19 August 2015

GEM DIAMONDS HALF YEAR 2015 RESULTS

Strong operational performance and project delivery drives solid Half Year 2015 results

Gem Diamonds Limited (LSE: GEMD) ("Gem Diamonds", the "Company" or the "Group") today announces its half year results for the six months ending 30 June 2015 ("H1 2015" or "the Period").

FINANCIAL RESULTS:

Solid financial performance despite challenging market conditions

- Revenue of US$ 118.0 million (US$ 148.9 million in H1 2014)
- Underlying EBITDA of US$ 46.1 million (US$ 63.5 million in H1 2014)
- Attributable profit of US$ 15.4 million (US$ 19.7 million in H1 2014)
- Basic EPS of 10.69 US cents (15.30 US cents in H1 2014)
- Cash on hand of US$ 83.8 million as at 30 June 2015 (US$ 70.5 million attributable to Gem Diamonds)
- A maiden dividend of 5 US cents per share (US$ 6.9 million) paid on 9 June 2015

OPERATIONAL RESULTS:

Letšeng:

Strong operational performance with projects delivered on time and budget; robust prices achieved in a difficult market

- Carats recovered of 50 019 (54 678 in H1 2014)
- Average value of US$ 2 264* per carat achieved (US$2 747* in H1 2014)
- Five diamonds greater than 100 carats recovered
- 13 diamonds achieved a total sales value of greater than US$ 1 million each
- Ore treated of 3.1 million tonnes (3.2 million in H1 2014)
- Waste tonnes mined of 11.4 million tonnes (10.0 million tonnes in H1 2014)
- Zero lost time injuries

*Includes carats extracted for manufacturing at rough valuation.

Ghaghoo:

Recovered grade trending upward; recovery of some larger diamonds

- Carats recovered of 35 283
- Ore treated of 132 125 tonnes
- Average grade achieved between 28 and 30 cpht for May and June
- Five development tunnels completed
- Slot tunnel completed between Tunnels 1 and 5 allowing retreat stoping to commence
- Sale of 10 096 carats in January 2015, achieved US$210 per carat
- 13 diamonds of greater than 10 carats each recovered, with the largest being 48 carats
- Zero lost time injuries

Commenting on the results today, Clifford Elphick, Chief Executive of Gem Diamonds, said:

"Letšeng continues to consistently produce the large, exceptional quality diamonds. Prices for these goods have remained firm, despite the current challenging conditions in the diamond market.

The Company continues to demonstrate capital discipline and, at Letšeng, we have successfully completed the low capex incremental growth projects on time and on budget. The previously announced optimised Life of Mine plan for Letšeng has significantly increased the NPV of the mine by allowing optimal access to the high value Satellite pipe material and smoothing out the waste mining profile. Letšeng remains on track to meet its targets for the year.

At Ghaghoo, the mine development and ramp up to full planned production rates continues to progress, despite challenges in localised ground conditions. The first parcel of Ghaghoo commissioning diamonds was sold in February 2015 for US$ 2.1 million, achieving US$ 210 per carat. In July, a second parcel was sold for US$ 4.9 million (US$ 165 per carat), a lower price given the current market conditions. Encouragingly, as production begins to ramp up, a number of larger white diamonds and small coloured diamonds were recovered during the Period.

In June, the Company paid its maiden dividend of 5 US cents per share (US$ 6.9 million)".

The Company will be hosting an audio presentation on its half year results today, 19 August 2015, at 9:30 am BST.

A live audio webcast of this presentation will be available on the Company's website: www.gemdiamonds.com

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ABOUT GEM DIAMONDS:

Gem Diamonds is a leading global diamond producer of high value diamonds. The company owns 70% of the Letšeng mine in Lesotho and 100% of the Ghaghoo mine in Botswana. The Letšeng mine is famous for the production of large, top colour, exceptional white diamonds, making it the highest dollar per carat kimberlite diamond mine in the world. Since Gem Diamonds' acquisition of Letšeng in 2006, the mine has produced four of the twenty largest white gem quality diamonds ever recorded.

Gem Diamonds has a growth strategy based on the expansion of the Letšeng mine and bringing the Ghaghoo mine into production, while maintaining its strong balance sheet. The Company seeks to maximise revenue and margin from its rough diamond production by pursuing cutting, polishing and sales and marketing initiatives further along the diamond value chain. With favourable supply/demand dynamics expected to benefit the industry over the medium to long term, particularly at the high end of the market supplied by Gem Diamonds, this strategy positions the Company well to generate attractive returns for shareholders in the coming years.

www.gemdiamonds.com

INTERIM BUSINESS REVIEW

The first half of 2015 marked a solid start to the year with the Letšeng mine reporting strong operational performance and on track to deliver the previously announced full year 2015 guidance. Letšeng also continued to produce exceptional quality large diamonds, prices for which have remained firm despite the current challenging conditions in the market.

As part of the Group's broader strategy to identify and implement low capital, value enhancing opportunities at Letšeng, the mine successfully delivered both of its low capex incremental growth projects, the Plant 2 Phase 1 upgrade and the new Coarse Recovery Plant, on schedule and within budget. The implementation of these two projects will see an increase in tonnes of ore treated and carats recovered in the remainder of the year and beyond. While value accretive opportunities continue to be explored, there are no other major capital projects planned at Letšeng in the foreseeable future.

During the Period, Letšeng announced an optimised Life of Mine plan, which significantly enhances the mine's NPV through optimising waste stripping and increasing the percentage of the higher grade, higher value Satellite ore available to be treated over the life of mine.

Development of the Ghaghoo mine continues to progress with production being ramped up, albeit slower than planned due to difficult localised ground conditions which have hampered slot development across the first five production tunnels. Water management has been a focus at the mine, with specialist expertise having been brought in to seal off the water fissure to avoid any further major ingress of water as work progresses slowly and carefully through the water fissure area.

The first parcel of Ghaghoo commissioning diamonds was sold in February 2015 for US$ 2.1 million, achieving US$ 210 per carat. In July, a second parcel also consisting of commissioning diamonds was sold for US$ 4.9 million (US$ 165 per carat) in a difficult market. Encouragingly, a number of larger white diamonds and small coloured diamonds were recovered during the Period. As Ghaghoo had not reached commercial production for accounting purposes during the Period, all revenue achieved and costs incurred were capitalised to the carrying value of the asset.

In line with the Group's strategy of delivering additional value to its shareholders, the Company paid its maiden dividend of 5 US cents per share (US$ 6.9 million) on 9 June 2015.

The Group's financial position remains robust with a strong cash balance of US$ 83.8 million and undrawn facilities of US$ 40.6 million as at 30 June, underpinned by Underlying EBITDA achieved of US$ 46.1 million during the Period.

DIAMOND MARKET

During the first half of 2015 the rough diamond market experienced continued high inventory levels and liquidity concerns. This, combined with global macro-economic uncertainties, has continued to place downward pressure on both rough and polished diamond prices. Although demand and prices for Letšeng's high quality diamond production have remained resilient through the Period, the challenging market conditions have had a negative effect on prices achieved for Ghaghoo's more commercial quality production.

In the second half of the year it is expected that prices for Letšeng's high quality diamonds will remain firm while the prices for Ghaghoo's production should stabilise.

The Group continues to see robust support for diamond prices in the medium to long term, with favourable demand/supply fundamentals being underpinned by the continued growth in demand from the non-traditional markets in Asia, a strengthening in traditional markets such as the USA, and a limited growth in supply.

HEALTH, SAFETY, SOCIAL AND ENVIRONMENT (HSSE)

Gem Diamonds continues to strive towards its goal of zero harm to its people and environment and to operate within its sustainable development framework. The Group reports a fatality-free and Lost Time Injury (LTI)-free first half of 2015. The Group-wide Lost Time Injury Frequency Rate (LTIFR) is 0.00 and the Group-wide All Injury Frequency Rate (AIFR) is currently 3.26. Gem Diamonds is committed to working closely with Project Affected Communities and to implementing sustainable community projects that address the needs of the various communities. Zero major or significant environmental or stakeholder incidents were recorded over the Period.

OPERATING REVIEW: LETŠENG

The Letšeng mine is famous for its exceptional, top quality diamonds, having the highest proportion of large, high value diamonds, making it the highest average dollar per carat kimberlite diamond mine in the world. 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 and has consistently delivered exceptional returns for its shareholders.

OPERATIONAL HIGHLIGHTS

- Carats recovered of 50 019 (54 678 carats in H1 2014)
- Rough tender revenue of US$ 106.3 million* (US$ 147.8 million in H1 2014)
- Average value of US$ 2 264* per carat achieved (US$ 2 747* per carat in H1 2014)
- Five diamonds greater than 100 carats recovered
- Grade recovered of 1.61cpht (1.69 cpht in H1 2014)
- Ore treated of 3.1 million (3.2 million tonnes in H1 2014)
- Waste tonnes mined of 11.4 million (10.0 million tonnes in H1 2014)
- Successful delivery of the Plant 2 Phase 1 upgrade and new Coarse Recovery Plant on time and within budget

*includes carats extracted for manufacturing at rough valuation.

SUSTAINABILITY HIGHLIGHTS

- Zero LTIs
- LTIFR 0.00
- AIFR 3.26
- Zero significant stakeholder and environmental incidents

OPERATIONAL PERFORMANCE

During the first half of 2015 Letšeng continued to recover some of the world's largest and highest value diamonds. Five diamonds recovered were each greater than 100 carats in size, including a 314 carat Type IIa white diamond which was sold into a partnership arrangement in May 2015. In July 2015, another remarkable 357 carat Type IIa white diamond was recovered and options for its sale are being considered.

The Plant 2 Phase 1 upgrade was completed on schedule and within the budget of Maloti (LSL) 50.0 million (US$ 4.2 million), with the shutdown for the changeover completed within 19 days. This first phase will deliver an increase in treatment capacity of 250 000 tonnes per annum, as well as further reducing diamond damage. Phase 1 will lay the foundation for further improvements in both treatment capacity and diamond damage reduction in subsequent plant development phases at the appropriate time. The shutdown at Plant 2 to allow for the aforementioned upgrade to be completed, resulted in 3% lower tonnes treated compared to H1 2014 but remained in line with the mine plan and guidance for 2015.

The construction of the Coarse Recovery Plant was completed on schedule at the end of Q2 2015 and within the budget of LSL 140.0 million (US$ 11.7 million). Commissioning has been successful and on the first day of operation, a 52 carat Type IIa diamond was recovered. The X-Ray Transmissive (XRT) sorters installed in the new Coarse Recovery Plant will ensure improved recovery of the high value type II diamonds; and personnel X-Ray scanners and significantly improved surveillance, together with fully hands-free and auditable diamond recovery, will result in the significant security improvements expected from this project. No further major capital project expenditure is anticipated at Letšeng for the foreseeable future.

Of the total ore treated at Letšeng's Plants 1 and 2, 33% of the material was sourced from the Satellite pipe and 67% from the Main pipe. The ramp up of Satellite pipe ore treated to 1.65 million tonnes in 2015 is on track to be achieved as reported in the optimised Life of Mine plan. The balance of the ore (0.5 million tonnes) was treated through the Alluvial Ventures contractor plant, 80% of which was sourced from the Main pipe and 20% from stockpiles. Certain process improvement modifications were also undertaken during the Period at the Alluvial Ventures contractor plant which should see minor improvements in both tonnages treated and grade recovered going forward.

Waste mining for the Period was 14% higher than in H1 2014 and is on target to achieve the full year 2015 guidance of 22 to 24 million tonnes per annum. Additional larger mining equipment is being mobilised to achieve these targets.

Electricity at the Letšeng mine is supplied from South Africa by Eskom via the Lesotho Electricity Company. With increased load-shedding events by Eskom, the on-site back-up power generators have proved to be a worthwhile investment as they have greatly minimised the impact of power outages on production during the Period, without significantly impacting total operating costs.

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

OPTIMISED LIFE OF MINE PLAN

On 22 May 2015, Gem Diamonds released a presentation on the optimised Life of Mine plan for Letšeng on the Company's website www.gemdiamonds.com. This plan allows for an increased contribution of higher value material from the Satellite pipe, resulting in a significantly improved NPV over the life of mine.

Key features of the revised plan are as follows:

- Steeper pit slopes made possible by improved blasting practices
- Increased plant treatment capacity from the Plant 2 Phase 1 upgrade
- Smoother waste profile, peaking at 36 mtpa
- Satellite ore tonnage increase to 1.65 mtpa in 2015 to 2019, and 2.00 mtpa from 2020 onwards

DIAMOND SALES

Letšeng	**H1 2015**	H2 2014
Carats sold*	**46 961**	53 799
Average US$ per carat*	**2 264**	2 747

*includes carats extracted for manufacturing at rough valuation.

Letšeng's rough diamond production is sold on tender in Antwerp by Gem Diamonds Marketing Services BVBA (Gem Diamonds Marketing Services), a wholly owned Gem Diamonds subsidiary. During the Period, Letšeng held four tenders, achieving an average price of US$ 2 264* per carat resulting in total rough tender revenue of US$ 106.3 million*, bringing the 12 month rolling US$ per carat average to US$ 2 304* per carat.

HSSE

No LTIs were recorded at Letšeng during the Period, resulting in an LTIFR of 0.00. The AIFR for the Period was 2.29. Letšeng has performed well from an HSSE perspective and continues to build on the culture of safety it has created, as well as implementing various initiatives aimed at integrating its approach to HSSE management. A Behaviour Based Safety Campaign aimed at proactively managing health and safety on site has been effectively rolled out.

Environmental rehabilitation trials through re-vegetation have successfully commenced on key areas of the mine. The results from these trials will assist the operation when tailoring rehabilitation initiative requirements.

Letšeng has spent approximately US$ 0.2 million on social initiatives over the Period and continues with the implementation of its three-year Corporate Social Investment (CSI) plan (which commenced in 2014) aimed at uplifting communities, locally and beyond. One such CSI project being implemented is the Butha Buthe vegetable project which is aimed at assisting local subsistence farmers to provide for their families and to generate an income by selling fresh produce to various corporations within Lesotho.

No significant or major environmental or stakeholder incidents were recorded in the Period.

H2 2015 AND ONWARDS

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

- Optimising the newly commissioned Plant 2 to ensure diamond damage is decreased
- Optimising the new Coarse Recovery Plant to achieve the envisaged security and recovery benefits
- Managing the increase in mining fleet to meet the increased annual waste stripping target
- Optimising the Alluvial Ventures plant to improve throughput and recovery of fine diamonds
- Evaluating optimal timing for underground mining

OPERATING REVIEW: GHAGHOO

The Ghaghoo diamond mine in Botswana is currently being developed by the Company's wholly owned subsidiary, Gem Diamonds Botswana, which is the holder of a 25 year mining licence awarded in January 2011. Phase 1 of the development is intended to confirm the grade, diamond prices and recovery processes required to optimise diamond liberation and recovery. This will form the basis of the anticipated Phase 2 expansion study as sufficient data becomes available. For accounting purposes, Ghaghoo had not reached commercial production during the Period which resulted in all revenue achieved and costs incurred in the Period being capitalised to the carrying value of the asset.

OPERATIONAL HIGHLIGHTS

- Five development tunnels completed
- Slot tunnel completed between Tunnels 1 and 5 allowing retreat stoping to commence
- Average recovered grade during May and June consistently above the reserve estimate of 27.8 cpht
- 13 diamonds greater than 10 carats each recovered during H1 2015
- A 48 carat diamond recovered in May 2015 (largest diamond recovered at the mine to date)

SUSTAINABILITY HIGHLIGHTS

- Zero LTIs
- LTIFR 0.00
- AIFR 8.22
- Zero significant stakeholder and environmental incidents

OPERATIONAL PERFORMANCE

During the first half of 2015, 132 125 tonnes of ore were treated at Ghaghoo with 35 283 carats being recovered. This ore was sourced mainly from a trial section on Level 0, which is now fully mined out. Mining has now moved to the first production level (Level 1) with the May and June average grade recovered increasing to 29.1cpht, above the reserve grade of 27.8cpht.

The ramp-up of production continues to progress, albeit slower than anticipated due to difficult localised ground conditions within the orebody. A slot tunnel along the northern contact together with five stoping tunnels have been completed which now allow the production faces to retreat back across the orebody. Development of a further two tunnels west of Tunnel 5 has also commenced.

As the tonnage of ore from underground increases, the processing plant will continue to ramp up to the name plate capacity of 60 000 tonnes per month. Processing optimisation and recovery efficiencies within the plant are on-going.

With the increased tonnage being treated and the plant running more consistently, the gaps in the larger sizes of the size frequency distribution model have begun to be filled. During the Period, 13 diamonds larger than 10 carats each were recovered, including a 35 carat diamond recovered in March 2015 and a 48 carat diamond recovered in May 2015 (being the largest diamond recovered at Ghaghoo to date). Importantly, a number of fancy colour diamonds, ranging from blues, pinks, oranges, lilacs and yellows, although predominantly in the smaller sieve sizes, were recovered during the Period.

Mining production will continue on Level 1 for the rest of the year whilst the main decline and the Level 1 rim tunnel are progressed in order to access the next production sections. Progress in developing the decline and the rim tunnel has been impeded by the presence of water-bearing fissures. Specialists have been deployed to ensure that the fissures are fully sealed prior to the tunnels advancing and work is progressing slowly and carefully in order to avoid any further major ingress of water.

The Company is planning a feasibility study to determine the appropriate time to expand the mine in order to benefit from economies of scale.

Details of overall costs and capital expenditure incurred at Ghaghoo during the Period are included in the Group Financial Performance section.

DIAMOND SALES

The first sale of 10 096 carats of Ghaghoo commissioning production was held in February 2015, achieving an average price of US$ 210 per carat (total value of US$ 2.1 million).

Subsequent to Period end, a second sale of 29 891 carats of Ghaghoo commissioning production took place in July 2015, achieving a total value of US$ 4.9 million (US$ 165 per carat). Although this was below the average price achieved for the first sale, the production was not comparable from a quality perspective and this, together with a declining market for these goods, had a negative effect on the price achieved.

It is anticipated that the next Ghaghoo sale will take place before the end of the year and will include a higher proportion of diamonds from the main body of the VKSE phase of the kimberlite ore.

HSSE

No LTIs were recorded during the Period, resulting in an LTIFR of 0.00. The AIFR for the Period was 8.22.

Ghaghoo continues with initiatives to improve and build on its Health, Safety and Environmental systems on site and during the Period various campaigns aimed at increasing health and safety awareness were introduced. The operation has made great progress with the implementation of social initiatives in various communities within Botswana and has spent approximately US$ 30 000 towards community initiatives. Corporate Social Initiatives have mainly focused on educational initiatives within various schools in the project affected communities, but have also included projects aimed at addressing health concerns within communities and providing infrastructure where required.

No major or significant environmental or stakeholder incidents were recorded in the Period.

H2 2015 AND ONWARDS

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

- Ramp up of production to a steady state rate of 60 000 tonnes per month
- Continuing underground development to ensure sustainable production at the planned rates
- Design and development of long term underground infrastructure to support production
- Implementation of a water management strategy to deal with the excess water from the mine
- Management of costs to ensure profitability at full production rates
- Commence with a feasibility study with regards to expanding the mine to a higher level of production

GEM DIAMONDS

OPERATING REVIEW: GEM DIAMONDS SALES, MARKETING & MANUFACTURING

Gem Diamonds Marketing Services was formed in 2010 and is responsible for managing the Group's sales and marketing strategies. The Group maximises revenue from its production by actively marketing its rough diamonds through competitive tenders and other appropriate sales and marketing channels to respected international diamantaires.

As part of the strategic objective to increase revenue for its rough diamonds and to access additional margins further along the diamond pipeline, the Group established Baobab Technologies (Baobab) in 2012, an advanced analytical and manufacturing facility in Antwerp.

HIGHLIGHTS SUMMARY

- US$ 106.3 million* with an average price of US$ 2 264* per carat was achieved for Letšeng's high-value production
- 13* rough diamonds sold for greater than US$ 1.0 million each during the Period
- Polished sales through the manufacturing division and partnership arrangements contributed US$ 3.3 million in additional revenue to the Group and US$ 2.6 million to Underlying EBITDA

*includes carats extracted for manufacturing at rough valuation.

SALES AND MARKETING

The Group's rough diamond production is marketed by Gem Diamonds Marketing Services and sold through an electronic tender platform. The tender platform is designed to enhance engagement with customers by allowing continual access, flexibility and communication, as well as ensuring transparency during the tender process. Although tender viewings of the Group's diamonds take place in Antwerp, the electronic tender platform allows customers the flexibility to participate in each tender from anywhere in the world. This flexibility together with the professional and transparent manner in which the tender is managed, as well as the high-calibre clients who participate in the tenders, contributes to the achievement of the highest market-driven prices for the Group's rough diamond production from both Letšeng and Ghaghoo.

In the first half of 2015, a revision to the number, composition and timing of the Letšeng tenders was made. The number of tenders has been revised to eight (instead of 10) tenders during the year.

Rough diamonds selected for own polishing are manufactured at Baobab and the final polished diamonds are sold by Gem Diamonds Marketing Services through direct selling channels to prominent high-end clients.

ANALYSIS AND MANUFACTURING

Baobab Technologies' advanced mapping and analysis of Letšeng's exceptional rough diamonds assists the Group in assessing appropriate true values of its rough diamonds that are presented for sale. This ensures that robust reserve prices are set for its diamonds at each tender and assists in the making of strategic selling, partnering or manufacturing decisions.

In order to access the highest value for its top-quality diamonds, the Group also selectively manufactures some of its own high-value rough diamonds through Baobab and places other exceptional diamonds into strategic partnership arrangements with select clients.

GROUP FINANCIAL PERFORMANCE

HIGHLIGHTS SUMMARY

- Revenue US$ 118.0 million
- Underlying EBITDA US$ 46.1 million
- Attributable net profit US$ 15.4 million
- Basic EPS 10.69 US cents
- Cash on hand US$ 83.8 million

(US$ millions)	**6 months ended 30 June 2015**	6 months ended 30 June 2014
Revenue	**118.0**	148.9
Royalty and selling costs	**(9.7)**	(13.4)
Cost of sales[1]	**(56.1)**	(65.8)
Corporate expenses	**(6.1)**	(6.2)
Underlying EBITDA	**46.1**	63.5
Depreciation and mining asset amortisation	**(5.6)**	(7.8)
Share-based payments	**(0.8)**	(0.8)
Other income	**0.3**	0.1
Foreign exchange gain	**1.3**	1.3
Net finance costs	**(0.6)**	(0.1)
Profit before tax for the Period from continuing operations	**40.7**	56.2
Income tax expense	**(15.1)**	(20.4)
Profit for the Period from continuing operations	**25.6**	35.8
Discontinued operations	0.7	(1.4)
Profit for the Period	**26.3**	34.4
Non–controlling interests	**(10.9)**	(14.7)
Attributable profit	**15.4**	19.7
Earnings per share for continuing operations (US cents)	**10.69**	15.30

1. Including waste stripping costs amortisation but excluding depreciation and mining asset amortisation.

REVENUE

The first six months of the year were influenced by the continued cautious approach adopted by the diamond traders since Q3 2014, causing a decrease in demand for both rough and polished diamonds. The Group's revenue in H1 2015 is primarily derived from its two business activities, namely its mining operation at Letšeng and its rough diamond manufacturing operation in Antwerp. Letšeng, renowned for its large, high value diamonds continued its strong performance against this difficult backdrop and although proved resilient to the downward market pressures, its revenue was lower than the exceptional results achieved in H1 2014. Influencing the decline in revenue of 21% from H1 2014 was 13% lower volume of rough carat sales as a result of lower recoveries and an overall lower US$ per carat achieved of US$ 2 264*.

The Ghaghoo mining operation held its first sale during the Period which achieved US$ 2.1 million (US$ 210 per carat). This revenue is not included in the Group revenue, and has been set off against operating and development costs capitalised to the carrying value of the asset as the mine has not reached full commercial production for accounting purposes by the end of the Period. The difficult market conditions had a negative effect on prices achieved for the more commercial Ghaghoo production.

Mining operations revenue – Letšeng

The Satellite to Main pipe ore ratio through Letšeng Plants 1 and 2 was 33:67 during the Period, compared to 36:64 in H1 2014. The slight decrease in contribution of ore from the higher-grade Satellite pipe ore, together with the requirement to shut down Letšeng's Plant 2 for 19 days during its upgrade, resulted in Letšeng recovering 50 019 carats, a 9% decrease from H1 2014. Furthermore, an increase in diamond inventory levels at the end of the current Period, due to the timing of production cut-off for tender purposes, contributed to the lower revenue achieved during the Period. Letšeng's US$ per carat achieved in H1 2015 of US$ 2 264* was 3% lower than that achieved in H2 2014 of US$ 2 338*, and 18% lower than the exceptional US$ 2 747* achieved in H1 2014.

*includes carats extracted for manufacturing at rough valuation.

Letšeng	**6 months ended 30 June 2015**	6 months ended 30 June 2014
Average price per carat (US$)[1]	**2 264**	2 747
Carats sold[2]	**46 961**	53 799

Group revenue summary US$ (millions)	**6 months ended 30 June 2015**	6 months ended 30 June 2014
Sales - rough	**106.3**	147.8
Sales - polished margin	**3.3**	2.8
Sales - other	**0.3**	0.3
Impact of movement in own manufactured inventory	**8.1**	(2.0)
Group revenue	**118.0**	148.9

[1] Includes carats extracted for manufacturing at rough valuation.

[2] Represents all goods sold to Gem Diamonds Marketing Services in the year.

Diamond manufacturing operation

Manufacturing and partnership arrangement activities contributed US$ 3.3 million to Group revenue (through additional polished margin and uplift generated) and US$ 2.6 million to Underlying EBITDA during the Period. During the Period 237 carats valued at a rough market value of US$ 3.0 million were extracted from the Letšeng exports for manufacturing. In total, polished diamonds with an initial rough value of US$ 11.1 million were sold during the Period and US$ 6.9 million remained in inventory at the end of the Period, compared to US$ 15.0 million at 31 December 2014. The year-on-year polished inventory movement increased the Group revenue by US$ 8.1 million.

ROYALTIES AND SELLING COSTS

Royalties and selling costs in the Group of US$ 9.7 million mainly comprise mineral extraction costs paid to the Lesotho Revenue Authority of 8% on the sale of diamonds, and diamond marketing related expenses.

COST OF SALES

Operational excellence through cost reductions and enhancing production efficiency remained a key focus area for the Period.

Cost of sales for the Period was US$ 56.1 million, compared to US$ 66.0 million in H1 2014, the majority of which was incurred at Letšeng, and includes waste stripping costs amortised of US$ 24.4 million (2014: US$ 24.4 million).

Exchange rates	6 months ended 30 June 2015	6 months ended 30 June 2014	Variance
LSL per US$1.00			
Average exchange rate for the Period	**11.92**	10.70	11%
Period end exchange rate	**12.14**	10.64	14%
BWP per US$1.00			
Average exchange rate for the Period	**9.79**	8.84	11%
Period end exchange rate	**9.87**	8.80	12%
US$ per GBP			
Average exchange rate for the Period	**1.52**	1.67	(9%)
Period end exchange rate	**1.57**	1.71	(8%)

The Lesotho loti (LSL) (pegged to the South African rand), Botswana pula (BWP) and British pound (GBP) were all weaker against the US dollar during the Period, positively impacting the operations' US dollar reported costs.

Letšeng costs	6 months ended 30 June 2015	6 months ended 30 June 2014
US$ (per unit)		
Direct cash cost (before waste) per tonne treated[1]	**11.96**	12.44
Operating cost per tonne treated[2]	**17.56**	20.05
Waste cash cost per waste tonne mined	**2.17**	2.30
Local currency (per unit) LSL		
Direct cash cost (before waste) per tonne treated[1]	**142.60**	133.13
Operating cost per tonne treated[2]	**209.33**	214.46
Waste cash cost per waste tonne mined	**25.84**	24.64

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

[2] Operating costs include waste stripping cost amortised, inventory and ore stockpile adjustments, and excludes depreciation.

At Letšeng, total direct cash costs (before waste costs) in local currency increased by 3.2% from LSL 429.9 million in H1 2014 to LSL 443.5 million in H1 2015. This resulted in unit costs per tonne treated for the Period of LSL 142.60 relative to the prior comparative Period of LSL 133.13, representing an effective increase of 7.1% of which c.50% was influenced by the lower volume of tonnes treated. Further cost saving initiatives contributed to the balance of the increase being lower than general in-country inflation of approximately 6% and fuel and power increases experienced of above general inflation.

Operating costs per tonne treated for the Period decreased to LSL 209.33 per tonne compared to LSL 214.46 per tonne. These costs are driven by the direct cash costs above, the waste stripping cost amortised (which is influenced by the different waste to ore strip ratios for the particular ore processed) and inventory movements. In H1 2015, similar Satellite and Main pipe ore areas and ratios were mined compared to H1 2014 resulting in similar amortisation charges. The net decrease in overall operating costs was influenced by the higher volume of closing inventory at the end of the Period.

The increase in the local currency waste cash cost per waste tonne mined of 4.9% is lower than in-country inflation, positively impacted by higher tonnages of waste mined and efficiencies from the larger fleet being deployed to meet the optimised mine plan profile.

Other operating information - Letšeng (US$ millions)	6 months ended 30 June 2015	6 months ended 30 June 2014
Waste cost capitalised	**28.5**	26.8
Waste stripping cost amortised	**24.4**	24.4
Depreciation and mining asset amortisation	**5.6**	7.2
Capital expenditure	**8.5**	3.8

At Ghaghoo, operating costs of US$ 10.5 million and development costs of US$ 4.5 million were incurred during commissioning in H1 2015, whilst 132 125 tonnes were treated and 825 metres were developed. These costs are not included in the Group cost of sales, and together with the revenue achieved from the first sale during the Period, have been capitalised to the carrying value of the mining asset. Once the mine achieves sustainable mining and processing rates, and is deemed to have reached commercial production for accounting purposes, the ongoing operating costs will form part of the Group's reported cost of sales.

CORPORATE EXPENSES

Corporate costs relate to central costs incurred by the Group and are incurred in both South African rand and British pounds. Corporate expenses of US$ 6.1 million were kept in line with that of the previous period and were positively impacted by the stronger US dollar during the Period, notwithstanding inflationary increases.

SHARE-BASED PAYMENTS

Share-based payment costs for the year amounted to US$ 0.8 million. A new Long-term Incentive Plan (LTIP) option was granted during April 2015 whereby 1 407 500 nil-cost options were granted to certain key employees and Executive Directors. 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 share-based payment cost associated with the new award had a US$ 0.2 million impact on the current year charge.

NET FINANCE COSTS

Net finance costs comprise the unwinding of the current environmental provisions and costs on interest-bearing liabilities; partially offset by interest received from surplus cash from the Letšeng operation.

INCOME TAX EXPENSE

The effective tax rate for the Period for the Group was 37.2%, above the UK statutory tax rate of 20.25%. The tax rate of the Group is driven by tax of 25% on profits generated by Letšeng Diamonds and deferred tax assets not recognised on losses incurred in non-trading operations.

UNDERLYING EBITDA AND ATTRIBUTABLE PROFIT

Based on the above trading results, the Group generated an Underlying EBITDA of US$ 46.1 million. The profit attributable to shareholders for the Period was US$ 15.4 million equating to 10.69 US cents per share on a weighted average number of shares in issue of 138 million.

FINANCIAL POSITION AND FUNDING REVIEW

The Group maintained a strong cash position with US$ 83.8 million cash on hand (net cash position of US$ 49.6 million after debt) at the Period end of which US$ 70.5 million is attributable to Gem Diamonds and US$ 0.2 million is restricted. Notwithstanding difficult diamond market conditions, the Group generated positive cash of US$ 38.7 million from operating activities before investment in waste stripping costs at Letšeng of US$ 28.5 million, capital expenditure throughout the Group of US$ 11.5 million and Ghaghoo development and commissioning costs of US$ 15.0 million. In addition the Group paid its maiden dividend of US$ 6.9 million.

The LSL 250.0 million, three-year unsecured revolving working capital facility at Letšeng was successfully renewed for an additional three-year term to June 2018. The LSL 140.0 million facility at Letšeng is currently being repaid in 10 equal quarterly instalments and will be fully repaid by June 2017. The US$ 25.0 million facility for the completion of the Ghaghoo Phase 1 development is currently being extended into a six year, secured facility, with repayments due to commence in 2016. There has been no further change to the debt facilities reported at 31 December 2014.

OUTLOOK

In the current depressed diamond market and due to the slower than expected ramp up at Ghaghoo, capital and cash management discipline will be of high priority in the short-term.

Focus will be on converting the Ghaghoo mine from its commissioning phase into sustaining operational activities and achieving steady state production.

At Letšeng, the potential added value benefits following the completion of its current projects are expected to materialise and generate positive return on capital invested. Operationally, Letšeng is geared to continue to mine a higher percentage of the higher grade, higher value Satellite pipe ore in line with the optimised mine plan.

With cost control and operational efficiencies the ultimate focus for H2 2015, the Company is on track to pay its next dividend in 2016 based on the 2015 full year results.

RISKS TO OUR BUSINESS

Many of these risks are beyond the control of the Group but a formal risk management process exists to assist in identifying and reviewing potential risks. Mitigating plans are formulated and reviewed regularly to understand their effectiveness and progress. The Group is focused on continuously analysing and assessing the risks faced and improving the risk management process accordingly.

A reassessment of the risks, which have been previously reported in the Business Review in the 2014 Annual Report, has identified that the principal risks and uncertainties have not changed. These may impact the Group over the medium to long term; however the following key risks have been identified which may impact the Group over the next six months.

Short term demand and prices (Market and Price Risk)

Whilst the medium to long term fundamentals of the diamond market remain intact, with demand forecast to significantly outpace supply, in the short term the prevailing climate of global economic uncertainty may cause some volatility in rough diamond pricing. Although the Group cannot materially influence the situation, market conditions are constantly monitored to identify current trends that will pose a threat or create an opportunity for the Group. In this regard, management have taken all reasonable measures to preserve its cash position and to have flexibility in its sales processes and in reassessing its capital projects and operational strategies.

Exchange Rates (Financial Risk)

The Group receives its revenue in US dollars while its cost base arises in the local currencies of the various countries within which the Group operates (mainly in Lesotho, Botswana and South Africa). The volatility of these currencies against the US dollar will impact the Group's profitability. In order to mitigate currency risk, these fluctuations are closely monitored and where appropriate and at relevant currency levels, the Group enters into exchange rate contracts to protect future cash flows.

Expansion and Project delivery

The Group's growth strategy is based on delivery of expansion projects, premised on various studies, cost indications and future market assumptions. In assessing the viability, costs and implementation of these projects, risks concerning cost overruns and/or delays may affect the effective implementation and execution thereof.

Letšeng:

The Group remains highly focused on delivering on its phased approach of implementing expansion projects at Letšeng. The Plant 2 Phase 1 Upgrade and the Coarse Recovery Plant projects have both been successfully completed.

Ghaghoo

The ramp-up to full production at Ghaghoo continues to be hampered by technical challenges. The main risks to achieving full production in H2 2015 are considered to be:

- Availability of ore from underground due to difficult ground conditions, and
- Traversing the main water fissure that was previously encountered on Level 1.

Additional support as required is being installed and underground conditions are continually monitored. With the slot development between Tunnels 1 to 5 on Level 1 now being completed, the increased availability of loading faces will improve the availability of ore.

The decline to Level 2 as well as the rim tunnel on Level 1 will need to pass through the water fissure to enable development to continue to allow access to the second production section. Specialists have been deployed to ensure that the fissure is fully sealed prior to the tunnels advancing and work is progressing slowly and carefully in order to avoid any further major ingress of water.

Political risks

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 regulatory and political risk, and are potentially subject to rapid change. Changes to the political environment and regulatory developments are closely monitored. Where necessary, the Group engages in dialogue with relevant government representatives in order to remain well informed of all legal and regulatory developments impacting its operations and to build relationships.

Mineral Resource risks

The Group's mineral resources influence the operational mine plans and affect the generation of sufficient margins. Variability of its mineral resources could affect the Group's profitability in the short-term, mitigated by flexibility in the mining faces and improved in-pit geological controls.

Production interruption

The Group may experience material mine and/or plant shut downs or periods of decreased production due to a number of different events. Any such event could negatively affect the Group's operations and impact both profitability and cash flows. The likelihood of possible interruption events is continually reviewed and the appropriate management controls, processes and business continuity plans are in place to mitigate this risk.

Clifford Elphick
Chief Executive Officer

18 August 2015

GEM DIAMONDS LIMITED

HALF-YEARLY FINANCIAL STATEMENTS
30 JUNE 2015

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 2014.

The names and functions of the Directors of Gem Diamonds are listed in the Annual Report for the year ended 31 December 2014. Two of the non Executive Directors, namely Dave Elzas and Richard Williams, resigned from the Board on 2 June 2015.

For and on behalf of the Board

Michael Michael

Chief Financial Officer

18 August 2015

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF GEM DIAMONDS LIMITED

We have been engaged by Gem Diamonds Limited (the 'Company') to review the condensed consolidated set of financial statements of the Company and its subsidiaries (the 'Group') in the Half-yearly Report for the six months ended 30 June 2015 which comprises the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of financial position, interim consolidated statement of changes in equity, interim consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the Half-yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Half-yearly Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-yearly Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1.2.1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs). The condensed consolidated set of financial statements included in this Half-yearly Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the Half-yearly Report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the Half-yearly Report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

18 August 2015

GEM DIAMONDS

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	Notes	**30 June 2015[1] US$'000**	30 June 2014*[1] US$'000
CONTINUING OPERATIONS			
Revenue	3	**118 014**	148 929
Cost of sales		**(61 526)**	(73 533)
GROSS PROFIT		**56 488**	75 396
Other operating income		**339**	46
Royalties and selling costs		**(9 724)**	(13 372)
Corporate expenses		**(6 209)**	(6 171)
Share-based payments	13	**(828)**	(834)
Foreign exchange gain		**1 273**	1 297
OPERATING PROFIT	3	**41 339**	56 362
Net finance costs		**(595)**	(102)
Finance income	11	**913**	1 493
Finance costs	11	**(1 508)**	(1 595)
PROFIT BEFORE TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**40 744**	56 260
Income tax expense	7	**(15 137)**	(20 404)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**25 607**	35 856
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the period from discontinued operations	5	**668**	(1 414)
PROFIT FOR THE PERIOD		**26 275**	34 442
Attributable to:			
Equity holders of parent		**15 440**	19 732
Non-controlling interests		**10 835**	14 710
PROFIT FOR THE PERIOD			
Earnings per share (cents)			
– Basic earnings for the Period attributable to ordinary equity holders of the parent		**11.17**	14.28
– Diluted earnings for the Period attributable to ordinary equity holders of the parent		**11.01**	14.21
Earnings per share for continuing operations (cents)			
– Basic earnings from continuing operations for the Period attributable to ordinary equity holders of the parent		**10.69**	15.30
– Diluted earnings from continuing operations for the Period attributable to ordinary equity holders of the parent		**10.53**	15.23

1 Unaudited

* Prior period figures have been restated for the reclassification impact of accounting for the discontinued operation (Refer to Note 5, Disposal of subsidiary)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	30 June 2015[1] US$'000	30 June 2014*[1] US$'000
PROFIT FOR THE PERIOD	**26 275**	34 442
Other comprehensive income that could be classified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(14 642)**	(7 063)
Recycling of exchange differences on discontinued operations	**(988)**	-
Other comprehensive loss for the Period, net of tax	**(15 630)**	(7 063)
Total comprehensive income for the Period	**10 645**	27 379
Attributable to:		
Equity holders of parent	**806**	14 123
Non-controlling interests	**9 839**	13 256
Total comprehensive income for the Period, net of tax	**10 645**	27 379

1 Unaudited

* Prior period figures have been restated for the reclassification impact of accounting for the discontinued operation (Refer to Note 5, Disposal of subsidiary)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015[1] US$'000	31 December 2014[2] US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**385 236**	374 927
Investment property		**615**	615
Intangible assets		**17 267**	18 181
Receivables and other assets	10	**2 893**	2 877
Other financial assets		**5**	10
		406 016	396 610
Current assets			
Inventories		**37 176**	28 770
Receivables and other assets	10	**10 591**	7 598
Other financial assets		**11**	4
Income tax receivable		**436**	353
Cash and short-term deposits	11	**83 783**	110 738
		131 997	147 463
TOTAL ASSETS		**538 013**	544 073
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	12	**1 383**	1 383
Share premium		**885 648**	885 648
Treasury shares[3]		**(1)**	(1)
Other reserves		**(111 456)**	(97 753)
Accumulated losses		**(476 349)**	(484 874)
		299 225	304 403
Non-controlling interests		**70 853**	61 014
TOTAL EQUITY		**370 078**	365 417
Non-current liabilities			
Interest-bearing loans and borrowings	14	**4 614**	7 261
Trade and other payables		**1 425**	1 274
Provisions		**19 334**	19 543
Deferred tax liabilities		**61 943**	57 467
		87 316	85 545
Current liabilities			
Interest-bearing loans and borrowings	14	**29 614**	29 841
Other financial liabilities		**-**	249
Trade and other payables		**47 575**	43 711
Income tax payable		**3 430**	19 310
		80 619	93 111
TOTAL LIABILITIES		**167 935**	178 656
TOTAL EQUITY AND LIABILITIES		**538 013**	544 073

1 Unaudited

2 Audited

3 Shares held by Gem Diamonds Limited Employee Share Trust

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

				Attributable to equity holders of the parent					
				Other Reserves					
	Issued capital	Share premium	Own Shares[2]	Foreign currency translation reserve	Share based equity reserve	Accumulated (losses)/ retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	**1 383**	**885 648**	**(1)**	**(146 549)**	**48 796**	**(484 874)**	**304 403**	**61 014**	**365 417**
Profit for the Period	**–**	**–**	**–**	**–**	**–**	**15 440**	**15 440**	**10 835**	**26 275**
Other comprehensive loss	**–**	**–**	**–**	**(14 634)**	**–**	**–**	**(14 634)**	**(996)**	**(15 630)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**(14 634)**	**–**	**15 440**	**806**	**9 839**	**10 645**
Share-based payments (Note 13)	**–**	**–**	**–**	**–**	**931**	**–**	**931**	**–**	**931**
Dividend paid to equity holders of the parent	**–**	**–**	**–**	**–**	**–**	**(6 915)**	**(6 915)**	**–**	**(6 915)**
Balance at 30 June 2015[1]	**1 383**	**885 648**	**(1)**	**(161 183)**	**49 727**	**(476 349)**	**299 225**	**70 853**	**370 078**
Balance at 1 January 2014	1 383	885 648	(1)	(116 241)	46 833	(518 091)	299 531	70 879	370 410
Profit for the Period	–	–	–	–	–	19 732	19 732	14 710	34 442
Other comprehensive loss	–	–	–	(5 609)	–	–	(5 609)	(1 454)	(7 063)
Total comprehensive (loss)/income	–	–	–	(5 609)	–	19 732	14 123	13 256	27 379
Share-based payments (Note 13)	–	–	–	–	986	–	986	–	986
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(10 754)	(10 754)
Balance at 30 June 2014[1]	1 383	885 648	(1)	(121 850)	47 819	(498 359)	314 640	73 381	388 021

1 Unaudited

2 Shares held by Gem Diamonds Limited Employee Share Trust

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	30 June 2015[1] US$'000	30 June 2014[1] US$'000
CASHFLOWS FROM OPERATING ACTIVITIES		**38 701**	81 399
Cash generated by operations	15.1	**70 663**	86 089
Working capital adjustments	15.2	**(9 393)**	5 943
		61 270	92 032
Interest received		**913**	1 015
Interest paid		**(101)**	(259)
Income tax paid		**(23 381)**	(11 389)
CASHFLOWS USED IN INVESTING ACTIVITIES		**(54 592)**	(43 372)
Purchase of property, plant and equipment	9	**(11 453)**	(4 995)
Development costs capitalised	9	**(4 521)**	(11 585)
Commissioning costs capitalised	9	**(10 519)**	-
Waste cost capitalised	9	**(28 487)**	(26 812)
Proceeds from sale of property, plant and equipment		**422**	20
Cash disposed of from disposal of subsidiary	5	**(34)**	-
CASHFLOWS USED IN FINANCING ACTIVITIES		**(9 264)**	5 173
Financial liabilities (repaid)/raised		**(2 349)**	15 927
Dividend paid to equity holders of the parent		**(6 915)**	-
Dividends paid to non-controlling interests		**-**	(10 754)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(25 155)**	43 200
Cash and cash equivalents at the beginning of the Period – continuing operations		**110 704**	71 144
Cash and cash equivalents at the beginning of the Period – discontinuing operations		**34**	34
Foreign exchange differences		**(1 800)**	(466)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**83 783**	113 912
Cash and cash equivalents at end of the Period held with banks		**83 611**	113 734
Restricted cash at end of the Period		**172**	178
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	11	**83 783**	113 912

[1] Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 18 August 2015, is unaudited and does not constitute statutory financial statements. The report of the auditors on the Group's 2014 Annual Report and Accounts was unqualified.

The Group is principally engaged in the development and operating of 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 2015 (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 2014.

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 3 to 14. The financial position of the Group, its cashflows and liquidity position are described in the Interim Business Review on pages 9 to 14.

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 2014, except for the adoption of new Standards and Amendments as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group have defined benefit plans with contributions from employees or third parties.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments in these interim condensed consolidated financial statements.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1July 2014 and the Group has applied these amendments in these interim condensed consolidated financial statements.

Standards issued but not effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards if applicable when they become effective.

Standard or interpretation			Effective date*
IFRS 9	Financial Instruments	Classification and measurement of financial assets and financial liabilities as defined in IAS 39. The Group is still currently assessing the impact.	1 January 2018
IFRS 15	Revenue from Contracts with Customer	The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The Group is still currently assessing the impact.	1 January 2017
IAS 16 / IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through use of an asset. As such, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. As this revenue ratio is not currently used as a method of depreciation it is anticipated that this standard will not impact the Group. Should the Group's policies change in this regard, the Group will assess the impact at that time.	1 January 2016

* Annual periods beginning on or after.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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)
- Belgium (sales, marketing and manufacturing of diamonds)
- Mauritius (manufacturing of diamonds) – discontinued operation in current Period
- BVI, RSA and UK (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. The Mauritius operation, which was disposed of in the current Period, was previously aggregated with the Belgium operation into one segment, as management monitored these two operations as one, due to the similarity of their services provided.

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 table presents revenue and profit, asset and liability information from operations regarding the Group's geographical segments:

6 months ended 30 June 2015[1]	Lesotho (US$'000)	Botswana (US$'000)	Belgium (US$'000)	BVI, RSA and UK (US$'000)	**Total continuing operations (US$'000)**	Discontinued operations (US$'000)	**Total (US$'000)**
Revenue							
Total revenue	**107 823**	**-**	**119 413**	**4 298**	**231 534**	**85**	**231 619**
Inter-segment	**(106 649)**	**-**	**(2 725)**	**(4 146)**	**(113 520)**	**-**	**(113 520)**
External customers	**1 174**	**-**	**116 688**	**152**[2]	**118 014**	**85**	**118 099**
Segment operating profit/(loss)	**48 111**	**(149)**	**(529)**	**(6 094)**	**41 339**	**(1 002)**	**40 337**
Net finance income/(costs)	**176**	**6**	**-**	**(777)**	**(595)**	**-**	**(594)**
Profit before tax					**40 744**	**(1 002)**	**39 742**
Income tax expense					**(15 137)**	**-**	**(15 137)**
Gain on disposal of subsidiary					**-**	**1 670**	**1 670**
Profit for the Period					**25 607**	**668**	**26 275**

[1] Unaudited

[2] No revenue was generated in BVI

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. Segment information (continued)

6 months ended 30 June 2014[1]	Lesotho (US$'000)	Botswana (US$'000)	Belgium (US$'000)	BVI, RSA and UK (US$'000)	**Total continuing (US$'000)**	Discontinued operations (US$'000)	**Total (US$'000)**
Revenue							
Total revenue	148 124	-	148 213	4 026	**300 363**	3	**300 366**
Inter-segment	(146 644)	-	(914)	(3 876)	**(151 434)**	-	**(151 434)**
External customers	1 480	-	147 299	150[3]	**148 929**	3	**148 932**
Segment operating profit/(loss)	64 200	(357)	476	(7 957)	**56 362**	(1 414)	**54 948**
Net finance income/(costs)	781	4	-	(887)	**(102)**	-	**(102)**
Profit before tax					**56 260**	-	**54 846**
Income tax expense					**(20 404)**	-	**(20 404)**
Profit for the Period					**35 856**	(1 414)	**34 442**

	Lesotho (US$'000)	Botswana (US$'000)	Belgium (US$'000)	BVI, RSA and UK (US$'000)	**Total continuing operations (US$'000)**	Discontinued operations (US$'000)	**Total (US$'000)**
Segment assets							
At 30 June 2015[1]	**329 962**	**157 310**	**5 170**	**45 571**	**538 013**	**-**	**538 013**
At 31 December 2014[2]	321 464	139 987	6 552	75 192	**543 195**	878	**544 073**
Segment liabilities							
At 30 June 2015[1]	**48 151**	**40 166**	**821**	**16 854**	**105 992**	**-**	**105 992**
At 31 December 2014[2]	68 212	34 304	939	17 705	**121 160**	29	**121 189**

[1] Unaudited

[2] Audited

[3] No revenue was generated in BVI

Included in revenue is revenue from a single customer which amounted to US$ 21.6 million (30 June 2014: US$ 22.3 million) arising from sales reported in the Lesotho and Belgium segments.

Segment liabilities do not include net deferred tax liabilities of US$ 61.9 million (31 December 2014: US$ 57.5 million).

Operating profits have decreased compared to the corresponding prior Period as a result of lower diamond prices achieved due to current difficult market conditions and decreased number of carats recovered and sold due to the shutdown to commission the Plant 2 Phase 1 upgrade. Royalties and selling costs, being variable costs, have decreased as a direct result of the decrease in revenue. Costs decreased mainly as a result of the strong trading of the US dollar against the Lesotho loti which positively impacted US dollar reported costs during the Period.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. Underlying earnings before interest, tax, depreciation and mining asset amortisation (EBITDA)

Underlying EBITDA is shown, as the Directors consider this measure to be a relevant guide to the performance of the Group. The reconciliation from operating profit to underlying EBITDA is as follows:

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
Operating profit	**41 339**	56 362
Foreign exchange gain	**(1 273)**	(1 297)
Share-based payments	**828**	834
Other operating income	**(339)**	(46)
Depreciation and mining asset amortisation (excluding waste stripping costs amortised)	**5 639**	7 674
Underlying EBITDA	**46 194**	63 527

5. Disposal of subsidiary

In 2012, the Group established a small manufacturing facility in Mauritius through Gem Diamonds Technology Mauritius (Pty) Ltd. On 30 June 2015 the Group sold this manufacturing business. As a result, the trading results of the operation have been classified as part of discontinued operations. The net assets have been derecognised and the subsidiary de-consolidated from this date.

The sale was finalised for the agreed purchase price of US$ 0.4 million, to be paid in quarterly instalments of a minimum of US$ 50 000 commencing in January 2016.The Group retained a cession over the shares of Gem Diamonds Technology Mauritius (Pty) Ltd as security for the due, proper and timeous payment of the deferred proceeds. The consideration receivable has been included in non-current and current receivables and other assets (Refer Note 10, Receivables and other assets).

The results of the Mauritius operation for the Periods ended 30 June 2015 and 30 June 2014 are as follows:

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
Revenue	**85**	3
Cost of sales and other operating costs	**(443)**	(1 380)
Gross loss	**(358)**	(1 377)
Foreign exchange loss	**(644)**	(37)
Operating loss	**(1 002)**	(1 414)
Gain on disposal of subsidiary	**1 670**	-
Profit/(loss) before tax from discontinued operation	**668**	(1 414)
Income tax expense	**-**	-
Profit/(loss) after tax from discontinued operation	**668**	(1 414)
Earnings/(loss) per share from discontinued operation (cents)		
Basic	**0.48**	(1.02)
Diluted	**0.48**	(1.02)

[1] Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5. Disposal of subsidiary (continued)

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
The net cash flows attributable to the discontinued operation are as follows:		
Operating	**(293)**	(1 272)
Investing	**444**	-
Financing	**(151)**	1 247
Foreign exchange loss on translation of cash balance	**(4)**	(1)
Net cash outflow	**(4)**	(26)

The net liabilities disposed of are as follows:

	30 June 2015[1] US$'000
Assets	
Property, plant and equipment	**269**
Inventories	**4**
Receivables and other assets	**119**
Cash and short term deposits	**34**
Liabilities	
Trade and other payables	**(732)**
Provisions	**(26)**
Net identifiable liabilities disposed of	**(332)**
Recycling of foreign currency translation reserve	**(988)**
Consideration not yet received	**(350)**
Gain on disposal of subsidiary	**(1 670)**

[1] Unaudited

6. Seasonality of operations

The Group's sales environment with regards 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

For the six months ended 30 June 2015

7. Income tax expense

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
Income statement		
Current		
– Overseas	**(7 953)**	(18 372)
Withholding tax		
– Overseas	**(56)**	(2 895)
Deferred		
– Overseas	**(7 128)**	863
	(15 137)	(20 404)

[1] Unaudited

The tax rate of the Group is driven by tax of 25% on profits generated by Letšeng Diamonds, withholding tax of 10% on dividends from Letšeng Diamonds and deferred tax assets not recognised on losses incurred in non-trading operations. The forecast effective tax rate for the full year for the Group is 37.2%, which has been applied to the actual results of the interim Period. This is above the UK statutory tax rate of 20.25% and is predominantly driven by the deferred tax assets not recognised on losses incurred in non-trading operations.

8. Dividends paid and proposed

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
Dividends on ordinary shares declared and paid		
Final dividend for 2014: 5 cents per share (2013: nil)	**6 915**	-

[1] Unaudited

The 2014 proposed dividend was approved on 2 June 2015 and a final cash dividend of 5 US cents per share was paid to shareholders on 9 June 2015.

Following the payment of this maiden dividend, the Directors intend to consider applying a consistent dividend policy based on the full year 2015 results. This 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 acquired property, plant and equipment of US$ 11.5 million (30 June 2014: US$ 5.0 million), the majority of which related to the completion of Letšeng's Coarse Recovery Plant (US$ 4.7 million) and the Plant 2 Phase 1 upgrade (US$ 2.3 million).

Letšeng further invested US$ 28.5 million (30 June 2014: US$ 26.8 million) in deferred stripping costs which were capitalised.

Ghaghoo's development costs of US$ 4.5 million and investment in property, plant and equipment of US$ 4.7 million were capitalised to the development asset. In addition US$ 10.5 million of operating costs were capitalised until such time as the mine reaches sustainable levels of operation.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. Property, plant and equipment (continued)

Borrowing costs of US$ 0.6 million (30 June 2014: nil) incurred in respect of the LSL 140.0 million bank loan facility for the total funding of the new Coarse Recovery plant at Letšeng (Refer to Note 14, Interest bearing loans and borrowings) have been capitalised. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.6%.

Borrowing costs of US$ 0.4 million (30 June 2014: US$ 0.1 million) incurred in respect of the US$ 25.0 million facility for the Phase 1 Ghaghoo development (Refer to Note 14, Interest bearing loans and borrowings) have been capitalised. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 2.2%.

In addition to the above, foreign exchange movements on translation were US$ (15.5) million (30 June 2014: US$ (4.1) million).

Depreciation and mining asset amortisation of US$ 5.6 million (30 June 2014: US$ 7.9million) was charged to the income statement during the Period.

Amortisation of the deferred stripping asset (waste stripping cost amortisation) of US$ 24.4 million (30 June 2014: US$ 24.4 million) was charged to the income statement 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.

10. Receivables and other assets

	30 June 2015[1] US$'000	31 December 2014[2] US$'000
Non-current		
Prepayments	**2 593**	2 877
Other receivables	**300**	-
	2 893	2 877
Current		
Trade receivables	**1 249**	106
Prepayments	**931**	1 250
Deposits	**269**	419
Other receivables	**125**	167
VAT receivable	**8 017**	5 656
	10 591	7 598

[1] Unaudited

[2] Audited

Included in total prepayments is an amount of US$ 2.9 million (31 December 2014: US$ 3.2 million) (comprising a non-current portion of US$ 2.6 million (31 December 2014: US$ 2.9 million) and a current portion of US$ 0.3 million (31 December 2014: US$ 0.3 million)) relating to the balance of the value to be recovered from the mining contractor as a result of the estimation change in respect of the waste mined, which was disclosed in 2014. The waste tonnes and strip ratio for future cuts have been reassessed and has resulted in a credit to the waste amortisation charge (included in cost of sales) of US$ 0.6 million (31 December 2014: US$ 1.2 million) and a finance income adjustment of US$ 0.2 million (31 December 2014: US$ 0.9 million) in the Period.

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11. Cash and short term deposits

	30 June 2015[1] US$'000	31 December 2014[2] US$'000
Cash on hand	**2**	2
Short term bank deposits	**66 253**	53 811
Bank balances	**17 528**	56 925
Cash and short term deposits	**83 783**	110 738

[1] Unaudited

[2] Audited

At 30 June 2015, the Group had restricted cash of US$ 0.2 million (31 December 2014: US$ 0.2 million).

Finance income relates to interest earned on cash and short term deposits. The interest earned has decreased in line with the decreased cash generation during the Period.

Finance costs include interest incurred on bank overdraft and borrowings, provision for interest on potential tax liabilities which are under dispute and the unwinding of rehabilitation provisions.

12. Issued capital and reserves

	30 June 2015[1]		31 December 2014[2]	
	Number of shares '000	US$'000	Number of shares '000	US$'000
Authorised – ordinary shares of US$0.01 each				
Balance at beginning of Period/year	**200 000**	**2 000**	200 000	2 000
Increase in authorised shares	**50**	**1**	-	-
Balance at end of Period/year	**200 050**	**2 001**	200 000	2 000
Issued and fully paid				
Balance at beginning of Period/year	**138 270**	**1 383**	138 270	1 383
Allotments during the Period/year	**27**	**-**	-	-
Balance at end of Period/year	**138 297**	**1 383**	138 270	1 383

[1] Unaudited

[2] Audited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. Share-based payments

There was one option award granted during the current Period:

Employee Share Option Plan for April 2015

In April 2015, 667 500 nil-cost options were granted to certain key employees under the Long-term Incentive Plan (LTIP) of the Company. The vesting of the options will be subject to the satisfaction of certain performance as well as service conditions classified as non-market conditions. The options which vest after a three year period are exercisable between 1 April 2018 and 31 March 2025. If the performance or service conditions are not met, the options lapse. As the performance conditions are non-market based they 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 £ 1.33 (US$ 1.97).

In addition 740 000 nil-cost options were granted to the Executive Directors under the LTIP 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. Of the 740 000 nil-cost options, 185 000 relate to market conditions with the remaining 555 000 relating to non-market conditions. The options which vest are exercisable between 1 April 2018 and 31 March 2025. 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. At each financial year end, the Company will assess the likelihood of these conditions being met with a relevant adjustment to the cumulative charge as required. The fair value of the nil-cost options relating to non-market conditions is £ 1.33 (US$ 1.97). The fair value of the options granted, relating to the market conditions, is estimated at the date of the grant using a Monte Carlo simulation model, taking into account the terms and conditions upon which the options were granted, projected dividends, share price fluctuations, the expected volatility, the risk-free interest rate, expected life of the options in years and the weighted average share price of the Company.

The following table illustrates the inputs to the model used for the market condition awards:

	LTIP April 2015[1]
Employee Share-Option Plan	
Dividend yield (%)	**2.00**
Expected volatility (%)	**37.18**
Risk-free interest rate (%)	**1.16**
Expected life of option (years)	**3**
Weighted average share price (US$)	**2.10**
Fair value of nil-cost options (US$)	**1.97**
Model used	**Monte Carlo**

[1] Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. Share-based payments (continued)

The expense disclosed in the interim consolidated income statement is made up as follows:

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
Equity-settled share based payment transactions – charged to the income statement	**905**	834
Reversal of previous expense due to forfeiture – credited to the income statement	**(77)**	-
	828	834
Equity-settled share based payment transactions – capitalised	**103**	152
	931	986

[1] Unaudited

14. Interest bearing loans and borrowings

	Effective interest rate %	Maturity	30 June 2015[1] US$'000	31 December 2014[2] US$'000
Non-current				
LSL 140.0 million bank loan facility	South African JIBAR + 4.95%	30 June 2017	**4 614**	7 261
			4 614	7 261
Current				
LSL 140.0 million bank loan facility	South African JIBAR +4.95%	30 June 2017	**4 614**	4 841
US$ 25.0 million bank loan facility	London US$ three-month LIBOR +4%	20 October 2015[3]	**25 000**	25 000
			29 614	29 841

[1] Unaudited

[2] Audited

[3] Currently being refinanced to mature on 31 December 2020, with repayments commencing in 2016

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. Interest bearing loans and borrowings (continued)

LSL 140.0 million bank loan facility at Letšeng Diamonds

This loan is a three-year unsecured Project debt facility signed jointly with Standard Lesotho Bank and Nedbank Limited on 26 June 2014 for the total funding of the new Coarse Recovery Plant. The loan is repayable in ten quarterly payments which commenced on 31 March 2015 with a final payment due on 30 June 2017. The interest rate for the facility at 30 June 2015 is 11.06% (31 December 2014: 11.08%).

US$ 25.0 million bank loan facility at the Company

This loan is an unsecured facility which was signed with Nedbank Capital on 16 January 2014 for the remaining spend on the Ghaghoo Phase 1 development. The loan expired in October 2014, but has been extended in the interim to 20 October 2015 to cater for the process of concluding the refinancing thereof into a six-year secured project debt facility which will expire on 31 December 2020. At the time of finalisation, this facility will be split into its short-term and long-term component. The interest rate for the facility at 30 June 2015 is 4.28% (31 December 2014 is 4.26%).

Total interest for the Period on the interest-bearing loans and borrowings was US$ 1.0 million (30 June 2014: US$ 0.1 million) which has been capitalised to the carrying value of the assets as borrowing costs.

In addition, at 30 June 2015, the Group has the following available facilities which remain unchanged from that disclosed in the 2014 Annual Report:

- US$ 20.0 million three-year unsecured revolving credit facility with Nedbank Capital which is due for renewal in January 2016. No amounts have been drawn down during the Period.
- Through its subsidiary Letšeng Diamonds, a LSL 250.0 million (US$ 20.6 million) three-year revolving working capital facility jointly with Standard Lesotho Bank and Nedbank Capital which was refinanced for a further three years up to July 2017. No amounts have been drawn down during the Period.

15. Cashflow notes

15.1 Cash generated by operations

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
Profit before tax for the Period from continuing operations	**40 744**	56 260
Profit/(loss) before tax for the year from discontinued operation	**668**	(1 414)
Adjustments for:		
Depreciation and amortisation on property, plant and equipment	**5 639**	7 851
Waste amortisation	**24 414**	24 386
Finance income	**(913)**	(1 493)
Finance costs	**1 508**	1 595
Mark to market revaluations*	**(238)**	-
Unrealised foreign exchange differences	**(289)**	(3 426)
Profit on disposal of property, plant and equipment	**(256)**	(20)
Gain on disposal of subsidiary	**(1 670)**	-
Movements in prepayments	**73**	78
Other non-cash movements	**155**	1 438
Share-based equity transaction	**828**	834
	70 663	86 089

*This relates to the revaluation of mark to market forward exchange contracts.

[1] Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. Cashflow notes (continued)

15.2 Working capital adjustments

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
(Increase)/decrease in inventories	**(9 429)**	1 195
(Increase)/decrease in receivables	**(4 766)**	2 862
Increase in trade and other payables	**4 802**	1 886
	(9 393)	5 943

[1] Unaudited

16. Commitments and contingencies

The Board has approved capital projects of US$ 7.6 million (31 December 2014: US$ 16.0 million) of which US$ 3.5 million (31 December 2014: US$ 10.8 million) have been contracted at 30 June 2015.

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 approximating US$ 0.4 million (31 December 2014: US$ 3.5 million) and tax claims within the various jurisdictions in which the Group operates approximating US$ 1.4 million (31 December 2014: US$ 1.4 million).

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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17. Financial instruments

Set out below is an overview of financial instruments, other than the non-current and current portions of the prepayment disclosed in Note 11, Receivables and other assets which do not meet the criteria of a financial asset. These prepayments are carried at amortised cost.

	30 June 2015[1] US$'000	31 December 2014[2] US$'000
Financial assets		
Cash (net of overdraft)	**83 783**	110 738
Receivables and other assets	**13 482**	10 475
Other financial assets	**16**	14
	97 281	121 227
Total non-current	**2 898**	2 887
Total current	**94 383**	118 340
Financial liabilities		
Interest bearing loans and borrowings	**34 228**	37 102
Forward exchange contract[3]	**-**	249
Trade and other payables	**49 000**	44 985
	83 228	82 336
Total non-current	**6 039**	8 535
Total current	**77 189**	73 801

[1] Unaudited

[2] Audited

[3] The forward exchange contracts are measured using a Level 2 input in terms of the fair value hierarchy, thus basing its fair value on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies

The carrying amounts of the Group's financial instruments held approximate their fair value.

Fair value hierarchy

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 fair value measurements or any transfers into or out of Level 3 fair value measurements during the Period.

Other risk management activities

The Group is exposed to foreign currency risk on future sales of diamonds at Letšeng Diamonds. In order to reduce this risk, the Group enters into forward exchange contracts to hedge this exposure. The Group performs no hedge accounting. During the current Period the Group did not enter into any new forward exchange contracts due to the strong US dollar being favourable to the Group's revenue.

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For the six months ended 30 June 2015

18. Related parties

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

	30 June 2015[1] US$'000	30 June 2014[1] US$'000
Compensation to key management personnel (including Directors)		
Share-based equity transactions	**721**	687
Short-term employee benefits	**2 554**	2 001
	3 275	2 688
Fees paid to related parties		
Jemax Aviation (Proprietary) Limited	**(42)**	(37)
Jemax Management (Proprietary) Limited	**(46)**	(51)
Royalties paid to related parties		
Government of Lesotho	**(8 502)**	(12 171)
Lease and licence payments to related parties		
Government of Lesotho	**(120)**	(116)
Sales to/(purchases) from related parties		
Jemax Aviation (Proprietary) Limited	**9**	41
Geneva Management Group (UK) Limited	**(2)**	-
Amount included in trade receivables owing by/(to) related parties		
Jemax Aviation (Proprietary) Limited	**(10)**	9
Jemax Management (Proprietary) Limited	**(8)**	(9)
Amounts owing to related party		
Government of Lesotho	**(3 025)**	(4 420)
Dividends paid		
Government of Lesotho	**-**	(10 754)

[1] Unaudited

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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