

## Kimberley diamond explorers applaud WA Government's royalty rate cut

WA Country Hour / By Courtney Fowler

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The State Government has reduced the diamond royalty rate from 7.5 to 5 per cent to encourage more exploration in WA. (Reuters: Denis Balibouse)

Diamond miners have warmly welcomed a 33 per cent royalty rate cut, three years after the McGowan Government [angered Western Australia's gold miners](#) with a proposal to raise royalties.

The reduction was recommended in a 2015 Government report, that all diamond miners pay a flat rate of five per cent.

The WA's diamond industry is facing a significant turning point, with the [looming closure of Australia's largest producer of diamonds](#) at Argyle Diamond mine in the East Kimberley, and the revival of the mothballed Ellendale mine.

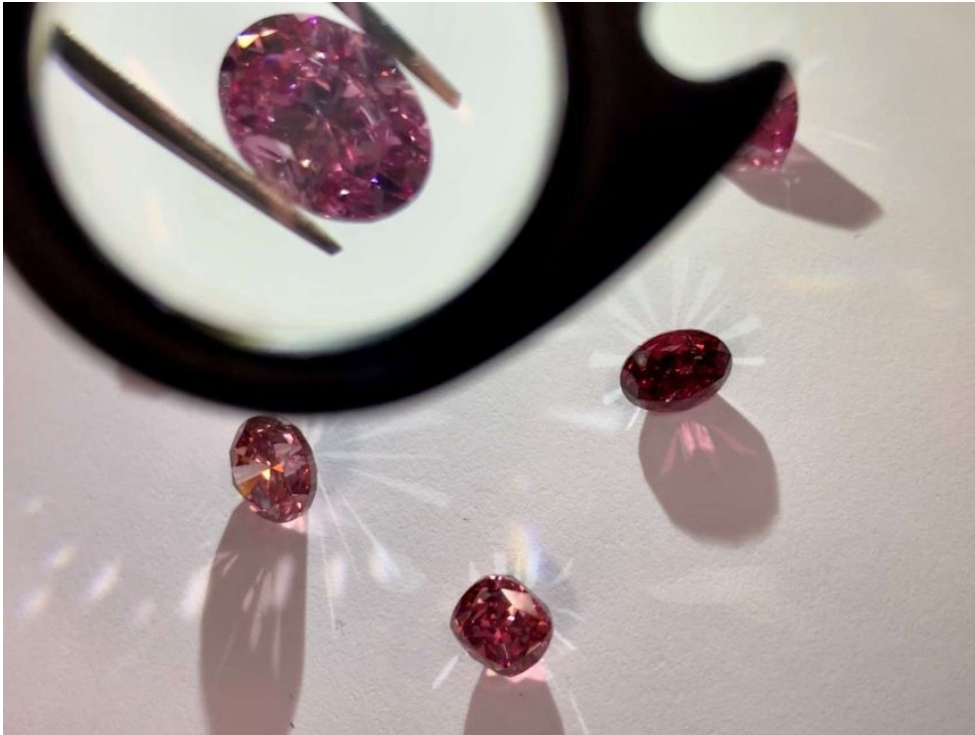
Ellendale produced half the global supply of fancy yellow diamonds made famous by Tiffany & Co jewellery.

Minister for Mines and Petroleum Bill Johnston said it was hoped the rate reduction from seven-and-a-half to five per cent, would help encourage a rejuvenation of diamond exploration in the Kimberley.

### Key points:

- WA Government cuts diamond royalty rates from 7.5 to 5 per cent
- World's largest diamond producer Argyle in East Kimberley is closing soon
- Exploration companies race to revive the Ellendale mine, for fancy yellow diamonds seen in Tiffany & Co jewellery

"As we watch the Argyle mine come to the end of its life, it would be great to encourage explorers to get out there and find the next big thing for the diamond industry," he said.



Rio Tinto's Argyle mine is one of the only sources of pink diamonds in the world. (ABC Kimberley: Courtney Fowler)

## Levelling the playing field

The reduced diamond royalty rate is comparable to the five per cent royalty rate applied to the Argyle diamond mine, which was changed in 2006 after Rio Tinto decided to proceed with underground mining.

From January 2009, a gross rate (ad valorem) of five per cent was also applied to Ellendale's diamond operations.

Mr Johnston said now was the right time to make it an equal playing field for smaller explorers.

"Given that people are back out in the field looking for diamonds, we want to make sure that everyone is treated equally," he said.

"Rather than having special arrangements, we thought it was time to regularize the industry."



Gold miners travelled from far and wide to protest the planned royalty rise in 2017. (ABC News: Eliza Laschon)

Minister Johnston's comments came almost three years since the State Government's proposal to increase the gold royalty rate from 2.5 per cent to 3.75 per cent.

The proposal was killed off in October 2017, after being blocked by WA Liberals following strong backlash from mining companies and industry groups.

Minister Johnston said there were no plans to make changes to the gold royalty rate.

"The thing about royalties is there's a formula that's supposed to deliver a 10 per cent return to the taxpayer for the mine-head value," he said.

"The only royalty in WA that doesn't meet the 10 percent mine-head value is actually gold, but we don't have any plans to change royalties at this stage.

"This is simply reflecting the recommendations of the royalty rate review [and] the fact that to get a finished diamond requires quite a significant amount of processing."

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Bill Johnston is the WA Minister for Mines and Petroleum. (ABC Goldfields: Jarrod Lucas)

## Revival of mothballed mine

The move to reduce diamond royalty rates has been applauded by a Kimberley explorer trying to revive the old Ellendale mine near Derby in the West Kimberley.

Gibb River Diamonds accepted an offer to apply for new tenements at the mothballed mine late last year.

The company already holds mining and exploration leases over 40 kilometres of diamond-bearing alluvial channels west of Ellendale, where trial mining was set to begin this year, once financing was complete.

Executive chairman Jim Richards said in the past one of the biggest barriers for small diamond explorers trying to enter the market had been "exorbitant" royalty and council rates.

He said the State Government's rate reduction would give the sector a boost, after successfully lobbying the Government for several years on this issue.

"To be honest I think this should have been addressed a little bit earlier but better late than never," Mr Richards said.

"I'd like to very much commend and thank Mines Minister Johnston.

"It's the first royalty rate reduction that I can think of in the states recent history and it's going to make a big difference."





The Ellendale mine once produced 50 per cent of the world's supply of fancy yellow diamonds. *(Supplied: Kimberley Diamond Company)*

### **Diamonds hit by global pandemic**

Mr Richards said it was a crucial time to support the diamond industry, which had experienced a global downturn during the COVID-19 pandemic.

"Western Australia has been, for quite a number of years in previous decades, the largest diamond producer by weight in the world and we're about to go from that to zero," he said.

"It's not just the mines [impacted], there's a whole bunch of diamond sorters, valuers and other groups of people ... that's their livelihoods as well.

"We're kind of the last man standing in terms of Australian diamond mining just about, there's not a lot of other groups out there."

India Bore Diamond Holdings, who have been exploring on an adjacent pastoral lease, had also been invited to apply for other tenements at Ellendale.



The Kimberley Diamond Company's Ellendale diamond mine went into administration in 2015. (ABC Rural: Matt Brann)

Meanwhile only 50 kilometres east of the mothballed mine, Lucapa Diamond Company recently put exploration at the Brooking Diamond Project on hold.

Mr Richards said his company had already started pegging leases at Ellendale and would need to conduct more exploration and consultation with Traditional Owners before operations could begin.

The Government has spent about \$230,000 on rehabilitating the site and making it ready for new operations, after the tenement was handed back by the previous operator, Kimberley Diamond Company, in 2015.

But with the world's biggest source of yellow diamonds potentially still in the ground, Mr Richards said it was the most prospective diamond field in the country.

When Rio Tinto's Argyle mine shuts down this year, it has been estimated global diamond production will drop off by 10 per cent.

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