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From: Matt [mailto:mrdixon@home.com]

Sent: September 20, 2000 12:59 AM

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

Subject: Canadian Diamonds

Sirius Diamonds has requested that we send you the following answers.

1. a Diamond comes into being when it is mined. Obviously it is much older, but the only real distinguishing feature between two diamond crystals is where they come from.
2. I don't believe consumers see any difference in the terms. They hear "Canadian" only and assume it is mined and cut in Canada. As many consumers do not even understand the process through which a cut diamond comes into being, they trust that it is "from Canada". People in the trade understand the process and realize that the selling feature of the stone is that it is mined in Canada. Whatever the term or turn of phrase you use, that is the expectation.
3. I think the main expectation is that the stone is mined in Canada. They are usually pleased and impressed when they they learn that the stone is also cut and polished in Canada, and this adds to its desirability. Consumers could care less where else their stone may have been cut. Most would not want a conflict diamond regardless of where it was cut.
4. It is industry practice to refer to a diamond by the place it was cut, rather than where it was mined, because the CSO does not tell sightholders where the rough was mined, and they don't ask. However, Russian-cut stones, long valued for their high quality cut, also referred to their mining locale because they only cut those they mined themselves. Indian-cut was they same for many years but now Indian cutters acquire their rough elsewhere. Israeli-cut for many years strongly implied that the stone was poorly cut, rather than where it was mined (Israel does not mine diamonds). Australia, the world's largest

producer of rough diamonds, is not known as a cutting centre at all, and referring to a cut stone as Australian often implies either low quality material or a fancy colour from say, the Argyle mine. So the place name takes on different meanings depending on what that place is known for.

If I may offer an opinion, allowing diamonds only cut in Canada to be referred to as Canadian Diamonds would seriously undermine the currently strong appeal to Canadian consumers of diamonds mined in Canada. There should be clear terms used in all cases to differentiate between Canadian diamonds and Canadian cut diamonds. A good example is the perception of the terms "Swiss Made" on the face of a watch or "Made in Switzerland" as being the same thing, but in fact they are quite different in meaning.

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