



Gem Diamonds

Investor Presentation

6 June 2018

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The information contained herein is correct as at 31 May 2018.

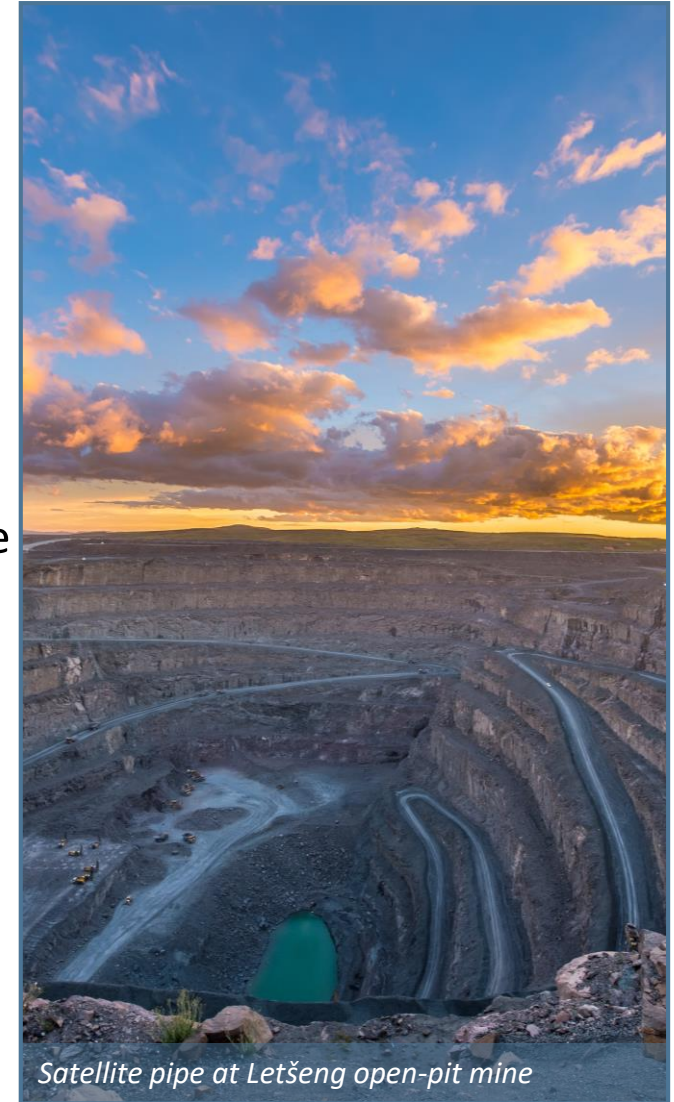
- ✦ Background
- ✦ Market overview
- ✦ Letšeng and performance
- ✦ Innovative technology
- ✦ Business transformation
- ✦ Financials
- ✦ Sales and marketing overview
- ✦ Q&A

Gem Diamonds

- ✦ Producer of large, high quality, exceptional Type II diamonds
- ✦ Clear focus on continued creation of value through optimising the Letšeng mine production
- ✦ Seeking to maximise revenue through its sales, marketing and manufacturing operations in Belgium
- ✦ Innovation projects focussed on increasing revenue and reducing diamond breakage
- ✦ Formal sale process underway for the Ghaghoo mine (Botswana), currently on care and maintenance

Letšeng Diamonds

- ✦ Located in the Maluti Mountains of Lesotho
- ✦ Highest achieving average \$ per carat kimberlite mine in the world
- ✦ Three treatment plants with 6.4 – 6.6 million tonnes annual throughput
- ✦ Two kimberlite pipes: Main pipe 17.0ha; and Satellite pipe 5.2ha



Satellite pipe at Letšeng open-pit mine

Global economic backdrop

Continued growth of the Chinese and US economy

Increase in retail demand in India

Continued improvement in commodities markets

Improved macro-economic outlook

Diamond market

Continued strong demand for large high quality diamonds

Continued US led demand and strong diamond retail sales (e.g. Tiffany)

Low end small commercial goods **under pressure**

Market position

Continued high quality in the **size** and grade of Letšeng's production

Prices **remain robust** for Letšeng diamonds as demand for these goods increases

Remained **highest \$ per carat** kimberlite mine

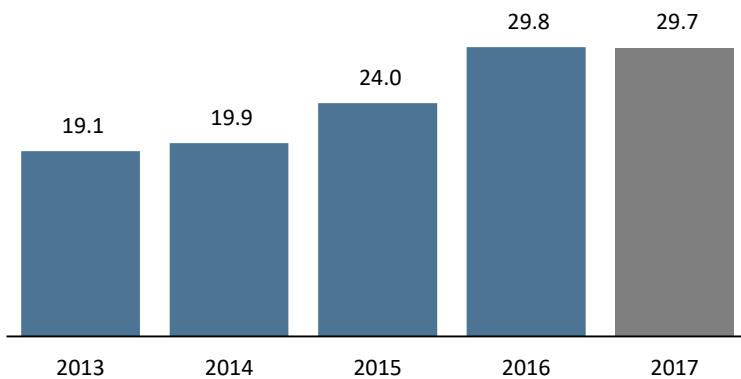
Q1 2018 achieved average price of **US\$ 3 276 per carat**, up 48% from US\$ 2 217 per carat in Q4 2017

Letšeng mine

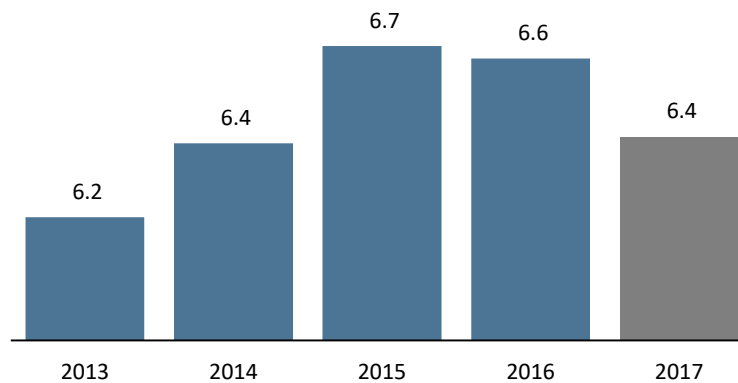
- ✦ Significant improvement in large diamond recoveries in 2017 and 2018
- ✦ Business transformation programme underway
- ✦ Continued optimisation of LoM plan
- ✦ XRT installed in H2 2017 to retreat recovery tailings
- ✦ New scrubber installed in H1 2018 on time and budget
- ✦ Continued focus on reducing diamond damage
- ✦ Mining lease extension process underway with Government of Lesotho



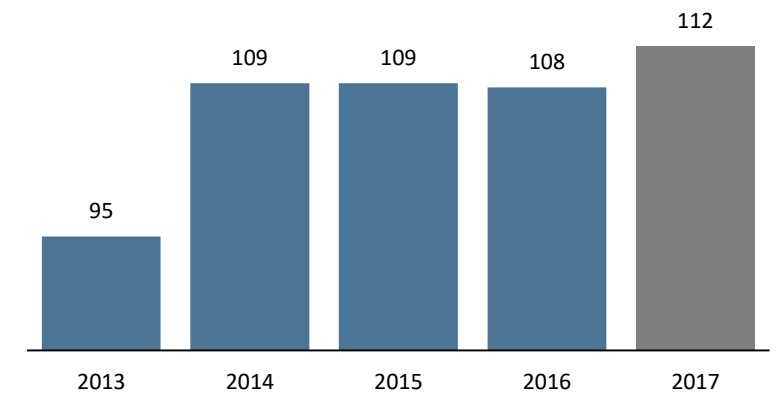
Waste tonnes mined (millions)



Ore tonnes treated (millions)



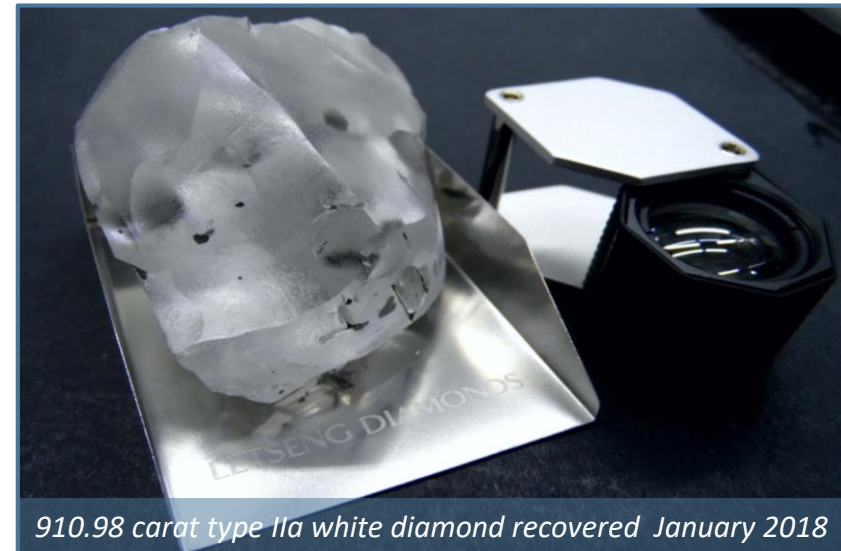
Carats recovered (thousands)



Letšeng resource performance

◆ Large diamond recoveries (2018 YTD – 10 diamonds greater than 100 carats)

Number of diamonds	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
>100 carats	7	6	7	6	3	6	9	11	5	8
60-100 carats	18	11	11	22	17	17	21	15	21	19
30-60 carats	96	79	66	66	77	60	74	65	70	74
20-30 carats	108	111	101	121	121	82	123	126	83	113
Total diamonds >20 carats	229	207	185	215	218	165	227	217	179	214



Letšeng's remarkable 2018 recoveries

✦ 2018 recoveries include:

- The Lesotho Legend
 - exceptional quality 910 carat, D-colour Type IIa diamond
 - second largest gem quality diamond recovered in the past century
 - sold for \$40 million on 12 March 2018
- Ten diamonds of over 100 carats recovered so far in 2018
 - Including, 149, 117, 110, 115, 116 152 and 169 carat diamonds
- 8.53 carat flawless pink diamond



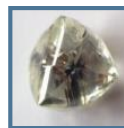
117.67 carat diamond



The Lesotho Legend 910 carat

- ✦ Reducing diamond damage remains a key value creation opportunity
- ✦ Innovative technologies designed to
 - Identify diamonds within kimberlite prior to crushing process
 - Liberate these diamonds through electric pulse technologies (in Collaboration with University of Johannesburg)
- ✦ Due diligence performed on positron emission tomography (PET)
- ✦ Prototype of electric pulse technology currently on site at Letšeng
- ✦ Aim to reduce mining and associated costs

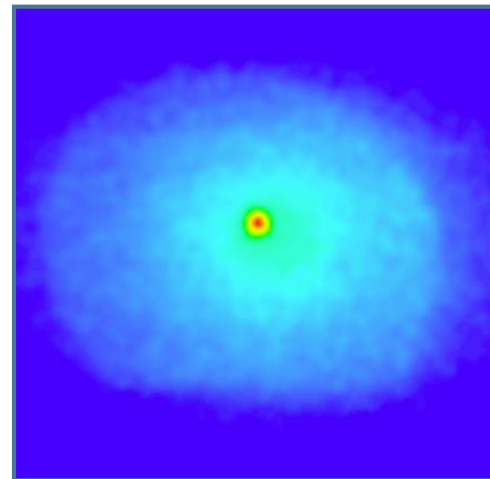
Diamonds within kimberlite



7.9 ct



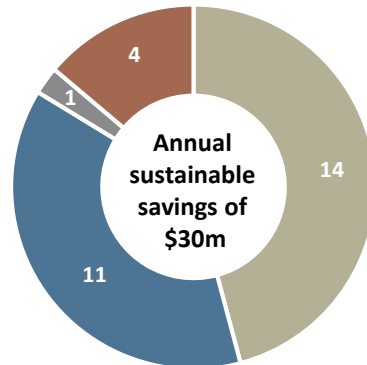
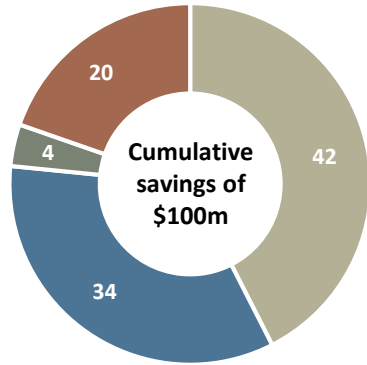
5.5 kg, 170 mm long



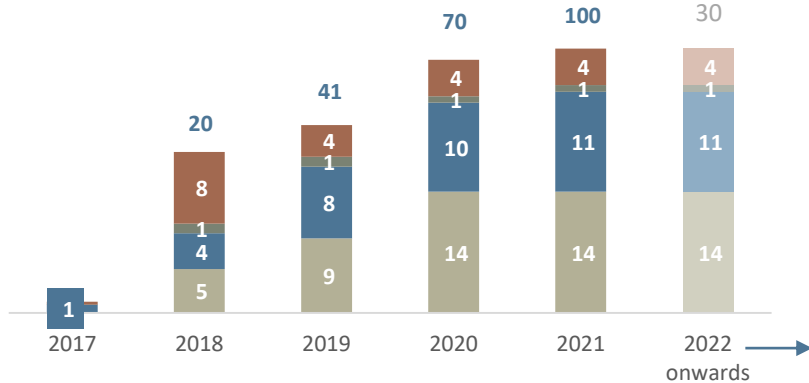
Prototype of electric pulse technology

- ✦ Initiated business transformation process in 2017
- ✦ On track to deliver US\$100m of cumulative cash cost saving and productivity improvement over the next four years to the end of 2021
- ✦ Ongoing identification of opportunities to increase this target
- ✦ Includes initiatives to:
 - Renegotiate major contracts and explore in-sourcing opportunities
 - Improve plant availability
 - Reduce waste stripping through steepening slope angles
 - Improve mining efficiencies
 - Optimise mine planning and scheduling
 - Reduce corporate office footprint
 - Sell assets – formal sale process for Ghaghoo is underway

Targeting \$100 million



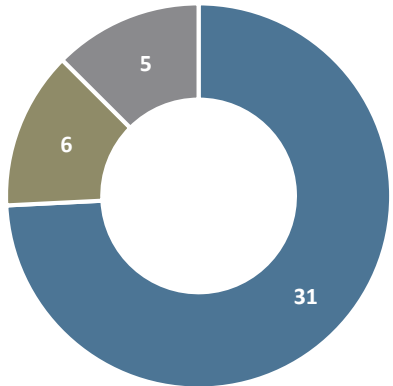
■ Mining ■ Processing
■ Working capital & overheads ■ Corporate activities



Cumulative \$100 million Sustainable \$30 million

- ✦ Cumulative target of \$100 million over 4 years
- ✦ Sustainable annual saving of \$30 million by 2022
- ✦ Implemented initiatives contributing \$27 million of the \$100 million (Sept 2017 – April 2018)
 - ✦ Once-off \$4m
 - ✦ Recurring \$23m
- ✦ Achieved \$3.5 million cash saving (Sept 2017 – April 2018) mainly once-off

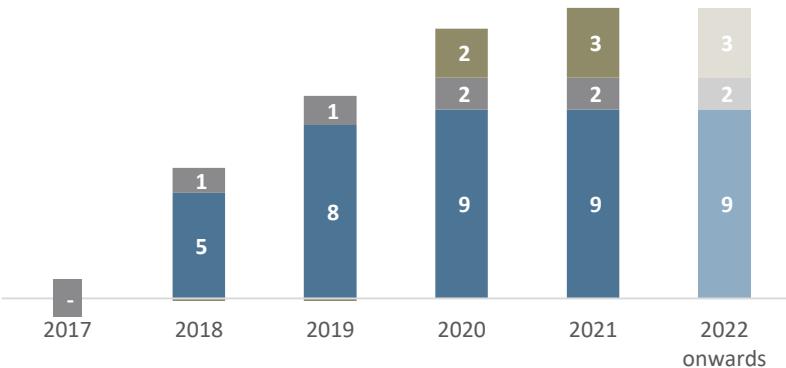
Mining targeting \$42 million



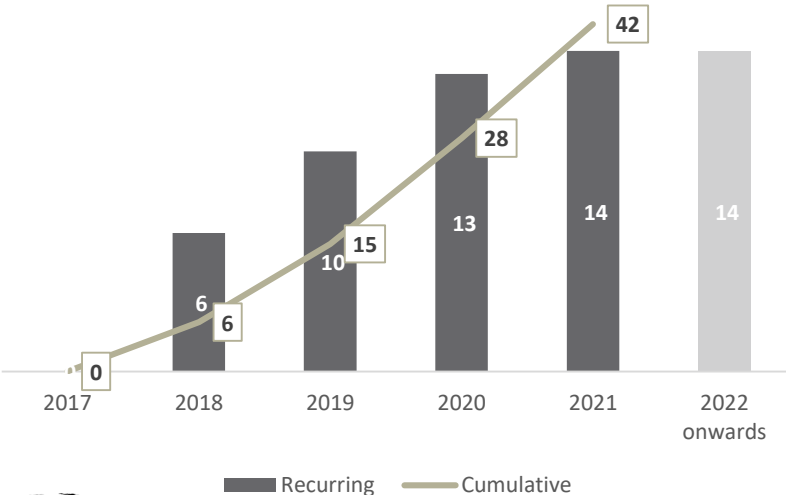
■ Load, drill & haul ■ Blasting practices ■ Pit design

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

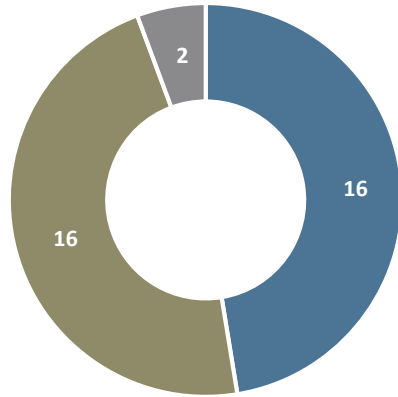
Timing of impact



All recurring initiatives



Processing targeting \$34 million

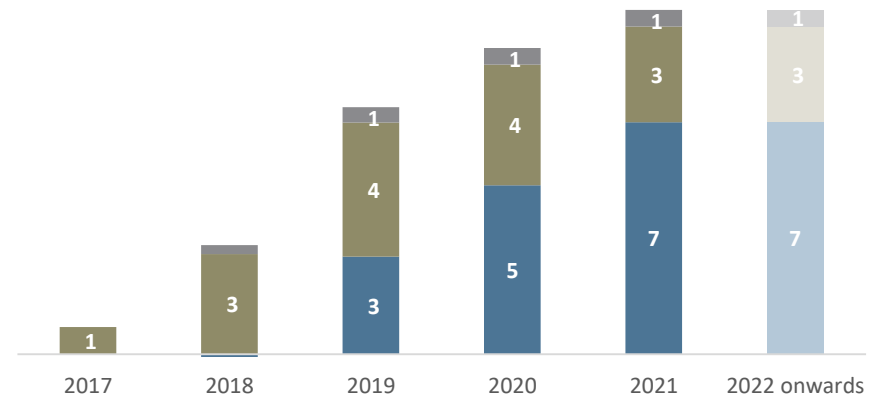


■ Plant uptime ■ Additional throughput ■ Plant consumables

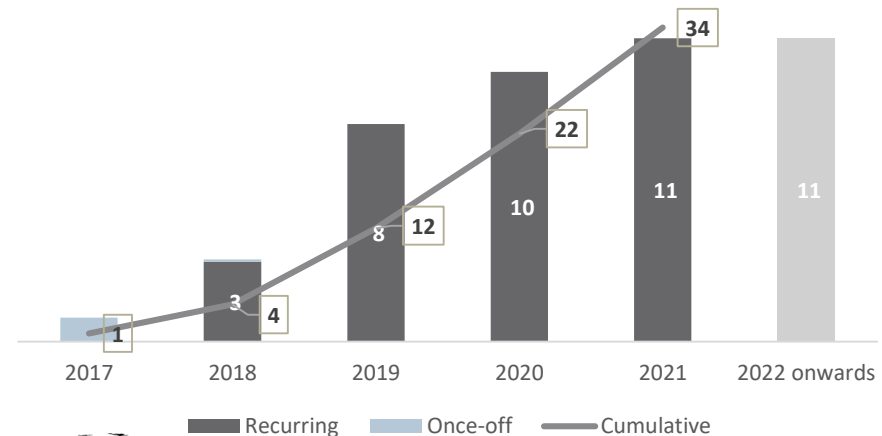
★ Increase treated tonnes and carats recovered through:

- Increasing plant uptime (full impact from 2021)
- Extending Alluvial Ventures contract & deploying mobile XRT sorting machine

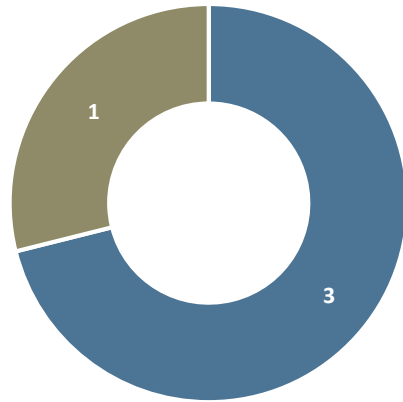
Timing of impact



Recurring & once-off initiatives



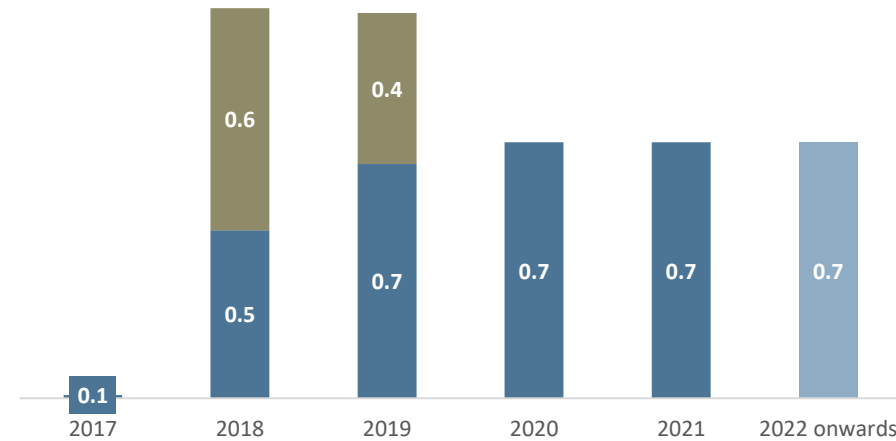
Working capital & overheads targeting \$4 million



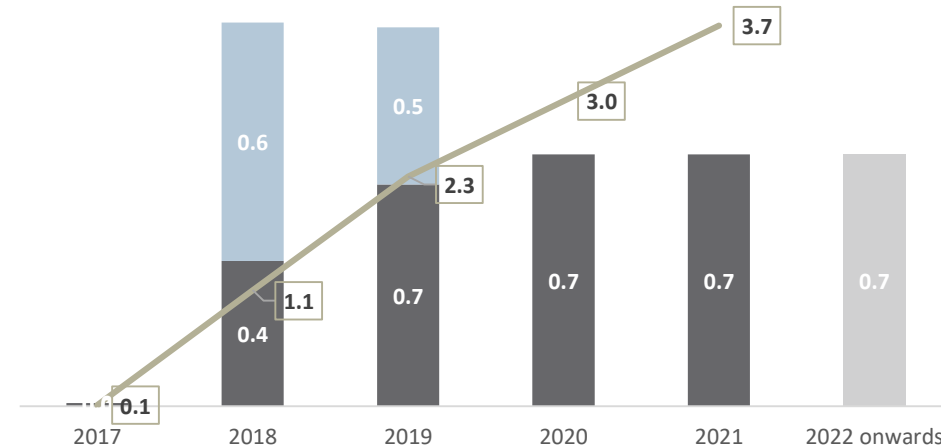
■ Overheads ■ Working capital

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

Timing of impact

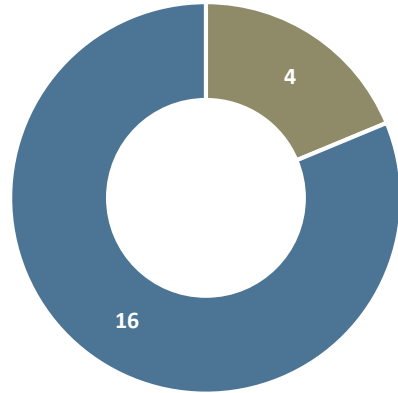


Recurring & once-off initiatives



■ Recurring ■ Once-off — Cumulative

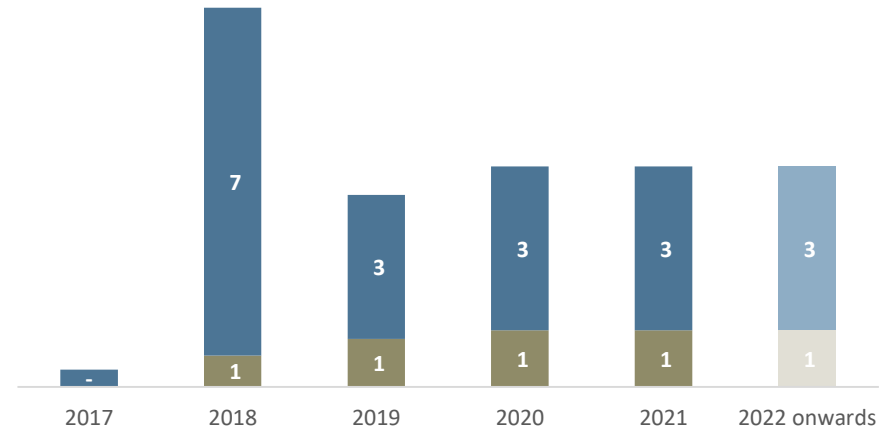
Corporate activities targeting \$20 million



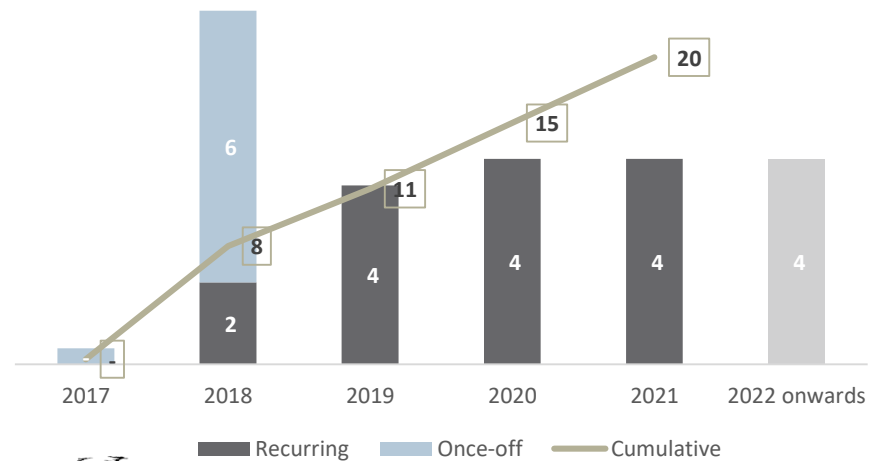
■ Corporate costs ■ Non-core assets

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

Timing of impact

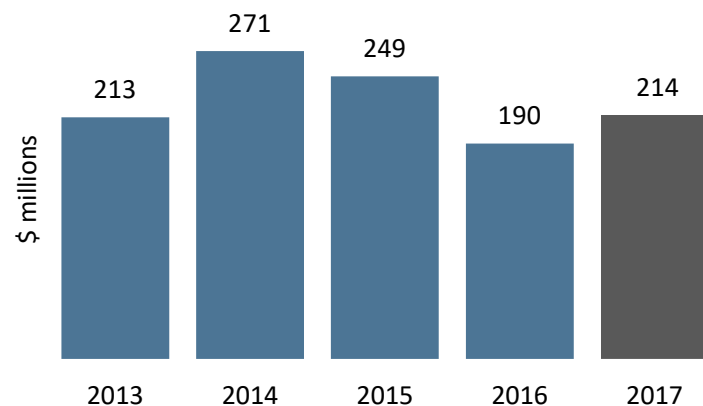


Recurring & once-off initiatives

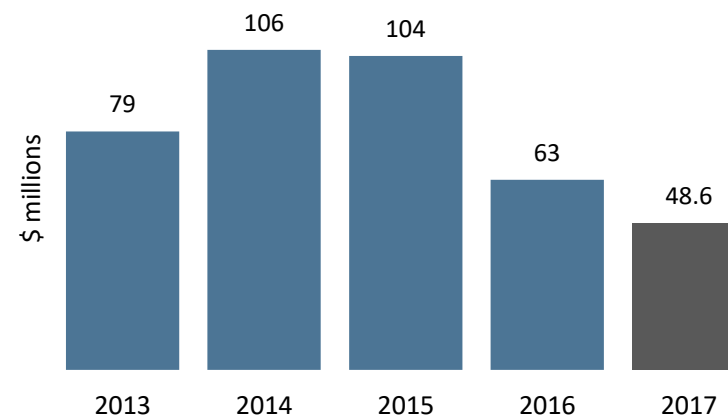


Full year 2017 financials – key performance indicators

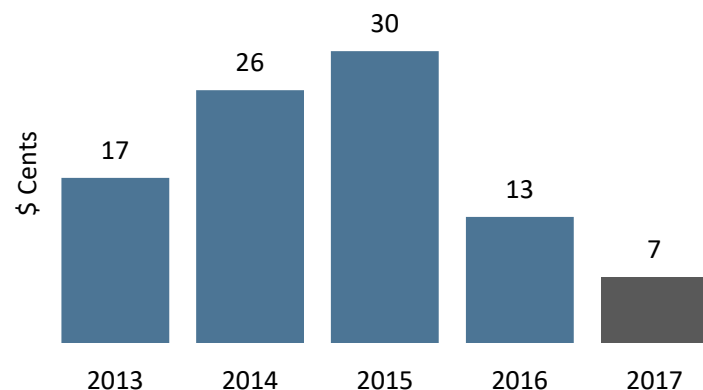
Revenue



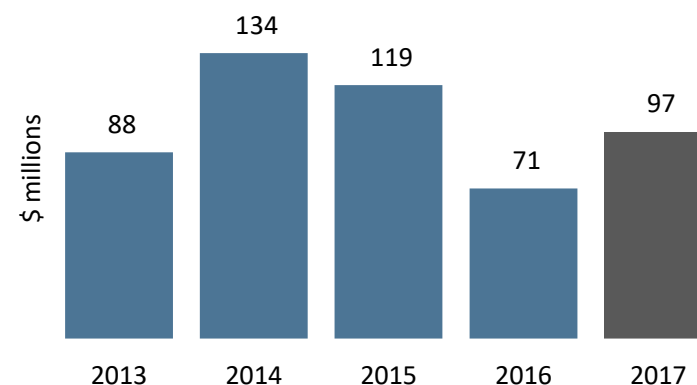
EBITDA



Basic EPS (pre exceptional items)



Cashflow from operating activities

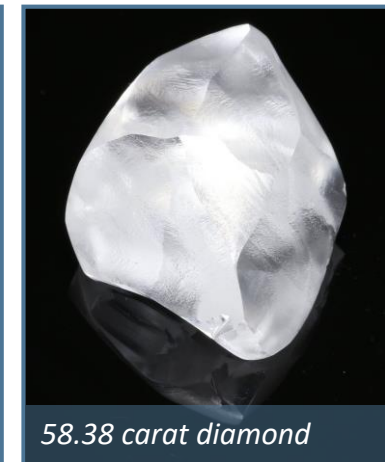
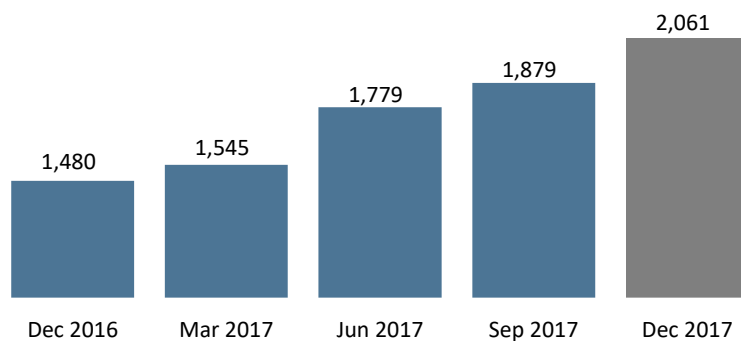



Group cash balance and funding as at 31 March 2018

- ✦ Net cash position of US\$48.1m, a US\$46.7m, improvement from the Q4 2017 net cash position of US\$1.4m
- ✦ US\$91.3m cash on hand of which US\$66.7m is attributable to Gem Diamonds
- ✦ US\$43.2m of available facilities have been drawn down with US\$41.1m worth of undrawn and available facilities

- ✦ Prices remain robust for Letšeng goods
- ✦ Average price of US\$3 276 per carat achieved during Q1 2018 (up 48% from US\$2 217 per carat in Q4 2017)
- ✦ Letšeng Q1 sales highlights
 - Seven gem quality diamonds greater than 100 carats recovered (ten including post period end)
 - The Lesotho Legend, sold on 12 March for US\$40m
 - 16 diamonds sold for more than US\$1.0m each, generating revenue of US\$70.7m
 - Two tenders held in Q1 2018, a total of 32 412 carats sold for US\$106.2m
 - 66.27 carat Type Ila, white diamond achieved the highest price per carat of US\$56 028 per carat for the period

Letšeng 6 month rolling \$ per carat



A close-up photograph of a woman's face, looking intently at a large, rough-cut diamond held in her hand. The scene is dramatically lit, with the diamond and her eyes being the primary light sources against a dark background.

Thank You
www.gemdiamonds.com