



LETŠENG DIAMONDS

## Project Kholo to kick off in January 2012

01 December, 2011

The shareholders of Letšeng Diamonds (Pty) Ltd Gem Diamonds (70%) and the Government of the Kingdom of Lesotho (30%) are pleased to announce that the expansion project (known as Project Kholo) at Letšeng mine in Lesotho has been approved by the Gem Diamonds Board ("the Company") and by the Board of Letšeng Diamonds Pty Limited ("Letšeng").

Project Kholo will commence in January 2012, and will ramp up to full production by July 2014. The project will increase the annual treatment capacity of the Letšeng mine to 10 million tonnes per annum (currently 5.6 million tonnes per annum) with carat output increasing to circa 200,000 carats per annum (currently 100,000 carats per annum). The total project capital expenditure for Project Kholo is estimated at US\$ 280 million.

The project IRR is expected to be 40% and payback is expected in 2016. Project Kholo will be funded out of existing and future cash flows (based on current diamond prices and exchange rate assumptions). The NPV of the Letšeng mine (100%), including Project Kholo, is US\$ 2.5 billion.

Gem Diamonds currently has US\$ 151 million cash on its balance sheet and Letšeng has recently secured a revolving credit facility of Maloti 250 million (US\$ 31 million) for general corporate purposes.

**For further information:**

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