

Tiffany & Co. to finance Diamcor Mining

by Ellsworth Dickson

In what might be considered to be a unique development, Dean Taylor, President/CEO, reports **Diamcor Mining Inc.** [DMI-TSXV] has entered into a long-term strategic alliance and closed a financing with premier luxury jewellery and specialty retailer, New York-based **Tiffany & Co.** [TIF-NYSE]. In the three months (fourth quarter) ended January 31, 2011, Tiffany & Co.'s worldwide net sales increased 12% to US \$1.1 billion.

This isn't the first time a major US diamond retailer has funded a Canadian diamond exploration/mining company. **Harry Winston Diamond Corp.** [HW-TSX; HWD-NYSE] owns a 40% interest in the producing Diavik Diamond Mine in the Northwest Territories; however, Diamcor is still considered a junior resource company and not a major producer.

Diamcor's operational team, based out of Kimberley, South Africa has established relationships with diamond majors and manages diamond projects. The company acquires and operates near-term, production-based, diamond projects with potential to generate sustained rough diamond production and cash flow.

Tiffany & Co., in conjunction with their diamond sourcing and polishing subsidiary **Laurelton Diamonds South Africa (Proprietary) Limited**, and Diamcor, in conjunction with its subsidiary **DMI Minerals South Africa (Proprietary) Limited**, entered into a strategic off-take agreement for future rough diamond production from the Krone-Endora at the Venetia Project in South Africa. Diamcor recently acquired the Krone-Endora diamond rights from De Beers Consolidated Mines Limited.

Under the terms of the agreement, Tiffany & Co., through Laurelton, secured a first right of refusal to purchase up to 100% of the production of rough diamonds from Krone-Endora at fair market value prices to be negotiated and adjusted from time-to-time to reflect current mar-

ket conditions. DMI Minerals retains the right to freely market any rough diamond production and specials (rough diamonds 10.8 carats or larger in size) which are not selected for purchase by Laurelton.

To expedite the production and supply of rough diamonds from Krone-Endora, Tiffany & Co. provided Diamcor Mining with \$5.5 million in financing through its subsidiary, Tiffany & Co. Canada. The financing includes a \$3.5 million term loan and a \$2 million convertible debt debenture.

The loan has a term of five years and a fixed rate of interest of 7% per annum. The loan is non-amortizing for two years from the date of issuance of the promissory note evidencing the loan and, accordingly, no interest or principal is due for two years, at which time principal and interest is payable monthly in accordance with a three-year amortization schedule. Diamcor can repay the outstanding principal and any accrued and unpaid interest due under the promissory note at any time without notice or penalty.

The convertible debenture has a five-year term and a fixed rate of interest of 7% per annum. Like the term loan, interest accrues but is not payable for two years from the date of issuance, following which interest becomes due and payable monthly. Diamcor can repay the outstanding principal and any accrued and unpaid interest, without penalty, on not less than 30-days notice and subject to the conversion rights contained in the convertible debenture.

Under the conversion rights of the convertible debenture, Tiffany & Co. Canada may convert the principal amount of \$2 million along with any accrued and unpaid interest due at that time, in whole or in part, into class A Diamcor shares at a conversion price of \$0.75 per share. At any time after two years from the issue date of the debenture, Diamcor may convert the principal amount of \$2 million, along with any



A large rough diamond recovered from bulk sampling at the Krone-Endora diamond deposit at the Venetia Project in South Africa. Photo courtesy Diamcor Mining Inc.

accrued and unpaid interest due at that time, in whole or in part, into Diamcor shares at a conversion price of \$0.75 per share.

With this strategic financing closed, Diamcor can advance, develop and deploy the infrastructure to begin the mining and production of rough diamonds from Krone-Endora. Its operational team has begun the initial work associated with the start of the extended drilling and bulk sampling programs recommended by its current NI 43-101 technical report.

In February 2011, Diamcor acquired Krone-Endora from De Beers through its majority-owned subsidiary, DMI Minerals. The project consists of the prospecting rights over the farms Krone 104 and Endora 66, covering about 5,888 hectares adjacent to De Beers' flagship Venetia Diamond Mine in South Africa. The deposits at Krone and Endora have been identified as an upper alluvial deposit as well as a rare high-grade lower eluvial deposit with an NI 43-101 inferred resource estimate of 54,258,600 tonnes of diamond-bearing gravels and 1.3 million carats of diamonds.

Diamcor will now begin extended drilling and bulk sampling programs aimed at identifying additional resources which have not yet been quantified, and determining the current market diamond price estimate. ■