



Angolan diamond industry to regain record production

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The Angolan diamond mining industry could be poised to regain record production levels in the next few years, say economic geology consultants Sínese and sub-Saharan African investment bank Eaglestone.

Growth will be driven by the new mining law attracting more activity from foreign miners and strong demand for higher quality diamonds from the growing Asian luxury goods market.

Sínese and Eaglestone explain that Angola's diamond industry is successfully emerging from a long period of difficulty as a result of the country's political turmoil until 2002, and, more recently, as a consequence of the global financial crisis. The volume of production has remained relatively stable at 8-million carats a year, since 2006, and there has been a recent increase in exploration and mining activity.

Since late 2011, a new mining code has been introduced, which is intended to encourage more foreign investment in Angola's mining industry. Key changes include the granting of mining and marketing rights using the same instrument and changes that should make it possible for private-sector investors to take a majority stake in mining operations – a right previously preserved for the Angolan State diamond company Endiama.

Eaglestone managing partner **Manuel Reis** says the Angolan diamond industry is in the midst of a major restructure, as a result of both external changes and internal forces.

"The Angola government has made a major effort in simplifying the law relating to mining and is also committed to using the country's oil wealth to diversify the economy and improve infrastructure. Mining and diamond production should be important beneficiaries of that process as the upgrading of the country's road and power infrastructure will improve the mining sector's productivity."

"With a major role in the international diamond industry, Angola is now entering its second century as a diamond producer. This moment is also one of tectonic reshaping, both of the international diamond industry – from mining through to the diamond jewellery markets – and in the structure and organisation of the Angolan sector."

Over the last five years, while production remained fairly steady at the Catoca mine – the world's fourth-largest diamond mine in which Russia's Alrosa is a joint venture partner with Endiama – the impact of the financial crisis slowed production across the country and prompted international mining companies to abandon their operations.

However, Sínese and Eaglestone say this trend is starting to reverse and point to signs of an expansion in exploration and production including activity by international players.

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