

25 July 2017

GEM DIAMONDS LIMITED H1 2017 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 for the Period from 1 January 2017 to 30 June 2017 (“**H1 2017**” or the “**Period**”) ahead of its Half Yearly Results which will be released on 17 August 2017.

Letšeng:

- Achieved an average price of US\$ 1 779¹ per carat for the Period, up 20% from US\$1 480 per carat in H2 2016
- Achieved an average price of US\$ 2 385² per carat at the recent tender which closed on 19 July 2017
- Recovered four diamonds greater than 100 carats during the Period
- Exceptional 98.42 and 80.58 carat D-colour Type Ila diamonds were also recovered during the Period
- Recovered 50 478 carats during the Period at a grade of 1.59cpht
- 18 diamonds sold for more than US\$ 1.0 million each generating revenue of US\$ 37.0 million during the Period
- Post Period end, an exceptional 126.75 carat D-colour Type Ila diamond was recovered, bringing the total greater than 100 carat diamond recoveries to date to five
- Zero Lost Time Injuries for the Period

¹ Refer to section 2.1 “Letšeng rough diamond sales” for further details

² This average price per carat includes the lower-value smaller commercial production, included at an estimated value, which will be sold in the next tender to be held in September

Financial:

- The Group had US\$ 20.0 million cash on hand at the end of the Period of which US\$ 16.1 million is attributable to Gem Diamonds
- US\$ 34.2 million of available facilities have been drawn down, of which US\$ 25.0 million relates to the Ghaghoo facility, resulting in a net debt position of US\$ 14.2 million at the end of the Period. The Group had US\$ 36.2 million worth of undrawn and available facilities at the Period end.
- Post Period end, the Group successfully restructured its current US\$ 35.0 million Revolving Credit Facility held at the Company (of which US\$ 25.0 million has been drawn down relating to Ghaghoo) into a new US\$ 45.0 million facility

Gem Diamonds' CEO, Clifford Elphick commented:

“The improvement in the greater than 100 carat diamond recoveries at Letšeng is encouraging with the US\$ per carat achieved trending positively at US\$1 779, up 20% from US\$1 480 in H2 2016. The market for Letšeng’s high-quality diamonds has remained firm over the Period with the last tender of the Period achieving over US\$2 200 per carat. This positive trend has continued with the most recent July tender achieving an average price of US\$ 2 385² per carat. A Group-wide, externally supported cost efficiency and bench-marking review has commenced and has already identified opportunities that are being actively pursued. Further progress on this review will be reported on during Q4.”

1. Diamond Market

The market for both rough and polished diamonds remained cautious during the Period. The strong demand for Letšeng’s large high-quality white rough diamonds has continued.

2. Letšeng

	H1 2017	H2 2016	% Change
Waste stripped (tonnes)	15 004 160	14 488 160	4%
Ore treated (tonnes)	3 178 631	3 309 798	-4%
Carats recovered	50 478	50 825	-1%
Grade recovered (cpht)	1.59	1.54	3%

Waste mined during the Period was 15.0 million tonnes, in line with the requirements of the mine plan announced in March.

Letšeng treated a total of 2.6 million tonnes of ore during the Period, 69% of which was sourced from the Main pipe, and 31% from the Satellite pipe. The balance of the ore (0.6 million tonnes) was treated through the Alluvial Ventures contractor plant, which was sourced from the Main pipe and low-grade stockpiles. The lower than planned ore tonnes treated was due to reduced plant availability and downtime associated with the installation and commissioning of the split front-ends for Plants 1 and 2, which was previously announced in the Q1 2017 Trading Update. The availability issues have largely been addressed by the contractor and mine management. During the Period, 0.9 million tonnes of Satellite pipe material was processed, in line with the mine plan to process 1.8 million tonnes in the year.

During the Period, 50 478 carats were recovered at a grade of 1.59 cpht against an expected reserve grade of 1.63 cpht mainly due to the underperformance of the Main pipe contact material and internal changes in the geology of this pipe. A core drilling programme will be implemented during the second half of the year to improve confidence in the geology at depth, including volume, grade, and revenue inputs of the resource.

Guidance is maintained, albeit at the lower end of the range.

2.1. Letšeng rough diamond sales

	H1 2017	H2 2016	% change
Carats sold	49 930	52 997	-6%
Total value (US\$ millions)	88.8	78.4	13%
Achieved US\$/ct*	1 779	1 480	20%

Four tenders have been held in the Period. 49 930 carats were sold for US\$ 88.8 million, achieving an average price of US\$ 1 779* per carat (full year 2016 – US\$ 1 695* per carat). The current average price achieved is up 20% from the US\$ 1 480* per carat achieved in the previous 6-month period, H2 2016.

Contributing to the achieved US\$ per carat was an 8.65 carat pink diamond which achieved US\$ 164 855 per carat, making it the sixth highest price per carat achieved by a Letšeng rough diamond. One of the large high value white diamonds sold, achieved the highest price per carat for a Letšeng white diamond since February 2016.

* Includes carats extracted at rough value for polishing.

3. Ghaghoo

Care and maintenance status was successfully achieved ahead of plan on 31 March 2017.

During the Period, an earthquake with an epicentre 25km from the mine occurred. There was superficial damage to the surface infrastructure, however the earthquake damaged the seal of the underground water fissure, leading to an influx of water. This resulted in an increase in the water pumping costs associated with care and maintenance of approximately US\$ 0.6 million. The fissure will be required to be resealed and plans are underway to complete this process during Q3 2017.

There were no sales of Ghaghoo goods during the Period. The remaining carats on hand (c. 13 000 carats) are anticipated to be sold during Q3 2017.

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

There were no Lost Time Injuries (LTI) during the Period, resulting in a Group-wide Lost Time Injury Frequency Rate (LTIFR) of 0.00 for the Period. The Group-wide All Injury Frequency Rate (AIFR) for the Period was 1.69 which is an improvement on 2016's rate of 1.93.

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

FOR FURTHER INFORMATION:

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

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 100% 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. The Ghaghoo mine in Botswana has been placed on care and maintenance until market conditions allow for recommencement of production. www.gemdiamonds.com