

Shear has high hopes for Churchill gems

Written by Will Purcell

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Pamela Strand's Shear Minerals Ltd. has high hopes that its Churchill diamond project will produce results comparable with what its partner obtained farther to the north, on the Melville Peninsula, where some hopeful results from the Aviat property triggered a market frenzy. The initial diamond counts from the northern reaches of the Churchill craton suggested the kimberlite outcrop might have a favourable diamond size distribution curve, and they sent the shares of John Robins's Northern Empire Minerals Ltd. sharply higher, jumping from the 40-cent mark to a recent high of \$1.74. The encouraging news from the Churchill craton sparked new interest in Shear as well, as its stock jumped from 20 cents, to a recent high of 48 cents. It will likely take some promising diamond counts from Shear's project to sustain that interest, but the initial exploration program has been producing toutable results, which offer hope that the Churchill property will yield some promotable diamond counts as well.

Shear has been active in the diamond hunt for several years. The company was formed as a cash shell in 1996, and it took up the pursuit of gems when it completed its major transaction in early 1998. That deal saw the company pick up a number of smaller diamond properties in Canada's North through a deal with Pinnacle Resources (1996) Ltd., a private company acting as a property broker. Ms. Strand, who got her geological start with Miramar Mining, Homestake Minerals and Noble Peak Resources, had been a vice-president of Pinnacle, and with the deal, she became president of Shear in late 1997. Since then, Shear has been dabbling with a number of diamond projects, which is no great surprise as Ms. Strand had been a district geologist with the federal government from the summer of 1994 until she moved on to Pinnacle in early 1997, and diamonds in the Northwest Territories were a hot item during that stretch.

Shear's exploration programs have come up with a few diamonds along the way, but none of the company's counts had managed to generate much in the way of diamond news. Nevertheless, Ms. Strand's promotional efforts managed to stir up some speculative notice. In the fall of 1999, Shear's stock surged from a thin dime to the 40-cent mark, on news that the company had landed a new project in Alaska. The Shulin Lake property was an old gold play, but Ms. Strand and her company touted the diamond potential of the project as well. Shear made a visit to the site early the following year, and that was enough to coax another double out of Shear's shares, which hit an 85-cent peak late in March. Shear was ultimately successful in turning up several microdiamonds from some Shulin Lake core samples last year, but the news did little to help the company's share price, which had dipped below the 20-cent level late last summer. Although Shear and its partner have yet to find their first diamond on the Churchill property, the project would seem to be the company's best shot at a diamond success, based on the early results, and that hope has carried the company's stock to its highest level in over two years.

Much of that hope comes from the early results from the Churchill play, but curiously, it seemed

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to take the diamond counts from the Aviat play, some 700 kilometres to the north on Melville Peninsula, to catch the eye of the market. A kimberlite outcrop was sampled on the Aviat property, and 186 kilograms of material yielded 228 diamonds larger than a 0.106-millimetre cutoff. That was about 1,250 stones per tonne, and it was enough to get the Aviat promotion into high gear. Prior to that, there had been comparatively little interest in Aviat, or any of the large projects that strung out southward across the northern portion of the Churchill craton, largely due to a paucity of diamonds from the vast area. One of the projects getting an Aviat boost was the Rankin Inlet play of Shear and Northern Empire, which was initially dubbed Trust Me. Despite the name of the project, promoting the play was a tough sell for Ms. Strand, who was raised in Toronto but now lives in Edmonton.

With the Aviat numbers, speculators were suddenly willing to be big believers in the expanded Trust Me play, as the results offer hope that a broad expanse of the Churchill craton might be diamond country. It was not just the number of diamonds in the sample, but also the size of the stones that was the big news. Just less than one-quarter of the diamonds were large enough to remain on a 0.3-millimetre mesh, and about 12 per cent of the diamonds clung to a 0.425-millimetre-square screen, proportions that support a coarse diamond size distribution curve. Adding to the hope was the fact that two of the Aviat diamonds were longer than two millimetres, and seven of the stones were large enough to remain on a 0.85-millimetre screen, or about 3 per cent of the entire parcel.

It was the presence of those larger stones that undoubtedly caught the eye of speculators hopping aboard the Aviat play, but the recoveries also supported what Shear and Northern Empire were coming up with in the area surrounding Rankin Inlet. From the start, the Trust Me play generated very favourable indicator mineral results. In 2001, Shear's explorers collected 64 till samples, and 21 of them produced an array of indicator minerals that included pyrope garnets, eclogitic garnets, chromites, ilmenites and chrome diopsides. A particularly encouraging aspect of that early result was the fact that 43 per cent of the pyropes were classified as G-10s, but the other minerals also provided geochemical hope for the developing prospect.

Last summer, Shear's crew went back the following summer and collected another 130 samples. Of those, 27 contained kimberlite indicator minerals. Once again, the geochemical results were very favourable, with nearly half of the 107 pyrope garnets being classified as G-10s, including a number that were especially subcalcic. As well, two separate occurrences of kimberlitic float were found within an area that had also produced the indicator minerals, which could mean that the partners are closing in on a primary source for the material and the indicators. With a bit of luck, Shear and Northern Empire could be closing in on their first kimberlite find on the Churchill project, and the geochemical work supports hopes that any find would be diamondiferous.

The area west of Rankin Inlet has produced diamonds in the past, but the earlier results were far less encouraging than the Aviat diamond counts. Diamond counts were not the problem at Parker Lake, about 150 kilometres west of Rankin Inlet, in the mid-1990s. Small samples produced staggering numbers of tiny diamonds, but the diamond size distribution of the rock samples were horrid, and the promotion quickly died out. Still, the sheer numbers of

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microdiamonds was enough to intrigue De Beers for a time, which suggests that the diamond major thought the region was prospective for gems. De Beers recovered 2,674 micros from, a 55-kilogram batch of material, but only eight of the diamonds were macro-sized stones. That bonanza of micros was eclipsed by a 7.8-kilogram portion that yielded an incredible 6,680 stones, a rate of nearly one million diamonds per tonne, but unfortunately just three of the stones were macrodiamonds. Nevertheless, De Beers pressed on, collecting a 1.15-tonne test of the lamprophyre dike for macrodiamond recovery, but the sample produced just two stones. The largest diamond measured 2.9 millimetres in length, and both stones were greenish and translucent in appearance. None of that was encouraging, and Parker Lake faded away. That dismal result may have dragged the Trust Me project down in the early days, but the work by Shear and its partners suggests that they are on the trail of something quite different than what was found on the Parker Lake project, which apparently produced much different geochemical results.

The partners on the Churchill project also flew a geophysical survey covering more than 16,000 line-kilometres across its property, and that program produced more than 200 magnetic anomalies that resembled kimberlite targets, and of those, nearly 30 are considered to be of a high priority. That is a more manageable sum, but it is still more than Shear and its partner would likely consider for a drill program this year, so additional prioritizing seems inevitable. That work will consist of ground geophysics over the best targets, and it is likely now under way, and those targets that continue to exhibit favourable signatures will likely be drill tested late this spring.

All of that will take money. The two companies have approved a \$2.5-million budget for work on the Churchill project this year, which should be more than enough to complete the ground program and drill several targets. The eyes of junior diamond hunters are usually much larger than their wallets, but Shear and Northern Empire should have little trouble in getting things rolling, as both have been able to replenish their bank accounts. Shear had earned a 51-per-cent stake in the play as of last summer, and Northern Empire was required to spend a total of \$750,000 over two years to earn a 35-per-cent share. Much of that is presumably spent, so both partners will likely have to contribute cash to the proposed budget.

Shear had a small working capital deficiency at the end of August, but cash is currently not a big problem for Ms. Strand, who received a science degree from the University of Toronto and another in economic geology from the University of Western Ontario. Her company recently closed a \$1.2-million financing that saw it issue more than five million 22-cent shares, and it had closed a smaller deal last fall. That should provide enough cash for it to get a good start on its Churchill plans this spring. Meanwhile, Northern Empire's coffers will soon be brimming with cash. The company should have more than \$5-million from the sale of 3.5 million shares at the Aviat-inflated price of \$1.50 per share. Some of that should be directed at the Churchill project, although the company has several diamond irons in the fire, including Aviat.

Results could be a bit slow in coming, and the shares of the two Churchill partners have been taking a bit of a breather as a result, although they are well above the levels of last fall. Northern Empire's stock dropped a dime on Friday, closing at \$1.21, while Shear's shares shed two pennies, closing at 42 cents on Friday.

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