
Is Argyle Mine Production Falling?

Potential Impact on Argyle Pink Diamonds

By Darren Long, Guildhall Wealth



Image courtesy of Rio Tinto/Argyle Diamonds

Pink diamonds are by nature one of the most beautiful and rare color diamonds. The majority of the world's pink diamonds have been unearthed in Western Australia at the Argyle diamond mine, owned by Rio Tinto. The Argyle mine is very important for collectors and investors of pink diamonds as it provides 90% of the world's pink diamond supply. The mine is set to close in 2020 and when it does the world will lose its number one source of pink color diamonds. In essence, pink diamonds will become even scarcer.

The mine has been in operation since the early eighties and since no mine can operate forever it is no wonder that diamond industry experts have been predicting the closing of the Argyle mine for a many years now. Representatives of Argyle would rather not discuss the subject, but all evidences appear to pinpoint the next few years as the mine's last. It is still up for conjecture when the specific closing date will be, but Guildhall Wealth Management has recently researched the topic that can hopefully shed some light on whether or not this Argyle will even last through 2020.

Ore Reserves

Research shows that ore reserves have been in steady decline for the last decade (please see fig.1). More importantly 2016 marks the beginning of what certainly appears to be the final few years of decline and the ultimate closure of the mine. Rio Tinto, a global mining company with many of the finest geological locations for diamond mining across the planet, has owned and operated the Argyle diamond mine in Western Australia's East Kimberley region since 1983. It has produced more than 800 million carats of

rough diamonds making it one of the world's [largest sources of diamonds](#). It has also been one of the largest sources of natural color diamonds including the aforementioned pink Argyle diamonds.

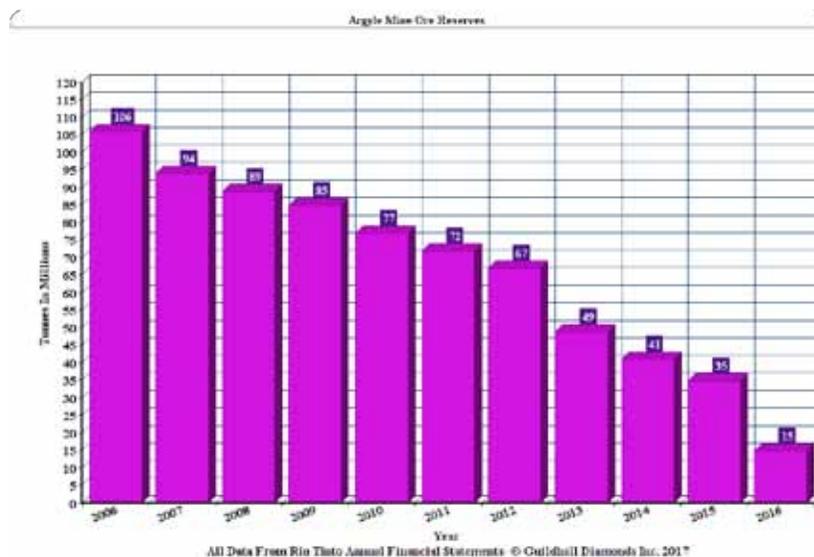


fig. 1

On March 2nd of 2017 Rio Tinto released an updated [reserves and resources statement](#) for their Argyle mine, a statement that describes a huge drop in mine production of over half (58%) from 35 million tonnes of ore at the end of 2015 to 15 million tonnes at the end of 2016. If this is in fact a trend it will have a drastic impact on the value of Argyle diamonds moving forward. It will undoubtedly put a major premium on the value of pink diamonds.

Scarcity

Pink diamonds have always been a scarce asset. Argyle has reported productions of pink diamonds at around .001% of all production. Ironically that miniscule percentage of diamonds actually accounts for approximately 90% of the world's pink diamond supply. There are no new prospective sources matching anything like the Argyle supply.

Pink Argyle collectors and investors clearly understand how strategically important Argyle is to the world's supply of pink diamonds. Beyond their sheer beauty and luxury, investment demand is a strong driver of the pink diamond market. This fundamental is on full view year after year at Argyle's illustrious Tender. The Argyle Tender is a global tour of the mine's finest 65 or so diamonds. Two hundred of the world's most esteemed diamond dealers silently try to outbid each other to acquire the best-of-the-best Argyle pinks. Every year the bidding begins 30% higher than the previous year and this is just considered a starting point.

Pink Diamond Performance

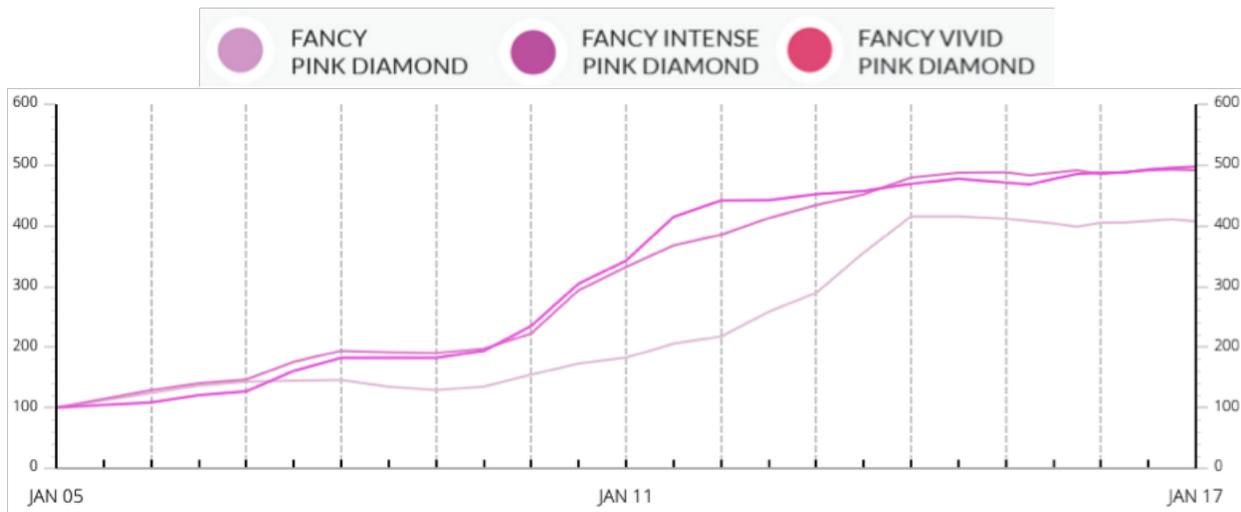
A 2015 [Barron's](#) article reported that pink diamonds rose an amazing 315% in a single decade. While many asset classes have seen increases in value over the past 15 years, most are paltry in comparison to pink diamonds. (fig. 2)

Vehicle	Average Gain 2002-2017
Pink Diamonds (Investment Grade) 2017	379% or 25.26% Per Year
TSX (Toronto Stock Exchange Index) 2017	97% or 6.46% Per year
DOW (Dow Jones Industrial Average) 2017	103% or 6.86% Per Year

Chart courtesy of Guildhall Wealth Management (fig. 2)

The strong growth of the pink color diamond market has been due primarily to the natural rarity of these stones, but also due to concerns over the future supply of Argyle pink diamonds. Given the dramatic decline in mine production in 2016 industry experts could be on to something regarding the 2020 closure date as the decreasing ore reserves show.

Given the challenging political and economic uncertainty due to credit expansion, investors are preparing for volatility. The lack of volatility demonstrated by pink diamonds over the last twelve years (see fig. 3) should no doubt be attractive to investors.



Images and data courtesy Fancy Colour Research Foundation (FCRF) fig. 3

Pink diamonds are not influenced by the speculative nature of worldwide financial instruments. When it comes to color diamonds, there are no options, no futures, and it is not a leveraged market. Pink diamonds are simply a rare an asset that over the last 15 years has proven to protect and grow wealth. Knowing that the Argyle mine’s production is waning provides even further confidence in a continuing upward trend.

What makes this market even more exciting is that it is still a secret. Most investors have never heard of Argyle pink diamonds, let alone see one. Imagine owning a piece by Andy Warhol or Picasso before the rest of the world discovered them. In another decade it is more than possible that an Argyle pink diamond will emerge as the new Faberge Egg. The value of rarity is the most priceless factor of all.



Carat: 0.81
 Color: Intense Pink
 Cut: Emerald Cut
 Clarity: VS2
Argyle Tender Stone Lot 46 2011 (Guildhall Diamonds)

Acquiring Pink Diamonds

Since 2002 Guildhall Wealth Management has assisted an increasing number of investors looking to add alternative assets such as physical gold, silver, and natural fancy color diamonds to their portfolios. Some of these investors' concerns are wealth protection, mitigating market volatility and risks while growing wealth. Guildhall has built key relationships in order to source pink diamonds and has been lucky enough to bid and win several pink diamonds at Argyle's coveted Tender including a 0.81 carat intense pink emerald VS2 (2011) and a 0.55 carat fancy deep pink pink VVS1 (2016).



Carat Weight: 0.55
Color: Fancy Pink
Cut: Emerald Cut
Clarity: VVS1
Argyle Tender Stone Lot 35, 2016 (Guildhall Diamonds)

Pink Diamonds | Affordability

Pink diamonds are not just an asset for the very rich. While many Argyle pink diamonds sell for over \$100,000 USD, a high quality pink diamond can be acquired for as little as \$15,000 USD. This means that a wide range of investors can get involved. It is important to note however that not all pink diamonds are considered investment-grade. Guildhall has a long history of selecting only diamonds that meet a very high standard. Guildhall personally invests in each diamond, so all are chosen for their specific color, cut, clarity, and carat weight. Every diamond from Guildhall is unique in its own way and every stone is special.



Carat Weight: 0.42
Color: Fancy Intense Pink
Cut: Heart Shape
Clarity: VS2
Argyle (Guildhall Diamonds)

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