

Rockwell Diamonds Polishing Up Its High-End Diamond Act

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VANCOUVER (**Dow Jones**)--Canada's diamond-mining efforts are all about tapping diamondiferous kimberlites, using traditional open-pit and underground mining techniques.

But there are other ways - on other continents - to find diamonds, many of which are of higher value, more robust and, in some lucky cases, colored - a rare and very expensive commodity that's coveted by high-net-worth individuals the world over.

Enter **Rockwell** Diamonds Inc. (RDI), a recent graduate to the TSX big board and a Hunter-Dickenson-related junior mining company that spends most of its time turning over the sod in 1-million-year-old South African river beds in search of high-end gemstones.

"We wanted to raise our profile by getting up on to the big board to compete with the big guys," said Chief Executive and President John Bristow. "We're a producer of niche-market, high-end diamonds, generate strong cash flow and now want to get on to the main radar screen. The (venture exchange) served us well, but we're confident the main board will benefit the company. And we can also list our warrants."

Rockwell Diamonds is an alluvial miner, meaning, in its case, mining old river terraces - in effect, digging up some 15 to 18 meters of topsoil/gravel. That's thrown through a recovery plant where weight and x-ray fluorescence are used to find the diamonds.

"Our (business) is earth-moving and security, because with these big, big stones and high-value stones, the last thing we want to do is lose them," he said.

The operation is the flip-side of a typical kimberlite mine where, say, 100 carats per 100 tons are dug up, with each carat valued at around \$160 or so.

Rockwell's alluvial operation generates about one carat per 100 tons, but the diamonds are valued at about \$2,000 a carat.

"So we're much lower-grade, but much higher-value," Bristow said.

Simply put, kimberlites push diamonds up from well below the surface, often from as deep as the earth's mantle. This takes millions of years. Over time, the kimberlites are eroded away and the rough diamonds are knocked down the river where boulders become nature's informal sander and polisher, if you will.

"And you're left with a highly robust gemstone diamond," he said.

Africa's unique historic geology is in sharp contrast to Canada, where rivers are young by comparison and glaciers have tended to scrape away the tops of kimberlites, so nothing weathers as well as it does in the tropics.

"Africa is a wonderful bit of real estate when it comes to diamond deposits," Bristow said.

Increasing Interest In Alluvial Mining

So here's the rub: Since 1981, there really hasn't been a major kimberlite discovery. Canada has its major diamond mines, Diavik and Ekati, but ultimately, there's declining supply and increasing demand, especially for the higher-value diamonds.

"There's (now) a lot more interest in the alluvial deposits," Bristow said. "More and more people are looking to go the

alluvial route."

Companies such as De Beers have always had an alluvial division. And Rio Tinto PLC (RTP) is obviously active in Australia, what with its high-profile Argyle mine, which is located - where else - in Kimberley, near Darwin.

No surprise here, really. Alluvial equals low entry capital costs, quick entry and quick cash flow versus kimberlite mining: high-risk, high-reward.

All of this might suggest a coming consolidation.

For the moment, **Rockwell** is intent on tending its own garden, ramping up operations to become a solid, mid-tier diamond-mining operator.

"**Rockwell** has a very aggressive growth strategy; as we speak, we've received permission to go ahead with the acquisition of two additional mines which had been mothballed directly across the river from our Wouterspan property, which is southwest of Kimberley on the Middle Orange River," Bristow said. "This is the focal point for these amazing big diamonds and high-value diamonds...so we are looking to grow that into a very big footprint and have four or five mines there in the next 18 months."

He said this represents the immediate organic growth strategy.

"At the same time, we're leveraging up existing capacity in the existing mines - there's probably another 15-20% capacity to grow in the three existing mines," he said. "We want to take our current 2,000 carats a month to 4,000-5,000 carats a month in next 18 months."

He said that, while this might not sound like a lot of diamonds, one had to remember the high value each carat generates - about \$2,000 each. The revenue-generating capacity is obviously attractive.

Its Holpan-Klipdam property - a historical site where diamond mining has been carried out since the 1860s - also continues to churn out diamonds.

"We're just mining on a much bigger scale to what old diggers and informal miners mined on a very small scale," he said.

And as for other opportunities?

"We also see opportunity to consolidate in the diamond space; there are too many smallish diamond producers out there and all are sort of under the radar. We need to put those together into a bigger entity, to make sure we can build a serious and much bigger company that fund managers and investors really like," Bristow said.