

Could diamonds be everyone's best friend?

🕒 May 4, 2020 📁 Features 👤 Vanessa Zhou



Gibb River Diamonds is on the verge of becoming a diamond producer in Australia with major ambitions. This is unsurprising to many, as its fancy yellow diamonds are gems that no other Australian miner can produce. Vanessa Zhou writes.

The Blina project at the Ellendale mine in 2007. Image: Gibb River Diamonds. Copyright: Robert Frith

Diamond mining has held a unique charm since its earliest days of activity in the fourth century Before Christ.

As a commodity that is limited in supply compared with other minerals, the rarity of diamonds is reflected in Australia too, where the number of mines can be counted with mere fingers.

With the impending closure of Rio Tinto's Argyle diamond mine in Western Australia, ambitious diamond miners are rising to the fore.

This includes Gibb River Diamonds, previously known as POZ Minerals, a company led by chief executive Jim Richards, a former geologist with 26 years of experience in exploration.

The man has a knack for finding hidden resources, proven by his leadership of a team that discovered the now BHP-owned Railway iron deposit in the Pilbara, Western Australia more than a decade ago.

At Gibb River, Richards is determined to breathe new life into the Ellendale diamond mine in Western Australia, which has been dormant since production ceased in 2015.

"I personally feel that the previous operators have made the mistake of going for volume while they should've gone for longevity and value add," Richards tells *Australian Mining*.

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The West Kimberley mine previously supplied half of the world's high value yellow diamonds, including to the world's most prestigious jeweller Tiffany & Co.

Since Gibb River acquired the keys to the site in December last year, the operation's restart has gathered momentum

"As soon as possible, we'll get going," Richards says.

"As soon as we get the money, we will mobilise (to site). We have got all of the Ellendale's former mining ground, prospects and alluvials in the projects, including the Blina alluvials."

In fact, the Blina project, one of the exciting targets and just west to the main Ellendale hard rock pipes, is shovel ready, according to Richards.

The Gibb River team can simply "pick up the gear", with some, if not most of the recovery equipment already owned by the company.

"Our plan is to let the market settle a little bit and then see where we're at in terms of capital raising," Richards says.

"Obviously the market is a bit choppy at the moment so we might wait for that to settle down before we try and raise capital directly."

Despite being constrained by capital, Richards is convinced of the potential that still exists at Ellendale. The chief executive believes that for \$2.5 million, Gibb River can set up a trial mining operation at Blina.

Richards adds that establishing Blina as a low capital expenditure project will set the path for a full-scale mining operation. The Blina project is backed by "affirmative" alluvials that are proven with good grades in the past, he says.

With all the required Indigenous, environmental and WA mines department permits in place, the only thing that's pending is the last bit of capital (at the time of writing).

"There are three different, potential ways of capital raising. We can do a joint venture, we can issue shares or we can sell a phosphate asset that we've already received an interest for," Richards says. "Any of those would do."

When asked about Gibb River's ambition for the Ellendale mine, Richards says he envisions an operation with an indefinite life.

"We're not trying to be the world's biggest (diamond mine) or achieve the highest production. We try to have some longevity," he says.

"I would love this business to be around in 40-50 years' time, growing and adding value. It's a bespoke product and I think that's the way to look at it."



The fancy yellow diamond that is unique to the Ellendale mine in Western Australia.

The Ellendale mine produces fancy yellow diamonds that are not available anywhere else in Australia, giving it a unique offering.

Richards says precious gems from Ellendale are the “absolute top yellow stones” highly sought after in the world. All other mines produce a slightly different colour to Ellendale’s renowned gem.

Rio Tinto, for example, produces white, champagne, cognac, blue, violet and the highly-coveted Argyle pink and red diamonds at the Argyle mine in the East Kimberley region.

By building a profitable, commercial diamond mining operation at Ellendale, Gibb River plans to market and brand the unique fancy yellow diamonds it recovers.

“This is our medium-term goal, and a reasonable one. We aim to create the world’s major luxury diamond brand,” Richards says.

“We could do a deal with Tiffany’s – that’d be great. Once we’re up and running we’ll be talking to them. But we’re quite keen to establish our own brand as well.

“You can sell diamonds, don’t you worry about that. That’s easy. We’ve got arrangements with auction houses, Henig being one of them who will put our diamonds on their auction sites for bids.

“But the hard bit is, can you add value? That’s where marketing comes in. That’s why the value of the brand is in longevity.”

Rio Tinto, which last year staged its 35th tender since Argyle began production, has experienced appreciation of more than 500 per cent in value for the unique pink diamonds sold at its tenders.

Its latest Argyle pink diamonds tender also saw “double digit growth” in the number of bids, with successful bidders coming from nine countries.

With Argyle's closure scheduled for the end of this year, Ellendale would be Australia's only diamond mine if it becomes operational again.

"That in itself would have a commercial value," Richards says.

"Some people want Australian diamonds and some want to market Australian diamonds."

One thing's for sure, Gibb River has got the Western Australian Government's support for the restart.

"With our friends in the government and also local stakeholders, we will get there," Richards says.

The Western Australian Government's award of the Ellendale leases to Gibb River and its establishment of the exploration incentive scheme (EIS) in the state are proof of that.

"The EIS program is managed by the department's Geological Survey of Western Australia to encourage exploration in Western Australia for the long-term sustainability of the state's resources sector," the Department of Mines, Industry Regulation and Safety (DMIRS)' acting executive director Resource Tenure Clare Ingerman says.

She adds that the Western Australian ad valorem rate of 7.5 per cent (based on sales value) is also broadly aligned with the diamond royalty in other international diamond producing jurisdictions, though they are difficult to compare directly.

"The royalty rate for diamonds is 0.2 per cent of the adjusted revenue value in Brazil; 4.2 per cent of the sales value in India; and 5 per cent of the sales value in Tanzania," Ingerman says.

"In Canada, each jurisdiction has a different mineral royalty rate system; most provinces have a profit-based royalty system with rates ranging between 10 and 20 per cent.

"The Argyle diamond project currently has a 5 per cent royalty rate applied, which was amended from the 7.5 per cent rate in 2006, the time at which Argyle decided to proceed to underground mining."

Though the economic shake up due to the coronavirus pandemic and brutal oil price war has been unhelpful in getting Gibb River the capital it requires to restart the Ellendale mine, Richards is confident about its ambitions.

"We're in this for the long haul," he concludes.

This article also appears in the May edition of Australian Mining.

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