

# FINANCIAL REVIEW

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JEWEL

The 30th anniversary of the annual Argyle pink diamond tender was a multinational, multi-stone affair. Jewellers involved in the highly secretive bidding process lift the veil on some of the colourful capers that take place when you're dealing with such a rarified gem – and who got what.

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Jeweller John Calleija was dining with his family in Sydney when he got the call that an American wanted to view some of his gems. The potential buyer wanted to view them the next day; and he was on a boat off the coast of Papua New Guinea. Calleija arranged for his staff to pack some pink diamonds and pearls and fly to Port Moresby. There, a private Learjet transferred them to another airport, from where they were driven to a wharf.

"A 90-foot tender [transport vessel] arrives and takes them to a 450-foot long superyacht that had two submarines on **board**, three snipers and 75 staff," recalls Calleija. "Then there was unrest in Port Moresby ... our people were stuck on the boat for five days with everything laid on."

These things happen when you're in the service of **billionaires** – the kind who can afford to **buy** pink diamonds on a whim. The owners of the boat were from one of the wealthiest families in the US and they spent five months of the year at sea. "They were just in this part of the world," Calleija explains.

Australia's pink diamonds are some of the rarest and most valuable gemstones in the world. Found at Rio Tinto's Argyle mine in the east Kimberley region of Western Australia, they are coveted for their intensity of colour, which ranges from a pale cherry blossom pink to a deep cabernet sauvignon red. There is a finite supply, with the Argyle "pipe" expected to become unprofitable to mine in six years' time.

Callieja is among 150 buyers able to take part in Argyle's invitation-only tender for each year's haul of its best 50 to 60 stones. This year, the 30th anniversary, there were 54 stones in the tender, which closed in October, reaping the highest price per carat since the first tender in 1984.

The mine takes the diamonds on tour to Sydney, New York and **Hong Kong** to whet the appetite of jewellers and dealers. When **millions** of dollars' worth of stones can be easily hidden in the palm of your hand, security on tour is tight. Sometimes, however, the unexpected can occur. Disappearing diamonds

"It happened in **Hong Kong**," says Calleija of an incident a decade or so ago. The local media was invited to look at the tender stones, which were on show at the Peninsula hotel. As one of the hero diamonds was grasped in tweezers for the cameras, it flicked out and disappeared. "A diamond can flick out of tweezers so quickly that you don't know where it has gone," says Calleija. "Security had an absolute panic attack and went into lock down. Nobody could get in or out. I remember it being a multi-**million** dollar diamond then – it would be a \$5 **million** or \$6 **million** diamond now."

For an hour and a half, everyone searched every square centimetre of the room until someone noticed a cameraman's trousers. "Sure enough, it had flicked up in the air ... and landed in the cuff of his trousers."

Well-known owners of Argyle pinks include Princess Mary of Denmark, who has a bracelet by Danish jeweller Hartmann's, and the Sultan of Brunei, who bought a brooch set with one year's entire collection of Argyle diamonds. Nicole Kidman bought pink diamonds for her entourage when she was in the Kimberley, filming the movie Australia. Her daughter Sunday received an Argyle pink nappy pin as a gift; Kidman felt the waters in the Kimberley had helped her conceive.

One of the most famous pink diamonds is the 6.1 carat knuckleduster that American actor Ben Affleck bought his then fiancée Jennifer Lopez in 2002. That one, set in a Harry Winston ring which cost him \$US1.2 million (\$1.37 million), was a pale South African stone. But not all pinks are mega-expensive; earrings featuring two small pinks can sell for only a few thousand dollars.

Calleija bid on 10 stones at this year's tender and got two: a 1.13 carat purple pink heart named Juliet and a 1.64 carat oval pink diamond called Josefina. One of the biggest buyers in the annual tender is merchant John Glajz, an Australian-bred businessman, resident in Singapore. Glajz secured 10 stones in this year's tender. When calculating a bid, he says he looks beyond market price and considers whether his rivals may have secured a customer for a particular stone, or may need a stone of a certain colour or size to complete a prestige piece of jewellery. Those factors will push up the price.

Glajz, who says he wins most of his bids, tends to pay a premium for stones he has an affinity with. "It is a little bit of self-indulgence. I really need to like the stone. If I like something, I tend to pay more. Then I think of which market it can go to, or which piece of jewellery can it go into, because we also create one-off pieces ranging from tiaras to diamond cuffs."

Over almost 30 years of bidding, he has sometimes walked away with only one stone, but two or three years ago got about 17. "I was hoping to get more. I expected to get more than half [the stones]. Usually, you are sweating the night before: 'How am I going to pay for it?'" Everyone has their own view on luck, but Glajz tops his bids off with an extra dollar or two, or a number from someone's birthday. "Everybody has their own superstitious thing," he says. "A dollar can make or break a bid." Reds are the rarest of them all.

In the world of sparklers, pinks and blues are the mostly highly prized, with pink diamonds 50 times more expensive than white ones of the same quality. Israel-based diamantaire Eden Rachminov, owner of Rachminov Diamonds 1891 and a world expert on coloured diamonds, says reds are the rarest of all. "That comes out once in a blue moon, so that is in a category of its own."

That blue moon came about this year; there were four reds in the 2014 Argyle tender. The most prized of them, a 1.21 carat blood red radiant diamond named Argyle Cardinal, was bought by Queensland jeweller Glenn Bakker. The price is undisclosed but other bidders guesstimate it to have been up to \$4 million. Before this, the highest price paid for an Argyle stone was in the vicinity of \$2 million, paid last year for a deep pink 2.51 carat stone. Cardinal attracted particular interest because only 13 fancy red diamonds have been included in the sale since the inaugural event in 1984.

Argyle produces 90 per cent of the world's pink diamonds, but for every million carats of pink and white diamonds produced, less than one per cent will be pink. Fewer than 1 per cent of those pinks will be good enough for the annual tender. Rachminov says the Argyle stones – the biggest of which is 4.15 carats, the size of a blueberry – have consistently risen in value since the first were discovered by a team of geologists in an anthill in 1979.

The Argyle pinks attract prices of 30 to 50 per cent more per carat than those sourced from the mines of South Africa and Brazil, and are smaller and more intensely coloured. Rachminov says it's possible to find 20 or 30 carat pink diamonds from South Africa – a 59.60 carat pink sold last year in Geneva for more than \$95 million – but a stone of one carat is a big deal from Argyle.

Rio Tinto recently announced it would extend the life of its mine to 2020 by digging underground; up until now, it has been open-cut. The company needs to assess how long it can continue to recover diamonds safely and there has been speculation the mine could be sold to a smaller company that could afford to keep working it until it runs out. It's been said there may be only 500 tender-quality diamonds remaining underground, although Argyle disputes this. Best on show

Australia is a large market for Argyle pinks, with locals buying them in jewellery and for superannuation, and offshore visitors taking them home as a memento of their stay. The most extravagant pieces, necklaces or watches, set with 20 or 30 gems, tend to go to the Middle East and of all pink diamonds, about 80 per cent are set in jewellery rather than sitting in a bank vault.

Prestige jewellers from Europe are increasingly taking an interest, with Tiffany and Louis Vuitton creating pieces using Australian pinks. India's wealthy are also very keen on coloured diamonds says Calleija, who was invited by an Indian customer to drop in and visit next time the jeweller was flying to his London store. When he accepted the invitation, he envisaged staying in the spare room of his host's Mumbai apartment.

"A 7 Series BMW picked me up and drove me through all the streets of India, with the cows and so many people. And we arrived into beautiful countryside, which was so lush and green, and went up this magnificent driveway to an absolute palace," he says. "It had the big gates and the initials of the family on the gates and they opened and we went up this huge driveway to this beautiful, white almost mini-Taj Mahal, and out came the staff."

Part of the mystique around pink diamonds is that it is not yet known how they get their colour, other than it is some sort of defect in their lattice of carbon atoms. Rachminov says Argyle pinks are in a league of their own, "because they come from one mine only and the characteristics are so specific, it is easy to spot them anywhere". They are identified by their depth of colour and the "sweet pink" undertone.

"The customer that likes a bubblegum pink will not go for an Argyle stone. Argyle has more like a dark cherry or a dark **wine**," he says.

Each stone has the name of the mine laser-inscribed on its girdle or edge. "Argyle did a great job marketing and branding their stones because they are so easy to recognise," says Rachminov, who adds that the **company** has also been canny in proactively publicising the impending closure of the mine. "You know it is going to be the end of it very soon. That has a very strong impact on the price and how you treat every stone that you **buy**."

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