

UPDATE ON THE INTERNATIONAL TENDER FOR THE SALE OF A 709 -CARAT DIAMOND HELD IN NEW YORK ON 4TH DECEMBER 2017

Date : December 15, 2017

The public will recall that an uncut diamond weighing 709 carats was found in Koryardu village, Tankoro chiefdom in Kono district, Eastern Sierra Leone on Tuesday 14th March 2017.

On the instructions of His Excellency the President, Dr. Ernest Bai Koroma, the diamond was put on sale by international tender inside Sierra Leone on 11th May 2017. The bid was conducted in public in a very transparent manner. However, none of the bids submitted matched the reserved price. The highest bid submitted then was US\$7, 077,777. and not US\$7.8 million as has been erroneously reported.

The National Minerals Agency wishes to state for the information of the public that it does diamond valuation through a tripartite valuation process; the value submitted by the owner of the diamond, the value submitted by NMA valuers after examining the diamond, and the value submitted by the independent valuers.

The Agency then accepts the highest of the three values as the value for royalty computation. In the case of the 709-carat diamond, the values arrived at by the three parties, prior to the tender at the Bank of Sierra Leone complex were as follows:

- NMA ValuersUS\$ 7million
- Independent Valuers US\$ 5.8 million
- Pastor Momoh and team US\$ 30million

Even though Pastor Momoh's value was considered unrealistic, and probably based on social media hype, the Agency did not sell the diamond below his reserved price in order not to fuel speculations of deliberate undervaluation. This was evident by the thunderous applause that accompanied the rejection of the US\$7,077,777 bid, even though the NMA considered it realistic.

Consequent upon the above, Government decided to explore the possibility of having a similar bidding exercise in one of the renowned diamond markets in the world, such as Antwerp, Tel Aviv or New York, and encouraged all the bidders to review their bids upwards and participate in the next bidding round. Government subsequently appointed Rappaport as the marketing and sales agent following a credible and transparent procurement process.

On 4th December 2017, the Rapaport Group, acting as auctioneers on behalf of the Government of Sierra Leone sold the 709-carat Peace Diamond by International Tender in New York. The diamond was sold for US\$6,536,360.

Prior to the tender process, the diamond was displayed in Tel Aviv, Antwerp and New York, and over 70 diamond dealers from all over the world viewed the diamond. Rapaport and the Government of Sierra Leone also conducted massive publicity to attract the international diamond market.

Despite the above publicity and the relatively large number of viewers, only seven dealers submitted bids

for the diamond. After the tender process, it emerged that the highest bid submitted was US\$6,536,360. It is important to state here that the dealer who submitted the US\$ 7,077,777 bid in Sierra Leone, also participated in the New York tender, but submitted a bid which was half of what he was willing to pay during the first bidding round. This was presumably due to enhanced knowledge of the quality of the diamond from the transparent sale process.

The above scenario left Government with three options: (1) to sell the diamond even though it had earlier rejected a higher offer; (2) to call off the sale and conduct another tender; (3) to do value addition by polishing the diamond.

Government considered the second option unattractive because knowledgeable sources in the diamond industry can attest to the fact that the value of a diamond reduces after every unsuccessful auction or tender. A case in point is the 1,109-carat Lucara diamond. During the first round of auction, the owners of the Lucara diamond rejected an offer of US\$ 61million, because it was below the reserved price of US\$ 70million; only to eventually sell it for US\$ 53million to Graff Diamonds at the second auction.

Government also noted that Rapaport had already displayed the Peace Diamond in all the international diamond centres, and all the notable dealers in the industry were given the opportunity to view it and decide on whether to bid or not; there was therefore no new market to target for another tender. The third option involves a lot of time (up to 18 months) and money, with no guarantee that it will make any significant difference. The risk of damage during cutting and polishing is also real. The most attractive option therefore was to sell the diamond for the highest bid offered, particularly as the unsuccessful bids were all below US\$4 million.

It is important to note that the value of a diamond is not based on carat alone, but on other factors such as colour, clarity and cut (known as the four Cs). Of these the carat, which is basically the weight, is the least significant. For example, the recently found 476-carat diamond in Kono is valued at US\$ 12 million, even though it is of a far lesser weight (carat) than the Peace Diamond.

It was based on all the above factors that Government considered the selling of the Peace Diamond for the highest bid of US\$ 6, 536,360 as the most acceptable option.

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Director General.

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