

The Rockwell stones

Canadian-based alluvial miner carves big diamond niche in South Africa

Rockwell Diamonds (RDI-T) is a Canadian-based diamond miner but the diamonds it mines are not mined in this country — the biggest diamonds are far bigger than the largest ones ever recovered here.

Rockwell is mining diamonds in South Africa by sifting through about 550,000 tonnes of wet gravel a month. Most of the gems Rockwell finds are small, but sometimes — when the company gets lucky — it finds some rare, large diamonds that are sought by the world's finest *diamantaires* and fetch princely sums.

Quite a stir was created last fall when an extremely rare 212-carat stone was recovered from a Rockwell alluvial mining operation. It was later cut and polished into a 102-carat stone that made a brief appearance at the RBC Diamond Conference in early March. It had not yet been sold at presstime.

Rockwell has an agreement with the Geneva, Switzerland-based Steinmetz Diamond Group, whereby Steinmetz receives a 3% marketing fee for stones that meet a certain size threshold and the profits from those large diamonds are split in half. The diamond mines that Rockwell owns have traditionally yielded one or two of these stones per year.

Rockwell averaged a whopping US\$1,656 per carat in 2007, and that's largely because of the big stones in the mix. A 7.28-carat, flawless pink octahedral diamond recently fetched US\$1.054 million — US\$145,000 per carat. It was recovered from surface alluvial material referred to as *Rooikoppie* deposits.

Stones such as this cushion the bottomline. High-end retailers seek exclusive gems because the margins are far higher as they can virtually name their

price. For instance, luxury jeweler Harry Winston reports that its store in Perth, Australia, did 95% of last year's sales in only 11 transactions.

In 2006, Hunter-Dickinson was seeking to put a diamond play into Rockwell Ventures, a listed shell. In June of that year, Hunter-Dickinson signed an agreement with a private South African company that had been running three diamond mining operations there for around 13 years.

"We had the assets down here (South Africa), they had a listed shell, we put the two together and went through a bit of a honeymoon," says John Bristow, Rockwell's president and CEO. "We run the business and they have some people on the board — and it works well."

The Vancouver-based company runs

three alluvial diamond operations in western South Africa, near the diamond mining town of Kimberley. Wouterspan is on the banks of the Middle Orange River, 145 km southwest of Kimberley, and the adjacent Holpan and Klipdam operations sit just 50 km northwest of the town. At Wouterspan, Rockwell has outlined 77 million tonnes of prospective gravel with an average grade of 0.3 carat per 100 tonnes. Wouterspan generally produces more impressive diamonds than the other two operations — the average price for Wouterspan diamonds during 2007 was US\$2,146 per carat.

Holpan and Klipdam host 20 million tonnes of gravel grading 0.45 carat per 100 tonnes. The average Holpan-Klipdam diamond parcel garnered US\$1,217 per carat.



Credit: Rockwell Diamonds

Rockwell Diamonds' Susie Bell holds a 102-carat Yellow diamond and two matching 10-carat Yellow diamonds during a diamond conference in Toronto in March.

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Day to day management of Rockwell is fully South African. African Vanguard, Rockwell's beneficiation partner (under South African law a minimum share of companies must be owned by disadvantaged South Africans) owns 26% and the company paid cash for its interests, unlike many such partners.

"They are actively involved in the business," adds Bristow.

In the next three to six months, Bristow sees Rockwell growing production from its three existing operations by about 15% through greater plant efficiencies.

It has also bought two diamond mining operations from the Johannesburg-listed **Trans Hex Group**.

Known as the Middle Orange River properties, situated across the river from Wouterspan, the collectively contain about 86 million tonnes of gravel averaging 0.43 carat per 100 tonnes. The site was last in operation in 2005 when its diamonds fetched an average of US\$1,400 per carat.

The diamond rush around Kimberley dates back to the 1870s and focused on diamonds contained in



Credit: Rockwell Diamonds

This 7.28-carat flawless pink octahedral diamond fetched US\$1.054 million or US\$145,000 per carat.

kimberlite dykes. Those are now exhausted and the remaining diamonds in the area were transported there by water from eroded kimberlites, the source of which is thought to be pipes in Lesotho, some 1,000 km away. Travelling such a long distance often results in the elimination of poor quality stones, those with fractures or

inclusions, because they get shattered along the way. That helps explain why Rockwell has such success finding large, high-quality stones.

"That's where we have an advantage," says Bristow. "This area is known for large, quality gemstones, and our ability to recover those large stones on a regular basis is where we will find success."