

**Tim Treadgold** Contributor*I cover stories in the mining and oil industries.*

ENERGY 5/01/2014 @ 4:10AM | 481 views

Diamonds Are A Farmer's Best Friend, Says John Kahlbetzer

For a man knocking on the door of the billionaire's club a \$1.4 million investment is small beer, but what [John Kahlbetzer](#) has done by acquiring a stake in a small exploration company is remind fellow investors that diamonds are a resource poised to enjoy a bright future.

Best known for his big holdings of farmland in Australian and Argentina Kahlbetzer's acquisition of a 5.2% stake in Lucapa Diamond Company gives him exposure to a promising project in one of the world's riskier countries.

With a net worth estimated at \$755 million, and a ranking as Australia's 34th richest person, the 82 year-old Kahlbetzer conducts most of his business through Twynam Agricultural Group.

It was Twynam which last month snapped up the stake in Lucapa via participation in a capital raising designed to fund the next stage of work at the Lulo diamond project in eastern Angola.

1% Chance Of Success

Hard to discover, diamonds can be even harder to be mined profitably. The world's dominant diamond trading company, De Beers, estimates that the success rate of finding a commercially viable diamond mine at 1%.

However, if that discovery can be made the rewards can be high, and more so if forecasts of a shortfall in diamond supply from later this decade prove to be correct, delivering higher diamond prices.

Bain and Company, a consultancy, reckons a supply gap will emerge from 2019, and widen at a rate of around 2% a year, a prospect which has big jewelry companies stepping up their search for reliable future sources of premium quality gems.

The Russians Have Arrived

What Kahlbetzer gets for his investment is a ringside seat at Lucapa's Lulo project which has already attracted the attention of the diamond trade after unearthing a monster 131 carat stone from a bed of river gravel in Angola's Lunda Norte province which is also home to the giant Catoca mine operated by Russia's big diamond company, Alrosa.

The success of Catoca has added to Angola's status as the world's fourth biggest source of diamond, a position which also helps overcome some of the issues in dealing with a sometimes difficult and high-taxing government.

The plan being developed by Australian-listed Lucapa is to continue testing the river gravels in the hope that they will lead to the source of the diamonds, which is generally kimberlite rock in a structure called a "pipe" which was formed as the core of volcano.

Trial Sale

It is possible that the gravel beds could yield commercial quantities of diamond with one parcel extracted during the exploration process sold last year for \$3 million.

The price received for the parcel is seen an indication of the high quality of gems being recovered during a process called bulk sampling.

But, what Lucapa wants, and what Kahlbetzer its new shareholder will be keen to find, is a kimberlite "pipe" of the sort that attracted Alrosa to Angola.