

KX36 gives Botswana Diamonds its maiden resource



James Campbell, MD of Botswana Diamonds.

The acquisition of the KX36 diamond discovery, together with two prospecting licences and a diamond processing plant from Petra Diamonds, affords Botswana Diamonds its first classified diamond resource. The KX36 kimberlite, which MD James Campbell believes to be the most significant diamond discovery in Botswana since Orapa and Jwaneng, not only gives Botswana Diamonds a quick route to possible production, but also adds scale to the junior exploration company's Sunland and Maibwe JV properties in the Kalahari Desert. By *Munesu Shoko*.

Botswana Diamonds (BOD) has acquired a kimberlite pipe in the Kalahari, along with two adjacent prospecting licences and a diamond processing plant for a deferred cash payment of US\$300 000 and a 5% royalty on future revenues. The interests are part of a package held by Sekaka Diamonds, Petra's wholly-owned operating subsidiary in Botswana. BOD is acquiring 100% shares of Sekaka, in a cash consideration that is payable on deferred basis, with US\$150 000 payable on August 30, 2020, while the balance is due on or before August 31, 2022.

Speaking to *Modern Mining*, Campbell says the KX36 diamond discovery is "an important step forward" for BOD. "Every junior miner has to grow at some point. You are 'born' when you list on the stock exchange, and then you go through your 'adolescence' as you work through your exploration projects. You hit adulthood with your first classified resource, and as BOD, this is our first resource. We can now

start talking about feasibility and technical studies, with a view to commercial production," he says.

Campbell adds that BOD's goal is to find a project that is commercially attractive, put it into production and start generating revenue, and KX36 gives the company exactly that. "KX36 is a very significant discovery and potentially offers upside potential, as do the two contiguous prospecting licences. We have evaluated options and believe we can add value to the discovery," he says.

"We first looked at KX36 some three years ago. It's a high-grade kimberlite, one of the most significant discoveries since Orapa and Jwaneng. It was discovered after painstaking work by Petra, which just shows that one needs to be more precise to find these kinds of new kimberlite. Because it's in the Kalahari and close to all our other activities in Botswana, there is a huge synergy," he adds.

From a geopolitical perspective, Campbell says Botswana continues to be an exploration



destination of choice for BOD. "They call Botswana 'the Switzerland of Africa' for a reason: there is security of tenure and a simple mineral taxation regime," he says, adding that the southern African country also ranks highly in the world in terms of low corruption. "It's such a great country to do business in."

Project significance

Explaining the significance of the transaction, Campbell says there are three important parts to the acquisition. Firstly, he says, is the KX36 project itself. Petra Diamonds, he notes, has done a huge amount of work on the project, and has been able to determine an Indicated Resource of just under 18-million tonnes (Mt) at 35 carats per 100 t (cpht) and an Inferred Resource of 6,7 Mt at 36 cpht.

"To get to that particular point has taken a huge amount of money and effort," says Campbell. "Additionally, the KX36 project is in the Kalahari of Botswana, where we already have a significant interest through our Maibwe JV and Sunland Minerals properties. The acquisition is synergistic with our existing exploration licences."

Secondly, says Campbell, the transaction includes a bulk sampling plant, which has crushing and screening, dense media separation and X-Ray recovery on the KX36 site. "The plant is available to us as and when we do more work on the project itself, and also for working on our Maibwe and Sunland projects if need be."

The third leg to the transaction, he says, is the Sekaka exploration database, which adds to Botswana Diamonds' extensive database, improving the company's exploration programme, particularly in the Kalahari Desert where BOD is currently focused.

"The Sekaka exploration database goes back to almost 20 years of exploration data, and is probably the most comprehensive diamond database in Botswana after De Beers. We are sure that when we interrogate it in more detail we will make more discoveries from it," he says.

"So the transaction is significant in three ways: it is the KX36 itself, the sampling plant and the database. Additionally, we also have three prospecting licences; one of them holds the KX36 and the other two are immediately adjacent to KX36. There may be undiscovered kimberlites in the heavy mineral train of KX36," says Campbell, adding that you rarely, if ever, find a kimberlite pipe on its own and further exploration may discover more kimberlite pipes in the vicinity.

Work ahead

Campbell notes that Petra has already done a significant amount of drilling – including 24" Large

Petra has already undertaken a significant amount of core drilling at KX36.

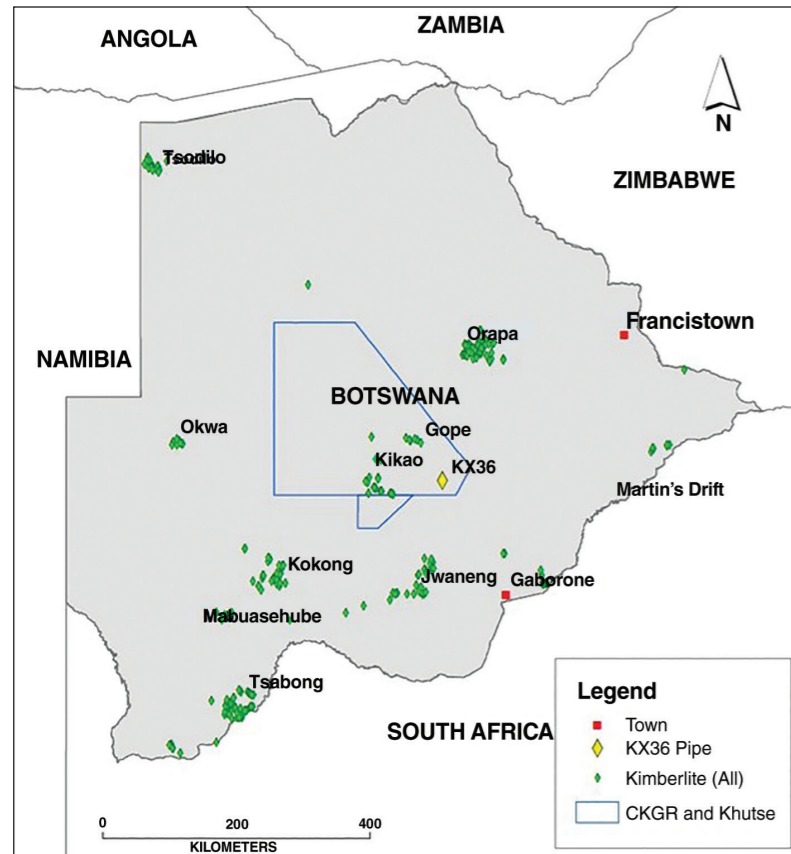
Exploration work at the KX36 site.



The transaction includes a bulk sampling plant at the KX36 site.



All photos courtesy of Petra Diamonds



KX36 locality map.

Diameter Drilling – and processing of a large amount of kimberlite to get to the Indicated and Inferred Resource. Petra has also completed a pre-feasibility study on the project.

Looking ahead, Campbell says the first thing BOD needs to do is to upgrade the desktop study of the project. “We have already done significant work on that and focus will be on two main areas. The first one will be to narrow the resource variables, believed to be between 57 and 76 cpht at a value of between US\$65 and US\$107 per carat. We will take another bulk sample to make this determination,” he says.

The second thing BOD will prioritise is taking a “very hard look at the mining technology”. “There

is no assumption that we are going to employ a standard opencast mining method using the default arrangement. There has been talk of a floating barge and dredging to remove the high sand overburden,” he says.

To give perspective, Campbell cites the AK6 project as an example of the approach BOD will

take with the KX36 project. When he was MD at Botswana Diamonds’ predecessor, African Diamonds plc, AK6 was put under re-evaluation by De Beers and African Diamonds after originally having been discovered in 1969 by De Beers.

African Diamonds was in a joint venture with De Beers on AK6, and there was a difference of opinion on the merits of developing AK6. African Diamonds 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 for the diamonds. “We disagreed and came up with a Value Engineering Study, which indicated a considerably lower capex and a higher diamond value. We also proposed an innovative processing route, including the use of autogenous milling,” he says.

Through further optimisation of the plant and mine design, African Diamonds was able to narrow the cost of delivering the AK6 mine to US\$120-million, a third of the initial cost. While African Diamonds was unable to raise capital to develop the project, the company, however, found an alternative investor in the form of Lucara, which later bought out African Diamonds and proceeded to build a mine – now known as Karowe – based on the technical solution African Diamonds devised. Karowe has since established itself as one of the outstanding mines in the global diamond mining industry, and is particularly renowned for its large gem quality diamonds.

“So that’s the kind of work we want to do at KX36. Focus will be placed on narrowing the resource variables, specifically on the mining side rather than the metallurgical side of things. The other area of focus will be the mining techniques to reduce mining capex and opex,” says Campbell.

Timelines

The acquisition, notes Campbell, is subject to customary regulatory approvals. BOD will therefore prioritise the completion of the conditions precedent on the agreement itself. “There are three important parts to that. The first one is seeking permission from the Petra bond holders, the second is Section 23 approval from Botswana’s Ministry of Mineral Resources and the third is competition approval in Botswana,” he says.

Once that is done, BOD can press the button on the desktop study which will start immediately after the regulatory approvals around September this year. “I hope that by the end of the year we would have completed that and then we can start planning the bulk sampling,” he says.

“In parallel to that, we would like to continue exploration activities on the other prospecting licences in the area and see if there isn’t another KX36 equivalent lurking in the vicinity. That’s obviously contingent on the COVID-19 pandemic,” he says, adding that in Botswana the state of

emergency will only be lifted around mid-September. “It all depends on how quickly we get through the pandemic and how swiftly we can get back to work.”

JV partnership

In line with its risk-sharing model, BOD may look for a JV partner to further develop the KX36 project. “Our model, as far as possible, is to spread our risk by partnering with people who share the same vision and values as us,” he says.

The same model has been adopted across many of BOD’s projects. For example, in Botswana, the company initially partnered with Alrosa in its Sunland Minerals subsidiary, which is now 100% owned by BOD. Elsewhere, BOD is part of the Maibwe JV, in which it has a 15% carry through to Bankable Feasibility Study. In Zimbabwe, the company is in partnership with Vast Resources, a local exploration company and in South Africa, BOD holds 40% of Vutomi Mining an active diamond explorer in the country

Project update

Commenting on the state of the rest of BOD’s projects, Campbell says the company has been able to complete the Marsfontein bulk sampling process. BOD collected samples from Marsfontein, located 50 km east of Mokopane in the Limpopo Province of South Africa, just before the COVID-19 lockdown.

“Because we were allowed to travel within provinces during Alert Level 4 of the lockdown in SA, we were able to process the bulk sample at African Diamonds Corporation. The results were what we forecasted. In exploration, things often don’t go the way you expect, but in this instance the grade of the dump and the kimberlite were what we expected, which is encouraging,” he says.

Once the ban on travel between provinces is lifted, BOD aims to continue its drilling programme at Thorny River project, which is adjacent to Marsfontein. Drilling in early 2020 did not intersect kimberlite. The site locations were selected using the latest, state-of-the-art technology. The data is being analysed and the techniques recalibrated to select the next tranche of drill sites. The targets are kimberlite pipes obscured by dolerite.

In Botswana, BOD’s 100% owned Sunland Minerals subsidiary has several active licences. “We had planned further drilling during the winter of this year, but clearly we can’t be drilling now due to the COVID-19 situation,” he says.

Elsewhere in Botswana, the Maibwe JV, in which BOD holds 15%, has been subject to significant delays due largely to the liquidation of the main partner, BCL, a state-owned copper producer. A new liquidator has been appointed and proposals are circulating, which would eventually lead to the resumption of work on four of the 10 licenses where drilling discovered a kimberlite with

abundant microdiamonds.

“Last year a new liquidator was appointed, and we have been working closely with the liquidator to progress this important project,” says Campbell. “We made two offers to buy out the majority partner in Maibwe and are yet to receive any formal response. We, however, hope that we will receive feedback soon from the current liquidator. We are keen to progress this project due to the exceptional microdiamond results in one of the kimberlites drilled. We are cautiously optimistic that there will be some good news in the near future,” he says.

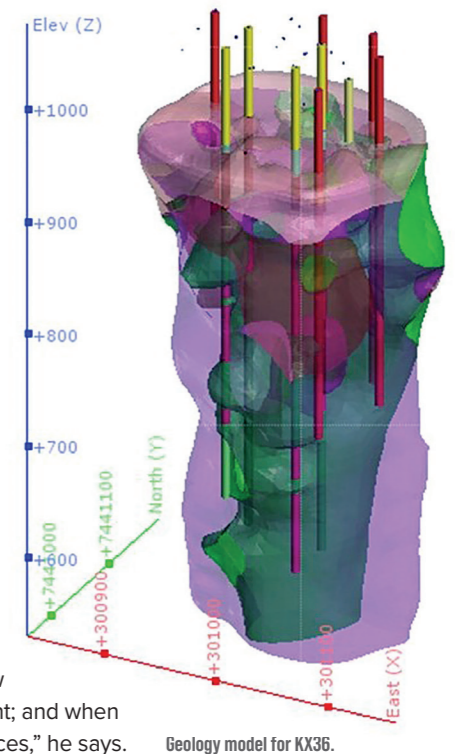
State of market

Commenting on the state of the diamond market, Campbell agrees that it is in a bad space, but based on history, he is optimistic that it will rebound. “Few diamonds are being sold at the moment; and when they are, they are being sold at low prices,” he says. “However, history shows us that the diamond market does get hit badly in times like this, but it also does recover quickly.”

Campbell agrees with Mark Cutifani, CEO of Anglo American, who was recently on record saying that the diamond market will sparkle during the fourth quarter after severe COVID-19-related sales disruptions due to the pent-up diamond sales, and diamonds symbolise lasting values and are a long-term storer of value in the current volatile times.

Campbell believes China is a good indicator of the recovery mode of the diamond market, with a major Chinese retailer, Chai Tow Fook, opening up 50 new jewellery stores after the Chinese lockdown.

“Typically, during a downturn things drop quite quickly in the diamond market, but prices actually rise soon afterwards. I have been in this industry for 35 years and these cycles come and go,” he concludes. ■



Geology model for KX36.

LDD drill bits used during drilling at KX36.



Key takeaways

- ❑ Botswana Diamonds has acquired a kimberlite pipe in the Kalahari, along with two adjacent prospecting licenses and a diamond processing plant for a cash payment of US\$300 000 and a 5% royalty on future revenues
- ❑ The interests are part of a package held by Sekaka Diamonds, Petra Diamonds’ wholly-owned operating subsidiary in Botswana
- ❑ BOD is acquiring 100% shares in Sekaka, in a cash consideration that is payable on deferred basis, with US\$150 000 payable on August 30, 2020, while the balance is due on or before August 31, 2022
- ❑ The KX36, said to be the most significant diamond discovery in Botswana since Orapa and Jwaneng, not only gives Botswana Diamonds a quick route to possible production, but also adds scale to the junior exploration company’s Sunland and Maibwe JV properties in the Kalahari Desert