

Diamond discoveries build interest in North Canada becoming gem giant

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**CREDIT: Greg Fulmes,
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**Eira Thomas is bullish
on Canada's diamond
industry.**



CREDIT: Calgary Herald Archive

Diamonds at the Ekati mine site have been unearthed and brought to market since their discovery in the Northwest Territories in 1991.

During the "diamond rush" that swept the Northwest Territories in the early 1990s, 25-year old field geologist Eira Thomas criss-crossed the tundra hunting for clues that might lead to a significant mineral find.

She soon found one in a 15-centimetre test core: a two-karat chunk of diamond hidden in a lake bed that is now the site of Canada's second mine, which will start sending gems to market in February.

"It was just sticking out of the core," Thomas recalled during a recent Calgary conference.

These days, Thomas -- now the head of her own exploration company and a director of Toronto-based Aber Diamond Corp. -- is watching as a new diamond rush sweeps the rest of the country.

Even as new diamond projects continue to emerge in the Northwest Territories, significant kimberlite strikes have been found in Nunavut and Quebec, adding to discoveries in the northern regions of Ontario and Saskatchewan.

In Alberta, Ashton Mining has marked a find at Buffalo Head Hills in the province's north.

All of which is adding to Canada's emergence as a diamond-producing country: a scenario that has been evolving since the first discovery of diamonds at the Ekati mine site in 1991. This year, the world's largest diamond companies are expected to spend as much as half of their exploration budgets in Canada.

By 2006, Canada could supply 15 per cent of the world's diamonds, say industry officials, propelling it to third place behind Botswana and Russia as one of the world's biggest diamond producers.

Thomas said these latest finds have rekindled excitement among diamond exploration companies, in particular, the smaller firms that traditionally outspend the major companies searching for the precious gem.

"It's been a really tough cycle, to be perfectly honest," she said.

"Since 1997, a lot of junior companies have had a tough time raising funds for any types of exploration activity -- gold-base metals or diamonds."

And the latest round of stock market turbulence has sent investors scurrying to the sidelines, Thomas added.

"The market has sort of fallen off a cliff again and it's been very quiet and very tough for companies to go out and refinance," she said. "Most companies are waiting for results because diamond exploration is quite slow."

A little more than 10 years after diamonds were first found in the Lac de Gras region of the N.W.T., the industry is finally starting to grow -- although not so quickly as some would like.

After overcoming traditional obstacles, such as the harsh northern climate and remote locations, companies also have to meet strict environmental guidelines, which can tie up approvals for projects for years.

"There's still some teething problems with our regulatory system," said Jim Excell, president of Ekati, Canada's first diamond mine. "The processes are lengthy and sort of unpredictable.

"It's a little different from Alberta, where billion-dollar projects seem to get approved in 18 months. That doesn't happen in the North, it takes a lot longer."

Ekati, which employs about 600 people and is owned by Australian mining company BHP Billiton, started production four years ago. Since then, more than \$1.5 billion of its gem-quality stones have been sold around the world.

Once the Diavik mine starts commercial production next year, Canada's output of diamonds will double.

"It's pretty spectacular," said Excell. "All of sudden, Canada goes from having zero diamond production . . . to 12 per cent in four years."

Diavik, owned 40 per cent by Toronto's Aber Resources and 60 per cent by London-based Rio Tinto PLC, first filed its project description in 1998. The project cost \$1.3 billion to build and production is projected to peak at six million carats annually.

"We're in the commissioning phase right now," said Stephen Prest, chief executive of Diavik Diamond Mines Inc.

"We're a few months ahead of schedule. We expect to send our diamonds through . . . to prepare them for market in February."

Not all of the diamond boom has been as a result of the major companies.

A tiny exploration company could beat out diamond giant DeBeers to open the country's third mine. Tahera Corp. is expected to file a final environmental impact statement in January for its 100-per-cent- owned Jericho diamond project, located near Contwoyto Lake, about 420 kilometres northeast of Yellowknife.

The mine would be Nunavut's first, with construction expected to begin in 2004 and production slated to start a year later.

De Beers' efforts to develop Snap Lake in the Northwest Territories, its first Canadian diamond mine, have been frustrated by a longer-than-expected permit approval system, which has pushed back the start of production to 2007 from 2006.

The Canadian diamond industry has overcome a sharp learning curve fairly quickly, said one industry observer, noting only a handful of companies were looking for diamonds a decade ago.

About 20 diamond exploration companies are listed on the Toronto stock market, and nearly 80 trade on the TSX Venture exchange.

"It's a brand new sub-sector of mining for Canada," said Graeme Currie, a mining analyst at Canaccord Capital in Vancouver.

"And it's an exceedingly profitable sector. If and once you find an economic deposit, they can be enormously profitable."

The latest round of discoveries have sparked more interest in the sector, but it will take time for results, he added.

"The question then becomes are these discoveries going to be economic, and in the mineral exploration, you do not define that in a short time usually," he said. "It can take years to develop."

Thomas is still scouring the tundra, this time on the Melville Peninsula on the northeastern coast of Nunavut, with some promising initial results.

"On basis of its geology, Canada represents one of the prospective regions for diamond exploration in the world, and compared with other diamond-producing regions, it is still relatively under-explored," she said.

"The world has yet to stand up and take notice that Canada is a serious diamond producer and is going to be one of the biggest diamond producers within the next decade."

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