

Alluvial miners find fresh legitimacy

David McKay

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[miningmx.com] -- THE DEARTH of new sources of diamonds has given more legitimacy to alluvial diamond miners and exploration companies, a development that has its proof in capital-raising exercises since 2006.

DiamondCore Resources – to become BRC DiamondCore - raised more than R200m, double what it needed. In April, another South African-based alluvial diamond miner – Rockwell Ventures, to be renamed Rockwell Diamonds – raised C\$68m.

“The high cost of diamond exploration and the scarcity of economic kimberlites are leading to increased focus on alluvial diamonds, diamonds that have been eroded from the kimberlites,” says Des Kilalea, an analyst at RBC Capital Markets. According to RBC’s research, the time from discovery to production of a kimberlite mine is anywhere from four years (Orapa in Botswana) to 12 years (Venetia in South Africa). But owing to the unpredictability of alluvial diamond mining there’s often a requirement for small junior diamond miners to broaden their asset base, leading invariably to speculation of corporate action.

John Bristow, COO and president of Rockwell Diamonds, says: “We’ve seen some opportunities in South Africa that we’d be keen to have a look at.”

Theo Botoulas, CEO of the proposed BRC

DiamondCore, agrees the company would consider growing by acquisition. BRC DiamondCore is well entrenched in Johannesburg and seeking an international listing. Rockwell Diamonds is to attempt the reverse later this year in a JSE listing that will bring in a 26% empowerment partner in African Vanguard Resources. “They’re young and ambitious,” says Bristow.

Darryll Castle, an executive director at AVR, says by means of a “flip-up” of its 26% asset level ownership in Rockwell’s South African-based interests, AVR could end up with between 20% and 25% of Rockwell’s South African listed firm. However, the emphasis is on turning AVR into an operating company rather than a passive investor.



John Bristow

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To that end, AVR is shelling out around R1m for an option on 51% of Jasper Mining, a junior that owns a potentially diamond-bearing alluvial property next to Saxendrift, the mine Rockwell bought from Trans Hex.

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“It’s very small and it’s very risky, but it’s a key piece of ground,” says Castle. “But it could conceivably grow into an opencast mining company, and if we achieve that it will be one way of making ourselves an operating entity.”

Castle says there’s plenty of scope for corporate action in the alluvial diamond mining sector. Alluvial is less predictable than kimberlite, which requires operators to have as much flexibility as they can. But given the relatively fractured nature of ownership there are deals worth doing.

Says Castle: “The fact of the matter is that there’s not enough high quality stones out there and alluvial miners can provide that.”