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*By Chaim Even-Zohar*

Marange Tenders Taking Off in a Big Way

It was 2 a.m. here in **Washington, D.C.**, yesterday when a phone call from **Harare** made me jump – and I knew the night was over. A Belgian trader said that he is attending a rough tender by the **Diamond Mining Company (DMC)**, which is currently tendering some 472,000 carats. DMC is a reincarnation of what once was called **Pure Diamonds** – the name of an associated diamond trading company in **Dubai**. It is a joint venture with the government-owned **Zimbabwe Mining Development Company (ZMDC)**.

Another KP-Compliant Mine?

The trader posed an urgent question regarding the mine's KP compliance: DMC people claim that they will have a **Kimberley Process Certification Scheme (KP)** certificate no later than February 7th – the closing date of the tender – and they are selling now so that they can get their revenue stream started right away.

I dropped a line to **Stéphane Chardon**, the Chair of the KP's **Working Group on Monitoring (WGM)**, asking him if there is another KP-compliant mine in **Marange** that we don't know about. His answer was "yes" – there is.

"The KP Monitors visited DMC and found it to be compliant," said Chardon. "This was discussed by WGM on 26 January and no objections were raised, so it seems to be 'kosher'. The KP Monitors were scheduled to conduct another visit on the occasion of the first export," he added, thus confirming the report by the trader that Monitor **Abbey Chikane** would be there this week.

DMC claims that it has been mining for some five months; its

Stéphane
Chardon



Abbey
Chikane



relatively modest alluvial mining operation produces some 7,000 carats per day, which at US\$50 p/c would be worth an estimated US\$350,000. That's about US\$130,000,000 a year. That's at least another 2.5 million carats of predominantly cheaper goods entering the diamond business on the supply side – assuming that this level of production is maintained. That's probably a wrong assumption, as the output will be more as mechanical capacity is enhanced and improved. DMC is managed by **Vic Botha** and **Gille Sithole**. There is a considerable involvement of Indians and Lebanese.

A Level Playing Field

The hardly noticed entry of DMC into the industry as a KP-compliant mine raises a number of questions. Though one might argue that Marange has ceased to be an issue, that it has become just a matter of routine and that there is no need to announce such entry to the industry at large, one might also argue to the contrary. Single and specific mine certification remains an oddity and is quite contrary to the way the KP system works, where only countries are considered compliant or not compliant, and "new mines" are therefore neither KP-related nor noticeable events.

But we see it as a matter of maintaining a level playing field – of fair competition. How can one compete in a Marange tender if there hasn't been any public notice of the KP approval of another mine?



Marange Diamond Area

the **Chinese**-owned Anjin mine will sell some 500,000 carats and Marange Resources will sell some 350,000 carats. **Mbada** is also having a sale, but I am not aware of how much they are offering, though I would assume that it wouldn't be less than 400,000 carats.

Not all sales will need KP certificates, as in Harare there are ostensibly a few diamond manufacturing units employing some 50 cutters altogether. This doesn't mean that the goods aren't exported – but we wouldn't know.

My back-of-the-envelope calculations show 1.65-1.7 million carats for sale in the next weeks. At US\$50 p/c, that isn't "too much" money (US\$85 million to US\$90 million), but only 10 percent of these carats will be gem-quality, and the rest will be cheaper goods for which there is presently little appetite. Both DMC and Anjin sell from inventories accumulated over periods when they were denied KP certificates. Prices are bound to be under enormous pressures – with a spillover effect on the rest of the diamond market. More on this later.

Courier Companies

As we reported previously, none of the usual courier companies (**Brinks**, **Malca-Amit**, etc.) will take goods in Harare – because these Marange mines are under **U.S. OFAC** sanctions against Zimbabwe. DMC may not be listed (yet) per se, but its 50 percent shareholder, ZMDC, is – and that's enough for sanctions to apply.

Therefore, each and every buyer has developed his own "transportation arrangement" – mostly by passenger on the Ethiopian Airline's convenient (but nightmarish in terms of seating comfort) Harare-**Tel Aviv** flights. The majority of parcels would be boarded in Johannesburg. OFAC or no OFAC, the rough diamonds do go out – and the resultant polished finds its way to the United States, or, more precisely, mostly to the United States, which is the preferred destination for most of the world's cheap diamond production. (From a diamond perspective, it is our best "junk market.")

Zimbabwe's DMC Operations. (Photo from the Zimbabwe Guardian.)



February Marange Tenders: 1.65-1.7 Million Carats?

It is crowded in the Meikles Hotel in Harare – at least from a diamond perspective. In the next one to 10 days, we'll see some of the challenging (or maybe "frightening" is a better word) scenarios unfold – from an industry pricing perspective.

DMC is tendering more than 400,000 carats; meanwhile,

The Marange Market

In spite of the considerable similarities among the four currently operating diamond mines in Marange – the fifth one, Sino-Zim, has suspended operations as it found that the concession wasn't profitable – there are nevertheless considerable differences. The northern mines (Mbada) would yield average-size diamonds of 6 carats; Marange Resources, 5 carats; and Anjin, some 4 carats. As for DMC, we still don't know.

Clearly, the first tender by Anjin may not represent "run-of-mine." Traders say that the company sold some 450,000 carats of which 6 percent by volume consisted of larger goods from 5 carats each to 30 carats. In terms of value, this 6 percent would have represented 35 percent of total value in a tender that yielded some US\$20 million-plus at an average price of slightly below US\$50 p/c.

When the Marange supply expands and the demand for cheap rough is turning southward, the prices are under considerable pressure. The peak of well above US\$65 p/c for run-of-mine productions has clearly passed. Bid prices are not necessarily representative.

"Most buyers attend multiple tenders," says one trader. "In the current market we look for bargains. We'll participate at various tenders but will come in at low prices. So if we win a few lots, we are bound to make money," he added. Bargain hunters and speculative buying are the words that come first to mind for the Marange market.



In terms of valuations, the experts at the Mineral Marketing Corporation of Zimbabwe (MMCZ), which, by law, administers all tenders and is the "selling party" on behalf of the individual producers, have by now the best "feeling" for the goods – and their reserve price tends to be quite close to the highest bidder.

According to the system, both the MMCZ and the individual mine set a "reserve price" – and the higher of the two will be used at the tender.

Recently, we have seen that in many instances negotiations continued whenever the highest bid didn't meet the reserve price – thus tenders have become more of a prolonged exercise.



Steady Client Base

Though many Marange buyers will use a variety of corporate entities ("straw companies") to participate in tenders, there are now some two dozen parties whose names appear with great frequency in most tenders.

Actually, there are also some **DTC** sightholders that participate in the tenders. This is quite interesting since, apparently, for **De Beers**, it is important that the supplier be KP-compliant – and the fact that OFAC prohibits the "direct or indirect imports" of these goods into the United States is of no concern to the DTC.

Zimbabwe Production Scenarios

A few years ago, together with **Pranay Narvekar** of **Mumbai-based Pharos Beam**, we developed some future Zimbabwe scenarios, and as we move forward in time our predictions seem to take firmer shape and are validated. Zimbabwe seems well on its way to potentially supplying 20 percent of the world supply by value and 30 percent by volume (50 million carats out of 180 million) by 2015.

Marange's total potential prospecting area is 70,000 hectares (700 km²). Of this, 20 percent has already been identified as having economic potential. One can assume a total of 35 percent, i.e. 25,000 hectares (250 km²) to be mineable. Concession areas are



roughly 1,500-2,000 hectare per license; Marange has a potential for 11-16 mines.

If each economic property will mine a minimum of 10 million carats a year – which so far is clearly the case – total annual production may ultimately reach 110-160 million carats a year – which would be more than the current global rough output.

We estimated that the average diamond size of current production is 4 carats, which, if anything, may turn out to be too low. But we don't yet know what future mines will yield. Some 50 percent of the currently known Marange mining output is cuttable (compared to 65 percent of average world output). Of the cuttable quantities, some 13 percent is of gem-quality (which has a polished yield in the 31-32 percent range), while the remaining 37 percent consists of near-gem quality (which has a polished yield of between 10-12 percent).

Current production is very conservatively valued at between US\$1.25-US\$1.75 billion a year, maybe more but not less.



Impact on Cutting Centers

It's kind of euphemistic to refer to "impact on cutting centers" as, in fact, only India is affected in a most serious way. India's cutting industry suffers presently from a shortage of labor. It clearly cannot handle the growing inflow of Marange goods – and processing will come at the expense of rough from other producers, especially **Argyle**.

According to Pranay Narvekar, "at 25 million carats rough cuttable a year, manpower requirements would be for 3,000



people in cleaving and some 2,000 people in marking. An average of 5 polished stones can be produced per carat – thus annually some 125 million polished stones will come out of the production. In India, 1,000 stones of Marange-type rough are polished per worker per year." says Narvekar.

The bottom line is that Marange's current production will contribute direct employment for 125,000 workers and indirect employment (supervisory, assortment, marketing, administration, etc.) of 50,000 jobs. Marange diamonds will provide 180,000 direct and indirect jobs in downstream processing.

Marketing Implications

The evolving Marange story doesn't really contain surprises. It remains a real threat to Argyle's underground operations, as Marange will strongly compete with these goods when they come on-stream in a major way towards the end of the year. It has tremendous marketing implications whereby Argyle's **Rio Tinto** will endeavor to "differentiate" in the markets – "good goods" (for which consumers will pay premiums) verses "tainted goods" (which will trade at a market discount). I don't like these differentiations – but each producer is entitled to have its own strategies, plans or visions.

A lot of assumptions are always made about "what the consumer wants." Nobody really wants to spell out the empirically proven truth: the consumer doesn't care. A former long-time legal director of **De Beers** once explained to me that "nothing will come between a woman and her diamond."

Diamonds will sell – but the Zimbabwe diamond miners may wish to consider with greater care the timing of bringing additional mines into operation. The diamonds there have been deep under Zimbabwe's ground for more than one billion years. A few more years before coming into this world will not hurt anybody. To the contrary. ♦

INDIA

Indian Initiative to Train Tribal Women in Diamond Manufacturing

In a simultaneous effort to boost employment among India's unskilled tribal woman and correct the shortage of India's trained diamond workers, the **Gems and Jewellery Export Promotion Council (GJEPC)**, **Surat Diamond Association (SDA)**, and **District Rural Development Agency (DRDA)** have reportedly formed a joint initiative to train unskilled tribal women in diamond cutting and polishing.

The DRDA, which is running women empowerment schemes and programs in rural areas, has about 8,000 **Self Help Groups (SHGs)**

consisting of more than 100,000 women as its members from different villages, all of whom will be offered training for diamond cutting and polishing, according to the *Times of India*.

The news source says that the **Indian Diamond Institute (IDI)** has taken responsibility for training the tribal women. Once their training is completed, the SDA and the GJEPC will reportedly urge diamantaires to establish small diamond cutting and polishing units in outlying areas to employ the newly skilled women. "The industry is set to face a shortage of diamond workers in the near future as the youngsters are not willing to take up the job and the present workforce is on the verge of retirement. However, the industry has felt a strong need to train unskilled artisans from the rural areas to create more employment. We are ready to extend all the support required in training and giving employment to the tribal women at their doorstep," says SDA President **Dinesh Navadia**, as quoted by the *Times of India*.



INDIA

Indian Government Mulls Diamond Hallmarking

India may be planning to implement a hallmarking mechanism for diamonds, according to the *Indian Express*, which reports that the "trigger" for the proposal was the customs department's imposition of an import duty of 2 percent on both **lab-grown diamonds** and **natural polished diamonds**.

With this, unnamed industry sources say they fear the country might see a big inflow of lab-grown diamonds, which hitherto had an import duty of 10 percent. The news report also notes that there is rising concern that consumers could be unknowingly duped into buying lab-grown diamonds that they think are natural polished diamonds.

Given the fact that lab-grown diamonds cost 40-50 percent less than the natural ones, it is the jewelers who are going to benefit the most, reports the news source, citing unnamed experts.

"It is not good for customers. There must be some certification like the one for gold. In fact, it should have a separate duty structure and tariff code. India's strength lies in natural diamonds and we have no competence in lab-grown diamonds," reports *Indian Express*, quoting an unnamed **Gem and Jewellery Export Promotion Council (GJEPC)** official.

The official added that the government should first focus on establishing laboratories for industrial diamonds as currently there is no facility for testing the lab-grown diamonds, which are also used for making jewelry, according to the news source.

UNITED STATES

U.S. Appoints Gillian Milovanovic as 2012 KP Chair

Having assumed the rotating Chairmanship of the **Kimberly Process Certification Scheme (KP)** for 2012, the **United States** has named Ambassador **Gillian Milovanovic** as the group's Chairwoman. She is the first woman to head the organization.

Ambassador Milovanovic previously served as U.S. ambassador to **Mali** and to **Macedonia** and has held senior positions at U.S. embassies in **South Africa**, **Botswana** and **Belgium**. Ambassador Milovanovic speaks fluent **French** and has extensive economic and business experience.

"I am confident that through her leadership we can work together to effectively address the concerns of various stakeholders to improve the KP," says Assistant Secretary for Economic and Business Affairs **Jose W. Fernandez** in a letter announcing her appointment.

According to Fernandez, who confirmed his continued involvement in the KP throughout the year, especially at this year's Intersessional and Plenary meetings, the U.S. aim for this year is to "nurture a culture of consultation, collaboration and transparency in the KP" while meeting current and future challenges.

South Africa is serving alongside the U.S. this year as the KP Vice-Chair.



Gillian Milovanovic

ENGLAND

DTC Honors Oppenheims during Annual Sightholder Cocktail Reception

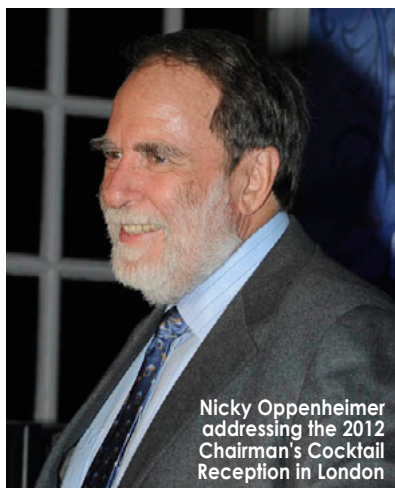
The **Diamond Trading Company** (DTC) celebrated the start of the 2012 sales year last week at its annual Chairman's Cocktail Reception in **London**. De Beers Group Chairman **Nicky Oppenheimer** and DTC Chief Executive Officer **Varda Shine** hosted the event for DTC sightholders. Also in attendance were **Anglo American** Chief Executive **Cynthia Carroll** and **De Beers Group** Chief Executive Officer **Philippe Mellier**.

Tribute to the Oppenheims

Paying tribute to the Oppenheims' long association with De Beers and diamonds, **Cynthia Carroll** addressed the party by saying: "The contribution the Oppenheimer family has made will always remain at the heart of De Beers, just as it will remain at the heart of Anglo American, which was itself founded by Nicky's Grandfather, **Sir Ernest Oppenheimer**. Anglo American and De Beers have a shared history and shared values."

Added Carroll: "...at the heart of De Beers' commitment to partnership is our relationship with sightholders. As the world's leading diamantaires, sightholders play a critical role in the success of De Beers and the development of the diamond market. I firmly believe that the unique strengths of De Beers and its sightholders, combined with the scale and resources of the Anglo American Group, can bring even greater future success. We are committed to our partnership with sightholders and to working together to make that future an exciting reality."

With last week's Chairman's Cocktail Reception likely to be **Nicky Oppenheimer's** last, as his family prepares to exit the De Beers Group, he expressed his gratitude for the tributes to the role of the Oppenheimer family in the diamond industry: "I cannot disguise that this is a moving occasion for me personally, but I am proud of the contribution my family has been able to make to what I believe is the most exciting industry in the world. I know that, with the support of Anglo American and the commitment of Philippe Mellier, De Beers, our sightholders and our producer partners have a rich and rewarding future ahead of them."



Nicky Oppenheimer
addressing the 2012
Chairman's Cocktail
Reception in London

2011: A Successful Year for Sightholders

Varda Shine also spoke at the reception, commending DTC sightholders for their hard work and commitment during 2011. "This was undoubtedly a successful year for the diamond industry and I was heartened to see sightholders perform strongly despite the challenges we all faced," said Shine. "Sightholders are the leaders of the diamond industry. With this comes privilege, but also the responsibility to lead the way by ensuring we are 'up to diamonds' in everything we do. Together, sightholders, producer partners and the DTC create a formidable team; one that is more than capable of fulfilling the promise of the 'Diamond Decade,'" concluded Shine.

In his address, **Philippe Mellier** thanked the DTC and its sightholders for their continuing commitment to the success of the diamond industry and reminded attendees that: "as new generations come of age, carrying new cultural and life experiences and expectations, we must work to ensure they discover a product with deep meaning, value and integrity. From exploration and mining to manufacturing, marketing and retail, this must be a joined up effort to deliver on one of the world's strongest consumer propositions."

SWAZILAND

Dvokolwako Tightens Security amid Reports of Diamond Looting

Security has been tightened at **Swaziland's Dvokolwako Diamond Mine** following media reports revealing growing instances of local trespassers illegally looting and selling the mine's diamonds.

The **Swazi Observer** reports that in the past week, the mine's security personnel have started conducting "regular and stringent" patrols during the day and at night, prohibiting locals any access to

the mine. Sources told the newspaper that the stolen diamonds were sold on the black market in **South Africa**, mostly to **Asian** nationals.

Operations at the mine have not yet commenced. The mine's owner, South Africa-based multi-millionaire **Roux Shabangu**, recently said on record that he was still committed in pursuing the Dvokolwako Diamond Mine project, which was closed more than 10 years ago. Shabangu

promised that the mine would re-open this year and that more than 2,000 people would be employed at Dvokolwako once it started operating at full capacity.

He had said the delay in opening the mine was caused by the series of tests that had to be conducted.

Swaziland received acceptance into the **Kimberley Process Certification Scheme** in 2011.



Roux
Shabangu

ZIMBABWE

Zimbabwe to Significantly Raise Miners' Registration, License Fees

The **Zimbabwe** government is reportedly proposing to raise registration, rental and license fees for mining activities to capitalize on revenues from the mining sector and to discourage the holding of claims for speculative purposes. While Mines and Mining Development Permanent Secretary **Prince Mupazviriho** confirmed that new fees would be announced soon, he declined to divulge when, reports the state-run *Herald*.

For **diamond** miners, the prospecting fee will remain at US\$1 million, although a one-off and non-refundable registration fee of US\$5 million will be introduced if the proposals are approved, according to the ministry's draft schedule, as cited by the news source. Additionally, the license to cut and polish diamonds will reportedly rise to US\$100,000 from US\$20,000, while a gold buying license will double from US\$2,500 to US\$5,000.

An ordinary prospecting license for platinum will rise from US\$150 to US\$500,000 while the registration fee will rise from US\$300 to US\$2.5 million, notes the *Herald*. Those mining coal, coal bed methane gas, chrome, mineral oils, natural gas and nuclear energy mineral resources will also see significant rises in prospecting and registration fees.

Sources say that small scale miners will likely cease operations if such fees are adopted.

Chairman of the Parliamentary Portfolio Committee on Mines and Energy, **Cde Edward Chindori-Chininga** told the *Herald* that the increases would not be in the mining sector's interests if they were to be gazetted.

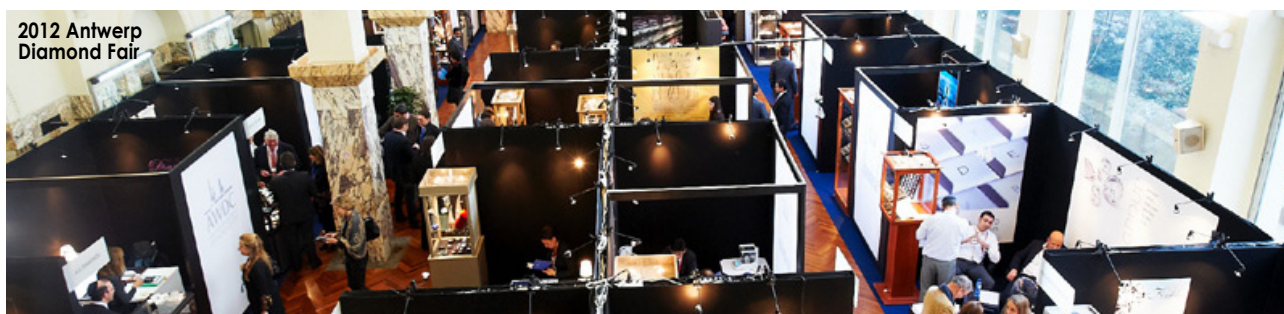
"Licence fees should not be used as a revenue generating instrument but an enabling instrument. There should be other measures to control who comes in instead of raising licences. Some of the figures we are hearing are unaffordable to Zimbabweans," he said, as quoted by the news source.

ARMENIA

Source: Armenia's Rough Diamond Buys from Alrosa 70% Higher in 2011

Nine **Armenian** diamond manufacturers purchased US\$43 million worth of rough diamonds from **Russian** mining conglomerate **Alrosa** in 2011, compared to US\$25 million in 2010, reports *Interfax*, citing Armenia's First Deputy Economic Minister, **Karine Minasyan**.

According to Minasyan, there is potential for additional diamond manufacturers to purchase even more Alrosa rough in 2012, thereby possibly increasing purchases to US\$50 million. However, she added, local demand for Alrosa's diamonds remains below what the Russian company can supply. "Our enterprises might be able to purchase a lot more [diamonds from Alrosa] but they aren't buying based on current demand and market prices," she said, as quoted by the news source.



BELGIUM

Belgium's Antwerp Diamond Fair Attracts Middle East Buyers

The **Antwerp Diamond Bourse** and the **Diamond Club of Antwerp** launched the third edition of the **Antwerp Diamond Trade Fair**, which featured 70 Antwerp diamond firms. Diamond buyers from **India, Thailand, Europe**, including **Turkey**, and the **Middle East**, including **Israel, Saudi Arabia** and **Lebanon**, gathered in the trading halls of Antwerp's bourses on Sunday. The fair concluded on January 31st.

"Countries like Saudi Arabia and Lebanon have become increasingly important target markets for Antwerp diamond firms. These countries are showing a strong demand for high-end goods, both for large loose diamonds and for unique, high-quality diamond jewellery creations," says **Phillipe Ringer**, sales manager of the Antwerp-based **DTC sightholder Trau Brothers**.

Khaled Yosef Al-Owaymer, a member of the **National Committee for Precious Metals and Precious Stones of the Council of Saudi Chambers**, confirmed that Middle Eastern buyers were eager to gain direct access to the Antwerp diamond market.

Suzanne Eid, general manager of *Collection*, a Beirut-based jewelry publication, coordinated the visit of the Saudi and Lebanese buyers' delegation. She noted that while Antwerp was already a regular destination for many of the buyers, the fair provided an excellent opportunity to increase their sourcing for goods.

The first day of the fair concluded with a Gala Dinner, sponsored by the **Antwerp World Diamond Centre (AWDC)**. **Raphael Rubin**, a member of the ADTF's Organizing Committee, welcomed the international buyers and revealed that buyers from **North America, China** and **South East Asia** would be invited to take part in the 2013 fair.

Erik Jens to Succeed Victor van der Kwast as CEO of ABN AMRO's ID&JG

ABN AMRO has appointed **Erik Jens** as Chief Executive Officer of ABN AMRO's **International Diamond & Jewelry Group** (ID&JG), effective February 1, 2012, according to a bank announcement.

Jens, who has been with ABN AMRO for more than 20 years and has held various senior executive and leadership positions in a number of international roles, succeeds **Victor van der Kwast**, who has led ID&JG since 2007.

As of September 1, 2011, van der Kwast combined his ID&JG responsibilities with his new assignment as Country Executive **ABN AMRO Belgium** and Chief Executive Officer ABN AMRO Private Banking International **Belgium** and **Luxemburg**.

With the appointment of Jens, van der Kwast will fully focus on further development of ABN AMRO's activities in Belgium and Luxembourg, notes the bank.

Dubai Presence

In other ABN AMRO news, the bank's **ID&JG** has opened a representative office in the **Dubai Multi Commodities Centre's** (DMCC) **Almas Tower**, home to over 300 regional and international diamond and precious gems companies. ID&JG will provide commercial banking products and services for financing trade flows of rough and polished diamonds and jewelry.

To commemorate the opening, DMCC and ABN AMRO held a ribbon-cutting ceremony at Almas Towers. Speaking at the event as outgoing CEO of ID&JG, van der Kwast said, "Diamond and Jewellery is a key business for ABN AMRO Bank and we are committed to the industry. Dubai is an important hub between **African** origin goods and the Asian market. We are looking to grow our business by capitalizing on this, along with the presence of many of our large global clients in **Dubai**."

Ahmed Bin Sulayem, Executive Chairman of DMCC, also addressed the ceremony, saying: "DMCC since inception has maintained a strong relationship with ABN AMRO and it is our pleasure to welcome them to Almas Tower, the home of the **UAE** diamond trade. Like DMCC, ABN AMRO has demonstrated extreme resilience and commitment toward the diamond industry during periods of economic challenges and the addition of such a high-calibre company to the DMCC community confirms the UAE's importance as a significant global diamond hub."

ABN AMRO also has company offices in **Antwerp, New York, Mumbai, Hong Kong, Japan** and **Botswana**.



Victor van der Kwast

Israeli Diamond Pavilion to Debut at February Bangkok Fair

In an effort to expand the **Israel** diamond industry's trade with the **Thai** market, the **Israel Diamond Institute** (IDI) is organizing an official **Israeli Diamond Pavilion** to debut at the upcoming **Bangkok Gems and Jewelry Fair**.

The pavilion, which will host 12 Israeli diamond companies, will be located in the diamond section of the fair. The participating companies are: **AG Diamond Direct, Asi Abir Diamonds, Avi Paz Group, CTB Diamonds, EMA Diamonds, G. Arabov, ICS Diamonds, Mirage Diamonds, Mor Brothers Diamonds, Regent Diamonds, Shlomo Bichachi Diamonds**, and **Sorum Diamonds**.

"Throughout Asia, diamond jewelry is becoming more and more popular. The Thai consumer is no exception and actively seeks the glamour of diamonds and other luxury items. We are looking forward to a good experience at this show and expect it to be the first of many," says **Nissim Palomo**, IDI Deputy Managing Director and Chief Marketing Officer.

"IDI believes in the Asian markets and sees the region as the most important growth area for Israeli diamonds. We have established a foothold in Asia to support this trade. Our representative office in **Hong Kong, IDI-Asia Pacific**, serves both Israeli diamond companies and importers in Asia," adds **Eli Avidar**, Managing Director of IDI. Asia is Israel's second largest diamond export market, accounting for over 33 percent of total polished diamond sales, according to IDI.

IDI will have an image booth in the pavilion, where buyers are invited to receive information about doing business with Israel and register for the IDI portal site. An online mini-site on the IDI portal site includes contact details of all Israeli exhibitors at the show and enables buyers to visit the pavilion virtually before the show. Click here to visit the mini-site: <http://tinyurl.com/7enfpm2>



DMCC's Almas Tower

Gem Diamonds: Letšeng's 2011 Production Hits Record High

Gem Diamonds has reported that its **Letšeng** mine in **Lesotho** produced 29,783 carats during the fourth quarter ended December 31, 2011, up 35 percent from the same quarter a year ago. For the full year, the mine produced 112,367 carats, signifying the highest carat recovery in its history.

Large Stones

According to the **London**-listed miner, which owns a 70 percent share in the mine while the government of Lesotho owns the remaining 30 percent, a total of 46 rough diamonds that achieved values greater than US\$20,000 per carat were recovered from Letšeng during the fourth quarter. Of these, 12 rough diamonds achieved values in excess of US\$40,000 per carat. In all, 184 such diamonds were produced during 2011, contributing an estimated 70 percent to Letšeng's revenue for the full year. During the fourth quarter alone, 10 rough diamonds achieved a value in excess of US\$1 million each and 168 rough diamonds greater than 10.8 carats in size were recovered.

Diamond Sales

Letšeng sold a total of 32,353 carats of diamonds during the fourth quarter ended December 31, 2011, up 32 percent year over year. The average value of the exports for the period, however, was down 23 percent to US\$2,543 per carat, from US\$3,291 per carat in the fourth quarter of 2010.

For the full year, Letšeng sold 107,700 carats, up 22 percent from 2010. For the full year, the average value of the exports totaled US\$2,776 per carat, up 29 percent compared to the US\$2,149 per carat achieved a year ago.

"The fourth quarter of 2011 saw rough diamond prices down from their highs in the first half of the year due, in the main, to the continuing effects of the Eurozone crisis. However, the last

two Letšeng tenders of the year saw an improvement in demand, with a modest strengthening of prices in most categories," says **Clifford Elphick**, Gem Diamonds CEO.

Regarding the polished market, Gem Diamonds notes in its trading update that "during the period, the polished market remained under pressure as a result of industry illiquidity, geopolitical uncertainty and inconsistent demand from retailers. Prices achieved for the Letšeng type higher quality diamonds were

approximately 5-10% softer in the fourth quarter of 2011 when compared to those prices in July 2011. This compares to the polished diamond prices across the entire industry, which fell by a reported 20-25% in the same period."



Clifford Elphick



Letšeng Mine

Looking Forward

The company projects that Letšeng production will reach between 112,000 and 114,000 carats during 2012 with sales expected to increase to between 109,000 and 112,000 carats.

Project Kholo, Letšeng's production expansion project, received board approval in November 2011, and it is planned that ramp up to full expanded production capacity will occur by July 2014.

Ellendale Production

At the company's **Ellendale** mine in **Western Australia**, 35,305 carats were recovered during the fourth quarter, down 11 percent from a year ago. For the full year, 120,302 carats were recovered, down 28 percent year over year. Despite the carat decline, the miner notes that fourth-quarter operations saw a "significant improvement" in performance over previous quarters. November's carat recovery was reportedly the highest of 2011.

Ellendale Sales

The mine sold 40,187 carats of rough diamonds during the quarter at an average price of US\$792 per carat, a 38 percent decrease in volume year over year but a 71 percent increase in value. For the full year, Ellendale sold 121,454 carats at an average price of US\$731 per carat, a 26 percent decline in volume year over year but a 54 percent increase in value.

As part of its long-term off-take agreement with **Tiffany & Co.**, Gem Diamonds sold 6,014 carats of Ellendale's fancy yellow diamonds to Tiffany & Co. at an average price of US\$4,269 per carat compared to US\$3,482 per carat in the fourth quarter of 2010. This resulted in a full-year average price of US\$4,409 per carat of fancy yellow diamonds sold to Tiffany & Co. compared to US\$2,891 per carat for the full year of 2010.

In the fourth quarter, 34,173 carats of commercial goods were sold at an average price of US\$180 per carat, compared to US\$189 per carat in the fourth quarter a year ago, resulting in an average price of US\$188 per carat for the full year 2011, compared to US\$155 per carat for the full year 2010.

Stellar Diamonds Aims to Deliver Maiden Resource Statements in Q1 2012

Stellar Diamonds plc says it "remains on track" to deliver independently calculated maiden resource statements for its kimberlite projects in **Guinea** and **Sierra Leone** during the first quarter of 2012.

"Stellar's focus during the past six months has been on the generation of maiden resource statements for our key kimberlite projects at **Droujba** and **Tongo** in Guinea and Sierra Leone, respectively. I am pleased to report that excellent progress has been made during this report period," says Stellar Diamonds Chief Executive Officer **Karl Smithson**.

Guinea

According to Smithson, during the six-month period ended December 31, 2011, resource drilling was completed at the **Droujba** kimberlite project in Guinea while bulk sampling is underway to obtain diamond grade and value. Four bulk samples totaling 940 dry tonnes were collected and stockpiled before the end of the year. The processing plant was constructed and commissioning commenced in late 2011. Grade continuity at depth is being calculated using microdiamond analysis from drill core, with most results having been received and reported. The high diamond abundance from the microdiamond samples is considered to be significant and consistent with the expectation of a high grade for the pipe.

Sierra Leone

In Sierra Leone, resource drilling and bulk sampling have been completed at the Tongo project. As *DIB* previously reported, the bulk sampling evaluation of **Tongo's Dyke 1 kimberlite** returned diamond grades of 121 carats per hundred tonnes and a diamond value of US\$185 per carat on the basis of two aggregated diamond exports made in the report half-year period. The calculated in-situ value of the kimberlite is calculated at US\$224.

According to Smithson, the company's Kono project in Sierra Leone stands to gain awareness from the planned IPO of **Koidu Holding's Koidu diamond mine** on the **Hong Kong** stock exchange since Koidu is situated adjacent to Kono.

Financials

The miner reports that US\$4.2 million was invested in advancing Droujba and Tongo towards maiden resource statements for this quarter. Stellar ended the half year with a loss of US\$1.95 million but cash reserves of US\$1 million and US\$0.6 million worth of diamonds in stock for sale. The miner's net assets stood at US\$19.2 million for the six-month period, compared to US\$21.1 million as of June 30, 2011.

The company says it does not expect rough prices in 2012 to repeat the highs and then lows of 2011 but rather remain more stable.



Karl Smithson

Anglo American: De Beers Q4 Production down 24%

De Beers' diamond production fell 24 percent year over year to 6.5 million carats during the fourth quarter ended December 31, 2011, according to **Anglo American's** unaudited production report for the quarter. Anglo American's 45 percent share of De Beers' diamond production totaled 2.9 million carats for the fourth quarter.

De Beers' fourth-quarter rough production fell 30 percent compared to the third quarter of 2011, when production totaled 9.3 million carats.

"This reduction mainly reflects De Beers' deliberate focus on increasing waste stripping, as well as scheduled maintenance at the **Debswana** and **DBCM** operations in recognition of short-term global macro-economic volatility," notes Anglo American.

Diamond production for the full year totaled 31.3 million carats, according to Anglo American.

In November 2011, Anglo American agreed to acquire an incremental 40 percent interest in De Beers. The transaction is expected to close in the second half of 2012.



Tongo Processing Plant

DiamondCorp. Issues Mine Plan Revision, Finance Options for Lace



Aerial View of Lace Diamond Mine

DiamondCorp plc. has issued an operational update for its Lace diamond mine in the **Free State Province** of **South Africa**. The project contains an estimated 14 million carats of diamonds in tailings and kimberlite.

Mine Plan Revision

Geotechnical test work on the Lace kimberlite samples reveals high rock strength, which means that tunnels on the production level in the block cave should have a long life without the requirement for major secondary support. While this should have a positive impact on capital and operating costs over the life of the block, notes DiamondCorp., the high rock strength means that the first block cave will need to be located deeper than planned to ensure there is sufficient rock pressure for caving to initiate.

According to the miner, new mine optimization studies, completed during January, have recommended the **47 Level** (at a depth of 470 meters) as a suitable development level for the first block cave, which is 130 meters deeper than originally planned. This means the tonnage to be extracted from the first block increases by 84 percent, from 6.57 million tonnes to 12.12 million tonnes. Moreover, the volume of contained diamonds in the block increases 114 percent from 1.6 million carats to 3.4 million carats.

According to the miner, the cave will be located in a higher grade kimberlite, with average grades estimated at 40 carats per hundred tonnes (cpht) in this part of the pipe due to the predominance of higher grade coherent kimberlite. Furthermore, locating the first block cave production tunnels on the 47 Level also means that the cave life increases from five years to nine years and that only three caves will be required to mine Lace to the 85 Level, compared with four in the previous mine plan.

Financials

Additionally, locating the cave on the 47 Level has an

11 percent impact on capital costs – US\$58 million (R450 million) compared with US\$52 million (R405 million) – and increases the ramp up to full production from 24 months to 33 months. The US\$58 million (R450 million) includes contingencies of US\$7.7 million (R60 million).

During the 33 months to full production, approximately (US\$55 million (R432 million) in revenue is forecast to be generated from diamonds recovered from the undercut, initial caving and tailings retreatment, as well as sale of waste rock, 127 percent higher than the previous mine plan.

The working capital requirement for the mine development is approximately US\$12.8 million (R100 million) more than the original Lace mine plan, reports DiamondCorp. However, because of the forecast higher diamond grade at the 47 Level, initial diamond production is estimated at more than 400,000 carats per annum, resulting in faster payback and operating margins in excess of 65 percent. At this production rate and current diamond prices of US\$160 per carat, notes the miner, initial annual revenue would be in excess of US\$60 million.

Lace Finance Options

In its operational update, DiamondCorp. also reports that it has entered into discussions with more than six different parties that are potentially interested in provided debt finance facilities for the development of the Lace mine.

As such, the company has appointed **SRK Consulting** to complete the necessary **Independent Engineering Report (IER)**, which will provide the company and financiers with an independent opinion on the proposed mining method, mine plan and detailed financial model for Lace. The IER is scheduled for completion in the current quarter.

"The long-term metrics for the diamond industry are very strong. Few new long-life kimberlite mines are in the planning, in a market where end users are scrambling to secure supply. For this reason, we have a significant number of debt providers interested in committing development finance for the Lace mine," says DiamondCorp Chief Executive Officer **Paul Loudon**.

According to Loudon, discussions range from partial debt financing and convertible structures, to complete debt financing and off-take agreements. "I would expect that the preferred financing option will be determined shortly after SRK deliver our Independent Engineering Report this quarter and that full-scale mine development should commence by the middle of the year," he concludes.



Paul Loudon

Tiffany & Co. Reportedly Eyeing Indian Retail Market

U.S. diamond jewelry retailer **Tiffany & Co.** is reportedly in talks to enter the **Indian** retail market through a 51 percent joint venture with former actress and current luxury entrepreneur **Reena Wadhwa**. The mogul, who already has a joint venture with **Italian** luxury brand **Gucci**, is planning to float a new venture to run Tiffany's business, an unnamed source told *The Economic Times*.

While Wadhwa confirmed to the news source that she has been in talks with Tiffany & Co., she said that nothing has yet been finalized. Meanwhile, Tiffany & Co. Vice President of Emerging Markets, **Laurent Cathala**, disclosed that the company has been pursuing discussions with potential partners and that it would announce the details of a business structure in India when plans were finalized and the appropriate agreements were signed.

"We view India as an attractive long-term growth opportunity for Tiffany's," reports *The Economic Times*, citing Cathala, whose emerging markets business covers the **Middle East, Gulf** countries, **Europe, Africa, Turkey** and **India**. According to the unnamed source, Cathala is leading Tiffany's negotiations with Wadhwa out of **Dubai**, where he is based.

Tiffany's is hoping to capture a pie of the country's US\$5.8 billion luxury market, which is expected to grow more than 20 percent a year to US\$14.7 billion by 2015, notes the news source.



Reena Wadhwa

Charles & Colvard Unveils Enhanced 'Forever Brilliant' Moissanite Gems

Moissanite creator **Charles & Colvard, Ltd.** has partnered with gemstone-enhancement laboratory **Serenity Technologies, Inc.** to create moissanite gemstones with whiter optical properties.

The enhanced gemstones, marketed as "Forever Brilliant," are polished moissanite that have gone through Serenity Technologies' proprietary process, which transforms each stone up to four color grades whiter on the **Gemological Institute of America's** near-colorless spectrum,

"As a former jewelry retailer, I recognized the importance of being able to market a whiter gem and sought to provide one since joining Charles & Colvard. Serenity Technologies provided the solution that best maintains the integrity of our moissanite gemstone and I'm excited to be able to bring Forever Brilliant gems to market, opening a whole new chapter for moissanite sales," states **Randy N. McCullough**, Chief Executive Officer of Charles & Colvard, Ltd.

"Serenity has developed a radically different proprietary process of whitening moissanite that greatly improves the color and brilliance of moissanite without any residual negative effects," adds **Dr. Suneeta Neogi**, President of

Serenity Technologies, Inc.

The new "Forever Brilliant" brand of Charles & Colvard Created Moissanite is available on the North Carolina-based company's e-commerce site moissanite.com and soon through its current distributors.

Each stone will be accompanied by a Charles & Colvard certification and laser inscribed on the girdle for identification.



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