

21 April 2020

GEM DIAMONDS LIMITED

Q1 2020 Trading Update

Gem Diamonds Limited (LSE: GEMD) (“**Gem Diamonds**” or the “**Company**” or the “**Group**”) provides the following Trading Update detailing the Group’s operational and sales performance from 1 January 2020 to 31 March 2020 (“**Q1 2020**” or the “**Period**”).

Highlights:

- Revenue for the Period was US\$47.3 million (Q4 2019: US\$51.3 million).
- Average price achieved for the Period was US\$1 615 per carat (Q4 2019: US\$1 713 per carat).
- Carats sold during the Period were 29 298 (Q4 2019: 29 945).
- 11 diamonds sold for more than US\$1.0 million each, generating revenue of US\$20.7 million during the Period.

Covid-19:

- On 25 March 2020, the Prime Minister of Lesotho announced a general lockdown between 29 March and 21 April (the lockdown period) to curb the spread of Covid-19 in Lesotho. In accordance with this order, all non-essential business and services in Lesotho are subject to the lockdown, including all mining operations.
- In accordance with the Lesotho Government’s three-week lockdown strategy and published regulations, and in support of its efforts to curb the spread of the Covid-19 virus, Letšeng has temporarily suspended operations and placed the mine on care and maintenance. This will be reviewed when the lockdown period has ended, and steps are in place for operations to resume as soon as it is safe for the Group’s employees and contractors to do so.
- The Group has implemented a wide range of necessary precautions to protect its people and to date there have been no reported cases of Covid-19 at any of the Group’s offices or sites. Measures implemented include staff working remotely, the provision of all necessary Personal Protective Equipment (PPE), hand washing and the provision and use of effective hand sanitisers, appropriate social distancing at all times, compulsory screening for all persons entering any of the Group’s sites and mining operations and on-going daily screening for all personnel on site at Letšeng, limiting non-essential travel and compliance with any additional regulatory restrictions imposed by the relevant Governments of the various jurisdictions in which the Company operates.

- The Company has been engaging extensively with the Lesotho Government and medical services providers in order to assist with the provision of testing facilities and has provided a mobile office unit to the Department of Health in Maseru for the purposes of carrying out testing using 25,000 test kits provided by a third party (refer to www.gemdiamonds.com/news for more details). The Company has also commenced work with the Department of Health to provide PPE to local communities as well as mobile testing units for the mine site and surrounding communities. Further announcements will be made in this regard as this initiative proceeds.
- Due to the travel and other restrictions imposed by various governments (particularly Belgium, India, Israel) the viewings of Letšeng large diamonds scheduled for tender in March 2020 were cancelled. A successful flexible tender sale process was conducted generating US\$18.8 million of revenue. This revenue was in addition to the quarterly Letšeng small diamond tender that closed on 18 March 2020, achieving US\$7.8 million.
- Significant operating and capital cost reduction measures are being implemented during this lockdown and care and maintenance period and a restart and ramp up plan is being finalised to commence operations as soon as it is permissible and safe to do so.
- In light of the change in circumstances which were rapidly brought on by the Covid-19 crisis, the Company is currently assessing the full extent of the operational and financial impacts. An updated 2020 guidance will be provided once this process is completed.

Corporate and Financial:

- The Group ended the Period with US\$21.7 million of cash on hand of which US\$16.7 million is attributable to Gem Diamonds. Utilised facilities amounted to US\$43.2 million resulting in a net debt position of US\$21.5 million (Q4 2019: US\$10.1 million). This excludes tender receipts of US\$12.9 million which had not been received at Period end.
- The Group has available additional facilities of US\$33.6 million.
- The Group has performed extensive cash flow planning for the lockdown period, including a period to facilitate ramp-up to full production. This has confirmed that the Group's cash on hand, together with its available facilities, flexible tender sale process and implemented cost cutting measures are sufficient to withstand the lockdown period and the anticipated ramp up to full production.
- In order to assist with the cash flows during the above periods, salary reductions for management levels have been introduced across the Group ranging from 20% for the Chairman of the Company's Board, all Board Directors and senior executives, down to 15% and 10% across various management salary bands. In addition, scheduled salary increases for Directors and executive management at Group level have been postponed.

- The process to dispose of Ghaghoo remains subject to regulatory approvals in Botswana. In line with the care and maintenance status of this operation and for reasons of safety, ore body preservation and cost containment, the dewatering of the underground workings has recently been stopped.
- At Period end, US\$58 million of the targeted US\$100 million in incremental revenue, productivity improvements and cost savings over the 4-year period has been delivered. The impact of Covid-19 and the subsequent lockdowns may have an impact on the timing of delivering the US\$100 million by end 2021.

Gem Diamonds' CEO, Clifford Elphick, commented:

“One of Gem Diamonds’ key priorities is the welfare of its employees, contractors and customers around its operations and office sites, and we continue to ensure all relevant and necessary safety protocols relating to Covid-19 are adhered to. Gem Diamonds is proud to be playing its part in the fight against the Covid-19 disease by providing a mobile office and testing facility for use by the Department of Health in Maseru in order to carry out crucial testing and various prevention and testing initiatives in the surrounding communities.

Letšeng’s mining progressed well during the Period and we are confident that the mine will be able to rapidly ramp-up to full production once the lock-down period is lifted and it is safe for all our employees and contractors to return to site. The positive results of the flexible tender sales process demonstrated the continued demand for Letšeng’s high quality diamonds with the average price of US\$1 615 achieved during the Period, notwithstanding the extremely uncertain and challenging global conditions.”

1. Diamond Market

Prices for Letšeng’s diamonds have been negatively impacted in March 2020 due to the global Covid-19 pandemic but have demonstrated a resilience in this global crisis.

2. Letšeng

2.1. Rough diamond sales

	Q1 2020	Q4 2019	% Change
Carats sold	29 298	29 945	-2%
Total value (US\$ millions)	47.3	51.3	-8%
Achieved US\$/carat	1 615	1 713	-6%

2.2. Production

	Q1 2020	Q4 2019	% Change
Waste tonnes stripped	4 835 113	5 339 250	-9%
Ore tonnes treated	1 454 754	1 631 687	-11%
Satellite pipe contribution (tonnes)	638 880	898 844	-29%
Carats recovered ¹	26 110	29 768	-12%
Grade recovered (cpht) ¹	1.79	1.82	-3%

¹ Includes carats produced from the Letšeng Plants, the Alluvial Ventures (AV) plant and the recovery tailings treatment facility.

Waste stripping continued in line with the requirements of the updated long-term mine plan that incorporates the steeper inter-ramp slope angles. Letšeng's Plants treated a total of 1.3 million tonnes of ore during the Period with the remaining balance of 0.2 million tonnes treated through the Alluvial Ventures contractor plant.

Mining and treatment volumes were impacted during the Period primarily by drill rig availability issues, testing of different blasting parameters, additional maintenance to the tertiary cone crusher and scrubber drive-arrangement in Plant 2 and further remedial work and maintenance to the primary crushing area (the PCA). The remedial work and continued maintenance to the PCA has extended its life and thereby deferred planned capital associated with the required replacement of this facility. In addition, towards the end of the Period, the mining and treatment volumes have been impacted as a result of the lockdown and the placing of the mine temporarily on care and maintenance which commenced on 28 March 2020.

3. Health, Safety, Social and Environment (HSSE)

During the Period, no LTI's occurred, and the Group-wide All Injury Frequency Rate was 0.32.

No major or significant community or environmental incidents occurred across the Group during the Period.

FOR FURTHER INFORMATION:

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The Gem Diamonds Limited LEI number is 213800RC2PGGMZQG8L67.

ABOUT GEM DIAMONDS:

Gem Diamonds is a leading global diamond producer of high value diamonds. The Company owns 70% of the Letšeng mine in Lesotho and is currently in the process of selling its 100% share of the Ghaghoo mine in Botswana. The Letšeng mine is famous for the production of large, top colour, exceptional white diamonds, making it the highest dollar per carat kimberlite diamond mine in the world.

www.gemdiamonds.com