

CANADA'S DIAMOND INDUSTRY  
BACKGROUND

NWT LEGISLATIVE LIBRARY



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The Northwest Territories is about to become a significant producer of quality diamonds. Canada's North. By 1998 the first mine will account for about 6% of the world's diamond production, by value. With other prospects coming into production, this could climb to 15% or more within the next ten years.

The diamond industry is unlike any other. Canada will soon join an exclusive club of producers of one of the most valuable and coveted commodities on earth.

Diamond mining produces an exceptionally high return on investment, at approximately 50%. For example, BHP Diamonds Inc. will recover the capital costs associated with its first mine at Lac de Gras within the first five years of operation. The company will go on to generate over \$14.3 billion in income during the 25 year life of just one mine. Its profit over that same time period is estimated at \$4.3 billion.

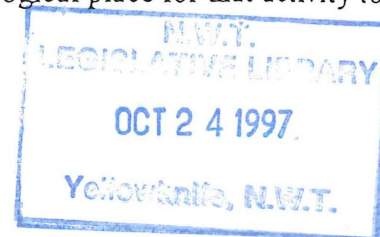
The Government of Canada will also be a major beneficiary of the North's new diamond mining industry. It will earn \$2.4 billion in taxes and royalties with just the first diamond mine. The federal government's net fiscal benefit increases to \$4.4 billion when royalties, corporate and personal income taxes, indirect and induced fiscal impacts, and grant offsets to the Government of the Northwest Territories (GNWT) are factored in.

Of all the parties involved, the Northwest Territories stands to gain the least from this lucrative industry. The GNWT will receive only \$0.2 billion — 4% of federal benefits and just 4% of the mining company's profits — due to current inequities in federal royalty and fiscal arrangements. The \$7 million raised annually in tax revenues by the territorial government will be far less than what it will spend on infrastructure and social programs over the lifetime of the mine.

Despite advertising claims, diamonds *aren't* forever. That's why the GNWT believes we need to maximize the economic potential of Canada's newest resource industry by developing diamond value-added industries in Canada. Billions of dollars and potentially hundreds, if not thousands, of manufacturing and retail jobs are at stake.

*Every* diamond-producing country in the world demands valuation and sorting take place within their borders before diamonds are exported. Many require that diamonds be set aside for domestic production or insist on a cutting and polishing industry domestically. As a result, thriving diamond industries exist in places as diverse as Gabarone, Luanda, Freetown and Perth. The GNWT believes Canadians should expect no less.

The Government of the Northwest Territories firmly believes that diamonds mined in Canada must be valued and sorted in Canada. Some, if not all, should be sold here. As the diamond mines are located in the Northwest Territories, the region is the most logical place for that activity to take place.



Unlike the provinces, the Northwest Territories is unable to enact policies or programs to achieve that end. That is because natural resources in the NWT and Yukon come under the jurisdiction of the Government of Canada. Decisions regarding the development of secondary diamond industries rest with the Department of Indian Affairs and Northern Development (DIAND).

If diamonds are simply stripped from the ground and exported overseas, there will be no value-added industries in Canada nor lasting benefits from diamond development for Canadians, particularly the North's Aboriginal peoples. Canada will be exporting potential jobs and economic development opportunities to other countries.

Respected international diamond experts have concluded that valuing and sorting diamonds in the Northwest Territories is not only viable, but advisable, and in the best interests of all Canadians. The federal government could gain substantially more revenues from diamond mining if diamond sorting and sales take place in the NWT, rather than any of the provinces, due to the royalty and fiscal advantages it enjoys. At the same time, the development of secondary diamond industries would increase the GNWT's capacity to achieve greater economic self-sufficiency, thereby reducing the region's dependence on federal transfers and setting the stage for the development of secondary industries throughout Canada.

The NWT is heavily dependent on federal transfers for the majority of its economic activity. It is clearly to the Government of Canada's advantage to create opportunities for greater self-sufficiency so the North can increase its contributions to Confederation.

Diamond experts with Natural Resources Canada suggest that "*Canada's cutting industry is very small, but its potential is good as Canada will soon become an important producer of gem-quality diamonds, and Canadian labour costs are in line with those in New York, Antwerp, Australia and Israel.*" (*Canadian Minerals Yearbook, 1996*)

From the reselling of rough diamonds, to cutting and polishing, the sale of polished diamonds for jewelry, the manufacture, wholesale and retail sales of jewelry, or industrial applications, the opportunities for an expanded diamond industry in all corners of Canada are almost unlimited.

Canadian provinces have historically demanded their fair share of the benefits from resource development within their borders. The West's petro-chemical and value-added lumber industries would not exist if the raw resources were simply shipped offshore. The Province of Newfoundland wants nickel mined at Voisey's Bay to be smelted in that province. The Northwest Territories should expect no less when it comes to diamonds.

Value-added industries generated by primary resource extraction are essential to the long-term health of the Canadian economy. The Government of the Northwest Territories is convinced that we will be giving Canada's diamonds - and jobs - away to the world if we don't make the right decisions regarding the need for, and viability of, diamond processing industries in Canada.

The GNWT is calling on the Government of Canada to establish a Task Force - composed of industry specialists and government representatives - to assess the potential of value-added diamond industries and to offer expert opinion on a new national policy on Canada's diamond industry. This policy should be consistent with the Minerals and Metals Policy of Canada and should guide DIAND's anticipated revisions to the Canada Mining Regulations.

Maximizing the economic potential of Canada's newest resource industry will not only ensure that the benefits from the sustainable development of Canada's diamonds are shared equally by all Canadians, it will keep jobs and money in Canada.

## POWERS

### QUESTIONS

- What powers should each level of government have?
- What powers will aboriginal government structures have?
- Which of these powers should be exclusive and which should be shared?
- Should one level of government be able to delegate its powers to another level?
- What powers to raise revenues, including taxation, should each have?
- What transfer payments would each level of government require and from whom?
- Which levels of government should own or control land and resources?
- What considerations of cost and efficiency affect the division of powers?

### INUVIALUIT/GWICH'IN

- The Beaufort-Delta regional government would have wide-ranging authority, including many powers now held by the GNWT and Canada
- Its main responsibilities would be making laws, setting standards, raising and distributing revenues
- It would rely on the central government to provide certain programs and services, such as the court system and the health insurance plan
- Its powers would be set out in legislation, but could not be exercised until authorized by communities through their elected representatives to the regional assembly
- Cost efficiency and practicality would determine whether programs and services are handled at the regional or community level
- Some communities could decide to assume more authority over program delivery than others, or take on more as their capacity grows
- The regional government would provide service only if a community was unwilling or unable
- Regional government would be responsible for Crown (public) lands including authority to levy real property taxes
- It would negotiate block formula funding agreements with the central government
- It could also negotiate agreements with the federal and territorial governments for a share of taxes

## **Powers**

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### **GWICH'IN TRIBAL COUNCIL**

- The Gwich'in must determine the appropriate mix of powers that will meet self government objectives
- A Gwich'in government should be able to pass laws to safeguard and develop Gwich'in language, culture, traditions, institutions and economies and to strengthen our relationship with our lands, waters and environment
- Gwich'in First Nations may also work closely with or adopt public government institutions, laws, programs and services
- Public government may have or share powers over transportation, community infrastructure, municipal services, housing, communications, post-secondary education and training

### **TAX BASED MUNICIPALITIES**

- Central government powers should approximate provincial powers and be adequate to provide services resident require
- Municipal/districts powers should approximate the current authority of tax based municipalities, and some additional powers they could exercise if they have the resources and will
- Municipal/districts should have all the powers of a natural person and not be restricted to specific powers granted to them, as with present municipalities
- The central government may not reduce or change powers granted to municipal/districts
- Powers and responsibilities would be shared in areas where both levels of government have legitimate concerns and legislative authority
- Where municipal districts may not be able to exercise certain powers and responsibilities, the central government would exercise them
- Both levels of government must have access to appropriate revenue sources
- The territorial government should have all the taxation powers of a province, including full access to revenue from natural resource development
- Provinces are restricted to direct taxation; this restriction should be removed for the western NWT
- The constitution should contain a commitment by Canada, similar to provincial equalization payments, to ensure enough revenue to provide services equivalent to those provided to other Canadians
- The constitution should require the territorial government to share revenue with municipal/district governments

# DIAMOND FACTS

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- there are several stages in the creation of a piece of diamond jewelry
  - exploration
  - mining
  - sale of rough diamonds (generally more than once)
  - cutting & polishing of rough diamonds
  - selling of polished diamonds
  - manufacturing of jewelry
  - retail sale of jewelry
- Diamonds are found in kimberlites or along the shores and beds of rivers and oceans
- There are about 5000 known kimberlites in the world.
- Fewer than 1000 kimberlites contain any diamonds, fewer than 60 are economic
- Between 50 - 60 kimberlites have ever been mined. Currently there are 20 active mines

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# WHAT ARE DIAMONDS

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- Diamonds are made of carbon
- They are formed some 75 miles or more below the earth's surface and are carried to the surface by kimberlites, small volcanoes that explode upwards
- When found, they are called rough, and range in colour from black to clear
- Rough diamonds are classified as gem, near-gem, or industrial in quality
- Values of rough diamonds range from less than \$ 1/carat for small industrials, to more than \$ 1000 /carat for large gem quality stones.
- The real value for any producer is in gem quality stones - industrial stones are a small bonus
- The value of a rough diamond is based on its size, colour, clarity and shape.

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# MINING

- world production in 1996 was 110 million carats
- value was US \$6.8 billion
- of this production 40% was industrial, 45% was near-gem and 15% was gem.
- 80% of the value of production was in gem quality diamonds
- two types of diamond mines : hard rock mines, either open pit or underground, and alluvial mines, basically large "panning" operations
- mines in the NWT will be hard rock mines
- the economics of a mine depend on the combination of the diamond content or grade (carats per 100 tonnes) and the average value of the diamonds (US \$ per carat)

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## ROUGH DIAMOND PRODUCTION - 1996

COUNTRY	Carats ('000)	% of World Production by Carats	Value (US\$ m)	% of World Production by Value
Botswana	16,900	15%	1,382	21%
Russia	13,500	12%	1,205	19%
South Africa	9,980	9%	1,019	16%
Angola	2,500	2%	691	11%
Zaire	20,600	19%	634	10%
Namibia	1,340	1%	378	6%
Australia	33,000	34%	320	5%
Sierra Leone	1,200	1%	228	3%
Others	7,500	7%	780	9%
Canada (1999 BHP planned production)	3,580	- 3%	465	-6%

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## HOW ARE ROUGH DIAMONDS VALUED ?

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- **Size** : the larger the rough, the more valuable the stone. The size of a stone is measured in carats (cts), one carat being equal to 1/5 of a gram
- **Colour** : stones range from clear or white to strongly coloured, with the majority somewhere in between, characterized by a yellowish or brown tinge. The strongly coloured stones are called "fancies", and are the most valuable
- **Clarity** : most stones contain small spots caused by the presence of other minerals or gases within a diamond. The fewer the spots, the more valuable the stone. Spots are often removed in the diamond cutting process
- **Shape** : Certain shapes can be cut into larger finished stones, which are more valuable

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## VALUE OF VARIOUS DIAMOND PIPES

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PIPE	cts/100 tonnes	US\$ per carat	US \$ per tonne	Value
Argyle (Australia)	550	10	55	very high grade, but mostly industrial
Jwaneng (Botswana)	150	100	150	high grade and high quality
Panda (NWT)	95	130	123	average grade, high quality
Misery (NWT)	419	26	109	very high grade, but low quality
Koala (NWT)	95	122	116	average grade, high quality
Fox (NWT)	27	125	34	very low grade, but high quality
Sable (NWT)	98	64	63	average grade, average quality

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# THE VALUE OF DIAMONDS

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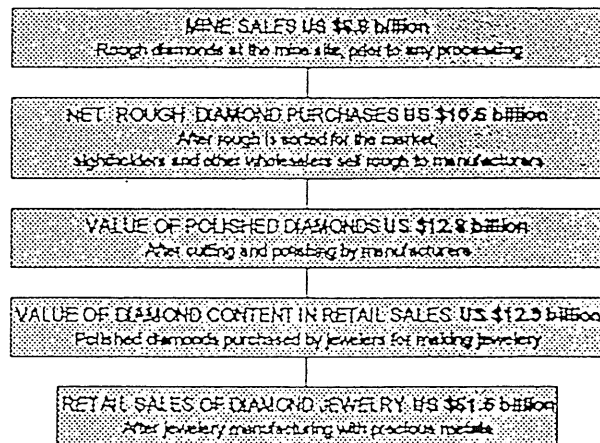
- there are 5000 carats in one kilogram of diamonds
- a kilogram of rough diamonds can fit easily inside a 1 L milk container
- a kilogram of copper has a value of US\$ 0.43
- a kilogram of gold has a value of US \$11,600
- a kilogram of diamonds from Argyle (Aust) has an average value of US \$50,000
- a kilogram of diamonds from BHP will have an average value of US \$500,000 - almost 50 times the value of gold.
- BHP plans to produce an average of 2 kilograms of diamonds a day

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# DIAMOND PIPELINE 1996

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## ROUGH DIAMOND MARKETING: CSO

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- the initial or first sale of rough diamonds is dominated by the Central Selling Organisation (CSO), a subsidiary of DeBeers
- the CSO markets 70% - 80% of the world's rough diamonds to a limited number of "sightholders"
- they control 55% of production through mining subsidiaries
- the CSO has sales agreements with other producers that guaranteeing to purchase diamonds
- CSO purchases rough diamonds from illegal dealers, on the open market throughout Africa and South America
- Success based on :
  - financial strength to carry stockpiles of diamonds
  - near monopoly in supply of rough diamonds
  - control of market and prices

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## ROUGH DIAMOND MARKETING: NON-CSO

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- 80% of the world's diamonds pass through Antwerp
- rough diamonds sold outside of the CSO originate mainly from Australia, small producers and "leakage" or illegal diamonds from Russia and Africa
- sightholders usually re-sell rough diamonds purchased from the CSO
- Small producers either sell via tender, or by contract to a diamond dealer
- tenders occur around the world
- Argyle Mine (Australia) sold to the CSO until 1996, now sell on open market in Antwerp

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## DIAMOND SORTING

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- there are two distinct stages to sorting diamonds
  - › sorting for Government Valuation;
  - › sorting for Marketing
- Government Valuation is required in order to know the value of the production for calculating royalties and taxes. It is a required function for government
- the sorting for Government Valuation process requires few staff, but great expertise
- sorting for Marketing purposes depends on the marketing strategy of the producer
- if selling to the CSO, rough is sorted into large number of categories (greater than 1000).
- if selling to the open market, fewer categories (perhaps 15 - 25), based on current market demand
- Sorting for market requires more staff, but less expertise

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## CUTTING & POLISHING

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- only a diamond cuts another diamond
- variety of stages in manufacturing:
  - › sawing: now often done with lasers
  - › bruting: shaping a stone by rubbing it against another diamond
  - › faceting: polishing the sides of a diamond by rubbing on a wheel covered with diamond dust
- some firms specialize in one of the above stages, some do all of them
- Rough diamonds are cut into a variety of shapes. The most common is "round brilliant"
- A stone is cut to make the diamond sparkle as much as possible. The removal of spots, and making the finished stone as large as possible are also considerations
- a rough stone will lose 40% - 70% of its weight in the cutting process

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## CUTTING & POLISHING

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- cutting is done all around the world
- major centers exist for historic, traditional, economic reasons
- each center focuses on particular section of the market, mainly determined by labour costs
- the location where a stone is cut generally depends on the size of the stone
- smaller 'near-gem' stones are cut by large number of skilled, low wage workers in South East Asia
- mechanized factories with skilled workers cut mid range stones in Israel and Belgium
- very skilled cutters work on large stones in New York
- also done in Australia, South Africa, Russia, Botswana and for local markets across the US and Canada

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## JEWELRY

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- over past 15 years, jewelry market has increased by over 2 and a half times
- 1996 diamond jewelry sales totaled US\$ 51.5 billion
- Japan and US each represent approximately one third of the world market by value
- while Canadians purchase less than 1% by value, they rank 7th in the world in number of pieces
- CSO promotes and markets diamonds in advertising campaigns around the world
- growth markets include Taiwan, Korea, India, China and the Gulf States
- increased demand is anticipated as a result of the approaching millennium

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## NWT DIAMONDS

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- first discovered in 1991, after 10+ years of exploration
- large staking rush, with many junior companies, has led to the opening of the diamond world
- the world's largest mining companies are involved: BHP, RTZ, DeBeers
- great potential: 200+ kimberlites with 10+ economic
- long term industry
- BHP will begin production in the fall of 1998, on schedule
- initial BHP estimated production will be 3 million carats/year, or 6% of the world's production by value, with estimated revenues of US \$450 million/year
- BHP is meeting or exceeding northern employment and spending targets
- Diavik (RTZ & Aber), submitting project description this winter
- have 4 pipes, smaller than BHP's, but very high grade
- NWT could eventually produce 10% or more of the world's production

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## ROLE OF GOVERNMENT - DIAND

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- DIAND is currently responsible for the administration of mineral resources in the NWT, under the Canada Mining Regulations (CMR) and the Territorial Lands Act
- DIAND is conducting an administrative review of the CMR
- DIAND conducted a review of the royalty provisions of the CMR over the past year. The new provisions have not yet been announced
- the federal government remains committed to devolution of all DIAND's remaining province like powers to the GNWT
- these powers include the responsibility for the administration of mineral resources in the NWT

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# ROLE OF GOVERNMENT - OTHER DEPARTMENTS

- Natural Resources Canada -
  - » monitors mineral production (with Statistics Canada) that is used in calculating the NWT's and Canadian Gross Domestic Product (GDP) and as well as national accounts.
  - » has a policy of supporting value added mineral processing
- Finance Canada -
  - » maximizing corporate taxation, and ensuring the allotment of tax dollars to the NWT (rather than distributing Canada wide).
- Industry Canada -
  - » has a mandate to support and develop new industries in Canada
- Justice Canada -
  - » concerned with security and criminal code issues

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## WHAT OTHER JURISDICTIONS DO?

Producing Jurisdiction	Is sorting for Government Valuation required?	Does Government valuation occur off minesite?	Is some sorting for Market required?	Is some or all of Production sold in Jurisdiction?	Is local cutting & polishing industry supplied with rough?
Western Australia (WA)	✓	✓	✓ (limited amount)	✓ (primarily the pinks)	✓ (only the pinks must be cut)
Russia	✓	✓	✓ (sales to CSO)	✓	✓
Botswana	✓	✓	✓ (sales to CSO)	✓ (sold to CSO)	✓ (rough returned to Botswana by CSO)
Namibia	✓	✓	✓ (sales to CSO)	✓ (sold to CSO)	NO
South Africa (SA)	✓	✓	✓ (sales to CSO)	✓ (non CSO production)	✓ (non CSO production)
Canada (DIAND)	✓	???	NO	NO	NO

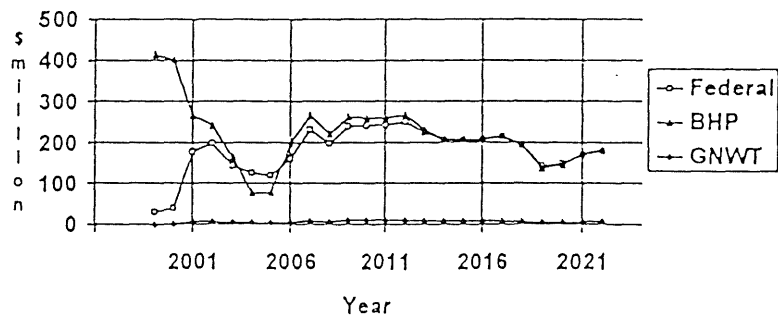
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# FISCAL IMPACTS

- BHP's total revenues are estimated at Cdn\$ 14.3 billion over 25 years.
- BHP's "profit" is estimated at Cdn \$4.3 billion over 25 years
- the federal government's net fiscal benefit is estimated at Cdn \$4.4 billion over 25 years. This includes royalties, corporate income tax, personal income tax, indirect and induced fiscal impacts , and the GNWT grant offset
- the GNWT will receive Cdn \$0.2 billion over 25 years, after the grant offset.
- The GNWT's net fiscal benefit is 4% of federal benefit
- The GNWT's net fiscal benefit is 4% of BHP's profit

# IMPACT OF BHP DIAMOND MINE

Estimated Net Effect on Government Revenues



## YOUR QUESTIONS ANSWERED

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- Q Is it realistic to expect that a viable diamond industry could be developed in a place as remote as the NWT, given the high costs of doing business and vast distances from potential markets?
- A The principal factor influencing the development of a diamond industry is the availability of rough diamonds. With the right regulations and incentives the industry will come to the source of the diamonds, as it has in African countries, Eastern Russia and Western Australia.
- Q How could Canada, and especially the NWT, hope to compete with much lower-cost centres such as India, where workers are paid a fraction of Canadian wages?
- A Diamonds, like any other commodity exist in a variety of grades. Competitive factors are most prevalent amongst similar grades. A significant percentage of Canada's diamonds are anticipated to be of a very high quality. Processing of these premium quality diamonds would put Canada in competition with countries which process high quality diamonds. While Canada could not compete with India or other low wage countries, Canada can effectively compete with places such as Belgium, Israel, New York and South Africa, all places where processing of quality diamonds is undertaken.
- Q The costs associated with developing a sorting facility in the North are very high. Aren't the demands for an expensive facility a lot to ask of an industry that has already proven to be a good corporate citizen in the NWT?
- A To state that the costs of developing a sorting facility are high without providing any context is somewhat misleading. The rough diamond industry operates on a very high profit margin. The overall cost of sorting is anticipated to be less than one (1) percent of selling price. The average cost of sorting in the NWT is projected to be \$1.00 per carat as compared to \$0.85 per carat in South Africa. In this context the incremental costs of developing a sorting facility in the North are not very high.
- Q Isn't there a risk that demands for a sorting facility or a percentage of diamonds for local production -- and stringent government regulations -- will discourage further mine development or drive away future exploration?
- A The diamond industry is extremely profitable, and the incentive to produce is subject only to the ability to sell at world prices. The requirement for a northern sorting facility, or a requirement for some portion of diamond rough to be sold in Canada or the North will not discourage either exploration or mine development. This has been demonstrated in a number of their jurisdictions including Russia and Botswana.



- Q Is it realistic to expect that the CSO, or diamond purchasers on the open market, will come to Canada -- and particularly, the North -- to purchase Canadian diamonds?
- A Absolutely. Diamond buyers travel worldwide and will even visit areas of civil unrest in their quest for product. Of prime importance to buyers is a consistent supply of quality rough. International buyers, and in particular, U.S. buyers will travel to Canada and the NWT to purchase diamonds, as long as there is a consistent supply of quality goods.
- Q The federal government says it is concerned about its liability in the event diamonds are valued and sorted in the North. Is taxpayer liability not a legitimate concern?
- A Taxpayer liability is a valid concern, however, one which is not difficult to address. Liability can be mitigated through a combination of stringent security requirements coupled with appropriate insurance and risk management plans. The National Mint faces similar liability issues.
- Q To become a diamond sorter, cutter or polisher requires extensive training. Does the NWT currently have the necessary expertise to pursue such a sophisticated industry?
- A The Northwest Territories does not at present have a workforce trained in the areas of diamond sorting, cutting or polishing. At the same time however, the industry representatives with whom we have consulted have all advised that the training of a capable workforce would not be problematic.
- Q Is the Government of the Northwest Territories serious in its attempts to establish a diamond industry in Canada's North, or is it using the diamond industry to leverage more federal transfers to the North?
- A The Government of the Northwest Territories is committed to encouraging value added processing of all northern resources, so that employment and business opportunities will exist for northerners. This benefits all of Canada, as well as the North.

Q The federal government contends that it is impossible to stipulate how the industry sells its diamonds, or to require mining companies to sell their diamonds in Canada, without contravening the conditions Canada has agreed to under NAFTA. Are you suggesting we should contravene this binding international agreement with our most important trading partners?

A We are not advocating that Canada should contravene NAFTA. International agreements are essentially silent on the conditions under which the federal government and the provincial governments, choose to dispose of the natural resources they control in the right of the Crown. Conditions on value added processing are frequently negotiated at the time the resource developer is licensed. In this instance DIAND chose not to negotiate any requirements which would lead to the establishment of value added diamond processing in Canada, even though the Minerals and Metals Policy of the Government of Canada specifically commits to this.

There are other mechanisms which would achieve our objective of facilitating value added processing. Royalties in kind may address this issue, as government could make its share of the diamonds available to Northern and Canadian manufacturers. Alternatively, it may be possible to use incentives or a negotiated arrangement with BHP to achieve additional benefits.

Q Would there also be implications for other multilateral trading agreements, particularly the Multilateral Agreement on Investment currently under development?

A Federal officials may say that the Multilateral Agreement on Investment now being negotiated in Paris may contain provisions that would constrain the kind of resource development conditions referred to. Yes, the current draft of the MAI does contain such language, but the federal government and the provinces have no intention of accepting the MAI if the final text contains such terms. In fact, the federal MAI negotiator has stated:

*"The federal government would not accept any interference with its rights to dispose of its Crown resources, nor would it accept any provisions that would so interfere in the case of provincial crown resources."*

Q Your government negotiated a socio-economic agreement with BHP. Why didn't you also negotiate to have sorting and value-added operations established in the North, at the same time?

A The socio-economic agreement negotiated between GNWT and BHP focuses exclusively on the industrial benefits associated with the construction and operation of the mine. At the time that this agreement was negotiated, DIAND had committed to the establishment of a "Diamond Committee" in which GNWT would participate with other federal departments. It was the understanding of the GNWT that value added processing would be an issue addressed by this Committee.

Q BHP Diamonds Inc. points to the numerous initiatives it has put in place to support social and economic development in the region. Has the company not already proven itself to be a good corporate citizen? Is it either legally or morally obliged to do any more?

A BHP has made commitments to training, employment and northern purchasing targets in the mine construction and operation phases. Thus far, it appears that targets are being met or exceeded. This is not done for altruistic reasons. BHP will be extracting \$500 million a year in northern resources, and Canadians and northerners have every right to insist on adequate benefits.

Requirements for value added processing should have been negotiated by the federal government prior to the issuance of development licenses.

Q If the Government of the Northwest Territories feels so strongly that a valuation and/or sorting facility, or a diamond cutting and polishing industry, should be established in the North what is preventing you from doing so?

A While the NWT is committed to value added processing of diamonds, our mineral resources are under the control of DIAND. The current position of federal DIAND will result in rough diamonds being exported to overseas markets for value added processing. There will be no industry developed beyond extraction of the resource.

The GNWT believes that rough diamond valuation, sorting, marketing and sales can and should be done in the North. It would establish and strengthen the Canadian diamond industry, including rough sales and manufacturing of both gem and industrial diamonds.

## QUOTABLE QUOTES

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“Canada’s cutting industry is very small, but its potential is good as Canada will soon become an important producer of gem-quality diamonds, and Canadian labour costs are line with those in New York, Antwerp, Australia and Israel.”

Michel A. Boucher, Minerals and Metals Sector  
Natural Resources Canada  
1996 Canadian Minerals Yearbook

“It is important for Canada as a country and for its different diamond players to understand the need to develop in this country the right structures regarding diamonds and create the necessary parameters to retain stability. Canada should be put in place the right structures for sorting and valuing so as to develop its own expertise which is necessary to ensure an orderly development of the diamond industry.”

Davy Lapa, Overseas Diamonds  
Speech to Canadian Banking Industry, Toronto/Oct. 1997

## FAST FACTS ON DIAMONDS

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- ◆ World sales of diamond jewelry in 1996 were US \$52 billion. Diamond sales in the Western World, especially those used in mass-market jewelry, are increasing rapidly and may soon spread to Southeast Asian countries. Growing markets are expected to be those with large populations that are also large gold consumers (i.e., Indian, China, the Arabian Gulf States, Turkey and Pakistan.)
- ◆ Within the next few years, Canada will be contributing up to 15% of the value of world rough diamond production. In terms of value per carat (quality of diamonds) diamonds recovered from BHP Diamonds Inc.'s mine at Lac de Gras compare very favourably with the best kimberlite pipes in South Africa, Botswana and Russia. Up to 30% of the diamonds are of gem quality.
- ◆ Canada's first diamond mine, at Lac de Gras, is expected to come on stream in 1998. Other properties under development in the NWT include the Diavik property owned by Diavik Diamond Mines Inc. and Aber Resources Ltd. Additional prospects in the same region include properties owned by Mountain Province Mining Inc., Lytton Minerals, Ashton Mining of Canada Inc., Winspear Resources Ltd./CRA Ltd., and Monopros Limited (a division of DeBeers).
- ◆ Canada currently has a small diamond cutting industry. SIRIUS of Vancouver started a diamond manufacturing plant at Sidney, near the Victoria airport. The plant employs 11 people, including 8 whose duties include polishing good-quality rough diamonds. Polar Star Diamonds Ltd of Edmonton, established in 1996, has 5 employees, three of whom are cutters/polishers. Five Star Diamonds Corp., of Montreal, in association with the Centre National du Diamant du Quebec, has purchased land for its \$6.9 diamond-cutting factory at Boisbriand, currently under construction.
- ◆ Natural diamonds are cut in some 30-40 countries. The major diamond-cutting centres in the world are Kempen and Antwerp, Belgium; Ramat-Gan and Tel-Aviv, Israel; New York City; and Surat and Bombay, India. With the exception of India, which is a very small producer of diamonds, none of these countries mine diamonds.
- ◆ Diamond-cutting centres have a very wide range of indirect jobs associated with them such as brokers, wholesalers, suppliers of machinery and equipment for cutters, bourses, insurance companies, travel agencies, jewelry manufacturing, etc.
- ◆ Canada's cutting industry is very small, but its potential is good as Canada will soon become an important producer of gem-quality diamonds, and Canadian labour costs are line with those in New York, Antwerp, Australia and Israel. (Source: *Canadian Minerals Yearbook, 1996*)