



BOTSWANA

DIAMONDS PLC



**Interim Statement
For the six months ending
Dec 31st 2014**

Interim Results for the Six Months Ended 31 December 2014

In a resources world filled with gloom I am happy to report good progress on our operations in Botswana. The 8 person Alrosa geological team combined with our own staff are completing the second phase of exploration on three of our joint venture blocks in the Orapa area of Botswana. This work is focusing on areas identified in the 2014 exploration campaign. Results will begin to flow by mid-2015. I am hopeful that drilling targets will be pinpointed.

The Industry

The diamond industry glistens in a resource sector depressed by weak demand. There is a clear supply-demand gap opening. Demand for gem stones in Asia, the Middle East and parts of Africa is growing due to an emerging middle class. The forecasted (Northland Capital Partners' Report) demand-supply gap begins in 2017 and by 2023 could be as much as 100 million carats a year or as low as 34 million carats a year. The strong demand for diamond jewellery is not being met by discoveries. There have been no major discoveries since 2005. The high value Karowe Mine in Botswana, where three of the directors of Botswana Diamonds played an active part in the discovery, came on stream in 2012 – but is only producing approximately 400,000 carats a year of premium product. Established diamond mines are getting deeper and more costly to operate. The result of these factors is likely to be stronger prices in the future.

Botswana Diamonds/Alrosa Joint Venture

Botswana Diamonds and Alrosa have a 50/50 joint venture currently focused on the Orapa area of Botswana. Orapa is home to some of the world's greatest diamond mines. Alrosa believe that their technology, experience and people can identify diamondiferous kimberlites through up to 100 metres of overburden – as is commonly found in Botswana. Their skills were honed in Siberia where they have found and developed up to 18 diamond mines. We contribute data banks and the on-the-ground experience of our team.

The initial analyses, in 2012/2013, of quantities of secondary data identified prospective targets. We applied for ground and successfully obtained some licenses from the government of Botswana. A preliminary exploration programme in 2014, including 4 drill holes on PL117, was as much a test of the techniques as a targeted programme. Results supported the techniques with kimberlitic stringers found in two of four holes. As a result of our work and expenditure on PL117 we have earned a 51% position on the PL117 licence.

The current programme, which began in September 2014 and will run through 2015, started on 5 licences: PLs 206-210. These licences were selected by Alrosa. Detailed geophysics and soil sampling was carried out in 2014. Their results were analysed in St. Petersburg and a new 2015 work programme agreed on three licences. This involves highly focused soil sampling and geophysics.

The Alrosa approach to diamond prospecting differs from the rest of the industry in that:

- Experienced qualified geologists are used for soil sampling
- Mobile laboratories allow mineralogical analyses in the field. The results are obtained in days rather than months. This focuses exploration and saves huge amounts of time and money
- There is a focus on chrome diopsides and garnets (Kimberlite Indicator Minerals, or "KIMs"). Alrosa believes they can identify how far these KIMs have travelled and can therefore work back to the source
- The mineralogists have fingerprints of the diamonds, garnets and other KIMs from local mines. They compare their findings against these. This greatly increases the efficiency in the attempt to find new kimberlites
- Finally, KIM concentrates from the field are sent for microanalysis to St. Petersburg. Based on the work done in 2014 the current exploration is now focused on three Prospecting Licences, 206, 207, 210
- On PL 206, 5 areas of high KIM concentration is being explored to see if the minerals are from known Orapa clusters or from new kimberlites

- On PL 207, where two diamonds were discovered in the earlier work, the focus is on the North West where high KIM concentrations are aligned with magnetic anomalies. We recently announced the award of PL 085 adjacent to this block. We believe there is potential on both blocks
- On PL 2010, mainly pyrope garnet KIMs were discovered. The analyses suggested they have not travelled far and, therefore, heavy concentrate sampling is ongoing to get a better understanding of the area

As of mid-March 2015 several thousands of KIM concentrate samples from the current programme have been shipped to St. Petersburg. We expect results to follow in June. The joint programme is fully funded to Q3.

BOD/Alosa Joint Venture – New Ground

The exploration techniques of Alosa mean a high turnover of ground. Substantial initial analyses are followed by intense on site work and in field analyses. Ground that fails to reach target levels is discarded.

In the past year the joint venture has begun to look at potential targets outside of the Orapa area while continuing to identify new ground of geological potential in the Orapa area. The joint venture has applied for and been awarded additional ground in the area.

Ground has been applied for in other areas which for competitive reasons we will not identify. We are also in negotiations for future farm-in arrangements with various PL-holders on ground identified by the JV, which is held by others.

Other Activities

Botswana Diamonds held an option to acquire up to a 95% interest in the 13 licence Brightstone block in the Gope region of the Kalahari. A new diamond mine, Ghaghoo, has recently opened in this area. A large base metal producer has decided to enter the diamond sector. They have become operator of the block and they have an exploration team on the ground. We have contributed much of our Gope area data bank to the new company. In return for conceding our rights and contributing our data we will end up with a 15% free carry through all phases of exploration up to the completion of a Bankable Feasibility Study. Our interest will be held through a shareholding in a private Botswana company.

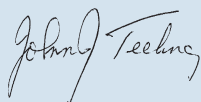
This is a good deal for all parties concerned. It brings fresh eyes and ideas to the block.

Outside of the Joint Venture, the Botswana Diamonds team have continued to work on our own data. We have proposals on some of our existing ground and interesting ideas on new areas.

Future

Diamonds is the industry to be in. If you want to be in diamonds you must be in Botswana which is the world's leading producer of high quality stones. In Botswana, it makes sense to be where diamonds are likely to be found, the Orapa cluster. In the Orapa area it makes sense to bring in fresh eyes, ideas and technology to seek out hard to find diamond deposits. That, in a paragraph, is the Botswana Diamonds strategy – the best industry, the best area and the best technology. But remember it is still exploration, a high risk high reward venture.

Resources in general and exploration in particular have suffered greatly in recent years. Share prices have been decimated – 90% plus falls. Investors have lost faith. Funding has grown increasingly difficult. But believers remain. Success will produce substantial returns.



John Teeling
Chairman

27 March 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 31 Dec 14 unaudited £'000	Six Months Ended 31 Dec 13 unaudited £'000	Year Ended 30 June 14 audited £'000
REVENUE	-	-	-
Cost of sales	-	-	-
GROSS PROFIT	-	-	-
Administrative expenses	(166)	(222)	(434)
Impairment of exploration and evaluation assets	-	-	(616)
OPERATING LOSS	(166)	(222)	(1,050)
Finance income	-	1	-
Profit on disposal of investment	-	-	100
Profit on investment held at fair value	-	15	2
LOSS BEFORE TAXATION	(166)	(206)	(948)
Income tax expense	-	-	-
LOSS AFTER TAXATION	(166)	(206)	(948)
Exchange difference on translation of foreign operations	17	(29)	(77)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(149)	(235)	(1,025)
LOSS PER SHARE - basic and diluted	(0.08p)	(0.15p)	(0.57p)

CONDENSED CONSOLIDATED BALANCE SHEET

	31 Dec 14 unaudited £'000	31 Dec 13 unaudited £'000	30 June 14 audited £'000
ASSETS:			
NON-CURRENT ASSETS			
Intangible assets	6,080	6,327	5,866
Investment in associate	-	100	-
Financial assets	12	26	12
	6,092	6,453	5,878
CURRENT ASSETS			
Trade and other receivables	20	5	66
Cash and cash equivalents	154	273	420
	174	278	486
TOTAL ASSETS	6,266	6,731	6,364
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	(228)	(453)	(177)
TOTAL LIABILITIES	(228)	(453)	(177)
NET ASSETS	6,038	6,278	6,187
EQUITY			
Share capital	1,962	1,679	1,962
Share premium	7,825	7,410	7,825
Share based payments reserve	88	207	88
Other reserves	(983)	(983)	(983)
Retained deficit	(2,854)	(2,035)	(2,705)
TOTAL EQUITY	6,038	6,278	6,187

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Share based Payment Reserves £'000	Retained Deficit £'000	Other Reserves £'000	Total Equity £'000
As at 30 June 2013	1,383	7,112	83	(1,800)	(983)	5,795
Share based payment	-	-	4	-	-	4
Warrants granted	-	(120)	120	-	-	-
Ordinary shares issued	296	444	-	-	-	740
Share issue expenses	-	(26)	-	-	-	(26)
Total comprehensive loss	-	-	-	(235)	-	(235)
As at 31 December 2013	<u>1,679</u>	<u>7,410</u>	<u>207</u>	<u>(2,035)</u>	<u>(983)</u>	<u>6,278</u>
Share based payment	-	-	1	-	-	1
Transfer to retained deficit	-	-	(120)	120	-	-
Ordinary shares issued	283	425	-	-	-	708
Share issue expenses	-	(10)	-	-	-	(10)
Total comprehensive loss	-	-	-	(790)	-	(790)
As at 30 June 2014	<u>1,962</u>	<u>7,825</u>	<u>88</u>	<u>(2,705)</u>	<u>(983)</u>	<u>6,187</u>
Total comprehensive loss	-	-	-	(149)	-	(149)
As at 31 December 2014	<u>1,962</u>	<u>7,825</u>	<u>88</u>	<u>(2,854)</u>	<u>(983)</u>	<u>6,038</u>

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended 31 Dec 14 unaudited £'000	Six Months Ended 31 Dec 13 unaudited £'000	Year Ended 30 June 14 audited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(166)	(206)	(948)
Finance income	-	(1)	-
Share Option charge	-	-	1
Profit on investment held at fair value	-	(15)	(2)
Exchange movements	15	(27)	(57)
Impairment of exploration and evaluation assets	-	-	616
	<u>(151)</u>	<u>(249)</u>	<u>(390)</u>
Movements in Working Capital	<u>97</u>	<u>44</u>	<u>108</u>
CASH USED BY OPERATIONS	<u>(54)</u>	<u>(205)</u>	<u>(282)</u>
Finance revenue	-	1	-
NET CASH USED IN OPERATING ACTIVITIES	<u>(54)</u>	<u>(204)</u>	<u>(282)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised	(214)	(74)	(246)
Disposal of investment	-	-	100
NET CASH USED IN INVESTING ACTIVITIES	<u>(214)</u>	<u>(74)</u>	<u>(146)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue	-	540	848
Share issue costs	-	(26)	(36)
NET CASH GENERATED IN INVESTING ACTIVITIES	<u>-</u>	<u>514</u>	<u>812</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(268)</u>	<u>236</u>	<u>384</u>
Cash and cash equivalents at beginning of the period	420	39	39
Effect of foreign exchange rate changes	2	(2)	(3)
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>154</u>	<u>273</u>	<u>420</u>

Notes:**1. Information**

The financial information for the six months ended 31 December 2014 and the comparative amounts for the six months ended 31 December 2013 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 2014 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 14 £	Six months Ended 31 Dec 13 £	Year Ended 30 June 14 £
Numerator			
For basic and diluted EPS retained loss	<u>(166,199)</u>	<u>(205,492)</u>	<u>(948,610)</u>
Denominator			
Weighted average number of ordinary shares	<u>196,228,267</u>	<u>141,201,719</u>	<u>166,923,653</u>
Loss per share – Basic and Diluted	<u><u>(0.08p)</u></u>	<u><u>(0.15p)</u></u>	<u><u>(0.57p)</u></u>

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:

Share options	<u>8,160,000</u>	<u>7,910,000</u>	<u>8,160,000</u>
---------------	------------------	------------------	------------------

4. Intangible Assets

	31 Dec 14	31 Dec 13	30 June 14
	£'000	£'000	£'000
Exploration and evaluation assets:			
Cost:			
Opening balance	6,482	6,249	6,249
Additions	214	78	249
Exchange variance	-	-	(16)
	<u>6,696</u>	<u>6,327</u>	<u>6,482</u>
Impairment:			
Opening balance	616	-	-
Provision for impairment	-	-	616
	<u>616</u>	<u>-</u>	<u>616</u>
Carrying Value:			
Opening balance	<u>5,866</u>	<u>6,249</u>	<u>6,249</u>
Closing balance	<u>6,080</u>	<u>6,327</u>	<u>5,866</u>

Exploration and evaluation assets relate to expenditure incurred in exploration for diamonds in Botswana, Zimbabwe and Cameroon. 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.

The Group's focus is to maximize the full potential of the Botswana operations. Therefore, the directors have decided to provide in full against the carrying value of the operations in Zimbabwe and Cameroon. Accordingly, an impairment provision of £615,796 had been recorded by the Group in the year to 30 June 2014.

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:

- Price fluctuations;
- Foreign exchange rates;
- Uncertainties over development and operational costs;
- Political and legal risks, including arrangements with governments for licences, profit sharing and taxation;
- Foreign investment risks including increases in taxes, royalties and renegotiation of contracts;
- Liquidity risks;
- Funding risks;
- Going concern;
- Operational and environmental risks.

Included in additions for the period are £428 of share based payments (2013: £3,378), £9,483 (2013: £18,481) of wages and salaries and £25,000 (2013: £50,000) of directors remuneration.

5. Share Capital

	Number	Share Capital £'000	Share Premium £'000
Allotted, called-up and fully paid:			
At 30 June 2013	138,282,267	1,383	7,112
Issued during the period	29,600,000	296	444
Share issue expenses	-	-	(26)
Warrants granted	-	-	(120)
At 31 December 2013	167,882,267	1,679	7,410
Issued during the period	28,346,000	283	425
Share issue expenses	-	-	(10)
At 30 June 2014	196,228,267	1,962	7,825
	-	-	-
At 31 December 2014	196,228,267	1,962	7,825

Movements in share capital

On 13 December 2013, the company raised £540,000 through the issue of 21,600,000 new ordinary shares at a price of 2.5p per share to provide additional working capital and fund development costs. In addition, the company settled £200,000 of existing liabilities with the directors of the company through the issue of 8,000,000 new ordinary shares at a price of 2.5p.

On 13 December 2013, 59,200,000 warrants were granted to the subscribers of the placing at a price of 2.5p per share. These warrants were exercisable for a period of six months from date of issue.

On 20 January 2014, 1,000,000 warrants were exercised at a price of 2.5p per warrant for £25,000.

On 20 June 2014, 27,346,000 warrants were exercised at a price of 2.5p per warrant for £683,650. The balance of the warrants expired before the year end.

6. Approval

The Interim Report for the period to 31 December 2014 was approved by the Directors on 26th March 2015.

7. Availability of Report

Copies of this announcement will be mailed shortly only to those shareholders who have elected to receive it. Otherwise, shareholders will be notified that the Interim Statement will be available on the website at www.botswanadiamonds.co.uk. Copies of the Interim Statement will also be available for collection from the companies Registered Office at 20-22 Bedford Row, London WC1R 4JS.



162 Clontarf Road, Dublin 3, Ireland.
t: +353 1 833 2833 f: +353 1 833 3505
e: info@botswanadiamonds.co.uk
www.botswanadiamonds.co.uk

Registrars & Transfer Office
Computershare Services plc
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
T: +353 1 216 3100
F: +353 1 216 3150