

## ON THE UP AND UP

# Noteworthy diamond discoveries on the rise

The number of publicly reported record-breaking and special diamond discoveries has been increasing in recent years, according to independent diamond industry analyst and consultant **PAUL ZIMNISKY**, who notes that 61 of a total 66 press-released diamond finds in the past nine years have been found within the past five years.



Lucara Diamond Corp.'s Karowe mine in Botswana. Source: Lucara Diamond Corp.

**T**hese diamonds were considered so special that the company that discovered them subsequently issued a press release to announce the occasion.

For publicly traded companies, securities laws generally require notifying the public when a 'material' event occurs. In this case 'material' typically means information that will have an impact on the company's stock price, or the announcement will likely change the perceived value of the company's stock. Given the unusual asymmetric valuation of diamonds compared to other commodities, for a diamond miner a material event could include the discovery of a single very valuable diamond.

The greater the value of the diamond recovered and the smaller the size of the company, the more material a diamond discovery is to a particular company.

A good example was when TSX-listed Lucara Diamond Corp. recovered the 1 111 carat "Lesedi La Rona" in November 2015. At the time of the discovery, Lucara's market capitalisation was just over US\$500 million and the perceived value of the diamond was upwards of \$75 million, or 15% of the value of the whole company. When ASX-listed Lucapa Diamond Company discovered a pure 404 carat diamond in

February 2016 the situation was similar. The market cap of the company was under \$100 million but the diamond was worth over \$15 million, Zimnisky notes.



The Cullinan Dream – a 122.52 carat blue diamond recovered by Petra Diamonds in 2014. Source: Petra Diamonds

### Recent major diamond discoveries

Over just the last two years multiple historic gems have been found. In addition to Lesedi La Rona, Lucara also found an 813 carat diamond the very same weekend, which later sold for \$63 million, making it the most expensive rough diamond ever sold. In comparison, the Lesedi La Rona sold for \$53 million.

The aforementioned 404 carat diamond that Lucapa recovered was the largest ever found in Angola. In December 2015, Rio Tinto, the second-largest diversified miner in the world, recovered a 187 carat diamond at its Diavik mine in Canada, the largest gem-diamond ever found in North America. In addition to this, just last month Russian diamond miner Alrosa produced a 28 carat fancy-pink diamond – the largest of its kind ever found in Russia.

Lucara's Karowe mine in Botswana, the source of the Lesedi La Rona and 813 carat "Constellation" is relatively new having commenced production in 2012. The company has continually worked to enhance the successful recovery of large diamonds. In September 2017 the mine's

processing plant was fitted with industry-leading technology aimed at maximising the upfront recovery of exceptional mega diamonds prior to the comminution processes where diamond damage may occur and revenue be lost.

However, current large-diamond recovery technology still has its limits. Breakage during processing has been an ongoing challenge for LSE-listed Gem Diamonds, owner of the Letšeng mine in Lesotho, another primary source of the world's large diamonds. During the company's most recent analyst call in August 2017, management gave average price-per-carat guidance that included a breakage rate of 80%, noting that while ameliorating breakage has been a priority, the results have been disappointing due to the limitations of current technology.

### Notable diamond production

Lucapa commenced commercial production at its alluvial Lulo mine in January 2015. In 2016, Lulo diamonds averaged \$2 983 per carat, the highest average-price-per-carat figure in the world for a commercial operation, despite having only produced 19 800 carats.

Over the last three years Lucapa has press-released 15 diamond recoveries, more than any other company, despite being one of the smallest publicly traded diamond miners by market capitalisation, notes Zimnisky.

Gem Diamond's Letšeng mine produced 108 000 carats last year at an average

price-per-carat of \$1 695 – the highest figure for a non-alluvial mine. The company has already produced six press-released diamonds in 2017 including four colourless diamonds in excess of 100 carats.

Meanwhile, Lucara's Karowe mine had an average price-per-carat of \$824 last year, producing 354 000 carats. Over the last year Lucara has mostly been processing Karowe tailings and has not produced any press release-worthy diamonds, as torrential rain, a new contract miner, and increased waste-rock removal limited mining. However, with a processing plant upgrade now complete, the company is well positioned to resume mining Karowe's South Lobe – the portion of the ore body that produced the Lesedi La Rona and Constellation.

### Industry pride and joy

LSE-listed Petra Diamond's Cullinan mine in South Africa is perhaps the most prolific source of special diamonds in history. The mine has been in production since 1903 and is the source of the "Cullinan Diamond" – the largest rough diamond ever recovered at 3 106 carats – which resides in the British Crown Jewels.

In January 2014, a 29.6 carat vivid blue diamond with "extraordinary saturation, tone and clarity" was recovered from the mine; and as recently as 2016 the



Gem Diamonds' Letšeng mine in Lesotho. Source: Gem Diamonds

mine produced two 'newsworthy' white diamonds, both over 100 carats.

### Unpublished but certainly not unworthy

"It is important to note that while serving as a proxy for spectacular diamond recoveries, press releases are not a conclusive database," says Zimnisky. "Some companies are more aggressive than others with regard to publicising specific recoveries and some producers do not announce individual recoveries at all."

LSE-listed Rio Tinto has only press released one rough diamond recovery in recent years despite being the sole owner of the Argyle mine in Western Australia, the

world's primary source for ultra-valuable pink, purple and red diamonds. Instead Rio Tinto has press-released the dates and offerings of its special pink diamond tenders in two of the last three years, in essence debuting more than a year of production at once. In 2015 the special tender included 65 diamonds, and this year includes 58 diamonds, but the company has specifically highlighted a 2.11 carat (polished) fancy-red, the largest high-quality red diamond ever recovered.

Meanwhile, Alrosa didn't press release special diamond recoveries until they publicly offered a minority stake in the company in the fall of 2013, and subsequently increased financial reporting transparency. The largest diamond producer in the world by value, De Beers, does not announce the recovery of special diamonds, nor does its parent LSE-listed Anglo American.

Privately held diamond mining companies and governments also rarely publicise the recovery of individual diamonds. **MRA**



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