

Full Year 2017 Results

14 March 2018



The 910 carat Lesotho Legend recovered at Letseng mine in January 2018

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The information contained herein is correct as at 13 March 2018.

Clifford Elphick

Chief Executive Officer

GEM DIAMONDS 



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 what we achieved in 2017

Extracting maximum value from operations

Revenue: **\$214 million**

Underlying EBITDA: **\$49 million**

Net cash position at year end

Business Transformation

targeting cumulative cost savings of **\$100 million** by end 2021

Ghaghoo placed on **care and maintenance** with **sale process** underway

Tender viewings **commenced** in **Tel Aviv, Israel**

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

Organisational health surveys **conducted**, priority practices **identified** and **implementation** underway

Preparing for our future

Technical **due diligence completed** on early detection of diamonds within kimberlite (PET)

Initial testing completed of non-mechanical crushing prototype

Mining lease **renewal** underway

Our market

Global economic backdrop in 2017

Continued growth of the Chinese economy

Reasonable growth in the US economy

Increase in retail demand in India

Continued improvement in commodities markets

Improved macro-economic outlook

Diamond market in 2017

Continued good demand in China

Continued US recovery

Low end commercial goods under pressure

High end goods prices remain robust

Gem Diamonds' market position

Improvement in the **size** and **quality** of Letšeng's production

Prices **remain robust** for Letšeng goods

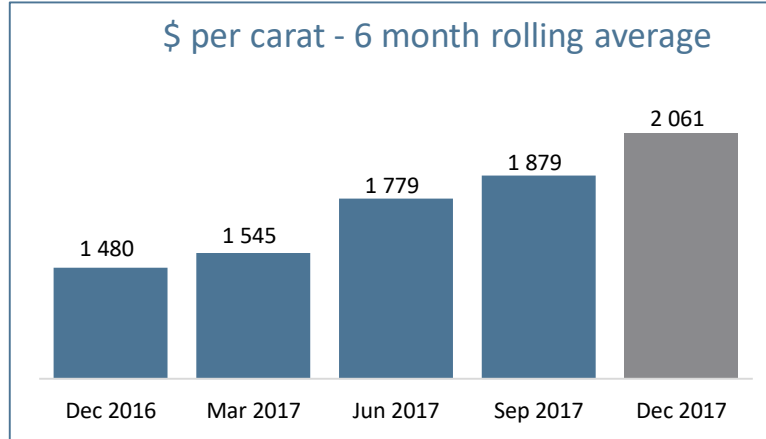
Remained **highest \$ per carat** producer

Letšeng achieved average of **\$1 930** per carat (**up 14% YoY**)

Improved \$ per carat



7.87 ct pink (\$202 222 /ct)
2nd highest \$/ct ever achieved



58.38 ct (\$61 905/ct)
Highest \$/ct white diamond in 2017

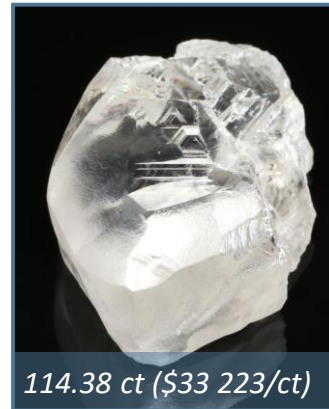
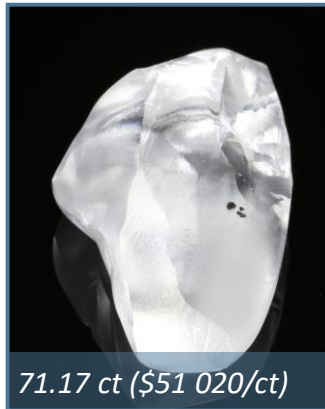
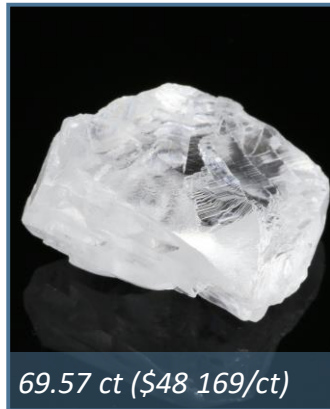


8.65 ct pink (\$164 855/ct)
7th highest \$/ct ever achieved



202.16 ct (\$44 083/ct)
Largest recovery in 2017

Other significant Letšeng recoveries in 2017



Our 910 carat Legend

- ✦ Recovered in January 2018
- ✦ Exceptional quality - Type IIa, D colour diamond
- ✦ Largest diamond recovered at Letšeng
- ✦ Fifth largest gem quality diamond ever recovered
- ✦ Sold for \$40 million
- ✦ Other 2018 high-value recoveries include:
 - 169.16, 152.81, 149.43, 117.67, 116.98 and 110.63 carats
 - 8.53 carat pink



The Lesotho Legend

Letšeng – five out of top ten this century

Largest white diamonds recovered this century

Mine	Rank	Name	Weight	Country	Year
Karowe	1	Lesedi la Rona	1 109	Botswana	2015
Letšeng	2	Lesotho Legend	910	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 Millennium	460	South Africa	before 2008

Johnny Velloza

Chief Operating Officer

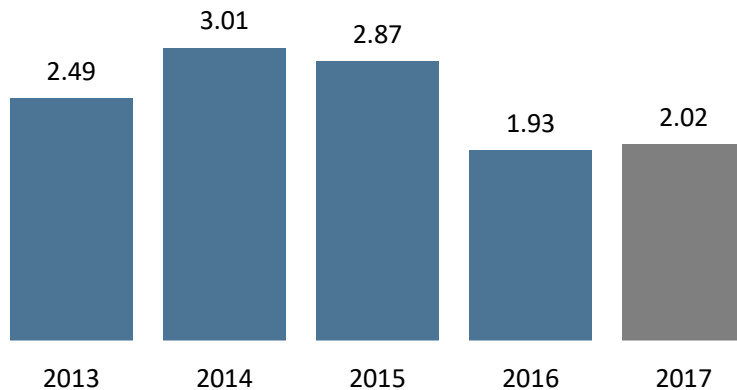
GEM DIAMONDS 



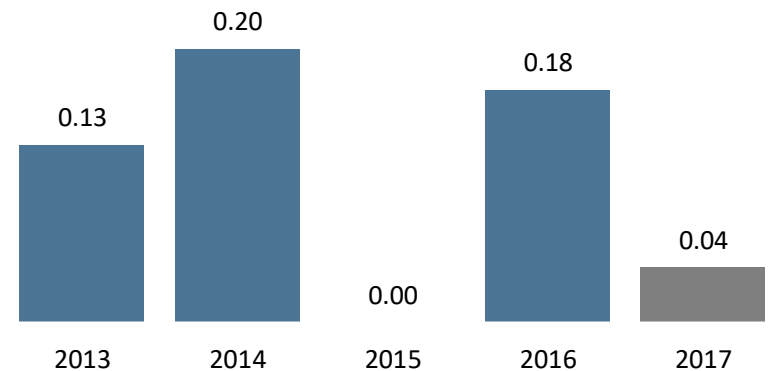
Zero harm is a priority

- ✦ Zero fatalities
- ✦ One lost time injury
- ✦ Zero major or significant community or environmental incidents
- ✦ CSI investment continues in line with our strategy

All injury frequency rate (AIFR)

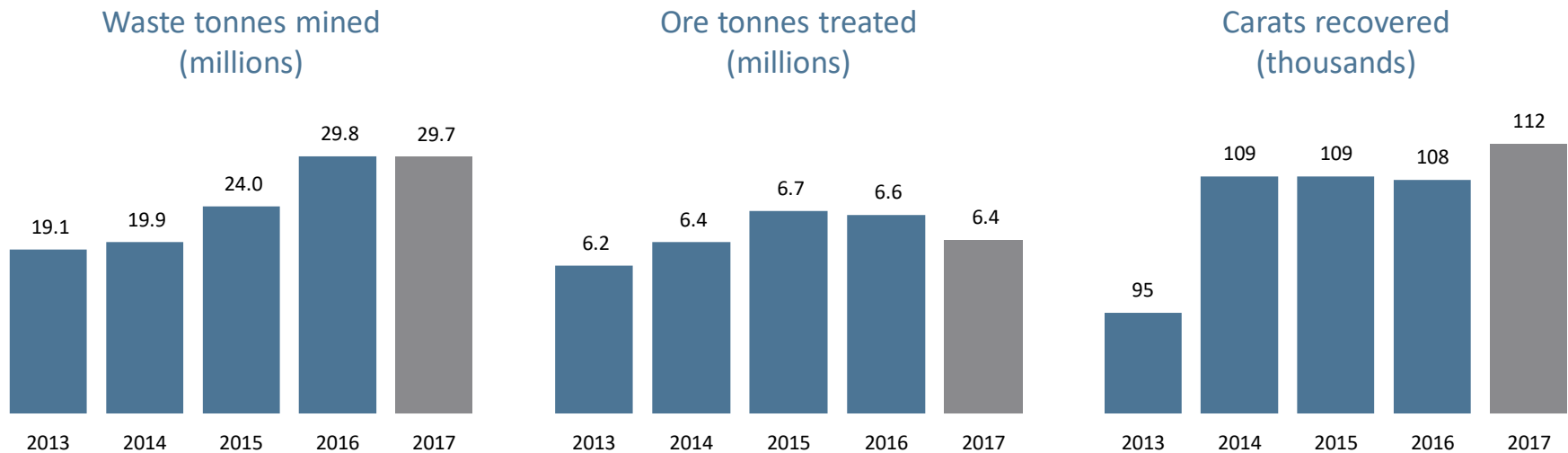


Lost time injury frequency rate (LTIFR)



Letšeng operational overview

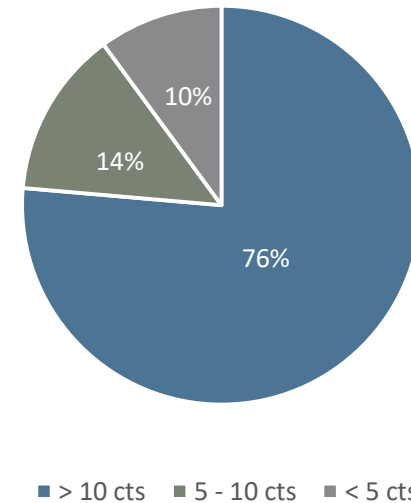
- ✦ Improvement in large diamond recoveries
- ✦ Continued optimisation of LoM plan – reduced waste tonnes; increased satellite pipe
- ✦ XRT installed in H2 2017 to retreat recovery tailings
- ✦ Continued focus on diamond damage
- ✦ Majority of business transformation value



Letšeng resource performance

- ✦ Grade performance - MCF of 99%
- ✦ Diamonds >10.8 carats account for 76% of revenue

Revenue by size fraction

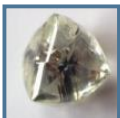


Frequency of large diamond recoveries

Number of diamonds	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Jan & Feb 2018
>100 carats	7	6	7	6	3	6	9	11	5	7	5
60 - 100 carats	18	11	11	22	17	17	21	15	21	19	4
30 - 60 carats	96	79	66	66	77	60	74	65	70	74	17
20 - 30 carats	108	111	101	121	121	82	123	126	83	113	24
Total diamonds >20 carats	229	207	185	215	218	165	227	217	179	213	50

Disruptive technology

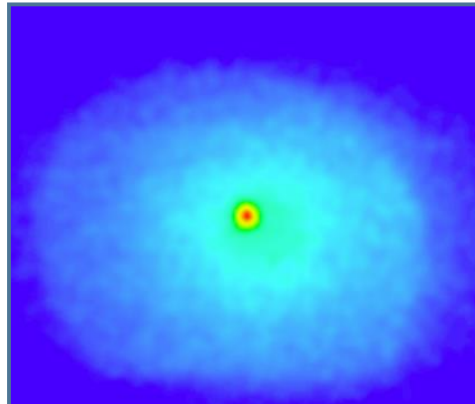
- ✦ Reducing diamond damage remains a key value creation opportunity
- ✦ Complimentary key technologies designed to
 - Identify diamonds within kimberlite prior to crushing process
 - Liberate diamonds through electric pulse technologies
- ✦ Due diligence performed on positron emission tomography (PET)
- ✦ Prototype of electric pulse technology developed and on site at Letšeng for testing
- ✦ Aim to reduce mining and associated costs



7.9 ct



5.5 kg, 170 mm long



Diamonds within kimberlite



Prototype of electric pulse technology

Ghaghoo

- ✦ Care and maintenance achieved in March 2017
- ✦ Annualised care and maintenance costs of \$3.0 million (excluding once off costs)
- ✦ Once-off costs
 - Retrenchment costs settled
 - Contracts renegotiated and modified
- ✦ Earthquake
 - Impact on fissure
 - Water levels managed
- ✦ Final sale of Ghaghoo goods achieved an average price of \$175 per carat
- ✦ Formal sale process underway
 - Recovered a total of 150k carats to date
 - Total resource of 20.5 million carats
 - In situ value \$4.9 billion

Michael Michael

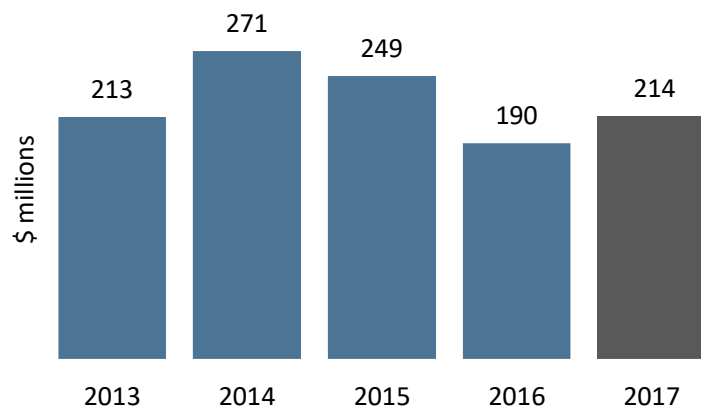
Chief Financial Officer

GEM DIAMONDS 

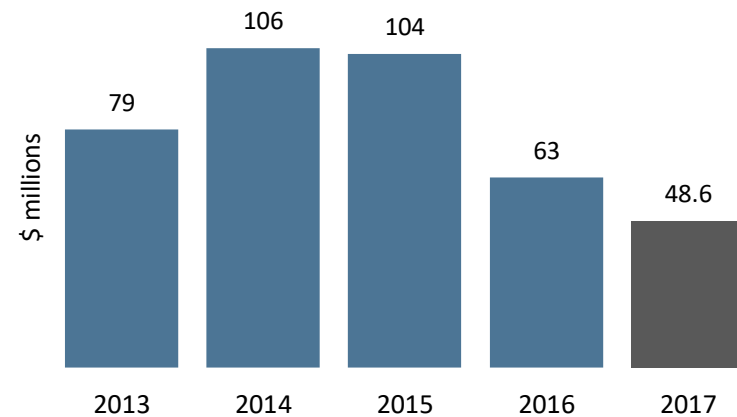


Full year 2017 – key performance indicators

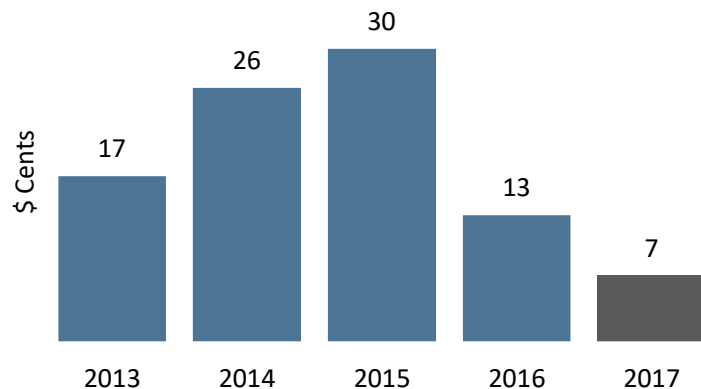
Revenue



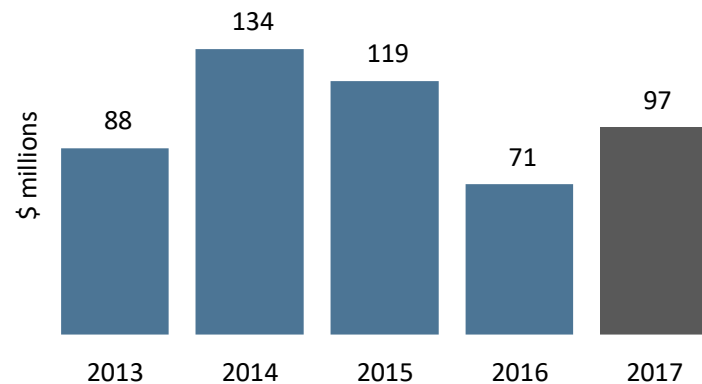
EBITDA



Basic EPS (pre exceptional items)



Cashflow from operating activities



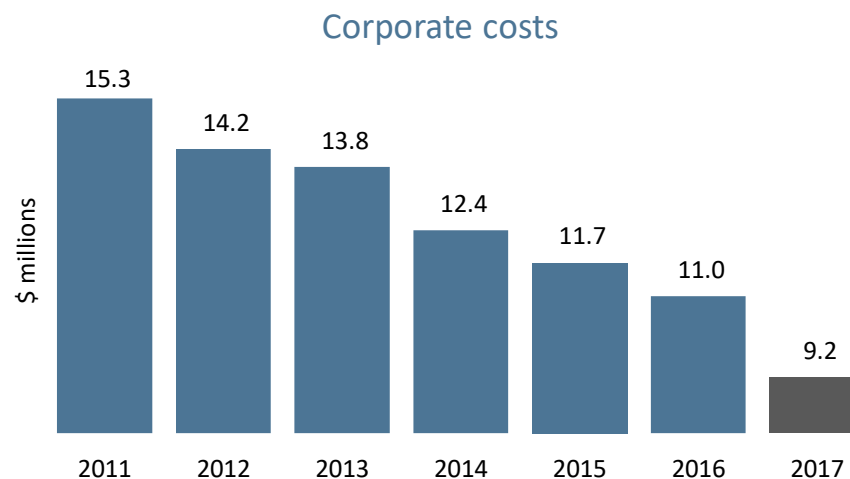
Full Year 2017 financial results

\$ millions	2017 Before exceptional items	2017 Exceptional items	2017	2016	% Variance
Revenue	214.3	-	214.3	189.8	13%
Royalty and selling costs	(18.8)	-	(18.8)	(17.2)	
Cost of sales	(137.7)	(3.6)	(141.3)	(98.8)	
Corporate expenses	(9.2)	-	(9.2)	(11.0)	
Underlying EBITDA	48.6	(3.6)	45.0	62.8	(23%)
Depreciation and mining asset amortisation	(8.9)	-	(8.9)	(10.4)	
Non cash & other items	(5.8)	-	(5.8)	-	
Impairment and other exceptional items	-	-	-	(176.5)	
Profit/(loss) before tax	33.9	(3.6)	30.3	(124.1)	
Income tax expense	(13.1)	-	(13.1)	(20.0)	
Profit/(loss) after tax	20.8	(3.6)	17.2	(144.1)	
Attributable Profit/(loss)	9.1	(3.6)	5.5	(158.8)	
Earnings per share (US cents)	6.6	-	4.0	12.8	(48%)
Loss per share after impairment (US cents)	-	-	-	(114.9)	

Financial performance – cost analysis

Unit costs (\$)	2017	2016	% Variance
Direct cash costs (before waste) per tonne treated	11.24	10.70	(5%)
Operating costs per tonne treated	19.96	14.64	(36%)
Waste cash cost per waste tonne mined	2.50	2.09	(20%)
Exchange rate – Average LSL to \$	13.31	14.70	(9%)
Unit costs (LSL)			
Direct cash costs (before waste) per tonne treated	149.54	157.29	5%
Operating costs per tonne treated	265.57	215.13	(23%)
Waste cash cost per waste tonne mined	33.23	30.69	(8%)

Continued focus on cost savings results in lowest corporate costs reported



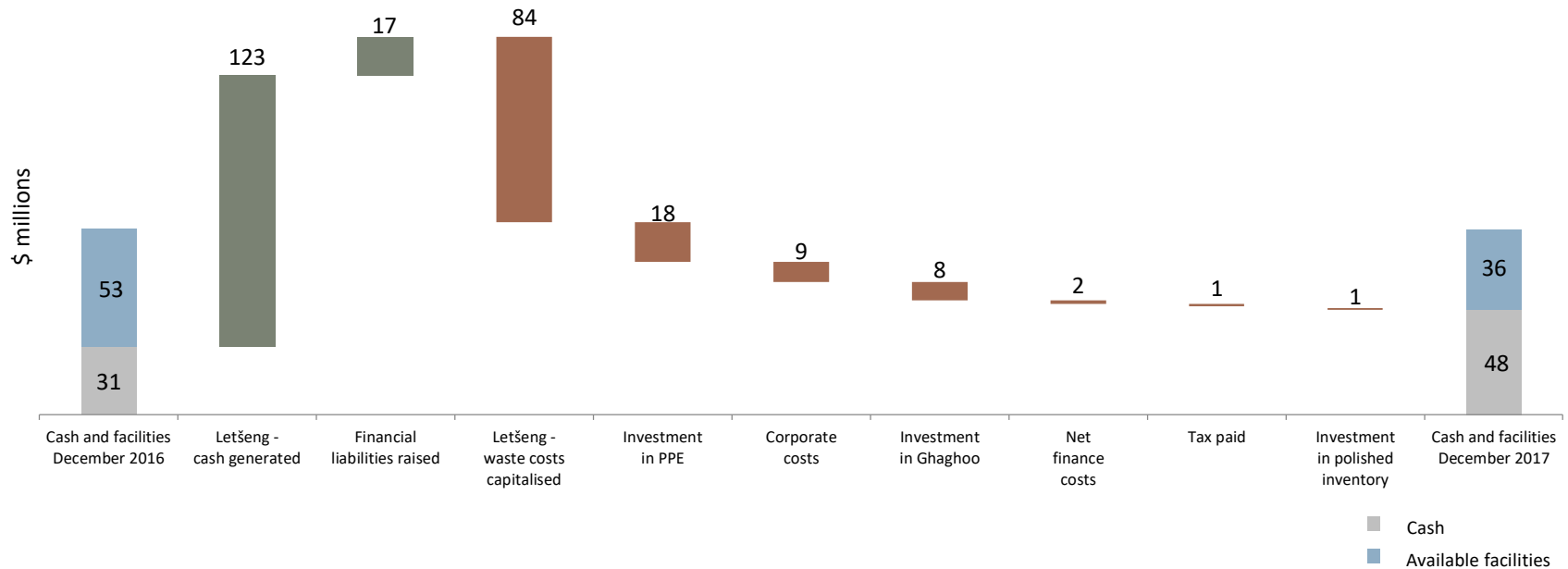
Improving cashflows

Cash

- ◆ Group cash of \$47.7 million (\$35.2 million attributable)
- ◆ Net cash of \$1.4 million after debt of \$46.3 million

Dividend

- ◆ No dividend proposed for 2017



Funding

- ✦ Ghaghoo \$25m facility repaid in February 2017
- ✦ GDL facility restructured into \$45 million facility consisting of:
 - \$20 million RCF; and
 - \$25 million term loan facility (Ghaghoo debt)

Company	Term / Description	Lender	Expiry	Amount (\$ millions)	Drawn down (\$ millions)	Available (\$ millions)
Gem Diamonds Limited	3-year RCF and term loan	Nedbank	December 2020	45.0	31.1	13.9
Letšeng Diamonds	3-year RCF	Standard Lesotho Bank and Nedbank Lesotho	July 2018	20.2	-	20.2
Letšeng Diamonds	5.5-year project facility	Nedbank / ECIC	August 2022	17.3	15.2	2.1
Total				82.5	46.3	36.2

Financial position

- ✦ Increased equity value as a result of balance sheet strengthening
- ✦ Improved liquidity position (current ratio of 2.43 compared to 1.27 in 2016)

\$ millions	2017	2016	% Variance
Non-current assets	321.0	271.9	
Current assets	91.6	72.9	
Total assets	412.6	344.8	20%
Equity attributable to the parent company	158.3	133.2	
Non-controlling interest	85.8	70.6	
Total equity	244.1	203.8	20%
Non-current liabilities	130.8	83.7	
Current liabilities	37.7	57.2	
Total liabilities	168.5	140.9	20%

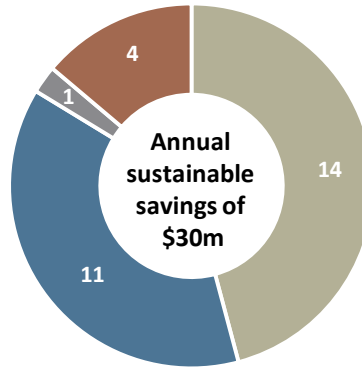
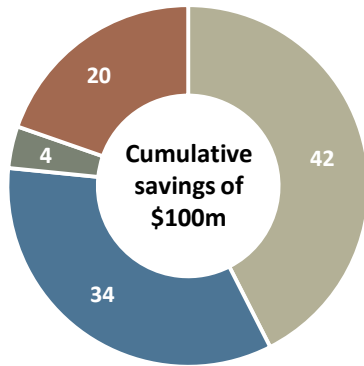


Clifford Elphick, Michael Michael and Johnny Velloza

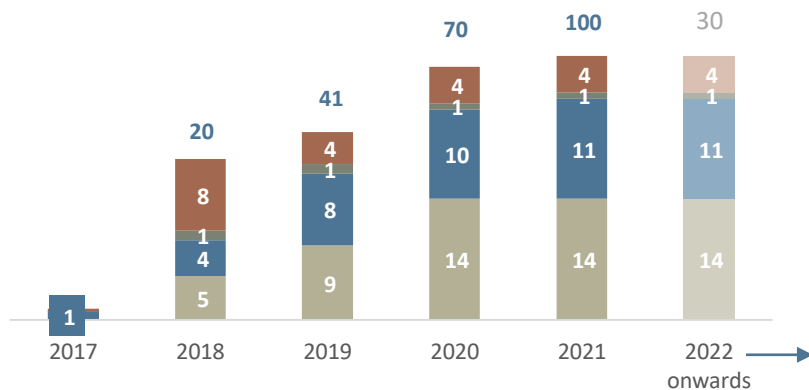
Chief Executive Officer, Chief Financial Officer and Chief Operating Officer



Targeting \$100 million



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

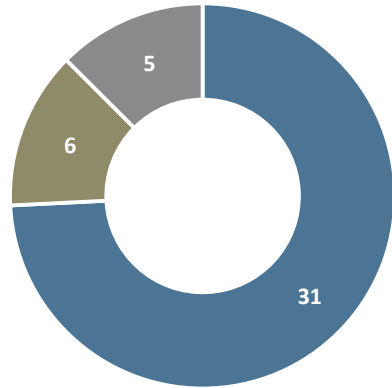


Cumulative \$100 million

Sustainable \$30 million

- ✦ Cumulative target of \$100 million over 4 years
- ✦ Sustainable annual saving of \$30 million by 2022
- ✦ Implemented initiatives contributing \$25 million of the \$100 million (Sept 2017 – to date)
 - ✦ Once-off \$4m
 - ✦ Recurring \$21m
- ✦ Achieved \$3 million cash saving (Sept 2017 – to date) mainly once-off

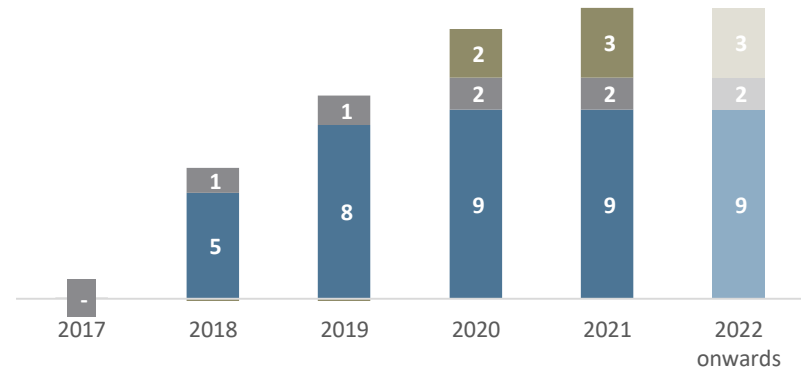
Mining targeting \$42 million



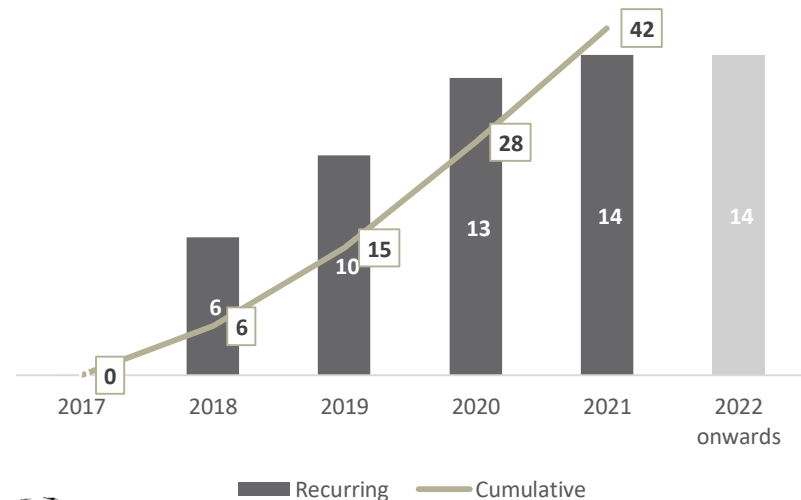
■ Load, drill & haul ■ Blasting practices ■ Pit design

- ★ Contract renegotiation – reduces unit cost rates
- ★ Pit slopes – reduces waste tonnes
- ★ Improved blasting practices – reduces costs

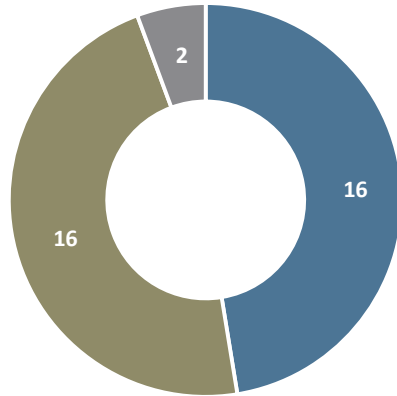
Timing of impact



All recurring initiatives



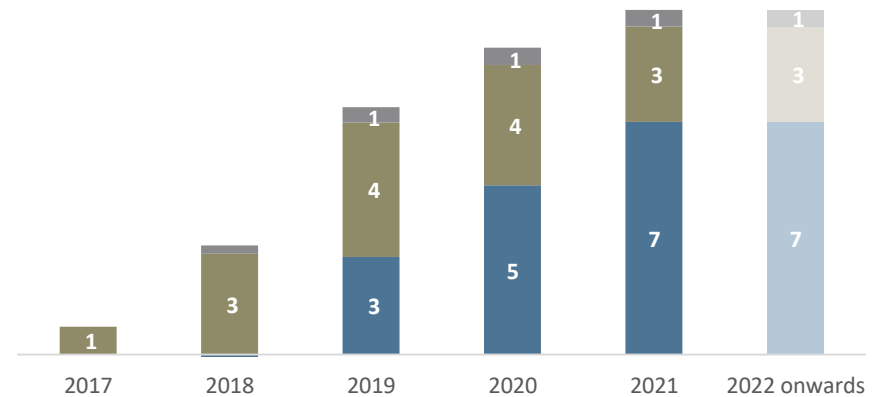
Processing targeting \$34 million



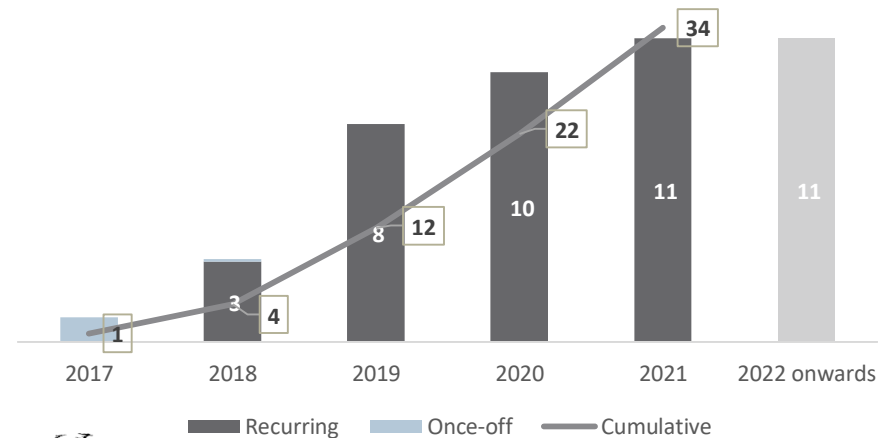
■ Plant uptime ■ Additional throughput ■ Plant consumables

- ★ Increase treated tonnes and carats recovered through:
 - Increasing plant uptime (full impact from 2021)
 - Extending Alluvial Ventures contract & deploying mobile XRT sorting machine

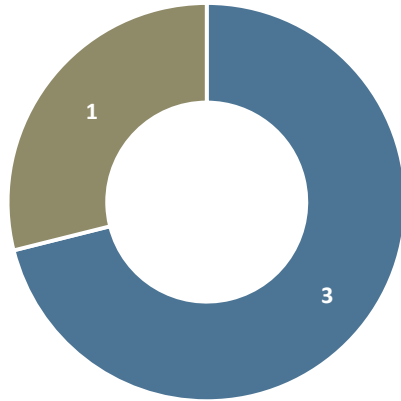
Timing of impact



Recurring & once-off initiatives



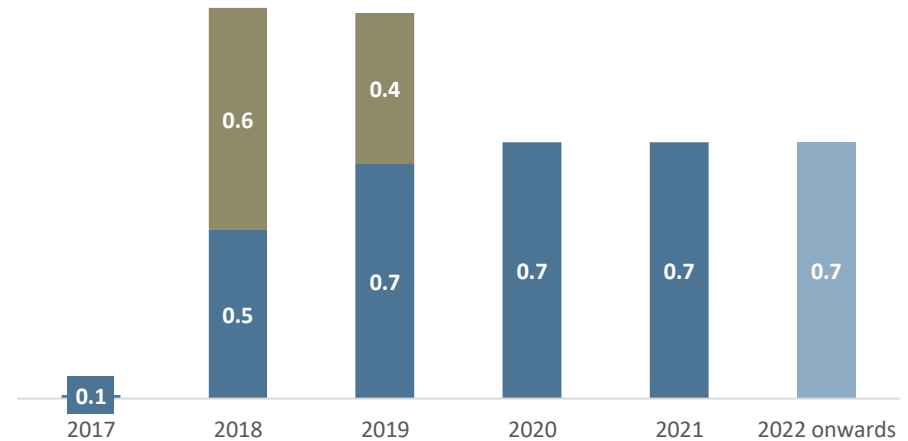
Working capital & overheads targeting \$4 million



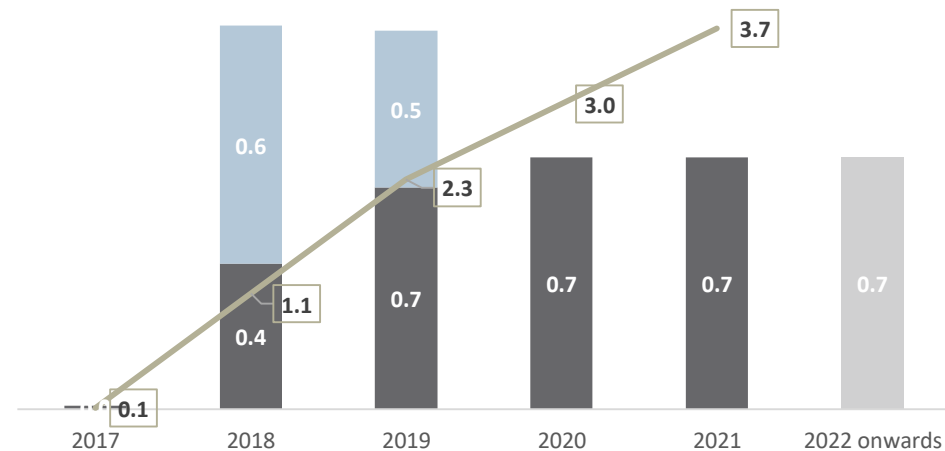
■ Overheads ■ Working capital

- ★ Once-off saving from working capital management
- ★ Strict spend control procedures and reducing administration and support costs at Letšeng

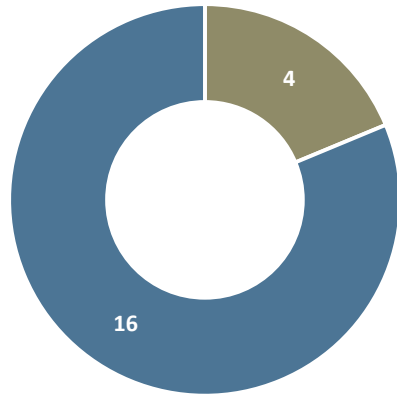
Timing of impact



Recurring & once-off initiatives



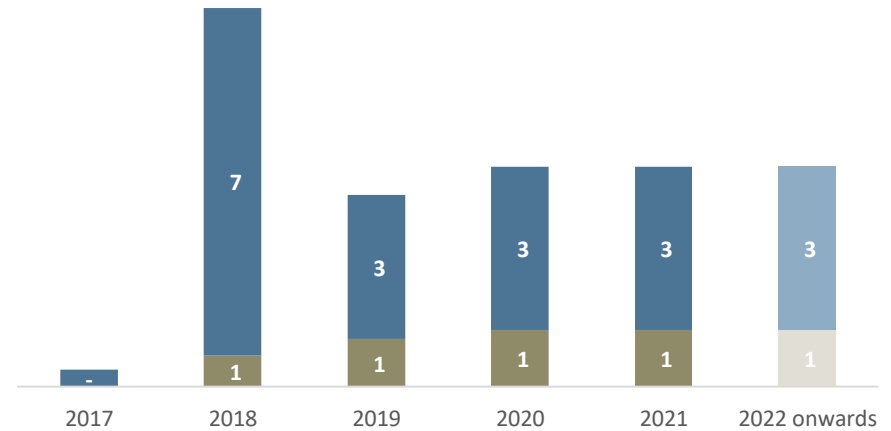
Corporate activities targeting \$20 million



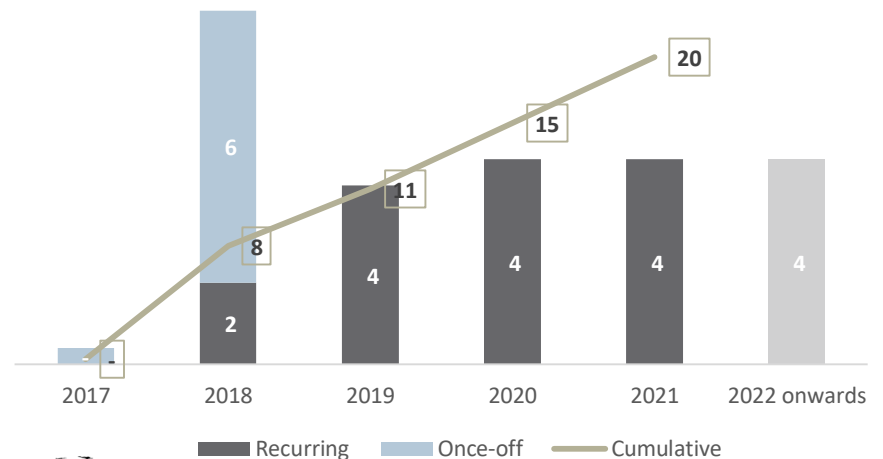
■ Corporate costs ■ Non-core assets

- ✦ Reducing or eliminating care & maintenance costs at Ghaghoo – formal sale process initiated
- ✦ Selling non-core assets – redundant stock & equipment, aircrafts, investment property
- ✦ Strict spend control procedures and reducing corporate footprint and costs

Timing of impact



Recurring & once-off initiatives



2018 Outlook

	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

Letšeng capital forecast

✦ Letšeng 5 year capital plan

	2018	2019	2020	2021	2022
Total tonnes mined (millions)	31.7	34.4	35.8	33.3	34.1
Project capital (US\$m)	11	14	7	–	–
Stay in business capital (US\$m)	15	6	6	6	6
Capital intensity (US\$/tonnes mined)	0.82	0.58	0.36	0.18	0.18

✦ Project capital 2018

- Mining Complex \$6.4 million
- Core drilling \$1.0 million
- Large Diamond Recovery Plant study \$1.0 million

✦ Stay in Business capital 2018

- TSF (Patiseng dam) project of \$8.5 million

Thank you

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