



**DEVELOPING THE AK6  
DIAMOND MINE IN BOTSWANA**

**LISTED ON AIM, LONDON  
& BOTSWANA STOCK EXCHANGE**

**OCTOBER 2008**

# Developing the AK6 Kimberlite Mine in Botswana

- ◆ Mining Licence agreed on favourable terms
- ◆ Total development cost to be financed by De Beers
- ◆ On stream 2011 at 2.7 million tonnes a year rising to 4.2 million tonnes a year by 2014
- ◆ Only 12 kimberlite diamond mines in the world by 2012
- ◆ African Diamonds will be in the top 5 listed diamond mining companies and AK6 will be world ranking on a Profit/Sales basis



# INDUSTRY: The Fundamentals are Good

- ◆ A significant supply deficit is expected by 2012
- ◆ Prices, which have risen fast in recent years will mark time before rising again
- ◆ Supply is very difficult to increase. New kimberlite diamond discoveries are very rare
- ◆ Current weaknesses in demand will be wiped out by rising demand from BRIC and Arab countries



# CORPORATE:

## Listed on AIM and Botswana, Market Cap £35m

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- ◆ 76.2 million shares in issue, 79 million diluted
- ◆ Strong institutional holders, JP Morgan (10%), Investec Botswana (10%), Blackrock (5%), De Beers (6%)
- ◆ Broker/Nomad: RBC Capital Markets, 9 market makers
- ◆ Debt free



# BOTSWANA: The Switzerland of Africa

- ◆ Stable democracy with the rule of law and clear commercial terms
- ◆ The best diamond address in the world
- ◆ Largest diamond producer by value in the world
- ◆ Four large diamond mines in operation



# AK6:

## World Class Diamond Discovery, Orapa, Botswana

- ◆ Discovered 2004
- ◆ Resource to 400 metres, 11.1 million carats, with a further c.5 million to 756 metres
- ◆ Modelled diamond value \$151 per carat, grade modelled at 22cpht. African Diamonds expects grade and value to be higher

- ◆ **Joint Venture:**

African Diamonds	28.38%
De Beers	66.22%
Debwat	<u>5.4%</u>
	100%



# AK6: Mining Licence Granted from October 10<sup>th</sup> 2008 for 15 years

- ◆ No State participation
- ◆ 10% royalty
- ◆ Standard tax with upward variations related to super profits
- ◆ Diamonds sold to the Diamond Trading Company in Botswana



# AK6: Operating Parameters

- ◆ Production start up Q1 2011, construction begins Q2 2009
- ◆ Production 2.7 million tonnes a year rising to 4.2 million tonnes in 2014
- ◆ Escalated CAPEX including contingencies \$380 million – will be less
- ◆ OPEX \$13 a tonne
- ◆ Financed 75% Project Finance and 25% Equity. De Beers to loan African Diamonds their equity share
- ◆ So, no cash investment by African Diamonds



# Botswana Early Stage Exploration

- ◆ Atlas is a Joint Venture between De Beers (70%) and African Diamonds (30%) which controls 1,800 sq km of ground containing 33 known kimberlites
- ◆ Work in the JV is suspended as De Beers considers exiting exploration. African Diamonds will seek to take control of the JV
- ◆ African Diamonds holds five licences covering 3,481 sq km west of Orapa



# AK8 & AK9:

## Two Advanced Exploration Projects in Botswana

- ◆ AK8, 10km from AK6, is a 5 hectare pipe with a part grading 3-7 cpht and diamond values between \$35-\$190 a carat and 20 million tonnes of kimberlite to 300 metres
- ◆ AK9, 10km from AK6, is a 3 hectare kimberlite. Low overall grade of 2.5-3.5cpht. Too few diamonds to value. 11 million tonnes to 250 metres
- ◆ Both pipes too small for De Beers
- ◆ African Diamonds hopes to gain 100% control of both pipes and will conduct a scoping study on each examining a low cost operation



# Exploration Activities Outside Botswana

- ◆ Holds 35.42% of Bugeco which has a Joint Venture with De Beers on 5 licences in the DRC
- ◆ Two kimberlite clusters discovered
- ◆ Large diameter drilling in progress and results awaited
- ◆ Holds 12% of West African Diamonds (WAD), an AIM listed company active in Sierra Leone and Guinea
- ◆ WAD is developing the Bomboko alluvial mine in Guinea and has 5 advanced stage projects including the Droujba kimberlites in Guinea and the Pipe 3 kimberlite in Sierra Leone



# Management



John Teeling (62) - Executive Chairman

- 30 years' resources experience.
- 20 years African management experience.
- Established a number of AIM companies.
- Doctorate from Harvard.



James Finn (49) – Finance Director

- 20 years' experience in exploration companies.
- Currently Director of 5 AIM companies.
- Degrees in Accounting and Management.



James Campbell (43) – Managing Director

- Over 20 years' diamond experience with Anglo American plc & De Beers.
- Had world-wide responsibility for diamond resource delivery in De Beers.
- Previously Personal Assistant to Nicky Oppenheimer.
- Degrees in Geology and Business.



David Horgan (48) – Director

- Holds a Law degree from Cambridge and an MBA from Harvard.
- He is Managing Director of AIM listed Middle East oil explorer Petrel Resources plc and Oil & Gas producer Pan Andean Resources plc.



Alex Van Zyl (63) – Technical Director

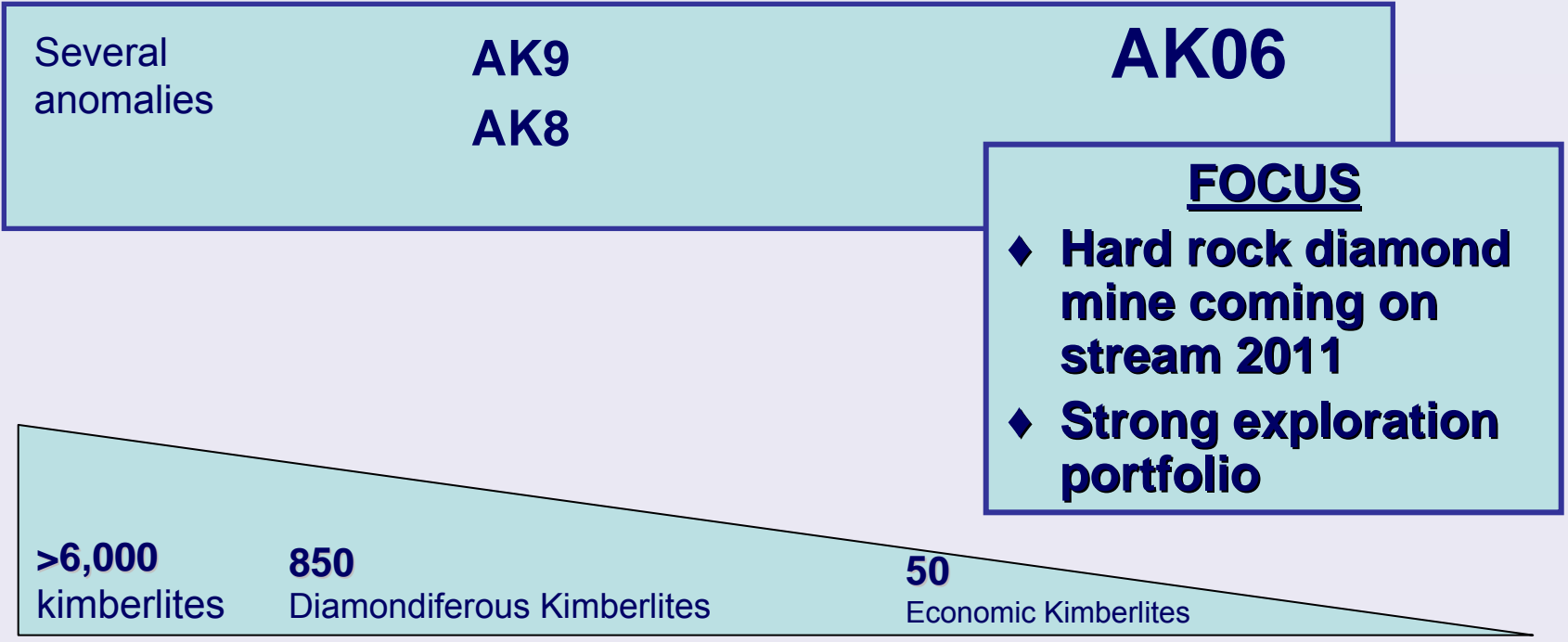
- Over 40 years' diamond experience with Anglo American plc and De Beers.
- Had worldwide responsibility for diamond exploration and evaluation.
- Led the discovery of Venetia Mine.



Ribson Gabonowe (52) – CEO Kukama

- Over 25 years' mining industry experience
- 10 years as Director of Mines in Botswana overseeing mining licences administration.
- Degrees in Mining, Economics and an MBA

# Summary



Less than 20% of Kimberlites contain diamonds: only 1% of kimberlites are significant mines

# Any Questions?

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◆ Please visit:

- <http://www.afdiamonds.com>
- <http://www.westafdiamonds.com>
- <http://www.bugeco.com>



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