

CHRONIC INVESTOR BLOG

Our light-hearted take on the world of investing

Smallworld: Botswana Diamonds shines bright amid mining darkness

By [Matthew Allan](#), 23 June 2014

It's not all doom and gloom in the mining sector. Rough diamond prices have recovered to pre-financial crisis levels and the share prices of many diamond miners are outperforming not only their mining peers, but the wider market, too.

Shares in FTSE 250 miner **Petra Diamonds'** (PDL) are up over 50 per cent since January, as are shares in Canada's **Lucara Diamond** (TSX: LUC). Aim-listed **Firestone Diamonds** (FDI), meanwhile, successfully raised \$225m (£137m) last month in new equity and debt - four times the company's pre-money market capitalisation. "In raising [the money], Firestone has proven that long-life diamond mines with robust economics remain viable investments", analyst Kieron Hodgson of Charles Stanley Securities wrote in a research note to clients.

But the positive background for gemstones has yet to reach the dozen or so small Aim-listed diamond explorers whose share prices remain stuck in the mud.

DIAMOND EXPLORATION COMPANIES ON AIM

COMPANY NAME	Ticker	Share price (p)	Market capitalisation (£m)	Year-to-date share price performance (%)
BLUEROCK DIAMONDS	BRD	12.5	4	6.38
BOTSWANA DIAMONDS	BOD	2.6	4	(8.7)
DIAMONDCORP	DCP	7.4	24	51.3
FIRESTONE DIAMONDS	FDI	38.7	120	29.2
GOLDEN SAINT RESOURCES	GSR	5.0	21	(56.5)
KARELIAN DIAMOND RESOURCES	KDR	1.9	5	(20.2)
NAMIBIAN RESOURCES	NBR	1.9	1	(46.4)

PARAGON DIAMONDS	PRG	3.6	12	(4.64)
STELLAR DIAMONDS	STEL	1.4	10	37.5
SUNRISE RESOURCES	SRES	0.5	3	11.1
AVERAGE				(0.1)

Most interesting among the rabble is John Teeling's [Botswana Diamonds](#) (BOD), one of four small exploration companies run by the veteran Irish resource executive's 162 Group.

BOD signed a 50:50 joint venture agreement last year with Russia's Alrosa - the world's largest diamond producer by volume - to explore early stage diamond licences together in the southern African country. BOD is one of only a handful of companies to partner up with the secretive, state-controlled mining behemoth and the only one to do so in Botswana, the world's premier diamond mining jurisdiction.

They plan to drill as many as 10 shallow drill holes starting in September to confirm the presence of multiple kimberlite pipes in their tiny Orapa licence, PL117. Measuring just 2.9 square kilometres, the prospective land has been looked at before - De Beers discovered a small diamondiferous kimberlite pipe there in 2004 - but Alrosa's 'proprietary exploration techniques' have found several enticing and untested anomalies in the northern part of the licence.

BOD's management also has form here. They helped discover the Karowe diamond mine a mere 10km away with African Diamonds, before selling it to Lucara for roughly £51m in 2010. (Investors in African Diamonds' IPO at 7p a share witnessed their shares increase in value by 24 times to a peak of 170p a share in just three years, although the final sale price was nearer 70p).

True, BOD is dreadfully low on cash; at 1 June it had just \$330,000 in the bank. But commercial director Robert Bouquet hopes warrants worth £1m will be exercised before their expiry in the next few weeks, which would fund the company's work programme for the next year.

Even if it does get the money, the odds of finding a commercial deposit are still notoriously small. But BOD's share price is already sitting near a three-and-a-half year low and a market capitalisation of £4m is hardly demanding. Moreover, upcoming news flow - including a second batch of surface sampling results, confirmation of the drilling schedule, the potential exercise of warrants and the start of exploration on BOD's other licences - could conceivably lead to a turnaround.

About Smallworld

Investors Chronicle's Smallworld column focuses exclusively on companies listed on London's Alternative Investment Market (Aim) with a market capitalisation of less than £100m. This is a chronically under-researched area of the market, even though it represents over three-quarters of Aim companies. We caution, however, that trading in these types of small-cap shares carries a higher degree of risk and is often volatile or illiquid.

<http://www.investorschronicle.co.uk/2014/06/23/comment/chronic-investor-blog/smallworld-botswana-diamonds-shines-bright-amid-mining-darkness-lmHRXW5E6COeiSafQKKMiN/article.html>