



Diamcor Mining: Diamond Production Without Exploration Risk

By James West
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Diamcor Mining (TSX.V: DMI), a Canadian company focused on the development of diamond producing assets, is closer than ever to putting its Krone-Endora Project, a major alluvial diamond project that the company acquired from De Beers, into production.

According to a recent press release:

The Krone-Endora Project is located on the De Beers owned farms of Krone 104MS and Endora 66MS which are located directly adjacent to the De Beers owned Venetia Diamond Mine in the Limpopo province of the Republic of South Africa, approximately 500 km north-northeast of Johannesburg. Based on published reports, the Venetia mine is widely accepted to be South Africa's largest diamond producer. The Krone-Endora Project's location, being directly adjacent to Venetia, is of significant relevance as the resulting alluvial / eluvial deposit identified is proposed to have been formed as a direct result of the erosion of a significant quantity of material from the higher grounds of the Venetia kimberlite clusters onto the lower grounds of Krone and Endora.

The company's recently released National Instrument 43-101 technical report indicated:

- Current initial inferred resource estimate of 54,258,600 tonnes of diamond-bearing gravels occurring in two near-surface litho-stratigraphic units.
- Current initial inferred resource estimate of 1.3 million carats of diamonds.
- Conclusion deposit is not only an "alluvial" deposit, but a combination of an alluvial and eluvial deposition indicating an expected "direct shift" of basal or lower source material from the higher grounds of Venetia area.
- Due to above, the diamond deposit mineralization appears generally uniform throughout deposit, which is unique, as opposed to that of a typical higher risk alluvial deposit whereby large areas can be barren with only intermittent individual trap sites bearing diamonds.
- Historic De Beer's exploration provides significant understanding of deposit formation and an ability to define three main deposit areas of project, consisting of two primary areas,

termed after their expected originating sources as the K1 and K3 areas, as well as the confluence area in which the two primary deposits merge.

- Classification of project as late-stage exploration, with recommendation for additional closer grid drilling to obtain more detailed contact depths and gravel thicknesses, locate possible positions for small-scale trap-sites, and outline enriched mining zones for desired near-term trial mining exercise.

The market has yet to reward the company for this first acquisition, and that may be due to the problem of understanding the outstanding opportunity the Krone-Endora Project represents, and the difference of a junior in the sector focused on production as opposed to exploration. In a telephone interview recently with CEO Dean Taylor, we set out to understand exactly what the upside potential was for the Company and Shareholders.

According to Mr. Taylor:

“We have an established operational history, and an experienced team which has been in place in South Africa for over 7 years. In addition to several Kimberlite exploration programs and alluvial drilling programs aimed at evaluating potential acquisition targets, the Company’s recently completed So Ver Tailings project ran twenty-four hours per day seven days per week, so the team in place is very experienced and knowledgeable with regards to real production scenarios.

The key to our current strategy is what we did about three and a half years ago. At that time we really started restructuring the company to try and maximize our potential and plan for increased and sustained production. We anticipated De Beers was potentially going to be looking to divest of some non-core assets as it was widely accepted that the South Africa Department of Minerals and Energy wanted properties in all development portfolio’s advanced to create growth and jobs. Any company not doing so may run the risk of permitting not being renewed to them, and De Beers would not be exempt from that. So we expected that there were going to be some high quality projects coming available in the near future that were perfect for a company our size, but not critical for De Beers. We also knew De Beers wanted to support junior mining, and Company’s with operational skill and the right structures and partners would help them best achieve this goal.

So we did a 10 for rollback to create an attractive corporate entity for investment, leaving us with only about 3 million shares to start, and then funded it and positioned it so that we could negotiate with De Beers to potentially acquire assets. We had to ensure many items were in place including operational management, and demonstrate our proven ability to take projects from exploration to production. The other key factor in South Africa, and carefully reviewed by De Beers, was having a real and legitimate Black Economic Empowerment partner, and we were very proud to announce Nozala Investments as a 30% partner in the deal.”

Established in 1996 as a BBEE (South African Broad-Based Black Economic Empowerment company), Nozala represents an ongoing success story within South Africa. As noted on their corporate website, Nozala’s vision is to be the premier empowerment company led 100% by women in South Africa, and they have ensured the economic advancement of women by promoting constructive business partnerships with leading business entities, labour unions and leaders in South African business and commerce. With over 500,000 rural women shareholder’s, Nozala provides Diamcor with a true BEE partner, and the benefit of our collective success

provides broad-based benefit to many as opposed to a select few. This achieves the true mandate of the BEE charter in South Africa.

“From an investment standpoint,” continued Taylor, “and in terms of the scale of the opportunity for investors, this initial acquisition of Krone-Endora represents our ability to harvest and process what is estimated to be the top 1 km in vertical height of the material off of the Venetian kimberlites. Venetia is the third largest diamond mine in the world, producing somewhere in the neighbourhood of fifty percent of the diamonds that come out of South Africa which during peak production periods up to 2008 meant roughly 9 million carats per year. We are certainly very excited about the significant long-term production potential and quality of this project, and being able to work with material from a known source such as Venetia clearly reduces many of the unknowns.

In addition to the extensive initial due diligence that we did on the project, De Beers had done various internal large and small diameter drilling programs, modeling, bulk sampling and initial mineral resource estimates over a period of about 7 or 8 years, so we knew going into the project it wasn't what we would term an early stage exploration project, but something we could potentially put into production nearly immediately. Upon finalization of or targeted closing in Q1-2010, our plan will be to proceed immediately with the recommendations of the Independent 43-101 report. This will include a supplementary low-cost 100 by 100 metre spacing drill program (currently 200 x 200 metre) which will allow us to better identify the higher grade areas. In conjunction with, and at the same time as this supplementary drilling program we will move right into trial mining on previously identified high-grade potential areas with our aim being to establish our long-term mining plans.

Our initial target through extensive modeling for the project shows a potential for us to achieve a goal of roughly around the 7,000 -10,000 carat a month within approximately 12 months, and based on the inferred estimate of the 43-101 at approximately 1.3 million carats in the initial K1 area of the project, that could translate into a 10 to 12 year project at those levels, just with what is estimated so far.

In addition to our drilling and trial-mining work on these initial known targets, we'll also be doing additional drilling and bulk sampling in an effort to further identify and build on these initial inferred resource numbers and establish the true potential of the entire project area.

So as the merits of the initial project in this early stage of our planned growth phase, we are very optimistic. We feel it presents Shareholder's with a very compelling opportunity when considering our current market cap is approximately \$5.0M and this project's reserves alone have the potential to turn into a \$150 million plus asset.

In addition to the merits of this first project, a clear part of our new strategy and focus has been to also acquire additional non-core, near-term production capable projects. We have been in constant discussion for the past two or three years, with the objective of acquiring another one or two additional advanced stage projects with our target being to achieve production numbers of approximately 30,000 - 35,000 carats per month within 24-36 months.

In evaluating these current projects, we typically base everything in terms of our

models and planning on an average value of about \$100 per carat run of mine, and we're conservative when it comes to assumptions with regards to the recovery of large diamonds. While it's rumored Venetia does recover diamonds in the 200 carat range from time-to-time, with their largest to date reported at just over 300 carats we don't include assumptions for recoveries of such large diamonds in our revenue models. We are cautiously optimistic that given the size and frequency of the project area virtually matches that of Venetia, we do think we could potentially see some of those \$1 million plus diamonds that weigh in excess of 100 carats, but if recovered they would simply be treated as bonuses in regards to normal projected revenue and targets."

Diamcor closed at CA\$0.35 last week and has just over 12 million shares outstanding. Considering the company's experience, relatively near term potential for cash-flow positive production, and additional opportunities in South Africa, one might view that as very cheap.

Follow the company's progress online at <http://www.diamcormining.com>.

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