



Diamond Market Review and Forecast

Bank of Montreal Conference

Richard Wake-Walker

Florida, February 2008

WWW Group of Companies



Diamond Pipeline 2007 (\$bn)



\$14.4
2006 \$13.1
2005 13.4

\$16.6
2006 \$14.7
2005 \$14.7

\$18.3
2006 \$19.6
2005 \$20.0

Increasing Stocks
2006 \$1.5
2005 \$1.6
Rising Prices
2006 3%
2005 8%

\$19.2
2006 \$17.7
2005 \$17.0

\$79.3
2006 \$74.0
2005 \$69.3

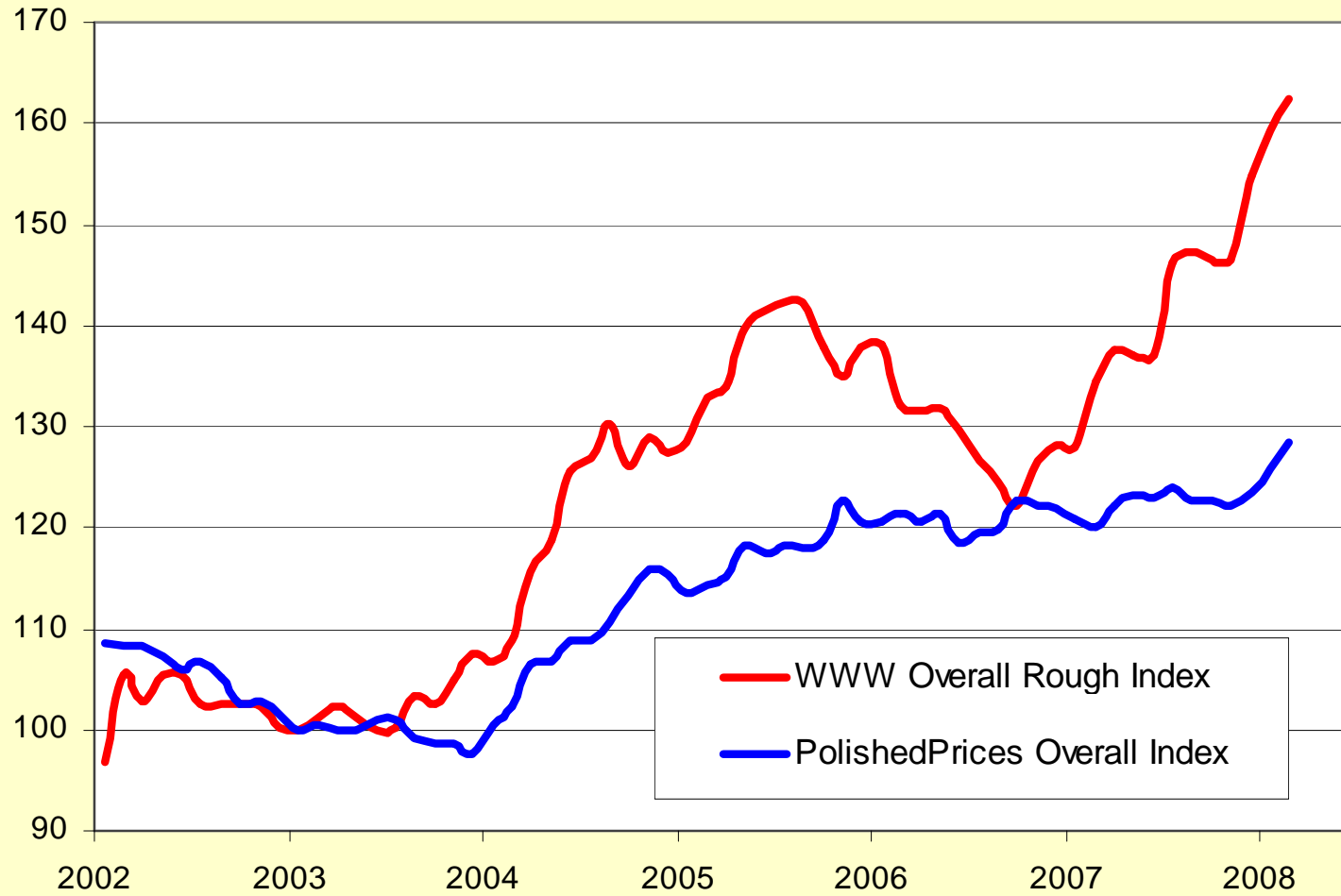


2007 compared to 2006 and start of 2008

- Positive
 - 2007 was generally a good year for the industry
 - Rough prices up sharply (+/- 20 % increase or 10% average increase)
 - Reduction in stocks
 - Consumer demand held up
- Negative
 - 2/3rds reduction in polishing margin to around 10%
 - Success of 2007 for industry based on trading rough not cutting and polishing
 - America?
 - Minimal increase in polished prices (2007 +1.3%, 2006 +3%, 2005 +8%)
- 2008
 - Surge in Rough Prices (January +/-10%)
 - Spectacular Rough / Polished Tender Prices
 - New highs for Polished index (however briefly)



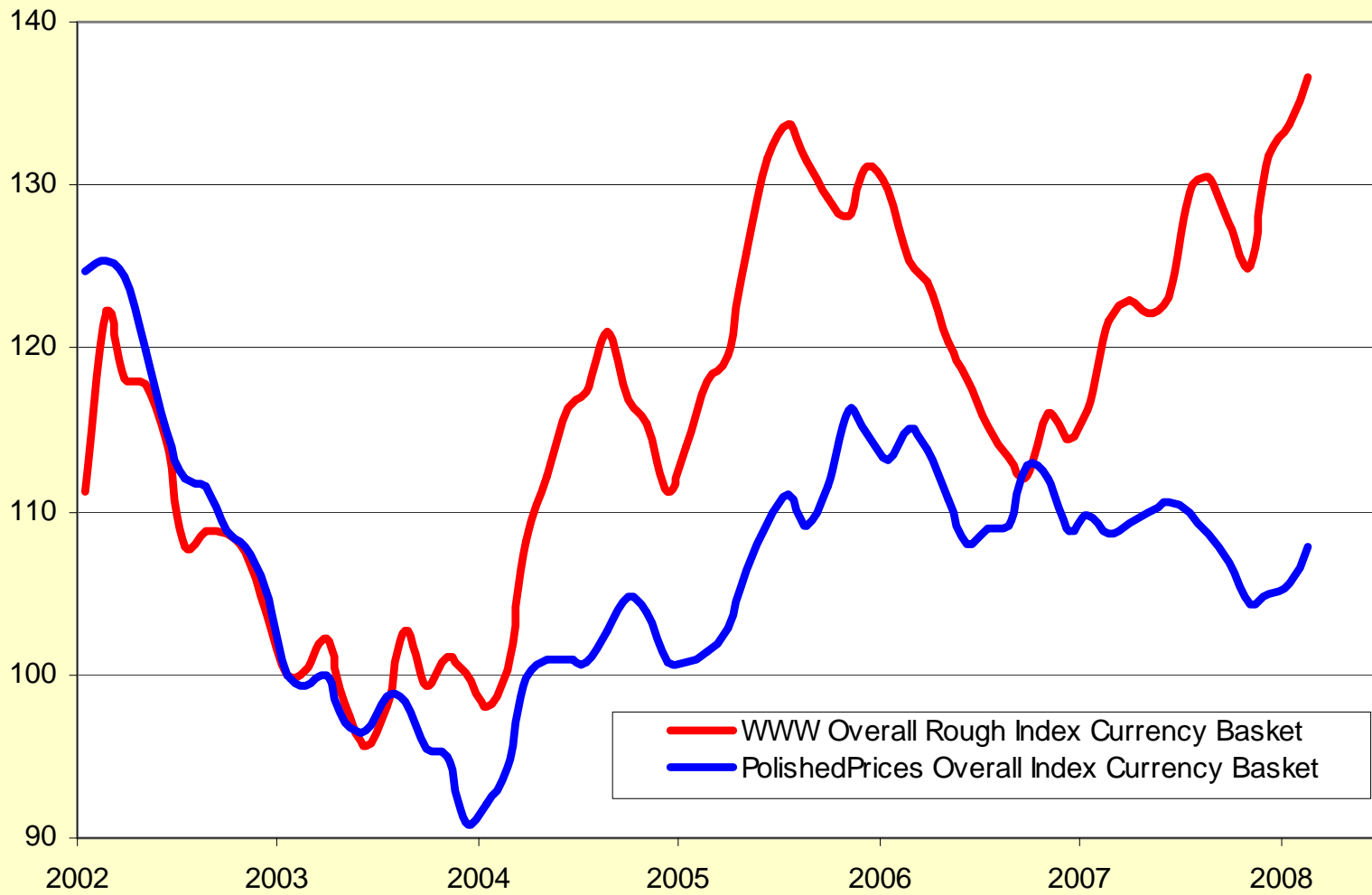
Rough and Polished Prices Jan 2003=100





Rough and Polished Prices (Currency Basket)

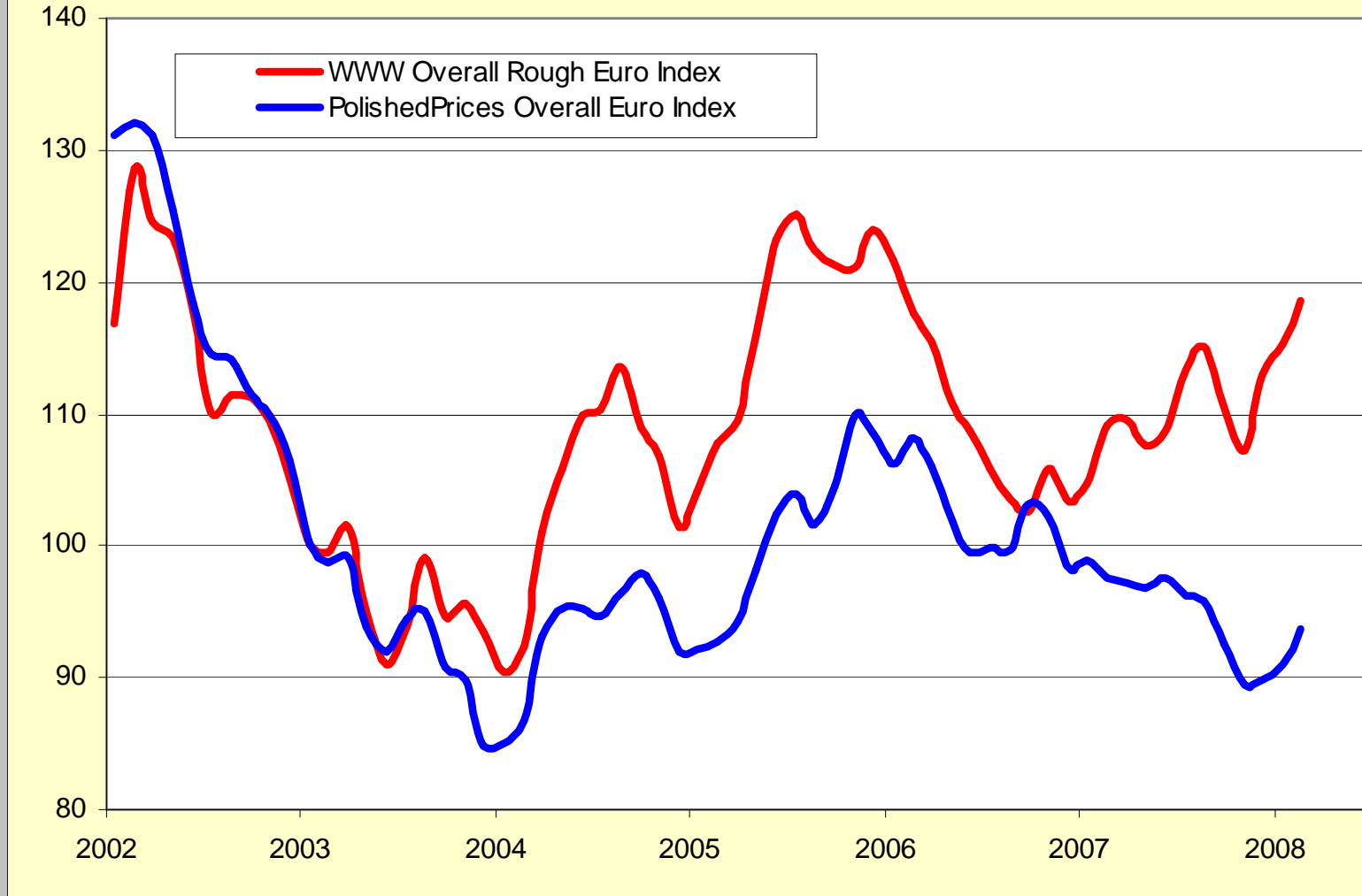
Jan 2003=100





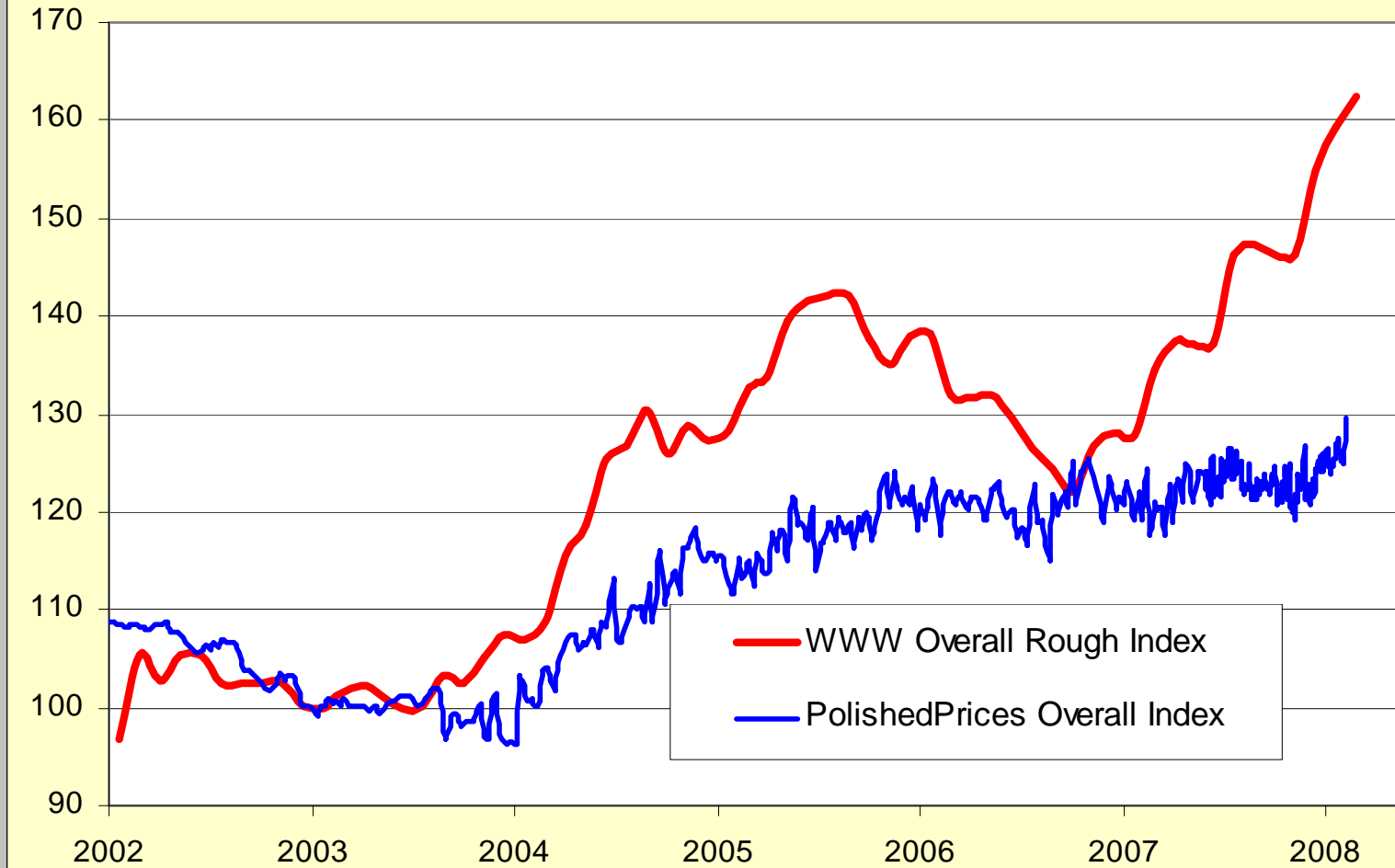
Rough and Polished Prices (Euros)

Jan 2003=100



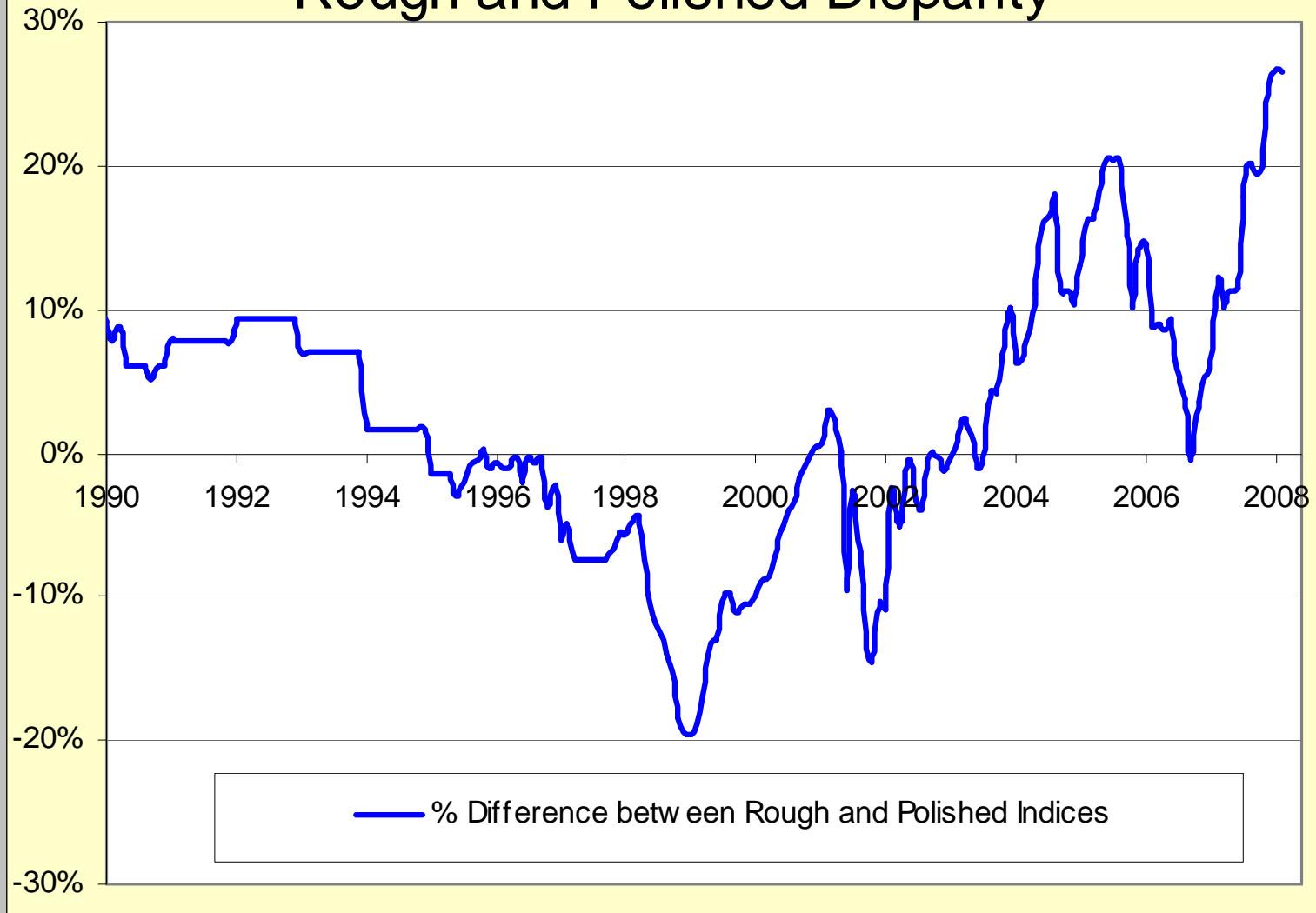


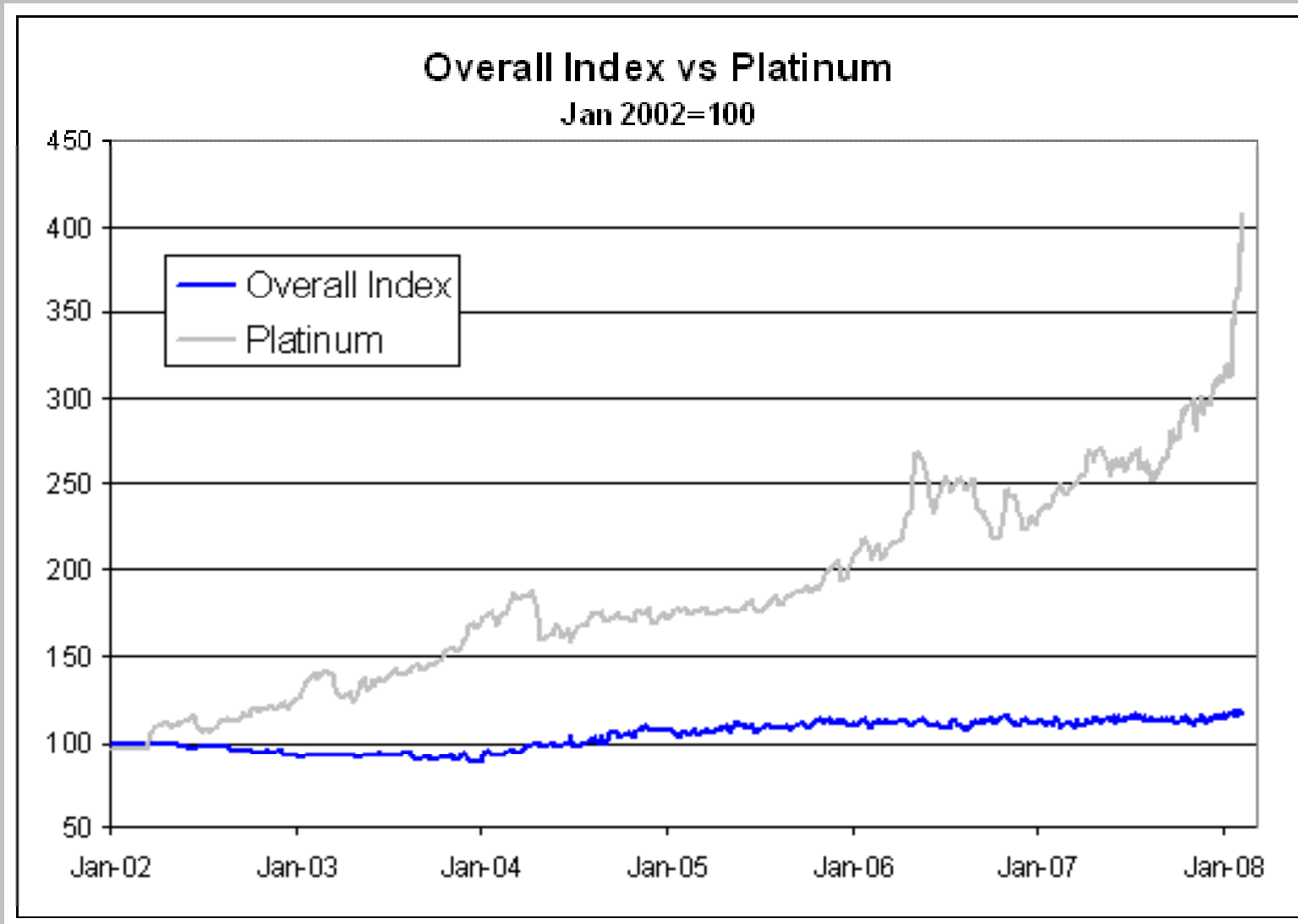
Rough and Polished Prices Jan 2003=100





Rough and Polished Disparity





Source PolishedPrices.com



From History to Forecasts



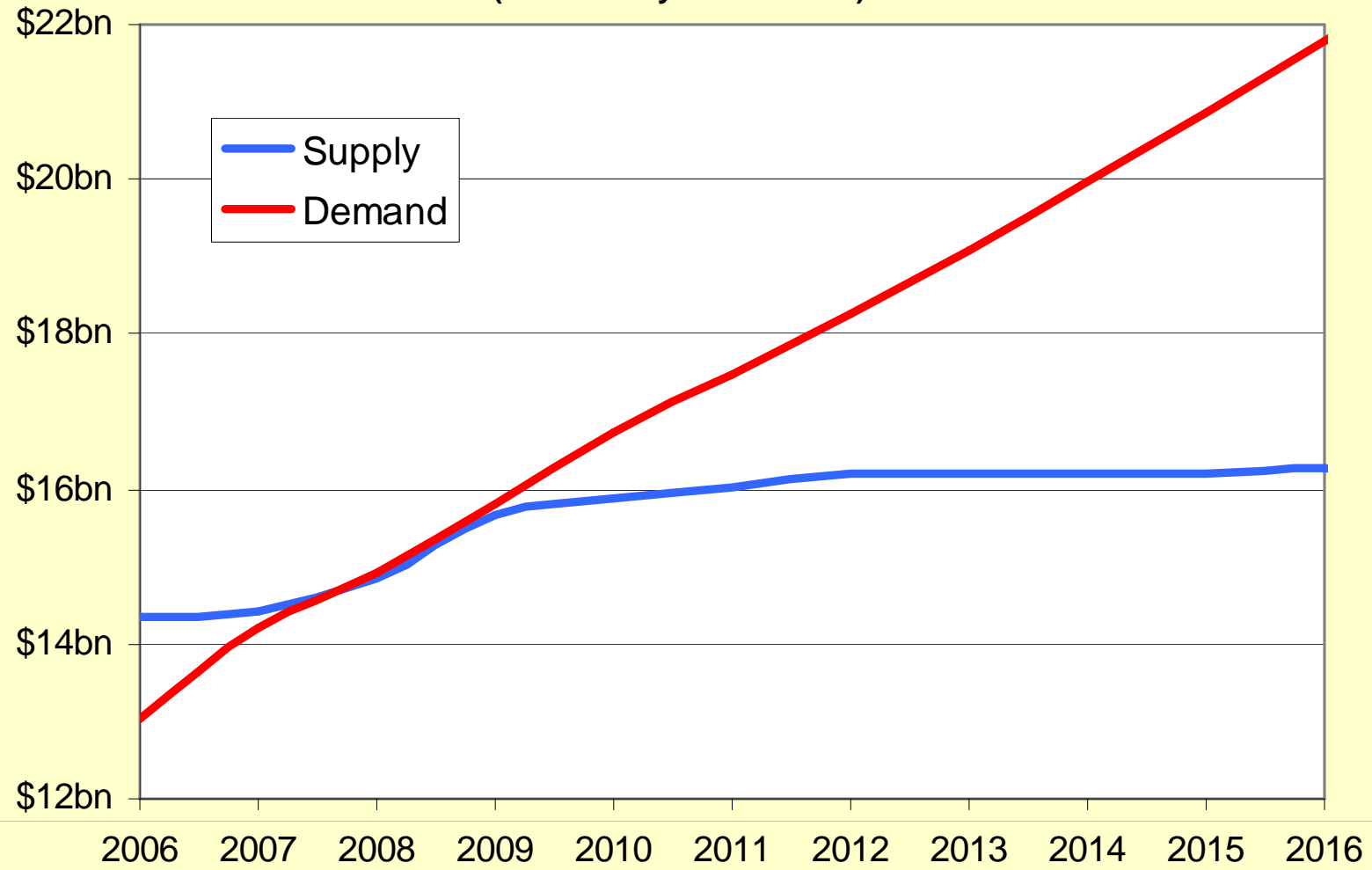
Key Inputs for Forecasts

- Segmented supply models
- Econometric models for 64 countries
- Models based on IMF World Economic Outlook
(This presentation is based upon the January 29th 2008 Update to the October 2007 Outlook)
- Estimates are based on percentage of GDP spent on diamond jewellery
- PolishedPrices.com
 - The only published polished diamond index based on **actual** transactions
 - Current weekly average of transactions through Polished prices is +/-7,000 or about +/- \$45m.



Supply and Demand in Rough Terms

(at February 2008 values)





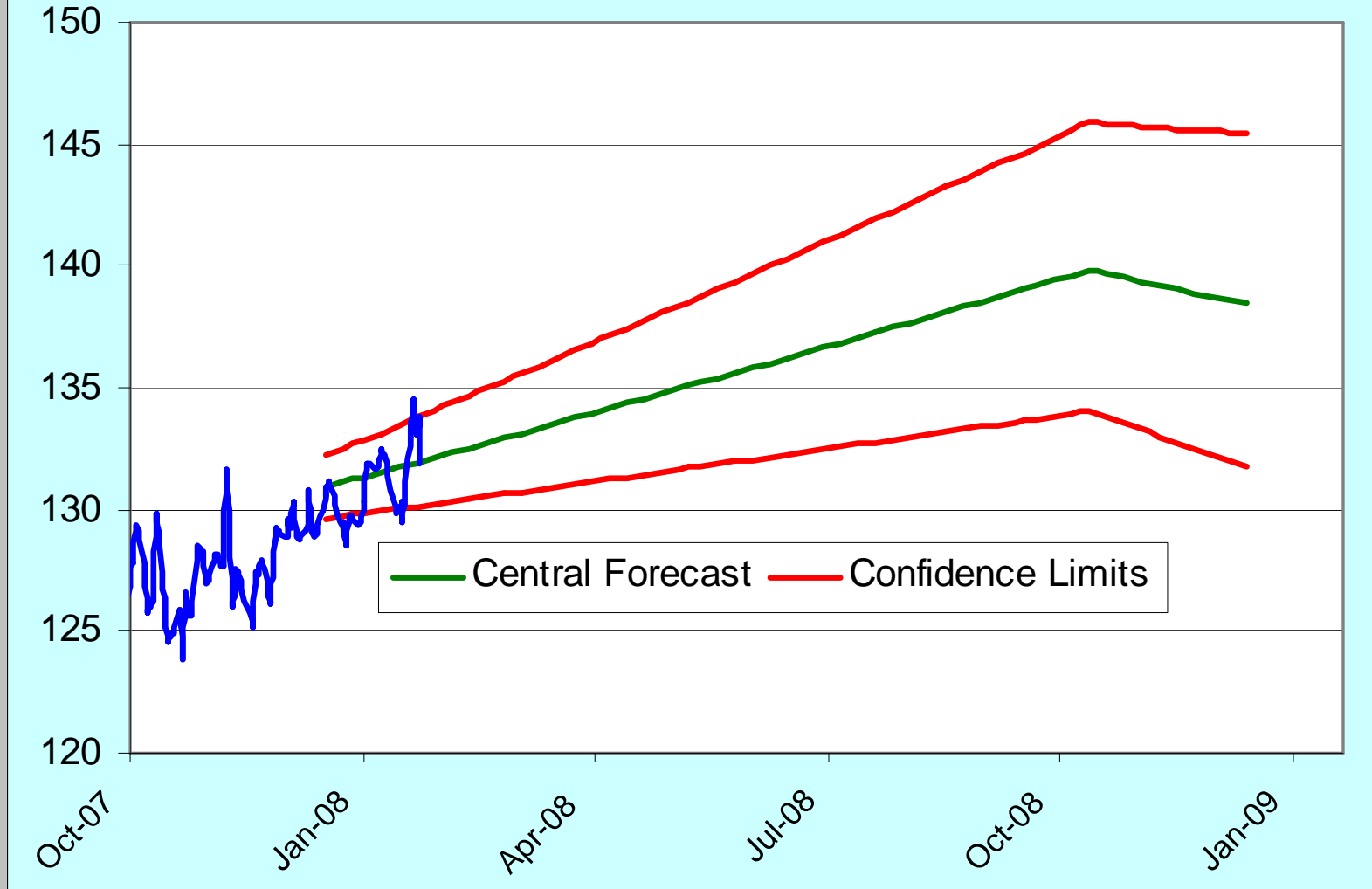
Some Immediate Uncertainties/Issues

- America 45% of the market
 - Recession?
 - China and India not the answer
 - US Dollar (profitability, mining costs etc)
- Africa
 - Power shortages – impact on rough supplies?
 - Impact of Beneficiation
- Corporate
 - BHP / Rio Tinto
 - Anglo / De Beers
 - Alrosa
 - Producer supplies



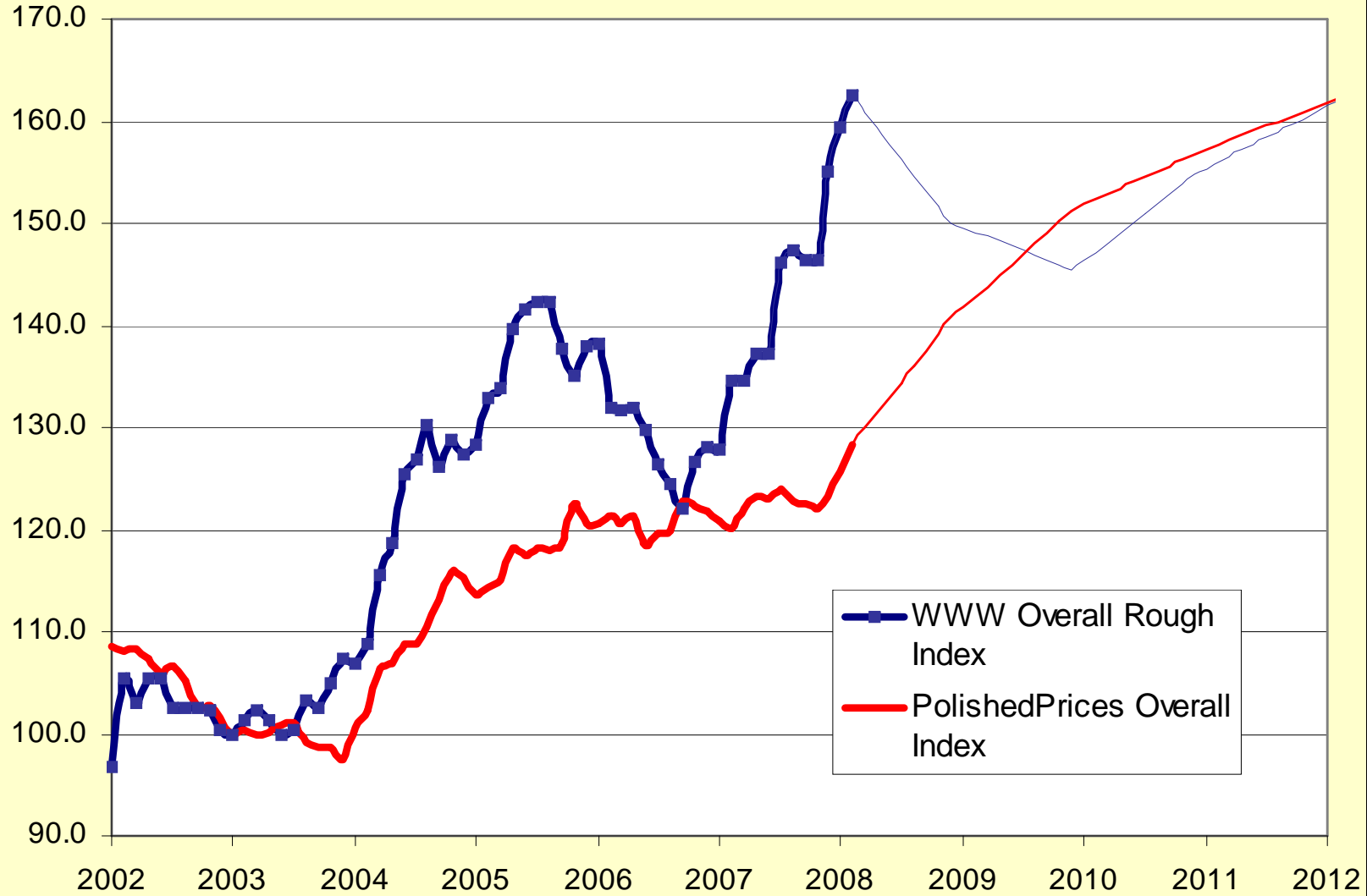
PolishedPrices Overall Index

Jan 2008 Forecast





Rough and Polished Prices Jan 2003=100



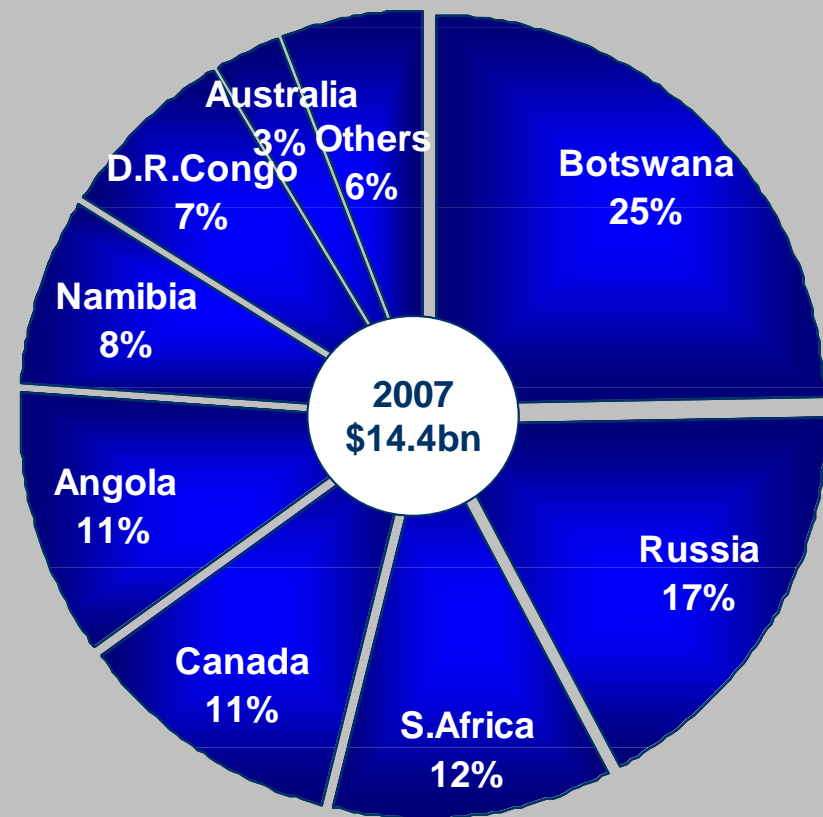
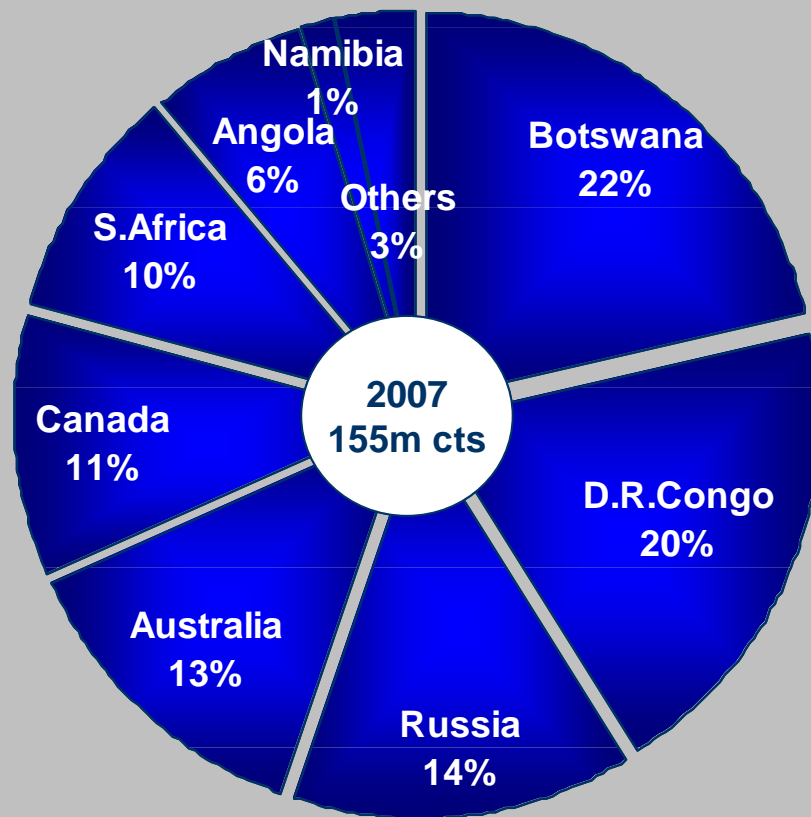


2008 Forecast

- In this forecast Polished prices will rise this year by 14%, and on average 2008 prices will be 9% above 2007
- Rough, on the other hand will on average in 2008 be 10% higher than 2007, however by the end of 2008 prices are 8% below current values
- This is an overall forecast, different segments rough and polished will perform very differently
- 2008 has started very well, almost too well.....



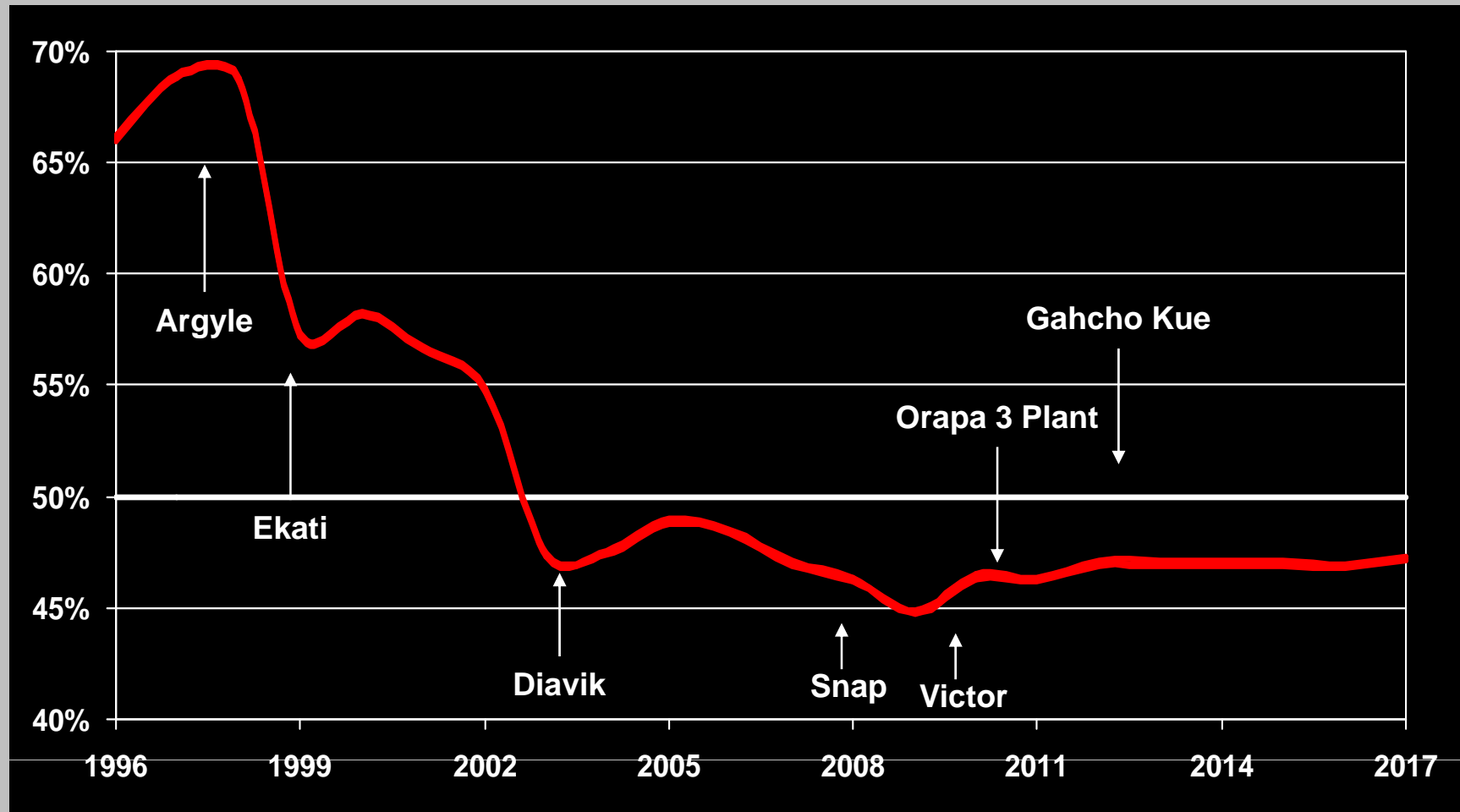
World Diamond Production 2007





De Beers Market Share

(production + purchases)





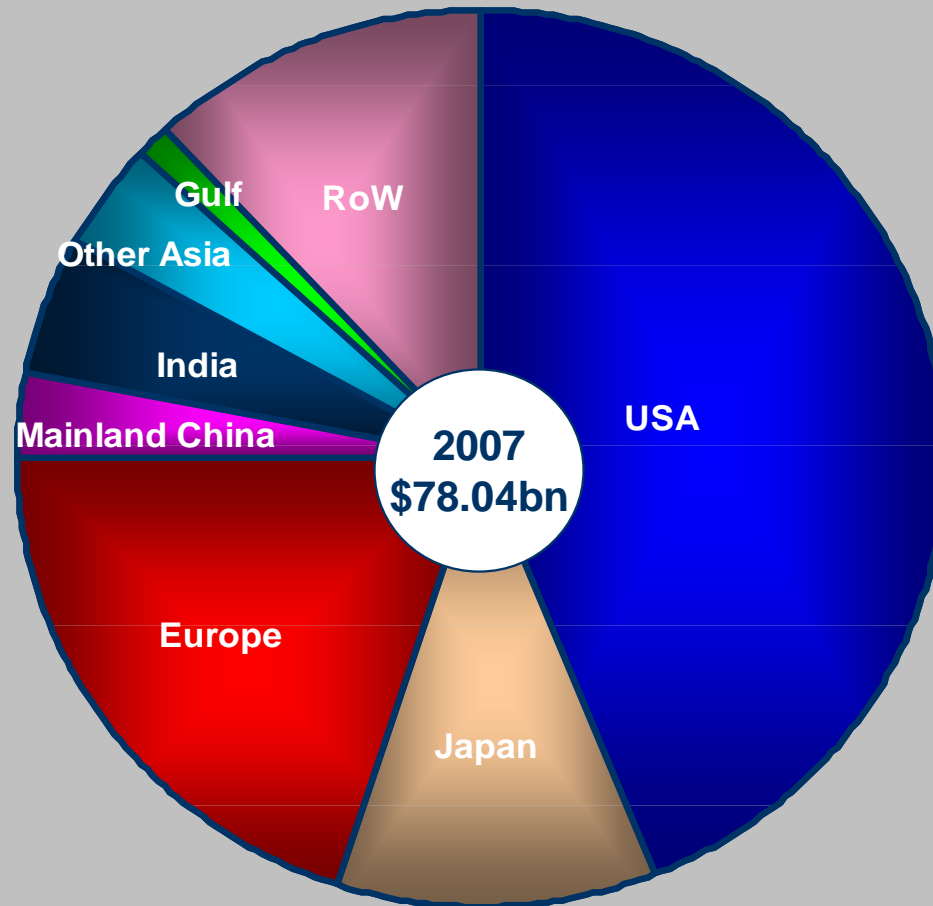
Share of Goods to Market, by Producer



* = Contracted Purchases
De Beers excludes Diamdel open market purchases

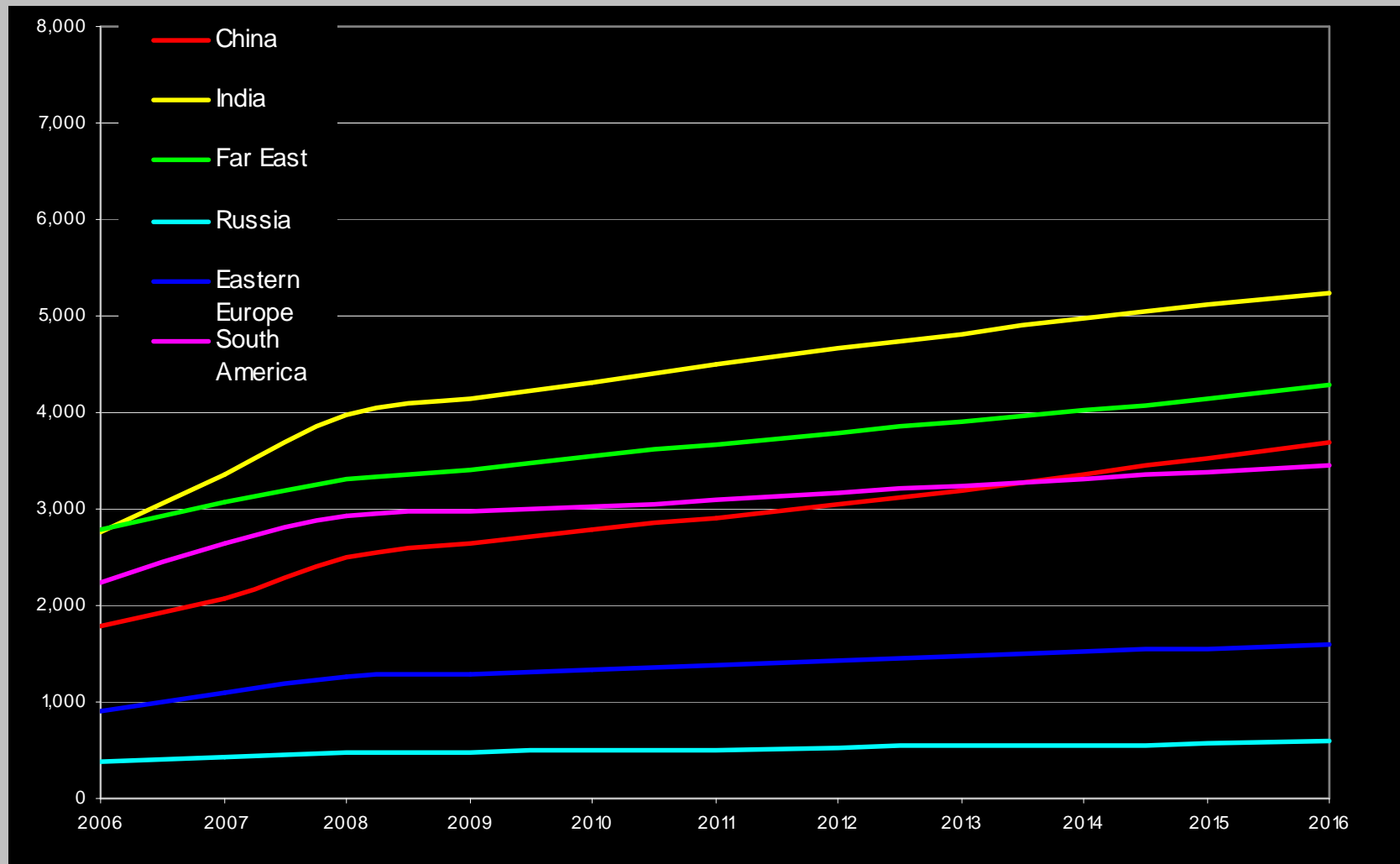


Share of Retail Market: 2007





Emerging Markets: Retail Consumption





WWW International Diamond Consultants

- Independent consultants to the diamond industry
- Formed January 1996 by Richard Wake-Walker and Charles Wyndham
- Neil Buxton joined in 1998
- Over 100 years industry experience



WWW's – Government Work

- DICAN - Federal Government of Canada (DIAND)
- Democratic Republic of Congo
- The Gokhran of Russia
- Almazjuvilirexport
- UK Foreign Office
- South African Diamond Board
- Royal Canadian Mounted Police
- Geological Survey of Finland



Clients including

Aber Diamonds
AfriCan Mining
Alexkor
Alrosa
ANZ Bank
Archangel Diamond Corp.
Ashton
Bank of Montreal
BM Diamond Corp.
Brazilian Diamonds
Canaccord
CIBC
Contact Diamonds
Consolidated African Mines
DiamonEx
European Diamonds
Falconbridge
Franco Nevada
Gem Diamonds
Global Witness
Kensington Resources
Letseng Diamonds
Mountain Province
Namakwa Diamonds
National Bank Financial
Norton Rose
Partnership Africa Canada
Mine Gem
MPH Consulting
Peregrine Diamonds
RBC
Rhonda
Rio Tinto
Scotia Bank
Severalmaz
Shore Gold
SLDC
Southern Era
Stornoway
Tahera
Teck Cominco
Tiffany & Co
Uralkali
Winspear



WW's Services

- Developments in the diamond world
- Supply / demand scenarios
- Price Forecasts
- Diamond valuation services
- Instruction and training in sorting and valuing diamonds
- Marketing consultants for rough and polished diamonds
- Tender diamonds from Lesotho, Indonesia, CAR etc.



Valuation and Modeling of Bulk Samples

- Ashton
- Brazilian Diamonds
- Contact Diamonds
- DiamonEx
- Diavik
- Falconbridge
- Gem Diamonds
- Kensington
- Tahera
- Snap Lake
- Shore Gold
- Peregrine Diamonds
- Stornoway



Associated Companies

- WWW Diamond Forecasts Ltd.
- PolishedPrices.com
- WWW Diamond Tenders Ltd.
- Websites: www.diamondwww.com
www.polishedprices.com



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