DIAMOND INTELLIGENCE BRIEFS

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By Chaim Even-Zohar

2010: Year of Replenishment, Speculation and Recycling

Any analysis of the 2010 diamond pipeline will need to focus on at least three factors: replenishment throughout the value chain; enormous speculation in rough fuelled by an overabundance of **Indian** banking credit; and, for the first time in a significant way, the recycling of diamonds. Regarding the third factor, throughout 2010, cash-strapped consumers, especially in **America**, brought their diamonds (and diamond jewelry) back to retailers and pawnshops in such sufficient volumes that it almost warrants adjusting the pipeline format to indicate supply flowing from downstream to upstream.

The contrasts between 2009 and 2010 could not be starker, but, in all fairness, the pipeline behaved as predicted. Following 2009, which reflected the most severe single-year contraction of the diamond pipeline since World War II as a result of the economic crisis and the resultant liquidity shortages, the industry managed the crisis remarkably well; a "free fall" of prices and the feared spate of bankruptcies and/or insolvencies were avoided.

The industry participants understood that the severity of the contraction in 2009 was the logical result of the reverse ripple effect, the process of severe destocking at all levels of the pipeline that reduced the demand for "new goods" at entry level. This culminated in about a 50 percent reduction in rough supplies into the pipeline.

The Forward Ripple Effect in 2010

In 2010, the ripple effect operated in a forward mode (actually having already started in the fourth quarter of 2009) and, consequently, cutting centers saw enormous growth in sales – as all phases in the pipeline were replenishing. However, during 2010, the demand did not (yet) originate from a dramatic return of consumers to the stores. What is probably the most outstanding feature is the fact that, on the demand side, we saw a return to a restored equilibrium between polished, rough and retail demand. It was the insufficient supply of rough which, among other things, partly triggered havoc in rough pricing. More about that later.

If we assume that at the end of 2007, well before the problematic 2008 year, the three demand parameters were in balance, we can see from the graph below that, from a demand perspective, 2010 from was back to normal, which is an outstanding achievement any way one looks at it.

The only way to view the relevant parameters of the 2010 pipeline is by seeing them in a multi-year perspective. The economic modeling, which forms the basis of our forecasts, and which we have developed in conjunction with **Pranay Narvekar** of **Mumbai**'s "Pharos Beam" consultancy, predicts that the high growth figures on the polished and rough sides will not be sustainable through 2011. This is all the logical and rational result of the forward ripple effect.

	2008	2009	2010	2011 (projected)
Global Retail Demand	-9.0% YoY	-9.5% YoY	+6.8% YoY (-12% 2007)	+9.6% YoY (-3.6% 2007)
Cutting Center Polished Demand (in US $ billions)	18.8	13.7 (-27% YoY)	18.9 (+38% YoY) (2008 +0.5%)	21.6 (+14.3% YoY)
Rough Demand	US$ 13.4 billion	US$ 7.5 billion (-45.3% YoY)	US$ 13.3 billion (+77% YoY)	US$ 16.2 billion (+21.5% YoY)

Source: Tacy Ltd., Pharos Beam Consulting PLL

Diamond Industry is Demand Driven

The 2010 performance of the three most critical parameters – consumer (retail) demand, rough demand and sales at cutting centers – clearly highlights the year's impressive performance. After two consecutive years in which global retail demand declined by respectively some 9.0 percent and 9.5 percent, in 2010 the tides turned and retailers sold 6.8 percent more (in US$ terms). This is, however, still 12 percent below the 2007 demand level. (**De Beers**, which has its own mysterious ways to arrive at market figures, estimates the year's diamond-jewelry growth as well as the diamond content (in polished wholesale prices – pwp) both at 8 percent. This is clearly in a similar ballpark as our estimates.)

In 2011, we expect consumer demand to step up the speed of its recovery and grow by 9.6 percent over 2010. Though certainly impressive by itself, sales will still be some 3.6 percent below the 2007 levels. In terms of individual country growth, the star performers on the retail levels were **India** (+37 percent in pwp diamond content), **China** (+26 percent), followed by the **United States** (with 7 percent).

In our **2010 Tacy Ltd. Diamond Pipeline**, we are also presenting the relative market share of diamonds (measured in pwp) in each market – figures that may be quite different from the diamond-jewelry sales (depending on other inputs such as gold, design, overhead, etc.).

The diamond content in jewelry differs from country to country. We estimate the United States to consume 38 percent of global diamond value (De Beers says 39 percent). In any event, it may be worthwhile to recall that a decade ago, in 2001, the United States accounted for 46 percent of global diamond consumption; the share of the U.S. market continues to decline.

Cutting Center Sales to Market

The real excitement in 2010 was at the cutting center levels. Because of the reverse ripple effect in 2009, cutting center supplies of polished were down by 27 percent. However, in 2010, this process took a dramatic u-turn, and an enormous jump to +38 percent was recorded last year when trade optimism triggered the forward ripple effect.

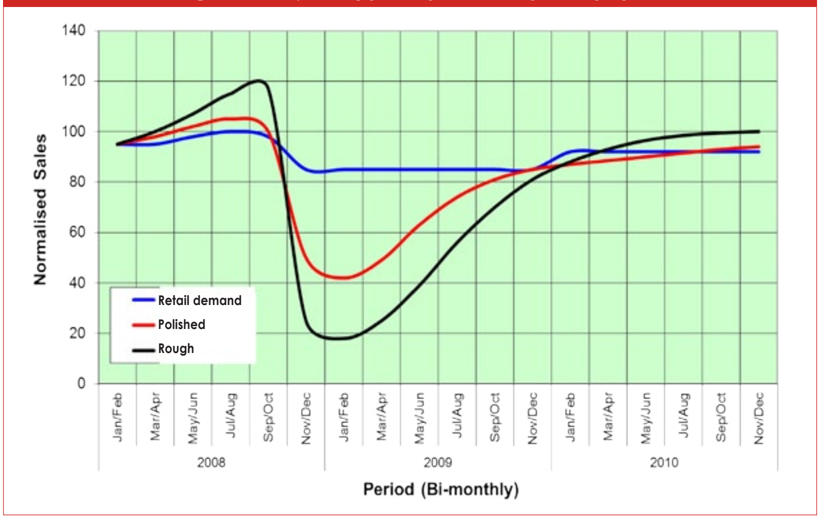
It must be stressed that market research is an "ongoing" process, and figures are constantly revalidated and revised when necessary. The table in this article reflects the latest figures (end April 2011), and our US$18.2 billion for global polished consumption has been revised to US$18.9 billion. This difference is mostly of a psychological nature: in the cutting centers we have just exceeded the 2008 performance.

The good news will continue, albeit at a lower pace. The 2011 cutting center sales will grow by a further 14.3 percent and global diamond sales (expressed in pwp) will reach US$21.6 billion.

Rough Supplies

A major question remains: from where will the rough supplies come that are needed to supply the expected polished demand? This was the issue in 2010 and continues to be a major concern

GRAPH 1: INDUSTRY STABILIZES IN 2010



Source: Tacy Ltd., Pharos Beam Consulting PLL in 2011.

The Tacy Ltd. Diamond Pipeline shows that some US$12.25 billion worth of rough was supplied by the producers to the industry. Our estimates show rough demand of US$13.4 billion. How was the demand met? Largely through price increases fueled by exacerbating the "shortages sentiment" – i.e. the world is running out of diamonds.

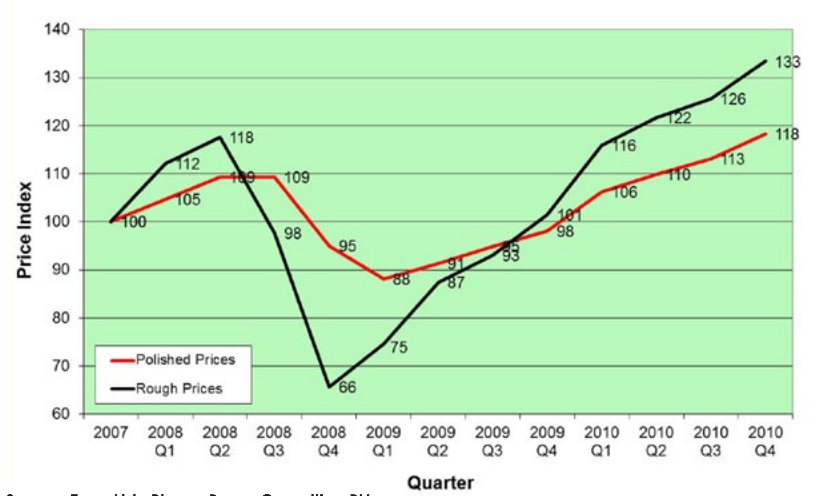
However, there is no reason to hold your breath yet concerning that outlook. The producers very calculatedly undersupplied the markets in 2010. The result was a 27 percent price increase of rough during 2010, a trend that continues in 2011. (Interestingly or rather maddeningly, a March 2011 De Beers Group Strategy paper notes that the "world $ pwp growth of approximately 8% was higher than expected by markets – *as a result the diamond pipeline was under supplied at the start of 2011*.)

This "undershooting" of market demand by the producers might be "forgiven" considering the fact that in 2009 their supplies to the market were drastically cut by some 45 percent from US$13.4 billion to merely US$7.5 billion. In 2010, the demand for rough increased by a hefty 77 percent, bringing the demand back to the 2008 levels. The market could have absorbed more.

In 2011, we expect a further rough supply growth of 21.5 percent, raising rough supplies to a US$16.2 billion level. The lion's share of this increase comes from price appreciation rather than from carat growth.

Graph 2 shows the price evolution of rough and polished prices:

Graph 2: Composite Diamond Price Index for All Qualities and Sizes Based on Quarterly Averages [End 2007=100]



Source: Tacy Ltd., Pharos Beam Consulting PLL

Declining Carat Volumes Impact Trade Sentiment

The Tacy Ltd. Diamond Pipeline doesn't actually record the rough and polished movements *in terms of carats*. In 2009, the industry's most difficult crisis year by any standard, the world's diamond producers mined some 120-125 million carats valued at some US$8.6-9.5 billion, a steep reduction from the 160-165 million carats worth US$13.4-14.4 billion in 2008. In 2010, it is estimated that mines produced at a 125-130 million carats level valued at US$11.8-$12.2 billion. As the Russian government stocked the output, these goods did not enter into the market. Trade sentiment is influenced by a growing awareness within the industry of an approaching supply-demand deficit, even after mines resume full production and sales.

While the outlook for diamond demand is favorable, growth in rough diamond production is slowing as reserves are being depleted and no new major mines have come on stream. Tacy Ltd. forecasts that, up to 2020, annual rough supply will hover around a much lower 120-130 million carat level, without taking the "wild card" called **Zimbabwe** into account, and then fall steeply – unless significant new discoveries are made. New mines in development stages (excluding Zimbabwe) may accumulatively add only some 15 million carats annually to the market. Compounding the market impact of the slowing rate of production growth is the fact that the producers (**Russia** excepted) find themselves with only working-stock levels.

The conventional wisdom has not yet considered the possible impact of Zimbabwe's **Marange** production, which may add 20-30 million carats of mostly lower quality goods to the market. There is still uncertainty whether this production will be viewed as part of the "legitimate" diamond market. In any scenario, it will impact cutting center employment in India by adding some 200,000-250,000 jobs. It will also soften the pressure on rough diamond prices, which is mostly felt in India.

No wonder the Indian industry is at the forefront of entrepreneurs looking for a "substitute for rough" – and finding it in recycling.

2010: Global Diamond Recycling Estimated at $6 Billion Market Value

What the diamond pipeline does not fully capture (yet) is the impact of recycling. The figure would, implicitly, be included in the cutting center sales to the market, specifically sales from India. It would be evident in Indian polished import figures. It would also alter statistically the average "yield" out of the rough, as polished export figures will not differentiate between polished produced from rough or from re-cutting or re-selling recycled diamonds.

To put the rather new recycling issue in perspective, we have written before that since ancient days the world has produced some 5.2 billion carats – which, at today's rough production values (US$80 p/c), would amount to some US$420 billion of rough. The historically adjusted gem-quality polished output would be between 1.3-1.8 billion carats, taking into account the specific and limited range of goods that used to enter the gem-quality market.

At today's polished prices (average US$650 p/c), consumers hold about US$0.9-1.2 trillion worth of polished – between 40-50 percent of which would be in American hands. The recycling of even a small part of this "stock" can significantly affect demand for fresh polished and, consequently, rough demand. Moreover, only the "better" qualities are recycled.

There is hard evidence that considerable recycling has taken place in 2010. One eminent expert in the United States estimates that "the secondary market (polished purchased from estates, pawnshops, etc.) is MUCH BIGGER than anyone realizes and does account for a large part of polished imports into India – and their re-export to the U.S."

What is truly startling are the price levels of such transactions. *Our sources say that the widely accepted "recycling" standard price is 80 percent below Rapaport, at most.* Thus, the potential profits to be made in this market niche are huge. My sources estimate that "in the US, there were probably 2-3 million carats of polished sold back into the upstream market 2010. The vast majority is going back to India, mixed into parcels and resold back to US or on to China etc."

How can we put a price tag on this activity? The average value of U.S. imports of polished in 2010 was US$1,367 per carat. Though, in fact, most of the recycled goods are better qualities, we assume for a moment that the recycled goods would have at least the "average" value of U.S. imports. This would put recycling in the United States alone at US$4 billion worth in 2010!

As economic hardship (and divorces, etc.) is not the sole prerogative of the U.S. consumer, it would be no exaggeration to conservatively estimate diamond recycling in the rest of the world by adding at least US$2 billion, about half of the U.S. recycling level. Thus, diamond recycling may well have been a US$6 billion business, *producing somewhere between US$3-US$4 billion in profits*!

How does this impact the diamond pipeline? In a most direct way, this amount would be the equivalent of some US$4 billion of rough – significantly softening the demand for rough, and, potentially, a factor that might suppress rough prices – which is not something we see today. We assume that these goods are still largely held in inventories in the diamond centers.

According to a prominent representative of India's **Gem and Jewelry Export Promotion Council**, the US$4-US$6 billion of recycled goods, if not more, is a part of the US$20 billion polished imports into India, which was recorded in Fiscal Year 2010.

So far, we have collected considerable anecdotal evidence on the diamond recycling phenomenon and are aware that many diamond traders are developing this market niche. It is very much a "quiet" branch of the business, not always recorded – and certainly not a subject that "selling consumers" will readily discuss.

The Investment Market is Emerging Again

A certain part of the global diamond consumption comes from the remerging diamond investment market – where diamonds enjoy a ride on the fringes of the staggering prices of gold and silver. A pivotal juncture in the investment market was reached in early 2009, when former De Beers managing director **Gareth Penny** conducted "road shows" in the **Gulf** countries trying to generate demand for **Arab** investments in rough diamond stocks. (In some of the projected scenarios, these stocks would at some point be polished through joint venturing with De Beers.) The efforts were not successful but gave a powerful message to the industry: investment diamonds are a legitimate part of our business, reversing a time-honored policy of claiming that diamonds are only meant for adornment – the diamond jewelry markets.

Investment-oriented purchases of diamonds first became truly popular in the late 1970s when good-quality diamonds reached extraordinarily high price levels. During the following price recession, in the early 1980s, this demand dwindled and most of the investment companies went bankrupt. Now, the investment market is again becoming a factor, not because of current prices *but solely based on expectations of future supply shortages and resultant price appreciation.*

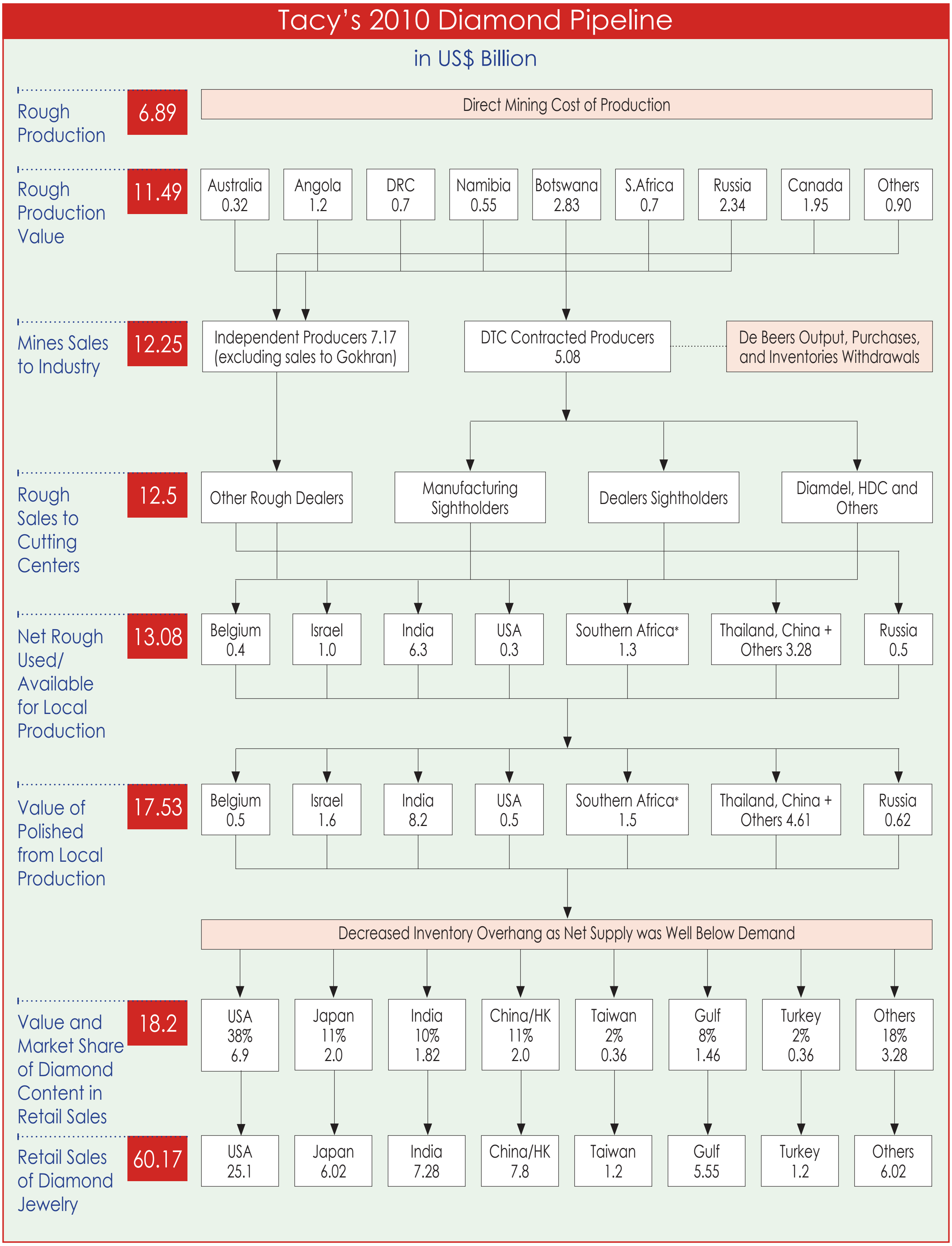
Moreover, many investors have lost their faith in the banking system and prefer to hoard their assets in a discrete safe rather than in a discrete bank account – the details of which eventually reach the fiscal authorities. While in the past, diamonds rarely provided a satisfactory rate of return. However, in today's environment, diamonds are safe and discrete, and the supply shortages place them as unique investment opportunities.

Anecdotal evidence indicates that in 2010 there were several funds (supported by Swiss bankers) in the process of buying – or planning to buy – better polished in the market. A typical fund may aim at US$200-US$300 million portfolios of physical diamonds.

Looking Forward

Today, in April 2011 and after the crisis, we can say that rough prices have once again exceeded their previous historical high levels and are setting new records. The price volatility is, of course, attractive to an investment market if it can buy and sell with little overhead on the wholesale market. The higher prices will also cause the "recycling" trend to gain momentum and make it a permanent feature of the business.

The days that every diamond ring originated from a recently mined rough diamond may be over – and we may have to rethink our 2011 diamond pipeline, where billions of dollars' worth of diamonds may come from yet unclearly defined "other sources." In a way, the world's biggest "diamond mine" may now have been discovered. Let's call it the "Happy Recycling Mine of the U.S.A."♦



** Southern Africa includes South Africa, Botswana and Namibia*

INDIA

Two Indians Arrested in Surat with Non-KP-Certified Marange Diamonds

India's **Revenue Intelligence Directorate** arrested two Indian nationals in **Surat** last week for allegedly smuggling a diamond parcel containing 48,663 carats of rough diamonds from **Zimbabwe**'s **Marange** diamond area and trying to tell the stones, according to local media reports.

The two men, **Zohra Desai**, 53, and **Prema Desai**, 49, were reportedly in possession of a US$2 million parcel of diamonds without accompanying **Kimberley Process** certificates that they allegedly smuggled from Zimbabwe through **Kenya** to **Mumbai** and then Surat, reports *Voice of America*.

In 2008, Surat, was the scene of another arrest involving smuggled goods from Marange. **Robai Hussain** and **Yusuf Ossely** were apprehended with US$1 million worth of rough non-KP compliant Marange diamonds. The two were sentenced to four years in prison, according to the news source.

INDIA

Diamond Retail Benchmark Launched in India

The **All India Gems and Jewellery Trade Federation** (GJF) and **IDEX Online** have launched a **Diamond Retail Benchmark** (DRB), a price reference list presented in rupees for diamond and diamond-jewelry retail buyers in **India**.

The DRC will provide consumers with a scientifically researched and analyzed data bank with which to compare prevailing prices for polished diamonds of all sizes, colors, qualities and grades before making their final purchasing decision, reports India's *Business Standard*. IDEX rate lists have been endorsed by the **World Federation of Diamond Bourses** (WFDB).

DRB's Aim

The new index is aimed at enhancing consumer education by ensuring greater transparency in the pricing of polished diamonds in India, says **Bachraj Bamalwa**, Chairman of the GJF.

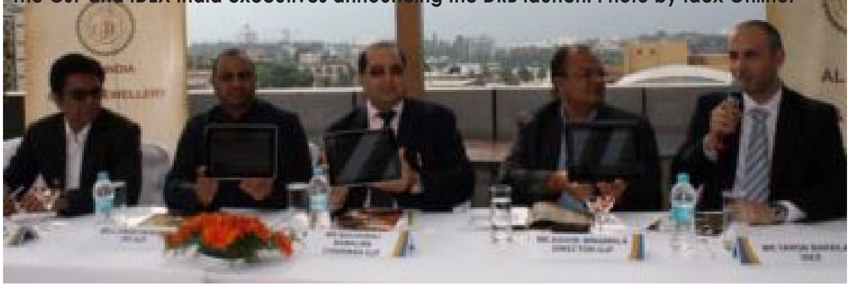
"The timing of this release is most appropriate as the industry is currently grappling under rapidly escalating prices. The DRB will help make pricing of diamonds easy to understand and will be documented by a transparent and accurate process applicable to all retailers and consumers who would like to make use of this," says Bamalwa.

Moreover, as a third-party certification of prices and quality, the DRB will ensure that sellers do not overcharge diamond customers, adds IDEX Online Managing Director **Yaron Barzilay**.

"The price index is generic in nature and is localised for India by providing diamond prices in rupees for various types of diamonds," Barzilay said as quoted by *The Hindu.*

The DRB is to be published every quarter and circulated freely to members and will also be available online for consumers to verify diamond rates offered by retailers across India, according to the sources.

The GJF and IDEX India executives announcing the DRB launch. Photo by Idex Online.



ZIMBABWE

Zimbabwe's River Ranch to Tender 34,000 Carats

The **Mineral Marketing Corporation of Zimbabwe** (MMCZ), the governmental agency that markets and exports all the country's rough diamonds on behalf of the various corporate producers, has issued invitations for a **River Ranch** mine tender of 34,000 carats. As the mine near **Beithbridge**, along the **South African** border, is **Kimberley Process** (KP)-compliant and Zimbabwe can export these rough without a need for a KP-approved monitor, this tender is generating a lot of interest – and some question marks.

River Ranch Goods

Historically, the River Ranch produced at best anywhere between 6,000-8,000 carats a month so that would imply that the tender represents production of anywhere between 4 and 6 months. It doesn't make sense for River Ranch, which had apparently been operating at a loss before the ownership passed to new investors from the **United Arab Emirates** a year or so ago, to "sit on stock" while they were allowed to sell the output.

There is some conjecture that the tender might include **Marange** goods that have been purchased on the local market. This is highly unlikely as the footprint of the River Ranch production is so distant from that of Marange output (both before and after acidizing) that it should not be difficult for any tender participant to recognize the goods' origins. To avoid misunderstanding: River Ranch goods have the same status as **Rio Tinto**'s **Murowa** mine – full KP compliance.

As the KP Chair's Enhanced Vigilance Notice on imports from Zimbabwe is still active, tender participants and overseas importers do have an obligation to be on guard and verify the goods' origins. It is not clear where the tender will take place and who has been invited. The invitation says that the goods can be viewed at a location that will be explained later with a map. Most probably, it will take place at mine premises near the South African border.

EUROPE

Gaydamak Sues Leviev over Angolan Diamond Interests

Russian-Israeli magnate **Arkady Gaydamak** is suing his former industry partner, Israeli diamantaire **Lev Leviev**, in **London**'s high court over past business interests in **Angola**'s diamond trading company, **Ascorp**.

Among Gaydmak's claims is the allegation that Leviev has failed to pay him commissions and dividends earned from trading rough diamonds from Angola and the **Democratic Republic of Congo** since 2004, reports the *Guardian*. Reportedly, Gaydamak had been receiving monthly payments from Leviev of "on average $3 million" between 2000 and 2003," according to the news source.


Arkady Gaydamak

Disputed Claims of Ownership

During that period, the Angolan government, through Ascorp, was the sole official channel for the sale of the country's rough diamonds to the international market. While the selling corporation, which was cancelled in 2003, was previously thought to have been owned by the Angolan government, Leviev and **Antwerp**-based **Omega Diamonds**, Gaydamak's case in Britain's court challenges its ownership with claims that he really owned 24.5 percent of the company.

Court papers say that Gaydamak's involvement had been a secret after "it was agreed that the public positioning of [Leviev] as owner and controller of the relevant assets was for convenience only. [Leviev] was a trustee vis-à-vis [Gaydamak's] share of the relevant assets," cites the *Guardian*.


Lev Leviev

Meanwhile, Leviev, who has long said that he was the one who originally presented the Angolan government with the idea of Ascorp to reduce smuggling and increase revenues by selling rough diamonds through only one source, disputes Gaydamak's claims.

Gaydamak's Angolan Representative

In the court papers, Gaydamak claims that he had appointed **Erez Daleyot** to be his representative in Angola after 2003. This was also claimed in a recent exposé appearing in **Belgium**'s *Knack Magazine*.

According to the Belgian article, **Israeli** investigators listened in on a telephone conversation between Gaydamak and Daleyot on December 6, 2003, in Israel, when Gaydamak was being "shadowed" in connection with a case involving money laundering practices.

As quoted in *Knack*: "As it appears from the police documents Gaydamak during this conversation asks Erez Daleyot to act for him and to carry out a project together in Angola. It would concern a business for a value of 300 million dollars which would possibly be executed with **De Beers**. Daleyot would appear up front, Gaydamak would work behind the scenes, as it appears from the quotations of the judicial document. 'Erez, you can be a partner in the company together with the head of DTC. I remain in the background, and will carry out the project,' one could read."


In January, DTC Sightholder Erez Daleyot (left) was an exclusive guest of DTC Chief Executive Officer Varda Shine (center left) and De Beers Chairman Nicky Oppenheimer (center right) when he opened the first Diamond Sight of 2011.

No Stranger to Courts

Continues the *Knack* article: "Gaydamak is not a small fish. In 2000 an international arrest warrant was issued against him by the **French** because of his involvement in a mega case: *Angolagate*. In October 2009 he was convicted in France by the **Court of First Instance** together with his French business partner **Pierre Falcone**: he got six years of imprisonment. At the height of the civil war in Angola he and Falcone, both French citizens, had delivered arms there without the **Elysee**'s official approval. Reportedly, they paid bribes to French dignitaries. The case is now treated in Appeal…" concludes the Belgian exposé.

RUSSIA

136-Carat Diamond Unearthed in Russia

A spokesman for the **Russian Industrial Ministry** said workers in a **Siberian** mining company in **Yakutia** discovered a diamond weighing more than 136 carats.

Workers for the **Udachninsky Mining Company**, a subdivision of Alrosa, told Russian media that the diamond is of irregular shape and of "honey-yellow" color. Its value has not yet been appraised, according to *RIA Novosti*.


Prospecting at Chidliak

Firestone Diamonds Earns $1.4 Million at Rough Tender

Firestone Diamonds plc. sold 7,111 carats for gross proceeds of approximately US$1.4 million during its first diamond sale of 2011, which was recently held at the **Diamond Technology Park** in **Gaborone, Botswana**. More than 25 local and international buyers attended the tender, according to the **AIM**-listed diamond miner.

Lesotho Production

During the tender, a total of 4,850 carats from both the **Main Pipe** and **Satellite Pipe** at the **Liqhobong** mine in **Lesotho** sold for US$880,220 on behalf of the company's 75 percent owned subsidiary, **Liqhobong Mining Development Co. (Pty) Ltd**. The average price achieved was US$181 per carat, an 85 percent increase compared to December 2010.

Excluding Satellite Pipe production and diamonds held over from 2010, run of mine production from the Main Pipe was valued at an average of US$130 per carat, an increase of 33 percent since December 2010, notes Firestone Diamonds.

Prices for small diamonds, cape yellows and browns increased by up to 50 percent compared to December 2010. The company says it expects higher prices for diamonds from the Main Pipe as production ramps up.

Botswana Production

A total of 2,241 carats from the company's **BK11** mine in **Botswana** sold for US$516,011 on behalf of the company's 90 percent owned subsidiary **Monak Venture (Pty) Limited**. The average price achieved of US$230 per carat is 30 percent higher than the price achieved in December 2010 of US$177 per carat.

Excluding diamonds held over from 2010, run of mine production was valued at an average of US$202 per carat, an increase of 14 percent since December 2010, notes Firestone Diamonds.

Higher diamond prices are expected once new crushing circuit is commissioned, says the company.


Aerial View of Liqhobong

Peregrine Discovers CH-51 Kimberlite at Chidliak

Peregrine Diamonds Ltd. has discovered the **CH-51** kimberlite by core drilling on the Chidliak project on **Baffin Island, Nunavut, Canada**. CH-51 is the first target drilled in 2011 and the 51st kimberlite discovered at Chidliak since 2008.

CH-51 is located approximately 200 meters south of the CH-17 kimberlite, 10 kilometers south of the CH-28 kimberlite and 40 kilometers north of the Southern Focus Area. Currently, CH-28 and six kimberlites within the Southern Focus Area have characteristics consistent with economic potential in Arctic settings.

CH-51 was discovered by drilling one vertical core hole from lake ice into a high-priority magnetic high anomaly. Kimberlite was intersected over an interval of 101 meters from a depth of 33 to 134 meters underneath 25 meters of water and eight meters of overburden. Based on interpretation of the ground geophysical data, CH-51 has an estimated surface expression of one hectare.

Chidliak is a joint venture between Peregrine (49 percent) and **BHP Billiton** (51 percent).

Russian Oil Subsidiary Plans to Mine 58 Million Carats at Grib Pipe

Lukoil subsidiary **Arkhangelskgeoldobycha** (AGD) plans to mine 58 million carats of diamonds at the **Grib** diamond field in Russia's **Arkhangelsk** region, according to the regional administration's press office. The diamonds will be mined by the open-pit method, beginning at the end of 2013, reports *Interfax*.

The Grib field, which is being prepared for mining, contains an estimated 98.5 million carats of diamonds. Reports have said the Grib pipe could produce its first commercial diamonds in 2015.

The mining complex will have the capacity to process 4.5 million tonnes of ore per year and the diamond pipe could be mined for 25-35 years, depending what method is used to develop it.

Lukoil could involve Alrosa in mining the diamonds, the oil company's vice president, Leonid Fedun, has said, according to *Interfax*.

Alrosa Granted Mining Rights to New Yakutia Diamond Deposits

The **Russian** government has granted **Alrosa** exploration and mining licenses for new diamond deposits in **Yakutia**, where the diamond conglomerate is based. The properties include the **Maiskoe** and the **Verkhne-Munskoe** fields, both of which were earlier discovered by Alrosa during geological investigations, according to the company.

The Verkhne-Munskoe diamond deposit consists of three kimberlite pipes. Total reserves are more than 38 million carats with an average grade of 0.6 carats per tonne, according to the miner, which estimates the average price per carat at more than US$210.

Alrosa reportedly discovered Verkhne-Munskoe at its own expense. The **Russian Federal Subsurface Resources Agency** (Rosnedra) acknowledged the discovery in 2007, enabling the company to receive the rights without a tender, reports *Interfax*.

The Maiskoe diamond deposit consists of one kimberlite pipe. Reserves are about 12 million carats with an average grade of 3.7 carats per tonne, according to the miner, which estimates the average price per carat at about US$90.

The Maiskoe diamond pipe, situated in the **Nakyn** ore field, was discovered in May 2006. Alrosa planned to develop the Nakyn field, which also hosts the **Botuobinskaya** pipe and the **Nyurba** pipe, which is it already mining, by the open-pit method, reports *Interfax*.

Both diamond deposits are located within Alrosa's existing production facilities in the western part of the Yakutia. According to Alrosa, developing of the deposits will not require significant capital expenditures and "will encourage further stability of Alrosa's production."

Alrosa's New Deposits

Angola's Catoca Mine

Catoca's 2010 Earnings Rise to $111 Million

Angola-based **Catoca Mining** boosted net profit 60 percent in 2010 to just over US$111 million in 2010. The company sold more than US$527 million worth of diamonds, reports *Interfax*.

The company, in which Russian diamond producer Alrosa owns a 32.8 percent stake, plans to develop seven new concessions in Angola this year in an effort to diversify its resource base.

In addition to Alrosa, Endiama, Daumonty and Odebrecht Mining are also involved in the Catoca project.

BHP Billiton Produces 28% Fewer Carats in March 2011 Quarter

BHP Billiton produced 551,000 carats of diamonds during the March 2011 quarter at its 80 percent-owned **Ekati** diamond mine in **Canada**'s **Northwest Territories**. The 28 percent decline in production compared to the same period last year was primarily due to lower average ore grade, says the integrated miner.

For the nine months ended March 2011, BHP Billiton produced 1.9 million carats, a 16 percent year-over-year decline.

"Production continues to be influenced by the variability of ore sources due to the mix of open pit and underground mining. Consistent with the mine plan, BHP Billiton expects lower average ore grades to impact Ekati (Canada) production in the 2012 financial year," wrote the miner in a production report for the nine months ended March 31, 2011.

Alexei Kudrin to Quit Alrosa Board

Deputy **Russian** Prime Minister **Alexei Kudrin**, who is also the country's finance minister, is quitting his position as chairman of **Alrosa**'s supervisory board. The company's shareholders are expected to endorse the decision at an extraordinary meeting on June 30, 2011, reports *Interfax*.

Kudrin has also asked Prime Minister **Vladimir Putin** to remove him from the list of candidates for election to the supervisory board at the **VTB bank**, the Finance Ministry said in a statement.


Alexei Kudrin

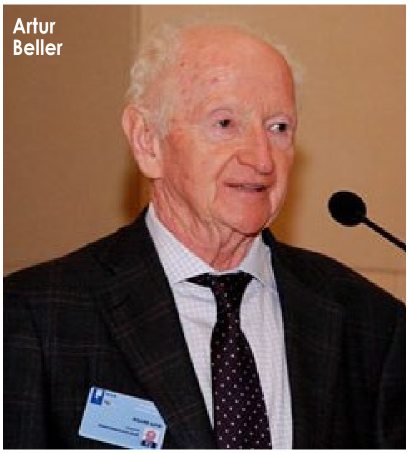
Kudrin's actions come after Russian President **Dmitry Medvedev** proposed earlier in April to remove federal ministers and senior **Kremlin** aides from the boards of directors of many of the country's state-run companies as part of an effort to minimize state control over the economy.

The change, to be completed by mid-year, is intended to improve the image of Russia's business environment with foreign investors, according to media reports.

For more background on the Russian government's overhaul of state-run companies, click here: http://tinyurl.com/5ru37ek

WFDB Mourns the Death of Artur Beller, President of the Beurs voor Diamanthandel

The **World Federation of Diamond Bourses** (WFDB) has expressed its condolences over the death of **Artur Beller**, president of the **Beurs voor Diamanthandel**, who recently passed away in **Antwerp**. Mr. Beller also served as president of the **Belgian Federation of Diamond Bourses**.


Artur Beller

"Artur's passing leaves a real void in the diamond trade, at his bourse, in Antwerp and in our federation," says **Avi Paz**, president of the WFDB. "As a member of the generation that rebuilt the Antwerp diamond sector after World War II, he served among its leadership for almost 30 years, playing an absolutely critical role. He was a true intellect, with a deep understanding not only of our industry, but of the business world in general. We have lost a mentor, advisor and friend. Our sympathies go out to his family and colleagues."

Born in 1934, Mr. Beller was involved in the diamond industry for almost 60 years. Starting out as a diamond sorter, Mr. Beller spent most of his career at the head of **Diamex Manufacturing**, which was established in 1956.

He became a member of the Beurs voor Diamanthandel in 1957. In 1983, he was elected to its board and in 1985 he was appointed vice president of the bourse. In 2003, he was elected bourse president.

Stanley Zale Joins Stuller as VP of Gems, Diamonds

DTC sightholder **Stuller Inc**. has promoted **Stanley Zale** to the consolidated position of merchandise vice president of diamonds and gemstones.

Prior to joining Stuller, Zale served as vice president of diamonds, with a focus on sales and product development, at **Louis Glick and Company** in **New York**. His 20 years' experience in diamond manufacturing has given him the opportunity to work globally, including visits to **Hong Kong, Bangkok**, the **Middle East** and **Europe**.

"I am very excited to be leading a great team of the top technical professionals in the industry," says Zale. "It's very powerful when you combine our work force with a single purpose vision of wowing our customers. The impact is huge."

According to Stuller president and CEO, **Jay Jackson**, the consolidation of the two business segments of diamonds and gemstones will provide the company "with opportunities to better serve our customers by capitalizing on the unique knowledge existing on both product teams."

Stuller, Inc. is headquartered in **Lafayette, LA**. Its core product categories include: diamonds, gemstones, finished jewelry, mountings, findings, bridal jewelry, tools and supplies.

DTC Botswana Appoints Interim Head of Operations

Toby Frears has been appointed as interim Head of Operations at **DTC Botswana** to temporarily replace **Pat Jacobs**, who is retiring from the position as of the end of April. Frears will begin in his new capacity from May 1, 2011, "until further notice," since "the understudy programme to resource for the vacancy is still ongoing," according to the DTCB Board.

Rio Tinto's New Diamond-Jewelry Initiative Targets Indian Weddings

Rio Tinto's diamond business has launched its flagship **Indian** diamond-marketing initiative aimed at developing a new category of diamond-jewelry purchasers within India's wedding market.

While elaborate diamond jewelry has been the mainstay of the traditional set piece worn by the Indian bride, Rio Tinto says its new marketing campaign focuses on more modest diamond jewelry as gifts to family and friends at the many celebrations around the wedding occasion.


Jean-Marc Lieberherr

The "**Nazraana**" initiative, named after past Indian royal gift-giving rituals, was launched to more than 80 Indian diamond-jewelry retailers who gathered in **Goa** to view the new product range and place orders for the forthcoming wedding season.

"The Nazraana products are beautiful, timeless and affordable. Our market research indicated a strong appetite for this product and we have been delighted with the results from the first round of product placement," says **Vikram Merchant**, Manager of Rio Tinto Diamonds Mumbai office.

"We are very confident in the growth prospects for diamond jewellery consumption in India and the fashion jewellery accessory that is the cornerstone of the Nazraana initiative is well placed to appeal to a new generation of diamond jewellery purchasers," adds **Jean-Marc Lieberherr**, General Manager for the sales and marketing for all diamonds from Rio Tinto's mines.

Blue Nile Uses Facebook to Offer Mother's Day Promotion

Online diamond-jewelry retailer **Blue Nile** is offering a marketing campaign on **Facebook** in honor of **Mother's Day**. Launched under a custom tab on the company's Facebook page, fans of the company's page can enter for a chance to receive $25 off a $50 purchase, or gift certificates valued at $50, $100, or even $1,000 by clicking on the "Click for Mom." All prizes can be redeemed instantly on www.bluenile.com.

"We value our Facebook community and want to show it with an exclusive offer for our fans," says **John Baird**, Blue Nile's Diamond Guy. "This campaign provides a unique opportunity for Facebook fans to make Mother's Day special with significant savings on some of the highest quality jewelry found anywhere in the world."

The campaign ends at 3:00 p.m. on Friday, May 6, 2011, and can be found at www.facebook.com/bluenile.

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