



Q + A: Diamond Policy Framework

The Basics

Why isn't the GNWT focussing its resources in other areas of the diamond industry – specifically training qualified local valuers?

The current Government Diamond Valuator, Diamonds International Canada Ltd. has local, indigenous diamond valuers that they have trained. It is imperative that valuation remains independent of the government and the producers to ensure that in cases where goods are lost, damaged, stolen, or sold to a related party the GNWT has an unbiased market price to collect royalties, ensuring we maximize the revenue for the NWT.

How will local workers benefit?

Under the Diamond Policy Framework, local training is incentivized in the business planning process. This means local workers could have the opportunity to learn new skills if the new industry is successfully fostered here.

How will the GNWT judge the viability and potential of the proposed business investments?

As well as its diamonds unit, the department has subject matter experts in business support and trade and a small committee has been formed to review and assess business plan submissions.

How will the GNWT police manufacturers and hold them accountable for their commitments?

Diamonds Royalties and Financial Analysis has a team that will be responsible for monitoring production and an audit team that will be responsible for the operational side. Manufacturers will be required provide regular reporting and submit an annual report similar to a tax return. These reports will then be subject to a full audit by our team ensuring that manufacturers are meeting their commitment to the NWT.

Does any other diamond nation or jurisdiction use this type of approach?

The beneficiation concept is common in most producing regions although each area has agreements designed to benefit their regions in particular. For example,

Beneficiation in African diamond producing countries emphasizes local employment and skill development. These beneficiation agreements reportedly are designed to allow manufacturers to meet the agreed upon employment and skill development quotas and to ensure operational sustainability.



In Canada the Victor Mine (Victor) in ON is operated by De Beers Canada and the beneficiation agreement is believed to be similar to the NWT in that ten percent of Victor production is made available for local manufacturing. Since 2009 Crossworks Manufacturing Limited (CML) has been operating a factory in Sudbury, ON while accessing beneficiation rough from Victor.

Technical and Operational Questions

Currently the matrix allows a maximum export of 90%. Is this appropriate?

The investment requirement to score a 90% export allowance is extraordinary and unlikely in the near future; however, the matrix makes allowances for that.

How are the key drivers calculated? How are they updated?

The key drivers were identified by the GNWT and the weights were assigned through discussion between the GNWT and Constell. Investment ranges were calculated through an analysis of current NWT economic statistics and Constell's market data. The plan is to maintain the table internally.

What leverage does the GNWT have if an ANDM does not meet manufacturing quota?

Regular reporting and monitoring is undertaken with an annual review of the ANDM's operation. If an ANDM is not meeting the requirements, the Director, Diamonds, Royalties and Financial Analysis will have the authority to assess and determine an ANDM's export volume (refer to slide 19).

In extreme cases, DRFA can also recommend that ANDM status be revoked by the Minister.

In the current matrix and its recommendations, is there an explicit requirement for any manufacturer to have a "rough to polished" operation?

No. The recommendation is to review and evaluate business proposals and "leave the business" to the manufacturers. The matrix emphasizes FTEs, OPEX and CAPEX and the higher these investments are, the larger the export allocation.



Other

It has been over a year since Almod Diamonds was announced as an Approved NWT Diamond Manufacturer. What is the GNWT doing to ensure they live up to their promises?

Almod Diamonds is working to get their operation up-and-running. They have made residential and commercial capital investments in the Territory. Their approved status stands however they will be required to submit a new business plan to gain access to the benefits of the new Diamond Policy Framework. We look forward receiving their updated business plan.

What is the status of Deepak International?

We have turned the page in our approach to diamond manufacturing in the NWT. We are looking forward with new approaches and stronger partners.