

15 August 2019

## GEM DIAMONDS LIMITED

### H1 2019 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 2019 to 30 June 2019 (“**H1 2019**” or the “**Period**”).

#### **Letšeng:**

- Recovered and sold a 13.32 carat pink diamond for a Letšeng record of US\$ 656 934 per carat.
- Recovered three diamonds greater than 100 carats during the Period, with an additional two diamonds greater than 100 carats recovered in July.
- Sold 55 714 carats during the Period, achieving an average price of US\$ 1 697 per carat, an increase of 10% on the average price for H2 2018 of US\$ 1 537 per carat.
- Sold 15 diamonds for more than US\$ 1.0 million each, generating revenue of US\$ 41.6 million during the Period.
- Successfully implemented steeper inter-ramp pit slope angles resulting in a reduction of 3.2 million waste tonnes mined compared to that which would have been mined under the previous pit design.

#### **Innovation:**

- The construction of the ‘detecting diamonds within kimberlite’ pilot plant at Letšeng has been completed and commissioning and ramp up has commenced in August.

#### **Business Transformation:**

- In the first 18-months of the 4-year Business Transformation programme, US\$ 42 million has been achieved net of implementation costs and fees.
- The targeted US\$ 100 million in incremental revenue, productivity improvements and cost savings over the 4-year period to end 2021 is on track to be delivered.

## Ghaghoo

- The Company entered into a binding agreement with Pro Civil (Pty) Ltd for the sale of 100% of the share capital of Gem Diamonds Botswana Proprietary Limited, which owns the Ghaghoo diamond mine, for US\$ 5.4 million. The sale, subject to regulatory approvals in Botswana, is expected to be concluded in H2 2019.

## Financial:

- At the end of the Period, the Group had US\$ 25.8 million of cash on hand of which US\$ 22.4 million is attributable to Gem Diamonds. The Group's net debt position at Period end was US\$ 0.7 million. This excludes the receipt of US\$ 3.1 million relating to the final tender in the Period, received shortly after Period end.
- Tax payments made by Letšeng of US\$ 14 million impacted the cash flow during the Period. US\$ 9 million of this related to the final tax payment for the 2018 financial year.
- Scheduled debt repayments of US\$ 7.0 million reduced drawn down facilities at Period end to US\$ 26.5 million.
- Undrawn and available facilities at Period end were US\$ 61.5 million (Q4 2018: US\$ 57.8 million).

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

*"It is pleasing to report that the Group has successfully implemented the business transformation programme, already achieving US\$ 42 million net of fees, and is on track to deliver the planned US\$ 100 million in cost savings and efficiencies by 2021. The contract with the external consultant was closed out during the Period and management is now rigorously implementing its internal continuous improvement plan.*

*Letšeng achieved US\$ 1 697 per carat for the Period with the sale of the 13.32 carat pink diamond achieving a Letšeng record of US\$ 656 934 per carat, reaffirming the unique quality of Letšeng's diamond production. As guided previously, mining during the Period occurred in the lower-value part of the orebodies, and notwithstanding this, achieved prices were 10% higher than the previous period. As planned, mining has commenced in the higher-value parts of the orebodies in H2 2019 and we anticipate that production guidance previously provided to the market will be achieved for the year.*

*I am delighted to welcome Ms Mazvi Maharasoa as a non-Executive Director of Gem Diamonds. Mazvi brings a wealth of diamond experience and skills and her intimate knowledge of Lesotho will be of great benefit to the business."*

## 1. Diamond Market

Prices for the smaller and commercial goods have been under pressure for some time with the larger goods having been less affected, although showing recent signs of weakness.

We continue to expect Letšeng's unique, ultra-high-quality goods to be less vulnerable over time to market pressures.

## 2. Letšeng

### 2.1. Production

	H1 2019	H2 2018	% Change
Waste tonnes stripped	13 150 417	12 316 209	7%
Ore tonnes treated	3 339 620	3 540 794	-6%
Carats recovered <sup>1</sup>	56 668	65 279	-13%
Grade recovered (cpht) <sup>1</sup>	1.70	1.84	-8%

<sup>1</sup> 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. As expected, the increase from the previous period was due to an acceleration of waste stripping in the Satellite pipe as Letšeng transitioned into a new cutback, to accommodate the planned increase in contribution from Satellite pipe ore in H2 2019.

Letšeng treated a total of 2.8 million tonnes of ore during the Period of which 0.4 million tonnes was sourced from the Satellite pipe. The remaining balance of the ore was treated through the Alluvial Ventures contractor plant. Tonnes treated were impacted in the Period due to a temporary reduction and capping of the feed rate in Plant 2's fine Dense Medium Separation (DMS) circuit. Improvements implemented to the DMS circuit were completed by mid-June and the benefits of increased and consistent feed rate in Plant 2 is expected in H2 2019.

In line with plan and guidance previously provided, the limited contribution from the high-value Satellite pipe ore during the Period resulted in a lower grade recovered compared to H2 2018. This, together with lower volumes treated, resulted in lower carats recovered.

## 2.2. Rough diamond sales

	H1 2019	H2 2018	% Change
Carats sold	55 714	63 414	-12%
Total value (US\$ millions)	94.5	97.5	-2%
Achieved US\$/carat	1 697	1 537	10%

During the Period, the highest price achieved for a 70.69 carat D-colour Type IIa diamond was US\$ 48 225 per carat while the 13.32 carat pink diamond achieved US\$ 656 934 per carat, the highest US\$ per carat ever achieved for a Letšeng diamond.

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

Including the fatality previously reported, two LTI's occurred during the Period. This has resulted in a Group-wide Lost Time Injury Frequency Rate of 0.16 and a Group-wide All Injury Frequency Rate of 0.94.

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

**FOR FURTHER INFORMATION:**

**Gem Diamonds Limited**

Susan Wallace, Company Secretarial department

[ir@gemdiamonds.com](mailto:ir@gemdiamonds.com)

**Celicourt Communications**

Mark Antelme / Jimmy Lea

Tel: +44 (0) 208 434 2643

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