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

Vutomi Option & Earn-In Agreement

Botswana Diamonds plc, the AIM listed diamond explorer (AIM: BOD) is pleased to announce that it has entered into an Option and Earn In Agreement (the “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.

Highlights:

- A new strategic development for Botswana Diamonds;
- Advanced projects in South Africa to be developed in tandem with the ongoing Botswana-based exploration programme; and
- Potential for commercial diamond mining in the short to medium-term.

Vutomi has a portfolio of over twenty high interest kimberlites, many of which are diamondiferous spanning the Limpopo, North-West and Free State Provinces of South Africa. These kimberlites are housed in ten prospecting rights encompassing over 50,000 hectares of ground. The flagship project, Frischgewaagt, is in the Limpopo Province 300km north of Johannesburg and is immediately adjacent to the Marsfontein Mine which was previously operated by De Beers. This mine operated for only two years in the 1990’s but the diamond grade and quality was such that the entire capital cost was repaid in four days.

The Frischgewaagt project consists of a minimum 4km long kimberlite dyke/blow system and Vutomi have already undertaken detailed ground geophysics and sampling and are currently in the process of a core and percussion drilling programme which will give both BOD and Vutomi a better indication of size and grade. The sampling programme, which was undertaken in 2016, yielded a raw diamond value of US$180/ct from 247 carats and kimberlite intersections in the dyke/blow system have been between 1-17m.

As at 30 November 2016 Vutomi’s net assets were valued at £221k.

Botswana Diamonds was introduced to Vutomi by James Campbell, the Company’s recently appointed Managing Director. James Campbell is a minority shareholder of Vutomi and is therefore precluded from voting on any matter relating to the Agreement.
Terms of the Agreement

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 of 0.25p each (“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.

John Teeling, Chairman, commented: “The opportunity to collaborate with Vutomi is too good an opportunity to pass up. With luck and good work we could, within one year, take this late-stage exploration project to a level where we will have a good idea of commerciality. We are currently drilling the prime prospect and will have better indications of size and grade within the next
quarter. We know already from the exploration work that we have kimberlites and that they contain diamonds. Now we need to see whether there are enough diamonds of the right quality to deliver a viable mine. The indications are good.

James Campbell, our new Managing Director, introduced the project to us. He knows the area well having been actively involved in the exploration of the adjacent Marsfontein and Klipspringer Mines which are on the same kimberlite dyke/blow system. The Marsfontein discovery was small, lasted only 2 years but the payback was 4 days.

This will be our first significant investment in South Africa. It has the right geology, the right team, good BEE partners and all of the necessary approvals.

Let me reconfirm, however, that our principal focus remains Botswana. The next phase of fieldwork in the Alrosa/BOD joint venture in Orapa and Gope will begin in March 2017. We are actively in discussions with the shareholders in the Maibwe joint venture. The earlier very good results need verification and we have offered to drill.

This is a very exciting time for Botswana Diamonds. James has brought new energy, contacts and drive to our exploration activities and I look forward to providing shareholders with further updates as appropriate”.

ENDS

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