Gem Diamonds Half-Year 2016 Results

Strong operational performance at Letšeng underpins half-year 2016 results

Gem Diamonds Limited (LSE: GEMD) (Gem Diamonds, the Company or the Group) today announces its half-year results for the six months ended 30 June 2016 (H1 2016 or the Period).

FINANCIAL RESULTS:
Solid EBITDA1 achieved

■ Revenue of US$109.1 million (US$118.0 million in H1 2015)
■ Underlying EBITDA of US$43.5 million (US$46.1 million in H1 2015)
■ Attributable profit (before exceptional item) of US$13.4 million (US$15.4 million in H1 2015)
■ Basic EPS (before exceptional item) of 9.70 US cents (10.69 US cents in H1 2015)
■ After the exceptional item of a US$40.0 million non-cash impairment to the Ghaghoo asset, attributable loss of US$26.6 million and basic loss per share of 19.23 US cents
■ Ordinary dividend of 5 US cents per share (US$6.9 million) and special dividend of 3.5 US cents per share (US$4.9 million) were paid on 14 June 2016
■ Cash on hand of US$66.5 million as at 30 June 2016 (US$53.2 million attributable to Gem Diamonds)

1 Underlying earnings before interest, tax, depreciation and mining asset amortisation.

OPERATIONAL RESULTS:
Letšeng:
Continues to perform well with steady prices achieved for high value diamonds

■ Waste tonnes mined of 15.3 million tonnes (11.4 million tonnes in H1 2015)
■ Ore treated of 3.3 million tonnes (3.1 million in H1 2015)
■ Carats recovered of 57,380 (50,019 in H1 2015)
■ Average value of US$1,899* per carat achieved (US$2,264* in H1 2015)
■ 20 diamonds achieved a sales value of greater than US$1 million each
■ An exceptional Type II 160.2 carat diamond recovered
■ Since the beginning of July a further two exceptional diamonds of 104 and 85 carats have been recovered

* Includes carats extracted for manufacturing at rough valuation.

Ghaghoo:
Downsizing continues while development of production Block 2 on Level 1 completed

■ Development of Level 2 production level commenced
■ Slot tunnel completed on Level 1 and sub-level cave progressing according to plan
■ Ore treated of 95,569 tonnes (132,125 in H1 2015)
■ Carats recovered of 20,876 (35,283 in H1 2015)
■ Undiluted material achieved an average of 27.6 cph when compared to the Reserve grade of 27.8 cph
■ Total sales achieved of US$4.8 million, at an average of US$157 per carat
Commenting on the results today, Clifford Elphick, Chief Executive of Gem Diamonds, said: 

"I am pleased to report an underlying EBITDA of US$43.5 million. This reflects careful cost management and capital discipline. It is also encouraging to see that the capital projects implemented at Letšeng are bearing fruit, with a notable increase in tonnes treated and carats recovered compared to prior periods.

The first half of 2016 saw a decline in the number of +100 carat diamonds recovered at Letšeng compared to 2015, reflecting the areas in which mining had taken place, which impacted the US$ per carat achieved in the Period. Since the beginning of July, two exceptional diamonds of 104 carats and 85 carats have been recovered as mining moves to a different area.

In late July, some of the heaviest snowfalls in the past decade were experienced at Letšeng. Waste tonnes mined and carats recovered will remain within original guidance but tonnes treated will reduce to 6.6 – 6.8 million tonnes from 6.8 – 7.0 million tonnes. Letšeng provided accommodation and food to approximately 250 local people who were experiencing life-threatening conditions during the severe weather. The Deputy Prime Minister and a government delegation which visited the mine thanked management for its assistance to the community.

At Ghaghoo we continue to make good progress to downsize the operation and reduce costs in line with the Group’s strategic objectives. Targeted production rates and cost levels are anticipated to be achieved in H2 2016. The ongoing weak market for Ghaghoo type diamonds has resulted in a non-cash impairment of US$40.0 million being made against the carrying value of this asset.

In June, the Company paid an ordinary dividend of 5 US cents per share and a special dividend of 3.5 US cents per share resulting in a total dividend of US$11.8 million. Capital and cash management discipline remain a high priority. We are focused on delivering our 2016 guidance and maintaining the Company’s dividend policy."

The Company will host a live audio webcast presentation of the half-year results today, 17 August 2016, at 09:30 BST. This can be viewed on the Company’s website: www.gemdiamonds.com

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.