

OPERATIONS OVERVIEW

Mining

LETŠENG DIAMOND MINE – Lesotho

GHAGHOO DIAMOND MINE – Botswana

Letšeng

Key facts:

- Gem Diamonds Limited owns 70% of the Letšeng Diamond Mine, with the Government of the Kingdom of Lesotho owning the remaining 30%
- Highest achieving average US\$ per carat kimberlite mine in the world

The Letšeng mine is located in the Maluti Mountains of Lesotho and is renowned for its recovery of large, high quality, exceptional Type II diamonds. Since Gem Diamonds acquired the mine in 2006, Letšeng has produced over 60 +100 carat, predominantly high value, white diamonds. Amongst these diamonds recovered are the iconic 603 carat Lesotho Promise, the 550 carat Letšeng Star and the 493 carat Letšeng Legacy.

In 2015, Letšeng produced the 357 carat Letšeng Dynasty and the 314 carat Letšeng Destiny. In addition Letšeng has produced high quality pink and blue diamonds, with a rare blue diamond achieving a sales price of US\$603 047 per carat in 2013 and an exceptional pink diamond achieving \$187 700 per carat in 2016.

Although Letšeng's grade recovery (averaging just under two carats per hundred tonnes or 1.7cpht) is low, its highest average dollar per carat status, ranks Letšeng in the top 15 global diamond producers by revenue. The large high value diamonds from Letšeng account for 70% to 80% of the Group's revenue annually.

Maximising Letšeng's value

Over the past five years Letšeng has grown to be one of the largest open pit diamond mines in the world, processing ore from two kimberlite pipes, the Main pipe 17.0ha and the Satellite pipe 5.2ha.

In 2017, initiatives were undertaken to unlock additional value at Letšeng, which included an updated open-pit life of mine plan, large diamond recovery and breakage initiative projects, and a mining optimisation project.

The revised life of mine plan will reduce waste tonnes mined and increase the tonnes of ore treated from 6mtpa to 7mtpa for the life of mine, with the valuable contribution from the higher US\$ per tonne Satellite pipe increasing from 1.6 million tonnes per annum to 1.8 million tonnes per annum for the next two years, and thereafter increasing to 2.0 million tonnes per annum until 2029. The new plan will also reduce the capital requirements over the life of mine, with improvements in near term cash flows.

KEY FACTS – Ownership

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Sales, marketing and manufacturing

FROM MINE TO MARKET

To ensure Gem Diamonds achieves the highest returns for rough and polished diamonds, the Company invests in and improve its intellectual property in all sales, marketing and manufacturing operations.

The Letšeng mine produces large, exceptional-quality diamonds which supply the very top end of the diamond market.

Letšeng's top-quality diamonds are sent from Lesotho to Baobab Technologies in Antwerp for analysis to achieve the greatest returns at each of the diamond tenders.

The Ghaghoo mine is a producer of more commercial quality diamonds.

ANALYSING AND MANUFACTURING

- Baobab Technologies' advanced mapping and analysis of Letšeng's top-quality rough diamonds assists in assessing appropriate true values of these rough diamonds before they are presented for sale.
- This in depth knowledge provides the basis for setting robust reserve prices for each of the high value diamonds at each tender and assists in making strategic selling, partnering or manufacturing decisions
- Manufacturing of select rough diamonds extracted for polishing is carried out at Baobab.

- Ghaghoo's commercial production is analysed by in-house experts requiring less advanced technologies.
- No manufacturing of Ghaghoo production takes place internally.

SALES AND MARKETING SERVICES

Gem Diamonds benefits from actively managing its own multi-channel marketing strategy and by establishing and developing relationships with new and existing clients.

Gem Diamonds maximises revenue from its rough diamonds through a combination of channels, which includes tenders, off-take arrangements and partnerships, in addition to pursuing additional initiatives further down the diamond pipeline.

The polished diamonds are also sold through direct selling channels to prominent high-end diamantaires.

MARKET

Gem Diamonds client base consists of prominent high end diamantaires and manufacturers from the world's major diamond centres: New York, Belgium, Israel, India, China, South Africa, the United Kingdom, the Middle East and Switzerland.

Commercial goods market

