

Grizzly Diamonds LTD.



DIAMOND IN THE ROUGH

WITH 5 MILLION ACRES OF PROSPECTS IN WESTERN CANADA, GRIZZLY DIAMONDS IS LOOKING TO TAP INTO CANADA'S RICH MINERAL RESOURCES.

By ANTHONY W. HADDAD

Grizzly Diamonds Ltd. (TSX: GZD) is an aggressive exploration company in Canada with diamond and potash properties in Alberta and gold and silver properties in British Columbia. The company owns 3 million acres of diamond rights in two kimberlite deposit regions: Buffalo Head Hills and Birch Mountains.

"Canadian diamonds are among the best diamonds in the world," says Mike Dufresne, geological consultant to Grizzly Diamonds. "The gems are high quality, with exceptional value per carat, and they are easy to cut." On top of that, two of the three most valuable deposits in terms of dollars per metric ton, as well as

two of the three most profitable mines, are in Canada.

Since large diamond deposits were first discovered in Canada in the 1990s, Canada has grown into the third-largest producer in the world. "Soon we'll be the second-best diamond producer," Dufresne says, "replacing Botswana." In the past 10 years since the first diamond mine opened, the diamond industry has grown in excess of \$2 billion.

The broader diamond industry has been booming in recent years. But over the past decade, few new deposits have been found, shrinking inventories across the globe.

Kimberlite is a volcanic rock that is the

most common host rock for diamonds. Worldwide, there are 6,000 known kimberlite deposits, and about 10% of those deposits contain diamonds. But in diamond-rich northern Canada, that number is much higher. Of 250 known kimberlite deposits in the area, 30% to 40% contain diamonds.

In 2008, Grizzly Diamonds discovered three new kimberlites in the Buffalo Head Hills area of northern Alberta. "These were the first new kimberlite deposits discovered in the region in five years," Dufresne says. "Tests have showed that two of our deposits contain diamonds, and we are awaiting diamond results on the third.

"The initial diamond results on one of our kimberlites were encouraging enough so that we've drilled more holes into it, trying to get a bigger sample and some more diamonds to see what the quality of the stones are."

Grizzly's Buffalo Head Hills properties encompass 40 mineral permits totaling 835,000 acres and are located next to Ash-

Dufresne says. "The area has been highly fragmented in the past because it's a historic gold-mining district. We've been able to put together a large land holding and have been flying these big surveys in order to discover new targets." Depending on how much capital the company can raise this year, it may undertake an aggressive drilling campaign.

involved in this company," he says. "They own about 65% of it. I have a huge vested interest toward my shareholders." E

RISKS: In addition to the risks associated with exploration mining companies, Grizzly Diamonds' properties may not yield according to expectations and early testing, reducing the value of its properties.

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—Brian Testo, president, CEO, and director of Grizzly Diamonds

ton Mining's main Buffalo Head Hills property. Of the kimberlites that have been discovered in the Buffalo Head Hills area, 26 contain diamonds.

Recent test results show that the Buffalo Head Hills field contains kimberlites that have excellent potential to host commercial-size diamonds. Ashton Mining recently reported that a 22.8 metric-ton sample collected from the K252 kimberlite, which is 13 miles north of Grizzly's Smoky the Bear property, has yielded a grade of 55 carats per 100 metric tons.

If that number remains fairly consistent for other kimberlite deposits in the region, the K252 kimberlite could be the first in a series of economic kimberlites in the Buffalo Head Hills.

Grizzly also owns two precious metal prospects in British Columbia: the northern Peak Property and the Greenwood District in the South. The company recently completed a small drilling project at the Peak Property and is awaiting the results.

The company recently completed a 200,000-acre acquisition in its Greenwood District property, adding to its vast holdings in British Columbia, a territory rich in gold. (More than 7 million ounces of gold have been produced there.) This fall, Grizzly Diamonds concluded a 1,500-mile helicopter-based survey to look for gold targets.

The results showed numerous anomalies. "This is one of the first surveys of this type conducted in this region,"

In 2008, Grizzly acquired 850,000 acres potash prospects in eastern Alberta. A large number of the company's potash permits contain areas reported to be underlain by potash-bearing beds. Grizzly is planning seismic work followed by drilling to test for potash.

Canada is one of the world's largest producers with nearly a quarter of the world's production. The most significant reserve of Canada's potash is located in the province of Saskatchewan. Although Alberta is largely unexplored for potash, there was historic drilling in the 1940s and '50s, and recent samplings on the company's Prairie Evaporate show that potash is likely far more widespread than previously thought in this area of Alberta.

The company has a very small burn rate. Brian Testo, president, CEO, and director of Grizzly Diamonds, is the only person on staff and shares his office and CFO with five other companies. "I took Grizzly public with five other people four years ago," he says. "We spend all our exploration money in the ground. I don't believe in a big fancy office. I don't believe in paying people to sit around and do nothing. We can survive for years. We were born lean and mean. We went through the good times lean and mean. So we're lean and mean in the bad times."

Grizzly also has tight share structure. Testo has put \$1.5 million of his skin in the game, and he currently holds 20% of the shares. "All my friends and family are

MAKE CONTACT



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SHARE DATA

52-Week Price Range: C\$0.31 - 1.67
Shares Outstanding: 20.37 million
Market Cap: C\$10.19 million

BALANCE SHEET DATA

(as of July 31, 2008)

Total Assets: C\$8.82 million
Long-Term Debt: C\$0
Book Value per Share: C\$0.37