Junior diamond explorer looks to repeat past success

The team that can claim much of the credit for having recognised the potential of Botswana’s AK6 kimberlite and devising a low-cost development strategy to bring it into production has been reunited at junior explorer Botswana Diamonds. The company currently has a portfolio of tenements covering not just highly prospective areas in its traditional stamping ground of Botswana but also in South Africa.

Modern Mining’s Arthur Tassell recently spoke to Managing Director James Campbell about the company’s strategy and its prospects of duplicating the AK6 success.

One of the most important lessons to be drawn from the AK6 story is that re-assessment of kimberlites found decades ago is vital, given the advances made in exploration techniques," he says. "De Beers initially evaluated AK6 in the early 1970s and concluded that it was sub-economic – which we now know was very far from the truth. A second lesson is that juniors can often out-perform majors when it comes to exploration and mine development. At their best, they tend to be innovative, agile and fast whereas majors – no matter their overall competence, which is generally very good – are often bureaucratic, slow moving and risk averse.

It should be mentioned that Campbell, who has been reunited with his old colleague, John Teeling, a Dublin-based mining entrepreneur who is Chairman of the company.

The two men were at the helm of Botswana Diamonds’ predecessor, African Diamonds (AFD), during much of the period (2004 to 2010) when AK6 was under re-evaluation by De Beers and AFD after originally having been discovered in 1969 by De Beers. After AFD’s stake in AK6 was sold in 2010 to Lucara Diamonds Corporation, its exploration assets were spun off into Botswana Diamonds (BOD), a company now dual listed in London and Botswana. Teeling became Chairman of the new company but Campbell (after a relatively short stint with Lucara) moved on to Rockwell.

Says Campbell: “AFD was in joint venture with De Beers on AK6 and – as I think is well known – there was a difference of opinion on the merits of developing AK6. We in AFD wanted to go ahead with the construction of a new mine but De Beers was deterred by the cost, which it estimated at US$380 million, and what it perceived as poor market conditions. We totally disagreed and came up with a Value Engineering Study, which indicated a very much lower capex and which had a very different view of diamond value. It also proposed an innovative processing route, including the use of autogenous milling. De Beers rejected this study.

“In 2009, we proposed buying out De Beers’ stake in the project but were unable to raise the funds. We did, however, find an alternative investor in the form of Lucara, which later also bought out AFD and proceeded to build a mine – now known as Karowe – based on the technical solution we devised. Karowe, of course, has since established itself as one of the most remarkable mines the diamond mining industry has ever seen, and is particularly noted for the abundance of large gem-quality diamonds it has produced.”

Campbell believes there are a number of lessons to be learned from the AK6 story. "Perhaps the most important is that re-assessment of kimberlites found decades ago is vital, given the advances made in exploration techniques," he says. "De Beers initially evaluated AK6 in the early 1970s and concluded that it was sub-economic – which we now know was very far from the truth. A second lesson is that juniors can often out-perform majors when it comes to exploration and mine development. At their best, they tend to be innovative, agile and fast whereas majors – no matter their overall competence, which is generally very good – are often bureaucratic, slow moving and risk averse."

It should be mentioned that Campbell, who is Chairman of the company, has a long and distinguished career with De Beers, a group which he holds in high regard.

The chances of anyone finding another kimberlite quite like AK6 are relatively remote, as Campbell readily acknowledges. "Nothing can ever be excluded but it could be that AK6 is unique, at least in terms of its large stone population. What is clear though is that there is still considerable potential for economic kimberlites to be identified in Southern Africa, by applying ‘third generation’ exploration technology – and this is exactly our strategy.

In Botswana, BOD has two joint ventures (JVs). One is a 50/50 JV – known as Sunland Minerals – with Russia’s Alrosa, which is exploring in both the Central Kalahari Game Reserve (CKGR) and the Orapa area, and the other is the Maibwe JV owned by BCL (51 %), Future Minerals (20 %) and Siseko (29 %). BOD’s participation in Maibwe is via Siseko, in which it has a 51 % share. Sunland has 19 exploration licences (nine in the Orapa area..."
“Our main reason for investing on a personal basis in Vutomi was to persuade the BOD board that this was a good project.”

Preparing for percussion drilling at Frischgewaagt.

The flagship project within the Vutomi package is Frischgewaagt. This is located in Limpopo Province to the east of Mokopane, south of Eversteling, the site of South Africa’s first gold discovery, and immediately adjacent to the Marsfontein mine. Although short lived (it was operated between 1998 and 2000 by a De Beers/SouthernEra joint venture), Marsfontein – a blow of 0,4 ha in size – was a phenomenally successful operation producing around 1,60 kg of drill core from the drill programme, 223 microdiamonds had been recovered from low grade material. As he says, “The appetite for grassroots exploration is currently very low so it is not easy to raise money and what is raised has to be used very effectively – certainly one cannot have the luxury of a large staff complement. Our strategy is to raise money for six to eight months, demonstrate delivery on that and then go back to the market for further funding in order to take us forward again. While I’m the only person working full-time for BOD, this does not have any downside. We have a huge network of consultants and contractors who assist us and who, in most cases, rank among the leaders in their respective fields.”

Among the experts that Campbell mentions are Bjorn Havemann, who at one stage was Head of Geophysics at De Beers, Dr Kurt Petersen, a world-renowned diamond metallurgist, and Dr Gargi Mishra, who has a stellar reputation in the field of kimberlite petrography.

Summing up, Campbell notes that apart from AK6 in Botswana and Luaxe in Angola, there have been no significant kimberlite discoveries over the past 15 or so years in Africa or, for that matter, worldwide. “We’re hoping to reverse that. Obviously, diamond exploration is inherently an uncertain business and no diamond explorer can ever guarantee success. Having said that, Botswana Diamonds has the right people, the right ground and the right technology to find a mine – if indeed there is one to be found. We’re very excited by the company’s potential and have high hopes that it will, in time, deliver one or more kimberlite projects that can be developed into viable commercial mining operations.”

Photos courtesy of Botswana Diamonds

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