



Professor Litvinenko
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RUSSIA

5 June 2007

Dear Professor Litvinenko

Thank you for your further interest in sourcing supplies of rough diamonds from the De Beers family of companies. I have now received the Confidentiality Agreement I sent you on 25 May, compiled and returned on your behalf by your business associate Mr Zvi Shur of DSTL Ltd in Israel.

I must admit to being surprised by this development. In the telephone discussion I had with Mr Shur, you indicated that your organisation, would be unable to satisfy the DTC's minimum entrance criteria. As a reminder, these are:

- * The ability to comply with the DTC's Diamond Best Practice Principles
- *The ability to comply with certain requirements relating to good business reputation and the professional integrity of key individuals.
- * The ability to produce audited accounts for its operations and the operations of all its subsidiaries.
- * Current utilisation of rough diamonds in bulk, as evidenced by rough diamond purchases of at least \$20m in calendar year 2006.
- * The DTC's ability to offer you supply at a level that is economically efficient, as evidenced by your organisation's turnover of at least \$30m in calendar year 2006.

Mr Shur has now asserted compliance with these criteria on your behalf in the Confidentiality Agreement he returned to me yesterday. However, it appears from his covering letter that this compliance derives neither from the activities of your organisation nor from the activities of his own company, but from what he terms 'obligating agreements with two long time established, well known and experienced diamond industry companies'.

Unless these companies form part of your organisation's group structure, I regret to inform you that this arrangement will not satisfy the DTC's supply criteria. The applicant organisation must itself be able to satisfy the DTC's minimum entrance criteria in full before being able to compete for supply as a DTC Sightholder. If your organisation is unable to do

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this, then it will not be eligible to apply for supplies of rough diamonds beyond 2007 as a DTC Sightholder, and will therefore be ineligible for supply from the DTC during the 2008-11 contract period.

However, this should in no way 'close the door' on your ability to secure a reliable supply of rough diamonds, and there are two alternative options you may wish to consider in order to secure a supply of the goods you currently require, as you discussed earlier this month with the De Beers Group's Managing Director, Mr Gareth Penny.

The first option would be for you to make contact with Diamdel, which is the De Beers Group's network of rough diamond sales offices in the main diamond cutting centres. The Diamdel companies are managed independently from the DTC within the De Beers Group and focus on supplying rough diamonds to organisations that are not DTC Sightholders. Diamdel currently has a presence in Antwerp, Tel Aviv, Johannesburg, Hong Kong and Shanghai. HDC, a De Beers joint venture with the Government of India, is an associated member of the Diamdel network which operates out of Mumbai. As with all supplies of rough diamonds, availability of supply from Diamdel is limited, but Diamdel will be able to review your requirements and assess whether it is able to supply you given its availability of suitable material, should you wish to make contact with them. The Diamdel website (<http://www.diamdel.com/00-frs.html>) contains further information.

The second option would be for you to approach a supplier of rough diamonds on the secondary market, including one of the DTC's existing Sightholders, to negotiate a supply of the goods you require. A full listing of the DTC's 93 Sightholders is available for your reference at dtc.com/sightholder. This interactive online directory of our Sightholders will enable you to identify the rough diamond dealers within our client base that might be able to offer you goods according to your requirements.

Although the DTC will not be able to offer you supply, I hope you find these alternative options constructive, and I sincerely hope that either by approaching Diamdel or one of the DTC's current Sightholders you are successful in securing a supply of the material you require.

Yours sincerely,



Varda Shine

Cc Zvi Shur, President, DSTL Ltd, 57 Hashoftim St,