



27th March 2017

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

Interim Results for the Six Months Ended 31 December 2016

Botswana Diamonds plc (AIM: BOD) ("Botswana Diamonds" or "the Company") today announces financial results for the six months ended 31 December 2016.

Statement Accompanying the Interim Results

Recent months have been a very active time for Botswana Diamonds:

- ❖ James Campbell joined as Managing Director in December 2016;
- ❖ The Company entered into a phased earn-in agreement with Vutomi Mining Pty Ltd (“Vutomi”), a late stage diamond explorer in South Africa;
- ❖ The Company agreed with the board of Maibwe, our joint venture in the Kalahari desert in Botswana, that Botswana Diamonds would drill verification holes following the encouraging results from 2015;
- ❖ A work programme for 2017 was agreed with Alrosa for the Orapa and Gope licences in Botswana; and
- ❖ The Company raised £525,000 (before expenses) to fund the exploration activities in February 2017.

The appointment of James Campbell as a Johannesburg based full time Managing Director was a highlight. James is widely experienced having been a senior De Beers Executive and was the Managing Director of African Diamonds which he led until it was acquired by Lucara. James’s first major contribution was to introduce a South African acquisition – Vutomi. This private company has been exploring for some years in the Marsfontein region north of Johannesburg. The flagship project is Frischgewaagt (FGT) a 4 km long dyke/blow system which is currently being drilled. As part of an ongoing drilling programme, some 34 percussion and 9 core holes have been drilled of which 22 percussion and 8 core holes have intersected kimberlite. The kimberlite has been identified as hypabyssal and the same age, late Jurassic, as the Marsfontein kimberlite which contained a high-grade of diamonds. Significant quantities of G10 garnets have been recovered. These are diamond indicators. Petrographic and Microdiamond analyses are ongoing with initial results expected in the coming months.

The Company has also just completed a drilling programme on PL 186 in the Kalahari Desert on the Maibwe ground. We identified the locations of the previously drilled holes where significant quantities of diamonds were discovered. We drilled three reverse circulation percussion holes in the immediate area to assess the accuracy of the earlier results. Samples are going for analysis.

Work on the Maibwe joint venture has been severely delayed due to the liquidation of BCL, the main shareholder and operator. After extensive discussions with the two remaining shareholders, Future Minerals and Siseko (51% BOD) it was agreed that Botswana Diamonds would fund a verification drilling programme. Drilling deep inside the inaccessible Kalahari Desert is challenging but it was successfully accomplished by a Botswana Diamonds team. Analysis will take up to 2 months.

Getting to this stage in the Maibwe joint venture is a major achievement and owes much to the co-operation of the various parties involved.

The third active programme is the ongoing joint venture with Alrosa. This joint venture is beginning its seventh fieldwork programme in April. The focus remains on the Orapa and Gope regions of Botswana. The intensive and extensive exploration programme on PL 260 in Orapa did not produce the desired results. A proposal exists to drill the remaining known kimberlite on the block, AK 23. There are ongoing discussions between Alrosa and the Company's specialists regarding the optimal way to proceed. Beginning in April, a team of Alrosa geologists, geophysicists and mineralogists will undertake sampling and geophysical studies on four licences, PL 260 in Orapa, PL 135, 235 and 234 in the Gope area.

In early 2017 we raised just over £525,000 (before expense) to fund the work outlined above.

I look forward to providing the Company's shareholders with further updates regarding our ongoing drilling programmes in the coming weeks and months.

John Teeling
Chairman
24th March 2017

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

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Botswana Diamonds plc
Financial Information (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 31 Dec 16 unaudited £'000	Six Months Ended 31 Dec 15 unaudited £'000	Year Ended 30 Jun 2016 audited £'000
REVENUE	-	-	-
Cost of sales	-	-	-
GROSS PROFIT	-	-	-
Administrative expenses	(136)	(121)	(262)
Impairment of exploration and evaluation assets	-	(34)	(34)
OPERATING LOSS	(136)	(155)	(296)
Loss on investment held at fair value	-	(6)	(7)
LOSS BEFORE TAXATION	(136)	(161)	(303)
Income tax expense	-	-	-
LOSS AFTER TAXATION	(136)	(161)	(303)
Exchange difference on translation of foreign operations	197	(113)	103
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>61</u>	<u>(274)</u>	<u>(200)</u>
LOSS PER SHARE - basic and diluted	<u>(0.04p)</u>	<u>(0.07p)</u>	<u>(0.11p)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	31 Dec 16 unaudited £'000	31 Dec 15 unaudited £'000	30 Jun 2016 audited £'000
ASSETS:			
NON-CURRENT ASSETS			
Intangible assets	7,238	6,198	6,690
Financial assets	1	2	1
	<u>7,239</u>	<u>6,200</u>	<u>6,691</u>
CURRENT ASSETS			
Trade and other receivables	45	8	31
Cash and cash equivalents	60	402	500
	<u>105</u>	<u>410</u>	<u>531</u>
TOTAL ASSETS	<u>7,344</u>	<u>6,610</u>	<u>7,222</u>
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	(206)	(91)	(152)
TOTAL LIABILITIES	<u>(206)</u>	<u>(91)</u>	<u>(152)</u>
NET ASSETS	<u>7,138</u>	<u>6,519</u>	<u>7,070</u>
EQUITY			
Share capital - deferred shares	1,796	1,796	1,796
Share capital - ordinary shares	846	759	846
Share premium	8,598	8,209	8,598
Share based payments reserve	97	90	90
Retained deficit	(3,337)	(3,059)	(3,201)
Translation reserve	121	(293)	(76)
Other reserves	(983)	(983)	(983)
TOTAL EQUITY	<u>7,138</u>	<u>6,519</u>	<u>7,070</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Share based Payment Reserves £'000	Retained Deficit £'000	Translation Reserve £'000	Other Reserve £'000	Total Equity £'000
As at 30 June 2015	2,395	7,825	90	(2,898)	(180)	(983)	6,249
Ordinary shares issued	160	385	-	-	-	-	545
Share issue expenses	-	(1)	-	-	-	-	(1)
Total comprehensive loss	-	-	-	(161)	(113)	-	(274)
As at 31 December 2015	<u>2,555</u>	<u>8,209</u>	<u>90</u>	<u>(3,059)</u>	<u>(293)</u>	<u>(983)</u>	<u>6,519</u>
Share based payment	-	-	-	-	-	-	-
Ordinary shares issued	87	425	-	-	-	-	512
Share issue expenses	-	(36)	-	-	-	-	(36)
Total comprehensive loss	-	-	-	(142)	217	-	75
As at 30 June 2016	<u>2,642</u>	<u>8,598</u>	<u>90</u>	<u>(3,201)</u>	<u>(76)</u>	<u>(983)</u>	<u>7,070</u>
Share based payment	-	-	7	-	-	-	7
Total comprehensive loss	-	-	-	(136)	197	-	61
As at 31 December 2016	<u>2,642</u>	<u>8,598</u>	<u>97</u>	<u>(3,337)</u>	<u>121</u>	<u>(983)</u>	<u>7,138</u>

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended 31 Dec 16 unaudited £'000	Six Months Ended 31 Dec 15 unaudited £'000	Year Ended 30 Jun 16 audited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(136)	(161)	(303)
Loss on investment held at fair value	-	6	7
Exchange movements	188	(114)	100
Impairment of exploration and evaluation assets	-	34	34
	<u>52</u>	<u>(235)</u>	<u>(162)</u>
Movements in Working Capital	40	(29)	95
NET CASH USED IN OPERATING ACTIVITIES	<u>92</u>	<u>(264)</u>	<u>(67)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised	(541)	(55)	(546)
NET CASH USED IN INVESTING ACTIVITIES	<u>(541)</u>	<u>(55)</u>	<u>(546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue	-	545	971
Share issue costs	-	(1)	(37)
NET CASH GENERATED IN INVESTING ACTIVITIES	<u>-</u>	<u>544</u>	<u>934</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(449)</u>	<u>225</u>	<u>321</u>
Cash and cash equivalents at beginning of the period	500	176	176
Effect of foreign exchange rate changes	9	1	3
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>60</u>	<u>402</u>	<u>500</u>

Notes:**1. INFORMATION**

The financial information for the six months ended 31 December 2016 and the comparative amounts for the six months ended 31 December 2015 are unaudited. The financial information above does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006.

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

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the Group 2016 Annual Report, which is available at www.botswanadiamonds.co.uk

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

2. DIVIDEND

No dividend is proposed in respect of the period.

3. LOSS PER SHARE

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

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

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

	Six Months Ended 31 Dec 16 £	Six Months Ended 31 Dec 15 £	Year Ended 30 Jun 16 £
Numerator			
For basic and diluted EPS retained loss	<u>(136,055)</u>	<u>(161,066)</u>	<u>(303,254)</u>
Denominator			
Weighted average number of ordinary shares	<u>338,411,181</u>	<u>242,651,449</u>	<u>278,469,644</u>
Loss per share – Basic and Diluted	<u>(0.04p)</u>	<u>(0.07p)</u>	<u>(0.11p)</u>

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

	No.	No.	No.
Share options	<u>11,410,000</u>	<u>8,410,000</u>	<u>8,410,000</u>

4. INTANGIBLE ASSETS

	31 Dec 16 £'000	31 Dec 15 £'000	30 June 16 £'000
Exploration and evaluation assets:			
Cost:			
Opening balance	7,339	6,785	6,785
Additions	548	62	554
	<u>7,887</u>	<u>6,847</u>	<u>7,339</u>
Impairment:			
Opening balance	649	616	616
Provision for impairment	-	33	33
	<u>649</u>	<u>649</u>	<u>649</u>
Carrying Value:			
Opening balance	<u>6,690</u>	<u>6,169</u>	<u>6,169</u>
Closing balance	<u>7,238</u>	<u>6,198</u>	<u>6,690</u>

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

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

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

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

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

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

Included in additions for the period are £6,951 of share based payments (June 2016: £428), £8,169 (June 2016: £14,749) of wages and salaries and £7,500 (June 2016: £15,000) of directors remuneration.

5. SHARE CAPITAL

	ORDINARY SHARES OF 1P EACH		
	Number	Share Capital £'000	Share Premium £'000
	Allotted, called-up and fully paid:		
At 1 July 2015	239,487,648	2,395	7,825

On 22 December 2015 the Group converted the 239,487,648 existing ordinary shares of 1p each into 239,487,648 ordinary shares of 0.25p each and deferred shares of 0.75p each.

	ORDINARY SHARES OF 0.25P EACH			DEFERRED SHARES OF 0.75P EACH	
	Number	Share Capital £'000	Share Premium £'000	Number	Share Capital £'000
	Opening balances	239,487,648	599	7,825	239,487,648
Issued during the period	64,154,850	160	385		
Share issue expenses		-	(1)		
At 31 December 2015	303,642,498	759	8,209	239,487,648	1,796
Issued during the period	34,768,683	87	425	-	-
Share issue expenses		-	(36)		
At 30 June 2016	338,411,181	846	8,598	239,487,648	1,796
Issued during the period	-	-	-	-	-
At 31 December 2016	338,411,181	846	8,598	239,487,648	1,796

Movements in share capital

On 22 December 2015 the company raised £458,656 through the issue of 53,959,400 new ordinary shares of 0.25p ("Ordinary Shares") each at a price of 0.85p per share to provide additional working capital and fund development costs. In addition, the company settled £86,660 of existing liabilities with the directors of the company through the issue of 10,195,450 new Ordinary Shares at a price of 0.85p.

On 22 December 2015, 64,154,850 warrants were granted to the subscribers of the placing at a price of 0.85p per share. These warrants are exercisable for a period of three years from 24 December 2015.

On 6 May 2016, the Company raised £500,000 (before expenses) through the issue of 33,333,333 new Ordinary Shares at a price of 1.5p to provide additional working capital and fund development costs.

On 15 June 2016, 588,250 warrants were exercised at a price of 0.85p per warrant for £5,000.

On 28 June 2016, 847,100 warrants were exercised at a price of 0.85p per warrant for £7,200.

6. SHARE BASED PAYMENTS

Share Options

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.

	31 Dec 16 Number of Options	31 Dec 16 Weighted average exercise price in pence	30 Jun 16 Number of Options	30 Jun 16 Weighted average exercise price in pence
Outstanding at beginning of period	8,410,000	6.35	8,410,000	6.35
Issued	3,000,000	1.75	-	-
Outstanding at end of period	11,410,000	5.14	8,410,000	6.35
Exercisable at end of period	9,410,000	5.86	8,410,000	6.35

The options outstanding at 31 December 2016 had a weighted average exercise price of 5.86p, and a weighted average remaining contractual life of 1.01 years.

During the period to 31 December 2016, a total of 3,000,000 options were granted with a fair value of £20,853. These fair values were calculated using the Black-Scholes valuation model. These options will vest over a 3 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.

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

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

Grant 30 November 2016

Weighted average share price at date of grant (in pence)	1.75p
Weighted average exercise price (in pence)	1.75p
Expected volatility	37.8%
Expected life	7 years
Risk free rate	0.5%
Expected dividends	none

Expected volatility was determined by the movement in share prices over the years.

The group capitalised expenses of £6,951 (June 2016: £428) and expensed costs of £Nil (June 2016: £Nil) relating to equity-settled share-based payments vested during the year.

7. APPROVAL

The Interim Report for the period to 31 December 2016 was approved by the Directors on 24th March 2017.

8. SUBSEQUENT EVENTS

Option and Earn-In Agreement

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

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

Exclusivity and Option Fee

Botswana Diamonds will initially pay Vutomi an exclusivity and option fee of £122,000 within a period of 60 days, with £61,000 being paid in cash and £61,000 being paid in the Company's Ordinary Shares at a price of 1.9p. A further

announcement regarding the issue of these Ordinary Shares will be made in due course. Upon completion of this initial 60 day period, Phase 1 of the earn-in will commence.

Phase 1

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

Phase 2

Phase 2 will last for a further 12 months, during which period the Company will, subject to available funding, have the option to pay Vutomi £366,000 to fund exploration activities to earn an additional 25% of Vutomi.

Phase 3

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

Technical Committee

As soon as practicable following the commencement of the Agreement, the Company and Vutomi will establish and constitute a technical committee to oversee the exploration and development activities (the "Technical Committee"). The Technical Committee shall consist of no less than 2 and not more than 4 representatives of both Botswana Diamonds and Vutomi. The Company will initially appoint James Campbell to the Technical Committee.

Termination

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

Placing

On 27 February 2017 the company announced that it had raised £525,000 (before expenses) via a placing of 35,000,000 new Ordinary Shares with new and existing investors at a price of 1.5p per share.

The proceeds will be used to fund ongoing kimberlite drilling at the Frischgewaagt property in South Africa, drilling in Botswana, exploration work in South Africa and in the first stage of the 2017 Alrosa/Botswana Diamonds exploration programme in the Orapa and Gope areas of Botswana.

9. AVAILABILITY OF REPORT

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