



AllanHochreiter



Diamond Market

Prices up; prices down?

**James Allan
Botswana
July 2008**



Allan Hochreiter

- Allan Hochreiter is a corporate finance boutique based in Johannesburg (www.allanhochreiter.co.za)



James Allan

- Last top rated diamond analyst on the JSE.
- Represented minorities (25% of the shareholders) in the De Beers privatisation. Gained an extra \$2 per share for shareholders
- Predicted the coming shortfall of diamonds when De Beers stocks were ~\$5bn....



Rene Hochreiter

- Rated top platinum analyst 10 years in row
- Raised capital for Eland Platinum



Ken Greve

- Corporate finance executive for 15 years: Gold Fields/JP Morgan/Kumba/BHP Billiton
- Unbundling of Kumba from Iscor



Subsidiary – Partners Drilling

- 20 drills in SA and 6 in Africa in (Anglo Plats and De Beers main clients in SA)

Contents

- **Diamond Market**
 - Rough supply and demand
- **Diamond Market**
 - Share market
- **Conclusion**



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Diamonds

Posted: Mon, 21 Jul 2008 [miningmx.com]

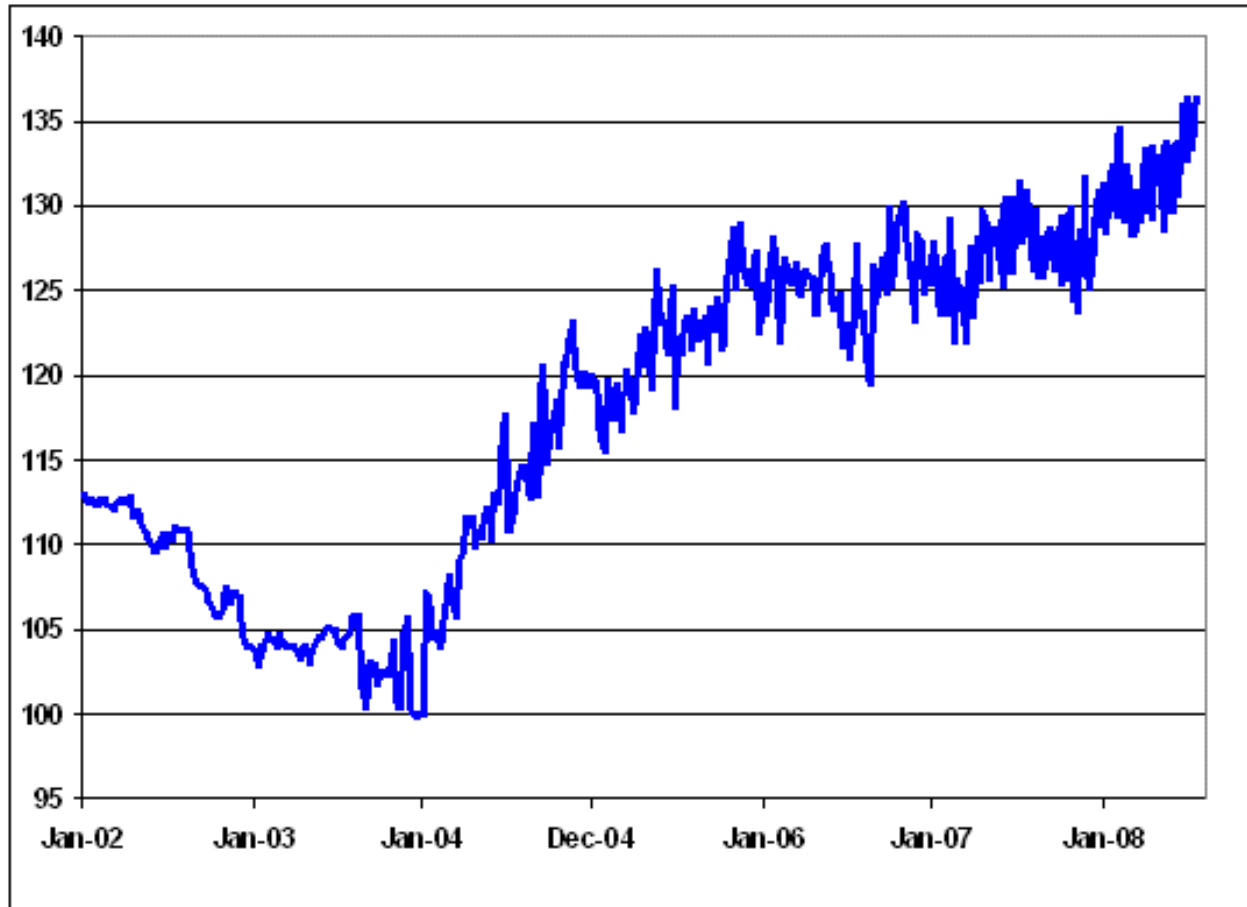
“The overall Polished Prices index set a new high last week in the final week of full trading before most markets begin to slow ahead of the holidays.”

Quoting: Polished Prices



Polished Prices Index

www.polishedprices.com



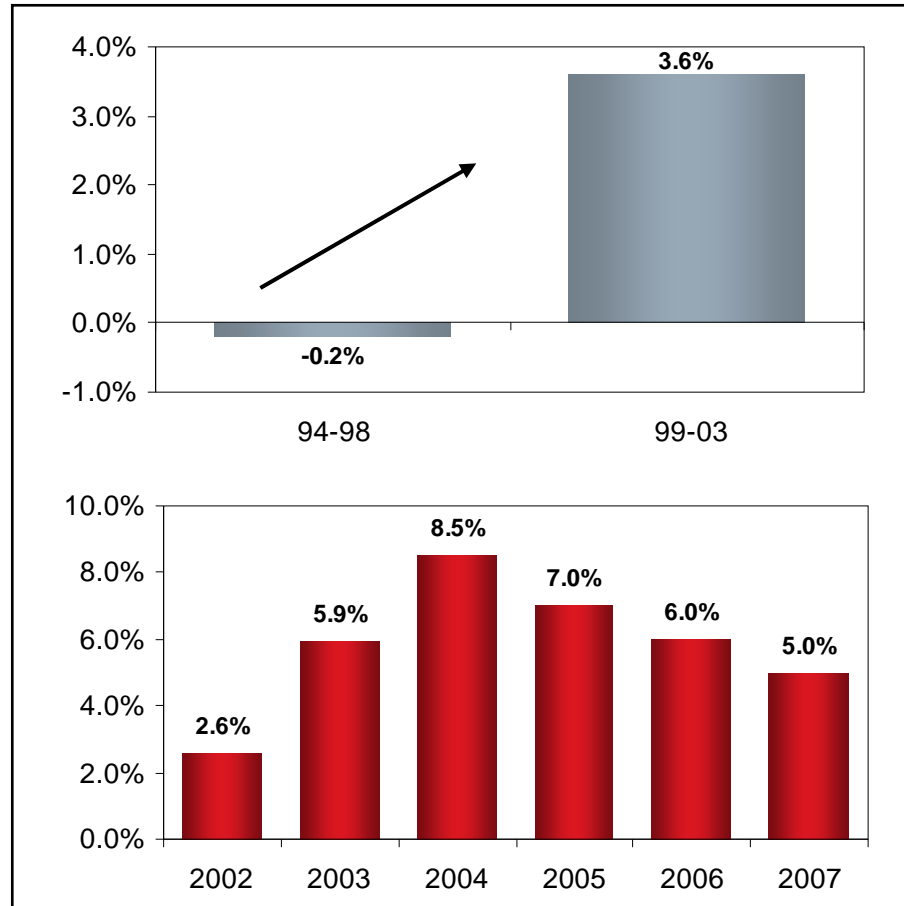
Rough Diamond Price Increases - 2008

DTC	13.5%
Alrosa	25%
Rio Tinto	5%
BHP	10%
Rockwell	15%

Driving Growth

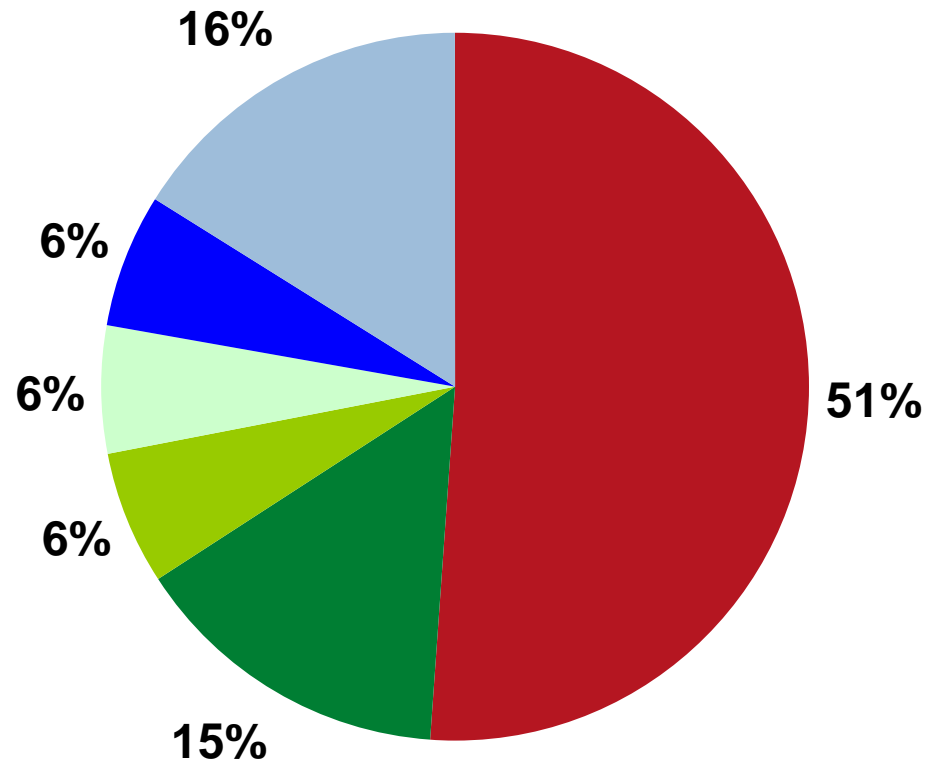


World Retail Sales (USD)

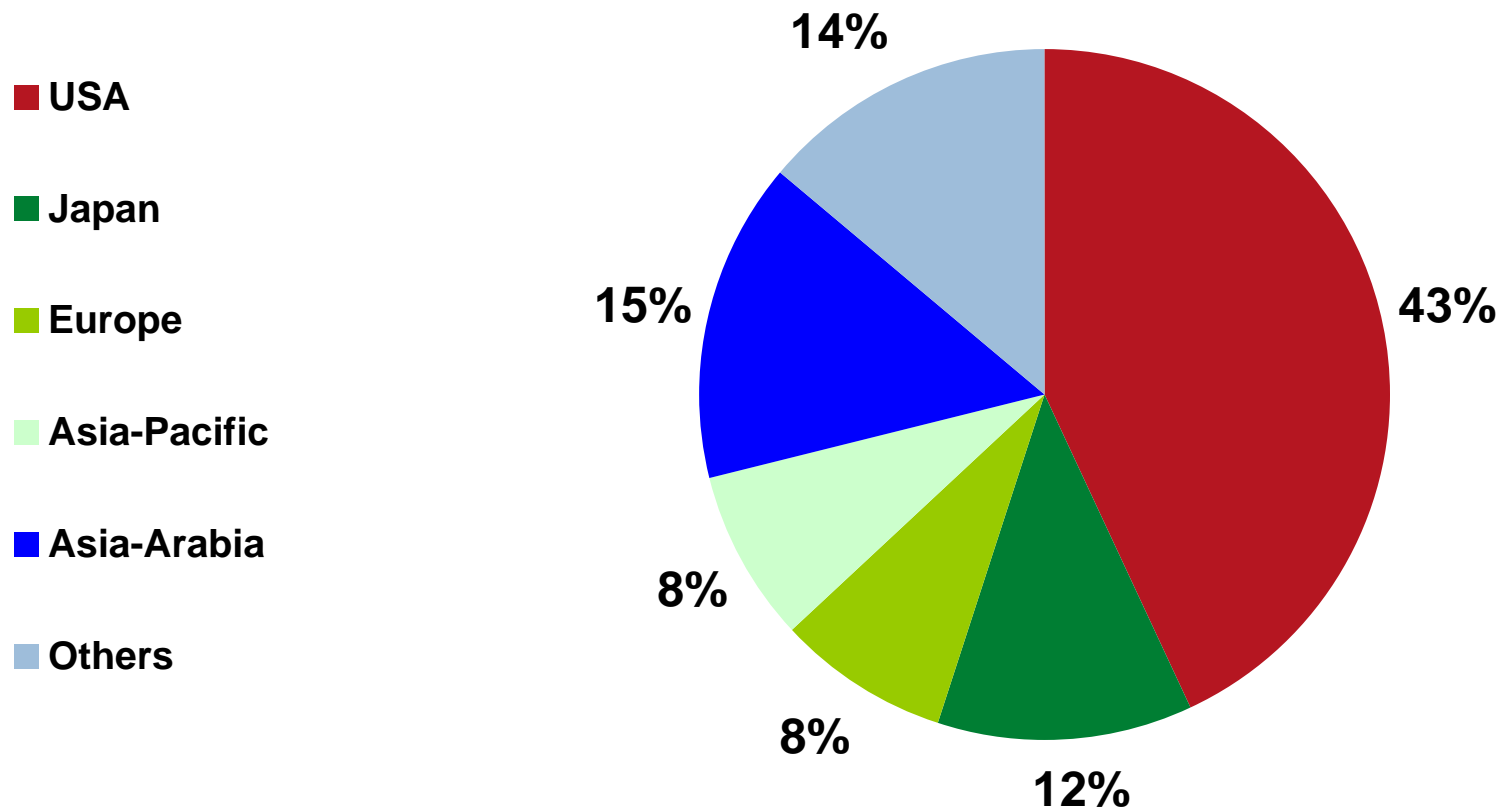


Retail Sales of Diamond Jewellery 2007 (\$76bn) (+5%)

- USA
- Japan
- Europe
- Asia-Pacific
- Asia-Arabia
- Others

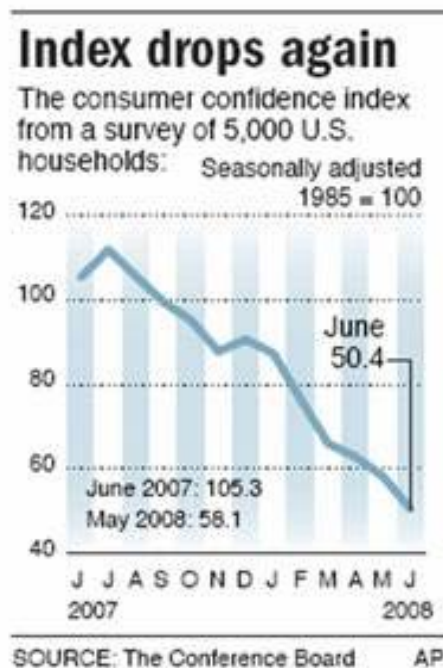


Diamond Content 2007

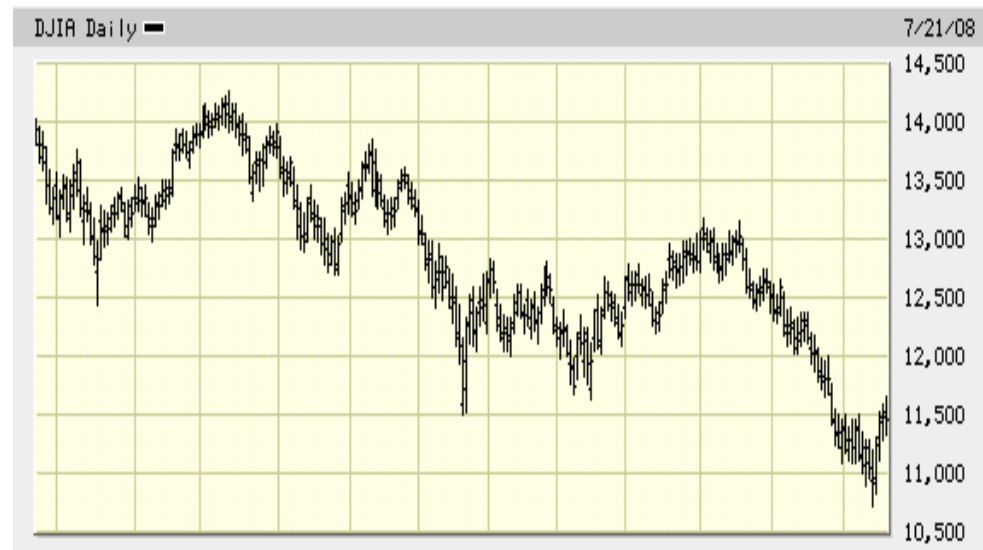


US Jewellery Sales

- Credit crunch/Oil/Inflation
- Is it all bad news? Is it turning?



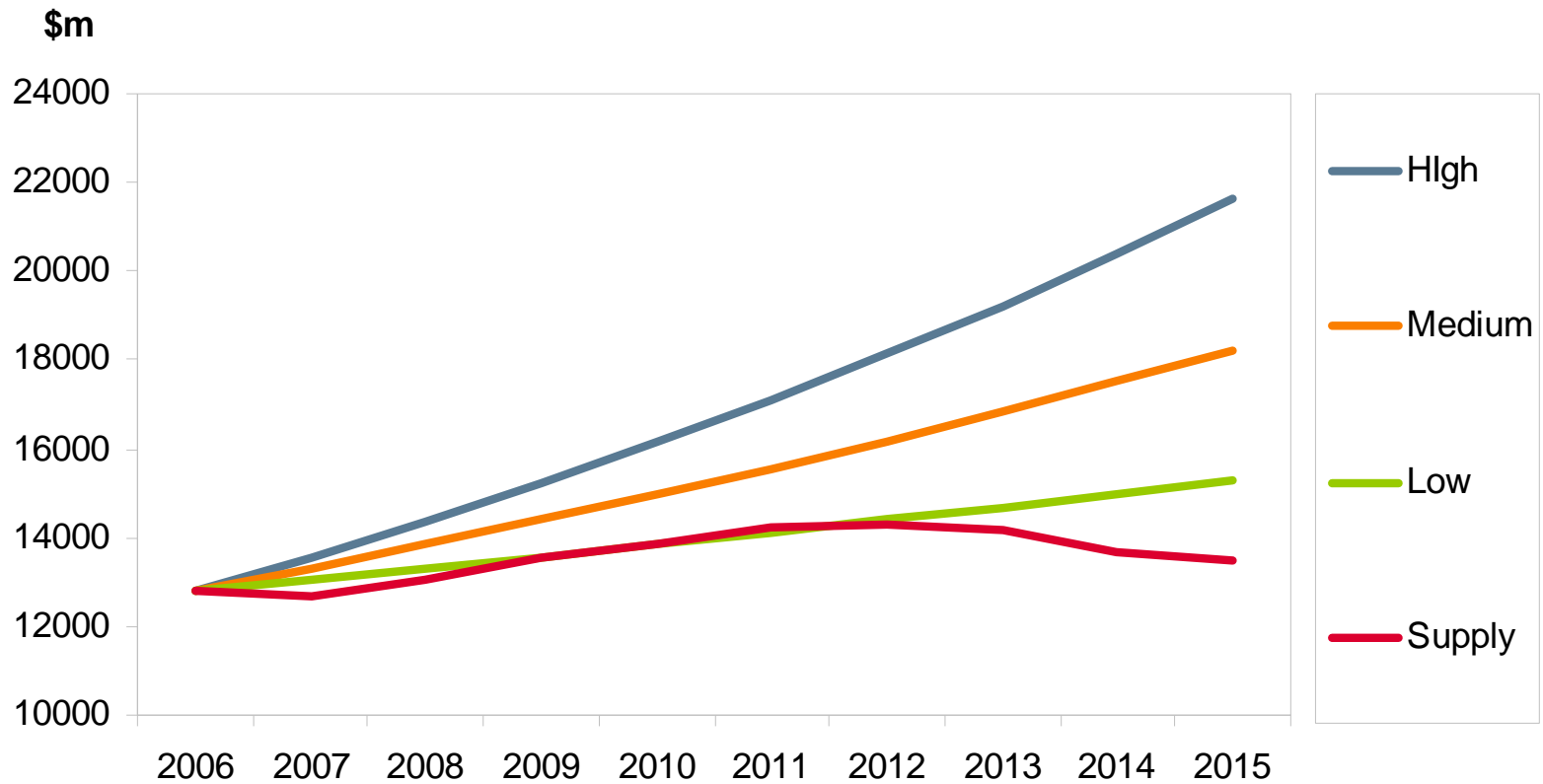
Dow Jones Industrial Average 1 Year Chart



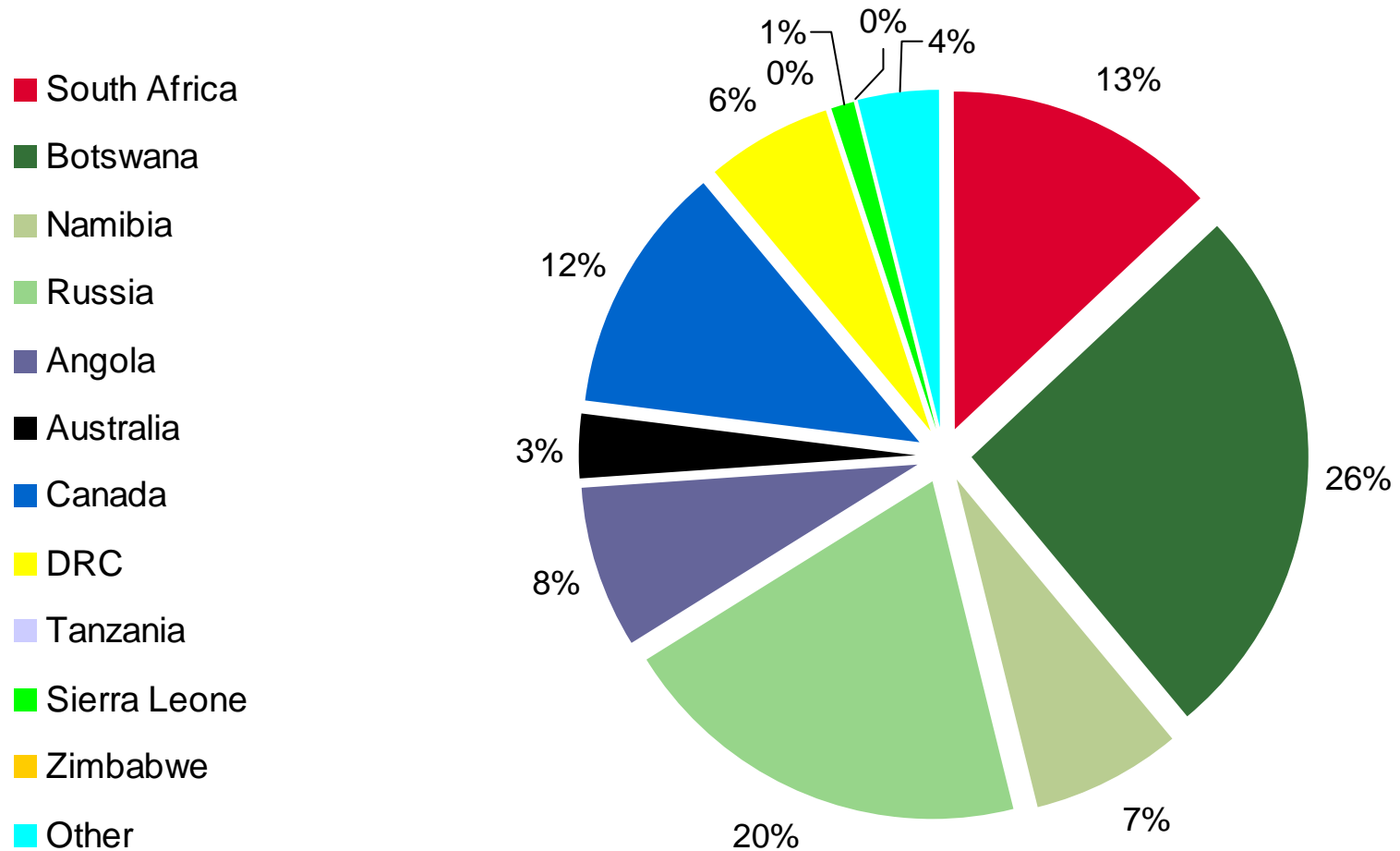
Jewellery Sales – AH estimates 2008 (\$ terms)

- US – Flat - 5% down
- Japan - +5%
- Europe - +5%
- Asia Pacific and Asia Arabia - +15%
- Global demand growth for 2008– 2-3%
- Slowing to low growth scenario

Demand Scenarios and Mine Supply (Botswana-July 2007)



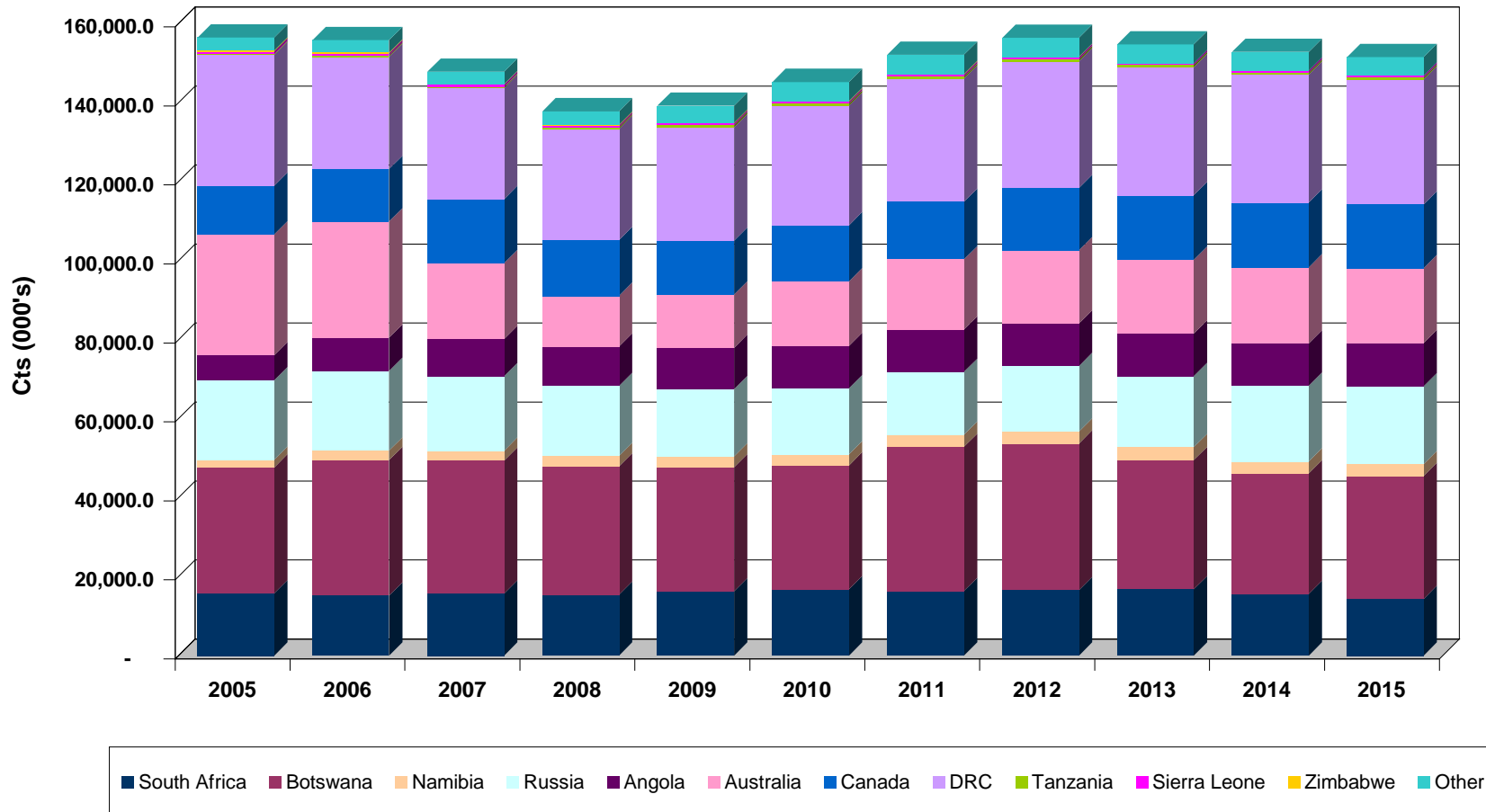
Diamond Production in 2007 (\$12.9bn)



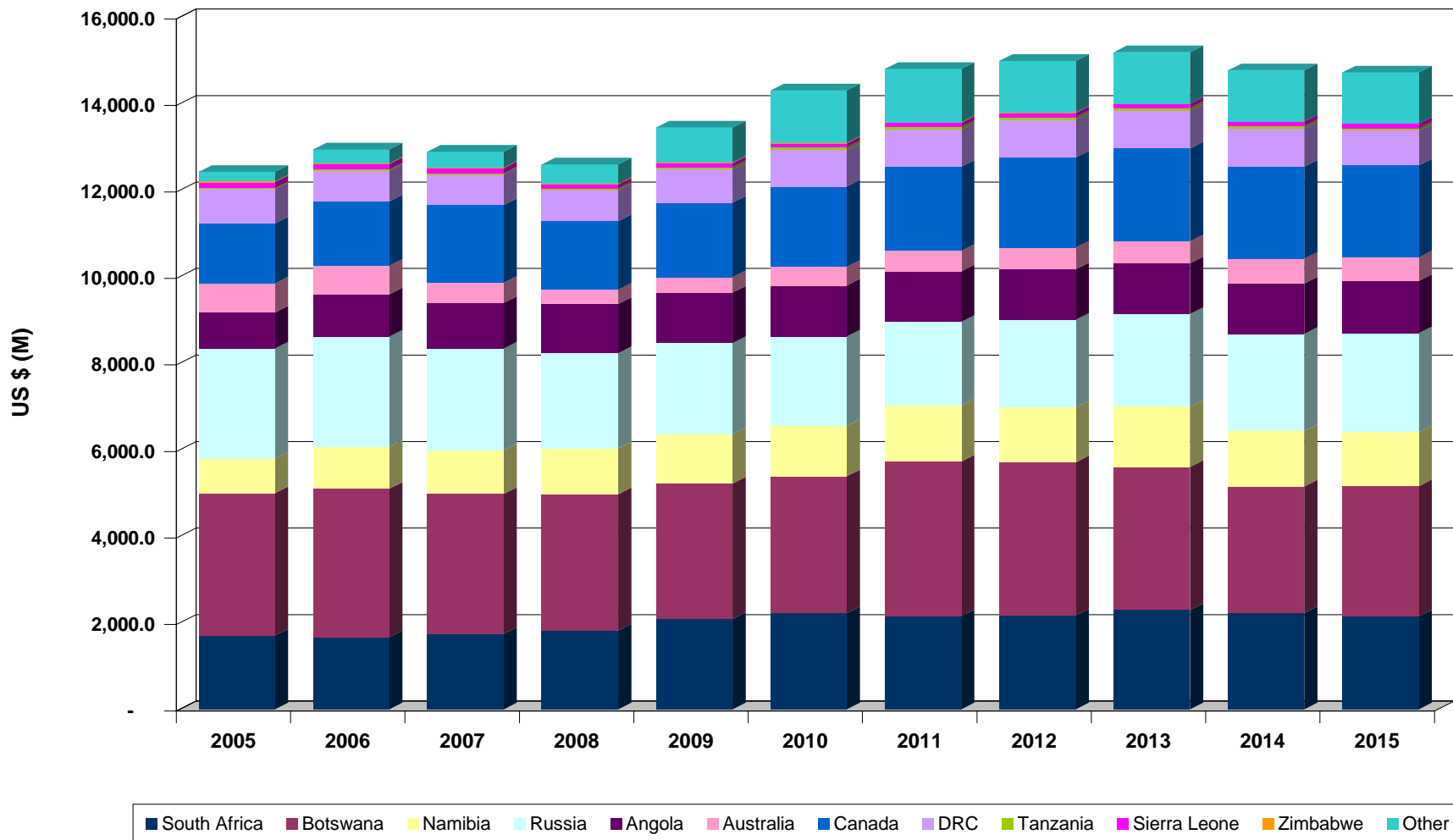
Supply Changes - 2008

- Australia down 6m carats
- Canada down 2m carats
- Russia down 1 m carats
- Botswana down 1 m carats
- South Africa down 0.3m carats
- Total supply estimated at 138m carats in 2008 (148m: 2007)

Global Rough Diamond Supply 2005-2015 (Carats)



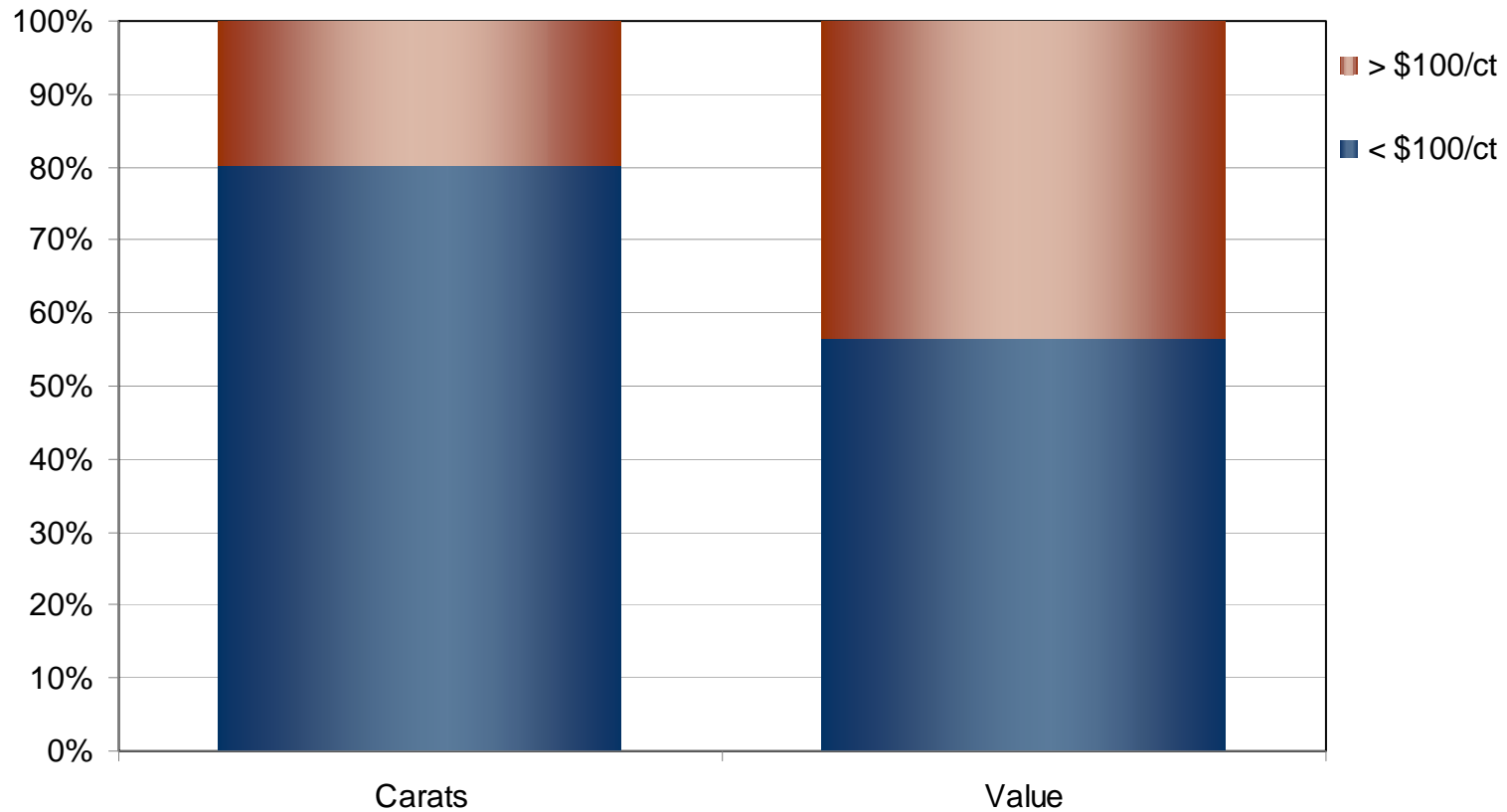
Global Rough Diamond Supply 2005-2015 (US \$ - 2007 prices)



Supply growth in \$ terms

- Applying an average 13% price increase to global supply
- Increases supply from \$12.6bn to \$14.3bn
- Can the market absorb this increase in value when the best estimate of demand growth is 3%?
- AH estimates that current DJ sales supports the \$14bn supply
- Demand for rough remains strong
- Market is segmented and demand is stronger in better qualities and sizes

Percentage of 2008 Global Production >\$100/ct and <\$100/ct (Carats & Value)



Conclusion on the Diamond Market

- Demand growth has slowed - but is still likely to remain positive
- Carat supply declining in 2008
- But prices up in 1H 2008.....
- Supply of \$14.4bn in rough in 2008
- Sentiment key driver to market – prices mixed in 2H

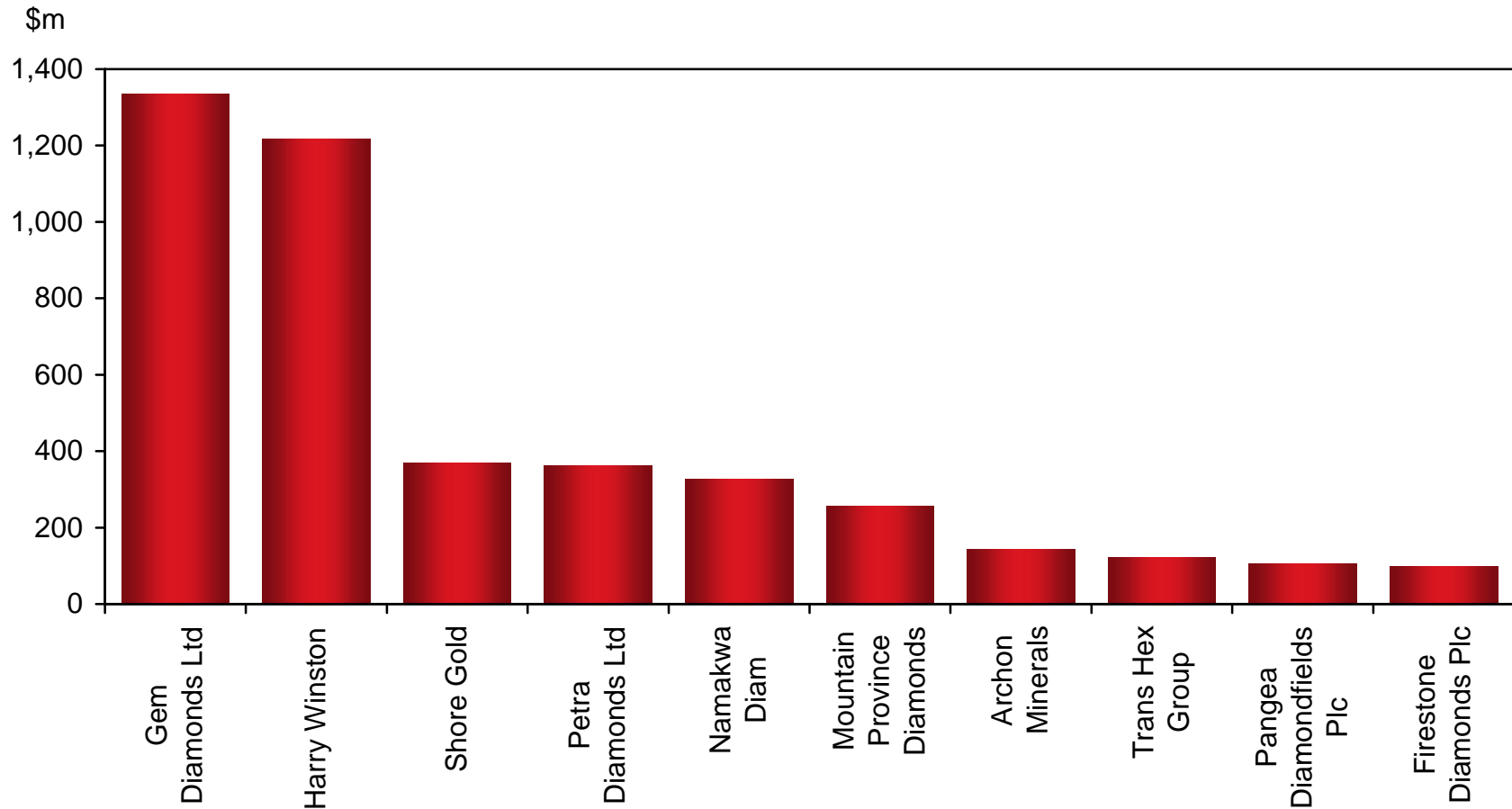
And now for the other market.....

- Fear and greed overcomes reason
- Highly visible and sometimes very painful
- Prices can move for seemingly no rational reason...
- “Our share price is down because some “*clot*” sold”

Listed Diamond Companies

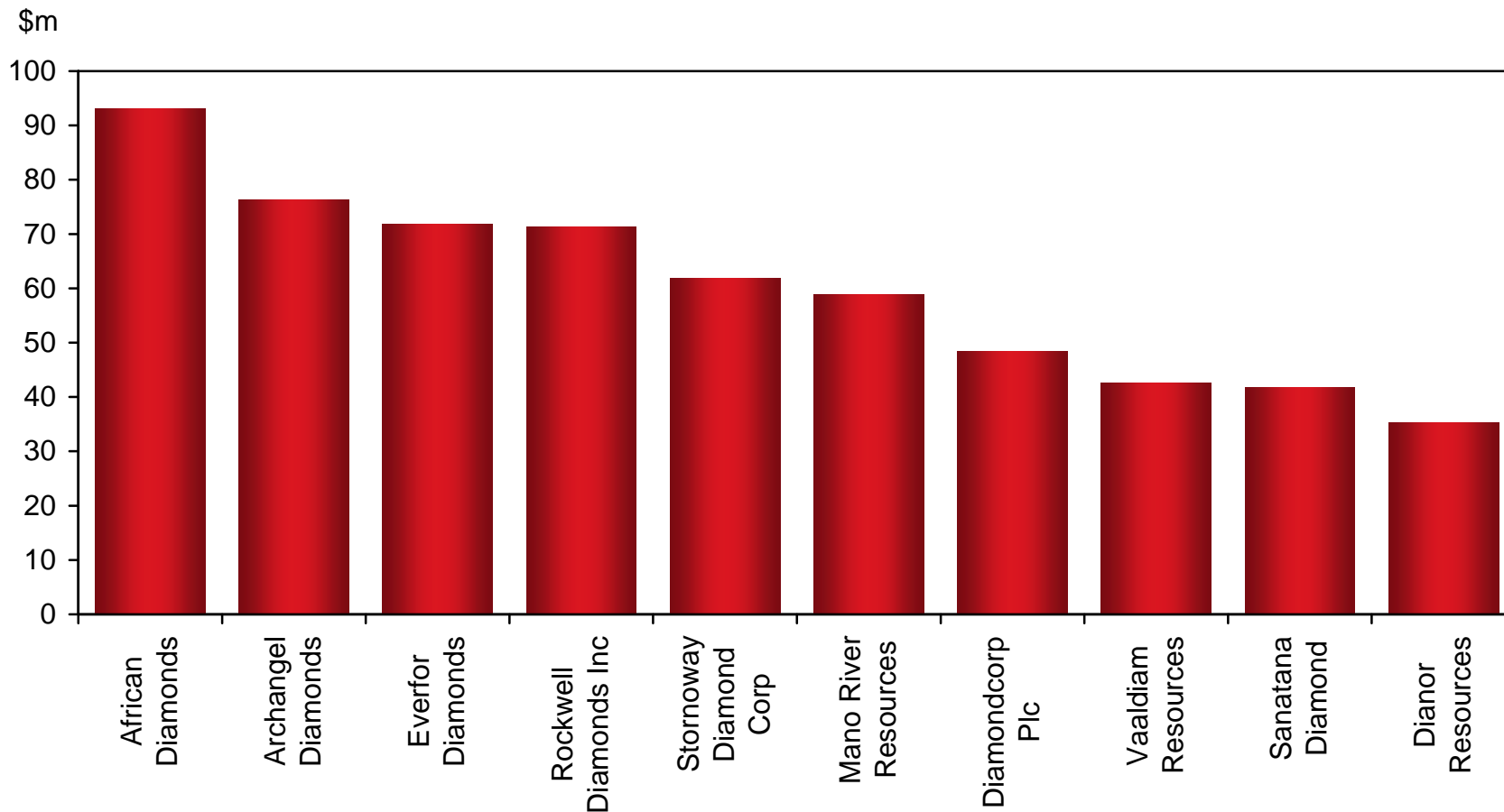
- 37 companies
- 9 Producers; rest developers or explorers
- Combined market capitalisation \$5bn
- Combined mining revenue \$1bn

Market Cap. Top Ten Diamond Companies



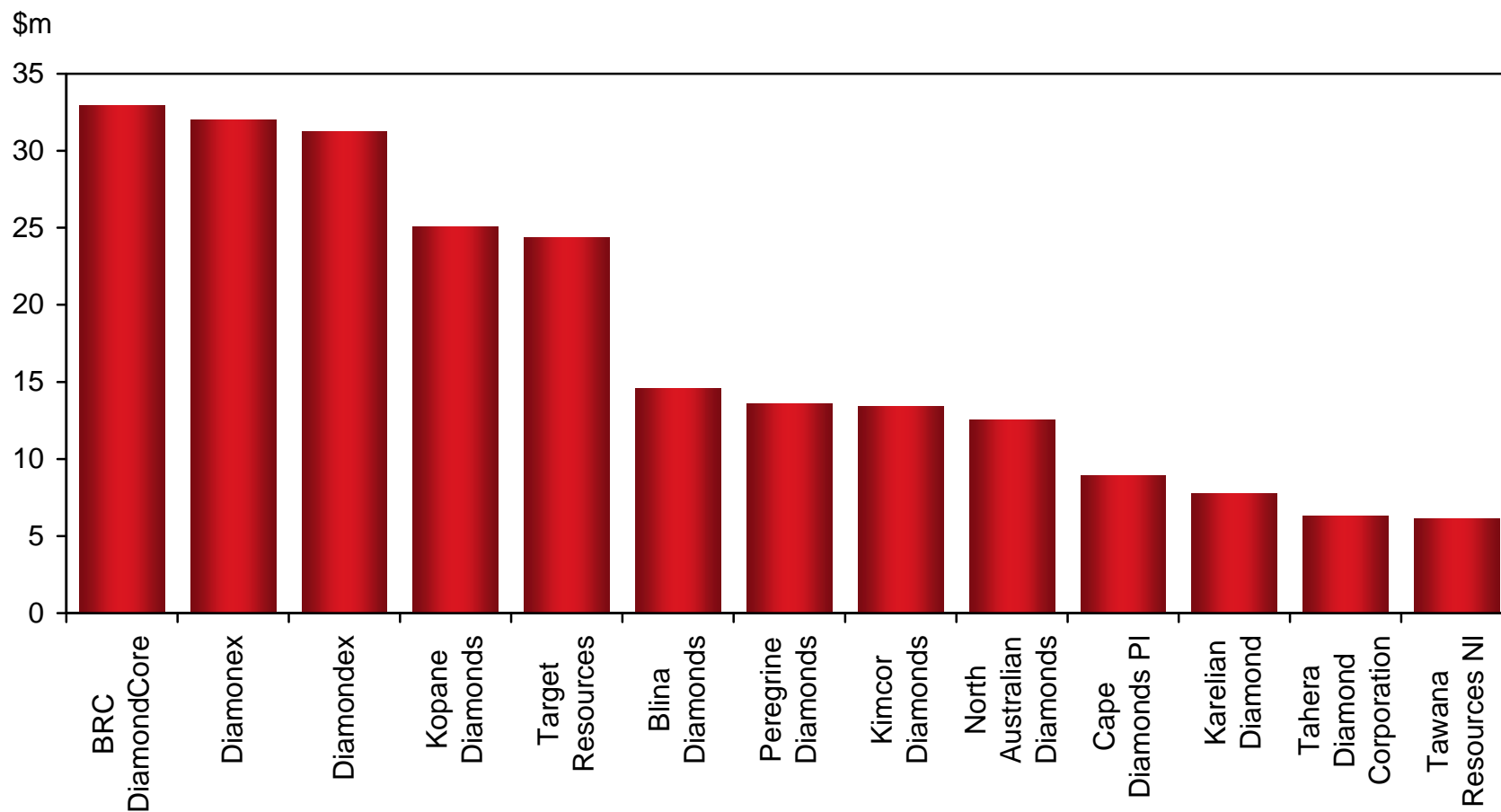
Updated on 18/07/2008

Market Cap. 2nd Ten Diamond Companies



Updated on 18/07/2008

Remaining Diamond Companies Over \$10m



Updated on 18/07/2008

Selected Diamond Shares

Company	Date High	Highest Share Price	Current Share Price	% inc/dec
Shore Gold	2007/04/06	7.74	2.02	-74%
Kopane Diamonds Development	2007/07/18	0.25	0.07	-72%
BRC Diamondcore	2008/02/04	35.00	9.80	-72%
Rockwell Diamonds	2007/07/30	0.79	0.30	-62%
Firestone Diamonds	2008/05/09	2.02	0.87	-57%
Diamonex Limited	2008/01/08	0.50	0.22	-56%
African Diamonds	2007/04/19	1.33	0.61	-54%
Trans Hex	2007/04/17	15.80	8.75	-45%
Petra Diamonds	2007/08/07	1.66	0.99	-40%
Pangea Diamonds	2007/05/29	0.65	0.39	-40%
Mountain Province Diamonds	2007/05/23	5.93	4.27	-28%
Namakwa Diamonds	2007/12/14	1.81	1.40	-23%
Gem Diamonds	2008/05/08	11.91	10.60	-11%

Diamond Companies not alone- Selected Platinum Shares

EXPLORERS (In Cents)	Domicile Currency	Latest Price	Date	Highest Price	% decrease
Beartooth	CAD	7	29 February 2000	220	-97%
AIM Resources	AUD	3.05	22 June 2007	39	-92%
Jubilee Platinum	GBP	39	01 June 2007	124	-69%
Ridge Mining	GBP	98	13 June 2002	290	-66%
Wesizwe	ZAR	585	19 April 2007	1495	-61%
Anooraq	CAD	2.35	26 October 2007	5.06	-54%
Consolidated Puma	CAD	111	25 May 2007	220	-50%
Eastern platinum	CAD	207	05 March 2008	407	-49%
Sylvania	AUD	170	13 July 2007	328	-48%
Platmin	CAD	650	13 July 2007	1088	-40%
Platinum Group Metals	CAD	300	29 October 2007	440	-32%
Caledonia Mining	GBP	8.1	05 May 2006	11	-26%
Nkwe Platinum	AUD	90	23 March 2007	121	-26%
Platinum Australia	AUD	245	02 July 2008	308	-20%
Platinum Group of India	RUP	n/a			
Average					-52%

Platinum Producers also off

PRODUCERS (in whole units)	Domicile Currency	Latest Price	Date	Highest Price	% decrease
Lonmin	ZAR	362	12 July 2007	612	-41%
Implats	ZAR	226	04 March 2008	368	-39%
Anglo Platinum	ZAR	969	19 May 2008	1460	-34%
Aquarius	ZAR	90	21 February 2008	135	-33%
Northam	ZAR	53	11 March 2008	79	-33%
Average					-36%

And some others.....

- Mount Burgess off 82%
- African Copper off 73%
- CIC off 69%
- Albidon off 42%
- Discovery Metals off 26%

TSX Venture Exchange Index (3 year)

■ .SPCDNX Price Chart

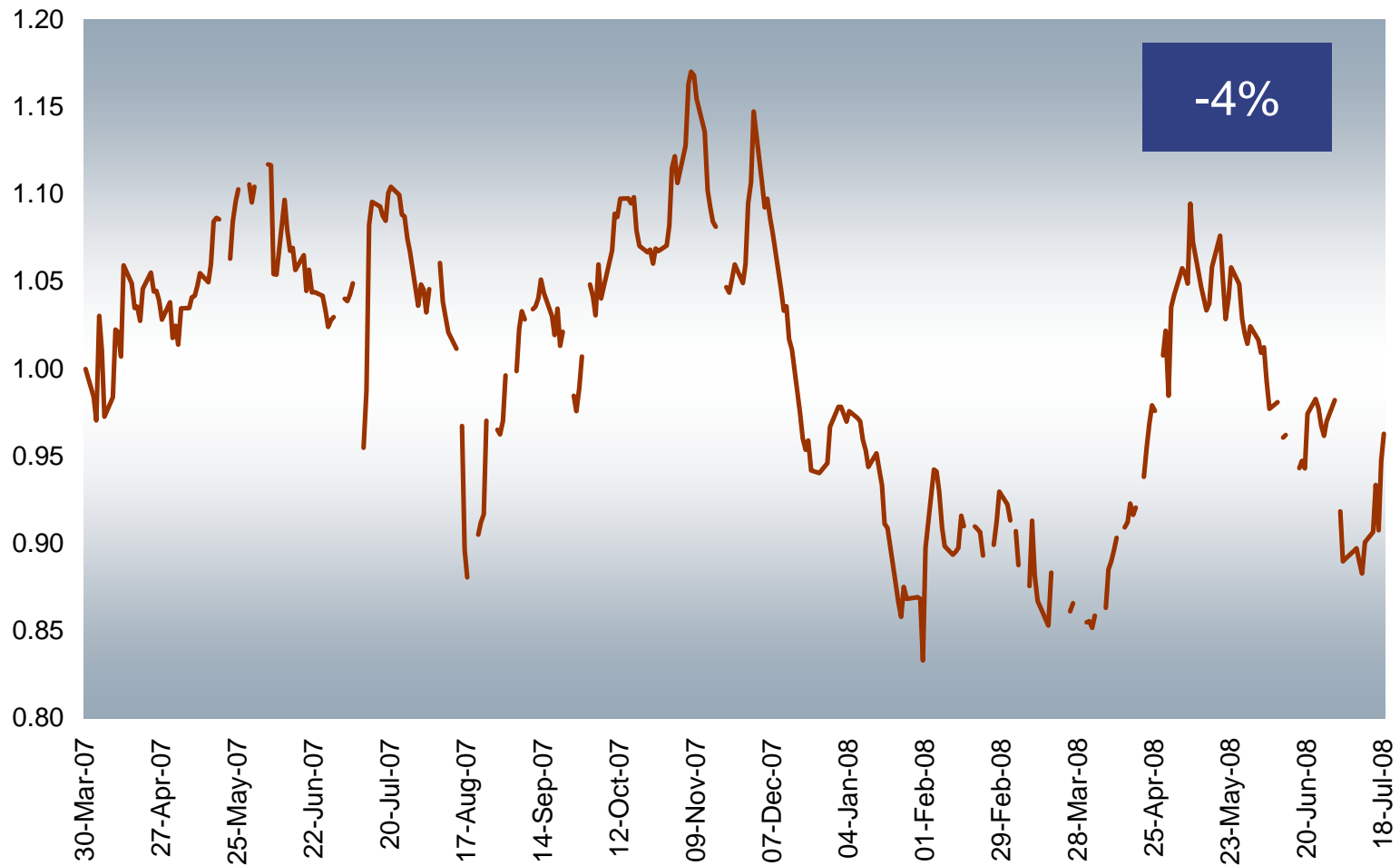


Diamond Sector Index- AH

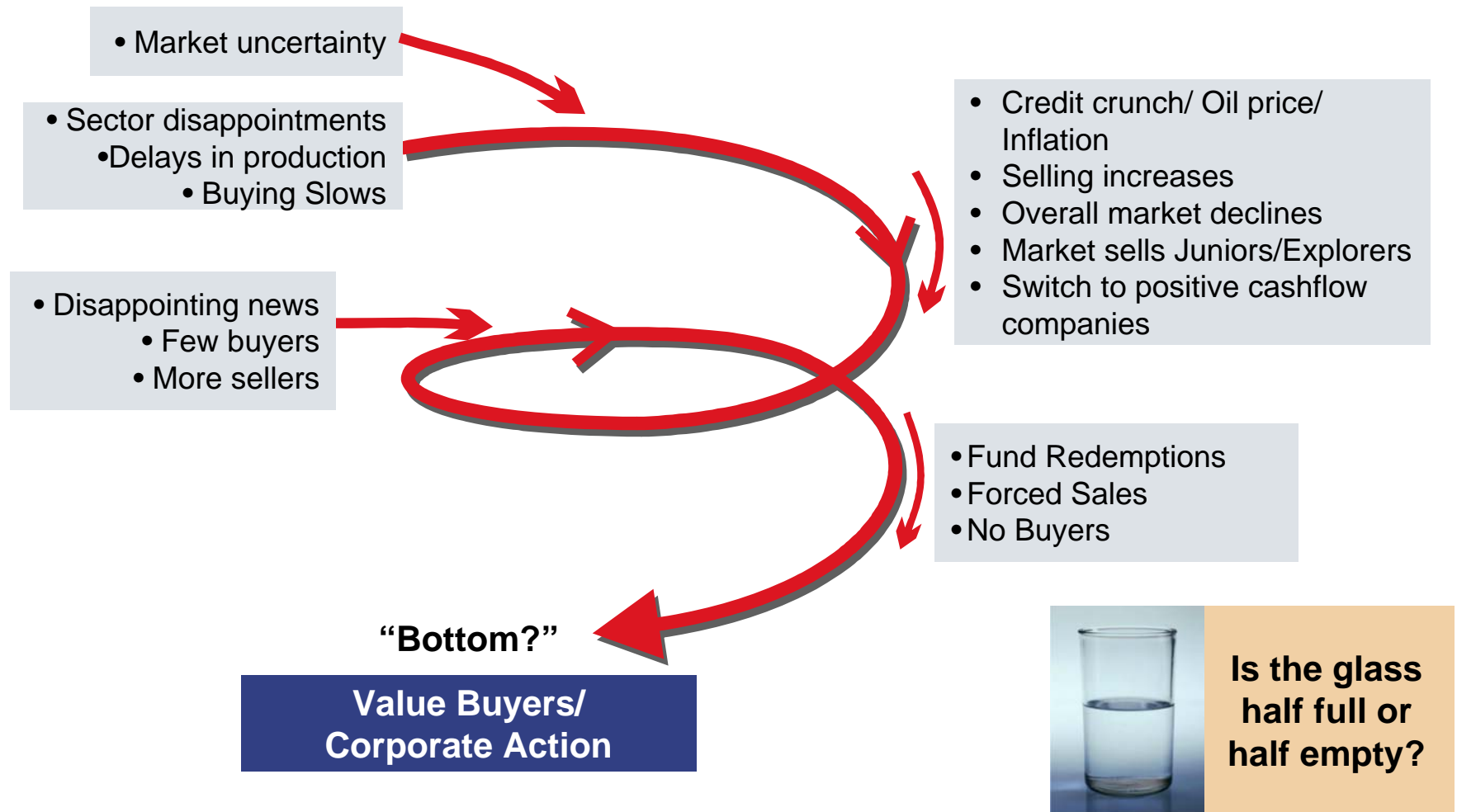
GEM	34%
Shore	24%
Petra	15%
Mountain Province	8%
Rockwell	4%
Trans Hex	4%
African Diamonds	4%
Pangea	4%
Firestone	4%

All rounded

Diamond Index



The Market Spiral



Investor focus- Cash

Acknowledgement - Mining Weekly



Conclusion on the Diamond Shares

- Low share prices – impact on capital raising
- Corporate action? Who has the cash?
- Companies should focus on delivery and cash flow
- In a bear market even good news is discounted
- Bears seize on bad news
- Have faith....there is value out there in the listed diamond stocks



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Questions?

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