

Half Year 2018 Results



The 910 carat Lesotho Legend

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The information contained herein is correct as at 3 September 2018.

Our strategy – our key priorities...

Extracting maximum value from operations

Business transformation – driving business **optimisation** by **enhancing** the **efficiency** of the Group through:

- improving operational performance;
- stringent cost control;
- capital discipline; and
- sale of non-core assets

Building balance sheet **strength**

Adding **new sales** avenues to **maximise** value

Working responsibly and maintaining social licence

Promoting a culture of **zero harm** and **responsible care**

Building **long-term, transparent** and **mutually beneficial** relationships with stakeholders and communities

Complying with regulatory and operating environment

Prioritising organisational health

Preparing for our future

Advancing innovative **technologies** to **enhance revenues** and **reduce costs** through **reducing** diamond **damage** in the plant

Extending mining lease tenure at Letšeng

Assessing growth opportunities against **strict investment criteria**

... and our 2018 delivery

Extracting maximum value from operations

Record recovery of 12 diamonds >100 carats to date

Largest Letšeng recovery - 910ct Lesotho Legend

H1 2018 Results:

- Revenue: **\$168m**
- Underlying EBITDA: **\$68m**
- **Improved** net cash position to **\$30m**

Business Transformation target of \$100m by 2021 **on track** – implemented initiatives **contributing \$47m**

Working responsibly and maintaining social licence

Zero fatalities

Zero major or significant community or environmental incidents

Zero major or significant incidents of health, safety and environmental legal non-compliance

Positive progress on health priority practices

Corporate social investment:

- Flagship **dairy farming project** formally opened
- **Egg farming project** launched

Preparing for our future

Continued progress towards goal of identifying diamonds within kimberlite

Application for Letšeng mining lease renewal **submitted and progress made** under statutory negotiations

Capital invested for tailings storage facility extension at Letšeng

Our market

Global economic backdrop in 2018

Emerging market and developing economies under pressure

Trade tensions/geopolitical conflict

Rising commodity prices and inflation

Financial market conditions tighten

Exchange rates and capital flows – US\$ volatility

Diamond market in 2018

Upward trend in rough prices as manufacturers reduced inventories

Stabilisation of polished prices as retail consumer **demand improves in China**

Midstream sector remains under pressure due to continued **financing challenges** and tightening of margins

Rough prices expected to **remain robust** due to favourable medium to long term demand/supply fundamentals

De Beers enters the laboratory - grown diamond market (Lightbox)

Gem Diamonds' market position

Highest \$ per carat kimberlite producer

Continued high demand for Letšeng high-value goods

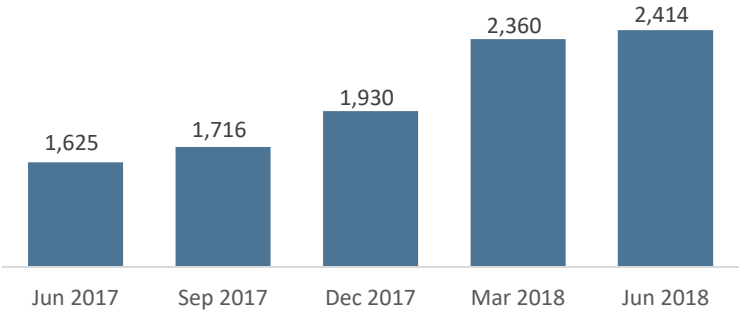
Prices **remain robust** for **Letšeng large high quality goods**

Letšeng achieved average of **\$2 742 per carat (up 54%)**

Record number +100ct recoveries; **increased** recoveries in all size fractions > 20ct

Increased \$ per carat achieved

12 month rolling average \$ per carat

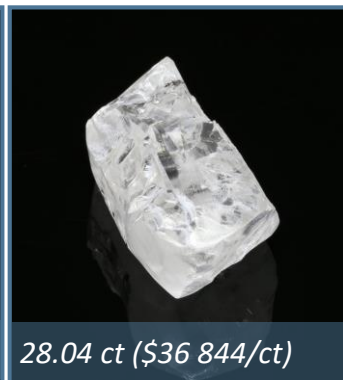


*The Lesotho Legend – 910 ct white diamond
Largest diamond recovered at Letšeng*



*The Lesotho Legend – 910 ct white diamond
Sold for \$40 million (\$43 956/ct)*

Other significant Letšeng recoveries in 2018



Operational performance

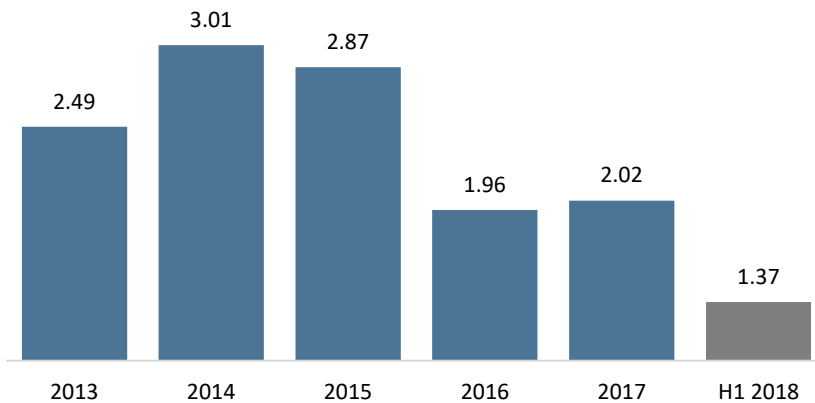


The 910 carat Lesotho Legend

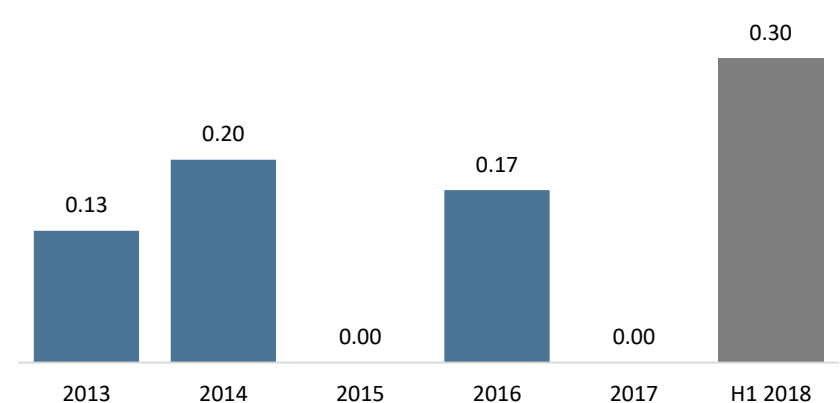
Zero harm is a priority

- ✦ Zero fatalities
- ✦ Four lost time injuries in Q1 2018; zero in Q2 2018
- ✦ Zero major or significant community or environmental incidents
- ✦ CSI investment continues in line with our strategy
 - Flagship dairy farming project formally opened
 - Egg farming project launched

All injury frequency rate (AIFR)

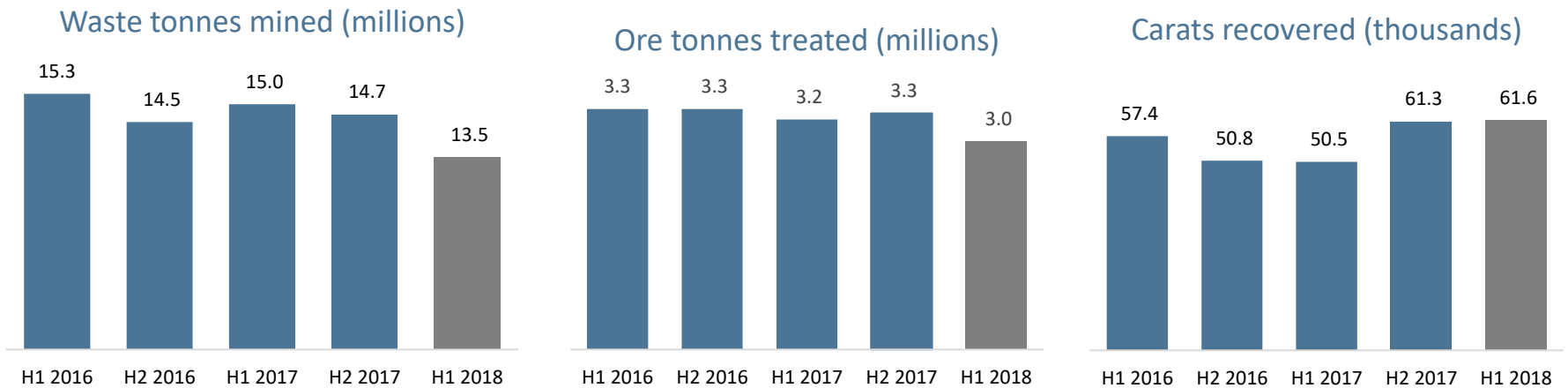


Lost time injury frequency rate (LTIFR)



Letšeng operational overview

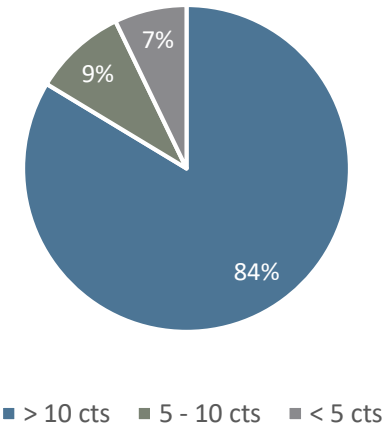
- ✦ Carats recovered up 22% from H1 2017
- ✦ Damaged scrubber shell replaced with feed rates reverting to normal
- ✦ Continued focus on diamond damage and value management
- ✦ AV contract extended to mid-2020
- ✦ Construction of relocated mining complex completed – on time; below budget
- ✦ Extension of tailings storage facility progressing well



Letšeng resource performance

- Record recovery of 10 diamonds > 100 carats during a six-month period
- Grade performance - MCF of 101%
- Diamonds >10.8 carats account for 84% of revenue
- Resource drilling continues

Revenue by size fraction



Frequency of large diamond recoveries

Number of diamonds	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	H1 2018
>100 carats	7	6	7	6	3	6	9	11	5	7	10
60 - 100 carats	18	11	11	22	17	17	21	15	21	19	13
30 - 60 carats	96	79	66	66	77	60	74	65	70	74	38
20 - 30 carats	108	111	101	121	121	82	123	126	83	113	63
Total diamonds >20 carats	229	207	185	215	218	165	227	217	179	213	124

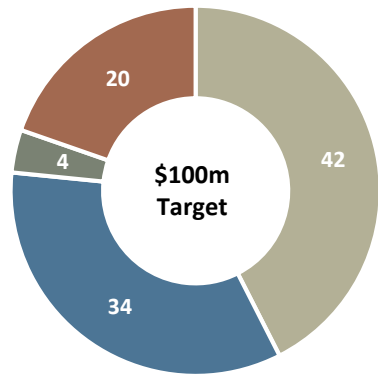
Business Transformation

GEM DIAMONDS 

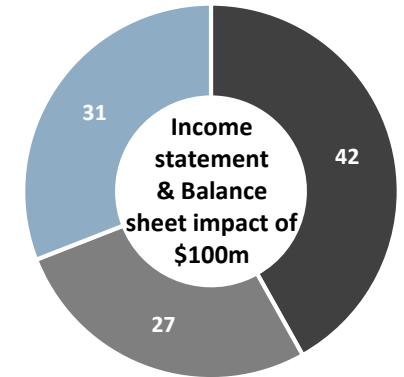
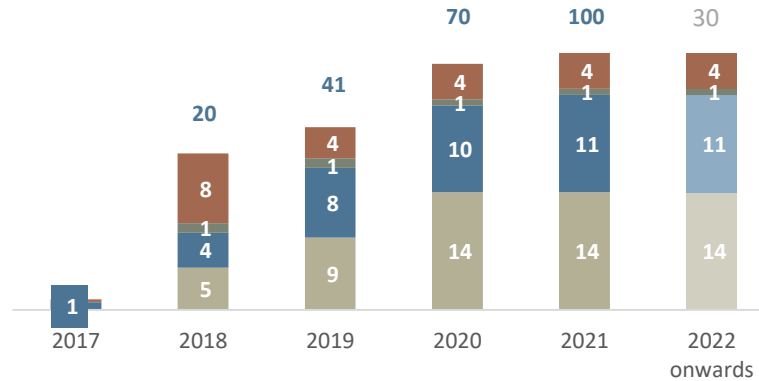


The 910 carat Lesotho Legend

Business Transformation - Targeting \$100m



Timing of impact



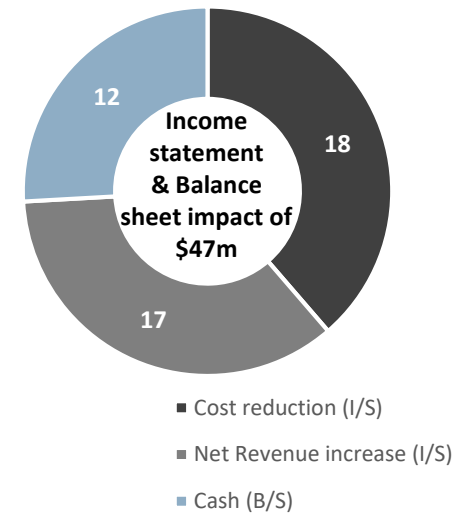
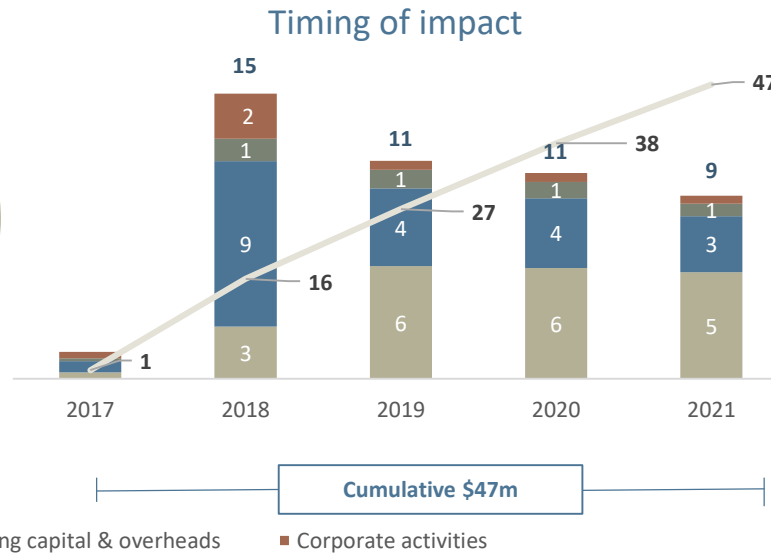
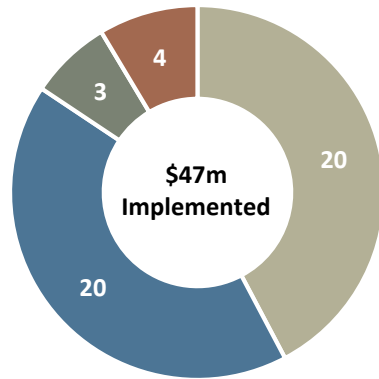
■ Mining ■ Processing ■ Working capital & overheads ■ Corporate activities

■ Cost reduction (I/S)
■ Net Revenue increase (I/S)
■ Cash (B/S)

- ★ Cumulative target of \$100m over 4 years to the end of 2021 on track
- ★ Sustainable annual net benefit of \$30m from 2022
- ★ Organisational Health
 - Positive trend on OHI
 - 29 of 48 initiatives implemented

- ★ Implemented initiatives to date contributing \$47m of the \$100m
 - Once-off \$4.7m
 - Recurring \$42.3m
- ★ Achieved \$10m cash flowed to 30 June 2018

Business Transformation - Implemented \$47m



✦ Mining (\$20m)

- Optimisation of mining fleet and support equipment - reduction in mining rates
- Improved blasting practices

✦ Processing (\$20m)

- Deployed an XRT sorting machine
- Realign profit margin share and extend tenure of 3rd Plant operator
- Implementation of scrubber bypass and more efficient usage of plant consumables

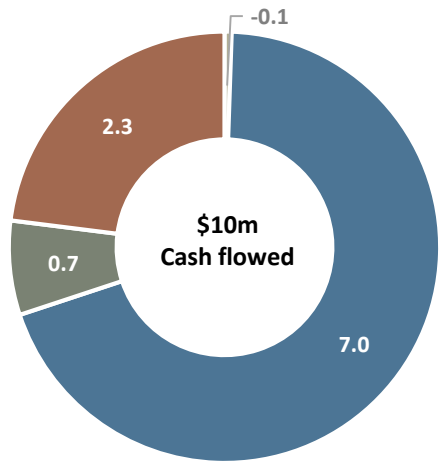
✦ Working capital & overheads (\$3m)

- Improved stock management
- Reduction in support service costs (i.e. catering and IT)

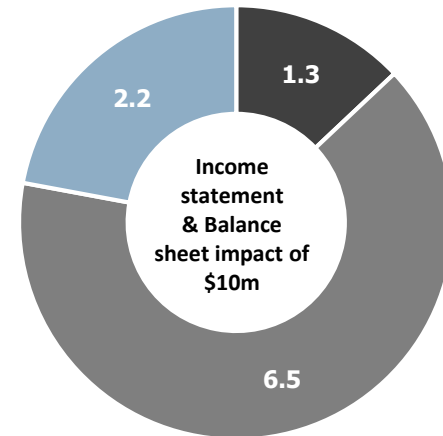
✦ Corporate activities (\$4m)

- Sale of non-core assets
- Reduced corporate office footprints and other corporate costs

Business Transformation - Cash flowed \$10m



■ Mining ■ Processing ■ Working capital & overheads ■ Corporate activities



■ Cost reduction (I/S) ■ Net Revenue increase (I/S) ■ Cash (B/S)

★ \$10m net cash flowed to 30 June 2018

- \$1.2m in 2017; and
- \$8.8m in 2018

★ Full upfront fees have been paid on recurring annual benefits

★ Cash generated primarily by the Processing workstream (XRT sorting machine) and sale of non-core assets

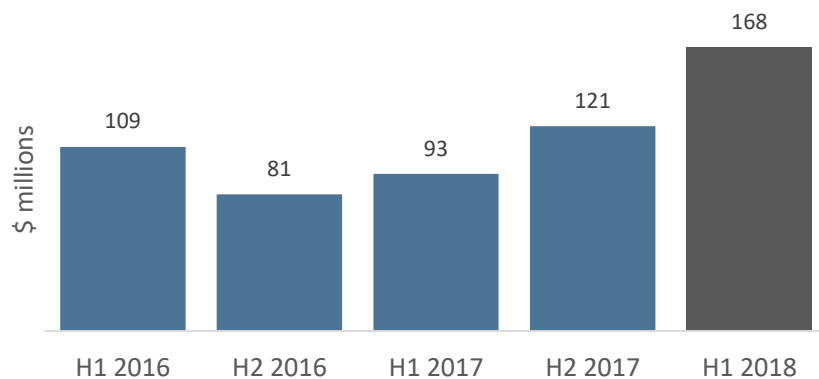
Group financial performance



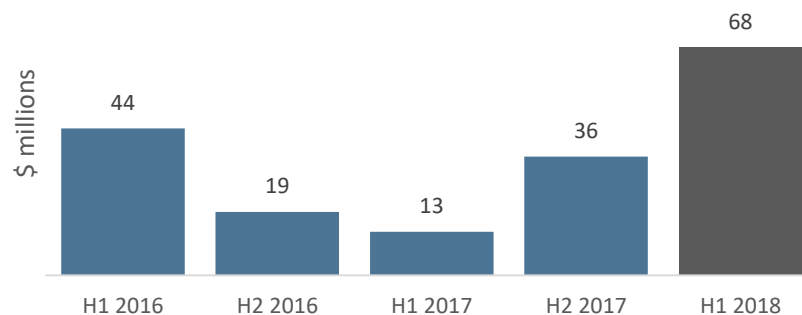
The 910 carat Lesotho Legend

H1 2018 – key performance indicators

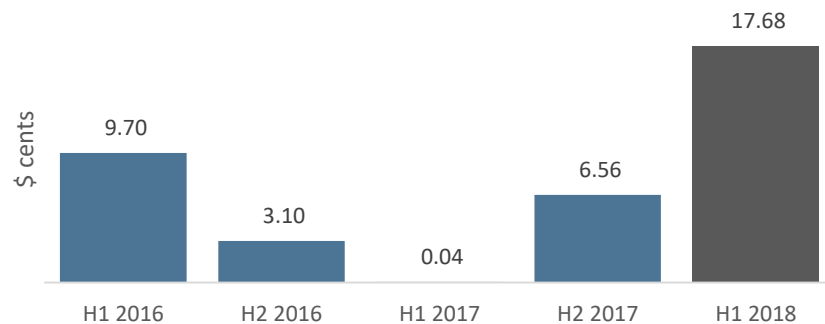
Revenue



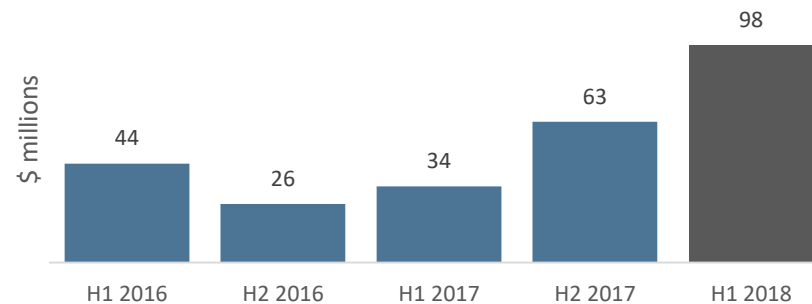
EBITDA



Basic EPS (pre exceptional items)



Cashflow from operating activities



H1 2018 financial results

\$ millions	H1 2018 Before exceptional items	H1 2018 Exceptional items	H1 2018 Post exceptional items	H1 2017	% Variance
Revenue	167.7	-	167.7	92.9	81%
Royalty and selling costs	(14.7)	-	(14.7)	(8.4)	
Cost of sales	(79.3)	-	(79.3)	(66.7)	
Cost of sales – exceptional	-	(0.3)	(0.3)	(3.0)	
Corporate expenses	(5.3)	-	(5.3)	(4.8)	
Underlying EBITDA	68.4	(0.3)	68.1	10.0	581%
Depreciation and mining asset amortisation	(4.4)	-	(4.4)	(5.9)	
Non cash & other items	1.8	-	1.8	0.4	
Net finance expense	(0.7)	-	(0.7)	(2.2)	
Profit/(loss) before tax	65.1	(0.3)	64.8	2.3	
Income tax expense	(23.9)	-	(23.9)	(1.7)	
Profit/(loss) after tax	41.2	(0.3)	40.9	0.6	
Attributable Profit/(loss)	24.5	(0.3)	24.2	(2.9)	
Earnings/(loss) per share (US cents)	17.68	(0.21)	17.48	(2.11)	

Financial performance – Letšeng cost analysis

Unit cost analysis - LSL per tonne treated

	Tonnes treated ('m)	Operating Costs			Sub - total	Business Transformation (BT) costs		Total direct cash costs	Non-cash accounting charges ²	Total operating cost – LSL	Fx	Total operating cost – US\$
		Direct cash costs ¹	3 rd Plant operator costs	Once-off maintenance costs		Charges						
H1 2018	3.0	144.87	22.95	5.76	173.58	1.72	20.76	196.06	117.03	313.09	12.32	25.42
H1 2017	3.2	147.09	14.48	-	161.57	-	-	161.57	100.07	261.63	13.21	19.81
% Change	-6%	-2%	58%	-	7%	-	-	21%	17%	20%	-7%	28%

¹ Direct mine cash costs represent all operating costs, excluding royalty and selling costs

² Non-cash accounting charges include waste stripping cost amortised, inventory and ore stockpile adjustments, and excludes depreciation and mining asset amortisation

✦ Direct mine operating costs decreased by 2%

- BT savings realised, notwithstanding
 - Increase in ore haul distances of 6%
 - local inflation
 - fuel price increase of 15% per litre

✦ Increase in 3rd plant contractor costs due to additional revenue

✦ Once-off maintenance costs relates to the replacement of the scrubber shell in Plant 2

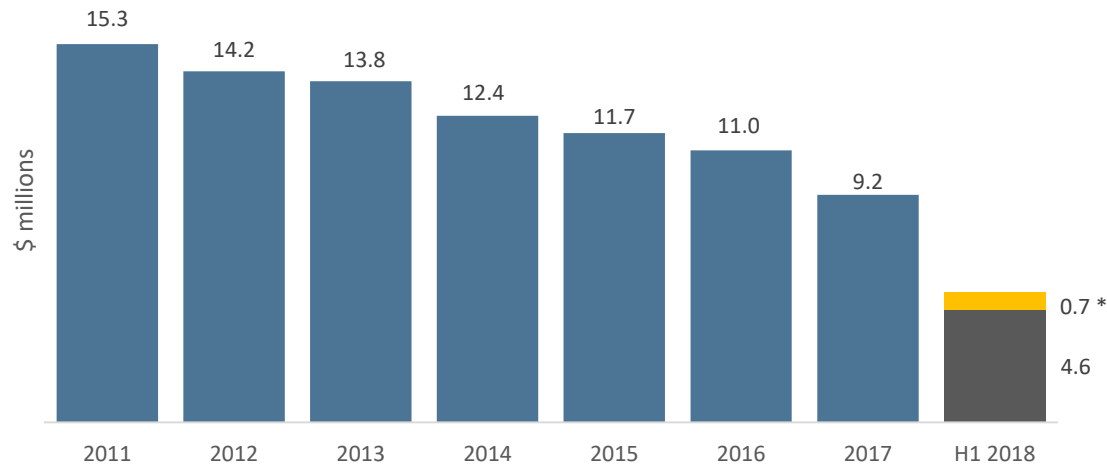
✦ BT costs

- XRT operating costs - \$7.6m revenue
- Consultancy fees and provision for employee reward scheme (self funded)

✦ Cost per waste tonne - increased by 3% to LSL34.46 (H1 2017: LSL33.38)

Financial performance – corporate costs

- ✦ Continued downward trend
- ✦ Negatively impacted by Fx rates
- ✦ BT savings achieved of \$0.4m (before BT fees)

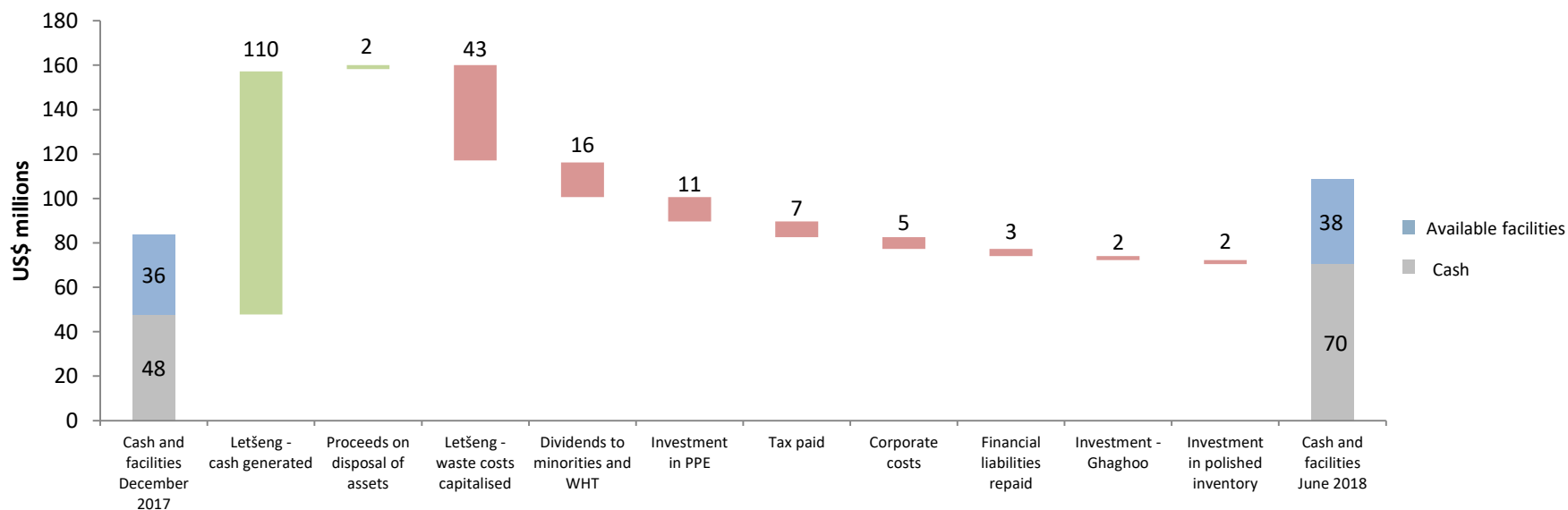


*H1 2018 corporate costs includes

- ✦ \$0.5m BT costs
- ✦ \$0.2m Project costs

Improving cashflows

- ✦ Group cash of \$70.5m (\$58.1m attributable)
- ✦ Net cash of \$29.8m after debt of \$40.7m
- ✦ Available facilities of \$38.2m
- ✦ Letšeng LSL250m RCF renewed post Period end to July 2021 and increased to LSL500m (increasing available facilities to \$56.5m)



Financial position

- ✦ Decrease in non-current liabilities due to loan repayments
- ✦ Increase in current liabilities mainly due to increased tax payable

\$ millions	H1 2018	FY 2017	% Variance
Non-current assets	305.7	321.0	
Current assets	108.8	91.6	
Total assets	414.5	412.6	-
Equity attributable to the parent company	163.2	158.3	
Non-controlling interest	77.2	85.8	
Total equity	240.4	244.1	(2%)
Non-current liabilities	122.6	130.8	
Current liabilities	51.5	37.7	
Total liabilities	174.1	168.5	3%

Thank you

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The 910 carat Lesotho Legend

Annexure A: 2018 Guidance

	FY 2018 Guidance
Waste stripped (Mt)	24 - 26
Ore treated (Mt)	6.4 - 6.6
Satellite pipe ore contribution (Mt)	2.0
Carats recovered (Kct)	114 - 118
Carats sold (Kct)	112 - 116
Direct cash costs (before waste) per tonne treated ¹ (Maloti)	165 - 170
Operating costs per tonne treated ² (Maloti)	280 - 290
Mining waste cash costs per tonne of waste mined (Maloti)	31 - 33
Total capital (US\$ million)	24 - 26

¹ Direct cash costs represent all operating costs, excluding royalty and selling costs

² Operating costs include waste stripping cost amortised, inventory and ore stockpile adjustments, and excludes depreciation and mining asset amortisation

Annexure B: Letšeng – five out of top ten in the 21st century (2000 - 2018)

Largest white diamonds recovered in the last 100 years

Mine	Rank	Name	Weight	Country	Year
Karowe	1	Lesedi la Rona	1,109	Botswana	2015
Letšeng	2	Lesotho Legend	911	Lesotho	2018
Karowe	3	The Constellation	813	Botswana	2015
Letšeng	4	Lesotho Promise	603	Lesotho	2006
Amazon River	5	Wynn	581	Brazil	2002
Letšeng	6	Letšeng Star	550	Lesotho	2011
Premier / Cullinan	7	Cullinan Heritage	508	South Africa	2009
Letšeng	8	Letšeng Legacy	493	Lesotho	2007
Letšeng	9	Light of Letšeng	478	Lesotho	2008
Premier / Cullinan	10	Dawn of the Millennium	460	South Africa	before 2008

Annexure: C Funding and Facilities*

Company	Term / Description	Lender	Expiry	Interest Rate	Amount (\$ millions)	Drawn down (\$ millions)	Available (\$ millions)
Gem Diamonds Limited	3-year RCF and term loan	Nedbank	December 2020	South African JIBAR + 4.5%	45.0	25.0	20.0
Letšeng Diamonds	3-year RCF	Standard Lesotho Bank and Nedbank Lesotho	July 2021	Lesotho prime less 1.5%	36.5	-	36.5
Letšeng Diamonds	5.5-year project facility	Nedbank / ECIC	August 2022	Tranche 1 (ZAR180m): South African JIBAR + 3.15% Tranche 2 (LSL35m): South African JIBAR + 6.75%	15.7	15.7	-
Total					97.2	40.7	56.5

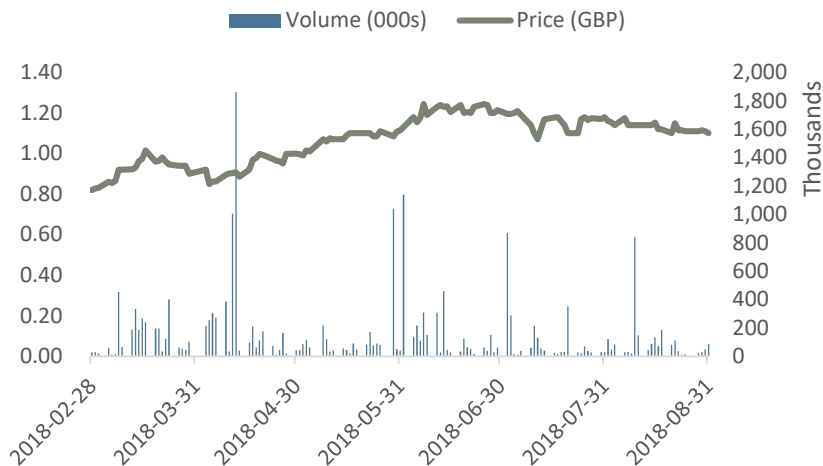
✦ The Letšeng Diamonds 3-year Revolving Credit Facility (RCF) was renewed as follows:

- Extended for a further 3-years till July 2021; and
- Upsized to LSL500.0m

*Status of funding as at 3 September 2018

Annexure D: Gem Diamonds capital structure

6 months Gem Diamonds share price performance



Major shareholders

as at
15 August
2018

Graff Diamonds International Limited	15.07%
Lansdowne Partners Ltd	14.94%
Sustainable Capital Limited	9.67%
Aberforth Partners LLP	8.17%
Majedie Asset Management	7.88%
Gem Diamonds Holdings Ltd	6.72%

Gem Diamonds Limited is listed on the Main Board of the London Stock Exchange LSE : GEMD

Daily average trading volumes across all platforms (last 6 months)	152k
Shares in issue	138 698 988
Free float (excl. holders above 5%, ESOP and Directors holdings)	77%
Share price (29 August 2018)	£1.12
Market capitalisation (millions)	£155 / US\$201

Company Officers

Clifford Elphick	Chief Executive Officer
Glenn Turner	Chief Legal and Commercial Officer
Michael Michael	Chief Financial Officer
Johnny Velloza	Chief Operating Officer
Brandon de Bruin	Chief Transformation Officer