



## TSX Stocks: This Canadian Miner Scores Big With a Huge Diamond Discovery

### Description

All that glitters is not gold. Diamonds are a multi-billion-dollar industry globally, like the yellow metal. However, it never really took off here in natural resource-rich Canada. It is still the third-largest diamond-producing country after Russia and Botswana.

### Lucara Diamonds makes yet another exciting recovery

Small Canadian miner **Lucara Diamond** ([TSX:LUC](#)) recently [recovered](#) a 998-carat white diamond in its Karowe mine in Botswana. This is among the top five biggest stones ever discovered, according to *Bloomberg*. The valuation of this stone is still unknown. Generally, a diamond's value drastically increases after cutting and polishing.

Lucara's Karowe mine has been extremely productive, yielding high-quality gems recurrently this year. So far in 2020, it has produced 31 diamonds of greater than 100 carats.

Lucara has gained ground as one of the leading producers of large, gem-quality diamonds in the last few years. Its major recoveries include the 813-carat Constellation, sold for a record US\$63.1 million, and the 1,109-carat Lesedi La Rona, sold for US\$53 million. The diamond miner is partnering with luxury goods maker Louis Vuitton to sell the big discoveries.

The embattled diamond market sadly pushed back years again with the COVID-19 shock. However, high-spending millennials in emerging markets like China could remarkably boost demand in the industry.

### TSX stocks: What's next for Lucara Diamonds?

The \$200 million Lucara reported \$112 million in revenues in the last 12 months, sharply falling after peaking in 2016. Back then, the stock was trading around \$4 levels, but now is trading at \$0.54. In fact, diamond miner stocks across the globe saw a sweeping fall after the 2008 financial crisis.

Diamond miners' profits depend on the scale and quality of the deposit, price in the market, and its production cost. Diamonds are generally extraordinarily expensive because of its fewer deposits and high extraction costs.

According to Statista, the global diamond jewelry market in 2018 was worth US\$76 billion, approximately one-fourth of that of the gold jewelry market.

Gold mining stocks are on a roll this year due to higher yellow metal prices. **iShares S&P/TSX Global Gold ETF** ([TSX:XGD](#)) is up more than 30% this year. [Investors turned to gold amid economic contraction](#) and volatile stock markets this year. Compared to gold, prices of diamonds are less transparent — a probable reason that keeps investors at bay.

The diamond industry is extremely fragmented that usually works in a four-level value chain. Miners and producers dig out rough diamonds while cutters and polishers process them to make finished goods. India is a home for polishing and cutting rough diamonds due to its low-cost labour. Jewelry makers and retailers make up the last leg of the diamond supply chain.

## Expanding in the diamond supply chain

Lucara is expanding beyond mining and production with Clara Diamond Solutions — its digital sales platform. It has earned around \$17 million in revenues through this platform since last year. With high-yielding Karowe mine and its growing online sales platform, Lucara might see margin expansion as the diamond market stabilizes post-pandemic.

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## Date

2025/07/17

## Date Created

2020/11/12

## Author

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