



MEDIA RELEASE

Boteti and Government conclude negotiations for AK06

Gaborone, Botswana – October 10, 2008 – Boteti has today signed a Heads of Agreement setting out the terms and conditions for the granting, by the Government of Botswana, of a mining licence for the AK06 deposit. The terms and conditions of the Heads of Agreement are that:

- ◆ the license will be issued with effect from 10 October 2008 for 15 years up to 9 October 2023,
- ◆ production will commence within 30 months of 10 October i.e. from 9 April 2011,
- ◆ all of Boteti's production will be sold through Diamond Trading Company Botswana,
- ◆ Government has undertaken that power will be supplied from the national grid. In the event of any need for the mine to generate additional power, Government undertakes to waive the Road Levy on imported diesel fuel until 2013,
- ◆ Government will not take equity in the project,
- ◆ The tax rates applicable to the project will be the variable income tax rate specified in the Twelfth Schedule of the Botswana Income Tax Act plus the normal royalty specified in the Botswana Mines and Minerals Act,

Developing the mine will entail a two phase process requiring a total investment of approximately Pula 2.76 billion by Boteti over the period 2009 to 2014. The mine will produce an estimated 600 000 carats per annum in the first 3 years increasing to 880 000 carats per annum over the remainder of the life of the mine (7 years). This equates to approximately 8.1 million carats by the end of the 10 year life of mine with an average dollar per carat to Boteti of approximately US\$ 138 per carat. The employment levels at Boteti too will vary depending on the stage in the project life. For instance, during phase 1 of construction, up to 850 people will be employed. The figure will reduce to 274 permanent employees during the operational stage of the same phase.

For the people of Botswana, this represents significant employment and business opportunities. For Botswana the mine will reaffirm the country's position as an industry leader and the diamond industry as the bread basket from which vital national income is derived.

Speaking on the latest developments, the Chairman of the Company, Tony Guthrie, said "We are excited about this new development, and I would like to thank the Government of Botswana and the joint negotiating team of Boteti who have worked tirelessly to ensure that all matters pertaining to the license were concluded in time and satisfactorily. The directors of Boteti will continue to do everything under their control to ensure that the full economic value of this deposit is realized for

the benefit of the shareholders and Botswana”.

** Kindly note that this announcement does not constitute reporting of exploration results, mineral resources or mineral reserves and is not specifically compliant with the South African code for the reporting of exploration results, mineral resources and mineral reserves (the SAMREC code) or with any other compliance standards applicable in other relevant regulatory jurisdictions.*

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Boteti Exploration

Boteti Exploration (Pty) Ltd is a joint venture between De Beers Prospecting Botswana (Pty) Ltd, African Diamonds Plc and Wati Ventures (Pty) Ltd. De Beers holds a 70.2% shares in the company while African Diamonds Plc holds 28.4% and Wati Ventures holds 1.4%.

AK06 will be the first diamond deposit to be mined by the Company.

De Beers

De Beers, established in 1888, is the world's leading diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. De Beers, and its joint venture partners, operate in 25 countries across five continents employing around 20,000 people. From its mining operations across Botswana, Namibia, South Africa, Tanzania and Canada, De Beers produces and markets approximately 40 percent of the world's supply of rough diamonds. As part of the company's operating philosophy, the people of De Beers are committed to *Living up to Diamonds* by making a lasting contribution to the communities in which they live and work. De Beers encourages sustainable working to ensure long-term positive development for Africa, and returns approximately US\$4.7 billion to the continent every year. For further information about De Beers visit www.debeersgroup.com

African Diamonds

African Diamonds Plc is a diamond exploration company listed on the London and Botswana Stock Exchange. The company has a portfolio of projects based in Botswana and Democratic Republic of Congo. The focus of activity is the African Diamonds/De Beers joint ventures through Boteti Exploration and Atlas Minerals Botswana (Pty) Ltd over 1,852 sq km in the Orapa area of Botswana. For further information about African Diamonds visit www.afdiamonds.com

Wati Ventures

A citizen controlled concern, Wati Ventures holds through Debwat Exploration (Pty) Ltd a prospecting license in the vicinity of Orapa mine in partnership with De Beers.