IDEX

MAY 16

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MAGAZINE

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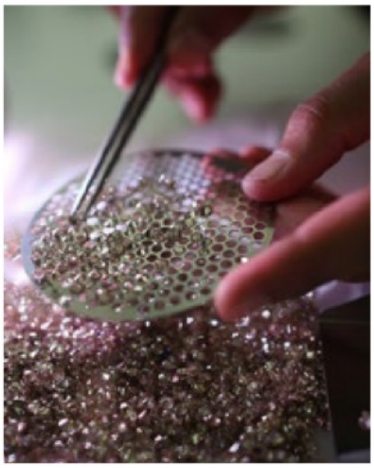


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EDITOR'S NOTE

BY DAVID BRUMMER

This month, there really is only one show in town as the global diamond community descends on Dubai to take part in the World Diamond Congress – the biennial meeting of the World Federation of Diamond Bourses (WFDB) and the International Diamond Manufacturers Association (IDMA).

Representatives from throughout the diamond pipeline will be in attendance, including producers, diamond mining countries and service organizations such as banks and grading laboratories. It is a critical opportunity for stakeholders within the industry to gather and discuss the problems – issues seems like too vanilla a word – that currently face the trade.

The three main themes of the Congress are transparency, responsibility and sustainability, and I think that we can all agree that these topics need to be discussed fully within the industry. Underlying these themes is the wider question of how to create sustainable long-term growth in the diamond supply pipeline.

It is helpful to also look back nearly 12 months to the Presidents' Meeting and try to divine what, if anything, has changed in the diamond business. One of the first items on the agenda will be to no doubt admit that 2015 was one of the toughest years that many industry players had experienced to date. In particular, the increasing difficulty of securing loans and availability of liquidity, or lack thereof, is a reality of the industry that more players have had to adapt to. The fragility of this scenario was underscored in March by Standard Chartered's decision to demand more loan protection from its diamond industry clients, particularly those from Belgium and India.

The problem of a lack of liquidity in the diamond industry feeds into that wider question of how to create sustainable long-term growth in the diamond supply pipeline. It was one of the concluding remarks at the Presidents' Meeting in 2015, and its centrality to the trade has not diminished, in fact, a solution seems ever-more pressing. Strong current US jewelry sales are one thing, but there are pressures on parts of the Asia-Pacific market, including India and China, where the crackdown on corruption in the latter has certainly had an effect.

The question about the changing nature of luxury needs to also be addressed, as it is an aspect of the retail world that is perhaps not as fully understood as it should be. Demographics, disposable income and purchasing "experiences" rather than products or items are just some of the angles worthy of research. It is here that the work of the World Diamond Mark Foundation (WDM) and the Diamond Producers Association (DPA) will be critical in improving the image of diamonds and strengthening consumer confidence.

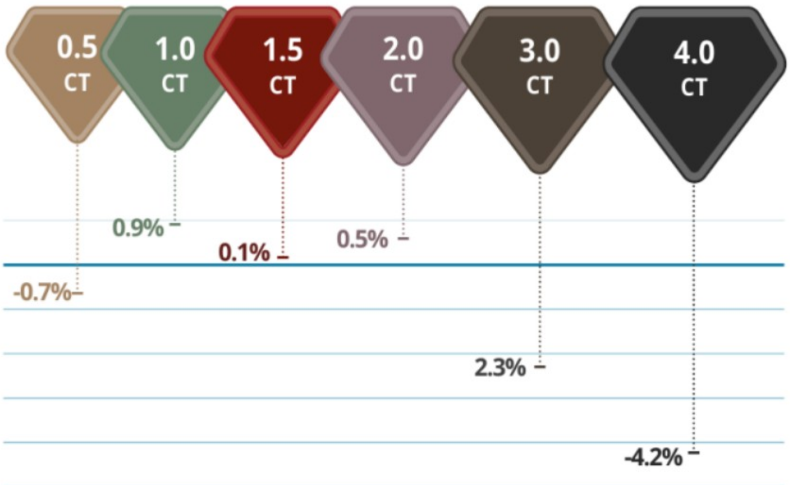
We would also hope that there will be a display of humility at the Congress. It is true of any organization or industry, but perhaps especially of the diamond trade, that any chain is only as strong as its weakest link. There are strains on this link, and it is neither spectacularly new nor controversial to say that some businesses will likely fall by the wayside. It is also true that each sector of the diamond trade has competencies and specialties that are particular to it, but the whole industry must be nurtured for it to flourish once again.

TALK TO US

MARKETSNAPSHOT

POLISHED DIAMONDS

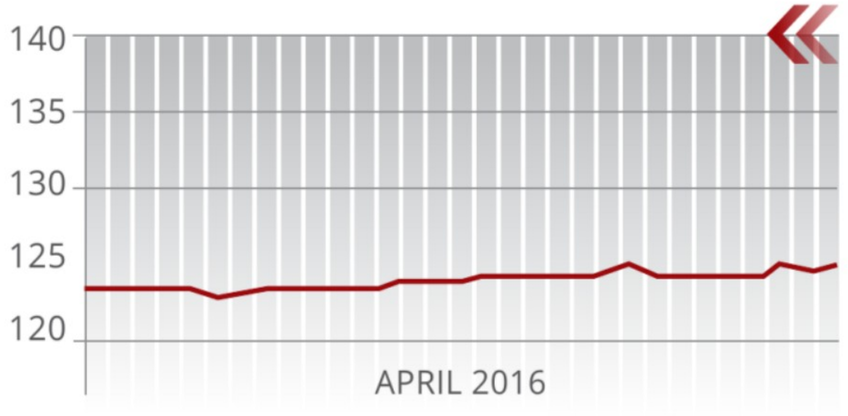
THE CAUTIOUS OPTIMISM THAT HAS BEEN APPARENT SINCE THE START OF THE YEAR WAS REFLECTED SOMEWHAT IN POLISHED DIAMOND PRICES IN APRIL. **PRICES WERE UP 0.2 PERCENT. COMPARED TO MARCH.**



ON A MONTH-OVER-MONTH BASIS, **PRICES FOR DIFFERENT SIZED DIAMONDS SHOWED GAINS AND LOSSES.**

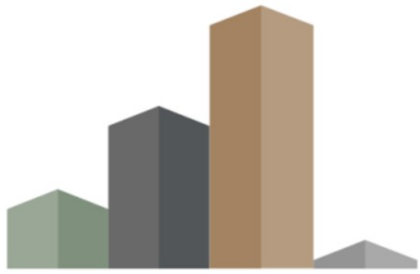
POLISHED DIAMONDS DAILY INDEX

THE INDEX **BEGAN THE MONTH AT 123.5** AND ENDED **AT 124.9.**



METAL PRICES IN APRIL US$ PER OUNCE

*Price as of 30.4.16



Palladium: 623 (9.15%)
Platinum: 1077.5 (11.2%)
Gold: 1,293.15 (5.5%)
Silver: 17.84 (15.64%)

Source: Amark.com

US JEWELRY SALES

TOTAL SALES OF FINE JEWELRY AND FINE WATCHES IN THE US MARKET IN FEBRUARY WERE AN ESTIMATED $6.6 BILLION.

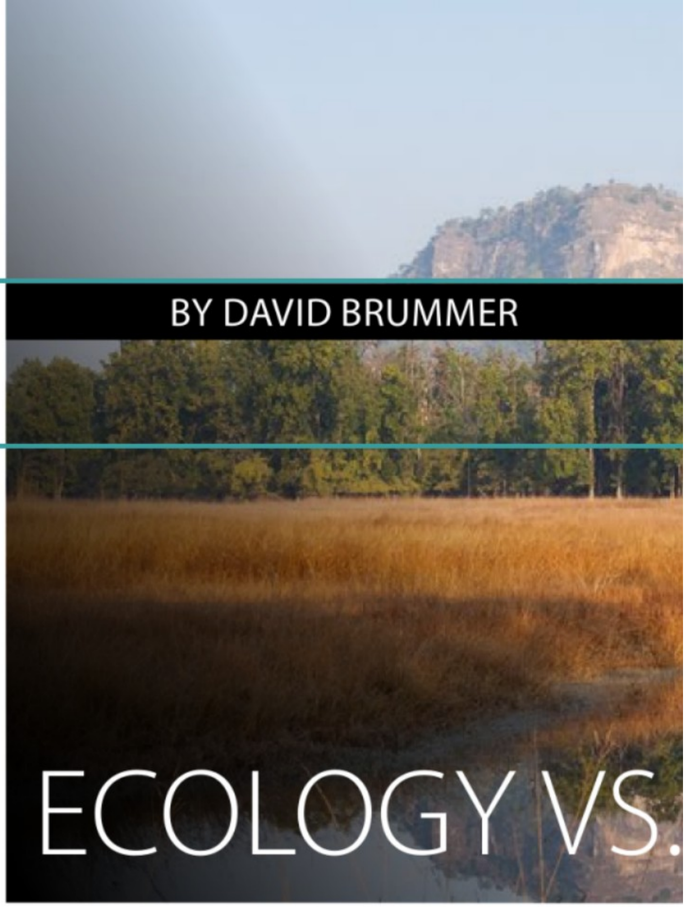
SPECIALTY JEWELERS' SALES DURING FEBRUARY WERE AN ESTIMATED $2.7 BILLION, A 7.7 PERCENT INCREASE OVER FEBRUARY 2015.

ROUGH

PRICE OF ROUGH IS STABLE , BUT DEMAND FOR POLISHED IS QUITE SOFT. WE ARE ENTERING A PERIOD OF THE YEAR, WHEN THE MARKET IS TRADITIONALLY QUIET. IT IS POSSIBLE THAT THINGS WILL COOL DOWN, BUT THERE CANNOT BE ANY CERTAINTY THAT THIS WILL BE THE CASE.

PHOTO COURTESY OF BETTERIDGE JEWELERS

MEMO



ECOLOGY VS.

BY DAVID BRUMMER

It is always a good thing when one is really forced to think, and a decision – or to be more exact, a dilemma – facing the Indian government has given me cause to do just that.

In December, *The Economic Times* wrote an article about Rio Tinto's proposed $3 billion diamond project in the Chhatarpur forests in the central Indian state of Madhya Pradesh. According to a subsequent report in *Quartz India,* the nation's forestry advisory committee – a statutory body with responsibility for environmental clearance – is currently deliberating whether to grant a mining license for Rio Tinto's project.

If it is endorsed, estimates suggest that it will spread over nearly 1,000 hectares, and activists say that it could destroy a designated tiger corridor, which allows the big cat to move from one forest to another.

It is also reputed that approximately 500,000 trees will need to be felled to make room for the project, possibly endangering other animal species and displacing native tribal communities. However, when there is a projected 34.2 million carat diamond deposit at stake, other factors will surely come into play.

Rio Tinto has already invested around $90 million in the project, and according to the *Quartz* interview, a spokesperson said, "Bunder [the name of the region in Madhya Pradesh] is positive proof of India's prospectivity and can showcase a new era of investment-friendly governance." The company also claims that by being allowed to mine in the area, India will become one of the world's top 10 diamond producers – a significant rise from its current position.

ECONOMICS

As a lover of big cats, with tigers falling only very slightly behind leopards on my scale of preference, the possibility that one of the few remaining natural habitats for these magnificent felines may be removed is troubling.

We could look at this in a very philosophical way and ask whether there are or should be limits for human expansion, and whether there is a duty to provide shelter and food and jobs for all mankind? However, there is an emotional aspect to this question too – and, perhaps, we need to ask at what price this "progress" will come. Is the further denuding of nature, the likely irreparable harm to the environment and wildlife, and the disruption to the lives of indigenous tribes a sacrifice that should be made for the sake not so much of progress, but of economics?

Situations such as these put those of us writing about the diamond and jewelry industry in a difficult position. And with wicked irony, it often seems that the countries that could most utilize the economic benefits resulting from investment and infrastructure development, also possess the most varied and stunning wildlife and nature.

This is not an empty argument either. Mining companies and other businesses throughout the diamond pipeline point out their good deeds, their ethical sourcing of products and their commitment to corporate social responsibility.

The jewelry industry is one among several that have a zero tolerance policy concerning the use of ivory and any potential ivory trafficking, for example.

Shouldn't we as an industry be just as bold and brave in thinking differently, and asking challenging questions about whether choosing to mine in this ecologically sensitive area is the correct decision? Just because we can do something, is it in fact a reason to do it? With efforts in other parts of the diamond industry to improve the public's perception of the trade, will a decision to allow mining in this area advance or hinder that goal?

Should we perform a simple cost-benefit analysis to determine the Indian government's course of action? Or perhaps we should take a utilitarian approach – the most benefit for the most number of people.

Much of politics is about short-termism, making decisions that will seem to benefit a particular politician or political party in the relatively near future. And often, laws and other actions are subject to the rules of unintended consequences – what seemed like a reasonable idea or well-intentioned project at one stage can turn into something very different at its conclusion.

Habitat erosion and animal extinction are pressing problems, as are the attempts to alleviate poverty and create fairer societies – and perhaps one of those difficult questions we need to ask ourselves is whether a project that fundamentally alters the geographical and social landscape solves enough of the latter issues to justify the former ones.

TALK TO US

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ROUNDS | MAY 2016

PRICEREPORT

Price of round diamonds fluctuated during the month, with items sized 1.5-carats to 4-carats showing improvements. Goods sized between 0.30- 0.44-carats were mostly down in the SI1 and better clarity range. Items in the 1.00-1.24-carat range showed a few positive changes, but were largely static. There was almost no price movement in items sized 4 carats to 5 carats.

ROUNDS 0.70-0.79 01-MAY-16

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	96.0	77.5	65.0	59.0	56.5	47.0	38.5	34.0	30.5	21.5	13.0
E	73.0	69.0	61.0	55.0	52.0	44.5	36.0	33.5	28.0	20.5	12.0
F	65.5	61.0	53.5	52.0	47.0	44.0	35.5	32.0	26.5	19.5	12.0
G	58.0	54.0	50.0	46.0	42.5	39.0	32.5	30.5	25.5	19.0	11.5
H	53.0	49.0	46.0	43.0	39.0	36.0	31.0	29.0	23.0	17.5	10.5
I	44.5	39.5	37.0	36.5	34.5	31.5	26.5	25.5	21.0	13.5	9.5
J	32.0	30.0	28.5	27.5	27.0	26.5	23.0	22.0	18.5	11.5	8.5
K	27.5	26.0	24.5	24.0	22.0	21.0	18.5	17.5	15.5	10.5	8.0
L	25.0	24.0	22.5	21.5	20.0	19.5	18.0	16.0	14.5	10.0	8.0
M	24.0	21.5	21.0	18.5	17.5	17.0	15.5	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

D / VVS1-2 UP 3%

K / VS2-SI2 DOWN 2%-3%

ROUNDS 1.00-1.24 01-MAY-16

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	210	167	147	115	107	82	70	60	49	32	18
E	163	140	116	105	93	79	65	56	46	28	16
F	127	118	108	101	87	76	64	55	43	27	16
G	107	99	92	88	80	73	61	52	40	27	16
H	84	83	82	78	73	66	56	49	37	24	15
I	69	68	65	64	61	58	50	45	36	21	15
J	58	57	56	55	52	49	45	40	31	16	14
K	50	48	46	45	43	40	38	33	28	16	14
L	45	44	43	41	39	35	33	30	26	16	13
M	41	39	37	34	31	28	27	26	24	16	12
N	39	38	36	33	26	24	23	19	16	15	12

ROUNDS 1.00-1.24 CARATS

J / VS1 UP 4%

ROUNDS 3.00-3.99 01-MAY-16

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	882	621	536	452	328	234	168	99	81	48	23
E	590	518	438	362	307	213	161	98	80	45	20
F	501	436	365	308	280	187	145	94	76	40	20
G	367	332	309	271	226	178	128	92	71	37	19
H	263	250	233	216	189	142	119	88	70	35	18
I	207	197	187	173	156	122	105	80	59	33	18
J	166	157	155	141	125	113	98	70	56	29	18
K	138	133	127	118	103	92	79	66	54	23	17
L	108	103	102	92	84	70	67	58	48	22	17
M	86	84	82	81	72	64	56	46	38	22	16
N	71	68	63	59	48	46	45	41	33	21	16

ROUNDS 3.00-3.99 CARATS

H-L / VVS1-2 UP 3%

DOWNLOAD PRICE REPORT

FANCIES | MAY 2016

PRICEREPORT

There was not much movement in fancy goods during the month. Items in the 1.00-1.24-carat category showed increases of as much as 4 percent in the better quality stones. Items sized 1.5-2.99 carats showed localized rises with some widespread price decreases. Price changes in the 4-carat to 5-carat goods were very limited.

FANCIES 0.45-0.49 — 01-MAY-16

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	54.0	39.5	35.5	31.0	29.5	25.5	22.0	20.5	18.0	14.5	8.0
E	39.0	36.0	32.5	29.5	28.0	25.0	21.5	19.0	16.0	11.5	7.5
F	37.0	32.0	28.0	27.5	25.0	18.5	17.5	16.0	15.0	8.0	6.5
G	32.5	28.0	24.5	24.0	23.0	17.5	16.0	14.0	12.5	7.0	6.0
H	29.5	26.0	21.0	20.5	19.5	16.0	14.0	12.0	11.5	7.0	5.5
I	28.0	24.0	18.5	17.5	17.0	15.0	13.5	11.5	8.0	6.5	5.5
J	20.0	19.0	16.5	15.0	14.5	14.0	12.5	11.0	7.5	5.5	4.5
K	17.5	17.0	14.0	13.5	13.0	12.5	11.5	8.0	7.5	5.0	4.0
L	15.5	14.5	13.0	12.0	11.5	10.5	8.0	7.5	5.5	4.5	3.5
M	14.5	14.0	12.0	11.5	10.0	8.0	7.5	6.5	5.5	4.5	3.5
N	14.0	12.5	11.5	10.0	8.0	7.0	6.5	6.0	5.0	4.5	3.5

FANCIES 0.45-0.49 CARATS

F / VVS1-2 DOWN 3%-3.5%

G-H / VS1 UP 2%-2.5%

FANCIES 1.00-1.24 — 01-MAY-16

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	169	143	113	91	81	72	62	47	37	25	15
E	135	119	103	85	77	69	61	44	35	23	14
F	117	100	86	84	75	67	58	43	34	22	12
G	89	84	77	73	70	64	54	42	31	21	11
H	77	67	63	60	59	56	51	37	29	19	10
I	61	59	55	54	53	52	45	34	28	16	10
J	53	51	47	45	43	42	37	31	25	13	10
K	43	41	37	36	35	32	31	27	21	13	9
L	33	32	30	29	27	26	25	22	16	13	9
M	24	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 CT

F-K / IF UP 2%-4%

J-K / VVS1 UP 2.5%-4%

FANCIES 2.00-2.99 — 01-MAY-16

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	352	290	254	214	173	142	109	77	60	34	19
E	290	239	220	188	159	132	107	72	54	29	15
F	235	207	188	162	152	130	103	69	44	25	12
G	182	169	166	137	133	115	97	66	44	24	11
H	146	131	123	113	107	96	84	60	44	23	11
I	122	107	98	94	90	86	81	57	41	22	11
J	90	84	78	77	76	75	66	52	35	21	10
K	64	63	62	61	60	59	55	42	29	16	10
L	54	53	52	49	48	46	37	31	23	15	10
M	49	48	47	42	41	37	29	24	20	14	10
N	43	41	38	36	30	28	26	22	19	13	9

FANCIES 2.00-2.99 CARATS

G-H / VVS1-2 UP 1%-3%

D-H / VS2-SI1 DOWN 1%-3%

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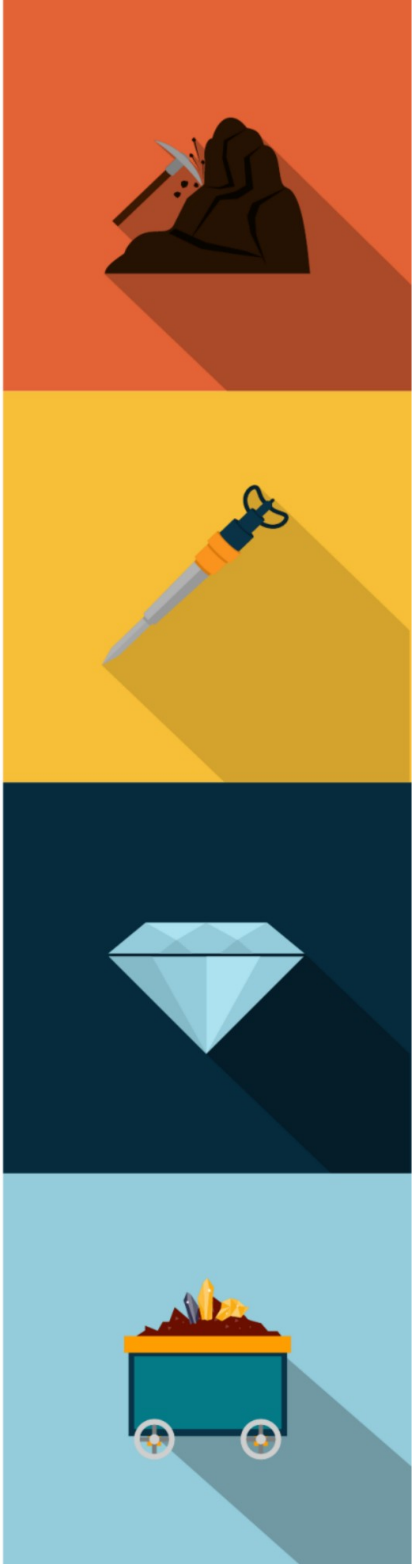
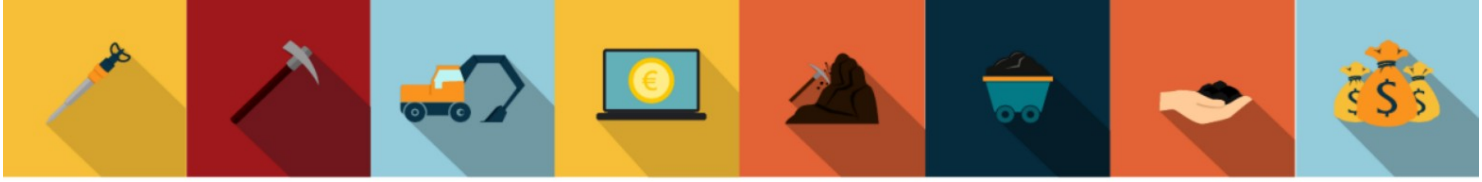
2015: PRODUCERS LOST LEVERAGE OVER CLIENTS FOREVER...

Currency and Price Volatility Destabilizing Value Chain




BY:
CHAIM EVEN-
ZOHAR



The midstream sector of the diamond value chain – those who convert rough into polished – "rebelled" in 2015. They did so after suffering protracted multi-year profitability erosion. For far too long, the rough suppliers had used their combined "rough placing power" by oversupplying the market at unrealistically high prices.

The producers displayed unprecedented greediness toward their own clients and dismissed complaints with brusque statements such as "you look after your business and we look after our own interests. Nobody forces you to buy rough." That is exactly what happened in the second half of 2015.

Clients of the main producers refused to buy unrealistically high-priced rough. In an unequal battle, the producers blinked first.

With their very own hands, the dominant producers had embarked on a policy that inevitably threatened the survival of the goose that laid the golden eggs.

The world's largest diamond producer by value, De Beers has had its own woes. Its parent company, Anglo American, seemed to disintegrate, fueling rumors that even De Beers might be on the block of divestibles.

Less than four years ago, Anglo American agreed to buy Nicky and Mary Oppenheimer's 40-percent stake in De Beers for $5.1 billion in cash. This increased Anglo's stake in the diamond giant to 85 percent. Justifying the deal, Anglo American's CEO at the time, Cynthia Carroll, stressed in interviews: "The market is very, very strong. Demand will outstrip supply."

Just imagine: Anglo American's market value collapsed this January to $4.7 billion ($2.21 per share). This is so low that Nicky and Mary Oppenheimer could have bought the entire Anglo American group for what they received just for their De Beers shares... and still have nearly half a billion dollars in cash left over.

THE ELUSIVE SUPPLY-DEMAND GAP

In 2015, the mantra "demand will outstrip supply" continued, almost ad nauseam, to be dangled before all stakeholders. We repeatedly heard the generally accepted though utterly erroneous promise of an inevitably looming "supply gap," in which consumer demand could only be met through moving up the polished price curve. In fact, volatile polished prices mostly continued a downward trend, even when rough supplies were reduced from 170 million carats a year not long ago, to 124 million carats in 2015.

These utopian forecasts are based on the hypothesis that diamond consumer demand grows in tandem with GDP (or GDP per capita) in the respective consumer markets. But this is an oversimplified, archaic and flawed assumption.

> *"Clients of the main producers refused to buy unrealistically high-priced rough. In an unequal battle, the producers blinked first."*

Price volatility is actually quite a recent phenomenon in an industry that has grown accustomed to a cartelistic structure underwriting price stability. It has changed the terms of trade. When working with stable prices, the market midstream (manufacturers and traders) can work on slimmer margins, as they do not need to maintain extra financial buffers to withstand the volatility. As volatility increases, the midstream's need for higher margins will only amplify.

Those players who do not understand the need to work at higher margins will simply go out of business, leaving the "survivors" in the midstream that operate on a higher overall margin. This, in turn, will affect the rough selling prices, which would be realized by the producers. A redistribution of the added value (profits) throughout the diamond value chain is in progress, a process that commenced in earnest in 2015.

The combination of market realities and a myriad of structural changes have dramatically changed the pipeline's competitiveness. Such structural changes include the emergence of synthetic gems as a viable economic substitute, not only at retail levels, but also for the labor-intensive midstream. For the first time, buyers of rough (manufacturers and cutters) have choices – they have leverage over their producers.

As an analysis by the midstream's erstwhile largest banker ABN-AMRO recently observed: "The industry seems to have moved from a win-win situation to a zero-sum game... The middle segment is pushing back at the producers. What happens next depends on their response. They can limit production, for example. This will work, but eventually stronger price competition and more transparency appear inevitable."

The heading of the banker's analysis seems ominous: "Nothing is forever."

PRODUCERS CHANGED MARKETING MODELS

In the third quarter of 2015, the predictable happened. Having experienced further 12-percent to 15-percent declines in polished diamond prices, Sightholders refused to purchase any more rough at the then-current price levels. Reluctantly, the terms of trade were changed. Contractually obligated clients were allowed to postpone their purchases and to reject ever-growing parts of allocations.

Reality has finally caught up with De Beers. Looking at DTC sales figures for the last 40 years, De Beers' sales in the second half of 2015 set a 30-year record low – at levels last seen in 1985.

"The industry seems to have moved from a win-win situation to a zero-sum game."

The rough producers' 2015 pricing behavior was erratic. De Beers says that over the year, it reduced rough prices by an average of 8 percent – though the average price of the last Sight was 15 percent below that year's first sales cycle. In 2016, the market shows that prices fell a further 7 to 9 percent.

It is startling how the exuberance in rough buying in the first half of the year was a prelude to a buyers' "revolt" (almost like a buyers' strike) in the latter half of the year. There was no serious external demand shock to warrant this severe fall, which was wholly attributable to producer "over-pricing."

For many players in the midstream, these rough price corrections may have come too late. In November 2015, Morgan Stanley analysts conveyed their impression of (Antwerp) diamond market sentiment, suggesting that "out of $16 billion in loans outstanding to the midstream market, there may potentially be $6 billion in non-performing loans." This is probably grossly exaggerated ($3 billion would be a more realistic figure). In the diamond industry, experience has shown that bankruptcies take about three to five years to materialize, from the time the losses are made till the time the business finally declares bankruptcy. Thus, we might only see the true effects of 2015 in the mid-stream by 2020.

A corollary to such publicly expressed sentiment is that financial institutions are rapidly exiting the midstream financing business – only in Dubai and India does one find newcomer banks testing the waters. As diamond producers traditionally sell for cash and their customers (Sightholders) depend on bank-financing to purchase rough, the drying out of midstream liquidity has added to the pressures on both producer sales and selling prices. Banks don't like to finance unprofitable transactions – or lossmaking entities.

THE SYMBIOSIS OF BANK FINANCING AND ROUGH SUPPLIES

In every phase in the diamond pipeline, the supplier provides credit. There is only one exception: rough sales from the producers to the industry. In some cases (De Beers), the money must be credited to the supplier's bank account before the goods leave the seller's premises. In some cases (India), this necessitated specific regulatory approvals since, normally, imports can only be paid when the goods arrive into the country.

As a general rule, diamond financing may be up to 60 to 80 percent, but for Sight shipments from primary producers, 100-percent financing was often the rule rather than the exception. Historically, De Beers maintains a close liaison with the industry banks financing its clients.

Our research has shown that there is a close relationship between levels of industry debt and rough supplies. When there is more money (i.e., more financing facilities), diamond dealers tend to buy more. Purchases decline when money is tighter.

Therefore, it is not surprising that reduced rough supplies translated into a reduction of the debt down to some $13 billion. The most intriguing question for 2016 will be: when rough sales are stepped up again, will the banks allow an increase in borrowing levels?

EXACERBATING PIPELINE ANGUISH

Looking at the 2015 diamond value chain performance, the midstream sector, which had been in prolonged pain, saw themselves joined by the upstream producers, who were experiencing their own woes.

Exacerbating pipeline anguish, essentially a wider sharing of the agony, neither lessens the pain nor consoles those who are once more clinging to the erroneous belief that the industry has already passed the bottom of just another cyclical decline in diamond sales and prices.

This is in marked contrast to the downstream side. While, generally, commodity markets seemed to be plunging, global diamond jewelry sales saw a modest decline of some 3.5 percent. Meanwhile, polished diamond sales, expressed in polished wholesale prices (pwp), fell by slightly over 10 percent. These are not the steep cyclical declines analysts are talking about. Rather, they point to far deeper structural transformation of the entire diamond industry, a transformation that few players are ready to recognize or accept.

The producers, as we shall discuss further, have lost much of their historical leverage over midstream and downstream. Their historically high margins will gradually decline and not rise again. The structural changes have created a new ballgame. That is the main lesson learned from the year that was.

2015: REVIEWING THE FIGURES

The reduced production toward the end of 2015 (mainly by De Beers) reduced the planned production growth. At the end of the year, global production in terms of volume remained at the 124-million carat level, similar to 2014.

In terms of value, however, production declined from $16.52 billion in 2014 to $15.45 billion last year. The efforts to defend high rough diamond prices were visible in the 20-percent lower sales to the market, from $16.7 billion in 2014 to $13.3 billion in 2015.

This led to significant rough stock increases by the main producers, De Beers and ALROSA. While these companies displayed restraint, other producers continued to sell their full output.

Thus, the sharp cut in sales by the majors was slightly offset by an increase in sales of the small independents. This led to a one-time statistical aberration: the relative market share of the small independents (including Dominion and Rio Tinto) increased from 31 percent to 44 percent. Ultimately, to the midstream, this was just a matter of price. Rough demand remained buoyant for those goods that were properly priced.

De Beers got the message (while that cannot be said of other producers). In 2016, it reduced rough selling prices by some 10 percent and improved assortments. As such, it was able to sell $1.15 billion in the first two sales cycles out of the 10 cycles planned for the entire year. De Beers Group President and CEO Philippe Mellier attributes these higher sales to "retailer restocking after the end-of-year holiday season [which] is supporting demand for polished diamonds and, in turn, we are seeing improved demand from the midstream for rough diamonds."

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Our thoughts are different. We believe that the restocking was at a wholesale level, i.e., factories were so starved of rough, that when they saw a sliver of profitability in the rough in 2016, they went ahead and bought it. We take the view that the underlying market fundamentals did not change, and that the restocking (in selected goods) is mainly making up for shortfalls created by the 20-percent reduced rough sales, which squarely fell in 2015's fourth quarter.

Our economic models show a 12-percent fall in polished sales (in polished wholesale prices) from $21.8 billion in 2014 to $19.2 billion in 2015. A partial bouncing back is forecast for 2016, where we expect a 4.8-percent increase in polished sales to $20.1 billion – still significantly below the 2014 level.

.5-percent al diamond tail sales, 3 billion in .8 billion in not reflect d share of in the total product.

The value of the diamond content in the retail sales also fell, from $23.01 billion to $20.5 billion. The global diamond jewelry retail sales, which De Beers and those relying on its figures claim has surpassed the $80 billion level in 2014, also contain an "invisible reduction." There is "less diamond" in diamond jewelry, as the average diamond content fell from 29 percent to 27 percent.

Thus, the 3.5-percent drop in global diamond jewelry retail sales, from $78.8 billion in 2014 to $75.8 billion in 2015, does not reflect the reduced share of diamonds in the total jewelry product. Calculated in hard money, there were $2.3 billion fewer diamonds in the 2015 jewelry sales as compared to 2014.

The high expectations in the Chinese and Indian markets never materialized. On the contrary, the active anti-money-laundering and anti-corruption policies pursued by the Chinese government are the main contributors to the weakness of China; those who have the money to purchase expensive jewelry there are reluctant to do so and don't want to flaunt their wealth.

THE INDUSTRY'S NEW CHOICES

The lopsidedness of the synthetic threat will gradually increase the leverage and bargaining power of diamond manufacturers (Sightholders) over diamond producers. Moreover, the "threat" to the producers – which they now apparently fully recognize – will impact their marketing behavior and mining strategies.

The oligopolistic (natural) rough suppliers may be forced to ensure that their customers will earn better margins, lest they be lured away to more lucrative disclosed or undisclosed synthetic manufacturing or marketing. As the rough clients face liquidity challenges with banks leaving the industry, producers may be forced to provide supplier credits. This is not the place for extensive scenario planning and simulation, but the so-called "looming supply gap" will at least partly, if not largely, be met by synthetics.

Producers have conditioned the industry to believe that "what's good for the producers must be good for all of us." 2015 was the year that Sightholders "rebelled" and left their contractually obligated rough allocation "on the table," and got away with doing so. Last year demonstrated the new midstream leverage over natural producers. The midstream and downstream now have choices that they did not have before.

From a value perspective, these are not pleasant choices between equal products. For many of us, it is a choice that one hoped would not exist – but it does. And for many, it might be the difference between the life and death of their companies. In the words of one industry leader, there clearly is no "one size fits all" approach to success.

RECYCLING: EXPECTATIONS HIGHER THAN WARRANTED

In 2015, several present and new industry players continued to institutionalize diamond recycling: buy-backs from consumers, retailers and pawn shops. We even know about arrangements with divorce lawyers who assure that the symbol of failed marriages gets back into the pipeline. Even De Beers has its recycling buy-back operations, apparently in an effort "to assure fair pricing."

As part of the supplies to the market, our research shows that in 2015, recycled diamonds saw an almost 25-percent decline from the previous year, down to some $0.35 billion.

Just as with synthetics, mine production of rough diamonds will be impacted (McKinsey says: "complemented") by diamonds re-entering the value chain. McKinsey observes that "recycling of precious materials closely follows financial distress. Therefore, during times of financial stress, consumers may feel compelled to recycle their diamond jewelry, increasing the overall supply of diamonds."

In quite a puzzling report, McKinsey predicts that "even under the most aggressive assumptions, recycling will likely only represent about one-third of supply by 2025..." Though one may intuitively be inclined to reject such a proposition as exaggeration, mainly serving as justification for a producer to enter into this field, it nevertheless may yet happen, but certainly not because of financial distress.

We believe that diamond recycling may have more to do with the attitudes of the Millennial generation, which simply may not value diamond ownership in the way that their parents did. Social norms are changing, and luxury may lose some of its luster.

PROBLEMATIC CHANGE IN CONSUMER ATTITUDES

To Millennials – and not only to them – luxury is the reflection of an unequal society. Conspicuous consumption of luxury goods and services, and especially diamond jewelry, is a way of demonstrating membership in society's elite. It reflects a consumer's willingness to make excess payment far above the product's marginal costs. It represents the desire of the wealthy to pay a premium just for the privilege to differentiate themselves from the rest of society.

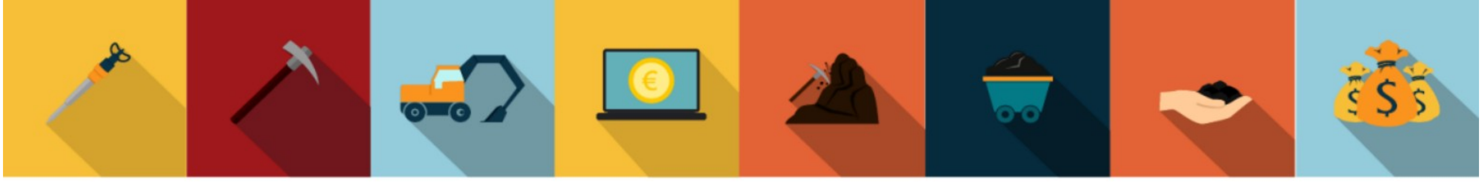
> *As the rough clients face liquidity challenges with banks leaving the industry, producers may be forced to provide supplier credits.*

There are governmental policies in the Organization for Economic Co-operation and Development (OECD) countries decidedly moving to close the inequality gap, to cap outrageous salary bonuses, to fight poverty, to impose austerity policies, to battle inequality and social exclusions. Ostentatious behavior may no longer impress one's peers or be appreciated by society and governments.

In taxation guidelines issued by the OECD, it advises member nations to impose "specific consumption taxes on products that cause environmental damage, discourage unhealthy consumption, enable reduced income tax and promote long-term growth."

In the eyes of the OECD, labor and other resources spent on producing luxury goods divert capital away from more economically desirable uses. Economists view luxury spending as an ineffective use of resources that can be used for more constructive purposes. It is not without reason that diamond producers and industry groups plan generic promotion focusing on "the good" (to employment, African nations, etc.) diamonds are doing. The sooner this takes place the better.

While inequality presently seems to be rising, this appears to have triggered a strong governmental and societal reaction toward a more egalitarian society – and the Millennials, the younger generation – which will rapidly have the greatest spending power, are embracing other values.



DIAMONDS LOSING SHARE IN LUXURY WALLET

We have signaled in earlier presentations that diamonds are losing their share in the luxury wallet. Also worth noting is that total luxury wallet spend in a household's overall expenditures is declining – and will continue to do so. These are just a few of the underlying sentiments that made 2015 the year that was – a year in which producers lost their leverage over their customers, and a year in which a new supply paradigm emerged. The entire pipeline will now have more options and choices – and will become more competitive.

It is consumers who will ultimately set the diamond agenda. They are the end (or maybe the beginning) of the value chain. As dozens of small and large retailers are now selling lab-grown (synthetic) diamonds, all the theories of "product differentiations" have become overtaken by events. When a customer walks out of a high-street jeweler with a synthetic diamond ring, this equals one natural diamond ring that wasn't sold.

Producers are claiming that they "mine in accordance to demand," and production cutbacks are motivated by a desire to support price and create shortages, which will drive up polished prices. Ironically, shortages will mostly benefit those selling product substitutes.

The upstream players – the miners and explorers – have not yet internalized that the danger of product substitution from outside the diamond mining industry is greatest to the natural diamonds miners. As we have already said, until now, they have not really faced price competition.

Synthetics impact natural rough and polished prices. Ultimately, they will also impact decisions on the feasibility of new mining and exploration projects. The scarcity factor – always the main value driver of diamonds – may gradually erode, together with prices. It may take time – but one must face up to it. Admittedly, living in denial makes life much more comfortable.

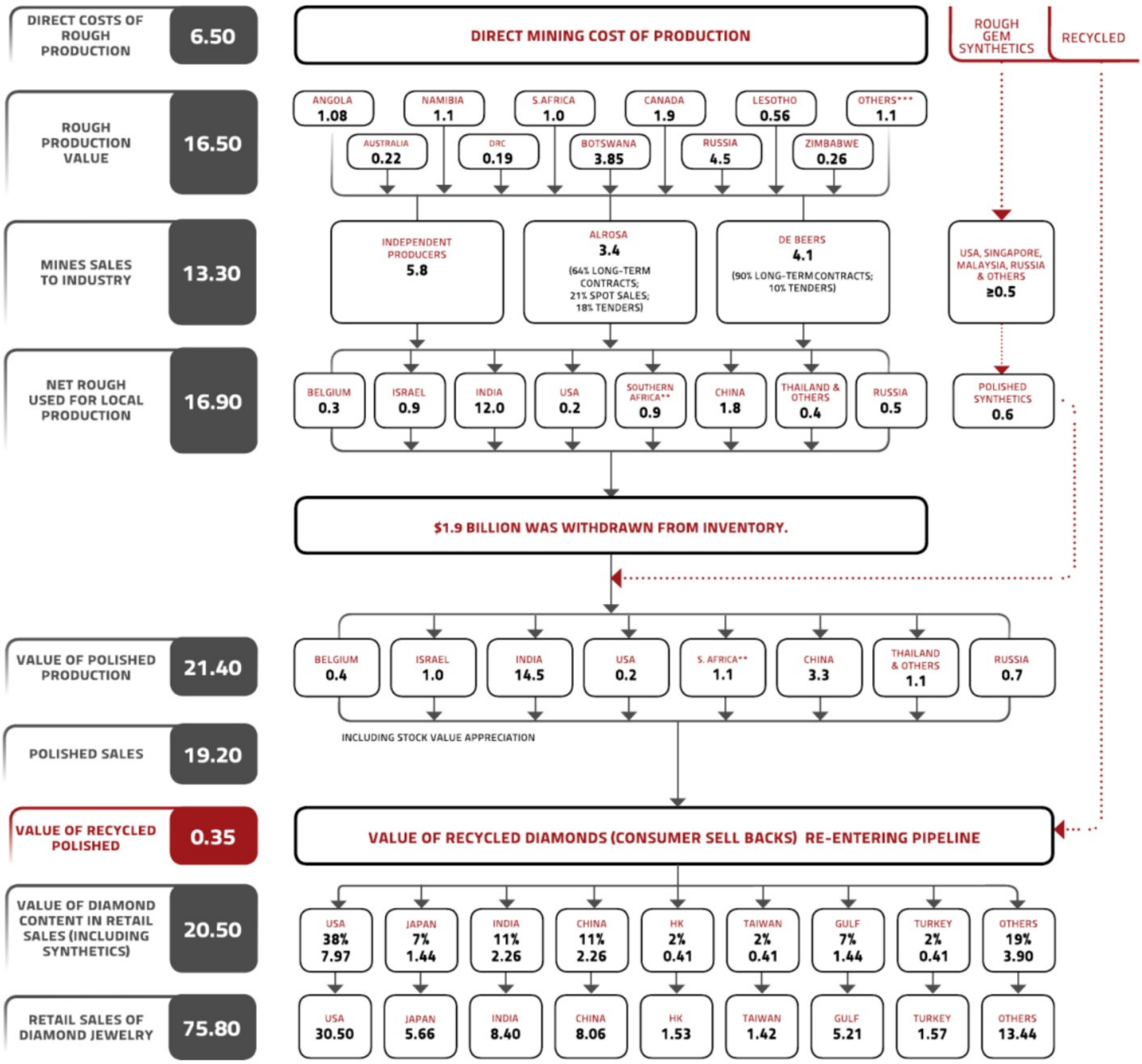
"The midstream and downstream now have choices that they didn't have before."

Price volatility creates, in some ways, havoc to the diamond value chain, where many stakeholders – miners, manufacturers, traders and even retailers – may have invested their equity in diamond stocks. Volatility that is considered normal in stock exchanges or in currencies is, somehow, expected to bypass the diamond pipeline. It doesn't.

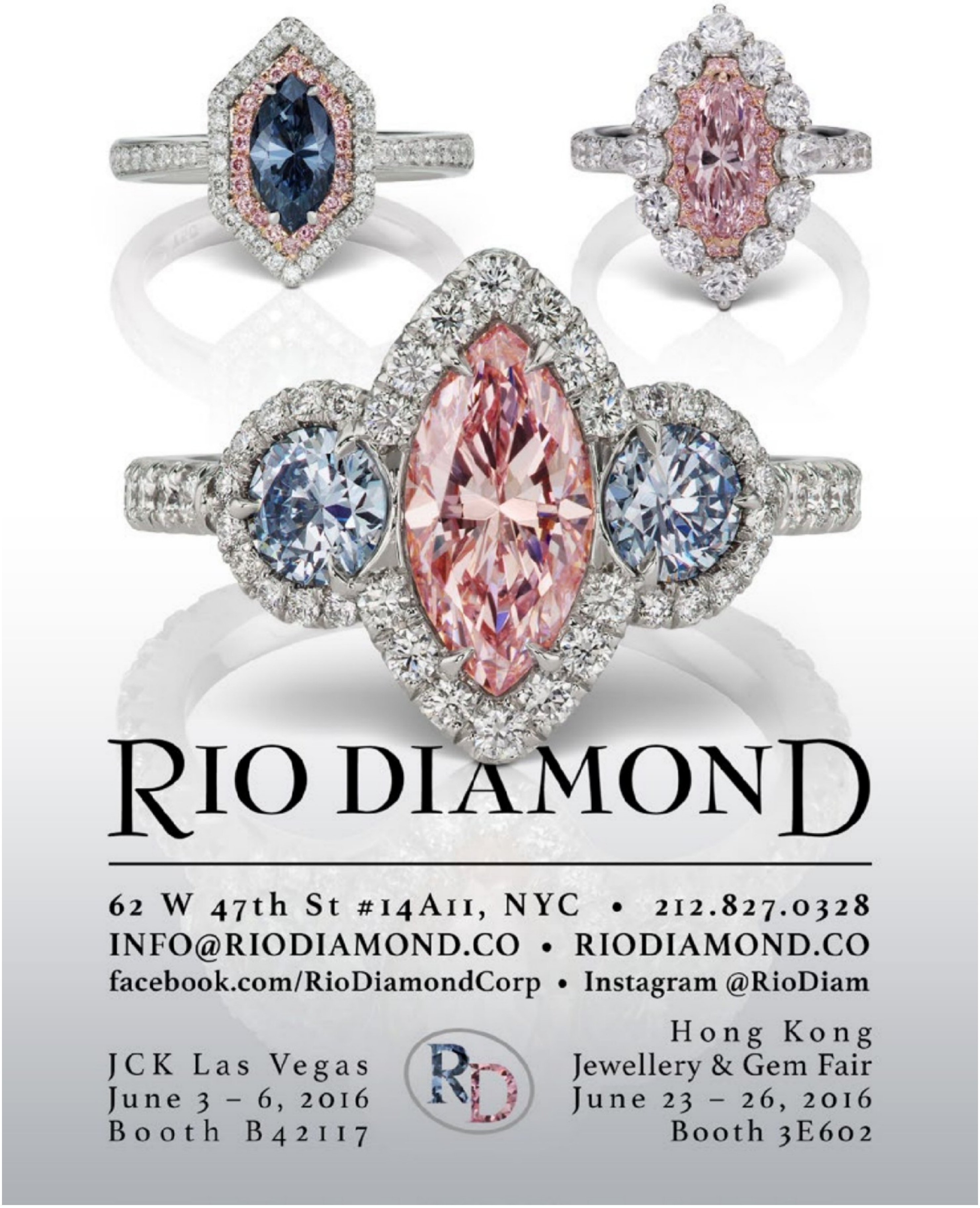
TACY'S 2015 DIAMOND PIPELINE (PROVISIONAL)

(IN US$ BILLION)

DOWNLOAD PIPELINE CHART



* SOME FIGURES ARE STILL SUBJECT TO FINAL VERIFICATION.
** SOUTHERN AFRICA INCLUDES SOUTH AFRICA, BOTSWANA AND NAMIBIA
*** OTHERS: BRAZIL, CAMEROON, REPUBLIC OF CONGO, GHANA, GUINEA, GUAYANA, INDIA, LESOTHO, LIBERIA, SIERRA LEONE AND TANZANIA



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RETAILRENDEZVOUS

FLY BY NIGHT

London-based luxury jeweler **Stephen Webster** is one of the most sort-after designers working today. His **Fly By Night** collection takes inspiration from nocturnal forest-dwelling winged creatures. These couture earrings are set in 18-karat white gold and feature 1.8-carats of pave white diamonds.

VIEW MORE

PETALS OF PLATINUM

India-based platinum jewelry specialist **Orra Jewellery** is available in 25 cities across the country and also online. This pair of platinum floral earrings can be accessorized with a matching pendant and ring and features 0.77-carats of diamonds.

COLLARED… BY DIAMONDS!

Larimar Jewellery is a new jewelry company whose designs will surely be headline grabbers. This collarette is available in 18-carat rose gold, yellow gold or white gold and features 107 pear-cut diamonds and 1 marquise-cut diamond.

VIEW MORE

MARRIAGE MADE IN HEAVEN

Matrimony jewelry specialist **Charles Green** has been in existence for almost 200 years. These new **Claw** collection rings have been thoughtfully designed to create more striking and unique look for the single stone engagement ring.

VIEW MORE

BEST OF PARIS

Garaude Paris is well-known for its use of its use of unusual or irregular shapes in its jewelry. This piece of high jewelry is a blackened 18-karat gold ring, which features a 5.02-carat natural unheated ruby and 54 single-cut rubies with a total weight of 0.91 carats.

RINGS OF PERFECTION

Valérie Messika comes from a diamond trading family, but her interest in precious stones was using them in her own jewelry. This 3-row 18-karat pink gold ring is from the **Amazone** collection and features 0.80-carats of diamonds. It is also available in yellow, white and black gold.

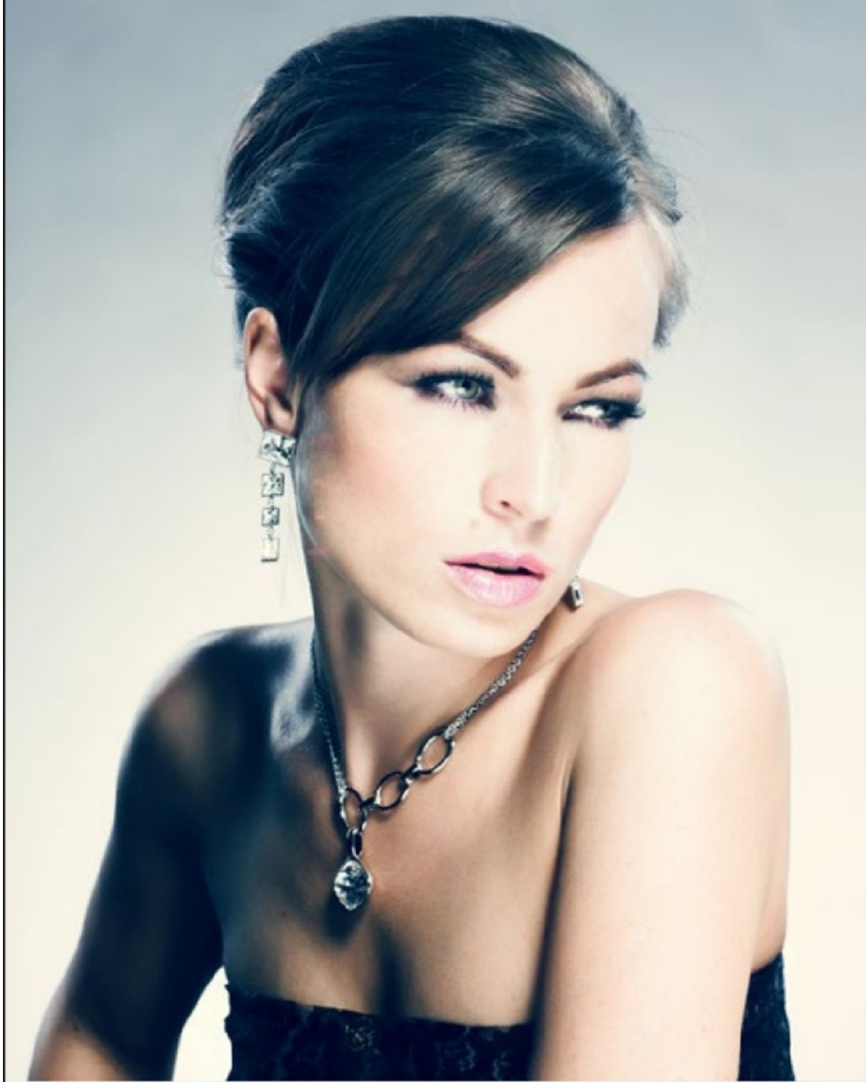
BY KEN GASSMAN

IDEXOnline Research

US Jewelry Sales Continue To Show Solid Gains

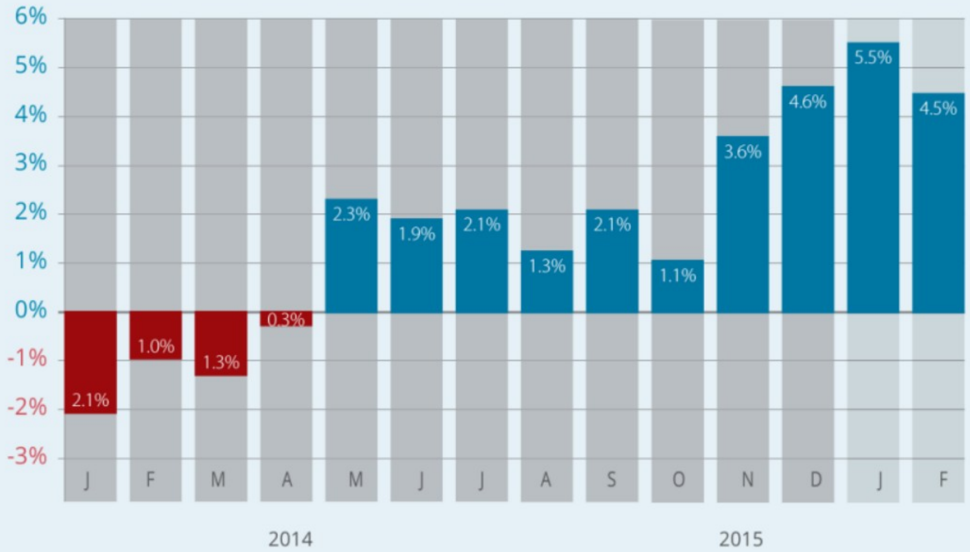
TOTAL SALES OF FINE JEWELRY AND WATCHES IN THE US MARKET ROSE BY A SOLID 4.5 PERCENT IN FEBRUARY 2016 WHEN COMPARED TO FEBRUARY 2015.

US JEWELRY DEMAND HAS BEEN VERY STRONG FOR THE FIRST TWO MONTHS OF THE YEAR. THOUGH THE GOVERNMENT'S JEWELRY SALES DATA FOR JANUARY WAS REVISED DOWNWARD, IT IS STILL A VERY STRONG GAIN – +5.5 PERCENT – REVISED FROM A PRELIMINARY GAIN OF 6.3 PERCENT.



TOTAL SALES OF FINE JEWELRY AND FINE WATCHES IN THE US MARKET IN FEBRUARY **WERE AN ESTIMATED $6.6 BILLION.**

SPECIALTY JEWELERS' SALES DURING FEBRUARY **WERE AN ESTIMATED $2.7 BILLION,** A 7.7 PERCENT INCREASE OVER FEBRUARY 2015.



US TOTAL JEWELRY & WATCH SALES TRENDS 2015 - 2016

% Change Y/Y

Source: US Dept. of Commerce

JEWELRY SALES THROUGH MULTI-LINE MERCHANTS SUCH AS WAL-MART, COSTCO AND OTHERS **ROSE BY AN ESTIMATED 2.3 PERCENT** DURING THE MONTH OF FEBRUARY.

FINE JEWELRY SALES **ROSE BY AN ESTIMATED 4.5 PERCENT** IN FEBRAURY, WHILE **FINE WATCH SALES WERE UP BY 5.2 PERCENT.**

OUTLOOK – WE ARE OPTIMISTIC

JANUARY AND FEBRUARY SALES, WHICH INCLUDE THE IMPORTANT VALENTINE'S DAY SALES, **WERE ALSO VERY STRONG.**

RETAIL NEWS

LATIN AMERICAN DIAMOND

SECOND LATIN AMERICAN DIAMOND AND JEWELRY WEEK TO FOCUS ON EMPOWERMENT OF WOMEN

The Second Latin American Diamond and Jewelry Week will hold a special meeting focusing on the role and empowerment of women in the Latin American jewelry industry.

The meeting will be held at the Panama Diamond Exchange, which is significant as two of the four positions in its management team are held by women – senior vice president Ali Pastorini (who is also senior vice president at the World Jewelry Hub) and PDE vice president Judy Meana.

READ MORE »

INDIA PLATINUM JEWELRY RETAIL SALES INCREASE 24% IN 2015

A report published by Platinum Guild International (PGI) showed that Indian jewelry retail sales saw a 24-percent increase in 2015, according to *The Economic Times*.

The PGI report said that platinum jewelry was becoming more accepted among consumers, with increased distribution and successful branded programs.

Platinum rings and bands, launched in 2009 on the back of Platinum Day of Love, are now viewed as significant categories of their own.

READ MORE »

STEPHANE BARRAQUE

HOF APPOINTS STEPHANE BARRAQUE CHIEF GLOBAL REVENUE OFFICER

Hearts On Fire has announced the appointment of luxury industry veteran Stephane Barraque as its new global chief revenue officer. He is the first to step into a newly created role designed to lead all commercial activities for the company globally, and to support the development of the brand's wholesale, retail, e-commerce and joint venture channels.

READ MORE »

STEEP DECLINE IN CHOW TAI FOOK Q4 2016 RETAIL SALES

Chinese diamond jewelry company Chow Tai Fook reported a 26-percent decline in retail sales for the three-month period ended March 31, according to its unaudited operational data.

With regard to its results in Mainland China, the company said that declining demand was due to a weakening demand for luxury items amid the slowdown of economic growth.

READ MORE

CHOW TAI FOOK

DE BEERS MILLENNIUM JEWEL 4

SOTHEBY'S SELLS DE BEERS 10-CARAT BLUE DIAMOND FOR $32 MILLION

Auction house Sotheby's reported that it sold the internally flawless 10.1-cart De Beers Millennium Jewel 4 Fancy Vivid oval blue diamond for HK$ 248.28 million ($31.8 million) at auction.

The price represented the highest amount paid for a gemstone at auction in Asia, and was purchased by an anonymous telephone bidder, in a sale that lasted only a few minutes.

READ MORE

POLISHEDNEWS

LUCARA'S KAROWE MINE

LUCARA'S FIRST 2016 EXCEPTIONAL STONE TENDER REVENUES EXCEED $51 MILLION

Lucara Diamond Corp. announced that its first exceptional stone tender of Karowe diamonds in 2016 has achieved gross revenues of $51.3 million ($33,632 per carat).

The sale consisted of 10 single stone lots totaling 1,525 carats, all of which were sold. Seven diamonds sold for more than $2 million each, including five stones that sold for in excess of $5 million each.

READ MORE »

SCIO DIAMONDS RETURNS TO FULL PRODUCTION AFTER DECEMBER WATER LEAK

US-based diamond grower Scio Diamonds announced that its South Carolina factory returned to full production following its December shutdown due to a water leak.

READ MORE »

RBS TO FOLD INDIAN BANKING OPERATIONS FOLLOWING FAILURE TO FIND BUYER

The Royal Bank of Scotland (RBS) is set to close its banking operations in India, having been frustrated in its efforts to find a buyer, according to a report in *The Financial Times*.

For a number of years, the UK-based bank has been selling non-core units of its India business, which it was compelled to undertake after overextending itself during the 2008 financial crisis.

READ MORE »

LAB-GROWN DIAMOND ASSOCIATION ADDS 8 NEW MEMBERS

The International Grown Diamond Association (IGDA), a representative body formed by diamond growers, lab-grown diamond distributors, retailers, suppliers and technical experts, has added eight new members.

READ MORE »

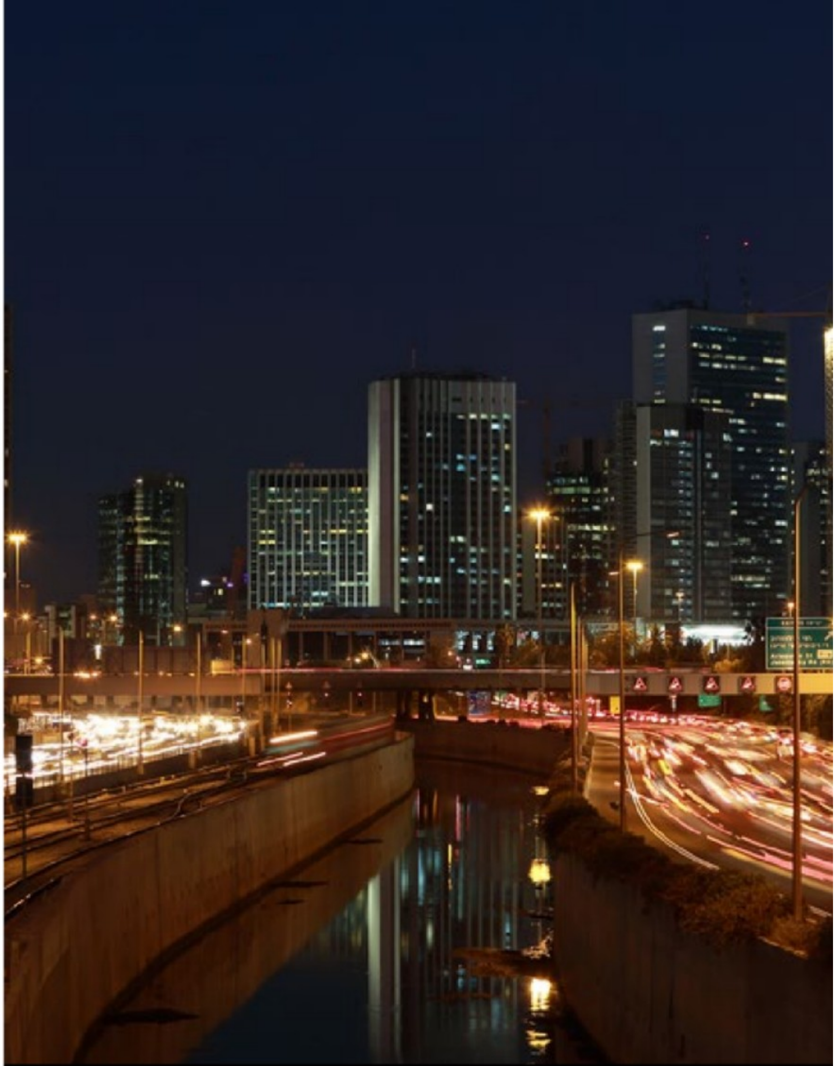
DE BEERS 3RD 2016 SIGHT VALUED AT $660 MILLION

The De Beers Group of Companies has announced that the value of rough diamond sales (Global Sightholder Sales and Auction Sales) for the third sales cycle of 2016 was $660 million.

The company said that rough diamond demand was "reasonably positive" and reflected continued stability of polished diamond prices and sales of polished diamonds at the wholesale level.

DE BEERS

READ MORE



RAMAT GAN

POSSIBLE BANKRUPTCIES AT IDE FOLLOWING $60 MILLION THEFT

Up to a dozen companies at the Israel Diamond Exchange could go bankrupt, following a huge diamond theft, according to a report on Globes.co.il.

The Israel Police, through the Tel Aviv Police Fraud Squad, are investigating serious allegations, which implicate Hanan Abramovich, who is suspected of stealing diamonds valued at $60 to $65 million.

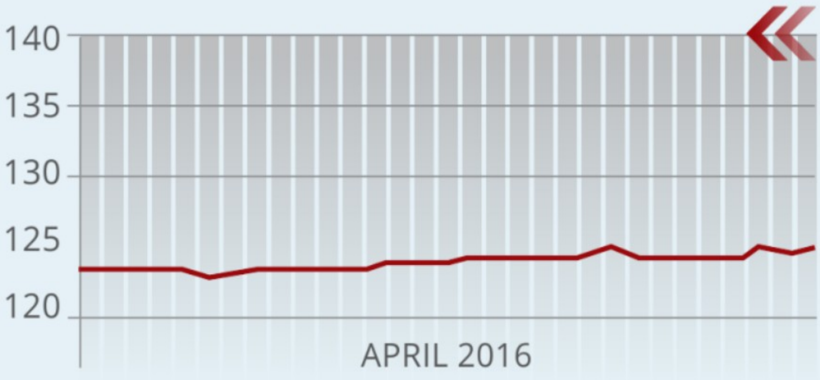
READ MORE

BY DAVID BRUMMER

POLISHED PRICES

April Polished Diamond Prices Show Slight Uptick

THE POLISHED DIAMOND PRICE INDEX FOR APRIL DID NOT FLUCTUATE GREATLY, ONLY REGISTERING A VERY SLIGHT INCREASE AND CONTINUING THE TREND SHOWN IN MARCH. **THE INDEX BEGAN THE MONTH AT 123.5 AND ENDED AT 124.9.**



DAILY IDEX POLISHED DIAMOND PRICE INDEX

AVERAGE POLISHED PRICES SHOWED A SLIGHT UPTICK IN APRIL.

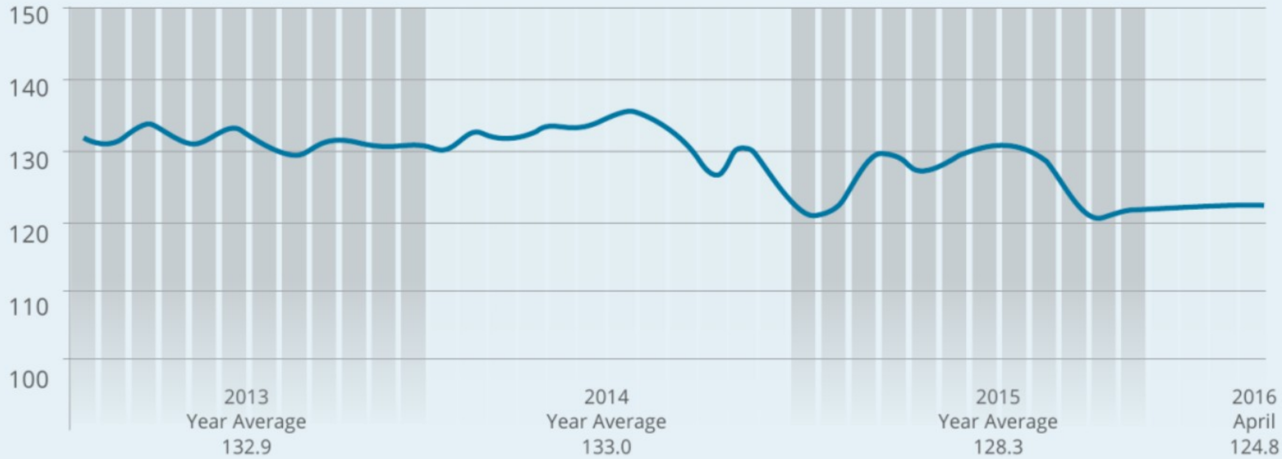
POLISHED DIAMOND PRICES **HAVE SHOWN STABILITY** AND ONLY MINIMAL FLUCTUATIONS SINCE NOVEMBER. THE TREND FOR APRIL CONTINUED THIS PATTERN OF A LACK OF PRICE MOVEMENTS, WITH THE GRAPHS SHOWING STATISTICALLY INSIGNIFICANT CHANGES.

ON A YEAR-OVER-YEAR BASIS, **APRIL'S AVERAGE FELL 5.4 PERCENT**, THE MOST SIGNIFICANT DROP SINCE NOVEMBER.

ON A MONTH-TO-MONTH BASIS, APRIL'S GLOBAL POLISHED DIAMOND PRICES WERE FLAT, **ONLY REGISTERING A 0.2-PERCENT INCREASE** OVER MARCH, WITH OTHER COMMODITIES CURRENTLY SHOWING MORE SIGNIFICANT GAINS.

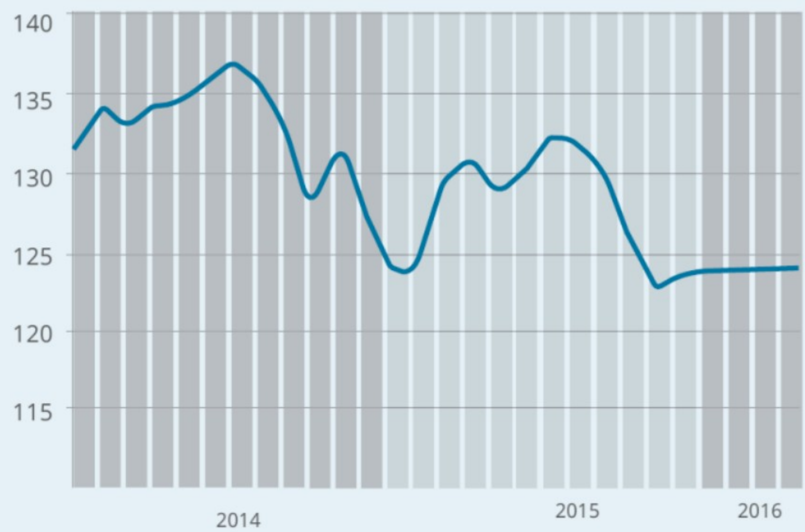
IDEX ONLINE POLISHED DIAMOND PRICE INDEX

COMPARED TO THE VOLATILITY SHOWN DURING 2015, OVERALL PRICES CURRENTLY SEEM STABLE. APRIL'S SLIGHT INCREASE OVER MARCH'S AVERAGE PRICE CONTINUES THAT TREND, DESPITE YEAR-OVER-YEAR DECLINE.

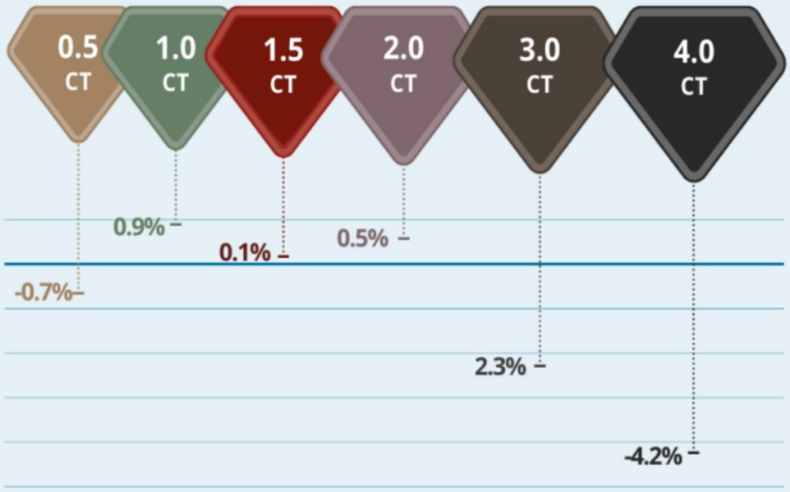


PRICES WERE DOWN 6.8 PERCENT IN APRIL 2016 OVER THE APRIL 2013 FIGURE.

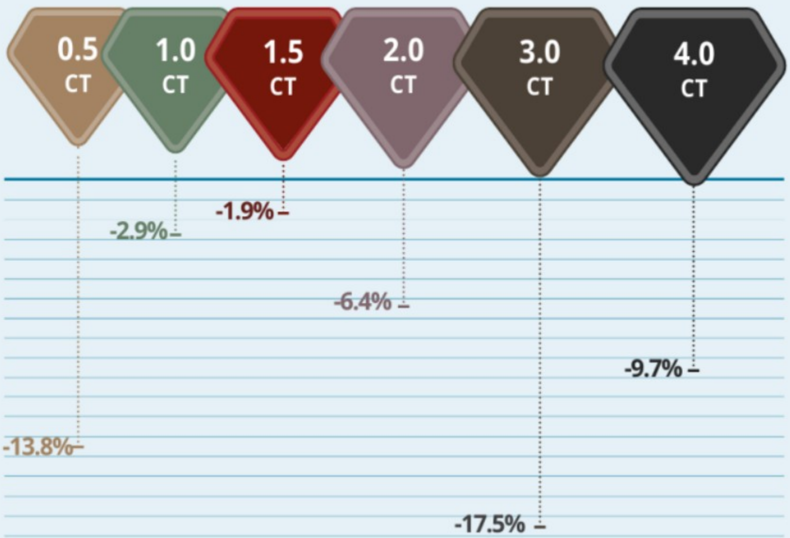
IDEX DIAMOND POLISHED PRICE INDEX



ON A MONTH-OVER-MONTH BASIS, **PRICES FOR DIFFERENT SIZED DIAMONDS SHOWED GAINS AND LOSSES.**



PRICES FOR ALL SIZES OF DIAMONDS **DECREASED ON A YEAR-OVER-YEAR BASIS, SOME SIGNIFICANTLY.**



OUTLOOK

The polished market is still showing signs of uncertainty, despite, for example, positive news about the strong performance of the US jewelry market and De Beers' most recent Sight, which was estimated to have been worth $660 million. ALROSA is thought to have generated rough sales in the most recent quarter on par with how it performed in 2015 – but there have been some cautious comments about the diamond market turnaround.

We maintain our assessment that it is unlikely that goods of 2 carats and smaller will show significant price improvements until at least the second half of this year.

BY DAVID BRUMMER

WFDB Interview

WFDB PRESIDENT ERNIE BLOM

Transparency, Responsibility and Sustainability – World Diamond Congress Meets to Discuss the Industry's Future

Ahead of the World Diamond Congress in Dubai, IDEX Deputy-Editor David Brummer caught up with World Federation of Diamond Bourses president Ernie Blom and executive director Louise Prior to ask about issues concerning the diamond industry.

David Brummer: The three main themes of the World Diamond Congress are transparency, responsibility and sustainability – how will the Congress focus on these? Is the further reduction of the use of conflict diamonds and closer cooperation with the World Diamond Council, for example, one of the ways that the above issues will be tackled?

Ernie Blom: These themes seek to address all the challenges facing the global diamond industry. These include a lack of financing and declining profitability, the issue of over-grading of diamonds, generic marketing of diamond jewelry, and the undisclosed mixing of synthetic diamonds with natural mined goods. We believe these overarching themes cover the issues that the industry faces and set the stage for a wide-ranging debate at the World Diamond Congress in Dubai in May.

We have a strong and ongoing relationship with the WDC and are in full agreement on the need to ensure that conflict diamonds are excluded from global trade. Clearly, transparent and responsible trading applies to the challenge of dealing with the threat of conflict diamonds.

DB: What will be the WFDB's role in monitoring/advising on those three pillars?

EB: The WFDB is taking the initiative in leading the global diamond sector. Our aim is to be the "go to" voice for the industry. As a result, we believe that creating a debate on the themes we have declared creates the conditions needed for businesses across the world to work to the highest business and ethical levels.

DB: Many industry members say that generic diamond promotion and marketing are key to help diamonds regain some of their lost ground to other luxury goods – what discussions will be had? What plans are in place to facilitate that?

EB: There is no doubt that generic marketing of diamond jewelry is critical since the industry has not been doing this in a unified way for almost a decade. We are inviting key speakers to address the congress on precisely this issue.

DB: How will the World Diamond Mark Foundation and the Diamond Producers Association be able to work more closely?

EB: The WFDB launched the World Diamond Mark three years ago, which has made tremendous progress in spreading consumer awareness of diamond jewellery and helping retailers to sell more in some key areas.

The WFDB is in communication with the Diamond Producers Association on an ongoing basis. We believe the DPA is going to play a huge role in generic marketing and that working together with the WFDB can complement its activities. This is such a huge task that no single body can succeed alone. There has to be industry-wide cooperation, and we are aiming to bring this about.

One important aim will be to attract the so-called Millennials, 18 to 35-year-olds who prefer items such as smartphones and other electronic gadgets and so-called "experiential" activities, such as a vacation to an unusual destination. How do we reach out to Millennials? We need to be talking their language, and that is one area we will be focusing on.

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GEMEWIZARD

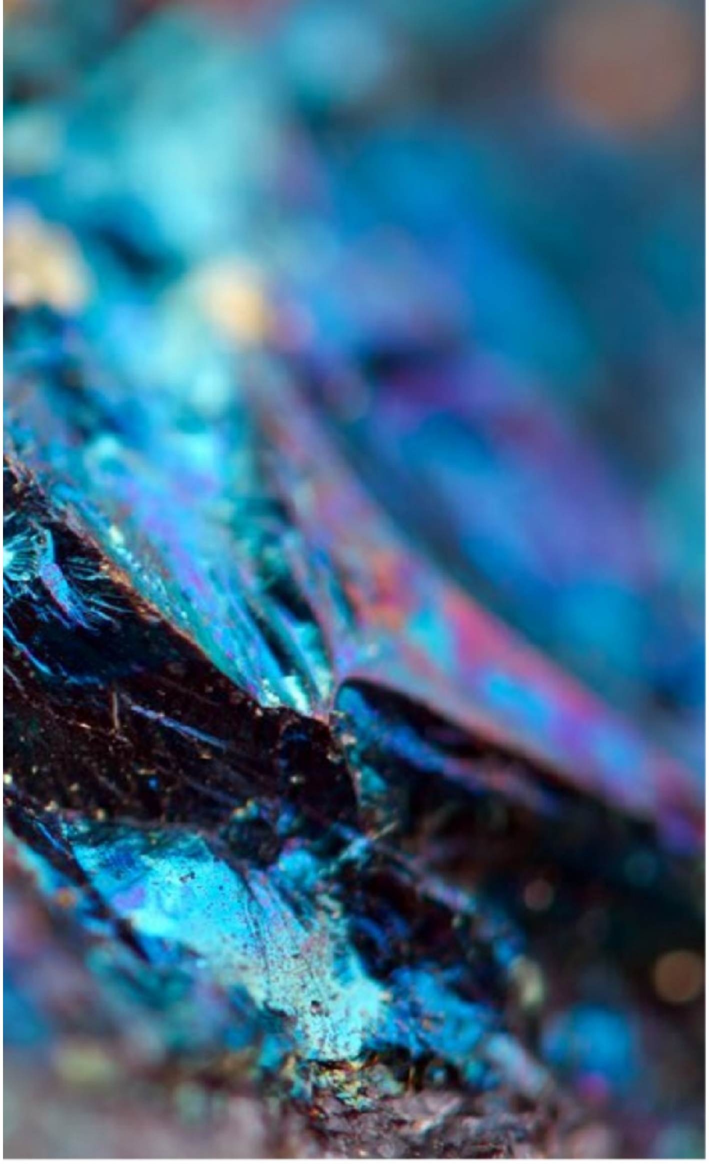
BY GUY BORENSTEIN, FGA

Color-changing Yttrium Aluminum Garnet, A Rare Item Indeed

On occasion, gem enthusiasts come across unusual specimens. It almost always occurs unexpectedly, while browsing the trade show floors or during a chance visit to a gem dealer's office. Sometimes they are presented as new minerals, trying to earn public recognition. However, from time to time, we see something else – a familiar gem with an unfamiliar property or appearance.

These unusual stones are one-of-a-kind pieces or collectors' items. Such were the gem specimens we found in L. Allen Brown the owner of All That Glitters (http://www.atggems.com/) in Methuen, Massachusetts, possession.

YAG is an abbreviation for Yttrium Aluminum Garnet. It is a synthetic product (without a natural counterpart) of Yttrium Aluminate with a garnet-like



structure. YAG has been known in the industry for years, as a simulant of diamonds and other gemstones. In addition to its popular colorless variation, YAG can be found in green (caused by chromium), blue (cobalt), red (manganese), yellow (titanium), purple (neodymium), pink and orange.

When Brown mentioned that he had some interesting YAG specimens to offer us for color analysis, we were not particularly intrigued. Colored YAG is a familiar product. So we asked ourselves, what could be interesting? But, when we saw what he was holding, we quickly changed our minds.

Brown showed us something we had not seen before – two rough boules of YAG, both presenting color change phenomena. They weighed 300 and 505 carats, respectively, and changed from colorless to pink with the first sample, and from green to orange with the second. According to Brown, these specimens were part of a small Russian experimental production, and are therefore considered very rare. We immediately decided that this YAG was worthy of a color analysis article.

For our efforts, Brown sent us photographed images of both specimens. Each image was shot under different light sources – indirect natural sunlight and direct artificial fluorescence light. We imported them into the GemePro Sampler, marked each boule's border within every image and set the Sampler to ignore the background color, to eliminate its reflection through the gem.

The colors detected were positioned in the Gemewizard color square, to better estimate the range and nature of the color change effect.

The results are displayed in Figures 1 and 2. The 300-carat boule changed its color from 28_6_1 (Medium dark, grayish/brownish, reddish purple) under fluorescent light to 6_2_0.7 (Very light, slight grayish/brown, orange), almost colorless, under incandescent light.

When looking at them in the Gemewizard color square, we see that there are seven hues separating them. However, because the second color is almost colorless, the actual color change intensity parallels what is considered by the trade to be a slight color change (not strong, but surely above the color shifting definition), moving from reddish-purple to colorless.

The analysis results of the second specimen were more vivid. The 505-carat boule changed its color from 4_7_1 (dark, grayish/brownish, orange) under fluorescent light to 9_6_3 (medium dark, very slight grayish, greenish yellow) under incandescent light. After placing them in the Gemewizard color square, we observed a noticeable separation of four hues between them. In this case, the color in each condition was quite dominant, and therefore the color change intensity is graded as distinct.

Although their color change intensities are different, both specimens display quite a rare phenomenon and, therefore, will be highly prized by every collector. Brown is considering cutting them into smaller pieces, to enable more gem lovers to add these interesting items to their collections. But no matter how many pieces he cuts, each lucky owner will know that he or she is in possession of a remarkable item.

MININGNEWS

LUCAPA LULO DIAMONDS

LUCAPA RECOVERS LARGE SPECIALS AND FANCY-COLORED DIAMONDS AT LULO

Lucapa Diamond Company announced that trial mining at the E46 alluvial terraces at its Lulo Diamond Project in Angola has recovered more large specials and fancy-colored diamonds.

The latest special diamond recoveries include a 59-carat Type I diamond and a 33-carat Type II-a D-color gem. Lucapa also recovered a number of pink diamonds from E46 including an intense fancy 0.2-carat pink.

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DIAMCOR SECURES LONG-TERM WATER USE LICENSE AT VENETIA

South African-based diamond miner Diamcor Mining Inc. has announced that its application for a water use license to support long-term diamond mining operations at its Venetia Project has been secured. The South African Department of Water and Sanitation (DWAS) granted the request, and the water use license provides the company with the required approval for all requested items in its application.

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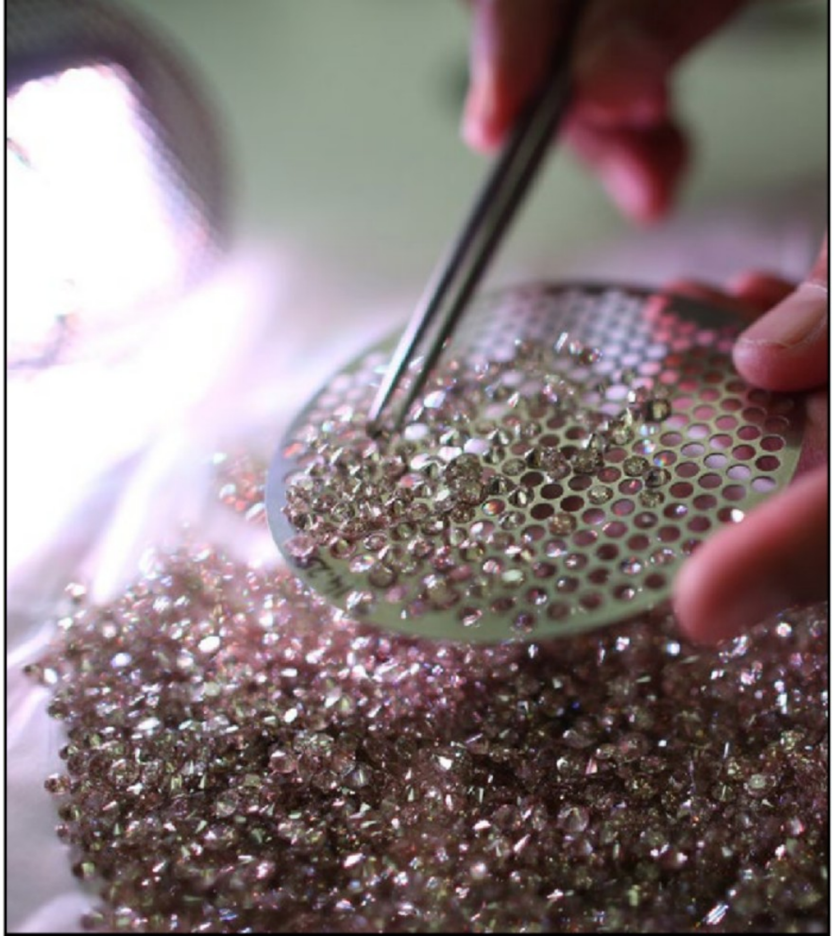

RIO TINTO

RIO TINTO DIAMOND PRODUCTION +6% IN Q1 2016

Rio Tinto released its results for the first quarter of the 2016 fiscal year, which showed that production increased 6 percent compared to the fourth quarter of 2015.

The company announced that it produced 4.522 million carats during the first quarter of 2016 compared to 4.115 million carats in the first quarter of the prior year and 4.266 million carats in the fourth quarter of 2015 – a 10-percent and 6-percent increase, respectively.

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DOMINION DIAMOND CORP APPOINTS JIM GOWANS CHAIRMAN

Dominion Diamond Corp announced that Jim Gowans has been appointed as non-executive chairman of the board of directors with immediate effect. He was appointed to the board in January, and replaces outgoing chairman, Robert Gannicott.

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JIM GOWANS

ALROSA 2015 OUTPUT CLIMBS 6 PERCENT TO 38.3 MILLION CARATS

The world's largest diamond miner by volume, ALROSA, confirmed that its 2015 rough diamond production increased 6 percent, to 38.3 million carats as a result of successful underground mine development at Mir and Udachny.

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FIRESTONE SCRUBBER-TERTIARY-CRUSHER


ALROSA

FIRESTONE'S LIQHOBONG MINE ON-TRACK FOR Q4 2016 INITIAL PRODUCTION

Diamond development company Firestone Diamonds plc has provided an update on its 75-percent owned Liqhobong Diamond Mine, announcing that construction was 72-percent complete as of March 31.

The company said that favorable weather conditions and the granting of further licenses by the Lesotho government have enabled the completion of a number of key project components.

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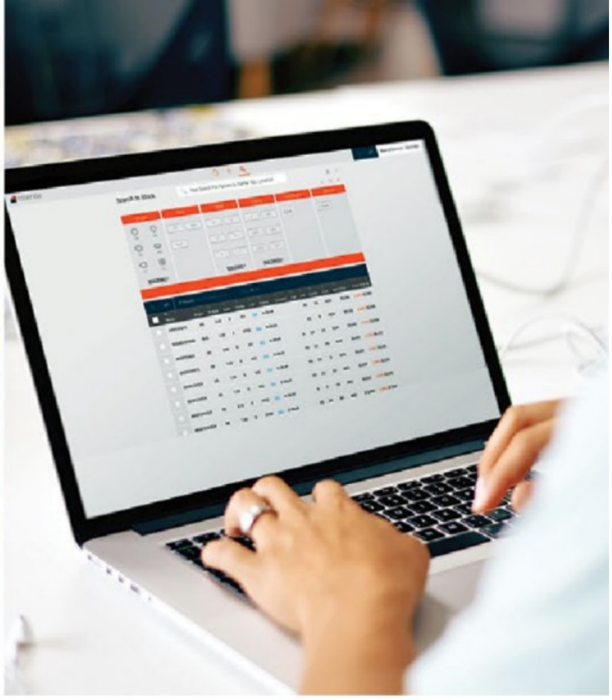


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PROFILE

ELI BOROCHOFF

Name: Eli Borochoff

Position: Proprietor

Company Name: iDiamond Cloud Inc.

Type of Business: Developer and provider of proprietary data/inventory management software geared specifically to the diamond, gem, jewelry and watch industries. We also provide software solutions for online web-based or local network deployment.

Size of Business: 14 software engineers, designers and management consultants world-wide.

Years in Business: 20

Business Philosophy: To provide custom design solutions that strike the perfect balance between complete effective business/data/inventory management, maximum accessibility, absolute security and optimized usability (interface, scalable complexity and clarity of presentation). We opt to provide the best possible management software solution that matches our clients' needs completely.

WHAT SETS YOUR COMPANY APART FROM OTHERS IN THE INDUSTRY?

We have been the model type for our clients, and we understand the parameters of this industry from the inside. As opposed to others, we look for ways to get the software to work for our clients, and not force them to conform to software limitations.

WHAT ARE YOUR PLANS FOR YOUR BUSINESS IN THE FUTURE?

iDiamond Cloud is fast gaining popularity, and as we grow, the variety of solutions we provide become more diverse and easier to deploy. We are excited as we research areas that will enable better cooperation within our clients' business organization, as well as maximize cooperation between businesses to create increasing win-win scenarios when offering goods and services to their customers.

WHAT MAKES YOU MOST PROUD ABOUT YOUR COMPANY?

The digital recordkeeping and management applications are taking

a solid hold in a business, which still largely relies on old-fashioned, yet time-tested notions and business practices. I am very proud to have been able to instill trust in the new technologies for numerous clients who made this transition smoothly

WHAT IS THE MOST DIFFICULT BUSINESS DECISION YOU HAVE EVER HAD TO MAKE?

To switch my focus on software engineering and development.

WHAT IS THE BIGGEST RISK YOU HAVE EVER TAKEN?

That same decision of switching to a new field was as difficult as it was risky.

WHAT IS THE BEST PIECE OF ADVICE YOU HAVE EVER RECEIVED?

Learn from the past – and remember that you cannot predict the future.

WHAT IS YOUR BEST BUSINESS TIP?

Emphasize your input on management – maximize the output of your sales effort.

WHO OR WHAT OTHER BUSINESS OR BUSINESS PEOPLE INSPIRE YOU?

Like most software designers and engineers, I am inspired by the industry leaders who created the Internet's largest players – Google, Facebook and Apple.

IF YOU HAD ONLY ONE WORD TO DESCRIBE YOURSELF, WHAT WOULD IT BE?

Adaptable.

WHAT DO YOU MOST ENJOY ABOUT YOUR WORK?

Realizing that any process can be improved.

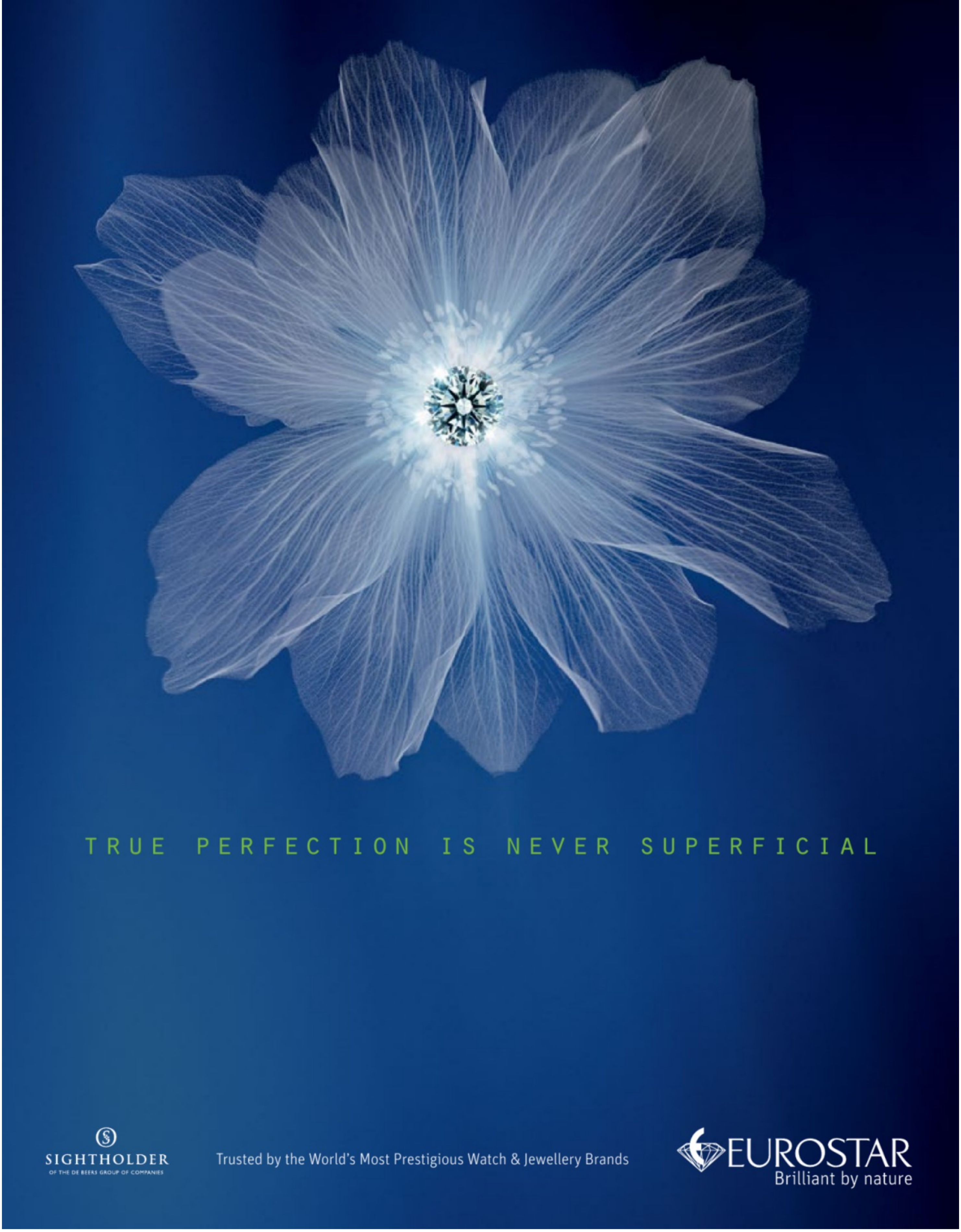
WHAT DO YOU DO TO RELAX?

I play the classical guitar.

WHAT WOULD BE YOUR DREAM JOB?

While I love what I do, It would be awesome to be able to solve business problems by playing music. One can dream...

www.idiamondcloud.com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