Journey to a World Diamond Centre

“INVESTMENT OPPORTUNITIES”
Minerals Policy Objectives

1. Maximize the economic benefits for the nation while enabling private investor to earn competitive returns.

2. Create a competitive environment to stimulate private sector investment in mineral exploration and exploitation.

3. Encourage linkages with the rest of the economy to expand value addition activities.

4. Generate employment and training opportunities for Botswana’s citizens.

5. Safeguard the environment.
A STRATEGY FOR ECONOMIC DIVERSIFICATION AND SUSTAINABLE GROWTH

- The implementation of this Strategy and the Action Plan requires Government to recognise the absolute need to diversify; to be prepared to amend or even abandon past unsuccessful policies; embrace the principle to open up the economy internationally; and take the lead in the diversification process.

- Economic diversification and sustainable growth cannot succeed unless an appropriate overall “enabling framework” has been put in place first.
The diamond value chain and Botswana’s participation

- **Strategic intent:**– sustainable involvement in more sectors of the valve chain
Diamond Beneficiation Specific Policy objective

- Transform Botswana from a leading diamond producer by value to a global diamond centre by:
  - Licensing conditions that require new mines to market their diamonds locally (Karowe Mine is now in operation, BK11 and Lerala under care and maintenance, Gope under construction to commence sale in 2014/2015).
  - Agreeing a Sales Agreement that requires De Beers to conduct diamond sales in Botswana and to allocate a portion of production to the local diamond manufacturing industry
  - Providing a conducive environment to efficient diamond sector operations
The Government of Botswana (GRB) and De Beers signed a 10 year contract for sorting, valuing, marketing and selling of Debswana diamond production in September 2011.

De Beers will relocate its Sales operations from London to Gaborone by the end of 2013.
De Beers/GRB Sales Agreement

- GRB entitled to purchase diamonds from DCTB, and independently sell, 10% to 15%, of Debswana’s production (10% growing to 15% over 4 years)

- The agreement provides for support to the Botswana cutting and polishing industry:
  1. Allocation of diamonds to the diamond manufacturing businesses operating in Botswana has increased from the previous $550 million per year to $800 million per year
  2. Number of DTCB sightholders has been increased from 16 to 21
Pursuant to the provisions of the Sales Agreement, Okavango Diamond Company (ODC) has been established to market GRB entitlement (10–15% Debswana production)

- Benefits:
  - Government:
    1. able to determine price point
    2. to have first hand knowledge of the market
    3. building capacity in diamond marketing and sales
  - Give Batswana and non-sightholders an opportunities to purchase Botswana diamonds
  - Citizen Empowerment
  - Catalyst for growth of the diamond industry
Providing conducive environment

- Diamond Office was established in 2008 to regulate the industry and facilitate diamond imports and exports.

- Further Diamond Office development is ongoing:
  - Staff complement has been increased to 7.
  - Plans are in place to get 2 more people at supervisory level to join the team.
  - Intensive training was launched in March 2013.
Develop and support a vibrant diamond Industry:

- Rough and polished diamond trading
- Cutting and polishing industry
- Jewelry manufacturing
- Ancillary and support services industry to the pipeline
## Development of the Cutting & Polishing Industry – Phased Approach

<table>
<thead>
<tr>
<th>Phase</th>
<th>Years</th>
<th>No of Licenses</th>
<th>Evolution /Process / Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>1981 – 2004</td>
<td>4</td>
<td>Birth, Exploration &amp; Testing</td>
</tr>
<tr>
<td>Phase 2</td>
<td>2004 – 2008</td>
<td>16</td>
<td>Establishment</td>
</tr>
<tr>
<td>Phase 3</td>
<td>2008 – 2013</td>
<td>26</td>
<td>Consolidation</td>
</tr>
<tr>
<td>Phase 4</td>
<td>2014 &amp; Beyond</td>
<td></td>
<td>Growth, Development &amp; Sustainability</td>
</tr>
</tbody>
</table>
2011
Sales Agreement signed

August 2012
Aggregation in Botswana

December 2013
DTCI fully relocated to Gaborone. First Sight in Botswana in November

2014
Drive Diamond Beneficiation and exploit opportunities. Create a stable industry.

2015 & Beyond
DIAMOND CENTER – Vibrant Diamond Industry
Diamond Beneficiation
Stakeholders

CRITICAL PLAYERS

- Cutting & Polishing
- Jewelry
- Rough Trading
- Polished Trading

OTHER SERVICES

- Financing
- Retail
- Raw Material
- Air Transport
- Special Security

DIAMOND OFFICE

- Cert. Lab
- Training
- Sec Trading
- Insurance
- Factory Space

OTHER SERVICES

- Hotels
- Car Rental
- Brokers
- Communication
- Internet
- Catering
- Equipment Supplier

OTHER SERVICES

- Factory Space
DIAMOND CLUSTER - CURRENT PICTURE

- **Transport**
  - Air Botswana
  - S.A. Express
  - Car Rentals

- **Suppliers**
  - DTCB
  - Boteti
  - Firestone
  - DBGSS
  - ODC
  - Mantle
  - Gem Diamonds

- **Cutting and Polishing**
- **Secondary Rough Trading**
- **Rough Diamond Trading (Primary)**
- **Diamond Certification Lab**

- **Retail**
- **Tourism**
- **Jewellery**
- **Polished Trading**

- **Commercial Banks**
  - ABN Amro
  - State Bank of India
  - Bank of India

- **Consulting/Brokers**

- **ICT**

- **Equipment Suppliers**

- **Services**

- **Security Firms**

- **Training**

- **Diamond Financing**

- **Communication**

- **LEGEND**: Blue – Service; Green – Core; Yellow – Small / Future
Welcome to Botswana
The land of Opportunities
MINERALS PROJECTS PIPE LINE – SEPTEMBER 2013

Exploration
- KSE
- Tsabong
- BK16
- Tlou Energy
- Nata Energy
- Anglo Coal
- Rainbow Gas and Coal

Pre-feasibility
- Kihabe
- Hana
- Aviva
- Dikoloti
- Jinda
- ACAP

Feasibility & BFS
- Gope
- Orapa
- BCL
- BK11
- Damtshaa
- AK06
- Tati Nickel
- Letlhakane

Project Financing

Development
- Jwaneng
- Botash
- MCL
- Matshitama
- Lerala
- Mowana
- Mupane

Production

Closure
- MCL
- Botash
- Mowana
- Mupane

Products:
- Diamonds
- Coal
- CBM
- Cu/Ni
- Zn/Pb
- Uranium
- Soda Ash & Salt
- Gold
Inputs Into Growth & Opportunities

- Relocation
- Others
- ODC

Vibrant Diamond Industry
(Over $6 Billion / year)
DTCI Relocation to Gaborone
Okavango Diamond Company
Other Mining Houses & Trading Platforms

1. Stimulates activities in other sectors
2. Increased traffic to Botswana
3. Government support, enabling environment
4. Alternative source diamonds for non sightholders
5. Ability to import and trade diamonds in Botswana
Business Opportunities

- Diamond beneficiation
  - Cutting and polishing, dealing, tool making, training, financing, security, transport, consultancy services etc
  - The cutting and polishing licences are open to companies with independent sources of rough diamonds, 5 additional companies licensed to date bringing the total 26
Potential Investment Options

Opportunities

- Direct / Core
- Essential Service / Support
- Outsourcing & Basic Support
- Indirect / Independent
# OPPORTUNITIES

<table>
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<tr>
<th>AREA</th>
<th>Potential impact</th>
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| Diamond security          | • Frequency of diamond movements will increase with different sightholders shipping at different; security risk but also **increased opportunities for the security industry**  
                          | • Potential for money laundering and other blue collar crimes  
                          | • Potential for local security companies to participate in diamond transport and protection of diamond premises                                |
| Communication & ICT       | High speed Internet services, Voice and Data services, etc  
                          | Specialised ICT equipment                                                                                                                      |
| Transport                 | • Air travel (charter planes & new commercial flights linking Botswana to the other Diamond centers),  
                          | • Local transport such as transit buses, Executive Taxis and limousine services, car rentals, etc                                                  |
## OPPORTUNITIES

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| Real Estate               | • Office space new business ventures supporting migration, in particular for the international sightholders  
                                • Land for building  
                                • Accommodation for migrating employees and employees from support services Housing |
| Hospitality               | • Demand for higher quality service likely to increase as diamond people are relatively wealthy.  
                                • Specialist, unique catering service  
                                • Opportunity for high end hotels and resorts |
| Immigration/Work Permits/Logistics | • Consulting Services  
                                • Brokers  
                                • Logistics |
## OPPORTUNITIES

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| **Tourism**    | As more sightholders visit Gaborone, tourism opportunities should increase with proper packaging.  
• Focus Around Gaborone Area (1 hour window)  
• Consider Diamond Industry Tourism  
• One day specials to tourism areas (ie Kasane) |
| **Health**     | Demand for health services likely to increase with the increase in the diamond industry population                                                   |
| **Education**  | Availability of schooling for expatriate’s children. Skills development & Socialized Training                                                      |
| **Banking**    | • US$ billions will be transacted in Botswana every year, this will require the banking sector to be fully capitalised to participate in the transaction  
• Banking sector has to remove the red tape associated with clearing of transactions in particular foreign, as diamond purchases are only delivered upon receipt of payments. Delays could render the marginal business uneconomic and Botswana un-attractive to diamond investment |
Why Invest Now!

- There are a lot of opportunities in various sectors.
- You are now better informed about the Relocation of DTCI and the Diamond Industry in Botswana.
- Government has a number of incentives and supports investment in some sectors.
- The market is young, it is the best time to maximize your returns as a market leader.
How do you view opportunities?

- Do you see the glass half full or half empty?

- Are you going to wait until the opportunities are reduced.

- Beware, when you next decide to look and take advantage, the opportunities might not be there.
Take The Next Step!

- Please DO your investigations and engage the Diamond Hub if necessary.

- Diamond Industry is not always easy to understand but we all know it works. Do not stress yourself or over analyse it.

- Just start moving and you will start getting closer to your end goal.
Conclusion

- Botswana has a robust, yet accommodating, mining & minerals policy they benefits the government and the investors.

- Botswana has a vision around beneficiation and has put in place an enable environment to achieve this.

- Current sales agreement offers huge potential to transform Botswana’s economy and its role in the global diamond industry.

- Okavango Diamond Company increases diamond trading opportunities for everybody.
Conclusion

- Diamond trading platform is already in operation – Anybody can now trade in Botswana

- Botswana has all the support services in place for those that want to invest in the diamond industry.

- The climate is ideal for investment because this is a growing industry and government has created an enabling environment.

- There are a lot of opportunities that are a direct result of DTCI Relocation and the growth of the Diamond industry in Botswana.
THANK YOU

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Jwaneng Cut8 now complete; investment $3.5 billion

Will take the mine to 2029
Newly opened Karowe mine near Letlhakane
Operator Boteti Mining Company
## De Beers sales 2005–2011

### US$ millions

<table>
<thead>
<tr>
<th>year</th>
<th>First half</th>
<th>Second half</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3 250</td>
<td>3 319</td>
<td>6 569</td>
</tr>
<tr>
<td>2006</td>
<td>3 251</td>
<td>2 897</td>
<td>6 148</td>
</tr>
<tr>
<td>2007</td>
<td>2 986</td>
<td>2 937</td>
<td>5 923</td>
</tr>
<tr>
<td>2008</td>
<td>3 300</td>
<td>2 656</td>
<td>5 956</td>
</tr>
<tr>
<td>2009</td>
<td>1 431</td>
<td>1 773</td>
<td>3 204</td>
</tr>
<tr>
<td>2010</td>
<td>2 627</td>
<td>2 457</td>
<td>5 084</td>
</tr>
<tr>
<td>2011</td>
<td>3 495</td>
<td>2 983</td>
<td>6 478</td>
</tr>
</tbody>
</table>
THANK YOU

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Diamond Beneficiation Critical Stakeholders

- Cutting & Polishing
- Jewelry
- Rough Trading
- Polished Trading
- CORE

- Equipment Suppliers
- ICT
- Brokers
- Retail
- Financing
- Raw Material
- Air Transport
- Special Security
- Cert. Lab
- Sec Trading
- Insurance
- Training
- DIAMOND OFFICE

Diamond Beneficiation Critical Stakeholders