberlite pipes in the Free State of South Africa close to the iconic Koffiefontein and Jagersfontein diamond mines, whole rock geochemistry, mineral chemistry and detailed ground geophysics work was completed. A phased drilling programme has been proposed and is in a planning phase.

- (C) Desktop study work continues on the Palmietgat kimberlites.

Zimbabwe

Botswana Diamonds signed a Memorandum of Understanding ('MoU') with Vast, to develop diamond projects in Zimbabwe. Following the signing of this MoU, an agreement was concluded to develop the Heritage Concession in the Marange Diamond Fields. The concession contains several targets for modern alluvial diamond placer deposits; Grades of the known modern alluvial placers draining the Marange Diamond Fields range in grade from 50 to 500 carats per hundred tonne of ore (cpht), most typically 100–200 cpht. The next step will be to investigate the potential of the modern alluvial diamond deposits, as well as the older conglomerates on the property. Assuming positive results, the field work will be closely followed by drilling, pitting and bulk sampling, which will form part of a pre-feasibility study, which may justify capital beyond the initial US\$1 million committed to the programme by Vast Resources.

Corporate

Botswana Diamonds appointed Beaumont Cornish as the Nominated Advisor in December 2018. We raised £370,000 at a placing price of 0.55p per share, in January 2019.

John Teeling

Chairman

22nd March 2019

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



ENDS

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Botswana Diamonds plc
Financial Information (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 31 Dec 18 unaudited £'000	Six Months Ended 31 Dec 17 unaudited £'000	Year Ended 30 Jun 18 audited £'000
REVENUE	-	-	-
Cost of sales	-	-	-
GROSS PROFIT	-	-	-
Administrative expenses	(190)	(178)	(378)
Impairment of exploration and evaluation assets	-	-	(180)
OPERATING LOSS	(190)	(178)	(558)
LOSS BEFORE TAXATION	(190)	(178)	(558)
Income tax expense	-	-	-
LOSS AFTER TAXATION	(190)	(178)	(558)
Exchange difference on translation of foreign operations	-	1	(72)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(190)	(177)	(630)
LOSS PER SHARE - basic and diluted	(0.04p)	(0.04p)	(0.12p)

CONDENSED CONSOLIDATED BALANCE SHEET

	31 Dec 18 unaudited £'000	31 Dec 17 unaudited £'000	30 Jun 18 audited £'000
ASSETS:			
NON-CURRENT ASSETS			
Intangible assets	8,364	8,155	8,234
Financial assets	-	1	-
	<u>8,364</u>	<u>8,156</u>	<u>8,234</u>
CURRENT ASSETS			
Trade and other receivables	12	50	25
Cash and cash equivalents	39	230	260
	51	280	285
TOTAL ASSETS	<u>8,415</u>	<u>8,436</u>	<u>8,519</u>
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	(386)	(237)	(300)
TOTAL LIABILITIES	(386)	(237)	(300)
NET ASSETS	<u>8,029</u>	<u>8,199</u>	<u>8,219</u>
EQUITY			
Share capital - deferred shares	1,796	1,796	1,796
Share capital - ordinary shares	1,273	1,148	1,273
Share premium	10,099	9,751	10,099
Share based payments reserve	104	104	104
Retained deficit	(4,260)	(3,690)	(4,070)
Translation reserve	-	73	-
Other reserves	(983)	(983)	(983)
TOTAL EQUITY	<u>8,029</u>	<u>8,199</u>	<u>8,219</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Share based Payment Reserves £'000	Retained Deficit £'000	Translation Reserve £'000	Other Reserve £'000	Total Equity £'000
As at 30 June 2017	2,745	9,085	97	(3,512)	72	(983)	7,504
Issue of shares	199	670	-	-	-	-	869
Share issue expenses	-	(4)	-	-	-	-	(4)
Share based payment	-	-	7	-	-	-	7
Total comprehensive income				(178)	1	-	(177)
At 31 December 2017	<u>2,944</u>	<u>9,751</u>	<u>104</u>	<u>(3,690)</u>	<u>73</u>	<u>(983)</u>	<u>8,199</u>
Issue of shares	125	377	-	-	-	-	502
Share issue expenses	-	(29)	-	-	-	-	(29)
Total comprehensive income			-	(380)	(73)	-	(453)
At 30 June 2018	<u>3,069</u>	<u>10,099</u>	<u>104</u>	<u>(4,070)</u>	<u>-</u>	<u>(983)</u>	<u>8,219</u>
Total comprehensive income	-	-	-	(190)	-	-	(190)
At 31 December 2018	<u><u>3,069</u></u>	<u><u>10,099</u></u>	<u><u>104</u></u>	<u><u>(4,260)</u></u>	<u><u>-</u></u>	<u><u>(983)</u></u>	<u><u>8,029</u></u>

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended 31 Dec 18 unaudited £'000	Six Months Ended 31 Dec 17 unaudited £'000	Year Ended 30 Jun 18 audited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(190)	(178)	(558)
Impairment of exploration and evaluation assets	-	-	180
Exchange movements	-	4	(68)
	<u>(190)</u>	<u>(174)</u>	<u>(446)</u>
Movements in Working Capital	99	(182)	(109)
NET CASH USED IN OPERATING ACTIVITIES	<u>(91)</u>	<u>(356)</u>	<u>(555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised	(130)	(382)	(625)
NET CASH USED IN INVESTING ACTIVITIES	<u>(130)</u>	<u>(382)</u>	<u>(625)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue	-	869	1,371
Share issue costs	-	(4)	(33)
NET CASH GENERATED IN INVESTING ACTIVITIES	<u>-</u>	<u>865</u>	<u>1,338</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(221)	127	158
Cash and cash equivalents at beginning of the period	260	106	106
Effect of foreign exchange rate changes	-	(3)	(4)
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u><u>39</u></u>	<u><u>230</u></u>	<u><u>260</u></u>

Notes:**1. INFORMATION**

The financial information for the six months ended 31 December 2018 and the comparative amounts for the six months ended 31 December 2017 are unaudited. The financial information above does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006.

The Interim Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the Group 2018 Annual Report, which is available at www.botswanadiamonds.co.uk

The interim financial statements have not been audited or reviewed by the auditors of the Group pursuant to the Auditing Practices board guidance on Review of Interim Financial Information.

2. DIVIDEND

No dividend is proposed in respect of the period.

3. LOSS PER SHARE

Basic loss per share is computed by dividing the loss after taxation for the period available to ordinary shareholders by the weighted average number of ordinary shares in issue and ranking for dividend during the period.

Diluted loss per share is computed by dividing the loss after taxation for the period by the weighted average number of ordinary shares in issue, adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the period.

The following table sets forth the computation for basic and diluted earnings per share (EPS):

	Six Months Ended 31 Dec 18 £'000	Six Months Ended 31 Dec 17 £'000	Year Ended 30 Jun 18 £'000
Numerator			
For basic and diluted EPS retained loss	(190)	(178)	(558)
	No.	No.	No.
Denominator			
Weighted average number of ordinary shares	509,282,508	444,239,174	470,397,102
Loss per share – Basic and Diluted	(0.04p)	(0.04p)	(0.12p)

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of shares for the purposes of the diluted earnings per share:

	No.	No.	No.
Share options	11,410,000	11,410,000	11,410,000

4. INTANGIBLE ASSETS

	31 Dec 18 £'000	31 Dec 17 £'000	30 June 18 £'000
Exploration and evaluation assets:			
Cost:			
Opening balance	9,063	8,415	8,415
Additions	130	389	648
	<u>9,193</u>	<u>8,804</u>	<u>9,063</u>
Impairment:			
Opening balance	829	649	649
Provision for impairment	-	-	180
	<u>829</u>	<u>649</u>	<u>829</u>
Carrying Value:			
Opening balance	<u>8,234</u>	<u>7,766</u>	<u>7,766</u>
Closing balance	<u>8,364</u>	<u>8,155</u>	<u>8,234</u>

Exploration and evaluation assets relate to expenditure incurred in exploration for diamonds in Botswana and South Africa. The directors are aware that by its nature there is an inherent uncertainty in exploration and evaluation assets and therefore inherent uncertainty in relation to the carrying value of capitalized exploration and evaluation assets.

On 11 November 2014 the Brightstone block was farmed out to BCL Investments (Proprietary) Limited, a Botswana Company, who assumed responsibility for the work programme. Botswana Diamonds retain a 15% carried interest.

On 16 August 2013 the Group entered into a joint venture agreement with Alrosa Overseas SA a wholly owned subsidiary of OJSC Alrosa of Russia to explore for diamonds in Botswana. On 15 November 2018 the director announced that the company now holds 100% of the equity in Sunland Minerals having acquired for a nominal sum the 50% previously held by Alrosa as part of the Company's joint venture with Alrosa.

On 6 February 2017 the Group entered into an Option and Earn-In Agreement with Vutomi Mining Pty Ltd and Razorbill Properties 12 Pty Ltd (collectively known as 'Vutomi'), a private diamond exploration and development firm in South Africa.

Pursuant to the terms of the Agreement, Botswana Diamonds has agreed to pay Vutomi a total of £942,000 in cash, of which £581,000 will be used to fund exploration activities. In addition, the Company will issue 100 million ordinary shares of 0.25p each ("Ordinary Shares") to Vutomi shareholders. The Agreement will be executed in three Phases after which the Company will own 72% of Vutomi. The remaining 28% will continue to be held by Vutomi's Black Economic Empowerment ('BEE') partners. The three Phases are summarised below:

Exclusivity and Option Fee

Botswana Diamonds paid Vutomi an exclusivity and option fee of £122,000, with £61,000 paid in cash and £61,000 paid in the Company's Ordinary Shares at a price of 1.9p. The shares were issued on 3 April 2017. Upon completion of this payment Phase 1 of the earn-in commenced.

Phase 1

Phase 1 will last for a further 12 months, during which period the Company will, subject to available funding, have the option to pay Vutomi £215,000 to fund exploration activities to earn an initial 15% of Vutomi. During Phase 1 Vutomi will grant the Company the sole and exclusive right to fund exploration activities in, on and under the Vutomi Prospecting Rights Area in order to prepare a conceptual mining and development plan. The required mining permits are in place.

On 29 September 2017, the company moved into Phase 2 of the Option and Earn-In Agreement.

Phase 2

Phase 2 lasted until 5 January 2019 and the company extended their option for a further 90 days, during which period the Company will, subject to available funding, have the option to pay Vutomi £366,000 to fund exploration activities to earn an additional 25% of Vutomi.

Phase 3

Phase 3 will commence within 90 days of the successful completion of Phase 2. Pursuant to the Agreement, the Company will have the option to issue the outstanding balance of 96.8m Ordinary Shares, priced at VWAP, to Vutomi and, subject to available funding, settle Vutomi's shareholders loan accounts of approximately £300,000 in cash to earn a further 32% of Vutomi.

Termination

At any point the Agreement will lapse if the Company does not exercise its option regarding a specific Phase.

The directors believe that there were no facts or circumstances indicating that the carrying value of intangible assets may exceed their recoverable amount and thus no impairment review was deemed necessary by the directors. The realisation of these intangible assets is dependent on the successful discovery and development of economic diamond resources and the ability of the Group to raise sufficient finance to develop the projects. It is subject to a number of significant potential risks, as set out below:

- licence obligations;
- exchange rate risks;
- uncertainties over development and operational costs;
- political and legal risks, including arrangements with governments for licenses, profit sharing and taxation;
- foreign investment risks including increases in taxes, royalties and renegotiation of contracts;
- title to assets;
- financial risk management;
- going concern; and
- operational and environmental risks.

Included in additions for the period are £Nil (June 2018: £6,951) of share based payments, £7,791 (June 2018: £15,516) of wages and salaries and £44,969 (June 2018: £90,443) of directors remuneration.

5. SHARE CAPITAL

Deferred Shares	Number	Share Capital £'000	Share Premium £'000
At 1 July 2017 and 1 July 2018	239,487,648	1,796,157	-
At 30 June 2018 and 31 December 2018	239,487,648	1,796,157	-
Ordinary Shares	Number	Share Capital £'000	Share Premium £'000
At 1 July 2017	379,562,908	949	9,085
Issued during the period	79,484,300	199	670
Share issue expenses	-	-	(4)
At 31 December 2017	459,047,208	1,148	9,751
Issued during the period	50,235,300	125	377
Share issue expenses	-	-	(29)
At 30 June 2018	509,282,508	1,273	10,099
Issued during the period	-	-	-
At 31 December 2018	509,282,508	1,273	10,099

Movements in share capital

On 3 August 2017, the Company raised £603,000 through the issue of 48,240,000 new ordinary shares of 0.25p each at a price of 1.25p per share to provide additional working capital and fund development costs. In addition, 31,244,300 warrants were also exercised at a price of 0.85p per warrant for £265,577

On 20 December 2017, 235,300 warrants were exercised at a price of 0.85p per warrant for £2,000.

On 14 February 2018, the Company raised £500,000 through the issue of 50,000,000 new ordinary shares of 0.25p each at a price of 1p per share to provide additional working capital and fund development costs.

6. POST BALANCE SHEET EVENTS

On 23rd January 2019 the Company announced that they had raised £370,000 via the placing of 67,272,727 new ordinary shares at a placing price of 0.55p per share. Each placing share has one warrant attached with the right to subscribe for one new ordinary share at 0.6p per new ordinary share for a period of two years from 23rd January 2019.

The net proceeds of the placing will fund ongoing diamond exploration in South Africa and Botswana and will also provide the Company with additional working capital.

7. APPROVAL

The Interim Report for the period to 31st December 2018 was approved by the Directors on 22nd March 2019.

8. AVAILABILITY OF REPORT

The Interim Statement will be available on the website at www.botswanadiamonds.co.uk