

Le 28 août 26

MDL DIAMOND MERCHANTS

Manufacturers and Distributors of Fine Diamonds

CDN Branch: 55 Queen St E Ste. 601 Toronto, ON. M5C 1R6 Tel:(416) 864-1392 Fax:(416)864-1010

**ATTENTION: Johanne D'Auray
FROM: MDL Customer and Trade relations**

Re:Response and clarification on your recent letter

The letter outlining Industry Canada's rules and regulations under the Competition Act's "made in Canada" representations in advertising of diamonds was reviewed in detail.

Since inception of our "Eskimo" product, we have carefully worded our promotion and literature in a clear and concise way in order to not to cause confusion with diamonds mined and polished in Canada (enclosed please find our standard literature enclosed with every Eskimo).

Our "Eskimo" product fits exactly into the 5th criteria outlined by the Competition Bureau: "Diamonds mined outside Canada and cut and polished in Canada". Our rough diamonds are purchased through direct or indirect vehicles from the open Belgium rough diamond markets and are polished in Canada in small batches. Due to the infancy of our product, we out source our cutting and related operations to a number of small independent diamond craftsmen.

We are aware of other "Canadian Diamonds" such as the "Polar Bear" and "Maple Leaf" brands and the related companies that they are marketed through. They make specific references to Canada, Canadian Mined, Ekati Mine, Etc.... Our product has never implicitly or explicitly both written or implied has never made any references to this extent.

As a result of our careful market research through evaluating our competitors, their product and the general consumer, We strongly believe that we have a high quality, competitive and a reliable product (All our Eskimo brand diamonds come with a written 30 day no hassle money back guarantee) which to the best of our knowledge is the only one of its kind in Canada.

Competition and choice is beneficial both to consumers and to the "Canadian Diamond Industry", It helps keep prices down and selection in polished diamonds circulating in Canada optimal.

We have not had any negative response from our clients but only curious calls from what we believe to be competitors posing as clients.

Our company policy on releasing product information to the trade is very liberal. We encourage any retail client or the final end user to contact us toll free at 1-800-380-0888 to clarify any questions with regards to any of our products including the "Eskimo" Brand.

As our final suggestion or comment on this matter is to have Industry Canada identify the source of the inquiry/complaint of any "Canadian mined or polished or both" as;

a) Final Consumer

b) Trade (ie. retail stores) or;

c) Competitors (selling the same or similar product). If it is determined that the complaint is from a fellow competitor, the matter could get more into companies trying to run a "monopoly" on Canadian diamonds which could prove to be entering "anti-trust" issues and would result in Canadian consumers paying large premiums on such diamonds.

Additional Notes:

We do intend to market a diamond that is mined and manufactured in Canada in the near future. We will inform industry Canada immediately upon circulating the merchandise.

Suggested possible amendments or subsections to the Competition Bureau's guidelines.

We believe that there are companies and or individuals abusing the "Canadian Diamond" manufactured, mined or both. These could be non-legitimate, non-registered companies or individuals. The final consumer should have a remedy to turn to. These illegitimate individuals or companies can easily be brought to surface by making it an industry practice to offer some sort of "money back guarantee", it could be as short as 3 days as a "cool-off period". This guarantee would deter non-legitimate vendors from making such claims in the future.

3 your clarity decision in the "Value Zone" is optimal
 e above SI1 mark the inclusions are very small and
 impede too much on brilliance below the I1 mark the
 ins are larger, visible to the naked eye and to a certain
 impede the light refraction which may affect brilliance.

atively speaking, it is the second most important
 because cut has a direct impact on the way light
 and exits the stone, we call this dispersion.

iamond is well made as are "Eskimo" diamonds, the
 brilliance. Rest assured "Eskimo" diamonds present
 y the maximum fire or "brilliance" that a natural
 nd can emit regardless of colour and clarity.



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ratively speaking, it is the third most important factor,
 e unlike clarity and cut of a diamond, colour does
 fact the brilliance of a diamond, it only affects bright-
 The higher the colour, the more white looking or
 r a stone is which means you can have two diamonds
 al clarity and equal cut, with one stone being very
 nd the other being very yellow having the same dispersion
 under similar lighting conditions. Again it is not necessary to get
 it colour because it costs more but also going under a certain
 may give the diamond a visible tint of yellow/brown,
 ending up in the "Value Zone" is optimal because it
 the "near colourless" range to the naked untrained eye.

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|-----------------|---|---|---|---|---|---|---|---|---|---|--------------|---|---|---|---|---|---|---|---|---|---|---|
| D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z |
| Near Colourless | | | | | | | | | | | Faint Yellow | | | | | | | | | | | |
| Near Colourless | | | | | | | | | | | Faint Yellow | | | | | | | | | | | |

Carat Weight:

Comparatively speaking, it is the fourth most important factor:
 Once you have located your authorized dealer, he or she will
 help you locate the largest diamond to fit your budget, this can be
 obtained by choosing to stay in "Value-Zones" for clarity & colour.

| | | | | | | | | |
|----|----|----|------|------|------|------|------|---|
| 25 | 50 | 75 | 1.00 | 1.50 | 2.00 | 2.50 | 3.00 | The proportionate increase in size of properly cut diamonds (not shown actual size.) |
| | | | | | | | | |

The decision you have made has most likely been a
 rational one and geared toward value and everlasting
 beauty. It will be a possession you will cherish and proudly
 display for all eternity and it is a fact that "Diamonds last
 forever."

For more information please e-mail us at:

eskimodiamonds@home.com

Eskimo™ Diamonds are available exclusively at:



**Eskimo™
Diamonds**



**A Brilliant Canadian
Concept**

Customer Peace of Mind

Eskimo™ Diamond is accompanied with:

Laser engraved girdle for easy identification
Electronic registration for security purposes
60 days moneyback guarantee
(The First of its kind in North America)

Price Protection

Certificate of Authenticity

Certificate of Evaluation for Insurance purposes
Unmatched craftsmanship in creating the ultimate brilliance

4 easy steps to buying the perfect diamond for your budget

engraved girdle for easy identification

Now easy to distinguish your diamond from other size diamonds. This Laser Inscription will be your security when leaving your diamond ring for servicing or trading, unlike anytime before, your diamond is **IDENTIFIABLE** under 10x magnification. This state of technology establishes your diamond as a one of a kind which can be easily differentiated from all others.

onic Registration for Security Purpose's

Line Eskimo™ will be registered in our databases electronically, clarity, colour and point of purchase.

vs Moneyback Guarantee

First time ever a brand of Diamond so exclusive that it is unmatched for 60 days no hassle money back guarantee. * (See your authorized jeweller for details)

Price Protection

You can rest assured that a genuine Eskimo will not significantly differ in price from one authorized dealer to another because each official Eskimo dealer must accept to sell this unique product with a certain acceptable and fair price guideline. **You will never overpay for an Eskimo Diamond.**

Certificate of Authenticity

This compact card identifies your diamond as being a genuine Eskimo™ product.

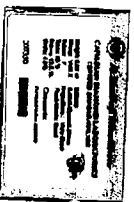


It lists the carat weight of your diamond, the registration number, shape and the date your diamond was polished. Every Eskimo™ Diamond is accompanied with this card.

Certificate of Evaluation:

This certificate is issued with each diamond. You will need this certificate for:

- 1) Insurance purposes (containing its replacement value)
- 2) Warranty (No other certificate will be accepted for money back or other claims except the official "Canadian Diamond Laboratories") is valid for warranty purposes.



Unmatched Craftsmanship in creating the Ultimate Brilliance

By manufacturing our own stones, we can control the cut specifications. This ensures that your Eskimo™ diamond will always be good to very good proportions. The brilliance is never compromised, but always optimized. This provides additional peace of mind and one less thing to worry about when shopping for a diamond.

Four easy steps to buying the Perfect Diamond for your Budget.

You can follow the following steps to rationalize your diamond purchase and avoid confusion amidst complex diamond jargon.

There are four criteria known as the '4 C's'. It is a good idea to base your decision in the following order of importance (1-4) one being comparatively more important. One must keep in mind that all 4 C's are important, but rationalization requires compromise, therefore, the highest rating in each category is not necessarily the best choice because moving up in all categories causes the stone to go up in price and you may unnecessarily end up with a smaller diamond.

Order of importance (remember: this is not an absolute Comparison, it is only relative)

- 1) Clarity
- 2) Cut
- 3) Colour
- 4) Carat weight

Clarity:

Comparatively speaking it is the most important factor in your choice. Because clarity refers to natural internal markings which block light, therefore brilliance is directly affected by the number of inclusions. The less inclusions, the more brilliance. However you do not necessarily have to go for the highest clarity grade (Remember compromise) because beyond a certain grade, the inclusions are so microscopic that 10X magnification might not locate them.

Clarity grades according to GIA
(Gemological Institute & America)

