

Economic Challenges Dent Gem Diamonds Full-Year Profit



Gem Diamonds' revenue and earnings fell last year amid a number of unexpected economic and external challenges.

Sales for 2022 slipped 6% to \$188.9 million, the miner, which operates the Letšeng deposit in Lesotho, said Thursday. Net profit dropped 26% to \$20.2 million.

"[The company] has delivered solid operational and financial results in light of the challenges brought about by Russia's invasion of the Ukraine," said Gem Diamonds CEO Clifford Elphick. "This directly impacted our operating costs, in particular diesel prices, and interrupted supply chains."

Diesel prices were also higher than usual due to South African electricity company Eskom implementing intermittent money-saving power cuts, known as load shedding,

which caused Gem Diamonds to increase its use of diesel-powered generators.

Output at the mine fell 7% to 106,704 carats due to an exceptional rainy season combined with a two-day shutdown at the site for national elections and a breakdown in equipment used to process ore. Sales volume declined 2% to 107,500 carats. The average price slipped 4% to \$1,755 per carat as demand softened in the fourth quarter and the company recovered fewer large diamonds.

During the year, Gem Diamonds unearthed four stones exceeding 100 carats, compared to six in 2021, and retrieved 87 between 30 and 100 carats, versus 97 in that range the year before.

The miner expects sales to improve this year, it noted. “Demand for Letšeng’s large, high-value diamonds remains strong,” Elphick added. “The reopening of China, the second-largest diamond market, is expected to pave the way for a rapid rebound in economic activity, which bodes well for diamond prices in 2023.”

Image: The Letšeng mine. (Gem Diamonds)