

The Saga of the *Lesedi la Rona* Diamond



The 1,109-carat uncut *Lesedi la Rona* diamond is the largest gem-quality diamond discovered in more than a century and the second-largest diamond ever found. It is exceeded in size only by the 3,106-carat *Cullinan* found in South Africa in 1905; itself cut into over 100 pieces, including nine numbered stones—among them the *Great Star of Africa* (530 carats) which has adorned the Royal Scepter of the British Crown Jewels since 1910.

The size of a tennis ball, the *Lesedi la Rona*, was recovered in Botswana in November 2015 at the Karowe mine operated by the Canada-based firm, Lucara Diamond Corporation. It weighs nearly half a pound (227 grams), measures 65 mm by 56 mm by 40 mm and is believed to be between 2.5 billion and 3 billion years old.

Classed as a Type IIA diamond, it is among the most valued and purest type of diamonds; less than 2% of all gem diamonds are Type IIA. Scientifically speaking, Type IIA stones are almost pure carbon. They contain no significant amount of nitrogen in the crystal lattice (which imparts a yellowish hue) and often show extraordinary optical transparency; both are true of the *Lesedi la Rona*.

What's in a Name?

Following the diamond's discovery, the CEO of Lucara launched a competition to name the stone – open only to Botswana citizens. In addition to the honor of having their suggestion selected from among all the entries, the winner would take home P25,000 (about \$2,170). After receiving and reviewing over 11,000 entries, an announcement was made in February 2016 that the diamond would be called *Lesedi la Rona* which means “Our Light” in the Tswana language. The winner, Thembani Moithobogi of Mmadikola, said he submitted the name because “the diamond is a pride, light and hope of Botswana”.

“Our Light” Comes Into the Light

Karowe mine has been a rare source of exceptional diamonds. Although it produces less than 1% of the world’s supply, the mine is recovering more than 50% of the world’s diamonds larger than 100 carats, thanks in large part to Lucara’s use of advanced x-ray technology, known as XRT or X-ray transmission. The system helps ensure large diamonds are not crushed during processing by searching for carbon among the stream of rocks passing on the conveyor. When carbon is detected, a bank of air jets mounted at the end of the conveyor blasts the diamond out of the stream where it tumbles down a chute to the recovery room. Lucara executives confirmed that the *Lesedi la Rona* was recovered using this process. Ironically, of the five XRT machines in use at the site, only one was calibrated to look for diamonds as large as 1,100 carats.

Also ironic, the massive stone tumbled down the chute and sat in the recovery room overnight until a flabbergasted 27-year-old trainee named Tiroyaone Mathaba—who had worked at Lucara for fewer than five months—found it the next morning. He was examining rock and sand produced by the large diamond recovery machine and initially thought it just looked like a large stone. “At first I wanted to scream,” the news report cited Mathaba as saying. “Then I said in a low hoarse voice ‘God, it’s a diamond! It’s a diamond, it’s a big diamond!’”

It was passed up the chain for further examination by geologists and other company executives and eventually deemed to be the second largest diamond ever found.

A Few More Startling Revelations

Lucara officials have since confirmed that a 374-carat stone recovered the following day was actually a part of the *Lesedi la Rona*, making its original weight just under 1,500 carats before it broke into two pieces. Unfortunately, there is no way to determine when the break occurred or what caused it; was it in placement, was it in blasting, was it in the processing? The official stated, “nobody is going to be able to tell.”

The per-carat price of diamonds rises exponentially with size. That is because large diamonds are rarer than small diamonds. The *Lesedi la Rona* was too large to fit into conventional scanners used to evaluate a stone’s potential worth, so it took months to determine the estimated auction price of \$70 million. In June 2016, *Lesedi la Rona* was insured for \$120 million.

Although weighing less than the famed *Cullinan* in the rough, independent reports indicate that the *Lesedi la Rona* may have the potential to yield the largest D color faceted and polished diamond known in the world. After being called “the greatest prize in diamonds” for nearly a century, the *Great Star of Africa* may soon have to relinquish the title.

Bringing the Stone to Market

For a number of reasons, Lucara opted to take an unusual—some would say, audacious—route to selling the 1,109 carat stone. Large rare diamonds such as this are offered for sale to small groups of sophisticated diamond dealers, known in the trade as *diamantaires*. Instead, a decision was made to offer the *Lesedi la Rona* at public auction held by Sotheby's in London. Not only was it atypical for a diamond miner to auction a raw gem rather than cut the stone, it was unprecedented. No rough even remotely of this scale had ever been offered before at public auction. Mining companies tend to sell their rough production in-house while the auction house is better known for its presentation of fine jewelry and special polished diamonds.

"We're trying to get access to people who may want it as a collector's item," said Lucara CEO and President William Lamb when the decision was announced. "We're looking at people who have the financial resources, but also see the uniqueness, the rarity and the beauty in the stone." He felt the media hype surrounding the stone showed there was justification for a more public process. Lucara wanted to understand whether there was a market for truly exceptional diamonds where they would be purchased as collectables the same as high-value art.

Once the decision was made, the *Lesedi la Rona* hit the road for a world tour. Potential buyers were able to view the stone first in Singapore, then Hong Kong and Dubai. It arrived in New York in early May and traveled to London June 18 where it was on display until being put on the auction block on June 28, 2016.

...As the Gravel Dropped

Bidding opened at \$50 million and struggled from the start. After taking far too long to reach \$52 million, the auctioneer tried to advance the price in increments of \$500,000. At \$61 million, still short of the reserve, the price stalled. When the gavel came down most were stunned, especially Lucara executives. As recently as breakfast the day of the auction, they'd felt confident they had a likely buyer, and further, that there would be a forest of bidding paddles raised throughout the room. Just the month before, Lucara had sold an 813-carat stone for \$63.1 million—the highest price ever paid for a rough diamond. Now here was this even greater jewel, the second-biggest diamond ever found, but it faltered at \$61 million?

Hindsight and All That

Lucara's commission arrangement with Sotheby's meant the stone would have to reach \$150 million for the auctioneer to make decent money. Even at a price of \$100 million they'd make almost nothing. An analyst with BMO Capital Markets put it into perspective by saying, "The result was a disappointing one, and potentially calls into question the sale method chosen."

The historical significance of the stone truly seems to have been missed based on the bids offered. As a result, the format of a public auction will probably not be used any time soon to sell another large rough. The market may have reached a tipping point and demand for large rare stones might just be saturated, or it could simply have been bad timing caused by market instability and recent world events. It could, as some have speculated, be a matter of having riled up the diamond establishment. Some diamantaires reportedly didn't like the prospect of exposing themselves and their process in the open arena of a public auction. They found it undesirable and stated, "It's just not how it's done."

What Next?

Reportedly Lucara has had a significant number of people continue to show interest in the stone. Less than a month after the auction, Lucara's CEO had an offer for the *Lesedi la Rona* well above the failed auction price. Thus far, however, the company has not yet decided what to do with the stone, but as of January 4, company spokespersons felt it would sell to a private buyer within the first six months of 2017. If not, it was reported they could go a number of routes with the rough diamond, from partnering on the stone to holding a regular tender within the diamond market, or even putting *Lesedi la Rona* on display at a museum.

The company's First Exceptional stone tender scheduled for May 11 was recently announced, but the *Lesedi la Rona* was not mentioned. Whatever may come of the diamond, one cannot deny the finding has been historical and fascinating to follow.

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