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Chairman's Statement

Botswana Diamonds is about to enter a high powered phase of exploration. In early January 2014 the first ground phase of our joint venture with Alrosa will begin when four Russian geologists will start fieldwork on PL117 in the Orapa area of Botswana. It has taken two years to negotiate the joint venture. Most of the time was well spent with Botswana supplying mountains of data and Alrosa analysing it and identifying targets. PL117 contains the top ranking targets. A series of other targets are lined up to follow including areas where deep sand cover has meant that no kimberlites have ever been discovered.

Ladies all over the world want diamonds. As 2 billion people become middle class in the next two decades the demand for gem quality diamonds is expected to grow at a faster rate than the supply of new diamonds coming to market. The result is expected to be rising prices.

Contrast this benign environment with the economic turmoil in the rough diamond segment, the weakness in the share prices of diamond producers and the depression in the prices of diamond explorers who find it almost impossible to raise fresh equity.

For a century De Beers maintained an orderly market in diamonds. They held a virtual monopoly on supply which is the key to controlling prices. In recent years there has been significant structural change and De Beers' monopoly is no longer. Our partner, Alrosa, the recently listed Russian producer, is now the largest diamond producer in the world. A number of multinational miners, RTZ and BHP tried to gain a foothold in the industry with limited success. A number of independents have emerged with a small impact.

Marketing of rough diamonds has changed dramatically. The "sight" in London has moved to Gaborone in Botswana which is fast becoming the hub of the world diamond industry. Dubai has become a major if not the major diamond trading centre and Indian buyers now dominate the trade. One result is significantly more volatility in prices as auctions replace the "sight".

Botswana Diamonds, formed in 2011 from the exploration assets of African Diamonds, is focused on Botswana. We hold very good prospective ground and in July 2013 signed a joint venture with Alrosa of Russia to explore the Orapa area of Botswana. In addition to our Alrosa joint venture we hold ground in the Gope region in a joint venture with a South African company while we have sole ownership of three licences 30 km east of the Lethlekane mine in Orapa.

The Alrosa Joint Venture

Alrosa believes that its exploration techniques can predict the location of diamondifereous kimberlites up to 100m below a cover of Kalahari sand and basalt. The first test of this will be in Q1 and Q2 2014 when the joint venture will explore PL117, a 2.9 sq km licence in Orapa, very close to the new Karowe mine which is producing spectacular diamonds.

Few, outside of the mining industry, understand the difficulties of "seeing" into the ground. Most new discoveries are made from surface indicators or by exploring where there is or was a mine. But, once the surface is explored you have to go deeper. There are no magic bullets. Despite the best efforts of the world's leading mining companies the only lie detector is a drill hole.

Chairman's Statement *(continued)*

Alrosa working in Siberia, with no access to Western technology, developed new techniques and adapted existing methods to handle the tundra which has an overburden up to 200m thick before they hit rock. Over decades Alrosa has refined these techniques and has had remarkable success to the extent that they are now the number one diamond producer in the world by volume, with 17 producing mines.

The directors of Alrosa believe that their techniques can work in Botswana, the home of diamonds and the world's biggest producer by value. Most of Botswana is covered by the Kalahari desert. For 18 months Alrosa and Botswana Diamonds have gathered and analysed as much data as possible on Botswana geology in the Orapa region – the logical place to start where four of the world's great diamond mines exist.

Twelve targets have come from this analysis. We have applied for ground covering these targets. The process is slow and opaque. Some of the ground was already under licence so we have had to adapt.

The top target identified by Alrosa was in an area covered by a small 2.9 sq km licence held by local interests. We farmed into this licence. This is ground we know well having held it earlier under the African Diamonds name. In 2004 we discovered a five hectare kimberlites, AK10, containing diamonds. We spent over $2,000,000 exploring it only to drop it in favour of the AK6 discovery 6 km to the South. AK6 is now the Karowe mine of Lucara. A detailed work programme using four Russian geologists will commence in January 2014. The objective is to refine drill targets. This should be followed by a drilling programme in March/April 2014. There are high expectations for this work but it is grassroots exploration.

Other Exploration Activities

While Alrosa is focused on the Orapa region they ran an analysis of the Gope area of Botswana. This is in the Kalahari Game Reserve so environmental considerations are paramount. The area is highly prospective. The Ghagoo mine is expected to come on stream in late 2014 while a significant discovery has been made on KX36 in the East of the area.

South African and local interests had obtained a substantial block of 13 licences covering much of the area. Botswana Diamonds has a joint venture with the licence holders whereby we can earn a 51% interest in the block by spending US$940,000. Farming in makes sense. If you discover something exploration spending very quickly brings you to 95%. If you find nothing it matters little what percentage you hold.

Our geologists, with the assistance of Alrosa, have identified a series of targets which, finance permitting, we will explore in 2014.

We had high hopes for PL170 a 100% owned exploration licence to the West of Orapa. The ground has good geophysical signatures while diamond indicator minerals, garnets, ilmenities and spinels were found. We drilled 4 holes in early 2013 but found no kimberlites.

The geology is good. The indicator minerals have come from somewhere. We successfully applied for two adjacent licences. During 2014 we will collect, collate and analysis all of the available data. The licences are valid until 2016.

Chairman's Statement *(continued)*

Other Projects – Cameroon, Mozambique and Bugeco

The outstanding opportunities and potential in Botswana led to a board decision to focus our activities in this country. We have excellent ground in Cameroon adjacent to a developing Korean owned diamond mine. We maintain contact with the Korean firm.

We evaluated an alluvial opportunity on the banks of the Save River on the Zimbabwe/Mozambique border. The Save drains the Maranage area of Zimbabwe which is now a major world class diamond producing region. There is undoubtedly potential in the area but the terms of the joint venture and the costs of exploration outweighed the benefits.

A legacy asset of African Diamonds transferred to Botswana Diamonds at no cost is, a 35% shareholding in Bugeco, a privately held Belgian explorer focused on the Congo. A diamond joint venture came to nothing but a 20% interest in a large base metal licence has attracted the interest of Robert Friedland the legendary mining entrepreneur. He is taking control of Concordia, a TSX company, which owns the other 80% of the Congo licence. He wants 100% ownership so Bugeco is selling the 20% for cash and shares. When the Concordia and Bugeco transactions complete in Q1 2014 Botswana Diamonds will look to dispose of its interest in Bugeco. Whilst the sale is dependent upon the completion of the wider transaction and the structure of any disposal is yet to be agreed current estimates are a return of about US$450,000 cash to Botswana Diamonds for the interest in Bugeco.

Future Strategy

Our exploration ambitions are limited by our finances. The retail market for fresh equity in AIM listed explorers is virtually non-existent. Falling share prices not only dilute existing shareholders when funds are raised but also make funding more difficult as investors believe that by waiting prices will be lower. Often they are right. We are hoping to place shares with long term investors. The directors take shares instead of financial compensation.

We will have the funds to operate the Alrosa joint venture which has a 2014 budget of £600,000 on a 50/50 basis. Our second priority is to fund the Gope area exploration. Diamonds have wonderful demand fundamentals. They are very scarce and hard to find. The best way to find them is to use the best technology, best and experienced people on the most prospective ground. This we are doing. We look forward to the future with great confidence.

John Teeling
Chairman

21 November 2013

THE DIAMOND MARKET DEVELOPMENTS

2013 was an eventful year for the diamond industry. The occurrence of industry structural changes that took place during 2012, continued into 2013, while overall global diamond production remained at similar levels to the previous year.

The future for the diamond market remains extremely robust; with limited new supply widely predicted to struggle in meeting growing consumer demand, and therefore causing the price of diamonds to rise.

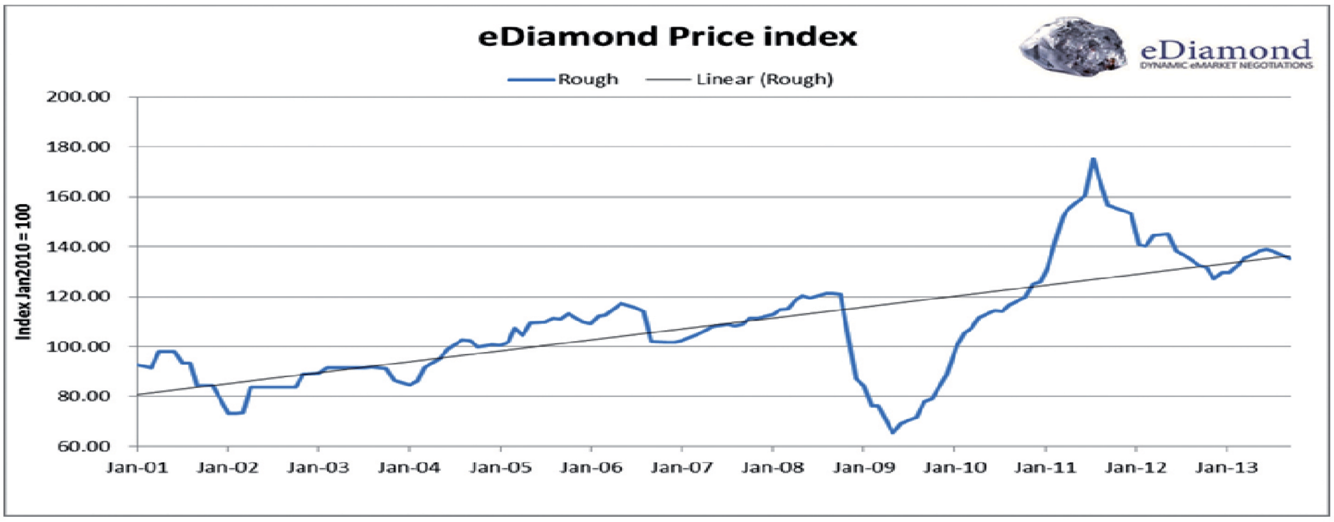
The most significant developments were as follows:

- Alrosa raised $1.3bn through an IPO of 16% of its shares on MICEX in Russia
- Rio Tinto cancelled the planned sale or IPO of its diamond division, opting instead to retain the business within the wider mining group
- De Beers ceased its London sales operations in October 2013 and began selling its main Sights in Gaborone, Botswana
- De Beers commenced the $2bn underground project at Venetia mine in South Africa
- Gahcho Kue project in NWT, Canada (owned 51% De Beers/49% Mountain Province) gained Ministerial approval to proceed with development of the new mine
- Lukoil's Grib project plans to start production by end 2013
- Production in the Marange fields reported to be struggling due to stripping of alluvials and difficulty in mining the harder conglomerates

The diamond market opened 2013 in a confident mood. Rough prices increased during the first four months by around 10% on average, but by May the market began to struggle. A combination of the tumbling rupee (against the US$), increased rough prices and no strong upward movement in polished prices caused a margin, and subsequent liquidity, squeeze, particularly for the Indian manufacturers.

Despite these market troubles all rough producers, large, medium and small, sold the majority of their productions and prices have held relatively steady. Some producers such as Lucara (owner of Karowe mine in Botswana) have done extremely well with significantly higher than expected prices achieved (Q3 - $625/ct) due to an impressive amount of large, high-value stones. The new Okavango Diamond Company in Botswana, with its designated portion of Debswana production (Botswana 50/50 JV between De Beers and the government of

Exhibit 1 – Diamond Market 2013



Overview and Market *(continued)*

Botswana) has been established, and is now operational after concluding its first sale.

Polished sales have been steady throughout the year, with demand improving in 2013 from the biggest diamond jewellery market, the US. The biggest challenge for the polished trade has been price, with retailers resisting polished price increases in order to retain their consumer price-points and polished wholesalers having to absorb higher rough prices.

Polished prices have remained relatively steady in the last 12 months, at around 3% higher than 12 months ago. Rough prices are currently around 4.5% above the start of 2013.

As per the chart below, Bain & Co estimated 2012 global diamond jewellery retail value at $72bn.

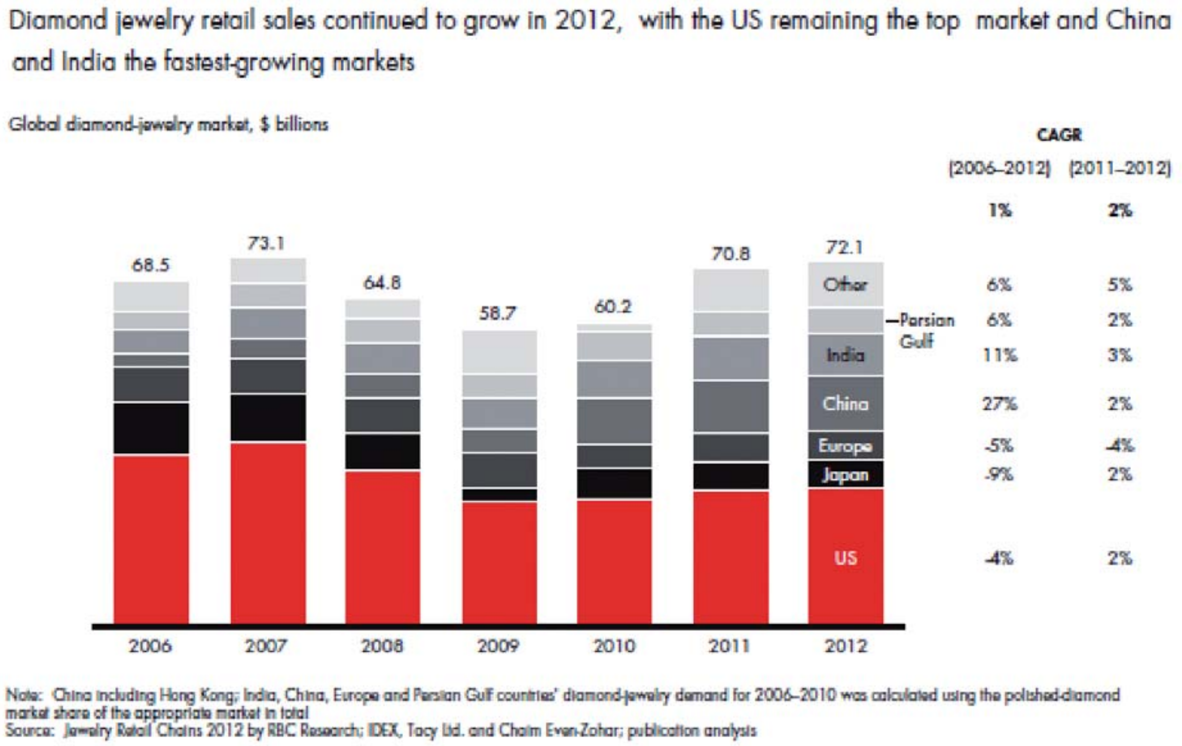
In the near-term, the market - which has been operating at a slower pace over the last few months - is expected to improve. Post-Diwali the manufacturing activity levels in India are set to increase, the stocking for Christmas and Chinese New Year will absorb more of the polished diamonds stocks and it is likely that a polished deficit will drive polished prices upwards which will help pull rough through the pipeline better. As always the marketing strategies of the major producers will have an important effect on the short-term liquidity of the market.

Despite the short-term challenges in the diamond market during 2013, the medium-long-term picture is extremely strong.

In August 2013 Bain & Co produced its report on the diamond industry. It expects a relatively balanced market over the next four years, with a growing supply-demand gap longer-term (post 2018); between 2013-2023 Bain predicted rough diamond demand to grow at a base-case CAGR of 5.1% against a base-case rough diamond supply/production forecast CAGR of 2.0% (Exhibit 3).

It is clear that supply will not match consumer demand and prices will be driven upwards. As with other commodity industries there will be some volatility in the market short-term, but the trend is definitely upwards.

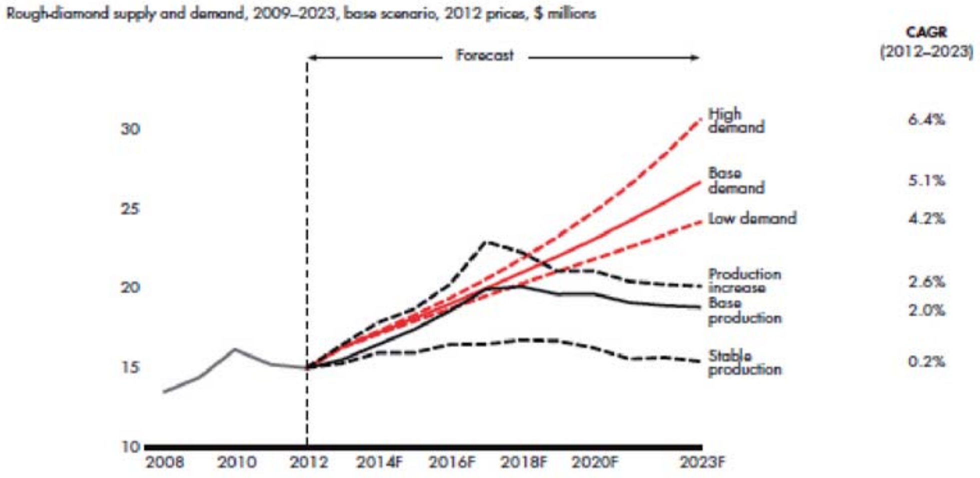
Exhibit 2 – Diamond Jewellery Retail Sales



Overview and Market *(continued)*

Exhibit 3 – Supply and Demand

Supply and demand will be balanced through 2018, according to our base scenarios



Note: Rough-diamond demand has been calculated based on polished-diamond demand using a historical ratio of rough to polished diamond
Source: IDEX, Tacy Ltd. and Chaim Even-Zohar; Kimberley Process; publication analysis; expert interviews; Bain analysis

Review of Operations

Botswana has been the best address in the world for diamonds for over four decades. World-class assets and a stable operating environment, both politically and constitutionally have allowed the country to transform into one of Africa's biggest success stories. Botswana has evolved from one of the poorest nations in Africa, indeed the world, into what is now a middle income economy and a proud beacon for the modern diamond industry.

Diamond mining has been a huge contributor to the economic success of the country and currently accounts for 70-80% of export earnings. Botswana still remains the biggest producer in the world by value with large-scale low-cost mines owned by Debswana and the new, high-performing Karowe mine, now owned by Lucara Diamond Corporation.

The Botswana Diamonds management team has extensive knowledge of the country – our previous company, African Diamonds, found the Karowe mine in 2004 in partnership with De Beers. The Karowe mine was sold to Lucara in December 2010 for $90m and began producing in 2012. In its first year of production it has far exceeded expectations, with Q3 2013 sales achieving $625/ct against a forecast of $300/ct, bolstered by the production of many magnificent large, high-value diamonds.

Botswana Diamonds' intention is to repeat our success with Karowe and discover another high-grade kimberlite mine.

The building blocks have been put in place:

- a joint venture with Alrosa, the Russian diamond major, focused in the Orapa and Jwaneng areas
- a joint venture to earn into a highly prospective licence in the Orapa region with Eversharp Investments (Pty) Ltd, and
- a joint venture with Brightstone Mining (Pty) Ltd to earn into 13 highly prospective licences in the Gope region of the Central Kalahari Game Reserve (CKGR)
- three areas of prospective ground held by our 100% owned subsidiary Atlas Minerals (Pty) Ltd

We already have a strong portfolio of business assets to work with in Botswana, and intend to further increase this portfolio over the coming year. This will be achieved through a combination of direct applications, acquisition of further target licence areas, and/or through further joint ventures as necessary if land is held.

Alrosa Joint Venture

This has the potential to transform Botswana Diamonds. In early 2012 an initial 18-month Technical Cooperation Agreement (TCA) was signed between Botswana Diamonds and Alrosa, the Russian state-owned diamond producer. Alrosa is the world's largest producer of rough diamonds by volume (34m cts production in 2012, compared with De Beers worldwide production of 27mcts), with 17 producing mines and the world's largest diamond reserves.

The objective of the TCA was simple - to begin an exploration review for previously undiscovered, large diamondiferous kimberlites in the Orapa region of Botswana. The Orapa area contains many known kimberlites and already has four producing mines – it is considered one of the world's great diamond districts.

It is widely believed that Botswana hosts more kimberlite deposits, but the recent challenge has been to identify these kimberlite deposits through the Kalahari sand and basalt that covers a large part of the country. Most of the kimberlites found to date in Botswana have been outcrops, i.e. where the kimberlite breaches the surface.

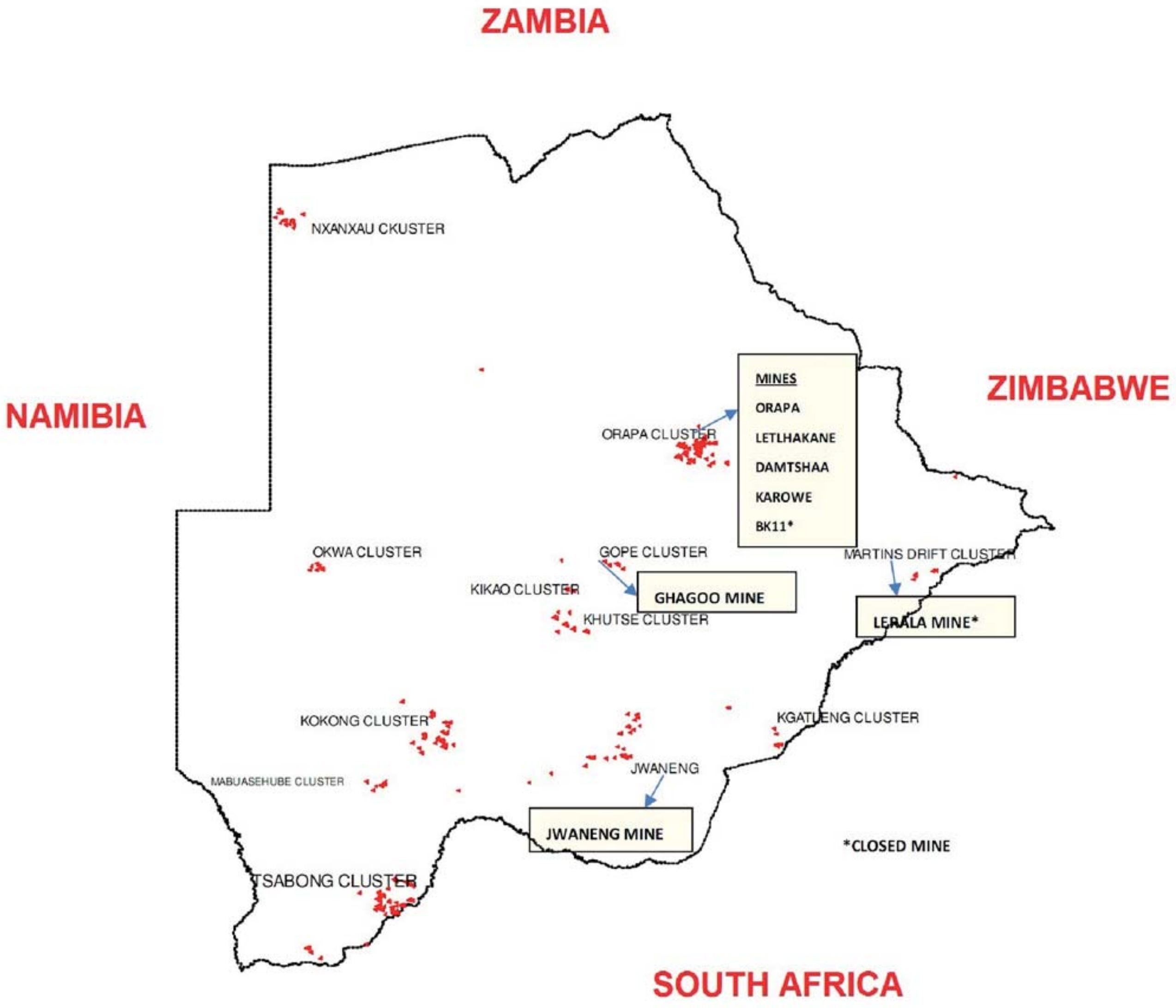


Exhibit 4 – Botswana Diamond Areas

Review of Operations *(continued)*

Alrosa believes that, with its proprietary techniques and technology which have enabled it to find multiple diamond deposits under the tundra in Siberia, it will be able to discover new deposits in Botswana beneath the sand and/or basalt. As part of the agreement, Botswana Diamonds has shared its extensive geological database of Botswana with our partner, who then applied its internal analysis on the datasets to generate new, high-potential targets.

In early 2013 the TCA was extended by a further year, to June 2014, while negotiations for a fuller JV agreement were underway. The scope of the TCA was also widened to include the Jwaneng region of Botswana in the south/south-west.

During these initial work stages, the TCA generated various exploration targets, on which Botswana Diamonds has applied for Prospecting Licences (PLs) at the Department of Mines in Gaborone, Botswana. These target areas are small, ranging from 3 sq. km to 50 sq. km, which means that the next stage advanced exploration work (further geochemical and geophysics work and defining drill targets as quickly as possible) will be relatively low-cost.

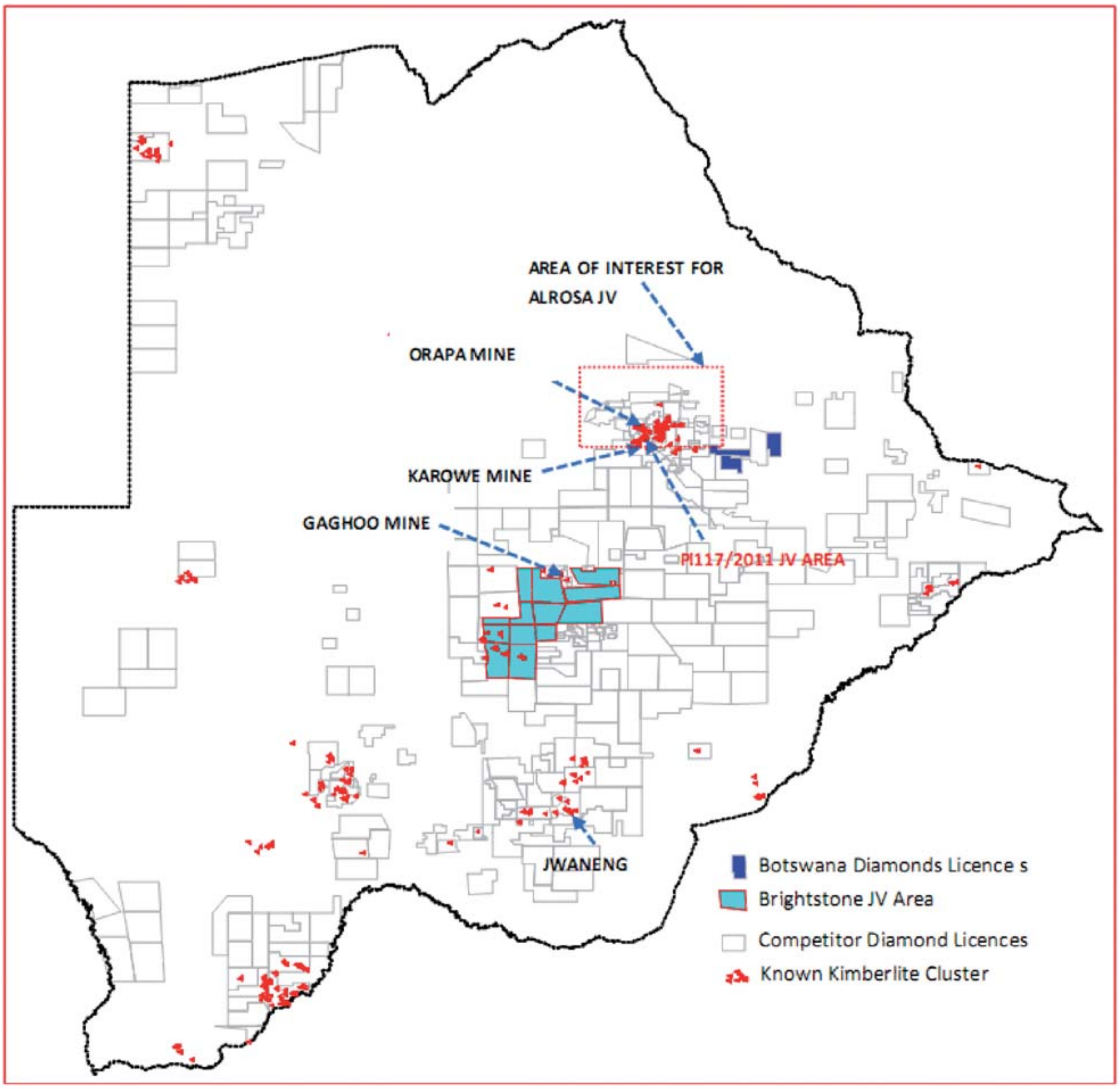


Exhibit 5 – Alrosa Area of Interest

Review of Operations *(continued)*

In June 2013 the Joint Venture agreement was agreed between Botswana Diamonds and Alrosa. As part of the terms of this Joint Venture, which is a 50/50 heads-up arrangement, a new company - Sunland Minerals (Pty) Ltd - was incorporated in Botswana in October 2013. This company will hold any licenses that fall under the work of the Joint Venture with Alrosa. Existing ground will be transferred to Sunland.

In anticipation of the granting of further target PLs by the Department of Mines, work continues to generate new targets; this is leading to further PL applications being submitted under the collective arrangements. Where licences relating to target areas are already held by other companies, Botswana Diamonds is negotiating earn-in arrangements with the licence-holders.

The Joint Venture to Botswana Diamonds is significant. We have accessed a world-class partner with a track record in making kimberlite discoveries. We have brought new techniques and technology to be applied to the Botswana geology, which have never been used outside of Russia before. We bring a co-financer to the exploration work carried out under this Joint Venture. We are confident we will find high-grade kimberlite mines.

In July 2013, a Joint Venture agreement was signed with Eversharp Investments (Pty) Ltd for licence area, PL 117/2011, which is in the Orapa region.

PL 117/2011 is a very small prospecting licence measuring just 2.9sq km. It was identified through the JV work with Alrosa as a high priority target due to good soil geochemistry data, and therefore an agreement was negotiated with the holders.

The terms of the JV are an earn-in arrangement whereby on spending $300k, Botswana can earn 51% of PL117, and at $600k this increases to 75%. Further dilution can be achieved through continued expenditure on the back of future geological success.

Prospecting Licence 117/2011

Botswana Diamonds already knows this licence area, and the fact that PL117 hosts a diamondiferous kimberlite (AK10). AK10 contains a complete suite of indicator minerals in significant quantities with an abundance of pyrope.

In 2004 African Diamonds, the predecessor company of Botswana Diamonds, discovered and drilled AK10 in partnership with De Beers, at the same time as the AK6 (now the Karowe mine) was discovered.

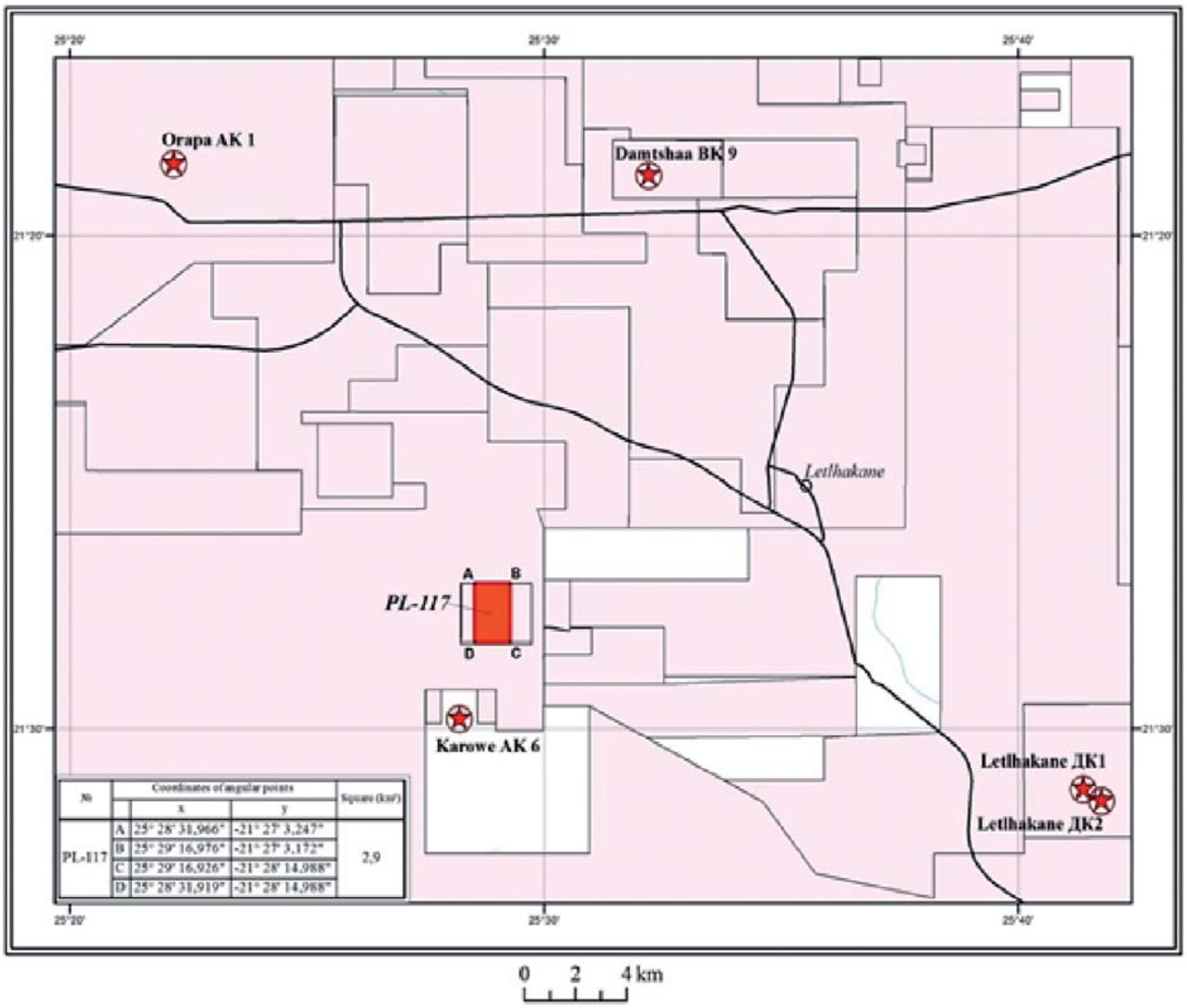
Diamonds were discovered on AK10 in 2004. However as the recovered grade of diamonds from AK10 was lower than AK6, AK6 became the priority at the time. The grade from the initial drilling of AK10 conducted in 2004 was 2cpht.

In recent discussions with Alrosa it became apparent that AK10 and its surrounding ground was worthy of revisiting and closer inspection.

The Botswana Diamonds team has undertaken a review of the previous airborne geophysics, ground magnetic surveys, gravity data, soil sampling data as well as previous drilling results. Four Russian geologists will begin fieldwork in January 2014.

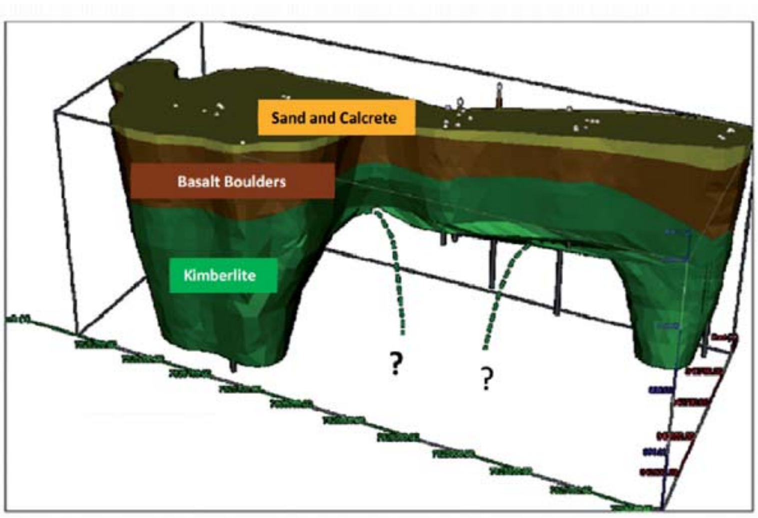
The AK10 orebody is approximately 600 metres long, has been modelled to a depth of 200m and is estimated to have a surface area of 5 hectares. The mineral chemistry is appropriate and consistent with diamondiferous kimberlites and diamond mines in the Orapa field. However there are gaps in the previous drilling that need in-fill in order to fully define the size of the deposit. In the Orapa region the kimberlites are found to be tri-lobate and we will be reviewing the potential for a third lobe, which would increase the size of the deposit. This was the case with the AK6 pipe (now Karowe mine).

Our JV partners have now also reviewed the data relating to AK10 and observe that the area contains about 10 monogene haloes of chrome-diopside, picroilmenite, chrome-spinel of various



№	Coordinates of angular points			Square (km²)
		x	y	
PL-117	A	25° 28' 31,966"	-21° 27' 3,247"	2,9
	B	25° 29' 16,976"	-21° 27' 3,172"	
	C	25° 29' 16,926"	-21° 28' 14,988"	
	D	25° 28' 31,919"	-21° 28' 14,988"	

Exhibit 6 – PL117 Location in Botswana



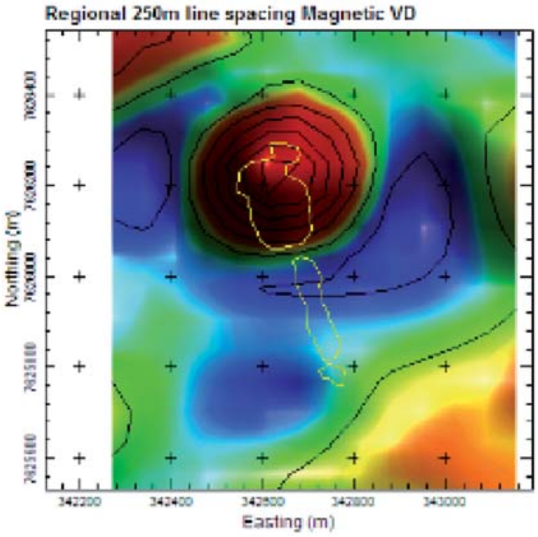


Exhibit 7 – AK10 Kimberlite on PL117

Review of Operations *(continued)*

sizes, as well as the occurrence of pyrope grains. Because of the mineral chemistry, it is considered quite possible that one or two additional kimberlite pipes occur on this particular area.

Botswana Diamonds has now agreed the work programme and budget with Alrosa for the first stage of works. The idea is to identify the new kimberlite sources of the anomalies highlighted by Alrosa as well as to redefine the AK10 pipe, including bulk-sampling to re-establish the grades and quality of the diamonds.

The first results from the 1st phase work programme, as outlined below are expected at end of Q1 2014.

- Detailed heavy-concentrate sampling of Kalahari group deposits
- Selection of small-volume samples
- Processing of heavy-concentrate samples
- Processing of small-volume samples
- Ground geophysical works (magnetic and electrical surveys)
- Laboratory research of heavy-concentrate and small volume samples
- Analysis of the mineralogical and geophysical data to reveal new anomalies
- Testing of new anomalies by drilling

Brightstone /Siseko Joint Venture

The Central Kalahari Game Reserve (CKGR) is a highly prospective area of Botswana, and contains both the Gaghoo mine being developed by Gem Diamonds (this mine was originally found by De Beers and later sold to Gem) and the KX-36 project being developed by Petra Diamonds.

In early 2013 Botswana Diamonds took the decision to enter negotiations with Siseko and Brightstone Mining (Pty) Ltd who hold 13 PLs in the CKGR. The 13 PLs (PLs 176-188/2012) cover a large area of land – 6518 sq.km. A JV agreement was signed in July 2013 where Botswana Diamonds becomes operator of the block and will earn 51% by spending up to $940,000 (Exhibit 8)

The Botswana Diamonds team conducted a review of the CKGR by compiling previous data gathered by Falconbridge Explorations, De Beers Prospecting Botswana, TNK Resources, Sekaka Diamonds (Petra) and RTZ. This data included geological, geophysical and grain data generated to uncover the potential in the area.

The integration of geology, structure, geophysics and soil sample data, as part of the review process, leads to the conclusion that the licence areas are of high interest in terms of discovery potential. There are several aeromagnetic anomalies and soil sample anomalies that need to be investigated and tested with drilling.

The existing (known) kimberlites in the area are structurally controlled, i.e. they occur mostly in a linear pattern along fault zones, and the next stage of targeting will focus on identified geophysical targets within the structural target areas.

The previous discoveries of Gope, Khutse and Kikau diamond fields and the recent discovery of KX36 by Petra Diamonds are all proof of the prospectivity of the area. Use of high-resolution geophysical data coverage presents opportunities for new discoveries if high-resolution geophysical surveys are conducted. Our competitors have enjoyed success with this approach in the past.

General mineral chemistry and grain data of the entire area is of moderate to high interest. There are identified areas that need to be followed up as chrome diopside has been noted in the samples. Chrome diopside is normally found proximal to source as it degrades easily and does not travel.

Botswana Diamonds also holds 3 PLs (see Table 1) in the Orapa region through our 100 per cent-owned subsidiary Atlas Minerals (Pty) Ltd, which we have sought after. Analysis was undertaken to select the best target areas, and subsequent applications were made to the Department of Mines. Each of these licences is valid for 3 years, with possible renewal for two years plus two further years with 50% area reduction on each renewal.

PL 170/2012 is 30km to the east of Debswana's Lethlakane mine, which started production in 1975 and produces one million carats per annum of high quality diamonds.

Review of Operations *(continued)*

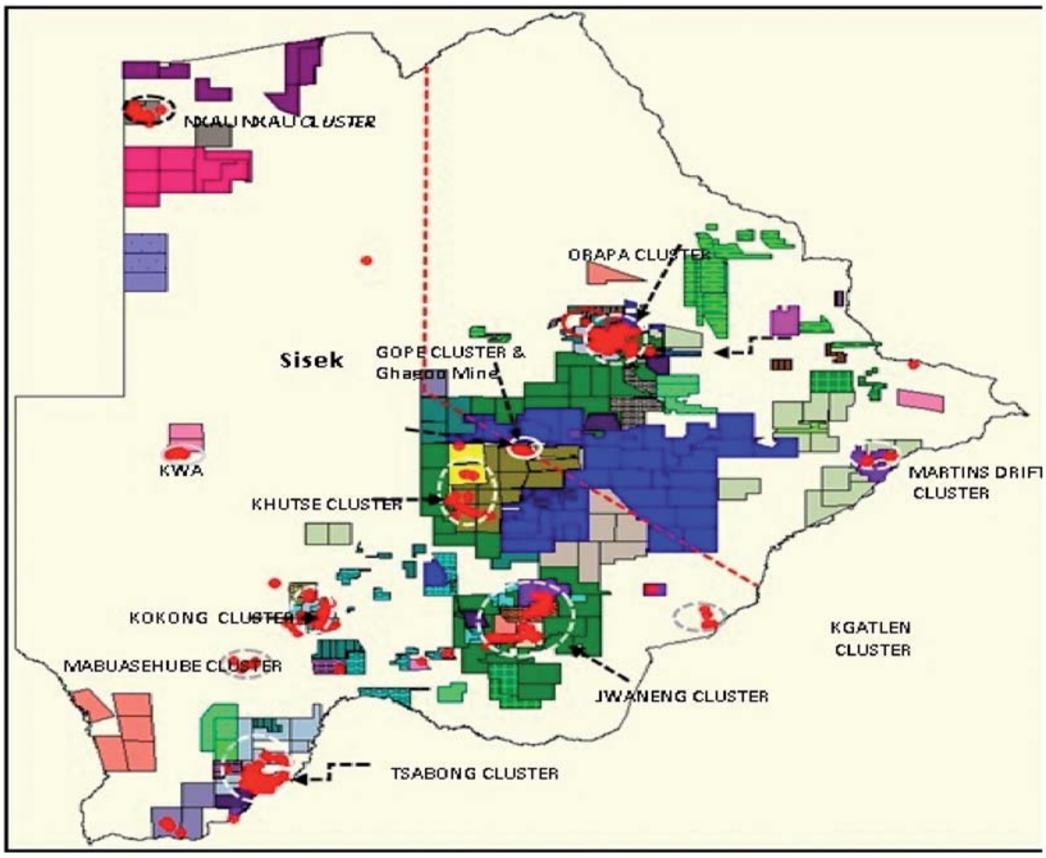


Exhibit 8 – Joint Venture Ground – Siseko/Brightstone

The area is covered by unconsolidated Kalahari group sediments comprising windblown sands, fluvial and Lacustrine deposits and calcrete and silcrete. Below the Kalahari sand lies the basalt which is in turn underlain by the sandstones and mudstones of the Lebung and Beaufort Group sediments. Previous work indicates that the basalt is thinning out from Orapa to these project areas. In the Orapa area, the basalt is known to reach a thickness of up to 120 metres, whereas in the Orapa East area the deepest basalt intersection is 55 metres.

Following the first phase of work in 2012 (aeromag, ground geophysics, mineral chemistry analysis, detailed ground magnetic and gravity surveys), drilling was conducted on PL170/2012 in March 2013. Four holes were drilled to an average depth of 120 metres but did not intersect kimberlite. Two of the holes intersected highly magnetic basic intrusives with disseminated sulphides. These intrusives were covered by both the Kalahari sand and a thick layer of clay.

Immediate work to be conducted in on the recently awarded Prospecting Licence PL166/2013 and

Table 1

PL no.	Region	Size (sq.km)	Start date	Expiry	Status
170/2012	Orapa	249 sq. km	01.07.12	30.06.15	Targets drilled; no kimberlite found; on hold at present
166/2013	Orapa	259 sq. km	01.10.13	30.09.16	New PL granted; initial analysis underway
167/2013	Orapa	225 sq. km	01.10.13	30.09.16	New PL granted; initial analysis underway

Review of Operations *(continued)*

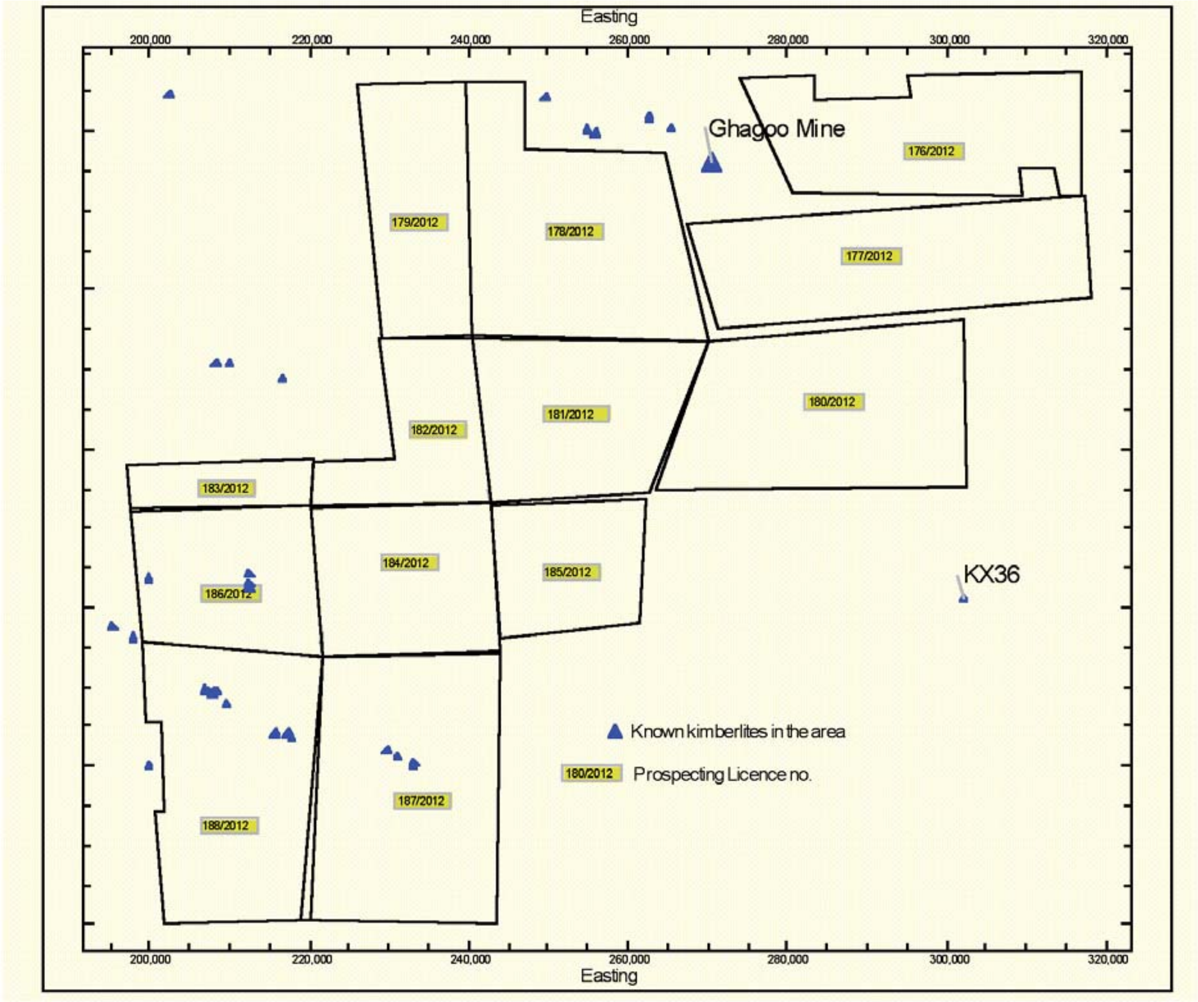


Exhibit 9 – Kimberlites on Siseko/Brightstone's Ground

PL167/2013 will be mainly desktop study. This will entail studying the previous work reports with particular attention to high resolution aeromagnetic data, detailed aeromagnetic surveys, ground magnetic and gravity surveys. Mineral chemistry results will be reviewed and collated with the geophysics and previous drilling if any, to identify exploration targets.

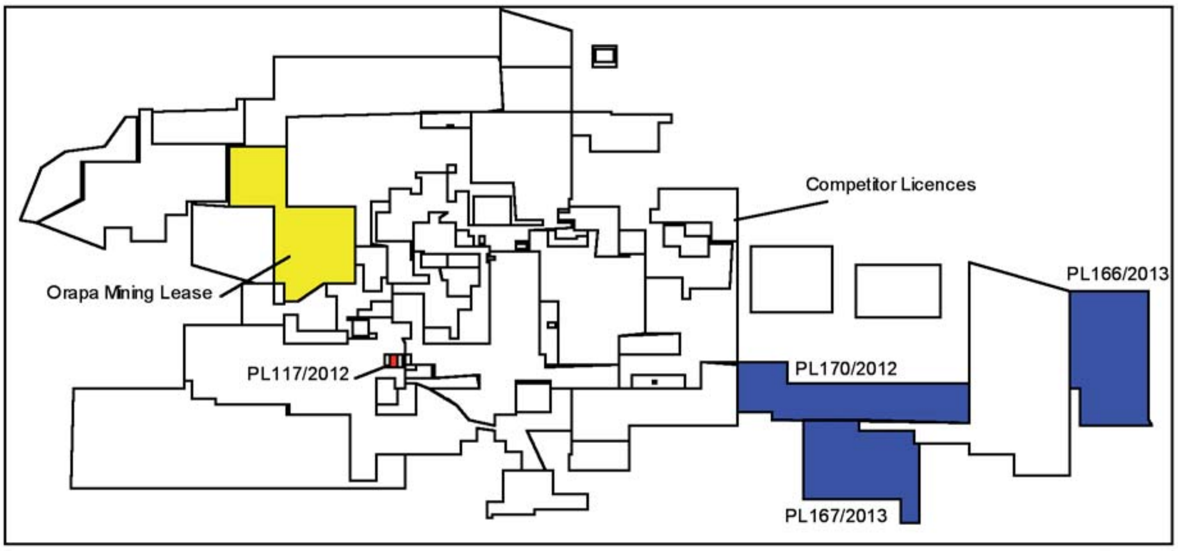


Exhibit 10 – Botswana Diamonds 100% Owned Ground

Mozambique and Cameroon Projects

Mozambique

In March 2013 Botswana Diamonds entered into an option agreement with a Mozambican company, Morminas, a subsidiary of EIP Group of Portugal, to evaluate three licence blocks - 4742L, 4743L and 5612L (totalling approx. 55,000 hectares) along the Save River in Mozambique, close to the Zimbabwean border. Morminas holds a 100 per cent interest in all three blocks. The Save River runs south-eastwards and drains an area of Zimbabwe which contains the Marange diamond fields. The Marange diamond fields are expected to produce 16.9 million carats in 2013. Botswana Diamonds' objective was to explore the potential for alluvial and eluvial deposits which may have washed down from Marange. The agreement stipulated a six-month exclusivity period during which Botswana Diamonds would review the available data on the licences and undertake preliminary exploration.

Botswana Diamonds subsequently carried out early stage reconnaissance in May and June on the three exploration licences to ascertain the potential of the licences for alluvial diamonds. An initial review looked at:

- Access points to and on/around the licences,
- Evidence for the presence of alluvial diamonds, and
- Potential for alluvial diamond traps.

The result of the reconnaissance was that the three exploration licences showed potential for alluvial diamonds originating from Zimbabwe. Considerable additional exploration work, however, would need to be carried out to confirm whether the host gravels and traps are present. These licences have not been explored previously and there is little evidence of artisanal workings.

The area under investigation showed indirect supporting evidence for the presence of potential traps and alluvial gravels with additional indirect supporting evidence of a potential source for diamonds. An outlined work programme was reviewed; however, the cost of any such programme would be substantial as a significant amount of early stage work would be required as the ground is completely greenfield. In view of the current financial climate for junior explorers/miners, we decided to conserve cash and focus on the high-impact, high-return potential that our Botswana projects offer.

Cameroon

Botswana Diamonds has been operational in Cameroon since 2010. An opportunity arose to take adjacent ground to a recent diamond discovery by CNK Mining, a South Korean company, in Mobilong in eastern Cameroon. Our exploration team of experienced geologists and field officers established a 30 kilometre long, East-West oriented, baseline across a smaller, 430 square kilometre, Exploration Licence. Botswana Diamonds began what was tentatively planned to be a 300 ton bulk sampling of conglomerates starting in May 2012 which was finished by end of 2012. We adopted a pragmatic approach, using a small, alluvial diamond plant to process the sample. We expected diamonds and found them in our bulk sample.

In 2012 Botswana Diamonds discovered diamonds on our licence in Cameroon. The key challenge was whether a more extensive work programme was feasible in the harsh jungle conditions with relatively little infrastructure.

We have now assessed the logistics of this jungle location to arrive at a preliminary conclusion on the potential of developing the Libongo deposit. We collaborated with our neighbours, CNK; early in the year Botswana Diamonds used our access to relevant technical expertise to acquire further information on the prospectivity of the wider area. Botswana Diamonds and CNK were also in discussion regarding a possible joint venture or partnership in order to develop jointly the area. These negotiations did not come to fruition. Therefore, in the current financial climate and due to the remoteness of the project it is considered best to hold our current position. The area has demonstrated its prospectivity and its time will come.

Directors' Report

The directors present their annual report and the audited financial statements of the group and company for the year ended 30 June 2013.

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The main activity of Botswana Diamonds plc and its subsidiaries and associates (the group) is diamond exploration and developments in Botswana, Cameroon and Zimbabwe. The group also holds an investment in Stellar Diamonds plc which operates in Sierra Leone and Guinea.

Further information concerning the activities of the group during the year and its future prospects is contained in the Chairman's Statement and Review of Operations.

RESULTS AND DIVIDENDS

The consolidated loss for the year after taxation was £498,166 (2012: £545,985).

The directors do not propose that a dividend be paid.

SUPPLIER PAYMENT POLICY

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Trade payable days for group and company for the year were 30-40 days.

DIRECTORS

The current directors are listed on the inside back cover.

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors holding office at 30 June 2013 had the following interests in the ordinary shares of the company:

		30 June 2013		**1 July 2012**	
	Nationality	**Ordinary Shares of £0.01 each Shares Number**	**Ordinary Shares of £0.01 each Options Number**	Ordinary Shares of £0.01 each Shares Number	Ordinary Shares of £0.01 each Options Number
Dr. John Teeling	Irish	**13,669,320**	**2,500,000**	13,669,320	2,500,000
James Finn	Irish	**4,970,820**	**2,000,000**	4,970,820	2,000,000
David Horgan	Irish	**3,295,720**	**2,000,000**	3,295,720	2,000,000
Robert Bouquet	English	**-**	**250,000**	-	250,000

There were no share options exercised by the directors during the year (2012: Nil).

SUBSTANTIAL SHAREHOLDINGS

The share register records that the following shareholders, excluding directors, held 3% or more of the issued share capital of the company as at 30 June 2013 and 14 November 2013:

	30 June 2013		**14 November 2013**	
	No. of shares	**%**	**No of shares**	**%**
Rene Nominees (IOM) Limited	**14,379,784**	**10.40%**	14,579,784	10.54%
HSBC Global Custody Nominee	**10,171,750**	**7.36%**	10,171,750	7.36%
WB Nominees Limited	**8,097,561**	**5.86%**	8,245,561	5.96%
TD Waterhouse Nominees (Europe) Limited	**5,383,390**	**3.89%**	5,722,045	4.14%
Simplystockbroking Nominees Limited	**4,769,815**	**3.45%**	-	-
Barclayshare Nominees Limited	**4,414,564**	**3.19%**	4,548,219	3.29%
Pershing International Nominees Limited (DSCLT)	**-**	**-**	4,496,690	3.25%

Directors' Report *(continued)*

RISKS AND UNCERTAINITIES

The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group and could cause actual results to differ materially from expectation. The management of risk is the collective responsibility of the Board of Directors and the Group has developed a range of internal controls and procedures in order to manage risk. The following risk factors, which are not exhaustive, are the principal risks relevant to the Group's activities:

Risk	Nature of risk and mitigation
Licence obligations	Operations must be carried out in accordance with the terms of each licence agreed with the relevant ministry for natural resources in the host country. Typically, the law provides that operations may be suspended, amended or terminated if a contractor fails to comply with its obligations under such licences or fails to make timely payments of relevant levies and taxes. The Group has regular communication and meetings with relevant government bodies to discuss future work plans and receive feedback from those bodies. Country Managers in each jurisdiction monitor compliance with licence obligations and changes to legislation applicable to the company and reports as necessary to the Board.
Requirement for further funding	The Group may require additional funding to implement its exploration and development plans as well as finance its operational and administrative expenses. There is no guarantee that future market conditions will permit the raising of the necessary funds by way of issue of new equity, debt financing or farming out of interests. If unsuccessful, this may significantly affect the Group's ability to execute its long-term growth strategy. The Board regularly reviews Group cash flow projections and considers different sources of funds. The Group regularly meets with shareholders and the investor community and communicates through their website and regulatory reporting.
Geological and development risks	Exploration activities are speculative and capital intensive and there is no guarantee of identifying commercially recoverable reserves. The Group activities in Botswana, Zimbabwe and Cameroon are in proven resource basins. The Group uses a range of techniques to minimise risk prior to drilling and utilises independent experts to assess the results of exploration activity.
Title to assets	Title to diamond assets in Botswana, Zimbabwe and Cameroon can be complex. The Directors monitor any threats to the Group's interest in its licences and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests, where appropriate.
Exchange rate risk	The Group's expenses, which are primarily to contractors on exploration and development, are incurred primarily in US Dollars but also in Sterling and Euros. The Group's policy is to conduct and manage its operations in US Dollars and therefore it is exposed to fluctuations in the relative values of the Euro and Sterling. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and maintaining a level of cash in foreign denominated currencies sufficient to meet planned expenditure in that currency.
Political risk	The Group holds assets in Botswana, Zimbabwe and Cameroon and therefore the Group is exposed to country specific risks such as the political, social and economic stability of these countries. The countries in which the Group operates are encouraging foreign investment. The Group's projects are longstanding and we have established strong relationships with local and national government which enable the Group to monitor the political and regulatory environment.
Financial risk management	Details of the Group's financial risk management policies are set out in Note 23.

Directors' Report *(continued)*

In addition to the above there can be no assurance that current exploration programmes will result in profitable operations. The recoverability of the carrying value of exploration and evaluation assets is dependent upon the successful discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Group to raise additional financing, if necessary, or alternatively upon the Group's and company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write down of the carrying values of the Group's assets.

HEALTH AND SAFETY

The company seeks to provide and maintain safe and healthy working conditions, equipment and systems for all employees as far as it is reasonably practicable and to provide such information, training and supervision as may be needed for this purpose. The company also seeks wherever possible to minimise its impact on the environment for the benefit of its staff and the public at large.

GOING CONCERN

Please refer to Note 3 for details in relation to going concern.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance and to managing the company in an honest and ethical manner.

The Board approves the group's strategy, investment plans and regularly reviews operational and financial performance, risk management and health, safety, environment and community (HSEC) matters.

The Chairman is responsible for the leadership of the Board, whilst the Executive Directors are responsible for formulating strategy and delivery, once agreed by the Board. Regional leaders and country managers are responsible for the implementation of the group's strategy.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The group made no political or charitable donations during the year.

KEY PERFORMANCE INDICATORS

The group's main key performance indicators include measuring:

- ability to raise finance on the alternative investment market; and
- quantity and quality of potential diamond reserves identified by the group.

In addition, the group reviews expenditure incurred on exploration projects and ongoing operating costs.

The Board also considers non-financial factors such as the group's compliance with Corporate Governance Standards and compliance with environmental, rehabilitation and other legislation within the group's areas of operations.

CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of movements in the company's issued share capital during the year are shown in Note 18. The company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. With regard to the appointment and replacement of directors, the company is governed by the Articles of Association, the Companies Act, and related legislation.

EMPLOYEE CONSULTATION

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings.

Directors' Report *(continued)*

CORPORATE SOCIAL RESPONSIBILITY

The Group is subject to best practice standards and extensive regulations, which govern environmental protection. The Group is committed to uphold these standards and regulations as a minimum and to keep these important matters under continuous review. When appropriate, adequate action and provision is immediately taken to ensure full compliance with the standards expected of an international exploration and development company.

The Group works towards positive and constructive relationships with government, neighbours and the public, ensuring fair treatment of those affected by the Group's operations.

FINANCIAL RISK MANAGEMENT

Details of the group's financial risk management policies are set out in Note 23.

DIRECTORS' INDEMNITIES

The company does not currently maintain directors' or officers liability insurance.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in Note 24.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte & Touche will be proposed at the forthcoming Annual General Meeting.

By order of the Board and signed on its behalf by:

James Finn
Secretary

21 November 2013

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of Botswana Diamonds Plc

We have audited the financial statements of Botswana Diamonds plc for the year ended 30 June 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes In Equity, the Company Statement of Changes In Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Realisation of Assets

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in:

- Notes 11, 12, 13 and 14 to the financial statements concerning the valuation of intangible assets, investments in subsidiaries, investments in associates and amounts due by group undertakings. The realisation of the intangible assets of £6,249,019 and investments in associates of £100,000 included in the consolidated balance sheet and intangible assets of £3,321,928, investments in associates of £100,000, investments in subsidiaries of £501,392 and amounts due by group undertakings of £2,422,826 included in the company balance sheet are dependent on the discovery and successful development of economic diamond reserves and the ability of the group to raise sufficient finance to develop the projects. The financial statements do not include any adjustments relating to these uncertainties, and the ultimate outcome cannot, at present, be determined.

Independent Auditor's Report to the members of Botswana Diamonds Plc *(continued)*

- Note 3 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £518,245 and had net current liabilities of £564,942 at the balance sheet date. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The directors have prepared budgets/forecasts for a period of not less than twelve months from the date of approval of the financial statements, which indicate that the company has the ability to meet its liabilities as they fall due. Accordingly, the directors are satisfied that it is appropriate to continue to prepare the financial statements of the group and the company on a going concern basis as there will be sufficient funds in place to continue operations for the foreseeable future. The financial statements do not include any adjustments of the group on the basis that the group is a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

Separate opinion in relation to IFRSs as issued by the IASB
As explained in note 1(ii) to the group financial statements, the group, in addition to complying with its legal obligation to IFRS as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kevin Sheehan (Senior Statutory Auditor)
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

21 November 2013

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	2013 £	2012 £
REVENUE		**-**	-
Cost of sales		**-**	-
GROSS PROFIT		**-**	-
Administrative expenses	4	**(477,908)**	(418,666)
OPERATING LOSS		**(477,908)**	(418,666)
Finance income	5	**492**	1,431
Provision for losses of associate	13	**-**	(100,000)
Loss on investment held at fair value	14	**(20,750)**	(28,750)
LOSS FOR THE YEAR BEFORE TAXATION		**(498,166)**	(545,985)
Income tax expense		**-**	-
LOSS AFTER TAXATION		**(498,166)**	(545,985)
Exchange difference on translation of foreign operations		**(20,079)**	(35,324)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(518,245)**	(581,309)
Loss per share – basic	6	**(0.36p)**	(0.48p)
Loss per share – diluted	6	**(0.36p)**	(0.48p)

Consolidated Balance Sheet

as at 30 June 2013

	Notes	30/06/2013 £	30/06/2012 £
ASSETS:			
NON CURRENT ASSETS			
Intangible assets	11	**6,249,019**	5,881,207
Investment in associate	13	**100,000**	100,000
Financial assets	14	**10,500**	31,250
		6,359,519	6,012,457
CURRENT ASSETS			
Other receivables	15	**12,711**	47,856
Cash and cash equivalents	16	**39,480**	764,238
		52,191	812,094
TOTAL ASSETS		**6,411,710**	6,824,551
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	17	**(617,133)**	(515,107)
TOTAL LIABILITIES		**(617,133)**	(515,107)
NET ASSETS		**5,794,577**	6,309,444
EQUITY			
Called-up share capital	18	**1,382,823**	1,382,823
Share premium	18	**7,111,556**	7,111,556
Share based payment reserves	19	**83,228**	79,850
Retained deficit		**(1,729,523)**	(1,231,357)
Translation reserve		**(70,220)**	(50,141)
Other reserve		**(983,287)**	(983,287)
TOTAL EQUITY		**5,794,577**	6,309,444

The financial statements of Botswana Diamonds plc, registered number 07384657, were approved by the Board of Directors on 21 November 2013 and signed on its behalf by:

John Teeling
Director

Company Balance Sheet

as at 30 June 2013

	Notes	**30/06/2013 £**	30/06/2012 £
ASSETS:			
NON CURRENT ASSETS			
Intangible assets	11	**3,321,928**	3,295,927
Investment in subsidiaries	12	**501,392**	501,392
Investment in associates	13	**100,000**	100,000
Financial assets	14	**10,500**	31,250
Receivables (due after one year)	15	**2,422,826**	2,136,932
		6,356,646	6,065,501
CURRENT ASSETS			
Other Receivables	15	**8,947**	30,159
Cash and cash equivalents	16	**25,011**	712,824
		33,958	742,983
TOTAL ASSETS		**6,390,604**	6,808,484
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	17	**(596,027)**	(499,040)
NET ASSETS		**5,794,577**	6,309,444
EQUITY			
Called-up share capital	18	**1,382,823**	1,382,823
Share premium	18	**7,111,556**	7,111,556
Share based payment reserves	19	**83,228**	79,850
Retained deficit		**(1,799,743)**	(1,281,498)
Other reserve		**(983,287)**	(983,287)
TOTAL EQUITY		**5,794,577**	6,309,444

The financial statements of Botswana Diamonds plc, registered number 07384657, were approved by the Board of Directors on 21 November 2013 and signed on its behalf by:

John Teeling
Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Called-up Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Deficit £	Translation Reserve £	Other Reserve £	Total £
At 30 June 2011	1,005,323	6,031,936	88,000	(696,472)	(14,817)	(983,287)	5,430,683
Ordinary shares issued	377,500	1,132,500	-	-	-	-	1,510,000
Share issue expenses	-	(52,880)	-	-	-	-	(52,880)
Share based payment	-	-	2,950	-	-	-	2,950
Share options expired	-	-	(11,100)	11,100	-	-	-
Loss for the year and total comprehensive income	-	-	-	(545,985)	(35,324)	-	(581,309)
At 30 June 2012	1,382,823	7,111,556	79,850	(1,231,357)	(50,141)	(983,287)	6,309,444
Share based payment	-	-	3,378	-	-	-	3,378
Loss for the year and total comprehensive income	-	-	-	(498,166)	(20,079)	-	(518,245)
At 30 June 2013	**1,382,823**	**7,111,556**	**83,228**	**(1,729,523)**	**(70,220)**	**(983,287)**	**5,794,577**

Share Premium
Share Premium comprises of a premium arising on the issue of shares.

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 year.

Other Reserve
During 2010 the company acquired certain assets and liabilities from African Diamonds plc, a company under common control. In accordance with accounting standards 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.

Translation Reserve
The translation reserve arises from the translation of foreign operations.

Company Statement of Changes in Equity

for the year ended 30 June 2013

	Called-up Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Deficit £	Other Reserve £	Total £
At 30 June 2011	1,005,323	6,031,936	88,000	(711,289)	(983,287)	5,430,683
Ordinary shares issued	377,500	1,132,500	-	-	-	1,510,000
Share issue expenses	-	(52,880)	-	-	-	(52,880)
Share based payment	-	-	2,950	-	-	2,950
Share options expired	-	-	(11,100)	11,100	-	-
Loss for the year and total comprehensive income	-	-	-	(581,309)	-	(581,309)
At 30 June 2012	1,382,823	7,111,556	79,850	(1,281,498)	(983,287)	6,309,444
Share based payment	-	-	3,378	-	-	3,378
Loss for the year and total comprehensive income	-	-	-	(518,245)	-	(518,245)
At 30 June 2013	**1,382,823**	**7,111,556**	**83,228**	**(1,799,743)**	**(983,287)**	**5,794,577**

Share Premium
The Share Premium comprises of a premium arising on the issue of shares.

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 year.

Other Reserve
During 2010 the company acquired certain assets and liabilities from African Diamonds plc, a company under common control. In accordance with accounting standards 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 2013

	Notes	30/06/2013 £	30/06/2012 £
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(498,166)**	(545,985)
Finance income		**(492)**	(1,431)
Loss on investment held at fair value		**20,750**	28,750
Foreign exchange gains		**(10,781)**	(28,768)
Provision for losses of associate		**-**	100,000
		(488,689)	(447,434)
MOVEMENTS IN WORKING CAPITAL			
Increase in trade and other payables		**102,026**	86,613
Decrease/(increase) in trade and other receivables		**35,145**	(22,034)
CASH USED IN OPERATIONS		**(351,518)**	(382,855)
Finance Income		**492**	1,431
NET CASH USED IN OPERATING ACTIVITIES		**(351,026)**	(381,424)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Intangible Assets		**(364,434)**	(595,479)
NET CASH USED IN INVESTING ACTIVITIES		**(364,434)**	(595,479)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		**-**	1,510,000
Share issue costs		**-**	(52,880)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**-**	1,457,120
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(715,460)**	480,217
Cash and cash equivalents at beginning of the financial year		**764,238**	290,577
Effect of foreign exchange rate changes		**(9,298)**	(6,556)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	16	**39,480**	764,238

Company Cash Flow Statement

for the year ended 30 June 2013

	Notes	**30/06/2013** £	30/06/2012 £
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(498,166)**	(545,985)
Finance income		**(492)**	(1,431)
Loss on investment held at fair value		**20,750**	28,750
Foreign exchange losses		**9,298**	6,556
Provision for intercompany receivable		**(20,079)**	(35,324)
Provision for losses in associate		**-**	100,000
		(488,689)	(447,434)
MOVEMENTS IN WORKING CAPITAL			
Increase in trade and other payables		**96,987**	80,385
Increase in trade and other receivables		**(264,682)**	(461,362)
CASH USED IN OPERATIONS		**(656,384)**	(828,411)
Finance Income		**492**	1,431
NET CASH USED IN OPERATING ACTIVITIES		**(655,892)**	(826,980)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Intangible Assets		**(22,623)**	(150,362)
NET CASH USED IN INVESTING ACTIVITIES		**(22,623)**	(150,362)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		**-**	1,510,000
Share issue costs		**-**	(52,880)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**-**	1,457,120
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(678,515)**	479,778
Cash and cash equivalents at beginning of the financial year		**712,824**	239,602
Effect of foreign exchange rate changes		**(9,298)**	(6,556)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	16	**25,011**	712,824

Notes to the Financial Information

for the year ended 30 June 2013

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the group and company are summarised below:

(i) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in sterling pounds and comply with the Companies Act, 2006.

(ii) Statement of compliance

The financial statements of Botswana Diamonds plc and all its subsidiaries (the group) 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.

(iii) Basis of consolidation

The consolidated financial statements comprise the financial statements of Botswana Diamonds plc and its subsidiaries as at 30 June 2013. Subsidiaries are fully consolidated from the date of acquisition, being the date which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intragroup balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

(iv) Investment in subsidiaries

The company's investments in subsidiaries are stated at cost, less any accumulated impairment losses.

(v) Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

(vi) Operating loss

Operating loss represents revenue less cost of sales, administrative expenses and listing expenses. It is stated before finance revenue, finance costs and fair value gains/losses on financial assets.

Notes to the Financial Information

for the year ended 30 June 2013

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(vii) Foreign currencies

The presentation currency of the group financial statements is pounds sterling and the functional currency and the presentation currency of the parent company is pounds sterling. The individual financial statements of each group company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, the presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Statement of Comprehensive Income for the year, other than when a monetary item forms part of a net investment in a foreign operation; then exchange differences on that item are recognised in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Statement of Comprehensive Income for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

(viii) Intangible fixed assets

Exploration and evaluation assets

Exploration expenditure relates to the initial search for deposits with economic potential in Botswana, Zimbabwe and Cameroon. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration rights and costs incurred in exploration and evaluation activities, are capitalised as part of exploration and evaluation assets.

Exploration costs are capitalised until technical feasibility and commercial viability of extraction of reserves are demonstrable. Exploration costs include an allocation of administration and salary costs (including share based payments) as determined by management.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment, and any impairment loss recognised immediately in the statement of comprehensive income.

Impairment of intangible assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The company reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

Notes to the Financial Information

for the year ended 30 June 2013

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(viii) Intangible fixed assets (continued)

a) the period for which the group has a right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
b) substantive expenditure on further exploration for and evaluation of diamond resources in the specific area is neither budgeted nor planned;
c) exploration for an evaluation of diamond resources in the specific area have not led to the discovery of commercially viable quantities of diamond resources and the group has decided to discontinue such activities in the specific area; and
d) sufficient data exists to indicate that although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

(ix) Financial Instruments

Financial instruments are recognised in the group and company's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial assets

Where the fair value of a financial asset can be reliably measured the financial asset is initially recognised at fair value through the profit and loss account. At each balance sheet date gains or losses arising from a change in fair value are recognised in the Statement of Comprehensive Income, as other gains or losses.

Financial assets for which the fair value cannot be reliably measured are carried at cost.

Cash

Cash comprises cash held by the group and short-term bank deposits with an original maturity of three months or less.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into, mainly trade payables and accruals.

Receivables

Receivables are measured at initial recognition at invoice value, which approximates to fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the carrying value of the asset exceeds the recoverable amount.

Receivables are classified as loans and receivables which are subsequently measured at amortised cost, using the effective interest method.

Trade payables and accruals

Trade payables are classified as financial liabilities, are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

(x) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries and associates, only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

(xi) Share based payments

The group issues equity-settled share based payments only to certain employees and directors. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest and adjusted for the effect of market based vesting conditions.

Where the value of the goods or services received in exchange for the share based payment cannot be reliably estimated the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(xii) Accounting for business combinations of entities under common control

Assets and liabilities acquired in a business combination under common control are recognised at value carried by the predecessor owner under IFRS. No goodwill is recognised on the acquisition. Internally generated intangible assets and other items carried at zero by the predecessor remain unrecognised following acquisition. Expenses arising on the common control transaction are charged as administrative expenses as incurred in the Statement of Comprehensive Income. The difference between the share of net assets acquired and the purchase consideration is recognised directly in equity.

Notes to the Financial Information

for the year ended 30 June 2013

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(xiii) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Exploration and evaluation expenditure

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within intangible assets. Costs which can be demonstrated as project related are included within exploration and evaluation assets. Exploration and evaluation assets relate to prospecting, exploration and related expenditure in Botswana, Zimbabwe and Cameroon. The group's exploration activities are subject to a number of significant and potential risks including:

- price fluctuations;
- foreign exchange 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;
- liquidity risks;
- funding risks;
- going concern; and
- operational and environmental risks.

The recoverability of these intangible assets is dependent on the discovery and successful development of economic reserves, including the ability to raise finance to develop future projects. Should this prove unsuccessful, the value included in the balance sheet would be written off to the Statement of Comprehensive Income.

Impairment of intangible assets

The assessment of intangible assets for any indications of impairment (1.(viii)) involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

The assessment requires judgement as to: the likely future commerciality of the asset and when such commerciality should be determined; future revenues; capital and operating costs, and the discount rate to be applied to such revenues and costs.

Deferred tax assets

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. No deferred tax has been recognised.

Going Concern

The assessment of the group's ability to execute its strategy by funding future working capital requirements involves judgement. Further information regarding going concern is outlined in Note 3.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Financial Information

for the year ended 30 June 2013

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(xiii) Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of intangible assets
The assessment of intangible assets for any indication of impairment involves uncertainty. There is uncertainty as to whether the exploration activity will yield any economically viable discovery. Aspects of uncertainty surrounding the group's intangible assets include the amount of potential reserves, ability to be awarded exploration licences, and the ability to raise sufficient finance, to develop the group's projects. If the directors determine that the intangible asset is impaired, an allowance is recognised in the Statement of Comprehensive Income.

Share-based payments
The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the group is the Black-Scholes valuation model.

2. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET ADOPTED

At the date of authorisation of this financial information, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1	(Amendment) Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012);
IAS 19	(Revised) Employee Benefits (effective for accounting periods beginning on or after 1 January 2013);
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013);
IFRS 12	Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2014);
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2014);
IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2014);
IAS 28	(Revised) Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2014);
IAS 27	(Revised) Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014);
IAS 12	(Amendment) Deferred Tax: Recovery of Underlying Assets (effective for accounting periods beginning on or after 1 January 2012);
IFRS 9	Financial Instruments (effective for accounting periods beginning on or after 1 January 2015);
IFRIC 20	Stripping costs in the production phase of a surface mine (effective for accounting periods beginning on or after 1 January 2013).

The directors are currently assessing the impact in relation to the adoption of these standards and interpretation for future periods of the company; however, at this point they do not believe they will have a significant impact on the financial information of the company in the period of initial application.

3. GOING CONCERN

The group incurred a loss for the year of £518,245 after exchange differences on retranslation of foreign operations (2012: £581,309) and had a retained deficit of £1,729,523 (2012: £1,231,357) 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.

Included in current liabilities is an amount of €521,060 owed to directors at balance sheet date. The directors have confirmed they will not seek payment of these amounts for at least one year after the date of approval of the financial statements or until the group has generated sufficient funds from its operations after paying its third party creditors.

The directors have prepared cashflow projections and forecasts for a period of not less that 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 whether financing efforts will be successful 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.

3. GOING CONCERN (continued)

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 the adjustments that would result if the group was unable to continue as a going concern.

4. LOSS BEFORE TAXATION

	2013	2012
	£	£
The loss before taxation is stated after charging:		
Auditor's remuneration	**19,000**	19,000
The analysis of auditor's remuneration is as follows:		
Fees payable to the group's auditors for the audit of the group's annual accounts	**17,000**	17,000
Fees payable to the group's auditors and their associates for other services to the group	**2,000**	2,000
Total audit fees	**19,000**	19,000
Administrative expenses comprise:		
Professional fees	**122,009**	113,017
Foreign exchange losses	**9,298**	6,556
Directors' remuneration (Note 7)	**158,052**	165,403
Wages and salaries	**41,258**	39,710
Other administrative expenses	**147,291**	93,980
	477,908	418,666

5. FINANCE INCOME

	2013	2012
	£	£
Interest earned	**492**	1,431

Notes to the Financial Information

for the year ended 30 June 2013

6. 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):

	2013	2012
	£	£
Numerator		
For basic and diluted EPS retained loss	**(498,166)**	(545,985)
Denominator	**No.**	No.
For basic and diluted EPS	**138,282,267**	114,494,596
Basic EPS	**(0.36p)**	(0.48p)
Diluted EPS	**(0.36p)**	(0.48p)

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	**7,910,000**	7,750,000

7. RELATED PARTY AND OTHER TRANSACTIONS

Group and Company
Key Management Compensation and Directors' Remuneration

The remuneration of the directors, who are considered to be the key management personnel, is set out below.

	Salary or fees £	**Share based payments £**	**2013 Total £**	Salary or fees £	Share based payments £	2012 Total £
John Teeling	100,000	-	**100,000**	100,000	-	100,000
James Finn	40,000	-	**40,000**	40,000	-	40,000
David Horgan	20,000	-	**20,000**	20,000	-	20,000
Robert Bouquet	48,052	-	**48,052**	55,403	-	55,403
	208,052	-	**208,052**	215,403	-	215,403

All remunerations related to short term employee benefits.

The number of directors to whom retirement benefits are accruing is Nil. Directors' remuneration is included within trade and other payables as it had not been paid at year end.

7. RELATED PARTY AND OTHER TRANSACTIONS (continued)

Included in the above is £50,000 (2012: £50,000) of salary payments which were capitalised within exploration and evaluation assets.

Other
The company shares offices and overheads with a number of other companies also based at 162 Clontarf Road. These companies have some common directors.

Transactions with these companies during the year are set out below:

	Clontarf Energy plc £	Connemara Mining Company plc £	Petrel Resources plc £	Greenore Gold plc £	Cooley Distillery plc* £	Total £
At 1 July 2012	(7,139)	-	(3,097)	1,838	(14,270)	(22,668)
Office and overhead costs recharged	34,930	21,078	25,825	-	-	81,833
Transfer to trade payables	-	-	-	-	15,000	15,000
Repayments	(8,986)	(21,078)	(22,728)	-	(730)	(53,522)
At 30 June 2012	18,805	-	-	1,838	-	20,643
Office and overhead costs recharged	36,477	(53,811)	5,987	-	-	(11,347)
Repayments	(52,572)	53,058	(7,372)	(1,838)		(8,724)
At 30 June 2013	**2,710**	**(753)**	**(1,385)**	**-**	**-**	**572**

*Cooley Distillery plc ceased to have common directors on 17 January 2012.

Amounts due to and from the above companies are unsecured and repayable on demand.

Company
At 30 June 2013 the following amounts were due to the company by its subsidiaries:

	30/06/2013 £	30/06/2012 £
Kukama Diamonds (Cameroon) Limited	**414,010**	317,842
Kukama Mining & Exploration (Pty) Ltd	**1,243,419**	1,106,845
Atlas Minerals (Pty) Ltd	**765,397**	712,245
	2,422,826	2,136,932

All movements during the year are due to monies advanced to fund exploration activities. An allowance of £20,079 (2012: £35,324) has been provided in respect of the amount due from Kukama Mining & Exploration (Pty) Ltd.

Recoverability of amounts due from subsidiaries is dependent on the discovery and successful development of economic diamond reserves.

Notes to the Financial Information

for the year ended 30 June 2013

8. EMPLOYEE INFORMATION

The average number of persons employed by the group and company including directors during the year was:

	2013	2012
Management and administration	**7**	7

Staff costs for the above persons were:	**£**	£
Wages and salaries	**265,739**	272,935
Share based payments	**-**	-
Pension costs	**-**	-
	265,739	272,935

Included in the above is £66,429 of salary payments which were capitalised within exploration assets.

9. INCOME TAX EXPENSE

	2013	2012
	£	£
Current tax:		
Tax on loss	**-**	-
	-	-
Factors affecting the tax expense:		
Loss on ordinary activities before tax	**(498,166)**	(545,985)
UK tax calculated at 24% (2012: 24%)	**(119,560)**	(131,036)
Effects of:		
Unutilised Losses	**119,560**	131,036
Tax charge	**-**	-

No charge to corporation tax arises in the year due to losses incurred.

At the balance sheet date the group had unused tax losses of £1,047,466 (2012: £668,860) which equates to an unrecognised deferred tax asset of £251,392 (2012: £160,526).

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Financial Information

for the year ended 30 June 2013

10. SEGMENTAL ANALYSIS

Operating segments are identified on the basis of internal reports about the group that are regularly reviewed by the chief operating decision maker. The Board is deemed the chief operating decision maker and the group is organised into three segments: Botswana, Zimbabwe and Cameroon.

10A. Segment revenue and segment result

Group	Segment Revenue 2013 £	Segment Result 2013 £	Segment Revenue 2012 £	Segment Result 2012 £
Botswana	-	-	-	-
Zimbabwe	-	-	-	-
Cameroon	-	-	-	-
Total continuing operations	-	-	-	-
Unallocated head office	-	(498,166)	-	(545,985)
	-	(498,166)	-	(545,985)

10B Segment assets and liabilities

Group	Assets 2013 £	Liabilities 2013 £	Assets 2012 £	Liabilities 2012 £
Botswana	5,643,200	21,106	5,462,184	17,566
Zimbabwe	170,735	-	162,519	-
Cameroon	453,317	-	325,615	-
Total continuing operations	6,267,252	21,106	5,950,318	17,566
Unallocated head office	144,458	596,027	874,233	497,541
	6,411,710	617,133	6,824,551	515,107

Company	Assets 2013 £	Liabilities 2013 £	Assets 2012 £	Liabilities 2012 £
Botswana	5,622,094	-	5,446,117	1,499
Zimbabwe	170,735	-	162,519	-
Cameroon	453,317	-	325,615	-
Total continuing operations	6,246,146	-	5,934,251	1,499
Unallocated head office	144,458	596,027	874,233	497,541
	6,390,604	596,027	6,808,484	499,040

10. SEGMENTAL ANALYSIS (continued)

10C. Other segmental information

Additions to non current assets	**Group 2013 £**	Group 2012 £	**Company 2013 £**	Company 2012 £
Botswana	**231,823**	371,814	**8,791**	110,003
Zimbabwe	**8,216**	37,998	**8,216**	37,998
Cameroon	**127,773**	188,617	**8,994**	5,311
Total continuing operations	**367,812**	598,429	**26,001**	153,312
Unallocated head office	**-**	-	**-**	-
	367,812	598,429	**26,001**	153,312

11. INTANGIBLE ASSETS

Exploration and evaluation assets:

	2013 Group £	2012 Group £	**2013 Company £**	2012 Company £
Cost:				
Opening balance	**5,881,207**	5,282,778	**3,295,927**	3,142,615
Additions	**367,812**	598,429	**26,001**	153,312
At 30 June	**6,249,019**	5,881,207	**3,321,928**	3,295,927

Segmental analysis	**2013 Group £**	2012 Group £	**2013 Company £**	2012 Company £
Botswana	**5,627,011**	5,395,188	**3,134,426**	3,125,635
Zimbabwe	**170,735**	162,519	**170,735**	162,519
Cameroon	**451,273**	323,500	**16,767**	7,773
	6,249,019	5,881,207	**3,321,928**	3,295,927

Notes to the Financial Information

for the year ended 30 June 2013

11. INTANGIBLE ASSETS (continued)

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 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 in Note 1 (xiii).

Included in additions for the year are £3,378 of share based payments (2012: £2,950), £16,429 (2012: £17,822) of wages and salaries and £50,000 (2012: £50,000) of directors remuneration.

12. INVESTMENT IN SUBSIDIARIES

	30/06/2013 £	30/06/2012 £
At 1 July and 30 June	**501,392**	501,392

In the opinion of the directors, at 30 June 2013, the fair value of the investments in subsidiaries is not less than their carrying amounts.

During the period to 30 June 2012 Botswana Diamonds plc acquired 85% of the ordinary share capital of Kukama Diamonds Cameroon Limited SARL.

The subsidiaries of the company at 30 June 2013 were:

Name of subsidiary	**Total allotted capital**	**Country of incorporation and operation**	**% Ownership**	**Principal activity**
Kukama Mining and Exploration (Proprietary) Limited	2 Ordinary shares of BWP1 each	Botswana	100%	Prospecting and exploration for diamonds
Kukama Diamonds Investments Limited	50,000 shares of US$1,000 each	British Virgin Islands	100%	Holding company
Orapa Diamonds plc	5,000,000 shares of £0.01 each	United Kingdom	100%	Dormant
Kukama Diamonds Cameroon Limited SARL	100 shares of FCA 10,000 each	Cameroon	85%	Prospecting and exploration for diamonds
Botswana Coal plc	5,000,000 shares of £0.01 each	United Kingdom	100%	Dormant
Congo Diamonds plc	5,000,000 shares of £0.01 each	United Kingdom	100%	Dormant
Atlas Minerals (Botswana) (Pty) Limited	200 shares of BWP1 each	Botswana	100%	Prospecting and exploration for diamonds

The carrying value of investments in subsidiaries is dependent on the successful discovery and development of economic diamond reserves 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 in Note 1 (xiii).

Notes to the Financial Information

for the year ended 30 June 2013

13. INVESTMENTS IN ASSOCIATE

	2013 £	2012 £
Group and company		
Cost:		
At the beginning of the year	**100,000**	200,000
Provision for losses incurred by associate	**-**	(100,000)
At the end of the year	**100,000**	100,000

The group holds 35.42% of the issued share capital of Bugeco S.A.

Bugeco S.A. is incorporated in Belgium and holds highly prospective primary diamond exploration licences in the Democratic Republic of Congo.

The value of the investment of £100,000 in Bugeco is dependent on it discovering and developing economic reserves and on its ability to raise finance to develop future projects. Should this prove unsuccessful the value included in the balance sheet will be written off to the Statement of Comprehensive Income. Having reviewed the carrying value the directors are satisfied that the value of Bugeco is not less than carrying amount.

14. FINANCIAL ASSETS

	2013 £	2012 £
Group and company		
Financial assets carried at fair value through profit or loss (FVTPL):		
Non-derivative financial assets designated as at FVTPL	**10,500**	31,250
Investment at FVTPL		
At 1 July 2012	**31,250**	60,000
Fair value movement	**(20,750)**	(28,750)
At 30 June 2013	**10,500**	31,250

The group holds 1,000,000 shares in Stellar Diamonds plc. At the year end this investment represented 0.20% of the issued share capital of Stellar Diamonds plc. Stellar Diamonds plc is listed on the London AIM market. In the opinion of the directors, the company does not have significant influence over Stellar Diamonds plc.

Fair value at 30 June 2013 is based on the market value of the shares of Stellar Diamonds plc at that date. Investment in Stellar Diamonds plc is classified in Level 1 hierarchy.

15. OTHER RECEIVABLES

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
Other receivables	**12,711**	47,856	**8,947**	30,159
Due by group undertakings (Note 7)	**-**	-	**2,422,826**	2,136,932
	12,711	47,856	**2,431,773**	2,167,091

The carrying value of the other receivables approximates to their fair value. The carrying value of amounts due by group undertakings 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 detailed in Note 1 (xiii).

16. CASH AND CASH EQUIVALENTS

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
Cash and cash equivalents	**39,480**	764,238	**25,011**	712,824

Cash at bank earns interest at floating rates based on daily bank deposits rates.

17. TRADE AND OTHER PAYABLES

	2013 Group £	2012 Group £	2013 Company £	2012 Company £
Trade payables	**68,352**	25,856	**54,967**	19,040
Accruals	**548,781**	489,251	**541,060**	480,000
	617,133	515,107	**596,027**	499,040

It is the company's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, payment is made accordingly. In the absence of agreed terms it is the company's policy that payment is made between 30 – 40 days. The carrying value of trade and other payables approximates to their fair value.

Notes to the Financial Information

for the year ended 30 June 2013

18. CALLED-UP SHARE CAPITAL

Allotted, called-up and fully paid:

	Number	Share Capital £	Share Premium £
At 1 July 2011	100,532,267	1,005,323	6,031,936
Issued during the year	37,750,000	377,500	1,132,500
Share issue expenses	-	-	(52,880)
At 30 June 2012	138,282,267	1,382,823	7,111,556
Issued during the year	-	-	-
At 30 June 2013	**138,282,267**	**1,382,823**	**7,111,556**

Movements in issued share capital
On 16 February 2012, 37,750,000 new ordinary shares were issued at a price of 4p per share to provide additional working capital and fund development costs.

19. SHARE-BASED PAYMENTS

The group issues equity-settled share-based payments to certain directors and individuals who have performed services for the group. Equity-settled share-based payments are measured at fair value at the date of grant.

Fair value is measured by use of a Black-Scholes valuation model.

The group plan provides for a grant price equal to the average quoted market price of the ordinary shares on the date of grant.

	30/06/2013 Options	**2013 Weighted average exercise price in pence**	30/06/2012 Options	2012 Weighted average exercise price in pence
Outstanding at beginning of year	**7,750,000**	**6.65**	8,000,000	6.94
Issued	**160,000**	**3.75**	750,000	4.00
Expired	**-**	**-**	(1,000,000)	6.94
Outstanding at end of the year	**7,910,000**	**6.59**	7,750,000	6.65
Exercisable at end of the year	**7,540,000**	**6.72**	7,250,000	6.65

The options outstanding at 30 June 2013 had a weighted average exercise price of 6.72p, and a weighted average remaining contractual life of 4.69 years.

During the year ended 30 June 2013, 160,000 options were granted with a fair value of £1,712. These fair values were calculated using the Black-Scholes valuation model. These options will vest over a 4 year period contingent on the provision of services over the vesting period and will be capitalised on a straight line basis over the vesting period.

19. SHARE-BASED PAYMENTS (continued)

The inputs into the Black-Scholes valuation model were as follows:

Grant 21 December 2012	
Weighted average share price at date of grant (in pence)	3.75p
Weighted average exercise price (in pence)	3.75p
Expected volatility	26.2%
Expected life	7 years
Risk free rate	0.5%
Expected dividends	none

Expected volatility was determined by management based on their cumulative experience of the movement in share prices over the year.

The terms of the options granted do not contain any market conditions within the meaning of IFRS 2.

The group capitalised expenses of £3,378 (2012: £2,950) relating to equity-settled share-based payment transactions during the year.

20. MATERIAL NON-CASH TRANSACTIONS

Material non-cash transactions during the year have been outlined in Notes 11 and 19.

21. CAPITAL COMMITMENTS

There is no capital expenditure authorised or contracted for which is not provided for in these accounts.

22. PARENT COMPANY INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the parent company's income statement has not been presented in this document. The loss after taxation, as determined in accordance with IFRS, for the parent company for the year is £518,245 (2012: loss of £581,309).

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Group and company

The group's financial instruments comprise of cash and cash equivalent balances, investments at fair value and various items such as trade receivables and trade payables which arise directly from trading operations.

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The group holds cash as a liquid resource to fund obligations of the group. The group's cash balances are held in euro, US dollar and sterling. The group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure.

The group has a policy of not hedging due to no significant dealings in currencies other than the reporting currency and euro denominated transactions and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposure on an ad hoc basis.

The group does not enter into any derivative transactions, and it is the group's policy that no trading in derivatives shall be undertaken.

Notes to the Financial Information

for the year ended 30 June 2013

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The main financial risks arising from the group's financial instruments are as follows:

Interest rate risk
The group has no outstanding bank borrowings at the year end. New projects and acquisitions are financed by a combination of existing cash surpluses and through funds raised from equity share issues. The group may use project finance in the future to finance exploration and development costs on existing licences.

Liquidity risk
As regards liquidity, the Group's policy is to ensure continuity of funding primarily through fresh issues of shares. Short-term funding is achieved through utilising and optimising the management of working capital. The directors are confident that adequate cash resources exist to finance operations in the short term, including exploration and development.

Capital management
The capital structure of the company consists primarily of equity raised through issue of share capital, which it has invested in operations in Botswana, Cameroon and Zimbabwe.

The primary objective of the company's capital management is to maximise shareholder value. The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Credit Risk
The maximum credit exposure of the group as at 30 June 2013 amounted to £52,191 (2012: £812,094) relating to the group's cash and cash equivalents and receivables. The directors believe there is limited exposure to credit risk as the group's cash and cash equivalents are held with major financial institutions. The aging of receivables is reviewed on a regular basis to ensure the timely collection of amounts owing to the group.

The group manages its credit risk in cash and cash equivalents by holding surplus funds in high credit worthy financial institutions and maintains minimum balances with financial institutions in remote locations.

	30/06/2013	30/06/2012
	£	£
Financial institutions with S&P A- rating or higher	**39,480**	764,238

The credit risk on receivables from subsidiaries is significant and their recoverability is dependent on the discovery and successful development of economic reserves by those subsidiary undertakings. Given the nature of the Group's business, significant amounts are required to be invested in exploration and evaluation activities at different locations. The directors manage this risk by reviewing expenditure plans and budgets in relation to projects before any monies are advanced to subsidiary undertakings in respect of those projects. This review ensures that any expenditure in value-enhancing and as a result the amounts receivable will be recoverable subject to successful discovery and development of economic reserves.

24. POST BALANCE SHEET EVENTS

On 23 July 2013 the group entered into an agreement with Siseko Minerals (Pty) Ltd over the 13 licence Brightstone block in the Gope area of Botswana. Under the terms of the agreement the company will earn a 51% interest in the block by spending up to US $940,000 over three years.

On 25 July 2013 the group entered into an agreement with Eversharp Investments (Pty) Ltd over the PL117/2011 licence area in Botswana. Under the terms of the agreement the company will earn a 51% interest in the block by spending up to US$300,000 over three years.

On 16 August 2013 the group entered into a joint venture agreement with Sunland Holdings SA a wholly owned subsidiary of OJSC Alrosa of Russia to explore for diamonds in Botswana.

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Botswana Diamonds plc (the "Company") will be held on Friday 20 December 2013 at 11.00 a.m. at the Hilton London Paddington Hotel, 146 Praed Street, London W2 1EE for the following purposes:

Ordinary Business

1. To receive and consider the Directors' Report, Audited Accounts and Auditor's Report for the year ended 30 June, 2013.

2. To elect Director: James Finn retires in accordance with the Articles of Association and seeks re-election.

3. To re-elect Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration.

4. To transact any other ordinary business of an annual general meeting.

SPECIAL BUSINESS
ORDINARY RESOLUTION

5. That, in accordance with section 551 of the Companies Act 2006 ("2006 Act"), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £3,000,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on a date no longer than five years from the date the resolution is passed save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

   This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act.

SPECIAL RESOLUTION

6. "THAT, subject to the passing of resolution 5 and in accordance with sections 570 and 573 of the 2006 Act, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the ("2006 Act") for cash pursuant to the authority conferred by resolution 5, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:

6.1 Be limited to the allotment of equity securities up to an aggregate nominal amount of £3,000,000; and

6.2 Expire on a date no longer than five years from the date the resolution is passed (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board.

James Finn
Secretary

Registered Office: 20-22 Bedford Row, London WCIR 4JS

21 November 2013

Note:
1. A member who is unable to attend and vote at the above Annual General Meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the company.

2. To be effective, the Form of Proxy duly signed, together with the power of attorney (if any) under which it is signed, must be depositied at the Company's Registrars, Computershare Investor Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, not less than fortyeight hours before the time appointed for the Meeting or any adjournment thereof at which the person named in the Form of Proxy is to vote.