



19th November 2018

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

Annual Results for the Year Ended 30 June 2018

Botswana Diamonds plc (AIM: BOD) today announces its audited annual results for the year ended 30 June 2018.

The period under review, mid 2017 to the end of June 2018, saw progress on a number of fronts. The most significant advance was at Thorny River in South Africa where drilling extended the diamond bearing dyke. A number of development options were examined and a decision to contract out the development was recently finalised. If approvals can be finalised royalty revenue should begin to flow to Vutomi, the Company's associate, by end 2019. This will also allow Botswana Diamonds to work towards a maiden resource at negligible cost.

The Maibwe project in Botswana continued to grind forward. This exciting prospect has been mired in the liquidation of the main shareholder – BCL. A prospectus on the project has been produced by BCL for the purpose of selling their stake.

Significant changes are taking place in the Sunland Minerals joint venture on eight licences in the Kalahari Desert. New directors in Alrosa attached a low priority to small scale early stage prospecting projects. While discussing the future of the joint venture with Alrosa, Botswana Diamonds took over operatorship and explored in the first half of 2018. We identified drillable targets. Alrosa has recently transferred its 50% holding in Sunland to Botswana Diamonds. Discussions are at an advanced stage with a diamond producer to step into the shoes of Alrosa by acquiring the 50% of Sunland Minerals which Alrosa has transferred to Botswana Diamonds. This producer has an experienced diamond exploration team in place.

During the period under review Botswana Diamonds pursued a new joint venture with Vast Resources Plc ("Vast") on a block in the Marange Diamond fields in Zimbabwe. This has recently been finalised. The initial review suggests very good potential.

Despite making progress we have struggled to attract investors. We are not alone. The junior exploration sector is out of favour. We believe our share price and those of our peer companies languish at or near the bottom of their price range. This makes funding difficult, expensive and dilutive. Over decades of experience your directors have had success, providing significant returns to investors. We had a rare success in diamonds with the discovery and development of the Karowe mine in Botswana – one of the world's highest per carat value mines. We believe that we can reduce the very high risk in exploration by

country selection, ground selection and the application of not only the latest exploration technology but also the knowledge, experience and “savvy” of our prospector’s, technicians and management. It remains high risk but we believe that our approach significantly reduces the risk.

In Botswana Diamonds we have a portfolio of projects which we believe has good potential. We operate in three sub-Saharan countries – Botswana, South Africa and Zimbabwe. Each of the three has different political risk profiles but share one crucial factor – they are geologically favourable for diamonds. We must explore in locations where we can find diamonds. While this seems obvious it is not. Very few places on earth are thought to contain diamond bearing rocks.

The focus of our activities since we set up has been and remains Botswana. An excellent country in which to operate, good governance, educated people, the rule of law and, above all else, very good diamond ground. Some of the best diamonds mines in the world are in Botswana. But, exploration there is not easy. The country is covered in sand- the Kalahari Desert and it can be extremely hot. The sand depth ranges from 50 / 100 metres. The very best exploration techniques struggle with this. They cannot tell you with any certainty what is beneath the sand. Add to this, a lack of water, few roads and poor communication and you can see the challenges.

Botswana

We have two ongoing projects in Botswana – Sunland Minerals and Maibwe.

Sunland Minerals was established in 2014 as a 50:50 equal contribution joint venture between ourselves and Alrosa, the Russian diamond producer. The logic was simple. Use Alrosa exploration technology with our huge data base and on the ground knowledge. We worked together very well. Results were mixed. Once again the Kalahari geology defied the best technology. Targets were identified and drilled with no strong results. Lack of processing facilities in Botswana itself was a problem. However, as we worked together, we refined our approach and believed we were moving closer to discoveries. Top level changes in Alrosa in 2017 and again in early 2018 led to a revised strategy. Small early stage projects fell down the list of priorities. Operatorship of the Sunland joint venture was passed to Botswana. Alrosa have recently agreed to transfer ownership of their Sunland shares to Botswana. We continue to have an excellent relationship with Alrosa and the new executive team and will keep in touch with them.

Alrosa agreed that we (Botswana Diamonds) could talk to interested parties while the share transfer was being finalised. We did not have to look too far. A large diamond producer would like to step into the shoes of Alrosa. They know the country and the ground and they believe in the potential. They have an experienced team of diamond explorers in place. We would be delighted to have them as a partner. Detailed negotiations are ongoing. We are hopeful that a new arrangement can be finalised by the end of 2018 which will see exploration commence in the first half of 2019. During 2018 we continued to work the Sunland licences in the Kalahari – particularly in the Gope Area and we have identified a number of drillable targets.

The second project – the Maibwe joint venture has been mired in an ongoing liquidation in Botswana. It should be noted that drilling in the Gope region of the Kalahari on four of the Maibwe licences produced very good results in 2016. Maibwe is a joint venture between BCL, a State owned copper company in Botswana (51%), local interests 20% and Siseko, a South African company controlled 51% by Botswana Diamonds. This means the net interest to Botswana is 15%. BCL is in a protracted liquidation. I am pleased to report that progress has been made. BCL has recently produced a prospectus on the Maibwe project in the hope of disposing of their interest. There are pre-emption rights in Maibwe. I hope to report progress to shareholders in the coming months.

South Africa

We entered South Africa two years ago by earning into Vutomi, a privately owned venture with a portfolio of ground. The flagship project is Thorny River a long narrow kimberlite dyke stretching over 7km. During calendar year 2018 we have examined options to develop the project. We have signed an agreement with an experienced mining contractor to mine up to 30,000 tons a month from the dyke. The contractor has arranged to process the material at a nearby diamond processing facility. Apart from a small drilling programme and ongoing supervisory costs there will be no cost to Vutomi. It is estimated that the revenue to Vutomi will be between US\$2m and US\$7m a year for up to 6 years. In addition to providing revenue to the Company, this will also significantly contribute towards delivering a maiden resource at negligible cost.

That income will be enough to fund all current Vutomi plans. It is anticipated that Botswana will have earned into 40% of Vutomi by the end of 2018. We then have the option to acquire up to 72% of Vutomi by the issuance of 96 million shares in Botswana Diamonds as well as repaying £300,000 in shareholder loans. The remaining 28% of Vutomi is the Black Economic Empowerment stake.

Vutomi has a number of ongoing prospects. The most advanced is the Free State project where eight kimberlites worked in the 1870's were rediscovered. Our work to date suggests they have high potential to be diamond bearing. A phased drilling programme is the next step.

Other Vutomi projects are Mooikloof a 2.5 hectare pipe which needs to be re-explored. New ground was awarded in July 2018 adjacent to the former Palmietgat Mine. The Ontevreden Pipe was worked on and found to be smaller than hoped for. The licence has been relinquished.

Zimbabwe

An exciting opportunity has been acquired in the Marange Diamond Fields in Zimbabwe. A special purpose vehicle (SPV) has been established with Vast to develop diamond ventures in Zimbabwe. Vast has exclusive access to the Hermitage Concession (Block T1A) in Marange. Initial work done has identified several targets for placer deposits, as well as potential for the older conglomerates mined elsewhere in the area. Botswana has an initial 13% interest which could rise with subsequent funding. The first US\$1m funding will be supplied by Vast.

Future

In better times for junior explorers we believe Botswana Diamonds would be riding high, getting access to the Marange diamond fields, anticipating a new partner in Sunland seeing progress on the Maibwe Project and receiving revenue and working towards a maiden resource at Thorny River. There is likely to be significant activity on the Maibwe joint venture. A number of potential options exist including that of Botswana Diamonds increasing their stake. A new partner in Sunland will energise the exploration efforts and bring renewed focus to our activities. We are very excited about Zimbabwe. We know the geological potential of Marange. We as yet do not know the commercial terms. We will continue our corporate and investor relations programme to bring our potential to the attention of new investors.

Annual Report and Notice of Annual General Meeting

The Company's Annual Report and Accounts for the year ended 30 June 2018 (the "Annual Report") will be posted to shareholders on or around 20 November 2018.

A Notice of the Company's Annual General Meeting ("AGM") will be included in the Annual Report, which will also be available to download from the Company's website:

<http://www.botswanadiamonds.co.uk/investors>

The AGM is due to be held at the Hilton London Paddington Hotel, 146 Praed Street, London W2 1EE on Friday 14th December 2018 at 11.30am.

John Teeling
Chairman

16th November 2018

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

ENDS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	2018 £	2017 £
Administrative expenses	(376,883)	(310,898)
Impairment of exploration and evaluation assets	(179,524)	-
OPERATING LOSS	<u>(556,407)</u>	<u>(310,898)</u>
(Loss)/gain on investments	(1,250)	100
LOSS FOR THE YEAR BEFORE TAXATION	<u>(557,657)</u>	<u>(310,798)</u>
Income tax expense	-	-
LOSS AFTER TAXATION	<u>(557,657)</u>	<u>(310,798)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	(72,352)	148,930
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>(630,009)</u></u>	<u><u>(161,868)</u></u>
Loss per share – basic	(0.12p)	(0.09p)
Loss per share – diluted	(0.12p)	(0.09p)

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2018

	30/06/2018	30/06/2017
	£	£
ASSETS:		
NON CURRENT ASSETS		
Intangible assets	8,234,076	7,766,256
Financial assets	-	1,250
	<u>8,234,076</u>	<u>7,767,506</u>
CURRENT ASSETS		
Other receivables	24,886	60,622
Cash and cash equivalents	260,642	106,188
	<u>285,528</u>	<u>166,810</u>
TOTAL ASSETS	<u>8,519,604</u>	<u>7,934,316</u>
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	(300,098)	(429,484)
TOTAL LIABILITIES	<u>(300,098)</u>	<u>(429,484)</u>
NET ASSETS	<u>8,219,506</u>	<u>7,504,832</u>
EQUITY		
Called-up share capital – deferred shares	1,796,157	1,796,157
Called-up share capital – ordinary shares	1,273,206	948,907
Share premium	10,098,561	9,085,128
Share based payment reserves	104,238	97,287
Retained deficit	(4,069,369)	(3,511,712)
Translation reserve	-	72,352
Other reserve	(983,287)	(983,287)
TOTAL EQUITY	<u>8,219,506</u>	<u>7,504,832</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Called-up Share Capital £	Share Premium £	Based Payment Reserve £	Retained Deficit £	Translation Reserve £	Other Reserve £	Total £
At 30 June 2016	2,642,185	8,598,008	90,336	(3,200,914)	(76,578)	(983,287)	7,069,750
Share based payment	-	-	6,951	-	-	-	6,951
Issue of shares	102,879	508,121	-	-	-	-	611,000
Share issue expenses	-	(21,001)	-	-	-	-	(21,001)
Loss for the year and total comprehensive income	-	-	-	(310,798)	148,930	-	(161,868)
At 30 June 2017	2,745,064	9,085,128	97,287	(3,511,712)	72,352	(983,287)	7,504,832
Share based payment	-	-	6,951	-	-	-	6,951
Issue of shares	324,299	1,046,278	-	-	-	-	1,370,577
Share issue expenses	-	(32,845)	-	-	-	-	(32,845)
Loss for the year and total comprehensive income	-	-	-	(557,657)	(72,352)	-	(630,009)
At 30 June 2018	3,069,363	10,098,561	104,238	(4,069,369)	-	(983,287)	8,219,506

Share Premium

The share premium reserve comprises of a premium arising on the issue of shares net of share issue expenses.

Share Based Payment Reserve

The share based payment reserve arises on the grant of share options under the share option plan.

Retained Deficit

Retained deficit comprises of losses incurred in the current and prior years.

Translation Reserve

The translation reserve arises from the translation of foreign operations.

Other Reserve

During 2010 the Company acquired certain assets and liabilities from African Diamonds plc, a Company under common control. The assets and liabilities acquired were recognised at their book value and no goodwill was recognised on acquisition. The difference between the book value of the assets acquired and the purchase consideration was recognised directly in reserves.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	30/06/2018	30/06/2017
	£	£
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year	(557,657)	(310,798)
Loss/(Profit) on investment held at fair value	1,250	(100)
Foreign exchange losses	(68,359)	144,661
Impairment of exploration and evaluation assets	179,524	-
	<u>(445,242)</u>	<u>(166,237)</u>
MOVEMENTS IN WORKING CAPITAL		
(Decrease)/Increase in trade and other payables	(144,386)	262,386
Decrease/(Increase) in trade and other receivables	35,736	(29,997)
	<u>(108,650)</u>	<u>232,389)</u>
NET CASH (USED)/FROM OPERATING ACTIVITIES	<u>(553,892)</u>	<u>66,152</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to exploration and evaluation assets	(625,393)	(993,658)
NET CASH USED IN INVESTING ACTIVITIES	<u>(625,393)</u>	<u>(993,658)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	1,370,577	550,000
Share issue costs	(32,845)	(21,001)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>1,337,732)</u>	<u>528,999)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	158,447	(398,507)
Cash and cash equivalents at beginning of the financial year	106,188	500,426
Effect of foreign exchange rate changes	(3,993)	4,269
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>260,642</u>	<u>106,188</u>

1. ACCOUNTING POLICIES

The accounting policies and methods of computation followed in these financial statements are consistent with those published in the Group's Annual Report for the year ended 30 June 2017.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union.

The financial information set out below does not constitute the Group's financial statements for the year ended 30 June 2018 or 30 June 2017, but is derived from those accounts. The financial statements for the year ended 30 June 2017 have been delivered to the Registrar of Companies and those for the year ended 30 June 2018 will be delivered following the Group's Annual General Meeting.

The auditors have reported on the 2018 statements; their report was unqualified with an emphasis of matter in respect of considering the adequacy of the disclosures made in the financial statements concerning the valuation of intangible assets, and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

2. GOING CONCERN

The Group incurred a loss for the year of £630,009 after exchange differences on retranslation of foreign operations and had a retained deficit of £4,069,369 at the balance sheet date. These conditions represent a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

The directors have prepared cashflow projections and forecasts for a period of not less than 12 months from the date of this report which indicate that the group will require additional finance to fund working capital requirements and develop existing projects. Although it is not possible at this stage to predict when financing efforts will be made the directors are confident that they will be able to raise additional finance as required to meet the group's committed obligations as they fall due.

As in previous years the Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements and believe the going concern basis is appropriate for these financial statements. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

3. LOSS PER SHARE

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

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

	2018 £	2017 £
Numerator		
For basic and diluted EPS retained loss	<u>(557,657)</u>	<u>(310,798)</u>
Denominator	No.	No.
For basic and diluted EPS	<u>470,397,102</u>	<u>351,659,107</u>
Basic EPS	(0.12p)	(0.09p)
Diluted EPS	(0.12p)	(0.09p)

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.
Share options	<u>10,410,000</u>	<u>9,410,000</u>

4. INTANGIBLE ASSETS

Exploration and evaluation assets:

	2018	2017
	£	£
Cost:		
At 1 July	8,415,677	7,339,068
Additions	647,344	1,076,609
At 30 June	<u>9,063,021</u>	<u>8,415,677</u>
Impairment:		
At 1 July	649,421	649,421
Impairment loss	179,524	-
At 30 June	<u>828,945</u>	<u>649,421</u>
Carrying Value:		
At 1 July	<u>7,766,256</u>	<u>6,689,647</u>
At 30 June	<u>8,234,076</u>	<u>7,766,256</u>
Segmental analysis	2018	2017
	£	£
Botswana	7,463,973	7,471,291
South Africa	770,103	294,965
	<u>8,234,076</u>	<u>7,766,256</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.

During the current year, some licences held by the Group in its subsidiary company Sunland Minerals (Pty) Ltd were relinquished. Therefore, the directors have decided to impair the cost of exploration on these licences. Accordingly, an impairment provision of £179,524 has been recorded by the Group in the current year.

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 will 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 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 will last until 5 January 2019 with an option to extend 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 acquire 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 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 year are £6,951 (2017: £6,951) of share based payments, £15,516 (2017: £16,006) of wages and salaries and £90,443 (2017: £73,758) of directors remuneration.

5. CALLED-UP SHARE CAPITAL

Deferred Shares

	Number	Share Capital £	Share Premium £
At 1 July 2016 and 2017	239,487,648	1,796,157	-
At 30 June 2017 and 2018	239,487,648	1,796,157	-

Ordinary Shares

Allotted, called-up and fully paid:

	Number	Share Capital £	Share Premium £
At 1 July 2016	338,411,181	846,028	8,598,008
Issued during the year	41,151,727	102,879	508,121
Share issue expenses	-	-	(21,001)
At 30 June 2017	379,562,908	948,907	9,085,128
Issued during the year	129,719,600	324,299	1,046,278
Share issue expenses	-	-	(32,845)
At 30 June 2018	509,282,508	1,273,206	10,098,561

Movements in share capital

On 13 March 2017, 1,764,700 warrants were exercised at a price of 0.85p per warrant for £15,000.

On 3 April 2017, the Company issued 3,210,527 new ordinary shares of 0.25p each at a price of 1.9p to Vutomi shareholders for £61,000 as part of the Joint Venture Agreement entered into. Further details are outlined in Note 10.

On 11 May 2017, 1,176,500 warrants were exercised at a price of 0.85p per warrant for £10,000.

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 15 November 2018 Botswana Diamonds plc announced that it now holds 100% equity in Sunland Minerals (Pty) Ltd having acquired for a nominal sum the 50% previously held by Alrosa.

7. GENERAL INFORMATION

The Annual Report and Accounts will be mailed shortly only to those shareholders who have elected to receive it. Otherwise, shareholders will be notified that the Annual Report and Accounts will be available on the website at www.botswanadiamonds.co.uk. Copies of The Annual Report will also be available for collection from the company's registered office at Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB

8. ANNUAL GENERAL MEETING

The Annual General Meeting is due to be held at the Hilton London Paddington Hotel, 146 Praed Street, London W2 1EE on Friday 14th December 2018 at 11.30am. A Notice of the Annual General Meeting is included in the Company's Annual Report.