BOTSWANA DIAMONDS PLC

ANNUAL REPORT 2014

BOTSWANA
DIAMONDS PLC

Front Cover: Alrosa exploration team in the Kalahari

Contents

Chairman's Statement

Those of us involved in the diamond industry frequently forget just how unusual a business it is. The product we explore for, process, market or own is so rare as to boggle the imagination.

- Diamond is the hardest natural material in the world
- Every single diamond is unique as it depends on colour, shape, quality and size
- Each diamond is beyond ancient, most are over 2,000 million years old
- Diamonds come from depths greater than 100 miles in the earth. They almost always appear through volcanoes, often very small, known as kimberlites
- For centuries, diamonds were believed to have come from the Gods – stars dropping to Earth – until 1870 all diamonds came from alluvial sources. The discovery of diamonds in kimberlites in South Africa changed the diamond world
- For centuries, if not millennia, diamonds were owned and controlled almost exclusively by Indian royalty
- Diamonds are weighed by carats, each carat is one fifth of a gram. So a 150 carat diamond worth a fortune, weighs only an ounce
- About 7,000 kimberlites have been discovered since hard rock exploration started
- Only about 20% of kimberlites contain diamonds
- About 1% of kimberlites are commercial so there have been only about 70 hardrock mines ever
- Kimberlites are usually found in clusters, e.g. the Orapa area in Botswana
- Supply is declining, down from 177 million carats a year in 2005 to 130 million carats in 2013
- The industry is an oligopoly with 4 companies controlling 80 per cent of the industry. Alrosa, De Beers, Rio Tinto, Dominion Diamonds
- While supply is contracting demand is growing. Emerging middle classes are buying gemstones. "A diamond is forever" has worldwide appeal
- Demand in Asia, Africa and South America is strong. It is expected that world annual growth rates will exceed 5%
- The result is that prices, though volatile, are expected to rise by all industry commentators

The challenge is to find new sources of diamonds. Botswana Diamonds is an explorer. How do we increase the chances of finding a commercial deposit? We do two things. We go where diamonds may be and we put together the best exploration team.

Botswana is the home of diamonds. It is the largest producer in the world by value. The Orapa area in Botswana is the best place in the world for gemstone diamonds with 4 operating mines. The Orapa area is the focus of our exploration efforts. We hold extensive ground in the area.

The second vital factor is the exploration team. We have a very strong and experienced team in BOD. We, as principals, tasted success in Botswana in the 2000s and have partnered with Alrosa, the biggest diamond producer and the most successful discoverer of diamonds. Our joint team has been working together for two years. 2013 was spent gathering data in Botswana, sending it to St. Petersburg where proprietary analytical techniques were used to select targets in the Orapa area.

During 2014, a BOD/Alrosa team conducted two extensive fieldwork programmes and a 4 hole drilling programme on Block 117 in the Orapa region. The drilling programme was an excellent test of the Alrosa technology. Two of the four holes intersected kimberlite veins, two found basalt. A reasonable but not great result. Further work is being carried out on the drilling results but we are unlikely to drill further on that licence as the targets look small.

Focus has now turned to the 5 licence block PL206 to PL210 covering 1,357 sq km of highly prospective ground. These licences were identified as prospective by Alrosa almost two years ago. We applied in 2013 and waited a year for the award. A number of Category 1 targets are contained on this ground. A major fieldwork programme was carried out in September/October this year by a team of 8 Russian geologists supported by BOD geological team. The Alrosa team had test equipment with them which greatly facilitated, expedited and directed their soil sampling and geophysical analysis. Substantial quantities of concentrated soil samples are now being analysed in St. Petersburg. Early evidence suggests that the technical analysis is identifying good drilling opportunities. Alrosa will identify a series of targets on the blocks. We will agree a budget for 2015 which will include drilling and more fieldwork to better pinpoint drilling locations.

Brightstone Licence Block, Gope, Botswana

We have an earn in agreement on 13 licences in the Gope region of Botswana. The licence area covers over 6,500 sq km in the Kalahari Desert. The Gope area is an emerging diamond province containing the newly opened Ghagoo diamond mine and a recent discovery by Petra Diamonds. Work done by BOD and Alrosa identified targets across the Brightstone block. The BOD targets are in a corridor across the Southwest of the block while the Alrosa targets are in the North.

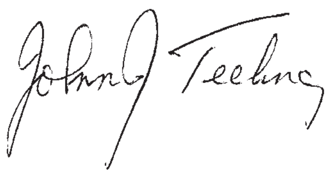
BOD has been actively speaking to parties regarding farm in arrangements into the Brightstone block. While there has been some interest there is no guarantee that any transaction will be completed. BOD's preference is for a deal that would see a partner with the appropriate expertise taking on the operatorship and funding of the exploration with BOD retaining a minority carried interest.

Future

The coming year will be an important test of the Alrosa/BOD strategy. The work done to date and the extensive analyses being conducted by Alrosa will identify targets which we will drill to test if they are diamondiferous kimberlites. The programme is not yet agreed but I will be surprised if it does not include a double digit number of drill holes. Our joint venture with Alrosa is a 50/50 heads up which means we pay our share. Funds raised in 2013 and 2014 funded all of the exploration to date with cash remaining to cover some if not all of next year's programme.

I must express gratitude to the Alrosa and BOD teams. From different cultures and backgrounds their shared professionalism resulted in a very effective team effort. Working for months in the Kalahari Desert is challenging. We are lucky to have a good crew.

Political and economic uncertainty abounds in the world. Commodity prices are soft and resource investment out of favour while junior explorers are ignored. But diamond fundamentals are good. We have the ground and the team. Success, if achieved, will bring great rewards.



John Teeling
Chairman

21 November 2014

Overview & Market

INTRODUCTION

2014 was a year of two distinct halves for the rough diamond market.

Structurally the industry stabilised with minimal takeover or merger activity, production changes or new supplies coming to market.

Looking ahead the fundamentals for the industry look robust, despite recent short-term downward price movements, and the widely predicted supply-demand imbalance looks set to occur at the end of the decade with no new major discoveries about to be developed existing in the short to medium-term pipeline.

DIAMOND MARKET – INDUSTRY STRUCTURAL DEVELOPMENTS

In terms of the global diamond industry, the most significant 2014 developments were as follows:

- De Beers global sales enjoyed a successful first full year based out of Gaborone, Botswana (relocated from London in October 2013); full-year sales figures are expected to be in the region of $6.5bn
- Negotiations between De Beers and the Government of the Republic of Namibia remain under discussion on the 12-month overdue Sales Agreement; Namibia is reported to want an independent window sales mechanism
- Alrosa's President resigned in September 2014 citing reasons of ill health; his replacement has not been announced of time of going to print
- Lukoil's Grib mine in Russia began selling its production by tender in Antwerp in Q3 2014
- The Antwerp Diamond Bank announced in October it was to be liquidated which put significant liquidity pressure on the middle market participants
- Production at the Marange fields in Chiadzwa, Zimbabwe, has fallen as the mining companies deplete the alluvial areas and reach the more expensive and challenging hard rock conglomerate

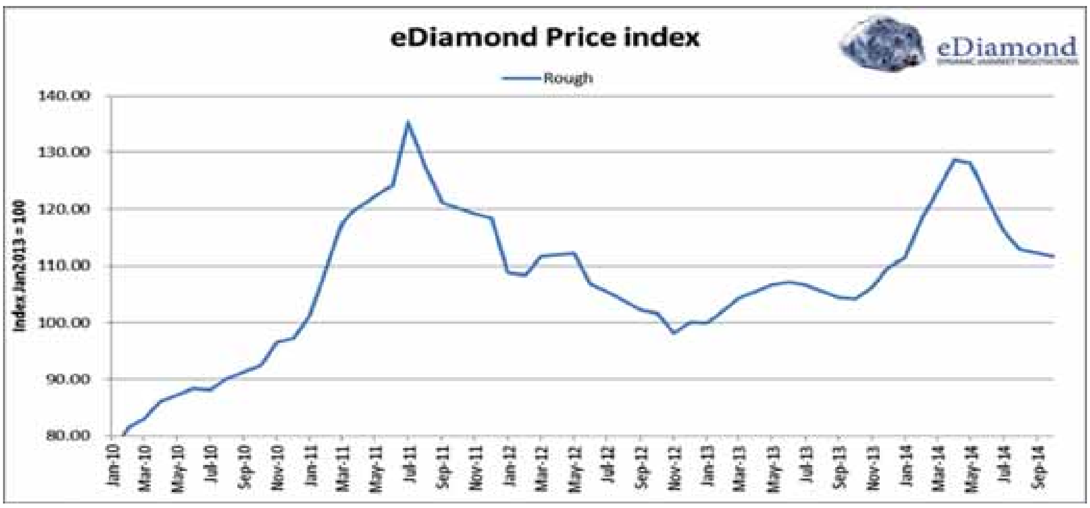
DIAMOND MARKET – 2014

H1 2014 saw a strong performance on price as the year kicked off with solid demand for rough and a positive market sentiment.

In January, De Beers raised its prices by 5% and the rest of the market, including the other main supplier, Alrosa of Russia, followed suit. By mid-year rough prices were up 7-10% on average. Prices in some areas such as 1-2ct rough diamonds reached record high levels.

The key Christmas and Chinese New Year seasons boosted polished sales which allowed a pull-through of fresh stock from the cutting centres. However increasingly expensive rough supplies during H1 caused manufacturing margins to become tighter and concerns over both liquidity and bank finance grew.

The market therefore resisted further price increases and the subsequent message from the main producers was that they were not intending to raise prices further this year, preferring to see steady price growth, which in turn stabilised the market. Two large July and August sales of around $700-800m by De Beers caused the premiums achieved in the trading of rough to decline and there were clear signs that the market was cooling as stocks began to build up in the cutting centres, polished prices weakened and credit facilities tightened. By mid-September rough diamond prices in the secondary market trading centres were reported to have fallen by 7-10%, mirroring the H1 increases.



Rough Price index 2010-2104; source: eDiamond

Overview & Market *(continued)*

The announcement of the liquidation of the Antwerp Diamond Bank, one of the key financiers to the trade caused the market to dip further in October. The main producers hope to maintain prices at current levels until December and the Indian manufacturing industry is about is currently on its annual Diwali holiday which will mean a quieter month ahead for the rough market. Indications are that November prices from the main producers have been held steady.

Overall it has been a good year for rough producers and they should report record sales levels, while the middle market remains challenging in terms of margins and profitability.

Diamond supplies to the market

In terms of new supply to the market in 2014, the Grib production (Russia) owned by Lukoil entered the market in October and the first sale from Gem Diamonds' Gaghoo mine in the Central Kalahari Game Reserve (Botswana) is expected to take place around year-end.

Lucara continues to achieve from its Karowe mine (Botswana) very strong sales results and free cashflow with a continuous production of large, high value stones, well exceeding initial expectations and raising the achieved $/ct sales price from the mine to over $600/ct; significantly above the original estimates of $300/ct.

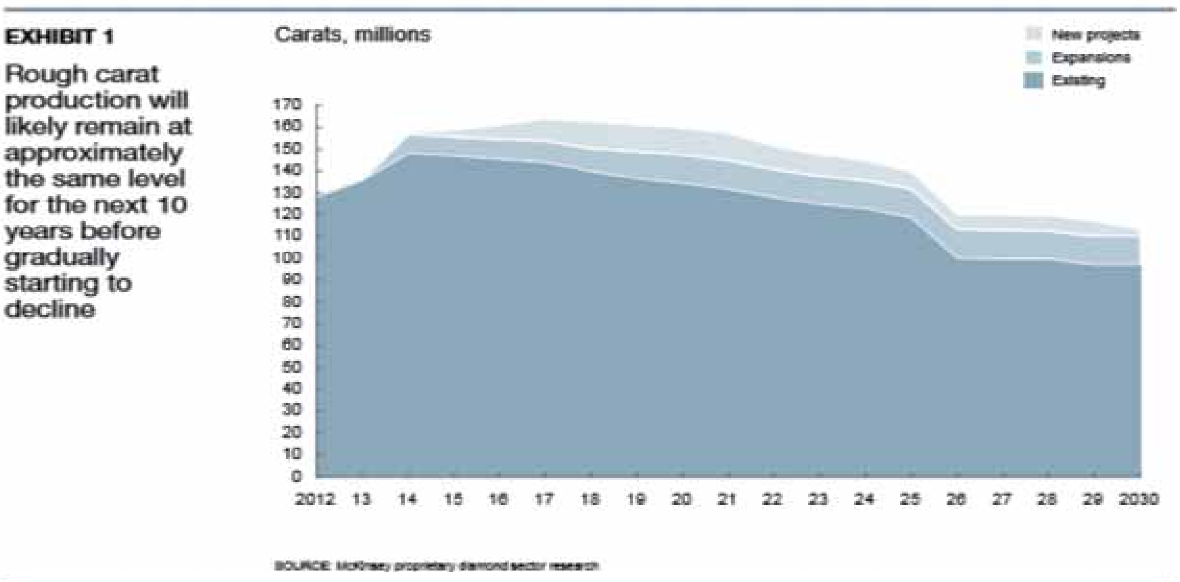
Artisanal production levels in Ebola-affected West African countries will fall in 2014.

In terms of long-term new supplies, no additional sources of rough have been announced in 2014 and global rough diamond production for 2014 is estimated to stand at the 140m carat level, down from a 2005 industry peak of around 175m carats. Exact volumes from Marange (Zimbabwe) are now unclear but the easily accessible alluvial deposits are being depleted and the production appears to have dropped significantly. There are several new productions due to come to market in the next 5 years, such as the De Beers/Mountain Province mine, Gahcho Kue (Canada), and the DiamondCorp mine, Lace (South Africa). However due to current ageing mines and the long lead time to production post-discovery (generally 10+ years), it is widely predicted that unless major discoveries are made in the near future, that global supply will begin to fall by 2020 resulting in a widely predicted surge in rough diamond prices.

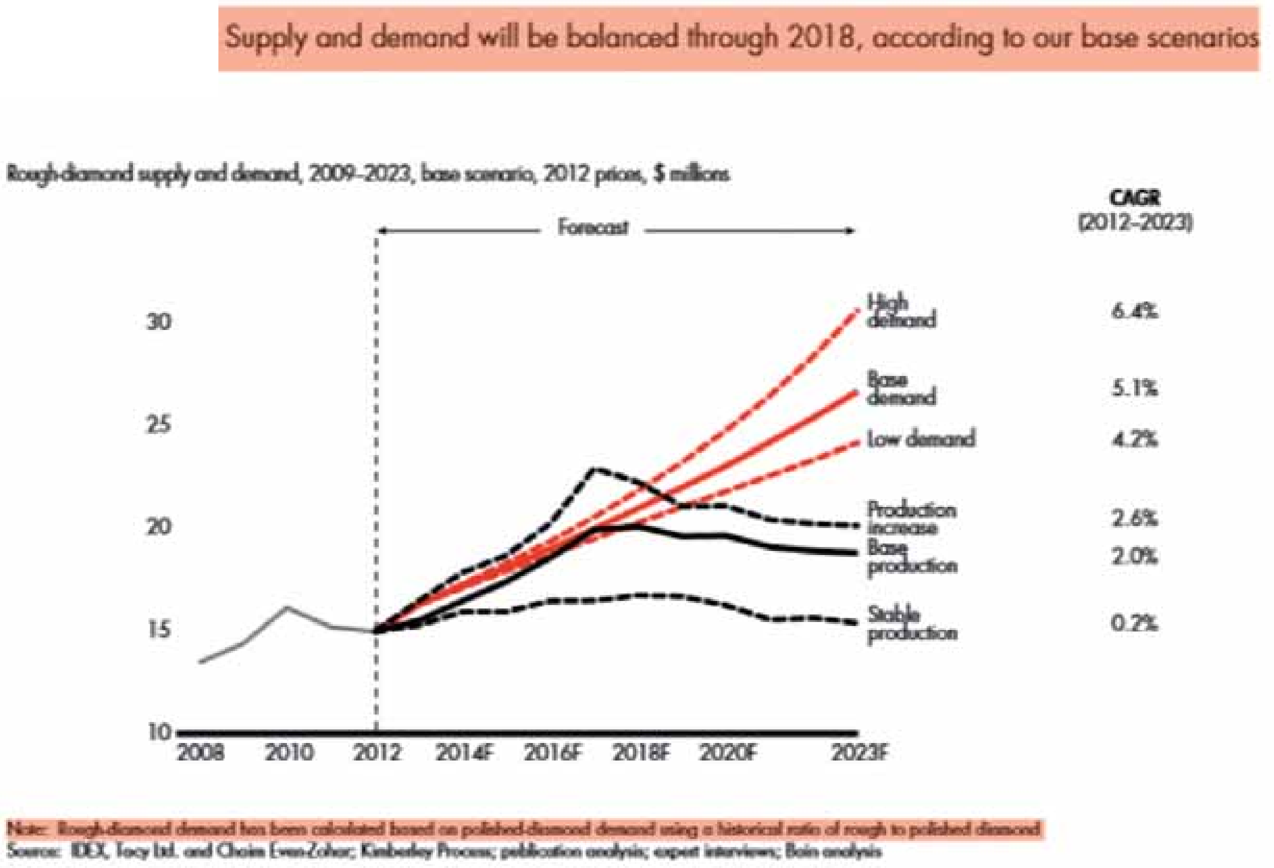
THE 2014 POLISHED MARKET

Mirroring the rough market in 2014, the first half of the year saw prices increases by around 5% on average for polished diamonds. However the market had a volatile year, notably in the second half when polished prices began to fall. Polished prices stood in October 2014 at 0-1% above prices at the end of 2013.

The main trade fairs in Las Vegas (June) and Hong Kong (September) were reported as satisfactory from a traffic and sales volume perspective. Key recent political events, however, in Hong Kong recently have dampened expectations for the end of year sales in Hong Kong/China, and most hopes for a strong finish to the year rest on the improving US market, which still accounts for around 40% of global polished sales by value. Europe remains lacklustre as a market due to continued economic concerns and weak consumer confidence.



Source: McKinsey, Perspectives on the diamond industry, September 2014



Source: Bain & Co., Global Diamond Report 2013

LONG-TERM GROWTH PROSPECTS

Despite the short-term volatility in the rough and polished markets caused by fragmented supply, economic and political turbulence and liquidity pressures, the long-term forecast for the industry remains very positive.

Global production levels will start to fall in 2020, without any new major discoveries coming into production, and this will lead to a strengthening of both rough and polished prices. The predicted continued growth in demand for diamond jewellery coming from both Asia and the Indian subcontinent will drive this price growth.

Comparing diamonds with iron ore, where prices increased seven-fold between 2002 and 2008 due to exploding Chinese demand, is interesting. Industry commentators predict that Chinese demand for diamonds will increase by 10% per annum, with a huge new middle class acquiring the Western taste for more and more luxury goods. Diamond producers do not have the ability to dramatically increase production, unlike in iron ore, and therefore this increasing demand will logically drive prices strongly upwards.

The key threats to the natural diamond industry in terms of lab-grown diamonds or replacement luxury products taking a greater share of available disposable income remain. However the growth in demand and the move by the industry to promote diamond jewellery through marketing initiatives such as the World Diamond Mark are expected to keep the price growth trend positive. In the short-term, the levels of lab-grown diamonds are not considered to be more than 1% of the natural diamond supply.

Bain & Company, in their 2013 Global Diamond Report, predicted that, as a base case, global rough diamond demand would grow at a compound annual rate of 5.1% to $26bn (in 2012 prices) by 2023, whilst production (supply) would decline from 2018 supporting the long-term positive outlook for prices. De Beers have also publicly stated that they expect rough diamond prices to increase by 5% CAGR in the coming years.

CONCLUSION

In conclusion, supply going forward will remain constrained and the future producers of rough diamonds look set to benefit from increasing demand in the emerging economies and therefore much stronger prices in the next 20 years.

Review of Operations

In the first quarter of 2014 (February-March, 2014) the majority of our exploration efforts were concentrated on prospecting licence PL117/2011 in the Orapa region of Botswana.

Specialists from Sunland Minerals, the Alrosa-Botswana Diamonds Joint Venture subsidiary carried out ground geophysical surveys and heavy concentrate sampling of surface sediments within PL117/2011 and also PL167/2013. We also conducted a desktop review on PL166/2013, but no intensive sampling was carried out on this licence.

GROUND MAGNETIC SURVEY ON PL117/2011

Magnetic surveying was carried out within the PL117/2011 licence area where previous ground magnetic exploration work had not been performed. The data was integrated with previous work conducted in the area. In addition, the survey of a small area on the north-west boundary of PL117 area was carried out for reasons of establishing the Kimberlite Indicator Minerals (KIM) halo defined from soil sampling.

As a result of this survey, four magnetic anomalies were identified on the PL 117/2011 licence area. The selection of anomalies was further reviewed in relation to mineralogical data from the heavy mineral sampling which was conducted at the same time.

ELECTROMAGNETIC SURVEYS ON PL117/2011

Three profiles of pilot-methodical electric exploration works were made across pipe AK10 using EM34-3 and Maxmin-II: EM1, EM2 and EM3 for purposes of calibration. Planned position of profiles was selected in terms of equipment capabilities with regard to the depth of investigations, considering minimum possible thickness of overlying basalts according to previous drilling data.

HEAVY MINERAL SAMPLING ON PL117/2011 AND PL166-167/2013

A series of samples were taken within the PL 117/2011 block. The team of geologists from Alrosa collected heavy minerals samples as shown in the table below. The material for samples was collected strictly from the present day surface

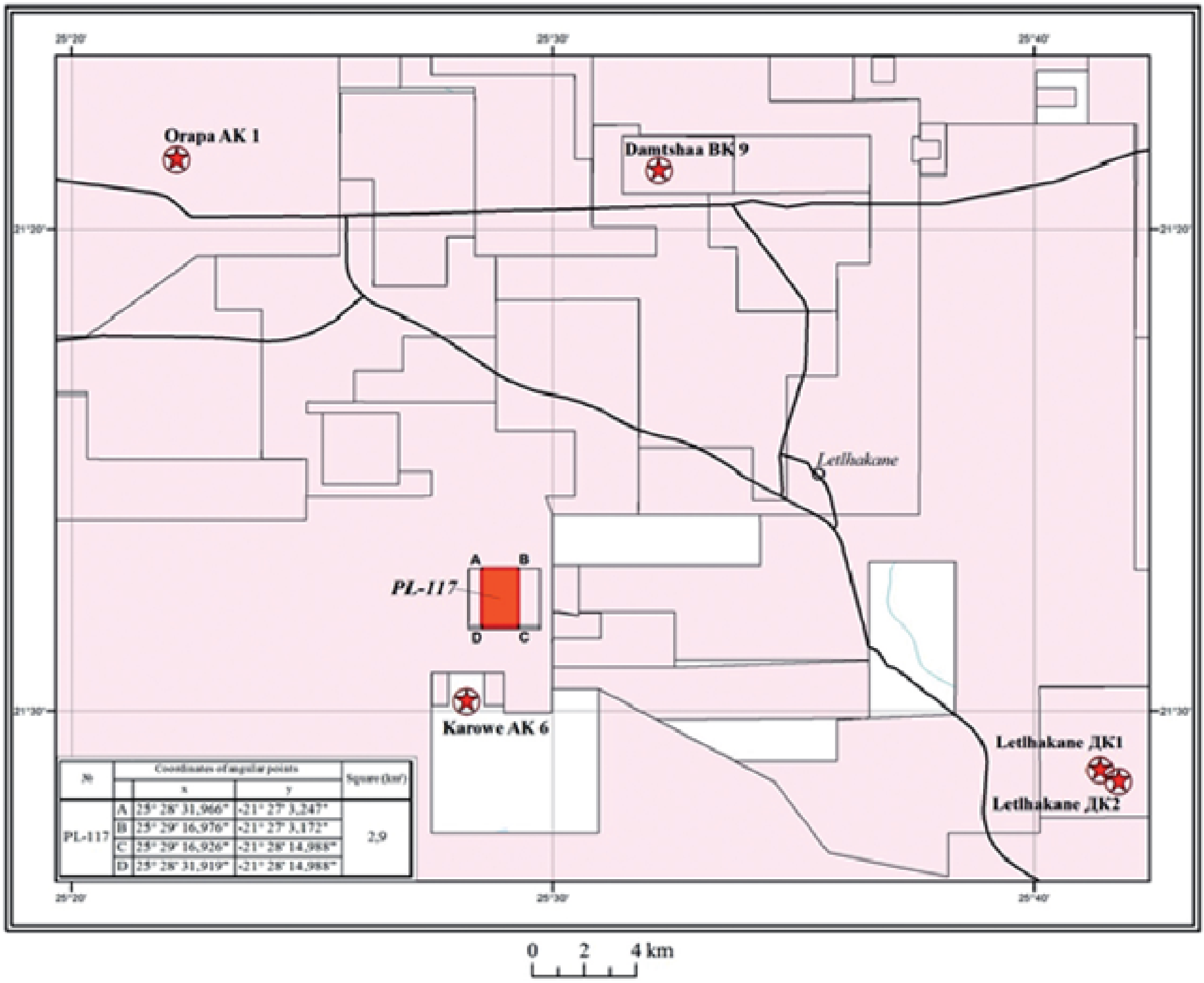


Figure 1 Location of PL117/2011

botswana diamonds plc

№	Types of works	Volume	Quantity (pcs.)
1	Sample preparation	sample	139
2	Mineralogical analyses and investigation of KIMs typomorphism	sample	139
3	Photographing of typical minerals	Electronic photo	561
4	Microprobe analyses	analyse	1100
5	Diamond recovery on X-ray separator and from heavy concentrate on microscope	sample	8

Figure 2. Sampling and treatment statistics for the first half of 2014

and the subsequent washing of the samples was carried out using Siberian pans and jigs of Zambian type. The concentrate was gathered and packed for follow-on research and analysis in Alrosa's in-house mineralogical laboratory in Saint Petersburg, Russia.

RESULTS OF HEAVY MINERAL SAMPLING ON PL117

This work was conducted mainly in the second quarter of 2014 and involved heavy liquid separation, grain counts, grain analysis and grading of indicator minerals, micropobe analysis and X-Ray separation. On the basis of this mineralogical work, four mineralogical anomalies on area PL 117 were defined. They are indicated by letters A, B, C, D on the map (see figs.4 and 5). These mineralogical anomalies were revealed by key indicator minerals [KIM] (pyropes and picroilmenites) of grades I-II in fraction +0.5 mm. An example of the grains from anomaly A is shown in figure 3.

Mineralogical anomaly A showed high amounts of fresh and slightly eroded indicator minerals (see fig. 3). The picroilmenites of grades I-II in +0.5 mm fraction in the central part of the anomaly constituted 14 gr/20 l. Picroilmenites had integral intact and split grains with fresh splits. Intact grains had rounded and angular-rounded shape. Also within this anomaly, 1 grain of chrome-diopside was found in three samples in fraction -0.315+0.25.

Mineralogical anomaly A, located in the northern part of the area, was the widest and had better mineralogical contrast than the other anomalies.

Mineralogical anomaly B also coincident with high magnetic levels showed fresh and slightly eroded KIM. The pyrope content was 1-2 gr/20 l and that of picroilmenites was 1-3 gr/20 l. Four diamonds were found within the mineralogical anomaly B. This anomaly had smaller dimensions than anomaly A, but it was characterized by finds of diamonds and coincident with magnetic anomaly An1.

Mineralogical anomaly C contained a diamond, fresh pyrope and picroilmenites. KIM were identified in the core of the previously drilled borehole as well as in brecciated basalts.

Mineralogical anomaly D was characterized by the presence of fresh and slightly eroded KIM. One diamond was also present in the sample. Picroilmenites are represented by integral (intact) and split grains with fresh splits. Intact grains had angular and angular-rounded shape and monolithic structure. Mineralogical anomaly D coincides with magnetic anomaly An 3.

RESULTS OF DESKTOP STUDY AND HEAVY MINERAL SAMPLING PL166- 167

Work conducted on the Prospecting Licences PL166/2013 and PL 167/2013 was mainly desktop study with limited sampling on PL167. This entailed studying the previous work reports with particular attention to high resolution aeromagnetic data, ground magnetic and gravity surveys. Mineral chemistry results were reviewed and collated with the geophysics. PL 166 did not show any significant anomalies to follow up.

Figure 3. KIMS on anomaly A - PL117/2011

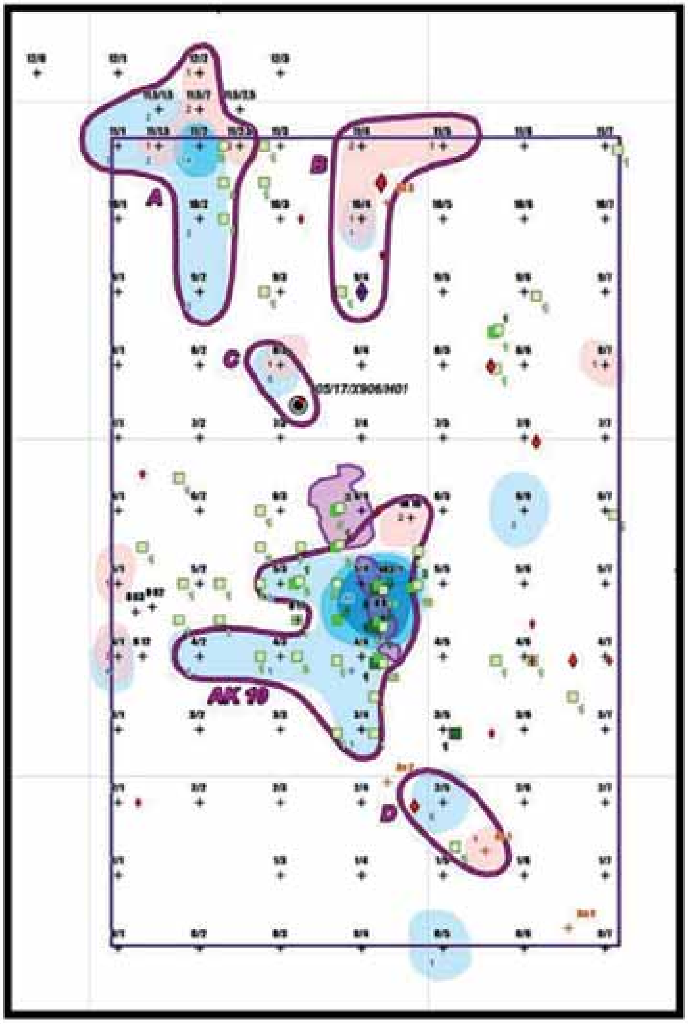


Figure 4. Geochemical anomalies on PL117/2011

PL 167 was earlier sampled on a 1x1 km grid. In both the north-western and north-eastern parts the density of sampling was condensed to 200mx200m. On this area specialists of Alrosa collected 18 revision heavy minerals samples from Kalahari sediments in places of increased content of KIM in the samples of the previous licence-holders. Heavy fractions composed of various quantities of staurolite, tourmaline, garnet, apatite, ochrous fragments of Kalahari sandstones. Significant levels of staurolite and garnet grains, including pyrope, were represented by cuboids, which indicates, in all likelihood, a mutual occurrence in the sedimentary rocks. Pyrope and picroilmenite were found in all samples, with the exception of sample 12, where pyrope was absent.

No work was conducted on PL170/2012

Operations in the first phase of the third quarter of 2014 involved the final interpretation of the data from surveys performed on PL 117/2011 and drilling. In addition to this work, the first phase of exploration was commenced on the prospecting licences awarded at the beginning of the second quarter 2014, namely PLs206-210/2014.

DRILLING ON PL117/2011

A total of 447 meters (4 holes) of drilling was conducted on two of the anomalies (anomalies A and B) identified on PL177/2011 as shown on figure 5.

The holes on anomaly B were terminated in Karoo sandstone after penetrating the basalt cover. The anomalies were a result of the magnetic basalt and this showed in the anomalous magnetic susceptibility readings on the core and also from presence of anomalous magnetite upon mineralogical examination. The two holes on anomaly A were also terminated in Karoo sandstone but the basalt showed fissures filled with fine grained matrix and some zones of brecciated material have been sampled for testing to see if they are of kimberlitic origin. This work is ongoing but the preliminary conclusions suggest that no additional work will be carried out.

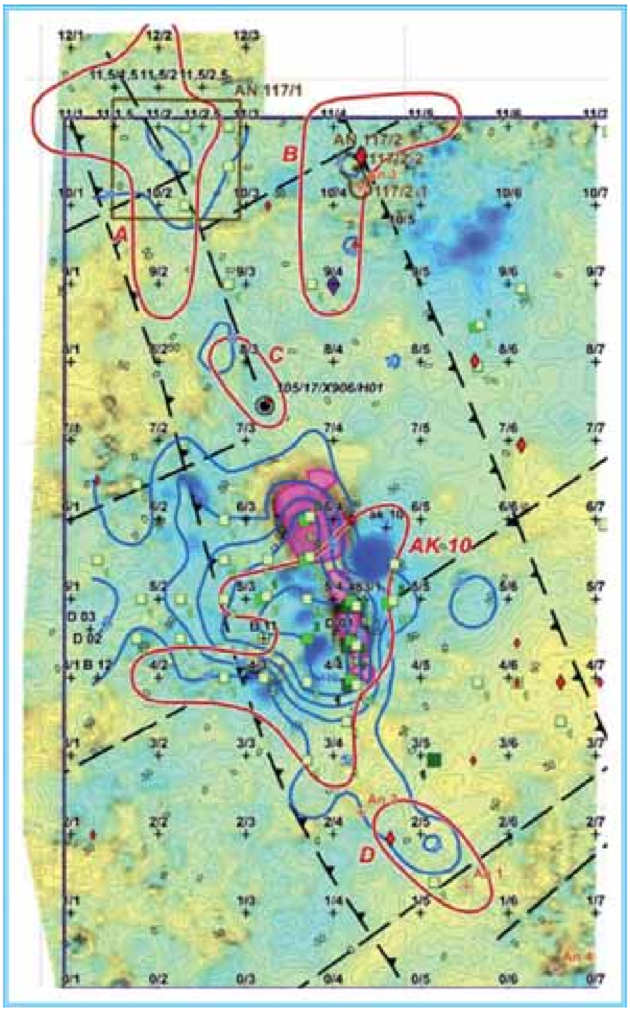


Figure 5. Compilation of geochemical and geophysical results showing four anomalies

EXPLORATION WORK ON PLs206 – 210/2014

These licences were awarded in May 2014. The ground was identified as high priority by Alrosa. Two of the licences, PLs 206/2014 and 208/2014, are of particular interest because historically they posed exploration challenges due to depth of sand and swamp conditions. Neither contain known kimberlites but the Alrosa analysis indicates the presence of kimberlites. The fieldwork on these areas commenced in September 2014. Drilling on PL117/2011 was conducted concurrently with heavy mineral sampling on the recently awarded licences. A field laboratory was established by the Alrosa mineralogists and heavy media separation, grain counts and classification and other mineralogical investigations were conducted on site. The KIMs obtained were sent to Alrosa in-house laboratories in St Petersburg, Russia, for microprobe analysis and X-Ray separation.

The construction of a field laboratory has enabled more rapid, on-site decision-making as the results of the analysis by the on-site Alrosa mineralogists were produced much more quickly. The indicator minerals from these areas have been sent to Russia for microprobe analysis and are expected to be completed by the end of the fourth quarter. The results of this will decide the programme for 2015.

Brightstone Joint Venture

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

In early 2013 Botswana Diamonds took the decision to enter negotiations with Siseko Minerals 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 became operator of the block and will earn 51% by spending up to $940,000 (Exhibit 5).

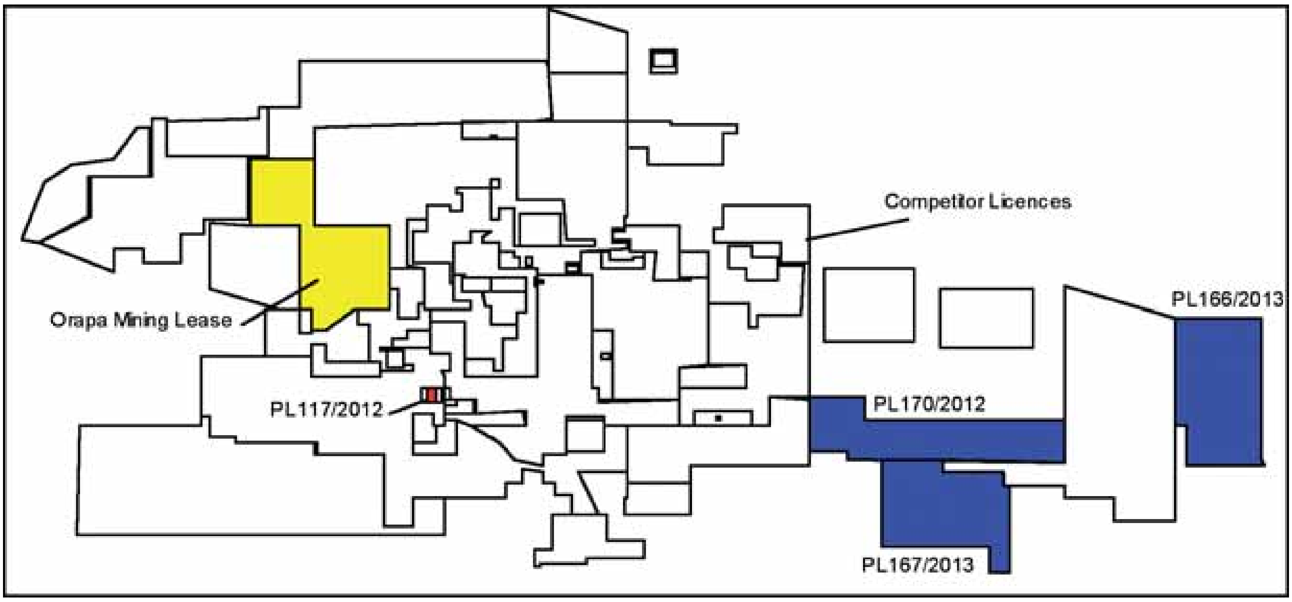


Exhibit 1 - Location of PL 166-167 and 170

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 these 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 the 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 soil samples. Chrome diopside is normally found proximal to source as it degrades easily and does not travel.

Exhibit 2 - Diamond drill rig on PL 117/2011

Exhibit 3 - Sunland Minerals geologists on a sampling programme on PLs206-210/2014

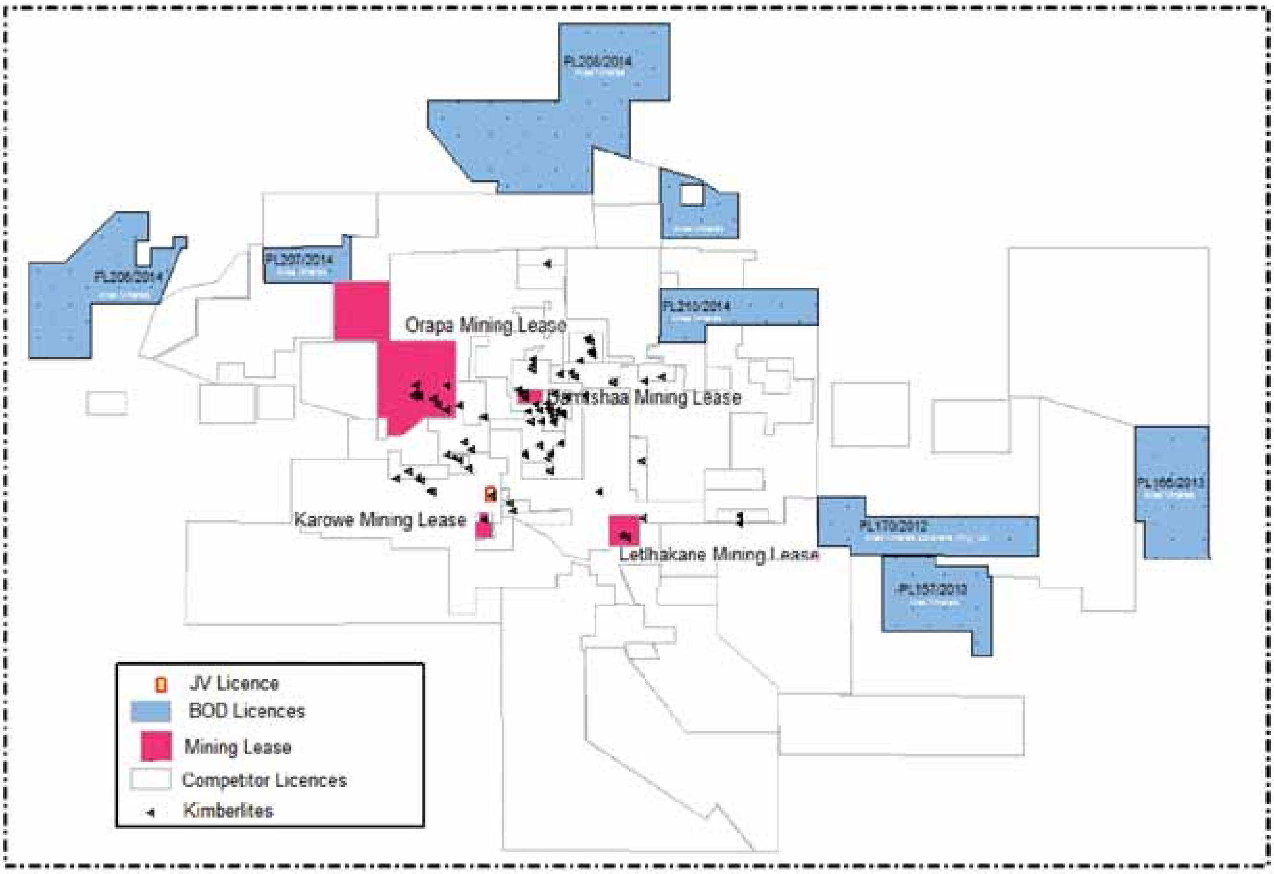


Exhibit 4 - Map showing location of licences sampled (PLs206-210/2014)

Review of Operations *(continued)*

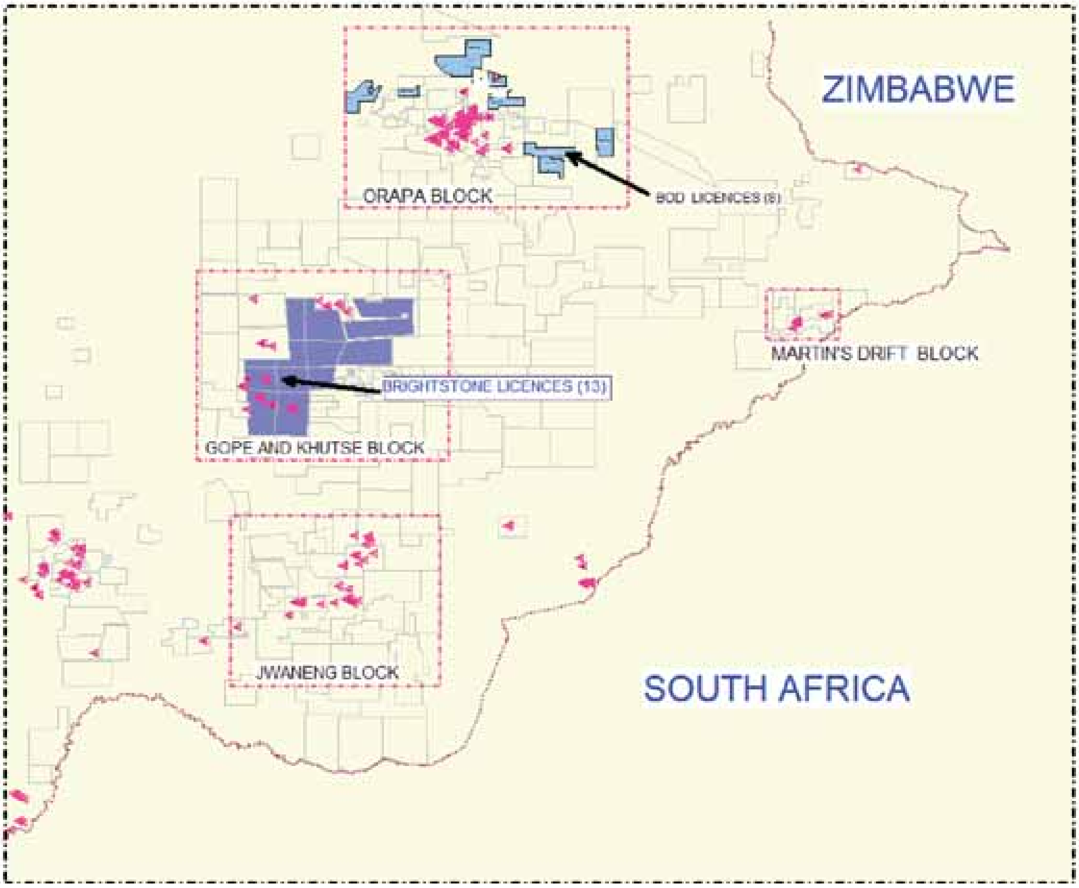


Exhibit 5 – Brightstone Licence Block

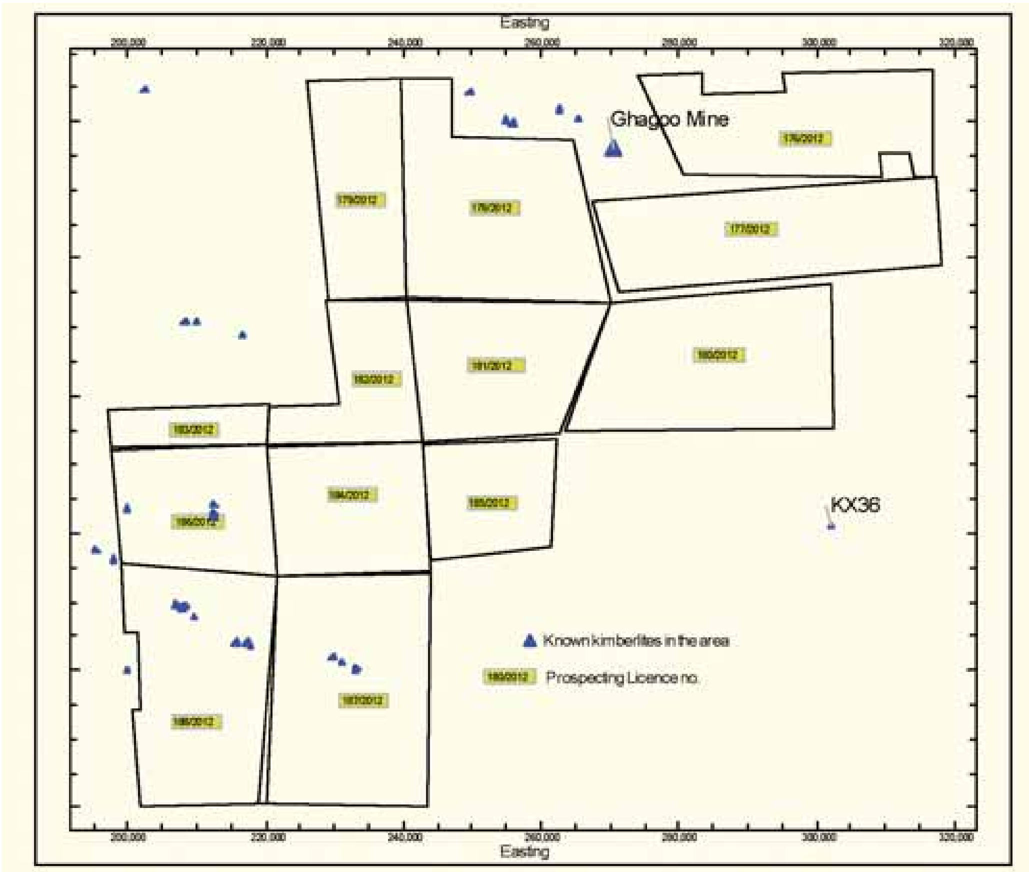


Exhibit 6 – Kimberlites on Brightstone's Ground

Strategic Report

STRATEGY

Our strategy is the appraisal and exploitation of the assets currently owned. Simultaneous with this process, the Group's management will continue to use its expertise to acquire further licence interests for diamond exploration and development. The Group has exploration interests in Botswana.

BUSINESS REVIEW

Botswana Diamonds plc is a UK registered company, focused on diamond exploration and development. Further information concerning the activities of the group and its future prospects is contained in the Chairman's Statement and the Review of Operations.

The consolidated loss for the year after taxation was £948,610 (2013: £498,166).

The directors do not propose that a dividend be paid.

FURTHER DEVELOPMENTS

The directors intend to continue their involvement with the licences as disclosed in the Chairman's Statement and Review of Operations. They continue to seek further acquisition opportunities in relation to diamond exploration.

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. As detailed in Note 3 the directors are examining options available to them for the raising of additional finance and expect that adequate resources will become available to meet the group's committed obligations as they fall due.

IMPAIRMENT

The directors monitor and assess the recoverability of intangible assets and successful development of economic reserves. 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. Details of the impairment in the current year is stated in Note 11.

GOING CONCERN

Refer to Note 3 for details in relation to Going Concern.

RISKS AND UNCERTAINTIES

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 expectations. 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 report as necessary to the Board.

Risk	Nature of risk and mitigation
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's activities in Botswana 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 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 in US Dollars, 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 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.

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.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 23 to the Financial Statements.

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.

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. In particular, the Group aims to provide employees with a healthy and safe working environment whilst receiving payment that enables them to maintain a reasonable lifestyle for themselves and their families.

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.

APPROVAL OF THE BOARD

This Strategic Report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the natural resources exploration industry. While the directors believe the expectations reflected within the Annual Report are reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control, for example owing to a change of plan or strategy.

Accordingly, no reliance may be placed on the forward-looking statements.

On behalf of the Board:

John Teeling
Chairman

21 November 2014

Directors' Report

The directors present their annual report and the audited financial statements of the group and company for the year ended 30 June 2014.

DIRECTORS

The current directors are listed on the inside back cover. Anne McFarland was appointed director on 1 September 2014.

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors holding office at 30 June 2014 had the following interests in the ordinary shares of the company:

		30 June 2014		1 July 2013	
	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	**26,869,320**	**2,500,000**	13,669,320	2,500,000
James Finn	Irish	**10,970,820**	**2,000,000**	4,970,820	2,000,000
David Horgan	Irish	**8,095,720**	**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 (2013: Nil).

DIRECTORS' REMUNERATION REPORT

The remuneration of the directors for the years ended 30 June 2014 and 30 June 2013 was as follows:

	SALARIES AND FEES	
	2014	2013
	£	£
John Teeling	**100,000**	100,000
James Finn	**40,000**	40,000
David Horgan	**20,000**	20,000
Robert Bouquet	**49,579**	48,052

Directors' Remuneration is disclosed in Note 7 of these financial statements.

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 2014 and 14 November 2014:

	30 June 2014		14 November 2014	
	No. of shares	%	No of shares	%
Rene Nominees (IOM) Limited	**18,229,784**	**10.66%**	17,929,784	9.14%
HSBC Global Custody Nominee	**10,171,750**	**5.95%**	10,171,750	5.18%
WB Nominees Limited	**9,914,658**	**5.80%**	9,614,144	4.90%
Barclayshare Nominees Limited	**6,643,175**	**3.88%**	6,603,632	3.37%
TD Waterhouse Nominees (Europe) Limited	**6,103,597**	**3.57%**	6,390,718	3.26%
Pershing International Nominees Limited (DSCLT)	**5,518,390**	**3.23%**	6,693,390	3.41%

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 19 December 2014 in accordance with the Notice of Annual General Meeting on page 48 of these financial statements. Details of the resolutions to be passed are included in this notice.

CHARITABLE AND POLITICAL CONTRIBUTIONS

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

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.

DIRECTORS' INDEMNITIES

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

POST BALANCE SHEET EVENTS

There are no material post balance sheet events affecting the group.

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	John Teeling
Secretary	Director

21 November 2014

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. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. 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 2014 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 and 14 to the financial statements concerning the valuation of intangible assets, investments in subsidiaries and amounts due by group undertakings. The realisation of the intangible assets of £5,866,467 included in the consolidated balance sheet and intangible assets of £3,313,980, investments in subsidiaries of £500,017 and amounts due by group undertakings of £2,054,800 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.

- Note 3 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss for the year of £1,025,403. This condition indicates the existence of a material uncertainty in respect of the group's ability to continue as a going concern. The directors consider that the group has sufficient cash reserves available to meet liabilities as they fall due for a period of at least one year from the date of approval of the financial statements, and that if the group requires further funds to carry out future exploration programmes, the directors are satisfied that sufficient funds can be raised from future share issues to fund exploration costs. 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. 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 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 Strategic Report and 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 2014

Consolidated Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	2014 £	2013 £
REVENUE		**-**	-
Cost of sales		**-**	-
GROSS PROFIT		**-**	-
Administrative expenses	4	**(434,768)**	(477,908)
Impairment of exploration and evaluation assets	11	**(615,796)**	-
OPERATING LOSS		**(1,050,564)**	(477,908)
Finance income	5	**-**	492
Profit on disposal of investment	13	**100,454**	-
Profit/(Loss) on investment held at fair value	14	**1,500**	(20,750)
LOSS FOR THE YEAR BEFORE TAXATION		**(948,610)**	(498,166)
Income tax expense		**-**	-
LOSS AFTER TAXATION		**(948,610)**	(498,166)
Exchange difference on translation of foreign operations		**(76,793)**	(20,079)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,025,403)**	(518,245)
Loss per share – basic	6	**(0.57p)**	(0.36p)
Loss per share – diluted	6	**(0.57p)**	(0.36p)

botswana diamonds plc

Consolidated Balance Sheet as at 30 June 2014

	Notes	**30/06/2014** **£**	30/06/2013 £
ASSETS:			
NON CURRENT ASSETS			
Intangible assets	11	**5,866,467**	6,249,019
Investment in associate	13	**-**	100,000
Financial assets	14	**12,000**	10,500
		5,878,467	6,359,519
CURRENT ASSETS			
Receivables	15	**65,445**	12,711
Cash and cash equivalents	16	**419,880**	39,480
		485,325	52,191
TOTAL ASSETS		**6,363,792**	6,411,710
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	17	**(176,934)**	(617,133)
TOTAL LIABILITIES		**(176,934)**	(617,133)
NET ASSETS		**6,186,858**	5,794,577
EQUITY			
Called-up share capital	18	**1,962,283**	1,382,823
Share premium	18	**7,824,825**	7,111,556
Share based payment and warrant reserves	19	**88,181**	83,228
Retained deficit		**(2,558,131)**	(1,729,523)
Translation reserve		**(147,013)**	(70,220)
Other reserve		**(983,287)**	(983,287)
TOTAL EQUITY		**6,186,858**	5,794,577

The financial statements of Botswana Diamonds plc, registered number 07384657, were approved by the Board of Directors on 21 November 2014 and signed on its behalf by:

John Teeling
Director

Company Balance Sheet as at 30 June 2014

	Notes	30/06/2014 £	30/06/2013 £
ASSETS:			
NON CURRENT ASSETS			
Intangible assets	11	**3,313,980**	3,321,928
Investment in subsidiaries	12	**500,017**	501,392
Investment in associates	13	-	100,000
Financial assets	14	**12,000**	10,500
Receivables (due after one year)	15	**2,054,800**	2,422,826
		5,880,797	6,356,646
CURRENT ASSETS			
Receivables	15	**57,522**	8,947
Cash and cash equivalents	16	**403,317**	25,011
		460,839	33,958
TOTAL ASSETS		**6,341,636**	6,390,604
LIABILITIES:			
CURRENT LIABILITIES			
Trade and other payables	17	**(154,778)**	(596,027)
NET ASSETS		**6,186,858**	5,794,577
EQUITY			
Called-up share capital	18	**1,962,283**	1,382,823
Share premium	18	**7,824,825**	7,111,556
Share based payment and warrant reserves	19	**88,181**	83,228
Retained deficit		**(2,705,144)**	(1,799,743)
Other reserve		**(983,287)**	(983,287)
TOTAL EQUITY		**6,186,858**	5,794,577

The financial statements of Botswana Diamonds plc, registered number 07384657, were approved by the Board of Directors on 21 November 2014 and signed on its behalf by:

John Teeling
Director

Consolidated Statement of Changes in Equity for the year ended 30 June 2014

	Called-up Share Capital £	Share Premium £	Share Based Payment and Warrant Reserve £	Retained Deficit £	Translation Reserve £	Other Reserve £	Total £
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 loss	-	-	-	(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 based payment	-	-	4,953	-	-	-	4,953
Issue of shares	579,460	869,190	-	-	-	-	1,448,650
Share issue expenses	-	(35,919)	-	-	-	-	(35,919)
Warrants issued	-	(120,002)	120,002	-	-	-	-
Transfer to retained deficit	-	-	(120,002)	120,002	-	-	-
Loss for the year and total comprehensive loss	-	-	-	(948,610)	(76,793)	-	(1,025,403)
At 30 June 2014	**1,962,283**	**7,824,825**	**88,181**	**(2,558,131)**	**(147,013)**	**(983,287)**	**6,186,858**

Share Premium

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

Share Based Payment and Warrant Reserve

The share based payment reserve arises on the grant of share options under the share option plan. The warrant reserve arises on the grant of warrants exercisable for a period of six months from date of issue.

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 2014

	Called-up Share Capital £	Share Premium £	Share Based Payment and Warrant Reserve £	Retained Deficit £	Other Reserve £	Total £
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 loss	-	-	-	(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 based payment	-	-	4,953	-	-	4,953
Issue of shares	579,460	869,190	-	-	-	1,448,650
Share issue expenses	-	(35,919)	-	-	-	(35,919)
Warrants issued	-	(120,002)	120,002	-	-	-
Transfer to retained deficit	-	-	(120,002)	120,002	-	-
Loss for the year and total comprehensive loss	-	-	-	(1,025,403)	-	(1,025,403)
At 30 June 2014	**1,962,283**	**7,824,825**	**88,181**	**(2,705,144)**	**(983,287)**	**6,186,858**

Share Premium

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

Share Based Payment and Warrant Reserve

The share based payment reserve arises on the grant of share options under the share option plan. The warrant reserve arises on the grant of warrants exercisable for a period of six months from date of issue.

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 2014

	Notes	30/06/2014 £	30/06/2013 £
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(948,610)**	(498,166)
Finance income		**-**	(492)
Share option charge		**1,575**	-
(Profit)/Loss on investment held at fair value		**(1,500)**	20,750
Foreign exchange gains		**(57,178)**	(10,781)
Impairment of exploration and evaluation assets		**615,796**	-
		(389,917)	(488,689)
MOVEMENTS IN WORKING CAPITAL			
Increase in trade and other payables		**160,801**	102,026
(Increase)/Decrease in trade and other receivables		**(52,734)**	35,145
CASH USED IN OPERATIONS		**(281,850)**	(351,518)
Finance Income		**-**	492
NET CASH USED IN OPERATING ACTIVITIES		**(281,850)**	(351,026)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised		**(245,808)**	(364,434)
Disposal of investment		**100,000**	-
NET CASH USED IN INVESTING ACTIVITIES		**(145,808)**	(364,434)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		**847,650**	-
Share issue costs		**(35,919)**	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		**811,731**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**384,073**	(715,460)
Cash and cash equivalents at beginning of the financial year		**39,480**	764,238
Effect of foreign exchange rate changes		**(3,673)**	(9,298)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	16	**419,880**	39,480

Company Cash Flow Statement for the year ended 30 June 2014

	Notes	30/06/2014 £	30/06/2013 £
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		(948,610)	(498,166)
Finance income		-	(492)
Share option charge		1,575	-
(Profit)/Loss on investment held at fair value		(1,500)	20,750
Foreign exchange losses		3,673	9,298
Provision for intercompany receivable		(76,793)	(20,079)
Impairment of exploration and evaluation assets		197,232	-
Impairment of intercompany receivable		417,189	-
Impairment of investment in subsidiary		1,375	-
		(405,859)	(488,689)
MOVEMENTS IN WORKING CAPITAL			
Increase in trade and other payables		159,751	96,987
Increase in trade and other receivables		(97,738)	(264,682)
CASH USED IN OPERATIONS		(343,846)	(656,384)
Finance Income		-	492
NET CASH USED IN OPERATING ACTIVITIES		(343,846)	(655,892)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration costs capitalised		(185,906)	(22,623)
Disposal of investment		100,000	-
NET CASH USED IN INVESTING ACTIVITIES		(85,906)	(22,623)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		847,650	-
Share issue costs		(35,919)	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		811,731	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		381,979	(678,515)
Cash and cash equivalents at beginning of the financial year		25,011	712,824
Effect of foreign exchange rate changes		(3,673)	(9,298)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	16	403,317	25,011

Notes to the Financial Statements for the year ended 30 June 2014

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 2014. 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.

(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.

Notes to the Financial Statements for the year ended 30 June 2014

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(vii) Foreign currencies (continued)

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) attributable to exploration activities 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:

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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(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 rate 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.

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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Taxation (continued)

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) Warrants

Proceeds from the issuance of warrants, net of issue costs, are credited to the warrants reserve. The warrants reserve is non-distributable and will be transferred to accumulated profits upon the exercise of warrants and at the expiry of the warrant period in relation to unexercised warrants.

(xiii) 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.

(xiv) 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:

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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

- 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.

Recoverability of amount due from subsidiaries
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.

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.

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.

Notes to the Financial Statements for the year ended 30 June 2014

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group did not adopt any new International Financial Reporting Standards (IFRS) or Interpretations in the year that had a material impact on the Group's Financial Statements. The following IFRS became effective since the last Annual Report but had no material impact on the Financial Statements:

	Effective date
Annual Improvements to IFRSs: 2009-2011 Cycle	1 January 2013
Amendments to IFRS 1 – Government Loans	1 January 2013
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 19 (Revised June 2011) – Employee Benefits	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 10 – Consolidated Financial Statements	1 January 2013
IAS 28 (revised May 2011) – Investments in Associates and Joint Ventures	1 January 2013
IAS 27 (revised May 2011) – Separate Financial Statements	1 January 2013
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	1 January 2014
IFRIC 21 – Levies	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012) - Investment Entities	1 January 2014

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

	Effective date
Annual Improvements to IFRSs: 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IAS 27 - Equity Method in Separate Financial Statements	1 January 2016
IFRS 9 – Financial Instruments	1 January 2018
Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants	1 January 2016
IFRS 15 - Revenue from Contracts with Customers	1 January 2017
Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11 (May 2014) - Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14 - Regulatory Deferral Accounts	1 January 2016
Annual Improvements to IFRSs: 2011-2013 Cycle	1 July 2014
Annual Improvements to IFRSs: 2010-2012 Cycle	1 July 2014
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions	1 July 2014

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group, however, at this point they do not believe they will have a significant impact on the financial statements of the Group in the period of initial application.

3. GOING CONCERN

The group incurred a loss for the year of £1,025,403 after exchange differences on retranslation of foreign operations (2013: £518,245) and had a retained deficit of £2,558,131 (2013: £1,729,523) 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.

The directors consider that the group has sufficient cash reserves available to meet liabilities as they fall due for a period of at least one year from the date of approval of the financial statements. However, if the group requires further funds to carry out future exploration programmes, the directors are satisfied that sufficient funds can be raised from future share issues to fund exploration costs.

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.

Notes to the Financial Statements for the year ended 30 June 2014

4.	LOSS BEFORE TAXATION	2014 £	2013 £
	The loss before taxation is stated after charging:		
	Auditor's remuneration	**20,000**	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	**18,000**	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	**20,000**	19,000
	Administrative expenses comprise:		
	Professional fees	**125,410**	122,009
	Foreign exchange losses	**3,673**	9,298
	Directors' remuneration (Note 7)	**159,579**	158,052
	Wages and salaries	**43,299**	41,258
	Other administrative expenses	**101,232**	147,291
	Share options charge	**1,575**	-
		434,768	477,908

5.	FINANCE INCOME	2014 £	2013 £
	Interest earned	**-**	492

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):

	2014 £	2013 £
Numerator		
For basic and diluted EPS retained loss	**(948,610)**	(498,166)
Denominator	**No.**	No.
For basic and diluted EPS	**166,923,653**	138,282,267
Basic EPS	**(0.57p)**	(0.36p)
Diluted EPS	**(0.57p)**	(0.36p)

6. LOSS PER SHARE (continued)

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:

	2014 Number	2013 Number
Share options	**8,160,000**	7,910,000

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 £	2014 Total £	Salary or fees £	Share based payments £	2013 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	49,579	-	**49,579**	48,052	-	48,052
	209,579	-	**209,579**	208,052	-	208,052

All remunerations related to short term employee benefits.

The number of directors to whom retirement benefits are accruing is Nil. Unpaid directors' remuneration is included within trade and other payables.

Included in the above is £50,000 (2013: £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 £	Total £
At 1 July 2013	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
Office and overhead costs recharged	24,614	(55,188)	(5,992)	-	(36,566)
Repayments	(10,133)	45,615	9,129	-	44,611
At 30 June 2014	**17,191**	**(10,326)**	**1,752**	**-**	**8,617**

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

7. RELATED PARTY AND OTHER TRANSACTIONS (continued)

Company

At 30 June 2014 the following amounts were due to the company by its subsidiaries:

	30/06/2014 £	30/06/2013 £
Kukama Diamonds (Cameroon) Limited	-	414,010
Kukama Mining & Exploration (Pty) Ltd	1,176,955	1,243,419
Atlas Minerals (Pty) Ltd	877,845	765,397
	2,054,800	2,422,826

All movements during the year are due to monies advanced to fund exploration activities. An allowance of £76,793 (2013: £20,079) has been provided in respect of the amount due from Kukama Mining & Exploration (Pty) Ltd. An impairment charge of £417,189 has been provided in respect of the amount due from Kukama Diamonds (Cameroon) Limited. Further details are outlined in Note 15.

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

8. EMPLOYEE INFORMATION

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

	2014 Number	2013 Number
Management and administration	6	6

Staff costs for the above persons were:	£	£
Wages and salaries	271,359	265,739
Share based payments	-	-
Pension costs	-	-
	271,359	265,739

Included in the above is £68,481 of salary payments (including director costs) which were capitalised within exploration assets.

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9. INCOME TAX EXPENSE

	2014 £	2013 £
Current tax:		
Tax on loss	-	-
	-	-
Factors affecting the tax expense:		
Loss on ordinary activities before tax	(948,610)	(498,166)
UK tax calculated at 24% (2013: 24%)	(227,666)	(119,560)
Effects of:		
Unutilised Losses	227,666	119,560
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 £1,996,076 (2013: £1,047,466) which equates to an unrecognised deferred tax asset of £479,058 (2013: £251,392).

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

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 2014 £	Segment Result 2014 £	Segment Revenue 2013 £	Segment Result 2013 £
Botswana	-	-	-	-
Zimbabwe	-	(170,735)	-	-
Cameroon	-	(445,061)	-	-
Total continuing operations	-	(615,796)	-	-
Unallocated head office	-	(332,814)	-	(498,166)
	-	(948,610)	-	(498,166)

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10. SEGMENTAL ANALYSIS (continued)

10B. Segment assets and liabilities

Group	Assets 2014 £	Liabilities 2014 £	Assets 2013 £	Liabilities 2013 £
Botswana	5,890,954	22,156	5,643,200	21,106
Zimbabwe	-	-	170,735	-
Cameroon	-	-	453,317	-
Total continuing operations	5,890,954	22,156	6,267,252	21,106
Unallocated head office	472,838	154,778	144,458	596,027
	6,363,792	176,934	6,411,710	617,133

Company	Assets 2014 £	Liabilities 2014 £	Assets 2013 £	Liabilities 2013 £
Botswana	5,868,798	-	5,622,094	-
Zimbabwe	-	-	170,735	-
Cameroon	-	-	453,317	-
Total continuing operations	5,868,798	-	6,246,146	-
Unallocated head office	472,838	154,778	144,458	596,027
	6,341,636	154,778	6,390,604	596,027

10C. Other segmental information

Additions to non current assets	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Botswana	239,456	231,823	179,554	8,791
Zimbabwe	-	8,216	-	8,216
Cameroon	9,730	127,773	9,730	8,994
Total continuing operations	249,186	367,812	189,284	26,001
Unallocated head office	-	-	-	-
	249,186	367,812	189,284	26,001

11. INTANGIBLE ASSETS

Exploration and evaluation assets:

	2014 Group £	2013 Group £	**2014 Company £**	2013 Company £
Cost:				
At 1 July	**6,249,019**	5,881,207	**3,321,928**	3,295,927
Additions	**249,186**	367,812	**189,284**	26,001
Exchange variance	**(15,942)**	-	**-**	-
At 30 June	**6,482,263**	6,249,019	**3,511,212**	3,321,928
Impairment:				
At 1 July	**-**	-	**-**	-
Provision for impairment	**615,796**	-	**197,232**	-
At 30 June	**615,796**	-	**197,232**	3,321,928
Carrying Value:				
At 1 July	**6,249,019**	5,881,207	**3,321,928**	3,295,927
At 30 June	**5,866,467**	6,249,019	**3,313,980**	3,321,928

Segmental analysis	**2014 Group £**	2013 Group £	**2014 Company £**	2013 Company £
Botswana	**5,866,467**	5,627,011	**3,313,980**	3,134,426
Zimbabwe	**-**	170,735	**-**	170,735
Cameroon	**-**	451,273	**-**	16,767
	5,866,467	6,249,019	**3,313,980**	3,321,928

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 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 Zimbabwe and Cameroon. Accordingly, an impairment provision of £615,796 has been recorded by the Group in the current year (company: £197,232)

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 will earn a 51% interest in the block by spending up to US $940,000 over three years.

On July 25 2013 the group entered into an agreement with Eversharp Investments (Pty) Limited 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 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.

11. INTANGIBLE ASSETS (continued)

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 (2013: £3,378), £18,481 (2013: £16,429) of wages and salaries and £50,000 (2013: £50,000) of directors remuneration.

12. INVESTMENT IN SUBSIDIARIES

	30/06/2014	30/06/2013
	£	£
At 1 July	**501,392**	501,392
Provision for impairment	**(1,375)**	-
At 30 June	**500,017**	501,392

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 Cameroon. Accordingly, an impairment provision of £1,375 has been provided in respect of the investment in Kukama Diamonds (Cameroon) Limited.

On 8 October 2013 Botswana Diamonds plc, through its subsidiary Atlas Minerals (Pty) Ltd, acquired 50% shareholding in Sunland Minerals (Pty) Ltd. Sunland Minerals (Pty) Ltd was formed as per the joint venture agreement entered into between Botswana Diamonds plc and OJSC Alrosa Russia to explore for diamonds in Botswana.

In the opinion of the directors, at 30 June 2014, the fair value of the investments in subsidiaries is not less than their carrying amounts.

The subsidiaries of the company at 30 June 2014 were:

Name of subsidiary	Total allotted Capital	Country of incorporation and operation	% Ownership	Principal activity
Kukama Mining and 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

12. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiary	Total allotted Capital	Country of incorporation and operation	% Ownership	Principal activity
***Sunland Minerals (Pty) Limited	5,000 shares of BWP1 each	Botswana	50%	Prospecting and exploration for diamonds
Atlas Minerals (Botswana) (Pty) Limited	200 shares of BWP1 each	Botswana	100%	Prospecting and exploration for diamonds

***indirectly held.

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 (xiv).

13. INVESTMENTS IN ASSOCIATE

	2014	2013
	£	£
Group and company		
Cost:		
At the beginning of the year	**100,000**	100,000
Disposal	**(100,000)**	-
At the end of the year	**-**	100,000

The group held 35.42% of the issued share capital of Bugeco S.A. a private company incorporated in Belgium.

On 2 June 2014, Botswana Diamonds announced that it had liquidated its interest in Bugeco S.A. and had received £200,454 from the proceeds of the liquidation.

14. FINANCIAL ASSETS

	2014	2013
	£	£
Group and company		
Financial assets carried at fair value through profit or loss (FVTPL):		
Non-derivative financial assets designated as at FVTPL	**12,000**	10,500
Investment at FVTPL		
At 1 July 2013	**10,500**	31,250
Fair value movement	**1,500**	(20,750)
At 30 June 2014	**12,000**	10,500

The group holds 1,000,000 shares in Stellar Diamonds plc. At the year end this investment represented 0.14% (2013: 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 2014 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.

Notes to the Financial Statements for the year ended 30 June 2014

15. RECEIVABLES

	2014 Group £	2013 Group £	2014 Company £	2013 Company £
Other receivables	**65,445**	12,711	**57,522**	8,947
Due by group undertakings (Note 7)	**-**	-	**2,054,800**	2,422,826
	65,445	12,711	**2,112,322**	2,431,773

As outlined in Note 7, an impairment charge of £417,189 has been provided in respect of the amount due from Kukama Diamonds (Cameroon) Limited.

The carrying value of the 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 (xiv).

16. CASH AND CASH EQUIVALENTS

	2014 Group £	2013 Group £	2014 Company £	2013 Company £
Cash and cash equivalents	**419,880**	39,480	**403,317**	25,011

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

17. TRADE AND OTHER PAYABLES

	2014 Group £	2013 Group £	2014 Company £	2013 Company £
Trade payables	**62,250**	68,352	**54,718**	54,967
Accruals	**114,684**	548,781	**100,060**	541,060
	176,934	617,133	**154,778**	596,027

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.

18. CALLED-UP SHARE CAPITAL

Allotted, called-up and fully paid:

	Number	Share Capital £	Share Premium £
At 1 July 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
Issued during the year	57,946,000	579,460	869,190
Share issue expenses	-	-	(35,919)
Warrants issued	-	-	(120,002)
At 30 June 2014	**196,228,267**	**1,962,283**	**7,824,825**

18. CALLED-UP SHARE CAPITAL (continued)

Movements in share capital

On 13 December 2013, the company raised £540,000 through the issue of 21,600,000 new ordinary shares at a price of 2.5p per share to provide additional working capital and fund development costs. In addition, the company settled £200,000 of existing liabilities with the directors of the company through the issue of 8,000,000 new ordinary shares at a price of 2.5p.

On 13 December 2013, 59,200,000 warrants were granted to the subscribers of the placing at a price of 2.5p per share. These warrants were exercisable for a period of six months from date of issue. At date of issue the warrants had a fair value of 0.20p.

On 20 January 2014, 1,000,000 warrants were exercised at a price of 2.5p per warrant for £25,000.

On 20 June 2014, 27,346,000 warrants were exercised at a price of 2.5p per warrant for £683,650. The balance of the warrants expired before the year end.

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.

	30/06/2014 Options	2014 Weighted average exercise price in pence	30/06/2013 Options	2013 Weighted average exercise price in pence
Outstanding at beginning of year	**7,910,000**	**6.59**	7,750,000	6.65
Issued	**250,000**	**2.50**	160,000	3.75
Outstanding at end of the year	**8,160,000**	**6.46**	7,910,000	6.59
Exercisable at end of the year	**8,080,000**	**6.49**	7,540,000	6.72

The options outstanding at 30 June 2014 had a weighted average exercise price of 6.49p, and a weighted average remaining contractual life of 3.77 years.

During the year ended 30 June 2014, 250,000 options were granted with a fair value of £1,575. These fair values were calculated using the Black-Scholes valuation model. These options will vest immediately.

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	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 (2013: £3,378) and expensed costs of £1,575 relating to equity-settled share-based payment transactions during the year.

Notes to the Financial Statements for the year ended 30 June 2014

20. MATERIAL NON-CASH TRANSACTIONS

Material non-cash transactions during the year have been outlined in Notes 11, 12, 15 and 19.

21. CAPITAL COMMITMENTS

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 will earn a 51% interest in the block by spending up to US $940,000 over three years.

On July 25 2013 the group entered into an agreement with Eversharp Investments (Pty) Limited 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.

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 £1,025,403 (2013: loss of £518,245).

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.

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.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit Risk

The maximum credit exposure of the group as at 30 June 2014 amounted to £485,325 (2013: £52,191) 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.

	30/06/2014	30/06/2013
	£	£
Financial institutions with S&P A- rating or higher	419,880	39,480

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 is value-enhancing and as a result the amounts receivable will be recoverable subject to successful discovery and development of economic reserves.

Foreign currency risk

In the normal course of business, the Group enters into transactions denominated in foreign currencies (US Dollars, Sterling and Euros). As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates; however it does review its currency exposures on an ad hoc basis.

The carrying amounts of the Group and Company foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

Group		Assets		Liabilities
	2014	2013	2014	2013
	£	£	£	£
Euro	146,845	9,195	25,322	42,637
US Dollar	7,252	5,996	8,771	-

Company		Assets		Liabilities
	2014	2013	2014	2013
	£	£	£	£
Euro	146,845	9,195	25,332	42,637
US Dollar	6,571	5,996	8,771	-

24. POST BALANCE SHEET EVENTS

There are no material post balance sheet events affecting the group.

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 19 December 2014 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, 2014.

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

3. To elect Director: Anne McFarland retires in accordance with the Articles of Association and seeks election.

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

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

By order of the Board:

James Finn
Secretary

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

21 November 2014

Note:
1. A member of the company 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 deposited at the Company's Registrars, Computershare Investor Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, not less than forty-eight 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.

Directors and other information

DIRECTORS
Dr. John Teeling
James Finn
David Horgan
Robert Bouquet
Anne McFarland

SECRETARY
James Finn

REGISTERED OFFICE
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BUSINESS ADDRESS
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Ireland

REGISTERED AUDITORS
Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

COMPANY REGISTRATION NUMBER
07384657

SOLICITORS
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Dublin 2
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JOINT BROKER
Dowgate Capital Stockbrokers Limited
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Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
Ireland

BANKERS
Barclays Bank Ireland Plc
Two Park Place
Hatch Street Upper
Dublin 2
Ireland

Directors: John Teeling - *Executive Chairman*, Jim Finn - *Finance Director*,
David Horgan - *Director*, Robert Bouquet - *Director* - Anne McFarland- *Director*
162 Clontarf Road, Dublin 3, Ireland. t: +353 1 833 2833 f: +353 1 833 3505 e: info@botswanadiamonds.co.uk www.botswanadiamonds.co.uk

A company incorporated and registered in England & Wales under the Companies Act 2006 with registered number 07384657