



BOTSWANA

DIAMONDS PLC

**Interim Statement
For the six months ending
Dec 31st 2013**

Interim Results for the Six Months Ended 31 December 2013

This is a good time to be in diamond exploration. Given the state of the stock market in relation to exploration shares and the low price of Botswana Diamonds shares you could be forgiven for taking a cynical view of this statement. But, the fundamentals of diamonds are very strong. During the recent bad years demand improved. People all over the world believe that a diamond is forever. Prices of rough diamonds confirm this. Though prices are volatile the trend is good. Prices have been strong to date in 2014.

Meanwhile supply is at best flat. Existing mines are aging and becoming more expensive to mine. There is little new supply. The danger to prices posed by a potential flood of diamonds from the Marange fields in Zimbabwe has failed to materialise. Exploration has been stunted by lack of funds for juniors so future supply is uncertain.

In this environment Botswana Diamonds is an active explorer with our joint venture partner Alrosa, the biggest diamond company in the world. Botswana Diamonds has a 50/50 joint venture with Alrosa. To date we have provided extensive geological data while Alrosa have applied unique technical skills to identify targets which they believe will be kimberlites which contain diamonds. This is the technology developed to "see" through the tundra in Siberia. Seventeen diamond mines attest to the success.

The focus of operations is firmly fixed on the Orapa area of Botswana where geologists employed by our partner, Alrosa, are working with our team on PL117. This small 2.9 sq km licence was identified by Alrosa as having high potential for diamondiferous kimberlites. The first phase of work is completed. A ground magnetic survey has been completed and modelling plus interpretation is ongoing. An electromagnetic survey is also completed and is being interpreted. Soil sampling and panning for concentrates is completed. The concentrates are being shipped to St. Petersburg in Russia for mineralogical identification, grain counts and probing. Indicator minerals are in evidence. This is expected as PL117 contains AK10 a 5 hectare kimberlite which we already know contains previously-discovered, small quantities of diamonds. While not wishing to pre-empt the outcome of the analysis now being undertaken, it is expected that a drilling programme will follow.

The geological team completed their work ahead of schedule and so deployed to PL167, a smaller Orapa block owned 100% by Botswana Diamonds. They have taken samples from this block. These will also be analysed in Russia and reported on in May.

For over two years Alrosa and Botswana Diamonds have been working together to identify targets in the Orapa area. Botswana Diamonds provides the data and Alrosa the technical analysis. A series of targets were identified and ground applied for. Certain licences have been awarded and more are expected to be awarded. These will be worked under the joint venture. This gives a strong landbank of targets for exploration. The venture is 50/50 on a heads-up basis. The joint budget for 2014 is \$1 million in total.

Botswana Diamonds has additional 100% owned ground in Botswana. We hold, adjacent to PL167, 100% of two licences in the Eastern Orapa area. We are maintaining these in good standing.

In the Gope region of Botswana we optioned in July 2013 a 13 licence block area covering 6,518 sq km. There are already 30 known kimberlites on this block. Our completed first stage of work identified new targets. We are talking to partners who may joint venture with Botswana Diamonds.

There are also ongoing negotiations on a 225 sq km licence in the Gope region where the Ghagoo diamond mine is being developed by Gem Diamonds. Work by ourselves and Alrosa has identified three targets on this block.

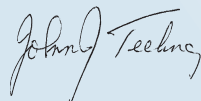
In the light of the high level of activity and the potential in the ground we hold in Botswana we have scaled back exploration in other areas. We maintain our Cameroon block while we have dropped the two blocks in Mozambique.

Botswana Diamonds, when formed, inherited a 35.4% interest in Bugeco S.A. ("Bugeco"), a private Belgian company with exploration interests in the Congo. Bugeco sold its assets in a cash and paper deal to Toronto listed company, Kaizen Discovery Inc. (TSX.V: KZD). Bugeco is now in the process of being liquidated by its shareholders and as part of that process the Kaizen shares will be sold and the net proceeds of the liquidation returned to Bugeco shareholders. Botswana Diamonds expects to receive in excess of \$300,000 in respect of its interest in Bugeco. The funds will be used to fund exploration in Botswana.

In December the Company raised new equity of £740,000 @2.5p a share. This was a dilutive price exacerbated by granting two warrants per share for new shares each exercisable at 2.5p for six months from the 18th December 2013. The market was extremely tough for exploration companies to raise money but the opportunity in Botswana need to be taken. Should the remaining outstanding warrants be exercised then the Company will be fully funded for all exploration activities for at least one year.

Future

Botswana Diamonds paid the price to raise new money at a low price to take advantage of good exploration options. We expect that investing this money in the ground will pay off. We have good ground, we have good people, we have a joint venture in play with the world's biggest diamond producer and we are using technology never before applied in Botswana. The pieces of the jigsaw for Botswana Diamonds are being assembled and our potential for exploration success and the generation of shareholder value going forward remains strong.



John Teeling
Chairman

31 March 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended 31 Dec 2013 unaudited £'000	Six Months Ended 31 Dec 2012 unaudited £'000	Year Ended 30 June 2013 audited £'000
REVENUE	-	-	-
Cost of sales	-	-	-
GROSS PROFIT	-	-	-
Administrative expenses	(222)	(256)	(478)
OPERATING LOSS	(222)	(256)	(478)
Finance income	1	1	1
Profit/(Loss) on investment held at fair value	15	(4)	(21)
LOSS BEFORE TAXATION	(206)	(259)	(498)
Income tax expense	-	-	-
LOSS AFTER TAXATION	(206)	(259)	(498)
Exchange difference on translation of foreign operations	(29)	(23)	(20)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(235)	(282)	(518)
LOSS PER SHARE - basic and diluted	(0.15p)	(0.19p)	(0.36p)

CONDENSED CONSOLIDATED BALANCE SHEET

	31 Dec 2013 unaudited £'000	31 Dec 2012 unaudited £'000	30 June 2013 audited £'000
ASSETS:			
NON-CURRENT ASSETS			
Intangible assets	6,327	6,095	6,249
Investment in associate	100	100	100
Financial assets	26	27	11
	6,453	6,222	6,360
CURRENT ASSETS			
Trade and other receivables	5	6	13
Cash and cash equivalents	273	332	39
	278	338	52
TOTAL ASSETS	6,731	6,560	6,412
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	(453)	(532)	(617)
TOTAL LIABILITIES	(453)	(532)	(617)
NET ASSETS	6,278	6,028	5,795
EQUITY			
Share capital	1,679	1,383	1,383
Share premium	7,427	7,111	7,111
Share based payments reserve	189	80	83
Other reserves	(983)	(983)	(983)
Retained deficit	(2,034)	(1,563)	(1,799)
TOTAL EQUITY	6,278	6,028	5,795

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Share based Payment Reserves £'000	Retained Deficit £'000	Other Reserves £'000	Total Equity £'000
As at 30 June 2012	1,383	7,111	80	(1,281)	(983)	6,310
Total comprehensive loss	-	-	-	(282)	-	(282)
As at 31 December 12	1,383	7,111	80	(1,563)	(983)	6,028
Share based payment	-	-	3	-	-	3
Total comprehensive loss	-	-	-	(236)	-	(236)
As at 30 June 13	1,383	7,111	83	(1,799)	(983)	5,795
Share based payment	-	-	4	-	-	4
Warrants granted	-	(102)	102	-	-	-
Ordinary shares issued	296	444	-	-	-	740
Share issue expenses	-	(26)	-	-	-	(26)
Total comprehensive loss	-	-	-	(235)	-	(235)
As at 31 December 13	1,679	7,427	189	(2,034)	(983)	6,278

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended 31 Dec 2013 unaudited £'000	Six Months Ended 31 Dec 2012 unaudited £'000	Year Ended 30 June 2013 audited £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(206)	(259)	(498)
Finance revenue	(1)	(1)	(1)
(Profit)/Loss on investment held at fair value	(15)	4	21
Exchange movements	(27)	(18)	(11)
	(249)	(274)	(489)
Movements in working capital	(156)	60	136
CASH USED BY OPERATIONS	(405)	(214)	(353)
Finance revenue	1	1	1
NET CASH USED IN OPERATING ACTIVITIES	(404)	(213)	(352)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets	(74)	(214)	(364)
NET CASH USED IN INVESTING ACTIVITIES	(74)	(214)	(364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue	740	-	-
Share issue costs	(26)	-	-
NET CASH GENERATED IN FINANCING ACTIVITIES	714	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	236	(427)	(716)
Cash and cash equivalents at beginning of the period	39	764	764
Effect of foreign exchange rate changes	(2)	(5)	(9)
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	273	332	39

Notes:**1. Information**

The financial information for the six months ended 31 December 2013 and the comparative amounts for the six months ended 31 December 2012 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 2013 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 year.

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 year.

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

	Six months Ended 31 Dec 13	Six months Ended 31 Dec 12	Year Ended 30 June 13
	£	£	£
Loss per share – Basic and Diluted	(0.15p)	(0.19p)	(0.36p)

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

Numerator

For basic and diluted EPS retained loss	(205,492)	(258,889)	(498,166)
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Denominator

Weighted average number of ordinary shares	141,201,719	138,282,267	138,282,267
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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	7,910,000	7,910,000	7,910,000

4. Intangible Assets

	31 Dec 13 £'000	31 Dec 12 £'000	30 June 13 £'000
Exploration and evaluation assets:			
Cost			
Opening balance	6,249	5,881	5,881
Additions	78	214	368
Closing balance	6,327	6,095	6,249

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.

4. Intangible Assets (cont/d)

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 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 £3,378 of share based payments and £25,000 of directors remuneration.

5. Share Capital

	Number	Share Capital £'000	Share Premium £'000
Allotted, called-up and fully paid:			
At 30 June 2012 and 31 December 2012	138,282,267	1,383	7,111
Issued during the period	-	-	-
At 30 June 2013	138,282,267	1,383	7,111
Issued during the period	29,600,000	296	444
Share issue expenses	-	-	(26)
Warrants granted	-	-	(102)
At 31 December 2013	167,882,267	1,679	7,427

Movements in share capital

21,600,000 new ordinary shares were issued on 13 December 2013 at a price of 2.5p per share to fund the Company's exploration projects in Botswana as well as working capital needs.

In addition, 8,000,000 new ordinary shares were issued on 13 December 2013 at a price of 2.5p to directors as part settlement of accrued but unpaid directors' fees.

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 2012	7,750,000	6.65
Issued	160,000	3.75
At 31 December 2012	7,910,000	6.59
Issued	-	-
At 30 June 2013	7,910,000	6.59
	-	-
Outstanding at 31 December 2013	7,910,000	6.59
Exercisable at 31 December 2013	7,830,000	6.66

6. Share-based Payments (cont/d)

The options outstanding at 31 December 2013 had a weighted average exercise price of 6.59p, and a weighted average remaining contractual life of 4.19 years.

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 (June 2013: £3,378) and expensed costs of £Nil (June 2013: £Nil) relating to equity-settled share-based payments vested during the year.

Warrants	Number of Warrants	Weighted average exercise price in pence
At 30 June 2013	-	-
Issued	59,200,000	2.5
At 31 December 2013	59,200,000	2.5
Outstanding at 31 December 2013	59,200,000	2.5

On 13 December 2013 the company granted a total of 59,200,000 warrants as part of the share placing. The warrants each have the right to subscribe for one new ordinary share at a price of 2.5p for a period of six months from 18 December 2013.

The warrants were granted with a fair value of £102,001.60. The fair value was calculated using the Black-Scholes valuation model.

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

Grant 13 December 2013

Weighted average share price at date of grant (in pence)	2.5p
Weighted average exercise price (in pence)	2.5p
Expected volatility	23.2%
Expected life	6 months
Risk free rate	0.5%
Expected dividends	none

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

7. Approval

The Interim Report for the period to 31 December 2013 was approved by the Directors on 28 March 2014.

8. Availability of Report

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



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