DEBSWANA

Annual Review 2009

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Annual Review
2009

Our Purpose *To turn diamond dreams into lasting reality.*

Our Vision *To be a global benchmark diamond business.*

Our Mission *We mine and recover diamonds safely, optimally and responsibly*

Our Values

Be Passionate

Be Passionate
We will be exhilarated by the product we sell, the challenges we face and the opportunities we create

Pull Together

Pulling together
Being united in purpose and action, we will turn the diversity of our people, skills and experience into an unparalleled source of strength

Build Trust

Build Trust
We will always listen first, then act with openness, honesty and integrity so that our relationships flourish

Show We Care

Show we care
The people whose lives we touch, their communities and the nations and the environment we share, all matter deeply to us. We will always think through the consequences of what we do so that our contribution to the world is real, lasting and makes us proud

Shape the Future

Shape the future
We will find new ways. We will set demanding targets and take both tough decisions and considered risks to achieve them. We will insist on exceptional excellence and reward those who deliver

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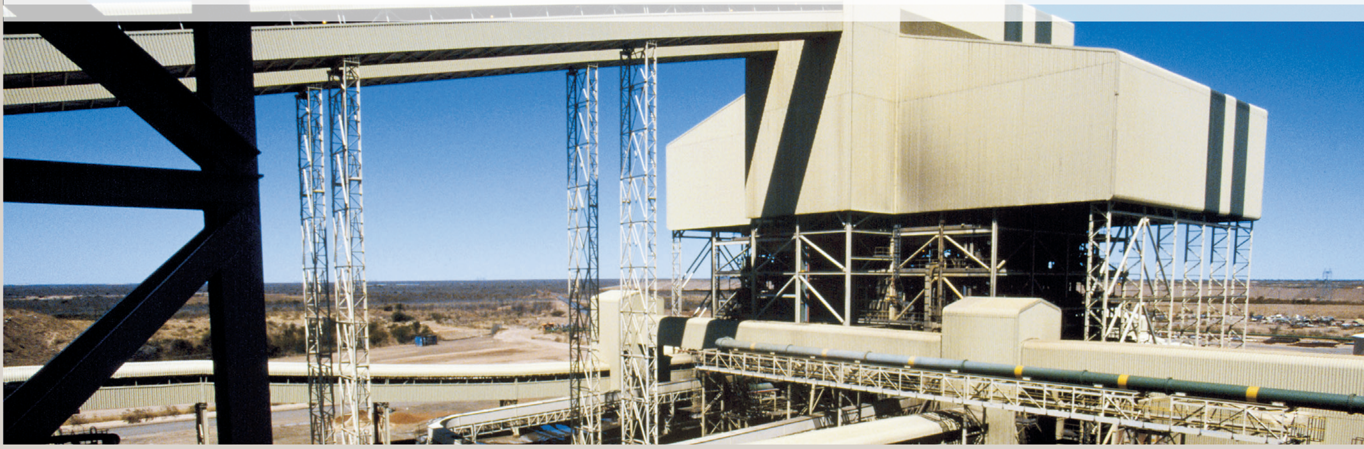
Debswana Structure



DE BEERS 50% | 50% GOVERNMENT OF BOTSWANA

DEBSWANA DIAMOND COMPANY (PTY) LTD

MINING OPERATIONS

Orapa, Letlhakane, Jwaneng, and Damtshaa Mines

100% MORUPULE COLLIERY LTD

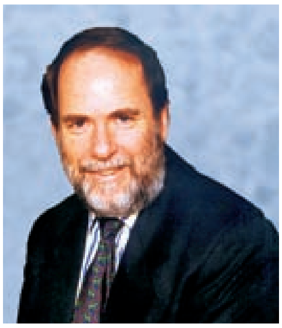
100% SESIRO INSURANCE COMPANY (PTY) LTD

50% PEO HOLDINGS (PTY) LTD

Board of Directors *as at 31st December 2009*

E. M. Molale
Chairman

G.P.H Penny
Deputy Chairman



N.F. Oppenheimer

S. M. Brown

L.K. Mohohlo (Mrs)

Dr. A. L. Molokomme

R.G. Mills

S. M. Sekwakwa

S. Khama (Mrs)

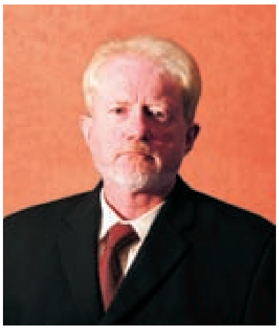
G.G. Gabaake

J.A. Thamage

Blackie Marole
Managing Director

Management

Blackie Marole
Managing Director

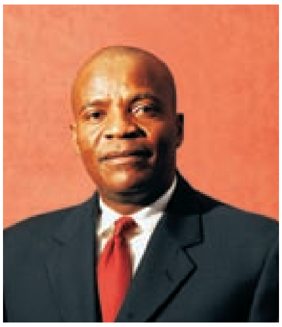


Sean H. Brennan
Deputy Managing Director

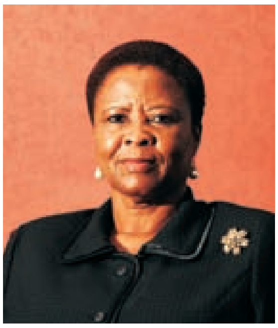
Tabake Kobedi
Group Manager Finance

Mpho M. Kewakae
Group Manager Security Liaison

Ntoti Mosetlhe
Group Manager Human Resources



L. Boyce Sebetela
Group Manager Corporate Strategy



Esther V. Kanaimba-Senai
Group Manager Public and Corporate Affairs

Bonny Thebenyane
Group Secretary and Corporate Services Manager

Balisi M. Bonyongo
General Manager Jwaneng Mine

Matome T. Malema
General Manager OLM

Albert Milton
General Manager Morupule Colliery

Chairman's Report

We are a resilient Company, thanks to a strong and unfaltering Board and the commitment and tenacity of our employees.

I have the singular pleasure and honour to present my report as outgoing Chairman of the Debswana Board of Directors, a position I have been holding since April 2008. I wish my successor, Mr. Gareth Penny a fruitful time as he steers the Debswana ship forward into the future.

The words of Napoleon Hill (1883 – 1970), an American author and advisor to President Franklin D. Roosevelt, ring true of Debswana's recent experiences. "The strongest oak of the forest is not the one that is protected from the storm and hidden from the sun. It is the one that stands in the open where it is compelled to struggle for its existence against the winds and the rains and the scorching sun". Indeed, Debswana had the courage to stand alone and fight its battles and has been able to overcome the recent challenges from the global meltdown with a great deal of resourcefulness.

Highlights

The year 2009 was tough, but towards the end, an optimistic scenario is emerging and we hope it continues that way so that we emerge from this untenable situation as a much stronger entity. Debswana did not, for a single moment, falter in its quest to remain afloat, and achieve more with less, as espoused in our North Star strategy. We succeeded in weathering the storm. This is our major highlight.

We are a resilient Company, thanks to a strong and unfaltering Board and to the commitment and tenacity of our employees. Some world renowned companies have gone under, but we have kept our heads above water. This, to me, means that our 'stay-in-business' strategies have worked, so this is a major highlight in itself.

Another highlight was our resolve to ensure the sustainability of our business by launching the biggest project ever undertaken by Debswana, the Cut 8 project in Jwaneng. The Jwaneng Cut 8 project is one of the critical 'stay-in-business' projects for Debswana aimed at sustaining the organisation's revenue streams and ensuring continuity of shareholder returns into the latter part of the next decade.

De Beers and the Botswana Government

The relationship between the Botswana Government and De Beers has strengthened despite these tough times. The Diamond Policy Forum was formed during the year under review and continues to deal with issues of governance, value creation and relationships in general. This has helped to buttress the relationship, and the successes achieved by this forum are abundant. But this does not imply that there are no problems. The good thing is that we are able to resolve our problems.

Because we have dealt with governance issues, we now know the direction we need to take. We are working on issues of how to create value for ourselves as shareholders and to keep the Company growing from strength to strength while maintaining our global leader status in the diamond mining industry. We believe continuous engagement and exchange of views on issues that may be problematic helps sustain our relationship and foster an environment of trust.

Our Employees

We want to continue to be a resilient company, therefore

we had to look at strategies that would strengthen our resolve to continue to exist. One key strategy is to enhance our efficiency in order to unlock value.

We treasure, above all, our workforce. They are the back-bone of our business. I would like to highlight that when the recession hit, the Board resolved not to retrench employees, as opposed to what the rest of the world was doing. We, instead, went on the path or preserving jobs and conserving cash, and in the process, our employees too had to and did make a great many sacrifices. We feel humbled by that.

Survival of the Company has been a two-way street and this encourages the Company and its workforce to continue with cordial reciprocity so that our employees do indeed identify themselves more with Debswana. I thank the entire Debswana workforce for its decision to support manage-ment with heart and mind to ensure the survival of the Company during these trying times.

Future outlook

As a major player in the global diamond industry and the largest producer of diamonds by value, Botswana is commit-ted to the creation of a diamond centre. In this regard the Diamond Hub within the Ministry of Minerals, Energy ans Water Resources, is now in its second year of operation.

We believe our partners and shareholders can play a more prominent role here, through sharing information from research conducted at Maiden Head. This should help us to position ourselves to generate value in the downstream part of the diamond industry, and not just remain as a producer of rough diamonds.

Future outlook

I see the diamond industry continuing to be the mainstay of our country's economy despite the setbacks of the global economic meltdown. This is more so because our diamond revenues are always put to good use, to resuscitate or even sustain other sectors of the economy in our quest for diversi-fication.

It is for these reasons that our diamond production remains the anchor sector of our economy. Ours is a deliberate strategy to use diamond revenues to boost other sectors of the economy. But, unfortunately, there will come a day when our diamonds will be gone.

It is our sincere hope that the market continues to improve. This would then translate to the overall recovery of the country's economy. We also hope that the downstream activities like diamond cutting and polishing currently being undertaken in the country will return to full production and surpass expectations. When this happens it will have a ripple effect on the economy, especially given the government's drive to create sustainable employment.

We are truly optimistic about the future and foresee recov-ery within the next two years, and when that happens we will be well positioned to seize every opportunity.

Eric M Molale
Chairman – Board of Directors
Debswana Diamond Company

Managing Director's Report

In a year of incredible challenge and change, Debswana remained focused on doing what it does best: Pulling together. The global economic downturn saw the Company taking bold steps to position itself in important ways for the years ahead by enhancing its core business so as to face the future with confidence.

The year under review will go down Debswana's history books as one of both incredible challenge and change. Along with the rest of the diamond industry, the Company faced the full brunt of the collapse of the global economy and was compelled to immediately respond and preserve its business.

Confronted with a drastic decline in demand on the one hand and a significant reduction in diamond prices on the other, it was imperative for the Company to make very bold decisions to weather the storm.

Even with the challenge of delivering under the enormously adverse conditions that confronted the Company one of our easiest and immediate decisions was that come what may, our foremost concern would continue to be the safety of our people. We consciously decided that our prevailing business circumstances should not compromise our safety values

in any way and hence our pursuit of Zero Harm continued relentlessly.

Safety, Health and Environment

I am happy to report that despite the difficult environment we were operating in no fatality was recorded in the year under review. This is a commendable achievement which we intend to sustain going forward. The Lost Time Injury Frequency Rate (LTIFR) for Debswana for 2009 was 0.08 against a target of 0.12 and a stretch of 0.10. This is a considerable improvement from an LTIFR of 0.21 in 2008.

Orapa Mine made the Company proud by taking first position in the Best Improvement in Severity Rate competition that is held by the Botswana Chamber of Mines. Severity Rate in this regard, measured the number of days lost due to injuries.

It is extremely gratifying that both mining sites have retained their ISO 14001 Environmental Management System certifications as well as their OHSAS 18001 Safety Management System certifications although Orapa and Letlhakane Mines remain at risk.

Production

Against a backdrop of severe liquidity constraints and pronounced revenue uncertainty brought on by the rapid market deterioration and resultant decline in sales volumes during Quarter 4 of 2008 a bold decision was taken to shut down the operations from late December 2008 through to mid-April 2009, to conserve cash.

A further decision to curtail production for alignment with the depressed market followed suit. This involved shutting down Damtshaa Mine and Orapa No. 2 Plant for the duration of the year. Orapa No. 2 Plant resumed production in July.

It was recognised that uncertainty and volatility were likely to be encountered during the year, making it necessary to maintain flexibility in the Company's production and business plans for an expedient response to any subsequent change in market conditions. The need for flexibility indeed materialised when our initial production targets had to be revised in May to adjust for unfavourable market conditions. Consequently, some 17.7 million carats were produced during 2009 which is approximately half of what is normally

produced and this was primarily driven by depressed demand.

Sales for Quarter 1 were made from stocks carried over from 2008 and selling volumes were well below normal levels. From the second quarter of 2009, some improvement in sales was recorded, albeit still far short of the last five-year average. Although our margins remained squeezed and our profitability reduced some level of optimism appeared to return to the market towards the start of Quarter 4.

Knowledge management is a key form of competitive advantage in the family of companies. In this light the FOC conducts an annual Mine Control Team (MCT) audit of all mining operations in a bid to identify where best mining practices are well established and share or cascade these to the rest of the operations within the Group.

The 2009 MCT Audit indicated that Debswana operations had well established mining practices and were in fact achieving consistent improvement since 2006. Jwaneng recorded the highest overall score. In recognition of our good performance and in a bid to ensure knowledge transfer across the Group of Companies we have currently seconded our own Mine Planning Engineers to assist our sister mines at Venetia and Voorspoed with their long term mining plans.

Liquidity Management

One of the critical success factors for business survival was an intensive focus on cash conservation to mitigate the Company's depleted revenue streams. Standby bank overdraft facilities were arranged for the first time in the Company's history in order to provide a first line of financing in mitigation of sales revenue shortfalls.

Our second step was to intensively prioritise our capital and operating expenditure. Spending in both categories was reduced to the bare minimum required for survival and a strict moratorium issued on discretionary expenditure was enforced.

However, some capital projects were essential. These are Jwaneng Cut 8 which is critical to secure future diamond production and Morupule Expansion in order to further ensure the supply of power to sustain our operations.

Our emergency turbines power generation project was also prioritised in order to protect our production from power supply deficits within the sub-region. Debswana's role in this project is that of planning and execution, after which the facility will be handed over to BPC.

People and Stakeholder Engagement

We take pride in the fact that no forced redundancies were pursued as part of the Crisis Response Plan and instead a more compassionate approach was followed consisting of early retirement, special leave and voluntary separation schemes which were offered to employees. Employees from those operations that were shut down for extended periods during the year were redeployed to other areas.

The Operations Review Project which commenced in mid

2008 was continued during the year under review and its expected outcomes are a fit for purpose and more agile organisation that will be able to meet the challenges of doing business in the new economy.

As we went through this crisis it was very important to manage stakeholder expectations and I believe we did our best to engage and communicate with all our key stakeholders during the decision making processes.

Future Outlook

We are regaining our strength and Debswana is on the road to recovery. Market readiness preparations that were started during 2009 are proceeding satisfactorily and the business model developed under the Operations Review Project, which will be implemented shortly, can only position us more strongly for the future.

We expect to see a significant improvement in business performance during 2010 through to 2011. By then we expect to have come back to normal in both demand and prices and somewhere down the line we anticipate that demand will exceed supply which bodes well for the future of diamonds.

We will remain focused, concentrate on core values, make impacting organisational changes, learn from our mistakes and accomplishments alike and as the wheels of fortune continue to turn we are optimistic that better times will return.

Our very special thank you to our Board of Directors for their unrelenting support, wise guidance and leadership through the challenging year that was 2009, our employees and their representative organisations for their unwavering understanding and their sacrifices, to our suppliers and other stakeholders for believing in our business even during these trying times. Thank you for the trust you have placed on our business. It is through you and the relationships that we have forged that we were able to survive. We look forward to continuing to partner with you in 2010 as we steer Debswana forward.

Blackie Marole
Managing Director

2009 at a Glance

January

Sekwakwa appointed new Debswana Board Member

The new Permanent Secretary at the Ministry of Finance and Development Planning Solomon Molebatsi Sekwakwa was appointed to the Debswana Board. He replaced Mr. Serwalo G. Tumelo, following Mr. Tumelo's retirement from public service.

February

Cut Costs, Work efficiently and effectively - Marole

Debswana Managing Director, Blackie Marole assured employees that even though this year would be very challenging, management is committed to finding ways of minimising the impact of the recession on employees. Speaking during a tour of the mines, he said that it is the duty of the Company to focus on the long term strategy, which involves improving profitability of the current mining method and adopting a more efficient use of the existing assets.

Minerals Policy Committee visits OLM

The Permanent Secretary to the President, Eric Molale, led a delegation of the Minerals Policy Committee (MPC) to Orapa for an insight into the impact of the financial recession on the Operation.

This was part of the MPC's nationwide tour of the various mining towns, to get an appreciation of how the local mining industry has been affected by the recession and to collectively, alongside Management, come up with mitigating measures for the minerals sector and see how best Botswana can position herself, given the crisis.

OLM shines at the World Wetlands Day

Orapa and Letlhakane Mines scooped first position (best exhibition) at the national World Wetlands Day commemoration held in Mopipi in the Boteti North constituency. Receiving a trophy and certificate on behalf of the Mines. Environmental Officer, Bond Keaketswe said that the water

demand, if not well managed, can adversely affect the continual existence of wetlands.

April

Minister of Health commends Orapa Hospital

Minister of Health, Lesego Motsumi commended the Orapa and Letlhakane Mines Management and employees for turning the Orapa hospital into a world class healthcare facility. She applauded the hospital accreditation by The Council for Health Service Accreditation of Southern Africa (COHSASA) saying the hospital should be a benchmark for government health facilities. The Orapa hospital also serves as a referral facility for Boteti and the surrounding areas.

OLM employees take CSI to another level

Teachers and children of the Orapa and Letlhakane Mines Tawana Pre-School embarked on a fund raising exercise for the construction of a 3-bedroomed house for a destitute family in Mokobaxane, a settlement in the Boteti area. OLM's workforce continues to live the Debswana value of 'Show we care'.

May

Jwaneng Mine brings First Aid to the Community

Jwaneng Mine General Manager, Balisi Bonyongo, appealed to employees to take safety seriously and lead by example in efforts to achieve Zero Harm. He was speaking at a function to recognise 20 employees who went through Basic Life Support Training. Also recognised were 12 employees from the Jwaneng Town Council and Choppies Supermarket who volunteered their time to acquire First Aid skills. The First Aid training for community members is an initiative of Jwaneng Mine.

June

Debswana celebrates 40 years of existence

On the 23rd June Debswana observed 40 years of existence under the theme 'Our Diamonds, Our Pride'. Messages from

the Debswana Board Chairman Eric Molale and De Beers Chairman Nicky Oppenheimer were sent to all employees appreciating their tremendous contribution to the Company. A low-key celebration was held for Gaborone Campus employees.

The Company was incorporated on 23 June 1969 under the original name of De Beers Botswana Mining Company (Proprietary) Limited. The name was subsequently changed to Debswana Diamond Company (Proprietary) Limited on 25 March 1992.

Chairman visits employees at their work places

Debswana Board Chairman did site walkabouts accompanied by Jacob Thamage, a Board member and Blackie Marole, Managing Director. The Chairman visited employees at their workplaces to boost morale, show the Board's and Management's appreciation and support. and restore their confidence in the Company and the diamond industry. They visited Orapa and Letlhakane Mines and Jwaneng Mine.

Mahalapye CABD officially opened

Debswana funded Central Association of the Blind and Disabled (CABD) Rehabilitation Centre in Mahalapye was officially opened on the 20th of June 2009 by the Minister of Health. The two blocks funded by Debswana, house the administration, community rehabilitation and consultation offices. The CABD aims at empowering people with disabilities and advocates for community disability services. The centre offers rehabilitation services to the disabled communities from the eight villages in the Mahalapye sub-district.

Debswana funds House at SOS Children's Village

The Debswana House is one of 12 houses at the newly established Serowe SOS Children's Village. The house accommodates a total of eleven orphaned children from ages one to 11. The Debswana House together with the entire village, was officially opened on the 26th of June 2009 by the President of the Republic of Botswana, Lt. Gen. Seretse Khama Ian Khama. After the official opening, President Khama toured the village and posed for photographs with the Debswana House children.

July

Orapa No.2 plant resumes production

The Orapa No.2 plant resumed production following a seven month shut down due to the international financial crisis. According to Joshua Dodo, the Mine's Treatment Manager, major maintenance activities were identified at the plant that needed to be attended to during the temporary closure of the plant. Orapa No.2 will run as a swing plant until the markets return to normal.

Reggie Bush comes to Jwaneng

An American professional football player for the New Orleans Saints of the National Football League, Reggie Bush visited the Jwaneng Mine. Reggie, who is an Ambassador for Russell Simmons' Diamond Empowerment Fund was accompanied by his partner, Kim Kardashian, a well known American celebutante, socialite, model, actress, business-woman and television personality.

Debswana donates refurbished computers

Debswana donated a total of 39 refurbished computers to various public institutions and community based organisations. The donation was to bridge the digital divide in Botswana as various organisations need computers in their day to day activities.

August

OLM launches state of the art security system

The OLM Security department launched a world-class permit scanning system as part of its continued efforts to control access of people into the Orapa Township. Being a closed town, Orapa demands that the Security Department continues to review its security measures to bring them to international standards. This will positively contribute to securing Botswana diamonds in accordance with the Kimberly Process Certification Scheme.

September

Jwaneng Celebrates SHE week

In its endeavor to attain 'Zero Harm', and cultivate a culture that promotes safety as a value, Jwaneng Mine continues to implement robust safety programmes and initiatives. This commitment was displayed once again at the Safety, Health and Environment (SHE) Week which was hosted by the Cut 8 Project team. The event was aimed at enhancing awareness and to focus on the importance of SHE, not only at Jwaneng Mine but beyond the workplace.

November

Debswana donates mini-bus to Motswedi

Debswana donated a 23-seater Mercedes Benz mini-bus to the Motswedi Community Rehabilitation Centre in Mochudi. The mini-bus will transport children with disabilities from their homes to the Centre as well as to sports and other school activities. The Motswedi Community Rehabilitation Centre is a community-based organisation that rehabilitates children with disabilities in Mochudi and surrounding villages.

December

Orapa declared 2009 Safest Mine

Orapa Mine made the Company proud by taking first position in the Best Improvement in Severity Rate competition that is held by the Botswana Chamber of Mines. Severity Rate is the number of days lost due to injuries.

North Star Strategy

Corporate Overview

The North Star strategic intent is enabled through four pillars: namely ***Revenue Improvement, Cost Containment, Organisational Capability*** and ***Sustainability.***

The economic crisis at the end of 2008 had an enormous impact on the way in which Debswana operations were conducted in 2009. Attention shifted to focus on short term survival during the financial crisis and ensuring readiness for improved market conditions, without losing focus on the long-term sustainability of the Company.

2009 will be remembered as the year of the shut-down, when production ceased during the first four months of the year in response to the collapse of the diamond market and the need to conserve cash.

Specific areas of focus during 2009 were:

Safety: The safety of our employees is never compromised under any circumstances, and our performance in this area, as measured by the LTIFR, showed an improvement over the previous year in spite of operating under difficult conditions.

People and jobs: We view our people as our most important asset, and while certain voluntary schemes were devised in order to reduce the number of employees to save cash, it was very important to preserve jobs, and there were no forced retrenchments.

Cash: Drastic steps were taken so as to conserve cash during 2009, the most significant of which was the decision to stop production. While we continued to incur fixed costs, this step enabled us to survive until such time as the gradual resumption of sales enabled a return to operations (although at substantially lower levels than before). The original North Star targets were premised on the Company operating at normal levels.

As a result of the aforementioned disruptions to the business, progress against these targets was severely compromised during 2009. However, the strategic intents still remained relevant.

Head Office-led initiatives

Supply Chain Optimisation: Achievement of cost containment objectives remained challenging as a result of the reduced activity levels during the period under review. However, the Supply Chain Optimisation Project continued to yield positive results through strategic sourcing of commodities which are significant cost drivers.

Privatisation and Outsourcing: Prefeasibility studies into the privatisation and outsourcing of certain peripheral functions continued during 2009. These included Housing, Health, Education Services, Aircraft, Travel and Utilities. These are expected to yield further benefits going forward, by enabling a more agile business model which focuses attention on our core competencies of mining and recovering diamonds, while at the same time creating opportunities for citizens of Botswana to participate in the economy.

Operations Review: Work continued on this project, which is aimed at creating a performance-driven organisation that will achieve high levels of productivity in line with global benchmarks. Key outcomes include a new fit for purpose business model, optimised business processes, revised organisational structures, optimally staffed with the right skills and competencies. Implementation is planned for 2010.

Orapa and Letlhakane Mines

The economic meltdown in 2008 resulted in a downward adjustment of 2009 production targets in line with the global demands for diamonds. This resulted in a complete shut down of all production facilities for the first four months of the year. However, evidence of improvement in the market resulted in Orapa No.2 Plant being brought back into production halfway through the year, while Damtshaa Mine continued to remain closed. As a result of this closure and reduced production levels, revenue improvement and cost containment projects had to be suspended.

While Business Optimisation and Innovation Initiatives continued to look for opportunities to save costs and generate additional revenue, performance against the targets set for 2009 were negatively affected.

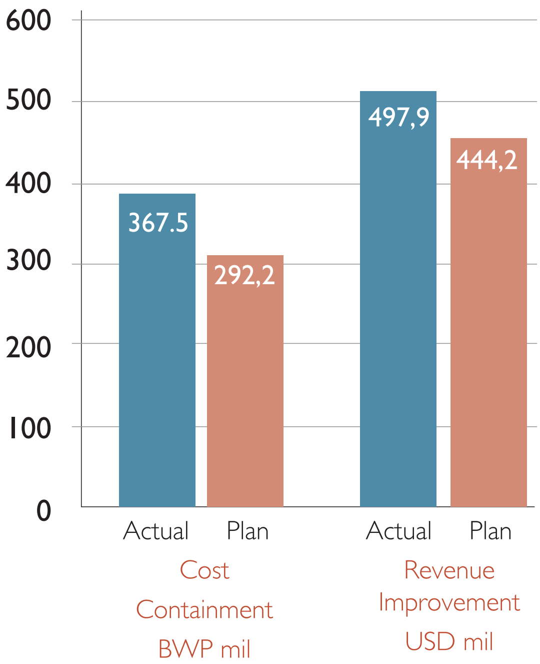
Cost Containment: OLM cost saving as at end of 2009 amounted to P376,5m against a target of P292,2m. This is 29% above target. Outsourcing initiatives were significant contributors to the cost containment portfolio at 40% of the cumulative total. Despite the great cost containment performance, certain projects did not deliver to expectation such as the Ferrosilicon Consumption Optimisation Project, which was mainly due to the start-up after the prolonged plant shut down, and medium instability and inefficient magnetic separators on the west DMS streams at Orapa Plant 2 and Plant 1 respectively.

Revenue Improvement: As a result of the shut down and substantially reduced production targets, the revenue improvement target for 2009 was not achieved. However, due to very good performance during the earlier years, overall revenue improvement as at end of 2009 is USD 497,8m, being 12% above the cumulative target of USD 444,2m.

Jwaneng Mine

Several Projects were suspended in response to the economic meltdown, and will be reviewed and implemented as the economic environment improves. These projects include Main Treatment Plant (MTP) Hard Ore Mitigation, and the Central Acidising Complex (CAC) upgrade. Overall progress on the North Star project portfolio of 22 projects was on track and on target at 96% complete. A number of projects were completed and the benefits are being realised.

Figure 1: OLM progress 2006 - 2009

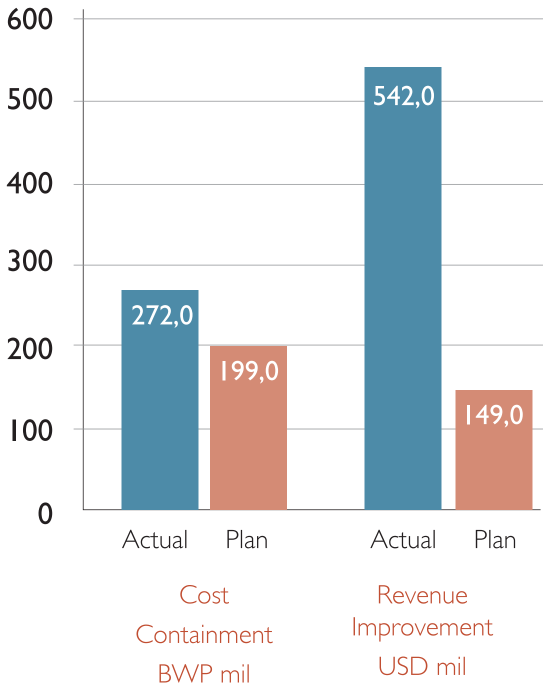


Cost Containment: Cost-saving initiatives continued to be implemented at Mining and Treatment, the two major cost drivers. Significant results were achieved, particularly around consumables (Ferrosilicon, flocculant and diesel). Operational Expenditure was also reviewed based on reduced production as a result of the economic meltdown through ideas harvested from the workforce.

An Economic Meltdown Response (EMR) project was launched in 2008 in order to further conserve cash as a result of the 2008 recession. This process led to a cash saving of P100,2m being realised in 2009, thus increasing the total Cost saving as at end of 2009 to P272m against a target of P199m. This is 37% above the cumulative target for the period.

Revenue improvement: As a result of the shut down and substantially reduced production targets, the revenue improvement target for 2009 was not achieved. However, due to very good performance during the earlier years, overall revenue improvement as at end 2009 stands at USD542m, being 363% above the cumulative target of USD149m. This was mainly due to improvements in plant utilisation.

Figure 2: Jwaneng progress 2006 - 2009



Safety, Health and Environment

Safety

Debswana recorded a total of six lost time injuries (LTIs) in 2009, with four being from Jwaneng Mine and two from Orapa and Letlhakane Mines (OLM). This is a significant improvement over the eight lost time injuries at Jwaneng and fifteen at Orapa that occurred in 2008. The combined Lost Time Injury Frequency Rate (LTIFR) for Debswana in 2009 was 0.08 against a target of 0.12 and a stretch of 0.10. This is a considerable improvement on the LTIFR of 0.21 in 2008.

Both mining sites have retained their OHSAS 18001 Safety Management Systems and the ISO 14001 Environmental Management System certifications in 2009 although Orapa and Letlhakane Mines remain at risk. Both operations will need to focus on improving the quality of their people and systems management in the following areas;

- Hazard identification, risk assessments and use of the hierarchy of controls in mitigating risks.
- Training on safety management and the OHSAS 18001 standard.
- Employee involvement through visible felt leadership and *kgotla*-style safety value conversations, to mention a few.

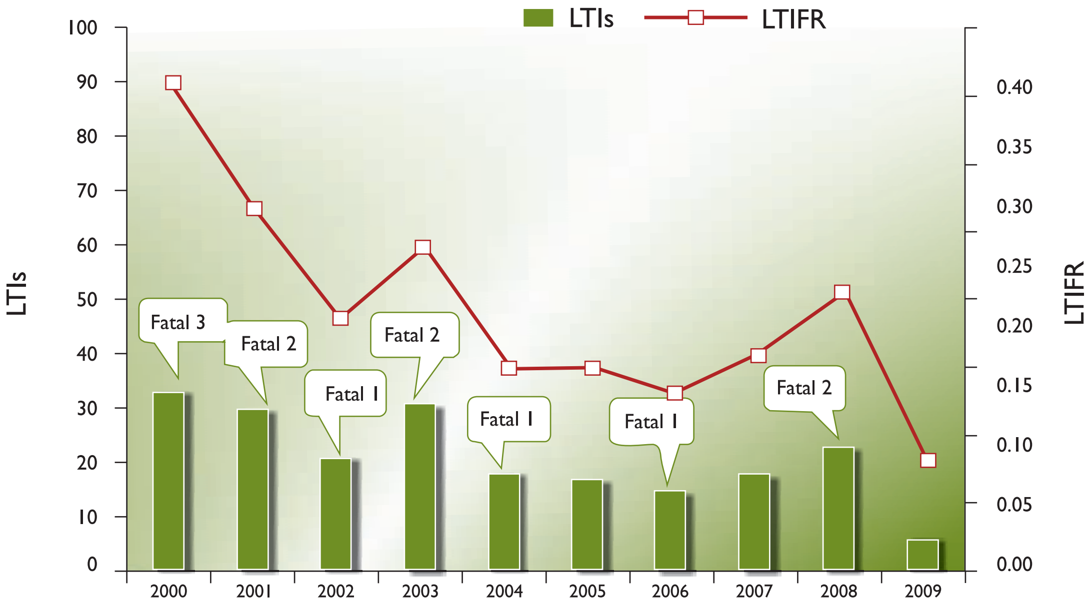
Occupational Hygiene (OH)

The major occupational hygiene hazards in Debswana are:

- Noise exposure which is managed through elimination, substitution or isolation where possible.
- Dust exposure which is managed through dust suppression activities in the pit and the plants.
- Hazardous substances such as asbestos sheeting in OLM and asbestos pipes in Jwaneng. All asbestos sheeting in the Orapa green area workshops and 10 containers ($27m^3$) of asbestos pipes containing a total of 432 pipes from Engineering Services in Jwaneng have been removed and disposed in compliance with all legal requirements.

Both operations have conducted baseline occupational hygiene risk assessments and are implementing management

Debswana LTI History



plans as required. One of the significant challenges for OH will be ensuring that Debswana has the right occupational hygiene talent.

Environment

Incidents & ISO 14001Management System

There were no major environmental incidents at either Jwaneng or Orapa and Letlhakane mines during 2009. Both operations retained their ISO 14001 Management System Certifications. Both operations will need to focus on the competency of Mine employees in implementing the ISO 14001 standard during 2010.

Mine Closure and concurrent rehabilitation

A strategic workshop was held during December 2009 in order to coordinate Mine closure activities within Debswana. One of the outputs of the workshop will be a detailed review of rehabilitation and Mine closure work done to date, with an action plan to plot the way forward.

A gap analysis was conducted on the Jwaneng Mine closure plan using the Anglo American Mine Closure toolkit and an action plan was developed. Training was conducted at OLM on the Anglo American toolkit and a gap analysis will be conducted on the OLM closure plan in early 2010. Phase one of a two-phase project to rehabilitate the infrastructure Debswana constructed around Mopipi Dam has been completed. A bund across Nhabe river (near Maun) which formed part of this infrastructure was also removed to allow water to flow to Lake Ngami.

Water Management

Across the Group Operations, total water consumption decreased by 34% compared to 2008. Prudent water resource management plans and policies have been put in place at all Operations. Total water used for production in 2009 at Orapa and Letlhakane Mines was 6, 83 Mm^3 as compared to 13.98 Mm^3 in 2008. The decrease was mainly due to the lower tonnage treated for the year due to Mine shut downs at Orapa and Letlhakane during the first quarter and with Damtshaa Mine remaining closed all year.

The total annual abstraction from the ground water sources was 5, 90 Mm^3; i.e. wellfields at 4, 17 Mm^3 and pit dewatering at 1, 73 Mm^3, compared to 10, 76 Mm^3; i.e. wellfields at 8, 29 Mm^3 and pit dewatering at 2.47 Mm^3 for 2008. The decrease in the wellfields abstraction was mainly due to the Mine shut downs. The overall wellfields' annual abstraction is less than half of the approved annual Water Rights Limit of 10.82 Mm^3.

During the first quarter of the year there was no draw-down from some wellfields due to the availability of harvested

run-off water. A storm water harvesting dam (1, 0 Mm^3 capacity), which will improve rainwater harvesting was successfully completed in Orapa during November 2008 and has recovered approximately 0, 4 Mm^3 during 2009.

At Jwaneng Mine, the raw water supply system continued to operate satisfactorily with no delays to plant production throughout the year. The annual raw water abstraction from the Northern Wellfields at 7, 35 Mm^3 was 24.7% favorable compared to the total of 9,76 M^3 for 2008 and also 104% favorable to the water right (15,0 Mm^3 per annum). Potable water quality at all Group Operations has complied with the Botswana Bureau of Standards drinking water standards.

Energy Management and Climate Change

Power consumption for OLM was 179.061GWh against a target of 297.374 GWh, and 152.284 GWh vs. target of 175.327 GWh in Jwaneng. The decrease in consumption can be attributed to:

- The closure of the mines during the first four months of 2009.
- The closure of Damtshaa Mine for the whole year.
- The automatic load shedding of the Orapa township geysers during peak hours.
- The replacement of incandescent bulbs with energy saving Compact Fluorescent Lamps (CFLs). The use of incandescent bulbs has been phased out in Orapa.

Debswana has elevated energy conservation to a strategic level. An Energy Conservation Policy has been approved. The Energy Conservation Strategy is being developed with a view to come up with specific initiatives to substantially reduce energy use in order to mitigate regional power shortages, rising energy costs and climate change.

Waste Management

OLM removed a total of 88 drums of Poly Chloro Biphynils (PCB) contaminated oil and 600 drums of used grease. Asbestos roofing materials were replaced with IBR sheets at the Orapa Green Area workshops. Jwaneng Mine removed 10 containers (27m^3) of asbestos pipes containing a total of 432 pipes from Engineering Services, 110 drums of transformer oil, 438 used drums of grease and 11 drums of fluorescent tubes. All waste was disposed off according to applicable legal requirements.

Biodiversity Management

Both Jwaneng and the Orapa and Letlhakane Mines developed draft Biodiversity Action Plans, these will be completed in 2010.

Operations

Orapa and Letlhakane Mines (OLM)

Safety, Health & Environment

The year 2009 was a good one in that the safety performance of the mines improved significantly compared to the previous year. The mines recorded two lost time injuries, 13 less than the previous year and the best Lost Time Injury (LTIFR) Frequency Rate of 0,04 in 15 years.

Despite this good performance, there were concerns regarding the increase in minor injuries and occurrences of property damage during 2009. These incidents need to be managed closely as these can eventually develop into more serious ones. For sustainability, continuous improvement and gauging the level of compliance to the Safety, Health and Environment (SHE) standards, a total of eight audits were carried out during the year.

These range from AON, FMG, ISO 14001, OHSAS 18001, Safety and Health Legal Compliance and Fatal Risk Control Guidelines. Remedial action plans on all the audit reports have been complied with and implementation is underway. The ISO14001/OHSAS 18001 Surveillance audit however identified a number of opportunities for improvement and non-conformances. A project-type approach was put in place in order to close out the opportunities for improvement and non-conformances.

On the environmental side, an extensive exercise was carried out during the year to rehabilitate the Mopipi dam works. Phase 1 which dealt with removal of bund walls to allow uninterrupted movement of water was completed and Phase 2 which will deal with covering or flattening of canals will be embarked upon in 2010. The Maun rehabilitation, where bund walls were also removed on the Nhabe River to allow smooth flow of the water, was also completed during the year.

Orapa Mine

Production targets in 2009 were significantly reduced due to the global recession as a result of a depressed diamond market. Ore mined from the pit amounted to 8, 58 million tons compared with 17, 93 million tons in 2008. Challenges associated with the global recession included low availability of spares for earthmoving equipment, opportunistic treatment

of problematic ores and mining of the material from the failure zone. However, the ore exposure as forecast was achieved by year end.

Waste mining was below the forecast target at 7,39 million tons compared to 15,20 million tons mined in 2008. The non achievement of forecast waste was due to a conscious decision made to stockpile some ore from the pit with waste mining resources due to the challenges it posed to the treatment plants in terms of treatability. The cumulative ore and waste Mine to Plan (M2P) indices stand at 73% and 99% respectively, while the overall cumulative M2P index stands at 86 percent.

Orapa Treatment Plants

Total ore treated at both plants amounted to 8, 82 million tons compared with the previous figure of 18, 57 million tons. Production in 2009 was significantly reduced due to the global recession which resulted in the depressed diamond market. This culminated in the shut down of the plants from mid-January to April 2009 with No.2 plant remaining closed until mid-July 2009.

Orapa Mine Production results

Summary Of Operations	2008	2009
Tons treated	18, 568	8, 817
Carats recovered	16, 869	7, 574
Recovered grade – CPHT	91%	86%
Ore mined - tons	17, 929	8, 576
Waste mined – tons	15, 199	7, 390
Total tons moved	33, 128	15, 966

No.1 Plant

Tons treated at Orapa No.1 plant amounted to 5, 74 million tons compared to 9,13 million tons treated in 2008. The Dense Media Separation (DMS) plant did not perform well as evidenced by a low Mine Call Factor (MCF) of 98% compared to a budget of 107% for the year. The North East DMS circuit upgrade was done during the year as planned and the upgrading of the remaining North West circuit was put on hold due to the economic recession. These projects are aimed at further enhancing diamond recovery and DMS throughput.

Raw water consumption was 0.43m^3/ton of ore treated against a budget of 0.38m^3/ton. This was an increase from 0,35m^3/ton that was achieved in 2008. The increase was mainly due to cleaning of conventional thickeners throughout the year. This was necessitated by the numerous breakdowns experienced on these units. Flocculent consumption at 22.56 g/t was unfavorable to the budgeted rate of 21.00 g/t. This was an increase from 17.80g/t achieved in 2008.

The high flocculent consumption was mainly due to the unavailability of two conventional thickeners leading to the use of the high rate thickeners which are high consumers of flocculent. Ferrosilicon (FeSi) consumption at 241.7g/t was unfavorable to a budget of 140g/t. This was an increase from 155.9g/t that was achieved in 2008. The increase in consumption was mainly due to numerous equipment failures such as magnetic separators, pipes as well as chute blockages.

Phase 3 of the major capital project to refurbish plant electrical installations, Control and Instrumentation Installations and major equipment replacement was completed in 2009. The refurbishment of the civil and mechanical structures is currently under way and is expected to be completed by the first quarter of 2010. Phase 4 of this project has been budgeted for 2010. The secondary crushing capacity constraint still remains an area of concern. During the year, problematic ores and ore blends with a high proportion of basalt breccias (hard ores) impacted negatively on the utilisation of this plant.

No.2 Plant

Tons treated at No.2 plant amounted to 3, 08 million tons compared to 9, 44 million tons in 2008. The remarkable deficit is mainly due to the long shutdown (January to July) as a result of the economic recession. The overall plant utilisation was favorable at 67.6% as compared to a target of 63% for the year.

in 2008. Delays during the period August to December 2009 were mainly associated with breakdowns on critical common stream equipment (e.g. TBX18-31 and TEX18-10 conveyors), Correct Media (CM) pump failures, the failure of the CVT transformer, and ore shortage.

Raw water consumed by No.2 plant at 0.29m3/ton treated was below the 2008 consumption of 0.38m3/ton. The efficiency of the water return system from the slurry dam contributed significantly as water return exceeded the target of 40%. Flocculent consumption at 46.2 g/ton was higher than the recorded figure of 34.7g/ton in 2008 primarily due to the collapsed internals in three of the eight ultraseps, hence compromising efficiency. In addition, the paste thickener unit was unavailable for an extended period of time due to the collapsed bearing on the gearbox. Ferrosilicon (FeSi) consumption at 316g/t was significantly above the 2008 consumption of 194g/ton as a result of the plant start-up in August which required additional ferrosilicon.

Completely Automated Recovery Plant (CARP) Operations

CARP recovered 8,657,866 estimated saleable carats in 2009 which was 53% less than the 2008 performance. This is mainly attributed to lower production targets as a result of reduced market demand for diamonds in 2009. CARP processed all of the concentrate material from the treatment plants with Orapa No.2 plant material making up 44% of the total, Orapa No.1 plant 25%, Letlhakane plant 8%, Damtshaa plant 0.5% and Old Recovery Tailings (ORT) concentrate making up the remaining 22 percent. The annual average diamond by weight was 80.2% against a target of 50 percent.

Old recovery tailings concentrate generation presented a serious challenge during the year; however the problem was rectified in the middle of third quarter by utilizing the Kimberly sampling plant wash facility to process the concentrate. The plant was able to run consistently to ensure achievement of Letlhakane ORT carats targets and significant reduction of Orapa ORT carat deficits.

Copper wires continued to pose a challenge with blockages on x-ray machine channels. Treatment of stockpile material which was in the mining plans for the year contributed significantly, especially during processing of Letlhakane concentrate. The issue was highlighted to the relevant stakeholders to address.

Letlhakane Mine

Mining operations at Letlhakane were executed well despite the increased pit depth and long cycle times. The pit optimisation project which focused on improved machine utilisation and productivity continued to yield these positive results. Ore mined during the year amounted to 2, 76 million tons compared to 4, 12 million tons in 2008. The negative variance against the 2008 performance was due to the global economic recession which led to the mining plan that was focused on producing the amount of ore needed to satisfy the plant only.

Waste mined amounted to 2.24 million tons during 2009, an 88% reduction against the 2008 performance as a result of clearing DK1 mining bottleneck and mining only the waste associated with the ore mined driven by the mines' quest for cash conservation to mitigate against the global economic recession.

The overall Mine to Plan index for Letlhakane Mine was 79% against a stretch target of 75% in 2008, indicating that mining was in line with the strategic business plan. A decision was taken to stop mining once the ore tonnage call was achieved even though the planned polygons had not yet been completed. This situation was brought about by changes in the ore/waste contact resulting in ore gains. The decision to stop mining was made in order to conserve cash.

The Letlhakane Mine treatment plant overall production performance in 2009 was 38%, and 11%; lower than the 2008 production on tons treated and carats recovered respectively due to the global recession which resulted in a three months shut down of the plant.

Ore treated amounted to 2, 36 million tons and estimated saleable carats were 1, 06 million, of which 0, 29 million carats was recovered from the old recovery tailings. Tonnage treated and carats recovered were both favourable to the revised budget.

Letlhakane Mine's raw water consumption was the same as 2008 at 0,27m3/ton. This was mainly attributed to the treatment of D/K2 and late building of the new slurry dam, which resulted in no return water in the 4th quarter.

Ferrosilicon (FeSi) consumption was 187g/ton compared with 135g/ton in 2008. This high consumption was mainly due to the use of FeSi to start the plant after a lengthy shut down, aggravated by power failures and magnetic separator inefficiencies.

Flocculent consumption was 1,5 g/ton compared with 1,2 g/ton in 2008. Higher consumption in 2009 was due to treatment of DK2 ore with high fines content. Power

Letlhakane Mine Operations Production results

Letlhakane Mine	2008	2009
Tons treated	3, 794	2, 362
Carats recovered	1, 200	1, 066
Recovered grade – CPHT	32%	45%
Ore mined - tons	4, 117	2, 764
Waste Stripped – tons	18, 837	2, 237
Total tons moved	22, 954	5, 001

consumption was 11, 73 KWh/ton compared with 9,99kWh/ton in 2008.

Damtshaa Mine

Damtshaa Mine Production results

Summary Of Operations	2008	2009
Tons treated	2, 883	60
Carats recovered	533	54
Recovered grade – CPHT	18%	90%
Ore mined - tons	3, 368	60
Waste Stripped	5, 538	-
Total tons moved	8, 906	60

Damtshaa Mine operated for nine days only in January and was put on care and maintenance for the rest of 2009. Activities carried out during the year include pit dewatering, slope monitoring and maintenance of roads.

Engineering

Water Supply

Total water used for production in 2009 was 6, 83 Mm^3 as compared to 16, 49 Mm^3 in 2008. The decrease is mainly due to shut down of the plants in the first quarter of 2009.

The total annual abstraction from the groundwater sources in 2009 was 5,90 Mm^3; i.e. wellfields at 4,17 Mm^3 and pit dewatering at 1,73 Mm^3, compared to 10,76 Mm^3 for 2008 where wellfields and pit dewatering produced 8, 23 Mm^3 and 2, 47 Mm^3 respectively. The decrease in wellfields abstraction was mainly due to continuous stoppages of wellfields 2, 3, 5 and some wellfield 6 boreholes while using water harvested from the rain in the new dam and also the good return water from No.2 plant slurry dams. Water harvested in the new dam was approximately 400,000 m^3 and this was transferred to green area reservoirs to be used by the plants. The overall wellfields annual abstraction was still below the annual Water Rights Limit of 10, 82 Mm^3. The boreholes were also rested for long periods of time because of the low demand of water from the plants due to the shut downs.

The potable water consumption (township) was 1, 84 Mm^3 for the year 2009 which was comparable to the 2008 consumption of 1,82 Mm^3. All major Water Resource Management projects were deferred due to the financial crisis.

Power Supply

Power consumption for all three mines during 2009 was 179.061GWh compared with reconciled figure of 297.374 GWh in 2008, which is a 39.8% decrease in consumption. The decrease in power consumption was attributed mainly to the closure of the mines during the first three months of 2009. The situation was also helped by the Mine's participation in demand side management through energy saving initiatives which the mines embarked on during the year. The new water reservoir (dam) was commissioned during the year, but its impact was minimal due to the existing energy management measures in place.

The highest Maximum Demand (MD) figure of 42.29 MW was recorded in January 2009 compared with 46.92 MW recorded in July 2008. The lower MD for 2009 was mainly due to plant stoppage early in the year and the closure of Damtshaa Mine for the whole year.

The average power availability for 2009 was 99, 98% compared to the service level agreement of 97% with the stretch target of 99 percent. However, the year 2009 experienced one major forced load shedding incident in November 2009 whereby 15 MW was load shed for a period of 100 minutes. This was due to a regional power shortage resulting in Eskom (RSA) having problems with their system which coincided with three generators being under maintenance at the BPC Power Station in Morupule.

There are some mitigation strategies at group level which are aimed at countering the effects of the current regional supply/demand shortage which is expected to last until late 2011. In this regard, construction work has started for a 90 MW diesel/gas power station at Orapa which will provide peak load power.

The power station is expected to be on line by August 2010. However, there is a worrying period between April 2010 and end of July 2010 when the soccer world cup will be on in RSA, during which the supplies from Eskom will be heavily oversubscribed, resulting in possible shortages.

Mineral Resource Management

Geology Production

Bulk sampling of active mining blocks continued in 2009 with 25 samples totaling 1,823 tons treated through the Orapa bulk sampling plant. The poor availability of the bulk sampling plant in 2009 resulted in fewer samples being mined and treated. Results of the treated samples were used for short term planning.

The 2125A/K1 (1999) resource model performance was unsatisfactory on occasions outside the confidence limits of an indicated mineral resource. A review of the resource model has been completed with the incorporation of density data from the Orapa Resource Extension Project (OREP).

The new Orapa AK1 Mineral Resource Density and Zonal Grade Re-estimate-2009 will be used from 2010 onwards. New resource reserve factors were derived and delivered to the Mine in April 2009.

The declared Mine Call Factor (MCF) for Orapa Mine plants was unsatisfactory for 2009 even with a carryover from 2008. No.1 plant achieved an MCF of 98% against a target of 107% and No. 2 plant achieved 149% against the target 168 percent. This was mainly due to commissioning problems experienced after a lengthy shut down of the plants and mining of stockpiles with variable grades. The declared MCF for Letlhakane Mine showed satisfactory performance at 118% against the target 100 percent. This was as a result of a carryover from 2008 and high plant internal stockpile inventory throughout the year.

Damtshaa Mine only operated for nine days in 2009 before a decision was made to shut down for the rest of the year. The high recorded MCF figure of 416% against a target of 100% was carryover from 2008 that has been reported with the January 2009 production.

Orapa Resource Extension Project (Phase 1)

The objective of the Orapa Resource Extension Project Phase 1 (OREP1) is to reduce the mining risk to acceptable levels by increasing the confidence level in the mineral resource in terms of the geology, volume and density models from an inferred level of confidence to an indicated level from 265 meters below ground level (mbgl) to 600 meters below ground level through diamond core drilling. Drilling commenced in March 2006 and was completed in May 2008. A total of 99 boreholes for a total of 38 250 meters was drilled for the project. All data collection, laboratory test works and data analysis associated with the project was completed by Quarter two of 2009. Updating of the AK1 geological model which started in Quarter three of 2008 was completed in Quarter two of 2009 and updating of the country rock model was completed in August 2009.

Orapa Resource Extension Project (Phase 2)

The objective of the Orapa Resource Extension Project Phase 2 (OREP2) is to increase the level of confidence of A/K1 pipe from the current inferred level to an indicated level of confidence in terms of grade and revenue from 265mbgl - 475mbgl and obtain preliminary information from level 475mbgl - 685mbgl to allow for Cut 3 pit optimisation and beyond. Capital application for stage 1 (OREP Phase 2 stage 1 focusing on A/K1 South Pipe) of this project was

approved at the 2009 November Board and the remaining scope will be applied for in 2010. Procurement process for stage 1 is in progress and is expected to be completed by March 2010 for work to start in April 2010. The project is expected to deliver in time for the 2014 Strategic Business Planning (SBP) process and before the commencement of Cut 3 waste stripping.

A/K 20 Delineation Drilling Project

Following completion of the Large Diameter Drilling campaign in 2006, a delineation drilling project was undertaken in 2008 to accurately determine the size, volume and shape of the A/K 20 pipe and also to determine the distribution of the Kimberlite units within the pipe. Construction of the geological model has started and is expected to be completed by Quarter one of 2010. Zonal grade and density estimation has been budgeted for under working costs and will be carried out in 2010.

Orapa Mine Slope Management

Monitoring of the AK1 pit using the GeoMos and the Slope Stability Radar (SSR) slope monitoring systems progressed well during the year. Slope monitoring was focused on the Cut 2a Eastern side of AK1 pit, where mining of the October 2006 failure loose material was concentrated. All the Cut 2a October 2006 loose Basalt Breccia material was mined out during the year and this drastically reduced creep movement in the Kimberlite. The GeoMos target density around AK1 pit was significantly increased during the year. The slope stability systems did not show any large scale multiple-bench slope stability problems developing in AK1 pit.

In order to enhance improved pit dewatering a total of 20 new sandstone boreholes were commissioned during the year. This added to the existing 37 old pumping sandstone boreholes. A total of three new ultra deep pit dewatering boreholes was also commissioned during the year. These ultra deep boreholes form part of the overall AK1 mudstone depressurisation programme.

Letlhakane Mine Slope Management

The monitoring of the DK1 pit using the GeoMos and the Slope Stability Radar (SSR) slope monitoring systems continued during the year. Three extensometers were installed to monitor tension crack dilation on the edge of the Cut 4 east sandstone ramp. The largest deformations were recorded in the mudstone faces just below the sandstone contact. The sandstone immediately above the mudstone contact forms the most unstable part of the DK1 pit slope particularly where the NW-SE trending joints are parallel to the slope face.

The slope monitoring systems did not show any large scale multiple-bench slope stability problems developing in DK1 pit. The DK1 Sandstone dewatering system was operating

at 66% availability against the target of 85%, mainly due to pump breakdowns. There was no significant drop in the sandstone water table during the year. Four out of seven ultra-deep boreholes in the pit periphery were operational during the year, while the other three failed due to the collapse of the Carbonaceous Mudstone rock formation which clogged the pumps. The maximum cumulative drawdown recorded in 2009 in these boreholes monitoring piezometers was 16 meters.

Four in-pit Granite monitoring boreholes were drilled during the year and seven vibrating wire piezometers were installed in the boreholes to monitor pore pressures in the DK1 Mudstone slope faces. Slope stability analysis of DK1 Sandstone and Mudstone slopes has commenced. The pore pressure data from the in-pit piezometers will be used in the numerical modeling of DK1 pit slope stability.

Damtshaa Mine Slope Management

Slope monitoring using the GeoMos system in BK12 pit continued during the year and there were no signs of large scale slope instability noted. There was no significant change noted in the water table around both pits.

Human Resources

Employee strength at year-end was 2889 against the complement of 3296. The turnover was 266 employees (9.2%) compared to 905 (29%) of the previous year. The mines experienced the risk of turnover of critical and key skills during the year. This staff turnover had a huge impact in terms of the mines' succession planning as well as the localisation plan.

The mitigation for the turnover has been the recent introduction of the Attraction and Retention Scheme which seeks to ensure that talent is attracted and is retained within the mines.

Jwaneng Mine

Jwaneng Mine Production results

Summary Of Operations	2008	2009
Tons treated	15, 766	6, 606
Carats recovered	13, 674	9, 039
Recovered grade – CPHT	87%	137%
Ore mined - tons	9, 855	5, 997
Waste Stripped	40, 166	15, 789
Total tons moved	50, 021	21, 786

The global economic crisis that began in 2008 had a dampening effect on the operation of the Mine during 2009, with cessation of production for almost a third of the year leading to a 33% drop in diamond production compared to the year before. However, Jwaneng Mine responded with swiftness,

intensity and great foresight and through its Economic Meltdown Response (EMR) strategy posted an unprecedented working cost saving of P125 million and, in spite of the high capital demand due to CUT 8 project, a capital cash flow saving of P78 million was realised. In addition, P211 million capital previously authorised to be cash-flowed in 2009 was deferred or cancelled to conserve cash.

The Mine took safety to a higher level through its Value Conversation Initiative aimed at attaining Zero Harm by instilling personal ownership and emotional commitment.

Safety and Health

A total of four Lost Time Injuries (LTIs) and 41 Non-Lost Time Injuries (NLTIs) was recorded. Three of the LTIs were related to working at heights, two of which were very severe, taking the injured off work for a period exceeding eight months. The Lost Time Injury Frequency Rate (LTIFR) at year-end was 0.16 compared to the Mine budget of 0.12. Nonetheless, the safety performance was a significant improvement over the previous year, with three less LTIs, zero fatality and a 24% reduction in LTIFR.

Property damage for the year amounted to P1.6 million. This came mainly from the mining operation where, in one of the incidents, a shovel was hit and extensively damaged by flying rocks during a blast. Jwaneng Mine retained OHSAS 18001 certificate following a surveillance audit conducted during the year. The AON risk audit was also conducted revealing general improvement in most areas with the Risk Index showing a 30% improvement over the previous year. The Fire Water reticulation upgrade project was nearing completion and this will further reduce the risk index once commissioned.

During 2009 Jwaneng Mine developed a bold and comprehensive safety strategy for culture change with the ultimate objective of attaining ZERO HARM – a point where our management systems and processes work in perfect harmony to achieve a safe workplace. Underpinning the strategy is Value Conversations targeting all employees and contractors with the aim of stimulating personal ownership and emotional commitment towards safety. The technical focus areas of the strategy include strengthening our existing systems and processes such as OHSAS18001, Fatal Risk Control Guidelines, Risk Management and Batlhabani (SafeMap) as well as sharpening leadership focus on safety through Visible Felt Leadership (VFL).

Environment

Jwaneng Mine retained the ISO 14001:2004 certificate following a combined ISO/OHSAS surveillance audit conducted in July 2009. No major environmental incidents were recorded during the year. However, several minor incidents were recorded including lubricant spills and water leaks. Notable among these incidents were the loss of acid effluent from

underground pipes at the Central Acidizing Centre in June and spillage of about 40 000 liters of oil in November which was mostly contained in a bund area and thus recovered as waste oil. In addition 4 500m3 of water was lost due to a casing burst at the Recrush pump house.

To evacuate the pump house the water had to be pumped out into the veld using emergency pumping systems as the normal pumps, capable of recycling the water, had been disabled by the flood. On legal compliance, preliminary environmental impact assessments for Slimes Dam 8 wall raising, Cut 8 Operations, Village and Modular Tailings Treatment Plant were conducted and approved by the Department of Environmental Affairs. Licensing applications for a landfill site and salvage yard in the Red Area were tendered with the Department of Waste Management and Pollution Control in July. It is expected that the licenses will be issued once the department has conducted a follow-up site inspection.

Regarding conservation, a Biodiversity Action Plan is being drafted for completion in 2010. An aerial census was conducted in the game park in October where modest increases of most species were recorded. However, the number of white rhinos, introduced into the park in 2007/08 remains static at five, comprising three females and two males. The Eland at a population of 520, is the most numerous species. Forty Elands have been offered to the Khama Rhino Sanctuary and these are to be translocated during the 2010 capturing season. No major animal mortalities were recorded in the park during the year. Of note though was the loss of two giraffes that died during a failed capture and translocation exercise conducted by the Department of Wildlife and National Parks. This was a donation by the Mine meant to introduce the species into the Gaborone Game Reserve.

An Inception Mine Closure Planning Workshop was conducted in December 2009 to review the current preliminary Mine closure report and help frame the way forward with regard to updating it and closing the gaps. The workshop came up with the project scope, key activities, a high level timeline and governing structures. During 2010, the socio-economic aspect of closure planning will be conducted and the 2004 physical closure plan will also be updated. The bio-physical component of closure planning will follow around 2011.

Production

Mineral Resource Evaluation

The 2007 Jwaneng Mine DK2 mineral resource estimate was implemented for the 2009 planning cycle after extensive validation and testing. This estimate performed satisfactorily during 2009 with a Mine Call Factor (MCF) of 96% against a budget of 95 percent.

Mining

Ore mined at Jwaneng Mine in 2009 consisted of a blend from the three pipes, as well as some stockpile material.

Total deliveries to the plant amounted to 6.8 million tons compared to 10.2 million tons in 2008 mainly due to the shut down. The bulk (51%) of this came from the North Pipe. Centre Pipe contributed 17% and South Pipe contributed 5%. The remaining 27% was from the stockpiles.

Total ore mined from the pit amounted to 6.0 million tons compared to 9.9 million tons in 2008 mainly due to the shut down. Head-feed carats to the plant were 9.39 million compared to 14.98 million in 2008. The head-feed grade at 137.22 Carats Per Hundred Tons (CPHT) was 4% below the 146.64 CPHT achieved in 2008.

Waste stripped progressed from Cut 6 benches 21 to 24, and Cut 7 waste progressed to bench 15. Total waste stripped amounted to 15.8 million tons compared to 40.2million tons in 2008, due primarily to the shut down. However, additional challenges were encountered with low shovel availabilities arising from mechanical and electrical breakdowns. These were traced to deferred overhauls in an attempt to conserve cash, skill erosion arising from loss of key skills to the competition and general low morale triggered by cash conservation strategies such as a moratorium on overtime pay. As a result there is a net equivalent waste deficit of 5.54 million tons which has to be mined out during 2010 to keep up with the current mining plan as well as attain the Cut 7 bottleneck, in time. Jwaneng Mine moved a total of 23.7 million tons of material in 2009 compared to 52.7 million tons in 2008. The 240 ton truck availability was 81.7% at an utilisation of 61.7%, primarily due to low loading capacity. The Mine to Plan index was 76% at year end.

Mineral Processing

The Main Treatment Plant (MTP) treated 6.6 million tons. This was 31% below the budget of 9.5 million tons primarily due to the shut down. This also compares unfavorably to the 9.9 million tons treated in 2008. Major causes of downtime during 2009 were plant shut down as mitigation of the economic meltdown, instabilities after start-up from the shut down, insufficient ore from Mining, and conveyor breakdowns. In addition, production was stopped on 16 October (Election Day). The Treatment Integrated Action Plan (TIAP) will continue into 2010 to sustain plant performance.

The Recrush Plant (RP) treated 3.8 million tons in 2009 compared to the record 5.8 million tons treated during 2008. primarily due to the shut down. This was equivalent to 105% of MTP DMS coarse tailings, which is below the 110% budget for 2009. The below budget performance is attributed to plant instabilities during startup after the shut down and low utilisation of the Recrush Reload facilities during instances of low feed from the MTP. The Face Conveyor was completed and commissioned in May 2009 and has been operational since.

Saleable diamond production amounted to 9.0 million carats compared to 13.4 million carats achieved during 2008 due to the shut down. The MCF was 96% against a budget of 95% which is within the resource estimate tolerance limits. The Aquarium processed a total Debswana output of 17.8 million carats compared to 32.2 million carats during 2008.

Water Consumption

The raw water supply system continued to operate satisfactorily with minimum delays on plant production throughout the year. The average monthly raw water abstraction from the Northern Wellfields at 612,759 m^3 (total 7,353,109 m^3 for the year), was 25% below the 2008 monthly average (813,527 m^3) and also 51% below the annual water right of 15 million cubic meters. The township's monthly average consumption at 154,983 m^3 increased by 11% in comparison with the 2008 average (139,764 m^3) but was 1% below the 2009 budget (155,937m^3).

Power Consumption

The annual power consumption at 152.3 GWh was a decrease of 33% on the previous year's total of 225.7 GWh, largely due to decreased tonnage treated at the two plants arising from the shut down. The average maximum demand during the year was 24.8 MW which was a decrease of 22% compared to the previous year's demand of 31.91 MW. The consumption per ton treated at 23.05 kWh/ton was an increase of 1.5% compared to the previous year, mainly due to the much decreased tonnage treated.

Projects Update

Key sustainability projects identified for Jwaneng Mine include the Jwaneng Resource Extension Programme (JREP) and Cut 8 Pit Extension.

Jwaneng Resource Extension Programme (JREP)

The originally planned January 2009 start for JREP Phase 2 was postponed until August due to the financial crisis. Following some safety-based modifications and a period of equipment testing, drilling commenced in September with a total of 2,753m drilled by year end. This is slightly behind plan. The drilling equipment has performed to expectation, with 5 of the 6 holes completed to date having achieved

target depth. A process of continual improvement on the drilling processes to adapt to the local drilling conditions is being followed, and is showing improvements in drilling efficiency. The capital for the remainder of the project was approved at the November board, giving a total project budget of P361 million. The second Schramm drill rig will be arriving in February 2010 when full drilling productivity will commence, allowing completion of the project by end 2012. Microdiamond sampling will commence in the first quarter of 2010.

Cut 8 Pit Design

Cut 8 mining is expected to commence during the first quarter of 2010. The expectation is to deliver the project as per original schedule in order to meet the 2016 bottleneck.

The Feasibility study was completed during 2009 and the report issued along with all the associated assurance reviews. The detailed engineering designs for both Mining and Treatment areas affected by Cut 8 mining have also been completed. The construction Phase is underway and is scheduled for completion during 2011 Quarter four. The greater challenge faced by the project team is to adhere to the baseline schedule and cash preservation initiative and continuously explore ways of deferring capital expenditure for the Earth Moving Fleet without necessarily compromising waste production profiles.

Hospital

Hospital Efficiency Improvement Project (HEIP)

The project has reached the implementation of solutions and value realisation phase. The achievements so far include:

a. Improvement in billing efficiency;
b. Creation of an economic-wise culture;
c. Significant improvements in revenue generation;
d. Awareness and improvement of customer service.

Further activities around the HEIP were deferred or cancelled as a result of the economic meltdown. However, most of the initiatives around HEIP phase I and phase II have matured.

Occupational Health

A 94.7% medical surveillance compliance was achieved during the year, just short of the target of 95 percent. The mine-wide shut down in response to the economic crisis affected the programme as a number of employees scheduled for medical examinations were on shut down leave. This resulted in the generation of a backlog of medicals throughout the year. With skeletal staffing, it has been difficult to completely overcome the deficit.

A growing number of contractors also contributed to the workload, right from the start of the year. Occupational Health focus during 2009 was to continue improving the

quality of employee health assessments at medical examination, to ensure a risk based medical surveillance programme is achieved, thus preventing occupationally acquired illnesses and to detect any health changes at an early stage. This was achieved through a review of the Homogeneous Exposure Groups (HEGS) using Hygiene Risk Assessments and carrying out Health Risk Assessments, and implementation of relevant investigations at medical examinations.

Optimisation of the fitness to work processes (including worker's compensation claims reviews,) continued throughout 2009, with very few cases left and these will be completed during the first quarter of 2010. The major challenge has been the delayed signing-off of the Occupational Health and Safety agreement, which contains best practice proposals, around the Occupational Disability Benefit processes.

Wellness Programme

The Debswana wellness strategy was in its second year of implementation during 2009. The focus in 2008 was to build capacity within the various departments in order to create a conducive environment for ownership and sustained implementation. The strategy was also anchored on the existing preventative occupational health programme. This having been largely achieved, the 2009 focus shifted to the physical dimension of wellness which is the more active and visible aspect, serving as a foundation for the mental and spiritual dimensions. This comprised health screens, wellness mini workshops such as the road to wellness, leadership training and personal skills workshops such as exercise and training on financial wellbeing.

At the end of the year, mine-wide interdepartmental games were conducted with the purpose of encouraging all employees to be physically fit and engage in sports as a means of optimizing individual wellbeing. This was very successful and generated a lot of enthusiasm upon which future activities can be built. Executive annual medical checkups were optimized to include other wellness aspects such as dietetic assessments with individual wellness programmes developed for each manager. To sustain progress in this area, follow ups will be undertaken and further support provided. It is vital that the leadership team visibly display model behaviours. During 2010, the wellness programme will be taken to the next level of embedding a culture of personal, team and community wellness, leading to the attainment of full maturity by the end of 2011.

People Issues

The Human Resources department has the following key mandate:

- To ensure that the Mine has appropriate talent to deliver on current and future business requirements, sustainably.

• To promote harmonious and sustainable business relationships between Management, the Union and employees in general.

During 2009 the department faced significant challenges due to the global economic crisis. In response to the crisis, certain practices and standard employee benefits had to be suspended to conserve cash as well as preserve jobs. These included suspension of leave encashment, payment of standard overtime, recruitment of non-critical skills and freezing of promotions and upgrades. This, coupled with a very low success rate for those who applied for exit schemes, led to a significant dip in morale.

Milestones in 2009

Despite all these challenges the year ended with some significant achievements that included:

- The conclusion of the A-C band Wage Negotiations, settling at 4% salary increase;
- The roll out of the Operations Review Project to various stakeholders, currently on the consultation table at JNCC;
- A green audit on the BOTA accreditation for the Training and Development Unit;
- The implementation of the Targeted Attraction and Retention Strategy;
- Outstanding standard seven results from Acacia Primary School.

The forecast for the upcoming years is based on a positive outlook that prepares the operation for an eventual upturn. It is against this backdrop that the future HR plans are being developed and implemented.

Labour Forecast

Labour strength at year end was 1,973 comprising 1,870 citizens (94%) and 103 expatriates (6%) against the approved complement of 2 160. Labour turnover during the year was 125, comprising of 108 citizens and 17 expatriates. This was mostly attributed to the resignation of some employees and retirements. Future labour forecast will be determined by the outcome of the operations review exercise.

Skills availability

Jwaneng Mine training and development portfolio continued to be one of the vehicles to deliver North Star goals through human asset development. Due to the global economic crisis external training had to be frozen to conserve cash with focus shifting to in-house training using internal resources. The Mine managed to run courses on management and supervisory development, Operator and Engineering training as well as Safety training. External training specifically on leadership development was unfrozen towards the end of 2009 allowing some senior managers to attend Programme for Management Development at the University of Cape Town Business School.

HIV & AIDS

The HIV and AIDS scourge remains a challenge to the world of work, as it continues to undermine Human Resource Development and Planning initiatives. The risk of new infections continues to be evident as seen from the number of employees and community members who visit the health facility with sexually transmitted infections and the increase in the prevalence of HIV among those who go for HIV testing as part of requirements for diagnostic purposes. The 2007 HIV prevalence survey placed Jwaneng Mine at 22.1% for permanent employees and 22.3% for contractors. Among the Contractor employees, the prevalence was higher in women, most of whom were single, a challenge which is likely to persist, with the outsourcing of various services and the increase in the number of single women in town.

It is worth noting that the commencement of the. Cut 8 Project is likely to pose even greater challenges as it brings a lot of people on site, as well as drawing people from the surrounding villages in their quest for employment, thus increasing the likelihood of an increase in commercial sex work.

Jwaneng Mine continues to make significant inroads in the areas of knowledge improvement and on people knowing their HIV status. However, there is need to address issues of behaviour change, challenges related to health service utilisation post-HIV testing and identifying strategies to reach out to the at-risk groups.

Major Projects

The global economic events that emerged during the last quarter of 2008 significantly impacted the major project environment requiring a curtailment in capital expenditure for 2009 onwards.

Multiple scenarios were examined with respect to the Debswana Horizon II capital programme in the context of the economic downturn and decisions were taken, in the interest of short term cash conservation, to progress only those projects deemed necessary for short / medium term business sustainability which could not be practically delayed or deferred without impacting the business. The Capital Budget was trimmed by 60% to BWP 1.070 billion for 2009 with an actual expenditure of 0.986 billion for 2009. The major capital projects selected and advanced during the year were:

1. Jwaneng Cut 8 Open-pit expansion project;
2. Turbine generators for short term power mitigation;
3. Morupule Colliery Expansion project to ensure long term power supply for Botswana and Debswana.

A number of projects were delayed, postponed or cancelled as a result of the capital rationing. The Tailings Mineral Resource Evaluation Project was stopped in late 2009 at the point where construction had been completed and commissioning had just commenced.

Capital expenditure on the Orapa Expansion Feasibility Study, originally due for completion in 2009 was significantly reduced, with the feasibility study now only planned for completion in 2010 assuming available funding. Work on the Horizon III on-lease exploration project was curtailed with only limited work forecast going forward until the economic situation improves.

Jwaneng Cut 8 Implementation Project

The Feasibility Study for this time-critical, stay-in-business project was completed by mid-year and approved for full execution at the August 2009 Board meeting. Capital expenditure of BWP 3.6 billion was sanctioned for the infrastructure development portion of the project.

The project is now in full execution mode with detail design well advanced. Activity has commenced in the field including refurbishment and expansion of the contractors' camp,

removal of scrap and stockpiles that impact the construction area, electrical reticulation work and refurbishment of offices for the project and construction teams.

All long lead equipment orders have been placed and major contracts have been awarded for the civil and structural work with site establishment commencing at the end of the year. Construction activity will ramp up significantly from the start of 2010.

Power Peaking Plant Project

The peaking power project consists of two 45 MW dual fuel gas turbine generator sets supplied by GE. Manufacture of the turbines was complete in the last quarter of 2009 and the turbines have been shipped from their point of origin and are due to arrive in Orapa in early 2010.

Initially funding for the project was limited to procurement of the two turbine units and basic engineering design work. As the year progressed and it became evident funding would not be forthcoming for the remainder of the project from an external source, the Board in conjunction the Goverment of the Republic of Botswana (GRB) elected to fund the project in its entirety to protect Debswana from power shortages in the next few years.

Agreement has now been reached by which Debswana will fund the project and be reimbursed by the GRB who in turn, on Debswana completing the construction and commissioning phase, will take ownership of the turbine facility, and hand over the facility to the Botswana Power Corporation (BPC) who will be responsible for operating the plant. Project completion is expected during the third quarter of 2010.

Morupule Colliery Expansion Project

Morupule Colliery is required to expand production to provide coal feedstock for BPC Morupule B Phase 1, 600 MW power station. During the year a bankable feasibility study was completed on time and within the limited approved budget. Late changes to the coal off-take now required by BPC have caused some delay, including application for full funding for the project to proceed. These delays impacted the schedule and have placed delivery of coal for the power station in the time required, at risk.

People

Managing People during the recession

The year under review was particularly challenging on employees given that the Company was required to respond, as practically as possible, to the global economic crisis. The Company's decision to cut production and shut down operations to meet market demand resulted in the need to optimise the deployment of people. Debswana chose to minimise impact on employees by implementing a number of schemes aimed at retaining rather than reducing the number employees, to ensure that the Company is adequately resourced for the upturn. The result was that just over 100 employees were released during this period. In doing so management demonstrated the 'Show you care' and 'Shape the future' values that it is committed to.

Employee Engagement

The focus during this period was on employee engagement to ensure that employees were kept informed about major decisions taken by the Company to respond to the economic crisis and improve employee engagement levels. A deliberate engagement and communication programme was rolled out to all levels of employees with the leadership taking direct accountability for the process.

Organisational effectiveness

The Operations Review Project moved into implementation stage towards the end of the reporting period. The first phase of the implementation stage is focused on engagement and consultation with all stakeholders. This will allow for feedback and input to be taken in before the full implementation of the new business model which is scheduled to commence during the second quarter of 2010.

Implementation of this project at the mines is expected to result in a high performing organisation that achieves higher, superior production safely while maintaining benchmark unit cost performance.

HIV/AIDS Impact Management

HIV/AIDS Impact Management

The HIV and AIDS Impact Management programme continued to grow despite the many challenges experienced in 2009.

Disease Management Programme (DMP)

As at December 2009, 1089 patients were registered on the Disease Management Programme (DMP), inclusive of spouses and children, compared to 1107 at the end of 2008. The slight decline in the number of registered patients between the two years was attributable to exits from the DMP scheme resulting largely from separations (including resignations) and deaths.

Although there was a drop in the proportion of people who registered with severe disease (AIDS) from 52% (97/186) in 2008 to about 44% (54/123) in 2009, late registration still remains the programme's biggest challenge. This might be a contributory factor to an increase in loss of productive time as well as many preventable deaths and ill-health retirements. Mitigating initiatives continued to centre on early registration promoted through communication and education.

Efforts to further mitigate through Wellness programmes to address stigma, which is believed to have a major role in late registration, were however frustrated by budgetary constraints attributed to the 2009 financial crisis. Nonetheless, the meager initiatives geared towards promoting Wellness conducted during the year at all Debswana sites attracted keen interest, with employees participating in large numbers.

A contribution holiday for the Antiretroviral Therapy (ART) Trust Fund was taken during 2009 due to the cash challenges experienced by the Company. However the ART Trust Fund

continued to finance the DMP from its surplus. The contributions are to resume in 2010.

HIV/AIDS Impact Indicators

The total number of deaths in service fell from 24 in 2008 to 18 in 2009, while AIDS related deaths (ARC) fell marginally by 9% from 11 in 2008 to 10 in 2009.

Ill-health retirements on the other hand showed an opposite picture, with a significant jump in total ill-health retirements to 27 compared to 11 in 2008. AIDS related ill-health retirements also increased from three in 2008 to 10 in 2009. Although this could be a once-off blip associated with the efficiency and effectiveness of policy enforcement, it is nonetheless a concerning observation that will continue to be monitored to ensure timely and appropriate intervention. A slight increase of 0.20% i.e. from 1.43% in 2008 to 1.63% in 2009 was also observed in productive time lost due to illness which is a reflection on the number of sick leave days taken during the period under review.

Masa Programme at Debswana Mine Hospitals

Debswana, through its partnership with the Government National anti-retroviral therapy initiative (Masa) at the mines' Infectious Disease Care Clinics (IDCCs), continued to contribute to Botswana's efforts towards universal access to ART by all who need it. More than 7000 active HIV positive non-Debswana employees (residing in communities surrounding the Company's operations in Jwaneng and Orapa and Letlhakane mines) are enrolled at these Masa IDCCs, representing a steady increase since inception of the collaborative initiative.

Debswana Business Development

As a major industrial player and contributor to the Botswana economy, Debswana subscribes to the philosophy that its entrepreneurial success should be underpinned by social and economic responsibility. The Company aspires to play an active role in the long term economic growth of the country. As part of this drive, whose objective is to enrich the nation through diversification, the Company established a Business Development Unit within its Supply Chain Management (SCM) to create local supply capacity.

The key objectives of SCM's business development initiative are to encourage foreign-based suppliers of Debswana to set up operations in Botswana, identify and develop citizen-owned enterprises that have the potential to grow and supply Debswana and other users in Botswana, encourage foreign investors to establish partnerships/ joint ventures with citizens, and to promote Citizen Economic Empowerment. The cumulative achievements to date include the establishment of operations by 50 foreign companies in Botswana, with a total investment of over P176 million, which has created 1611 jobs for citizens. Thirty-seven of these companies have also formed joint ventures with citizens.

In addition to attracting foreign companies, the SCM business development function focuses on identifying and developing citizen owned SMMEs that have the potential to grow and supply Debswana and other clients in Botswana. To date, 44 local companies have been assisted, resulting in the creation of over 2,100 new jobs within these companies.

The SMME sector is globally regarded as the driving force in poverty alleviation, job creation and economic growth. The role of Government and the Private Sector is of critical importance in shaping the present and future of SMME sector in Botswana. Debswana remains committed to playing a pivotal role in complementing Government's development efforts by leveraging its procurement footprint to stimulate economic progress.

Debswana, Reaching Out to Communities

During 2009, Debswana's Corporate Social Investment (CSI) programme was seriously affected by the global economic crisis. Due to the impact of this crisis on the Company's financial performance it was not possible to make any financial provision for new projects. In line with the Company's overall cash conservation efforts to mitigate the crisis, CSI budgetary provision was confined to the multi-year projects that Debswana had already committed to and the Tsodilo Hills World Heritage Site which is funded under the Diamond Trust, (a Debswana and De Beers 50-50 partnership). Debswana continued to support the following projects during 2009: Women in Action, Lifeline Botswana, Birdlife Botswana, Jwaneng Town Council Monument, Botswana Football Association and Botswana National Sports Council-Re ba bona ha Programme.

2009 CSI Highlights

Women in Action (For Abused Women and Children living with HIV/AIDS)

Debswana supported Women in Action (a Gaborone based Non-Governmental Organisation) for two years. The organisation purchased office equipment, project vehicle, conducted training workshops and facilitated community dialogues. A total of 70 participants attended WIA's capacity building workshops on life and survival skills. The organisation also facilitated a community dialogue on issues of gender based violence and it's linkages to the spread of HIV/AIDS, which was attended by 60 participants. WIA continues to conduct in-house counselling and a total of 100 people have benefited from WIA's services.

Lifeline Botswana

Debswana continues to support youth and community empowerment initiatives through availing funding to Lifeline Botswana for its strategic and innovative empowerment programme for the youth in schools through the Schools Outreach Programme.

The programme aims at building and enhancing capacity, knowledge, information and skills of the children in the eight participating Junior Secondary Schools in order to reduce their vulnerability to some of the social and economic pressures they face. Such pressures include the psychological impact of HIV/AIDS. The programme has two components:

i. Training in personal growth and life skills: a total of 120 students have benefited from this training. The students are from the following Gaborone schools: Kgale JSS, Nanogang JSS, St. Joseph College, Tlogatloga JSS and Motswedi JSS.
ii. Establishment of a 24-hour toll-free line to provide counselling services nationally, targeting mainly people who are unable to access counselling centres.

Birdlife Botswana

Birdlife Botswana, through a project funded by Debswana, managed to empower local communities in Southern and Kgalagadi districts to understand the significance of conserving the Kori Bustard and other bird species. Birdlife Botswana has conducted a survey in Kweneng and Kgalagadi to find out the extent and impact of legal hunting and poaching of the aforementioned birds species.

It has been found that the worst hit district is Kgalagadi with a substantial number of birds being poached and others

being sold illegally to South Africans. The purpose of the survey was to assist the Department of Wildlife and National Parks with statistics of birds so as to help them make informed decisions when giving out hunting permits. The second component is education and awareness which targets schools in Jwaneng and the surrounding villages and aims at making students appreciate the importance of conserving birds. To date, a total of 180 students from six schools have been trained under the school programme, while a total of 50 community representatives have been trained under the community out-reach programme. Further, a total of 50 Wildlife Department officers have been trained under the Birdlife training workshops. Apart from this, at least 30 members of BirdLife's Jwaneng branch (most of whom are Debswana employees) as well as the Jwana Park staff are regularly involved in project activities.

Jwaneng Town Council Monument

Jwaneng Town Council erected a 'Welcome to Jwaneng' monument which was funded by Debswana. The monument features a diamond to show that Jwaneng is a diamond mining town. Since Jwaneng is on the highway to Ghanzi, Maun, and Namibia, the signage is viewed as an important way of branding the home of the world's richest Diamond Mine.

Botswana Football Association (BFA)

One of the key commitments of Debswana in its CSI programme is sport development. Financial provision was made to the BFA for the youth (national U-15 team) development programme. BFA organised a Tri-Nations tournament against South Africa and Lesotho. The Tri-Nation's tournament was an eye-opener to the young Zebras, because their counterparts from South Africa are graduates from academies which nurture them from a very young age to fit into the senior national team.

Botswana National Sports Council (Re Ba Bona Ha programme)

The Botswana National Sports Council (BNSC) Re Ba Bona Ha sports development programme is another Debswana Corporate Social Investment beneficiary. The Re Ba Bona Ha programme is a skills development programme that seeks

to introduce sport to children of 5-17 years throughout the country. The programme is run by the BNSC in conjunction with its affiliated sport codes. The BNSC facilitates and monitors the implementation of the programme, while each sport code administers the programme and is responsible for identifying and training volunteer coaches for the programme. The programme was launched in Gaborone and then rolled out to 18 football centres in towns and villages across Botswana. A total of 111 coaches and 2177 children attended training sessions on a regular basis in the 18 centres.

Tsodilo Hills World Heritage Site

The Diamond Trust launched a project during 2009 to fund the implementation of the Tsodilo Hills Integrated Management Plan aimed at promoting the tourism potential of the world heritage site through the involvement of local communities. The Diamond Trust is a non-profit making entity through which Debswana Diamond Company and De Beers fund large community-based projects which otherwise exceed their individual Corporate Social Investment (CSI) budgets.

The Tsodilo Hills (Mountain of the Gods) is one of Africa's premier rock art sites and currently Botswana's only World Heritage Site. Over 4 500 images have been painted at 400 sites, most of these date between 850AD and 1100AD.

The Integrated Management Plan for the Tsodilo Hills World Heritage Site is directed at integrating the two communities of the Hambukushu and Ju Hoansi (San) into the management process of the World Heritage Site at Tsodilo. This will ensure prevalence of suitable and complementary activities in the Buffer Zone making Tsodilo an important component of the Ngamiland economy. The Integrated Management Plan for the Tsodilo Hills World Heritage Site aims at achieving this through the following:

- **Community Development**

  Community development will ensure that the community becomes integrated into the management of the area by becoming part of the decision making process, human resource development, career opportunities in hospitality and other related services and cultural tourism that will afford communities the opportunity to share their culture and traditional knowledge with visitors.

  Community development will result in the provision of additional livelihoods (through the development of the

tourism industry) to supplement what already exists. The community will have opportunities to become involved directly into the tourism industry by developing and running the community campsites (open campsites, wilderness camp and dry camps). The opportunities will include employment in the day-to-day operations of the camps (e.g. management, administration and cleaning) to additional activities such as guiding, craft production and cultural display activities. From an area management perspective the community is to be involved in as many of the management activities as possible.

- **Tourism Development**

Tourism development will result in the development of comprehensive and quality visitor experience of international standard through the provision of archaeological, cultural and wildlife tourism components. The tourism industry will be developed with the National Museum, Monuments and Art Gallery (NMMAG) taking responsibility for the activities focusing on the rock art whilst the accommodation development will be moved from being a NMMAG responsibility to that of a community responsibility.

- **Improved Protection of Wildlife and Natural Resources**

This will result in the protection of the bio-diversity resources in the core area and management of the Buffer Zone (where most of the project actiivities will take place) in a sustainable manner. Natural Resources harvesting within the core area will be monitored at the access point (main gate) to gain an understanding of what species, quantities, and seasons when the different resources are harvested and to establish the impact the harvesting has on these resources. No commercial harvesting occurs in the Core Zone (the protected area which includes the rock paintings) and harvesting is only undertaken by community members. The TMA assesses the harvesting data in order to ensure that the area is being sustainably utilised.

Wealth and Job Creation

Peo Venture Capital

Peo Venture Capital (Pty) Ltd. is a business development initiative established by Debswana Diamond Company and De Beers in 1997. Peo's objectives are to promote and facilitate the establishment of commercially viable enterprises in Botswana and to facilitate the involvement of Batswana as owners in these businesses.

Peo's role in the development of Small and Medium Enterprises (SME's) is specifically to address two major constraints faced by this sector, namely a shortage of entrepreneurial skills and a lack of start up capital.

Since its inception Peo has funded 60 businesses, with an investment value of P36.2 million. To date these businesses have created employment for over 1360 Batswana.

Peo built upon plans to increase its visibility by holding its first Peo Day in August 2008. The second Peo day was held in 2009 under the theme "Managing through Difficult Times" meant to assist entrepreneurs get through the financial crisis. Peo day helps the Company ensure close alignment of its activities with national policy.

Morupule Colliery Limited

Safety, Health And Environment (SHE)

In line with the Colliery's core values, safety and health of employees and contractors, environmental conservation and compliance to relevant legislation remains the Colliery's topmost priority in all activities. The overall SHE performance continued to improve compared to 2008. The Mine has operated for 28 months without recording any Lost Time Injuries (LTI). There were five Non Lost Time Injuries (NLTI) during 2009, (2008 had six) three of which involved contractors. More effort is being focused on contractors to inculcate a safety culture.

The number of contract labourers at the Mine increased significantly due to the water pipeline and resource delineation projects. The Mine envisages a further increase in the number of contractors as the expansion project progresses in 2010. Morupule Colliery Limited (MCL) prides itself in being the current holder of the Botswana Chamber of Mines (BCM) trophy for best improvement in safety performance. The Colliery also excelled in the BCM first aid competition by improving from position seven in 2008 to second position in 2009, narrowly losing to BCL after tying for first position on points but BCL had beaten MCL during earlier rounds. To further improve SHE excellence MCL launched a SHE strategy in 2009 with the participation of several stakeholders and the fruits of the strategy will be evident in the future.

Efforts to mitigate and minimise the impact of HIV/AIDS on employees, their families and the Company received high priority with several educational campaigns and programmes being conducted during the year. The occupational health programme was implemented satisfactorily with the majority of employees undergoing medical examinations as required.

Productive time lost due to sick leave was high at 2.3% compared to the average figure of 0, 2% for other BCM members.

Morupule Colliery runs an environmental management system based on ISO14001. The Mine has identified the environmental impact of its activities, products and inputs and has implemented control programmes to mitigate these impacts as part of the programme to obtain ISO14001 certification. It gives the Colliery great pride in having made major strides towards achieving the ISO 14001 accreditation.

The stage I and stage II audits for ISO14001 certification were successfully completed and the auditors recommended certification pending closing of minor non-conformances identified. It is intended that these minor non-conformances will be resolved by the end of the first quarter of 2010.

Potable water consumption was 66 393 m3 in 2009 compared to 48 630 m3 in 2008. The increase is due to a greater number of consumers, mainly contractors. Power consumption increased to 6.6 MWh during 2009 compared to 4.1MWh in 2008 mainly due to an increase in the use of, among others, underground equipment.

Mining Operations

The Colliery produced 737 798 tonnes of coal in 2009 compared to 925 142 tonnes in 2008. The reduction was mainly due to low coal off take by our major customers and the effects of the world economic meltdown on some of our customers. A decision was made not to stockpile coal at the Mine due to safety and environmental implications of keeping huge stockpiles of carbonaceous material. Equipment availability on average was 91% for 2009 compared to 90% in 2008.

Mining operations took place in the S2/15 panel at the beginning of the year but were relocated to the S2/17 panel in March after depleting coal reserves in S2/15. Production continued in this panel until the end of the year. The second section was relocated to SM2 panel to further develop the SM2 district coal resources. Although production requirements could be met from mining in one panel, mining alternated between two panels to ensure that equipment did not remain unused for extended periods. Coal quality was generally satisfactory. Underground environmental control was satisfactory with no significant methane or noxious gas incidents. The underground environmental monitoring

system was fully operational and two audits of the system were conducted which reported no major issues. From these audits, the Mine was ranked third against eleven Anglo Coal operations with regard to environmental control which is a remarkable achievement signifying that MCL is one of the safest collieries in the region.

Coal Processing

Total Run-of-Mine (RoM) coal received from underground was 737,798 tonnes. RoM coal treated through the coal washing plant decreased marginally from 253,033 tonnes in 2008 to 236,863 tonnes in 2009 due to overall poor thermal coal off-take mainly by BPC and to a lesser extent BCL and Botash.

Washed coal production increased marginally from 113,876 tonnes produced in 2008 to 116,750 tonnes, despite the reduced throughput. A tighter control on product quality and a better overall yield has also been achieved.

An improvement has been observed in usage of consumables compared to the first year of operating the plant.

Utilisation of the coal washing plant remains low primarily due to low off-take of thermal coal, which has been a constraint throughout the year. A major washed coal customer closed its operations towards end of 2008 until July 2009 as the economic downturn manifested itself. The Wash plant fire suppression system was commissioned in May 2009.

Marketing

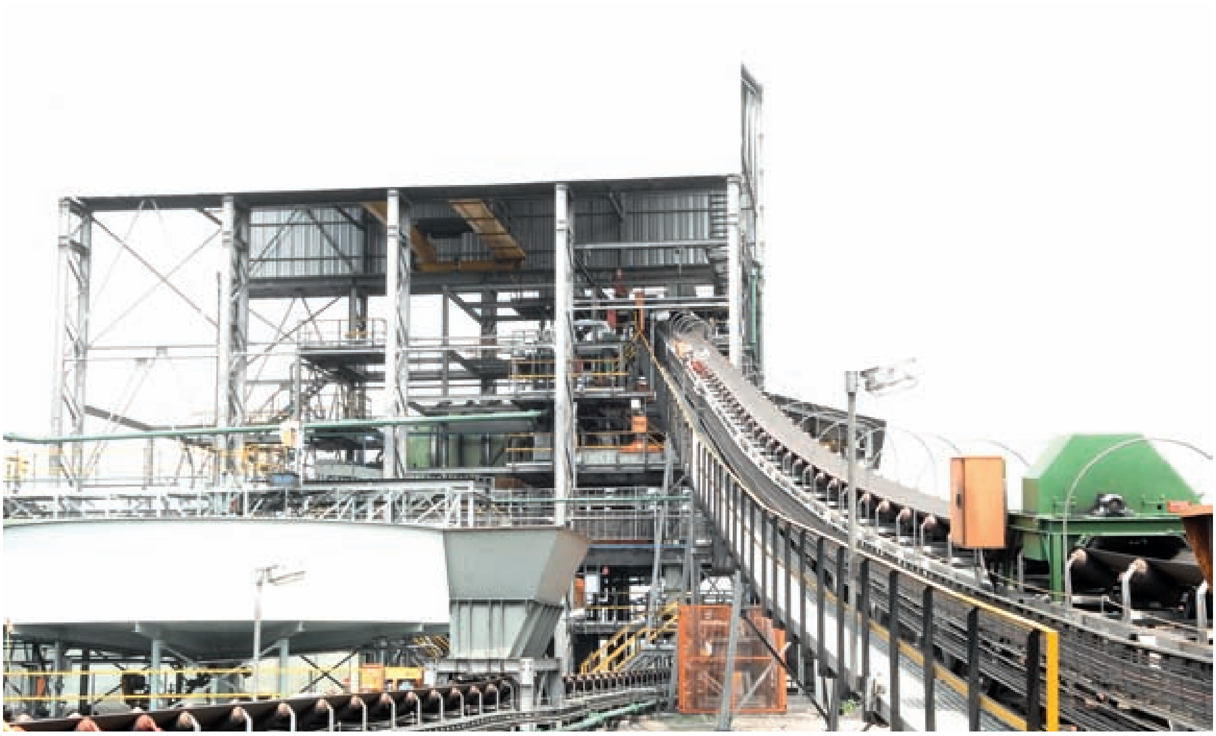
Total sales for the year were 667,972 tonnes compared to 858,027 tonnes for 2008. This was mainly due to low coal off take by our major customers coupled with the effects of the world recession. Washed coal sales were however marginally higher at 112,074 tonnes compared to 111,150 for 2008. The Colliery now has a full time Marketing Manager and various initiatives have been undertaken during the year resulting in market share being obtained in Zimbabwe and Zambia and to a limited extent in the DRC and South Africa. Zimbabwe remains the largest export market with approximately 40% of washed sales being sold there despite the return to production and subsequent strong competition from a Zimbabwean Colliery. New markets for unwashed coal sales remain a challenge due to logistical constraints although prospects remain positive.

Expansion Project

The MCL expansion project is now at an advanced stage. The major driver of the expansion is Botswana Power Corporation (BPC) which intends to commission 4x150 MW new power generation units by the end of 2012 at Morupule Power Station. These new units will require additional coal and will ensure self sufficiency in Botswana with regard to power generation. Botswana imports nearly 80% of its power requirements from South Africa, which has indicated its intent to stop power exports by the end of 2012 due to the increase in its own requirements.

Pre-feasibility studies and high quality feasibility studies on the MCL expansion project have been successfully completed to a bankable standard and due diligence by independent technical experts as well as Debswana's Shareholder representatives have identified no fatal flaws which prevent the project proceeding to execution. Nameplate capacity for the recently completed feasibility study is 3.8 million tonnes per annum, implying an approximate four-fold expansion of production, services, infrastructure and business systems at the Mine.

The capital expenditure for the expansion is estimated at approximately BWP 1.8 billion (+/- 10 %) to deliver a scope



of works which includes underground mining and ventilation equipment, surface plant, services and infrastructure. Stakeholder engagement has been actively pursued, including engagements with BPC, Botswana Mine Workers Union (BMWU), employees, local government entities; farmers and local community members at various times from the start of the Environmental Impact Assessment (EIA) process. Key Stakeholder support to date has been strong. Some construction work for the expansion has also been completed. This includes the construction of the water pipe-line that connects the Mine to the North-South Carrier and the installation of additional electricity feeders to the Mine so as to meet the demands of the expanded Mine. The major construction activities will be carried out during 2010. A competent and highly energised project team is well positioned to successfully execute the project which needs to proceed timeously in order to meet coal supply deadlines associated with BPC's new power generation units.

The project offers a significant opportunity to stimulate Botswana's economy and create lasting "legacy" benefits for the coal industry and the people of Botswana. This expansion of the Colliery is the cornerstone for future development of MCL into a significant coal and energy company. Execution of the project will bring a significant and positive impact to the local community in the form of employment and business opportunities.

Corporate Governance

Sound business practices and high standards of ethics, controls and risk management continue to underpin Corporate Governance at the Colliery. Areas of Corporate Governance focus include comprehensive policies and procedures, risk and control management and external review (audits).

A comprehensive review of the Policy Manual was concluded during the year and all of the Colliery policies are now aligned with those of the Debswana Group. Improved access to these policy documents by employees has also been implemented.

Regular reviews of the Colliery's business risks were carried out and reports submitted to shareholders and to the Morupule Colliery Board of Directors. A new Control Self Assessment model which has been introduced to highlight business risks and to improve control and mitigation measures has yielded positive results.

External assurance reviews were conducted by a number of external parties during the year resulting in favorable reports. The Colliery is proud to have achieved a marked improvement in the control environment as indicated by the results of the reviews carried out by the Debswana Group Internal Audit Department.

Corporate Governance

Debswana Board

The Board is accountable for the Company's activities and deals with all business of the Company not specifically delegated to Management or Committees, and monitors the use of resources to achieve the aims of the Company and the Group.

The Board meets at least three times a year and has various sub-committees to support the discharge of its functions, each with specific terms of reference that are determined by the Board, namely: Technical Committee, Audit Committee, Remuneration and Nominations Committee and Corporate Social Investment Committee. A register of Directors' interests is kept at the registered office of the Company and is available for inspection by the Board at any given time. General declarations of interests are submitted annually at the beginning of the year and updated whenever changes occur.

Audit Committee

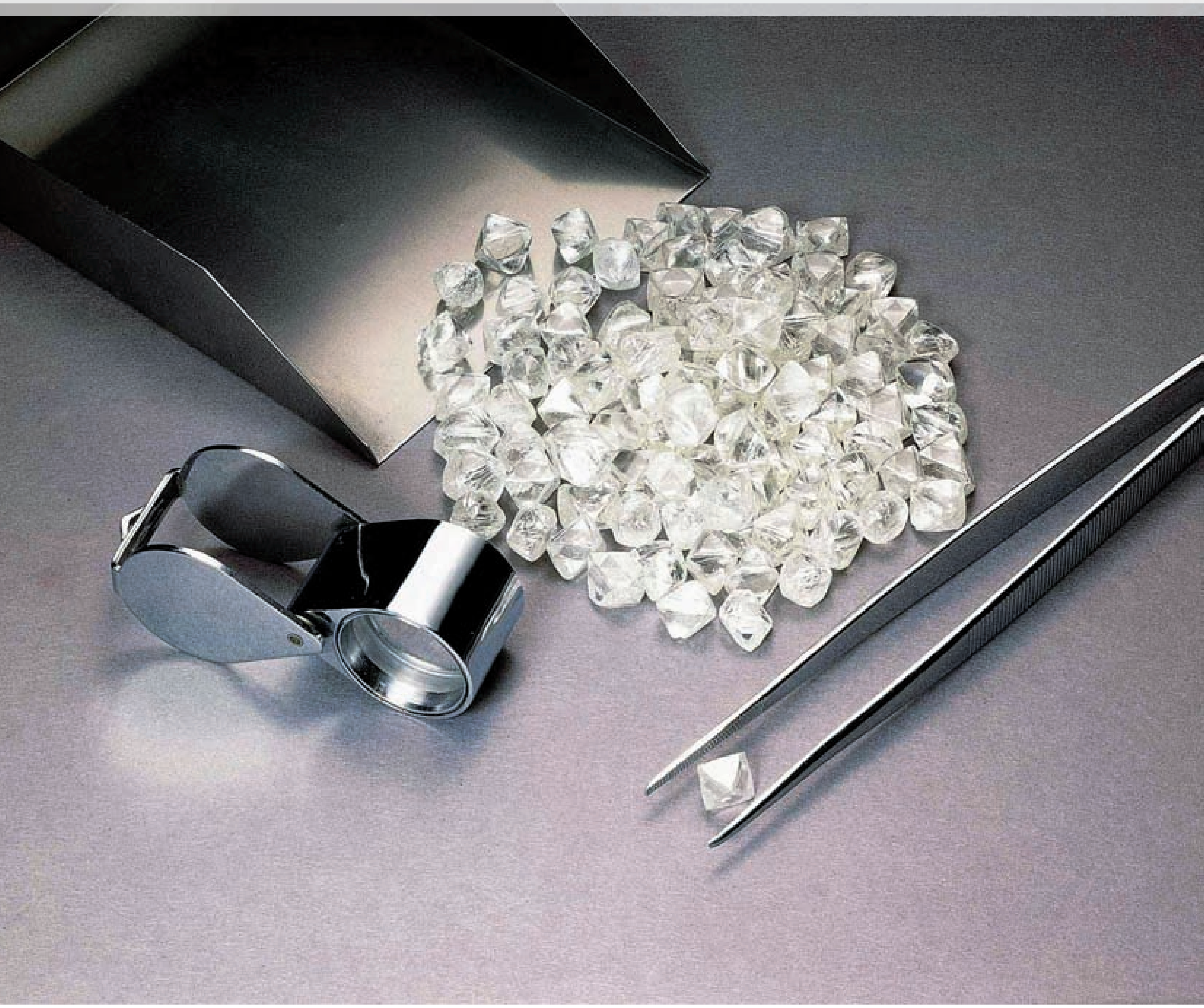
The Audit Committee is an important element of the Board's system of monitoring and control, and, with the exception of the Managing Director who is an ex-officio member, it comprises directors who do not hold executive office within Debswana. The Committee meets at least three times a year to monitor the adequacy of financial information reported to Shareholders, to monitor internal controls, accounting policies and financial reporting, and to provide a forum for communication between the Board, external auditors and internal auditors.

The Audit Committee meets the external and internal auditors and executive management regularly to consider risk management, review audit plans, review accounting, auditing, financial reporting, corporate governance and compliance matters. In particular, it reviews the annual financial statements ahead of submission to the Board and considers any matters raised by the auditors.

Both the Audit Committee and the Board are satisfied that there is adequate segregation between the external and internal audit functions and the independence of the external and internal auditors is not in any way impaired or compromised.

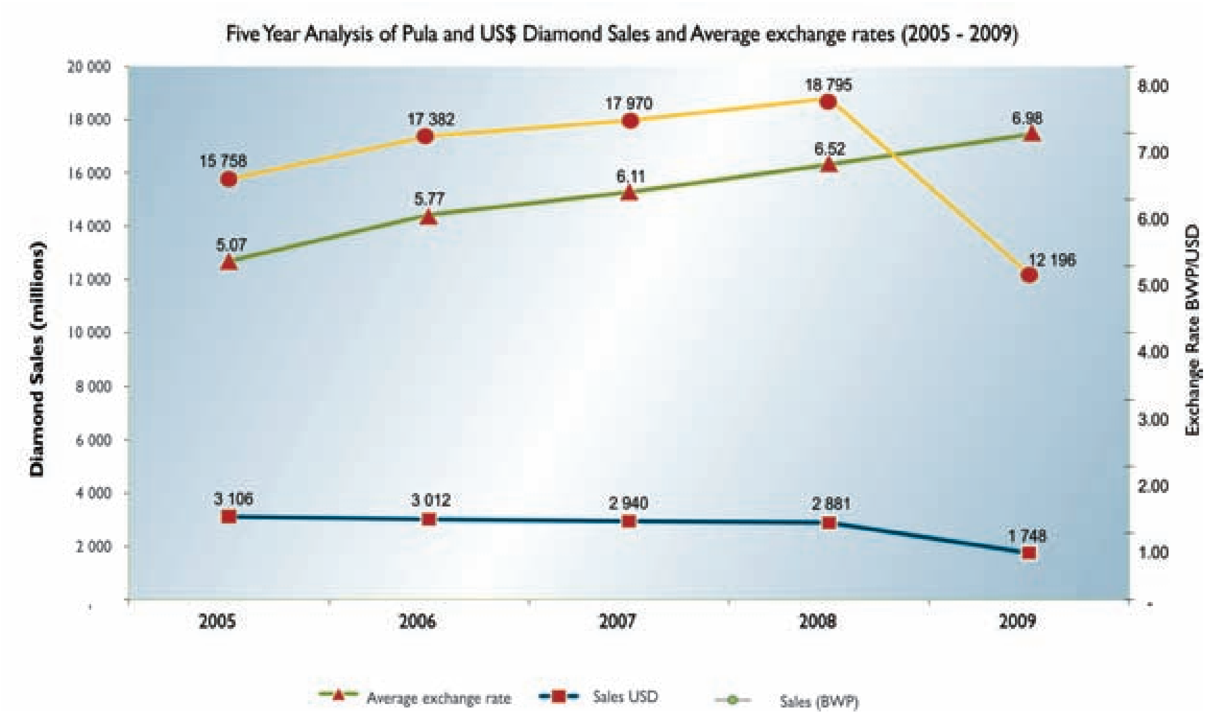
An external auditor independence policy exists in terms of which any non-audit work done by an entity having some association or relationship with the Company's external auditors requires prior approval by the Audit Committee.

Group Financial Highlights



During 2009 the Company achieved modest results against the backdrop of the 2008 global financial crisis. Revenue for the year was 35% (P6.6 billion) below the 2008 revenue mark primarily due to the global financial crisis which had an impact on world sales. Carats sold in 2009 were 23% less than the 2008 levels whilst selling prices were 22% below the 2008 average selling prices. These were partially offset by a more favourable exchange rate (7%) relative to 2008.

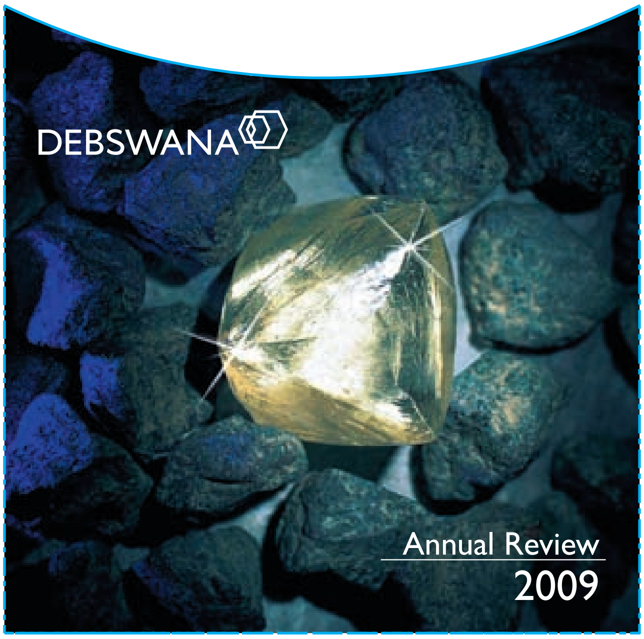
The operating expenditure for the year was P1 billion below 2008 cost levels while working costs were 26% lower than the 2008 costs. This was mainly due to the initiatives implemented by management targeted at cost containment and cash preservation.



- Revenue at P12.2 billion decreased by 35% against 2008 at P18.8 billion.
- USD diamond sales at USD 1.7 billion marginally down by 39% compared to 2008 at USD 2.9 billion.
- Average USD selling prices were 22% lower than 2008.
- Diamond sales volume were 23% lower at 21.3 million (2008:27.6 million) carats.
- Average Pula/USD exchange rate for diamond sales appreciated by seven percent.

Glossary

ARC	AIDS Related Condition Deaths
ART	Anti Retroviral Therapy
BNSC	Botswana National Sport Council
CAM	Incident Cause Analysis Method
CABD	Central Association of the Blind and Disabled
CDX	Dry Chute X- ray Machine
CAC	Central Acidising Complex
CFLs	Compact Fluorescent Bulbs
COHSASA	Council of Health Service Accreditation of Southern Africa
CPHT	Carats per Hundred Tons
CSI	Corporate Social Investment
DMP	Dense Medium Separation
DSS	Debswana Shared Services
DVM	Diamond Value Management
DTCB	Diamond Trading Company Botswana
EAP	Employee Assistance Programme
EMV	Earth Moving Vehicles
EIA	Environmental Impact Assessment
FESi	Ferrosilicon
GBC	Global Business Coalition on HIV Tuberculosis and Malaria
GRB	Republic of Botswana
HAART	Highly Active Anti Retroviral Therapy
HEGS	Homogeneous Exposure Groups
HPRC	High Pressure Roller Crushers
IBSS	Integrated Support Business Services
JREP	Jwaneng Resource Extension Programme
KPIs	Key Performance Indicators
LTIs	Lost Time Injuries
LTFR	Lost Time Injury Frequency Rate
MCF	Mine Call Factor
Mm^3	Million Cubic Meters
MTP	Main Treatment Plant
M2P	Mine to Plan
NLTI	Non Lost Time Injuries
NMMAG	National Museum, Monuments and Art Gallery
NPK	Northern Pyroclastic Kimberlite
OC	Organisational Capability
OHSAS	Occupational Health and Safety Management System
OLM	Orapa and Letlhakane Mines
OM I	Orapa No. I Plant
OM2	Orapa No. 2 Plant
OM3	Orapa No. 3 Plant
OPIC	Overseas Private Investment Corporation
ORT	Old RecoveryTailings
OREPI	Orapa Resource Extension Project Phase I
PMO	Project Management Office
PCB	Poly Chloro Biphynils
SBP	Strategic Business Planning
SMEs	Small and Medium Enterprises
SSR	Slope Stability Radar
TIAP	Treatment Integrated Action Plan
TMA	Tsodilo Management Authority
XRF	X-ray Fluorescent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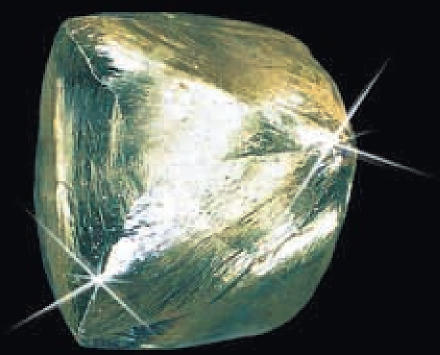

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