

8 May 2019

## GEM DIAMONDS LIMITED

### Q1 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 31 March 2019 (“**Q1 2019**” or the “**Period**”).

#### **Letšeng:**

- Recovered and sold a 13.33 carat pink diamond for a Letšeng record of US\$ 656 933 per carat.
- Recovered two diamonds greater than 100 carats during the Period.
- Carats recovered of 29 458 during the Period were in line with guidance targets and with the previous period (Q4 2018: 29 523 carats).
- Sold 27 335 carats during the Period, achieving an average price of US\$ 1 900 per carat (Q4 2018: US\$ 1 259 per carat).
- Sold eight diamonds for more than US\$ 1.0 million each, generating revenue of US\$ 27.2 million during the Period.

#### **Innovation:**

- The diamond detection pilot plant project remains on target to be commissioned at the end of Q2 2019. Construction and set-up have commenced on site. This project supports the continuing strategy of early detection of large diamonds and diamond damage reduction.

#### **Business Transformation:**

- The Group remains on track to achieve its cumulative target of US\$ 100 million in incremental revenue, productivity improvements and cost savings for the 4-year period to end 2021. Initiatives that have been implemented up to the end of the Period are expected to deliver over US\$ 80 million of the targeted US\$ 100 million.

**Financial:**

- At the end of the Period, the Group had US\$ 40.7 million of cash on hand of which US\$ 34.0 million is attributable to Gem Diamonds. The Group’s net cash position was US\$ 11.0 million (of which US\$ 7.9 million was attributable to Gem Diamonds).
- During the Period, the final tax payment for Letšeng relating to the 2018 financial year, amounting to circa US\$ 9 million was paid.
- At Period end, drawn down facilities were US\$29.8 million (Q4 2018: US\$33.3 million).
- Undrawn and available facilities at Period end amounted to US\$ 59.5 million.

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

*“The 13.33 pink diamond sold for US\$8 750 360, achieving a Letšeng record price of US\$ 656 933 per carat and reaffirmed the unique quality of Letšeng’s diamond production. Sales of Letšeng’s rough production continued to realise good prices achieving an average price of US\$ 1 900 per carat during the quarter.*

*It is also pleasing to report that initiatives that have been implemented through our business transformation focus continue to contribute to positive production results and continued cost savings and efficiencies throughout the Group.”*

**1. Diamond Market**

The demand and prices for Letšeng’s large high-quality white rough diamonds have remained firm.

**2. Letšeng**

**2.1. Production**

	Q1 2019	Q4 2018	% Change
Waste tonnes stripped	6 412 581	5 622 965	14%
Ore tonnes treated	1 654 014	1 734 156	-5%
Carats recovered*	29 458	29 523	-
Grade recovered (cpht)*	1.78	1.70	5%

\* Includes carats recovered through the mobile XRT sorting machine.

Waste stripping continued in line with the requirements of the updated long-term mine plan that incorporates the Business Transformation initiative to steepen inter-ramp slope angles. This initiative, which was implemented from 1 January 2019, has resulted in 1.5 million less waste tonnes being stripped during the Period when compared to the 2017 mine plan.

Letšeng treated a total of 1.4 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. Notwithstanding less Satellite Pipe material being treated during the Period, grade recovered increased to 1.78cph, mainly driven by mining an area (K6 domain) within the Main Pipe that has a high grade relative to the other sections within the Main pipe.

Full year 2019 guidance is maintained as reported in the 2018 Full Year results presentation on 13 March 2019.

## 2.2. Rough diamond sales

	Q1 2019	Q4 2018	% Change
Carats sold	27 335	33 140	-18%
Total value (US\$ millions)	51.9	41.7	24%
Achieved US\$/carat	1 900	1 259	51%

During the Period, the highest price achieved for a 70.69 carat white diamond was US\$ 48 225 per carat while the 13.33 carat pink diamond achieved US\$ 656 933 per carat, the highest US\$ per carat ever achieved for a Letšeng diamond.

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

As previously reported, Gem Diamonds regrets that a fatality occurred at the Letšeng mine in February 2019 when an operator of a sub-contractor's vehicle was involved in a vehicle accident.

During the Period, an additional LTI occurred resulting in a Group-wide Lost Time Injury Frequency Rate of 0.16 and a Group-wide All Injury Frequency Rate of 1.06.

No major or significant community or environmental incidents 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. [www.gemdiamonds.com](http://www.gemdiamonds.com)