



## 2010 Half Year Results

24 August 2010



## HIGHLIGHTS

# H1 2010 Highlights

- Revenue of US\$103.9 million
- EBITDA of US\$18.5 million
- Attributable earnings of US\$3.0 million (1.72 US cents per share)
- US\$108.3 million gross cash
- No debt
- Growth strategy through the development of existing assets and targeted acquisitions
- Continued recovery in prices for rough and polished diamonds
- HSSE: Company record of 2.8 million man hours LTI-free



## STRATEGY

# Driving value - Building a growth strategy

- Letšeng:
  - Mine expansion
  - Minimising diamond damage
  - Focus on operational improvements
  - A new sales and marketing strategy
- Ellendale
  - Resource drilling to increase life of mine
  - Focus on operational improvements
  - Maximising revenue
- Gope
- External growth opportunities





OVERVIEW

# Market overview

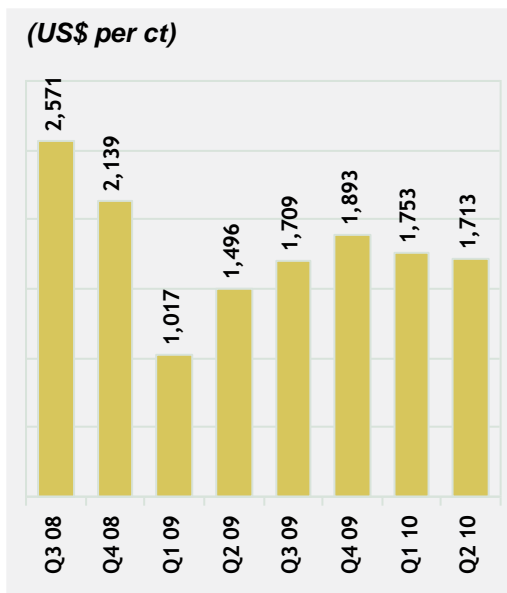
	H1 2009	H2 2009	H1 2010
Mine Supply	Major fall in supply of rough diamonds	Production starts to increase	Production still below previous peak
Cutting centre stocks - rough	Rising stocks	Small fall in stocks	Rough stocks still falling
Cutting centre stocks - polished	Substantial rise in stocks	Polished stocks start to fall	Continued fall in stocks
Liquidity	Very little liquidity	More credit available	Increasing credit available
US retail	Substantial fall in sales	First signs of improvement at end 4 <sup>th</sup> qtr	Destocking eases, sales slightly up
Japan retail	Substantial fall in sales	Sales continue to fall	Sales falling slightly
Europe retail	Substantial fall in sales	Sales slightly up	Sales slightly up
Asia retail (excl Japan)	Weak sales	Flat sales	Encouraging sales growth
China retail	Sales continue to grow	Increasing sales	Increasing sales
India retail	Weak sales	Increasing sales	Increasing sales



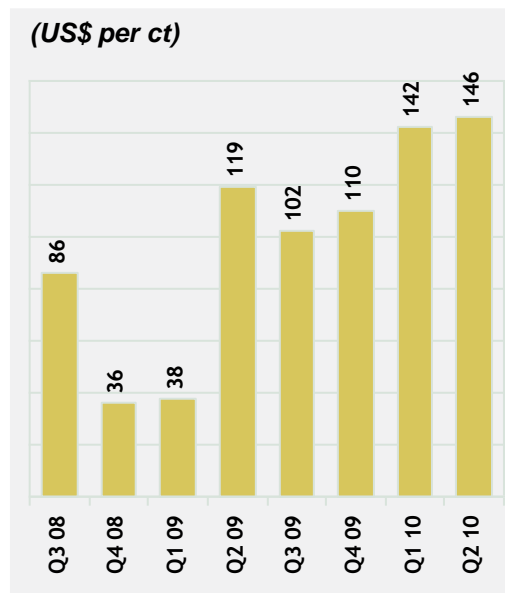
ROUGH DIAMOND PRICES Q3 2008 - Q2 2010 - PER QUARTER AVERAGE

# Diamond Prices

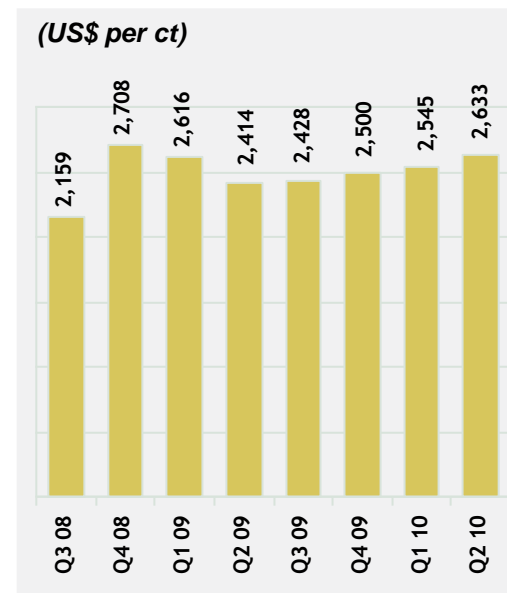
Letšeng ROM (adj)



Ellendale ROM  
(excl Tiffany yellows)



Ellendale Tiffany yellow  
production





## DIAMOND SALES

# Selling a unique product

### Letšeng

- H1 2010,
  - US\$58 724 per carat for a 27 carat white diamond
  - 35 individual diamonds over US\$20 000 per carat
  - Circa 245 rough diamonds greater than 10.8 carats
  - 4 gem quality diamonds between 90 and 160 carats each were recovered in the first half of the year
  - New sales and marketing strategy

### Ellendale

- Tiffany & Co.'s Fancy Yellow campaign
  - Japan: April 2010
  - USA: September 2010
  - Australia: April/May 2010





## LARGE DIAMOND FREQUENCY

# Letšeng's large diamond frequency

- Detailed analysis performed on all historical diamond recoveries
- Increased confidence on underlying resource
- Consistency of the large diamond frequency from the ore body
- Consistency of the recovered grade of these larger diamonds since 2004



## H1 2010 OPERATIONAL REVIEW

# HSSE

- Achieved a company record 2.8 million man hours without Lost Time Injury (LTI) at all of its operations over the past eight months since October 2009 and still ongoing.
- Both the Lost Time Injury Frequency Rate (LTIFR) and Severity Rate (SR) are zero
- All Injury Frequency Rate (AIFR) continues to remain below both 2008 and 2009 levels for the year to date





## H1 2010 OPERATIONAL REVIEW

# Letšeng, Lesotho

- Appropriate mix of Main and Satellite pipe mining
- Build up of waste stripping in progress
- Ongoing review of optimal mine plan
- Both plants operating efficiently in excess of design capacity
- Continued focus on cost management
  - Cash cost (excl waste costs) ML 70.62 per tonne treated (ML64.30 in H1 2009)
  - Waste cash cost ML23.75 per waste tonne moved (ML22.57 in H1 2009)

### Operational efficiency improvements

- Phased introduction of larger rigid haul trucks
- Improvements in blasting practises
- Investigation into high volume X-ray recovery machines

### Core Growth Workstreams

- Production increase opportunities
- Diamond damage minimisation





## H1 2010 OPERATIONAL REVIEW

# Ellendale, Australia

- Continued focus on cost management
  - Cash cost (excl waste) AU\$12.62 per tonne treated (AU\$13.57 per tonne in H1 2009)
  - Waste cash cost AU\$3.85 per waste tonne moved (AU\$ 5.01 in H1 2009)

### Operational efficiency improvements

- Alternative mining options
- Plant 'up-time' project

### Core Growth Workstreams

- Resource Extension and Development Programmes;
- Assessment of recommencing operations at Ellendale's E4 pipe



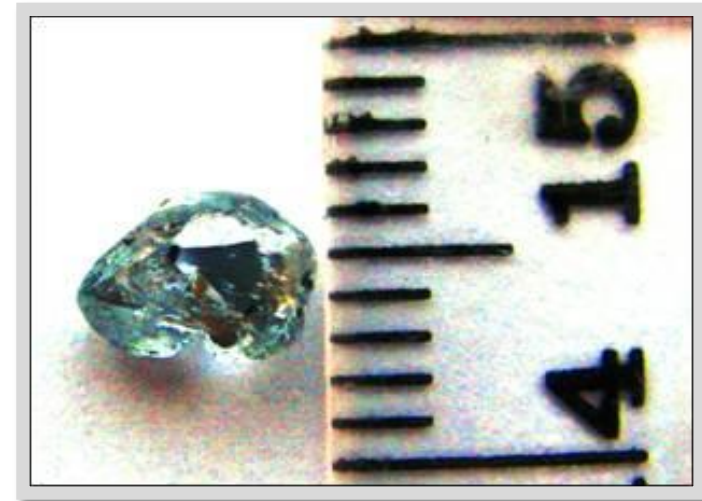


## Gope, Botswana

- Total contained resource: 20.5 million carats
- Resource diamond price: US\$162 per carat
- Resource in situ value: US\$31 per tonne
- Two blue diamonds recovered from historical diamond samples
- Total in situ value of the resource: US\$3.3 billion

### Core Growth Workstreams

- Underground mine
- Updated study to be presented to Botswana Government in August 2010
- Mining Licence negotiations H2 2010

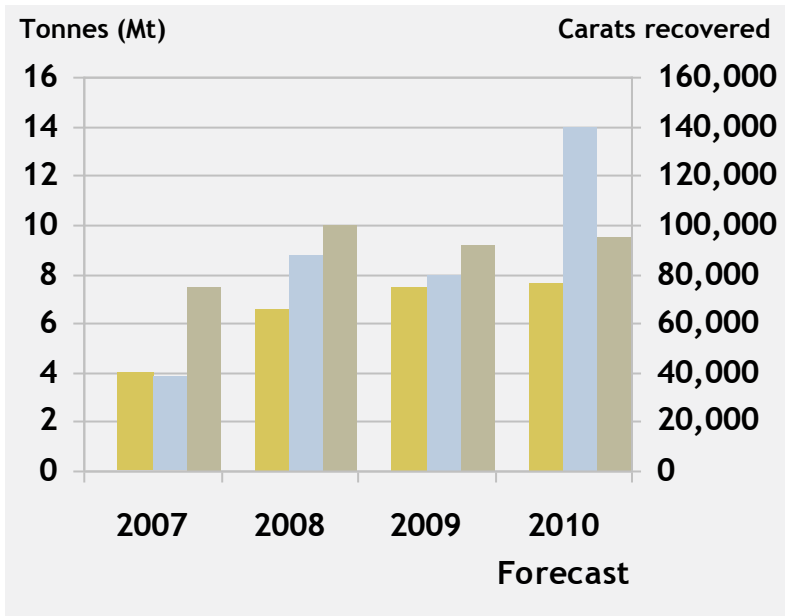


Type IIb 0.48ct medium blue diamond

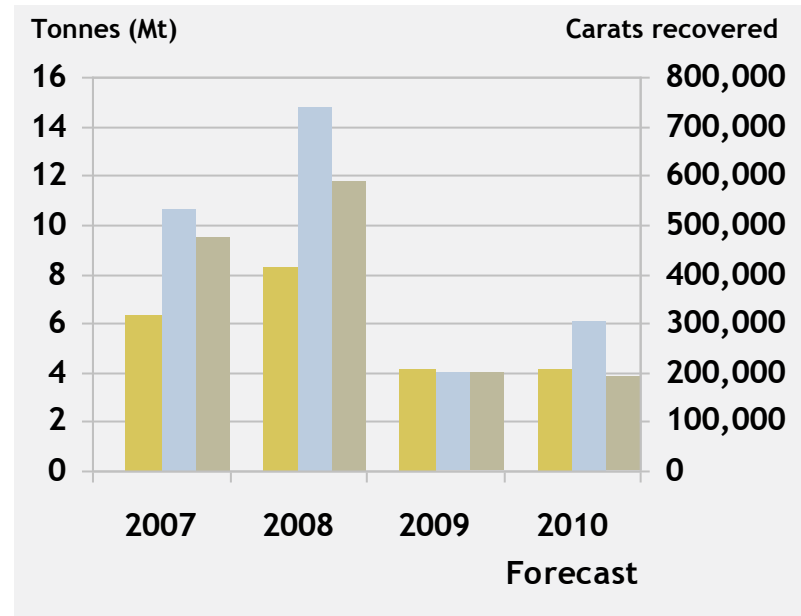


## LETŠENG AND ELLENDALE 2010 FORECASTS

### Letšeng mine production



### Ellendale mine production



■ Tonnes treated (Mt)   
 ■ Waste stripped (Mt)   
 ■ Carats recovered



## H1 2010 FINANCIAL RESULTS

# Financial Results

- Revenue of US\$103.9 million
- EBITDA of US\$18.5 million
- Profit before tax of US\$7.8 million
- Effective tax rate of 29%
- Attributable profit of US\$3.0 million and EPS 1.72 US cents per share
- Cash generated by operations of US\$27.9 million (pre tax)
- Cash of US\$108.3 million at period end



## H1 2010 FINANCIAL RESULTS

# Key Points

- Cost efficiencies and cash conservation across the group
- Unit costs
- Central costs reduced by 15% to US\$5.6 million
- Inflation
- Exchange rate movement
- Price impact
- Investment in rough diamonds for cutting and polishing of US\$1.7 million
- Unrealised profit of US\$900k



## H1 2010 FINANCIAL RESULTS

# Income Statement

US\$ millions	6 months ended 30 June 2010	6 months ended 30 June 2009*	6 months ended 30 June 2009**
<b>Revenue</b>	<b>103.9</b>	<b>86.6</b>	<b>116.7</b>
Royalty and selling costs	(9.9)	(8.6)	(11.2)
Cost of sales	(69.9)	(55.9)	(72.8)
Corporate expenses	(5.6)	(6.6)	(6.6)
<b>EBITDA</b>	<b>18.5</b>	<b>15.5</b>	<b>26.1</b>
<b>Non Cash items</b>			
Depreciation and amortisation	(14.6)	(10.9)	(10.9)
Share based payments	(0.8)	(4.1)	(4.1)
Other income	2.6	-	-
Foreign exchange gain	0.8	7.7	7.7
Net finance income/(costs)	1.3	(0.7)	(0.7)
<b>Profit before tax</b>	<b>7.8</b>	<b>7.5</b>	<b>18.1</b>
Income tax	(2.3)	(0.9)	(4.4)
<b>Profit from continuing operations</b>	<b>5.5</b>	<b>6.6</b>	<b>13.7</b>
Profit/(loss) from discontinuing operations	0.6	(5.3)	(5.3)
<b>Profit for the period</b>	<b>6.1</b>	<b>1.3</b>	<b>8.4</b>
Minority interests	(3.1)	(1.9)	(5.1)
<b>Attributable profit/(loss)</b>	<b>3.0</b>	<b>(0.6)</b>	<b>3.3</b>

\*\*As reported

\*Adjusted on a like for like basis - excludes the one-off impact of the sale of rough and polished diamonds held over from 2008 and the one-off royalty payment received.



## H1 2010 FINANCIAL RESULTS

# Segmental Performance

US\$ millions	Letšeng Diamonds	Kimberley Diamonds
Revenue	70.9	33.6
Royalty and selling costs	(40.5)	(28.2)
Cost of sales	(7.8)	(2.1)
<b>EBITDA</b>	<b>22.6</b>	<b>3.3</b>

	H1 2010	H1 2009*	H1 2010	H1 2009*
Revenue (millions)	70.9	61.7	33.6	25.2
EBITDA	22.6	17.1	3.3	6.1

\* Adjusted on a like for like basis - excludes the one-off impact of the sale of rough and polished diamonds held over from 2008 and the one-off royalty payment received.



## H1 2010 FINANCIAL RESULTS

# H1 2010 performance at 2009 forex rates

US\$ millions	Actual H1 2010	Actual H1 2010 at 2009 forex rate**	Actual H1 2009*
Revenue	103.9	103.9	86.6
EBITDA	18.5	34.0	15.5
Profit before tax	7.8	25.1	7.5
Profit for the period	6.1	24.0	1.3
Attributable profit/(loss)	3.0	21.4	(0.6)
Avg. exchange rate (ZAR to US\$)	7.53	9.20	9.20
Avg. exchange rate (AU\$ to US\$)	1.12	1.41	1.41

\*Adjusted on a like for like basis - excludes the one-off impact of the sale of rough and polished diamonds held over from 2008 and the one-off royalty payment received.

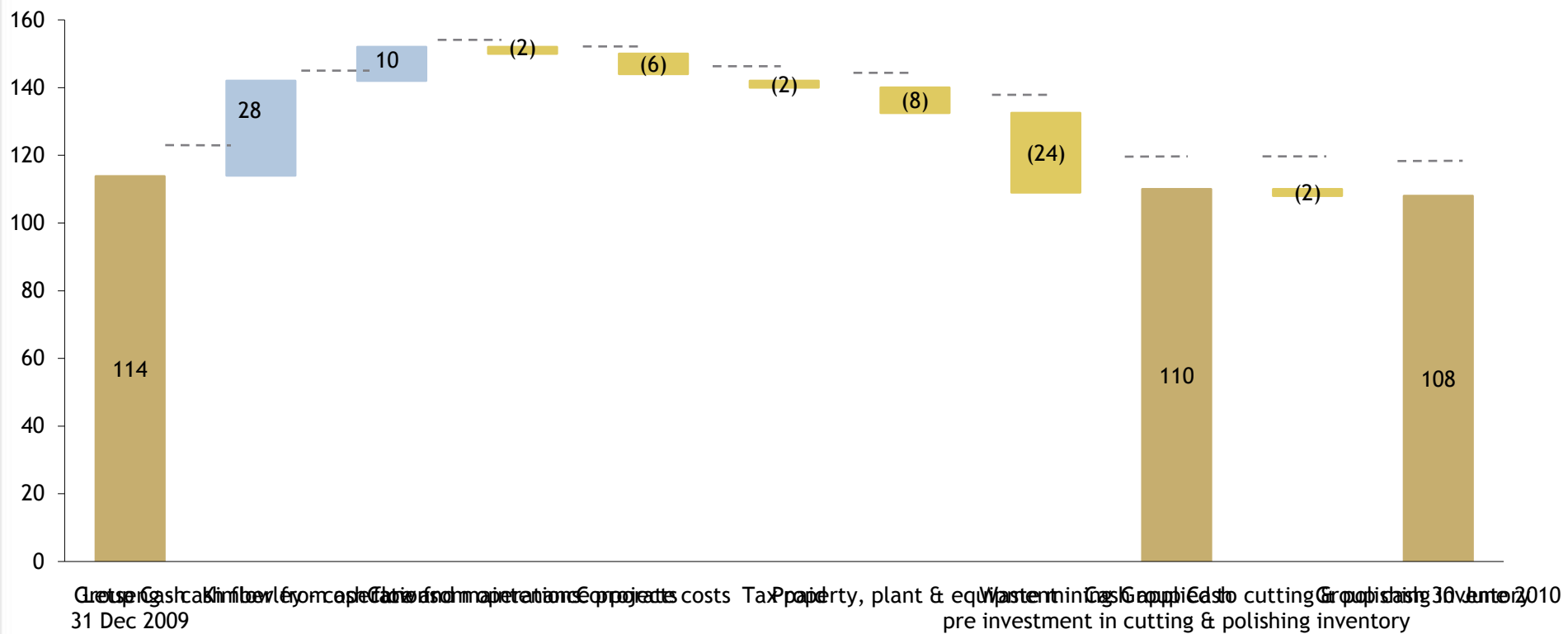
\*\*Adjusted on a like for like basis – actual H1 2010 results restated at 2009 exchange rates.



H1 2010 FINANCIAL RESULTS

# Group Cash

(US\$m)





## Strategy and Outlook

- Organic growth workstreams on track
  - Letšeng
  - Gope
  - Ellendale
- Other growth opportunities pursued
- Implementation of new sales and marketing strategy
- Expansion of diamond manufacturing initiatives
- Encouraging supply/demand fundamentals remain