

SHINING

THE STORY OF ARGYLE
DIAMOND MINE'S SUCCESS
IS LIKE THE GEM ITSELF —
FORGED UNDER PRESSURE
TO BRING BIG RETURNS

STORY: RHIANNA MITCHELL

Locked inside a vault, somewhere in the highly secure diamond district of Antwerp, Belgium, 70 pink diamonds with a combined weight of 81.63 carats sit glistening in individual boxes.

In the coming weeks, accompanied by heavy security, these tiny, precious gems — a brilliant array of pinks sourced from Rio Tinto's now closed Argyle diamond mine in WA's Kimberley — will be subject to a hotly contested, multimillion-dollar battle between a select group of international buyers.

One at a time, at separate viewings in multiple countries, the select atelers will be guided into luxury hotel suites to view the collection and an accompanying range of hydrogen-rich blue and violet diamonds, and will later submit sealed bids in the tens of millions of dollars.

This tender process, steeped in mystery and prestige, has been the mainstay of the international diamond calendar since 1984. And when this year's bids close on October 4, the curtain will fall on this remarkable West Australian success story.



BRIGHT



The closure of the Argyle mine last November makes this year's annual tender, showcasing the best-of-the-best rare pinks from the mine, the last. But the legacy of these diamonds will endure, and their value only increase, not simply due to their rarity, brilliance and mysterious alchemy, but because of the astonishing story behind them.

It's a story of a momentous discovery in WA's vast East Kimberley, a pioneering approach to both the mining, and marketing, of the 1.5 billion-year-old diamonds buried beneath the red dirt and a David and Goliath battle against diamond giant De Beers which transformed a global industry.

Ewen Tyler is approaching 93 but the renowned Australian geologist can still vividly remember his university days in the 1940s, when he first heard his University of WA geology professor Rex Prider's theory that lamproitic minerals found in the Kimberley bore a strong resemblance to those accompanying diamond discoveries in South Africa.

Mr Tyler left Australia after graduating but while

working in exploration in Africa and Europe over the next 20 years, he often thought back to his former professor's theory with a view to one day testing it.

"When I came back to Australia, I decided to start my diamond search," Tyler tells Insider by phone from his Melbourne home.

That initial search was funded with a budget of just \$100,000, through the five-company Kalumburu Joint Venture.

Tyler recalls the eureka moment, delivered by a lab microscope examining a sample from the site. It was August 1973, Mr Tyler's 45th birthday.

"Not only was there a diamond, but all the accompanying indicator minerals were with it," he recalls.

"It was a very, very exciting moment because it demonstrated that what we were doing in the Kimberley was sensible, and leading to something that proved for the first time that diamonds did occur in the rock."

While that discovery did not immediately lead to the mine, it gave the joint venture a reason to keep going with the highly ambitious, complex quest.

"A couple of years later we found the pipe," Tyler says.

The lamproite pipe discovery came in 1979 when geologists Frank Hughes and Warren Atkinson spotted a

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diamond sticking out of an anthill. After three more years of challenging exploration and feasibility studies the consortium, which had since welcomed CRA (now Rio Tinto) and then joined with Ashton Mining to become the Ashton Joint Venture, were ready to mine Argyle by 1983.

Mining executive Mick O'Leary was appointed managing director of Argyle Diamonds in 1982, relocating to Perth from Melbourne with his family, and describes his introduction to the world of diamonds as one of the most interesting and enjoyable phases of his career.

Mr O'Leary, who is now retired, said his first impression of the Argyle project was that it was an "enormous task". The team had overcome huge hurdles to discover the diamonds in the first place, but now they had to build an open cut mine in the remote Kimberley, one which could manage huge volumes, and which required cutting-edge technology.

"What we learned early in the piece was, it was best to have our own people running it. We had a lot of advice from a lot of people, but in the end we thought we had to help ourselves," he says.

Before work could begin Mr O'Leary had to strike a deal, known as the Good Neighbour agreement, with the traditional owners of the land. A painting on the wall of his home office, depicting him underneath a tree with Aboriginal elders, captures the negotiations.

Innovation would prove to be vital, both in the way the diamonds were mined and sorted, and the culture of the operation.

Argyle developed its own diamond sorting process which used X-ray technology in the final stage to make the diamonds luminescent.

An optical sensor then triggered a blast of air to remove each diamond from the other minerals.

"We also spent a lot of time on developing industrial relations, at a time when there was a lot of industrial stoppages, and in time we were highly rewarded by our employees," Mr O'Leary recalls.

He later oversaw the introduction of Australia's first fly-in, fly-out workforce.

Almost immediately after open-cut mining started, Argyle became the world's largest source of diamonds.

It is the dazzling, extremely rare pinks that have captivated attention over the past four decades, but the pinks made up fewer than one per cent of diamonds from the mine.

Almost three-quarters of the Argyle diamonds were brown, with the remainder ranging from yellow to colourless.

Mining the diamonds was one thing, selling them on the international market was another thing entirely, and something the joint venture knew nothing about. The company signed a contract with De Beers, which then controlled the world's diamond supply, to sell 78 per cent of production



through its central selling organisations, Argyle kept 22 per cent, including some pinks, to sell itself, and the experience they gained here would set them up for what was to come.

De Beers was a customer, but also the major competitor, and sleeping with the enemy would prove fraught, and ultimately impossible.

The initial challenge lay in the fact there was no interest in the enormous amount of brown diamonds, which were perceived as industrial diamonds, and therefore substandard, a myth perpetuated by De Beers which insisted diamonds should only be the colour of gin and tonic.

Mark Hooper, now chief executive of Sigma Pharmaceuticals, was involved in the contract negotiations with De Beers in the 1990s.

"They referred to Argyle diamonds as 'roo poo' – anything to denigrate those diamonds. But the way Argyle looked at it was, we're producing a lot of those diamonds, so here is a fantastic marketing opportunity if we can get it right," Mr Hooper says.

The company set about developing a marketing strategy which endures to this day, and which rebranded the light brown diamonds as "champagne" and the dark browns "cognacs".

Rio Tinto minerals chief executive Sinead Kaufman says the company "restitched the mystique" of diamonds to include brown diamonds, but not exclude the whites. She says Argyle's cutting and polishing factory in Perth, which was integral in capturing the potential of the pinks, also helped maximise the colour and brilliance of the champagne and cognacs.

The latter diamonds were also more affordable, and there were plenty of them. It coincided with a boom in the cutting and polishing industry in India, which had the capacity to manage such large

ABOVE: THE FINAL DAY OF MINING AT ARGYLE IN NOVEMBER 2020. INSET: MICK O'LEARY. LEFT: THE 2021 ARGYLE PINK DIAMONDS TENDER'S HERO DIAMONDS.

quantities, and a time of huge social change.

British jewellery historian Vivienne Becker describes this change as the "democratisation of the diamond".

"They were less expensive, and it really opened up the creativity in the market. Argyle played a huge role in that," Ms Becker explains over the phone from London.

"Diamonds were more casual, they had lost their formality. Young, independent women didn't want to wait to be given diamonds, they wanted to buy them for themselves. People were now wearing diamonds every day."

This changing landscape positioned the joint venture well when it decided, in a move which stunned the industry, to walk away from De Beers.

Mr O'Leary says the relationship with De Beers simply "got to the stage where we didn't trust them", thanks largely to an episode known as the sorting line drift.

De Beers had provided some diamond sorters to the joint venture but Argyle was suspicious they were deliberately lowering the price of the gems.

"We believed they were under instructions to put our prices down. They worked under our direction, but they weren't under our direction," he says.

As distrust grew, Argyle increased the proportion of diamonds it controlled over time and set up offices around the world. And by the early 1990s, a team from the JV started work – two years out – on the upcoming contract negotiation.

Mark Hooper says they wanted to be prepared for anything.

"The two-year timeline was less about a predisposition to not signing a contract and more about, 'we need to be really sure that if this gets called, we're ready to go,'" he says. "Your negotiating position is only as strong as your alternative, it's no good trying to bluff your way through those things."

By 1996 it was finally decided that point had

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been reached.

"Everyone in the room accepted that if De Beers weren't prepared to budge, it meant we were going to go on the open market ourselves," he says.

"I'm absolutely certain the De Beers guys didn't think we weren't going to call their bluff. No one had ever marketed a significant amount of diamonds outside the De Beers structure."

The decision was the catalyst for a complete restructure of the industry, which Ms Becker says was a watershed moment.

"I remember everyone talking about De Beers losing their grip on the entire global diamond market," she recalls.

"The whole market opened up, there was much more choice and more opportunity for new designers, it coincided with the rise of individual designer jewellers who were more creative, and who had access to more diamonds. In every aspect, Argyle was so brave from the pioneering, the prospecting, taking that enormous risk and the huge investment. And really appreciating and understanding what they had in these rare pink diamonds and being brave enough to go it alone."

While Argyle had to fight for its cognac and champagne diamonds to be recognised internationally, the immense value and rarity of the pinks, blues, violets and reds, was clear from the moment they were found.

Pink diamonds are the most valuable substance on earth – said to be 30 times more valuable than whites – and no other diamond mine in history has produced the range and variety of pinks seen at Argyle. It is the mysterious formation of the pinks that makes them so rare; the colour is not delivered from trace elements or impurity but is thought to be the result of extraordinary pressure and heat beneath the earth's surface, a remarkable fluke of nature.

Of the 865 million carats of rough diamonds produced by the Argyle mine, just over one million, or 0.1 per cent, of these have been classified as pink. Of those, less than 1900 carats of the best quality polished pink diamonds have been sold at the annual Argyle Pink Diamonds Tender, which began in 1984.

In the almost four decades since it began the tender has survived economic ebbs and flows, with prices rising about 600 per cent since 2000. And now, the final sale is taking place in the midst of a global pandemic. While COVID-19 is creating chaos for Rio Tinto's plans to showcase the tender across the world, it is unlikely to have any impact on the price.

From the first tender, which was purchased in its entirety by billionaire English jeweller Laurence Graff, who then created a flower brooch which he sold to the Sultan of Brunei in London's Dorchester Hotel, the annual sale has been the subject of much intrigue and secrecy.

WA jeweller Linneys has been involved since the beginning and, along with about 150 other ateliers, again hopes to secure some of the 70 diamonds on offer. Creative director Justin Linney described the nailbiting process of viewing the tender, before strategising about how many stones to bid on and



RIO TINTO MINERALS CEO SINEAD KAUFMAN WITH THE PINK ARGYLE DIAMOND ECLIPSE. PICTURE: JACKSON FLINDELL. LEFT: THE ARGYLE VIOLET, A 2.83-CARAT POLISHED OVAL-SHAPED DIAMOND, THE LARGEST VIOLET DIAMOND FROM THE ARGYLE DIAMOND MINE. BELOW: THE ARGYLE PINK DIAMOND TIARA. PICTURE: LINNEYS

THIS IS NOT WHERE THE ARGYLE STORY ENDS.

RIO TINTO'S SINEAD KAUFMAN



how much to offer for them. "It's exciting and stressful, there is a lot of anticipation around the tender," he explains.

"You're putting in a price per carat that you're feeling like the stone might be at, but it's obviously appreciating each year, so there is uncertainty around it. I liken it to putting a bid on a house when you don't know what other houses in the area are selling for ... in that case you're bidding on multiple houses at one time and you've only got a few minutes to look at it."

Deep in the Linneys vault sits the famous Argyle tiara, a 20-carat showstopper containing 182 pink diamonds and crafted by royal jeweller Asprey of London. The tiara is estimated to be worth \$5 million – and is now up for sale – and only Lady Gaga, when she was in Perth on tour, has been allowed to try it on.

Queensland jeweller John Calleija can remember when he first laid eyes on a pink diamond for the first time. It was several decades ago in Sydney, and he was so besotted he purchased it immediately and made it into a ring for himself.

"It was the start of my pink diamond journey. As a gemologist, I saw champagne coloured diamonds, yellow diamonds and more, but nothing like Argyle pink diamonds – they have such

beautifully brilliant colours," he says.

Just how much money these tiny precious gems are sold for remains strictly under wraps, but last year's tender saw double-digit price growth and a record number of participants.

The most valuable in the collection, a 2.24 carat fancy vivid diamond – the most valuable in the tender's 37-year history – was sold to Hong Kong diamonds specialist Kunming Diamonds.

Thoughts now turn to that legacy, with the mine's economic reserves now exhausted. The site has since been handed over to the traditional owners for restoration and cattle grazing, tourism and cultural use.

Ms Kaufman is a geologist by training, and despite her exposure to the mine and its bounty, it still takes her breath away to see the pinks close up, especially knowing what it took to find, mine and then polish the gems.

"It is a great Australian success story ... Argyle diamonds have changed lives and they have turned clichés upside down.

"However this is not where the Argyle story ends, it is the beginning of a new one, of a robust secondary market as Argyle diamonds continue to be bought and sold and they establish their potential as a finite unrepeatable natural resource."