

Lucapa a rare gem in diamond business

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■ Nick Evans



Listed diamond companies haven't had a huge amount of love from investors on the Australian Securities Exchange in recent years.

Choppy prices, and a few notorious failures such as the soon-to-be delisted Kimberley Diamonds, have been largely responsible for that.

One of the few that has sparkled over the past year has been Lucapa Diamonds, which has turned some spectacular individual diamond finds at its 40 per cent-owned Lulo alluvial operations in Angola into a steady stream of announcements about outsized sale prices and a healthy \$121 million market capitalisation.

Lucapa's share price has lagged in recent months, dipping below 40¢ at the back end of January from highs of about 55¢ in October, as its cash position runs down while it waits for a dividend

distribution from the Angolan operating subsidiary that collects the revenue from the sales.

That should be a pretty healthy figure when it arrives this quarter, given the operation booked sales of about \$69.5 million last year, according to Hartleys research analysts, with average operating costs previously tipped at about \$1 million a month.

It's now drilling out the region around Lulo, chasing the diamond pipe it believes to be the source of the alluvial diamonds.

The success at Lulo makes Lucapa one of the few companies to generate real cash from small-scale alluvial operations of any description.

Its success has led the company to add a second small-scale operation to its portfolio, with Lucapa last week announcing it had won a contested bid to buy 70 per cent of the Mothae kimberlite project in Lesotho.

Lesotho is a small independent kingdom entirely

surrounded by South Africa.

Mothae is a pretty close match for Lucapa's current operations.

Previous trial mining under one-time owner Lucara yielded 23,000 carats of diamonds from about 600,000 tonnes of bulk samples processed, according to a Hartleys research note, released yesterday.

The diamonds sold for average prices topping \$US1000 a carat — south of the \$US3000/ct for Lulo diamonds last year, according to Hartleys, but still very respectable indeed.

And like Lulo, the value in Mothae's early days may be in some of its spectacular individual finds.

The mine is 5km away from Gem Diamonds' Letseng mine, one of the highest dollars-per-carat yielders in the world.

Rare diamond types found in previous campaigns sold for as much as \$US1.7 million.

As with Lulo, Lucapa plans a capital-light opening for Mothae, saying it expects to spend \$US12 million to return its existing plant to operations