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MARCH 2018

MAGAZINE

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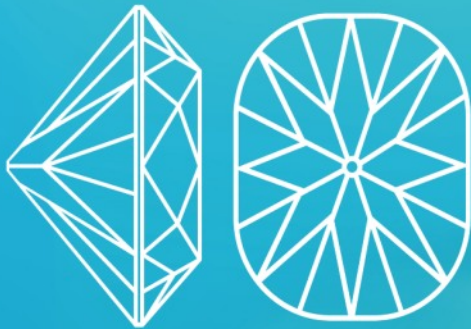
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BY ALBERT ROBINSON

EDITOR'S NOTE

Zuma's Departure Adds to Hopes for Real Change in Africa

It took a long time to come about, but the resignation of South African President Jacob Zuma is welcome, nonetheless.

It also completes a trio of removals from office in Africa that have been pleasing to see. It started with a new president in Angola – Joao Lourenco – replacing Jose Eduardo dos Santos, the former head of state who stepped down due to old age and sickness, and who ruled Angola with an iron fist for 38 years. Those years in power did plenty of good for him and his family, but brought mostly misery and hardship for many of the country's 27 million citizens.

The next step was the removal of Zimbabwe's former President Robert Mugabe who was in power for only slightly less time than dos Santos and whose time in office was marked by an extraordinary decline in every aspect of the country's life, particularly its economy.

And then, in the middle of February, we saw Zuma stepping down. Not that he thought he should have done, of course, as he made clear in his resignation speech. Rather grandly he said: "No life should be lost in my name and also the ANC should never be divided in my name. I have therefore come to the decision to resign as president of the republic with immediate effect."

This a man whom the country's Supreme Court of Appeal last year ruled should face 18 counts of corruption, fraud, racketeering and money laundering. Not known for his modesty or being connected to events on the ground, Zuma thought he was doing a great job. He was convicted, in 1963, of conspiring to overthrow the apartheid government and imprisoned on Robben Island, alongside a certain Nelson Mandela, for 10 years. Talk about spot the difference.

Many African National Congress (ANC) loyalists even accused him of having undermined the image and legitimacy of the 105-year-old party that led South Africans to freedom in 1994 and has ruled ever since.

Under his rule, there was also a reported weakening of critical institutions such as the South African Revenue Service, the National Prosecuting Authority and law enforcement bodies due to political meddling for private interests.

Meanwhile, there has also been criticism of Zuma's economic mismanagement. While South Africa's population grew to 55 million from 50 million during his term in office, economic growth slumped. Indeed, two respected and experienced finance ministers were kicked out by Zuma in moved that created huge uncertainty on the state's financial markets and sent the rand spiraling downwards. An indication of the relief with which his impending departure was greeted can be seen in the 5% rise in the value of the rand since his successor, Cyril Ramaphosa was elected as head of the ANC in December.



And media reports also speak of a big turnaround in investor confidence now that Zuma is out. Given the country's vast mineral wealth, foreign investors are exactly what it needs to unlock that wealth and create much-needed jobs. While bureaucrats and politicians enriched themselves under the rule of Zuma, millions of people are still without basic services after almost 24 years of ANC rule.

As with the situation in Zimbabwe and Angola, it is clearly too soon to say whether the new leaders are going to bring in authentic and widespread change. But the changes give plenty of reason to be upbeat. Of the three countries that have seen dramatic change, it is to South Africa that most people throughout the African continent and the West will be looking to see if a real transformation can be brought about due to the size and sophistication of its economy.

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MEMO

Signet: Driving Integrity in the Global Jewelry Supply Chain

Jewelry, for me, like many customers, is all about a meaningful moment, about a relationship, about self-expression. At Signet Jewelers, we have the privilege of selling a product that inherently carries a strong emotional attachment and can be the conduit to a customer's most memorable moments.

It is also one of the key reasons that the responsible sourcing of gold, diamonds and other precious stones and metals must be a priority for everyone along the global jewelry supply chain.

Signet believes that visibly leading in the area of responsible sourcing is essential for our success, and our industry's growth. Customers want transparency. They respect integrity. They care about the story behind what they purchase. We must respect that, and work together to give it to them.

As part of our efforts to take the lead in ensuring the integrity of the global jewelry supply chain, Signet created the award-winning Signet Responsible Sourcing Protocols.

Mandatory for all Signet suppliers, these Protocols incorporate best-



Virginia C. Drosos, Chief Executive Officer, Signet Jewelers

in-class principles that ensure Signet is leading the continuous improvement in the integrity of the jewelry global supply chain with an emphasis on transparency and the protection of human rights.

Certified Responsible Jewellery Council (RJC) membership is also a requirement for all Signet jewelry suppliers. RJC membership reinforces Signet's industry leadership position on responsible practices and requirements in the areas of human rights, health and safety, and labor practices throughout

the global Signet supply chain.

Recently, Human Rights Watch (HRW), a non-profit organization, released a report on "The Hidden Cost of Jewelry." In the spirit of transparency and cooperation, Signet and other members of the jewelry industry engaged openly and extensively with HRW.

Unfortunately, the report contains language chosen more to criticize our industry rather than provide constructive recommendations. In particular, we believe HRW's assessment of the RJC standards is incorrect. We would welcome HRW to engage more constructively with the Responsible Jewellery Council (RJC) and other participants in the jewelry industry.

Unwavering product integrity is fundamental for Signet - and we believe it should be for the entire industry. Going forward, Signet urges everyone with a stake in our industry to join us in this diligent pursuit of excellence and transparency.

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ROUNDS | MARCH 2018

PRICE REPORT

There was a clear downward trend in price changes in many categories of round diamonds in February, particularly in categories from 0.30-0.39 to 0.80-0.89 carats and 2.00-3.99 carats. However, there were rising prices in the smallest stones of 0.18 to 0.29 carats, and in 1.50-1.99 carat diamonds.

ROUNDS 0.40-0.44 01-MAR-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	41.0	34.0	30.5	30.0	28.0	25.0	22.5	21.0	17.5	13.5	9.5
E	33.5	29.5	27.5	27.0	25.5	23.5	21.0	19.5	16.0	11.0	9.0
F	30.5	27.0	25.5	25.0	23.5	23.0	20.5	18.0	15.5	10.5	8.0
G	27.5	25.5	24.5	24.0	23.0	22.5	20.0	17.0	15.0	10.5	7.5
H	24.5	24.0	23.5	22.5	21.0	19.5	17.0	15.0	13.5	10.0	7.5
I	22.0	21.0	20.5	19.0	18.5	17.5	15.5	14.5	13.0	8.0	7.5
J	20.0	19.5	18.5	17.0	16.5	16.0	15.0	13.5	11.0	7.5	6.0
K	18.5	17.5	17.0	16.5	15.5	14.5	13.0	11.5	9.5	7.0	5.5
L	17.5	16.0	15.5	14.5	14.0	13.0	12.0	9.5	8.0	6.0	5.0
M	16.0	15.5	14.5	13.5	12.5	11.5	10.0	7.5	6.5	5.0	4.0
N	14.5	13.5	13.0	12.5	12.0	10.5	9.0	7.0	6.5	5.0	4.0

ROUNDS 0.40-0.44 CARATS
 L-M / IF-VVS1 **UP 2-3%**
 D-H / IF-VS2 **DOWN 2-3%**

ROUNDS 0.50-0.69 01-MAR-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	78.0	60.5	48.0	44.0	41.0	33.0	28.0	27.0	22.0	20.5	13.0
E	59.5	51.5	41.5	40.5	37.0	31.5	24.5	24.0	20.5	19.0	12.0
F	51.5	46.5	40.5	38.5	35.5	30.5	24.0	21.5	19.5	18.0	12.0
G	44.5	41.0	39.0	36.5	33.0	30.0	23.5	21.0	19.0	16.5	11.0
H	40.5	35.5	34.5	32.5	31.0	27.0	22.0	20.5	18.0	15.0	10.5
I	36.0	30.0	28.0	26.5	26.0	23.5	20.5	19.0	16.5	13.5	8.0
J	29.0	25.0	24.5	23.5	22.0	21.0	19.5	18.0	14.0	10.0	8.0
K	24.5	23.5	23.0	20.0	19.0	18.5	17.0	15.0	13.0	8.0	8.0
L	21.0	19.5	19.0	18.5	17.0	16.5	15.5	13.5	11.0	8.0	6.5
M	20.0	19.0	18.5	18.0	16.5	14.5	13.0	12.0	9.0	8.0	6.5
N	19.5	18.5	18.0	17.5	16.0	14.0	12.5	10.5	8.0	8.0	6.5

ROUNDS 0.50-0.69 CARATS
 N / VS1 **UP 3%**
 D-K / IF-SI2 **DOWN 1-3%**

ROUNDS 0.70-0.79 01-MAR-18

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	93.0	75.0	63.0	57.0	55.0	45.5	37.5	33.5	30.5	21.5	13.0
E	71.0	69.0	59.0	55.5	50.5	43.0	36.0	32.5	28.0	20.5	12.0
F	63.5	59.0	53.0	52.0	47.0	42.5	34.5	31.0	26.5	19.5	12.0
G	56.5	52.5	48.5	44.5	42.5	39.0	31.5	30.5	25.5	19.0	11.5
H	53.0	47.5	46.0	43.0	39.0	35.0	30.0	29.0	23.0	17.5	10.5
I	43.0	39.5	37.0	36.5	34.5	31.5	26.5	25.5	21.0	13.5	9.5
J	31.0	30.0	28.5	27.5	27.0	25.5	23.0	22.0	18.5	11.5	8.5
K	27.0	26.0	24.5	23.5	22.5	21.5	18.5	17.5	15.5	10.5	8.0
L	25.0	24.0	23.0	21.5	20.0	19.5	17.5	16.0	14.5	10.0	8.0
M	24.0	21.5	21.0	18.5	17.5	17.0	15.0	14.5	13.0	8.0	8.0
N	21.0	19.5	19.0	18.0	17.0	16.0	14.5	12.5	10.0	8.0	7.0

ROUNDS 0.70-0.79 CARATS
 L-M / SI1 **UP 2%**
 D-F / IF-SI3 **DOWN 1-3%**





FANCIES | MARCH 2018

PRICEREPORT

Fancy diamonds saw relatively few price changes in the smallest categories, but there were decliners in the 0.30-0.39 and 0.40-0.44 categories, along with the 0.50-0.69 through to the 1.50-1.99 carat categories.

FANCIES 0.50-0.69												01-MAR-18
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3	
D	67.5	56.5	46.5	41.0	39.0	33.0	28.0	24.5	19.0	15.0	9.0	
E	53.5	49.5	42.0	38.0	35.5	30.0	27.0	21.5	18.0	12.0	7.5	
F	48.0	43.5	38.0	35.5	33.5	29.5	26.0	20.5	17.0	11.5	6.5	
G	40.5	38.0	35.0	33.0	31.0	28.0	24.0	19.5	16.5	11.0	6.5	
H	36.5	34.5	32.5	30.5	29.0	26.0	23.0	18.0	15.0	10.5	6.5	
I	33.0	30.5	27.5	26.5	25.0	23.5	20.5	16.5	13.5	8.0	6.0	
J	24.5	24.0	23.5	23.0	22.0	20.5	19.0	15.0	13.0	7.0	5.5	
K	20.5	20.0	19.0	18.0	16.5	16.0	13.5	13.0	10.5	6.0	4.5	
L	18.5	16.5	15.5	15.0	13.0	12.5	11.5	8.0	6.0	4.5	4.0	
M	18.0	16.0	13.5	12.5	11.0	10.0	8.0	7.5	5.5	4.5	3.5	
N	16.0	13.5	12.5	10.5	9.5	7.5	7.0	6.5	5.0	4.5	3.5	

FANCIES 0.50-0.69 CARATS



E / I1 **UP 3%**



D-K / IF-SI2 **DOWN 1-4%**

FANCIES 0.80-0.89												01-MAR-18
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3	
D	84.0	66.0	59.0	53.0	51.0	47.5	40.5	37.0	34.0	23.5	13.0	
E	66.0	57.5	53.5	51.0	48.0	45.0	38.5	32.0	31.5	21.5	12.0	
F	63.5	56.5	51.5	48.0	47.5	41.5	34.0	30.5	29.0	20.0	11.0	
G	54.0	50.5	49.5	43.5	43.0	41.0	32.5	29.5	27.0	17.5	11.0	
H	50.0	46.5	45.0	40.5	39.0	34.0	29.5	26.0	24.5	16.0	9.5	
I	43.5	40.5	37.5	34.5	34.0	31.5	27.0	22.5	21.0	13.5	8.0	
J	35.5	31.0	30.0	27.5	26.0	25.5	22.5	16.5	15.0	8.0	6.0	
K	26.0	24.0	22.0	21.5	20.5	20.0	18.5	15.5	11.0	7.0	5.0	
L	22.5	18.5	17.0	16.5	15.5	15.0	14.5	13.5	10.5	6.5	4.5	
M	21.0	17.5	16.5	15.5	13.0	12.0	11.5	10.5	8.0	5.5	4.5	
N	19.0	14.5	13.5	11.5	10.5	9.5	8.5	7.5	6.5	5.0	4.0	

FANCIES 0.80-0.89 CARATS



I / VVS1 **UP 2%**



D-K / VVS2-SI3 **DOWN 1-3%**

FANCIES 1.00-1.24												01-MAR-18
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3	
D	164	139	110	91	81	72	62	48	37	25	15	
E	131	115	100	85	79	71	61	44	35	23	14	
F	113	97	86	81	75	68	58	43	34	22	12	
G	88	81	77	71	70	64	54	42	31	21	11	
H	77	67	65	62	59	54	51	37	30	19	10	
I	61	59	55	54	51	50	45	34	28	16	10	
J	53	51	47	44	43	41	37	31	25	13	10	
K	42	41	37	36	34	31	30	27	21	13	9	
L	33	32	30	29	27	26	24	22	16	13	9	
M	23	22	21	20	19	18	15	14	14	11	8	
N	22	20	19	18	17	15	14	11	10	9	8	

FANCIES 1.00-1.24 CARATS



J / IF-VVS1 **UP 4%**



D-K / VS1-I1 **DOWN 1-3%**



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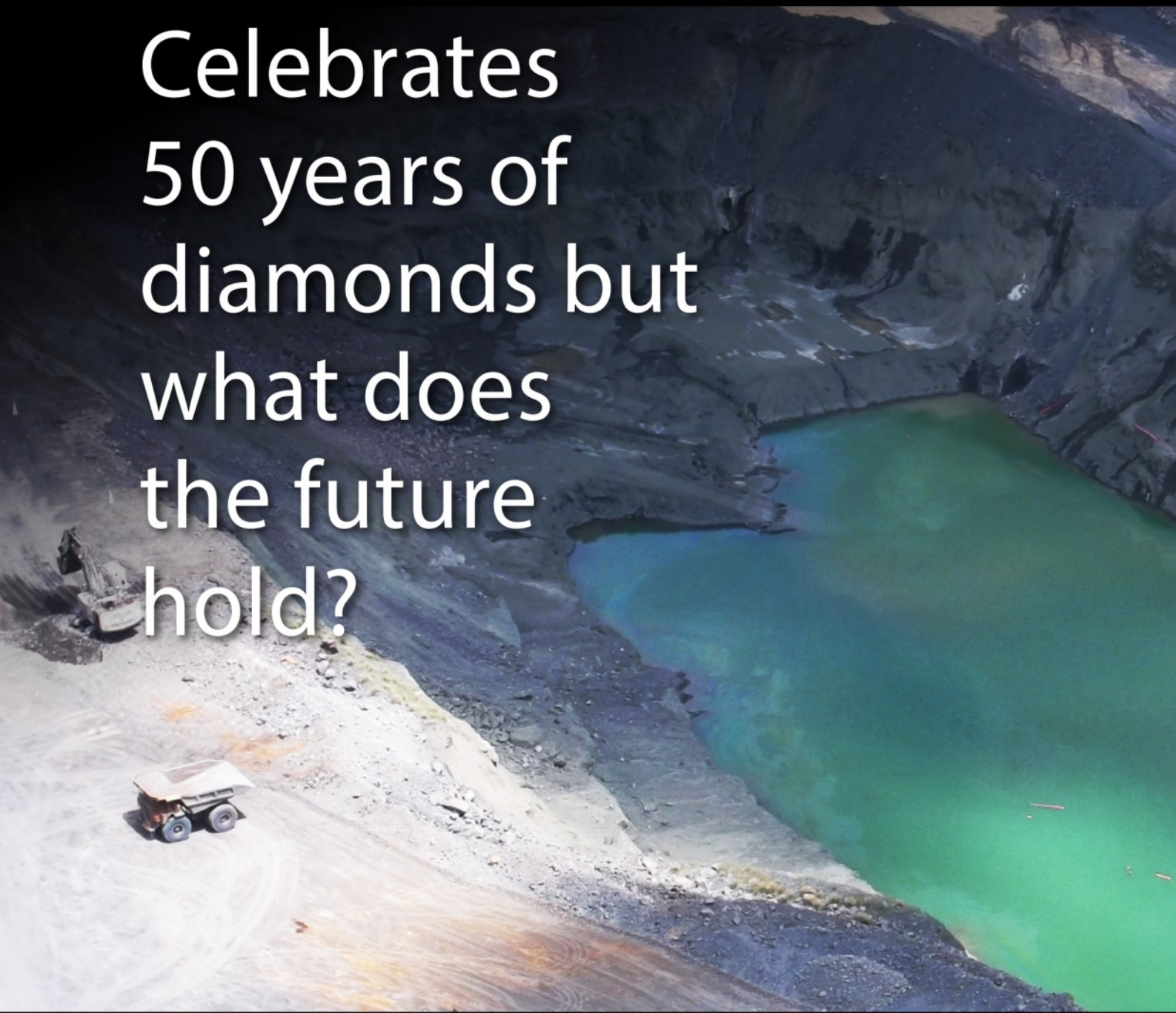
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BOTSWANA

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An aerial photograph of a large-scale mining operation. The image shows a massive, dark, layered rock formation, likely a coal seam, being excavated. A wide, light-colored dirt road or conveyor system runs diagonally across the site. In the foreground, a large, bright green reservoir is visible, which is a common feature in mining areas due to the presence of iron and other minerals in the water. The overall scene is one of intense industrial activity and significant land alteration.

BY ALBERT ROBINSON

When the diamond industry speaks out on the subject of the good that diamonds do, there can be no better example than that of Botswana. When, in 1966, Botswana declared its independence from Great Britain, the country had a GDP per capita of less than \$84, and was one of the poorest and least developed countries in the world.

Soon afterwards, geologists discovered the Orapa diamond mine within a cluster of kimberlites in the north central part of the country. The discovery set off a diamond rush that eventually led to the discovery of many more viable diamond mines, and has made the country one of the most important diamond-producing nations in the world. Today, it is the second leading producer in volume and value after Russia.

Diamond mining has allowed Botswana to become one of the most developed nations in Africa, using the benefit of its diamond reserves for its people. The government has used its diamond income for the betterment of the country, and at \$6,800, Botswana's

annual per capita GDP is now among the highest in Africa. With a population of just 2.3 million people in a country about the size of France, diamond sales have been responsibly used by successive governments over the past 50 years to build infrastructure such as roads, hospitals and schools, and to significantly elevate the income of Botswana's citizens.

Diamonds have brought jobs, stability and education, resulting in a literacy rate of 83 percent. Today, some 20 percent of Botswana's population is employed in the diamond mining industry.

Diamond revenues account for 76% of Botswana's export revenue, almost half of government revenue, and a third of their gross domestic product (GDP), according to diamondfacts.org. The country was ranked as the least corrupt in Africa in a report by Transparency International.

As De Beers Group CEO Bruce Cleaver explains: "The unbelievable good that diamonds have

“

Diamond mining has allowed Botswana to become one of the most developed nations in Africa, using the benefit of its diamond reserves for its people.

”



A 1,111 carat rough stone found by Lucara.
(Image courtesy of Lucara Diamond Corp)

“

At the time of independence, Botswana had 6 km of tarred roads; now it has 6,000 km. These are all the amazing things that diamonds have been able to do for a country.”

”

One of the huge lorries used to extract ore at the Jwaneng mine in Botswana

done is clear. If you look at the position of Botswana economically in 1966 when independence was gained, and if you compare that with the country's position now, it is the fastest growing country. Its compounded annual GDP growth rate between 1966 and 2014 was the fastest growth of any country in the world. That is testament to the good that can be done by mining a resource, but by doing it in a responsible way, with the government leading the way. At the time of independence, Botswana had 6 km of tarred roads; now it has 6,000 km. These are all the amazing things that diamonds have been able to do for a country."

Botswana renegotiated its mining and marketing contract with De Beers eight years ago, and that brought about huge change for the country and De Beers. Most significantly, De Beers moved its sorting, marketing and Sightholder operations from its London headquarters to Gaborone, the capital city of the country, in 2013 after having based them in London for around 80 years, creating the

Diamond Trading Company Botswana (DTCB).

The government of Botswana and De Beers jointly own the country's national diamond mining firm Debswana. It runs four diamond mines in the country, and is the largest non-governmental employer in the country, employing approximately 6,300 people, of which more than 90% are local Botswana. DTC Botswana, the sorting and marketing arm of De Beers, employs approximately 500 skilled diamond sorters and salespeople, most of whom are also Botswana nationals. De Beers also aggregates production from other countries at its offices in Botswana and carries out its huge sorting operations in a specially-built center that involved an investment of more than \$70 million.

The new mining agreement signed with De Beers in 2010 ensured that not only would Sightholder operations be moved to the country, but that a proportion of the diamonds would be sold to local companies in an effort to develop a cutting and polishing industry there as well. Approximately 20 Botswana

The ODC holds Spot auctions ten times a year, open to local and international firms. The diamonds are sold in a single online auction event following viewings that take place over a two-week period at the firm's specially-built offices in Gaborone.

The firm reported rough sales were up 4% last year, due to higher prices at its auctions. Overall, sales came to \$567 million in 2017, compared to \$546 million in 2016. It sold 3.42 million carats at 10 auctions held during the year, and saw the average price per carat increase by 4% to \$166.

The firm runs what it calls an 'ascending clock auction', which takes place over several rounds and is designed to give bidders valuable market feedback during the course of the auction that allows them to make informed bidding decisions as price and demand evolve from one round to the next. The auction has the flexibility to allow customers to participate round by round or to submit single bids and take no further part, depending on their preferences. Bidders must bid a specified minimum price for any particular lot in order to progress to the next round. At the end of each round, customers are told the total number of bids that have been placed for each sales lot. Prices increase from one round to the next, and when the end of the round price of a sales lot is higher than a bidder's valuation, they can bid their own final price for that lot.

The winning bidder is the one who has offered the highest price for a lot, but they only pay the price of the next highest bidder for that lot, in other words, the highest losing bid. The firm says that it believes this to be a fair way of establishing market value for both parties. It publishes the selling prices of every sales lot to its registered customer base immediately after each sale.

The ODC acquires Debswana run-of-mine production which is sorted by DTC Botswana according to the ODC's own requirements and quality assured by its technical team before delivery to the ODC's offices.

Sights were made available to companies that built manufacturing factories and employed and trained local workers. Almost all of these manufacturers were existing Sightholders that established operations in Botswana in order to gain access to additional supplies of rough diamonds. As a result, the Diamond Technology Park, which is a sprawling compound nearby the country's international airport, was established.

Simultaneously, a new government-owned company, Okavango Diamond Company (ODC), was established. After a ramping up period of several years, ODC now sells 15% of the locally mined rough diamonds, using an online auction system. The ODC has two aims: to open up additional supply to support the local cutting and polishing industry, and to provide the government with a price discovery mechanism to ensure accurate valuation of the Botswana rough sold through De Beers.



The changes announced in 2010 were initially accepted by the global industry with great skepticism, not to say negativity. They were surprised when the new Botswana operations operated smoothly from the start, with the influx of visitors to the country leading to the development of many new businesses including hotels, restaurants and entertainment venues. Consequently, other rough miners in Botswana, including Lucara Diamond Corp, moved their sales operations there as well, with similar success stories.

Less successful has been the story regarding manufacturing operations. Factory owners blame lower productivity by local cutters and polishers, and low levels of technological development, in addition to relatively high running costs compared to established low-cost labor centers such as India. In an executive opinion survey from the World Economic Forum in 2016, “poor work ethic in the national labor force” was listed as the largest hurdle in doing business in

the country. And a 2013 study showed that it cost between \$60 and \$120 per carat to manufacture diamonds in Botswana compared to \$10 to \$50 in India. There are currently an estimated 3,000 cutters in Botswana compared to around 900,000 in India.

Consequently, manufacturing has been hit by several major companies shutting down their Botswana operations due to lack of profitability. These closures have further sparked the debate on whether Botswana can realistically be a manufacturing center for diamonds – all the more so due to the ongoing high cost of rough and largely static polished prices in recent years.

BENEFICIATING BOTSWANA'S DIAMONDS

Botswana's dream since the signing of the new mining agreement with De Beers in 2010 has been to make itself into a trading hub to rival other global diamond centers. If it has



A sorter at Debswana's facility in Gaborone

the rough, then it should certainly expect that not only would Sightholders come to Botswana to inspect and buy goods, but also to be able to polish a portion of the rough and to create a diamond jewelry manufacturing center.

There are problems relating to bureaucracy and obtaining work visas in the country, but they can be overcome. The major problem relates to Botswana's distance from the rest of the diamond world. "Look at how Dubai has become a major trading center," said one Belgian diamantaire. "It is fortunate to have a perfect geographical location between Africa, where two-thirds of the world's rough supply comes from, and India and China which polish most of the world's diamonds. You can fly there from Europe in a matter of hours, and in even less time from India and the Middle East. Unfortunately, to get to Gaborone, you have to fly via South Africa or Ethiopia, and all of this adds extra time which is something that we don't have."



The Diamond Trading Company
Botswana building

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*The changes announced
in 2010 were initially
accepted by the global
industry with great
skepticism, not to say
negativity.*

”

"As a result, there has been a limit to the number of foreign buyers and traders coming to the country. Foreign investors have been rather deterred as well by the distance and also by the costs involved of setting up operations, and that has really stymied the plan to create a diamond jewelry industry in the country."

As De Beers' Cleaver says: "Producer governments have a legitimate interest in beneficiating their own diamonds and maximizing the value of the revenue from their extractive industries, and we support this interest. We support the principle that as much economic value should be retained in the country. We have worked with our producer partner governments in creating a sustainable local beneficiation industry."

"But it is critical that local beneficiation is sustainable and creates long-term sustainable jobs. India is the biggest country in the world in terms of cutting and polishing of diamonds. It is difficult for cutting and

polishing businesses in producer countries to compete economically with India. Very small diamonds are not always economic to cut and polish in a producer country."

The transfer of most of the former De Beers' Diamond Trading Company's operations from London, where it had been based for decades, to Botswana at the end of 2012 and the start of 2013 was intended to act as a huge boost for the country's beneficiation campaign.

Ironically, following the first moves to beneficiation, the process was largely halted due to the effects of the global financial crisis of 2008 and the worldwide slump that followed in 2009.

For Western diamond manufacturers, establishing factories in producer states enables them to achieve two aims. First, it ensures a steady supply of the type of goods they need. Secondly, it allows them to show solid support for the beneficiation efforts of African states. In addition, with

strong government support, their diamond industries and efforts are made to show transparency in business and official policy.

Of all the southern African countries that started along the path to beneficiation, it is still Botswana that has made the most progress. The Botswana government and De Beers established a sorting plant in Gaborone at a cost to the diamond mining giant of \$83 million, where aggregation of its goods takes place. Botswana DTC, which the sides created in 2006, is responsible for the sorting of goods rather than having them sent to the DTC's main global office in London as happened in the past. This move created more than 3,000 jobs.

The next step for the Diamond Trading Company Botswana could be the processing of stones from smaller local diamond mines such as Karowe, Lerala and Ghaghoo as a way of fully using its capacity, as well as boosting its financial position. The DTCB, as a joint venture between De Beers and

It is fortunate to have a perfect geographical location between Africa, where two-thirds of the world's rough supply comes from, and India and China which polish most of the world's diamonds.



the government, is limited by its founding shareholder agreement to only sorting and valuing stones from Debswana.

Its modern facility can process 45 million carats per annum, but Debswana's production has averaged significantly less than 30 million carats since 2008, due to a policy where the mines produce only to match demand. Last year, for example, Debswana's production was set at 22.5 million carats, which was actually the highest figure in the last three years.

The low output has brought about reorganization at the DTCB, including the firing of 75 workers in 2015. DTCB Managing Director Tabake Kobedi said the opportunities with other producers had been considered, although no formal contact had been made due to the terms of the existing shareholders' agreement. "One of the things we pride ourselves in is in being the largest and most sophisticated sorting and valuing operation in the world," Mmegi Online cited him as saying in February. "The question is,

if we are the largest and most sophisticated, how come we are only focusing on diamonds from Debswana? We are doing it because we have a shareholder agreement but we believe the opportunity is there. Why should smaller producers have to start their own sorting facilities when we can offer that," Kobedi told journalists.

The DTCB may be able to relax the restrictions in the forthcoming negotiations between De Beers and government over a key sales agreement, which expires in September 2020. When our facility was created, it was at a time when Debswana was producing 33 million carats per annum and now we are at about 22 million carats per annum. We have that capacity to be able to do more than we are doing. As the leadership, we must recognize that where there are opportunities, we must bring them out and sell them or make other people aware of them."

He said that in the meantime, the DTCB would ready itself by focusing on its 2020

strategy, which is anchored on achieving an “operationally excellent processing organization”. “My belief is that as DTCB, let’s make sure we can become that process excellent organization and by the time we go to the Lucaras of this world, we are ready. If we can have the organization world-class, it gives the shareholders the opportunity to see what more they can do with this organization. We are here to serve the shareholders and if we can show that we are more than capable of more, the shareholders should see that as an opportunity. I’m hoping we can achieve that through the strategy by 2020,” he added.

DIVERSIFYING AWAY FROM DIAMONDS

With Botswana's major diamond mines depleting, the country has begun efforts to diversify the economy. With reserves declining, it is estimated that its diamonds will run out in 20 to 30 years.

Botswana’s diamond mines have long provided relatively well-paid jobs and economic stability, but the country is now looking at sustainable tourism to help maintain its high standard of living in the future. It is also seeking to expand its mining industry to include coal to strengthen its power production and to earn foreign currency from the export of the mineral.

Botswana's coal reserves are estimated at up to 200 billion tonnes. Industry analyst BMI Research last year predicted that Botswana's coal output will rise to 3.8 million tons by 2021 from 2.3 million tons last year.

The country also points out that it has one of the best investment climates, particularly in terms of mining, citing their partnership with De Beers over the past five decades. Furthermore, Botswana investments are secure, there is political stability and an independent judicial system based on the British legal system.

“

Botswana's diamond mines have long provided relatively well-paid jobs and economic stability, but the country is now looking at sustainable tourism to help maintain its high standard of living in the future.

”



Sorting diamonds at the DTCB in Gaborone

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Elke Berr is a gemologist and the creator of her own line of feminine and avant-garde jewels, Elke Berr Creations. Each piece she creates is unique, designed with a combination of highly sophisticated technical skills and an unconventional mind.



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INSPIRED BY INTERNAL EXPERIENCE

Alexandra Mor's jewelry collections are intensely personal and born out of a need to be inspired by internal experience, discovery of rare gemstones and the individual collectors with whom she works. In this way, her collections are designed with elements unaffected by time or trend.

Among her jewelry items are curved dangling diamond & cabochon opal curved cuff bracelet, diamond earrings and bracelets and rings.



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IDEXOnline Research



U.S. Jewelry Sales Post Big Rise in December

SALES OF FINE JEWELRY AND FINE WATCHES **ROSE BY 8.8 PERCENT** IN THE U.S. MARKET IN DECEMBER 2017, WHEN COMPARED TO THE SAME MONTH A YEAR AGO.

SPECIALTY JEWELERS POSTED A **1.2 PERCENT SALES RISE** IN DECEMBER FROM NOVEMBER.

OTHER RETAILERS WHO SELL JEWELRY – MOSTLY MULTI-LINE MERCHANTS SUCH AS WAL-MART, J.C. PENNEY AND OTHERS – POSTED A **RISE OF 13.6%**.

TOTAL U.S. JEWELRY SALES **ROSE BY 8.8%** ON THE YEAR IN DECEMBER, WHILE TOTAL SALES OF FINE JEWELRY AND FINE WATCHES WERE **\$18.1 BILLION**.



FINE JEWELRY SALES

FINE JEWELRY SALES (APPROXIMATELY 88 PERCENT OF THE MARKET) **ROSE BY AN ESTIMATED 8.7% IN DECEMBER**, WHILE FINE WATCH SALES (APPROXIMATELY 12 PERCENT OF THE MARKET) **INCREASED BY 9.3 PERCENT.**



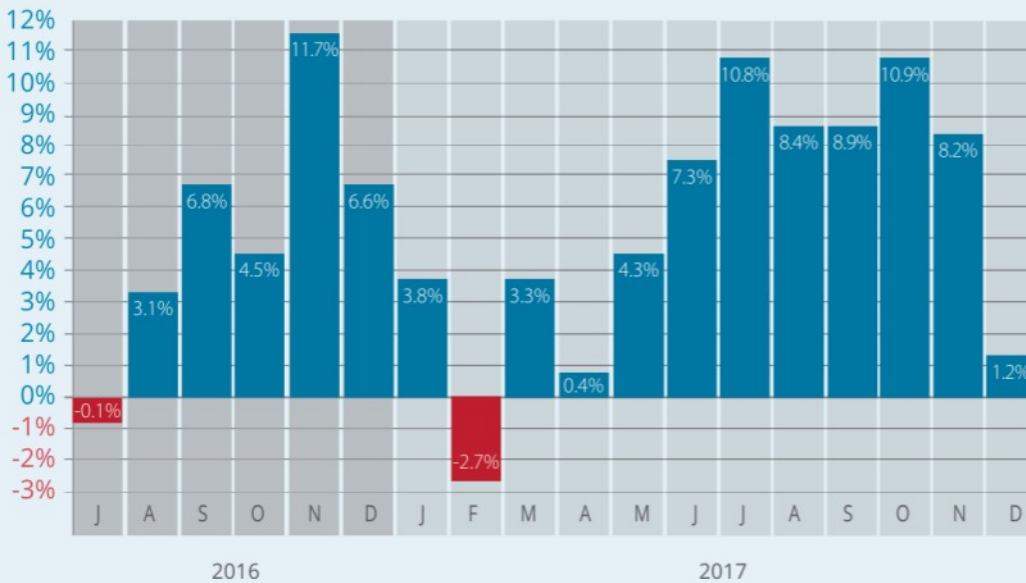
US TOTAL JEWELRY & WATCH SALES TRENDS 2016 - 2017
% Change Y/Y

Source: US Dept. of Commerce



SPECIALTY JEWELERS' SALES RISE IN DECEMBER

SPECIALTY JEWELERS' SALES IN DECEMBER WERE AN ESTIMATED \$6.57 BILLION, COMPARED WITH \$6.50 BILLION IN DECEMBER 2016.



US SPECIALTY JEWELERS SALES TRENDS 2016-2017 % Change Y/Y

Source: US Dept. of Commerce

JEWELRY'S SHARE OF WALLET WAS UP SHARPLY IN DECEMBER

TOTAL U.S. JEWELRY SALES ROSE BY 8.8 PERCENT IN DECEMBER. THE RISE IN AVERAGE RETAIL SALES (ALL RETAIL CATEGORIES) POSTED BY ALL U.S. RETAIL MERCHANTS WAS LOWER AT 3.7%. AS A RESULT, THE U.S. JEWELRY INDUSTRY TOOK SHARE OF WALLET FROM OTHER RETAIL MERCHANTS IN DECEMBER.

STRONG 2017 JEWELRY SALES RESULTS

ALTHOUGH WE HAD BEEN EXPECTING JEWELRY SALES GAINS IN THE U.S. MARKET FOR 2017 OF AT LEAST FOUR PERCENT, YEAR-OVER-YEAR, THE ACTUAL AVERAGE FIGURE FOR THE YEAR WAS CONSIDERABLY HIGHER AT 6.9%.

▶ RETAIL NEWS



Revenue soared at Pandora stores last year

PANDORA REPORTS 15% REVENUE GROWTH FOR 2017

Jewelry giant Pandora reported that group revenue in 2017 increased by 12% (15% in local currency) to \$3.8 billion.

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One of the Real is a Diamond videos broadcast during

'REAL IS A DIAMOND' MOVIES DEBUT AT OLYMPIC WINTER GAMES

Real is a Diamond launched three videos during the live on-air and digital broadcasts of the 2018 Winter Olympics in Pyeongchang in February.

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the Winter Olympic Games in South Korea

FANCY COLOR DIAMOND PRICE INDEX SLIGHTLY UP IN Q4 2017

Fancy color diamond prices posted a slight rise in the fourth quarter of 2017 from the previous quarter, said The Fancy Color Research Foundation (FCRF).

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A. JAFFE, FIRESTAR DIAMOND, INC. AND FANTASY, INC. FILE FOR CHAPTER 11

New York-based luxury bridal brand A.Jaffe and its subsidiary, FFJ, along with Firestar Diamond, Inc. and Fantasy, Inc. are filing for Chapter 11 bankruptcy protection in the wake of the Nirav Modi scandal.

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NRF: CONSUMERS SPENT NEAR-RECORD \$19.6B ON VALENTINE'S DAY

U.S. consumers spent an average \$143.56 on Valentine's Day, with 55 percent of the population celebrating, an increase from last year's \$136.57, according to the annual survey released by the National Retail Federation.

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Gitanjali owner Mehul Choksi

GITANJALI'S CHOKSI CLAIMS INNOCENCE, TELLS EMPLOYEES TO LOOK FOR OTHER JOBS

Mehul Choksi, the owner of Gitanjali Gems and one of two major businessmen allegedly involved in creating India's biggest ever banking fraud of an estimated \$2 billion, has claimed his innocence, but nonetheless told employees to look for other jobs in an open letter to company workers.

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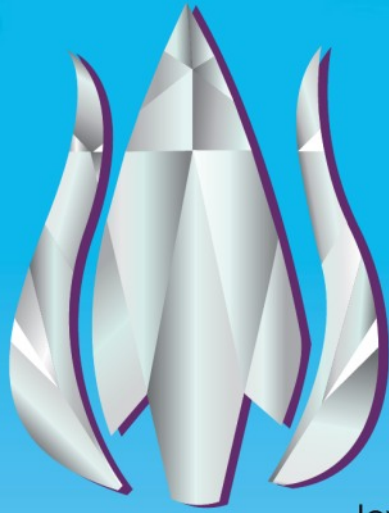
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POLISHED NEWS

SARINE OFFICIALLY OPENS TECHNOLOGY LABORATORY IN ISRAEL

Sarine Technologies officially opened the Sarine Technology Laboratory, which it says will be the first in a network of advanced, automated gemological labs.

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The Israeli diamond pavilion at HKTDC show

ISRAEL DIAMOND PAVILION AT HKTDC HONG KONG TO HOLD DIAMOND AUCTION

The Israeli diamond industry is again preparing a major presence at HKTDC's Hong Kong International Diamond, Gem & Pearl Show this year, which will include a diamond auction.

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Diamonds in the Sarine lab



AT LEAST 1,000 VISITORS EXPECTED FOR BHARAT DIAMOND WEEK

The Bharat Diamond Bourse in Mumbai expects at least 1,000 visitors from India and abroad to take part in the first Bharat Diamond Week to be held at the exchange from April 23-25.

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The Bharat Diamond Bourse in Mumbai



The 102.34-carat diamond that Sotheby's is of

CARAT+ EXHIBITOR REBOOKING RATE SURPASSES 90% FOR 2ND EDITION

More than 90% of the exhibitors who participated in the inaugural CARAT+ in 2017 will be taking part in the May 2018 event. The figures reveal high levels of satisfaction among exhibitors for CARAT+, according to show Founder and Event Director, Filip Van Laere.

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Offering for sale to a private buyer

SOTHEBY'S DIAMONDS TO SELL 102.34 CT, D FLAWLESS STONE TO PRIVATE BUYER

Sotheby's Diamonds is offering a Type IIA 102.34-carat, D Flawless stone to private buyers. Sotheby's says the Gemological Institute of America described the stone as the "largest round-shaped, D color, Flawless diamond ever graded."

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AWDC: ANTWERP DIAMOND TRADE STABILIZED IN 2017

The value of diamonds traded in Antwerp slipped to \$46 billion last year from \$48 billion in 2016, the Antwerp World Diamond Centre reported.

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The Antwerp Diamond Bourse trading floor

ANTWERP ROUGH DIAMOND DAYS SEES STRONG SALES, SAYS KRING

The Antwerpsche Diamantkring, the Antwerp rough diamond trading exchange, reported strong results at the 9th edition of its Antwerp Rough Diamond Days held from February 14-15.



Antwerp Rough Diamond Days

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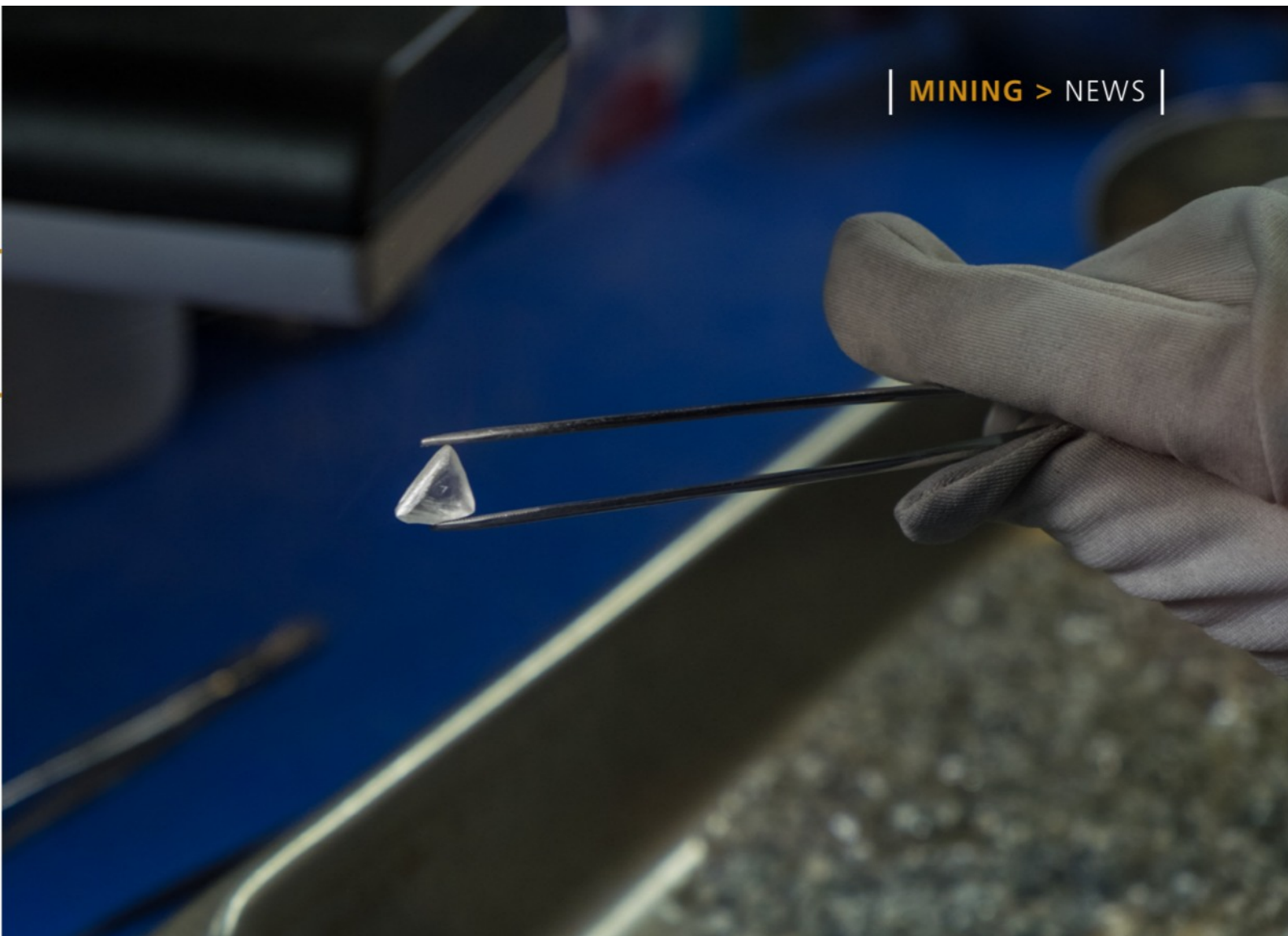


The International Diamond Week in Israel

ALROSA SELLS \$13.7M OF LARGE DIAMONDS AT ISRAEL INT'L DIAMOND WEEK AUCTION

ALROSA sold 105 gemstones with a total weight of 1,665 carats for \$13.7 million at an auction of special size rough diamonds over 10.8 carats at the February 5-7 International Diamond Week in Israel (IDWI).

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A diamond from the Gahcho Kué mine

MOUNTAIN PROVINCE REPORTS ROBUST RESULTS IN FIRST DIAMOND SALE OF 2018

Mountain Province Diamonds Inc. said its recently completed first diamond sale of 2018 produced the highest result to date in total dollar terms, with total sales of \$27.3 million for an average value per carat of \$78, and \$83 on a normalized basis.

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ZIMBABWE MAY BE ON DE BEERS' RADAR, SAYS MINER'S SOUTH AFRICA HEAD

De Beers may investigate mining opportunities in Zimbabwe and in the Democratic Republic of Congo following the resumption of exploration for diamonds in South Africa's Northern Cape.

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DUBAI DIAMOND EXCHANGE SIGNS TENDERS DEAL WITH STARGEMS

The Dubai Multi Commodities Centre (DMCC) has announced a partnership with Stargems, which specializes in the sourcing and supply of fine diamonds, to host rough diamond tenders this year.

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Senior figures from the DMCC and Stargems after signing their deal



The 97.92-carat diamond

ALROSA FINDS 85CT AND 97CT STONES AT YUBILEYNAYA PIPE

ALROSA recovered two gem-quality stones, weighing 97.92 carats and 85.62 carats, from the Yubileynaya pipe at Aikhal Mining and Processing Division last month.

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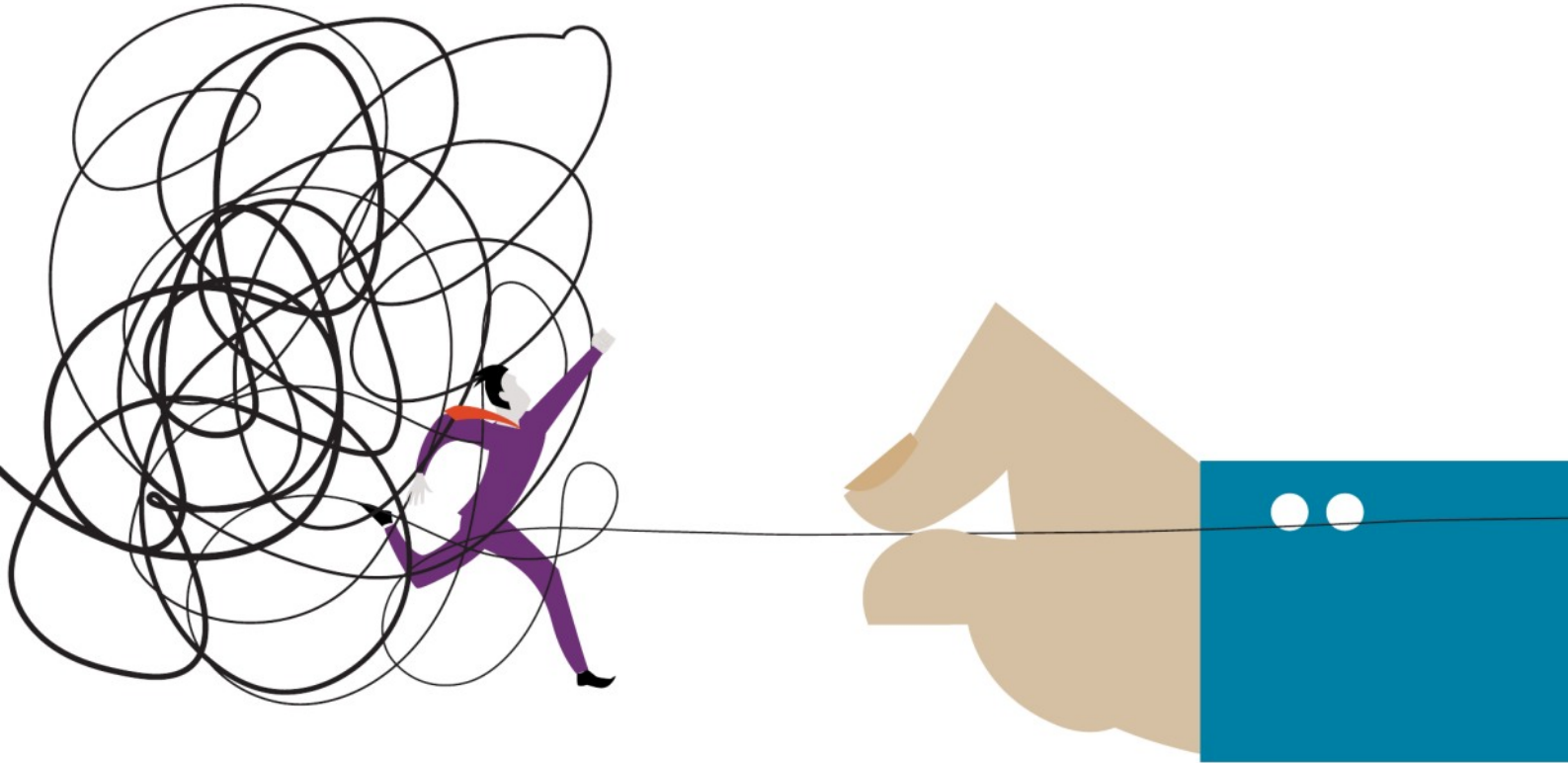
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