GEM DIAMONDS

HALF YEAR REPORT 2019

Interim Business Review

The first half of 2019 (the Period) started exceptionally well, with the recovery of a 13.32 carat pink diamond which sold for a Letšeng record of US$656 934 per carat, reaffirming the unique quality of the mine's diamond production. A further four diamonds greater than 100 carats were also sold and Letšeng achieved an average price of US$1 697 per carat from the sale of 55 714 carats. The prices achieved for the Period, 10% up from the prices achieved in H2 2018, are notwithstanding the planned limited contribution from the Satellite pipe material and current diamond market conditions.

It is however with regret and sadness that following a fatality-free period of 6 years at Letšeng, a fatality occurred in February whereby an operator of a sub-contractor's vehicle was involved in a vehicle accident. The Group remains committed to its goal of zero harm to its people and the environment and strives to achieve its operational goals within its sustainable development framework.

At Letšeng, mining progressed well and in line with the new steeper inter-ramp pit slope mine plan, successfully reducing waste mined by 3.2 million tonnes during the Period when compared to the previous pit design. Ore treated was mainly sourced from the lower-value part of the orebodies with 2.9 million tonnes of Main pipe ore treated and only 0.4 million tonnes of Satellite pipe ore, resulting in overall throughput of 3.3 million tonnes with 56 668 carats being recovered compared to 61 596 carats in H1 2018. During H2 2019, mining will be transitioning into a new cut back in the Satellite pipe which will accommodate the increase in planned Satellite pipe ore contribution. The construction work to extend the tailings storage facility progressed well during the Period. The aim of the project is to create sufficient storage capacity for coarse tailings disposal until the end of 2024. US$11.2 million of the total approved capital costs of US$13.7 million has been spent with the remaining costs expected to be incurred during 2021 to 2024 on completion of the extended storage facilities.

The Group generated underlying EBITDA from continuing operations of US$25.3 million (H1 2018: US$70.7 million), resulting in an attributable profit from continuing operations of US$6.2 million (H1 2018: US$26.8 million) and an earnings per share from continuing operations of 4.5 US cents (H1 2018: 19.4 US cents) on a weighted average number of shares in issue of 138.9 million. In line with the strategic objective to dispose of non-core assets, a binding agreement for the sale of 100% of the share capital of Gem Diamonds Botswana Proprietary Limited, which owns the Ghaghoo diamond mine, was entered into. This resulted in the operation and the associated results being classified as a discontinued operation. The Group ended the Period with a cash balance of US$25.8 million and drawn down facilities of US$26.5 million, resulting in a net debt position of US$0.7 million and unutilised available facilities of US$61.5 million.

The Group successfully concluded implementing the Business Transformation programme and is on track to deliver the planned US$100 million in revenue, productivity and cost saving by 2021. To Period end, the programme has cash flowed US$42 million of the total target to the business, net of fees. The contract with the external consultant who assisted with the implementation was closed out during the Period and management have commenced implementing an internal Continuous Improvement plan to ensure the sustainability of the benefits.

Good progress was also made during the Period with the Company's two key technologies to identify locked diamonds within kimberlite and to liberate diamonds using a non-mechanical process. These technologies are aimed primarily at limiting diamond damage and lowering operating costs. The construction of the 'detecting diamonds within kimberlite' pilot plant at Letšeng was completed and commissioning and ramp up commenced post Period end. The pilot plant was completed for US$3.0 million as planned.

The application for renewal of the Letšeng Mining Lease was submitted in March 2018, and in April 2018, at the Commonwealth Heads of Government meeting in London, the Prime Minister of Lesotho announced the Lesotho Government's intention to renew the lease. The full terms of the renewed mining lease are subject to a statutory negotiation process with the Lesotho Mining Board and, when agreed, will be contained in a new mining lease agreement. Statutory negotiations have proceeded satisfactorily and are anticipated to be concluded by the end of this year.

The sale of the Ghaghoo mine was vigorously pursued during the Period. In June 2019, the Company entered into a binding agreement with Pro Civil (Pty) Ltd to sell Ghaghoo, for US$5.4 million. The sale, which is subject to regulatory approvals in Botswana, is expected to be concluded in H2 2019.

The Board also appointed Ms Mazvi Maharosoa as an independent non-Executive Director on 1 July 2019. Mazvi brings a wealth of diamond experience, skills and diversity to the Board and her intimate knowledge of Lesotho will be of great benefit to the business.

Diamond market

Pressure on pricing of smaller, commercial type rough diamonds has continued with inventories in the manufacturing and polished markets remaining high following a disappointing 2018 holiday season and weak subsequent restocking. Furthermore, the persistence of financing challenges specifically in the mid-stream segment has caused cash flow concerns for a number of manufacturing operations. This, in many cases, has forced manufacturers to reduce stock levels resulting in increased diamond supply by diamond producers in an already saturated market.

During the Period rough prices of large, high-value diamonds have shown signs of weakness, albeit to a much lesser extent than the smaller, commercial type rough diamonds. The price for Letšeng's large, ultra-high-quality production is, however, expected to be less vulnerable to market pressures over time.

In the medium to long term, rough diamond prices are expected to be supported by the favourable demand/supply fundamentals, which are underpinned by a continued growth in demand from emerging markets coupled with a limited growth in supply. In the short term, supply is expected to decrease with the depletion of existing mines.

Health, safety, corporate social responsibility and environment (HSSE)

The Group reports one fatality and two Lost Time Injuries (LTIs) during the Period, resulting in a Group-wide Lost Time Injury Frequency Rate (LTIFR) of 0.16. The Group-wide All Injury Frequency Rate (AIFR) is 0.94 for the Period. No major or significant environmental or stakeholder incidents were reported during the Period and close collaboration with project affected communities continued with investment being made into small and medium enterprise development, education and infrastructure.

Operating review: Letšeng

H1 2019 in review

- Sold a 13.32 carat pink diamond for US$8.8 million, achieving a record price of US$656 934 per carat
- Recovered 3 diamonds greater than 100 carats
- Implemented inter-ramp pit slope steepening, resulting in a lower LoM strip ratio
- Average price of US$1 697 per carat achieved
- Reported one fatality and two Lost Time Injuries

Operational performance

	H1 2019	H1 2018
Waste mined (tonnes)	13 150 417	13 492 867
Ore mined (tonnes)	3 181 762	2 740 951
Ore treated (tonnes)	3 339 620	2 991 802
Carats recovered – all sources[1]	56 668	61 596
Grade recovered[1] (cpht)	1.70	2.06
Carats sold	55 714	61 696
Average price per carat (US$)	1 697	2 742

1 Includes carats produced from the Letšeng Plants, the Alluvial Ventures (AV) plant and the tailings treatment plant.

Gem Diamonds owns 70% of Letšeng Diamonds (Letšeng) in partnership with the Government of the Kingdom of Lesotho, which owns the remaining 30%. Letšeng was acquired in July 2006. The Letšeng mine, famous for its exceptional top-quality diamonds and having the highest proportion of large, high-value diamonds, is the highest average dollar per carat kimberlite diamond mine in the world.

During the Period, Letšeng's waste mining continued in line with the requirements of the updated long-term mine plan that incorporates the Business Transformation initiative to steepen the inter-ramp slope angles. This initiative, which was implemented from 1 January 2019, has reduced the tonnes of waste mined during the Period by 3.2 million compared to the previous pit design over the same period.

Tonnes treated during H1 2019 were 3.3 million tonnes, of which Letšeng's plants treated 2.8 million (H1 2018: 2.5 million), with the remaining 0.5 million tonnes treated (H1 2018: 0.5 million) by Alluvial Ventures (AV), the third-party processing contractor. Tonnes treated were higher than H1 2018, which was negatively impacted by the shutdown to repair various elements of the plant, including the replacement of the scrubber shell in Plant 2. In line with the current mine plan and planned mining schedule for H1 2019, the contribution from the higher-value Satellite pipe amounted to 0.4 million tonnes (H1 2018: 1.0 million tonnes) and of the total ore treated, 84% was sourced from the Main pipe, 11% from the Satellite pipe and 5% from the Main pipe stockpiles. The planned lower contribution of the higher-value Satellite pipe ore during the Period was mainly due to transitioning into a new cutback, which was accessed in June and is planned to deliver 1.4 million tonnes in H2 2019. The operational focus in the plants is to continue enhancing value over volume with well controlled and consistent feed rates to enable process stability, increased plant uptime and reliability. As part of this focus, improvements were implemented to the fine Dense Medium Separation (DMS) circuit towards the end of the Period in order to improve the feed rate in Plant 2. In order to implement these improvements, the feed rate to the DMS circuit in Plant 2 was reduced and capped for a limited period, negatively impacting the volume of tonnes treated in H1 2019.

Carats recovered from all sources were 56 668, representing a decrease of 8% from H1 2018, notwithstanding the increase in tonnes treated, and was mainly driven by the mining mix treated during the Period. The Business Transformation initiative to re-treat tailings material through a tailings treatment plant continued during the Period and 2 711 carats were recovered in H1 2019 (H1 2018: 5 368). Overall grade for H1 2019 was 1.70 carats per hundred tonnes (cpht) mainly impacted by the higher contribution of Main pipe ore, which has a lower grade relative to Satellite pipe ore. The grade for the ore processed during the Period is in line with its expected reserve grade of 1.70 cpht.

As tabled below, the frequency of large diamond recoveries reduced during the Period, in line with treating less high-value Satellite pipe material during H1 2019 compared to the previous period.

Frequency of recovery of large diamonds

	FY Average 2008 - 2018	H1 2018	**H1 2019**
Number of diamonds			
>100 carats	7	10	**3**
60-100 carats	18	13	**9**
30-60 carats	74	38	**36**
20-30 carats	111	63	**72**
Total diamonds > 20 carats	**210**	**124**	**120**

The US$13.7 million capital project for the required extension of Letšeng's tailings storage facility which commenced in November 2017 is on track. To date US$11.2 million has been spent on the project, of which US$1.5 million was incurred during the Period.

Following the completion of the core drilling and logging programme in 2018, the resource models and preliminary 3D geological solids of the dominant domains have been generated. These models are expected to be finalised in Q4 2019, which will feed into the updated Reserve and Resource statement.

Details of overall costs and capital expenditure incurred at Letšeng during the Period are included in the Group financial performance section.

Diamond sales

Four tenders were completed during H1 2019, with a total of 55 714 carats sold in Antwerp through Gem Diamonds Marketing Services (GDMS), a wholly owned Gem Diamonds subsidiary. Letšeng generated rough diamond revenue of US$94.5 million, at an average price of US$1 697 per carat.

HSSE

The core of the safety ethos at Letšeng is to build on the culture of behaviour-based care at work and to strive for zero harm. Additional targeted health and safety management initiatives have been implemented to further improve the safety performance on the mine following the unfortunate fatality recorded in Q1 2019. In addition, 2 LTI's were recorded at Letšeng during H1 2019, resulting in an LTIFR of 0.17 and an AIFR of 0.99 for the Period.

Zero significant or major environmental incidents have occurred at the operation during the Period. Letšeng is working to continue mitigating all potential impacts on the environment with water protection and waste management being a key focus during the Period.

No significant or major stakeholder incidents were recorded in the Period. Letšeng continued with the successful implementation of its corporate social investment (CSI) plan with focus on infrastructure and small and medium enterprise development in project affected communities.

H2 2019 and onwards

The focus at Letšeng will be on the following key areas:

- Maximising the treatment of the planned higher-value Satellite pipe material;
- Further enhancing the mining fleet and activities to reduce diesel consumption; and
- Monitoring the feed rates through Plant 2 following the DMS improvements implemented.

Operating review: Sales, marketing and manufacturing

H1 2019 in review

- US$94.5 million with an average price of US$1 697 per carat was achieved for Letšeng's production
- 15 rough diamonds sold for greater than US$1.0 million each at a total value of US$41.6 million
- 13.32 carat pink diamond was sold for US$656 934 per carat, making it the highest US$ per carat achieved for a Letšeng rough diamond
- Newly developed electronic tender platform successfully implemented

The Group's in-house sales and marketing function provides a flexible sales strategy with multiple marketing channels to maximise revenue from the Group's production. This is achieved through competitive tenders and other targeted sales and marketing channels for its rough and polished diamonds.

The Group's rough diamond analysis capabilities provide in-depth knowledge of the value of Letšeng's large, rough diamonds and are vital in the setting of appropriate reserve prices for the diamonds sold at each tender.

The Group may choose to manufacture some of its own large, high-value rough diamonds and also has the flexibility to place exceptional diamonds into strategic partnership arrangements with select customers in order to achieve additional margins along the diamond value chain.

Sales and marketing

Letšeng's rough diamond production is marketed and sold by Gem Diamonds Marketing Services (GDMS) in Antwerp through an electronic tender platform. A new electronic tender platform has been developed over the past 12 months and has been successfully implemented. Important features of the new platform include an improved user-friendly client interface, automated just-in-time communication with clients, improved security and access controls and an interactive integrated Know Your Customer (KYC) database. The tender platform will go live for the September 2019 tender.

The Letšeng tender viewings in Tel Aviv have proven to be successful and as such, have now become part of the annual tender viewing schedule.

During the first half of 2019, 55 714 carats were sold on tender for US$94.5 million, achieving an average price of US$1 697 per carat.

The highlight of the Period was the sale of a 13.32 carat pink diamond for US$8.8 million which is the highest US$ per carat achieved for a Letšeng rough diamond at US$656 934 per carat. Four greater than 100 carat diamonds were sold for a total value of US$14.9 million.

Other notable sales included a 6.99 carat pink diamond that sold for US$171 245 per carat and a 4.15 carat pink diamond that sold for US$105 222 per carat. The highest US$ per carat achieved for a D-colour Type IIa diamond was US$48 255 for a 70.69 carat diamond.

Analysis and manufacturing

Rough diamonds selected for own manufacturing are analysed, planned and managed by Baobab Technologies (Baobab), a 100% subsidiary of Gem Diamonds. The final polished diamonds are sold by GDMS through direct selling channels to reputable high-end diamantaires. There were no diamonds extracted for manufacturing and no polished diamonds sold during the Period.

Project review: Technology and Innovation

H1 2019 in review

- Construction of the 'detecting diamonds within kimberlite' pilot plant at Letšeng completed with commissioning and ramp-up planned for latter part of Q3 2019

Gem Diamonds Innovation Solutions (GDIS) was established in Cyprus in 2017 to house all the Group's innovation and technology research and development projects.

Project Progress

GDIS has made significant progress on the identification, validation and testing of technology from various industries to complement its innovation drive of early detection and non-mechanical means of liberating diamonds. Following the successful validation of the detection of diamonds within kimberlite, the design and construction of the US$3.0 million pilot plant at Letšeng has been completed. This enables extended testing of the detection and liberation technology in a production environment. As the first ore has been processed through the plant, no major deficiencies have been noted that will constrain the ramp-up of the plant in Q3 2019.

Various enhancements have been made to the proprietary imaging and sorting algorithms that will be tested in the pilot plant over the upcoming months. The prototype non-mechanical liberation unit has been integrated in the pilot plant flowsheet and its ability to effectively liberate the detected diamonds, without causing any damage, will be assessed in H2 2019.

H2 2019 and onwards

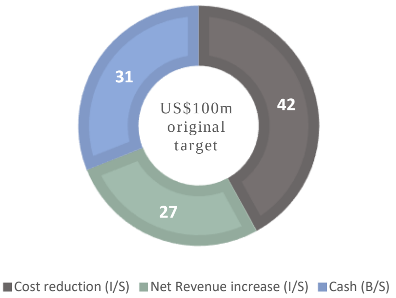
- Pilot plant production ramp-up and continued testing of detection and liberation technology;
- Evaluation and improvement of detection and liberation parameters to determine recovery efficiencies and deliver repeatable results; and
- Determine parameters that enable upscaling of detection and liberation technology to process particles up to 150mm in size.

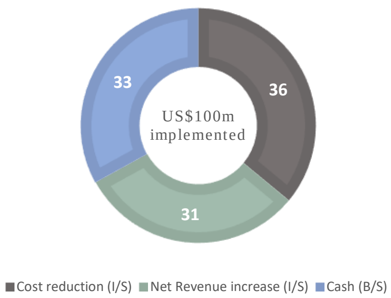
Business Transformation

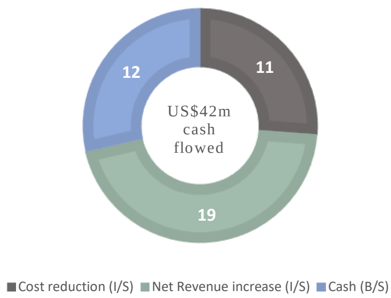
The cumulative 4-year target of US$100 million in revenue, productivity improvements and cost savings to 2021 remains on track. This target has been set relative to the 2017 results, when the Business Transformation commenced, and all values are converted at an exchange rate of USD1:ZAR13 for the full 4-year period when tracking progress against this target.

Initiatives which are expected to deliver the targeted US$100 million by 2021 have been implemented. Of these implemented initiatives, US$7.1 million relates to once-off savings and the balance of US$92.9 million relates to cumulative recurring annualised benefits over the 4-year period. Since inception of the Business Transformation up to the end of the Period, US$42 million of the total benefit has been realised, net of implementation costs, consultant fees and the employee incentive plan. Focus remains on ensuring the sustainability of the implemented initiatives and implementing recently identified initiatives which are expected to contribute to the overall value of the Business Transformation.

The financial impact over the 4-year period on the balance sheet (B/S) and income statement (I/S) in terms of net revenue increase (I/S), cost reduction (I/S) and cash improvement (B/S) of the implemented initiatives and the resulting cash flowed to date is illustrated below:







The success and sustainability of the Business Transformation is underpinned by the organisational health of the Group. Of the 48 organisational health initiatives identified following the Organisational Health Index (OHI) survey conducted in Q3 2017, 45 have been implemented and the remaining three initiatives are in final stages of being implemented. New initiatives continue to be identified in areas which require further improvement within organisational health.

The organisation is in the process of implementing a Continuous Improvement plan which will focus on standardisation, visual management, capability building and promoting specific continuous improvement behaviors.

The table below references the cumulative 4-year target of US$100 million (as reported in the 2017 and 2018 Annual Reports) together with the status of implementation of the primary contributing initiatives.

Initiative & Target	Activity & Target	Objective	Impact	Status	Tracking against US$100m target
Mining					
US$42 million	Drill, load and haul activities: **US$31.0 million**	Reduce mining costs through: • improving efficiencies and rates and reviewing tenure of mining contractor; • optimising support equipment requirements and associated cost; • improving haul roads to optimise truck speeds; • increasing truck capacity by 7% by installing greedy boards; and • improving drill rates by 30% by modernising the drilling fleet with a cost-efficient autonomous system.	Reduce waste unit costs and waste stripping capitalisation Reduce ore unit costs	**Implemented[1] US$24.0 million** A reduction in mining rates implemented in Q2 2018 primarily based on the optimisation of the mining fleet and support equipment, improved load balancing, improved maintenance practices and improved haul road and pit floor conditions. Improved diesel consumption initiatives have been identified and are expected to contribute additional value from Q4 2019.	US$42.7 million
	Pit design: **US$6.0 million**	Opportunities to steepen current slope angles with the benefit of reducing waste tonnes over the LoM.	Reduce waste tonnes and waste stripping capitalisation	**Implemented[1] US$10.8 million** This initiative was implemented in January 2019, 12 months earlier than initially estimated, with the adoption of the new mine plan. During the Period there was a reduction of 3.2 million waste tonnes mined compared to the previous pit design.	
	Blasting practices: **US$5.0 million**	Changing blasting patterns and practices, accessories and explosive mix, leading to a reduction in blasting consumables by up to 30%. Applying available early settlement discounts with explosives supplier.	Reduce direct cash costs	**Implemented[1] US$7.9 million** Achieved 22% reduction in cost of blasting consumables and accessories per tonne mined compared to 2017 through: • reducing the number of primers used per blasting in both ore and waste; • introducing saver plugs in waste blasting; and • eliminating sub-drilling in kimberlite. Applied improved payment terms with consumable suppliers and secured alternative suppliers for specific blasting consumables and accessories.	

1. *"**Implemented**" – means that all key activities to realise the value of an initiative have been completed and no further action is required for the benefit to begin to accrue and be realised.*

Initiative & Target	Activity & Target	Objective	Impact	Status	Tracking against US$100m target
Processing					
US$34 million	Plant uptime: **US$16.0 million**	46 initiatives identified to improve plant uptime through: • improved maintenance scheduling (planned and unplanned); • improving ore feed management; • improving stability of power supply; and • reducing operational delays.	Increase ore tonnes treated Net revenue increase	**Implemented[1] US$7.2 million** 59 initiatives have been implemented to improve plant uptime, with the benefits expected to continue to ramp up during the latter part of 2019 and into 2020. Additional initiatives to further enhance plant uptime are in the process of being implemented.	US$34.5 million
	Additional throughput: **US$16.0 million**	Deploy a tailings treatment plant to re-treat tailings.	Increase carats recovered Net revenue increase	**Implemented[1] US$23.2 million** In addition to the carats recovered in 2017 and 2018, the tailings treatment plant recovered 2 711 carats during the Period from re-treating tailings.	
		Review and renegotiate the Alluvial Ventures contract for the operation of the third plant at Letšeng.	Reduce direct cash costs	**Implemented[1] US$2.8 million** The Alluvial Ventures contract has been renegotiated to realign the profit margin share and to extend the tenure initially to mid-2020.	
	Plant consumables: **US$2.0 million**	Efficient usage and reduction of plant consumables.	Reduce direct cash costs	**Implemented[1] US$1.3 million** An improved flocculant and coagulant combination product was introduced and new flocculant recovery units to reduce the consumption of consumables have been commissioned at both Plant 1 and Plant 2. A 20% reduction in plant consumables per tonne treated has been realised.	

1. *"**Implemented**" – means that all key activities to realise the value of an initiative have been completed and no further action is required for the benefit to begin to accrue and be realised.*

Initiative & Target	Activity & Target	Objective	Impact	Status	Tracking against US$100m target
Working capital and overheads					
US$4 million	Working capital: **US$1.0 million**	Improve working capital management with specific focus on redundant and slow-moving plant inventory at Letšeng. The working capital initiative is a once-off benefit which is expected to deliver over a 12 -18 month period.	Reduce working capital (once off cash benefit)	**Implemented[1] US$1.2 million** Draw down of slow-moving Process Plant stock and the rebasing of economic order quantities has been implemented and the sale of scrap material and excess and redundant stock is ongoing.	**US$8.1 million**
	Overheads: **US$3.0 million**	Reduce support service costs at Letšeng through contract reviews and focused contract management. Implement stricter spend control procedures on administrative and support costs at Letšeng Reduce the Letšeng corporate office footprint and other office costs	Reduce direct cash costs	**Implemented[1] US$6.9 million** All identified initiatives within this workstream have been implemented at Letšeng as follows: • the catering and housekeeping contract was reviewed and renegotiated; • entered into new IT network provider contracts offering improved technological services and rates; • the corporate office footprint has been reduced through the sub-leasing of excess office space; • reviewed insurance requirements and providers and implemented savings; • improved on-mine diesel issue procedures and eliminated the use of diesel additives from equipment where not required; • initiatives targeting office cost reductions were implemented; and • energy saving opportunities implemented using smart controllers on heating, geysers and lighting.	

1. *"**Implemented**" – means that all key activities to realise the value of an initiative have been completed and no further action is required for the benefit to begin to accrue and be realised.*

Initiative & Target	Activity & Target	Objective	Impact	Status	Tracking against US$100m target
Corporate activities					
US$20 million	Non-core assets: **US$16.0 million**	Selling non-core mining fleet and redundant stock at Ghaghoo.	Reduce direct cash costs Once-off cash benefit	**Implemented[1] US$1.5 million** Assets associated with Ghaghoo i.e. the aircraft servicing the mine, certain non-core mining fleet and inventory have been sold.	US$14.4 million
		Reduce or eliminate the ongoing care and maintenance costs at Ghaghoo	Reduce direct cash costs	**Implemented[1] US$5.2 million** Initiatives to reduce generator diesel consumption and underground water pumping requirements have been implemented to reduce certain care and maintenance costs. A binding agreement to sell the Ghaghoo mine was entered into, in June 2019. Subject to regulatory approvals within Botswana, the transaction is expected to be completed in H2 2019 after which all care and maintenance costs associated with Ghaghoo will cease.	
		Selling other non-core assets across the Group.	Once-off cash benefit	**Implemented[1] US$2.6 million** Identified non-core assets have been sold, the two most material being the investment property in Dubai and the corporate aircraft.	
	Corporate costs **US$4.0 million**	Implementation of stricter spend control on admin and support costs and focusing on fit-for-purpose operations. Downsizing office footprint in the United Kingdom, South Africa and Botswana.	Reduce direct cash costs	**Implemented[1] US$5.1 million** All identified initiatives relating to operations in the United Kingdom, South Africa, Belgium and Botswana operations have been implemented as follows: • office footprints in the United Kingdom, Botswana and South Africa reduced; • strict spend control through one centralised cost approval office implemented; • focused control of travel expenditure and associated costs; • reduced Annual Report publishing and printing costs; • reduced professional fees i.e. insurance, audit, diamond analysis, consultant and brokering fees and membership fees; and • optimised treasury practices.	

1. *"**Implemented**" – means that all key activities to realise the value of an initiative have been completed and no further action is required for the benefit to begin to accrue and be realised.*

Group financial performance

H1 2019 in review

- Revenue US$91.3 million (US$167.7 million in H1 2018)
- Underlying EBITDA[1] US$25.3 million (US$70.7 million in H1 2018)
- Attributable profit, from continuing operations US$6.6 million (US$26.8 million in H1 2018)
- Basic earnings per share 4.8 US cents from continuing operations (19.4 US cents in H1 2018)
- Cash on hand US$25.8 million
- Loss from discontinued operations US$2.4 million relating to Ghaghoo (US$2.6 million in H1 2018)
- Adopted 'IFRS 16 – Leases' on 1 January 2019

US$ millions	H1 2019	H1 2018[3]
Revenue	91.3	167.7
Royalty and selling costs	(8.4)	(14.7)
Cost of sales[2]	(52.5)	(77.0)
Corporate expenses	(5.1)	(5.3)
Underlying EBITDA[1] from continuing operations	**25.3**	**70.7**
Depreciation and mining asset amortisation	(7.1)	(4.4)
Share-based payments	(0.6)	(0.8)
Other income	1.4	0.3
Foreign exchange gain	2.4	2.1
Net finance costs	(2.7)	(0.6)
Profit before tax from continuing operations	**18.7**	**67.3**
Income tax expense	(6.6)	(23.8)
Profit for the Period from continuing operations	**12.1**	**43.5**
Non-controlling interests	(5.5)	(16.7)
Attributable profit from continuing operations	**6.6**	**26.8**
Loss from discontinued operations	(2.4)	(2.6)
Attributable net profit	**4.2**	**24.2**
Earnings per share from continuing operations (US cents)	4.8	19.4
Loss per share from discontinued operations (US cents)	(1.8)	(1.9)

1 Underlying earnings before interest, tax, depreciation and mining asset amortisation (EBITDA) as defined in Note 5 of the condensed notes to the consolidated interim financial statements

2 Including waste stripping costs amortisation but excluding depreciation and mining asset amortisation

3 Prior year comparatives have been restated due to the recognition of the discontinued operation

The Group generated an Underlying EBITDA[1] of US$25.3 million. The profit attributable to shareholders from continuing operations for the Period was US$6.6 million, equating to an earnings per share from continuing operations of 4.8 US cents on a weighted average number of shares in issue of 138.9 million. After including the loss of US$2.4 million from Ghaghoo, the discontinued operation, the Group's attributable profit reduced to US$4.2 million with earnings per share of 3.0 US cents. The forecast effective tax rate for the full year is 37.2% and has been applied to the actual results for the Period. This rate is the result of profits generated by Letšeng being taxed at 25.0% and deferred tax assets not recognized on losses incurred in non-trading operations, partially offset by a reduction in the deferred tax liability on unremitted earnings.

Letšeng produced strong operational results during the Period which included 3.2 million waste tonnes saving from the previous pit design as a result of steepening the inter-ramp slope angles. In addition, the uptime and reliability of the Plants improved, resulting in a 12% increase in tonnes treated for the Period compared to H1 2018, from 3.0 million to 3.3 million tonnes.

The Group successfully implemented the planned Business Transformation initiatives that will deliver US$100 million in cost savings and revenue improvements by 2021 of which US$18.1 million, net of provision for fees and costs, contributed to the Group's results during the Period.

The Group adopted IFRS 16 – Leases, that requires a lessee to recognise a Right-of-use asset and lease obligations for all leases except for short-term leases, or leases of low value assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. This resulted in an increase in Underlying EBITDA[1] of US$1.6 million due to allocating costs that would have previously been disclosed as cost of sales to a Right-of-use asset and the recognition of the Right-of-use assets resulted in increased depreciation of US$1.4 million for Period.

Revenue

The Group's revenue of US$91.3 million was generated at Letšeng, at an average of US$1 697 per carat (US$2 742 per carat in H1 2018) which was 10% higher than that achieved for the immediately preceding six-month period, H2 2018, of US$1 537 per carat. Contributing US$8.8 million to revenue, is the recovery of a 13.32 carat pink diamond that sold for a Letšeng record of US$656 934 per carat. As Letšeng transitioned into a new cutback during the Period, the planned lower contribution of the higher-value Satellite pipe ore reduced both price and volume of carats sold during the Period, when compared to H1 2018, which had a higher contribution from the Satellite pipe ore and the recovery and sale of the 910 carat Lesotho Legend for US$40 million.

Business Transformation initiatives contributed US$11.5 million to revenue during the Period. This mainly related to the re-treating of tailings material through the tailings treatment plant.

Letšeng revenue

	H1 2019	H1 2018
Carats sold	55 714	61 696
Average price per carat (US$)	1 697	2 742

Group revenue summary

	H1 2019	H1 2018
Sales – rough	94.5	169.2
Sales – polished margin	-	0.2
Sales – other	-	0.2
Tender receipts received post Period-end	(3.2)	(1.9)
Group revenue	**91.3**	**167.7**

In line with the Group's policy on the timing of revenue recognition, receipts relating to diamonds sold for US$3.2 million in the final tender of the Period, were received on 2 July 2019 and therefore not recognised as Revenue during the Period.

Royalties consist of an 8% levy paid to the Lesotho Revenue Authority on the sale of diamonds in Lesotho. Diamond selling and marketing-related expenses are incurred by the Group's sales and marketing operation in Belgium. During the Period, royalties and selling costs decreased by 43% to US$8.4 million, in line with the sales in the Period.

Costs

While revenue is generated in US dollars, the majority of operational expenses are incurred in the relevant local currency in the operational jurisdictions. Local currency rates for the Lesotho loti (LSL) (pegged to the South African Rand) and Botswana Pula (BWP) were weaker against the US dollar during the Period (compared to the same period in 2018) which reduced underlying US dollar costs and the Group's US dollar reported costs.

Exchange rates	**H1 2019**	H1 2018	% change
LSL per US$1.00			
Average exchange rate for the Period	14.20	12.32	15%
Period-end exchange rate	14.10	13.71	3%
BWP per US$1.00			
Average exchange rate for the Period	10.65	9.78	9%
Period-end exchange rate	10.62	10.40	2%
US$ per GBP1.00			
Average exchange rate for the Period	1.29	1.38	(7%)
Period-end exchange rate	1.27	1.32	(4%)

Group cost of sales for the Period reduced to US$52.5 million, compared to US$77.0 million in H1 2018, largely driven by a decrease in waste stripping amortisation costs, due to a different mining mix at Letšeng, and Business Transformation initiatives that delivered US$4.0 million of cost savings. Total waste stripping costs amortised were US$15.7 million compared to US$34.2 million in H1 2018.

In local currency, total operating costs decreased by 21% to LSL741.0 million in H1 2019 compared to LSL936.7 million in H1 2018, resulting in total operating costs per tonne treated of LSL221.89, which is 29% lower than H1 2018 of LSL313.09 per tonne treated. The 12% increase in tonnes treated during the Period further reduced reported unit costs.

Unit cost per tonne treated	**Operating costs**				**Business Transformation (BT) costs**			**Accounting charges[5]**	
LSL	Direct cash costs[4]	3rd Plant operator costs	Once-off maintenance costs	**Sub-total**	Tailings treatment plant operating costs	Fees and employee reward scheme	**Total direct operating cash costs**	Charges	**Total operating cost**
H1 2019	148.28	13.67	-	**161.95**	1.63	10.52	**174.10**	47.79	**221.89**
H1 2018	144.87	22.95	5.76	**173.58**	1.72	20.76	**196.06**	117.03	**313.09**
% Change	2%	-40%	-	**-7%**	-5%	-49%	**-11%**	-49%	**-29%**
US$									
H1 2019	10.44	0.96	-	**11.40**	0.11	0.74	**12.25**	3.37	**15.62**
H1 2018	11.76	1.86	0.47	**14.09**	0.14	1.69	**15.92**	9.50	**25.42**
% Change	-11%	-48%	-	**-19%**	-21%	-56%	**-23%**	-65%	**-39%**

[4] Direct mine cash costs represent all operating costs, excluding royalty and selling costs
[5] Accounting charges include waste stripping cost amortised, inventory and ore stockpile adjustments, and the impact of adopting IFRS 16 – Leases, and excludes depreciation and mining asset amortisation.

Direct cash costs are LSL148.28, representing a 2% increase from H1 2018. Waste cash cost per waste tonne mined increased by 3% to LSL35.63 (H1 2018: LSL34.46), in line with reduced volume mined. These cash cost increases were driven by local country inflation, increase in fuel price of 11% and increased hauling distances of 9% for ore and 6% for waste. The cost savings derived from Business Transformation initiatives specifically targeting contractor mining rates and efficiencies within blasting and plant consumables partially offset these increases.

3rd Plant operator costs per tonne treated in local currency decreased by 40%. This cost is a function of the revenue generated by the sales from diamonds recovered through the contractor plant and the decrease in costs is directly linked to the lower revenue generated during the Period.

The Business Transformation costs relate to operating costs of the tailings treatment plant (that continues to re-treat tailings material), consultancy fees and a provision for an employee reward scheme. With the conclusion of the consultancy agreement during the Period and the expected conclusion of the employee rewards scheme in H2 2019, no further costs are anticipated to be incurred post 2019.

The accounting charges per tonne treated decreased mainly due to the lower waste amortisation costs as a result of treating 66% less high-value Satellite pipe material during the Period, which has a higher amortisation charge associated to it. The amortisation charge attributable to the Satellite pipe ore accounted for only 41% of the total waste stripping amortisation charge in the Period (H1 2018: 82%). In addition, the implementation of IFRS 16 – Leases, reduced the operating costs by LSL6.90 per tonne treated due to these costs being re-allocated to lease liabilities in the statement of financial position in line with the new accounting requirements.

Other operating information

(US$ million)	**H1 2019**	H1 2018
Waste cost capitalised	37.3	42.9
Waste stripping cost amortised	15.7	34.2
Depreciation and mining asset amortisation	7.1	4.4
Capital expenditure	4.4	10.9

Depreciation and mining asset amortisation increased to US$7.1 million during the Period driven by the commencement of depreciation on the completed Letšeng mining complex and the recognition of Right-of-use assets in accordance with IFRS 16 – Leases which attracted additional depreciation of US$1.4 million in the Period.

Discontinued operation (Ghaghoo operation on care and maintenance)

In line with the strategic objective to dispose of non-core assets, Gem Diamonds Limited entered into a binding agreement with Pro Civil (Pty) Ltd (Pro Civil) for the sale of 100% of the share capital of Gem Diamonds Botswana Proprietary Limited (GDB), which owns the Ghaghoo diamond mine, for US$5.4 million. The sale, subject to regulatory approvals in Botswana, is expected to be concluded in the H2 2019.

In line with the requirements of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the operation was classified as a Discontinued Operation during the Period. Care and maintenance costs of US$2.4 million have been recognised and disclosed separately in the income statement for the Period and disclosed separately in the statement of financial position at the lower of its carrying value and fair value less costs to sell.

Diamond manufacturing operation

Extracted diamond inventory on hand at the end of the Period of US$0.4 million remained unchanged from 31 December 2018. There were no diamonds extracted for manufacturing during the Period and no polished diamonds sold.

Corporate office

Corporate costs relate to central costs incurred by the Group through its technical and administrative offices in South Africa and the United Kingdom and are incurred in both South African Rand and British Pound. General corporate costs for the Period were US$4.1 million (H1 2018: US$4.6 million) continuing the trend of reducing corporate costs and realising the benefits from the corporate cost initiatives implemented through Business Transformation. In addition to these savings, the costs reduced due to a 15% and 7% stronger US$ exchange rate against the South African Rand and British Pound respectively. The remaining US$1.0 million corporate costs incurred relate to US$0.6 million (H1 2018: US$0.5 million) of Business Transformation costs and US$0.4 million (H1 2018: US$0.2 million) of project costs incurred. The Business Transformation costs mainly relate to a provision for an employee reward scheme which is self-funded through the gains of the Business Transformation and no further costs in this regard are anticipated to be incurred post 2019.

The share-based payment charge for the Period was US$0.6 million (H1 2018: US$0.8 million). On 20 March 2019, 1 303 000 nil-cost options were granted to certain key employees and Executive Directors under the Long-term Incentive Plan of the Company with similar conditions as previous awards granted under this scheme.

Financial position and funding review

The Group generated cash from operating activities of US$23.3 million (30 June 2018: US$97.6 million) during the Period. The reduced waste stripping costs and the ability to defer capital expenditure contributed to positive cash management whilst mining focused in lower value areas. A significant tax payment of US$13.8 million at Letšeng relating predominantly to the high profits of 2018 was paid during the Period and all scheduled loan debt repayments were made.

Capital expenditure was US$4.4 million and mainly comprised the extension of the footprint of the Patiseng tailings storage facility (US$1.5 million), various sustaining capital projects at Letšeng and US$0.7 million on the completion of the 'detecting diamonds within kimberlite' pilot plant.

The Group ended the Period with cash on hand of US$25.8 million (31 December 2018: US$50.8 million) of which US$22.4 million is attributable to Gem Diamonds and US$0.2 million is restricted. At Period end, the Group had utilised facilities of US$26.5 million, resulting in a net debt position of US$0.7 million and undrawn facilities of US$61.5 million available, comprising US$26.0 million at Gem Diamonds and US$35.5 million at Letšeng, ensuring the Group is adequately funded.

Due to the impact of the lower contribution from the high-value Satellite pipe and significant tax payments during the Period, Letšeng did not pay dividends during the Period. Taking into account current cash flows, the Company has not proposed an interim dividend.

Summary of loan facilities as at 30 June 2019

US$ millions

Company	Term/ Description	Lender	Expiry	Interest Rate[1]	Amount	Utilised	Available
Gem Diamonds Limited	3-year RCF and term loan	Nedbank	December 2020	London US$ three-month Libor + 4.5%	45.0	15.0	26.0
Letšeng Diamonds	3-year RCF	Standard Lesotho Bank and Nedbank Lesotho	July 2021	Lesotho prime rate minus 1.5%	35.5	-	35.5
Letšeng Diamonds	5.5-year project facility	Nedbank / ECIC	March 2022	Tranche 1 (ZAR 180m) South African JIBAR + 3.15%	12.8	9.4	-
			September 2022	Tranche 2 (LSL 35m) South African JIBAR + 6.75%	2.5	2.1	-
Total					**95.8**	**26.5**	**61.5**

[1] *At 30 June 2019 LIBOR was 2.33% and JIBAR was 7.03%.*

H2 2019 and onwards

The Group will focus on optimising its cash position through:

- Effective capital allocation and capital discipline;
- Ensuring the Group is adequately funded to support the strategic objectives of the operations;
- Concluding the sale of the Ghaghoo mine; and
- Concluding the negotiations on the renewal of Letšeng's mining lease.

Principal risks and uncertainties

The Group's principal risks and uncertainties that could have a material financial, operational and compliance impact on its performance and long-term growth as presented in the Business Overview of the 2018 Annual Report (pages 11 to 15), were reassessed to consider the current market and operational conditions, and they remain unchanged.

The continued effective monitoring, identification, management and mitigation of these risks and uncertainties remain a core focus of the Group as they are key to achieving the Company's strategic objectives. Although there may be additional risks unknown to the Group and other risks, currently believed to be immaterial, which could have a significant impact on the Group's operational and financial results if they materialise, the following material key risks (in no particular order of priority) may impact the Group over the next six months:

Operational risks

Underperforming mineral resource
The Group's ability to operate profitably in the short and medium term are influenced by estimates of ore reserves that are based on uncertain assumptions that, if changed, could result in the need to restate ore reserves and mine plans and would negatively affect the Group's ability to operate profitably in the short and medium term.

Production interruption
The Group may experience material mine and/or plant shutdowns due to various events. Any such event could result in personal injury or death; damage to facilities or the environment or delays in mining and processing activities which could potentially result in monetary losses and possible legal liability. The Group also relies on the use of external contractors to manage its mining and processing activities. If there is a dispute with any of the contractors, the Group's operations could be materially impacted.

Cash generation
External and /or unforeseen internal events may negatively affect the Group's ability to effectively operate, fund capital projects and repay debt.

Health, safety, social and environment (HSSE)
The risk that a major health, safety, social or environmental incident may occur within the Group is inherent in mining operations and could impact the safety of employees, license to operate, company reputation and compliance with bank facility agreements.

External risks

Rough diamond demand and prices
Numerous factors beyond the control of the Group may affect the price and demand for diamonds. The medium to long-term fundamentals of the diamond market remain intact, with demand forecast to outpace supply. In the short term the prevailing climate of global economic uncertainty and liquidity constraints, within the mid-stream segment, may cause some volatility in rough diamond pricing. Laboratory grown diamonds are becoming a larger factor in the market, being marketed by their producers as environmentally superior and at discounted prices. These external events may negatively affect the Group's ability to effectively operate, fund capital projects and repay debt.

Country, political environment and compliance with legislation
The political environments of the various jurisdictions that the Group operates within may adversely impact the ability to operate effectively and profitably. Emerging market economies are generally subject to greater risks, including political risk, and can be exposed to a rapidly changing environment.

Clifford Elphick
Chief Executive Officer

4 September 2019

Half-yearly financial statements

30 June 2019

Contents

Responsibility Statement of the Directors in Respect of the Half-yearly Report and Financial Statements

PURSUANT TO DISCLOSURE AND TRANSPARENCY RULES (DTR) 4.2.10

The Directors confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* and that the Half-yearly Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

(a) an indication of important events that have occurred during the first six months of the financial year and their impact on this condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) material related-party transactions in the first six months of the year and any material changes in the related-party transactions described in the Gem Diamonds Limited Annual Report 2018.

The names and functions of the Directors of Gem Diamonds Limited are listed in the Annual Report for the year ended 31 December 2018 and updates have been disclosed in the Interim Business Review on pages 1 to 17.

For and on behalf of the Board

Michael Michael
Chief Financial Officer

4 September 2019

Interim Consolidated Statement of Profit or Loss

for the six months ended 30 June 2019

	Notes	**30 June 2019[1] US$'000**	30 June 2018*[1] US$'000
CONTINUING OPERATIONS			
Revenue	3	**91 337**	167 683
Cost of sales		**(59 629)**	(81 204)
Gross profit		**31 708**	86 479
Other operating income		**1 393**	304
Royalties and selling costs		**(8 365)**	(14 704)
Corporate expenses		**(5 090)**	(5 400)
Share-based payments	13	**(601)**	(777)
Foreign exchange gain		**2 395**	2 130
Operating profit	3	**21 440**	68 032
Net finance costs		**(2 733)**	(636)
Finance income		**518**	1 195
Finance costs		**(3 251)**	(1 831)
Profit before tax from continuing operations		**18 707**	67 396
Income tax expense	7	**(6 616)**	(23 846)
Profit from continuing operations		**12 091**	43 550
DISCONTINUED OPERATIONS			
Loss from discontinued operations	4	**(2 428)**	(2 611)
Profit for the Period		**9 663**	40 939
Attributable to:			
Equity holders of parent		**4 162**	24 234
Non-controlling interests		**5 501**	16 705
Earnings per share (cents)			
– Basic earnings for the Period attributable to ordinary equity holders of the parent		**3.00**	17.48
– Diluted earnings for the Period attributable to ordinary equity holders of the parent		**2.93**	17.03
Earnings per share for continuing operations (cents)			
– Basic earnings for the Period attributable to ordinary equity holders of the parent		**4.75**	19.37
– Diluted earnings for the Period attributable to ordinary equity holders of the parent		**4.64**	18.87

[1] Unaudited

** Prior period figures have been restated for the reclassification impact of accounting for the discontinued operation (Refer to Note 4, Discontinued operation)*

Interim Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019

	30 June 2019[1] US$'000	30 June 2018*[1] US$'000
Profit for the Period	**9 663**	40 939
Other comprehensive income that could be classified to the income statement in subsequent periods		
Exchange differences on translation of foreign operations	**3 028**	(30 003)
Other comprehensive income/(expense) net of tax	**3 028**	(30 003)
Total comprehensive income	**12 691**	10 936
Attributable to:		
Equity holders of parent	**2 289**	4 008
Non-controlling interests	**10 402**	6 928
Total comprehensive income net of tax	**12 691**	10 936

[1] *Unaudited*

** Prior period figures have been restated for the reclassification impact of accounting for the discontinued operation (Refer to Note 4, Discontinued operation)*

Interim Consolidated Statement of Financial Position

as at 30 June 2019

	Notes	30 June 2019[1] US$'000	31 December 2018[2] US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**314 008**	289 640
Right-of-use assets	2	**11 077**	–
Intangible assets		**13 540**	13 272
Receivables and other assets	10	**173**	347
		338 798	303 259
Current assets			
Inventories		**30 296**	33 084
Receivables and other assets	10	**5 146**	5 433
Income tax receivable		**4 196**	–
Cash and short-term deposits	11	**25 673**	50 812
		65 311	89 329
Assets held for sale	18	**–**	859
Assets directly associated with the asset of the discontinued operation classified as held for sale	4	**3 907**	–
Total assets		**408 016**	393 447
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	12	**1 391**	1 390
Share premium		**885 648**	885 648
Other reserves		**(153 294)**	(152 029)
Accumulated losses		**(573 921)**	(578 834)
		159 824	156 175
Non-controlling interests		**82 827**	72 103
Total equity		**242 651**	228 278
Non-current liabilities			
Interest-bearing loans and borrowings	14	**13 065**	19 954
Lease liabilities	2	**9 346**	–
Trade and other payables		**1 807**	1 555
Provisions		**15 273**	17 876
Deferred tax liabilities		**81 238**	74 054
		120 729	113 439
Current liabilities			
Interest-bearing loans and borrowings	14	**14 297**	14 212
Lease liabilities	2	**2 147**	–
Trade and other payables		**23 587**	28 554
Income tax payable		**465**	8 964
		40 496	51 730
Liabilities directly associated with the asset of the discontinued operation classified as held for sale	4	**4 140**	–
Total liabilities		**165 365**	165 169
Total equity and liabilities		**408 016**	393 447

[1] *Unaudited*
[2] *Audited*

Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019

	Issued capital US$'000	Share premium US$'000	Own Shares US$'000	Attributable to equity holders of the parent Other reserves[2] US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2019	**1 390**	**885 648**	**–**	**(152 029)**	**(578 834)**	**156 175**	**72 103**	**228 278**
IFRS 16 implementation adjustment	**–**	**–**	**–**	**–**	**751**	**751**	**322**	**1 073**
Restated balance at 1 January 2019	**1 390**	**885 648**	**–**	**(152 029)**	**(578 083)**	**156 926**	**72 425**	**229 351**
Profit for the Period	**–**	**–**	**–**	**–**	**4 162**	**4 162**	**5 501**	**9 663**
Other comprehensive (expense)/income	**–**	**–**	**–**	**(1 873)**	**–**	**(1 873)**	**4 901**	**3 028**
Total comprehensive (expense)/ Income	**–**	**–**	**–**	**(1 873)**	**4 162**	**2 289**	**10 402**	**12 691**
Share capital issued (Note 12)	**1**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Share-based payments (Note 13)	**–**	**–**	**–**	**608**	**–**	**608**	**–**	**608**
Balance at 30 June 2019[1]	**1 391**	**885 648**	**–**	**(153 294)**	**(573 921)**	**159 824**	**82 827**	**242 651**
Balance at 1 January 2018	1 387	885 648	–	(123 811)	(604 851)	158 373	85 783	244 156
Profit for the Period	–	–	–	–	24 234	24 234	16 705	40 939
Other comprehensive expense	–	–	–	(20 226)	–	(20 226)	(9 777)	(30 003)
Total comprehensive (expense)/ income	–	–	–	(20 226)	24 234	4 008	6 928	10 936
Share capital issued (Note 12)	1	–	–	–	–	1	–	1
Share-based payments (Note 13)	–	–	–	783	–	783	–	783
Dividends paid to non-controlling interests	–	–	–	–	–	–	(15 527)	(15 527)
Balance at 30 June 2018[1]	1 388	885	–	(143 254)	(580 617)	163 165	77 184	240 349

[1] *Unaudited*

[2] *Other reserves relate to Foreign currency translation reserve and Share based equity reserve*

Interim Consolidated Statement of Cash Flows

for the six months ended 30 June 2019

	Notes	30 June 2019[1] US$'000	30 June 2018[1] US$'000
Cash flows from operating activities		**23 299**	97 636
Cash generated by operations	15.1	**41 446**	99 781
Working capital adjustments		**(3 024)**	4 967
		38 422	104 748
Interest received		**518**	1 195
Interest paid		**(1 808)**	(1 160)
Income tax paid		**(13 833)**	(7 147)
Cash flows used in investing activities		**(39 625)**	(51 984)
Purchase of property, plant and equipment	9	**(4 396)**	(10 918)
Letšeng waste stripping costs capitalised	9	**(37 350)**	(42 904)
Proceeds from sale of property, plant and equipment		**2 121**	1 838
Cash flows used in financing activities		**(8 975)**	(18 812)
Net financial liabilities repaid		**(8 975)**	(3 285)
- Financial liabilities raised		**5 281**	2 840
- Financial liabilities repaid		**(14 256)**	(6 125)
Dividends paid to non-controlling interests		**–**	(15 527)
Net (decrease)/increase in cash and cash equivalents		**(25 301)**	26 840
Cash and cash equivalents at beginning of the Period		**25 511**	74 544
Foreign exchange differences		**326**	(4 057)
Cash and cash equivalents at the end of the Period – continuing operations		**25 673**	70 353
Cash and cash equivalents held at banks		**25 573**	70 248
Restricted cash		**100**	105
Cash and cash equivalents at the end of the Period – discontinued operation		**163**	134
Cash and cash equivalents held at banks		**105**	78
Restricted cash		**58**	56

[1] *Unaudited*

Condensed Notes to the Consolidated Interim Financial Statements

for the six months ended 30 June 2019

1. Corporate information

1.1 Incorporation and authorisation

The holding company, Gem Diamonds Limited (the Company), was incorporated on 29 July 2005 in the British Virgin Islands. The Company's registration number is 669758.

The financial information shown in this report relating to Gem Diamonds Limited and its subsidiaries (the Group) was approved by the Board of Directors on 4 September 2019, is unaudited and does not constitute statutory financial statements. The report of the auditors on the Group's 2018 Annual Report and Accounts was unqualified.

The Group is principally engaged in operating diamond mines.

2. Basis of preparation and accounting policies

2.1 Basis of presentation

The condensed consolidated interim financial statements for the six months ended 30 June 2019 (the Period) have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's Annual Financial Statements for the year ended 31 December 2018.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Business Review on pages 1 to 17. The financial position of the Group, its cash flows and liquidity position are described in the Interim Business Review on pages 12 to 15.

After making enquiries which include reviews of forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses and considering the uncertainties described in this report either directly or by cross reference, the Directors have a reasonable expectation that the Group and the Company have adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing this half-yearly report and accounts of the Group.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2018, except for the adoption of new standards and amendments as of 1 January 2019. The Group adopted IFRS 16 for the first time on 1 January 2019. The nature and effect of the changes as a result of the adoption of this new standard is described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The nature of the effect of adoption of IFRS16

The Group has lease contracts for various items of buildings, plant and equipment and vehicles. Before the adoption of IFRS 16 the Group determined whether an arrangement contained a lease based on whether the fulfilment of the arrangement was dependent on the use of a specific asset or assets or the arrangement conveyed a right to use the asset. A reassessment would be made after inception of the lease only if one of the following applied: (a) There was a change in contractual terms, other than a renewal or extension of the arrangement; (b) A renewal option was exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) There was a change in the determination of whether fulfilment is dependent on a specific asset; or (d) There was a substantial change to the asset. Where a reassessment was made, lease accounting commenced or ceased from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

2.2 Significant accounting policies (continued)

Leases where the lessor retained substantially all the risks and rewards of ownership were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of profit or loss on a straight-line basis over the period of the lease. When the Group was a party to a lease where there was a contingent rental element associated within the agreement, a cost was recognised as and when the contingency materialised.

Upon adoption of IFRS 16, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group. The Group did not have any finance leases at the time IFRS 16 was adopted on 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised a new category of assets, namely right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. For all leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities on the date of initial application (ie. 1 January 2019). Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application as it was not practical to use the rate implicit in the lease.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to lease contracts with a lease term that ends within 12 months of the date of initial application
- Applied the materiality exemption to lease contracts for which the underlying asset is of low value
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight for historical lease payments made to determine the value of the liability and right of use asset at date of initial application where the contract did not refer to an annual fixed escalation rate
- Used hindsight to determine the lease term if the contract contained options to extend or terminate the lease
- Elected not to separate the lease and non-lease component where it was not practical to do so and therefore accounted for the full contract amount in terms of IFRS 16

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of US$11.1 million were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of US$11.1 million were recognised and presented separately in the statement of financial position.
- Trade and other payables of US$1.4 million related to previous operating leases were derecognised, which resulted in an increase in the deferred tax liability of US$0.4 million.
- The implementation resulted in an increase in retained earnings of US$0.8 million and an increase in the non-controlling interest, of US$0.3 million.

The effect of adoption of IFRS16 as at 1 January 2019 (increase/(decrease) is as follows:	**1 January 2019 US$'000**
Assets	
Right-of-use assets	**11 055**
Total assets	**11 055**
Liabilities	
Lease liabilities	**11 055**
Deferred tax liability	**358**
Trade and other payables	**(1 431)**
Total liabilities	**9 982**
Equity	
Retained earnings	**751**
Non-controlling interest	**322**
Total adjustments to equity	**1 073**

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

2.2 Significant accounting policies (continued)

As the Ghaghoo mining operation was placed on care and maintenance, the entity only has short-term leases and leases of low-value assets. Therefore, the adoption of IFRS 16 at Ghaghoo did not have an impact at a Group level.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	1 January 2019 US$'000
Operating lease commitments as at 31 December 2018	136 423
Weighted average incremental borrowing rate as at 1 January 2019	10%
Discounted operating lease commitments at 1 January 2019	128 490
Less:	
Commitments relating to short-term leases	(102)
Variable lease payments	(120 899)
Out of scope leases e.g. mining leases	(1 069)
Add:	
Arrangements not previously separately disclosed as operating leases commitments	4 635
Lease liabilities as at 1 January 2019	**11 055**

Amounts recognised in the statement of financial position and profit or loss at Period end:

	Right-of-use assets				
	Plant and equipment	Motor Vehicles	Buildings	Total	Lease liabilities
As at 1 January 2019	1 350	1 620	8 085	**11 055**	**11 055**
Additions	1 080	–	118	**1 198**	**1 198**
Depreciation charge for the Period	(527)	(183)	(659)	**(1 369)**	**–**
Interest expense	–	–	–	**–**	**517**
Lease payments	–	–	–	**–**	**(1 391)**
Foreign exchange differences	35	31	127	**193**	**114**
As at 30 June 2019	1 938	1 468	7 671	**11 077**	**11 493**

Future cashflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	30 June 2019 US$'000
Residual value guarantees	75
As at 30 June 2019	**75**

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

3. Segment information

For management purposes, the Group is organised into geographical units as its risks and required rates of return are affected predominantly by differences in the geographical regions of the mines and areas in which the Group operates. Other regions where no direct mining activities take place are organised into geographical regions in the areas where the operations are managed. The main geographical regions and the type of products and services from which each reporting segment derives its revenue from are:

- Lesotho (diamond mining activities);
- Botswana (diamond mining activities), classified as discontinued operation in current Period;
- Belgium (sales, marketing and manufacturing of diamonds); and
- BVI, RSA, UK and Cyprus (technical and administrative services).

Management monitors the operating results of the geographical units separately for the purpose of making decisions about resource allocation and performance assessment.

In the current Period the Ghaghoo diamond mine, which is in the process of being sold, has been classified as a discontinued operation and has been disclosed separately. As a result of the materiality of Gem Diamonds Marketing Botswana, and the nature of the operation (the sales and marketing of diamonds), the operation has been reclassified to the Belgium segment.

Segment performance is evaluated based on operating profit or loss. Inter-segment transactions are entered into under normal arm's-length terms in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transactions between segments. Those transactions are eliminated on consolidation.

Segment revenue is derived from mining activities, polished manufacturing margins and Group services.

The following tables present revenue and profit, and asset and liability information from operations regarding the Group's geographical segments:

Six months ended 30 June 2019[1]	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus[2] US$'000	Total continuing operations US$'000	Discontinued operations US$'000	Total US$'000
Revenue						
Total revenue	93 112	91 536	4 451	189 099	–	189 099
Inter-segment	(93 112)	(199)	(4 451)	(97 762)	–	(97 762)
External customers	–	91 337	–	91 337	–	91 337
Segment operating profit/(loss)	25 731	733	(5 024)	21 440	(2 337)	19 103
Net finance costs				(2 733)	(91)	(2 824)
Profit before tax				18 707	(2 428)	16 279
Income tax expense				(6 616)	–	(6 616)
Profit for the Period				12 091	(2 428)	9 663

[1] *Unaudited*
[2] *No revenue was generated in BVI or Cyprus*

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

3. Segment information (continued)

Six months ended 30 June 2018[1]	Lesotho US$'000	Belgium[2] US$'000	BVI, RSA, UK and Cyprus[3] US$'000	Total continuing operations US$'000	Discontinued operations US$'000	Total US$'000
Revenue						
Total revenue	166 657	167 616	4 273	338 546	–	338 546
Inter-segment	(166 657)	(158)	(4 048)	(170 863)	–	(170 863)
External customers	–	167 458	225	167 683	–	167 683
Segment operating profit/(loss)	72 726	1 232	(5 926)	68 032	(2 512)	65 520
Net finance costs				(636)	(99)	(735)
Profit before tax				67 396	(2 611)	64 785
Income tax expense				(23 846)	–	(23 846)
Profit for the Period				43 550	(2 611)	40 939

[1] *Unaudited*
[2] *The results of Gem Diamonds Marketing Botswana, previously included in the Botswana segment, have been reclassified to the Belgium segment*
[3] *No revenue was generated in BVI or Cyprus*

	Lesotho US$'000	Botswana US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus US$'000	Total continuing operations US$'000	Discontinued operations US$'000	Total US$'000
Segment assets							
30 June 2019[*1]	**379 591**	**–**	**6 249**	**18 269**	**404 109**	**3 907**	**408 016**
31 December 2018[2]	358 646	4 000	3 249	27 552	393 447	–	393 447
Segment liabilities							
30 June 2019[*1]	**59 162**	**–**	**1 129**	**19 696**	**79 987**	**4 140**	**84 127**
31 December 2018[2]	62 753	4 036	689	23 637	91 115	–	91 115

[1] *Unaudited*
[2] *Audited*
[*] *The results of Gem Diamonds Marketing Botswana, previously included in the Botswana segment, have been reclassified to the Belgium segment*

Included in revenue is revenue from three customers which amounted to US$41.1 million (revenue from a single customer, in the prior period, amounted to US$45.1 million) arising from sales reported in the Lesotho and Belgium segments.

Segment assets and liabilities do not include net deferred tax liabilities of US$81.3 million (31 December 2018: US$74.1 million).

Total revenue for the Period is lower than that of the prior period mainly as a result of the lower volume of large diamonds recovered during the Period. The revenue of the prior period was specifically bolstered by the recovery and sale of the 910 carat Lesotho Legend which sold for US$40.0 million.

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

4. Discontinued operation

The Ghaghoo mine was placed on care and maintenance on 31 March 2017 and in June 2019 the Company entered into a binding agreement for the sale of 100% of the share capital of Gem Diamonds Botswana Proprietary Limited, which owns the Ghaghoo diamond mine, for US$5.4 million. The sale, subject to regulatory approvals in Botswana, is expected to be concluded in H2 2019. As a result, the trading results of the operation have been classified as discontinued operations.

The results of the operation for the Periods ended 30 June 2019 and 30 June 2018 are as follows:

	30 June 2019[1] US$'000	30 June 2018[1] US$'000
Gross profit	**–**	–
Other costs	(2 332)	(2 476)
Share-based payments	(7)	(6)
Foreign exchange gain/(loss)	2	(30)
Operating loss	(2 337)	(2 512)
Net finance costs	(91)	(99)
Loss before tax from discontinued operation	(2 428)	(2 611)
Income tax	**–**	–
Loss after tax from discontinued operation	(2 428)	(2 611)
Loss per share from discontinued operation		
Basic	(1.75)	(1.89)
Diluted	(1.71)	(1.84)

The assets and liabilities attributable to the discontinued operation are as follows:	**30 June 2019[1] US$'000**
ASSETS	
Non-current assets	
Property, plant and equipment	**1 542**
	1 542
Current assets	
Inventories	**2 122**
Receivables and other assets	**80**
Cash and short-term deposits	**163**
	2 365
Total assets	**3 907**
LIABILITIES	
Non-current liabilities	
Provisions	**3 508**
	3 508
Current liabilities	
Trade and other payables	**632**
	632
Total liabilities	**4 140**

[1] *Unaudited*

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

4. Discontinued operation (continued)

The net cashflows attributable to the discontinued operation are as follows:	**30 June 2019[1] US$'000**	30 June 2018[1] US$'000
Operating	**84**	(179)
Investing	**–**	74
Foreign exchange gain/(loss) on translation of cash balance	**1**	(4)
Cash inflow/(outflow)	**85**	(109)

1 *Unaudited*

5. Underlying earnings before interest, tax, depreciation and mining asset amortisation (EBITDA) before discontinued operation

Underlying EBITDA is shown, as the Directors consider this measure to be a relevant guide to the performance of the Group and excludes such non-operating costs as listed below. The reconciliation from operating profit to underlying EBITDA is as follows:

	30 June 2019[1] US$'000	30 June 2018*[1] US$'000
Operating profit	**21 440**	68 032
Foreign exchange gain	**(2 395)**	(2 130)
Share-based payments	**601**	777
Other operating income	**(1 393)**	(304)
Depreciation and mining asset amortisation (excluding waste stripping cost amortised)	**7 054**	4 338
Underlying EBITDA before discontinued operation	**25 307**	70 13

[1]*Unaudited*

* *Prior period figures have been restated for the reclassification impact of accounting for the discontinued operation (Refer to Note 4, Discontinued operation)*

6. Seasonality of operations

The Group's sales environment with regard to its diamond sales is not materially impacted by seasonal and cyclical fluctuations. The mining operations may be impacted by seasonal weather conditions. Appropriate mine planning and ore stockpile build-up ensures that mining can continue during adverse weather conditions.

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

7. Income tax expense

	30 June 2019[1] US$'000	30 June 2018[1] US$'000
Income statement		
Current		
– Overseas	**(1 003)**	(14 797)
Withholding tax		
– Overseas	**(69)**	(3 708)
Deferred		
– Overseas	**(5 544)**	(5 341)
	(6 616)	(23 846)

[1] *Unaudited*

The forecast effective tax rate for the full year from continuing operations is 37.2% (31 December 2018: 36.1%) and has been applied to the actual results from continuing operations for the Period. Discontinued operations (refer to Note 4, Discontinued operation), have been excluded from the forecast effective tax rate for the full year and taxed separately. There is no tax effect on the loss from Discontinued operations as a result of previously recognised losses.

The forecast effective tax rate for the full year is above the Lesotho statutory tax rate of 25% primarily as a result of withholding tax of 10% on dividends from Letšeng and deferred tax assets not recognised on losses incurred in non-trading operations.

8. Dividends paid and proposed

There were no dividends proposed in 2019 for the 2018 financial year. The dividend policy is dependent on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at that time.

9. Property, plant and equipment

During the Period, the Group invested US$4.4 million (30 June 2018: US$10.9 million) into property, plant and equipment, of which US$3.5 million (30 June 2018: US$10.5 million) related to Letšeng.

Letšeng's capital spend was incurred mainly on the completion of the mining support services complex (US$0.6 million) (30 June 2018: US$4.0 million), the extension of the footprint of the Patiseng tailings storage facility (US$0.9 million) (30 June 2018: US$3.4 million), continued core drilling and micro diamond analysis to firm up the existing mineral resource base (US$0.5 million)(30 June 2018: US$0.5 million) and US$0.5 million on security system upgrades.

Letšeng further invested US$37.3 million (30 June 2018: US$42.9 million) in deferred stripping costs which were capitalised. Amortisation of the deferred stripping asset (waste stripping cost amortisation) of US$15.6 million (30 June 2018:US$34.2 million) was charged to the Statement of Profit or Loss during the Period. The amortisation is directly related to the areas that were mined during the Period and their associated waste to ore strip ratios.

Depreciation and mining asset amortisation of US$7.3 million (30 June 2018: US$4.5 million) was charged to the Statement of Profit or Loss during the Period. The increase in this charge was driven by the commencement of depreciation on the completed Letšeng mining complex and the recognition of Right-of-use assets in accordance with IFRS 16 – Leases which attracted additional depreciation of US$1.4 million in the Period.

In addition to the above, foreign exchange movements on translation affecting property, plant and equipment decreased the asset balances by US$5.7 million (30 June 2018: US$29.5 million).

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

10. Receivables and other assets

	30 June 2019[1] US$'000	31 December 2018[2] US$'000
Non-current		
Prepayments	**173**	347
	173	347
Current		
Trade receivables	**156**	184
Prepayments[3]	**536**	1 038
Deposits	**92**	97
Other receivables	**361**	329
VAT receivables	**4 001**	3 785
	5 146	5 433

[1] *Unaudited*
[2] *Audited*
[3] *Included in prepayments are loan facility restructuring costs of US$0.6 million, relating to the Company's US$45.0 million bank loan facility, which will be amortised over the period of the loan.*

11. Cash and short-term deposits

	30 June 2019[1] US$'000	31 December 2018[2] US$'000
Cash on hand	**3**	1
Bank balances	**13 816**	16 093
Short-term bank deposits	**11 854**	34 718
Cash and short-term deposits	**25 673**	50 812

[1] *Unaudited*
[2] *Audited*

At 30 June 2019, the Group had restricted cash of US$0.2 million (31 December 2018: US$0.2 million).

Finance income relates to interest earned on cash and short-term deposits.

Finance costs include interest incurred on bank overdraft and borrowings, finance lease liabilities and the unwinding of rehabilitation provisions.

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

12. Issued capital and reserves

	30 June 2019[1]		31 December 2018[2]	
	Number of shares '000	**US$'000**	**Number of shares '000**	**US$'000**
Authorised – ordinary shares of US$0.01 each				
As at Period/Year	**200 000**	**2 000**	200 000	2 000
Issued and fully paid				
Balance at beginning of Period/Year	**138 896**	**1 390**	138 620	1 387
Allotments during the Period/Year	**88**	**1**	276	3
Balance at end of Period/Year	**138 984**	**1 391**	138 896	1 390

[1] *Unaudited*
[2] *Audited*

13. Share-based payments

Long-term Incentive Plan 2017 Award - March 2019

On 20 March, 1 303 000 nil-cost options were granted to certain key employees and Executive Directors under the Long-term Incentive Plan 2017 of the Company. The vesting of the options will be subject to the satisfaction of certain market and non-market performance conditions over a three-year period. The satisfaction of certain performance as well as service conditions are classified as non-market conditions. 142 500 of the options granted relate to market conditions. The options vest after a three-year period and are exercisable between 20 March 2022 and 19 March 2029. If the performance or service conditions are not met, the options lapse. The performance conditions relating to the non-market conditions are not reflected in the fair value of the award at grant date, and therefore the Company will assess the likelihood of these conditions being met with a relevant adjustment to the cumulative charge as required at each financial year end. The fair value of the nil-cost options is £0.90 (US$1.19) and the option grants are settled by issuing shares.

The expense disclosed in the interim consolidated Statement of Profit or Loss income statement is made up as follows:

	30 June 2019[1] US$'000	30 June 2018[1] US$'000
Equity-settled share-based payment transactions – charged to the Statement of Profit or Loss – continuing operations	**601**	777
Equity-settled share-based payment transactions – charged to the Statement of Profit or Loss – discontinued operation	**7**	6
	608	783

[1] *Unaudited*

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

14. Interest-bearing loans and borrowings

	Effective interest rate	Maturity	30 June 2019[1] US$'000	31 December 2018[2] US$'000
Non-current				
LSL215.0 million bank loan facility[3]				
Tranche 1	South African JIBAR + 3.15%	31 March 2022[3]	**5 957**	7 508
Tranche 2	South African JIBAR + 6.75%	30 Sept 2022[3]	**1 489**	1 784
US$45.0 million bank loan facility[4]				
Tranche 1	London US$ three-month LIBOR+4.5%	31 Dec 2020[4]	**5 000**	10 000
Asset Based Finance Facility[5]	South African Prime Lending rate	1 January 2024[5]	**619**	662
			13 065	19 954
Current				
Tranche 1	South African JIBAR + 3.15%	31 March 2022[3]	**3 404**	3 337
Tranche 2	South African JIBAR + 6.75%	30 September 2022[3]	**662**	649
US$45.0 million bank loan facility[4]				
Tranche 1	South African JIBAR + 4.5%	31 Dec 2020[4]	**10 000**	10 000
Asset Based Finance Facility[5]	South African Prime Lending rate	1 January 2024[5]	**231**	226
			14 297	14 212

[1] *Unaudited*
[2] *Audited*

[3]LSL215.0 million (US$ 15.3 million) bank loan facility at Letšeng Diamonds

This loan comprises two tranches of debt as follows:

Tranche 1: South African Rand denominated ZAR180.0 million (US$12.8 million) debt facility supported by the Export Credit Insurance Corporation (ECIC) (five years tenure); and
Tranche 2: Lesotho Loti denominated LSL35.0 million (US$2.5 million) term loan facility without ECIC support (five years and six months tenure).

The loan is an unsecured project debt facility which was signed jointly with Nedbank and the ECIC on 22 March 2017 to fund the construction of the Letšeng mining support services complex. The loan is repayable in equal quarterly payments, which commenced in September 2018. At Period end LSL162.3 million (US$11.5 million) (31 December 2018: LSL191.0 million (US$13.3 million)) remains outstanding.

The South African Rand based interest rates for the facility at 30 June 2019 are:
Tranche 1: 10.18%
Tranche 2: 13.78%

Total interest for the Period on this interest-bearing loan was US$0.3 million.

[4]US$ 45.0 million bank loan facility at Gem Diamonds Limited

This facility is a three-year revolving credit facility (RCF) with Nedbank Capital and consists of two tranches:

Tranche 1: relates to the Ghaghoo US$25.0 million debt whereby capital repayments commenced in September 2018 with a final repayment due on 31 December 2020;
Tranche 2: this relates to a US$20.0 million RCF and includes an upsize mechanism whereby this tranche will increase by a ratio 0.6:1 for every repayment made under Tranche 1. This will result in the available facility increasing to US$35.0 million once Tranche 1 is fully repaid.

At Period end US$15.0 million of the Tranche 1 debt remains outstanding. This has resulted in the Tranche 2 RCF increasing to US$26.0 million, all of which remained undrawn at Period end. The US$-based interest rate for this facility at 30 June 2019 is 6.83%.

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

14. Interest-bearing loans and borrowings *(continued)*

[5]Asset Based Finance Facility
The Group, through its subsidiary, Gem Diamond Technical Services, entered into a ZAR12.8 million (US$0.9 million) Asset Based Finance Facility with Nedbank Limited for the purchase of an X-Ray transmission machine (the asset), the asset serves as security for the facility. At Period end ZAR11.9 million (US$0.9 million) remains outstanding. The facility is repayable over5 years and bears interest at the South African Prime Lending rate, which was 10.25% at 30 June 2019.

Other facilities
In addition, at 30 June 2019, the Group through its subsidiary Letšeng Diamonds, has a LSL500.0 million (US$35.5 million) three-year unsecured revolving working capital facility jointly with Standard Lesotho Bank and Nedbank Capital, which was renewed in July 2018. At Period end the full facility was available for draw down.

15. Cash flow notes

		30 June 2019[1] US$'000	30 June 2018[1] US$'000
15.1	**Cash generated by operations**		
	Profit before tax for the Period - continuing operations	**18 707**	67 396
	Profit before tax for the Period - discontinued operation	**(2 428)**	(2 611)
	Adjustments for:		
	Depreciation and amortisation on property, plant and equipment	**7 284**	4 510
	Waste stripping cost amortisation	**15 649**	34 202
	Finance income	**(518)**	(1 195)
	Finance costs	**3 342**	1 831
	Unrealised foreign exchange differences	**(3 046)**	(6 528)
	Profit on disposal of property, plant and equipment	**(1 169)**	(367)
	Movements in prepayments	**(206)**	(74)
	Other non-cash movements	**3 223**	1 735
	Share-based equity transaction	**608**	783
		41 446	99 781
15.2	**Working capital adjustments**		
	Decrease/(increase) in inventories	**1 076**	(817)
	Decrease in receivables	**2 578**	853
	(Decrease)/increase in trade and other payables	**(6 678)**	4 931
		(3 024)	4 967
15.3	**Cash flows from financing activities**		
	Balance at beginning of Period	**34 166**	46 343
	Net cash used in financing activities	**(8 975)**	(3 285)
	- financial liabilities raised	**5 281**	2 840
	- financial liabilities repaid	**(12 395)**	(6 125)
	- lease liabilities repaid	**(1 861)**	–
	Net non-cash movement	**13 665**	(1 692)
	- FCTR	**346**	(1 692)
	- lease liabilities raised	**12 533**	–
	- interest on lease liabilities	**786**	–
	Balance Period end	**38 855**	41 366

[1] *Unaudited*

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

16. Commitments and contingencies

The Board has approved capital projects of US$8.4 million (31 December 2018: US$9.8 million) of which US$1.9 million (31 December 2018: US$6.2 million) has been contracted at 30 June 2019. The main capital expenditure approved relates to Letšeng's Patiseng tailings storage facility of US$2.0 million, mineral resource studies of US$1.5 million and accommodation block expansion of US$1.0 million. The expenditure is expected to be incurred over the next 12 months.

The Group has conducted its operations in the ordinary course of business in accordance with its understanding and interpretation of commercial arrangements and applicable legislation in the countries where the Group has operations. In certain specific transactions, however, the relevant third party or authorities could have a different interpretation of those laws and regulations that could lead to contingencies or additional liabilities for the Group. Having consulted professional advisers, the Group has identified possible disputes relating to ongoing employee-related legal costs approximating US$0.2 million (31 December 2018: US$0.1 million) and tax claims within the various jurisdictions in which the Group operates approximating US$1.3 million (31 December 2018: US$1.3 million).

17. Related parties

	Relationship
Jemax Management (Proprietary) Limited	Common director
Gem Diamond Holdings Limited	Common director
Government of Lesotho	Non-controlling interest

	30 June 2019[1] US$'000	30 June 2018[1] US$'000
Compensation to key management personnel (including Directors)		
Share-based equity transactions	**325**	468
Short-term employee benefits	**2 032**	1 684
	2 357	2 152
Fees paid to related parties		
Jemax Management (Proprietary) Limited	**(49)**	(55)
Royalties paid to related parties		
Government of Lesotho	**(7 680)**	(13 439)
Lease and license payments to related parties		
Government of Lesotho	**(162)**	(141)
Purchases from related parties		
Jemax Management (Proprietary) Limited	**(3)**	(6)
Amount included in trade payables owing to related parties		
Jemax Management (Proprietary) Limited	**(8)**	(10)
Amounts owing to related party		
Government of Lesotho	**(299)**	(502)
Dividends paid		
Government of Lesotho	**–**	(15 527)

[1] *Unaudited*

Condensed Notes to the Consolidated Interim Financial Statements continued

for the six months ended 30 June 2019

18. Assets held for sale

	30 June 2019[1] US$'000	31 December 2018[2] US$'000
Property, plant and equipment	**–**	859
	–	859

[1]*Unaudited*
[2]*Audited*

On 30 January 2019, the aircraft which serviced the Letšeng mine and was disclosed as an asset held for sale at 31 December 2018, was sold for US$2.1 million.

19. Events after the reporting Period

No other fact or circumstance has taken place between the Period end and the approval of the financial statements which, in our opinion, is of significance in assessing the state of the Group's affairs.

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