A perspective on Diamonds and the South African Diamond Mining Industry

James AH Campbell
Managing Director, Botswana Diamonds plc
Disclaimer

This document is personal to the recipient and has been prepared and issued by Botswana Diamonds plc (the Company) For the purposes of this notice, the presentation that follows (the Presentation) shall mean and include the slides that follow, the oral presentation of the slides by the Company, the question-and-answer session that follows that presentation, hard copies of this document and any materials distributed at, or in connection with, that presentation.

This Presentation has not been independently verified. The Presentation is for information purposes only and does not purport to contain all information that a prospective investor may require. No reliance may be placed for any purposes whatsoever on the information contained in this Presentation or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is given by or on behalf of the Company or any of such persons’ directors, officers, advisers, agents or employees or any other person as to the accuracy or completeness of the information or opinions contained in this Presentation and, to the extent permitted by law, no liability whatsoever (in negligence or otherwise) is accepted by the Company, or any of such persons’ directors, officers, advisers, agents or employees or any other person for any loss, howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith. In particular, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on any projections, targets, estimates or forecasts contained in this Presentation and nothing in this Presentation is or should be relied on as a promise or representation as to the future. The information and opinions set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. In furnishing this Presentation, the Company does not undertake any obligation to provide any additional information or to update or keep current the information in this Presentation or to correct any inaccuracies in, or omissions from, this Presentation which may become apparent.

This Presentation should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisors. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary.

Some statements contained in this Presentation or in documents referred to in it are or may be “forward-looking statements” or “forward-looking information” (as such terms are understood under applicable securities laws) (forward-looking statements), including, but not limited to, statements as to future operating results, work plans and potential acquisitions and contracts. The forward-looking statements include statements typically containing the words “intends”, “expects”, “anticipates”, “targets”, “plans”, “estimates” and words of similar import. These forward-looking statements speak only as at the date of this Presentation. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks, uncertainties and other factors that may affect actual results, performance and the achievements of the Company and its subsidiaries. The forward-looking statements are based on numerous assumptions regarding the Company’s present and future business, strategies and interests and the environments in which the Company may operate in the future and such assumptions may or may not prove to be correct. No one undertakes to update or revise such forward-looking statements. Nothing in this Presentation or in documents referred to in it should be considered as a profit forecast. All expressions of opinion and belief contained in the Presentation are opinions and beliefs held by the Company at the date of the Presentation. Material factors that could affect the Company’s future results and could cause results to differ materially from those expressed in any forward-looking statements in this Presentation can be found in the Company’s 2014 annual report, available at http://www.botswanadiamonds.co.uk/res/file/BotswanaAR2012.pdf.

Accordingly, recipients of this Presentation are advised not to place undue reliance on the forward-looking statements contained in this Presentation.

Past performance cannot be relied on as a guide to future performance.

This Presentation does not constitute, or form part of or contain any offer or invitation to sell or issue, or any offer to subscribe for, underwrite or otherwise acquire, or dispose of, any securities in the Company in any jurisdiction in which such offer or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any jurisdiction.

This Presentation is directed at, and is only for distribution to, persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2(1)(e) of the European Prospectus Directive 2003/71/EC (or who are persons to whom it may otherwise be lawfully communicated). No offer of securities in the Company is being or will be made in the United Kingdom in circumstances which would require such a prospectus to be prepared.

This Presentation is intended for distribution in the United Kingdom only to: (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (ii) persons falling within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations etc) or to those persons to whom it can otherwise lawfully be distributed (all such persons together being referred to as Relevant Persons). This Presentation must not be acted upon by persons who are not Relevant Persons. Any recipient of this Presentation who is not a Relevant Person should return it immediately, not attend the presentation and take no other action.

The distribution of this Presentation in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any restrictions. In particular, neither this Presentation nor any copy of it may be taken or transmitted or distributed or redistributed (directly or indirectly) in the United States, Japan or Australia. Any failure to comply with this restriction may constitute a violation of United States, Japanese or Australian laws.
MSU EMBA Visit: 23rd April 2018, Johannesburg

Agenda

- Brief history of the diamond industry
- Diamond industry fundamentals
- The diamond pipeline
- Sources of diamonds
- Assessing diamond potential
- Diamond mining operations & companies
- Regulatory & reporting requirements
- The South African diamond mining industry
- Diamond industry trends
- Challenges & Outlook
- About Botswana Diamonds plc
Brief history of the diamond industry
## Brief history of the diamond industry

### Early days
- Diamonds known in India as early as 2000 BC
- Diamond merchants trading since 3rd century BC

### 1700’s
- Brazil emerges as a new diamond producer following India’s production decline
- Rough diamond prices fall by 75%
- Brazil remains top producer until diamonds found in Africa

### 1800’s
- Alluvial diamond mining in Russia
- First diamond discovery in South Africa in 1866 (Kimberley)
- De Beers Consolidated Mines established in 1888
- “London Diamond Syndicate” formed in 1890: ten diamond merchants buying De Beers’ entire production (first single selling channel)

### 1900’s
- London Diamond Syndicate dissolved
- Diamond Trading Company formed in 1930’s
- “A diamond is forever” slogan coined in 1947
- New kimberlite discoveries:
  - Russia 1950’s
  - Botswana 1960’s
  - Australia late 1980’s;
  - Canada late 1990’s
- Major producers exit single-channel system in mid 1990’s
- De Beers’ share of diamond marker drops from 90% in the 80’s to under 60% in the 90’s.
- De Beers Strategic Review in 1998

### 2000’s
- De Beers delists in 2001, purchased by a consortium including the Oppenheimer’s, Anglo American and the Botswana Government.
- The sale of De Beers’ diamond stockpile results in an unprecedented diamond price volatility
- Following the Global Financial Crisis of 2009, De Beers experiences a 99% drop in net profits
- The mining boom grinds to a halt
- Investment activity in the mining sector drops dramatically
- Juniors (‘project generators’) are hardest hit

Source: GIA, “Famous Diamonds” by Ian Balfour
Diamond industry fundamentals
The diamond market’s long-term outlook is positive: rough diamond demand expected to grow 1-4% per annum; rough diamond supply predictable and stable until 2030.

Growth is driven by increasing demand for diamond jewellery in China and India as middle class expands.

Rough diamond producers investing significantly to promote diamond sales: $150 million invested in generic and branded marketing in 2017, (+50% from recent years).

The “base case” forecast for a sustained supply-demand shortfall in years ahead will trend diamond prices generally upwards.

The supply-demand outlook is “modestly optimistic”.

Source: Bain & co., 2017
The diamond pipeline
The diamond pipeline

- Only a minor percentage of new discoveries become economic mines
- It can take over 10 years from discovery to development of a new mine
- New discoveries have dwindled in recent years
- Rough diamond sales via open tenders are on the increase
- Beneficiation / profit share arrangements can capture a share of revenue from polished sales of high-end goods
- Diamond jewellery sales impacted by changes in gold, platinum prices
Diamond production and sales (2016)
Sources of diamonds
Sources of diamonds

- Kimberlite is the primary source of diamonds
- Diamonds are made of pure carbon. Diamond and graphite are “allotropes” of carbon
- Diamonds formed in the upper mantle, under particular conditions of temperature and pressure ("Diamond Stability Field" or DSF)
- Kimberlite magmas acted as the vehicle transporting diamonds from the DSF to/near surface
- Erosion of kimberlites has created secondary deposits (alluvial/eluvial and marine)
Distribution of diamond deposits

Source: A. J. A. (Bram) Jamse

Major Diamond Mines
1. Kimberley
2. De Beers
3. Bultfontein
4. Dutoitspan
5. Wesselton
6. Koffiefontein
7. Jagersfontein
8. Finsch
9. Premier/Cullinan
10. Venetia
11. Murowa
12. Orapa
13. Lethakane
14. Jwaneng
15. Catoca
16. Mbuji Maye
17. Mwadui
18. Mir
19. Udachnaya
20. Jubileynaya
21. Nyurbina
22. Argyle
23. Ekati
24. Diavik

Projects
1P. Jericho
2P. Snap Lake
3P. Gahcho Kue
4P. Victor
5P. Arkhangelskaya
6P. Grib
7P. Camafuca

Source: A. J. A. (Bram) Jamse
Assessing diamond potential
What diamond explorers look for

- Diamond prospectivity
- Track record of economic production
- Security of tenure
- Transparent mining regulation
- Tax incentives for mining (e.g. SA)

Illustration of the tax incentive structure recently introduced to promote venture capital investments in South Africa.

Source: Engineering News
Prospectivity and mining attractiveness

Cumulative diamond production (2007-2016) for selected African countries***

*Author’s own research, **Adapted from Fraser Institute, 2016, *** Kimberley Process data
What governments look for

- Revenue
- Job creation
- Community development
- Beneficiation
- Procurement
- Sustainability
What investors look for

- Prospectivity and then:
- Stable democracy
- Continued political stability
- Good governance
- Prudent economic and natural resource management
- High credit rating
- Consistent economic growth rates
- Security of investment
- Incentives for local investors (e.g. Canadian flow-through options)

Country risk map adapted from: Euler Hermes 2017
Assessing diamond potential for mining

Risk reduction

- Confidence in the mineralisation/resource improves as new information is analysed and assumptions are revisited
- As confidence increases, so do costs and timeframes
- Accurate and reliable resource models are critical inputs to a sound economic assessment
- Technology plays a key role
- Expert operators are able to compress timeframes by synchronising workstreams without compromising on quality
- Deep knowledge, expertise are key differentiators

Mapping, sampling, geophysics
Core drilling or trenching (100’s kg)
Initial bulk sampling (10-100’s t)
Infill drilling; bulk sampling (1000’s t)

Diamond potential; surface size estimate
Preliminary grade estimate; prelim. geological model
Global grade; preliminary value estimate
Geological, density, volume, grade, revenue models

Target / Anomaly
Mineralisation
Inferred Resource
Indicated Resource

Preliminary Economic Assessment
Pre-Feasibility Study
Bankable Feasibility Study

Duration: months
Cost: USD thousands
Duration: years
Cost: USD millions

INCREASING COSTS & TIMEFRAMES
DECREASING UNCERTAINTY & RISK

MSU EMBA Delegation
Diamond mining operations & companies
Diamond mining operations

KIMBERLITES
- High establishment costs
- Open pit and/or underground operations
- Grade, diamond distribution can be constrained with sampling and modelling
- High resource confidence can mitigate uncertainty

ALLUVIALS
- Lower start-up costs
- Low grade, high variability
- High uncertainty
- High volume, low cost approach
- Generally larger (high-value) diamonds
- Volumes are key to repeatability

- Both primary and secondary diamond deposits can become economic mines
- Perception that alluvial deposits are more suited to smaller operators (juniors) and kimberlites to larger ones (mid-tier and majors)
- Majority of juniors own kimberlite operations
- Majors like De Beers have been running large-scale alluvial operations
- Offshore marine deposits along Namibian coast formed by redistribution of alluvial diamonds by longshore currents
## Diamond mining companies: Majors and mid-tier

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap</th>
<th>Listing</th>
<th>Country of Activity</th>
<th>Operations/projects (K = kimberlite; A = alluvial; M = marine)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alrosa</td>
<td>10.5 Bn USD</td>
<td>MCX</td>
<td>Russia, Angola, Botswana</td>
<td>Yakutia and Arkhangelsk Region (K/A); Catoca (K)</td>
</tr>
<tr>
<td>De Beers</td>
<td>Owned by Anglo American plc (85%) and Botswana Government (15%)</td>
<td>Botswana, South Africa, Namibia, Canada</td>
<td>Orapa, Jwaneng, Damtshaa, Venetia, Voorspoed, Snap Lake (K), Namdeb (A/M)</td>
<td></td>
</tr>
<tr>
<td>Rio Tinto</td>
<td>100 Bn USD</td>
<td>LSE, ASX</td>
<td>Australia, Canada, India</td>
<td>Argyle, Diavik, Bunder (K)</td>
</tr>
<tr>
<td>Dominion Diamond</td>
<td>Acquired for 1.2 Bn USD by Washington Companies</td>
<td>Canada</td>
<td>Ekati, Diavik (K)</td>
<td></td>
</tr>
<tr>
<td>Lucara Diamond Corp</td>
<td>800 M CAD</td>
<td>TSX</td>
<td>Botswana, Lesotho</td>
<td>Karowe, Mothae (K)</td>
</tr>
<tr>
<td>Petra Diamonds</td>
<td>478 M USD</td>
<td>LSE</td>
<td>South Africa, Tanzania, Botswana</td>
<td>Cullinan, Finsch, Kimberley, Koffiefontein, Williamson (K)</td>
</tr>
<tr>
<td>Stornoway Diamonds</td>
<td>480M CAD</td>
<td>TSX</td>
<td>Canada</td>
<td>Renard (K)</td>
</tr>
<tr>
<td>Mountain Province</td>
<td>643M CAD</td>
<td>TSX, Nasdaq</td>
<td>Canada</td>
<td>Gahcho Kué (K)</td>
</tr>
<tr>
<td>Gem Diamonds</td>
<td>138M GBP</td>
<td>LSE</td>
<td>Botswana, Lesotho</td>
<td>Ghaghoo, Letseng (K)</td>
</tr>
<tr>
<td>Kennady Diamonds</td>
<td>Acquired for 176 M CAD by Mountain Province</td>
<td>Canada</td>
<td>Exploration (K)</td>
<td></td>
</tr>
</tbody>
</table>

### Some common traits of majors:

- Owners of mining operations
- Typically more than one mine
- Exploration activities are internally funded through production cashflow
- Exploration spend is discretionary
- Publicly traded and privately owned
- Large corporate structures
- Internal assurance processes
- Lengthy decision processes
- Technical and non-technical management
- Some operations have been placed on care and maintenance pending an improvement in market conditions

Source: company websites
## Diamond mining companies
### Juniors

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap</th>
<th>Listing</th>
<th>Country of Activity</th>
<th>Operations/projects (K = kimberlite; A = alluvial; M = marine)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucapa Diamond</td>
<td>99 M AUD</td>
<td>ASX</td>
<td>Angola</td>
<td>Lulo (A)</td>
</tr>
<tr>
<td>Firestone Diamonds</td>
<td>34 M GBP</td>
<td>AIM</td>
<td>Lesotho</td>
<td>Liqhobong (K)</td>
</tr>
<tr>
<td>Star Diamond (prev. Shoregold)</td>
<td>76 M CAD</td>
<td>TSX</td>
<td>Canada</td>
<td>Star (K)</td>
</tr>
<tr>
<td>Diamcor Mining</td>
<td>20 M CAD</td>
<td>TSX-V, OTC</td>
<td>South Africa</td>
<td>Krone-Endora (A)</td>
</tr>
<tr>
<td>DiamondCorp</td>
<td>Delisted from AIM, AltX</td>
<td>South Africa</td>
<td>Lace (K) – in business rescue</td>
<td></td>
</tr>
<tr>
<td>Botswana Diamonds</td>
<td>6M GBP</td>
<td>AIM</td>
<td>Botswana, South Africa</td>
<td>Exploration (K)</td>
</tr>
<tr>
<td>Peregrine</td>
<td>68 M CAD</td>
<td>TSX</td>
<td>Canada, Botswana</td>
<td>Exploration (K)</td>
</tr>
<tr>
<td>Trans Hex</td>
<td>202 M ZAR</td>
<td>JSE</td>
<td>SA, Angola</td>
<td>Orange River, Namaqualand, Somiluana (A)</td>
</tr>
<tr>
<td>Kimberley Diamonds</td>
<td>Delisted from ASX</td>
<td>Botswana</td>
<td>Lerala (K) - closed</td>
<td></td>
</tr>
<tr>
<td>Merlin Diamonds</td>
<td>15 M AUD</td>
<td>ASX</td>
<td>Australia</td>
<td>Merlin (K)</td>
</tr>
<tr>
<td>North Arrow Minerals</td>
<td>16 M CAD</td>
<td>TSX-V</td>
<td>Canada</td>
<td>Exploration (K)</td>
</tr>
</tbody>
</table>

### Some common traits of juniors:
- “The exploration division of the mining industry”
- No clear separation between junior and mid-tier companies
- No/little production cashflow to fund exploration activities
- Exploration spend is vital
- Funding through shares issue
- Shareholders rewarded through share price increase
- Subject to high degree of public scrutiny and assurance
- Technical management teams with deep practical experience
- Innovative, agile and fast

Source: company websites
Top 25 global diamond assets: concentrated in the hands of a few players

Diamond resources are concentrated under the control of major producers and located primarily in Africa, Russia and Canada.
Regulatory & reporting requirements
Regulatory requirements

Reporting requirements applicable in selected jurisdictions

<table>
<thead>
<tr>
<th>Stock Exchange</th>
<th>Mining-specific Reporting Requirements (post-listing)</th>
<th>Mineral Reporting Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>Annual and half-year financial report quarterly report by CP on production and development activities (incl. expenditure); exploration activities; mineral results &amp; ore results</td>
<td>JORC</td>
</tr>
<tr>
<td>JSE</td>
<td>Annual and quarterly financial report, description of exploration and mining activities by CP; mineral resource and reserve statement</td>
<td>SAMREC</td>
</tr>
<tr>
<td>TSX/TSXV</td>
<td>Annual and quarterly financial report</td>
<td>CIM (NI 43-101)</td>
</tr>
<tr>
<td>LSE/AIM</td>
<td>Annual and half-year financial report, interim management statement, resource updates by CP (AIM)</td>
<td>JORC, SAMREC, CIM, other selected codes</td>
</tr>
<tr>
<td>HKEx/GEM</td>
<td>Annual and quarterly financial report half-yearly updates on mining</td>
<td>JORC, SAMREC, CIM</td>
</tr>
</tbody>
</table>

- Professional codes of practice set minimum standards for public reporting. Public reports must be prepared by a Competent Person (“CP”)
- Majority of national reporting standards share a common set of codes and guidelines
- TSX and ASX host the bulk of junior and mid-tier exploration and development companies (TSX prevalently diamond companies)
- In 2013, TSX and TSX-V combined were home to 57% of the world’s publicly listed mining companies
- 62% of global mining equity financing was raised on TSX and TSX-V in 2013

Source: PWC, Mining Association of Canada
Mineral resource reporting

- Stringent reporting requirements dictate the type of information that must be available at each stage of Mineral Resource classification, as well as its level of accuracy.
- Key parameters for diamond resources:
  - Volume
  - Diamond Grade
  - Diamond Value
  - Diamond Size
  - Frequency Distribution
The South African diamond mining industry
The South African mining industry

• General trends:
  – A mature mining sector – declining grades, increasing operating costs
  – Regulatory uncertainty is investors’ chief concern
  – Corruption, state capture and poor governance in State-owned enterprises have discouraged fixed investment
  – Ongoing tension between employers and unions
  – Infrastructure constraints
  – Wages affordability
  – Sense of optimism with the appointment of the new President

• Commodity trends
  – Coal production stable; key to energy generation (81%)
  – Platinum production stabilising, after industrial action and mine closures of recent years
  – Declining gold production due to deeper mines, rising costs, decreasing gold price
  – Employment up in iron ore, despite pressure on price
  – Diamonds gradually recovering, yet prices still depressed

Mining contributed 7% to SA’s GDP in 2017
Main commodities: coal, PGMs, gold, iron ore, diamonds
Mining generated 27% of SA’s exports in 2017
In 2016/2017 mining contributed R16 billion to the South African fiscus
Over 460,000 people were employed in the mining sector in 2017

Source: PWC, SA Chamber of Mines
Diamond mining in South Africa

- Diamondiferous kimberlites are found on stable cratons, like the Kaapvaal in SA
- De Beers’ Venetia Mine is the largest South African diamond producer
- Alluvial operations are located along the Orange River and the West Coast
- De Beers no longer owns Kimberley Mines (tailings deposits sold in 2016)
- Petra Diamonds’ operations have been acquired from De Beers
- De Beers’ Voorspoed Mine is up for sale

Source: SA Chamber of Mines
Diamond mining companies in South Africa

<table>
<thead>
<tr>
<th>Company</th>
<th>Listing</th>
<th>Operations in South Africa (K = kimberlite; A = alluvial)</th>
<th>Annual Production (cts)</th>
<th>Annual Revenue (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>De Beers</td>
<td>N/A</td>
<td>Venetia, Voorspoed (K)</td>
<td>4.5M</td>
<td>No SA reports</td>
</tr>
<tr>
<td>Diamcor Mining</td>
<td>TSX-V, OTC</td>
<td>Krone-Endora (A)</td>
<td>+/- 20,000 (incidental)</td>
<td>+/- 3M</td>
</tr>
<tr>
<td>Rockwell Diamonds</td>
<td>NEX</td>
<td>Middle Orange River (A)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Petra Diamonds</td>
<td>LSE</td>
<td>Cullinan, Finsch, Kimberley, Koffiefontein (K)</td>
<td>3,000,000</td>
<td>360M</td>
</tr>
<tr>
<td>BlueRock Diamonds</td>
<td>AIM</td>
<td>Kareevlei (K)</td>
<td>c.10,000</td>
<td>3.7M</td>
</tr>
<tr>
<td>Trans Hex</td>
<td>JSE</td>
<td>Namaqualand (A)</td>
<td>62,000</td>
<td>83M</td>
</tr>
</tbody>
</table>

- South Africa currently produces 15% of world diamonds by volume
- In 2014 South Africa produced 8.1 million carats of diamonds
- The majority of SA diamond production is from primary sources
- Diamonds from alluvial operations are on average larger (cts/stone) and more valuable ($/ct)
- No new discoveries, nor significant projects in the pipeline

Source: company websites, SA Chamber of Mines
Diamond industry trends
Diamond exploration trends

Fluctuations in exploration spend typically mirror the ups and downs in the markets.

Value of exploration for long-term growth is recognised.

Exploration spend however is regarded as discretionary in the short term.

Majors have pulled back in recent years.

Juniors’ exploration spend constrained by tougher funding climate.

Diamond exploration spend peaked around 2007-8.

Source: MinEx, SNL
Diamond market trends

- Polished prices stabilised in 2017, while rough prices rose after declining in the previous two years.
- Both polished and rough prices are driven by macroeconomic fundamentals that remain positive in the longer term.
- A sustained supply-demand shortfall forecast in the years ahead will trend diamond prices generally upwards.

Source: Bain
The retail sector

- Global diamond jewellery retail sales grew by 4% in 2014, 2% in 2015
- The luxury goods market is the traditional reference for diamond jewellery
- Stable growth in luxury goods in America, Europe compensated for decline in Asia-Pacific
- Consumers’ preference for branded jewellery is increasing, especially in younger groups
- In developed markets, brands provide differentiation and identity; in developing markets, they inspire trust and confidence (authenticity)
Diamond jewellery marketing

- In 2015 De Beers relaunched generic advertising, including its 1947 “A Diamond is Forever” slogan
- Jewellery advertising spend is slowly growing again
- Keywords related to diamonds and engagement rings attract the bulk of online ad spend around Valentine’s Day
- Continued marketing needs to ensure that consumers perceive diamonds as more attractive than other competing goods
- Boosted generic marketing investment by leading diamond producers

Source: De Beers, Forevermark, McKinsey, AdGooroo
Industry Bodies

• Diamond Producers Association (‘DPA’)  
  – Formed in May 2015 by seven of the world’s leading diamond companies, the DPA exists to maintain and enhance consumer demand for, and confidence in diamonds. By promoting the integrity and reputation of diamonds and the diamond industry, the DPA will play a central role in ensuring the long-term sustainability of the sector.

• The World Jewellery Federation
• Diamond Empowerment Fund (‘DEF’)
• International Diamond Manufacturers Association (‘IDMA’)
• Responsible Jewellery Council (‘RJC’)
• World Diamond Council (‘WDC’)
• World Federation of Diamond Bourses (‘WFDB’)
Challenges & Outlook
Challenges for the Diamond Industry

- Sustaining consumer demand in the long term against changing consumer behaviours of the new generation.
- Generic marketing and branding efforts to be scaled up
- Dearth of new discoveries will lead to an inevitable decline in rough diamond production, creating opportunities for substitution in the long term
- Impact of synthetic diamonds (disclosed or undisclosed) poorly understood
- Threat of undisclosed synthetic diamonds to consumer confidence (especially for smaller stones). Detection technology and tighter certification requirements can address this to a large extent
- Recycling of second-hand polished diamonds (trade-ins). Currently at 3-5% of wholesale polished diamond market, but expected to increase as supply declines and polished diamond prices rise
- Declining profitability in the mid-market segment of the value chain (cutting and polishing). This may result in overall consolidation in the segment, which will improve efficiencies
- Developments in diamond cutting technology may increase cutting yields in the future, with possible impact on rough supply

Source: Bain, idexonline.com
Outlook and Concluding Remarks

- Outlook for rough diamond prices remains subdued in short term
- Fundamentals of supply and demand remain solid
- The investment case for diamonds is strong
- Diamond stocks continue to be regarded as attractive by expert analysts
  - Preference for established producers (over developers)
  - Growth indicators and positive balance sheets
  - Preference for large stone producers (better price outlook)
  - Diamonds beginning to attract interest as an investment category (futures trading)
- The downturn may not have bottomed out, however a turnaround is to be expected in the medium term
- Increased marketing efforts (both generic and branded) are required to drive demand growth
- Diamond miners positioning themselves to take full advantage of industry turnaround are set to prosper in the longer term
About Botswana Diamonds plc
Botswana Diamonds (BOD) is an AIM-listed, GBP 6.2M market cap explorer active in the most prospective diamond areas in the world: Botswana and South Africa.

**SOUTH AFRICA EXPLORATION**

- **Vutomi Earn-in**
  - Earn-in agreement signed with Vutomi in 2017: 10 prospecting rights over 50,000 hectares of highly prospective ground
  - Highly prospective multi-stage exploration portfolio near current or historic diamond mines with 20 high-interest kimberlites already identified
  - Good potential for further discoveries due to technology advancements
- **Thorny River – Flagship Vutomi project**
  - Late-stage project currently undergoing scoping study (completion mid-2018)
  - Kimberlite dyke/pipe system stretching 7.5 km eastward of the Marsfontein and Klipspringer mines
  - Estimated in situ volume 1.2-2.1 Mt; modelled grade 46-74 cpht; diamond value $120-220/ct (overall value $60-140/t)
- **Other projects**
  - Ontevrede: kimberlite drilling programme; Free State: 15 kimberlites being tested for diamond potential
About Botswana Diamonds plc

BOTSWANA EXPLORATION
• Sunland Minerals
  • BOD is operator and holds 15 Prospecting Licences in Orapa and Central Kalahari Game Reserve (‘CKGR’)
  • In Q1 2018 BOD geologists undertook a geophysics and soil sampling programme in the CKGR: promising initial results have identified anomalies with kimberlite potential
  • Arrangement with JV partner Alrosa is under review by Alrosa management
• Maibwe Joint Venture
  • Joint venture over 10 licences in the CKGR, in same region as Ghagoo diamond mine and KX-36 discovery. JV is 29% Siseko (51% BOD owned), 20% Future Minerals (private Botswana investors) and 51% BCL (government-owned company in liquidation)
  • Diamonds discovered by BCL in 2015; BOD has drilled and found kimberlites
  • BCL preparing to sell its stake (Q2 2018)

OUR PHILOSOPHY IN A NUTSHELL
Highly prospective ground, skilled explorers, best technology

Source: Brook 2012 on 11IKC Website
About the Author

• James Campbell is Managing Director of Botswana Diamonds plc and has spent over thirty years in the diamond industry. He is also a Non Executive Director of Shefa Yamim ATM (a precious stones explorer in Israel, listed on the LSE).

• Previous roles include Chief Executive Officer and President of Rockwell Diamonds Inc, Non Executive Director of Stellar Diamonds plc, Vice President - New Business for Lucara Diamond Corp, Managing Director of African Diamonds plc, Executive Deputy Chairman of West African Diamonds plc.

• James worked at De Beers for over twenty years; his roles included General Manager for Advanced Exploration & Resource Delivery and Nicky Oppenheimer's Personal Assistant.

• James holds a degree in Mining & Exploration Geology from the Royal School of Mines (Imperial College, London University) and an MBA with distinction from Durham University. He is a Fellow of the Institute of Mining, Metallurgy & Materials, South African Institute of Mining & Metallurgy and Institute of Directors of South Africa. He is also a Chartered Engineer (UK), Chartered Scientist (UK) and a Professional Natural Scientist (RSA).

• James is deeply committed to South Africa and is also chairman of the Joburg Ballet (is Africa’s largest and most successful ballet company) and Common Purpose SA (is a not-for-profit organization that develops leaders who can cross boundaries and is synonymous with the terms ‘cultural intelligence’ and ‘leadership beyond authority’).
162 Clontarf Road
Clontarf
Dublin 3
Ph: +27 83 457 3724

Web: www.botswanadiamonds.co.uk
Twitter: @BotswanaDiamond
Email: james@botswanadiamonds.co.uk