

VETERAN EXPLORER HAS 'INFINITE PATIENCE'

The long search for earth's riches

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MINERALS

MINING veteran Miles Kennedy has been around long enough to know he doesn't have to worry about the normal conventions that come with being a managing director.

He sits in his office in Perth's Subiaco with his cocker spaniel at his feet and happily lights a cigar as he talks about his ventures.

Talking to him it's hard not to see how his two key exploration companies, Lucapa Diamonds and Resource and Investment (RNI), are about much more than just their immediate mineral potential.

Lucapa represents an opportunity to leave his mark again in the difficult but addictive world of diamond exploration, more than 20 years after he led the development of the Ellendale diamond mine in the north of Western Australia.

And it's impossible to ignore the comparisons between RNI and Sandfire Resources, the copper miner he chaired before a very public falling out with managing director Karl Simich which has taken on mythological status in Perth mining circles.

RNI is working on Sandfire's doorstep in WA's Byrah Basin, in an effort to make the next big copper discovery that has eluded Sandfire in the years since its breakthrough DeGrussa find.

The efforts by RNI around the basin come at a time when investor interest in the region has receded.

When Sandfire first found DeGrussa in 2009, it triggered a rush of companies looking for similar deposits in the region. Those additional discoveries that everyone expected have yet to surface and many of the companies and their investors have gone to look elsewhere.

But if there's one thing a lifetime in minerals exploration has taught Kennedy, it is the importance of patience.

"Everybody including myself was expecting something else to be discovered within 10km of DeGrussa, but with that not eventuating after all that time and the huge amount of money, the region went off the boil," Kennedy says.

"Exploring for diamonds, you learn the infinite patience of exploration and how important geologists are. If I for one minute thought we weren't going to find a copper discovery here, I wouldn't



Miles Kennedy

hold the ground. It's inconceivable that we won't."

A combination of attrition and acquisitions has left much of the ground in the Byrah Basin in the hands of three key players: Sandfire, which has struck joint venture deals over the nearby ground held by Talisman Resources and Ventnor Resources; a newly minted joint venture between Independence Group and Alchemy

Resources; and RNI, which supplemented its own holdings with those of Naracoota Resources and which recently bought the old Peak Hill goldmine.

Of immediate focus is the opportunity to generate cashflow out of the large but low-grade gold resources it holds. RNI has a gold plant on site, but test work has already shown remarkably high gold recoveries through heap leaching.

But the real prize is the copper potential of the ground.

The succession of previous companies to work the ground held by RNI have only ever focused on the shallow gold potential of the area. None has tested for deeper copper deposits such as DeGrussa, despite indications that the metal is present in the area.

The potential of RNI's ground helped the company lure Peter Langworthy, the former Jubilee Mines exploration guru who had previously been running the nearby exploration efforts of Talisman.

"The parallels we're seeing here (to Sandfire) are irrefutable," Kennedy says.

"We've got a gossan outcropping in one of these areas running 12.8 per cent copper at surface.

"Don't tell me that's the only bit of copper down there. But we need to go and do the work, and we will."

The lure of a major discovery is also at the heart of Lucapa.

Diamond exploration is notoriously fickle and while Kennedy knows the challenges all too well, he can't resist the allure of the gems.

He joined Lucapa, then known as Lonrho Mining, in 2008, a year after selling Kimberley Diamond Co — the company behind Ellendale — to Britain's Gem Diamonds for \$330 million.

Lucapa owned an operating diamond mine in South Africa that was "a complete dog", burning through \$1m a month.

But it owned an exploration concession in Angola, where an airborne survey had identified hundreds of anomalies.

A geologist dispatched to investigate the anomalies came across thousands of artisanal miners working rivers for alluvial diamonds, and the anomalies he tested all turned out to be kimberlites. While not all kimberlite pipes contain diamonds, almost all of the world's major diamond mines are in kimberlite pipes.

Efforts to assess that exploration potential in Angola were complicated by an 18-month

nightmare as Lucapa tried to off-load its South African mine.

At the same time and without warning, its 50 per cent shareholder, Lonrho, sold its entire stake on market over a matter of months. Those issues are in the past and Kennedy is concentrating on generating some income out of the alluvial potential in Angola while continuing to hunt for the source of all those stones.

So far Lucapa has collected \$3.4m from a 500-carat parcel of diamonds recovered from Angola and the company expects to sell another 500-carat parcel next month.

Among the stones Lucapa will be selling are a 95-carat gem expected to fetch between \$4m and \$5m, and a 32-carat stone that is likely to be worth between \$1m and \$2m.

Kennedy knows all too well the challenge of diamond exploration, but he also knows how lucrative success could be.

"I've spent 21 years of my life in diamonds," he says.

"Diamond exploration is the hardest game in town, without a shadow of a doubt.

"Equally, if we find a deposit here, we don't need a railway line, we don't need a port.

"We just need a suitcase."