THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take you should consult a person authorised under the Financial Services and Markets Act 2000 as amended ("FSMA") who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" in Part II of this document before taking any action.

This document comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies. This document does not constitute an offer to the public in accordance with the provisions of section 85 of the FSMA and is not a prospectus for the purposes of the Prospectus Rules, nor is it approved by the UK Listing Authority or the FSA.

The Directors, whose names and functions appear on page 7 of this document, and the Company, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 2 February 2011. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than the listing rules of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority.

Botswana Diamonds plc

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

(ISIN GB00B5TFC825)

Admission to trading on AIM

Nominated Adviser and Broker

finnCap

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finnCap Ltd, which is authorised and regulated by the FSA, is acting as Nominated Adviser and Broker to the Company and no one else in connection with the Admission and will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of finnCap nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of finnCap, as Nominated Adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance of any part of this document.

The whole of this document should be read. Your attention is drawn in particular to Part I, "Information on the Company" and to Part II, "Risk Factors".

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Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of finnCap at 60 New Broad Street, London, EC2M 1JJ, from the date of this document and for a period of one month from the date of Admission. This document will be available to download from the Company's website at www.botswanadiamondsplc.com

No person has been authorised to give any information or to make any representation about the Company and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in the Company's affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

CONTENTS

ADMISSION STATISTICS

Admission Price	7p
Number of Ordinary Shares	100,532,267
Market capitalisation of the Company at the Admission Price on Admission	£7.04m
ISIN	GB00B5TFC825
AIM Ticker	BOD

ESTIMATED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	27 January 2011
Admission effective and dealings in Ordinary Share Capital to commence on AIM	2 February 2011

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless the context requires otherwise:

"$", "USD", and "US Dollar"	lawful currency for the time being of the United State of America
"£", "British pound sterling" and "pence"	lawful currency for the time being of the UK
"Act"	the Companies Act 2006, as amended
"Admission"	admission of the entire issued share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
"African Diamonds"	African Diamonds plc, a company incorporated in England
"AIM"	the AIM Market, a UK stock market regulated by the London Stock Exchange
"AIM Rules"	the rules of AIM as issued by the London Stock Exchange
"Articles"	the Articles of Association of the Company from time to time
"Atlas"	Atlas Minerals (Botswana) (Pty) Limited, the Company's wholly-owned Subsidiary, incorporated in Botswana
"Botswana"	Republic of Botswana
"Bugeco"	Bugeco S.A., a private company incorporated in Belgium in which the Company holds an equity interest of 35.4 per cent.
"Bugeco DRC"	Bugeco Exploration RDC SARL, a company incorporated in DRC and a wholly-owned Subsidiary of Bugeco
"BVI"	British Virgin Islands
"BWP"	Botswana Pula, lawful currency for the time being of Botswana
"City Code"	the City Code on Takeovers and Mergers (as published by the Panel)
"Corporate Governance Code"	the UK Corporate Governance Code on Corporate Governance published in May 2010 by the Financial Reporting Council
"Company" or "Botswana Diamonds"	Botswana Diamonds plc
"Competent Person" or "CP"	VP3 Geoservices (Pty) Ltd, the competent person in relation to the Admission, as defined by the AIM Rules, and author of the CPR
"Competent Person's Report" or "CPR"	the competent person's report relating to the Group's licence interests, prepared by the Competent Person as set out in Part V of this document
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (*SI 2001/3755*) including any modifications of them or any regulations in substitution for them made under section 785 of the Act

"Debswana"	Debswana Diamond Mining (Pty) Limited, a joint venture between De Beers and the government of Botswana
"Demerged Liabilities"	all liabilities of the Demerged Entities
"Demerger"	the demerger of the Demerged Entities which became effective on 20 December 2010
"Demerger Agreement"	the demerger agreement entered into by the Company and African Diamonds on 27 October 2010 to transfer, *inter alia*, Atlas and Kukama BVI, from African Diamonds to the Company
"Demerged Entities"	Atlas, Botswana Coal plc, Botswana Exploration plc, Congo Diamonds plc, Kukama Diamonds Investments Limited, Kukama, Orapa Diamonds plc and the Company's interests in Bugeco and Stellar Diamonds plc
"Directors" or "Board"	the board of directors of the Company whose names are set out on page 7 of this document
"Disclosure and Transparency Rules"	the Disclosure and Transparency Rules (in accordance with section 73A(3) of FSMA) relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
"DRC"	Democratic Republic of Congo
"Effective Date"	the date on which the Scheme became effective in accordance with its terms, being 20 December 2010
"finnCap"	finnCap Ltd, nominated adviser and broker to the Company
"FSA"	the Financial Services Authority
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Group"	Botswana Diamonds together with its Subsidiaries
"Implementation Agreement"	the agreement dated 2 October 2010 between Lucara, African Diamonds and the Company in respect of the Scheme
"KIM" and "KIM sampling"	Kimberlite Indicator Minerals, being specific varieties of minerals which are unique to kimberlites, which are commonly used by exploration geologists to find buried kimberlites. KIM stream or loam sampling involves taking a large sample and then concentrating out the heavy minerals which are examined under a microscope. KIMs detected are then picked out and counted
"Kukama"	Kukama Mining & Exploration (Pty) Limited, a company incorporated in Botswana, which is wholly-owned by Kukama BVI
"Kukama BVI"	Kukama Diamond Investments Limited, a wholly-owned subsidiary of the Company incorporated in the BVI
"London Stock Exchange"	London Stock Exchange plc
"Lucara"	Lucara Diamond Corporation, a company incorporated in the Province of British Columbia, Canada

"Lucara Acquisition"	the acquisition by Lucara of African Diamonds on 21 December 2010
"Official List"	the official list of the UK Listing Authority
"Options"	share options granted or issued pursuant to the Share Option Scheme
"Option Holders"	holders of Options granted under the Share Option Scheme
"Ordinary Shares"	ordinary shares having a nominal value of 1p each in the capital of the Company
"Panel" or "Takeover Panel"	the Panel on Takeovers and Mergers
"Prospectus Rules"	the prospectus rules made pursuant to section 73A of FSMA
"RC"	Reverse Circulation drilling, a process using a vibrating drill-bit that breaks the rock at the bottom of the drill hole. The coolant fluid (air, water, foam,etc) circulates down through the outer section of the double walled drill rods to the bit and returns up the inner section of the drill rods carrying the drill cuttings. These cuttings are collected at surface for logging, and analyses
"Scheme" or "Scheme of Arrangement"	the scheme of arrangement under Part 26 of the Companies Act between African Diamonds and the Scheme Shareholders dated 29 October 2010
"Scheme Shareholders"	a registered holder of shares in African Diamonds as at 6.00 p.m. on 17 December 2010 and any person entitled thereto by transmission
"Shareholder(s)"	person(s) who is/are registered as holder(s) of Ordinary Shares from time to time
"Share Option Scheme"	the share option scheme of the Company, a summary of which is set out in paragraph 4 of Part VI of this document
"Subsidiary"	as defined in Section 220 of the Act
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority acting in its capacity of competent authority for the purposes of Part VI of FSMA

DIRECTORS AND ADVISERS

Directors	Dr. John Teeling (*Chairman*) Andre Fourie (*Executive director*) James Finn (*Non-executive director*) David Horgan (*Non-executive director*)
Secretary	James Finn
All of:	
Business Address	162 Clontarf Road Dublin 3 Ireland
Registered Office	20-22 Bedford Row London WC1R 4ES
Nominated Adviser and Broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ
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Legal advisers to the Company as to DRC	Kalamba & Associes 2nd Floor Inim. ATC Kinshasa/Gombe DRC
Registrar	Computershare Investor Services (Ireland) Limited Heron House, Corrig Road Sandyford Industrial Estate Dublin 18
Website	www.botswanadiamonds.co.uk

PART I

INFORMATION ON THE COMPANY

Botswana Diamonds plc

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

1. History and Background of Botswana Diamonds

On 20 December 2010, African Diamonds announced that its acquisition by Lucara, a publicly-traded Canadian diamond exploration and development company, had been completed. As consideration for this acquisition, each African Diamonds shareholder received, for every one African Diamonds share held by them, 0.8 of a Lucara share and one Ordinary Share in the Company.

As part of this transaction, African Diamonds agreed by means of the Demerger Agreement to transfer to Botswana Diamonds all of the mining interests and other assets of African Diamonds except for its interest in the AK6 diamond resource in Botswana.

Botswana Diamonds was incorporated on 22 September 2010 as Botswana Exploration plc to acquire the assets and interests of African Diamonds. It subsequently changed its name to Botswana Diamonds plc.

Accordingly Botswana Diamonds now holds:

(i) exploration licences in Botswana (through Atlas, its wholly-owned subsidiary);

(ii) approximately US$2 million in cash;

(iii) a 35.42 per cent. equity interest in Bugeco, a private Belgian company with exploration interests in the DRC; and

(iv) a minority interest in Stellar Diamonds plc.

The strategy of Botswana Diamonds is to have a pipeline of projects in southern and central Africa stretching from early stage diamond exploration to existing late stage development and production, if justified. The Company's immediate focus is on the late stage Botswana licences where a conceptual study has identified possible production opportunities. As discussed further in paragraph 3 below, whilst the majority of these licences in Botswana are scheduled to expire during 2011, the Directors intend to seek the extension or renewal of these licences and thereafter to examine the production opportunities further.

Outside of Botswana, Botswana Diamonds is negotiating acquiring interests in early-stage diamond licence applications in certain areas of Zimbabwe and Cameroon.

Zimbabwe is an emerging diamond producer of significance. The Company has identified prospects in areas with kimberlite potential as well as opportunities in alluvial diamonds.

Cameroon has no history as a diamond producer but there is growing evidence of alluvial deposits in the east of the country.

The Directors have begun discussions with relevant authorities and local partners to identify suitable ground for exploration, which it is hoped can be finalised during 2011 with exploration beginning later in the year.

2. Diamonds and Diamond Exploration

Geology of Diamonds

Diamond is carbon in its most concentrated form. Except for trace impurities like boron and nitrogen, diamond is composed solely of carbon. Diamond, the hardest naturally occurring substance known, differs from common graphite simply in its crystal structure.

Most diamonds consist of primeval carbon that has crystallised at very high pressures. This suggests that diamonds are created by geologic processes at great depth within the Earth, generally more than 150 km down, in a region beneath the crust known as the mantle.

Diamonds rise to the Earth's surface in molten rock, or magma, that originates at great depths, carrying diamonds and other minerals from the Earth's mantle. This magma rises through deep cracks and fissures and generally erupts in small but violent volcanoes. With notable exceptions, these volcanic craters are commonly preserved as carrot-shaped "pipes" filled with volcanic rock, mantle fragments, and some embedded diamonds. The volcanic rock is called kimberlite after the city of Kimberley, South Africa, where the pipes were first discovered in the 1870s. The complex volcanic magmas that solidify into kimberlite are not the source of diamonds, merely the transporters that bring them to the Earth's surface.

Kimberlite magma rises through the Earth's crust in networks of cracks or fissures. The carrot-shaped pipes, or diatremes, form near the Earth's surface as a result of an explosive eruption. The base of the pipe, or "root-zone" starts in fissures a few kilometres beneath the surface at the time of eruption. When the kimberlite magma encounters fractures in the Earth's crust at this level, gases are rapidly released from the rising magma and this drives the eruption at very high speeds; blowing out the fragment-laden kimberlite to form the volcanic crater and pipe.

Geologic processes create two basic types of diamond deposits, referred to as primary and secondary deposits. Primary deposits are those that occur in kimberlite pipes. Secondary sources, created by erosion of the kimberlite, and subsequent deposition, include such deposits as surface scatterings around a pipe or concentrations of diamonds in river channels or marine beach deposits. Mining of such deposits depends upon the sufficient concentration and quality of diamonds.

Geography of Diamonds

For more than 1,000 years, starting in roughly the 4th century BC, India was the only source of diamonds. In 1725, important sources were discovered in Brazil, and in the 1870s major finds in South Africa marked a dramatic increase in the diamond supply. However, only a few diamond deposits were discovered until the 20th century, when scientific understanding and technology extended diamond exploration and mining around the globe. Today diamonds are mined in about 25 countries.

Africa is the richest continent for diamond mining, accounting for approximately half of world production. The major sources are in the south with lesser concentrations in the west-central part of the continent. The major producing African countries are Angola, Botswana, Central African Republic, DRC, Ghana, Guinea, Namibia, Sierra Leone, South Africa and Zimbabwe.

Production of Diamonds

Most of the diamond deposits first discovered were alluvial, being concentrations in streambed or riverbed sand and gravel.

Alluvial deposits are still actively exploited in many ways, from the most primitive to the highly sophisticated. The goal is relatively simple: to find a location where moving water has deposited diamonds in the bottom of a river channel. Irrespective of whether the mining operation uses shovels or earth-movers, the basic process involves removing the overlying barren ground, digging up the diamond-bearing ground, extracting the diamonds from the surrounding materials and, nowadays, restoring the landscape when finished.

Mining of a diamond-bearing pipe starts with the excavation of a pit into the pipe. In this open cast mining process, the initially loose and eventually hard ore material is removed with large hydraulic shovels and ore trucks. Hard rock is drilled and blasted with explosives so the broken material can be removed. When deep, rich ore warrants it, the mining goes underground with vertical shafts descending to horizontal passageways that enter the pipe.

Once a mining operation yields ore, the diamonds are separated from the other materials and graded for gem or industrial uses.

A diamond's beauty, rarity, and price depend on the interplay of all the 4Cs – cut, clarity, carat, and colour. The 4Cs are used throughout the world to classify diamonds. Diamonds with the combination of the highest 4C ratings are more rare and, consequently, more expensive.

Uses of Diamonds

It is believed that diamonds have been prized as a gemstone as well as for their more industrial uses since at least the 4th century BC. Diamonds first began appearing in European jewellery in the 13th century but remained a rare gem, associated with the aristocracy, until the 1870s, when the first South African discoveries began to reach more public hands.

Diamond is fundamentally an industrial mineral, with some 80 per cent. of the diamonds mined annually being used in three primary industrial roles: it is used as a cutting tool, it is imbedded in another material and used as a tool or abrasive, and it is turned to powder or paste for grinding and polishing. It is commonly used to fashion stones, ceramics, metals, and concrete, as well as glass lenses, gems, and computer chips.

Markets for Diamonds

Until the 1870s, diamonds were a scarce resource, found only in riverbeds in India and Brazil, whose elevated price was justified by the fact that only a few pounds of gemstones were produced each year. However, the discovery of the diamond mines in South Africa resulted in a much increased supply of diamonds on the market.

The diamond market is conventionally divided into three segments:

- Industrial diamonds – natural and synthetic diamonds that are used in a wide range of manufacturing processes for their physical properties;
- Gem-quality diamonds – rough diamonds cut for use as gemstones in jewellery; and
- Investment diamonds – high-quality large gemstones, often with special characteristics, purchased for investment.

The Gem-quality and Investment segments together represent a large majority of the value of rough diamonds produced, a chain that starts in diamond mines and results in a cut gemstone sold to a retail purchaser or an investor.

Recently, efforts have been initiated to create a global system of export certification and import verification to ensure that all diamonds that are legitimately imported and exported into diamond-cutting, trading, and consuming markets will be of known and verifiable origin (being the Kimberley Process). The diamond trading market includes both large and small well-organized participants as well as many smaller, uncontrolled operations. Whilst the De Beers group of companies controls a large percentage of the diamond shipments to key trading centres, it has been reported that more than 100 countries worldwide participate in rough diamond exporting.

In the past few years, new sources of rough diamonds from Australia, Russia, Canada and parts of Africa have considerably changed the market in a number of ways. A significant quantity and variety of these rough diamonds have always been sold on the open market and go directly to a select number of diamond manufacturers in the cutting centres.

Following the severe decline in diamond prices during 2008, prices are increasing steadily through recoveries in interest in diamond buying from China, India, and Japan.

3. Information on Botswana Diamonds' assets

Botswana Diamonds currently wholly owns three diamond exploration licences in Botswana through its 100 per cent. shareholding in Atlas and an indirect interest in three diamond exploration licences in the DRC through its 35.4 per cent. shareholding in Bugeco. These are summarised in the below table (as extracted from Appendix A of the CPR):

Asset Licence No	*Holder*	*BD's Beneficial Interest*	*Status*	*Type of Licence*	*Expiry Date*	*Licence Area Km²*
Botswana PL No.004/2002	Atlas	100%	Exploration	Exclusive Prospecting Licence	30 Jun 2011	11.12
Botswana PL No.007/2004	Atlas	100%	Exploration	Exclusive Prospecting Licence	30 Jun 2011	31.4
Botswana PL No. 605/2009	Atlas	100%	Exploration	Exclusive Prospecting Licence	30 Jun 2012	1.6
DRC PR No. 927	Bugeco	35.4%	Exploration	Permis de Recherches	30 Nov 2011	83
DRC PR No. 906	Bugeco	35.4%	Exploration	Permis de Recherches	30 Nov 2011	47
DRC PR No. 899	Bugeco	35.4%	Exploration	Permis de Recherches	30 Nov 2011	53

Botswana Properties

Through its interests in Atlas, Botswana Diamonds is interested in the following four exploration assets in Botswana.

AK08

The AK08 kimberlite ("**AK08**") is a 6 hectare kimberlite held pursuant to prospecting licence PL004/2002 ("**PL004/2002**"), located approximately 15km south-southeast of Debswana's Orapa mine ("**Orapa Mine**") and 27 km northwest of Debswana's Letlhakane mine ("**Letlhakane Mine**"). It is speculatively estimated to contain approximately one million carats of diamond at an April 2008 value of US$100/ct. based on a parcel of slightly less than 23 carats.

AK08 was discovered by De Beers in 1969 after following up on KIM sampling through the area. The initial evaluation indicated that the kimberlite was not economically worthwhile and the licence over AK08 was relinquished by De Beers in the 1990's. Kukama subsequently acquired AK08 when it was granted the exploration licence for PL04/2002.

The AK08 kimberlite was subsequently included in a joint venture between De Beers and African Diamonds/Kukama, prior to the Demerger.

AK09

The AK09 kimberlite ("**AK09**") is a 3.2 hectare kimberlite held pursuant to PL004/2002, located approximately 20km southeast of the Orapa Mine, 25km northwest of the Letlhakane Mine, 6km northwest of both Lucara's new AK6 mine and Firestone Diamond plc's new BK11 mine. It is speculatively estimated to contain approximately 500,000 carats of recoverable diamond at an April 2008 value of US$26.37/ct. based on only a 4 carat parcel.

AK09 was discovered by De Beers in 1970 from the KIM sampling results and an airborne geophysics survey was initially thought to be some 0.2ha in extent with 13m of Kalahari overburden. In 2004 De Beers completed a ground magnetic survey grid over AK09 which increased the estimated size of the kimberlite body.

BK05

The BK05 kimberlite ("**BK05**") is approximately a 6.5 hectare kimberlite held pursuant to PL004/2002 and prospecting licence PL605/2009 ("**PL605/2009**"), located approximately 5km north of Debswana's Damtshaa mine ("**Damtshaa Mine**") and 18km east-northeast of the Orapa Mine which is speculatively estimated to contain approximately 500,000 carats of recoverable diamond. No valuations have been made of the diamonds recovered to date.

Prospecting licence PL007/2004

Prospecting licence PL007/2004 ("**PL007/2004**") is located approximately 15km north of the Damtshaa Mine and has a surface area of 31.4km^2 where extensive soil sampling has identified a large kimberlite indicator mineral anomaly.

The three Botswana licences are located within the Orapa kimberlite cluster where De Beers have located 84 separate kimberlite occurrences, of which 65 are classified as pipes and 19 as dykes, some only a few meters in diameter, while the largest, the Orapa Mine, is over 117 ha in extent and one of the largest diamond mines in the world and the first diamond mine in Botswana.

In November 2010, Botswana Diamonds commissioned a conceptual study of the likely mining and processing costs in developing its three Botswana kimberlites. The study used the geological models for the kimberlites and planned open pit mining for AK08 and AK09. It also assessed various scenarios including contract mining and processing of ore from AK08 and AK09. The conceptual study indicated that AK08, if mined together with the nearby AK09 and accordingly, that the AK09, if mined together with the nearby AK08, could produce a 20 per cent. internal-rate-of-return ("**IRR**") if the *in situ* value of the kimberlite was US$38/tonne. The findings of this conceptual study are summarised as follows:

- AK09 produces 7.3 millions tonnes of kimberlite down to a depth of 250m and requires waste stripping of 63.7 million tonnes;
- AK08 produces 13.5 millions tonnes of kimberlite down to a depth of 275m and requires waste stripping of 72.2 million tones;
- The plant treatment rate is 1.5 million tonnes per annum thereby producing a combined life of mine for AK08 & AK09 of 16 years;
- It was assumed for purposes of the study that both the mining and plant operations are contracted out in order to reduce capital expenditure. The initial capital expenditure is estimated to be US$41 million, including working capital for both AK08 and AK09; and
- The operating costs are estimated as US$23.6 per tonne treated over the life of mine.

The conceptual study also assumed that BK05 would have to be a stand-alone operation since it is far from operations at AK08 and AK09. However, certain mine services such as recovery and sorthouse facilities could be common. The conceptual study indicated that with capital investment BK05 could produce a 20 per cent. IRR if the *in situ* value of the kimberlite was US$24/tonne. The further findings of this conceptual study relating to BK05 are summarised as follows:

- A stand-alone mine at BK05 with its own treatment plant. Concentrates would be transported to the AK08/09 final recovery plant;
- The BK05 mine would produce 12.7 million tonnes of kimberlite down to a depth of 250m and would require stripping of 31.8 million tonnes of overburden;
- It was assumed that the treatment rate was 1.8 million tonnes per annum, so life of mine for BK05 is 9 years;
- Both mining and plant operations are contracted out in order to reduce capital expenditure to an estimated US$37 million inclusive of working capital; and
- The operating costs are estimated to be US$12.90 per tonne.

AK08, AK09 and BK05 are at the stage where systematic RC and diamond drilling to better define the lateral continuity and contacts between kimberlite and country rock are required as a first step towards obtaining a confident estimate of the volume of the kimberlite resource and the volume of overburden down to a vertical depth extent of some 250m to 300m.

Once this phase of drilling has been completed, a bulk sampling programme can be designed to sample sufficient volumes of material to obtain diamond grade estimates of each of the kimberlite varieties defined in the petrographic study and also to obtain an estimate of average diamond values.

There is insufficient evidence at present of geological continuity, diamond grade or diamond value to calculate any more than a speculative exploration target estimate of size and value for the known kimberlites.

There is exploration evidence to suggest that there may be new, as yet undiscovered, kimberlites within the prospecting licence area PL007/2004.

The majority of the above prospecting licences will expire on 30 June 2011. Botswana Diamonds intend to notify the Government of the Republic of Botswana by 31 March 2011 as to their intentions. The following options are possible:

1. Application for a mining or small mining licence;

2. Application for a retention licence;

3. Natural termination of the prospecting licence(s); or

4. Extension of the terms of the prospecting licence(s).

The Company's licence for PL605/2009 expires on 30 June 2012, and can be renewed after this date for two further periods of two years each.

The Board intends to commence work on all projects in Botswana in early 2011 to evaluate its options.

There can be no assurance that Botswana Diamonds' current permits which are due to expire on 30 June 2011 and 30 June 2012 will be renewed or continue in force, or, if so, on what terms.

DRC Properties

Botswana Diamonds has a 35.4 per cent. interest in Bugeco which wholly owns Bugeco DRC. Bugeco DRC holds three exploration licence areas totalling 137 km² in the Kabinda district of the eastern Kasai Province of the DRC, with nine identified kimberlites which have been partially explored and still require full evaluation.

These licences are now in the last two-year period of renewal and special permission will be required for further renewal after November 2011.

Bugeco DRC's joint venture partner until August 2008 was De Beers, who completed an exploration programme over the licence block in this area, which covered a 17,514km² surface area, which has now been reduced to 137km², at a cost of US$10.6 million.

A lack of proof of sub-surface lateral and depth continuity to the kimberlites and the lack of data to prove diamond grades in each kimberlite means that no estimates of the potential size or value of these discoveries can be made at this time.

4. Strategy and Intentions

Botswana

The AK08, AK09 and BK05 kimberlites are at the stage where conceptual studies suggest that more geological exploration work would be worthwhile. Further such work is required in order to begin forming a better estimate of the volume of the kimberlite resource and the volume of overburden. The Directors intend to begin such work in early 2011.

PL007/2004 has a well defined kimberlite indicator mineral anomaly and exploration by means of geophysics and drilling needs to be applied to discover any kimberlite occurrences associated with this anomaly.

In planning any future work programmes, the Directors intend to seek to maximise the chances of securing a renewal or extension of its prospecting licences in Botswana.

Bugeco

The nine kimberlites discovered by extensive exploration require drilling and sampling to determine their likely economic significance.

Botswana Diamonds is not involved in the management of Bugeco or Bugeco DRC and holds only a minority shareholding. As such, there is no expectation, commitment or obligation for Botswana Diamonds to contribute toward any of the operating or exploration expenditure or otherwise of Bugeco, nor can there be any certainty that these projects will be developed further.

Bugeco is expected to seek a joint venture partner to further the projects' development.

Future projects

During the past 18 months, directors of Botswana Diamonds have been evaluating diamond opportunities outside of Botswana.

Zimbabwe has kimberlite mines at Murowa and River Ranch in the south of the country. More recent interest is centred on the Chiadzwa area of the Marange district where a large alluvial deposit has been reported. The diamonds are of low quality but the reported grades per tonne are very high.

The Directors acknowledge that legal title to diamond exploration assets in Zimbabwe remains an area of uncertainty. However, Botswana Diamonds is interested in seeking to participate in both kimberlite and alluvial opportunities in Zimbabwe. Discussions are ongoing to find suitable opportunities with local partners.

The Mobilong area in Eastern Cameroon has been reported as a site for alluvial diamonds and mining licences were recently awarded to a Korean joint venture operation. Representatives of the Company have visited the regions where diamonds have been found and have begun discussions with potential local partners.

5. Reasons for Admission

The Directors believe that Admission is an important step towards developing a successful diamond exploration business, and for this reason, a commitment was made during the acquisition of African Diamonds by Lucara to seek Admission for Botswana Diamonds.

Admission is expected to raise the public profile of the Company and its assets, and enhance the Company's ability to raise financing for its future activities.

6. Directors and Senior Management

As at the date of this document, the Board comprises the following members:

John Teeling (aged 65), *Executive Chairman*

John Teeling has been involved in resource projects for 30 years. John is the founder and chairman of Petrel Resources plc, Connemara Mining plc and Persian Gold plc. He is also a former director of Kenmare Resources Limited, Arcon Limited and African Diamonds plc. Mr. Teeling holds degrees in Economics and Business from University College Dublin, an MBA from Wharton and a Doctorate in Business Administration from Harvard. He has lectured for 20 years in business and finance at University College, Dublin. He holds interests in a number of industrial ventures.

Andre Fourie (aged 44), *Executive Director*

Andre Fourie holds a Hons BSc (Geology) from the University of Stellenbosch, a Graduate Diploma Engineering (Mining Engineering) from WITS and also recently completed the Accelerated Development Programme at the London Business School. He is a member of the South African Council of Natural and Scientific Professionals and the Geological Society of South Africa. He has 20 years of experience in gold and diamond exploration and mining gained whilst employed by AngloAmerican plc and De Beers. During this time Mr. Fourie's roles included that of Geological Manager, Mineral Resource Manager and Manager for New Business Development.

David Horgan (aged 51), *Non-Executive Director*

David Horgan is Chief Executive of Petrel Resources plc. He holds a first class law degree from Cambridge University and an MBA with distinction from the Harvard Business School. David Horgan has invested in and managed African projects for 20 years.

James Finn (aged 52), *Non-Executive Director*

James Finn has held senior financial positions in a number of resource companies since 1988. He holds a management degree and accounting qualifications. He is also a director of Cooley Distillery plc, Persian Gold plc and Connemara Mining plc.

7. Lock-in Undertakings

The Directors have undertaken not to sell, transfer or dispose of any Ordinary Shares held by them at the date of this announcement for a period of 12 months following Admission.

Furthermore, each of the Directors has agreed that he will not dispose of the legal, beneficial or any other interest in Ordinary Shares, rights in Ordinary Shares or other securities held by them in the Company, without first seeking to make such disposal through finnCap Ltd with a view to the maintenance of an orderly market in the Ordinary Shares.

These restrictions will apply in respect of 10,637,360 Ordinary Shares representing 10.58 per cent. of the Company's Ordinary Shares in issue as at the date of this document.

8. Corporate Governance

The Company holds regular Directors' meetings at which operating and financial reports are considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Board acknowledges the importance of the principles set out in the Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM companies, the Board intends that, so far as practical and to the extent appropriate in regard to the size of the Company, it will comply with the Corporate Governance Code. The Board intends that Audit and Remuneration Committees, comprised of non-executive directors, will be established. Currently the non-executive directors are James Finn and David Horgan, both of whom are shareholders of the Company.

The role of the Remuneration Committee will be to review the performance of the executive directors and other senior executives and to set the scale and structure of their remuneration, including the implementation of any bonus arrangements, with due regard to the interests of Shareholders. The Remuneration Committee will also administer and establish performance targets for the Share Option Scheme and any other share incentive schemes adopted from time to time by the Company and determine the allocation of share incentives to employees.

In exercising this role, the terms of reference of the Remuneration Committee will require it to comply with the Code of Best Practice published in the Corporate Governance Code.

The Audit Committee will be responsible for making recommendations to the Board on the appointment of the auditors and the audit fee and will review reports from management and the Company's auditors on the financial accounts and internal control systems used throughout the Company. It is intended that it will meet at least three times each year.

The Company does not intend to establish a nomination committee at this time.

The Board has adopted a code for dealings in the Company's securities by Directors or applicable employees which conforms to the requirements of the AIM Rules ("**Share Dealing Code**"). The Company will be responsible for taking all proper and reasonable steps to ensure compliance by the Directors and applicable employees with the Share Dealing Code and the AIM Rules.

9. Share Option Scheme

The Company currently operates a Share Option Scheme for eligible employees and directors which was approved by a resolution of the Board on 4 October 2010. Further details of the Share Option Scheme are set out in paragraph 4 of Part VI of this document.

The Company has granted Options over 7,750,000 Ordinary Shares under the Share Option Scheme, all of which are outstanding with an exercise price of 7p per Ordinary Share. Options over 7,500,000 Ordinary Shares have been granted to the Directors as detailed in paragraph 5.8 of Part VI of this document. Options over 250,000 Ordinary Shares have also been granted to a senior employee on the same terms as the Options granted to the Directors.

10. Current Trading and Prospects

Botswana Diamonds is currently purely an exploration company and, therefore, has not yet generated any revenue. The Directors do not expect the Company to be profitable for some time.

11. Dividend Policy

While the Directors acknowledge the importance to investors of the payment of regular dividends, it is not expected that dividends will be paid in the foreseeable future. The declaration and payment of any future dividends by the Company and the quantum thereof will be dependent upon the Company's results, financial position, cash requirements, future prospects, profits available for distribution and other factors deemed by the directors to be relevant at the time.

The Company expects to report its interim results in March and to make the preliminary announcement of its final results in October each year.

12. Takeover Code

Whilst the Company is incorporated in England, for the purposes of the City Code the place of central management of the Company is currently located outside of the UK, the Channel Islands and the Isle of Man. Accordingly, the Company is not a company to which paragraph 3(a)(ii) of the City Code applies, the Company is therefore not subject to the City Code and Shareholders will not be afforded any protection under the City Code.

13. Taxation

Your attention is drawn to the sections headed "United Kingdom Taxation" and "Irish Taxation" set out in paragraph 8 of Part VI of this document. If you are in any doubt regarding your tax position, you should contact your professional adviser without delay.

A prospective investor who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the UK or Ireland, should consult his or her independent tax adviser and/or other professional advisers immediately before considering an investment in the Company's Shares.

14. CREST

The Company's articles of association permit shares to be evidenced in uncertificated form in accordance with the CREST Regulations 2001. In accordance with the CREST Regulations, the Board resolved on 27 January 2011 to apply to Euroclear UK & Ireland Limited for title to the Ordinary Shares, in issue or to be issued, to be transferred by means of the CREST paperless system. CREST is a voluntary system and, subject to certain limitations, holders of Ordinary Shares may choose to receive share certificates or hold Ordinary Shares in uncertificated form. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system.

PART II

RISK FACTORS

The Directors consider the following risks and other factors to be most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Ordinary Shares and the risks listed below are not set out in any particular order of priority. Potential investors should carefully consider the risks described below before making a decision to invest in the Ordinary Shares. If any of the following risks actually occurs, the Group's business, financial condition, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

Company-specific Risks

Estimates of Reserves, Resources and Production Costs

Although potential speculative estimate figures incorporated in this document have been carefully prepared by the competent person, these amounts are estimates only. There can be no assurance that any particular level of recovery of diamonds from such potential speculative exploration estimates will in fact be realised or that an identified resource will ever qualify as commercially mineable (or viable) and/or which can be legally and economically exploited. In addition, any future exploration rights acquired (including under any prospecting right held or which may be acquired in the future by the Group) may not result in the economic or feasible production of diamonds. Estimates of potential reserves, resources and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Material changes in reserves, grades or recovery rates may affect the economic viability of projects and current projects could become commercially unviable as a result of any material reduction in estimates of reserves and resources. Estimates are reported as general indicators of mine life and should not be interpreted as assurances of mine life or the profitability of current or future operations.

The ultimate volume of production of diamonds may be lower than expected or even non-existent. The Group's operations are subject to the normal risks inherent in diamond exploration and production. The Group's viability will require it to continue to replace and/or expand its reserves and any failure to do so will affect the commercial viability of its projects.

The business of exploration, mining and mineral processing by its nature involves significant risks and hazards.

Limited Operating History

As a result of its limited operating history, the Group is subject to all the risks associated with the operations of a developing business. The Group's prospects may be jeopardised by the type of difficulties that often affect businesses in the early stages of their development. There can be no guarantee the Group will move into overall profitability or remain profitable.

Licences and Contractual Commitments

The interests of the Group are in some circumstances subject to licence and contractual requirements, which include, *inter alia*, certain financial commitments which, if not fulfilled, could result in the suspension or ultimate forfeiture of the relevant licence or of the Company's interests in prospects. Government action, which could include non-renewal of licences, may result in any income receivable by the Group being adversely affected.

The Group's current licences in Botswana are due to expire if not renewed or extended by 30 June 2011 or 30 June 2012 as detailed on page 14 of this document. There can be no assurance that these permits will be renewed or extended or continue in force, of, if so, on what terms.

Partner Risk

The Group may in the future be reliant on joint venture partners and therefore this could adversely affect the Group's operations. Partner risks include but are not limited to:

- reliance on partners to complete work programmes;
- there can be no guarantee that partners will operate projects in a manner aligned to the Group's interests and that partners could act, exercise veto rights, or otherwise act in a manner which prevents the Group from acting in its own best interests;
- the Group in some instances holds minority positions in joint venture agreements and therefore cannot control decision making;
- there may be limits on the ability to exit joint venture arrangements;
- there may be additional calls on the Group's financial resources, and if the Group does not make payment, the Group's interest would be diluted or lost; and
- project budgets may not fall under the Group's control.

General Risks

Currency Risks and Exchange Rate Fluctuations

The Group will conduct its operations in jurisdictions other than that of its reporting currency and will therefore be subject to fluctuations in exchange rates between these countries in relation to the relative costs of inputs and labour and returns received from production. A significant fluctuation in any of the Group's key operating currencies, could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group's future income will be subject to exchange rate fluctuations and may become subject to exchange control or similar restrictions. Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results, which are not necessarily related to the Group's underlying operations.

While hedging of exchange rates is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost. The Company has no current hedging rate strategy in place.

Economic Risk

Many African countries are dependent on sale proceeds from primary commodity production which are subject to fluctuations in world commodity prices. In general, these economies have also experienced devaluations, high inflation and high interest rates. All these economic risks may from time to time adversely affect the Group's operations. Historically, commodity prices (including diamonds) have displayed wide ranges and are affected by the numerous factors over which the Company does not have any control. These include world production levels, international economic trends, expectations for inflation, speculative activity, consumption patterns and global or regional political events.

Political and Economic Risk

The majority of the Group's activities will be outside the UK and, accordingly, there are a number of risks over which it will have little or no control. There can be no assurance that political stability will continue in those countries where the Group currently has or in the future will have operations. Whilst the Group will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Group's activities will be adversely impacted by economic and political factors.

Access to Capital Markets

The Group may require additional financial resources to continue funding its exploration and development activities. The Group may in the future raise additional funds through public or private financing or through bringing in joint venture partners. The availability of this capital is subject to general economic conditions

and lender and investor interest in the Group's projects. To ensure the availability of capital, the Group will maintain an investor relations programme in order to inform all Shareholders and potential investors of the Group's developments. Any investment in the Group should be regarded as an investment in the potential diamond resources rather than a direct investment in the commodity itself.

Mining, Exploration and Development Risks

The successful exploration and development of mineral properties is speculative and subject to a number of uncertainties which even a combination of careful evaluation, experience and knowledge may not eliminate. There is no certainty that the expenditures made or to be made by the Group in the exploration and development of its mineral properties or properties in which it has an interest will result in the discovery of mineralised materials in commercial quantities. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of diamond bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that exploration programmes carried out by the Group will result in profitable commercial mining operations.

The exploration development of any projects may be disrupted, damaged or delayed by a variety of risks and hazards which are beyond the control of the Group. These include (without limitation) geological, geotechnical and seismic factors, environmental hazards, technical failures, adverse weather conditions, acts of God and government regulations or delays.

Ability to Exploit Successful Discoveries

It is possible that the Group may not be able to exploit commercially viable discoveries in which it holds an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Group's control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Group cannot meet. As a result of such delays, the Group may incur additional costs, losses of revenue or part or all of its equity in a licence.

Competition

There is strong competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Group competes with other exploration and mining companies, many of which have greater financial resources than the Group, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Environment, Health and Safety Risks

Mining projects may be subject to the environmental laws of areas in which the Group operates. These laws may result in limitations of mining activities, which may become increasingly strict in the future. Environmental awareness on the part of the public has been increasing, as has public pressure on environmental authorities. No assurance can be given that the need to comply with current or future environmental laws, regulations or commitments will not have a material adverse effect on the activities of the Group or that the liabilities resulting from any environmental damage caused by the activities of the Group will not be material.

There can be no assurance that all permits which the Group may require can be obtained or maintained on reasonable terms. There may be existing or future unforeseen liabilities arising from the Group's activities or the activities of any previous activities of third parties in the relevant licensed areas.

Insurance Risks

The Group plans to insure its operations in accordance with industry practice and plans to insure the risks it considers appropriate for the Group's needs and for its circumstances. Insurance cover will not be available for every risk faced by the Group. The Group may be subject to liability for pollution or other hazards against

which the Group or the operator may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Group. There is a risk that insurance premiums may increase to a level where the Group considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. In addition, the Group may, following a cost-benefit analysis, elect to not insure certain risks on the grounds that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Group of the insurance cover. The occurrence of an event which is not covered, in whole or in part, by insurance could result in a significant cost to the Group which could have a material adverse effect on its business, financial condition and results of operations.

Title and Payment Obligations

The licences and any future licences in which a member of the Group has or may earn an interest will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each licence is usually at the discretion of the relevant Government authority. If a licence is not renewed or granted, the Group may suffer significant damage through loss of the opportunity to discover any diamond resources on that licence area.

Under its licences and certain other contractual agreements to which the Group is or may in the future become party, the Group is or may become subject to payment and other obligations. In particular the Group may be required to expend the funds necessary to meet the minimum work commitments attaching to its licences. Failure to meet these work commitments will render the licences in question liable to be revoked. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Group. The Group may not have, or be able to obtain financing for all such obligations as they arise.

Any changes in the laws of countries in which the Group carries on business relating to mining could materially affect the rights and title to the interests held there by the Group. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorisations nor that such exploration and mining authorisations will not be challenged or impugned by third parties.

Liquidity of the Ordinary Shares and AIM generally

An investment in the Ordinary Shares is highly speculative and subject to a high degree of risk.

Application will be made for the Ordinary Shares to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. Neither the London Stock Exchange nor the UK Listing Authority have examined this document for the purposes of the Admission.

An investment in the Ordinary Shares may be difficult to realise and the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Group and its operations and some, which may affect quoted companies generally. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. The Group is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment, or sustain a total loss of their investment. Equally, the Group cannot control when large numbers of Ordinary Shares may be sold after Admission. Any such sales could result in a material fall in the price of Ordinary Shares.

Litigation Risks

While the Group has no material outstanding litigation, there can be no guarantee that current or future actions of the Group will not result in litigation. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceedings will not have a material effect on the Group's financial position or results of operations.

Reliance on Key Personnel and Management

The Group is highly dependent on the Directors. Whilst the Board will continue to ensure that the Directors, consultants and any key employees are appropriately incentivised, their services cannot be guaranteed, and the loss of their services to the Group may have a material adverse effect on the performance of the Group.

The Group may have minority interests in the ventures in which it partakes and may be unable to exercise control over the operations of such companies.

The success of the Group will be dependent on the services of key management and operating personnel. The Directors believe that the Group's future success will depend largely on its ability to retain and attract highly skilled and qualified personnel, and to expand, train and manage its employee base. There can be no guarantee that suitably skilled and qualified individuals will be retained or identified and employed or contracted on satisfactory terms or at all. If the Group fails to retain or recruit the necessary personnel, or if the Group loses the services of any of its key executives, its business could be materially and adversely affected.

The diverse geographic locations of the Group's operations may present specific supervisory difficulties to the Board and as such could create ongoing difficulties in relation to the management and operation of the Group. This could, in the longer term, have a material adverse effect on the Group's performance.

Actions of Third Parties, including Contractors and Partners

The Group will be reliant to an extent on third parties to provide contracting services. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships could be detrimental to the future business, operating results and/or profitability of the Company. To the extent that the Group cannot engage contractors according to its plans and budgets, its profit may be adversely impaired.

Taxation Risk

Any change in the Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change.

No Takeover Protection

The City Code is not expected to apply to the Company following Admission on the basis that the Company's place of central management and control is not expected to be in the UK, the Channel Islands or the Isle of Man. Any takeover offer for the Company or consolidation of control in the Company will not, therefore, be regulated by the City Code.

PART III

FINANCIAL INFORMATION

SECTION A – ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO BOTSWANA DIAMONDS

The Board of Directors
Botswana Diamonds plc
20-22 Bedford Row
London
WC1R 4JS
England

finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

Deloitte.

27 January 2011

Dear Sirs

Botswana Diamonds plc

We report on the financial information of Botswana Diamonds plc set out in Section B of this Part III of the AIM Admission document dated 27 January 2011 of Botswana Diamonds plc. This financial information has been prepared for inclusion in the AIM Admission Document on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Schedule Two to the AIM Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of Botswana Diamonds plc are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ('EU').

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the AIM Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 27 January 2011, a true and fair view of the state of affairs of Botswana Diamonds plc as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 and in accordance with IFRSs as adopted by the EU.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Deloitte & Touche
Chartered Accountants
Dublin

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SECTION B – HISTORICAL FINANCIAL INFORMATION RELATING TO BOTSWANA DIAMONDS

STATEMENT OF COMPREHENSIVE INCOME

	Notes	*Period from 22/09/2010 (date of incorporation) to 30/11/2010* £
REVENUE		–
Cost of sales		–
GROSS PROFIT		–
Administrative expenses		–
LOSS BEFORE TAXATION	3	–
Income tax expense	5	–
TOTAL COMPREHENSIVE INCOME		–

STATEMENT OF FINANCIAL POSITION

	Notes	*Period from 22/09/2010 (date of incorporation) to 30/11/2010* £
ASSETS:		
CURRENT ASSETS		
Cash and cash equivalents		0.02
TOTAL ASSETS		0.02
EQUITY		
Called-up share capital	6	0.02
TOTAL EQUITY		0.02

STATEMENT OF CHANGES IN EQUITY

	Share Capital £	*Retained Earnings* £	*Total* £
At 22 September 2010	–	–	–
Issue of shares	0.02	–	0.02
Total comprehensive income	–	–	–
At 30 November 2010	0.02	–	0.02

CASH FLOW STATEMENT

	Period from 22/09/2010 (date of incorporation) to 30/11/2010 £
CASH FLOW FROM FINANCING ACTIVITIES	
Issue of shares	0.02
NET INCREASE IN CASH AND CASH EQUIVALENTS	0.02
Cash and cash equivalents at beginning of the financial year	–
Cash and cash equivalents at end of the financial year	0.02

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by Botswana Diamonds are as follows:

(i) **Basis of preparation**

The company was incorporated on 22 September 2010. Financial information is presented from the date of incorporation to 30 November 2010.

The financial information has been prepared on a historical cost basis. The financial information is presented in pounds sterling.

(ii) **Statement of compliance**

The financial information of Botswana Diamonds has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

(iii) **Foreign currencies**

The functional and presentation currency of the historical financial information is pounds sterling.

The individual financial statements of the company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial information, the results and financial position of the company are expressed in pounds sterling.

In preparing the financial information, 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 period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

2. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET ADOPTED

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

IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2010);

IFRS 2 (Amendment) Share Based Payments (effective for accounting periods beginning on or after 1 July 2009 and 1 January 2010);

IFRS 3 (Revised) Business Combinations (effective for accounting periods beginning on or after 1 July 2009);

IFRS 5 (Amendment) Non-Current Assets Held for Sale and Discontinued Operations (effective for accounting period beginning on or after 1 July 2009 and 1 January 2010);

IFRS 8 (Amendment) Operating Segments (effective for accounting periods beginning on or after 1 January 2010);

IFRS 9 Financial Instruments; Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013);

IAS 1 (Amendment) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2010);

IAS 7 (Amendment) Statement of Cash Flows (effective for accounting periods beginning on or after 1 January 2010);

IAS 17 (Amendment) Leases (effective for accounting periods beginning on or after 1 January 2010);

IAS 24 (Revised) Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011);

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009);

IAS 28 (Amendment) Investments in Associates (effective for accounting periods beginning on or after 1 July 2009);

IAS 31 (Amendment) Interests in Joint Ventures (effective for accounting periods beginning on or after 1 July 2009);

IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 February 2010);

IAS 36 (Amendment) Impairment of Assets (effective for accounting periods beginning on or after 1 January 2010);

IAS 38 (Amendment) Intangible Assets (effective for accounting periods beginning on or after 1 July 2009);

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective for accounting period beginning on or after 1 July 2009 and 1 January 2010);

IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011);

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009);

IFRIC 18 Transfers of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009); and

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

Improvements to IFRSs 2009 (effective for accounting periods beginning on or after 1 January 2010).

Improvements to IFRSs 2010 (effective for accounting periods on or after 1 January 2011).

The directors have assessed the impact in relation to the adoption of these Standards and Interpretations for future periods of the Company. At this point they do not believe they will have a significant impact on the financial information of the Company in future periods.

3. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	Period from 22/09/2010 (date of incorporation) to 30/11/2010 £
Auditor's remuneration	–
Director's remuneration	–

The directors are considered to be the key management personnel of the company.

4. EMPLOYEE INFORMATION

The company does not have any employees.

5. INCOME TAX EXPENSE

No charge to corporation tax arises in the period presented as the company had no income and no expenditure.

6. CALLED-UP SHARE CAPITAL

	Period from 22/09/2010 (date of incorporation) to 30/11/2010 £
Authorised:	
300,000,000 shares of £0.01 each	3,000,000
Issued and fully called-up:	
2 Ordinary shares of £0.01 each	0.02

7. SUBSEQUENT EVENTS

On 20 December 2010, African Diamonds, a company with common directors to Botswana Diamonds, was acquired by a third party. Certain assets of African Diamonds including cash of approximately $2 million were demerged to Botswana Diamonds. Botswana Diamonds issued 100,532,267 ordinary shares of £0.01 each to the shareholders of African Diamonds in consideration for these assets.

Botswana Diamonds will apply for admission to trading on AIM in February 2011.

SECTION C – ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO KUKAMA

The Board of Directors
Botswana Diamonds plc
20-22 Bedford Row
London
WC1R 4JS
England

finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

27 January 2011

Dear Sirs

Kukama Mining & Exploration (Pty) Limited

We report on the financial information of Kukama Mining & Exploration (Pty) Limited ("Kukama") set out in section D of this Part III of the AIM Admission document dated 27 January 2011 of Botswana Diamonds plc. This financial information has been prepared for inclusion in the AIM Admission Document on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Schedule Two to the AIM Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of Botswana Diamonds are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ('EU').

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the AIM Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 27 January 2011, a true and fair view of the state of affairs of Kukama as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 and in accordance with IFRSs as adopted by the EU.

Emphasis of Matter – Realisation of Assets

Without qualifying our opinion, we draw your attention to Note 8 to the financial information concerning the valuation of intangible assets. The realization of intangible assets included in the financial information is dependent on the discovery and successful development of economic mineral reserves including the ability of the company to raise sufficient finance to develop the projects. The financial information does not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined.

Declaration

For the purposes of Paragraph (a) of Schedule Two to the AIM Rules, we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two to the AIM Rules.

Yours faithfully

Deloitte & Touche
Chartered Accountants
Dublin

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SECTION D – HISTORICAL FINANCIAL INFORMATION RELATING TO KUKAMA

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	*Year Ended 30 June 2010*	*Year Ended 30 June 2009*	*Year Ended 30 June 2008*
		£	*£*	*£*
REVENUE		–	–	–
Cost of sales		–	–	–
GROSS PROFIT		–	–	–
Administrative expenses		–	–	–
LOSS BEFORE TAXATION	3	–	–	–
Income tax expense	6	–	–	–
TOTAL COMPREHENSIVE INCOME		–	–	–

STATEMENTS OF FINANCIAL POSITION

	Notes	*30/6/2010* £	*30/6/2009* £	*30/6/2008* £
ASSETS:				
NON CURRENT ASSETS				
Property, Plant and Equipment	7	987	1,093	1,026
Intangible assets	8	801,012	708,773	548,945
		801,999	709,866	549,971
CURRENT ASSETS				
Trade and Other receivables		119,186	179	321
Cash and cash equivalents	11	17,421	33,452	14,917
		136,607	33,631	15,238
TOTAL ASSETS		938,606	743,497	565,209
LIABILITIES:				
CURRENT LIABILITIES				
Trade and other payables	9	(16,459)	(3,212)	(8,719)
NON-CURRENT LIABILITIES				
Amount owed to Group Company	10	(922,147)	(740,285)	(556,490)
TOTAL LIABILITIES		(938,606)	(743,497)	(565,209)
NET ASSETS		–	–	–
EQUITY				
Called-up share capital	12	–	–	–
Retained earnings		–	–	–
TOTAL EQUITY		–	–	–

STATEMENTS OF CHANGES IN EQUITY

	Share Capital £	*Retained Earnings* £	*Total* £
At 1 July 2007	0.18	–	0.18
Total comprehensive income for the period	–	–	–
At 30 June 2008	0.18	–	0.18
Total comprehensive income for the period	–	–	–
At 30 June 2009	0.18	–	0.18
Total comprehensive income for the period	–	–	–
At 30 June 2010	0.18	–	0.18

CASH FLOW STATEMENT

	Notes	*Year Ended 30 June 2010* £	*Year Ended 30 June 2009* £	*Year Ended 30 June 2008* £
CASH FLOW FROM OPERATING ACTIVITIES				
Result for financial year		–	–	–
		–	–	–
MOVEMENTS IN WORKING CAPITAL				
(Increase)/decrease in trade and other receivables		(119,007)	142	(321)
Increase/(decrease) in trade and other payables		13,247	(5,507)	7,768
NET CASH USED IN OPERATING ACTIVITIES		(105,760)	(5,365)	7,447
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for intangible assets		(92,133)	(159,828)	(108,404)
Payments for property, plant and equipment		–	(67)	(1,026)
NET CASH USED IN INVESTING ACTIVITIES		(92,133)	(159,895)	(109,430)
CASH FLOW FROM FINANCING ACTIVITIES				
Increase in amount owed to parent company		181,862	183,795	111,146
NET CASH GENERATED FROM FINANCING ACTIVITIES		181,862	183,795	111,146
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(16,031)	18,535	9,163
Cash and cash equivalents at beginning of the financial year		33,452	14,917	5,754
Cash and cash equivalents at end of the financial year		17,421	33,452	14,917

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by Kukama are as follows:

(i) **Basis of preparation**

The financial information has been prepared on a historical cost basis except for the revaluation of certain financial instruments, which are held at fair value. The financial information is presented in pounds sterling.

Kukama's immediate parent undertaking is Kukama Diamonds Investments Limited ("Kukama BVI"), a company registered in the BVI. As at 30 June 2010, Kukama's ultimate parent undertaking was African Diamonds, a company registered in the United Kingdom. Consolidated financial information for Kukama BVI and Kukama has not been prepared as Kukama BVI does not trade and has no material assets or liabilities. Subsequent to the balance sheet date, African Diamonds demerged its interests in Kukama BVI and Kukama to a new company. Further details are set out in Note 16 of this Section D.

(ii) **Statement of compliance**

The financial information of Kukama has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

(iii) **Intangible assets**

Exploration and evaluation assets

Exploration expenditure relates to the initial search for mineral deposits with economic potential in Botswana. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as intangible assets as part of exploration and evaluation assets.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share based payments) as determined by management.

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:

- price fluctuations;
- foreign exchange risks;
- uncertainties over development and operational risks;
- operations and environmental risks;
- 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; and
- funding risks.

(iv) **Foreign currencies**

The functional currency of the company is Botswana Pula. However for the purposes of the financial information, the results and financial position of the company are expressed in Sterling (the presentation currency).

The individual financial statements of the company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial information, the results and financial position of the company are expressed in pounds sterling.

In preparing the financial information, 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 period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period 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 financial information, the assets and liabilities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising on translation to presentation currency are included in the Statement of Comprehensive Income.

(v) **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on taxable profit for the year. 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 it further excludes items that are never taxable or deductible. Kukama's's liability for current tax is calculated using tax rates 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 information 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.

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 statement of comprehensive income, 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 company intends to settle its current tax assets and liabilities on a net basis.

(vi) **Financial Instruments**

Financial instruments are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade and other receivables". Trade and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment.

Trade and other payables

Trade payables classified as financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

(vii) **Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial information (apart from those involving estimations, which are dealt with below).

Exploration and evaluation

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management consider 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. The company's exploration activities are subject to a number of significant and potential risks including:

- price fluctuations;
- foreign exchange risks;
- uncertainties over development and operational risks;
- operations and environmental risks;

- 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; and
- funding 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 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.

Going concern

The preparation of financial information requires an assessment of the validity of the going concern assumption. The validity of the going concern assumption is dependent on finance being available for the continuing working capital requirements of the company and finance for the development of the company's projects becoming available. Based on the assumptions that such finance will become available, the directors believe that the going concern basis is appropriate for these accounts. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the company's assets, in particular the intangible assets, to their realisable values.

2. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET ADOPTED

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

IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2010);

IFRS 2 (Amendment) Share Based Payments (effective for accounting periods beginning on or after 1 July 2009 and 1 January 2010);

IFRS 3 (Revised) Business Combinations (effective for accounting periods beginning on or after 1 July 2009);

IFRS 5 (Amendment) Non-Current Assets Held for Sale and Discontinued Operations (effective for accounting period beginning on or after 1 July 2009 and 1 January 2010);

IFRS 8 (Amendment) Operating Segments (effective for accounting periods beginning on or after 1 January 2010);

IFRS 9 Financial Instruments; Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013);

IAS 1 (Amendment) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2010);

IAS 7 (Amendment) Statement of Cash Flows (effective for accounting periods beginning on or after 1 January 2010);

IAS 17 (Amendment) Leases (effective for accounting periods beginning on or after 1 January 2010);

IAS 24 (Revised) Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011);

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009);

IAS 28 (Amendment) Investments in Associates (effective for accounting periods beginning on or after 1 July 2009);

IAS 31 (Amendment) Interests in Joint Ventures (effective for accounting periods beginning on or after 1 July 2009);

IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 February 2010);

IAS 36 (Amendment) Impairment of Assets (effective for accounting periods beginning on or after 1 January 2010);

IAS 38 (Amendment) Intangible Assets (effective for accounting periods beginning on or after 1 July 2009);

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective for accounting period beginning on or after 1 July 2009 and 1 January 2010);

IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011);

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009);

IFRIC 18 Transfers of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009); and

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

Improvements to IFRSs 2009 (effective for accounting periods beginning on or after 1 January 2010).

Improvements to IFRSs 2010 (effective for accounting periods on or after 1 January 2011).

The directors have assessed the impact in relation to the adoption of these Standards and Interpretations for future periods of the company. However, at this point they do not believe they will have a significant impact on the financial information of the company in future periods.

3. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2010	*2009*	*2008*
	£	*£*	*£*
Auditor's remuneration	3,000	1,500	1,500

4. RELATED PARTY AND OTHER TRANSACTIONS

Information relating to the company's controlling party is set out in Note 1(i). Amounts owed to African Diamonds at the reporting dates are set out in Note 10.

Remuneration paid to directors during the periods presented is set out below.

	2010	*2009*	*2008*
	£	*£*	*£*
Short term employee benefits	54,918	95,770	65,512
Total	54,918	95,770	65,512

The Board of Directors are considered to be the key management personnel of the company.

5. EMPLOYEE INFORMATION

The company does not have any employees and consequently staff costs are £Nil.

6. INCOME TAX EXPENSE

No charge to corporation tax arises in the periods presented as the company has no income and no expenditure.

7. TANGIBLE ASSETS

	2010	*2009*	*2008*
	£	*£*	*£*
Property, Plant and Equipment:			
Cost:			
At 1 July	1,093	1,026	–
Additions during the year	–	67	1,026
At year end:	1,093	1,093	1,026
Depreciation	(106)	–	–
Carrying Value:			
At 30 June	987	1,093	1,026

8. INTANGIBLE ASSETS

	2010	*2009*	*2008*
	£	*£*	*£*
Exploration and evaluation assets:			
Cost:			
At 1 July	708,773	548,945	380,562
Additions during the year	92,239	159,828	168,383
Carrying Value:			
At 30 June	801,012	708,773	548,945

Exploration and evaluation assets relate to expenditure incurred in prospecting and exploration for diamonds in Botswana.

The realisation of this intangible asset is dependent on the discovery and successful development of economic mineral reserves which is affected by the risks outlined in Note 1. Should the realisation of the intangible asset prove unsuccessful the value included in the balance sheet would be written off to the statement of comprehensive income.

The directors are aware that by its nature there is an inherent uncertainty in such development expenditure as to the value of the asset.

9. TRADE AND OTHER PAYABLES

	2010	*2009*	*2008*
	£	*£*	*£*
Trade and other payables	16,459	3,212	8,719
	16,459	3,212	8,719

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, it is the company's policy that payment is made between 30 – 45 days.

The carrying value of trade and other payables approximates to their fair value.

10. AMOUNTS OWED TO GROUP COMPANY

	2010	*2009*	*2008*
	£	*£*	*£*
Amount owed to African Diamonds	(922,147)	(740,285)	(556,490)
	(922,147)	(740,285)	(556,490)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Kukama's financial instruments comprise cash and cash equivalent balances, receivables and trade payables.

The company does not undertake transactions denominated in foreign currencies. Hence, no exposure to exchange rate fluctuations arise.

The company hold cash as a liquid resource to fund the obligations of the company. The company's cash balances are held in Botswana Pula.

To date, the company has relied upon funding from the parent company to finance operations.

The company does not hold any significant foreign currency denominated monetary assets and monetary liabilities at the reporting dates ("BWP").

12. CALLED-UP SHARE CAPITAL

	2010	*2009*	*2008*
	£	*£*	*£*
Authorised:			
2 Ordinary shares of 1BWP each	0.18	0.18	0.18

13. MATERIAL NON-CASH TRANSACTIONS

There were no material non-cash transactions during the periods presented.

14. COMMITMENTS

There is no capital expenditure authorised or contracted for which is not provided for in the financial information.

15. CONTINGENT LIABILITIES

There are no contingent liabilities at the reporting dates.

16. SUBSEQUENT EVENTS

On 20 December 2010, Kukama's ultimate parent company African Diamonds, was acquired by a third party. Certain assets of African Diamonds, including the entire issued share capital of Kukama BVI and Kukama, were demerged to a new company, Botswana Diamonds.

Botswana Diamonds will apply for admission to trading on AIM in February 2011.

SECTION E – ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO ATLAS

The Board of Directors
Botswana Diamonds plc
20-22 Bedford Row
London
WC1R 4JS
England

finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

27 January 2011

Dear Sirs

Atlas Minerals (Botswana) (Pty) Limited

We report on the financial information of Atlas Minerals (Botswana) (Pty) Limited ("Atlas") set out in Section F of this Part III of the AIM Admission document dated 27 January 2011 of Botswana Diamonds. This financial information has been prepared for inclusion in the AIM Admission Document on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Schedule Two to the AIM Rules and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of Botswana Diamonds are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ('EU').

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the AIM Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 27 January 2011, a true and fair view of the state of affairs of Atlas as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 and in accordance with IFRSs as adopted by the EU.

Emphasis of Matter- Realisation of Assets

Without qualifying our opinion, we draw your attention to Note 8 to the financial information concerning the valuation of intangible assets. The realization of intangible assets included in the financial information is dependent on the discovery and successful development of economic mineral reserves including the ability of the company to raise sufficient finance to develop the projects. The financial information does not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined.

Declaration

For the purposes of Paragraph (a) of Schedule Two to the AIM Rules, we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two to the AIM Rules.

Yours faithfully

Deloitte & Touche
Chartered Accountants
Dublin

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SECTION F – HISTORICAL FINANCIAL INFORMATION RELATING TO ATLAS

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	*Year ended 30/06/2010* £	*18 months ended 30/06/2009* £	*Period from 25/06/2007 to 31/12/2007* £
REVENUE		–	–	–
Cost of sales		–	–	–
GROSS PROFIT		–	–	–
Administrative expenses		–	(3,137)	–
Impairment of Intangible Asset	8	–	(2,659,837)	–
OPERATING LOSS		–	(2,662,974)	–
Finance costs	3	–	(40,718)	–
LOSS BEFORE TAXATION		–	(2,703,692)	–
Income tax expense	7	–	–	–
LOSS FOR THE YEAR/PERIOD		–	(2,703,692)	–
Exchange differences on translation		(78,193)	–	–
TOTAL COMPREHENSIVE INCOME		(78,193)	(2,703,692)	–

STATEMENTS OF FINANCIAL POSITION

	Notes	*30/06/2010* £	*30/06/2009* £	*31/12/2007* £
ASSETS:				
NON CURRENT ASSETS				
Intangible assets	8	42,753	–	2,604,981
CURRENT ASSETS				
Trade and other receivables		5,970	1,241	260,498
Cash and cash equivalents		1,116	1,084	–
		7,086	2,325	260,498
TOTAL ASSETS		49,839	2,325	2,865,479
LIABILITIES:				
CURRENT LIABILITIES				
Trade and other payables	9	(46,560)	(3,136)	–
NON-CURRENT LIABILITIES				
Amounts due to parent company	10	(2,785,146)	(2,702,863)	(2,865,461)
TOTAL LIABILITIES		(2,831,706)	(2,705,999)	(2,865,461)
NET (LIABILITIES)/ASSETS		(2,781,867)	(2,703,674)	18
EQUITY				
Called-up share capital	12	18	18	18
Retained earnings		(2,703,692)	(2,703,692)	–
Translation reserve		(78,193)	–	–
TOTAL (DEFICIT)/EQUITY		(2,781,867)	(2,703,674)	18

STATEMENTS OF CHANGES IN EQUITY

	Share Capital £	*Retained Earnings* £	*Translation Reserve* £	*Total* £
At 25 June 2007	–	–	–	–
Issue of shares	18	–	–	18
Total comprehensive income	–	–	–	–
At 31 December 2007	18	–	–	18
Total comprehensive income	–	(2,703,692)	–	(2,703,692)
At 30 June 2009	18	(2,703,692)	–	(2,703,674)
Total comprehensive income	–	–	(78,193)	(78,193)
At 30 June 2010	18	(2,703,692)	(78,193)	(2,781,867)

CASH FLOW STATEMENT

	Notes	*Year ended 30/06/2010* £	*18 months ended 30/06/2009* £	*Period from 25/06/2007 to 31/12/2007* £
CASH FLOW FROM OPERATING ACTIVITIES				
Loss for the year/period		–	(2,703,692)	–
Impairment of intangible assets		–	2,659,837	–
Exchange movements		(78,193)	–	–
		(78,193)	(43,855)	–
MOVEMENTS IN WORKING CAPITAL				
(Increase)/decrease in trade and other receivables		(4,729)	259,257	(260,498)
Increase in trade and other payables		43,424	3,136	–
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(39,498)	218,538	(260,498)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for intangible assets		(42,753)	(14,138)	(2,604,981)
NET CASH USED IN INVESTING ACTIVITIES		(42,753)	(14,138)	(2,604,981)
CASH FLOW FROM FINANCING ACTIVITIES				
Interest paid		–	(40,718)	–
Increase/(decrease) in amount owed to parent company		82,283	(162,598)	2,865,461
Proceeds from the issue of shares		–	–	18
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		82,283	(203,316)	2,865,479
NET INCREASE IN CASH AND CASH EQUIVALENTS		32	1,084	–
Cash and cash equivalents at beginning of the financial year		1,084	–	–
Cash and cash equivalents at end of the financial year		1,116	1,084	–

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by Atlas are as follows:

(i) **Basis of preparation**

The financial information has been prepared on a historical cost basis except for the revaluation of certain financial instruments, which are held at fair value. The financial information is presented in pounds sterling.

The company was incorporated on 25 June 2007. During 2008 the company changed its accounting year end from 31 December to 30 June. Therefore financial information is presented for the period from incorporation to 31 December 2007, the 18 month period to 30 June 2009 and the year ended 30 June 2010.

(ii) **Statement of compliance**

The financial information of Atlas has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

(iii) **Intangible assets**

Exploration and evaluation assets

Exploration expenditure relates to the initial search for mineral deposits with economic potential in Botswana. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as intangible assets as part of exploration and evaluation assets.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share based payments) as determined by management.

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:

- price fluctuations;
- foreign exchange risks;
- uncertainties over development and operational risks;
- operations and environmental risks;
- 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; and
- funding risks.

(iv) **Foreign currencies**

The functional currency of the company is Botswana Pula. However for the purposes of the financial information, the results and financial position of the company are expressed in Sterling (the presentation currency).

The individual financial statements of the company are maintained in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial information, the results and financial position of the company are expressed in pounds sterling.

In preparing the financial information, 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 period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period 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 financial information, the assets and liabilities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising on translation to presentation currency are included in the Statement of Comprehensive Income.

(v) **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on taxable profit for the year. 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 it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates 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 information 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.

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 statement of comprehensive income, 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 company intends to settle its current tax assets and liabilities on a net basis.

(vi) **Financial Instruments**

Financial instruments are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of three months or less.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade and other receivables". Trade and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment.

Trade and other payables

Trade payables classified as financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

(vii) **Critical accounting judgements in applying the company's accounting policies**

In the process of applying the company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial information (apart from those involving estimations, which are dealt with below).

Exploration and evaluation

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management consider 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. The company's exploration activities are subject to a number of significant and potential risks including:

- price fluctuations;
- foreign exchange risks;
- uncertainties over development and operational risks;

- operations and environmental risks;
- 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; and
- funding 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 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.

Going concern

The preparation of financial information requires an assessment on the validity of the going concern assumption. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the Company and finance for the development of the Company's projects becoming available. Based on the assumptions that such finance will become available, the directors believe that the going concern basis is appropriate for these accounts. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the company's assets, in particular the intangible assets, to their realisable values.

2. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET ADOPTED

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

IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2010);

IFRS 2 (Amendment) Share Based Payments (effective for accounting periods beginning on or after 1 July 2009 and 1 January 2010);

IFRS 3 (Revised) Business Combinations (effective for accounting periods beginning on or after 1 July 2009);

IFRS 5 (Amendment) Non-Current Assets Held for Sale and Discontinued Operations (effective for accounting period beginning on or after 1 July 2009 and 1 January 2010);

IFRS 8 (Amendment) Operating Segments (effective for accounting periods beginning on or after 1 January 2010);

IFRS 9 Financial Instruments; Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013);

IAS 1 (Amendment) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2010);

IAS 7 (Amendment) Statement of Cash Flows (effective for accounting periods beginning on or after 1 January 2010);

IAS 17 (Amendment) Leases (effective for accounting periods beginning on or after 1 January 2010);

IAS 24 (Revised) Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011);

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009);

IAS 28 (Amendment) Investments in Associates (effective for accounting periods beginning on or after 1 July 2009);

IAS 31 (Amendment) Interests in Joint Ventures (effective for accounting periods beginning on or after 1 July 2009);

IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 February 2010);

IAS 36 (Amendment) Impairment of Assets (effective for accounting periods beginning on or after 1 January 2010);

IAS 38 (Amendment) Intangible Assets (effective for accounting periods beginning on or after 1 July 2009);

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective for accounting period beginning on or after 1 July 2009 and 1 January 2010);

IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011);

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009);

IFRIC 18 Transfers of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009); and

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

Improvements to IFRSs 2009 (effective for accounting periods beginning on or after 1 January 2010).

Improvements to IFRSs 2010 (effective for accounting periods on or after 1 January 2011).

The directors have assessed the impact in relation to the adoption of these Standards and Interpretations for future periods of the Company. However, at this point they do not believe they will have a significant impact on the financial information of the Company in future periods.

3. FINANCE COSTS

	Year ended 30/06/2010	*18 months ended 30/06/2009*	*Period from 25/06/2007 to 31/12/2007*
	£	*£*	*£*
Interest on parent-company loan	–	40,718	–

4. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	Year ended 30/06/2010	*18 months ended 30/06/2009*	*Period from 25/06/2007 to 31/12/2007*
	£	*£*	*£*
Auditor's remuneration	3,000	3,000	3,000

5. EMPLOYEE INFORMATION

The company does not have any employees.

6. RELATED PARTY AND OTHER TRANSACTIONS

The company was a wholly-owned subsidiary of African Diamonds at 30 June 2010. Amounts due to African Diamonds at that date are set out in Note 10. During the year ended 30 June 2010, African Diamonds charged interest of £Nil (period ended 30 December 2008: £40,718, period from 25 June 2007 to 31 December 2007: £Nil) on loans due to them.

African Diamonds plc purchased 100 per cent. of the share capital of Atlas during 2008. Prior to that date the company was a subsidiary of De Beers Prospecting (Proprietary) Limited. Amounts due to De Beers Prospecting (Proprietary) Limited are set out in Note 10.

Subsequent to the balance sheet date, African Diamonds demerged its interests in Atlas to a new company. Further details are set out in Note 16.

No remuneration was paid to directors or key management personnel during the periods presented.

7. INCOME TAX EXPENSE

	Year ended 30/06/2010	*18 months ended 30/06/2009*	*Period from 25/06/2007 to 31/12/2007*
	£	*£*	*£*
Loss for the year/period	–	(2,703,692)	–
Tax at 25%	–	(675,923)	–
Losses forward	–	675,923	–
Income tax charge	–	–	–

At 30 June 2010 the company had unused tax losses of £2,703,692 (2009: £2,703,692, 2008: £Nil) which equates to a deferred tax asset of £675,923 (2008: £675,923; 2007: £Nil). This asset has not been recognised as the company is currently not generating profits.

8. INTANGIBLE ASSETS

	30/06/2010	*30/06/2009*	*31/12/2007*
	£	*£*	*£*
Exploration and evaluation assets:			
Cost:			
Opening balance	–	2,604,981	–
Foreign exchange movements on intangible assets	–	40,718	–
Additions during the year	42,753	14,138	2,604,981
Impairment charge	–	(2,659,837)	–
Carrying Value:			
Closing balance	42,753	–	2,604,981

Exploration and evaluation assets relates to expenditure incurred in prospecting and exploration for diamonds in Botswana.

The realisation of this intangible asset is dependent on the discovery and successful development of economic mineral reserves which is affected by the risks outlined in Note 1(vii). Should the realisation of the intangible asset prove unsuccessful the value included in the balance sheet would be written off to the statement of comprehensive income.

The directors are aware that by its nature there is an inherent uncertainty in such development expenditure as to the value of the asset.

During the period ended 30 June 2010 an impairment charge of £Nil (2009: £2,659,837; 2008: £Nil) was recorded.

9. TRADE AND OTHER PAYABLES

	30/06/2010	*30/06/2009*	*31/12/2007*
	£	*£*	*£*
Trade and other payables	46,560	3,136	–

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, it is the company's policy that payment is made between 30–45 days.

The carrying value of trade and other payables approximates to their fair value.

10. AMOUNTS DUE TO GROUP UNDERTAKINGS

	30/06/2010	*30/06/2009*	*31/12/2007*
	£	*£*	*£*
Amount owed to African Diamonds	2,785,146	2,702,863	–
Amount owed to DeBeers Prospecting (Proprietary) Limited	–	–	2,865,461
	2,785,146	2,702,863	2,865,461

The loan from DeBeers Prospecting (Proprietary) Limited did not attract interest. African Diamonds charged interest of £Nil during the year ended 30 June 2009 (2008: £40,718; 2007: £Nil)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company's financial instruments comprise cash and cash equivalent balances, receivables and trade payables.

The company does not undertake transactions denominated in foreign currencies. Hence, no exposure to exchange rate fluctuations arise.

The company hold cash as a liquid resource to fund the obligations of the company. The company's cash balances are held in Botswana Pula.

To date, the company has relied upon funding from the parent company to finance operations. The company has a loan from its parent company on which interest was charged during the 18 months ended 30 June 2009. Interest was charged at a fixed rate and therefore no interest rate exposure arose.

The company does not hold any significant foreign currency denominated monetary assets and monetary liabilities at the reporting dates.

12. CALLED-UP SHARE CAPITAL

	30/06/2010	*30/06/2009*	*31/12/2007*
	£	£	£
Authorised, allotted and fully called-up:			
200 Ordinary shares of 1 BWP each	18	18	18

13. MATERIAL NON-CASH TRANSACTIONS

There were no material non-cash transactions during the periods presented.

14. COMMITMENTS

There is no capital expenditure authorised or contracted for which is not provided for in the financial information.

15. CONTINGENT LIABILITIES

There are no contingent liabilities at 30/6/2010, 30/6/2009 or 31/12/2007.

16. SUBSEQUENT EVENTS

On 20 December 2010, Atlas' ultimate parent company, African Diamonds, was acquired by a third party. Certain assets of African Diamonds, including the entire issued share capital of Atlas were demerged to a new company, Botswana Diamonds.

Botswana Diamonds will apply for admission to trading on AIM in February 2011.

PART IV

PRO-FORMA STATEMENT OF NET ASSETS

Unaudited Pro Forma Statement of Net Assets

The unaudited pro forma statement of net assets set out in this Part IV has been prepared to illustrate the effect of the Demerger as if it had occurred at 30 November 2010. The unaudited pro forma statement of net assets has been prepared by the Company for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not present the Group's actual financial position or results following the Demerger.

		Adjustments				
As at	*Botswana Diamonds Note 2 30/11/2010 £'000*	*Kukama Note 3 30/06/2010 £'000*	*Atlas Note 3 30/06/2010 £'000*	*Share of African Diamonds Assets & Liabilities Notes 4, 7 30/06/2010 £'000*	*Intercompany Adjustments Note 5 £'000*	*Unaudited Pro Forma Net Assets Note 1 30/11/2010 £'000*
Non Current Assets						
Property, plant & equipment	–	1	–	–	–	1
Intangible Assets	–	801	43	3,311	–	4,155
Investments	–	–	–	956	–	956
	–	802	43	4,267	–	5,112
Current Assets						
Amounts due from group companies	–	–	–	1,014	(1,014)	–
Trade & Other Receivables	–	119	6	43	–	168
Cash	–	17	1	2,323	–	2,341
	–	136	7	3,380	(1,014)	2,509
Total Assets	–	938	50	7,647	(1,014)	7,621
Current Liabilities						
Trade and Other Payables	–	(16)	(47)	(221)	–	(284)
Amounts due to group companies	–	(922)	(92)	–	1,014	–
Non Current Liabilities						
Amounts due to group companies	–	–	(2,693)	–	2,693	–
Total Liabilities	–	(938)	(2,832)	(221)	3,707	(284)
NET ASSETS/(LIABILITIES)	**–**	–	(2,782)	7,426	2,693	7,337

Notes:

1. The unaudited pro forma net assets statement has been prepared by the Company to illustrate the effect of the Demerger as set out in Parts I and VI of this document.

2. The consolidated net assets of Botswana Diamonds as at 30 November 2010 has been extracted without material adjustment from the historical financial information of Botswana Diamonds as set out in Section B of Part III of this document.

3. The net assets of Kukama and Atlas as at 30 June 2010, have been extracted without material adjustment from the historical financial information of Kukama as set out in Section D of Part III of this document and the historical financial information of Atlas as set out in Section F of Part III of this document.

4. The net assets to be demerged from African Diamonds have been extracted from the books and records of African Diamonds as at 30 June 2010.

5. Intercompany adjustments have been made to eliminate intercompany balances between the subsidiaries of the Group included in the unaudited pro forma statement of net assets.

6. The balance sheets of a number of dormant subsidiaries of the Group have been excluded from the unaudited pro forma statement of net assets as they are considered by the Directors to be immaterial. These subsidiaries are Kukama BVI, Congo Diamonds plc, Botswana Exploration plc, Botswana Coal plc and Orapa Diamonds plc.

7. The terms of the acquisition of certain assets and liabilities from African Diamonds provide for (*inter alia*) the issue of 1 share in Botswana Diamonds for each share in African Diamonds.

8. Save as disclosed above, no adjustment has been made to take account of the trading or other transactions of the Company since 30 November 2010 and Kukama, Atlas and demerged net assets of African Diamonds since 30 June 2010.

PART V

COMPETENT PERSON'S REPORT

COMPETENT PERSON'S REPORT
ON A PORTFOLIO OF
DIAMOND EXPLORATION PROPERTIES
IN BOTSWANA AND THE DEMOCRATIC REPUBLIC OF CONGO FOR
BOTSWANA DIAMONDS PLC
AND
FINNCAP LTD

27 January 2011

Cape Town, South Africa **Peter W. A. Walker B.Sc.(Hons.), MBA, Pr.Sci.Nat.**

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1. EXECUTIVE SUMMARY

1.1 Preamble

African Diamonds plc ("AFD") is a diamond exploration company and emerging producer which had a total of seven active prospecting licences located in Botswana and the Democratic Republic of Congo ("DRC"), Africa. The projects are in various stages of development with one kimberlite project (AK6, Botswana) recently converted to a mining licence and now nearing the production stage and the remaining projects at various stages of exploration.

AFD has completed an implementation agreement with the Lucara Diamond Corporation ("Lucara") pursuant to which Lucara has acquired all of the issued share capital of AFD by way of a Scheme of Arrangement. The consideration was 0.80 of a Lucara share plus 1 share in Botswana Diamonds plc for every 1 share held in AFD. This has given AFD shareholders 26.57 per cent. of Lucara which will then own 100 per cent. of AFD's AK6 diamond property near Orapa in Botswana which is nearing the production stage. Botswana Diamonds has taken transfer of all of the interests of AFD apart from AK6. These interests include cash, currently at US$2.2 million, exploration ground in Botswana, including identified kimberlites in the Orapa cluster known as AK8, AK9 and BK5 and an indirect exposure to a diamond project in the DRC.

Botswana Diamonds plc ("BD") will seek admission to AIM and a listing on the Botswana Stock Exchange and this Competent Person Report is written in pursuit of that objective.

AFD has been operating in Africa for several years and executive management has good relationships with various government departments at national, regional and local levels in all the African countries it has operated in. The company has excellent relationships with the communities close to the projects and apart from offering many employment opportunities to local citizens they are substantial contributors to local community affairs and to improving local infrastructure. The same proven executive management will guide the future exploration projects of BD.

VP3 Geoservices ("VP3") has assessed the projects and their prospectivity and has estimated exploration target sizes wherever it has been appropriate to do so and as sufficient information exists. All of the projects are deemed by VP3 to have merit and, in our opinion, should be advanced to the stage where informed decisions as to their potential for commercial exploitation can be made. The exploration portfolio offers the newly formed company the potential of becoming a mid-tier diamond producer in the short to medium-term, should one or more of the projects or investments continue to show economic potential.

1.2 Introduction

VP3 Geoservices Proprietary Limited ("VP3") has been retained by Botswana Diamonds plc and their nominated advisors finnCap Limited to complete a Competent Person's Report on BD's diamond properties located in the Republic of Botswana and the DRC, Africa. This Report is prepared in accordance with the June 2009 Note for Mining, Oil and Gas Companies issued by the London Stock Exchange plc, Alternative Investment Market (AIM).

1.3 Properties

The reader is referred to Appendix A for all of the licence details and their status.

BD has a 100 per cent. interest in the following Botswana properties through their wholly owned Botswana subsidiary, Atlas Minerals Botswana (Pty) Ltd.:

- The AK8 kimberlite pipe project, held under a prospecting licence PL004/2002 valid to 30 June 2011.
- The AK9 kimberlite pipe project, held under a prospecting licence PL004/2002 valid to 30 June 2011.

- The BK5 kimberlite pipe project, held under prospecting licences PL004/2002 valid to 30 June 2011 and PL605/2009 valid until 30 June 2012.
- A further prospecting licence, PL007/2004 valid to 30 June 2011 has no known kimberlites, but exploration completed to date is encouraging and further work to find kimberlite(s) is justified.

BD has a 35.4 per cent. shareholding interest in Bugeco S.A. which is the parent company of 100 per cent. subsidiary Bugeco Exploration RDC S.A.R.L., a registered company in the Democratic Republic of Congo which has:

- Three diamond exploration licences in Kasai Province with reference numbers PR906, PR899 and PR927. The original prospecting licences obtained in 2003 covered an area of 20,000 square kilometres. Extensive prospecting work has been carried out at great expense in a joint venture with De Beers. Much of the original licence area has been relinquished in accordance with DRC legislation. The current area of approximately 137 square kilometres hosts a cluster of 9 partially evaluated kimberlites.

1.4 **Geology**

The Botswana projects are on the Zimbabwe craton, an ancient Archaen aged (>3.0Ga) stable portion of the continental crust. The Botswana projects are part of the Orapa kimberlite cluster on the south-western corner of the craton and these kimberlites were intruded during the Late Cretaceous (~93 Ma) era through deformed Archaen basement rocks and a series of overlying sediments and volcanic rocks belonging to the Karoo Supergroup.

The Bugeco project is situated in the north east portion of the central nucleus of the Kasai Craton in the Kasai Oriental Province, DRC. Exploration to date has confirmed the presence of 9 kimberlites. Bugeco has expressed a preference for finding a joint venture partner to further the evaluation of these kimberlites and BD therefore has no expenditure commitment to this project.

1.5 **History**

Botswana: An extensive exploration programme by the De Beers Group during the 1960's led to the discovery of the Orapa cluster of kimberlite pipes. The largest of these, AK1 was found to be diamondiferous in 1967 and this 118 ha pipe was developed as the Orapa Mine which opened in July 1971. Other kimberlites in the cluster include BK1, BK9, BK12 & BK15 which are mined together as the Damtshaa mine, opened in October 2002 as well as DK1, the Letlhakane mine. The De Beers exploration process was initially to collect large loam samples on a regional grid for kimberlite indicator minerals followed up by closer spaced sampling, airborne and ground magnetic surveys, gravity surveys and various drilling programmes.

AFD's (now Lucara's) AK6 kimberlite is located in the Orapa kimberlite field some 25 kilometres south of the Orapa mine and was also discovered by De Beers in the 1970s, but like many of the other small pipes prospected by De Beers, was considered unworthy of further attention at that time. Kukama Exploration obtained a number of prospecting licences in the Orapa area after De Beers were forced to relinquish the ground at the end of their lease period, and Kukama entered into a joint venture with AFD to fund further exploration and evaluation. De Beers Exploration, who wished to participate in this exploration endeavour, negotiated the Boteti joint venture with AFD and funded the evaluation of the prospecting licences, including AK6. This culminated in the completion of a positive feasibility study in October 2007, but poor diamond markets in 2008 delayed a start-up. In October 2008 a mining licence over AK6 was granted and in November 2009, De Beers sold its 71 per cent. stake in AK6 to Lucara.

Although the Boteti joint venture extended to the remaining kimberlites in the prospecting licences, which are the subject of this report, the exploration and evaluation of these has been intermittent and none of the kimberlites have reached the stage where decisions as to their economic potential can be made.

DRC: Diamond mining began in the Belgian colonial period when substantial alluvial diamond deposits were discovered in the early 1900's, principally near the town of Bakwanga (Mbuji Maye) in southern Kasai-Oriental Province. In 1961, the Societe Miniere de Bakwanga (MIBA) was formed to mine the kimberlites at Bakwanga and this is to date the only large commercial kimberlite mine in the DRC. Artisan mining of alluvial deposits is widespread and accounts for some 75 per cent. of the country's total diamond production.

During the early 2000's many large diamond mining companies took out licences to explore for kimberlites in the Kasai Province, among them De Beers, Gem Diamonds, BHP and Southern Era. De Beers funded the joint venture exploration of Bugeco's licence area which extends from some 40Km to 100Km east-south-east of the MIBA mine. The JV began in September 2003 and De Beers expended some US$10.5 million on kimberlite indicator mineral ("KIM") sampling, geophysical surveys, drilling and micro-diamond analysis. In late 2008, with the severe downturn in diamond markets, De Beers relinquished their JV with Bugeco.

1.6 **Diamond Exploration to Date**

Botswana: De Beers, as the previous operating partner of the Boteti joint venture, have advanced the three kimberlite projects, AK08, AK09 & BK05 to the stage where better definition of kimberlite size and continuity, grade and value can be achieved within a relatively short timeframe. The surface extent and depth of overburden are relatively well defined and the three kimberlites are known to be diamondiferous. The diamond grade testing done to date is of poor quality and a bulk sampling programme to obtain a better estimate of the overall grade and also to recover sufficient diamonds to obtain a mean value per carat is now required.

Bugeco, DRC: De Beers, as the previous operator of this project, have completed all of the regional exploration and narrowed down the target area to two clusters of kimberlites with nine, drill-confirmed kimberlites found to date. The evaluation of these nine kimberlites is now required – drill definition of their extent and bulk sampling to estimate their diamond grade and diamond value is needed.

1.7 **Resource Statement**

None of the kimberlite exploration projects have advanced to the point where a confident estimate of their diamond grade and value can be calculated. Table 1 below summarizes the current knowledge of exploration results to date, however, it must be emphasized that the range of estimates is based on insufficient evidence and the reader is cautioned that we do not wish to misrepresent these exploration results or imply that economic mineralisation has been discovered.

Table 1: Speculative Exploration Targets

Project	*Botswana Diamonds Attributable (%)*	*Operator*	*Lower Screen Size (mm)*	*Min-Max Size Range (Tonnes)*	*Probable Stripping (Tonnes)*	*Estimated Capex US$*	*Estimated Opex US$/tonne*	*Estimated Grade (cpht)*	*Speculative Target Size (cts)*	*Speculative Value (US$/ct)*
AK 08	100	Botswana Diamonds	1	13.5 to 20.6 million[1]	72.2 million[1] to mine to 275m depth	20.5[1] # million	23.6[1]	4 to 8.2[2]	540,000 to 1.689 million	100[3]
AK 09	100	Botswana Diamonds	1	7.3 to 11.0 million[1]	63.7 million[1] to mine to 250m depth	20.5[1] # million	23.6[1]	3.5 to 8.0[2]	255,500 to 880,000	26.37[3]
BK 05	100	Botswana Diamonds	1	9.0 to 12.7 million[1]	31.8 million[1] to mine to 250m depth	37.0[1] million	12.9[1]	4.4 to 7.2	396,000 to 914,400	unknown

Notes:

1. These figures are derived from a scoping study commissioned by AFD – see reference J.E. Clarke, November 2010.

1# Since the two kimberlites are only 1km. apart, it is intended that they will share a common infrastructure and plant – hence a Capex estimate of US$41 million for both AK08 & 09.

2. These figures are derived from a re-interpretation of the De Beers bulk sampling results – see reference N. Ayres, 2010.

3. These figures are based on estimates done by De Beers and are based on the April 2008 base price book – the AK 09 value was only estimated from a 4ct sample and is probably very inaccurate.

1.8 Conclusions and Recommendations for Further Work

Botswana: The AK08, AK09 and BK05 kimberlites are at the stage where systematic RC and diamond drilling to better define the lateral continuity and contacts between kimberlite and country rock are required as a first step towards obtaining a confident estimate of the volume of the kimberlite resource and the volume of overburden down to a vertical depth extent of some 250m to 300m. This programme should also be used to better define the internal geology of the kimberlite and whether variations in composition may signify variations in diamond grade. Once this phase of drilling has been completed, a bulk sampling programme can be designed to sample sufficient volumes of material to obtain diamond grade estimates of each of the kimberlite varieties defined in the petrographic study and also to obtain an estimate of average diamond values.

Prospecting Licence PL07/2004 has a well defined kimberlite indicator mineral anomaly and exploration by means of geophysics and drilling needs to be applied to discover any kimberlite occurrences associated with this anomaly.

Bugeco Project, DRC: The nine kimberlites discovered by extensive exploration require further drilling and sampling to determine their likely economic significance. Since BD has a minority shareholding in the controlling company and Bugeco has expressed a preference for seeking a joint venture partner to further the project's development, no budget expenditure needs to be allocated to this project.

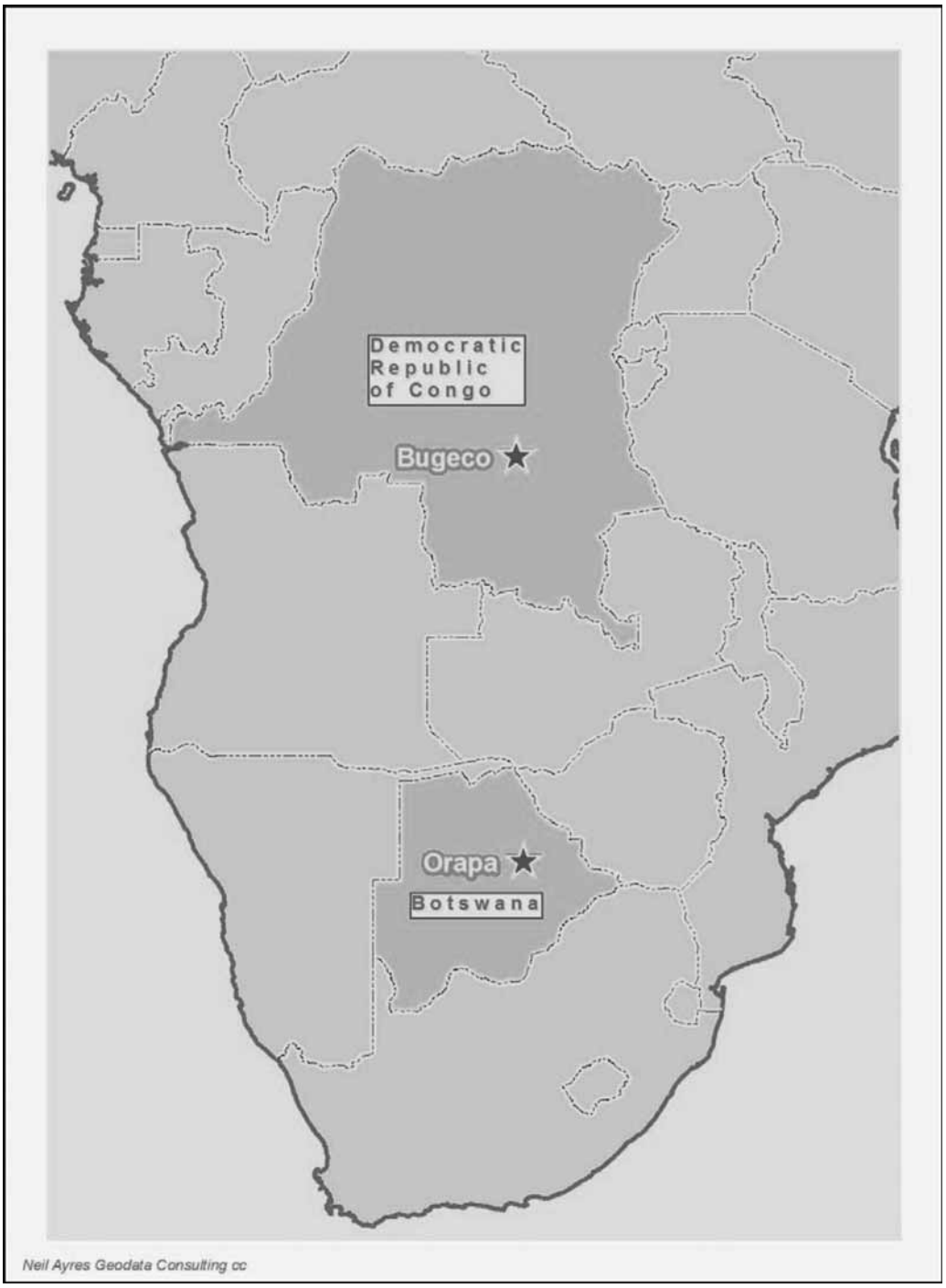
1.9 Budgeted Exploration Expenditure

The BD management has prepared an exploration and evaluation programme with a budget estimate of project expenditure for an 18-month period. The work programmes and budgeted costs are summarized below in Table 2. BD management have forecast capital and operating expenditures of some Pula 3 million (~US$436,000 or ~£281,000), with the majority of those costs associated with the evaluation of the three, identified kimberlites, AK08, 09 & BK05.

The work programme, timing and cost estimates are summarised as shown in Table 2 below:

Table 2: Summary 18 Month Budget (All figures are Pula 000's)

Month	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*Total*
ACTIVITY																			
SUPERVISING GEOLOGIST	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	360
ADMINISTRATION	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	180
CONSULTANTS	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	180
DRILLING	0	0	0	188	188	187	187	0	0	0	0	0	0	0	0	0	0	0	750
Pre-FEASIBILITY STUDY	0	0	0	0	0	0	0	0	0	0	0	0	250	250	250	250	250	250	1,500
TOTAL																			3,000



MAP 1: LOCATION OF BD'S DIAMOND LICENCES

2. INTRODUCTION AND TERMS OF REFERENCE

On the instructions of Mr. J.A.H.Campbell, the Managing Director of African Diamonds plc of 20-22 Bedford Row, London WC1R 4JS, United Kingdom, VP3 Geoservices Proprietary Limited ("VP3") has prepared an Independent Competent Person's Report compliant with the June 2009 Note for Mining, Oil and Gas Companies issued by the London Stock Exchange plc, Alternative Investment Market (AIM). This report describes the exploration assets and liabilities of BD. The effective date of this report is 27 January 2011.

African Diamonds plc ("AFD") was a company incorporated in England which came into existence in 2000 as Zinquest plc, an unlisted company formed to explore and exploit mineral deposits. In February 2002 it changed its name to African Diamonds plc. In July 2002, African Diamonds acquired Kukama Mining and Exploration Proprietary Limited, which held three prospecting licences in Botswana. On the 14 July 2003, AFD was listed on the Alternative Investment Market and in December 2003 found the first diamond on its properties in Botswana. The company listed on the Botswana Stock Exchange in February 2004 and with Joint Venture partner, the De Beers Group, began evaluation of the AK6 kimberlite, some 25 Km south of the Orapa diamond mine, in December 2004. A Mining Licence (ML2008/6L) over AK6 was granted to the joint venture company, Boteti Exploration (Pty) Ltd ("Boteti"), on 28 October 2008. In December 2009 De Beers sold their 70 per cent. interest in Boteti to Lucara Diamond Corporation ("Lucara") (60 per cent.) and to AFD (10 per cent.) so that the shareholding in Boteti was 60 per cent. Lucara and 40 per cent. AFD.

Lucara of 885 W. Georgia Street, Suite 2101 Vancouver, BC Canada V6C 3E8 is an African focused diamond exploration and development company. The Company is building a portfolio of advanced stage diamond assets with a view to become a leading mid-tier African diamond producer. Lucara is a member of the Lundin Group of Companies and is listed on the TSX Venture Exchange under the symbol "LUC".

AFD and Lucara have now implemented the terms of an agreement pursuant to which Lucara has acquired all of the issued and outstanding shares of AFD on the basis of 0.80 of a common share of Lucara for each AFD common share by way of an English court-approved Scheme of Arrangement, the "Acquisition". AFD shareholders now own approximately 26.57 per cent. of the outstanding common shares of Lucara, with Lucara now holding an undivided 100 per cent. interest in the AK6 mining project. Furthermore, all of AFD's assets other than its interest in the AK6 project, have been transferred into a newly formed company, Botswana Diamonds plc ("BD") which will be owned by the former AFD shareholders and which will seek a listing on both the AIM and Botswana Stock Exchange, and will raise additional capital by means of a share issue in order to advance their plans for exploration and development of their African diamond assets. In view of these intentions, this report is also addressed to the new company's nominated advisor, finnCap Limited.

2.1 Principal Sources of Information

In preparing this Report, the author reviewed both internal confidential technical reports and other sources of data and information as provided by AFD and BD, and obtained independent information from the public domain as listed in the Reference and Bibliography section of this Report. In addition, the author, Mr. Peter Walker completed site visits and interviews with key personnel, as well as drawing on his own experience in primary and alluvial diamond exploration and mining.

VP3 understands that this Report may be used by BD for securities regulatory filings and for exploration and development fundraising purposes on the Alternative Investment Market exchange ("AIM"), a subsidiary of the London Stock Exchange plc. This Report describes their assets and liabilities, their properties' technical and economic potential and recommends a comprehensive exploration programme. As such, it meets or exceeds the standards set by the London Stock Exchange's AIM as detailed in their June 2009 "Note for Mining, Oil and Gas Companies".

2.2 Site Visits

The Botswana diamond properties were visited by the author during the period 1 November to 4 November 2010, in the company of a representative of BD, being Mr. Neil Ayres a consulting geologist with extensive knowledge of the Botswana operations.

No site visit was made to the DRC project area as this was deemed to be a passive, minority shareholding and does not form part of any intensive exploration plan going forward, however Mr. Christophe de La Vallee Poussin of Bugeco supplied most of the data and reports and addressed all queries and comments concerning the DRC properties. The Managing Director of AFD, Mr. James Campbell arranged the tour of the Botswana licences and with his nominated consulting geologist, Mr. Ayres, provided all of the supporting reports, maps and documents and addressed all queries and comments.

On the 1–4 November 2010 the Botswana licence areas were inspected and work to date plus future exploration and exploitation plans were discussed.

2.3 **Qualifications and Independence of VP3 and the Author**

VP3 is an international geological consulting company incorporated in the Republic of South Africa in 2006. VP3 provides a wide range of geological, geophysical, and exploration project management services to the international mining industry, including evaluation and pre-feasibility studies on mineral properties. The Company's services are provided from offices located in Cape Town, South Africa. Neither VP3 nor the author are insiders, associates or affiliates of AFD, BD or Lucara and none of the directors, shareholders, or employees of VP3 owns, directly or indirectly, any shares in AFD, BD or Lucara, their parent or subsidiary and associated companies.

This report has been prepared solely by Mr. Peter Walker B.Sc. (Hons.) Geol, MBA, Pr.Sci.Nat., consulting geologist. Mr. Walker has over 33 years of experience in the mining industry with extensive experience in diamonds, gold, uranium, base and industrial mineral exploration and mining projects including 3 years of kimberlite diamond exploration management and some 13 years of alluvial diamond exploration management and consulting on diamond projects in South Africa, Namibia, Angola, Gabon, Guinea, Democratic Republic of Congo, Liberia, Central African Republic, Zimbabwe, Mozambique, Botswana, Brazil, Venezuela, Indonesia, and Australia.

The author of this report has a demonstrated track record of undertaking technical assessments of resource and reserve statements, project evaluations and audits, technical reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. More importantly, the author has experience relevant to the deposit types reviewed in this report.

For the purpose of this report Mr. P.W.A. Walker is the author and Qualified Person.

Neither VP3 nor the author of this Report, their family members or associates, have any business relationship, other than acting as an independent consultant, with AFD, BD or Lucara nor any associated company or company mentioned in this Report, which is likely to materially influence their impartiality or create the perception that the credibility of the report could be compromised or biased in any way. The views expressed herein are genuinely held and deemed independent of AFD, BD or Lucara.

Neither VP3 nor the author of this Report, their family members or associates, have any financial interest in the outcome of any transaction involving the properties considered in this Report, other than the payment of normal professional fees for the work undertaken in preparation of the Report which are based on a daily charge-out rate and reimbursement of expenses. The payment of such fees is not dependant upon the content or the conclusions of either this Report, or any consequences of any proposed transaction.

AFD, BD, Lucara and finnCap have accepted that the qualifications, expertise, experience, competence, membership of appropriate professional bodies and professional reputation of VP3 and the author are appropriate and relevant for the preparation of this Report.

2.4 **Disclaimer & Reliance on Other Experts**

Exploration and sampling data was made available to the author by AFD, BD, Bugeco and their consultants and is cited in this Report. Duplicates or portions of the original drill samples collected and processed to obtain this data are not available for check analysis and since the author was not present during the drilling and sample collection programmes, he cannot vouch for the integrity of any of the data available.

The author has assumed that all of the information and technical documents reviewed and listed in the References and Bibliography section of this Report are accurate and complete in all material aspects. While due care has been taken in the use of this information, the author has not conducted any extensive independent investigation to verify their source data for accuracy and completeness.

The author has had sight of copies of the original documents granting the prospecting and exploration rights and is able to verify their existence and accepts BD's assurances that they are in good standing, however, the author is not qualified to report on their legal status.

The information and conclusions contained in this Report are based on data and information available to VP3 and the author at the time of preparation of this Report and are subject to the assumptions, conditions and qualifications set forth in this Report.

BD has warranted that a full disclosure of all material information in its possession or control has been made to VP3 and the author. BD has agreed that neither it nor its associates will make any claim against VP3 or the author to recover any loss or damages suffered as a result of VP3 and the author's reliance on information provided by BD for use in the preparation of this Report. BD has also indemnified VP3 and the author against any claim arising out of the assignment to prepare this Report, except where the claim arises as a result of any proven, wilful misconduct or negligence on the part of VP3 or the author. This indemnity is also applied to any consequential extension of work through queries, questions, public hearings, or additional work required from VP3's performance of the engagement.

BD has reviewed draft copies of the Report for factual errors. Any changes made as a result of these reviews did not involve any alteration to the conclusions made; hence, the statements and opinions expressed in this Report are given in good faith and in the belief that such statements and opinions are not false and misleading at the date of the Report.

VP3 reserves the right, but is not obligated to revise this Report and conclusions therein if additional information becomes known to VP3 subsequent to the date of this Report.

2.5 **No Material Change**

VP3 is not aware of any material change with respect to the subject matter of this report that is not reflected in the report, the omission to disclose which would make the report misleading.

3. REGIONAL GEOLOGY, RESOURCES & EXPLORATION METHODOLOGY

3.1 **Regional Geology**

Botswana: All of the subject Properties lie within the Orapa kimberlite cluster on the south-western edge of the Zimbabwe Craton of Southern Africa (T.M. Gernon et al, 2009) with a stable, cool cratonic setting favourable for the intrusion of diamondiferous kimberlite and associated alluvial deposits. The Orapa cluster, comprising approximately 60 known pipes and dykes is located in north-eastern Botswana, east of the Kalahari sub-basin. During the late-Cretaceous epoch (~93 Ma), the Orapa kimberlites were erupted through deformed Archaean basement overlain by volcanic and sedimentary rocks of the Karoo Supergroup. The pipes are located near to the contact between the Archaean Limpopo belt and Zimbabwe craton which forms the suture zone with the Kaapvaal craton. The Limpopo belt (3500–2500 Ma) consists of complex metamorphic terrains composed of gneissic, granitic and meta-sedimentary rocks. In the Orapa region, the Karoo Supergroup comprises

mudstones, fluvial and aeolian sandstones and basaltic lavas, the latter being multiple amygdaloidal lava flows (T.M.Gernon et al, 2009).

Democratic Republic of the Congo: The Bugeco exploration programme was focussed on the north-east portion of the central nucleus of the Kasai-Congo craton, which consists of granulite, gneiss, granite and amphibolite with several mafic intrusive complexes with ages ranging between 3.4 to 2.6 Ga. These basement rocks are unconformably overlain by the Mbuji Mayi Supergroup which consists of 1.3 to 0.95 Ga old sedimentary rocks and 0.95 Ga old basaltic lavas and Cretaceous (~120 Ma) Lualaba sandstones (J.M. Batumike et al, 2009 and M. Pivin et al, 2009).

The Mbuji-Mayi (MIBA) diamondiferous kimberlites are located some 160 Km to the north-west of the 10 confirmed kimberlite intrusives discovered by the Bugeco/De Beers joint venture exploration programme.

3.2 **Resources**

3.2.1 ***BD's Botswana Properties***

BD has:

- A wholly owned interest in a 6 hectare kimberlite, AK 08, which is speculatively estimated to contain ~1 million carats of diamond at an April 2008 value of US$100/ct. if mined down to the 275m below surface level.
- A wholly owned interest in a 3.2 hectare kimberlite, AK 09, which is speculatively estimated to contain ~500,000 carats of diamond at an April 2008 value of US$26.37/ct. based on only a 4 carat parcel.
- A wholly owned interest in a 6.5 hectare kimberlite, BK 05, which is speculatively estimated to contain ~500,000 carats of diamonds. No valuations have been made of the diamonds recovered to date.
- A 100 per cent. ownership of one exploration licence in Botswana, PL07/2004, which has a surface area of 31.4 km^2 where extensive soil sampling has identified a large kimberlite indicator mineral anomaly.

There is insufficient evidence at present of geological continuity, diamond grade or diamond value to calculate any more than a speculative exploration target estimate of size and value for the known kimberlites.

There is exploration evidence to suggest that there may be new, as yet undiscovered, kimberlites within the prospecting licence area PL07/2004.

There are no other tangible net assets or any liabilities in Botswana.

3.2.2 ***BD's DRC Properties***

BD has a 35.4 per cent. interest in Bugeco S.A. which wholly owns a DRC company, Bugeco Exploration RDC SARL, which has:

- Three exploration licence areas totaling 137 km^2 in the Kabinda District of eastern Kasai Province with 9 confirmed kimberlites which have only been partially explored and still require full evaluation.

Bugeco's JV partner until August 2008, De Beers, completed a US$10,576,260 exploration programme over the original licence block which covered a 17,514 sq.km.surface area, now reduced to 137 sq.km.

The lack of proof of sub-surface lateral and depth continuity to the kimberlites and the lack of data to prove diamond grades in each kimberlite means that no estimates of the potential size or value of these discoveries can be proposed.

There are no other tangible net assets or any liabilities in the DRC.

3.3 **Deposit Types & Exploration Methodology**

Mineralisation is in the form of gem, near-gem and industrial quality diamonds, contained either as xenocrysts within the kimberlite intrusives, or as clasts within conglomerates and in elluvial and alluvial gravel beds derived by the weathering and erosion of these kimberlites and conglomerates.

Diamonds are present in a wide range of sizes, from microscopic to, in some cases, quite large stones. However, rough diamonds below 0.82mm (0.006 ct weight or Diamond Trading Company No 1 sieve size) are considered to have little commercial value. Often the minimum size of rough diamond considered to be of value is 1mm or 0.01 ct.

The diamond deposits on the BD Properties are of two types:

1. Kimberlite intrusives, occurring as pipe-like bodies, as at AK08, AK09 and BK05 in the Orapa District of Botswana as well as the 9 kimberlites identified in the eastern Kasai Province of the DRC.

2. Diamond bearing alluvial and elluvial deposits close to the kimberlite pipes already identified on the prospecting licences.

Limited evaluation programmes of the known kimberlite pipes in Botswana and the DRC have been completed but are inadequate for estimating Resources in order to complete preliminary feasibility studies.

3.3.1 ***Kimberlite***

Kimberlite is an alkaline ultramafic igneous rock that is generated at great depths in the earth and emplaced at the surface as highly explosive volcanic eruptives. Weathering and erosion of the upper portions of the eruptive – the caldera and associated breccias, tuffs and country rock clastics is common leaving the lower "pipes" and feeder dykes and sills. Diamond-bearing kimberlites are only found on ancient, stable, cool portions of the crust known as "cratons". Kimberlites, and a closely related variety called lamproite, are the only known primary source of commercial diamond deposits.

Exploration for diamond bearing kimberlites starts with the definition of unexplored portions of cratons. The kimberlites usually have distinctive and discrete dipolar, circular magnetic signatures accompanied by circular gravity "lows". Geophysics, particularly airborne magnetics, is usually the first method used to locate new kimberlites, followed up by ground magnetic and gravity surveys.

Stream and soil sampling for kimberlite indicator minerals ("KIM's") is also employed to locate new kimberlite occurrences. Kimberlites have a very distinctive mineral composition and recovery of these minerals from stream and soil sampling campaigns is used not only to locate the buried kimberlite source rock, but also, by determining the chemical composition of individual KIM grains, to estimate the diamond bearing potential of the kimberlite occurrence.

Evaluation of kimberlites usually follows a standard procedure. RC and Core drilling campaigns define the extent and morphology of the intrusive, while samples of the core are subjected to micro-diamond analysis to obtain an indication of the possible diamond grade of the kimberlite. These campaigns, if positive, are followed up by large-diameter drilling or bulk sampling or trial mining to test representative quantities of the different varieties of kimberlite so as to obtain sufficient data for an estimate of ore volume, diamond grade and diamond values.

Kimberlite intrusions are often composite, and made up of several different kimberlite lithologies or "facies" which have been intruded during successive eruptive episodes, so that one may cut into the other.

The Orapa kimberlites are characterized by being high up in the volcanic crater area and having had to break through the extensive Karoo-aged basaltic lava flows to reach the surface. The

kimberlites are often small in surface area but swell out below the basalts to be much larger than their surface expression suggests. The kimberlites often contain large quantities of fragmented basalt in their upper parts.

The Bugeco kimberlites are located in two separate clusters and not much information as to their internal geology is known; however they all appear to have resedimented volcaniclastic kimberlite in their near-surface expression and many of the kimberlites are garnet-poor. A favourable, but poorly constrained, local cratonic geotherm of 39mW/m^2 is recorded in the vicinity of the Ksendou cluster. The mineral chemistry data suggest that both high-interest sub-cratonic lithospheric mantle and low-interest cratonic-margin mantle have been sampled by the kimberlites.

Conclusions

All of the BD kimberlite projects are at an advanced stage, where kimberlite pipes have been located and exploration of the occurrences is now at the evaluation stage. Further drilling to define continuity, bulk sampling and trial mining preparatory to feasibility studies are planned.

3.3.2 ***Alluvial Deposits***

Alluvial, colluvial (slope or gravity-fed) and elluvial (weathered in-situ) diamond deposits are all derived from the weathering and erosion of primary source kimberlites (and lamproites) or secondary alluvial deposits and the release of diamonds into the modern alluvial environment. Good quality diamond, because of its hardness and above average specific gravity, 3.5 versus overall crustal average of 2.6, survives abrasion in river and glacial transport and usually concentrates in the base of the stream load or in stream-bed trap structures along with other heavy minerals – the poor quality diamonds, because of cracks and carbon impurities in their crystal lattice are preferentially destroyed by prolonged river, glacial and marine transport.

The location of alluvial diamond deposits may be proximal or distal to the primary kimberlite or secondary alluvial source, but exploration for these deposits usually begins close to known diamondiferous kimberlites.

Systematic evaluation of secondary and modern alluvial diamond deposits usually begins with drilling, using augur or percussion or reverse circulation drills to estimate the lateral extent of the alluvial deposit and the thickness of overburden and target basal gravels. The morphology of the bedrock is usually also determined during this phase as it can indicate the location of the best stream-bed trap structures where higher grades of diamonds can be predicted. Drilling is usually followed by bulk sampling to test for the grade of the deposit and to obtain a sufficiently large parcel of diamonds to predict an average value. Bulk sampling can take the form of small hand-dug pits on a grid or the test mining of selected, widely spaced locations using large earthmoving equipment.

Alluvial diamond deposits may exhibit considerable grade variations within the resource, due to the sedimentological evolution of the diamondiferous gravels. While the grade will be much less than in the source kimberlite, the average quality of the diamonds may be higher due to the destruction of poorer stones with increasing distance from source. Variations in coarseness, degree of cementation and clay content of the gravels can result in varying metallurgical properties, and may impact on plant efficiencies.

The potential of the secondary deposition of diamonds from BD's Botswana and DRC kimberlites has not yet been assessed or tested.

Conclusions

The alluvial diamond potential within BD's licences has not yet been assessed or explored, but is a very low priority.

3.3.3 ***Diamond Recovery Methods***

Diamonds are universally recovered by using gravity separation techniques to arrive at a concentrate of heavy minerals which can then be sorted, either manually or mechanically to extract diamonds. A typical diamond recovery plant employs crushing for kimberlites and cemented alluvial feed followed by sizing of the material over various sieves, and then gravity separation. The common gravity separation techniques employed are various forms of jigs, rotary pans and dense media separation (DMS) using cyclones.

Mechanical final recovery of diamonds from concentrates usually employs one or more unique physical characteristics of diamond to distinguish it from other heavy minerals. Water does not "stick" to the surface of diamonds and passing a stream of water carrying the concentrate over grease tables or belts results in the diamonds adhering to the grease while other, "wettable" minerals are washed over the grease bed. Diamonds fluoresce when subjected to x-rays and this property allows for mechanical separation of the fluorescing particles in a sorter. The recovered diamonds are then hand sorted and safely stored.

Strict plant security at all stages of the process is required to ensure the full recovery of all diamonds.

4. DESCRIPTION AND LOCATION OF ASSETS

4.1 Botswana Property Descriptions

In Botswana the administration of prospecting and mining licences are under the jurisdiction of the Ministry of Minerals, Energy and Water Resources. A department within the Ministry, The Geological Survey, deals with prospecting licences. The Mines and Minerals Act 17 of 1999 governs the terms and conditions for the grant of licences. Prospecting Licences ("PL's") for specific categories of minerals are granted for an initial period of three years, renewable for two further periods of two years each if work commitments are being met. The surface area of PL's must be reduced by 50 per cent. at each renewal. Mining licences are granted for a period not exceeding 25 years on the submission of a positive feasibility study and the State is then entitled to participate, to a maximum 15 per cent., in any mining entity.

4.1.1 ***BD's Orapa District Licences***

The three PL's in the Central District of Botswana were granted to Atlas Minerals Botswana (Pty) Ltd, a wholly owned local subsidiary company of BD, to prospect for diamonds. The corner co-ordinates of the PL blocks are listed in Table 3 below and the current situation with these licences is as follows:

PL No.004/2002: This licence was originally granted in 2002 and has been renewed twice with reductions in the surface area. On 23 July 2009, the Minister granted an extension of the licence which is currently valid to 30 June 2011. The extended PL is in two square blocks with a combined surface area of 11.12 sq.km. The southern rectangular block covers both the AK08 and AK09 kimberlites.

PL No.007/2004: This licence was originally granted on the 1 July 2004 and has been renewed twice with reductions in the surface area. On 4 June 2009, the Minister approved the second renewal of the PL which is currently valid until the 30 June 2011. The renewed PL is a single, rectangular block of ground with a surface area of 31.4 sq.km. No kimberlites have been found to date in this PL, but there are several indicator mineral anomalies that require further investigation.

PL No.605/2009: This licence is in the second year of its initial three-year period of grant, having been granted by the Minister for the period 1 July 2009 to 30 June 2012. The PL is a single, rectangular block of ground with a surface area of 1.6 sq.km and covers the northern extension of the BK05 kimberlite.

4.1.2 ***Botswana – Other Assets***

We have been informed by BD's management that there are no other tangible assets in Botswana. BD has made use of contractor staff and De Beers has to date financed and managed the exploration programmes; therefore there are no vehicles, office equipment or plant and machinery which belong to BD.

4.1.3 ***Botswana – Liabilities***

We have been informed by the management of BD that neither BD nor Atlas Minerals Botswana (Pty) Ltd has any Environmental, Social Development, Infrastructural or other liabilities in respect of the Botswana licences described above with the exception of the minimum expenditure commitments for exploration which form part of the conditions of grant of the licences.

TABLE 3: Detailed locations of the Botswana Prospecting Licences

Licence No.	*Point*	*Latitude South (Decimal Degrees)*	*Longitude East (Decimal Degrees)*	*Surface Area Km²*	*BD's Beneficial Interest**
PL004/2002	A	-21.396940	25.420373		100%
Southern block	B	-21.396940	25.446650		
	C	-21.417220	25.446650		
	D	-21.421862	25.446651		
	E	-21.421858	25.420399		
Northern Block	A	-21.252780	25.539380		
	B	-21.252940	25.553860		100%
	C	-21.252950	25.557520		
	D	-21.270230	25.557500		
	E	-21.270230	25.539380	11.12 km²	
PL007/2004	A	-21.110798	25.523245		100%
	B	-21.111190	25.565660		
	C	-21.111160	25.573440		
	D	-21.111386	25.599747		
	E	-21.147559	25.99662		
	F	-21.146182	25.523245	31.4 km²	
PL605/2009	A	-21.243307	25.539380		100%
	B	-21.243300	25.553910		
	C	-21.252940	25.553860		
	D	-21.252780	25.539350	1.6 km²	
TOTAL AREA			44.12 km²		

* (Note: the Botswana government is entitled to obtain a 15 per cent. interest in any mining venture)

4.2 **Democratic Republic of Congo – Bugeco Property Descriptions**

In the DRC the administration of prospecting and mining licences are under the jurisdiction of the Ministry of Mines. As a result of the 2003 implementation of the new DRC Mining Code, which was drafted in conjunction with the World Bank, The Mining Code provides the Prospecting Rights ("PR") (Permis de Recherches) holder with broad access to explore its properties under a transparent and efficient permitting process. In the case of diamond exploration, the Mining Code gives the PR holder exclusive rights for a period of four years, renewable for two additional two-year periods. On discovery of an economically viable deposit, the holder can apply for an Exploitation Permit [(9)].

BD has a 35.4 per cent. indirect shareholding in Bugeco Exploration RDC SARL.

4.2.1 ***Bugeco's Licences***

The three PR's in the Kasai Oriental Province of the DRC were granted to Bugeco Exploration RDC SARL in 2003 and covered an area of 20,000 square kilometres. After a 5-year programme of exploration funded by a joint venture with De Beers and the discovery of nine confirmed kimberlites, the PR's have been reduced to three licences, PR927, PR906 and PR899 with a total area of 137 square kilometers. The corner co-ordinates of the retained PR blocks are listed in Table 4 below and the current situation with these licences is as follows:

PR No.927: This licence was originally granted in 2003 and has been reduced in accordance with the requirements of the Mining Code. The licence was renewed with a reduction in area from 83 Km^2 to 37 Km^2 on 9 November 2009 and remains valid until November 2011.

PR No.906: This licence was originally granted in 2003 and has been reduced in accordance with the requirements of the Mining Code. The licence was renewed with a reduction in area from 104 Km^2 to 47 Km^2 on 9 November 2009 and remains valid until November 2011.

PR No.899: This licence was originally granted in 2003 and has been reduced in accordance with the requirements of the Mining Code. The licence was renewed with a reduction in area from 110 Km^2 to 53 Km^2 on 9 November 2009 and remains valid until November 2011.

4.2.2 ***DRC – Other Assets***

We have been informed by BD's management that there are no other tangible assets in the DRC. Bugeco has an office in Kinshasha, but the furniture and equipment has a minimal residual value and Bugeco uses contractor staff when required. De Beers has to date financed and managed the exploration programmes; therefore there are no vehicles, office equipment or plant and machinery which belong to BD.

4.2.3 ***DRC – Liabilities***

We have been informed by the management of BD that neither BD nor Bugeco Exploration RDC SARL has any Environmental, Social Development, Infrastructural or other liabilities in respect of the DRC licences described above with the exception of those minimum expenditure commitments for exploration which form part of the conditions of grant of the licences.

Table 4: Detailed Location of the Bugeco DRC Licences

Licence No.	*Corner Point*	*Latitude South (Degrees, Minutes, Seconds)*	*Longitude East (Degrees Minutes, Seconds)*	*Surface Area Km^2*	*BD's Beneficial Interest*
PR 906	1	-6:18:00	25:05:30	47	35.4%
	2	-6:15:30	25:05:30		
	3	-6:15:30	25:07:30		
	4	-6:17:00	25:07:30		
	5	-6:17:00	25:08:00		
	6	-6:18:00	25:08:00		
	7	-6:18:00	25:10:30		
	8	-6:19:30	25:10:30		
	9	-6:19:30	25:09:30		
	10	-6:20:30	25:09:30		
	11	-6:20:30	25:08:00		
	12	-6:20:00	25:08:00		
	13	-6:20:00	25:07:30		
	14	-6:18:00	25:07:30		

Licence No.	*Corner Point*	*Latitude South (Degrees, Minutes, Seconds)*	*Longitude East (Degrees Minutes, Seconds)*	*Surface Area Km²*	*BD's Beneficial Interest*
PR899	1	-6:25:30	25:01:30	53	35.4%
	2	-6:24:00	25:01:30		
	3	-6:24:00	25:03:30		
	4	-6:24:30	25:03:30		
	5	-6:24:30	25:06:00		
	6	-6:24:00	25:06:00		
	7	-6:24:00	25:08:00		
	8	-6:25:30	25:08:00		
	9	-6:25:30	25:07:00		
	10	-6:27:00	25:07:00		
	11	-6:27:00	25:06:30		
	12	-6:27:30	25:06:30		
	13	-6:27:30	25:05:30		
	14	-6:27:00	25:05:30		
	15	-6:27:00	25:05:00		
	16	-6:26:00	25:05:00		
	17	-6:26:00	25:02:30		
	18	-6:25:30	25:02:30		
PR 927	1	-6:23:00	25:11:30	37	35.4%
	2	-6:22:00	25:11:30		
	3	-6:22:00	25:12:00		
	4	-6:21:30	25:12:00		
	5	-6:21:30	25:13:30		
	6	-6:22:00	25:13:30		
	7	-6:22:00	25:14:00		
	8	-6:24:00	25:14:00		
	9	-6:24:00	25:16:00		
	10	-6:25:30	25:16:00		
	11	-6:25:30	25:15:30		
	12	-6:26:00	25:15:30		
	13	-6:26:00	25:14:00		
	14	-6:25:00	25:14:00		
	15	-6:25:00	25:13:30		
	16	-6:24:00	25:13:30		
	17	-6:24:00	25:12:30		
	18	-6:23:30	25:12:30		
	19	-6:23:30	25:12:00		
	20	-6:23:00	25:12:00		
TOTAL				137	

5. OVERVIEW OF THE BOTSWANA DIAMOND PROJECTS

5.1 Location, Access, Infrastructure, Climate and Physiography

5.1.1 *Location of the licences*

PL 004/2002 (Southern block): The southern prospecting licence is located some 12 km southeast of Debswana's Orapa mine, 25 km northwest of Debswana's Letlhakane mine and 6 km northwest of both Lucara's new AK6 mine and Firestone Diamond's new BK11 mine. The licence is accessed by a 3 km long sandy track from a tarred road servicing Letlhakane village and extends to intersect a new gravel road between Letlhakane village and the new AK6 & BK11 mines.

PL 004/2002 (Northern block and PL 605/2009: These adjoining licences are located 5 km north of Debswana's Damtshaa mine and accessed via a good quality gravel road from the tarred Francistown – Orapa highway.

PL 007/2004: This prospecting licence is located some 15km north of Debswana's Damtshaa mine and accessed via the same gravel road from the tarred Francistown – Orapa highway.

5.1.2 *Accessibility & Communications Infrastructure*

The three licences are central to a large kimberlite mining province and served by a major tarred highway (A30) to the nearest large town, Francistown, some 250km to the east. Francistown has an international airport with several daily connections to Johannesburg, South Africa and to the capital Gaborone. The District is adequately served by fixed-line and cellular telephone operators who also offer internet connectivity.

5.1.3 *Climate*

The climate is semi-arid with unpredictable rainfall. Average annual temperatures range between 14^0 and 25^0C with the average annual rainfall of 465mm from summer thunderstorms that begin in October, peaking in January (100mm average) and ending in March[(1)]. Any exploration, bulk sampling or mining programmes should not be affected by weather related events.

5.1.4 *Vegetation*

The vegetation in the Orapa mining District is classed as mixed mopane tree and bush savannah grassland with sparse thorn trees, but in many places over-grazing has denuded the landscape[(2)].

5.1.5 *Local Resources & Infrastructure*

The Orapa mining District has a long history of exploration and mining activities and there should be an adequate supply of well-trained local personnel to provide the required skills and labour for exploration, mining and for metallurgical processing activities. Unskilled and semi-skilled labour is plentiful, and is drawn from the local communities. Skilled equipment operators and mechanics are readily available in the greater mining district. Access to spare parts, engineering services and other specialized services is very good and can either be sourced in Francistown or obtained by road from Gaborone or by air from Johannesburg. Diesel fuel is trucked in by tanker on a regular basis from fuel depots in Francistown and Gaborone.

There are several drilling contractors in Botswana providing standard RC, large-diameter RC, large diameter RF-AA and diamond core drilling services.

All of the licences are close enough to the village of Letlhakane so that housing, shopping, schooling and other support services are readily available.

Bulk Electricity and water supplies are provided and controlled by Government agencies and are readily available in the mining District.

5.1.6 *Physiography*

The Orapa mining district lies on the northern fringe of the Kalahari Desert of central Botswana and the topography is flat with few hills rising above 25m of the general elevation of 1,000m above sea level. Streams are poorly incised and most run-off water soaks into the sandy soil fairly rapidly. The vegetation is mixed mopane tree and bush savannah with trees, shrubs and grasses modified extensively by many years of livestock over-grazing. The trees and shrubs are dominantly mopane (*Colophospermum mopane*) and acacia (*Acacia tortilis*) with occasional *Combretum, terminalia prunioides* trees which tend to form thickets with intervening grassy patches[(2)].

The ground slopes imperceptibly to the north into the Makgadigadi Depression. The dry valley of the now fossil Letlhakane River, directed into the Depression, passes between the Orapa and Damtshaa mining leases as shown in Map 2 below and is the only notable physiographic feature in the immediate area.

MAP 2: LOCATION OF THE BOTSWANA PROSPECTING LICENCES AND INFRASTRUCTURE.

5.2 Local Geology, History of Exploration & Results Summary

5.2.1 *Local Geology*

Surface outcrops are often extensively affected by secondary calcrete and silcrete duricrusts formed from prolonged exposure to peneplanation and erosion on the late Tertiary (~65 mya) African Erosion Surface. The Orapa area is overlain by thin terrestrial sediments of the Kalahari Group (~2 mya) (T.C.Partridge et al, 2006).

In the Orapa mining District the bedrock consists of various lithologies of the Phanerozoic Karoo Supergroup (150 – 200ma), much condensed by being on the edge of the greater Karoo basin, ranging from shales to sandstones within the basal Tlapana formation through the Thlabala formation shales, Mosolotsane mudstones and upper Ntane formation aeolian sandstones to the Stormberg basaltic lavas at the top of the Supergroup (R.A.Smith, 1984). The Orapa cluster of kimberlites, more than 60 separate pipes have been discovered, are all intruded through the Karoo Supergroup during the Cretaceous (65 – 144 mya) period. As a general rule all of the Orapa kimberlites contain breccias dominated by basalt caprock and in several cases, the kimberlite intrusive event was not powerful enough to break through the basaltic cap-rock and "blind" kimberlite bodies are known to occur (M.Field & B.H. Scott-Smith, 1998).

The Orapa kimberlite cluster lies on the southern flank of the Okavango dyke swarm, an intense concentration of WNW-ESE trending post-Stormberg dolerite dykes dated at 179 mya which can be followed from Zimbabwe through Botswana to Namibia (Jourdan, F. et al, 2004).

5.2.2 *History of Diamond Exploration*

De Beers began prospecting in Botswana for diamondiferous kimberlites in March 1955 with the first kimberlite discovered in the Mochudi area in 1966. On 1st March 1967 the first kimberlite in the Orapa area was discovered (BK1) while the main kimberlite which became the Orapa mine (AK1) was found in April 1967[3].

The first kimberlite finds were made by the application of soil sampling methods to recover kimberlite indicator minerals ("KIM's"). The methodology evolved for sampling in the Kalahari sand covered areas relied on the fact that bioturbation, essentially the activities of termites excavating their nests down to the water table, would preferentially bring heavier mineral grains to the surface. Since kimberlites have a unique set of heavy minerals (KIM's), such as pyrope garnets, ilmenite, chromite and chrome diopside, these could be recovered by taking large-volume stream and soil samples and separating out the heavy minerals as a concentrate. The concentrate is then examined for KIM's under a microscope.

De Beers applied this prospecting methodology through vast tracts of the Botswana landscape, establishing widely spaced regional cut-lines through the bush and following up any KIM's with closer-spaced grid sampling. The initial Orapa kimberlites were located using this methodology.

Once the kimberlite district had been located, De Beers applied several geophysical techniques to refine their search for individual pipes.

5.2.3 *Adjacent Properties and Competitor Activity*

The three Botswana licences are located within the Orapa kimberlite cluster (see Map 2 above) where De Beers have located 84 separate kimberlite occurrences, of which 65 are classified as pipes and 19 as dykes, some only a few metres in diameter while the largest, bi-lobate AK1 being mined as the Orapa Mine is over 117 ha in extent and the second largest diamond mine in the world and the first diamond mine in Botswana. All of the existing mines in the Orapa Field are owned by the Debswana Diamond Mining Company, a 50:50 joint venture between De Beers Centenary and the Republic of Botswana. The mines are operated by De Beers.

Orapa Mine

The Orapa mine produced 7.575 million carats of diamonds from 8.817 million tonnes treated (grade of 86 cpht) in 2009, a significant decrease from the more normal production rate of 16.869 million carats from 18.569 million tonnes treated in 2008 (a grade of 91 cpht), largely due to the poor state of the diamond market in the latter half of 2008[4].

Damtshaa Mine

The four pipes at Damtshaa, some 18km east of Orapa, are the 5.5ha BK01, which was actually the first kimberlite to be discovered in the Orapa/Letlhakane province, the BK09 pipe with a sub-outcrop area of 11.4ha, accounting for 88 per cent. of the new mine's output, the BK12 pipe, 800m northwest of BK09, has a sub-outcrop area of 3.2ha, and the BK15 kimberlite with an area of 3 ha. The Damtshaa pipes produced 54,000 carats from 60,000 tonnes treated in 2009 (grade of 90 cpht) against the 533,000 carats recovered from 2.883 million tonnes treated in 2008 (grade of 18.5 cpht)[5].

Letlhakane mine

The Letlhakane mine, some 45km southeast of Orapa, was first discovered during the sampling and evaluation process at Orapa, and became Debswana's second mine when it opened in 1975. The two pipes at Letlhakane (DK1 and DK2) had an original surface area of 12ha and 4ha respectively. In 2009, 1.066 million carats were recovered from 3.8 million tonnes of ore (average diamond grade of 28cpht) against the 2008 production of 1.2 million carats from 3.794 million tonnes treated (grade of 32 cpht).

Firestone's BK11 mine

During July 2010 Firestone Diamonds plc (listed on the London AIM), the controlling partner and operator of Monak Ventures (Pty) Ltd announced that they have been granted a 12-year mining licence and are developing the 8.0ha BK11 kimberlite, some 7 km southeast of Atlas's AK8 & AK9 projects. The BK11 project was held by De Beers and Debswana under a succession of prospecting licences but was not thoroughly investigated until when, under PL 1/97, it was incorporated in the Boteti Joint Venture. De Beers carried out detailed geophysics and drilled one large diameter borehole on the pipe under the joint venture, before relinquishing the ground in 2005. The single LDD hole was drilled to 170 m and produced 115.2 t of sample from which a grade of 2.40 ct/100t (+1.47 mm diamonds) was estimated. Monak is fast tracking the property with a view to full production in late 2010[7].

The BK11 project has a published resource estimate, compliant with the South African SAMREC code, of 11.5 million tonnes of ore at an average grade of 8.5cpht with diamonds valued at US$155/ct in March 2010 to a depth of 120m below surface. The mine will concentrate firstly on the KW area where an estimated 5.4Mt of kimberlite at a grade of 12.6cpht will be mined. Diamond parcels (size unknown) from bulk sampling in this area are valued at an average US$175/ct in March 2010. The BK11 mining project has an estimated life of mine of 10 years[7]. Please note the large difference between the De Beers estimate of diamond grade from their LDD samples and Firestone's grade estimated from excavated bulk samples.

Other Firestone properties

Firestone Diamonds has joint ventures with Tawana Resources over kimberlites BK24, BK19, BK20, BK21, BK22, BK25 and BK26, and with Kenrod Engineering on kimberlite BK16. Sampling has been done on BK16, and large diameter drilling is planned for BK24 (I.McGeorge, 2010).

The AK6 mine

The Lucara AK6 kimberlite is a single, tri-lobate kimberlite pipe which is currently being developed as a mine and which is located some 10Km SSE of AK09. The kimberlite is "pinched" at surface, and its sub-outcrop consists of a core of kimberlite, covering an area of 4.2 ha, surrounded by an area where the kimberlite is capped by basalt or basalt breccia. Drilling has shown that the kimberlite bulges to a maximum area of 7 ha at a depth of 120 m (I.McGeorge, *op cit*).

An indicated mineral resource to a depth of 400m, and an inferred resource from 400m to a depth of 750m were developed by De Beers (as operators of the Boteti joint venture) between 2004 and 2007 through successive drilling programmes, and a trench bulk sampling programme, which produced a total of 1,754 carats of diamonds. The diamonds have been valued at different times by three different entities. The most recent valuation was completed in February 2010 and this valuation has been modelled to produce average production revenue of US$194 per carat (+1.0 mm cut-off). A positive feasibility study has upgraded the resource to a probable reserve category which totals 35.3 Mt at a weighted average grade of 21.7cpht (I.McGeorge, *op cit*).

Other Exploration Projects

Early stage prospecting projects within the Orapa cluster include evaluation programmes being conducted by Sekaka Diamonds (Pty) Ltd (controlled by Petra Diamonds) who have a large landholding and are engaged in evaluation of the BK1 South kimberlite[8] and Geo Perspectives (Pty) Ltd who are at an early stage of investigating the AK17, 18 & 19 kimberlite pipes.

6. OVERVIEW OF THE DRC DIAMOND PROJECTS

6.1 Location, Access, Infrastructure, Climate and Physiography

6.1.1 *Location of the licences*

The licences are located in the northeast portion of the central nucleus of the Kasai craton in the Provinces of Kasai Oriental and Katanga, DRC. The nearest town is Kabinda some 75km northwest of the licences with the larger town of Mbuji Mayi some 170km to the WNW (see Map 3 below).

6.1.2 *Accessibility & Communications Infrastructure*

There are licenced airports at Mbuji Mayi and Kananga with fairly regular air services. There is an airstrip at Kabinda for charter flights.

The cell phone coverage is reasonably good with repeater stations powered by generators and cell phones work over large portions of the area.

Inside the licence perimeter of the permits, the dirt tracks are passable using 4-wheel drive vehicles but there may be difficult sections getting into the permit areas; for example, the road from Kabinda takes on average half a day to traverse the 100Km distance. The National road between Kabinda and Mbuyi Mayi has a very variable condition dependant on whether it is the wet or dry season and one can expect a full day's journey by 4-wheeled drive vehicle to traverse the 120km distance.

6.1.3 *Climate*

The DRC lies on the equator and the climate is tropical, being hot and humid throughout the year. The Kabinda area lies just south of the Equator and has a wet season between September and January with a "small" rainy season in the months of March and April. Temperatures remain high year round, varying between min 17^0 (nightime) and max 30^0 C. Short dry spells of several weeks may occur during the rainy season. The climate is not very different from that of Mbuji Mayi, where open pit mining operations continue year round.

6.1.4 *Vegetation*

The vegetation is typically tropical savannah grasslands with deciduous gallery forests and dense undergrowth confined to the steep sided stream valleys.

6.1.5 *Local Resources & Infrastructure*

The local resources and infrastructure are poor with Kabinda being the closest town where there is a mechanical workshop. Supply of fuel and spare parts in Kabinda is, however not guaranteed. There is no power supply in the area.

Untrained labour is readily available in all the local towns and villages. There is a history of seasonal artisan diamond digging in the alluvial areas of streams around the town of Kasendu. Some of the older villagers in the area may have worked in Mbuji Mayi and may be semi-skilled.

6.1.6 *Physiography*

The topography of the immediate licence area can be described as a deeply incised plateau with flat-topped grassed surfaces incised by steeply sided, forested stream valleys.

6.2 Local Geology, History of Exploration & Results Summary

6.2.1 *Local Geology*

The permits are situated in the Northeastern portion of the central nucleus of the Kasai block of the Congo Craton which consists of granulite, gneiss, granite and amphibolite. These basement rocks are unconformably overlain by the Precambrian middle to lower Bushimayi formations with the following simplified stratigraphy established (based on field observation and drill core logging) by the De Beers technical teams in the Bugeco project area:

In the Kabinda area, the simplified stratigraphy seems to comprise:

(f) Ferricrete horizon caps various units

(e) Red Kalahari sandstone (830-890m)

(d) Polymorph sandstone (825-830m)

(c) Sand-, silt- and mudstones, fluvioglacial? basal conglomerates, intruded by kimberlites (725-825m)

(b) Basaltic lavas (or sills?), c. 20m thick?

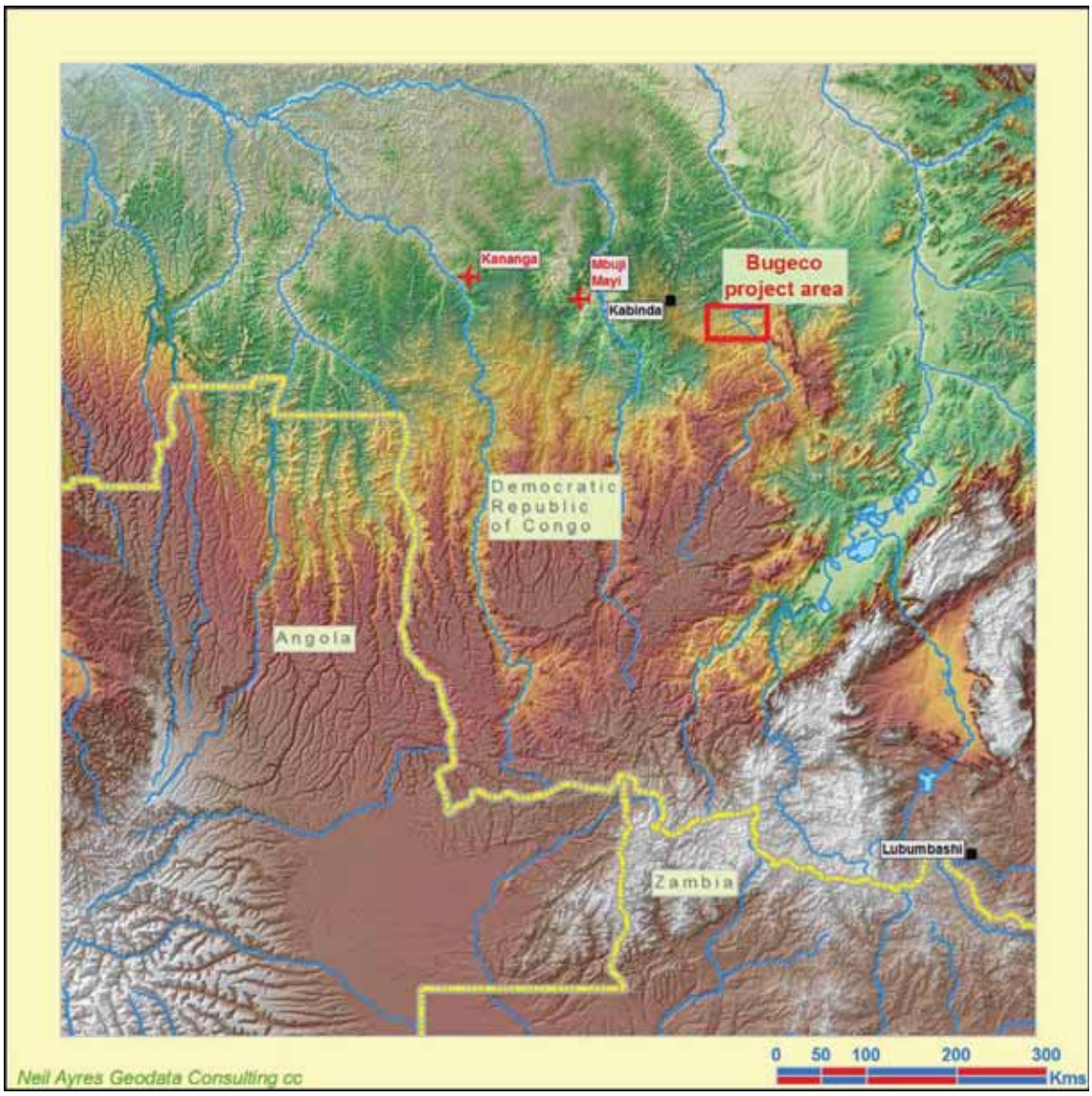
(a) Basal Dolomitic limestones (<600-725m)

6.2.2 *History of Diamond Exploration*

During the 1980's, a De Beers subsidiary company, Zairebrit SARL, prospected a very wide area on a reconnaissance scale which included all of the Bugeco areas. The campaign consisted of widely spaced stream sampling for KIM's. The Zairebrit stream sampling indicated several stream anomalies through the area, but these were not pursued at the time.

6.2.3 *Adjacent Properties and Competitor Activity*

Apart from on-going diamond mining at Mbuji Mayi, some 200km to the WNW, there is no competitor activity.



MAP 3: LOCATION OF THE BUGECO EXPLORATION AREA IN THE DRC

7. CURRENT EXPLORATION ON THE BOTSWANA PROPERTIES

The recent exploration and development of the three Prospecting Licences in Botswana is described in this section.

7.1 PL 4/2002 (Southern Block) – AK09 Kimberlite

7.1.1 *Introduction*

The AK09 kimberlite was included in the Atlas Joint Venture (formerly Boteti Joint Venture) between De Beers and AFD. The kimberlite is located some 20 km southeast of the Orapa Mine, some 25 km northwest of Debswana's Letlhakane mine and 6 km northwest of both Lucara's new AK6 mine and Firestone Diamond's new BK11 mine.

7.1.2 *Discovery History*

The AK09 kimberlite was discovered by De Beers in 1970 from KIM sampling results and an airborne geophysics survey and was initially thought to be some 0.2ha in extent with 13m of Kalahari overburden. Because of its supposed small size, the pipe received very little attention in the presence of the much larger kimberlites in the cluster. The first recorded drillhole was a diamond core hole drilled in 1971 to obtain kimberlite sample for micro-diamond analysis (S.Dludla, De Beers, May 2008).

7.1.3 *Local Geology*

In the vicinity of the AK09 pipe, the Mosolotsane Formation sandstone unit of the Karoo Supergroup forms the lowest lithology intersected in the drilling to date. Overlying this unit are Stormberg basalts of various thicknesses from 15m to 75m and silcretes and calcretes from 1m to 15m thick. Kimberlite is sub-cropping in the northern portion of the pipe while kimberlite occurs up to 70m below the basalt cap in the southern portion (S.Dludla, *op.cit.*).

7.1.4 *Exploration Programmes*

The 1971 NX (54.7mm) diameter core drillhole was drilled to 61m depth to both identify the kimberlite petrographically and to serve as a sample for micro-diamond analysis ("MiDa"). The 60 kg of sample sent for MiDa produced 487 stones weighing 0.017857ct. which was modelled using statistical analysis to predict a diamond grade of 160cpht. This excellent grade generated further interest in the pipe and later in 1971 it was decided to collect a larger sample by pitting; the pit was dug to a depth of 20m and yielded a 209 tonne sample which produced 17 macro-diamonds weighing 0.97ct which meant an average grade for the kimberlite of 0.46cpht. Both the MiDa and macro-diamond samples were from sub-outcropping portions of the kimberlite and not representative of the kimberlite as a whole (S.Dludla, *op.cit.*).

In the light of improved sampling and geophysical techniques, the whole Orapa area was re-assessed in the early 2000's. A review of the existing geophysical data over AK09 in 2005 resulted in an increased size of the sub-outcropping kimberlite from 0.2ha to 0.6ha.

In 2004 De Beers completed a ground magnetic survey on a 50m x 50m grid over AK09 which increased the estimated size of the kimberlite body to 3.0ha, however much of this upper portion is capped by basalt at depths of up to 95m (S.Dludla, *op.cit.*).

A re-assessment of the 100m x 50m gravity survey data from the 1970's resulted in a model of a kimberlite surface area of between 4 & 5ha.

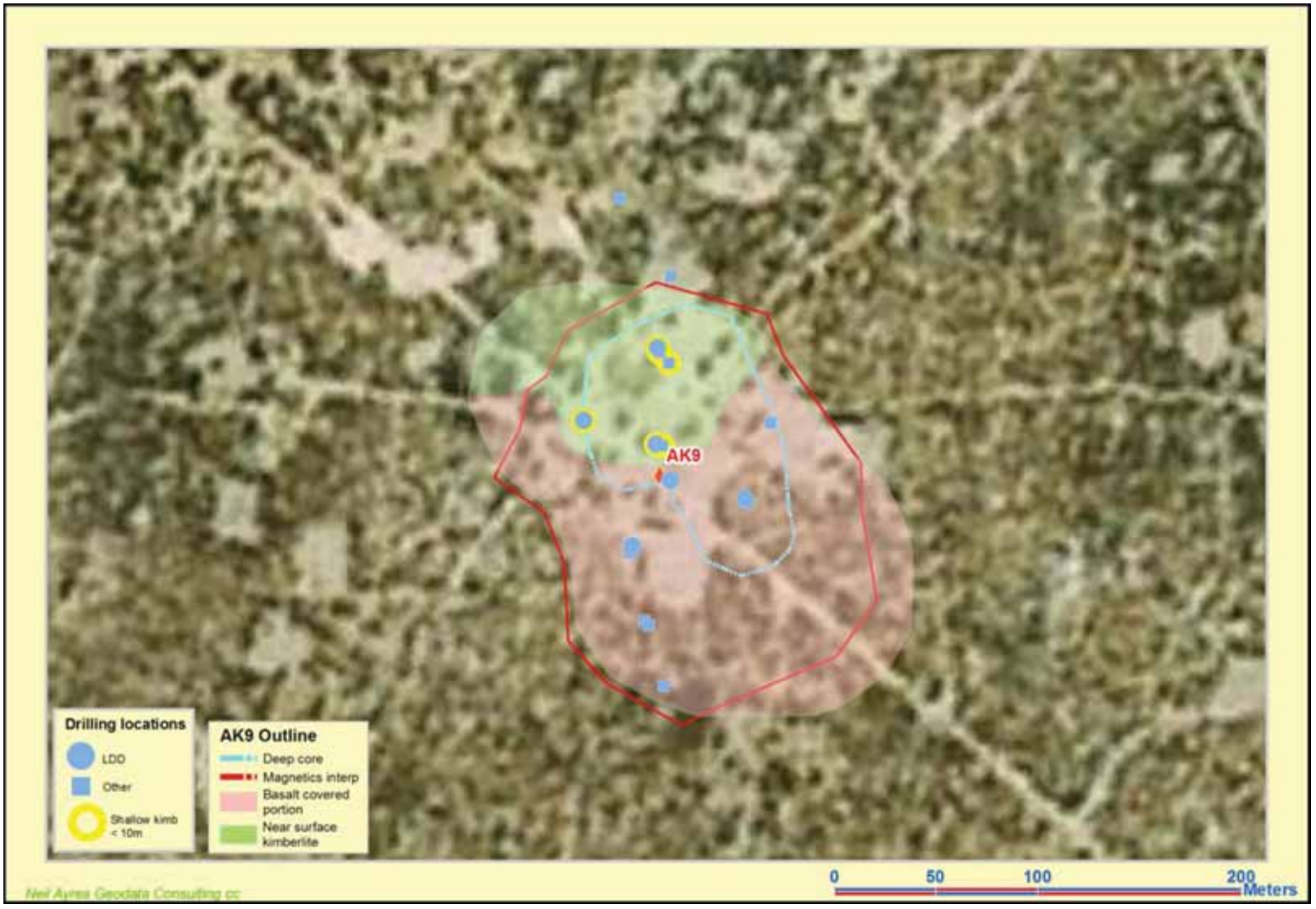
The geophysically modelled body was used to plan a drill campaign of core and percussion drillholes during the period 2004 to 2007.

Table 5: Summary of the 2004 & 2007 drilling at AK09 (all vertical holes)

HOLE No.	*DATE*	*HOLE SIZE*	*END DEPTH*	*METHOD*	*KIMBERLITE INTERSECTION*
H 01 (LDD)	Jul. 2004	12.25 inch	147m	percussion	16m–147m
H 03	Oct. 2004	6.5 inch	95m	percussion	None?
H 04	Oct. 2004	6.5 inch	95m	percussion	None?
H 05	Oct. 2004	6.5 inch	167m	percussion	None?
H 06	May. 2005?	6.5 inch	120m	percussion	None?
H 07	Oct. 2004	6.5 inch	92m	percussion	None?
H 08	Oct. 2004	6.5 inch	102m	percussion	None?
H 10	Oct. 2004	6.5 inch	107m	percussion	None?
H 11	Oct. 2004	6.5 inch	52m	percussion	None?
H 12	Oct. 2004	6.5 inch	58m	percussion	None?
H 13	Oct. 2004	6.5 inch	58m	percussion	None?
H 14	Oct. 2004	6.5 inch	64m	percussion	None?
LDD 01	Oct. 2004	12.25 inch	164m	RC	15m–164m
LDD 02	Oct. 2004	12.25 inch	180m	RC	28m–180m
LDD 03	Nov. 2004	12.25 inch	170m	RC	15m–170m
H 02	Dec. 2004	8 inch	161m	percussion	15m–161m
H 001	May 2007	6.5 inch	209m	percussion	14m–189m
H 002	Jun. 2007	6.5 inch	228m	percussion	52m–228m
H 003	Jun. 2007	6.5 inch	160m	percussion	88m–145m
H 004	Jun. 2007	6.5 inch	200m	percussion	78m–181m
LDD 05	Jun. 2007	12.25 inch	253m	RF – AA*	51m–247m
LDD 06	Jun. 2007	12.25 inch	180m	RF – AA	14m–180m
LDD 07	Jul. 2007	12.25 inch	186m	RF – AA	74m–180m
LDD 08	Jul. 2007	12.25 inch	120m	RF – AA	89m–120m
H 009	Aug. 2007	NQ 47.6mm	191m	Diamond core	15m–180m
H 010	Sep. 2007	NQ 47.6mm	167m	Diamond core	50m–167m

* RF – AA: Reverse Flood Airlift Assisted Drilling (see Glossary of Terms)

Note 1: The 2004 percussion drill logs indicate that no kimberlite was intersected – this seems to be incorrect (?) since the geology modelled from these results shows kimberlite – see Figure 1 below.



MAP 4: LOCATION OF AK09 KIMBERLITE SHOWING DRILLHOLES AND MODELLED EXTENT

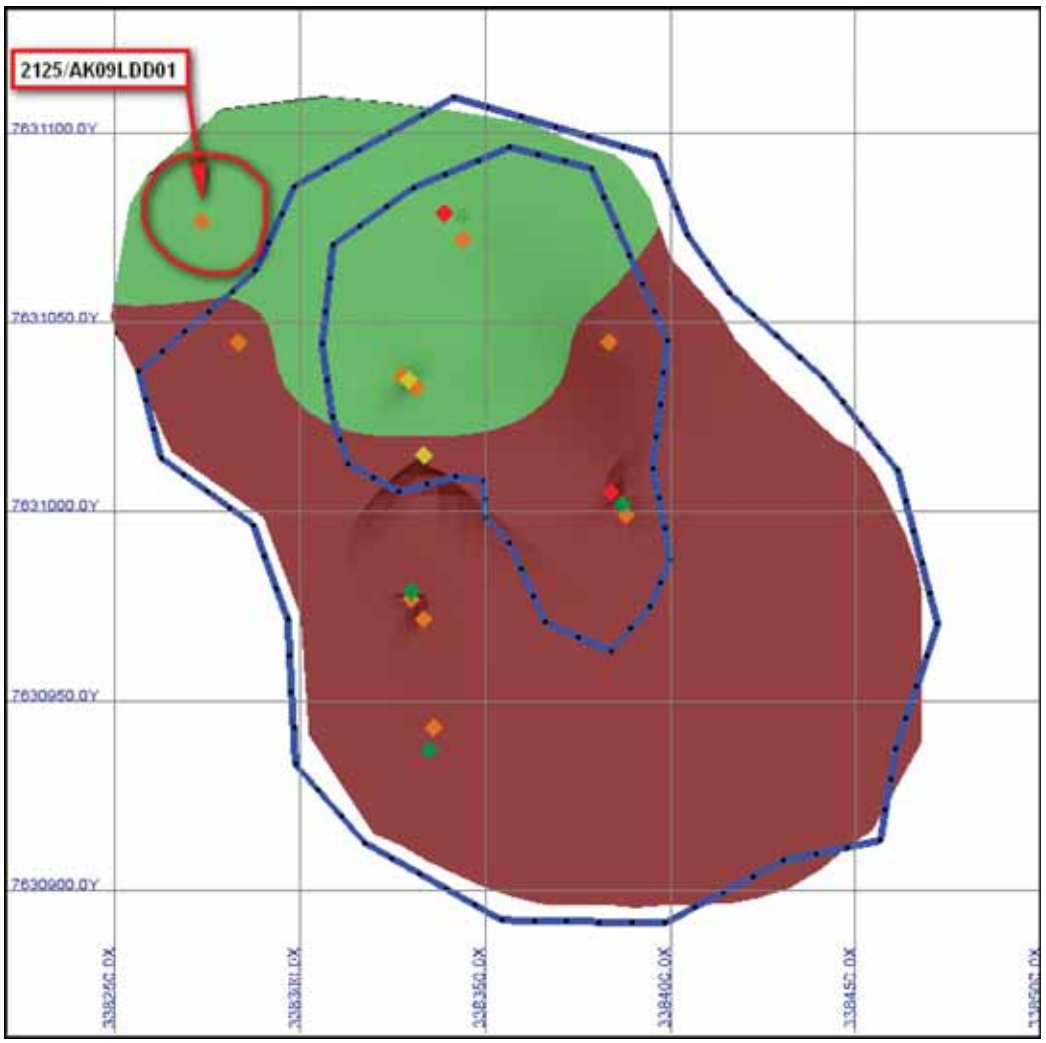


Figure 1: Geological modelled extent of AK09 kimberlite (green is sub-outcrop & brown is under basalt) & gravity modelled extent (blue lines).

2004 & 2007 Drillholes: Red are diamond core holes, Orange are percussion holes, Green are RF-AA holes and Yellow are LDD holes.

7.1.5 ***Drilling Results***

The objectives of the two drilling campaigns were:

- to resolve the geophysical anomaly models and to obtain an estimated surface area of the kimberlite (2004–11 percussion holes),
- to obtain core samples for petrographic description and MiDa (2 diamond core holes in 2007),
- to obtain bulk samples for processing to obtain macro-diamonds (4 LDD holes in 2004 and 4 LDD holes in 2007).

The geophysical magnetic model estimated the pipe surface area at 3ha and the drilling results indicate a geological model estimated pipe surface area of 3.22ha, decreasing in size to 1.07ha at a depth of 247m below ground surface. It must be noted that the northern portion of the kimberlite of approximately 1ha. is sub-outcropping while the southern part is capped by up to 80m of basalt (Figure 2).

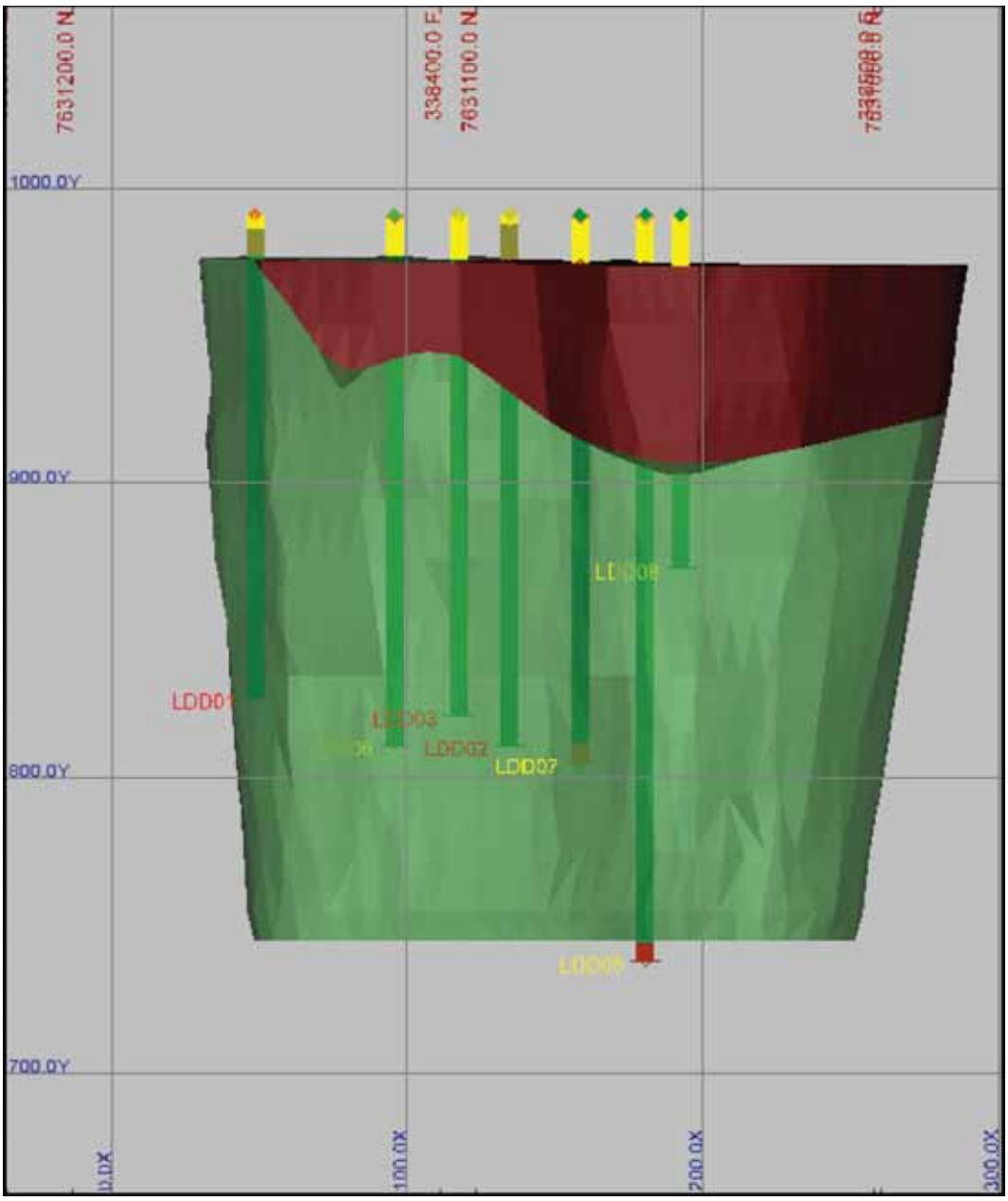


Figure 2: NW – SE section through AK09 Kimberlite – showing basalt cap rock (brown) over kimberlite (green)

The petrographic studies of core and chip samples indicate that the AK 09 kimberlite is magmatic in nature, ranging from segregationary to globular macrocrystic forms. Olivine is abundant with phlogopite, calcite, spinels and perovskite in the groundmass. The petrographer rated the kimberlite as being of moderate interest.

The mineral chemistry studies of indicator minerals from AK 09 show that the garnet population has a significant sub-calcic signature and analysis of spinel and clinopyroxene grains indicate that the kimberlite has sampled approximately 60Km of potentially diamondiferous lithosphere and the kimberlite is therefore rated as having a high potential for carrying diamonds.

The MiDa analytical study (Table 6 below) indicated an estimated diamond grade of 85cpht for the AK 09 kimberlite, which is certainly a grade indicating a high potential kimberlite.

Table 6: Summary of AK09 microdiamond sample data

Consignment	*Sample Type*	*Aliquots*	*Treated Mass (kg)*	*MD06+ Micros²*	*MD06+ SP20KG¹,²*	*Total Micros²*
M75X0498	Drill sludge	3	60	101	33.67	487
BOT071093	Core	11	223.44	44	3.94	71
BOT071094	Core	8	167.14	30	3.59	56
TOTALS		22	450.58	175		614

¹ average number per 20 kilograms of micro-diamonds in size-class MD06 and above (32×10-6 carats or more)

² excludes any synthetic diamonds (KMDL shape X) and possibly synthetic diamonds (KMDL shape Y)

The Macro-diamond bulk sampling and treatment, both from the early pit sample and the later large diameter drilling samples (Table 7 below) indicates a mean bulk sample diamond grade of 1.71 cpht, very different from the MiDa study. The macro and micro diamond distributions were plotted on a grade-size graph and the combined curve indicates a possible grade of between 2.5 and 3.5 cpht.

Table 7: Summary of AK09 macrodiamond bulk sample data

Sample Type	*Treatment Method*	*Calculated Mass* (Tonnes)*	*No. of Stones*	*Carat Weight*	*Grade cpht*
1971 – 20m pit sample	Pan plant	209.9	17	0.97	0.46
2004 – LDD	DMS plant	89.688	43	2.295	2.56
2007 – LDD	DMS plant	139.019	30	4.245	3.05
TOTALS		438.607	90	7.51	1.71

* Sample Mass was calculated from the calculated hole volume & an assumed density of 2.7g/cm^3.

In 2010, BD obtained all of the De Beers raw data of diamonds recovered to date and commissioned Mr. N. Ayres to re-assess the expected grade of the AK 09 kimberlite. The diamond drillholes which had a high content of basalt were deemed to be diluting the grade and once the data from these was removed, the new size/frequency curve in Figure 3 below was produced and the consultant estimates an average grade of 8.0cpht for AK09 instead of the 2.5cpht to 3.5cpht grade estimated by De Beers; furthermore, he commented that the MiDa trend is flatter than shown (see red arrow) and could indicate a much higher grade (N. Ayres, 2010).

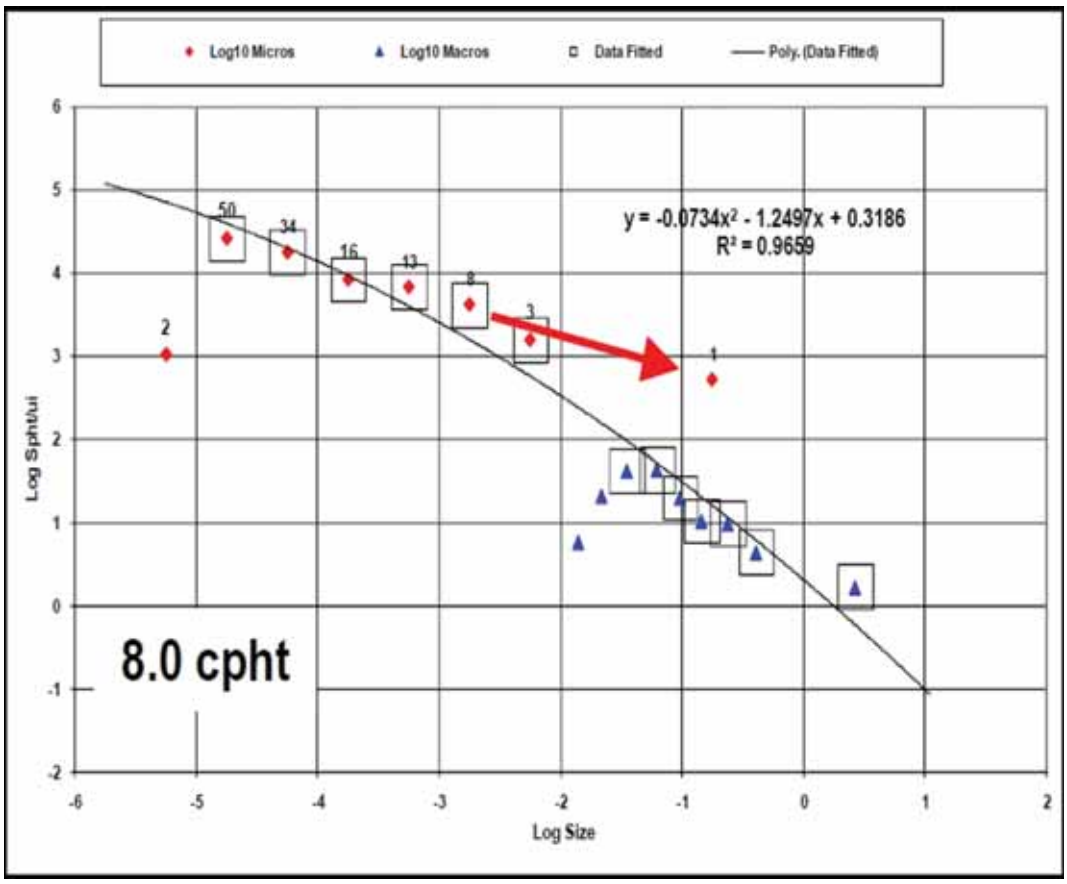


Figure 3: Revised size-frequency curve for Micro- and Macro- diamonds recovered from AK09

In November 2010, BD commissioned a conceptual study of the likely mining and processing costs in developing their three Botswana kimberlites (J.E.Clarke, 2010). The study used the geological models for the kimberlites and then planned open pit mining for AK08 & 09; the study also assessed various scenarios including contract mining and processing of ore from AK08 & AK09 at the new AK06 mine. The conceptual study indicated that the AK09 kimberlite, if mined together with the nearby AK08 kimberlite could produce a 20 per cent. IRR if the *in situ* value of the kimberlite was US$38/tonne. The findings of this conceptual study are summarized as follows:

- The AK9 pipe produces 7.3 million tonnes of kimberlite down to a depth of 250m and requires waste stripping of 63.7 million tonnes.
- The plant treatment rate is 1.5 million tonnes per annum thereby producing a combined life of mine for AK08 & AK09 of 16 years.
- It was assumed for purposes of the study that both the mining and plant operations are contracted out in order to reduce capital expenditure. The initial capital expenditure is estimated to be US$41 million, including working capital for both AK08 & 09.
- The operating costs are estimated as US$23.6 per tonne treated over the life of mine.

7.1.6 *Conclusions and Recommendations*

The following conclusions can be drawn from the assessment work completed to date and the recommendations for further work follow from these:

1. The original 2004 drilling was surely intended to outline the kimberlite and provide data for building a 3-D geological model of the pipe. The geologist who logged the drill chips was either unable to identify kimberlite or the holes were very poorly located, because

it is reported that no kimberlite was intersected; furthermore, both the 2004 and the 2007 drilling campaigns only used vertical holes, so that there is no information on where the sidewall contacts actually are. In my opinion, therefore, the geological model is poorly constrained and the estimated surface area of 3.22ha is probably under-estimating the size.

2. The mineral chemistry study showed that the AK09 kimberlite has a significant population of eclogitic garnet and was assessed as having a high potential for carrying diamonds. The possible eclogitic diamond component, together with the relatively flat size: frequency curve derived from the MiDa study indicates that the AK09 kimberlite may have a significant large stone size population and that large bulk samples are required to arrive at a conclusion about this population. It is encouraging to note that a 1.89ct stone was recovered from LDD06 in 2007.

3. The drill chips collected during the two LDD drilling campaigns were passed over a 1mm screen prior to treatment in a DMS recovery plant. There is no data indicating the mass of sample actually treated in the DMS versus the calculated mass of the kimberlite drilled; if the drilling method was such that the kimberlite was ground up, then it is fair to assume that only a small fraction of the calculated mass was treated and that the diamonds too were broken up during the drilling process. This would result in a totally meaningless macro-diamond grade estimate and may account for the large disparity between the MiDa and macro-diamond grade estimates (85cpht for MiDa versus 1.71cpht for macro estimate). The re-assessed grade of 8.0cpht is the best estimate to date of the grade in AK09, but it should be borne in mind that the macro-diamond size/frequency data is probably underestimating the grade because of diamond breakage in the LDD drilling process.

4. The conceptual study by Paradigm Project Management (J.E.Clarke *op cit*) indicates that AK09 requires an *in situ* value of US$38/tonne to become financially viable, which translates to grade/value combinations of between 38cpht for US$100/ct diamonds and 25cpht grades with US$150/ct diamonds. These target grade/values are achievable and justify the further evaluation of AK09.

The above conclusions lead to the following recommendations for further assessment work of the AK 09 kimberlite:

1. A series of shallow, vertical percussion holes across the kimberlite followed by diamond drilling of four inclined holes from the estimated centre of the kimberlite in an E-W and N-S pattern will provide sufficient lateral information on the kimberlite contacts to reach a conclusion as to the size and shape of the kimberlite body. Core drilling will also provide an indication of internal kimberlite variability, and a larger sample for additional MiDa analysis.

2. Large Diameter drill holes to obtain a large sample for macro-diamond analysis should use the Bauer 2.5m diameter LDD rig, capable of drilling to 70m depth; alternatively, and preferably, a trench or excavation to obtain the best possible assessment of grade in the sub-outcropping northern portion of the kimberlite. In order for AK 09 to be financially viable, the upper portions of the kimberlite must yield a viable grade/value of diamonds and it is therefore vital to assess this part of the kimberlite at an early stage.

7.2 PL 4/2002 (Southern Block) – AK08 Kimberlite

7.2.1 *Introduction*

The AK08 kimberlite was included in the Atlas Joint Venture (formerly Boteti Joint Venture) between De Beers and AFD. The kimberlite is located some 15km SSE of the Orapa Mine, some 27 km northwest of Debswana's Letlhakane mine and 8 km northwest of both Lucara's new AK6 mine and Firestone Diamond's new BK11 mine.

7.2.2 *Discovery History*

The AK08 kimberlite was discovered by De Beers in 1969 after following up on KIM sampling through the area. The initial evaluation indicated the kimberlite was uneconomic and the licence over AK08 was relinquished by De Beers in the 1990's. Kukama Mining & Exploration, later incorporated into AFD, acquired AK08 when they were granted PL04/2002.

7.2.3 *Local Geology*

In the vicinity of the AK08 pipe, the Mosolotsane Formation dark red mudstones unit is overlain by white, fine to coarse-grained cross-bedded sandstones of the Ntane Formation of the Karoo Supergroup form the lowest lithologies intersected in the drilling to date. Overlying this unit are Stormberg basalts of various thicknesses from 0m to 100m thick. Where basalt sub-outcrops it is generally covered by some 5m of cream-white calcrete. (C.T. Rhikotso, Feb 2008).

7.2.4 *Exploration Programmes*

After concluding a joint venture with AFD in 2003, De Beers employed numerous geophysical surveys including ground gravity, magnetic and Controlled Source Audio frequency Magneto-Tellurics ("CSAMT"), which is a frequency-domain method that constructs the apparent resistivity profile and is effective in mapping kimberlite intrusions. The geophysical model of the kimberlite was used to direct the subsequent drilling programmes.

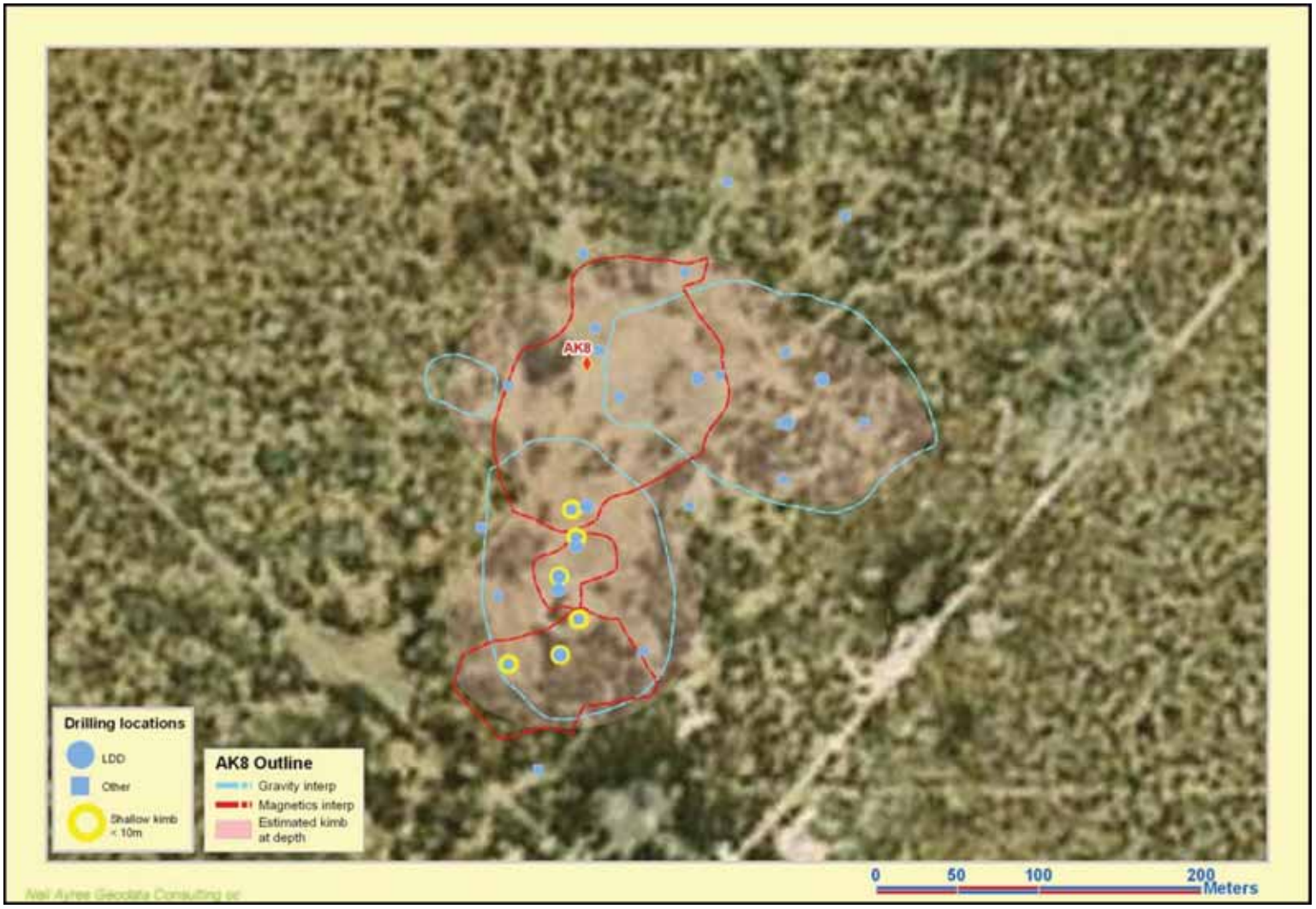
The drilling campaigns began in late 2004 with a series of ten vertical 6.5inch percussion holes and four vertical 12.25 inch Large Diameter RC holes. The delineation drilling continued with a further ten vertical percussion holes in May and June 2005. Six diamond drillholes were completed, four vertical and two at -70^0 inclination, between October 2005 and September 2006. Between October 2006 and February 2007, three additional LDD holes were completed, one of which was a 22 inch diameter RF – AA and the others 12.25 inch diameter RF – AA holes. The drilling is summarized in Table 8 below.

The twelve positive 6-inch percussion holes and an interpretation of the geophysics suggest that the AK 08 kimberlite has a surface area of some 5ha. The kimberlite is bi-lobate with the northern lobe being capped with basalt and calcrete/sand between 90m and 125m thick; the southern lobe has no basalt cap and sub-outcrops under calcrete/sand overburden between 1.5m and 18m thick (see Map 5 below).

The diamond drilling served to further refine the shape and size of the kimberlite and also provided further evidence of the internal geology of the body. In the southern lobe, re-sedimented volcaniclastic kimberlite down to 121m overlies fine grained magmatic kimberlite, with sections of the kimberlite having up to 95 per cent. basalt breccia xenoliths. In the north lobe, magmatic kimberlite and sections of volcaniclastic kimberlite are often highly diluted by basalt and country rock xenoliths. The diamond core samples also provided indicator mineral grains for mineral chemistry studies. The two lobes appear to be similar with a large population of sub-calcic G10 garnets (C.T. Rhikotso*, op cit*).

Table 8: Summary of Drillholes at AK 08

HOLE No.	*DATE*	*HOLE SIZE*	*END DEPTH*	*METHOD*	*KIMBERLITE INTERSECTED*
H 01	Oct. 2004	6.5 inch	178m	percussion	75m–178m
H 02	Nov. 2004	6.5 inch	173m	percussion	10m–155m
H 03	Nov. 2004	6.5 inch	170m	percussion	119m–170m
H 04	Nov. 2004	6.5 inch	162m	percussion	No kimberlite
H 05	Nov. 2004	6.5 inch	131m	percussion	No kimberlite
H 06	Nov. 2004	6.5 inch	165m	percussion	No kimberlite
H 07	Nov. 2004	6.5 inch	156m	percussion	106m–136m
H 08	Nov. 2004	6.5 inch	200m	percussion	138m–200m
H 09	Nov. 2004	6.5 inch	156m	percussion	No kimberlite
H 10	May 2005	6.5 inch	150m	percussion	91m–150m
H 11	Dec. 2004	8.0 inch	152m	percussion	9m–152m
H 12	May 2005	6.5 inch	138m	percussion	No kimberlite
H 13	Jun. 2005	6.5 inch	173m	percussion	135m–173m
H 14	Jun. 2005	6.5 inch	173m	percussion	3m–125m
H 15	Jun. 2005	6.5 inch	163m	percussion	No kimberlite
H 16	Jun. 2005	6.5 inch	155m	percussion	No kimberlite
H 17	Jun. 2005	6.5 inch	160m	percussion	56m–160m
H 18	Jun. 2005	6.5 inch	155m	percussion	92m–155m
H 19	Jun. 2005	6.5 inch	161m	percussion	No kimberlite
H 20	Jun. 2005	6.5 inch	155m	percussion	No kimberlite
LDD 03	Nov. 2004	12.25 inch	200m	RC	75m–200m
LDD 04	Nov. 2004	12.25 inch	170m	RC	28m–164m
LDD 01	Dec. 2004	12.25 inch	170m	RC	5m–170m
LDD 02	Dec. 2004	12.25 inch	169m	RC	119m–149m
DDH 04(-90˚)	Oct. 2005	HQ-63.5mm	148m	Diamond	10m–135m
DDH 01(-70˚)	Dec. 2005	HQ-63.5mm	185m	Diamond	115m–161m
DDH 02(-70˚)	Jan. 2006	NQ-47.6mm	172m	Diamond	122m–151m
DDH 05(-90˚)	Apr. 2006	NQ-47.6mm	280m	Diamond	89m–280m
DDH 03(-90˚)	Sep. 2006	BQ-36.5mm	267m	Diamond	122m–267m
DDH 08(-90˚)	Sep. 2006	BQ-36.5mm	116m	Diamond	5m–116m
LDD 07	Oct. 2006	22.0 inch	200m	RF–AA	3m–197m
LDD 08	Jan. 2007	12.25 inch	287m	RF–AA	124m–287m
LDD 09	Feb. 2007	12.25 inch	182m	RF–AA	123m–165m



MAP 5: LOCATION OF AK 08 DRILLHOLES AND MODELLED OUTLINES OF KIMBERLITE.

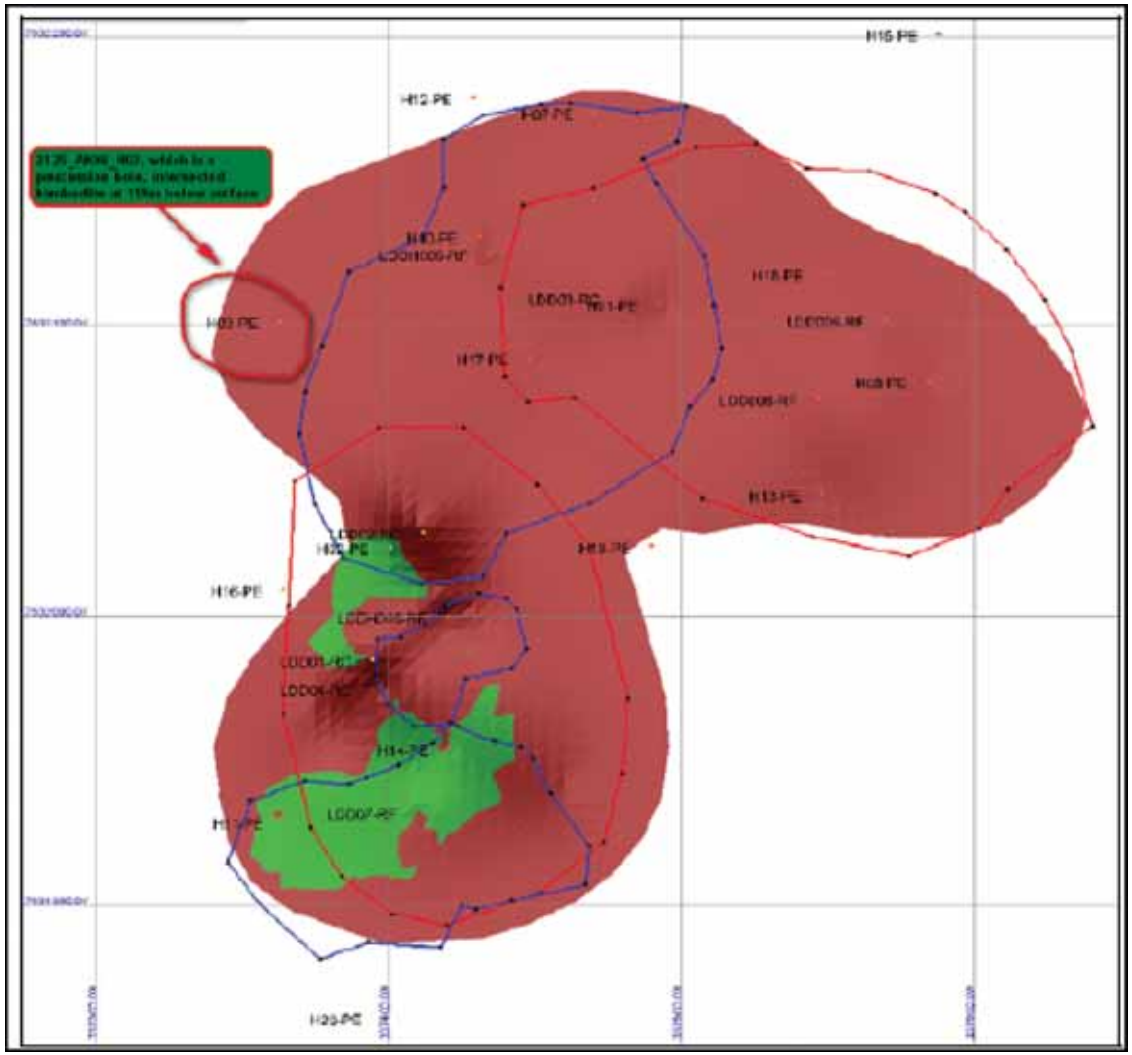
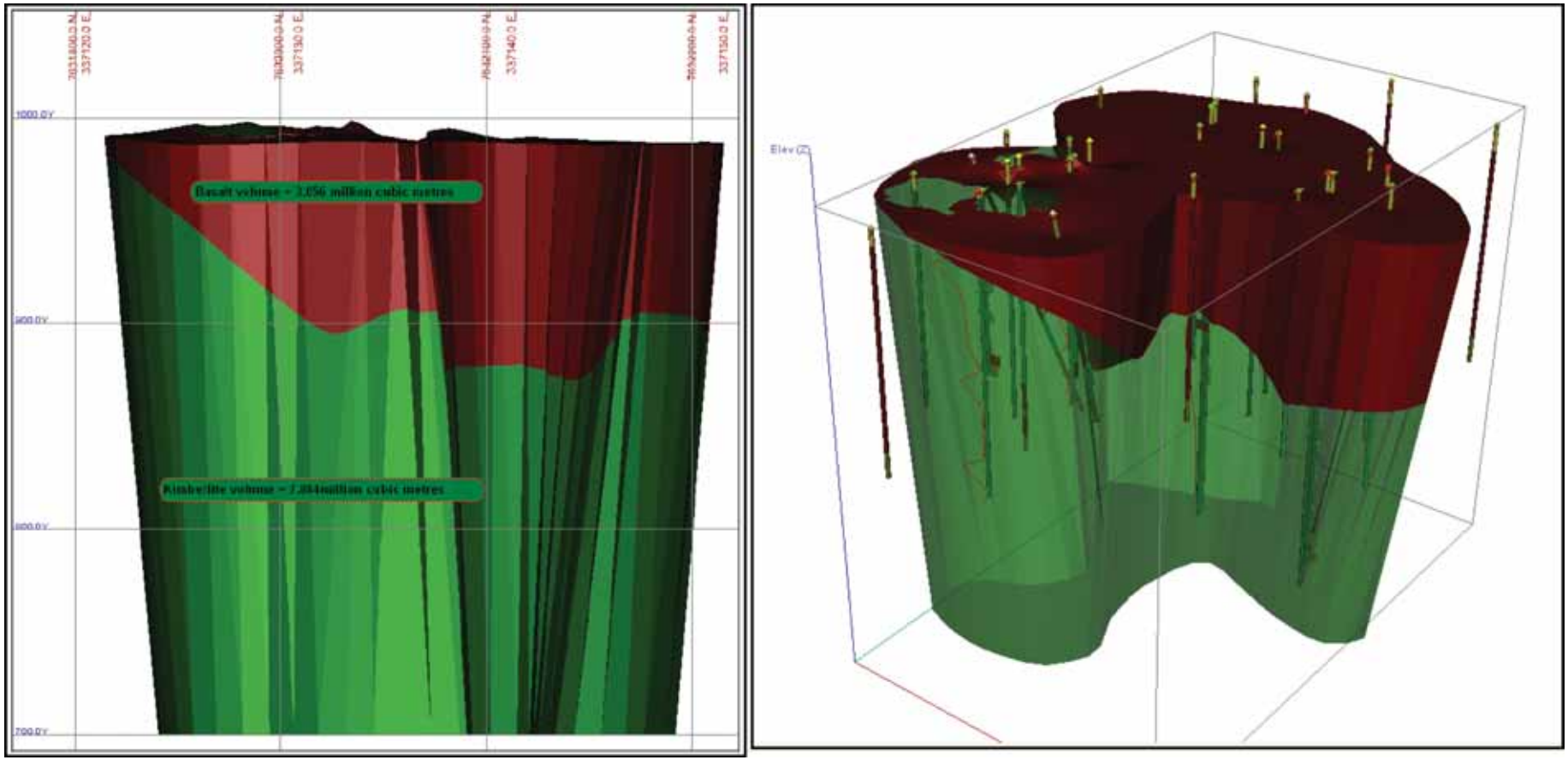


Figure 4: Plan view of the modelled AK08 kimberlite RED LINE = gravity, BLUE LINE= magnetics. Solid Red colour is basalt covered kimberlite and solid green colour is sub- outcropping kimberlite.



Figures 5 & 6: Simplified AK08 geological model – showing kimberlite overlain by basalt cap/breccia and on the right, drillhole traces against the 3D model.

7.2.5 *Drilling Results*

The objectives of the drilling campaigns were:

- to resolve the geophysical anomaly models and to obtain an estimated surface area of the kimberlite and a realistic 3-D geological model (20 percussion and 6 diamond drillholes),
- to obtain core samples for petrographic description, mineral chemistry and MiDa (6 diamond core holes),
- to obtain bulk samples for processing to recover macro-diamonds (4 LDD holes in 2004 and 3 LDD holes in 2007).

The interpretation of the magnetic and gravity data showed slightly different extents of the kimberlite, but the percussion and diamond drilling has largely resolved the discrepancies and it is generally held that the AK 08 kimberlite is some 6ha in total extent, with some 1ha of the pipe (south lobe) sub-outcropping with from 0m to 15m of sand/calcrete overburden while the northern and northeastern lobes are capped by up to 125m of basalt (see Figures 5 & 6 above).

The petrography and internal kimberlite facies definition is poorly understood and further inclined diamond drilling will be needed to adequately resolve these issues. The kimberlite is classed as magmatic with volcaniclastic and pyroclastic units in the southern lobe with good diamond grade potential. The limited knowledge of the northern lobe is that the kimberlite is classed generally as a breccia much diluted with country rock and therefore having less potential for viable diamond grades.

The mineral chemistry plots show a significant population of sub-calcic G10 garnets and a 10 per cent.–15 per cent. eclogitic garnet component. Both these indicate that the AK08 kimberlite sampled the diamond stability field and has the potential to carry diamonds (C.T. Rhikotso*, op cit*).

Micro-diamonds were recovered from some of the samples of the percussion drilling campaign with two samples from the east lobe, two from the north lobe and one from the south lobe (see Table 9 below). Samples of diamond drill core were also taken for MiDa purposes and are shown in the Table. The MiDa analytical study when combined with the macro-diamond results indicates an estimated diamond grade of 5cpht for the south lobe, 1cpht for the northern lobe and 1cpht for the eastern lobe.

The macro diamond study used mostly the samples of kimberlite obtained from large diameter drillholes plus some of the drill chips from earlier percussion drilling which were composited according to the location of the holes. The south, north and east lobe samples have been kept separate and it is quite obvious from the results that the south lobe has the highest average grade, which from the macro-diamond results (LDD results only) indicates a grade of 6.13cpht. De Beers Mineral Resource Management section report confidence limits of 3 and 7cpht for the south lobe at 90 per cent. probability and the Diamond Trading Company report an average of US$100/ct ranging from US$35/ct to US$190/ct diamond values at 90 per cent. probability based on the very few available stones and using the January 2008 DTC price book.

The geological model indicates that the AK08 kimberlite offers a potential exploration target size of some 20million tonnes of kimberlite down to 300m below surface. The potential target size of the south lobe only is roughly 7million tonnes to 300m depth.

Table 9: MiDa Results for kimberlite AK08

Consignment	*Sample Type*	*Aliquots*	*Treated Mass (kg)*	*MD05+ Micros*	*MD06+ Micros*	*Total Micros*
H13 (E. lobe)	Drill sludge	4	489.4	27	14	30
H14 (S. lobe)	Drill sludge	7	143.84	41	22	44
H10 (N. lobe)	Drill sludge	10	197.42	74	52	83
H17 (N. lobe)	Drill sludge	9	169.66	81	54	83
H18 (E. lobe)	Drill sludge	8	154.42	53	38	55
DDH04 (S lobe)	Core	23	374.46	111	72	115
DDH05 (N lobe)	Core	20	343.86	92	58	95
Consignment	*Sample Type*	*Aliquots*	*Treated Mass (kg)*	*MD05+ Micros*	*MD06+ Micros*	*Total Micros*
DDH02 (S lobe)	Core	4	56.04	7	5	7
DDH01 (S lobe)	Core	12	172.4	4	2	4
DDH03 (S lobe)	Core	26	526.01	117	89	124
DDH08 (E lobe)	Core	53	1102.86	90	49	96
TOTALS		176	3730.37	697	455	736

Table 10: Summary of AK08 macrodiamond bulk sample data

Sample Type	*Location*	*Calculated Mass* (Tonnes)*	*No. of Stones*	*Carat Weight*	*Grade cpht*
LDD 01	South lobe	25.03	23	1.54	6.15
LDD 02	North lobe	25.1	0	0	0
LDD 03	North lobe	22.89	7	0.39	1.70
LDD 04	South lobe	29.25	24	4.395	15.03
H01+03+8+ 10+13+17+18	North lobe	13.85	2	0.115	0.83
H02+H14	South lobe	8.27	14	0.945	11.43
LDD 05	South lobe	101.29	108	6.585	6.50
LDD 06	North lobe	195.587	40	4.715	2.41
LDD 07	South lobe	140	43	5.605	4.0
LDD 08	East lobe	49.805	1	0.130	0.26
LDD 09	East lobe	31.746	0	0	n/a
TOTALS		642.818	262	24.42	3.80

* Sample Mass was calculated from the hole's volume & an assumed density of 2.7g/cm^3. Please note that a 1mm bottom screen was used.

In 2010, BD obtained all of the De Beers raw data of diamonds recovered to date and commissioned Mr. N.Ayres to re-assess the expected grade of the AK 08 kimberlite. The diamond drillholes which had a high content of basalt were deemed to be diluting the grade and once the data from these was removed, the new size/frequency curve in Figure 7 below was produced and the consultant estimates an average grade of 8.2cpht for AK08 instead of the 3.0cpht to 7.0cpht grade estimated by De Beers (N.Ayres, 2010).

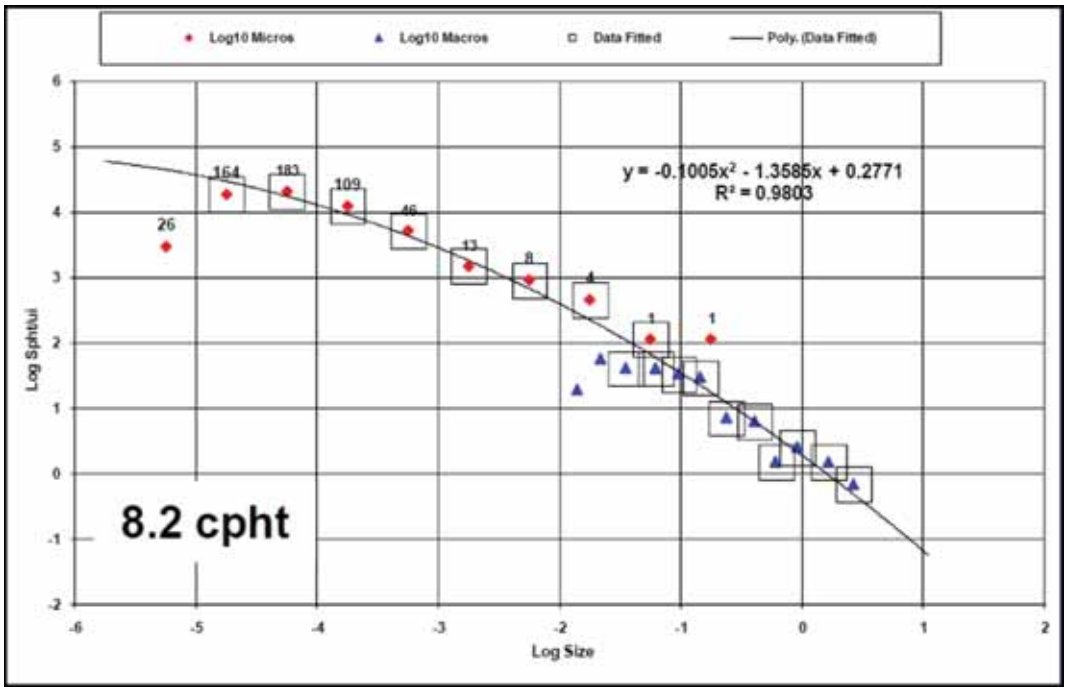


Figure 7: Revised size-frequency curve for micro- and macro-diamonds recovered from AK08

In November 2010, BD commissioned a conceptual study of the likely mining and processing costs in developing their three Botswana kimberlites (J.E.Clarke, 2010). The study used the geological models for the kimberlites and planned open pit mining for AK08 & 09; the study also assessed various scenarios including contract mining and processing of ore from AK08 & AK09 at the new AK06 mine. The conceptual study indicated that the AK08 kimberlite, if mined together with the nearby AK09 kimberlite, could produce a 20 per cent. IRR if the *in situ* value of the kimberlite was US$38/tonne. The findings of this conceptual study are summarized as follows:

- The AK08 pipe produces 13.5 million tonnes of kimberlite down to a depth of 275m and requires waste stripping of 72.2 million tonnes.
- The plant treatment rate is 1.5 million tonnes per annum thereby producing a combined life of mine for AK08 & AK09 of 16 years.
- It was assumed for purposes of the study that both the mining and plant operations are contracted out in order to reduce capital expenditure. The initial capital expenditure is estimated to be US$41 million, including working capital for AK08 & AK09.
- The operating costs are estimated as US$23.6 per tonne treated over the life of mine.

7.2.6 *Conclusions & Recommendations*

The following conclusions can be drawn from the assessment work completed to date and the recommendations for further work follow from these:

1. The initial percussion drilling succeeded in outlining and establishing the framework for a 3-D geological model of the pipe; however, only two of the diamond drillholes (DDH01 & 02) were inclined holes through the contact zone of the southern lobe and the remaining four diamond core holes were vertical and therefore provided no useful data about the kimberlite sidewall contact zone over the remainder of the pipe. This means that the geological model is poorly constrained and the pipe target volume may be very different from the global 20million tonne estimate to 300m depth.

2. The mineral chemistry study showed that the AK08 kimberlite has a significant population of sub-calcic and eclogitic garnet and was assessed as having a high potential for carrying diamonds. The possible eclogitic diamond component, together with the relatively flat size – frequency curve derived from the MiDa study indicates that the AK08 kimberlite may have a significant large stone size population and that large bulk samples are required to arrive at a conclusion about this population. It is encouraging to note that the size frequency distribution model plot shows that the South lobe could have 15 per cent. to 20 per cent. of the stones above 1ct/stone. A 2.26ct stone was recovered from LDD 04 drilled into the south lobe and a 2.375ct stone was recovered from LDD05 in the north lobe of AK08.

3. The drill chips collected during the two LDD drilling campaigns were passed over a 1mm screen prior to treatment in a DMS recovery plant. There is no data indicating the mass of sample actually treated in the DMS versus the calculated mass of the kimberlite drilled; if the drilling method was such that the kimberlite was ground up, then it is fair to assume that only a small fraction of the calculated mass was treated and that the diamonds too were broken up during the drilling process; this results in an underestimation of macro-diamond grades. The use of percussion sample in macro-diamond studies is also totally meaningless since the pulverizing action of the drill method will destroy diamonds. The re-assessed grade of 8.2cpht is the best estimate to date of the grade in AK08, but it should be borne in mind that the macro-diamond size/frequency data is probably underestimating the grade because of diamond breakage in the LDD drilling process.

4. The conceptual study by Paradigm Project Management (J.E.Clarke *op cit*) indicates that AK08 requires an *in situ* value of US$38/tonne to become financially viable, which translates to grade/value combinations of between 38cpht for US$100/ct diamonds and 25cpht grades with US$150/ct diamonds. These target grade/values are achievable and justify the further evaluation of AK08.

The above conclusions lead to the following recommendations for further assessment work of the AK 08 kimberlite:

1. Shallow, vertical percussion drilling to delimit the near-surface extent of the kimberlite followed by diamond drilling of several inclined holes from the estimated centre of the southern lobe of the kimberlite in an E-W and N-S pattern will provide sufficient lateral information on the kimberlite contacts of the southern lobe to reach a conclusion as to the size and shape of the southern lobe kimberlite body. Core drilling will also provide a better indication of internal kimberlite variability, and a larger sample for additional MiDa analysis.

2. Large Diameter drill holes to obtain a large sample for macro-diamond analysis of average stone size, grade and value should use the Bauer 2.5m diameter LDD rig, capable of drilling to 70m depth, alternatively, and preferably, a trench or excavation to obtain a better assessment of grade in the sub-outcropping southern portion of the kimberlite. In order for AK 08 to be financially viable, the upper portions of the kimberlite must yield a viable grade/value of diamonds and it is therefore vital to assess this part of the kimberlite at an early stage.

7.3 PL 4/2002 (Northern Block) and PL 605/2009 – BK 05 Kimberlite

7.3.1 *Introduction*

The BK05 kimberlite was included in the Atlas Joint Venture (formerly Boteti Joint Venture) between De Beers and AFD. The kimberlite is located some 18km ENE of the Orapa Mine and some 6 km north of Debswana's Damtshaa mine.

7.3.2 ***Discovery History***

The BK05 kimberlite discovery history is not known.

7.3.3 ***Local Geology***

In the vicinity of the BK05 pipe, the white, fine to coarse-grained cross-bedded sandstones of the Ntane Formation of the Karoo Supergroup form the lowest lithologies intersected in the drilling to date. Overlying this unit are Stormberg basalts of various thicknesses from 0m to 100m thick. The BK05 area is generally covered by some 1m to 5m of sand and up to 5m of cream-white calcrete.

7.3.4 ***Exploration Programmes***

In 1976 De Beers dug two small pits into the outcropping kimberlite and processed the 358.48 tonnes of kimberlite through a small pan plant at the Orapa prospecting camp recovering 150 stones weighing 14.78 cts. In 1982 De Beers then drilled two jumper drill holes to collect a total of 180 tonnes of kimberlite which were processed and returned 379 stones weighing 12.86cts. These early evaluation programmes indicated a diamond grade of between 4.1 and 7cpht.

In 2002, prior to the advent of AFD and the joint venture with De Beers, Kukama Mining and Exploration Proprietary Limited ("Kukama") decided to bulk sample the outcropping portion of the kimberlite body. The bulk sample pit was excavated, some 2,800 bank cubic metres (roughly 7,280 tonnes) of kimberlite sample was stockpiled and a slimes dam was constructed. Before the erection of a sampling plant could begin, AFD negotiated to buy out Kukama and the programme was shelved.

De Beers conducted various ground geophysical surveys over the kimberlite, including ground magnetic, gravity and EM34 methods, which served to model the possible extent of the kimberlite and provide drill targets for proving this possible size.

In November 2004, De Beers drilled six vertical percussion holes to define the limits of the kimberlite and to assist with the siting of large diameter sampling holes.

In December 2004, De Beers drilled three x 12inch diameter RC drillholes and processed the sample of (calculated) some 90 tonnes at the AK6 sampling plant, recovering only 1 diamond weighing 0.045cts.

In October 2007, De Beers drilled a vertical diamond drillhole to obtain a sample for MiDa analysis.

The drilling results are summarized in Table 11 below.

Table 11: Summary of Drillholes at BK 05

HOLE No.	*DATE*	*HOLE SIZE*	*END DEPTH*	*METHOD*	*KIMBERLITE INTERSECTED*
H 01	Nov. 2002	6.0 inch	100m	RC	0m–12m
H 03	Nov. 2004	6.5 inch	106.5m	percussion	No kimberlite
H 05	Nov. 2004	6.5 inch	155m	percussion	0m–155m
H 06	Nov. 2004	6.5 inch	65m	percussion	0m–24m
H 07	Nov. 2004	6.5 inch	126m	percussion	0m–90m
H 08	Nov. 2004	6.5 inch	60m	percussion	23m–27m
H 10	Dec. 2004	6.5 inch	83m	percussion	0m–26m
LDD 01	Dec. 2004	12.25 inch	170m	RC	0m–170m
LDD 02	Dec. 2004	12.25 inch	90m	RC	0m–82m
LDD 04	Dec. 2004	12.25 inch	170m	RC	0m–170m
H001	Oct. 2007	64mm	200.78m	Diamond	0–200.78m

Table 12: Summary of Macro-diamond Bulk Sampling Results at BK05

SAMPLE TYPE	*CALCULATED MASS *(Tonnes)*	*NO. OF STONES*	*CARAT WEIGHT*	*GRADE cpht*
1976: 2 x pits	358.48	150	14.78	4.1
1982 – 2 x jumper drill	179.8	379	12.86	7.2
2004 – LDD holes	90.28	1	0.045	0.05
	628.56	530	27.685	4.40

* Sample Mass was calculated from the hole's volume & an assumed density of 2.7g/cm^3. Please note that a 1mm bottom screen was used for the 2004 LDD samples.

7.3.5 ***Drilling Results***

The objectives of the drilling campaigns were:

- to resolve the geophysical anomaly models and to define the outcrop surface extent of the kimberlite,
- to obtain core samples for petrographic description, mineral chemistry and MiDa (1 diamond core hole),
- to obtain bulk samples for processing to obtain macro-diamonds.

The interpretation of the magnetic and gravity data showed slightly different extents of the kimberlite, but the percussion drilling has largely resolved the discrepancies and it is generally held that the BK 05 kimberlite is some 5.8ha in total sub-outcrop extent.

The petrographic descriptions confirmed the drill logger's identification of Tuffisitic kimberlite breccia and the petrographer rated the kimberlite as being of moderate economic potential.

The mineral chemistry indicated that the geothermal gradient of the mantle was 40mW/sq.m., which is favourable for sampling the diamond stability field. The De Beers geologists ranked the garnet chemistry as only having a moderate number of sub-calcic G10 and eclogitic garnets.

Although De Beers have produced a MiDa size/frequency curve for the 14 micro diamonds recovered there is no interpretation or conclusions as to predicted grades and it is assumed that this is probably because of the low number of micro- and macro-diamonds recovered.

The results of the various bulk samples taken to estimate grade indicate a wide range of grade estimates; this is almost certainly because the samples were all too small and because the LDD drilling will almost certainly crush diamonds and discard them on the 1mm bottom screen. In this regard it is interesting to compare the jumper drill grade of 7.2cpht to the LDD grade of 0.05cpht in Table 12 above; the jumper drill is not high impact and therefore unlikely to crush diamonds while the LDD method is high impact and will crush diamonds.

In November 2010, BD commissioned a conceptual study of the likely mining and processing costs in developing their three Botswana kimberlites (J.E.Clarke, 2010). The study assumed that the BK05 kimberlite would have to be a stand-alone operation since it is far from AK06 mine and operations at AK08 & 09, however, certain mine services such as recovery and sorthouse facilities would be common. There is no geological model for the BK05 kimberlite and the consultants assumed open pit cut backs and strip ratios would be similar to AK06. The conceptual study indicated that Capex investment in the BK05 kimberlite could produce a 20 per cent. IRR if the *in situ* value of the kimberlite was US$24/tonne. The other findings of this conceptual study are summarized as follows:

- A stand-alone mine at BK05 with its own treatment plant. Concentrates would be transported to the AK08/09 final recovery plant.
- The mine would produce 12.7 million tonnes of kimberlite down to a depth of 250m and would require stripping of 31.8 million tonnes of overburden.

- It was assumed that the treatment rate was 1.8 million tonnes per annum, so life of mine is 9 years.
- Both mining and plant operations are contracted out in order to reduce capital expenditure to an estimated US$37 million inclusive of working capital.
- The operating costs are estimated to be US$12.90 per tonne.

7.3.6 ***Conclusions and Recommendations***

1. The De Beers drilling is too widely spaced to outline and establish the framework for a 3-D geological model of the pipe particularly as there are no inclined holes to accurately determine the location of the pipe margins or to accurately determine a possible volume/tonnage estimate. Similarly, the possibility of multiple intrusive phases has not been tested by diamond drilling and petrographic studies.
2. The mineral chemistry study reportedly showed that the BK05 kimberlite has only a moderate population of sub-calcic and eclogitic garnet and was assessed as having a moderate potential for carrying diamonds. The author estimates from inspection of the mineral chemistry plots that some 2 per cent. of the garnet grains are sub-calcic and a similar percentage are eclogitic, however the role of biased picking cannot be estimated. It is recommended that further mineral chemistry studies be done with good picking controls to re-assess the De Beers conclusion on favourability.
3. The drill chips collected during the early jumper and pit sampling and later LDD drilling campaigns were passed over a 1mm screen prior to treatment in the various sampling plants available at that time. In the case of the LDD samples, there is no data indicating the mass of sample (>1mm) actually treated in the DMS versus the calculated mass of the kimberlite drilled; if the drilling method was such that the kimberlite was ground up, then it is fair to assume that only a small fraction of the calculated mass was treated and that the diamonds too were broken up during the drilling process; this results in an underestimation of macro-diamond grades. The use of percussion sample in macro-diamond studies is also totally meaningless since the pulverizing action of the drill method will destroy diamonds.
4. The conceptual study by Paradigm Project Management (J.E.Clarke, 2010) indicates that BK05 requires an *in situ* value of US$24/tonne to become financially viable, which translates to grade/value combinations of between 24cpht for US$100/ct diamonds and 16cpht grades with US$150/ct diamonds. These target grade/values are achievable and justify the further evaluation of AK08.

The above conclusions lead to the following recommendations for further assessment work of the BK 05 kimberlite:

1. The reported results indicate a kimberlite that is sub-outcropping and some 5.8 hectare in near-surface area. The drilling to date has not completely defined the extent of this kimberlite body and additional shallow, vertical RC drilling combined with several sets of inclined diamond drillholes on widely spaced (150m) E-W section lines should be completed to further define the contacts, both at surface and at depth. Unlike AK08 & 09, this kimberlite has a large, near-outcropping surface area which will require far less stripping than AK08 or 09.
2. The results of the very limited large diameter drilling and early pit sampling only serve to indicate that the kimberlite is diamondiferous and no reliance should be placed on the grades predicted by the De Beers sampling (see Table 12 above). It is recommended that the stockpile of kimberlite already excavated should be treated and that the sampling quarry be extended to increase the number of tonnes treated. Similar sampling pits should be excavated at the northern and southern ends of the kimberlite to evaluate the effects of there being differing phases of intrusive with different grades and or values of diamonds.

MAP 6: LOCATION OF THE BK05 KIMBERLITE – SHOWING VARIOUS GEOPHYSICAL MODEL OUTLINES, THE DRILLHOLES, BULK SAMPLE PIT AND KIMBERLITE STOCKPILE.

7.4 PL 7/2004

7.4.1 *Introduction*

This licence was granted to AFD in 2004 and was originally applied for so that the KIM anomaly described below could be followed up. Other priorities, such as concentrating on the AK06 kimberlite evaluation, resulted in postponement of the planned exploration programme.

7.4.2 *Discovery History*

The original KIM sampling programmes of De Beers and subsequent airborne and ground geophysical programmes resulted in the discovery of the BK15 and BK17 kimberlites, located just north of the PL boundary (see Map 7 below), which have been retained by De Beers under a Mining Licence, but not yet developed.

7.4.3 *Local Geology*

The licence area is underlain by Karoo Supergroup lithologies, including Stormberg basalts.

7.4.4 *Exploration Programmes*

Apart from the original KIM sampling programmes and the subsequent geophysical programmes by De Beers, no modern exploration has been done.

7.4.5 *Exploration Results*

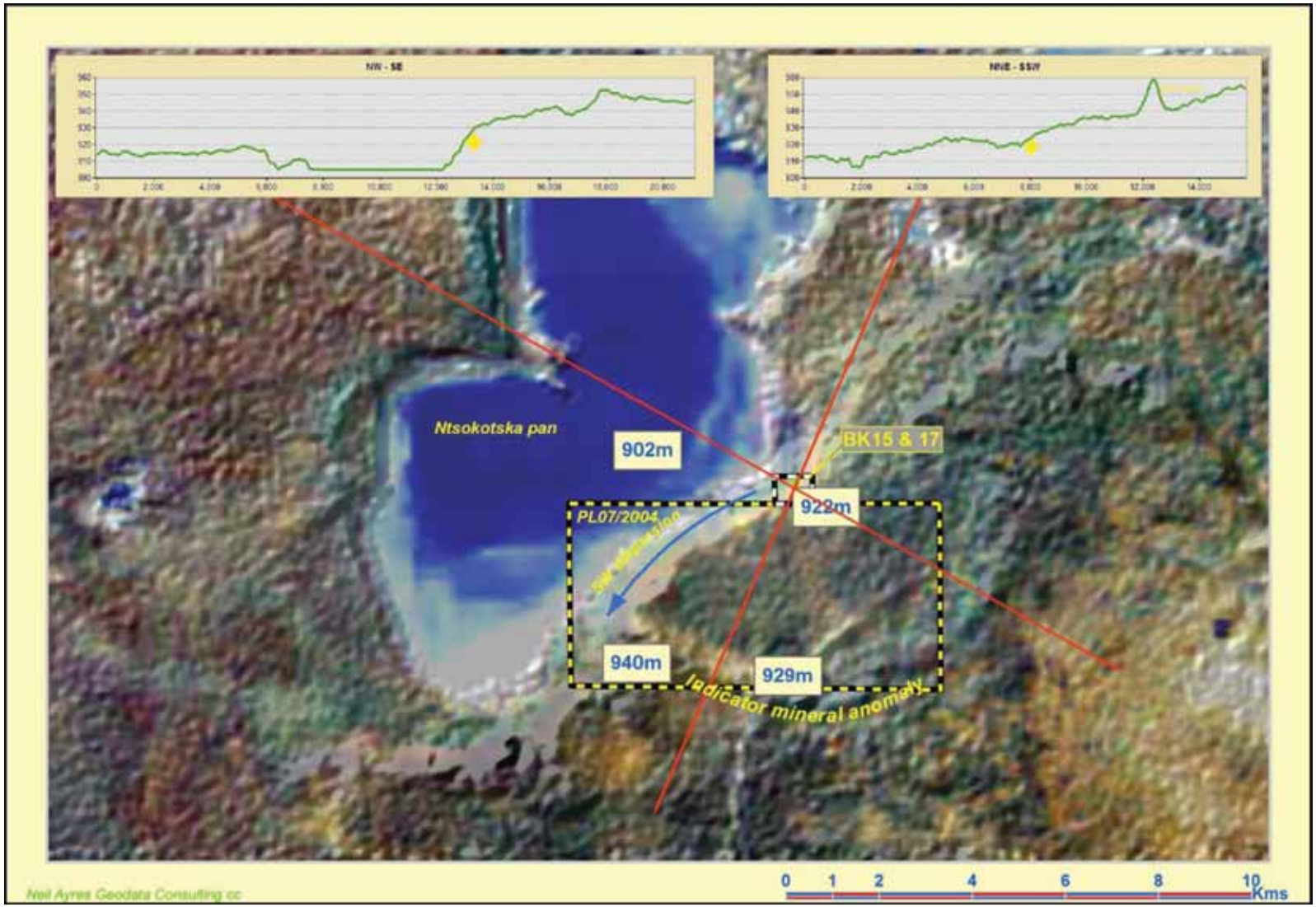
The KIM sampling results show that the BK15 & BK17 kimberlites have produced an indicator mineral anomaly that has been dispersed along the shore of the Ntsokotska Pan in a southwesterly direction as shown on Map 7 below. There is another swathe of anomalous KIM counts that occur at a much higher elevation (929 to 940m) than the BK15 & 17 pipes (922m), and these anomalous results have not yet been followed up.

7.4.6 *Conclusions & Recommendations*

The KIM sampling to date has defined a significant unexplained anomaly.

It is recommended that a limited programme of further KIM sampling be initiated over the anomalous area in an attempt to recover coarse >1mm grains so as to characterize the source of the grains by mineral chemistry “fingerprinting” of the ilmenite grains and trying to match them with known kimberlites of the area – BK15 & 17, the BK19, 20 & 21 cluster which is 12 km to the southeast, and BK05 which is 14.5 km to the south.

In the event that the KIM anomaly cannot be explained by any of the known kimberlites, then further ground geophysics will be required to help locate the source kimberlite.



MAP 7: LOCATION OF THE PL07/2004 LICENCE – SHOWING THE KIMBERLITE INDICATOR MINERAL ANOMALY

8. CURRENT EXPLORATION OF THE DRC PROPERTIES

The recent exploration and development of the Bugeco properties in the DRC are described in this section.

8.1 Introduction

In September 2003, Bugeco entered into an option and joint venture agreement with De Beers who were nominated as the operator of the project to explore the 17,514km^2 area of 49 licence blocks for kimberlites. De Beers commenced work on the ground in 2004.

8.2 Discovery History

Bugeco were attracted to the area because of very small scale alluvial artisanal workings in the streams and by the results of historical widely spaced stream sampling for KIM's conducted by Zairebrit (a former De Beers subsidiary company) and by Bugeco's own KIM sampling results generated during 2003 and 2004 (Bugeco report, 2009).

8.3 Local Geology

The permits are situated in the Northeastern portion of the central nucleus of the Kasai block of the Congo Craton. The geology of the permit areas is dominated by Precambrian middle to lower Bushimayi formations with the following simplified stratigraphy as established, based on field observation and drill core logging, by the De Beers technical teams working in the Bugeco project area:

In the Kabinda area, the simplified stratigraphy seems to comprise:

(f) Ferricrete horizon capping over various units

(e) Red Kalahari sandstone (830–890m)

(d) Polymorph sandstone (825–830m)

(c) Sand-, silt- and mudstones, fluvioglacial? basal conglomerates, intruded by kimberlites (725–825m)

(b) Basaltic lavas (or sills?), c. 20m thick?

(a) Basal Dolomitic limestones (>600–725m)

8.4 Exploration Programmes

Heavy mineral (KIM's) reconnaissance stream sampling was the first pass method used by De Beers. At each carefully selected sample site, some 200litres of coarse-grained alluvial material was screened into the 0.425–0.71mm and 0.71–2.00 size fractions. After hand concentration of samples in the field all material was sent to a central processing facility at Kananga where a concentrate was produced by dense media separation. The concentrates were sent to a De Beers laboratory in South Africa for indicator mineral picking, sorting, mounting and microprobe analysis. Positive sample results were followed up by closer spaced sampling to improve anomaly resolution. Some 3,076 samples were collected between 2004 and 2008 and some 300 kimberlitic garnets, 33,000 kimberlitic ilmenites and 4,000 spinels were microprobed. This sampling campaign defined two areas of interest (see Map 8 below) (Bugeco, *op cit*).

An airborne magnetic survey was flown over the entire project area in December 2004 at 250m line spacing with 6m station spacing and a 40m sensor height. The survey generated 280 anomalies classified as Grade 1 (24), Grade 2 (66), Grade 3 (99), Grade 4 (70) and "no further work" for 21 anomalies (Bugeco, *op cit*).

In August 2006, an airborne Spectrem EM test survey was flown over 16,437 line kilometres covering an area of 2,239 sq.km. The survey was ineffective because of the highly conductive overburden associated with the Cretaceous cover rocks (Bugeco, *op cit*).

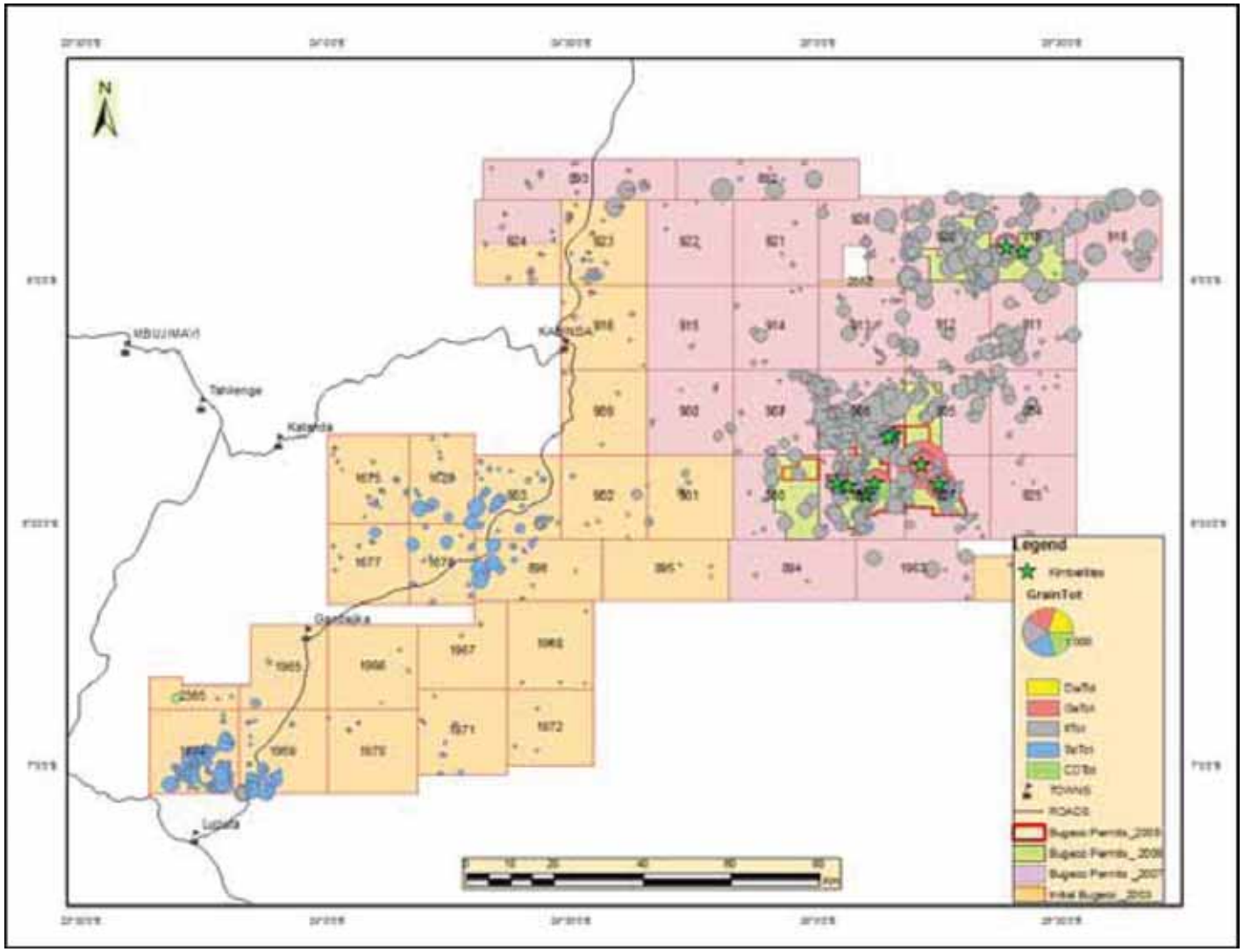
Airborne gradiometer, ground magnetic, ground EM and ground gravity surveys were used to follow up the KIM and geophysical anomalies. Initial anomaly and kimberlite discovery drilling used a Hydracore Prospector and Gopher BQ diamond drills. A large diameter Prakla RB20/30 rig was used later in the programme in order to get micro-diamond samples from kimberlite Kasendou-03 (Bugeco, *op cit*).

8.5 Drilling Programmes and Results

A total of 280 anomalies were selected from geophysical and KIM results and priorities were assigned to them; eighty-six drillholes totaling 7,047m were drilled on fifty high-priority targets and 9 confirmed kimberlites were discovered (see Table 13 below). A large diameter (99mm) core hole was drilled on kimberlite Kasendou-03 to obtain a large volume for MiDa purposes; kimberlite was intersected between 24.5m and 273m where the hole passed into Proterozoic limestone country rock. Two hydrocore holes (BQ) were drilled into kimberlite Kasendou-02 also for MiDa purposes – both holes intersected kimberlite from 10m and continued to 170m and 257.5m respectively (Bugeco, *op cit*).

Indicator mineral samples of the kimberlites were probed and their mineral chemistry was analysed; please note that a number of the kimberlites are garnet-poor and meaningful interpretation is not possible because of this lack of sample. A favourable but poorly defined local cratonic geotherm of 39mW/m^2 was recorded for the Kasendou cluster. The data suggests that high-interest sub-cratonic lithospheric mantle and low-interest cratonic margin mantle has been sampled (Bugeco, *op cit*).

Micro-diamond samples were collected and analysed; the results are summarized in Table 14 below. The results indicate low micro-diamond counts and the estimated grades are therefore low, however, the small sample mass and poor representivity make confident predictions of macro-diamond grades extremely difficult (Bugeco, *op cit*)



MAP 8: BUGECO PROJECT – KIMBERLITE INDICATOR MINERAL SAMPLING RESULTS

Table 13: Kimberlites Discovered on Bugeco licences and Summary Results

Kimberlite	*PR*	*No Drillholes*	*Overburden Depth (m.)*	*Est. Size (ha.)*	*Petrographic Interest Rating*
Lukashi-01	919	2	50.5	2.4	Low
Lukashi-02	919	1	40	2.0	Low
Kasendou-01	899	5	27	2.8	Moderate
Kasendou-02	899	5	3	2.2	Moderate
Kasendou-03	927	3	27	5.4	High
Kasendou-04	906	6	10	6.7	High?
Kasendou-05	927	8	45	12.0	Moderate
Kasendou-06	906	4	10	3.0	Low
Kasendou-07	899	5	27	11.0	Very Low
Kasendou-09	899	2	27	?	Very Low

Table 14: Kimberlite Petrography & MiDa Statistics

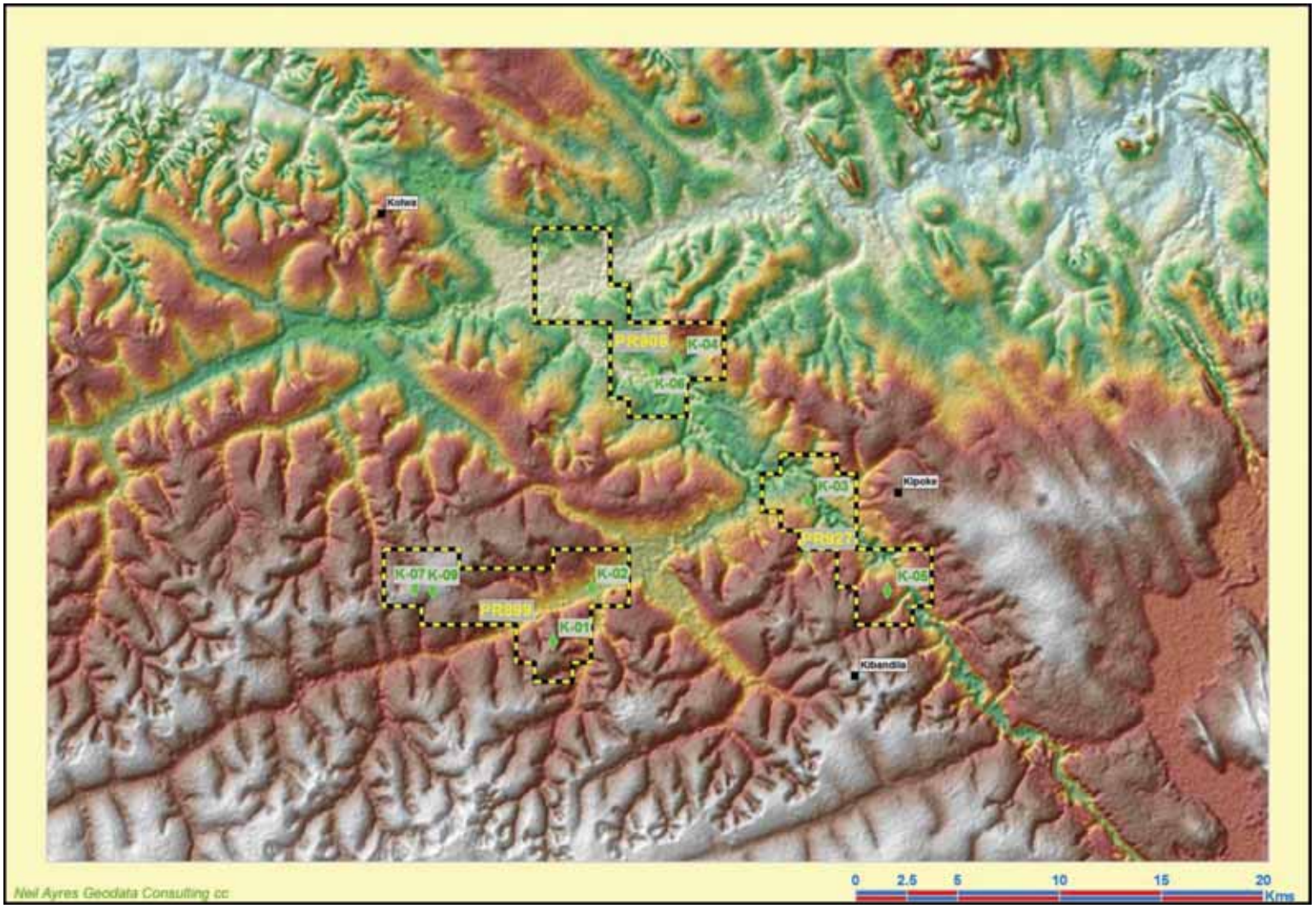
Kimberlite	*Kimberlite type*	*Sample Mass (kg.)*	*No. Stones*	*Est. Grade (cpht)*
Lukashi-01	Resedimented volcaniclastic	85.7	1	0–1
Lukashi-02	Resedimented phlogopite-rich	56.8	0	0
Kasendou-01	Qtz-bearing volcaniclastic	337	3	0–1
Kasendou-02	Crater facies volcaniclastic	545.7	38	2–3
Kasendou-03	Crater facies tuff + olivine macrocrysts	851.6	16	<5
Kasendou-04	Qtz-rich volcaniclastic	224	20	<5
Kasendou-05	Magmaclast-rich volcaniclastic	80	0	0
Kasendou-06	Macrocrystic calcitic magmatic	218	6	0-1
Kasendou-07	Qtz-rich resedimented volcaniclastic	0	n/a	n/a
Kasendou-09	f.g.sandstone with no mantle components – possibly in upper crater sediments	0	n/a	n/a

8.6 Conclusions and Recommendations

The following conclusions and recommendations are made from the exploration and evaluation results to date:

Although nine confirmed and one likely kimberlite have been located in the Bugeco licences, the evaluation by MiDa evidence alone is inconclusive and there is still a great deal of potential for further evaluation of the diamond grade and value of, in particular, the larger kimberlite bodies, such as Kasendou 03, 04, 05 and 07.

It is recommended that bulk sampling by means of large diameter rotary drilling is used to fully determine the macro-diamond grade of the larger kimberlites, Kasendou 03, 04, 05 and 07. If a sufficient number of diamonds are recovered then a valuation estimate of diamond quality should be made.

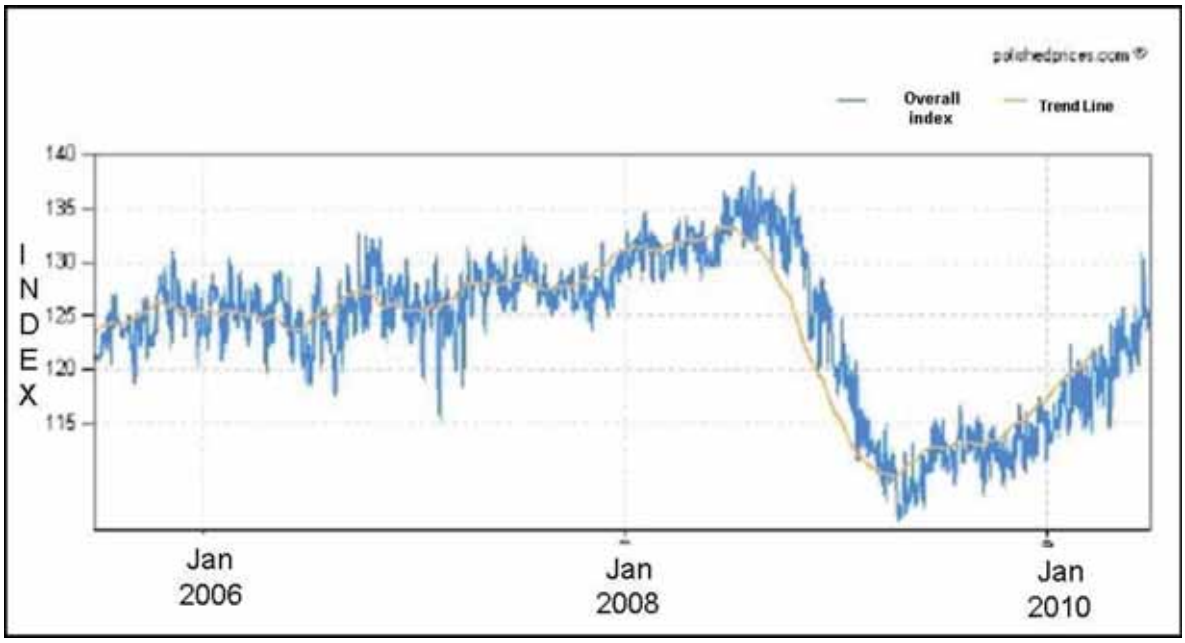


MAP 9: LOCATION OF THE BUGECO LICENCES AND KIMBERLITES FOUND TO DATE

9. A NOTE ON THE DIAMOND MARKET

The immediate effect of the financial market crash in September 2008 was that the demand for and therefore sales of luxury goods, particularly diamonds, fell precipitously. This was aggravated by banks withdrawing diamond cutting centre credit. The immediate action of De Beers in shutting down mining and cutting the supply of diamonds by 90 per cent. in Q1 2009 had an immediate and highly beneficial effect. Rough diamond prices and sales have since recovered to levels where, by June 2010, overall demand for rough is only 3 per cent. below the peak demand in 2008 and prices are nearing the peak 2008 levels. (C.Wyndham, 2009 & J.Allan, 2010).

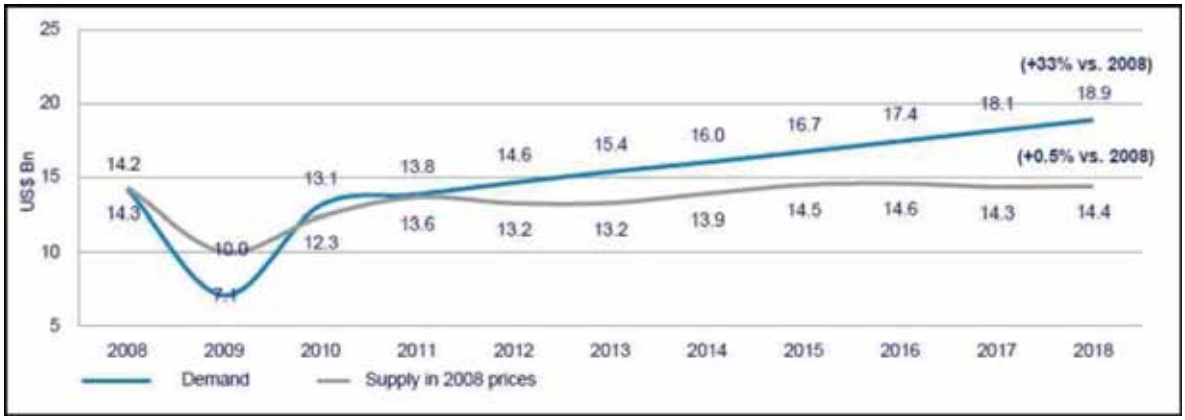
The behaviour of polished diamond prices over the recent past is best expressed in the following chart (from www.polishedprices.com)



Despite the recent market volatility, the longer term outlook for diamond demand is very positive with the American jewellery market continuing to underpin demand and with increasing sales of diamond jewellery in China and India as these two countries enjoy rapid economic growth and a growing middle- and upper-class (J. Allan, *op cit*). This growth in demand is coupled to a predicted reduction in the supply of rough diamonds as aging mines and lack of major new discoveries mean that supply will fall over the longer term; this combination of factors indicates strong growth in rough diamond prices (J. Allan, *op cit*).

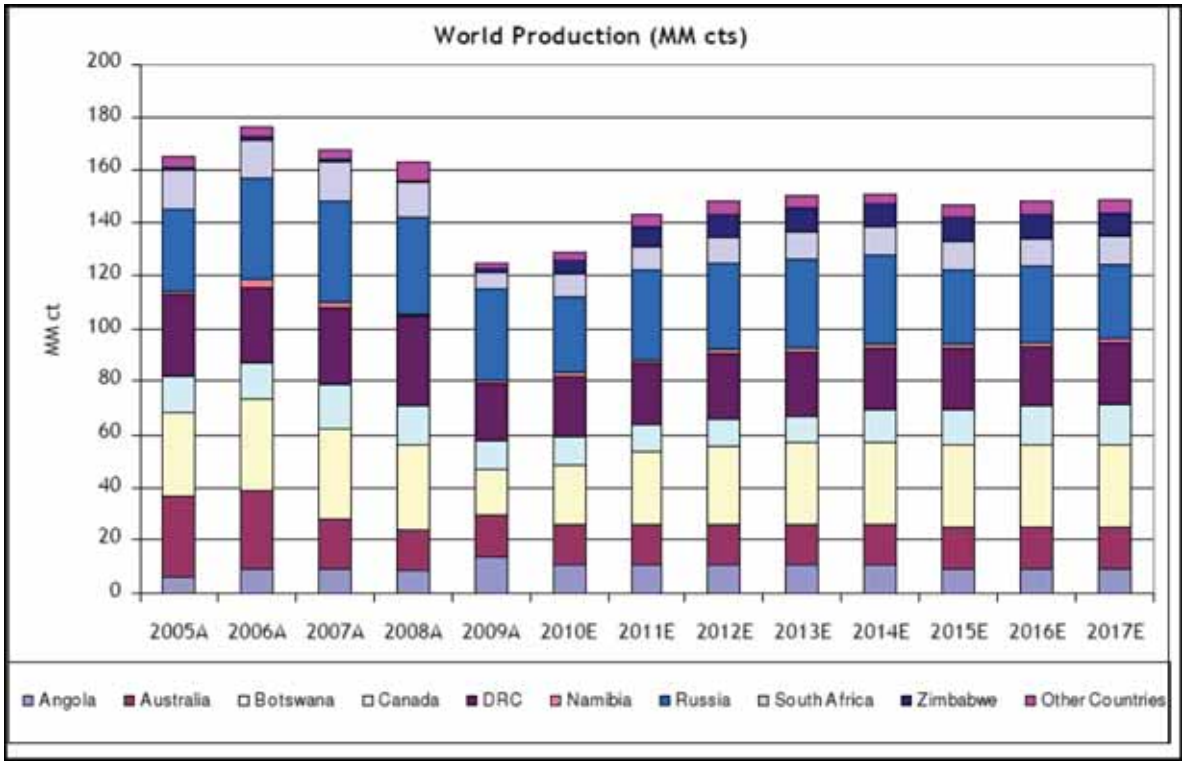
In a recent market commentary Russian diamond producer, Alrosa's forecast conclusions for longer term diamond prices is congruent with that of De Beers and the other large producers: the outlook is for firm prices once the world negotiates current volatile economic conditions and US, Japanese and European demand recovers to augment growing sales of diamond jewellery in China. Alrosa notes: "As a result of this emerging imbalance between supply and demand, the rough diamond prices in 2018 (the last of the forecast years in the Alrosa presentation) may be as much as 31 per cent. higher in real terms as compared to pre-crisis 2008 levels (or 55 per cent. higher if US$ inflation is taken into account)" (D.Kilalea *et al*, 2010).

The following graph of Alrosa's forecasts for supply and demand illustrates their point:



While a recovery in major consuming markets will be important to the projected rise in rough diamond prices, it will likely be the emergence of the Asia Pacific region, including China, which contributes most to growth in demand, followed by the Middle East. Alrosa's forecasts suggest that within the next seven years these economies will account for more than 40 per cent. of demand for cut diamonds. This projection is based on the prospect of Asia-Pacific GDP dwarfing that of Japan, the US and Europe, with the Middle East also forecast to outpace traditional diamond markets (D.Kilalea *op cit*, 2010).

The Alrosa supply forecast is in line with a similar forecast by RBC Capital Markets Europe diamond analyst, Des Kilalea, as shown below:



10. RESOURCE STATEMENT

This report follows the SAMREC code of Diamond Resource reporting, where categories are defined, with increasing levels of confidence in the estimates, as follows:

Exploration Targets, Inferred Resources, Indicated Resources and Measured Resources.

Inferred Resources and Exploration Targets

*An "**Inferred Diamond Resource**" is that part of a Diamond Resource for which tonnage, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and grade continuity and a sufficiently large diamond parcel is not available to ensure a reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that may be limited or of uncertain quality or reliability."* (SAMREC Code, 2006).

In our opinion, the exploration and evaluation work carried out on all of BD's projects is insufficient to assign an Inferred Diamond Resource classification to them and wherever possible we have indicated our opinion as to the possible size of each exploration target where both the minimum and maximum estimate of a range of possible tonnages and grades are given.

The AK08, AK09 and BK05 kimberlites have sufficient information to form an opinion on their possible speculative size, grade and value as exploration targets.

10.1 **The AK09 Kimberlite Project:**

The De Beers 3-D geological model, based on their drilling programme indicates that there is between 7.3 and 11.0 million tonnes of kimberlite down to the 250m below surface depth. The De Beers estimate of grade is 3.5cpht while BD's review of the data suggests a higher grade of some 8.0cpht. These estimates can be summarized as follows:

Table 15: AK09 Project – Exploration Target Size Estimate

Target	*Tonnage (tonnes)*	*Average Grade (cpht)*	*Contained Diamond Estimate (carats)*
AK09	7,300,000	3.5 to 8.0	255,500
	11,000,000	3.5 to 8.0	880,000

Note: 1. The bottom screen size is assumed to be 1mm.

10.2 **The AK08 Kimberlite Project**

The De Beers 3-D geological model, based on their drilling programme indicates that there is between 13.5 and 20.6 million tonnes of kimberlite down to the 275m below surface depth. The De Beers estimate of grade is 4.0cpht while BD's review of the data suggests a higher grade of some 8.2cpht. These estimates can be summarized as follows:

Table 16: AK08 Project – Exploration Target Size Estimate

Target	*Estimated Tonnage*	*Average Grade (cpht)*	*Contained Diamond Estimate (carats)*
AK08	13,500,000	4.0 to 8.2	540,000
	20,600,000	4.0 to 8.2	1,690,000

Note: 1. The bottom screen size is assumed to be 1.0mm

10.3 **The BK05 Kimberlite Project**

There is insufficient drill evidence to construct a geological model with any confidence, however, drilling and geophysical evidence suggests that the surface area of this kimberlite is some 6.0ha and the majority of it is sub-outcropping. The consultants, PPM using the drill data and making several assumptions have estimated a tonnage of between 9.0 million and 12.7million tonnes down to a 250m depth below surface level. De Beers estimated, on sparse evidence that the grade was between 4.4 and 7.2cpht.

Table 17: BK05 Project – Exploration Target Size Estimate

Target	*Estimated Tonnage*	*Average Grade (cpht)*	*Contained Diamond Estimate (carats)*
BK05	9,000,000	4.4 to 7.2cpht	396,000
	12,700,000	4.4 to 7.2cpht	914,000

Note: 1. The bottom screen size is assumed to be 1.0mm

11. DATA VERIFICATION

The data concerning mineral chemistry results reported by De Beers is essentially graphical and it is impossible to accurately determine the proportion of, for example subcalcic G10 garnets or to assess whether the indicator minerals have been picked in an unbiased fashion. If the KIM grain picker has a particular bias towards picking, for example, dark purple garnets over lavender coloured garnet grains, then the proportion of G10 to G9 garnets will be biased and one can arrive at the conclusion that the diamond carrying capacity of the kimberlite is poor.

The data concerning grades, tonnages, diamond sizes and values, as presented in the referenced reports and repeated in this report could not be verified as the drilling and pitting samples were not preserved nor was the author present when the bulk samples were treated by De Beers. There are no records of tailings audits and tracer recoveries from the various plants, so no definitive evaluation of plant efficiency can be stated.

The author is therefore unable to express an opinion as to the efficiency of the processing of samples or to the integrity of the sample from extraction through treatment, and it is beyond both the scope of this report and our professional skills to provide a definitive opinion as to the security of the process.

No sale or valuation certificates by independent third parties for diamonds produced from the Botswana projects have been obtained by BD and the only information on possible values has been provided by De Beers and is now out of date.

12. CONCLUSIONS AND RECOMMENDATIONS

Botswana: The AK08, AK09 and BK05 kimberlites are at the stage where systematic RC and diamond drilling to better define the lateral continuity and contacts between kimberlite and country rock are required as a first step towards obtaining a confident estimate of the volume of the kimberlite resource and the volume of overburden down to a vertical depth extent of some 250m to 300m. This programme should also be used to better define the internal geology of the kimberlite and whether variations in composition may signify variations in diamond grade. Once this phase of drilling has been completed, a bulk sampling programme can be designed to sample sufficient volumes of material to obtain diamond grade estimates of each of the kimberlite varieties defined in the petrographic study and also to obtain an estimate of average diamond values.

Prospecting Licence PL07/2004 has a well defined but unexplained kimberlite indicator mineral anomaly and exploration by means of coarse (>1mm) ilmenite grain "fingerprinting" is required to establish if there is another undiscovered kimberlite nearby. If the KIM anomaly remains unexplained then detailed ground geophysics and drilling needs to be applied to discover the kimberlite(s) which caused this anomaly.

Bugeco Project, DRC: The nine kimberlites discovered by extensive exploration require further drilling and sampling to determine their likely economic significance. Since BD has a minority shareholding in the controlling company and Bugeco has expressed a preference for seeking a joint venture partner to further the project's development, no budget expenditure needs to be allocated to this project.

13. EXPLORATION BUDGET

The Botswana Diamonds plc management has prepared an exploration and evaluation programme with a budget estimate of project expenditure over an 18-month period. The working capital requirement is summarized in Table 18 below. BD has forecast capital and operating expenditures of Pula 3.0 million (equivalent to ~US$ 436,000 or ~£281,000) with the majority of those costs associated with the three known and partially evaluated kimberlite projects in Botswana.

Note: Exchange Rate of Pula 1 = US$0.145440 = £0.09351 as at 1 December 2010

Table 18: Summary 18 Month Budget (All figures are Pula 000's)

Month	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*Total*
ACTIVITY																			
SUPERVISING GEOLOGIST	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	360
ADMINISTRATION	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	180
CONSULTANTS	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	180
DRILLING	0	0	0	188	188	187	187	0	0	0	0	0	0	0	0	0	0	0	750
Pre-FEASIBILITY STUDY	0	0	0	0	0	0	0	0	0	0	0	0	250	250	250	250	250	250	1,500
TOTAL																			3,000

14. DATE AND SIGNATURE PAGE

The effective date of this technical report is 27 January 2011.

The Qualified Person responsible for the preparation of all sections of this report is Mr. Peter W.A. Walker.

The undersigned, Peter W.A. Walker, contributed to all sections of this technical report, titled **"Competent Person's Report on a Portfolio of Diamond Exploration Properties in Botswana and the Democratic Republic of Congo for Botswana Diamonds plc and finnCap Limited"** with an effective date of 27 January 2011.

The format and content of the report are intended to conform to the London Stock Exchange, Alternative Investment Market's "Note for Mining and Oil & Gas Companies – June 2009".

Signed,

Peter W.A. Walker
27 January 2011.

15. QUALIFIED PERSON CERTIFICATE

I, Peter W.A. Walker, B.Sc.(Hons) Geology, M.B.A., Pr. Sci. Nat., as the author of this report titled **"Competent Person's Report on a Portfolio of Diamond Exploration Properties in Botswana and the Democratic Republic of Congo for Botswana Diamonds plc and finnCap Limited"** with an effective date of 27 January 2011, do hereby certify that:

1. I am an independent Consulting Geologist conducting work under the auspices of VP3 Geoservices (Pty) Ltd of – Office 4 Conberg House, 5 Dreyersdal Road, Bergvliet 7945. South Africa.

   Tel: +27 (21) 712 3826; Cell: +27 (72) 411 1108; e-mail: paw@vp3.co.za

2. I graduated with a Bachelor of Science (Hons.) degree in Geology in 1972 and an MBA in 1982, both from the University of Cape Town, South Africa.

3. I am a Professional Geologist registered with the South African Council for Natural Scientific Professions, registration No.400064/99;

4. I have worked as a geologist for a total of 31 years since my graduation from university. My relevant experience for the purposes of this Technical Report is:

   - Seven years (1995–2002) as exploration manager for first Trans Hex International Ltd and then Group exploration manager for Trans Hex Group, engaged in the assessment of new alluvial and kimberlite diamond projects, their exploration and management through to production.

- Two years as an independent, sole practitioner consultant (2002–2004) advising and writing competent person reports for exploration & mining companies engaged in alluvial diamond exploration.
- Two years as exploration manager (2004–2006) for Tsodilo Resources Ltd engaged in kimberlite exploration in N.W. Botswana.
- Three years as Chairman of VP3 Geoservices (Pty) Ltd, an independent geological consulting company engaged in advising and writing competent person reports for exploration and mining companies, specializing in alluvial and kimberlite diamond exploration.

5. I have read the definition of a "competent person" as set out in the "Note for Mining, Oil and Gas Companies", of June 2009 prepared by the AIM regulators and certify that by reason of my education, experience in alluvial diamond exploration and mining and my affiliation with a professional association I fulfill the requirements to be a "competent person" for the purpose of preparing this Competent Person's Report. I confirm that as the Competent Person I am not a sole practitioner.

6. I am responsible for writing all sections of this independent technical review report.

7. I visited the Botswana sites described in this report between 1 and the 4 November 2010.

8. As of the date of this certificate, to the best of the qualified persons knowledge, information and belief, the technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

9. I am independent of the Issuers, Botswana Diamonds plc, applying all of the standard tests of independence and VP3 Geoservices (Pty) Ltd is independent of Botswana Diamonds plc, its directors, senior management and advisors.

10. I have read the "Note for Mining, Oil and Gas Companies", of June 2009 prepared by the AIM regulators and this Technical Report has been prepared in compliance with the minimum content requirements of a Competent Persons Report as set out in Appendix 2 of their Note.

Dated: 27 January 2011

P.W.A. WALKER *B.Sc. (Hons.) MBA Pr. Sci. Nat.*

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17. GLOSSARY OF GEOLOGICAL & MINING TERMS

ADT's	Articulated Dump Trucks.
AEM or **Airborne Electromagnetic Survey**	Refers to an electrical geophysical survey method whereby an electric current is passed through a coil resulting in a magnetic field which induces a response from the earth immediately below the coil. AEM refers to a survey read from an instrument carried in a moving aircraft.
amsl	Above mean sea level.
Alluvial	A descriptive term used to classify a detrital deposit as being deposited in a stream or river.
Alteration	Changes in the mineralogical composition of a rock typically brought about by the action of hydrothermal (hot water) solutions.
Amphibolite	A crystalline rock consisting largely of amphibole and plagioclase feldspar.
Archaen	A time period extending from the creation of the earth to some 2,500mya (2.5 Ga).
Artisan Miners	Small scale manual diamond miners, usually working part-time when farming chores or seasons are less demanding of their time.
bmsl	Below mean sea level.
Bulk sampling	A descriptive term used to imply a large volume sample that is processed in order to determine the grade of a deposit where mineralization is unevenly distributed and of low grade within the deposit. Bulk sampling is invoked to overcome the "nugget effect".
Carat (ct.)	A unit used to weigh diamonds. The international metric carat is 200mg.
Carats per hundred tonnes "cpht"	Is the number of carats (weight) of diamonds per hundred tonnes of material mined. See also "Grade".
Concentrate	The result of a mechanical process in which diamonds (or some other desired mineral) that is heavier than the general minerals in the sample is "concentrated" into a smaller volume of material called "concentrate".
Conglomerates	Rounded, water-worn fragments of rock or pebbles cemented by another substance.
Colluvial	angular fragments of rock and weathered material transported partially by water, but close to their source rock.
Craton	A relatively immobile part of the earth's crust, generally of large size and at least 2.5 billion years old.
Cretaceous	A time period extending from 80 to 120 million years before the present time.
Cuttable Rough	Those rough diamonds which because of their good crystal shape can be cut into two smaller diamonds without much loss of weight. It is reasonable to expect the two polished portions to retain 50 per cent. of the rough carat weight.

Deflation	The removal of lighter particles from a land surface by the action of wind, leaving a surface layer composed of larger, heavier particles.
Deltaic	A term used to describe those sediments deposited in the delta of a stream or river as opposed to alluvial, lagoonal or marine.
Dense Media Separation (DMS)	The process of using a dense media, such as Ferro-silicon, to separate high specific-gravity minerals from low specific-gravity minerals.
Devonian	A geological time period extending from 417 to 354 my ago.
Diamond Drilling	Using a synthetic diamond impregnated drill bit and a core barrel to drill into rocks and to obtain a continuous core sample of them.
Diamondiferous	An adjective describing any substance containing diamonds.
Dyke	An intrusive rock exploiting a fracture zone so that the resultant rock forms a near-vertical dyke-like body.
Emplacement	The development of an ore body in a particular geological environment. To place the ore deposit by any geological process.
Elluvial	Fragmental material accumulated in place or very near to their bedrock source; the fragments have not been transported by the agency of water.
En Echelon	Ladder-like, or step like: used to describe faults or dykes which are parallel and off-set from each other, so that one ends and the other starts parallel to it.
FEL's	Front-end loaders.
Fluvial	Produced by the action of a stream or river.
Flowsort x-ray diamond sorter	A common make or brand of diamond sorter. Diamonds fluoresce under an X-ray beam and this property is used to pick them off of a moving belt.
Ga	A giga or billion or thousand million years before the present.
Geographic Information Systems (GIS)	A computerized system for capturing, storing, analysing, displaying and manipulating geographical and geological information which is spatially referenced to the earth.
Geographic Positioning System (GPS)	A hand-held computerized system for navigation using a constellation of earth orbiting satellites that provides information as to location, elevation and speed of movement across the earth's surface.
Gneiss	A Granitic rock that has been subjected to tectonism and metamorphism, resulting in an alignment and segregation of minerals, particularly micas so that a distinct foliar texture is imparted to the rock.
Graben	A structural term used to describe a valley bounded on both sides by vertical or near-vertical tensional faulting. A rift valley is one example of a graben structure.
Grade	In economic geology, the term is used to express the relative quantity of an ore in a rock or unconsolidated sediment mass; in

	diamond exploration it is commonly expressed as carats per hundred tonnes (cpht) or carats per cubic metre (cts/m^3).
Granite	A deep-seated, coarse-grained intrusive rock composed of alkalic feldspar, quartz and accessory minerals (such as biotite).
Gravel	An accumulation of rounded, water-worn pebbles.
Hardrock	A descriptive term used to distinguish igneous and metamorphic rocks from sedimentary rocks, but often loosely used to distinguish between lithified and unlithified sediments.
Interbedded	An adjective describing something that is situated between beds of rock.
Intersected	An adjective describing the process whereby a strata or bed of rock is found in a borehole or drill hole.
Intersection	The noun describing the position at which a specific, usually mineralized, rock unit is located in a borehole or drill hole.
Kimberlite	A variety of carbonated alkali peridotite; intrusive rocks of deep mantle origin typically occurring as narrow pipes or fissures and are the main primary source of diamonds.
Kimberlite Indicator Minerals ("KIM's")	There are specific varieties of minerals which are unique to kimberlites, among which pyrope garnet, ilmenite and chrome diopside are commonly used by exploration geologists to find buried kimberlites. KIM stream or loam sampling involves taking a large sample and then concentrating out the heavy minerals which are examined under a microscope – any KIM's are picked out and counted.
Lineament	Significant lines of landscapes that reveal the architecture of the rock basement.
Lithology	The physical character of the rock; a description of the rock's character.
mya or Ma	million years before the present time.
Makeable rough	is a term used to describe those rough diamonds that can easily be cut and polished into the common finished diamond shapes, without losing too much of the original, rough carat weight.
Marble	A metamorphic (changed) rock composed dominantly of calcite and/or dolomite.
Mesozoic age	A division of geologic time; from 180 to 30 million years before the present.
Microdiamond analysis (MiDa)	A laboratory process whereby small samples of kimberlite can be completely digested leaving only a residue of diamonds, usually microscopic in size. By relating the number and size of micro-diamonds to the sample weight and comparison to distribution curves, an estimate of the possible macro-diamond grade of the sampled kimberlite can be made.
Mineral Resources	Most commonly accepted codes for the classification and reporting of mineral deposits defines a mineral resource as a concentration of

	material of intrinsic economic interest in such form and quantity that there are reasonable prospects of eventual economic extraction.
Mineralization	The process of formation of a mineral.
Mineralization model	A geological model used by geologists to assist them in understanding both the mechanisms of emplacement, and the possible location of ore deposits for the commodity/ies being investigated.
Miocene	A time period extending from 18 to 19 million years before the present.
Open hole percussion drilling	A process using a vibrating drill-bit that breaks the rock at the bottom of the drill hole. The coolant fluid (air, water, foam, etc) circulates down through the drill rods and the bit and returns up the borehole carrying the drill cuttings. These cuttings are collected at surface for logging, analyses, etc.
Outcrop	The exposure of bedrock projecting through the overlying cover of detritus and soil.
Overburden	The overlying cover of whatsoever nature over useful materials or ores.
Paleo- or Palaeo-	A prefix denoting old, ancient, fossil, early, or primitive.
Pleistocene	A time period extending from 2 to 3 million years before the present.
Pliocene	A time period extending from 3 to 5 million years before the present.
Plunge pools	The term used to describe the hole eroded into the bedrock at the base of a waterfall. Plunge pools are often associated with exit ramps, which together form excellent trap structures for alluvial diamonds.
Pre-Cambrian age	One of the major divisions of the earth's time-scale; all geological events that pre-dated 520 million before the present are of Precambrian age; the Precambrian age lasted for some 3,500 million years.
Provenance	The terrain or parent rock from which any association of sediments was derived.
Quartz	A mineral composed of silicon dioxide (SiO_2).
Quaternary period	The period of time from 2 million years ago to the present.
Regolith	The layer of loose rock and soil that covers the underlying rock.
RC or **Reverse Circulation Drilling**	A process using a vibrating drill-bit that breaks the rock at the bottom of the drill hole. The coolant fluid (air, water, foam,etc) circulates down through the outer section of the double walled drill rods to the bit and returns up the inner section of the drill rods carrying the drill cuttings. These cuttings are collected at surface for logging, analyses, etc. Because of the sample collection just above the bit, the samples are less contaminated than samples from open-hole percussion drillholes.

Reserve/s	Refers to known ore deposits that are being or may be economically mined/exploited.
Reworking	The process whereby previously deposited sediment is sorted further.
RF – AA	Reverse flood airlift assist system which is used in Large Diameter Drilling (LDD). A large diameter tricone bit with tungsten carbide or mild steel teeth are used, dependant on the hardness of the particular kimberlite being drilled. Sample return to the surface is achieved by filling the borehole with water, and creating a lift on the inside of the drill rod by means of a narrow air pipe which goes down the centre of the rod. The amount of air injected is very small, and only a modest compressor is required. A current is created in the hole which lifts the sample up the centre of the drill rods, around the air pipe, and out onto a de-sliming screen. Downward pressure on the bit is achieved through the weight of the drill string, assisted by heavy collars which are put into the string above the bit. The system reduces abrasion during lift, and can deliver a relatively coarse sample with minimal fines.
Saprolite	Is the residual clays and silts derived from bedrock weathering *in situ*.
Schist	A metamorphosed rock having a preferential alignment of Micaceous minerals which imparts a strong foliation texture to the rock.
Scour pools	Deeply eroded, large-scale potholes in the channel bed of the river. This is often the term used to describe paleo-waterfall plunge pools.
Section	An imaginary line across a geological structure or orebody, along which holes are drilled, plans drawn or other activities carried out.
Sediment/s	Solid material settled from a suspension in a liquid or gas.
Sieve sizes	Sieve sizes are quoted as either the size of the opening (square or round) in mm or microns (µ) or the number of openings per inch. The Diamond Trading Company (DTC) uses sieve sizes to grade diamonds by size fraction. DTC #1 sieve has a round aperture diameter of 1.09mm and a 0.013 ct stone will be retained. To convert mm screen sizes to carats retained apply the formula: d (mm) = (cts ÷0.0107)^0.333 (where "d" is the sieve diameter).
Specific Gravity "S.G."	The specific gravity of a substance is a comparison of its density to that of water which by definition in the metric system has a density of 1. Diamond has an S.G. of 3.52 and is therefore "heavier" than most rock forming minerals, for example quartz, with an S.G. of 2.65.
Stratabound	An adjective indicating that the subject of the sentence is confined within the encompassing strata (layers of rock).
Stratigraphic	Pertaining to stratified rocks; those rocks which were formed or are lying in beds, layers or strata.
Strike length	Pertaining to the direction of the strike of the rocks; that direction which forms a horizontal line over the surface of an inclined plane

	within the fabric of the rock mass, which may be a bedding, joint, fault, cleavage, or other structural plane.
Terrace/s	Relatively flat, horizontal or gently inclined surfaces, sometimes long and narrow, which are generally bounded by a steeper ascending slope on one side, and by a steeper descending slope on the opposite side. Both forms when typically developed are step like in character.
Tertiary period	A division of geological time extending from 29 million to 2 million years before the present.
Ton	An Imperial unit of weight equivalent to 20 hundredweights or 2240 pounds or 1.016047 tonnes.
Tonne	A metric unit of weight equivalent to 1000 kilograms.
Traverse	An imaginary line across a geological feature.
Triassic	A division of geologic time extending from 248 to 206my ago.

APPENDIX A

SUMMARY TABLE OF BOTSWANA DIAMOND'S EXPLORATION PROPERTIES

ASSET LICENCE No	*HOLDER*	*BD's BENEFICIAL INTEREST*	*STATUS*	*TYPE OF LICENCE*	*EXPIRY DATE*	*LICENCE AREA Km²*	*COMMENTS*
Botswana PL No. 004/2002	Atlas Minerals Botswana Pty Ltd	100%	Exploration	Exclusive Prospecting Licence	30 June 2011	11.12	Two blocks of ground. Currently in the first special extension period; will have to apply for further special extension rights before end March 2011. Drilling to define kimberlites in 2011.
Botswana PL No. 007/2004	Atlas Minerals Botswana Pty Ltd	100%	Exploration	Exclusive Prospecting Licence	30 June 2011	31.4	Currently in the last renewal period; will have to apply for special extension rights before end March 2011. KIM sampling in 2011.
Botswana PL No. 605/2009	Atlas Minerals Botswana Pty Ltd	100%	Exploration	Exclusive Prospecting Licence	30 June 2012	1.6	This licence is in the first three year period of grant and can be renewed after 2012 for two further periods of two years each. Drilling to define kimberlite in 2011.
DRC PR No. 927	Bugeco Exploration RDC SARL	35.4%	Exploration	Permis de Recherches	30 November 2011	83	This licence is now in the last 2-year period of renewal and special permission will be required for further renewal after November 2011. Joint venture partner sought to advance evaluation.
DRC PR No. 906	Bugeco Exploration RDC SARL	35.4%	Exploration	Permis de Recherches	30 November 2011	47	This licence is now in the last 2-year period of renewal and special permission will be required for further renewal after November 2011. Joint venture partner sought to advance evaluation.
DRC PR No. 899	Bugeco Exploration RDC SARL	35.4%	Exploration	Permis de Recherches	30 November 2011	53	This licence is now in the last 2-year period of renewal and special permission will be required for further renewal after November 2011. Joint venture partner sought to advance evaluation.
Total						227.12	

PART VI

ADDITIONAL INFORMATION

1. Responsibility

1.1 The Company and the Directors, whose names appear on page 7 of this document, accept responsibility for all the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company, the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 VP3 GeoServices (Pty) Limited accepts responsibility for its report set out in Part V of this document. To the best of the knowledge of VP3 GeoServices (Pty) Limited (which has taken all reasonable care to ensure that such is the case), the information contained in such report is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.3 Deloitte & Touche accepts responsibility for its reports set out in Part III of this document. To the best of the knowledge of Deloitte & Touche (which have taken all reasonable care to ensure that such is the case), the information contained in such report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated on 22 September 2010 in England and Wales under the Companies Act 2006 with registration number 07384657 under the name Botswana Diamonds plc. The Company was issued with its certificate to trade and borrow on 14 October 2010.

2.2 The liability of the members of the Company is limited.

2.3 The registered office of the Company is 20-22 Bedford Row, London WC1R 4JS. The principal place of business of the Company is 162 Clontarf Road, Dublin 3, Ireland.

2.4 The Company's main activity is that of investment in diamond exploration in Africa.

2.5 The Company is a holding company and details of its interests are set out below:

Name	*Place of Incorporation*	*Principal Activity*	*Shareholding held by the Company*
Atlas Minerals (Pty) Limited	Republic of Botswana	Diamond exploration	100%
Kukama Diamonds Investments Limited	British Virgin Islands	Holding Company	100%
Kukama Mining Exploration (Pty) Limited	Republic of Botswana	Diamond exploration	100% through Kukama Diamonds Investments Limited
Botswana Coal plc	England and Wales	Dormant	100%
Congo Diamonds plc	England and Wales	Dormant	100%
Botswana Exploration plc	England and Wales	Dormant	100%
Orapa Diamonds plc	England and Wales	Dormant	100%
Stellar Diamonds plc	England and Wales	Diamond exploration	0.72%
Bugeco SA	Belgium	Diamond exploration	35.42%

2.6 Following Admission, the Company and its Subsidiaries will have no employees other than the Directors and one administrative person. In the short term the Group will subcontract for all services required which cannot be provided by the Directors.

3. Share Capital

3.1 The capital history of the Company from the date of the Company's incorporation to the date of this document is as follows:

3.1.1 At the date of incorporation 2 Ordinary Shares were in issue fully paid or credited as fully paid to the subscribers.

3.1.2 Since incorporation the following changes have been made to the issued share capital of the Company:

- the allotment of 5,000,000 redeemable preference shares of £0.01 each in the capital of the Company ("**Redeemable Preference Shares**") in consideration of £0.01 per Redeemable Preference Shares on 4 October 2010;
- the allotment of 1 Ordinary Share to Lucara on 26 November 2010; and
- the allotment of 100,532,264 Ordinary Shares on 20 December 2010 on completion of the Demerger.

3.1.3 On 19 October 2010 the Redeemable Preference Shares were redeemed by the Company.

3.2 On 4 October 2010 it was resolved that in accordance with section 570 of the Act, the directors of the Company be generally empowered to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred in the Articles, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:

(a) be limited to the allotment of equity securities up to an aggregate nominal amount of £3,000,000 and

(b) expire on no longer than five years from the date the resolution is passed (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

3.3 Save as referred to in paragraph 5.8 below of this Part VI, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option, and there are in issue no convertible securities.

3.4 There are no shares not representing share capital and there are no Ordinary Shares in the Company held by or on behalf of the Company or by any of the Company's subsidiary undertakings.

3.5 There is no class of shares in issue other than Ordinary Shares.

3.6 No Ordinary Shares are issued other than as fully paid.

3.7 In accordance with the Articles, the authorised but unissued Ordinary Shares are placed under the control of the Directors.

3.8 The Ordinary Shares are in registered form and may be held in either certificated or uncertificated form.

3.9 The share capital reconciliation as required to be disclosed in accordance with the AIM Rules is as follows:

	As at incorporation	*As at the date of this document*
	(number of Ordinary Shares)	
Issued Ordinary Shares	2	100,532,267

4. Share Options

4.1 To further motivate the Company's employees, the Board has adopted an unapproved option scheme to authorise the Company to issue share options to employees.

4.2 The terms of the Share Option Scheme are as follows:

4.2.1 ***Eligibility***

4.2.1.1 The Share Option Scheme is available for any officer of the Company to any person employed for a continuous period of six months by the Company, any holding company or any of its subsidiaries (together the "Option Group") or any person engaged by a member of the Option Group to render services to that member of the Option Group (each a "**Participant**", together "**Participants**").

4.2.1.2 No person shall be entitled as of right to participate in the Share Option Scheme. The decision as to who shall have the opportunity of participating, and the time and extent of his participation, will be made by the board of directors of the Company at its absolute discretion.

4.2.2 ***Grant of Options***

4.2.2.1 At any time while the Share Option Scheme is in operation, the board of directors of the Company may offer to grant options to such Participants as may be nominated by it to subscribe for such number of shares in the capital of the Company as the board of directors may determine ("**Options**"). The price for such shares will be determined by the board at the time of the grant of the relevant Option, such price to be not less than the average closing market price for the shares in the five dealing days preceding the grant of the Option ("**Option Price**").

4.2.2.2 Every such offer shall be conditional upon the Participant returning to the Company a duly signed notification of acceptance within such time as the board may require and if the Participant shall fail to do so within the time so specified the offer shall be deemed to have lapsed.

4.2.2.3 Upon receipt by the board of the duly signed notification of acceptance, the Company shall grant an Option to subscribe for shares under the Share Option Scheme to the Participant.

4.2.3 ***Exercise of Options***

4.2.3.1 The Option is exercised by returning a notice of exercise, the relevant sum of money to exercise the Option and the relevant Option certificate to the Company.

4.2.3.2 As soon as practicable after the receipt of the relevant documents, the Company shall issue the appropriate number of shares to the Participant together with a certificate for the balance of the Participants' Options (if applicable).

4.2.4 ***Limitations on Issue and Exercise***

4.2.4.1 The aggregate number of shares issued under or pursuant to Options granted under the Share Option Scheme shall not exceed 15 per cent. of the shares issued in the capital of the Company from time to time.

4.2.4.2 If a Participant dies, his/her legal personal representative may exercise his/her Options granted under the Share Option Scheme which have vested in whole, or in part, at any time within twelve months from the date of his death or such longer period as the board may determine in any particular case.

4.2.4.3 No option granted under the Share Option Scheme shall be capable of being exercised more than seven years after the date upon which it was granted.

4.2.4.4 Each Option granted under the Share Option Scheme shall be subject to such vesting period and performance conditions as the board may decide.

4.2.4.5 The Company shall keep available sufficient unissued ordinary shares in the capital of the Company to satisfy any outstanding Options for duration of the Share Option Scheme.

4.2.5 ***Indemnity***

4.2.5.1 Each Participant agrees to indemnify the Company against any tax or social security liability arising to the Company in respect of the exercise by that Participant of his options ("**Liability**").

4.2.5.2 Where any Liability arises to the Company and within 14 days it fails to recover from the Participant under the indemnity referred to above, the Company shall be deemed to have been appointed the Participant's attorney with full power to complete the sale of the Participant's shares and to retain from the proceeds such amount as is equal to the tax or security liability of the Company.

4.2.6 ***Changes in Capitalisation***

4.2.6.1 In the event of a stock split, reverse stock split, stock dividend, combination or reclassification of the ordinary shares in the capital of the Company or any other increase or decrease in the number of issued ordinary shares effected without receipt of consideration, the number of unexercised Option shares and the number of shares authorised under the Share Option Scheme under which no Options have been granted may, subject to any action required by the shareholders, be proportionately adjusted by the board of directors.

4.2.7 ***Takeovers and Liquidation***

4.2.7.1 If any person becomes interested (whether alone or in concert with others) in more than 50 per cent. of the issued or voting capital of the Company ("**Control**") as a result of making a general offer to acquire the whole of the issued ordinary share capital of the Company, all Options may be exercised at any time within six months of the date when the person making the offer has obtained Control of the Company and thereafter all Options shall lapse. If the Company passes a resolution for voluntary winding up, all Options may be exercised within six months of the passing of the resolution and thereafter, all options shall lapse.

4.2.8 ***Exchange of Options on a Takeover***

4.2.8.1 If any company obtains Control of the Company or becomes bound or entitled to acquire shares in the Company within the circumstances specified above, a Participant may within the period specified for the exercise of an Option, release his/her Option ("**Old Option**") in consideration of the grant of a new option ("**New Option**") equivalent in value to the Old Option.

4.2.8.2 New Options granted pursuant to (a) above shall be regarded for the purposes of subsequent applications of the provisions of the Option Scheme as having been granted at the time that the corresponding Old Options were granted.

4.2.9 ***Overseas Participants***

In respect of the Participants who are or may become primarily subject to taxation outside the United Kingdom on their remuneration, the board may amend the provisions of the Share Option Scheme as it considers necessary or desirable to mitigate, take account of or comply with overseas taxations, securities or exchange control laws provided that the terms of the options provided to such Participants shall not be more favourable than the terms of the options

granted to the other Participants and the Share Option Scheme limit referred to in the preceding paragraph is not exceeded.

Under the Share Option Scheme there are options outstanding as at the date of this document, details of which are set out at paragraph 5.8 of Part VI of this document.

5. Directors

5.1 Other than their directorships of the Company, the current directorships and partnerships of the Board and the directorships and partnerships held by them over the five years prior to the date of this document are as follows:

Director	*Current Directorships/Partnerships*	*Previous Directorships/Partnerships*
John Teeling	Arabian Oil plc	Mwana Africa
	A.Watt & Company plc	African Diamonds plc
	Adam Miller & Company Limited	Pan Andean Resources plc
	AER Sustainable Energy	West African Diamonds plc
	African Diamonds (Ireland) Ltd	Alternative Energy Resources Ltd
	Andrew A Watt & Company Ltd	Boteti Exploration (Pty) Ltd
	Botswana Coal plc	Castlebay Resources Ltd
	Botswana Exploration	Grampian Resources Ltd
	Brosna Whiskey plc	
	Carlingford Whiskey plc	
	Clontarf Energy plc	
	Congo Diamonds plc	
	Connemara Mining Co. of Ireland Ltd	
	Connemara Mining Co. plc	
	Cooley Distillery (NI) Ltd	
	Cooley Distillery plc	
	Cooley Irish Whiskey Ltd	
	Endeavour Oil & Gas Inc	
	Endeavour Oil & Gas Ltd	
	Hydrocarbon Exploration plc	
	Innishowen Distilleries plc	
	Irish Marine Oil Ltd	
	John Locke & Company Ltd	
	Kilbeggan Whiskey Ltd	
	Kukama Mining & Exploration (Pty) Ltd	
	Limerick Zinc Ltd	
	Lockes Distillery plc	
	Madini Resources plc	
	Miller Products Ltd	
	Nobel Resources plc	
	Old Tyrconnell Whiskey Ltd	
	Orapa Diamonds plc	
	Pan Andean Oil & Gas Ltd	
	Persian Gold Ltd	
	Persian Gold plc	
	Petrel Industries Ltd	
	Petrel Resources plc	
	Riverstown Animal Feed plc	
	Swala Resources plc	
	The Irish Whiskey Company Ltd	
	Tyrconnell Distillery plc	
	Whiskey Manufacturing (NI) plc	
	Whiskey Manufacturing plc	
	Zambezi Gold plc	

Director	*Current Directorships/Partnerships*	*Previous Directorships/Partnerships*
James Finn	A.Watt & Company plc Adam Miller & Company Ltd Alternative Energy Resources Ltd African Diamonds (Ireland) Ltd Andrew A Watt & Company plc Arabian Oil plc Botswana Coal plc Botswana Exploration plc Brosna Whiskey plc Carlingford Whiskey plc Clontarf Energy plc Connemara Mining Co of Ireland Ltd Congo Diamonds plc Connemara Mining Co plc Cooley Distillery plc Cooley Distillery NI Ltd Cooley Irish Whiskey Ltd Endeavour Oil & Gas Inc Endeavour Oil & Gas Ltd Erinex Resources Hydrocarbon Exploration plc Innishowen Distilleries plc Irish Marine Oil Ltd John Locke & Company Ltd Kilbeggan Whiskey Ltd Limerick Zinc Ltd Lockes Distillery plc Madini Resources plc Miller Products Ltd Nobel Resources plc Old Tryconnell Whiskey Ltd Orapa Diamonds plc Pan Andean Oil & Gas Ltd Persian Gold Ltd Persian Gold plc Petrel Industries Ltd Riverstown Animal Feed plc The Irish Whiskey Company Ltd Tyrconnell Distillery plc Whiskey Manufacturing (NI) plc Whiskey Manufacturing plc Zambezi Gold plc	African Diamonds plc Castlebay Resources Limited Grampian Resources Ltd Pan Andean Resources plc West African Diamonds plc Mwana Africa plc
David Horgan	Petrel Industries Ltd Petrel Resources Persian Gold plc Persian Gold Ltd Persian Oil & Gas Ltd Hyrdocarbon Exploration plc Clontarf Energy plc Nobel Resources plc Endeavour Oil & Gas Limited	African Diamonds plc Pan Andean Resources plc Mwana Africa plc

Director	*Current Directorships/Partnerships*	*Previous Directorships/Partnerships*
Andre Fourie	Sign and Seal Trading 255 (Pty) Limited Greenhurst Consulting CC	Gemrock Resources SA Limited

5.2 The business address of each of the Directors is 162 Clontarf Road, Dublin 3, Ireland.

5.3 As at the date of this document, none of the Directors has:

5.3.1 any unspent convictions in relation to indictable offences; or

5.3.2 been declared bankrupt or made any individual voluntary arrangement; or

5.3.3 been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or

5.3.4 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or

5.3.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the twelve months preceding any asset of such partnership being subject to a receivership; or

5.3.6 save as disclosed in paragraph 5.4 below, been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.4 John Teeling was a former director of County Glen plc and following his departure from that company, an inspector was appointed pursuant to section 8 of the Irish Companies Act 1990 to investigate the affairs of County Glen plc. In a subsequent report dated July 1994, it was stated that John Teeling was "open to some criticism for failure to exercise due care as an outgoing director". It was stated that he should have paid greater attention to the qualifications of the incoming directors and their suitability for their positions.

5.5 ***Directors' and Other Interests***

The interests of the Directors (all of which are beneficial, unless otherwise stated), and (so far as is known to the Directors (as the case may be), or could with reasonable diligence be ascertained by them) the interests of persons connected with the Directors, in the ordinary share capital of the Company as at • 2011 (being the latest practicable date prior to publication of this document) and as at Admission will be as follows:

	As at the date of this document		*As at Admission*	
Directors	*Number of Ordinary Shares*	*Percentage of issued Ordinary Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
John Teeling	4,045,820*	4.02	4,045,820	4.02
James Finn	3,295,820**	3.28	3,295,820	3.28
David Horgan	3,295,720***	3.28	3,295,720	3.28
Andre Fourie	–	–	–	–

* 4,045,720 Ordinary Shares registered in the name of Davy Crest Nominees are beneficially owned by John Teeling

** 3,295,720 Ordinary Shares in the name of Goodbody Stockbroker Nominees Limited are beneficially owned by Jim Finn

*** 3,295,720 Ordinary Shares registered in the name of Davy Crest Nominees are beneficially owned by David Horgan

5.6 Save as disclosed above, the Directors are not aware of any interests of persons connected with them.

5.7 The Directors are not required to hold any Ordinary Shares under the Articles.

5.8 As at 27 January 2011 (being the latest practicable date prior to publication of this document) the Directors hold the following Options to subscribe for Ordinary Shares granted pursuant to the Share Option Scheme:

	Number of Ordinary Shares under option	*Exercise Price (£)*	*Expiry Date*
John Teeling	2,500,000	0.07	10 January 2018
Andre Fourie	1,000,000	0.07	10 January 2018
James Finn	2,000,000	0.07	10 January 2018
David Horgan	2,000,000	0.07	10 January 2018

5.9 Other than as set out below, the Company is not aware of any person, other than the Directors and their immediate families, who as at 27 January 2011 (being the latest practicable date prior to publication of this document) and immediately following Admission will, directly or indirectly, be interested in 3 per cent. or more of the voting rights of the Company or who, directly or indirectly, jointly or severally exercise or could exercise control over the Company, or whose interest is notifiable under the Disclosure Rules or otherwise in the UK:

	As at of this document		*As at Admission*	
	Number of Ordinary Shares	*Percentage of issued Ordinary Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Chase Nominees Limited	5,268,625	5.24	5,268,625	5.24
Deutsche Bank Aktiengesellschaft	5,066,500	5.04	5,066,500	5.04
WB Nominees Limited	4,949,882	4.92	4,949,882	4.92
Chase Nominees Limited CMBC	4,098,550	4.08	4,098,550	4.08
TD Waterhouse Nominees (Europe) Limited	3,981,794	3.96	3,981,794	3.96
Hanover Nominees Limited (Hay C2)	415,750	4.14	415,750	4.14
SCBN (PTY) LTD IAM 030-14	3,702,067	3.68	3,702,067	3.68

5.10 Save as disclosed in this document, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.

5.11 Save as disclosed in this document, no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Group and no contract or arrangement exists in which any Director is materially interested and which is significant in relation to the business of the Group.

5.12 There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit.

5.13 No Directors or any member of his family has a related financial product referenced to the Ordinary Shares.

6. Letters of Appointment

6.1 The Company entered into a letter of appointment with John Teeling dated 27 October 2010 in respect of his directorship of Botswana Diamonds. Under the letter of appointment, Mr. Teeling is entitled to a fee of £100,000 per annum for his services and reimbursement of reasonable expenses incurred in performing his duties. He is required to retire pursuant to the rotation provisions of the Articles of Association of Botswana Diamonds. On termination of the appointment, Botswana Diamonds shall

not be obliged to make any further payment to Mr. Teeling except accrued fees as at the date of termination together with reimbursement of any expenses properly incurred and vouched prior to that date.

6.2 The Company entered into a letter of appointment with Andre Fourie dated 27 January 2011 in respect of his directorship of Botswana Diamonds. Under the letter of appointment, Mr. Fourie is entitled to a fee of $US1000 per day for up to 100 days in the first year of appointment for his services and thereafter as agreed with the Board from time to time. Mr Fourie is also entitled to reimbursement of reasonable expenses incurred in performing his duties. He is required to retire pursuant to the rotation provisions of the Articles of Association of Botswana Diamonds. On termination of the appointment, Botswana Diamonds shall not be obliged to make any further payment to Mr. Fourie except accrued fees as at the date of termination together with reimbursement of any expenses properly incurred and vouched prior to that date.

6.3 The Company entered into a letter of appointment with David Horgan dated 27 October 2010 in respect of his directorship of Botswana Diamonds. Under the letter of appointment, Mr. Horgan is entitled to a fee of £20,000 per annum for his services and reimbursement of reasonable expenses incurred in performing his duties. He is required to retire pursuant to the rotation provisions of the Articles of Association of Botswana Diamonds. On termination of the appointment, Botswana Diamonds shall not be obliged to make any further payment to Mr. Horgan except accrued fees as at the date of termination together with reimbursement of any expenses properly incurred and vouched prior to that date.

6.4 The Company entered into a letter of appointment with Jim Finn dated 27 October 2010 in respect of his directorship of Botswana Diamonds. Under the letter of appointment, Mr. Finn is entitled to a fee of £40,000 per annum for his services and reimbursement of reasonable expenses incurred in performing his duties. He is required to retire pursuant to the rotation provisions of the Articles of Association of Botswana Diamonds. On termination of the appointment, Botswana Diamonds shall not be obliged to make any further payment to Mr. Finn except accrued fees as at the date of termination together with reimbursement of any expenses properly incurred and vouched prior to that date.

6.5 Other than as disclosed above, there are no Directors' service contracts, or contracts in the nature of services, with the Company, other than those which expire or are terminable without payment of compensation on no more than 12 months' notice

6.6 The aggregate remuneration payable and benefits in kind to be granted to the Directors in the last financial period ending 30 November 2010 was £Nil and the aggregate remuneration payable and benefits in kind to be granted to the Directors in the current financial period ending 30 June 2011 under the arrangements in force at the date of this document is estimated to be £223,000.

7. Accounting

7.1 The Company's accounting reference date is 30 June in each year. The Company's next accounting reference period will end on 30 June 2011.

8. Taxation

8.1 ***United Kingdom and Republic of Ireland Taxation***

The following paragraphs summarise the Irish and UK tax treatment for Shareholders in respect of the holding and disposal of Ordinary Shares. The statements of Irish and United Kingdom tax laws set out below are intended as a general guide only and are based on existing Irish and United Kingdom tax laws, including relevant regulations, administrative rulings and practices in effect on the date of this document and which may apply to investors who are the beneficial owners of shares. Legislative, administrative or judicial changes may modify the tax consequences described below. The statements are not exhaustive, do not constitute tax advice and are intended only as a general summary. Shareholders who are in any doubt about their taxation position, or who are resident or otherwise

subject to taxation in a jurisdiction outside the UK or the Republic of Ireland, should consult their own appropriately qualified professional advisers immediately.

8.2 ***Irish Taxation***

This summary relates only to the position of Shareholders who are resident and if individuals, ordinarily resident and domiciled in the Republic of Ireland for tax purposes. This summary does not purport to be a complete analysis of all the potential tax consequences of holding Ordinary Shares. Furthermore, this information only applies to shares held as capital assets and does not apply to all categories of shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes and shareholders who have, or who are deemed to have, acquired their shares by virtue of an office or employment.

8.3 ***Disposal of Ordinary Shares by Irish residents***

8.4 The current rate of capital gains tax ("**CGT**") is 25 per cent.

8.5 Liability to Irish tax on capital gains will depend on the individual circumstances of the Shareholders. Generally, Irish tax resident or ordinarily resident shareholders that acquire shares will be considered, for Irish tax purposes, to have acquired their shares at a base cost equal to the amount paid for them. There is an exception where the shares were acquired on the reconstruction or amalgamation of another company or companies such that, for the purposes of tax on capital gains the transaction was treated as not giving rise to a disposal for tax purposes at that time. In such a case the shares are treated as the same asset and as having been acquired at the same time as the shares from which they are derived were acquired.

8.6 On subsequent disposals of the Ordinary Shares, shares acquired at an earlier time will generally be deemed, for Irish tax purposes, to be disposed of on a "first in, first out" basis before shares acquired at a later time. Irish tax resident or ordinarily resident shareholders that dispose of their shares will be subject to CGT to the extent that the proceeds realised from such disposals exceed the base cost of the shares disposed of and any allowable deductions (subject to the availability of any exemptions or reliefs).

8.7 Shareholders who are not resident, or in the case of individuals, not resident or ordinarily resident for tax purposes in Ireland should not be liable for Irish CGT on chargeable gains realised on a disposal of ordinary shares in Botswana Diamonds unless such shares are used, held or acquired for the purposes of a trade carried on in Ireland through a branch or agency or derive the greater part of their value from land or minerals in the Republic of Ireland.

8.8 There are specific anti-avoidance provisions that may apply to individuals who temporarily cease to be Irish tax resident for a period of five years or less. In certain circumstances a shareholder who is an individual and who is temporarily non-Irish tax resident may still be liable to Irish taxation on any chargeable gain realised when they are not resident/ordinarily resident in Ireland (subject to the availability of exemptions or reliefs).

8.9 ***Irish tax on dividend income received from Botswana Diamonds***

8.10 Where Botswana Diamonds is tax resident in the UK an Irish resident Shareholder will be subject to Irish income tax on the net amount of the dividend received (net of tax credit attaching to the dividend). No credit is available for any UK tax. The dividend will be liable to income tax at the individual's marginal rate of income tax. The dividend may also be subject to the income levy, the health levy and PRSI in respect of dividend income in the period to 31 December 2010. With effect from 1 January 2011 individual Irish tax resident Shareholders may, depending on their circumstances, be subject to the Universal Social Charge (up to €4,004 – 0 per cent.; between €0 and €10,036 – 2 per cent.; between €10,037 and €16,016 – 4 per cent.; in excess of €16,016 – 7 per cent. for individuals aged under 70 years and 4 per cent. for individuals aged 70 years or over) and pay related social insurance contributions ("**PRSI**") in respect of the dividend income. Individuals who are ordinarily resident in Ireland may also be subject to Irish income tax, universal social charge and PRSI depending on their circumstances.

8.11 Irish resident corporate Shareholders are generally liable to Irish corporation tax at the 25 per cent. rate on the cash amount of the dividend received from a UK company. However, provided certain conditions are satisfied an Irish resident company can elect to have dividends received by it from foreign companies (paid out of trading profits) taxable at the 12.5 per cent. rate of corporation tax. Generally credit will not be available for UK corporation tax, other than in respect of underlying tax in the case of a "direct investor". An Irish resident company is a direct investor where it controls, directly or indirectly, 10 per cent. or more of the voting power of the UK company paying the dividend. Corporate Shareholders owning directly or indirectly not less than 5 per cent. of the ordinary share capital of the UK company paying the dividend may be entitled to unilateral relief for foreign taxes (including withholding tax and underlying tax) where credit for that tax is not available under the treaty.

8.12 ***UK Taxation***

8.13 The following paragraphs are intended as a general guide only and are not a substitute for detailed tax advice. They have been prepared on the assumption that a UK Shareholder is tax resident in the UK and beneficially holds their shares as an investment and who have not (and are not deemed to have) acquired those shares by virtue of an office or employment (whether current, historic or prospective). These comments do not address the taxation position of persons on a remittance basis of taxation, whether in respect of income or chargeable gains, and such persons should consult their own professional advisers. These comments may not apply to certain classes of investor such as dealers in securities or exempt institutions. Any person who is in any doubt as to their tax position or requires more detailed information should consult their professional adviser.

8.14 ***Disposal of Botswana Diamonds Ordinary Shares***

8.15 Any capital gain made on a disposal of shares by a UK shareholder may, depending on the shareholder's individual circumstances and subject to any available exemption or relief, be liable to tax in the United Kingdom. For individual shareholders (other than trustees and personal representatives) capital gains tax is payable on net gains at 18 per cent. if the individual's total taxable income and gains are less than the upper limit of the basic rate band. Capital gains (or parts thereof) in excess of that limit are liable to capital gains tax at a rate of 28 per cent. Trustees and personal representatives are liable to capital gains tax at a rate of 28 per cent.

8.16 To the extent that the acquisition of the Ordinary Shares are acquired under a scheme of reconstruction then the Ordinary shares should, for the purposes of UK taxation of chargeable gains, be treated as the same asset and as having been acquired at the same time as the shares from which they are derived were acquired.

8.17 Individual shareholders who are temporarily non-UK resident may be liable to UK capital gains tax in the year of return to the UK on chargeable gains realised in their intervening years under anti-avoidance legislation. A temporarily non-UK resident individual is an individual who was resident or ordinarily resident in the UK for at least four out of the seven tax years prior to departure from the UK and who returned to the UK before the passing of five complete tax years of absence.

8.18 A company within the charge to UK corporation tax will be charged to tax on capital gains on a subsequent disposal of shares at the appropriate rate of corporation tax. Indexation allowance on the relevant proportion of the original allowable cost can be taken into account for the purposes of calculating a chargeable gain (but not an allowable loss). Where certain conditions are satisfied the disposal may qualify for the substantial shareholding exemption.

8.19 ***Tax on dividend income received on Botswana Diamonds shares***

8.20 An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from Botswana Diamonds will be entitled to a tax credit which may be set off against his or her total UK income tax liability on the dividend. An individual Shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the gross dividend) which will generally be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the gross dividend i.e. the tax credit will be one-ninth of the amount of the cash dividend received.

8.21 An individual Shareholder who is a basic-rate taxpayer will be subject to UK income tax on the dividend at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual Shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at the rate (currently) of 32.5 per cent. but will be entitled to set the tax credit off as part of this liability. With effect from 6 April 2010, a new income tax rate of 50 per cent. was introduced for taxable income above £150,000 (the "additional rate"). Gross dividends otherwise liable to tax at the additional rate will be taxable at a new rate of 42.5 per cent. and shareholders will be entitled to set the tax credit off as part of this liability.

8.22 A Shareholder which is within the charge to UK corporation tax should not generally (subject to anti-avoidance rules) be subject to corporation tax on any dividend received from Botswana Diamonds.

8.23 A Shareholder who is resident for tax purposes in the UK will not generally be entitled to claim repayment of the tax credit on any dividends received from Botswana Diamonds.

9. Articles

The Articles of Association of the Company contain provisions *inter alia*, to the following effect:

9.1 ***Voting Rights***

Subject to any special rights or restrictions as to voting attached to any shares and to the Articles on a show of hands, every member present in person or by representative (in the case of a corporate member) or by proxy shall have one vote; and on a poll, every member who is present in person or by representative (in the case of a corporate member) or by proxy shall have one vote for every share of which he is the holder. No major shareholders have different voting rights.

9.2 ***Transfer of Shares***

Save as provided for in the Articles, the instrument of transfer of a share may be in any usual form or in any other form which the Board may approve. The instrument of transfer, if any, must be signed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The transferor will be deemed to remain the holder until the name of the transferee is entered in the register in respect of it.

9.3 The Board may refuse to register any transfer of shares:

9.3.1 which are not fully paid;

9.3.2 which are held in certificated form, unless the instrument of transfer is duly stamped, is deposited at the office or such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

9.3.3 which are held in certificated form, unless the instrument of transfer is in respect of only one class of share;

9.3.4 in the event that the proposed transfer is in favour of more than four transferees; and

9.3.5 which are held in uncertificated form, in the circumstances set out in the CREST Regulations.

9.4 If the Board refuses to register a transfer of any shares, it shall, within two months after the date on which the instrument of transfer was lodged with the Company (or, in the case of shares held in uncertificated form, the date on which the transfer instruction was received by Euroclear) send to the transferor and the transferee notice of the refusal.

9.5 If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the Act and has failed in relation to any shares (the

"default shares") to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

9.5.1 the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

9.5.2 where the default shares represent at least 0.25 per cent. in nominal value of their class the defaulting member shall not be entitled to:

9.5.3 receive dividends any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and

9.5.4 to transfer or agree to transfer any of such shares, or any rights therein.

The above restrictions shall continue until either the default is remedied or the shares are registered in the name of the purchaser or offeror (or that of his nominee) pursuant to an arm's length transfer.

9.6 ***Allotment of Shares***

The directors of the Company are generally and unconditionally authorised for the purposes of section 551 of the Act to exercise any power of the Company to allot shares in the Company and/or grant rights to subscribe for or to convert any security into such shares up to a maximum of 300,000,000 shares at any time or times during the period of five years from the date of incorporation of the Company and the directors of the Company may, after that period, allot any shares or grant any such rights under this authority in pursuance of an offer or agreement made by the Company so to do made by the Company within that period.

9.7 ***Dividends***

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any shares, the Company may at general meetings declare dividends, but no such dividends shall exceed the amount recommended by the Directors. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution of the Company. No dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

Any dividend unclaimed after a period of twelve years from its due date of payment shall, if resolved by the Directors be forfeited and cease to remain owing by the Company and shall thereafter belong to the Company absolutely.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under Section 793 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

9.8 ***General Meeting***

Subject to a member's right to requisition a general meeting pursuant to section 303 of the Act, general meetings of the Company are convened at the discretion of the Board.

An annual general meeting and each other general meeting of the Company shall be called by notice of at least such length as is required in the circumstances by the Act. The Company may give such notice by any means or combination of means permitted by law.

Every notice shall be in writing (or shall be given by electronic communication to an address being notified for that purpose to the Company) and shall specify the place, the day and the time of meeting, and in the case of special business the general nature of such business, and in the case of an annual general meeting shall specify the meeting as such. Notices shall be given in manner hereinafter mentioned to all the members, other than those who under the provisions of the Articles or the conditions of issue of the shares held by them are not entitled to receive the notice, to the directors (including the alternate directors) and to the auditors for the time being and (where required by the Act) former auditors of the Company.

9.9 ***Redemption***

The Ordinary Shares are not redeemable.

9.10 ***Variation of Rights***

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant class.

9.11 ***Constitution of board of directors***

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors (other than alternate Directors) shall be not less than two and not more than ten.

9.12 ***Permitted interests of directors***

If a Director is in any way, directly or indirectly, interested in a proposed contract with the Company or a contract that has been entered into by the Company, he must declare the nature and extent of that interest to the Directors in accordance with the Act.

Provided he has declared his interest, a Director may be in any way, directly or indirectly, interested in any contract or arrangement or transaction with the Company and he may hold and be remunerated in respect of any office or place of profit (other than the office of auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

9.13 ***Restrictions on voting by directors***

Save as provided below, a director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or rights of the Company. However a director shall be entitled to vote in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. A director of the Company shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company;

- the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part, under a guarantee or indemnity or by the giving of security;
- the giving to him of any indemnity where all other Directors are also being offered indemnities on substantially the same terms;
- the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangement;
- any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant as a holder of shares, debentures or securities or in the underwriting or sub-underwriting thereof;
- any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him within the meaning of Section 252 of the Act) is not the holder of or beneficially interested in one per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purposes of this Article 30.4 to be a material interest in all circumstances);
- any proposal concerning the purchase and/or maintenance of any insurance policy against any liability of his or under which he may benefit; and
- any proposal concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any Company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such case each of the directors concerned (if not otherwise debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Company may by ordinary resolution suspend or relax the provisions relating to Directors' interests either generally or in respect of any particular matter or ratify any transaction not duly authorised by reason of the contravention thereof.

9.14 ***Appointment and retirement of directors***

The directors shall have power at any time, and from time to time, to appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director, but so that the total number of directors shall not at any time exceed the maximum number (if any) fixed by or in accordance with the Articles.

Subject to the provisions of the Act and of the Articles, any director so appointed shall hold office only until the conclusion of the next following annual general meeting, and shall be eligible for reappointment at that meeting.

No person other than a director retiring at the meeting shall, unless recommended by the directors for appointment, be eligible for appointment to the office of director at any general meeting unless, not less than seven nor more than forty two clear days before the day appointed for the meeting, there shall have been given to the Company notice in writing by a member entitled to attend and vote at the

meeting for which such notice is given of his intention to propose such person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors, and also notice in writing signed by the person to be proposed of his willingness to be appointed.

At every annual general meeting of the Company, any Director who has been appointed by the Board since the last annual general meeting or who held office at the time of the two preceding annual general meetings and who did not retire at either of them.

9.15 ***Remuneration of directors***

The maximum aggregate annual fees payable to the directors for their services in holding office of director of the Company shall be the sum of £200,000 or such larger sum as the Company in general meeting by ordinary resolution shall from time to time determine, but this limit shall not apply in respect of the salaries, commission profit participation or otherwise payable by the Company to any executive director.

Any director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such remuneration by way of salary, participation of profits or otherwise as the directors may determine.

The directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the directors or of committees of the directors or general meetings.

9.16 ***Borrowing powers***

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

10. Squeeze out and Sell-out Rules

10.1 ***Squeeze-out***

Under sections 979 to 982 of the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares, provided that no such notice may be served after the end of (a) the period of three months beginning with the day after the last day on which the offer can be accepted, or (b) if earlier, and the offer is not one to which section 943(1) of the Act applies, the period of six months beginning with the date of the offer.

Six weeks following service of the notice, the offeror must send a copy of it to the Company together with the consideration for the Ordinary Shares to which the notice relates, and an instrument of transfer executed on behalf of the outstanding Shareholder(s) by a person appointed by the offeror.

The Company will hold the consideration on trust for the outstanding Shareholders.

10.2 ***Sell-out***

Sections 983 to 985 of the Act also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period

cannot end less than three months after the end of the acceptance period, or, if longer a period of three months from the date of the notice.

If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

There have been no takeover bids by third parties in respect of the Company's equity, which have occurred during the last financial year or the current financial year.

11. Material Contracts

11.1 Other than as set out below in paragraphs 11.2 to 11.6 (inclusive) respectively of this Part VI or as otherwise described in the summaries of the Group's mineral rights and licences as set out at Part 1, there are no contracts (including those being in the ordinary course of business and those entered into by the Group in the two years immediately preceding the date of this document) which are or may be material or which contain any provision under which the Company has any obligation or entitlement which is material to it as at the date of this document, save for the Directors service contracts and the termination arrangements for the Directors.

11.2 ***Implementation Agreement***

On 2 October 2010, Lucara, African Diamonds and the Company entered into an implementation agreement under which it was agreed, among other things, that, in accordance with the terms of the Scheme and subject to the terms and conditions of the agreement:

(i) African Diamonds would transfer all assets and liabilities of African Diamonds other than its interest in the AK6 diamond resource to Botswana Diamonds in consideration for Botswana Diamonds issuing shares to the scheme shareholders, being the shareholders of African Diamonds at the relevant voting time pursuant to the Scheme; and

(ii) Lucara would acquire the entire issued and to be issued share capital of African Diamonds by way of the Scheme.

African Diamonds and the Company gave warranties to Lucara on a several basis. The warranties relate, among other things, to corporate capacity, authorisation and the accuracy of certain information provided to Lucara. The Company, African Diamonds and Lucara provided various indemnities primarily to apportion their liabilities as from the effective date (20 December 2010) and to ensure that African Diamonds' only assets and liabilities as and from the effective date (20 December 2010) relate to its interest in the AK6 diamond resource.

11.3 ***Demerger Agreement***

On 27 October 2010 African Diamonds and Botswana entered into the Demerger Agreement under which it was agreed that in accordance with the terms of the Scheme and subject to the terms and conditions of the Implementation Agreement:

1. African Diamonds agreed to transfer its entire interest (whether direct or indirect) in the Demerged Entities to Botswana and to assign to Botswana the net aggregate intercompany receivables owing to African Diamonds from each of the Demerged Entities as at the Effective Date.

2. Botswana assumed as from the Effective Date all liability for the payment and discharge of the Demerged Liabilities.

3. The consideration for the transfer and assignment as referred to above and the assumption of the Demerged Liabilities was £7,037,259 to be satisfied by the issue of the 100,532,264 Ordinary Shares to the Scheme Shareholders on a one-for-one basis in respect of each share held by the Scheme Shareholders in African Diamonds.

In accordance with the Demerger Agreement African Diamonds delivered to Botswana the following documents on 20 December 2010 on completion of the Demerger:

(a) an agreed form of assignment of any inter-company debts due by the Demerged Entities to African Diamonds; and

(b) duly executed share transfers in respect of the entire issued share capital of the Demerged Entities.

Botswana allotted and issued 100,532,264 Ordinary Shares credited as fully paid up to the Scheme Shareholders.

11.4 ***Assignments dated 20 December 2010***

(i) On the 20 December 2010, the Company entered into a deed of assignment with African Diamonds and Kukama. Pursuant to the deed of assignment, African Diamonds sold and the Company purchased from African Diamonds all of African Diamonds' interests under and in respect of an unsecured interest free loan of £990,000 granted to Kukama on the terms and conditions contained in the deed.

(ii) On the 20 December 2010, the Company entered into a deed of assignment with African Diamonds and Atlas. Pursuant to the deed of assignment, African Diamonds sold and the Company purchased from African Diamonds all of African Diamonds' interests under and in respect of an unsecured interest free loan of £81,600 granted to Atlas on the terms and conditions contained in the deed.

(iii) On the 20 December 2010, the Company entered into a deed of assignment with African Diamonds and Lucara. Pursuant to the deed of assignment, African Diamonds transferred and the Company assumed the rights and obligations of African Diamonds arising under the agreement dated as of 12 July 2002 between African Diamonds, Leon Daniels and Mark Scowcroft ("**Royalty Agreement**"), except that African Diamonds did not transfer to the Company, and the Company did not assume from African Diamonds', its rights and obligations arising under the Royalty Agreement that relate to the AK6 kimberlite as determined by a court of competent jurisdiction which makes a final determination (taking into account any possible appeals) ("**AK6 Claims**"). The Company agreed to indemnify African Diamonds and Lucara for all claims related to the Royalty Agreement and that may arise from African Diamonds' ongoing litigation relating to the Royalty Agreement, other than for the AK6 Claims.

11.5 ***Nominated Adviser and Broker Agreement***

The Company has entered into a nominated adviser and broker agreement dated 27 January 2011 with finnCap pursuant to which the Company has appointed finnCap to act as nominated adviser and broker to the Company for the purposes of the AIM Rules and for the purpose of making the application for Admission. The Appointment shall commence on the date of Admission and shall be for an initial term of one year and shall continue subsequently until terminated by either party giving the other one month's notice (or in certain circumstances forthwith by either finnCap or the Company). Under the agreement, the Company has agreed to pay to finnCap a fee of £45,000 per annum (plus VAT and expenses) quarterly in advance. The agreement contains ongoing obligations on the Company and the Board (for so long as they may remain directors of the Company) in relation to finnCap's appointment as the Company's nominated adviser and indemnities customary of a nominated adviser agreement from the Company in favour of finnCap.

11.6 ***Lock-in Agreements***

Each of the Directors, applicable employees and certain substantial Shareholders (together in each case with their related parties, as applicable) has undertaken to the Company and to finnCap that they will not dispose of Ordinary Shares for a period of 12 months following Admission and, other than through the Company's broker so as to preserve an orderly market, they will not sell any Ordinary

Shares for the period of 12 months thereafter. These arrangements will apply in respect of 10,637,360 Ordinary Shares, representing, in aggregate, 10.58 per cent. of the Company's issued share capital.

The undertakings outlined above do not apply in certain specified circumstances, including acceptance of an offer for all of the Ordinary Shares that (if accepted) would result in the offeror obtaining or consolidating control of the Company or the execution of an irrevocable commitment to accept such an offer.

12. Litigation

12.1 There is no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Directors are aware) in which the Group is involved by or against any Group which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position or profitability.

13. Intellectual Property Rights

13.1 The Company has the following domain names: www.botswanadiamondsplc.com and www.botswanadiamonds.co.uk

13.2 Save as disclosed in paragraph 13.1 above, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.

14. Investments

14.1 Save as set out in this document, there are no:

- investments in progress which are significant to the Group; or
- future investments upon which the Company have already made firm commitments.

15. Working Capital

15.1 The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

16. Environmental Issues

16.1 Neither the Company nor the Directors are aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Group.

17. Related Party Transactions

17.1 John Teeling, James Finn and David Horgan were directors and shareholders of African Diamonds when the Company entered into the Demerger Agreement and on the completion of the Demerger.

17.2 Save as set out in paragraph 17.1 above there are no related party transactions that the Group has entered into during the period covered by the historical financial information set out in Part III and up to the date of this document.

18. General Information

18.1 Deloitte & Touche of Deloitte & Touche House, Earlsfort Terrace, Dublin 2 has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

18.2 VP3 Geoservices (Pty) Limited of Office 4 Conberg House, 5 Dreyersdal Road, Bergvliet 7945, South African has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

18.3 finnCap Ltd of 60 New Broad Street, London EC2M 1JJ, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

18.4 There are not, neither in respect of the Company nor any company in the Group, any significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of this document.

18.5 There are not, neither in respect of the Company nor any company in the Group, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year of the Group.

18.6 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since incorporation and of the Subsidiaries since 30 June 2010.

18.7 The Company is not aware of the existence of any takeover bid pursuant to the City Code or any circumstances which may give rise to any takeover bid, and the Company, is not aware of any public takeover bid by third parties for the Ordinary Shares.

18.8 The Ordinary Shares are in registered form. No person, either directly or indirectly, has in the twelve months prior to the date of this document received or is contractually entitled to receive either directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers or as otherwise disclosed in this document and trade suppliers) (i) fees totalling £10,000 or more; (ii) its securities, where these have a value of £10,000 or more; or (iii) any payment or benefit from the Company to the value of £10,000 as at the date of Admission.

18.9 Other than the professional advisers listed on page 7 of this document, no government or regulatory authority or similar or other body (excepting trade suppliers) has received payments aggregating over £10,000 with regard to the acquisition or maintenance of the Company's assets.

18.10 To the extent that information in this document has been sourced from a third party, such information has been accurately reproduced and, as far as the Directors and the Company are aware and able to ascertain from information published by that third party, no facts have been omitted which may render the reproduced information inaccurate or misleading.

19. Availability of this document

19.1 Copies of this document shall be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of finnCap at 60 New Broad Street, London, EC2M 1JJ for a period of one month from the date of Admission.

Date: 27 January 2011