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To: D'Auray, Johanne: #CB - BC

Subject: Canadian Diamond Questionnaire

I have polled my staff and some clients and here is our response:

1. When should a diamond be deemed to "come into being"? Why?

To be precise, a diamond 'comes into being' when it crystalizes in the depths of the earth. But for practical purposes, in the jewellery industry, it is when the stone is mined. A diamond is a diamond whether it is rough or polished. Admittedly there is a larger consumer market for polished diamonds but both industrial and some jewellery applications use rough stones, plus mineral collectors collect the rough crystals.

2. What do consumers and trade buyers perceive the terms "Canadian diamond" and "Diamond of Canada" or equivalent Canadian typical symbols or words to mean?

Mined in Canada. We would say that there is a marketing advantage to be able to say that the diamond is MINED and CUT in Canada, both from a domestic and tourist view. To date, all of the diamond rough that is mined in Canada is shipped out of the country and redistributed around the world from Antwerp, Belgium, (the world centre for the diamond industry). That I know of, it is virtually impossible in most cases, to determine the origin of a diamond once it has been cut and polished.

3. What are purchasers' expectations when they seek out a "Canadian diamond"? Are they looking for a diamond that is: (i) mined in Canada; (ii) mined, cut and polished in Canada; or (iii) cut and polished in Canada?

On the consumer side, we would say it is a split between (i) and (ii). On the industry side we would say it is (i).

4. Is it industry practice to refer to the origin of the diamond, gem or other stone as the place where it was mined? Provide details.

Industry practice for diamonds rarely makes a distinction regarding the origin of the stone. There is only one notable exception and that is the Argyle Mine in Australia that produces a relatively large percentage of diamonds that are various shades of brown and a small but significant number of pink to reddish diamonds. These have been marketed in the trade as Argyle pinks and Champagne diamonds. But, as it is very difficult to determine the origin of a finished diamond in the industry it is more likely that a diamond is marketed in terms of where it was cut rather than where it was mined or more often than not, the origin of the stone is not an issue at all. As technology improves there may come a time when a diagnostic will be

developed that will be able to positively identify the geographical origin of a diamond but until that time occurs diamonds will be bought and sold based on quality and cut rather than geographic origin.

On the other hand, coloured stones are much more closely identified with particular geographic origins. As is stated in the government web page quoting the standards, Ceylon sapphires, Colombian emeralds and Burmese rubies are all common terms for particular varieties of these gems. A good gemologist with the proper training and experience could often identify not only the country but even the particular mine that a ruby or sapphire come from. Therefore, the country of origin in coloured gemstones has more credence than with diamonds. Of course, once a term like "Ceylon" sapphire becomes popular parlance then it also gets used less accurately as a descriptor to compare or market gemstones that "look" like a well known variety even if they don't come from that country. And, I expect, not every Ceylon sapphire, for example would necessarily exhibit the distinctive characteristics that would positively identify its origin.

So, to sum up, the concensus from our shop is that a diamond comes into being when it is mined and the added epithet that it is cut and polished in Canada is irrelevant except as a marketing tool. There is nothing wrong with using that marketing tool - as a diamond retailer, it is great to be able to sell a diamond that was both mined and finished here in Canada. But, I am also more concerned with providing my clients with the best quality that I can for a fair price. And, since the majority of diamonds are brokered out of Antwerp no matter what their origin, even the stones that are mined and cut in Canada take a two trans-atlantic flights. Since it is impossible to positively identify the origin of a finished diamond, the ability to track these Canadian stones from the mine, to Europe, back to Canada and through the cutting and distribution process leaves all sorts of possibilities for stones that are not Canadian to be salted into a lot that is indeed Canadian. Just engraving a symbol on the girdle of a diamond is no guarantee of origin unless there is a way to positively track that stone from mine to jewellery store and even then, after the primary market what is to stop someone from getting a laser engraver and either modifying the markings on a diamond or putting false symbols on diamonds from some other source. It is still impossible to tell.

Sorry, this went on longer than it took to just answer your questions, and, perhaps is a lot of sound and fury signifying nothing since in the long run, without some way of positively identifying the geographical origin of a stone I don't think that it really matters what you call a diamond. A diamond is a diamond is a diamond. It is either well cut, of a certain quality or it isn't. Anything else is much more about either romancing the stone, appealing to patriotism or pure marketing.

If I can be of any further assistance feel free to contact me.

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