

2 February 2018

## GEM DIAMONDS LIMITED

### Q4 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 October 2017 to 31 December 2017 (“**Q4 2017**” or the “**Period**”).

#### **Letšeng:**

- On 15 January 2018 the Company announced the landmark recovery of an exceptional quality 910 carat, D Colour Type IIa diamond. This is the largest diamond to be mined to date at Letšeng and also believed to be the fifth largest gem quality diamond ever recovered.
- Also in January, post Period end, four diamonds greater than 100 carats, weighing 149.43, 117.67, 116.98 and 110.63 carats were recovered, as well as a high quality 8.53 carat pink diamond
- Achieved an average price of US\$ 2 217 per carat for the Period, up 19% from US\$ 1 858 per carat in Q3 2017
- Sold 31 476 carats during the Period, up 21% from 25 909 carats in Q3 2017
- Recovered seven gem quality diamonds greater than 100 carats during 2017 of which the largest was a 202.16 carat Type IIa diamond, recovered in November
- 38 Diamonds sold for more than US\$ 1.0 million each, generating revenue of US\$ 94.8 million during 2017. This is an improvement on 2016 where 34 diamonds sold for more than US\$ 1.0 million each, generating revenue of US\$ 73.7 million.
- One Lost Time Injury (LTI) occurred during the Period

#### **Financial:**

- At the end of the Period, the Group had a net cash position of US\$ 1.4 million, a US\$ 13.2 million improvement from the Q3 2017 net debt position of US\$ 11.8 million
- The Group had US\$ 47.7 million cash on hand at the end of the Period of which US\$ 35.2 million is attributable to Gem Diamonds
- At Period end, US\$ 46.3 million of available facilities had been drawn down with undrawn and available facilities of US\$ 36.2 million

**Gem Diamonds' CEO, Clifford Elphick commented:**

*“The recovery of the 910 carat diamond is a landmark for all of Gem Diamonds’ stakeholders, including our employees, shareholders and the Government of Lesotho, our partner in the Letšeng mine. It is also encouraging to see that the improvement in the recovery of greater than 100 carat diamonds is continuing into 2018, with five greater than 100 carat diamonds recovered in the first month of 2018. This is largely attributable to the ongoing technical improvements made at the Letšeng mine.*

*It is also pleasing to see carats sold during the Period up by 21% over the previous period. The market for Letšeng’s high-quality diamonds remained robust over the Period, achieving an average price of US\$ 2 217 per carat, up 19% from the previous quarter.*

*Significant progress has also been made on the business efficiency and optimisation programme. Further details will be released in the Full Year 2017 results on 14 March 2018.”*

**1. Diamond Market**

The strong demand for Letšeng’s large high-quality white rough diamonds has continued, as evidenced by the average price achieved of US\$ 2 217 per carat during the Period, resulting in an average price of US\$ 1 930 per carat for 2017.

**2. Letšeng**

**2.1. Production**

	Q4 2017	Q3 2017	QoQ % Change	FY 2017	FY 2016	YoY % Change
Waste stripped (tonnes)	7 029 742	7 685 084	-9%	29 718 985	29 776 058	-
Ore treated (tonnes)	1 625 946	1 634 741	-1%	6 439 299	6 646 098	-3%
Carats recovered	30 560	30 774	-1%	111 811	108 206	3%
Grade recovered (cpht)	1.88	1.88	-	1.74	1.63	7%

Letšeng treated a total of 1.3 million tonnes of ore during the Period, 54% of which was sourced from the Main pipe, and 46% from the Satellite pipe. The full year contribution from Satellite pipe was 2.1 million tonnes. The balance of the ore (0.3 million tonnes) was treated through the Alluvial Ventures contractor plant, and was sourced from the Main pipe. The reduced feed rate into Plant 2 due to the crack in the scrubber shell continues. The installation of a new scrubber shell is planned for April 2018 where after the feed rate will revert to normal levels.

Full year tonnes treated was 6.44 million tonnes, marginally below guidance of 6.5 million tonnes due to the reduced feed rate. Although waste mining was down quarter on quarter this was a conscious decision to reduce mining rates to ensure that the amount of waste mined was aligned to the amount of ore treated for the year.

During the Period, 30 560 carats were recovered at a grade of 1.88 cpht against an expected reserve grade of 1.75 cpht. In H2 of 2017 a Tomra XRT machine was installed on the mine to re-treat recovery tailings material, recovering 3 298 carats from 25 404 tonnes treated.

### Frequency of recovery of large diamonds

The recovery of large diamonds has improved markedly over the past four months. The table below shows the frequency of large diamonds recovered during 2017 when compared to prior years.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of diamonds										
>100 carats	7	6	7	6	3	6	9	11	5	8
60-100 carats	18	11	11	22	17	17	21	15	21	19
30-60 carats	96	79	66	66	77	60	74	65	70	74
20-30 carats	108	111	101	121	121	82	123	126	83	113
<b>Total diamonds &gt; 20 carats</b>	<b>229</b>	<b>207</b>	<b>185</b>	<b>215</b>	<b>218</b>	<b>165</b>	<b>227</b>	<b>217</b>	<b>179</b>	<b>214</b>

## 2.2. Costs

Letšeng has managed to maintain its costs below the expected targets, despite the recent strengthening of the ZAR/LSL against the US Dollar, and are expected to approximate the figures below:

Costs	Maloti	Guidance
Direct cash costs (before waste) per tonne treated <sup>1</sup>	152.42	155 - 165
Operating costs per tonne treated <sup>2</sup>	264.77	270 - 275
Mining waste cash costs per tonne of waste mined	33.09	32 - 34

<sup>1</sup> Direct cash costs represent all operating costs, excluding royalty and selling costs

<sup>2</sup> Operating costs include waste stripping costs amortised, inventory and ore stockpile adjustments, and excludes depreciation

The business efficiency and optimisation programme which has identified annualised and once-off efficiency and cost reductions of US\$ 20.0 million has progressed well and the company remains on track to deliver this target.

### 2.3. Rough diamond sales

	Q4 2017	Q3 2017	QoQ % change	FY 2017	FY 2016	YoY % change
Carats sold	31 476	25 909	21%	107 152	108 945	-2%
Total value (US\$ millions)	69.8	48.1	45%	206.8	184.6	12%
Achieved US\$/ct*	2 217	1 858	19%	1 930	1 695	14%

Two tenders were held in the Period with a total of 31 476 carats sold for US\$ 69.8 million, achieving an average price of US\$ 2 217\* per carat.

During the Period, a 58.38 carat white diamond achieved US\$ 61 905 per carat, making it the highest price per carat achieved for a Letšeng rough white diamond for 2017. Further contributing to the achieved US\$ per carat for the year was a 7.87 carat pink diamond which achieved US\$ 202 222 per carat, making it the second highest price per carat achieved by a Letšeng rough diamond.

\* Includes carats extracted at rough value for polishing.

### 3. Directors

During the Period the Board approved the appointment of Mr Michael Lynch-Bell as Senior Independent Director. Mr Lynch-Bell was also appointed chairman of the remuneration committee and a member of the nomination committee.

The Company also announced that Mr Mike Brown replaced Mr Gavin Beevers who had retired from the Board with effect from 31 December 2017. Mr Brown joined the Board as an independent Non-Executive Director with effect from 1 January 2018.

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

There was one Lost Time Injury (LTI) during the Period, resulting in a Group-wide Lost Time Injury Frequency Rate (LTIFR) of 0.04 for the Period. The Group-wide All Injury Frequency Rate (AIFR) for the Period was 2.47.

No major or 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.

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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. [www.gemdiamonds.com](http://www.gemdiamonds.com)