

16 February 2017

**GEM DIAMONDS LIMITED**

**("Gem Diamonds" or "the Company")**

**UPDATE ON THE FUTURE OF THE GHAGHOO MINE**

The Company's Board has decided that the Ghaghoo mine in Botswana will be placed on care and maintenance with immediate effect.

As previously announced, the development of the mine at Ghaghoo has progressed well and has now reached the point where it will shortly be in a position to commence full commercial production. However, the material fall in the prices of its diamonds from US\$ 210 per carat in early 2015 to US\$ 142 per carat at its most recent sale in December 2016, emphasises the weak state of the diamond market for this category of diamonds. With the Company's focus on profitable production, the decision has been made to place the asset on care and maintenance, and to continue to monitor market conditions for a time when commencing full production would make economic sense.

It is anticipated that, post once off settlement costs, this will result in an annualised care and maintenance cost of US\$ 3 million.

*This announcement contains inside information for the purpose of Article 7 of Regulation (EU) No596/2014*

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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 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.

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