

THE AUSTRALIAN

Business

Diamonds are forever for miner

Sarah-Jane Tasker PRECIOUS METALS

619 words

19 April 2018

The Australian

AUSTRALIAN

Australian

20

English

© 2018 News Limited. All rights reserved.

Rio Tinto chief executive Jean-Sebastien Jacques has backed the future of diamonds at the world's largest miner, with strong pressure on his exploration team to discover the next world-class mine as the closure of its existing operations nears.

Mr Jacques pledged his commitment to diamonds during a tour of Rio's Diavik mine in Canada's Northwest Territories on Tuesday, which has delivered its first ore from a new pit ahead of schedule.

Rio revealed in its quarterly production report today that the fourth diamond pipe at Diavik, A21, delivered its first ore in March, which puts it on target to start production in the fourth quarter of this year.

"A21 is a real success. They were able to deliver ore ahead of schedule in a safe manner and the demand for those diamonds is strong, so the more quality diamonds we have for our sales and marketing team, the better," Mr Jacques said.

"We like diamonds and we have two mines today, Diavik and Argyle in Western Australia, but they are on their last legs.

"We do not want to exit the diamond business. We have built, over many years, a very good position and it is a premier position and we just need to continue to find the right resources to support our position." Argyle is scheduled to close in 2020 and Diavik, which Rio has a 60 per cent stake in, is set for a 2025 closure.

"From a macro standpoint, diamond supply is flat but the demand is still rising, which is why we are optimistic about the attractiveness of the diamond industry going forward, but we have to find a new world-class mine and we will do everything we can to find it," Mr Jacques said.

"Exploration is very important to us and we have committed around 20 per cent of our overall group exploration spend at Rio Tinto this year on diamonds." Canada is the key target for a new diamond mine for Rio and Mr Jacques said he was optimistic about discovering a new project in the region.

"We will continue to invest in the space but it is about the quality of the mine, and I will continue to put the exploration team under pressure because we need to find a new diamond mine," he said.

Mr Jacques, who presented the team at Diavik with a safety award during his visit, said while he had a watching brief on deal activity in diamonds, he was not convinced there was a lot of value to be created through mergers or acquisitions in that space.

"I will not grow in diamonds through M&A for the sake of it. It's all about the quality of the diamonds and the business case to create value for shareholders," he said.

The rise of China's middle class and new wealth creation in the economic powerhouse is driving an increase in demand for luxury products, such as diamonds, and Mr Jacques predicts that China will eventually overtake the US as the largest customer for diamonds.

"If you look at all commodities where we operate, except diamonds, the largest customer is China," he said.

“But you see a growing trend in China and other geographies because as people become more wealthy they want access to diamonds.” When Rio first started marketing its diamonds from the Argyle mine into China eight years ago there were no stores that sold its product.

Today there are more than 2000 retail outlets in mainland China where consumers can purchase Argyle diamond jewellery. The reporter travelled to Diavik Diamond Mine as a guest of Rio Tinto.

Document AUSTLN0020180418ee4j0002o