



**FEDERATIVE REPLUBLIC OF BRAZIL
MINISTRY OF MINES AND ENERGY
SECRETARIAT OF GEOLOGY, MINING AND MINERAL
PROCESSING**

ANNUAL REPORT - 2004

KIMBERLEY PROCESS CERTIFICATION SCHEME - KPCS



Brasília, March, 2005



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I – INTRODUCTION

Brazil became Participant of the Kimbeley Process Certification Scheme – KPCS , on October 30th, 2003, when its adhesion was announced during the Plenary Meeting of KPCS, held in Sun City, South Africa, at that same date.

All the activities with regard to the KPCS has been coordinating by the Ministry of Minas and Energy, with the participation of the Ministry of the Development, Industry and Foreign Trade - MDIC, Ministry of Finance - MF and the Ministry of the External Relations – MRE and now with the collaboration of the Brazilian Federal Police linked to the Ministry of Justice.

A great effort has been doing in order to carry out all activities forecasted with respect to the KPCS mainly those ones regarding to the legalization of the informal small-scale mining for alluvial rough diamonds.

II – OBJECTIVE

The main objective of this report is to be in accordance with Section VI, paragraph 11 of the KPCS document, that is, each Participant should prepare, and make available to other Participants through the Chair of the Kimberley Process, information on an annual basis on the way in which they are implementing the requirements of the KPCS.

III – INSTITUTIONAL FRAMEWORK

The Kimberley Process - KP in Brazil has been implementing by the Ministry of Mines and Energy through the Secretariat of Geology, Mining and Mineral Processing (ex Secretariat of Mining and Metallurgy) and The National Department of Mineral Production. It has been participating also the Ministry of Development, Industry and Foreign Trade, through the Department of Operations of Foreign Trade; The Ministry of Finance, through the Secretariat of the Federal Revenue; the Ministry of External Relations, through the Division of Market Access, which are respectively responsible for the attributions, in accordance with the following table:

| MINISTRIES | ORGANISATIONS | ATTRIBUTIONS |
|---|---|--|
| MINES AND ENERGY (MME) | Secretariat of Geology, Mining and Mineral Processing (SGM) | <ul style="list-style-type: none"> • Coordination-General • Focal Point |
| | National Department of Mineral Production (DNPM) | <ul style="list-style-type: none"> • Emission and Control of Certificates • Statistical Data (Production) • Statistical Data Bank |
| DEVELOPMENT INDUSTRY AND FOREIGN TRADE (MDIC) | Department of External Trade (DECEX) | <ul style="list-style-type: none"> • Exports and Imports Statistical Data • Consumptions Statistical Data |
| FINANCE (MF) | Secretariat of Federal Revenue (SRF) | <ul style="list-style-type: none"> • Emission of Certificate* • Customs Control |
| EXTERNAL RELATIONS (MRE) | Division of Market Access (DACESS) | <ul style="list-style-type: none"> • Facilitator • Reception and Distribution of Documentation • Interchange among the Embassies and Ministries |

(*) SRF can emit another certificate, in the case it will be necessary to verify the content of a remittance that was object of some accusation, or it motivated some suspicion type on the part of fiscal customs officers, however none irregularity was verified.

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IV – LEGAL FRAMEWORK

All legal framework remain without any alterations up to today:

- **Law Nº 10.743, of 9th October 2003**
Implements the Kimberley Process Certification Scheme – KPCS, relating to the export and the import of rough diamonds, and determines other provisions, in Brazil.
- **Joint Regulation Nº 397 of 13th of October 2003**
It turns on the emission of the rough diamonds origin certificates', as well as to the authorization request for outgoing shipments and incoming shipments.
- **Regulation Nº 398 of the 14th of October 2003**
It is about the request of the origin certificate for export rough diamonds and it presents the related application form.

V – IMPORT AND EXPORT REGIME

V. 1 – Procedure for issuing KP certificates

In accordance with Regulation Nº 398 of 14th October 2003, the import and export of rough diamonds may only be undertaken following the prior approval and the issue of the KPC, by the DNPM.

The prior approval for the export or the import of rough diamonds will be requested by means of an application addressed to the Director-General of the DNPM under the following terms:

- the issue of a KPC, in the case of export; or
- a favorable declaration in the Integrated System of Foreign Trade – SISCOMEX, prior to the registry of the corresponding Import Declaration – DI, in the case of import. For this declaration, the importer should declare to the DNPM the number of his inscription in the registries of contributors of the Federal Revenue (CPF or CNPJ); his full address; the description of the imported merchandise and its respective weight in carats; the value of the parcels in USA Dollar, on a FOB basis, the code of the Mercosul Common Nomenclature (NCM) corresponding to the type of diamond imported; the origin of the diamonds; and present a copy of the Certificate issued by the other participating country of the KP.

The application for the KPC in order to export rough diamonds will be lodged in the District of the State jurisdiction where the rough diamonds are located, using the proper form, which contains the information of Annex 1, and Annex 1A (Portuguese idiom), this form are available in the DNPM offices and in the DNPM website (<http://www.dnpm.gov.br>). This application should be submitted duly filled out by the exporter or his legal representative, against the payment of fees to the value of R\$ 150,00 (one hundred and fifty reais) equivalent to approximately US\$ 50.00.

In the case of granting the application, the DNPM will remit an official letter determining the date, place and time to check the accuracy of the information provided in the application, with regard to weight in carats and mineralogical identification, followed by effecting the sealing in a tamper proof transparent plastic bag, official pattern, with the original certificate, properly signed by the Director-General together with the District Chief, as well as being initialed by the DNPM technician who undertook the inspection considered previously.

The KPC will be valid after being issued and the DNPM shall undertake the publication of its synopsis in the Internal Bulletin of the Autarchy.

When doubt occurs as to origin and the mineralogical identification, the DNPM, in exceptional cases, may request a technical evaluation to confirm the authenticity of the information supplied about the rough diamonds. However, evaluations will only be accepted if given by legally qualified professionals, previously accredited with the DNPM.

In the cases where it becomes necessary to open the package containing rough diamonds that are to be exported, as a result of fiscal customs procedures, the SRF will issue a new KPC in replacement of the original certificate, transcribing the same information from the original certificate. New fees will not be charged.

V.2 – Characteristics of the Brazilian KPC

The Brazilian certificate fulfills all the security features and requirements set out in Annex I of the KPCS document and as per the attached checklist. It was elaborated by the *Casa da Moeda do Brasil* (House of the Coin of Brazil), the government's company responsible for making coins and Brazilian bills, as well as of some countries of South America and Africa. The Brazilian KPC has the following security features, in accordance with the following characteristics:

1. Latent image – When the certificate is held horizontally at eye level to the light, letter “K” can be seen inside the brown ellipse guilloche.
2. Micro-text (Tactile mark): under a magnifying glass, tiny words (DNPM RECEITA FEDERAL DNPM ...) can be seen on the strip in the middle of the Certificate.
3. Ornamental border (Tactile mark): design is perceptible to the touch, and under a magnifying glass, tiny words (KIMBERLEY SRF KIMBERLEY SRF...) can be seen around the internal part of the ornamented border.
4. Number with 6 digits.
5. Watermark (Offset mark - DNPM): when the Certificate is held up to the light, the letters of the DNPM become visible.
6. Brazilian Blazon (Offset mark): appears inserted in the bottom of the Certificate.
7. Offset mark U.V. reactive (an image, and letters can be seen under U.V. light).
8. Tactile mark, and under a magnifying glass, tiny words (KIMBERLEY SRF KIMBERLEY SRF...) can be seen around the border of the brown ellipse guilloche.
9. Special back ground printing: thin sinuous lines color the entire Certificate

V.3 – Evidences that prove that the rough diamonds are not conflict diamond.

The DNPM will emit the Brazilian KPC only if the exporter proves that the rough diamond was extract from an area that has been legalized by the DNPM, in accordance with the paragraph 2º article 1º of the Law Nº 10.743, of 9th October 2003. If the exporter will not be the owner of the mineral rights, he must present the purchase invoices, in order to prove that the rough diamonds was properly extract from mines or “garimpos” protected by the mineral legislation of the Country

V.4 – Issues of Kimberley Process certificates

In 2004, 58 certificates were emitted by the DNPM, and 9 were cancelled, in accordance with the following table:

Table I - EMISSION OF KP CERTIFICATES - 2004

| First Quarter | | Second Quarter | | Third Quarter | | Forth Quarter | |
|---|----------|--------------------------------|----------|---------------------------------|----------|--------------------------------|----------|
| Nº | Country | Nº | Country | Nº | Country | Nº | Country |
| 18 | Belgium | 31 | Belgium | 58 | USA | 67 | Belgium |
| 19 | USA | 32 | Belgium | 59 | Belgium | 70 | Canceled |
| 20 | USA | 38 | USA | 60 | Belgium | 72 | USA |
| 21 | Canceled | 39 | USA | 61 | USA | 73 | USA |
| 22 | Canceled | 40 | Belgium | 62 | USA | 74 | Belgium |
| 23 | Belgium | 41 | Belgium | 63 | Canceled | 75 | Belgium |
| 24 | Belgium | 42 | Canceled | 64 | UAE | 76 | Belgium |
| 25 | USA | 43 | Belgium | 65 | UAE | 77 | Belgium |
| 26 | USA | 44 | Belgium | 66 | UAE | 78 | Belgium |
| 27 | Bélgica | 45 | Canceled | 68 | Israel | 79 | USA |
| 28 | Bélgica | 46 | UK | 69 | Índia | 80 | USA |
| 29 | Israel | 47 | USA | | | 81 | USA |
| 30 | Israel | 48 | UAE | | | 82 | Canceled |
| 33 | Belgium | 49 | UAE | | | 83 | Canceled |
| 34 | Belgium | 50 | UAE | | | 84 | Belgium |
| 35 | Belgium | 51 | USA | | | 85 | Belgium |
| 36 | Belgium | 52 | UAE | | | | |
| 37 | Canceled | 53 | Belgium | | | | |
| | | 54 | UAE | | | | |
| | | 55 | UAE | | | | |
| | | 56 | UAE | | | | |
| | | 57 | UAE | | | | |
| 15 certificates 03 canceled | | 20 certificates 02 canceled | | 10 certificaates 01 canceled | | 13 certificates 03 canceled | |
| GRAN TOTAL 58 certificates emitted, and 09 canceled in 2004 | | | | | | | |

(Source: DNPM – MME, adapted by Nahass, S.)

| COUNTRY | CERTIFICATES |
|-----------|--------------|
| EC | 27 |
| USA | 16 |
| UAE | 11 |
| ISRAEL | 3 |
| INDIA | 1 |
| T O T A L | 58 |

(Source: DNPM – MME, adapted by Nahass, S.)

It is necessary to inform that all data with regard to the export and export of rough diamonds refer effectively to the trade accomplished through DECEX. In that sense, although DNPM should have emitted a certified today, for example, the export would only be accomplished many weeks later within the period specified for the validation of the certificate, that now is 2 months in the Brazilian case. Therefore, the amount of certificates issued by DNPM in a period, not always it should correspond to the same amount of exported remittances stated by the DECEX.

V.5 – Rough Diamonds – Exports and Imports

We are presenting the data related to the export and the import of rough diamonds, years 2004, in the following tables:

Table II - Brazilian Rough Diamonds – Exports
1st Quarter 2004

| HS Code | Certificate Number | CARAT MASS (ct) | VALUE (US\$) | STATE | DESTINATION COUNTRY | MONTH |
|------------------|--------------------|---------------------|--------------|--------------------------|---------------------|----------|
| 71.02.10 | 14 | 5,250.06 | 133,515.00 | MG | Belgium | January |
| | 15 | 5,823.46 | 5,823.46 | MG | Belgium | January |
| | 16 | 5,147.01 | 5,147.01 | MG | Belgium | January |
| | 18 | 6,163.35 | 674,784.00 | MG | Belgium | January |
| | 19 | 154.65 | 325,000.00 | MG | USA | January |
| | 23 | 4,360.00 | 60,000.00 | MG | Belgium | February |
| | 24 | 4,360.00 | 60,000.00 | MG | Belgium | February |
| | 27 | 7,336.00 | 921,224.90 | MG | Belgium | February |
| | 28 | 7,304.00 | 331,576.41 | MG | Belgium | February |
| | 33 | 1,260.66 | 31,516.50 | MT | Belgium | March |
| | 34 | 5,951.80 | 1,346,889.00 | MG | Belgium | March |
| | 35 | 6,112.73 | 445,027.00 | MG | Belgium | March |
| | 36 | 6,405.76 | 611,231.00 | MG | Belgium | March |
| 71.02.21 | 25 | 351.00 | 1,000,000.00 | MG | USA | February |
| | 26 | 649.00 | 587,380.00 | MG | USA | February |
| | 29 | 60.27 | 35.000.00 | MG | Israel | March |
| 71.02.31 | 11 | 3,340.71 | 304.800.00 | MG | Belgium | January |
| | 20 | 1,063.13 | 101.500.00 | MG | USA | February |
| | 30 | 1,122.35 | 124.000.00 | MG | Israel. | March |
| T O T A L | | 72,215.67 ct | | US\$ 7,104,414.28 | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table III - Brazilian Rough Diamonds – Imports
1st Quarter 2004

| HS Code | Certificate Number | CARAT MASS (ct) | VALUE (US\$) | EXPORTER COUNTRY | MONTH |
|------------------|--------------------|------------------|----------------------|------------------|---------|
| 7102.21. | 8018 | 250.00 | 2,000.00 | USA | January |
| | 8023 | 30.00 | 630.00 | USA | January |
| | 8012 | 265.00 | 2,315.00 | Belgium | January |
| T O T A L | | 545.00 ct | US\$ 4,945.00 | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table IV - Brazilian Rough Diamonds – Exports
2nd Quarter 2004

| HS Code | Certificate Number | CARAT MASS (ct) | VALUE (US\$) | STATE | DESTINATION COUNTRY | MONTH |
|--|--------------------|-----------------|--------------|-------|---------------------|-------|
| 71.02.10 | 41 | 6,525.60 | 1,459,939.40 | MG | Belgium | April |
| | 43 | 3,684.26 | 326,673.92 | MG | Belgium | April |
| | 44 | 6,452.13 | 370,303.40 | MG | Belgium | April |
| | 46 | 89.00 | 12,330.00 | MT | United Kingdom | April |
| | 48 | 5,546.46 | 1,170,686.81 | MG | UAE. | June |
| | 49 | 6,472.34 | 116,502.12 | MG | UAE. | June |
| | 50 | 5,474.19 | 253,993.80 | MG | UAE. | June |
| | 52 | 5,373.50 | 530,395.65 | MG | UAE. | June |
| | 54 | 6,167.42 | 1,560,182.65 | MG | UAE. | June |
| | 55 | 5,469.88 | 82,048.20 | MG | UAE. | June |
| | 56 | 5,334.68 | 80,020.20 | MG | UAE. | June |
| | 57 | 5,990.58 | 302,484.98 | MG | UAE. | June |
| 71.02.21 | 31 | 1,242.00 | 107,500.00 | MT | Belgium | April |
| | 32 | 9,006.00 | 131,000.00 | MT | Belgium | April |
| | 39 | 204.05 | 1,300,000.00 | MG | USA | April |
| | 40 | 7,152.00 | 131,000.00 | MT | Belgium | May |
| | 47 | 196.79 | 690,000.00 | MG | USA | June |
| | 51 | 188.20 | 600,000.00 | MG | USA | June |
| 71.02.31 | 38 | 135.10 | 9,970.00 | MG | USA | April |
| | 53 | 212.40 | 386,000.00 | MG | Belgium | June |
| T O T A L 80,916.58 ct US\$ 9,621,031.13 | | | | | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table V - Brazilian Rough Diamonds – Imports
2nd Quarter 2004

| HS Code | Certificate Number | CARAT MASS (ct) | VALUE (US\$) | EXPORTER COUNTRY | MONTH |
|------------------|--------------------|--------------------|------------------------|------------------|-------|
| 7102.10 | 8297 | 1,720.00 | 137,375.00 | USA | June |
| 7102.21. | 8321 | 400.00 | 3,525.00 | USA | April |
| | 8354 | 186.96 | 3,196.00 | USA | May |
| | 8432 | 310.00 | 3,510.00 | USA | May |
| T O T A L | | 2,616.96 ct | US\$ 147,606.00 | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table VI - Brazilian Rough Diamonds – Exports
3rd Quarter 2004

| HS Code | KP Certificate | CARAT MASS (ct) | VALUE (US\$) | STATE | DESTINATION COUNTRY | MONTH |
|--------------|----------------|--------------------|--------------------------|-------|---------------------|----------|
| 71.02.10 | 59 | 4,450.00 | 80,000.00 | MG | BÉLGICA | JULHO |
| | 60 | 3,990.93 | 99,773.25 | MG | BÉLGICA | JULHO |
| | 64 | 6,876.92 | 983,188.15 | MG | EAU | AGOSTO |
| | 65 | 4,163.68 | 41,638.80 | MG | EAU | AGOSTO |
| | 66 | 5,033.76 | 40,099.44 | MG | EAU | AGOSTO |
| 71.02.21 | 61 | 207.00 | 550,000.00 | MG | USA | JULHO |
| | 62 | 277.34 | 600,000.00 | MG | USA | JULHO |
| | 68 | 434.23 | 303,961.00 | MG | ISRAEL | SETEMBRO |
| | 69 | 143.28 | 35,000.00 | MG | ÍNDIA | SETEMBRO |
| | 71 | 3,173.00 | 17,451.50 | MG | USA | SETEMBRO |
| 71.02.31 | 58 | 1,261.92 | 81,000.00 | MG | USA | JULHO |
| TOTAL | | 30,012.06ct | US\$ 2,832,112.14 | | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table VII - Brazilian Rough Diamonds – Imports
3rd Quarter 2004

| HS Code | Certificate Number | CARAT MASS (ct) | VALUE (US\$) | EXPORTER COUNTRY | MONTH |
|------------------|--------------------|--------------------|------------------------|------------------|-----------|
| 7102.10 | 8740 | 1,835.00 | 164,978.00 | USA | August |
| 7102.21. | 8383 | 282.41 | 2,246.78 | USA | July |
| | 8401 | 350.00 | 2,600.00 | USA | August |
| | 8940 | 127.00 | 17,145.00 | USA | August |
| | 8949 | 1,100.00 | 12,400.00 | USA | September |
| | 7522 | 320.00 | 3,145.00 | USA | September |
| T O T A L | | 4,014.41 ct | US\$ 202,514.78 | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table VIII - Brazilian Rough Diamonds – Exports
4th Quarter 2004

| HS Code | KP Certificate | CARAT MASS (ct) | VALUE (US\$) | STATE | DESTINATION COUNTRY | MONTH |
|--------------|----------------|---------------------|--------------------------|-------|---------------------|----------|
| 71.02.10 | 74 | 7,150.00 | 178,750.00 | MG | BÉLGICA | DEZEMBRO |
| | 75 | 7,222.27 | 180,556.75 | MG | BÉLGICA | DEZEMBRO |
| | 76 | 6,855.75 | 102,836.25 | MG | BÉLGICA | DEZEMBRO |
| | 77 | 5,654.18 | 188,401.20 | MG | BÉLGICA | DEZEMBRO |
| | 78 | 4,685.18 | 1,118,320.20 | MG | BÉLGICA | DEZEMBRO |
| | 85 | 4,035.20 | 80,704.00 | MG | BÉLGICA | DEZEMBRO |
| 71.02.21 | 72 | 9,275.00 | 37,563.75 | MG | USA | OUTUBRO |
| | 73 | 9,025.00 | 36,551.25 | MG | USA | OUTUBRO |
| | 79 | 44.31 | 14,179.00 | MG | USA | OUTUBRO |
| | 80 | 22.81 | 19,252.00 | MG | USA | OUTUBRO |
| | 81 | 47.74 | 105,000.00 | MG | USA | DEZEMBRO |
| | 67 | 6,136.00 | 190,000.00 | MT | BÉLGICA | DEZEMBRO |
| 71.02.31 | - | - | - | - | - | - |
| TOTAL | | 60,153.44 ct | US\$ 2,252,114.40 | | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

**Table IX - Brazilian Rough Diamonds – Imports
4th Quarter 2004**

| HS Code | Certificate Number | CARAT MASS (ct) | VALUE (US\$) | EXPORTER COUNTRY | MONTH |
|------------------|--------------------|--------------------|------------------------|------------------|----------|
| 7102.10 | 8789 | 2,860.00 | 275,779.00 | USA | October |
| 7102.21. | 7562 | 185.68 | 2,559.48 | USA | December |
| T O T A L | | 3,045.68 ct | US\$ 278,338.48 | | |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table X - EXPORTS 2004

| QUARTER | ct | US\$ 1.00 |
|-------------------|----------------|-------------------|
| 1 st | 72,216 | 7,104,414 |
| 2 nd | 80,917 | 9,621,031 |
| 3 rd | 30,012 | 2,832,112 |
| 4 th | 60,153 | 2,252,115 |
| GRAN TOTAL | 243,298 | 21,809,672 |

Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table XI - IMPORTS 2004 -

| QUARTER | ct | US\$ 1.00 |
|-------------------|---------------|----------------|
| 1 st | 545.00 | 4,945 |
| 2 nd | 2,616.96 | 147,606 |
| 3 rd | 4,014.41 | 202,515 |
| 4 th | 3,045.68 | 278,338 |
| GRAN TOTAL | 10,222 | 633,404 |

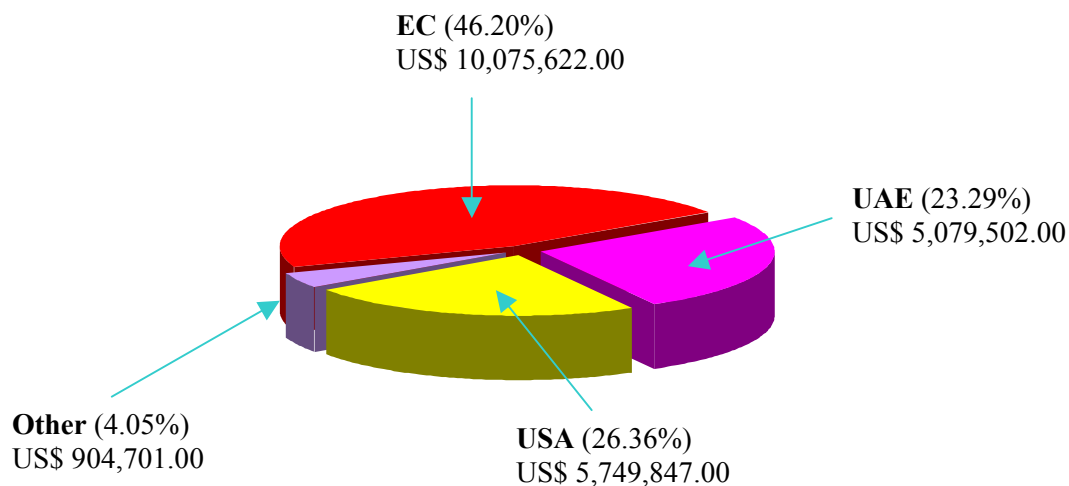
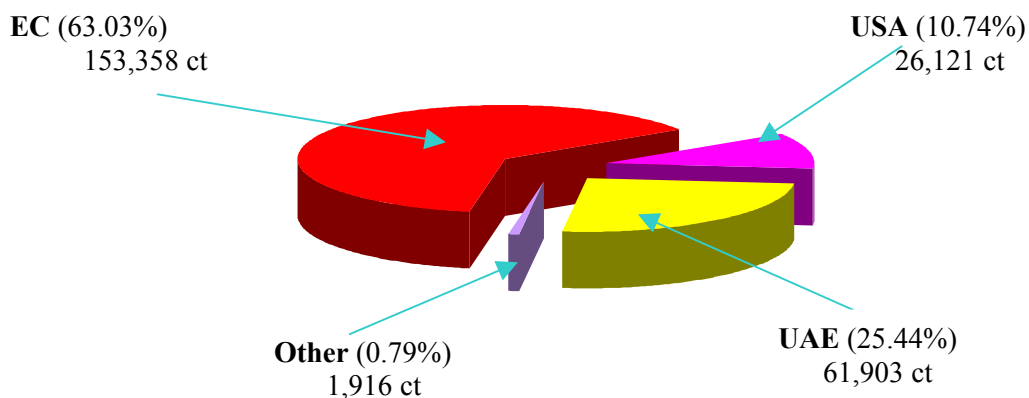
Source: MDIC/SECEX/DECEX and MME/DNPM - 2004 (Adaptated by Nahass,S.)

Table XII - BRASIL EXPORTS – 2004

(Source MDIC/SECEX/DECEX, MME/DNPM, KP Rough Diamond Statistics web site– Adaptated by Nahass,S)

| KPC | HS Code | Trade With | Date | Weight (ct) | Value (US\$) | US\$/ct |
|------------|---------|--------------------------|---------|-------------|--------------|----------|
| 35 | 7102.10 | European Community | 10 2004 | 6112.73 | 445.027 | 72.80 |
| 29 | 7102.10 | Israel | 10 2004 | 60.27 | 35.000 | 583.33 |
| 25 | 7102.10 | United States of America | 10 2004 | 351 | 1.000.000 | 2.849.00 |
| 26 | 7102.10 | United States of America | 10 2004 | 649 | 587.380 | 905.05 |
| 23 | 7102.10 | European Community | 10 2004 | 4.360 | 60.000 | 13.76 |
| 36 | 7102.10 | European Community | 10 2004 | 6405.76 | 611.231 | 95.42 |
| 34 | 7102.10 | European Community | 10 2004 | 5951.8 | 1.346.889 | 226.29 |
| 33 | 7102.10 | European Community | 10 2004 | 1260.66 | 31516.5 | 25.01 |
| 28 | 7102.10 | European Community | 10 2004 | 7.304 | 331576.41 | 45.40 |
| 27 | 7102.10 | European Community | 10 2004 | 7.336 | 921224.9 | 125.58 |
| 19 | 7102.10 | United States of America | 10 2004 | 154.65 | 325.000 | 2.096.77 |
| 18 | 7102.10 | European Community | 10 2004 | 6163.35 | 674.784 | 109.49 |
| 16 | 7102.10 | European Community | 10 2004 | 5147.01 | 5147.01 | 1.00 |
| 15 | 7102.10 | European Community | 10 2004 | 5823.46 | 5823.46 | 1.00 |
| 24 | 7102.10 | European Community | 10 2004 | 4.360 | 60.000 | 13.76 |
| 14 | 7102.10 | European Community | 10 2004 | 5250.06 | 133.515 | 25.43 |
| 43 | 7102.10 | European Community | 20 2004 | 3684.26 | 326673.92 | 88.67 |
| 51 | 7102.10 | United States of America | 20 2004 | 188.2 | 600.000 | 3.191.49 |
| 47 | 7102.10 | United States of America | 20 2004 | 196.79 | 690.000 | 3.502.54 |
| 39 | 7102.10 | United States of America | 20 2004 | 204.05 | 1.300.000 | 6.372.55 |
| 52 | 7102.10 | United Arab Emirates | 20 2004 | 5334.68 | 80020.2 | 15.00 |
| 55 | 7102.10 | United Arab Emirates | 20 2004 | 5469.88 | 82048.2 | 15.00 |
| 52 | 7102.10 | United Arab Emirates | 20 2004 | 5373.5 | 530395.65 | 98.70 |
| 49 | 7102.10 | United Arab Emirates | 20 2004 | 6472.34 | 116502.12 | 18.00 |
| 48 | 7102.10 | United Arab Emirates | 20 2004 | 5546.46 | 1170686.81 | 211.09 |
| 41 | 7102.10 | European Community | 20 2004 | 6525.6 | 1459939.4 | 223.71 |
| 44 | 7102.10 | European Community | 20 2004 | 6452.13 | 370303.92 | 59.39 |
| 57 | 7102.10 | United Arab Emirates | 20 2004 | 5990.58 | 302484.98 | 50.49 |
| 54 | 7102.10 | United Arab Emirates | 20 2004 | 6167.42 | 1560182.65 | 252.99 |
| 46 | 7102.10 | European Community | 20 2004 | 89 | 12.330 | 138.54 |
| 50 | 7102.10 | United Arab Emirates | 20 2004 | 5474.19 | 253993.8 | 46.40 |
| 59 | 7102.10 | European Community | 30 2004 | 4.450 | 80.000 | 17.98 |
| 60 | 7102.10 | European Community | 30 2004 | 3990.93 | 99773.25 | 25.00 |
| 64 | 7102.10 | United Arab Emirates | 30 2004 | 6876.92 | 983188.15 | 142.97 |
| 61 | 7102.10 | United States of America | 30 2004 | 207 | 550.000 | 2.657.00 |
| 68 | 7102.10 | Israel | 30 2004 | 434.23 | 303.961 | 700.37 |
| 69 | 7102.10 | India | 30 2004 | 143.28 | 35.000 | 244.76 |
| 62 | 7102.10 | United States of America | 30 2004 | 277.34 | 600.000 | 2.166.06 |
| 65 | 7102.10 | United Arab Emirates | 30 2004 | 4163.68 | 41638.8 | 10.00 |
| 66 | 7102.10 | United Arab Emirates | 30 2004 | 5033.76 | 40099.44 | 7.97 |
| 85 | 7102.10 | European Community | 40 2004 | 4035.2 | 80.704 | 20.00 |
| 78 | 7102.10 | European Community | 40 2004 | 4685.18 | 1118320.2 | 238.70 |
| 81 | 7102.10 | United States of America | 40 2004 | 47.74 | 105.000 | 2.187.50 |
| 79 | 7102.10 | United States of America | 40 2004 | 44.31 | 14.179 | 322.25 |
| 80 | 7102.10 | United States of America | 40 2004 | 22.81 | 19.252 | 837.04 |
| 77 | 7102.10 | European Community | 40 2004 | 5654.18 | 188401.2 | 33.32 |
| 76 | 7102.10 | European Community | 40 2004 | 6855.75 | 102836.25 | 15.00 |
| 75 | 7102.10 | European Community | 40 2004 | 7222.27 | 180556.75 | 25.00 |
| 74 | 7102.10 | European Community | 40 2004 | 7.150 | 178.750 | 25.00 |
| TOTAL | | | | 36.256 | 14 311 564 | 75.99 |
| 32 | 7102.21 | European Community | 20 2004 | 9.006 | 131.000 | 14.55 |
| 31 | 7102.21 | European Community | 20 2004 | 1.242 | 107.500 | 86.55 |
| 40 | 7102.21 | European Community | 20 2004 | 7.152 | 131.000 | 18.32 |
| 71 | 7102.21 | United States of America | 30 2004 | 3.173 | 17451.5 | 5.50 |
| 73 | 7102.21 | United States of America | 40 2004 | 9.025 | 36551.25 | 4.05 |
| 72 | 7102.21 | United States of America | 40 2004 | 9.275 | 37563.75 | 4.05 |
| 67 | 7102.21 | European Community | 40 2004 | 6.136 | 190.000 | 30.96 |
| TOTAL | | | | 47835.02 | 6 490 839 | 135.69 |
| 30 | 7102.31 | Israel | 10 2004 | 1122.35 | 124.000 | 110.52 |
| 11 | 7102.31 | European Community | 10 2004 | 3340.71 | 304.800 | 91.23 |
| 20 | 7102.31 | United States of America | 10 2004 | 1063.13 | 101.500 | 95.48 |
| 43 | 7102.31 | European Community | 20 2004 | 212.4 | 386.000 | 1820.75 |
| 38 | 7102.31 | United States of America | 20 2004 | 135.1 | 9.970 | 73.85 |
| 58 | 7102.31 | United States of America | 30 2004 | 1261.92 | 81.000 | 64.18 |
| | | | | 7 136 | 1 007 270 | 141.15 |
| GRAN TOTAL | | | | 243 298 | 21 809 672 | 117.61 |

In accordance with the Table XII, the most expressive exports of rough diamonds, year 2004, were mainly directed to the European Community, as it can be verified in the following illustrations:



Brazil imported in 2004 a total of 10,222 ct corresponding to US\$ 633,404.00. The main supplier for rough diamonds was USA with 9,957 ct corresponding to US\$ 631,089.00. It is noticed therefore that the Brazilian imports are insignificant as compared to the exports.

With respect to the last year, regarding the value: exports decreased, and imports increased, as it can be seen through the Table XIV. The reduction on the exports should be explained probably by the fact that the employees of the DNPM, institution responsible for the emission and control of the KP certificates, were on strike during two months (September and October, 2004).

**Table XIII - Rough Diamonds – Exports and Imports
(2000, 2001, 2002, 2003, and 2004)**

(Source: DECEX – MF, DNPM – MME, adapted by Nahass, S.) - US\$ 1,000.00

| TRADE | 2000 | 2001 | 2002 | 2003 | 2004 |
|--------|-------|-------|--------|--------|--------|
| EXPORT | 8,030 | 9,077 | 28,772 | 23,420 | 21,810 |
| IMPORT | 285 | 255 | 229 | 94 | 633 |

In 2004 the estimated production of rough diamond was the following;

Table XIV – BRAZILIAN PRODUCTION

| HALF 2004 | WEIGHT (ct) | VALUE (US\$ 1.00) | US\$/ct |
|--------------|-------------|-------------------|---------|
| 1st | 180,000 | 19,677,600 | 109.32 |
| 2nd | 120,000 | 6,745,200 | 56.21 |
| TOTAL | 300,000 | 26,422,800 | 88.08 |

VI – INCOMING SHIPMENTS

The sequence of events for an incoming shipment:

1. the importer sends to the relevant Exporting Authority a copy of the certificate from the origin Country;
2. all data are included in a computerized database (SICOMEX - System of External Trade);
3. the operation will only be accomplished, when DNPM gives the approval; that is, after the definitive confirmation of the origin of the diamond by the relevant Exporting Country.

4. Brazil received in 2004 year 14 certificates from the USA, and 01 from EC, and all shipments were in conformity with the provisions of the KPCS.
5. the relevant Authority of the SRF verify everything with regard to the seal and container of the rough diamonds shipments and that the import was performed in accordance with the KPCS, as well as check that the content of an incoming shipment matches the information declared on the certificate.

VII – SYSTEM OF INTERNAL CONTROLS AND INDUSTRY SELF-REGULATION

1. A system of database of Production, Export and Import of Diamonds has already implanted.
2. there is an administrative process control of all imported and exported diamonds.

VIII– STATISTICS

The official data of statistic export and import are accomplished by DECEX. However the DNPM maintains a database with the purpose of controlling the number of Brazilian certificates issued, as well as all information on the origin, carat weight, value, importer etc., with respect to the rough diamonds, in accordance with the KPCS.

DNPM is the Authority that grants the Titles of Mineral Rights, controlling systematically the mining activities in the Country. Besides, DNPM is the responsible organization for the registration and consolidation of the mineral production that is published annually in the Brazilian Mineral Annual (AMB - Anuário Mineral Brasileiro).

IX - MISCELLANEOUS

A) ROUGH DIAMOND TRADE

Taking in account the Table XVI, we conclude that in 2004:

- The Brazilian production of rough diamond decreased by 20% in weight and by 10.50% in value as compared to the previous year;
- The Brazilian export decreased by 0.66% in weight and by 6.88% in value as compared to the previous year;

- The Brazilian imports decreased by 63.66% in weight and increased by 573.4% in value as compared to the previous year, it means that Brazil start to import rough diamond that was classified on 7102.10 HS code. In previous years most of the imports was classified in HS code 7102.21

Table XV – Production, Export, and Import – 2003/2004

| YEAR | PRODUCTION | EXPORT | IMPORT |
|------|----------------------------------|----------------------------------|------------------------------|
| 2003 | 400,000 ct US\$ 29,521,300.00 | 244,925 ct US\$ 23,420,120.00 | 28,127ct US\$ 94,000.00 |
| 2004 | 300,00 us\$ 26,422,800.00 | 243,298 ct US\$ 21,809,678.00 | 10,222 ct US\$ 633,000.00 |

B) SUB-GROUP ON ALLUVIAL PRODUCTION

The 2004 Ottawa Plenary meeting of the Kimberley Process, decided to mandate the Working Group on Monitoring to establish an ad-hoc sub-group to address the challenges facing alluvial producers and promote the exchange of best practices. In that context the mandate form Plenary provides that membership of the sub-group should be drawn primarily from alluvial diamond-producing countries. It is therefore proposed that the sub-group should be open to all alluvial diamond-producing Participants in the KPCS.

As a first indication, the sub-group could thus comprise the following alluvial producers as members: Angola; Brazil; Central African Republic; Democratic Republic of Congo; Côte d'Ivoire; Ghana; Guinea; Guyana; Namibia; Sierra Leone; South Africa; Tanzania; Togo; Venezuela.

Brazil was indicated to be the general coordinator for South America, which is composed by, besides Brazil, Guyana, and Venezuela.

In accordance with the orientation of the Chairman of Working Group on Monitoring, Dr. Kim Eling, we have tried to keep in touch with the representatives of Venezuela and Guyana in order to planning our joint work. We have established that for the first step we should made a diagnosis of the situation on rough diamond alluvial production in each country. Venezuela have sent us the paper “El Diamante en Venezuela” that gives a general idea about the geology, localization of deposits, and very few information about the alluvial deposits. Unfortunately, we have not

any information about the situation in Guyana. Although we had tried to get in touch with Guyana several times, we have not succeeded.

Brazil is finishing a report on the referred general diagnosis, which has allowed the elaboration of the paper "Diamonds of the Legality", published in the magazine "Brasil Mineral" and circulated within the sub-group and among a wider KP constituency. This paper presents an overview on the implementation of the Brazilian Kimberley Process, as well as an idea about the present situation of the rough diamond alluvial production in Brazil, and the efforts that the Brazilian government has been doing in order to minimize the problems on the alluvial trade, and to bring artisanal miners into the formal sector.

We hope to present, up to the end of next month of July, a complete report on the work that is being elaborated throughout Brazil, aiming at comprising the main elements proposed to the participant countries of the sub-group on alluvial production, such as:

- A stock-taking of the challenges facing alluvial producers;
- An inventory of best practices;
- Recommendation and guidelines;
- An overview of possible types of external technical assistance to support alluvial diamond producers.

In accordance with the annual report of 2003, DNPM is carrying out jointly with the Geological Survey of Brazil a project, aiming at identifying and classifying the Brazilian gemological sites of occurrence, production and trade of rough diamonds, as well as making use of advanced technologies that should allow to delineate the known deposits and to indicate new promising areas for diamond explorations.

C) REMITTANCES WITH CHANGE OF HS CODE

With regard to the Brazilian KP Certificates presented in the Table VII we have informed to the Chairman of the Statistics Working Group that we have made a mistake when the KP Certificates were filled out, that is they were emitted with the HS Code 7201.21 instead of HS Code 7201.10. Therefore we have asked him to transmit to the focal points of India, Israel and the United States of America the changes to make the necessary corrections in order to avoid discrepancies in their statistical data.

D) MISSIONS ABROAD

Unfortunately, due to internal priorities, it was not possible to send mission to some countries in accordance with we have established in our agenda 2004. Any way,

we will do our best in order to send the representatives of SGM, DNPM, DECEX and SRE to one or two countries, at least, aiming at knowing the way how those countries act in all stages with respect to import and export of rough diamonds, as well as to assimilate the acquired experience within the activities of the KPCS. Dr. Kim Eling has suggested getting some Brazilian into the foreseen review visits.

Table XVI – HS Code Changes

BRAZILIAN EXPORTS - 2004

In the Brazilian KP Certificates these remittances below were presented with the HS Code 7102.21

| KPC | HS Code | Trade With | Date | Weight (ct) | Value (US\$) | US\$/ct |
|-----------|----------------|--------------------------|---------|-------------|--------------|-----------------|
| 25 | 7102.10 | United States of America | 1Q 2004 | 351 | 1000000 | 2,849.00 |
| 26 | 7102.10 | United States of America | 1Q 2004 | 649 | 587380 | 905.05 |
| 29 | 7102.10 | Israel | 1Q 2004 | 60.27 | 35000 | 583.33 |
| 39 | 7102.10 | United States of America | 2Q 2004 | 204.05 | 1300000 | 6,372.55 |
| 47 | 7102.10 | United States of America | 2Q 2004 | 196.79 | 690000 | 3,502.54 |
| 51 | 7102.10 | United States of America | 2Q 2004 | 188.2 | 600000 | 3,191.49 |
| 61 | 7102.10 | United States of America | 3Q 2004 | 207 | 550000 | 2,657.00 |
| 62 | 7102.10 | United States of America | 3Q 2004 | 277.34 | 600000 | 2,166.06 |
| 68 | 7102.10 | Israel | 3Q 2004 | 434.23 | 303961 | 700.37 |
| 69 | 7102.10 | India | 3Q 2004 | 143.28 | 35000 | 244.76 |
| 79 | 7102.10 | United States of America | 4Q 2004 | 44.31 | 14179 | 322.25 |
| 80 | 7102.10 | United States of America | 4Q 2004 | 22.81 | 19252 | 837.04 |
| 81 | 7102.10 | United States of America | 4Q 2004 | 47.74 | 105000 | 2,187.50 |

E) ALLIANCES

During this year, DNPM besides implementing PK in Brazil, has been establishing and formalized important alliances with the Federal Police, the private companies, cooperatives of local producers and the involved society, in the sense of legalizing areas addressed to the "garimpos", seeking on this way to bring artisanal miners into the formal sector. This subject will be discussed and presented in full detail in our final report of the Sub-group on alluvial production.

F) DISCREPANCIES

Mr. Oliver.Rentschler, in name of the Statistics Working Group, informed us on November, 2004 that there are some discrepancies with regards to the Brazilian exports and imports of rough diamonds during 2003, and in spite of our efforts in order to find out the origin of the problem, we have not succeeded.

During the previous period regarding the adhesion of Brazil in PK, that was up to November of 2003, we didn't have any control on remittances of rough diamonds exported and imported, and the attribution of emission of certificates of origins and the authorization for exports and imports were attributions of different Brazilian organizations.

The certificates of origins were emitted by authorized associations of precious stones (the emitted certificates were not of PK officially, but they were filled out unduly as Kimberley Process Certificate), and the Bank of Brazil has authorized the exports. We got from the Bank of Brazil all the export documents that were authorized by them during the year of 2003, but the documents of some exports were not found, and the information that we have received have not allowed us to elucidate the problem.

DNPM is scheduling a meeting with representatives of the Bank of Brazil in order to try once more to verify the reasons of this problem, as well as in order to find out a solution for it.

In view that it will be very difficult to solve that kind of problem, we suggest to consider cases of discrepancies only after the adhesion of our countries as participants of KPCS, therefore it will be much easier to find out the reason of a possible problem.

Brasília, March 2004



Samir Nahass
KPCS Focal Point for Brazil