

28 October 2021

GEM DIAMONDS LIMITED

Q3 2021 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 July 2021 to 30 September 2021 (“**Q3 2021**” or the “**Period**”).

- 23 435 carats were recovered during the Period, resulting in 82 266 carats recovered for the year to date (14% higher than YTD 2020: 72 403 carats).
- 84 906 carats have been sold for the year to date, achieving an average price of US\$1 782 per carat (YTD 2020: US\$1 908 per carat).
- Revenue generated in the Period amounted to US\$47.3 million, achieving an average price of US\$1 589 per carat.
- The highest price per carat achieved in the Period was US\$88 889 per carat for a 4.41 carat light blue diamond.
- The highest price per carat achieved in the Period for a white Type IIa diamond was US\$47 574 per carat for a 65 carat diamond.
- Six diamonds sold for more than US\$1.0 million each, generating revenue of US\$12.2 million during the Period, bringing the total number of diamonds sold for greater than US\$1.0 million to 16 for the year to date, generating revenue of US\$48.3 million.
- Post Period end, two large high-quality Type IIa white diamonds (a 245 carat and 102 carat) were recovered. These diamonds are scheduled to be sold in Q4 2021.
- The Group ended the Period with cash on hand of US\$10.8 million. This does not include US\$37.3 million of September tender proceeds received after Period end.
- Following operational challenges experienced in Q3, production and cost guidance for full year 2021 has been revised.

Covid-19:

- The health and safety of our people remains our priority. All requisite staffing, facilities and equipment, as well as communication and education mechanisms, as developed and implemented in response to the Covid-19 pandemic, remain in place to ensure the safety of employees and contractors and the achievement of the Group’s objectives. The controls implemented were

effective in mitigating the risk associated with Covid-19 during the third wave of infections experienced in Lesotho and South Africa between July and August 2021.

- The successful rollout of the onsite vaccination drive by Letšeng with the support of the Lesotho Ministry of Health has resulted in 1 503 (over 85%) staff and contractors at Letšeng being fully vaccinated to date.

Corporate and Financial:

- Utilised facilities amounted to US\$22.5 million, resulting in a net debt position of US\$11.7 million at Period end (excluding US\$37.3 million of September tender proceeds received after Period end).
- US\$49.6 million of unutilised facilities were available to the Group at Period end.
- The Business Transformation target of US\$100 million in incremental revenue, productivity improvements and cost savings up to year end 2021 remains on target to be delivered as planned.
- The sale of Gem Diamonds Botswana is well advanced with the transaction expected to be finalised by the end of Q4 2021, subject to certain Suspensive Conditions and relevant regulatory authority and approvals within Botswana. Post Period end, the Botswana Competition Commission approval has been received and the Group is currently awaiting regulatory approval for the transaction from the Botswana Department of Mineral Resources, Green Technology and Energy Security.

Gem Diamonds’ CEO, Clifford Elphick, commented:

“During the quarter, diamonds recovered were of a relatively lower quality for Letšeng’s normal Run of Mine production. Notwithstanding that, prices achieved for these goods were strong reflecting the continued good demand and market prices paid for Letšeng category diamonds.

We are pleased with the successful vaccine rollout at Letšeng which has resulted in more than 85% of the workforce being fully vaccinated. We however continue to be vigilant by remaining focused on maintaining stringent Covid-19 protocols and appropriate support at Letšeng and the rest the Group. This, combined with the positive uptake of the vaccine throughout the Group has assisted in protecting our people and allowed for continued production in a safe and responsible manner.

Following operational challenges in the quarter which have been successfully managed, full year guidance has been revised.”

1. Diamond Market

Good prices achieved in the September tender for Letšeng’s high value diamonds reflected a continued recovery of the diamond market which was supported by strong consumer demand. The first trial viewing

held in Dubai in September was well attended and the increased competition and confidence in the product contributed to the stronger prices achieved.

2. Letšeng

2.1. Rough diamond sales

	H1 2021	Q3 2021	YTD 2021	YTD 2020	YTD 2021 vs YTD 2020 % Change
Carats sold	55 124	29 782	84 906	70 559	20%
Total value (US\$ millions)	104.0	47.3	151.3	134.6	12%
US\$/carat	1 886	1 589	1 782	1 908	-7%

2.2. Production

	H1 2021	Q3 2021	YTD 2021	YTD 2020	YTD 2021 vs YTD 2020 % Change
Waste tonnes stripped	10 167 526	3 999 532	14 167 058	9 991 260	42%
Ore tonnes treated	3 139 719	1 503 125	4 642 844	3 892 553	19%
Satellite pipe contribution (tonnes)	1 672 289	641 273	2 313 562	1 973 485	17%
Carats recovered ¹	58 831	23 435	82 266	72 403	14%
Grade recovered (cpht) ¹	1.87	1.56	1.77	1.86	-5%

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 to ensure the future availability of ore and incorporate the steeper inter-ramp slope angles. During the Period, a total of 4.0 million tonnes of waste material was mined.

Letšeng's Plants treated a total of 1.2 million tonnes of ore during the Period of which 0.6 million tonnes were sourced from the Satellite pipe and 0.6 million from the Main pipe. In addition, 0.3 million tonnes of Main pipe material was treated through the Alluvial Ventures contractor plant.

2.3. Updated guidance for 2021

During the Period, the Letšeng Plants experienced a number of interruptions and unplanned downtime mainly due to the following:

- Toward the end of the Period, a breakdown of the jaw crusher in the primary crushing area resulted in an extended downtime of the PCA for 14 days;
- Unplanned failures of key mainstream units in both plants (e.g. scrubber);
- Extreme weather conditions and intermittent external power outages and dips; and
- Lost shifts resulting from cross border travel limitations due to the third wave of Covid-19. In addition, the residual impact of Covid-19 continued to place significant strain on the operation's supply chain.

Although these issues have now been addressed, the negative impact on tonnes treated during Q3 has resulted in revised guidance with a reduction of carats recovered and carats sold. The lower volumes have also consequently impacted unit costs per tonne. Waste stripping for the remainder of the year will be reduced in line with the lower treated tonnes required. Capital expenditure has also been reduced following the deferment of the replacement of the PCA to 2022.

The table below sets out the revised production and cost guidance following the operational challenges experienced in Q3 and the first part of Q4 2021.

	FY 2021	FY 2021
	Updated Guidance October 2021	Previous Guidance March 2021
Waste tonnes mined (Mt)	18 - 20	19 - 21
Ore treated (Mt)	6.1 – 6.3	6.3 – 6.5
Satellite pipe ore contribution (Mt)	3.0 – 3.1	2.6 – 2.7
Carats recovered (Kct)	110 - 114	123 – 127
Carats sold (Kct)	103 - 107	119 – 123
Direct cash costs, (before waste) per tonne treated (Maloti)	200 - 210	195 – 205
Operating costs per tonne treated ¹ (Maloti)	280 - 290	275 – 285
Mining waste cash costs per tonne of waste mined (Maloti)	44 - 46	40 – 42
Total capex (US\$ million)	6 - 8	14 – 15

¹ Operating costs per tonne excludes royalty, selling costs, depreciation and mine amortisation, but includes inventory, waste and ore stockpile adjustments.

3. Sustainability

The Group recorded one LTI during the Period, resulting in a Group-wide All Injury Frequency Rate of 1.07 for the year to Period end. No major or significant community or environmental incidents occurred across the Group during the Period. The Letšeng operation retained both its ISO 14001 and ISO 45001 certification following successful audits conducted during the Period.

The Group is advancing with its work to adopt the recommendations of the Task Force on Climate -related Financial Disclosures (TCFD) and has completed a Group-specific Climate Change Scenario Analysis.

FOR FURTHER INFORMATION:

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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, exceptional white diamonds, making it the highest dollar per carat kimberlite diamond mine in the world. www.gemdiamonds.com