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# Half Year 2012 Results Presentation

21 August 2012

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## Half Year 2012 – Review

- ➔ Operations
- ➔ Financial Results
- ➔ Capital Projects
- ➔ Market background



## Operational Review – Letšeng



## Operational Review – Letšeng

	H1 2012	H1 2011	% Change
Carat production	57 116	52 798	8%
Carats sold*	58 725	52 614	12%
Recovered grade (cpht)	1.68	1.56	8%
Waste mined (mT)	7.8	8.5	-8%
Ore mined (mT)	3.3	3.4	-3%
Ore treated (mT)	3.4	3.4	-

\* Includes carats extracted for manufacturing

**Project Kholo expansion commenced January 2012**

**Study on underground mining in the Satellite pipe in progress (expected H2 2012)**



## Operational Review - Ellendale



## Operational Review – Ellendale

	H1 2012	H1 2011	% Change
Carat production	78 881	52 349	51%
Carats sold	74 580	57 874	29%
Recovered grade (cpht)	3.80	3.63	5%
Waste mined (mT)	3.1	2.3	34%
Ore mined (mT)	2.0	0.6	234%
Ore treated (mT)	2.1	1.4	50%

Continual review to optimise value at Ellendale

Plant modifications completed in H1 2012

## Review Of Project Capital Expenditures

- ➔ A review of the development projects at Letšeng and Ghaghoo was announced in July 2012.
- ➔ Gem Diamonds remains committed to doubling production at Project Kholo and the development of Ghaghoo.
- ➔ Challenging economic climate:
  - ➔ Maintain the Company's strong balance sheet
  - ➔ Extend delivery of Project Kholo to early 2015, with full ramp by mid-2015
  - ➔ Extend delivery of Ghaghoo
  - ➔ Sufficient flexibility for project timelines to be accelerated





# Project Kholo



## Project Kholo

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### Objectives

- ➔ To increase production to 10 million tonnes
- ➔ Improve grade through increased liberation
- ➔ Reduce diamond damage
- ➔ Reduce unit costs
- ➔ Increase carats available for cutting and polishing

### Current Status

- ➔ Commenced in January 2012
- ➔ Site work and geotechnical drilling confirmed site for construction of the third plant
- ➔ Early works on additional accommodation and initial detailed design completed
- ➔ Review initiated - 12 month extended project timeline

## Project Kholo

<b>Letšeng Snapshot - (100% project value)</b>	<b>August 2012</b>	<b>March 2012</b>
<b>Total Project Kholo capital expenditure (US\$m)</b>	<b>292</b>	<b>280</b>
<b>Revenue available for Cutting &amp; Polishing</b>	<b>up to 50% by 2018</b>	<b>Up to 50% by 2017</b>
<b>Net Cutting &amp; Polishing uplift</b>	<b>10-13%</b>	<b>10-13%</b>
<b>Revenue uplift from increased liberation – for Plant 3</b>	<b>4%</b>	<b>4%</b>
<b>Revenue uplift from reduced diamond damage – for Plant 3</b>	<b>9%</b>	<b>9%</b>
<b>Exchange rate (Rand/US\$)</b>	<b>8.00</b>	<b>7.80</b>
<b>Project Kholo NPV (US\$m) 8% discount rate</b>	<b>603</b>	<b>652</b>
<b>Project Kholo IRR</b>	<b>43%</b>	<b>40%</b>
<b>Project Kholo Payback - from start of project (2012)</b>	<b>2017</b>	<b>2016</b>
<b>Letšeng NPV (US\$m) - 8% discount rate</b>	<b>1 996</b>	<b>2 549</b>



# Ghaghoo Development





## Ghaghoo Development

### Objectives of Phase 1:

- To prove up key metrics:
- Grade
  - US\$ per carat
  - Milling characteristics for improved liberation
  - Mining conditions

### Current Status:

- Phase 1 underway
- Current spend to date: US\$ 37 m
- Decline advanced 150 metres
- Plant construction to be completed in Q4 2012

### Strategic Options:

- U/G - Double up
- U/G - Maximum production
- Open pit

Results from Phase 1 will provide updated valuation metrics and underpin future strategy

## Ghaghoo Development

### Way Forward

- ➔ Recommence the decline tunnel development
- ➔ Complete the construction of the plant
- ➔ Re-sequence other construction activities



## Financial Results for Half Year 2012

- ➔ Revenue of US\$ 180.2m (US\$ 196.5m in H1 2011)
- ➔ Underlying EBITDA of US\$ 52.7m (US\$ 90.8m in H1 2011).
- ➔ Attributable net profit of US\$ 14.3m (US\$ 28.9m in H1 2011).
- ➔ Basic EPS of 10.36 US cents (21.76 US cents in H1 2011).
- ➔ Cash on hand of US\$ 139.0m as at 30 June 2012 (US\$ 127.7m attributable).



## Group Financial Performance

US\$ millions	HY 2012	HY 2011	% Change
<b>Revenue</b>	<b>180.2</b>	<b>196.5</b>	<b>(8%)</b>
Royalty and selling costs	(15.0)	(15.4)	
Cost of Sales	(105.4)	(82.6)	
Corporate expenses	(7.1)	(7.7)	
<b>Underlying EBITDA</b>	<b>52.7</b>	<b>90.8</b>	<b>(42%)</b>
Depreciation and Amortisation	(18.3)	(16.5)	
Non cash and other items	1.7	3.6	
Net finance income	0.2	1.1	
<b>Profit before tax</b>	<b>36.3</b>	<b>79.0</b>	<b>(54%)</b>
Income tax	(11.4)	(26.9)	
<b>Profit from continuing operations</b>	<b>24.9</b>	<b>52.1</b>	<b>(52%)</b>
Loss from discontinued operations	-	(1.2)	
<b>Profit for the period</b>	<b>24.9</b>	<b>50.9</b>	<b>(51%)</b>
Non-controlling interests	(10.6)	(22.0)	
<b>Attributable profit</b>	<b>14.3</b>	<b>28.9</b>	<b>(51%)</b>
<b>Basic EPS (continuing operations) (US cents)</b>	<b>10.36</b>	<b>21.76</b>	<b>(52%)</b>
<b>Basic EPS (US cents)</b>	<b>10.36</b>	<b>20.89</b>	<b>(50%)</b>



## Group Financial Performance

### SEGMENTAL PERFORMANCE

	Letšeng Diamonds		Kimberley Diamonds	
	HY2012	HY2011	HY2012	HY2011
<b>US\$ (millions)</b>				
<b>Revenue</b>	<b>123.6</b>	<b>160.9</b>	<b>57.6</b>	<b>33.3</b>
Royalty and selling costs	(10.1)	(13.2)	(3.4)	(2.2)
Cost of sales	(57.2)	(45.7)	(47.4)	(35.2)
<b>Underlying EBITDA</b>	<b>56.3</b>	<b>102.0</b>	<b>6.8</b>	<b>(4.1)</b>
Underlying EBITDA margin	46%	63%	12%	(12%)
<b>Attributable profit</b>	<b>28.3</b>	<b>50.9</b>	<b>(1.9)</b>	<b>(8.7)</b>
Exchange rate - Average to US\$	7.94	6.89	0.97	0.97

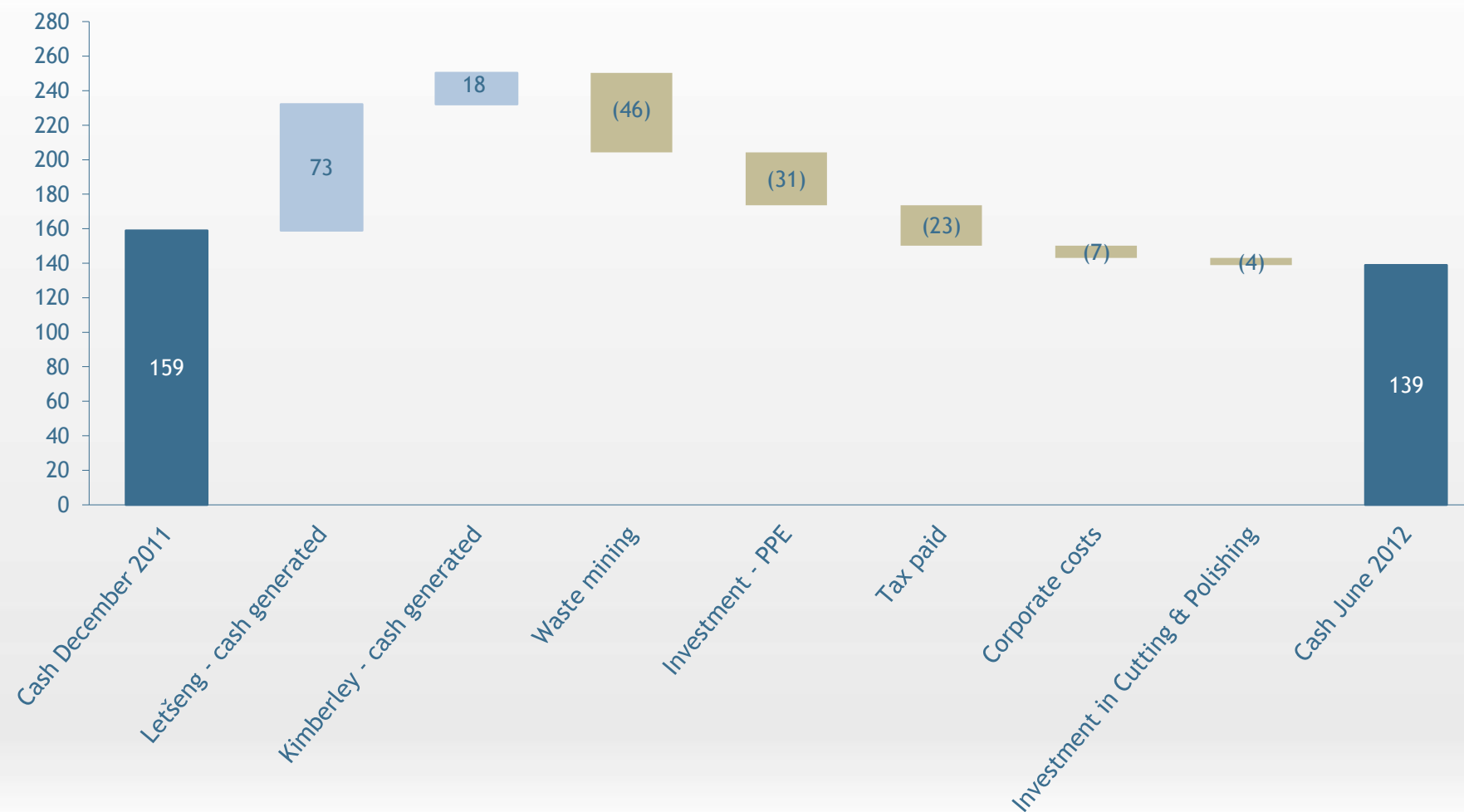
Unit costs (local currency)	Maloti		Australian Dollar	
Direct cash costs (before waste) per tonne treated	101.14	90.19	16.27	17.30
Operating costs per tonne treated*	135.02	93.54	22.14	23.73
Waste cash cost per waste tonne mined	25.44	20.32	4.47	4.57

\* Operating costs excludes royalty and selling costs and depreciation and mine amortisation and includes inventory, waste and ore stockpile adjustments

## Group Financial Performance

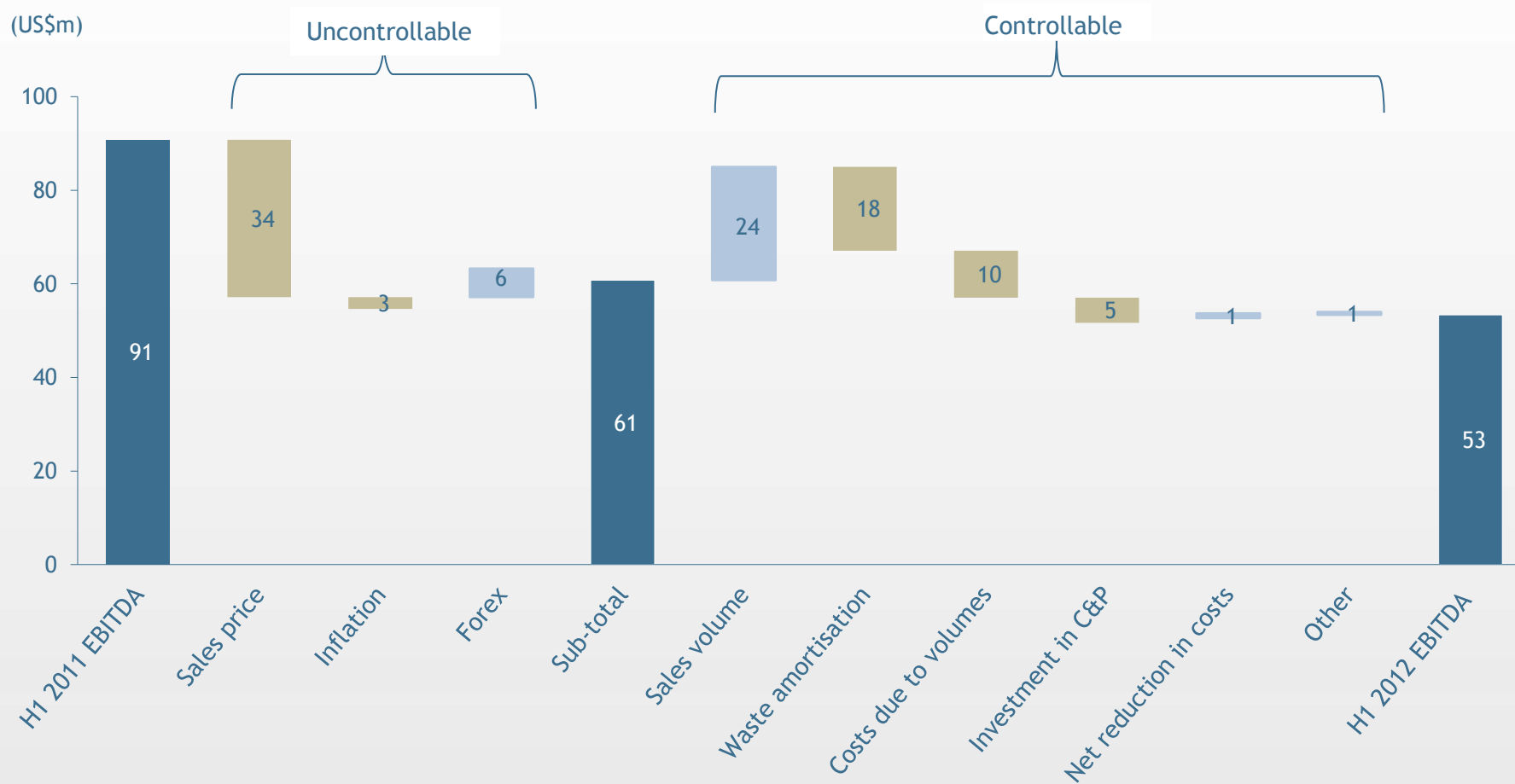
### CASH MOVEMENT

(US\$m)



# Group Financial Performance

## EBITDA MOVEMENT



## Group Financial Performance

### Group Cash and Funding

- ➔ Total Group cash on hand at June 2012: US\$ 139m (US\$ 128m attributable)
- ➔ Working capital facility implemented
  - ➔ 3 year facility - M 250m (US\$ 31m) with Standard Lesotho Bank
  - ➔ Facility available for drawdown as from January 2012
  - ➔ No draw down has taken place to date
- ➔ Additional project funding facility progressed
  - ➔ Indicative term sheets signed
  - ➔ To be implemented in line with revised Kholo capital cash flows
- ➔ Discussion to fund inventory for manufacturing underway



## Sales and Marketing

- ➔ 30% downward price movement in September 2011
- ➔ Rough prices rose from October 2011 to April 2012
- ➔ May and June 2012 saw negative movements
- ➔ Polished prices remain under pressure
- ➔ Short term volatility is expected to continue, but long term fundamentals remain strong



## Focus on Value Creation

### 2012 and beyond

- ➔ Remain committed to key growth projects, Project Kholo and the development of the Ghaghoo mine
- ➔ Long term diamond supply vs demand fundamentals remain positive
- ➔ In-house sales and marketing strategy continues to yield positive results
- ➔ Manufacturing facilities in development



## Appendix 1 - Guidance for Full Year 2012

	Letšeng	Kimberley
Tonnes treated (mt)	6.8 - 7.0	3.9 - 4.2
Waste tonnes mined (mt)	17 - 19	5.0 - 5.5
Carats recovered (k)	112 - 114	165 - 175
Carats sold (k)	109 - 112	160 - 170
Total cash costs / tonne treated (pre waste) (local currency)	M 105.00 - 115.00	AUD 18.50 - 19.50
Waste cash cost / waste tonne (local currency)	M 26.00 - 28.00	AUD 4.80 - 5.10
Operating costs (IFRS) / tonne treated (pre D&A) (local currency)	M 130.00 - 140.00	AUD 24.00 - 25.50
Capital - sustaining (US\$ m)	8 - 10	8 - 10
Project Kholo capital (US\$ m)	292	N/A

## Appendix 2- Project Kholo Timeline

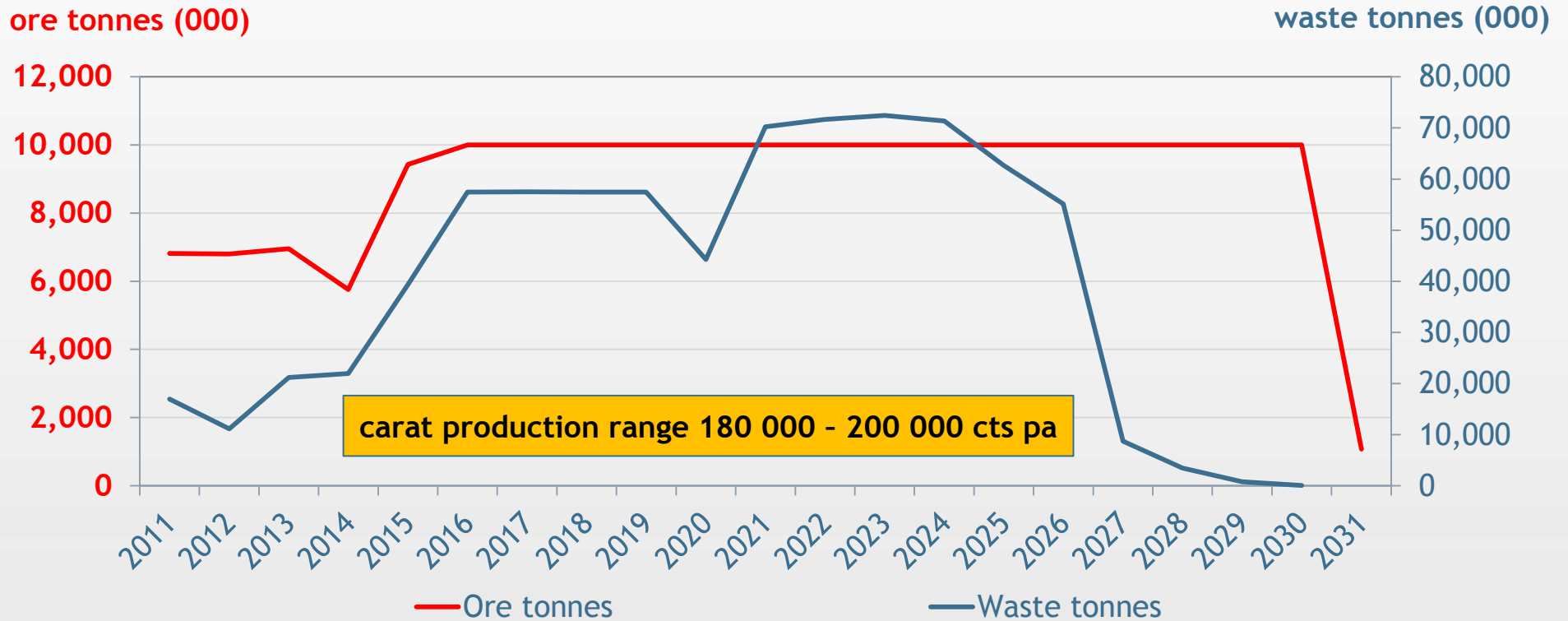
Activity	2012												2013												2014												2015											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Plant engineering and design	■																																															
Procurement, fabrication, transport													■												■																							
Major bulk earthworks													■																																			
Civils																									■																							
Structural and mechanical																									■																							
Electrical, control and instrumentation																									■																							
Plant 3 Commissioning																																					■											
Production ramp-up																																					■											
Full production																																					★ →											

### Revised Capital profile based on ZAR 8 : US\$ 1

US\$ millions	2011	2012	2013	2014	2015	Total
Capex	2	19	69	180	22	292

# Appendix 3 - Project Kholo

## Letšeng Production Profile\*



\* Based on Life of Mine



GEM DIAMONDS 

# Thank You

