

CENTAURUS DIAMOND TECHNOLOGIES, INC.

An Investor's Best Friend

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CENTAURUS DIAMOND TECHNOLOGIES, INC. (OTC:BB - CTD T - \$0.34)

Price Target: \$1.20

Rating: Speculative Buy

COMPANY SNAPSHOT

Centaurus Diamond Technologies, Inc. plans to fully commercialize its proprietary, cost-efficient and high-volume diamond production method to provide industrial quality diamonds. The Company's patented technology enables the production of "cultured" diamonds that are chemically, atomically, and structurally identical to natural diamonds. The Gemological Institute of America has tested the Company's "cultured" diamonds and has confirmed that they are diamonds according to their testing protocols.

KEY STATISTICS

Price as of 7/13/12	\$0.34
52 Wk High – Low	\$1.90 – 0.085
Est. Shares Outstanding	113.5M
Market Capitalization	\$38.6M
3 Mo Avg Vol	12,000,000
Exchange	OTC:BB

COMPANY INFORMATION

Centaurus Diamond Technologies, Inc.
 1000 W. Bonanza Road
 Las Vegas NV 89106
 702-382-3240
info@sweetwaterresourcesinc.com
www.sweetwaterresourcesinc.com

INVESTMENT HIGHLIGHTS

Centaurus Diamond Technologies, Inc. is positioned to introduce a unique, high-volume diamond production method to provide high-demand, industrial quality diamonds to companies around the world. The estimated size of the market is roughly \$15 billion.

Centaurus' patented processes convert carbon into cultured diamonds that are chemically, atomically, and structurally identical to natural diamonds. Designed by one of the most respected and successful engineers/inventors of the past half century, CTD T is poised to make waves in the market.

Despite creating diamonds artificially, CTD T's product is essentially indistinguishable from natural diamonds. The Gemological Institute of America has tested the Company's "cultured" diamonds and has confirmed that they are diamonds according to their testing protocols.

Management will likely provide an update on mass production potential in the industrial and consumer segments before year-end. Once commercialization commences, Centaurus' process should ensure millions in revenue and favorable gross and operating profitability during the initial diamond deployment period.

While the stock will be event-driven over the coming months, we believe that the stock will trade at a premium to its comps in the coming months. Given the likely efficacy of the technology and the market opportunity, along with the present valuation afforded a publicly traded comparable, we believe that CTD T's shares could reach \$1.20 as milestones occur. We rate CTD T Speculative Buy.

CENTAURUS DIAMOND TECHNOLOGIES, INC. (OTC:BB - CTDI)

COMPANY OVERVIEW

Leveraging the patents and knowledgebase of its founder, the noted engineer and inventor Alvin Snaper, Centaurus Diamond Technologies Inc. was established to fully commercialize its proprietary, cost-efficient and high-volume diamond production method to provide industrial quality diamonds. The Company's patented technology enables the production of "cultured" diamonds that are chemically, optically, and physically identical to natural diamonds. These man-made or "cultured" diamonds can be sold at retail for a fraction of the price of a natural diamond. The gemological Institute of America has tested the Company's "cultured" diamonds and has confirmed they are diamonds according to their testing protocols.

The Company is in the testing phase of its mass production methods and following the conclusion of the testing will move forward in its plans to target the industrial diamond market, given the current favorable supply/demand environment. Industrial diamonds are valued mostly for their hardness and thermal conductivity. Moreover, the industrial use of diamonds has historically been associated with their hardness. As a result, diamonds are the ideal material for cutting and grinding tools. As the hardest known naturally occurring material, diamonds can be used to polish, cut, or wear away any material, including other diamonds.

Industrial diamonds are in high demand and are widely used in the defense, technology, and other segments. As the global economy improves, management will likely consider entering the consumer jewelry market as well. In the interim, we expect that progress in mass production development, along with business development, will dominate the Company's milestones prior to a commercial launch in the coming months.

INDUSTRY OVERVIEW

Diamonds are made of carbon and the purer the carbon, the better for the manufacture of a cultured product. Natural diamonds are a crystal, which grows deep underground, usually in close proximity to volcanoes. The method in which diamonds are formed is similar to other crystals, but diamonds require tremendous temperatures and pressures to grow in Nature. As a result, most diamonds come up from very deep within the earth, carried by the lava flows from volcanoes.



Image I. The Size of the Diamond Market
Source: Centaurus Diamond Technologies, Inc.

Company Report

Diamonds aren't just a girl's best friend, they represent a huge market. As one might expect, unlike other commodities, such as most precious metals, there is a substantial mark-up in the retail sale of gem diamonds. Interestingly, South Africa-based DeBeers controls a significant proportion of the trade in diamonds. DeBeers, the world's largest diamond miner, holds a dominant position in the industry, and has done so since its founding in 1888. DeBeers and its subsidiaries own mines that produce some 40% of annual world diamond production. For most of the 20th century over 80% of the world's rough diamonds passed through DeBeers, although that number has declined to below 50% in recent years.

In contrast to mined diamonds, synthetic diamonds are manufactured in a laboratory. The gemological and industrial uses of diamond have created a large demand for rough stones. This demand has been satisfied in large part by synthetic diamonds, which have been manufactured by various processes for more than half a century. However, only in recent years has it become possible to produce gem-quality synthetic diamonds of significant production size.

The primary methods of producing artificial diamonds are High Pressure and High Temperature (HPHT), and CVD (Chemical Vapor Deposition).

The HPHT method is the one used by most synthetic diamond producers today (both for gem use and industrial use). This process artificially recreates how diamonds are created within the body of our planet. A diamond 'seed' serves as the growth template, and then a carbon source, with a catalyst, is added to enhance growth. Once a crystal is established, the original 'seed' diamond is removed, and what remains is an artificial diamond.

CVD employs extremely low pressure and high temperature, and is used for coating things with diamond. There remain substantial challenges to realizing commercial growth levels against achieving larger single diamonds using this method. A diamond seed is again employed. The carbon growth medium is supplied in gaseous molecular form. The carbon floods onto the diamond seed and growth ensues. One Firm that seems to be on the cusp of having a real presence as a CVD producer is Scio Diamond Technology Corporation (OTCBB - SCIO - \$2.55), a publicly traded peer to Centaurus.

THE CTDI TEAM

Alvin A. Snaper, P.E., Chairman and Chief Science Officer

Mr. Snaper serves as Chairman and Chief Scientist of Centaurus Diamond Technologies, Inc., overseeing all technical aspects related to "cultured" diamond production. In addition to holding patents and modifying existing technologies for laboratory-grown diamonds, Mr. Snaper is the developer of the Company's proprietary technologies for the production of "cultured" diamonds.

Throughout his illustrious career, Mr. Snaper has founded numerous companies and held management and engineering positions at; Neo-Dyne Research Inc., where he served as founder and developed and perfected products based on his patents; at Advanced Patent Technology Inc. where he served as Vice President – Director Research – Corporate Director; at an Independent Consulting Firm where he served as founder and became the first multi-technology Registered Engineer licensed in California; at McGraw Colorgraph where he was responsible for overseeing all foreign and domestic testing of photographic systems; and at Bakelite

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Division of Union Carbide where he assisted in the development of a pilot plan for plastics manufacture.

Mr. Alvin Snaper has served as a Senior Consultant to other major corporations and organizations, including IBM, General Foods, NASA, Boeing, Gillette, Singer, U.S. Air Force, Rocketdyne, General Motors, Lockheed Aircraft, Sanyo, Philips, Gulf Western, Union Carbide, etc. He has been awarded more than 600 patents, many for significant industrial products and processes. Some of his inventions and commercial products include the IBM Selectric Type Ball, Tang, the NASA Apollo Photo- Pack, Coating Process for Gillette Razor Blades, and the Electrostatic Painting Process & System for Auto Components Assemblies for General Motors, to name a few. Mr. Alvin Snaper holds the single honor and individual distinction of being recognized with 'Best Patent of the Year' award by Design News magazine, and is the author of numerous technical and scientific papers.

Alvin Snaper is or has been a member the following professional societies and organizations: Who's Who of American Inventors 1990-1991; VIP Electronic Improvement Program; and the American Ordnance Association.

He is a former consultant in ultrasonics to the Library of Congress, Armed Forces Communications and Electronics Association, International Scientific Society and The Society of Photographic Instrumental Engineers.

Mr. Snaper is a Professional Engineer ("P.E.") and a B.S. graduate in Geo-Science at McGill University in Montreal, Canada. He is also a member of several professional societies, author of numerous articles and technical papers, and the only multiple award recipient of Design News Magazine "Best Patent" award (four total).

Wayne D. Prentice, G.G., Chief Operating Officer

Mr. Prentice serves as Chief Operating Officer of Sweetwater Resources. His responsibilities include business development, strategic planning, marketing, production coordination and various administrative roles. With over 20 years of direct experience in gemology, Mr. Prentice has worked in the gem industry as a broker of one-of-a-kind gems, as a wholesale gemstone dealer and as a gem cutter. Mr. Prentice holds an undergraduate degree in Business Economics from the University of California, Santa Barbara

He is a graduate of the Gemological Institute of America, where he earned in residence a Graduate Gemologist degree. (July 1986). The Gemological Institute of America (GIA), the most recognized school of gemology in the world, was established in the 1930's to solely educate and facilitate the jewelry industry. Today GIA has grown into an extremely large non-profit organization that includes: resident and home study education in gemology and jewelry manufacturing arts (GIA-Education); a gem trade lab that sets worldwide standards for diamond grading along with gem identification (GIA-GTL) ; gemological instruments (GIA Instruments); research that is equipped with the latest sophisticated instruments to keep on top of all new developments in the jewelry industry (GIA-Research); and, the largest gemological library and information center in the world (GIA-Library). Students of all ages and from all parts of the world, come to learn gemology from GIA. <http://www.gia.edu>

After graduation, he accepted a position as GIA Resident Instructor of Colored Stones and Gem identification (August 86 through September 88). In addition to his Gem Industry academic qualifications, he has also been a wholesale dealer of one-of-a-kind gems, focused on precision cut colored gemstones for the designers, and diamonds larger than one carat.

Company Report

He is a qualified gem cutter with expertise in precision faceting of colored gemstones (Cutting Edge Award winner), diamond analysis for re-cutting and manufacturing diamond rough. He continues to act as a gemological consultant, providing services for both commercial and private clientele and his corporate clients have included Kennecott Minerals, D. Swarovski & Co., Chatham Inc.

He is the founder of the Troy Diamond Report® - Global Diamond and Currency Market Guide, an international diamond report and pricing guide debuted September 2007 to provide a "Global perspective and foundation, promoting stability and value. <http://www.troydiamondreport.com>

John Davies, Ph.D., Physics Advisor

John Davies has a distinguished career in development of technologies including geo-electric instruments, pattern recognition and prediction, signal decomposition and processing and novel material compositions with patenting and copyrights. He holds a B.Sc. in physics and Mathematics from the University College of Wales and a M.S. in geophysics from the California Institute of Technology in Pasadena. He holds a Ph.D. in Geophysics and Astronomy from the University of British Columbia, Canada.

His clients include British Petroleum, State of Nevada, Cominco, Government of British Columbia, Amoco, USAF, ARPA, Bank of America and numerous universities in the US and Canada.

Arthur Ackroyd, P.E (Elec.), Advisor

Arthur Ackroyd has a long and varied career in fields of electrical engineering. He was flight test engineer for Lockheed Georgia involved with introduction of new aircraft into military applications with focus on avionic systems and flight controls. He was in senior management at Emerson Electric with focus on development of new business opportunities in the aerospace and communications industries.

At Bendix Aerospace he was marketing manager responsible for 7 European divisions. His product range responsibilities included guidance and flight control systems, chemical and environmental systems, biological and meteorological systems and army field communications. Thereafter he established a UK based consultancy, TMS International, and developed business interests in many areas worldwide including the UK, Nigeria, Bangladesh, Sri Lanka and America.

COMPETITIVE ADVANTAGES

In our view, CTDI has advantages over other companies in the space. For example, the long histories of successes of its founder, strength of the technology and business expertise of its team are major plusses in Centaurus' favor. While management has elected not to provide significant details on its production methods for competitive reasons, based on our due diligence, we believe that the method is highly efficient, timely, and cost-effective. As a result, we believe that CTDI will likely trade at a premium to other players in the space in the coming months.

RISK FACTORS

In our view, CTDI's biggest risks are twofold. First, the Company needs to demonstrate it can consistently and profitably mass produce artificial diamonds for industrial use. Second, it must execute its sales and marketing plan. We believe that CTDI will be very successful in its development efforts but understand that the timing of the start of commercialization could push meaningful revenue generation out to a later date, or in a smaller initial ramp, thus impacting the Company's revenue ramp or time to profitability. Competition from larger firms or even from newer entrants is a typical concern and is also consistent with firms of CTDI's size and standing.

VALUATION AND CONCLUSION

Designed by one of the most respected and successful engineers/inventors of the past half century, CTDI is poised to make waves in the artificial diamond market. Management will likely provide an update on mass production potential in the industrial and consumer segments before year-end. Once commercialization commences, Centaurus' unique process should ensure millions in revenue and favorable gross and operating profitability during the initial diamond deployment period.

While the stock will be event-driven over the coming months, we believe that the stock will trade at a premium to its primary comparable, SCIO, which trades at a 50% premium to CTDI, due to the likely efficacy of the technology as compared to SCIO. Therefore, we believe that CTDI's shares could reach \$1.20 as milestones occur. We rate CTDI Speculative Buy.

Company Report

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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