An emerging constellation: Debswana's business sustainability
Towards business sustainability

Annual Review

2006
Towards Business Sustainability: Turning diamond dreams into reality

During the year under review, Debswana defined a new set of values. It is through living these values that we will propel our Company to greater heights and meet all business targets that have been set for the Company. Around the same period, Debswana developed a five year business strategy, Strategy 2010, dubbed ‘North Star’. We are confident that the new values will influence the way we do business, stimulate our thinking as well as motivate our passion to deliver on the business imperatives.

Be Passionate
Our passion is to mine diamonds responsibly. We broke our own record in 2006 and produced 34.3 million carats with a relatively low Lost Time Injury Frequency Rate (LTIFR) of 0.13. This truly reflects our commitment to our employees’ safety as they continue to mine diamonds.

Pull Together
The exceptional performance shown by Debswana in 2006 was achieved through an unmatched collaboration and support from our employees, the Board and our shareholders. Faced with challenges from pressure groups and the ‘Blood Diamond’ movie, the Company and the shareholders developed a solid plan to fight the battle for our clean diamonds that have seen Botswana transform from one of the poorest countries to where it is today.

Build Trust
In 2006, Debswana made significant strides by enhancing relationships with both our employees and stakeholders. Following our 2005 Climate Survey report, we have deliberately created platforms for employee and management discussions to encourage face to face communication as well as instant feedback. Debswana also promotes external stakeholder engagements to enhance better information exchange about us, our projects as well as the Company’s vision.

Show We Care
The launching of our new Corporate Social Investment policy in 2006 re-affirmed our commitment to the people whose lives we touch, their communities as well as the environment within which we operate. Our new strategy places special emphasis on inclusive governance, transparency and results monitoring to create an environment of maximum effectiveness in funding. Debswana also aims to work in partnership and synergy with local economic programmes, as well as regional economic planning agencies, NGOs and Government.

Shape the Future
Our employees are an important asset for the future and success of our business. Our Company’s professional development programme is directly aligned to Botswana’s national vision to build local capacities and assemble a skilled workforce. We continue to strive for excellence by providing greater opportunities for employees’ development. Our development programmes also pass on to children of our employees who get an opportunity to study at the best institutions in the world through the Company’s assistance.
Debswana Diamond Company

The world of diamonds is about making “dreams” come true. Geologists dream about finding the next big Mine, nations dream about the jobs, wealth and development opportunities that diamonds can bring, shareholders dream of superior returns, employees dream of a successful career and young couples dream about the diamonds that symbolise their love and commitment.

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

**Our Vision**
We mine, recover and value diamonds optimally and responsibly.

**Our Mission**
To be a global benchmark diamond company.
Contents

11 Board of Directors
13 2006 at a glance
17 Operations
31 Safety, Health and Environment (SHE)
34 HIV/AIDS Impact Management
37 People
39 Corporate Governance
42 Corporate Social Investment
44 Wealth/Job Creation
46 Subsidiaries
49 Directorate changes
50 Group Financial Statements
For Debswana Diamond Company, 2006 represented yet another year of sterling performance despite the challenges that continue to face the global diamond industry. In 2006 Debswana produced a record 34.3 million carats and this, coupled with the lowest LTIFR ever recorded (0.13), is indeed a milestone which was made possible by a committed workforce and good leadership.

The year under review marked the fiftieth anniversary since prospecting activities began in the country, which led to the successful discoveries of Debswana’s diamond mines. The signing of a suite of agreements by De Beers and the Government of Botswana in May 2006 renewed the importance of the long standing relationship between the two partners and marked the beginning of a new chapter, which will extend Botswana’s diamond business further downstream.

The signed agreements included the renewal until 2029 of the mining licence for Jwaneng, the most valuable diamond mine in the world; the extension of mining licences for Orapa, Letlhakane and Damtshaa, which will run concurrent with Jwaneng; and the extension of Debswana sales agreement with the Diamond Trading Company for a further 5 years.

The establishment of the Diamond Trading Company Botswana, a 50/50 partnership between De Beers and the Government of Botswana to sort and value all Debswana’s diamond production, is expected to foster development of local skills and transfer of technology. Construction of the offices to house this new company are proceeding apace at an estimated cost of P410 million and the building is scheduled for completion by the end of 2007.

DTC Botswana will carry out marketing and sales activities and supply local cutting and polishing companies. Botswana’s entry into the downstream diamond industry is an important step towards increasing and expanding the economic value and benefits derived from its diamond resources.
Lastly in terms of the new agreement between the Government of Botswana and De Beers whereby
the Chairmanship of Debswana will rotate between the shareholders every two years I have stepped
down as Chairman of Debswana after being in that role since 1998. Dr. Akolang Tombale has replaced
me as Chairman and will have my and De Beers’ full support during the exciting years ahead.

Being Chairman of a great Company like Debswana is very fulfilling and it has been particularly pleasing
to see the Company develop into a major mining company in its own right over the past years.
I would like to thank everyone at Debswana who have been so supportive of me as Chairman and
look forward to continuing to work with them as a Board member into the future.

Nicky Oppenheimer
Chairman
When we launched Strategy 2010 at the beginning of last year, I shared my thoughts with my fellow colleagues that: “…this is our moment. Let us walk and talk together as one family and look ahead to the next five years and take our Company to great heights, asking God’s blessings on our humble efforts, and on our beloved country that we are so proud of.” I am grateful that my message has borne fruit during the first year of our journey to the North Star.

2006 – a spectacular and record-breaking year

2006 was yet another exciting production year for us, with the overall operational performance against our Strategy 2010 targets quite impressive. During the first year of the Strategy implementation, we have delivered on what we promised our shareholders. Carats recovered at 34.3 million were not only 9% favourable to a budget of 31.5 million, but were also 7.5% higher than the year before. This great achievement was as a result of commitment, dedication and remarkable effort by our employees who have embedded the Strategy in their daily ways of doing business, to make significant improvements in plant utilization across all the operations. In both our mines, plants exceeded previous records in terms of tons treated and carats recovered.

The good production record enabled us to deliver better than 2006 budget and 2005 actual profit distribution. This was done against the backdrop of a rather difficult environment, characterized by amongst other things unfavourable market conditions.

However, working costs and consequently the pula per ton treated were higher than had been anticipated. This will call for additional focus to ensure that our costs are contained in line with the North Star targets.

Our safety comes first

Safety is an integral part of responsible business practices and will always remain a top priority for us. The operations showed an impressive safety record of Lost Time Injury Frequency Rate (LTFR) of 0.13 for the year, against a target of 0.16. However, we will never forget that a nasty accident occurred at Lethakane Mine at the beginning of the year resulting in the loss of our beloved colleague.
As a result of the learnings from that unfortunate incident, our operations have put in place measures to enhance the competency of workers to identify risks in the workplace and avert hazards.

**Living the values and showing we care**

One of our strategic leverage areas is to look beyond today. As a good corporate citizen, Debswana subscribes to the philosophy that its entrepreneurial success should be underpinned by social and economic responsibility. During the year under review, the Board approved a new Corporate Social Investment (CSI) Policy aimed at creating a legacy of prosperity, sustainability through partnering with communities in which it operates, as well as the country in general. I am happy to share with you that in 2006, we disbursed P3 million of the committed P5 million out of a budget of P6.2 million under the CSI initiative. This is in addition to other CSI projects at our operations. Jwaneng and Orapa mines operate fully equipped hospitals which provide healthcare to communities in their respective areas. Our hospitals also act as referral centres for the districts the mines are situated in. Debswana also provides sports and recreational facilities of international standards to communities in the mining towns.

The Company recently funded a 10.9 kilometre Letlhakane road link, built at a cost of P22 million primarily to improve safety for its employees but the road will also benefit both Orapa and Letlhakane communities.

**Internal Controls**

To ensure that our efforts are sustained in all that we do, the internal controls environment will continue to be a big focus area for all of us. During the year under review Management made a commitment to the Board that by the end of 2007 Debswana would attain the Group benchmark standard for internal controls. Indeed this is a great challenge that we must all stand up to.

**People development**

Although Debswana uses the most up-to-date technology to carry out its business, it is the people we employ and the skills they bring that makes the Company a successful operation. During the year under review, the Company focused on leadership development initiatives to ensure that Debswana’s training and development is optimally aligned and integrated to support the achievement of our business strategies. One such programme is the Global Executive Development programme that exposed senior executives to local and global best practice.
Communication

Coming out of the 2005 Climate Survey, communication was one of the key issues that was identified for improvement in order to address the low employee morale. A deliberate effort to improve face to face interaction for instant feedback was made. This also helped to promote bottom up communication with employees. Going forward, we will continue to emphasize visibility of management to their subordinates and encourage free dialogue vertically and horizontally on matters pertaining to Company and employee affairs.

Employee Relations

Our relationship with stakeholders matters deeply to us. In order to establish a more beneficial as well as sustainable relationship between Management and Botswana Mine Workers Union, we embarked on a Relationship Building Initiative which saw the two parties identifying problems and developing an action plan. The plan is under implementation and has gone a long way in addressing relationship problems between the Union and Management that previously plagued the organization.

As a result of improved relationships between Management and the Union, a number of agreements were signed by the two parties during the year under review. These include Privatisation and Outsourcing; Retrenchment and Performance Management System.

Current and future challenges

2007 brings its own new challenges given the Company’s decision to change the role of Head Office from operational control to providing leadership guidance. This change may cause temporary uncertainty and will have an impact on people and skills.

The year will be more demanding compared to the year under review, given the anticipated operating environment. We project lower carat volumes this year as compared to last year as our long term sustainable mining plan dictates that we mine lower grade ore at Jwaneng. In Orapa the main challenge will be to catch up on waste stripping which has fallen behind due to the slope failure which occurred last year.
In the coming years, Debswana will be shifting paradigms from open pit to underground mining, which has different requirements to those of the current operations. This will bring challenges in mining, ore-processing, cost management as well as people management among others. We will need to pull together as a team to confidently confront these challenges.

In conclusion, Debswana is a Company that we are all proud of. We take pride in Debswana because Botswana’s economic success is attributed to the diamonds that are mined by us. The profits that we generate have helped Botswana to educate our children, members of our families and fellow citizens. Furthermore, profits from Debswana have not just built roads and telecommunications but also help significantly in the area of HIV/AIDS.

As Debswana employees, over the years we have shared our goals and pledged ourselves to work hard towards producing our diamonds in the safest and most sustainable way.

As in 2006, we must strive to do “more” with less resources.

Let me take this moment to thank the Chairman and Board of Directors, the Management team, the Union Executives and all employees for the sterling performance in 2006. Let us continue to Pull together, Build trust and Show we care as we Passionately Shape the future of this great Company.

Blackie Marole
MD
Debswana at a glance

50% DE BEERS

50% GOVERNMENT OF BOTSWANA

DEBSWANA DIAMOND COMPANY (PTY) LTD

100% MINING OPERATIONS
Orapa, Letlhakane, Jwaneng, and Damtshaa Mines

100% BOTSWANA DIAMOND VALUING COMPANY (PTY) LTD

100% MORUPULE COLLIERY LTD

100% WEST END PROPERTY COMPANY (PTY) LTD

100% SESIRO INSURANCE COMPANY (PTY) LTD

50% PEO HOLDINGS (PTY) LTD
Board of Directors

N. F. Oppenheimer – Chairman

Dr. A. R. Tombale – Deputy Chairman

L. K. Mohoho (Mrs)

E. M. Molale

S. S. G. Tumelo

D. A. Farnaby (Mrs)

S. M. Brown

L. R. Smart

Dr. A. L. Molokomme

S. Khama (Mrs)

K. G. Moshashane

G. P. H. Penny

B. Marole - Managing Director
Management
AS AT 31 DECEMBER 2006

B. Marole
Managing Director

L. M. Makwinja
Deputy Managing Director

B. Bonyongo
Group Strategy Manager

T. Kobedi
Group Finance Manager

W. Mpai
Group Services Manager

P. N. Gahagan
Group Human Resources Manager

J. M. Matome
Group Secretary

J. D. Sesinyi
Public and Corporate Affairs Manager

Dr. Onalethata Johnson,
Group Manager, HIV/AIDS Impact Management

M. M. Fantan
Group Manager, Projects

S. M. Kaisara
Group Manager, Technical Services

E. K. Harvey
Group Manager, Long Term Strategic Planning (de-seconded 31 December 2006)

S. O. Sebetlela
General Manager
Orapa/Lethakane Mines

D. R. Ekmark
General Manager
Jwaneng Mine

P. M. Jacobs
General Manager, Botswana Diamond Valuing Company

C. M. Tangane
Mine Manager,
Morupule Colliery

Fred Jansen
Group Safety, Health and Environmental Manager

B. W. Phaphe
Group Security Manager
(retired 31 January 2007)
2006 at a glance

JANUARY

Debswana launches Strategy 2010
Fourteen months into his position as head of Debswana Diamond Company, Managing Director Blackie Marole unveiled a new Company strategy. Strategy 2010 targets both employees and other stakeholders. The new strategy, dubbed ‘North Star’, is based on four pillars – revenue improvement; cost containment; organisational capability and sustainability.

MAY

Suite of Agreements between Botswana Government and DeBeers
A landmark agreement between the international mining giant De Beers and the diamond producing giant Botswana will see the two long time partners embarking on a watershed initiative that can potentially transform Botswana’s economic profile. At the official ceremony held in May 2006, Botswana’s Minister of Minerals, Energy and Water Resources, the Honorable Charles Tibone, ebulliently declared: “The significance of these agreements cannot be over-stated. We must make the case that Botswana has now come of age.”

The signing covered a suite of agreements between De Beers and the Government of Botswana. They include the renewal of the mining license for the Jwaneng Mine, the most valuable diamond Mine in the world, up to 2029.
MAY

DTC Botswana in offing
Another turning point in the history of the unique partnership between the Botswana Government and De Beers was the agreement to establish Diamond Trading Company Botswana, a 50/50 partnership between De Beers and the Government of Botswana to sort and value all Debswana’s diamond production. DTC Botswana will carry out local sales and marketing activities, working closely with customers to support the establishment of diamond manufacturing operations in Botswana. De Beers will fully fund construction of the new Diamond Trading Company Botswana building in Gaborone at a cost in excess of Pula 400 Million.

JUNE

Debswana extends ART to employees’ children
Debswana extended its free Anti Retroviral Therapy programme to employees’ children up to the age of 21 who are infected with HIV. Treatment is received through the Mine Hospitals in Orapa and Jwaneng.

JULY

Japan Week: Botswana Week
Botswana put together a series of events held under the auspices of the Botswana Embassy in Japan with a view to making Botswana better known in Japan and strengthening friendship and ties between the people of Japan and Botswana in commemoration of the 40th anniversaries of the independence of Botswana and the establishment of diplomatic relations between the two countries.

AUGUST

Debswana awarded 2006 Pan Africa Health Finalist
Debswana Public Private Partnership (PPP) for provision of Masa—the Government’s antiretroviral therapy programme through the Company Mine hospitals in Jwaneng, Orapa and Lethakane Mines was awarded a Pan African Health finalist Award 2006.

“Through this partnership ART is extended to communities in which we operate at no additional infrastructure nor health manpower costs to the government, a true corporate social investment,” revealed Dr. Onaletshata Johnson, Debswana’s Group Manager, HIV/AIDS Impact Management.

SEPTEMBER

Debswana launches new CSI policy
Debswana re-launched its Corporate Social Investment (CSI) Policy with more commitment to create a legacy of prosperity, sustainability and empowerment for the communities in the country. The new policy is replacing the old Donations Policy which only disbursed short to medium term donations and annual grants with minimal emphasis on long term sustainability.

SEPTEMBER

Orapa Mine rehabilitates Mopipi Dam
“We can’t say the last person to leave the Mine will see what to do,” says Annah Moncho, the Environmental Coordinator for Orapa, Lethakane and Damtshaa Mines.

She was explaining Debswana’s decision to embark on the Mopipi Dam Infrastructure Rehabilitation Project. The dam was constructed by Debswana’s forerunner, De Beers Botswana Mining Company, in the mid-1970s mainly to supply Orapa Mine with water. The dam dried up in 1985, and Debswana has now decided to decommission it by undertaking rehabilitation work.
Re-vamped www.debswana.com launched
Debswana launched its revamped website. Vibrating with life, sparkling like diamonds is the exceedingly interactive, revamped Debswana website.

An open book, our new website assures you a wealth of information about us, our business, the values that drive us and the projects that propel us to reach for the stars. It will give you a deep insight into what qualifies us as the global benchmark in the diamond mining industry.

Our commitment to the communities we operate is legendary. Find out for yourselves what Debswana has done for Botswana and for those who work within its domain. Curious to know what the pros and cons of working with Debswana are? Find out for yourself with just the click of a button. It’s that easy.

Kimberely Process
The Kimberley Process annual meeting takes place in Gaborone. Permanent Secretary in the Ministry of Minerals, Energy and Water Resources says the meeting reiterates Botswana’s commitment to mining clean diamonds. The Kimberley Process regulates the global movement of diamonds. In 2003, the Kimberley Process Certification was established to regulate the international trade of rough diamonds.

Jwaneng Mine raises money for fellow employee
It didn’t even take a month for people to pull together, combine their efforts and raise enough funds in answer to Nonof Mothabane’s plea for help. The staff pooled in their resources and the Company matched it which allowed him to jet off to Pakistan for a kidney transplant. A whooping P90 000 was raised through the fund!

Debswana School tops
Livingstone House, a Debswana school in Orapa, has emerged victorious, topping the country in the Primary School leaving examinations. Most impressive is that they scooped up this position with a 100% pass rate. 96% pupils at the school obtained 1st class (A) with the remaining 4% getting 2nd class (B).

Russell Simmons in Botswana
Russell Simmons, the most important businessman in the history of rap music says that diamonds should be marketed as the symbol of unconditional love. He called for the creation of a new story to market the transparency of Botswana’s diamonds. He was speaking during his recent visit to Botswana.

Morupule Colliery Wash Plant project underway
Morupule Colliery has signed a contract with a South African company to construct a Wash Plant to produce washed coal.

The project took off early December and completion is expected in October 2007. Morupule Colliery’s sale of graded coal is expected to more than double once the washed coal sales commence.
Union sees Strategy 2010 as sound business sense
Pogiso Ramoitoi, Chairman of the Jwaneng branch of the Botswana Mining Workers Union (BMWU), is filled with great hope. This is clear when he talks about the North Star Strategy (Strategy 2010), which is Debswana’s vision for the future.

While his point of view is that the Company should be sensitive and do all in its power to avoid job losses, he also appreciates that Debswana needs to continuously review its processes and strategies to ensure continued existence.

“As an employee of Debswana, I embrace Strategy 2010 because I appreciate that we need to shape the future of the Company,” he says.

CNN International visits Debswana operations
CNN International crew was in Botswana to get the Botswana success story regarding the way it utilises its natural resources for the benefit of its people. Jeff Koinange, Chief Correspondent and his crew visited Orapa, Letlhakane and Damtshaa Mines.

In an effort to further tell the ‘diamonds for good’ story and how Botswana and Debswana have used good governance, sound economic management and professionalism in the name of national development, international media from the UK, Italy and France, among other countries, continued to visit the ‘gem’ of Africa to get first hand experience on this initiative.

2006 was yet another exciting production year for us, with the overall operational performance against our Strategy 2010 targets quite impressive. Carats recovered were 34.3 million compared to a budget of 31.5 million, a favorable variance of 9%. This notable achievement was a result of increased recoveries due to the marked improvements in plant utilisation across all the operations, as well as overall plant efficiencies.
Orapa Mine Operations
Orapa Mine had reason to smile as 2006 was characterised by an improved all round performance of the mining operation. The elimination of bottlenecks in the ore delivery section and the increased throughput in the plants led to ore mined amounting to 16,99 million tons which represented an improvement of 8,6% compared to 2005.

Waste mined amounting to 7,76 million tons was 32,5% unfavourable to 2005. The negative variance was due to the fact that in 2005 additional contract mining resources had been engaged to reduce the accumulated waste stripping backlog which was a risk to the business.

A new shovel was commissioned during the year and this improved the overall loading equipment availability, with a resultant positive effect haul truck utilisation. The hauling fleet utilisation level achieved 89%, the highest ever recorded at Orapa Mine.
A major slope failure occurred on the eastern pit slopes during the fourth quarter. The pit slopes were previously monitored constantly using the Geomos system. During the third quarter of 2006, a Slope Stability Radar was commissioned to enhance the surveillance of sensitive slope areas. The new technology demonstrated value by successfully monitoring each square meter of the affected slope and issuing timely alerts to ensure the safety of personnel and equipment. The utilisation of the pit de-watering system improved from 70% in 2005 to reach 90% by the end of 2006.

Tyre shortage remained one of the highest risks faced by the Mine. New tyre deliveries were only at 56% of requirements. To mitigate this shortage, a tyre repair partner was commissioned to repair old tyres using the latest repair technology. In addition, tyre management strategies were reviewed to seek increased tyre life and reduce numbers required for production. A 14.4% improvement in tyre life was achieved in 2006 compared to 2005.

A Mine Call Factor (MCF) project was undertaken during the year under review in which instances of under and over estimation of the reserve grade were discovered, which necessitated the revision of the mining plan in May 2006.

The grade of the failure material was found to be lower than the reserve grade and this material was stockpiled. Additionally, the basalt breccia on Bench 12 was found to be lower than planned and subsequently re-classified to low grade material for stockpiling.

**Orapa Treatment Plants**

Both No. 1 and No. 2 Plants exceeded all previous records in terms of tons treated and carats recovered as a result of exceptionally good utilisation and efficient recovery of diamonds. The integration of the ore delivery section into mining operations resulted in improved delivery of ore to the plants and contributed to the high plant utilisation achieved during the year. Total ore treated at both Orapa No.1 and No. 2 plants amounted to 18,44 million tons, which was 1,94 million favourable to 2005 production.

Tons treated at No.1 plant amounted to 9,42 million tons compared to 8,04 million tons in 2005. This was the highest tonnage ever treated by No. 1 Plant and exceeded the previous record of 8,55 million tons in 2004. A major capital project which commenced in 2005 to refurbish plant electrical installations, civil and mechanical structures, and which focused on high risk items, was completed successfully in the first quarter of 2006. A decision was taken upon completion to proceed to a second phase targeting medium risks and any other risks that could migrate to a high rating so as to ensure sustainable operation of the plant until it is replaced in 2011. This work is scheduled for completion in the second quarter of 2007.

The refurbishment project has resulted in increased utilisation while no equipment failures of significance were experienced. An area of concern remains the secondary crushers, where component failures continue to be experienced and are being investigated.
The Dense Media Separation (DMS) plant performed satisfactorily as evidenced by a high Mine Call Factor (MCF) of 103%. This improvement was attributable to a DMS circuit upgrade that was carried out in 2005. A capital project is planned for 2007 to further enhance diamond recovery and DMS throughput by installing 510mm cyclones in the DMS section.

Water consumption at No.1 plant amounted to 0.37m3/ton treated compared to 0.40m3/ton, in 2005. The Ultrasep and Taster units were fully commissioned but their operations were suspended for part of the year to keep flocculant consumption within budgeted levels.

No.1 plant ferrosilicon (FeSi) consumption at 198g/t was favourable compared to the 2005 consumption of 254g/t. The reduction in consumption was a result of a number of initiatives, including upgraded DMS screens and the DMS circuit upgrade of 2005. A project is underway to address power factor correction (PFC) and this will stabilise power supply and further reduce FeSi losses due to power dips.

No.2 Plant treated 8.98 million tons compared to 8.46 million tons in 2005, which is the previous record tonnage treated by this plant. Delays associated with bottlenecks at the secondary crushers were eliminated with the installation of one Kawasaki 1800 series crusher in place of the original Kawasaki 1500 series crusher. The new crusher was designed to treat harder ore, increase crushing capacity and improve product quality with corresponding improvement in overall plant utilisation. The second ex-Jwaneng Kawasaki 1800 series crusher is currently being refurbished for instalment in the first quarter of 2007.

Historical delays associated with the jet sump were also eliminated as the section was optimised. Three more scrubber shells were refurbished and replaced during the year to ensure reliability and availability of the units. The last two shells are currently undergoing refurbishment and will be installed during the first quarter of 2007.

Water consumed by No. 2 plant was at 0.59 m3/ton treated marginally down from 0.60 m3/ton in 2005. Ultrasep internal failures prevented further improvement although all units have now been refurbished to minimise the collapsing of internals. The paste thickener was put into operation as a test unit under production conditions during the year and this assisted in freeing failed Ultrasep units for refurbishment. Results of the paste thickener project will only be available at the end of the first half of 2007.

Flocculant consumption at 36.9/ton was lower than 43.5 g/ton in 2005, primarily due to a successful ore blending strategy, which prevented treatment of difficult ores in isolation.

No. 2 plant, ferrosilicon (FeSi) consumption at 241g/t was well below the 2005 consumption of 265g/ton as a result of a focused effort to carry out DMS circuit improvements. In addition, the first of four fines streams was modified to include four 510mm cyclones in place of the two 610mm. The remaining three will be completed during 2007. This will improve both diamond recovery and increase throughput capacity.
Completely Automated Recovery Plant (CARP)
The CARP recorded exceptionally high performance during 2006 with overall plant utilisation showing a 8.2% improvement over 2005. A record 18 655 310 carats were recovered through the plant, which processed all of the concentrate material from the treatment plants, with Orapa No. 2 plant material making up 71.2% of the total, Orapa No. 1 plant 19.2%, Letlhakane plant 7.4% and Damtshaa plant 2.2%. The annual average diamond by weight was 70.1% against a target of 60%.

The second phase of the Mine’s BDX x-ray machines upgrade project was successfully completed in September 2006. The upgrade was commenced in 2005 primarily to address obsolete components in the older version machines. Another project to upgrade the x-ray machines’ weigh feeders was initiated in 2006 to enhance product security and feeding controls. Eight units were successfully completed and an additional six will be upgraded in 2007. Pipe blockages caused by copper wires were eliminated by converting all diverters from 110-mm to 160-mm. However, the copper wires continue to pose some challenge with their blockage of x-ray machine channels. A further challenge also continues to be posed by a critical lack of spares for recovery machines, both in the form of new purchases and repairs.

Letlhakane Mine Operations
Ore mined at Letlhakane Mine during 2006 was 2,65 million tons compared to 3,04 million tons in 2005. The negative variance against the 2005 performance was due to the lack of access to the Cut 3 ore as a result of a high water level in the sump area during the first and second quarters 2006. The D/K 1 pit depth remained at 300m below surface.

Waste mined totalled 21,61 million tons during 2006 and was 5,74 million tons more than waste mined during 2005. This was attributed to improved availability and utilisation of haulers, as well as a shorter cycle time from Cut 4 South. The improved availability of trucks was further assisted by the introduction of four new trucks into the haul fleet at the beginning of the year. The utilisation of trucks improved to 84% this year due to good initiatives e.g. hot-seat changeovers implemented at the beginning of the year.

Despite a lower than budgeted ore depletion, carats produced exceeded targets due to a positive MCF. The split-shell mining concept that was adopted at Letlhakane Mine since 2001 has progressed well and Cut 4 South faces were achieved by the end of 2006.

The life of Mine Plan is based on the AJ plan that came into existence during the second quarter 2006. This set of plans assumes shallower mudstone angles (28 degree) due to not meeting the dewatering requirements of the 40 degree slope angle design. Furthermore, the failure that occurred during July 2005 locked up Cut 4 North ore, necessitating the re-planning. Reconciliation to the AJ plan indicated the waste stripping in Cut 4 South is on track to ensure the achievement of the Cut 4 South ore bottleneck during the second quarter of 2008. The overall production performance for Letlhakane Mine’s ore treatment in 2006 was exceptional. Ore treated amounted to 3,72 million tons, 8% higher than the 2005 production. This is the highest tonnage ever treated by Letlhakane Mine and exceeds the previous record of 3,67 million carats.
achieved in 2002. Diamonds recovered amounted to 1.09 million carats, which was 8051 carats lower than 2005.

The plant’s DMS South upgrade which was successfully completed in 2005 greatly enhanced process efficiency during 2006.

Raw water consumption at 0.18m³/ton was favourable to the previous year’s consumption of 0.21m³/ton. This was mainly attributed to optimised thickener underflow control philosophy. FeSi consumption at 217g/ton was higher than the 2005 consumption of 181g/ton mainly due to the numerous blockages on the densification circuit as a result of the DMS refurbishment work. Poor drainage in the DMS further exacerbated the FeSi losses. DMS drainage is being addressed as part of the plant refurbishment project which is expected to be completed by end of the first quarter 2007. Flocculant consumption at 2.3g/ton was favourable to the 2005 consumption of 2.6g/ton. Power consumption at 10.14 KWh/ton was favourable when compared to the 2004 consumption of 10.86kWh/ton.

Damtshaa Mine Operations
Mining was carried out predominantly from B/K9 during 2006 and focused on waste & low-grade ore stripping to expose the relatively higher grade ore material at depth in order to avert the potentially negative cash flow situation in 2006 due to the volume of projects undertaken during the year.

Further mining of B/K12 pit Cut 1 which was depleted in 2005 was also carried out and the associated stockpiles were treated during the year. The mining of B/K12 pit was undertaken to improve the head feed grade due to the delayed double up component of the plant and hence tons throughput was expected to be below budget at year end. The tons from the double up project that were planned for August 2006 were only achieved in the December 2006 production month. The delay was mainly due to the awarding of the mining contract later than anticipated.

Ore treated at Damtshaa Mine was 1.46 million tons which is 14% above the 2005 production, but 18% below budget mainly due to the delayed double up project as stated earlier. Other reasons for the deficit were power dips, various mechanical delays, blockages and the delays experienced during the component tie-ins for the double up project during the last quarter of the year. As part of the double up project, the new tailings belt is under construction and is scheduled for completion during the first quarter of 2007. There is also slurry pumping system upgrade, which is a change of scope on the project and is scheduled for completion during the second quarter of 2007. All these challenges have been identified and preventative maintenance tasks/schedules have been put in place to minimise the impact on production during 2007.

Ferrosilicon (FeSi) consumption at 251 g/ton was favourable when compared to 322 g/ton in 2005. The favourable position was influenced by the DMS improvement projects undertaken during 2006. Flocculants consumption was 7.80 g/ton compared to 13 g/ton during 2005, the improvements were due to the use of the new Flocculants trials during the year, and further reductions are expected in 2007.
Water consumption at 0.32 m³/ton treated, was lower than the previous year’s figure of 0.33 m³/ton. Power consumption at 8.90 kWh/ton was however higher than the 2005 figure of 8.66 kWh/ton primarily due to the treatment of the more abrasive B/K9 ore and the lower than budgeted tonnage treated.

Utilities consumption
Total water used for production in 2006 was 15.32 Mm³ compared to 12.99 Mm³ in 2005. The higher consumption compared to the previous year was due to the increase in plants tonnage treated.

The total annual abstraction from the groundwater sources was 10.87 Mm³, thus; wellfields at 7.41 Mm³ and pit dewatering at 3.46 Mm³, compared to 9.95 Mm³ for 2005 where wellfields and pit dewatering produced 7.74 Mm³ and 2.21 Mm³ respectively. The decrease in wellfields abstraction was mainly due to good use of recoverable surface run-off water after the rains from the reclamation dams, which forms part of the ongoing rain water harvesting initiative. The increase in pit de-watering abstraction was however, due to high borehole utilisation at AK 1 pit. The overall wellfields annual abstraction was still below the annual Water Rights Limit of 10.82 Mm³.

The potable water consumption was 1.95 Mm³ for the year 2006 compared to 1.89 Mm³ in 2005. The largest consumer remains the township at 1.78 Mm³ compared to 1.67 Mm³ in 2005 due to the expansion of the town and also construction work taking place in and around the town.

Fresh water demand continued to exceed reliable wellfields supply. The equipping and commissioning of an additional 27 boreholes to address this progressed satisfactorily and the whole exercise is expected to be completed by mid-2007. Drilling of testing boreholes at Wellfield 7 and at the North East part of Mopipi also progressed according to schedule. Completion of the project is expected in the first quarter of 2007.

Power consumption for all three Mines was 311.0 GWh compared with the reconciled figure of 290.5 GWh in 2005. The higher consumption is attributed to the increase in plants throughput and housing. All power was supplied by the Botswana Power Corporation (BPC).

Geology
Mine Evaluation
Bulk sampling of active mining blocks continued throughout 2006 at Orapa, Letlhakane and Damtsha Mines, with 153 samples totalling 10 489 tons treated through the Orapa bulk sampling plant. Some of the results of the samples have been incorporated in the Dynamic ore reserve inventory used for short term planning forecast.

The revised 2125 A/K1 (1999) reserve model has performed satisfactorily. A review of the reserve grades has been ongoing and the new factors are expected to be used in 2007 whereby the overall MCF results will be brought to unity (based on the fact that No. 2 Plant has stabilised since its installation in 2000).

An MCF project team was put together and has addressed the MCF issues in terms of defining the work flow processes, roles and responsibilities as well as formulating action plans on how to address the problem.

An MCF management tool has been developed and will be used to track the MCF performance for all three operations commencing in February 2007.

Orapa Resource Extension Project
The current A/K1 indicated mineral resource extends to bench 18, 265meters below ground level (mbgl), and beyond this depth limited geological, geotechnical and metallurgical information is available. The current planned maximum open pit depth is Cut 4 down to 550 mbgl in the north pipe, with possible underground mining of the resource below those depths.
As a result, the Orapa Resource Extension Project (OREP) was initiated and its main objective is to reduce the mining risk to acceptable levels for the remaining open pit life, i.e. increase the confidence level in the mineral resource (in terms of the geology, volume and density models) to an indicated level down to a depth of 600mbgl (265mamsl, bench 47).

The drilling project commenced in 2006 with ore-waste contact drilling aimed at defining and optimising Cut 2a above 265 mbgl. Additional drilling for defining the pipe from 265mbgl – 600 mbgl has commenced and will continue in 2007. To date, 30 boreholes totalling 7 888m have been drilled.

**Orapa Mine Slope Optimisation Project**

As a result of the access ramp failure in December 2004, an ore-waste contact drilling programme was initiated in January 2005 at the Orapa AK1 pit. This involved the drilling of 16 diamond core boreholes around the northern and the south-eastern areas of the AK1 pipe where it was felt that information and/or confirmation was needed on the position of the ore-waste contact.

A total of 11 geotechnical country rock boreholes (10 450m) were completed in 2005 as part of the slope optimisation drilling programme. These boreholes are positioned along Geotechnical Mine Design sections, and were drilled around the Cut 3/Cut 4 open pit design shells in order to obtain the necessary geological and geotechnical information around the pipe and handed over to the Mine. Rock characterisation laboratory results have been validated on Mine and have been handed over to the consultants for slope angle design purposes. The report on slope angles is expected in June 2007.

**A/K20 Kimberlite Pipe Evaluation Drilling, Sampling and Grade Estimation**

In 2006, a kimberlite pipe drilling and evaluation project was initiated on the A/K20 ore body. The objective of the project was to investigate the grade of the A/K20 pipe using large diameter drilling (LDD), and if the global grade of the pipe could be shown to be sufficiently high, then a subsequent delineation drilling project would be undertaken to better define the size and shape of the pipe. Four large diameter (LDD) fluids reverse circulation boreholes were drilled to a depth of 200m each.

LDD drilling was preceded by standard HQ/NQ size diamond core drilling of four vertical holes to 200m each at the proposed LDD drill collar sites. All work associated with the project has been completed. Results of the grade estimation are very encouraging and a detailed delineation drilling project is being initiated to define the A/K20 pipe. The diamonds recovered from the LDD drilling have been sent to BDVC for valuation.

**Lethakane Mine Mineral Resource Extension**

Drilling around the D/K1 and D/K2 kimberlite pipes was completed in October 2004. Detailed geological modelling of the D/K2 pipe was completed in 2005. The re-modelling of the D/K1 pipe was undertaken in 2006, the models have been audited and the grade estimation process has been completed. The handover of the model and grades to the mines is expected in the first quarter of 2007. Selected kimberlite samples were submitted for Ore Dressing Study (ODS) test work and the final report is expected in the first quarter of 2007.

**Damatshaa Mine B/K12 Resource Extension Project**

The objective of the B/K12 Cut 2 project is to delineate the B/K12 pipe to a depth of approximately 200 metres below ground level in order to derive information for Mine design and planning in respect of Cut 2. During the period under review, a total of eight boreholes, having a combined total depth of 2853 metres, were drilled in and around the pipe.
Drilling indicated that the B/K12 pipe was approximately 30% larger than originally modeled. Subsequently, mining of Cut 3 could be a possibility and a delineation drilling project was undertaken to obtain further information on this.

A total of 17 boreholes with an aggregate depth of 5558 metres were drilled in and around the pipe during the year under review. An audit of the B/K12 Cut 2 model and grade estimation has been completed while the updating of the B/K12 model for Cut 3 is in progress.

People
During the year under review, the employee morale at Orapa and Letlhakane Mines has improved significantly. Each department has analysed the climate survey report of 2005 and identified specific issues that relate to them. The Head of Department then assigned responsibilities to his/her staff to address the identified issues. Progress is monitored on each departmental scorecard. The General Manager’s scorecard monitors Mine-wide progress of all such initiatives. As at the end of 2006 the Mine had achieved a completion rate of 80% against plan versus the target of 50% as agreed at Debswana group level. Progress this year is also ahead of target and we expect to achieve 100% completion of climate survey action plans well ahead of the target completion date of December-end 2007.

The Letsema project was launched last year with a view to inculcating a culture of responsiveness to people issues. Each department was once again tasked to use existing fora such as green area meetings/thirisanyo etc. to capture issues raised by staff and to populate the same issue log that had been developed for the climate study issues. Action plans, responsibilities and deadlines were then assigned for each issue and monitoring done on a continuous basis. This has ensured that new or other issues besides those from the climate survey were captured and acted on. The Letsema project was closed at year end but this practice now continues as a normal process of capturing and acting on people issues coordinated by the IR department.

As a result of the above initiatives morale at the Mines has significantly improved as evidenced by the outstanding performance that the mines have achieved in 2006 and are continuing to achieve.
JWANENG MINE

2006 was a spectacular and record-breaking year in which the Jwaneng Mine exceeded expectations in the delivery of the business plan.

Production

Mining

Ore mined at Jwaneng in 2006 consisted of a blend of ore from four pipes, as well as some stockpile material. Total deliveries to the crusher amounted to 10.1 million tons compared to 9.9 million tons in 2005. The bulk (59.8%) of this came from the North pipe, while the Centre pipe contributed 32.3%. The South Pipe contributed 7.8% and the fourth Pipe only contributed 12,095 tons which is 0.1% of the total. Some wet ore from the Centre pipe that had been stockpiled on surface was dried and treated in small quantities to improve diamond value for the year.

The total ore mined from the pit amounted to 9.3 million tons compared to 9.5 million tons in 2005. Headfeed carats to the plant were 13.8 million compared to 14.1 million in 2005. The head-feed grade at 136 carats per hundred tons (cpht) was 10% below the 141.6 cpht achieved in 2005. With the plant achieving high throughput tonnages, the additional ore was sourced from the stockpiles at a lower grade.

Waste stripped progressed from Cut 6 benches 14 to 17, Cut 5 waste progressed down to bench 29 in line with the mining plan; where as the face end position for Cut 7 waste was Bench 9. Total waste stripped amounted to 37.0 million tons compared to 41.3 million tons in 2005.

Jwaneng Mine moved a total of 49.1 million tons of material in 2006 compared to 52.7 million tons in 2005. The heavy rains in the first quarter of 2006 adversely affected power in the pit and resulted in this deficit.

The 240-ton trucks have continued performing beyond expectations achieving an availability of 87% and an average of 6976 running hours per truck which is world class performance.

Tyre management was given high priority and the Mine managed to avoid being affected by the world-wide ultra large tyre shortage during the year. The 46/90 R57 size tyres used by the 240-ton trucks achieved 4,975 hours compared to 4,140 hours attained in 2005, an improvement of 20%.

Mineral Processing

The Main Treatment Plant (MTP) treated 10.1 million tons, which was 1% up from the 10.0 million tons treated during 2005. The plant enjoyed the full benefit of the implementation of the Treatment Integrated Action Plan (TIAP) programme as it recorded an overall utilisation of 82% (at 1,450 tons per hour nominal capacity) compared to 71% during 2004. The plant achieved target for 10 out of 12 months. Major causes of downtime during 2006 were low feed from Mining due to rain and primary crusher shaft breakdown, power dips and power failures.
Going forward, the MTP will see the replacement of the last of the four secondary crushers with a high duty unit during 2007, and upgrading of the crusher bin feed tripper car with a shuttle system. This will improve ore treatability to achieve utilisations that are consistent with the increased tons targets demanded by the new North Star Strategy.

The Recrush Plant (RP) treated 5.1 million tons, which was 8% up from the 4.8 million tons treated during 2005. This was equivalent to 104% of MTP DMS coarse tailings compared to 99% during 2005. Major causes of downtime were chute blockages, conveyor failures, sliming thickeners, power failures and DMS instability due to competent briquettes. The plant performance was certainly a new record.

The much improved performance at the RP can be attributed to the implementation of the TIAP programme assisted by other initiatives such as Asset Management Improvement Programme and teamwork. The plant’s ability to make up lost tonnage was hampered by the poor disagglomeration of the briquettes formed during high pressure crushing.

There is on-going research and investigation on briquette disagglomeration and it is expected that a solution will be in place by the first half of 2008. In addition, work is in progress to re-design the reload facility which when successful will take advantage of the accumulated tailings stockpile at this facility. It is vital that both projects be progressed to conclusion as their resolution will enhance the plant’s capacity to achieve the carats target demanded by the North Star.

Saleable diamond production amounted to 15.64 million carats compared to 15.59 million carats in 2005. This was due to excellent performance by the MTP and Recrush plants, a higher than budgeted recovered grade at 155 cph as well as higher than budgeted MCF at 114%. The high MCF was attributed mainly to the high re-treatment rate at RP, a general recovery efficiency improvement at the MTP as well as the predominant treatment of the inherently high MCF yielding North Pipe.

The Aquarium plant continued to perform well processing a total Debswana production output of some 34.3 million carats during 2006.

Mine Evaluation
The model of the three pipes has been completed and will be available subject to final auditing during the first quarter of 2007. This model also forms the basis for the grade sample optimisation study required for Phase 2 of the project. Further post processing of the geological data continues with new revelations on the genesis of the deposit and possible effects to the grade and revenue.

Final reports for the ore dressing study have been delivered. Metallurgical reports on the implications for new plant design have also been delivered.

A final report which encompasses a summary of all the major technical findings, the project logistics and governance will be completed by the second quarter of 2007.

Underground Mining Studies
The Debswana Macro Strategy work has indicated that the transition from open pit to underground mining is post cut 8, around 2020. The work also highlighted the lack of knowledge about the kimberlite pipes at depth and hence a justification for an early access shaft was put forward. The purpose of the early access shaft is to carry out geotechnical investigation to inform the design of the underground Mine. Funds for an early access shaft studies were voted at the 2006 March Board. The detailed design of the early access shaft is planned to be done in 2007 with application for construction funding planned for the November 2007 board.

Projects
Key sustainability projects identified for Jwaneng Mine include the Jwaneng Resource Extension Program (JREP), Cut 8 Pit Extension Design, MTP Replacement (No. 2 Plant) and underground mining studies.
Jwaneng Resource Extension Program
Voted at the August 2003 and March 2004 Boards, the purpose of the first phase of JREP is to delineate the Jwaneng kimberlite ore body to determine the ore volume, the ore to waste rock contacts as well as internal geological contacts from 420 to 1000 metres below ground level. At the end of 2006, primary drilling activities have been completed and the models for the three pipes had been defined and would be released once auditing was completed during the first part of 2007.

Ore dressing studies were conclusively conducted and final reports, which also indicate implications for the new plant design, have been submitted. Phase 2 of the program will commence during the early part of 2007 pending approval of funds. This phase will progress grade evaluation and diamond size distributions investigations of the three kimberlite pipes to extend indicated mineral resources to a maximum depth of 650m. Micro diamond analysis (MIDA), requiring an estimated 39 000 metres of core drilling from 87 boreholes, will be used grade evaluation tool of choice.

Cut 8 Pit Design
Cut 8 mining is expected to commence in 2011. Results from Phase 1 of JREP indicated that the centre pipe at depth was about 150m closer to the current MTP than originally anticipated, and as a result the mining of the revised cut 8 will affect sections of the current MTP, necessitating the construction and commissioning of a replacement facility ahead of this period. The final cut limit is the subject of a technical review and geotechnical investigation work voted at the November 2004 and May 2005 Boards respectively. This review is expected to be finalised during the first half of 2007. Phase 2 of JREP will deliver an estimate of the resource grade at depth which will be used to determine the final optimal cut for Jwaneng Mine, as well as for trade-off studies for underground mining.

MTP Replacement – No. 2 Plant
The MTP Replacement pre-feasibility funds were voted at the August 2005 Board. The objective of the pre-feasibility study is to determine the best value option for a facility to replace the existing main treatment plant (MTP) in time for Cut 8 commencing in 2011.

The study evaluates three main front end processes namely milling, scrubbing and secondary crushing and a combination of the two. It will also evaluate the feasibility of a large diamond recovery facility, a fine diamonds facility and optimise the cut-off sizes between top, bottom and middle sizes in order to obtain the optimal revenue recovery. The study has progressed to a point where a Class I estimate has been completed. A final decision regarding the use of milling at the front end awaits results from the pilot mill test work.

Construction of the pilot plant, whose funds were approved in November 2005 had progressed well and test work was scheduled to commence in February 2007.

An application for a full feasibility study would be submitted for consideration once results from the milling test work have been obtained in May 2007. The schedule, based on this milestone, indicates that the plant would reach full production in October 2011.
Water Consumption
The raw water supply system continued to operate satisfactorily. The average monthly raw water consumption from the Northern Well fields at 783,925 m³ (total 9,407,098 m³ for the year) was 21% favourable compared to the average for 2005 (992,179 m³) and 37% favourable to the water right (1,250,000 m³ per month).

The township’s monthly average consumption at 146,779 m³ decreased by 16% in comparison with the 2005 average (178,189 m³) and was 27% favourable to budget (200,000 m³). The average consumption for all plants was less than the budgeted figures and 2006 was a good year on averages compared to other years.

A Water Coordination Committee has been established to review total water management with the objective of reducing consumption and ensuring sustained availability.

Power Consumption
The annual power consumption was 224.6 GWh and was a reduction of 1.5% when compared to the previous year’s total of 228.0 GWh. The average maximum demand during the year was 32.33 MW and was also a reduction of 1.5% when compared to the previous year’s demand of 32.82 MW. The consumption per ton treated at 22.2 kWh/ton was a reduction of 2.5% when compared to the previous year. The improved efficiencies were mainly due to increased throughput at MTP.

North Star Projects
As part of the North Star (Strategy 2010), a portfolio of 22 projects across the domains of revenue improvement, cost containment, organisational capability and sustainability were initiated, prioritised and implemented. These projects are in progress and include the setting up of the strategy program office, climate improvement process, SAP implementation, MTP hard ore mitigation, CAC upgrade, RP Dissaglomeration, Fine diamonds recovery, RP reload node, Truck dispatch system optimization and Cost containment /reduction initiatives.

The strategy program office, headed by an EXCO level person is fully functional. One of the key initiatives being coordinated from this office is the Change Acceleration Process (CAP) rollout. This process is designed to enable the Mine to build change management capacity as well as ensuring that credible acceptance strategies are developed for all North Star projects. This is in line with the quest for passionately mining diamonds better through the engagement and involvement of the entire workforce. Complementing this is the SafeMap initiative which is aimed at enhancing the competency of workers to identify risks in the work place and avert hazards in the quest for zero harm at Jwaneng.

The Mine embarked on an active feedback campaign to the employees to sensitise them on the outcomes of the 2004 climate survey. These feedback campaigns were designed to solicit for joint solutions and joint
action towards climate improvement. A framework for the implementation of the recommendations has been designed and is coordinated from the organisational development office.

The SAP system implementation project is in full swing under the banner of Project Bobi. The modules due to be implemented comprise of Planned Maintenance, Finance and Supply Chain. These modules are at an advanced stage of development and are planned to go live in August 2007.

Further, work related to preparing the MTP for hard ore treatment has progressed well. One heavy duty secondary crusher was installed during 2006 and the second one is in the process of being purchased.

A feasibility study into the upgrade of the Central Acidising Centre (CAC) towards delivering 100% diamonds, 100% clean and 100% on time to DTC will be completed early in 2007.

A number of options to facilitate efficient beneficiation of briquettes generated from the Recrush Plant’s high pressure crushing have been evaluated. Currently, trade off studies are being conducted with a view to submitting a proposal for a final solution.

Test work on fine diamonds recovery progressed well with credible results being obtained from a grease-based processing unit. Once test work on a pressure jig and a pilot flotation cell has been concluded, a proposal will be submitted to build a plant to treat MTP and RP grits during 2008.

Trade-off studies have also been conducted for various options to improve the reload efficiency of stock-piled MTP DMS tailings for treatment at the Recrush Plant.

In the Mining Department, the optimisation of the truck dispatching system was initiated and is expected to be finalised during the first half of 2007. Current indications are that real value will be added through this initiative.

In addition, major cost saving initiatives were implemented in both the Mining and Treatment Departments, which are the two major production cost drivers. Positive results were realised and more of these optimisation campaigns will continue with increased vigour during 2007 and beyond.

Health Services
During 2006, the Health Services Department successfully implemented a new hospital management system (Proclin) which has led to better stock management, better records management and enhanced information for decision making. Enhanced parking facilities and improved hospital access security have also been introduced, while modifications to the X-ray facility are complete. A comprehensive fire detection system was installed at the hospital, as well as the clinics.

The hospital also embarked on a revitalisation project to address deficiencies in structural designs and processes (Operational Readiness project). Preliminary reports on hospitals designs and needs consolidations will be presented to the Board in 2007.
## SUMMARY OPERATIONS RESULTS

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Debswana places great emphasis on Safety and Health issues, hence the gradual improvement in safety performance of the Mines in terms of Lost Time Injury Frequency Rate and Total Injury Frequency Rate over the years.

The combined lost time injury frequency rate for all of Debswana’s Mines was 0.13 which is an improvement on 2005 lost time injury frequency rate of 0.15.

The Environmental Impact Assessment Act completed a full year of operation during the period under review and Debswana obtained all necessary clearances to ensure compliance with legislation for projects that required impact assessments.
All Debswana operations are implementing the internationally recognised safety and health management systems OHSAS 18001 (Occupational Health and Safety Assessment Series). Jwaneng has been certified, whereas Orapa is expected to be certified in 2007. Morupule will start preparations for certification in 2007. OHSAS 18001 is based on the concepts of continual improvement and will support the Company’s effort to strive towards an objective of zero harm.

**Jwaneng Mine**

The Lost Time Injury Frequency Rate for the year amounted to 0.13 and a total of five lost time injuries were recorded. The Mine was successful in being certified for OSHAS 18001 during the course of the year. Following certification, the Mine has conducted successful internal and external compliance audits during the year.

Towards the end of the year the Mine embarked on the implementation of a competency based safety management system that will pursue an understanding of the risks involved in every operation carried out by employees.

The Jwana Game Park continued to serve as a vehicle for improving environmental education through the many visits that it hosted from schools in the surrounding areas. The game park also continued to provide a base for research on the conflict between endangered cheetah and livestock.

**Orapa and Letlhakane Mines**

A fatality occurred during the month of March 2006 at Letlhakane Mine. An artisan electrician was electrocuted while working on a live 6.6KV junction box.

Despite the fatal accident, there was a significant improvement on total injuries and property damages recorded compared to 2005. A total of nine lost time injuries were recorded compared to 12 in 2005. This improvement is attributed to the Behavioural Based Safety Programme which was implemented in July 2005 and continued until the end of 2006.

Orapa and Letlhakane Mines had an OHSAS18001 pre-certification audit in July 2006 and all the findings from the audit have been addressed. However, with the adoption of the new risk assessment matrix and
introduction of the SHE electronic system database, the certification audit was delayed to March 2007.

The Mines also had an ISO14001 resumption audit in December following a change of the certification body and the certification audit is planned for April this year.

Following its previous decommissioning, rehabilitation of the Mopipi Dam infrastructure was successfully carried out in conjunction with the Mopipi community and other stakeholders.

Oropa Game Park continued to be used as a public recreation area and a source of environmental education for the schools from the surrounding communities. In addition, the game park contributed stock to the fledgling Morupule Colliery Game Park in an effort to assist in its establishment.

On the environmental management front, a new electronic management system called ‘Pivot’ was introduced to improve data management. This has replaced Metago which was previously used. ‘Pivot’ will manage the Environmental Management System, Safety Management System, Occupational Hygiene, Occupational Health and AIDS Management system.

Morupule Colliery

The Lost Time Injury Frequency Rate for Morupule Colliery was 0.34 and arose from the only lost time injury recorded at the Colliery for the year. The development of an environmental management system at Morupule suffered a setback when the Colliery’s sole Environmental Officer departed unexpectedly early in the year. A replacement has since been engaged and work on the system has resumed.
Satisfactory progress has been achieved in the arena of HIV/AIDS impact management during the year under review. An increase has been recorded in both the number of people who know their HIV status and enrolment statistics for anti-retroviral therapy (ART) under the Disease Management Programme.

However, indications are that the HIV/AIDS epidemic will continue to pose similar challenges in the future as those currently faced. Therefore, efforts to mitigate and minimise the impact of HIV/AIDS on employees, their families and the Company will need to be sustained.
A review of the Company’s HIV/AIDS Management Policy was undertaken in 2006 following which the provision of anti-retroviral therapy assistance has now been extended to employees’ children under the age of 21 years who are infected with HIV.

The Disease Management Programme (DMP)
Eight hundred and twelve (812) patients were registered on the DMP as of the end of 2006, which represents an increase of 34%, or 212 patients, over 2005 registrations. Six hundred and eighty three (683) of those registered on the programme were on ART while those remaining were on a monitoring programme to ensure appropriate timing of ART initiation.

Of those registered on the programme, six hundred and thirty (630) were employees while one hundred and eighty seven (187) were spouses, with the remainder (9) being children. Delayed registration to enrol on the DMP remains a great concern with many patients only seeking medical intervention at advanced stages of illness.

In 2006, a total of seventy three (73) enrolled patients died, representing a 9.0% death rate among all registered patients (employees plus their dependants). This compares unfavourably to the 2005 death rate of 7.8%. This trend may be attributable to late registration on the programme, as well as complications associated with long term use of ART.

A robust communication strategy is currently under development to address the continued underlying fear of stigma and discrimination which contributes significantly towards delayed accessing of treatment opportunities.

Debswana ART Fund Trust
The Debswana ART Fund Trust was registered in May 2002. Other than the inclusion of children under the age of 21 for registration on the DMP, there has been no change in the membership status of the ART Fund Trust, whose members are Debswana permanent employees, secondees and fixed term contractors whose contract duration is at least two years, and its beneficiaries are HIV positive members, their legally married spouses and children under 21.

The highlights for the Fund Trust in 2006 included, inter alia, a contract award for procurement of a new DMP system, review of the Notarial Deed of Trust, extension of the benefits to children of employees, appointment of Asset Managers and Site Adherence Counsellors, review of the funding rate and sponsorship of a number of initiatives throughout the Debswana Group.

The value of the Company’s ART Fund was estimated at approximately P61 million at the end of 2006 (2005: P53 million), most of which was invested in fixed interest assets. The ART Trust Fund remained underutilised and the Company’s contribution rate was therefore revised downwards from 3.9% in 2005 to 1.37% in June 2006.

Masa Programme at Debswana Mine Hospitals
The partnership between Debswana and the Botswana Government national anti-retroviral therapy initiative (Masa) continues to positively impact on the lives of communities that outlay Debswana’s mines. A total of 3165 people are enrolled to receive care through the mines’ Infectious Disease Care Clinics, which represents an increase of 35% compared to 2005. In an attempt to circumvent possible congestion at the mines’ hospitals arising from this momentum, a number of government clinics in areas close to the mines are being prepared to start providing ART.

HIV/AIDS Impact Indicators
The monitoring and evaluation of HIV/AIDS indicators still remains an important prong of the Debswana HIV/AIDS Strategy. A majority of the measured indicators have demonstrated negative growth since the roll out of the anti-retroviral therapy in Debswana, a sure sign that the programme is a success.
The tracked HIV/AIDS related statistics being deaths, ill health retirements, and productive time lost due to illness all exhibited negative growth rates between the years 2005 and 2006. Voluntary testing and counselling statistics also improved and grew in the same period, resulting in an increased number of people utilising the services of the DMP.

**Employee Wellness Programme**

A review of the HIV/AIDS strategy highlighted an apparent reversal of the downward trend of productive time lost due to illness despite implementation of the DMP, as well as an increase in mortality due to other causes.

This suggests the existence of other factors besides HIV/AIDS which may have a negative impact on employee productivity. Subsequently, a more holistic health/wellness approach was considered, resulting in the recommendation and approval of a project to establish a co-ordinated Group Employee Wellness Programme that would incorporate the existing HIV/AIDS interventions. Accordingly, work is in progress to develop a wellness strategy that is relevant to Debswana needs.

**TACKLING HIV/AIDS FROM A WELLNESS PERSPECTIVE**

How readily does Debswana staff access the HIV/AIDS Wellness initiative that the Company has now put in place?

Great strides have been made in the uptake of the various HIV/AIDS initiatives. In the early days the fear of stigma and discrimination was much more and to an extent, real. The Programme took deliberate steps to allay related fears by assuring employees and giving them the confidence that their information would not be used against them and that as per policy; discrimination of HIV status as well as disclosing others’ HIV status without their consent was a dismissible offence.

Initiatives to tackle stigma included the approach to HIV testing from a wellness perspective, where instead of the usual Voluntary Counselling and Testing (VCT) on World AIDS day, screening for other lifestyle diseases like hypertension, diabetes etc. was undertaken.

All this has taken us from VCT uptake at the end of 2004 at somewhere around 40% to over 80% today. We are cautious of this figure because we have not been able to confirm its reliability as we suspect some of the cases may be repeats.

Registration on the Disease Management Programme (DMP) has grown tremendously, approximately doubling from 24% of the estimated HIV infected employees, (2003 Prevalence Survey) to 52% at the end of 2006.

**What are the highlights of the communication strategy that has been developed to address issues surrounding the Disease Management Program?**

The communication strategy has been drafted but not implemented as yet. It focuses on creating awareness about the ART Fund and the DMP itself as well as a call to action in terms of encouraging registration, for example communicating (reinforcing) programme personal benefits, creating a roadmap to treatment etc. One of the challenges of the DMP has been late registration on the programme with advanced disease. The strategy will also attempt to address this issue.
People

People Development and Talent Management

During 2006 the focus on people development assumed renewed vigour with the inclusion of leadership development initiatives as dictated by the company’s new business strategy. This ensured that the content and focus development programs were aligned to the strategic needs of the business and that development programs would be assessed for impact and return on investment to the company.

As part of the efforts at meeting organisational capability requirements, a number of selected candidates were enrolled on entry level, intermediate executive development programmes at the London Business School and the Gordon Institute of Business Science in South Africa with notable performance by all participants.

Technical Capability
The availability of technical skills was identified as an issue that posed significant challenges in terms of both attraction and retention. Notwithstanding the pressures of urgently addressing technical
capability to meet current and future requirements, Debswana managed to attain the top award in the 2006 Apprentice of the Year Competition. In addition, both operations were able to achieve full accreditation and registration as vocational training providers, exceeding the requirements of the Botswana Training Authority in the process. However, the challenge remains for the Company to proactively ensure that and technical capability requirements are achieved.

**Employee Relations**

In November 2006 Debswana and the Botswana Mining Workers Union (BMWU) Branches and National Executive Committee (NEC) embarked on a Relationship Building Initiative (RBI) in an effort at establishing a mutually beneficial relationship. As a result, the two parties identified the problems that negatively impact on their relationship and agreed on an action plan with in-built monitoring mechanisms to address these.

Adversarial and positional collective bargaining was identified as a major factor that negatively impacted on the parties’ relationship. Therefore, a commitment was made for a change to needs based collective bargaining. In pursuance of this commitment, the parties have undergone joint training on needs based collective bargaining and the new approach is being tried out for the review of the Memorandum of Agreement and the 2007 wage negotiations.

Other problems that were identified as having a negative effect on the parties’ relationship were agreements entered into during the tenure of office of the former Orapa Branch Committee, as well as a perception that Management does not uphold human rights and also interferes in internal Union affairs. Subsequently, an external mediator was engaged to assist in resolving the issue around the validity of the agreements in question and a joint task team was formed to investigate allegations on the violation of human rights and interference on internal Union affairs.

On a more positive note, the Performance Management System (PMS) Agreement for the A – C Bands was implemented during the year under review and some resultant improvement has been noted in both carat production and safety performance.

**Recruitment and Selection**

In support of various initiatives aimed at ensuring the successful execution of North Star objectives, the recruitment, selection and retention of employees has become one of the Human Resources priorities in recognition of the need to avoid or minimise the loss of corporate knowledge and the cost of replacing employees. Although the general employment culture is changing with an increased incidence of job changes by individuals, Management aims to proactively manage turnover levels and wherever possible minimise voluntary turnover in order to sustain production levels and ensure that the Company achieves its strategic intent.

The current shortage of specialised skills, as well as the growth and expansion of the Botswana mining industry has underscored the importance of attracting and retaining good employees. This is more pronounced for Debswana since the skills required are largely of a technical nature and there is generally a smaller proportion of the population with these skills. Losing skilled employees therefore represents a substantive cost in terms of recruiting, training costs, reduced productivity during the first six months of employment, and the use of temporary employees during transitions, as well as loss of knowledge and commitment associated with long-term employees. In order to ensure that these challenges are managed accordingly Management incorporates internal turnover data to assist in its planning to seek improved competitiveness.

Although the current turnover levels are considered to be relatively low, Management has not been lulled into complacency with regard to the retention of skills and seeks to consolidate the Company’s employment market positioning as part of the North Star strategic initiatives through Human Asset Management (HAM) work stream. This is aimed not only towards ensuring that Debswana is able to attract the best skills, but also at meeting future organisational labour requirements through various graduate development and engagement programmes.
Debswana has its finger firmly on the pulse of global trends. The Company is committed to universally accepted practices. This explains the Debswana Board’s support of the Corporate Governance Principles of openness, integrity and accountability.

The Board is convinced that a highly effective system of Corporate Governance is essential to the fulfilment of the Company’s mandate and the achievement of its financial objectives. To this effect, the Board continuously endeavours to ensure that policies, structures and mechanisms are periodically reviewed and adapted to reflect applicable best practices. The Board meets four times a year and has various sub-committees, each with specific terms of reference.

Audit Committee
The Audit Committee meets at least three times a year to monitor the adequacy of financial information reported to shareholders, monitor internal controls, accounting policies and financial reporting, and to provide
a forum for communication between the Board and the external and internal auditors. This 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 of directors who do not hold executive office within Debswana. The Audit Committee regularly meets the Group’s external and internal auditors and executive management. In these meetings, the parties consider internal control environment risk management, review the audit plans and review accounting, auditing, financial reporting, corporate governance and compliance matters. In particular, they review the annual financial statements ahead of submission to the Board and it is at this point that matters raised by the auditors are considered.

Both the Audit Committee and the Board, are satisfied that there is a proper separation of duties between the external and internal audit functions and that the independence of the external and internal auditors is not in any way impaired or compromised.

Internal Control
The Directors are responsible for the Group’s system of internal control and for regularly reviewing its effectiveness. The primary aim of the system of internal control is the management of business risks that are significant to the fulfilment of Debswana’s business objectives with a view of enhancing, over time, the value of the shareholders’ investment and safeguarding the Group’s assets.

Although no system of internal control can provide absolute assurance that business risks will be fully mitigated, the internal controls systems have been designed to meet the Group’s particular needs and the risks to which it is exposed.

To enable the Directors to meet their responsibilities, Management sets standards and implements systems of internal control designed to provide reasonable assurance regarding the achievement of objectives and to reduce the risk of error or loss in a cost-effective manner. These controls, which are monitored throughout the Group, include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Internal Audit
The Group has an internal audit function covering its operations.

Internal Audit is responsible for:
• assisting the Board and Management in monitoring the effectiveness of the Company’s risk management process; and
• assisting the Board and Management in maintaining effective controls by evaluating these on an ongoing basis to determine their efficiency and effectiveness and to recommend improvements.

Audit plans are based on an assessment of business risk, as well as on issues highlighted by the Audit Committee and Management. Audit plans are updated annually to ensure that they are responsive to changes in the business.

Comprehensive findings are presented to Management at the conclusion of each audit, and a summary thereof to the Audit Committee at each of its scheduled meetings. Follow-up audits are conducted in areas where significant weaknesses are found.

Corporate Governance best practice requires that the internal audit function reports directly to the Audit Committee. Such direct reporting is ensured by the Audit Committee’s mandate and practice to:
• evaluate the effectiveness of internal audit;
• review and approve the internal audit charter, internal audit plans and internal audit conclusions about internal control;
• review significant internal audit findings and adequacy of corrective actions taken;
• assess the performance of the internal audit function and the adequacy of available internal audit resources;
• review significant differences of opinion between Management and the internal audit function; and
• consider the appointment, dismissal or reassignment of the Head of Internal Audit.
The charter of internal audit department provides that the Head of Internal Audit has direct access to the Board Chairman and the Chairman of the Audit Committee.

Risk Management
Both the shareholders and the Board recognise that engaging risk is at the core of Debswana’s business and that risk taking is a choice in pursuit of objectives.

Debswana and its operations are governed by a risk framework through which risks are engaged in an informed manner and pro-actively identified and managed. This includes identifying and taking advantage of opportunities as well as protecting intellectual capital, income and assets by mitigating adverse impacts of risk.
• The Company’s Risk Management Policy addresses risks in areas of strategy, operations, finance and compliance. All significant risks are reported to the Group Executive Committee and the Board at each meeting.
• Insurance policies that are in place to address those risks that must be transferred are reviewed by the Audit Committee of the Board annually.
• Awareness and understanding of Debswana’s risk management framework is established at all appropriate levels of the organisation.
• A process of identifying significant risks with reference to strategic, business or process objectives has been established. Management is responsible for identifying, evaluating and managing these risks.

Code of Ethics
Debswana has a formal Code of Business Conduct and Ethics.

This code commits the Company to the highest standard of compliance with laws, regulations, integrity and ethics in dealing with all its stakeholders.

Remuneration and Nominations Committee
The Remuneration and Nominations Committee (REMCO) is a sub-committee of the Board and has a primary task of making recommendations on the compensation, incentives and performance targets of Executive Directors, as well as salary scales for Executive Management. In addition, Remco’s remit is to review and recommend for approval by the Board, the structure and funding levels of any executive bonus and incentive schemes. The Committee also recommends proposals for Directors’ fees to the shareholders, recommends for approval by the Board, proposals for Upper E-Band and above Senior Executive Management appointments, and endorses, prior to action being taken, decisions by the Managing Director to dismiss Upper E-Band Senior Executive Management and provide assurance, if necessary, to the Board on disciplinary processes followed.

Technical Committee
The Technical Committee is also a sub-committee of the Board and its main focus is to consider, inter alia, technical issues, mining plans and proposals, capital expenditure, and budgets in addition to providing overall technical assurance to the Board and making appropriate recommendations for approval by the Board.
Debswana launched a new Corporate Social Investment (CSI) Policy during the year under review. The main thrust of this policy is to create a legacy of prosperity and sustainability through partnering with the communities in which it operates as well as the country in general.

As a world class company, Debswana believes in setting the trends in good corporate citizenship. That is why Debswana subscribes to the philosophy that its entrepreneurial success should be underpinned by social and economic responsibility. The new policy emphasises on partnership as opposed to donations. Therefore Debswana is deliberately taking responsibilities of a mentor in these projects in an effort to make sure that they are both successful and sustainable.

Success of projects, will among others, be achieved by thoroughly interrogating each proposal before it is recommended for funding to make sure that it meets our criteria, and then partnering with the owners of those projects (communities or NGOs) through the provision of skills and other key required resources.
This new shift in social investment provides for deeper involvement of the Company in beneficiaries’ projects through consultation with community representatives whenever deemed appropriate to ensure projects take into account their views and to foster community buy-in. The emphasis is on long-term sustainability.

In 2006, Debswana had a CSI budget of P6.7 million of which over P3 million of the committed P5 million was disbursed to various projects and organisations. These included P800 000 towards various centres for people with disabilities and a similar amount to various sports organisations, P150 000 towards environment organisations, and P500 000 towards education and other community projects.

The Debswana’s social investment initiative is not only limited to cash disbursement. The programme contributes largely to the development goals in the mining communities of Jwaneng and Orapa. In Jwaneng, the company runs an 89-bed hospital whilst Orapa mine runs a 100-bed hospital. The Orapa and Jwaneng hospitals provide healthcare services to the communities in the two mining towns. They also act as district referral hospitals.

To further demonstrate its responsibility to community health, Debswana has partnered with the Botswana’s Ministry of Health since 2003 to provide anti-retroviral treatment and medical care from the mine clinics to those in the communities around the mines.

Projects such as the Khama Rhino Sanctuary, Mokolodi Nature Reserve and SOS are some of the projects that have turned the corner in as far as sustainability is concerned.

From 2007, Jwaneng and Orapa mines will each receive up to 15% of the CSI budget which has been substantially increased and the remaining 70% will support Debswana’s national flagship activities that are managed from Head Office.
PEO HOLDINGS

Established in 1997, Peo Holdings is a joint venture between Debswana and De Beers whose main objectives are to promote and facilitate the establishment of commercially viable businesses in Botswana. In line with the country’s citizen empowerment efforts, Peo also facilitates the involvement of Batswana as owners in these businesses.

Peo addresses two identified challenges to the survival and growth of Small and Medium Enterprises (SMEs) in Botswana—shortage of entrepreneurial skills and lack of start-up capital.

To date, Peo has funded 57 businesses, with an investment value of P30,59 million. Of the 57 businesses, 9 projects with an investment value of P9,64 million were approved in 2006 alone. So far, these businesses have created employment for over 1000 Batswana.
A strategy refocus adopted in 2006 identified growth opportunities in larger investments which would result in higher returns. This is critical for the sustainability of the fund. In pursuance of this strategy, Peo concluded four of their largest deals in 2006 at a total investment of P8,45 million. In respect of portfolio management, the focus is on ensuring that all businesses are migrated to profitability.

**MASEDI**

The year under review witnessed Debswana’s exit from its agricultural venture. All the assets of Masedi (PTY) Limited were sold during the year under review.
Even though the year under review has been fraught with challenges, it has to be said that it has also been a time of excitement as the BDVC begins the transition into the Diamond Trading Company Botswana. The Company was established in 2006 and it is a 50/50 new joint venture company between the Government of Botswana and De Beers. It is expected to start operations at the beginning of 2008. DTC Botswana’s primary functions include the full sorting and valuation of Debswana’s diamonds and the selling of rough diamonds to the local Botswana diamond cutting and polishing industry.

It will be the world’s largest and most modern diamond production facility and will house state-of-the-art equipment and systems. DTC Botswana will be at the forefront of creating over 3000 new jobs in Botswana in downstream diamond related activities. This represents an increase of around 30% in diamond industry employment levels in Botswana and an increase of around 10% in the overall Botswana manufacturing sector.
A project team is in place to ensure delivery of the new business. This team, supported by staff across BDVC, is focused on delivering not only the creation and governance of the new company and its financial set-up, but also managing the necessary change process to set DTC Botswana on the right path for a successful future. Alongside all the work being done to deliver the new company, the building project continues apace in order to allow DTC Botswana to begin full operations at the targeted time in its new facility.

During the year under review, BDVC faced some challenges, which were continuing from the previous year. They included space constraints, an ageing building and a tight sorting programme that processed over 33 million carats.

BDVC continued managing demands of daily operations simultaneously with requirements of strategy and DTC Botswana transition.

The transition has also influenced issues of staff development where the primary focus has been on leadership development and technical skills enhancement with an over-arching objective of delivering a full DTC assortment.

Following the roll out of Business Continuity Plans (BCP) to departments, the BCP framework was subjected to internal audit to assess its robustness.

Management continued to address staff wellness and welfare issues in order to meet the physical, emotional and nutritional needs of employees.

**MORUPULE COLLIERY**

Coal sales totalling 940 086 tons of coal were achieved during the year compared to 967 242 tons in 2005.

Export sales grew to 77 342 tons (2005: 51 228 tons) largely as a result of further increases in exports of coal to Zimbabwe and Zambia. For the first time, small amounts of coal were also exported to the Democratic Republic of Congo. The operational performance of the Continuous Miner, which was commissioned during 2004, continued to be satisfactory with a record production of 96 592 tons being achieved during March 2006.

The Morupule Board approved a project to construct and commission a coal wash plant and an order for this was placed during November 2006. Commissioning is expected to take place in November 2007. In addition, preparations commenced during the year for expanding the Mine in response to the expansion of the BPC Morupule Power Station in 2010.
In terms of safety, the Mine had reason to celebrate as the number of minor accidents decreased by over half from 18 in 2005 to 8 in the year under review. There was only one reportable accident during October 2006. The Mine believes these positive developments were attributable to a continuous campaign around enhanced safety practices. Evidence of this was Morupule Colliery’s performance in the Botswana Inter-mine First Aid Competition in 2006 where the Mine took first and third positions.

The Colliery’s fledgling game park received a boost this year, when additional game was introduced. Community involvement is vital to the success of some of the Mine’s activities and regular meetings were held with local community representatives to discuss issues of mutual concern. This ensures that relations remain good.

The Colliery’s Corporate Governance Improvement Programme continued during the year. The Audit Committee met at appropriate times during the year and a number of internal control reviews were satisfactorily conducted by outside parties and the Group’s Internal Auditors.

The Colliery continues to be affected by the HIV/AIDS pandemic and efforts are being sustained to encourage employees to undergo voluntary counselling and testing. Employees are also encouraged to register for the Group’s Disease Management Programme in the event that they test positive for HIV.

Relationships with organised labour remained constructive with the Botswana Mine Workers Union being consulted on relevant issues. The Mine Negotiating and Consultative Committees met as required during the year and salary negotiations were concluded in record time.

**SESIRO INSURANCE COMPANY**

This short term insurance company was formed in June 2000 to issue insurance policies protecting Debswana’s assets, business interruptions, liabilities, securities (directors and officer’s errors / omissions) and aviation risks. As a licensed short term insurance company in Botswana, Sesiro Insurance Company (Pty) Ltd. enables secure and cost efficient access to the domestic and international insurance markets for Debswana’s risks. Identifying and providing facilities for the management of risks outside the scope of that available in the insurance market, for example retention of part of the deductibles, is also part of the service provided by Sesiro to Debswana’s subsidiaries.

**DEBSWANA INVESTMENTS SOCIETE ANONYME**

Debswana Investments Société Anonyme (Debswana Investments sa) was formed in May 2001 and is wholly-owned by the Company. Debswana Investments sa holds the interests of the Debswana Group in De Beers. These interests comprise preference shares and “B” ordinary shares in De Beers sa and “A” ordinary shares in DB Investments sa, with the “B” and “A” ordinary shares together representing 15% of the ordinary share capital of the consolidated DB Investments sa / De Beers sa Group.

The parties to the Jwaneng Mining Licence Renewal Master Agreement signed on 23 May 2006 agreed to procure that Debswana’s entire 15% interest in De Beers is ceded and transferred to the Government of the Republic of Botswana (GRB) with effect from 01 August 2004. By the close of the period under review, the details of the actual mechanism to be employed to give effect to such transfer had not been finalised. The Board has previously agreed that whereas the cession of all rights to the 15% interest is effective from 01 August 2004, the actual transfer of the 15% interest would be effected at a date subsequent to 31 December 2004 once a decision has been taken on the manner of transfer of the securities.
Directorate changes during the year under review

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<tr>
<th>Appointments</th>
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<tr>
<td>S.M. Brown</td>
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<td>S. Khama</td>
<td>20/01/2006</td>
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<td>D.A. Farnaby</td>
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<td>Dr. A.L. Molokome</td>
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<td>L.R. Smart</td>
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<td>G. Kombani</td>
<td>30/05/2006</td>
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<tr>
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<td>G.K.Y. Cachalia</td>
<td>30/05/2006</td>
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<tr>
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<tr>
<td>D.S. Moremi</td>
<td>11/08/2006</td>
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<tr>
<td>(Alt to Dr. I.P. Mogotsi)</td>
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<tr>
<td>(Alt to Dr. A.R. Tombale)</td>
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<td>11/08/2006</td>
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<td>S. Khama</td>
<td>20/01/2006</td>
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Group Financial Statements

- Group revenue at P17.4 billion increased by 10% against 2005 at P15.8 billion.
- US$ diamond sales at $3.0 billion marginally down on 2005 revenue of $3.1bn.
- Diamond sales volumes at 33.9m carats maintained at 2005 levels.
- Average Pula/USD exchange rate for diamond sales depreciated by 14%.

Performance for 2006 was good with the Debswana Group achieving strong diamond sales volumes driven by record production levels for the year. Diamond market pressure resulted in a slight reduction (3%) in the average US$ revenue per carat realised in 2006 relative to 2005. As a result, total US$ revenue for 2006 at 3.0bn was marginally lower than 2005, which, coupled with a depreciation of the average Pula/USD exchange rate for diamond sales of 14%, resulted in Pula revenue at P17.4bn exceeding 2005 revenue by 10%.

Total costs for the year were 11% above 2005 levels with the increase largely driven by an amortisation of P185m for rehabilitation costs relative to P47m in 2005, this being due to a revision to the Group’s estimated liability for restoration and rehabilitation costs. Further pressure on operating costs resulted from high fuel prices as well as an increase in staff related costs.
Balance Sheet

Shareholders interests in the Group for 2006 at P9.7 billion reflected an increase of P641 million over 2005. This was mainly attributable to an increase in the value of the Group's listed investment.

The Group's total liabilities at P2.4 billion reflected a P316 million decrease over 2005 which was primarily as a result of a reduction in the estimated liability for restoration and rehabilitation of the Group's mining operations. An abridged balance sheet of the Group at 31 December 2006 is as follows:

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<td>Liabilities</td>
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<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
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<td><strong>ASSETS</strong></td>
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<td><strong>Non-current assets</strong></td>
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<tr>
<td>Property, plant and equipment</td>
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<td>5 456</td>
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<td>Investments</td>
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<td>4 128</td>
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<td>Other</td>
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<td><strong>TOTAL ASSETS</strong></td>
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### Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<td>ART</td>
<td>Anti-Retroviral Therapy</td>
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<tr>
<td>BCP</td>
<td>Business Continuity Plans</td>
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<td>BDVC</td>
<td>Botswana Diamond Valuing Company</td>
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<td>BMWU</td>
<td>Botswana Mining Workers Union</td>
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<td>BPC</td>
<td>Botswana Power Cooperation</td>
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<td>CAC</td>
<td>Central Acidising Centre</td>
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<td>CAP</td>
<td>Change Acceleration Process</td>
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<td>CARP</td>
<td>Completely Automated Recovery Plant</td>
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<td>CSI</td>
<td>Corporate Social Investment</td>
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<td>DMS</td>
<td>Dense Media Separation</td>
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<td>DPF</td>
<td>Debswana Pension Fund</td>
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<td>DTC</td>
<td>Diamond Trading Company</td>
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<tr>
<td>EDP</td>
<td>Executive Development Programme</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EXCO</td>
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<tr>
<td>FeSi</td>
<td>Ferrosilicon</td>
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<td>FISH</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GRB</td>
<td>Government of the Republic of Botswana</td>
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<td>HAM</td>
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<td>HIV</td>
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<td>ICT</td>
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<tr>
<td>IFSC</td>
<td>International Financial Services Centre</td>
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<td>IRFSA</td>
<td>Institute of Retirement Funds of South Africa</td>
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<tr>
<td>ISO</td>
<td>International Organisation for Standardisation</td>
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<tr>
<td>JREP</td>
<td>Jwaneng Resource Extension Program</td>
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<tr>
<td>KAP</td>
<td>Knowledge, Attitudes and Practices</td>
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<td>KCS</td>
<td>Kalahari Conservation Society</td>
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<tr>
<td>LAG</td>
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<td>LDD</td>
<td>Large Diameter Drilling</td>
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<td>Lost Time Injuries</td>
</tr>
<tr>
<td>LTIFR</td>
<td>Lost Time Injury Frequency Rate (X/2000 shifts)</td>
</tr>
<tr>
<td>MCF</td>
<td>Mine Call Factor</td>
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<tr>
<td>Mct</td>
<td>Million carats</td>
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<tr>
<td>Mt</td>
<td>Million tons</td>
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<td>Main Treatment Plant</td>
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<tr>
<td>NAMPAAD</td>
<td>National Agricultural Master Plan for Arable Agriculture and Dams Development</td>
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<td>National Conservation Strategy (Coordinating) Agency</td>
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<td>National Executive Committee</td>
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<td>NOSA</td>
<td>National Occupational Safety Association</td>
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<td>NOSCAR</td>
<td>National Occupational Safety Credited Awards</td>
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<td>OD</td>
<td>Organisational Development</td>
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<td>OREP</td>
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diamonds

evoking desires | shaping destinies

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