



24th March 2016

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

Interim Results for the Six Months Ended 31 December 2015

Botswana Diamonds plc (AIM: BOD) ("Botswana Diamonds" or "the Company") today announces financial results for the six months ended 31 December 2015.

Statement Accompanying the Interim Results

As I write this statement Botswana Diamonds is conducting an extensive exploration programme in Botswana. With our partners, Alrosa, we are drilling, sampling and conducting geophysics on two licences in the Orapa area, PL 210 and PL 260.

On PL 260, a new 25 sq km licence, between the Orapa and Karowe Diamond Mines, we have an intensive programme which will culminate with two or three large diameter bore holes each 300 metres deep. PL260 contains 3 known kimberlites AK21, AK22 and AK23 each containing diamonds but not at commercial levels. We, with Alrosa, have evaluated and re-analysed available data. A re-interpretation suggests that sand and basalt cover in the top 100-150 metres could have diluted the actual grade in the kimberlite.

Ongoing sampling and geophysics will be followed by diamond drilling in early April and subsequent reverse circulation large diameter drilling in order to take a bulk sample on kimberlite AK 21 which we believe has significant diamond potential. The bulk sampling, about 90 tonnes, will be treated in a leased sampling plant in Botswana. Results will be available by mid-2016.

In 2015 we drilled PL 210 in Orapa. We found serpentines which have similar geophysical signatures to kimberlites. Earlier work had found large quantities of Kimberlitic Indicator Minerals (KIMs). Analyses suggest that, due to their sharp angled shape, the KIMs have not travelled far so the kimberlite source may well be on the licence. The further KIMs travel the rounder the shapes become. The hunt for diamondiferous kimberlites on PL 210 will begin again in April with two or three diamond holes being drilled.

A new and very exciting diamond province is emerging in the Gope Region, about 300 km west of Orapa in the Kalahari Desert. BOD is very active in the area. Our Alrosa/BOD joint venture holds 7 licences while we have a net 15% carried interest through Bankable Feasibility Study in the Maibwe joint venture on 10 blocks. Maibwe is 51% controlled by BCL, a state owned copper/nickel miner, 20% by a private Botswana Company and 29% by Siseko, a South African company. BOD owns 51% of Siseko. Maibwe drilled one of the blocks in 2015 and discovered 5 kimberlites. A follow-up drilling programme is planned in the second quarter of 2016. BOD and Alrosa are talking to BCL about possible co-operation.

Work by BOD/Alosa in 2015 on three small licences in Gope confirmed the presence of anomalies. Following the completion of sampling and geophysics on the Orapa ground the team will move to these licences.

We obtained new ground north east of the GEM owned Ghagoo Mine in Gope. We will begin prospecting work on this ground in May.

Overall an active exploration programme.

But what about the depressed market for diamonds and the total lack of investor interest in exploration companies, including those looking for diamonds? Diamonds are a luxury product and will always appeal to jewellers and their customers in Europe, North and South America, Asia and throughout Africa. Outside of Europe and the United States the market is still emerging. As per capita incomes increase around the world, billions of people will enter the so called "Middle Class". They will want the products associated with being a member of this social category. All long term forecasts for diamond demand show a rising curve while supply is at best flat due to mine depletions. The current price volatility is caused by a number of factors including credit tightening on brokers and agents who buy rough stones often to speculate on price rises. Certainly the economic slowdown in most Asian markets is causing a blip on the rising demand curve particularly for gemstone quality stones. But this will be a temporary phase. The rise in the middle classes in many huge markets cannot be stopped, only delayed. When growth resumes so too will demand.

I wish I could write the same story about investment sentiment towards exploration. Prices and investor interest are in the doldrums and have been for several years. There is a well-known investor cycle in exploration shares. What is harder to predict is how long we will be at or near to the bottom of the cycle. For some time share prices, having declined for years have bumped along the bottom. Signs of recovery have been called a few times but they were false. Exploration shares are by their nature high risk. Investors accept the risk in the hope and expectation of significant returns with exploration success and that is what happens. When there is a bear market on the exchange speculative money disappears. There are no buyers. Sellers usually avoid selling for as long as possible but circumstances can force sales. With no buyers, price falls can be precipitous. If the bear market lasts for a long time prices can fall away to virtually nothing. Since 2010 AIM listed exploration shares have been in a severe bear market which has been exacerbated by declines in the commodity super cycle due to slowdowns in the Asian markets.

The net effect of these trends is that there is very little fresh capital available for explorers. That which can be obtained is at highly dilutive share prices. In recent years Botswana Diamonds has raised new capital to meet their commitments in Botswana. Most recently in late 2015 over £500,000 was raised. The source of this money has been mainly Directors, family and friends.

We are serious explorers in Botswana. Our partnership with Alosa is working well. The current programme is the fourth in the field. Each session improves the understanding of the geology of the Kalahari. It is not an easy environment with wild fluctuations in temperature of maybe 50 degrees between noon and midnight, remoteness, particularly in the Gope Region and the overwhelming presence of sand and basalt covers. Our partner remains convinced that their technology and expertise can see through the overburden to discover what is below. Drill holes are the only real way of discovering this. With three separate drill programmes in the coming weeks we have high hopes of positive news.

John Teeling
Chairman
23rd March 2016

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Botswana Diamonds plc
Financial Information (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 31 Dec 15 unaudited £'000	Six Months Ended 31 Dec 14 unaudited £'000	Year Ended 30 Jun 15 audited £'000
Administrative expenses	(121)	(166)	(336)
Impairment of exploration and evaluation assets	(34)	-	-
OPERATING LOSS	<u>(155)</u>	<u>(166)</u>	<u>(336)</u>
Loss on investment held at fair value	(6)	-	(4)
LOSS BEFORE TAXATION	<u>(161)</u>	<u>(166)</u>	<u>(340)</u>
Income tax expense	-	-	-
LOSS AFTER TAXATION	<u>(161)</u>	<u>(166)</u>	<u>(340)</u>
Exchange difference on translation of foreign operations	(113)	17	(33)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(274)</u></u>	<u><u>(149)</u></u>	<u><u>(373)</u></u>
LOSS PER SHARE - basic and diluted	<u><u>(0.07p)</u></u>	<u><u>(0.08p)</u></u>	<u><u>(0.16p)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

	31 Dec 15 unaudited £'000	31 Dec 14 unaudited £'000	30 Jun 15 audited £'000
ASSETS:			
NON-CURRENT ASSETS			
Intangible assets	6,198	6,080	6,169
Financial assets	2	12	8
	<u>6,200</u>	<u>6,092</u>	<u>6,177</u>
CURRENT ASSETS			
Trade and other receivables	8	20	16
Cash and cash equivalents	402	154	176
	<u>410</u>	<u>174</u>	<u>192</u>
TOTAL ASSETS	<u><u>6,610</u></u>	<u><u>6,266</u></u>	<u><u>6,369</u></u>
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	(91)	(228)	(120)
TOTAL LIABILITIES	<u>(91)</u>	<u>(228)</u>	<u>(120)</u>
NET ASSETS	<u><u>6,519</u></u>	<u><u>6,038</u></u>	<u><u>6,249</u></u>
EQUITY			
Share capital - ordinary shares	759	1,962	2,395
Share capital – deferred shares	1,796	-	-
Share premium	8,071	7,825	7,825
Share based payments reserve	228	88	90
Retained deficit	(3,059)	(2,724)	(2,898)
Translation reserve	(293)	(130)	(180)
Other reserves	(983)	(983)	(983)
TOTAL EQUITY	<u><u>6,519</u></u>	<u><u>6,038</u></u>	<u><u>6,249</u></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 2014	1,962	7,825	88	(2,558)	(147)	(983)	6,187
Total comprehensive loss				(166)	17	-	(149)
At 31 December 2014	1,962	7,825	88	(2,724)	(130)	(983)	6,038
Share based payment	-	-	2	-	-	-	2
Ordinary shares issued	433	10		-	-	-	443
Share issue expenses	-	(10)		-	-	-	(10)
Total comprehensive loss				(174)	(50)	-	(224)
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)
Warrants issued		(138)	138				-
Total comprehensive loss				(161)	(113)	-	(274)
At 31 December 2015	2,555	8,071	228	(3,059)	(293)	(983)	6,519

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended 31 Dec 15 unaudited £'000	Six Months Ended 31 Dec 14 unaudited £'000	Year Ended 30 Jun 15 audited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(161)	(166)	(340)
Share Option charge	-	-	1
Loss on investment held at fair value	6	-	4
Exchange movements	(114)	15	(33)
Impairment of exploration and evaluation assets	34	-	-
	(235)	(151)	(368)
Movements in Working Capital	(29)	97	145
NET CASH USED IN OPERATING ACTIVITIES	(264)	(54)	(223)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised	(55)	(214)	(295)
NET CASH USED IN INVESTING ACTIVITIES	(55)	(214)	(295)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue	545	-	283
Share issue costs	(1)	-	(10)
NET CASH GENERATED IN INVESTING ACTIVITIES	544	-	273
NET INCREASE/DECREASE) IN CASH AND CASH EQUIVALENTS	225	(268)	(245)
Cash and cash equivalents at beginning of the period	176	420	420
Effect of foreign exchange rate changes	1	2	1
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	402	154	176

Notes:**1. INFORMATION**

The financial information for the six months ended 31 December 2015 and the comparative amounts for the six months ended 31 December 2014 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 2015 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 15 £	Six Months Ended 31 Dec 14 £	Year Ended 30 Jun 15 £
Numerator			
For basic and diluted EPS retained loss	<u>(161,066)</u>	<u>(166,199)</u>	<u>(339,529)</u>
	No.	No.	No.
Denominator			
Weighted average number of ordinary shares	<u>242,651,449</u>	<u>196,228,267</u>	<u>206,684,510</u>
Loss per share – Basic and Diluted	<u>(0.07p)</u>	<u>(0.08p)</u>	<u>(0.16p)</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>8,410,000</u>	<u>8,160,000</u>	<u>8,410,000</u>

4. INTANGIBLE ASSETS

	31 Dec 15 £'000	31 Dec 14 £'000	30 June 15 £'000
Exploration and evaluation assets:			
Cost:			
Opening balance	6,785	6,482	6,482
Additions	63	214	303
	<u>6,848</u>	<u>6,696</u>	<u>6,785</u>
Impairment:			
Opening balance	616	616	616
Provision for impairment	34	-	-
	<u>650</u>	<u>616</u>	<u>616</u>
Carrying Value:			
Opening balance	<u>6,169</u>	<u>5,866</u>	<u>5,866</u>
Closing balance	<u>6,198</u>	<u>6,080</u>	<u>6,169</u>

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

The Group's focus is to maximize the full potential of the Botswana operations. Therefore, the directors have decided to provide in full against the carrying value of the operations in South Africa. Accordingly, an impairment provision of £33,625 has been recorded by the Group in the current period.

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 year are £428 of share based payments (June 2015: £428), £6,405 (June 2015: £14,008) of wages and salaries and £7,500 (June 2015: £32,500) 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 30 June 2014 and 31 December 2014	196,228,267	1,962	7,825
Issued during the period	43,259,381	433	10
Share issue expenses	-	-	(10)
At 30 June 2015	239,487,648	2,395	7,825

On 18 December 2015 the Ordinary Shares of 1p each of the Company were subdivided into one New Ordinary Share of 0.25p each and one Deferred Share 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
Share re-organisation					
Deferred shares of 0.75p		-	-	239,487,648	1,796
Ordinary shares of 0.25p	239,487,648	599	7,825		
At 18 December 2015	239,487,648	599	7,825	239,487,648	1,796
Share issue 22 Dec 2015	64,154,850	160	385	-	-
Share issue expenses	-	-	(1)	-	-
Warrants granted	-	-	(138)	-	-
At 31 December 2015	303,642,498	759	8,071	239,487,648	1,796

Movements in share capital

On 31 March 2015, the company raised £282,500 through the issue of 28,250,000 new ordinary shares at a price of 1p to provide additional working capital and fund development costs.

On 8 April 2015, the company settled £160,000 of existing liabilities with the directors of the company through the issue of 15,009,381 new ordinary shares.

At an annual general meeting of the Company held on 18 December 2015 the following resolutions were passed:-

- Each of the 239,487,648 issued ordinary shares of 1 pence each in the capital of the Company and any unissued ordinary shares of 1 pence each in the capital of the Company be and are hereby subdivided into one new Ordinary Share of 0.25 pence each and one deferred share of 0.75 pence each on the basis of one New Ordinary Share and one Deferred Share for each Existing Ordinary Share; and
- the New Ordinary Shares will have the same rights and be subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares in the Company's Articles of Association and the Deferred Shares will have the rights and be subject to the restrictions as set out in the amended Articles of Association.

On 22 December 2015 the company raised £458,655 through the issue of 53,959,400 new ordinary shares at a price of 0.85p per share to provide additional working capital and fund development costs.

On 22 December 2015, the company settled £86,661 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, the company granted 64,154,850 warrants to the subscribers of the placing at a price of 0.85p per warrant. These warrants are exercisable for a period of three years from date of issue. At date of issue the warrants had a fair value of 0.215p per warrant.

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.

	Number of Options	Weighted average exercise price in pence
At 30 June 2014	8,160,000	6.46
Issued	-	-
At 31 December 2014	8,160,000	6.46
Issued	250,000	2.75
At 30 June 2015	8,410,000	6.35
Issued	-	-
Outstanding at 31 December 2015	8,410,000	6.35

The options outstanding at 31 December 2015 had a weighted average exercise price of 6.35p, and a weighted average remaining contractual life of 2.37 years.

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

The group capitalised expenses of £428 (June 2015: £428) and expensed costs of £Nil (June 2015: £Nil) relating to equity-settled share-based payments granted in the prior year but vested during this period.

Warrants

	Number of Warrants	Weighted average exercise price in pence
At 30 June 2015	-	-
Issued	64,154,850	0.85
Outstanding at 31 December 2015	64,154,850	0.85

On 22 December 2015, the company granted 64,154,850 warrants to the subscribers of the placing at a price of 0.85p per warrant. These warrants are exercisable for a period of three years from date of issue. At date of issue the warrants had a fair value of 0.215p per warrant.

The warrants were granted with a fair value of £137,932.93. The fair value was calculated using the Black-Scholes valuation model.

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

Grant 22 December 2015

Weighted average share price at date of grant (in pence)	0.85p
Weighted average exercise price (in pence)	0.85p
Expected volatility	36.5%
Expected life	3 years
Risk free rate	0.5%
Expected dividends	none

7. APPROVAL

The Interim Report for the period to 31 December 2015 was approved by the Directors on 23 March 2016.

8. AVAILABILITY OF REPORT

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