

5 November 2019

GEM DIAMONDS LIMITED

Q3 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 July 2019 to 30 September 2019 (“**Q3 2019**” or the “**Period**”).

Letšeng:

- The terms of the renewed mining lease were agreed with the Lesotho Mining Board, following a successful statutory negotiation process. The lease is renewed for an immediate period of 10 years with an exclusive right granted to Letšeng to renew the mining lease for a further period of 10 years.
- Capex in 2019 has been reduced by c.US\$ 7.0 million, reducing expected capital spend for the full year to c.US\$ 12.0 million.
- Updated guidance for 2019 with improved ore tonnes treated, lower unit costs, lower capex and marginally lower carat sales.
- Recovered four diamonds greater than 100 carats during the Period, bringing the total to seven for the nine-month period to 30 September 2019.
- Sold 25 631 carats during the Period, achieving an average price of US\$ 1 417 per carat (Q2 2019: US\$ 1 501 per carat).
- Sold 5 diamonds for more than US\$ 1.0 million each, generating revenue of US\$ 11.0 million during the Period.

Innovation:

- Commissioning of the Integrated Pilot Plant to detect diamonds within kimberlite and the non-mechanical liberation unit continues, with ramp-up and on-going testing of the technology.

Business Transformation:

- 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 and is expected to deliver US\$ 50 million by the end of 2019.

Ghaghoo

- The sale process, which is subject to regulatory approvals in Botswana, is ongoing with finalisation expected before 31 December 2019. Subsequent to Period end, the application to transfer the mining lease to the purchasers has been filed with the Department of Mines.

Financial:

- At the end of the Period, the Group had US\$ 21.9 million of cash on hand of which US\$ 17.6 million is attributable to Gem Diamonds. The Group's net debt position at Period end was US\$ 11.6 million.
- In compliance with local tax requirements, Letšeng made additional tax payments during the Period of US\$ 4.2 million, based on 2018's profitability. This payment resulted in a total of US\$ 17.5 million paid to date, resulting in an estimated tax receivable balance of US\$ 7.8 million at Period end.
- Normalised corporate costs incurred are expected to reduce by c.US\$ 1.0 million for the full year, compared to 2018 of US\$ 9.3 million.
- Undrawn and available facilities at Period end were US\$ 49.3 million (Q2 2019: US\$ 61.5 million).

Gem Diamonds' CEO, Clifford Elphick, commented:

"It is pleasing to report that Gem Diamonds has successfully renewed the mining lease for Letšeng with the Government of the Kingdom of Lesotho, and we look forward to continue the shared value creation long into the future.

Letšeng's high-value large diamond production has experienced price pressure during the Period. This, together with diamonds sold from the lower value ore mined in the previous quarter, resulted in an average price achieved of 6% lower than the previous quarter."

1. Diamond Market

Prices for smaller and commercial type goods remain under pressure with polished inventory levels remaining high. A recovery in these prices is expected in the medium term.

Larger high-quality diamonds have also experienced some price pressures in 2019, contributing to the lower prices achieved during the Period.

2. Letšeng

2.1. Production

	Q3 2019	Q2 2019	% Change	YTD 2019
Waste tonnes stripped	5 539 642	6 737 836	-18%	18 690 059
Ore tonnes treated	1 736 484	1 685 606	3%	5 076 104
Satellite pipe contribution	406 314	20 242	1 907%	789 969
Carats recovered ¹	27 539	27 210	1%	84 207
Grade recovered (cpht) ¹	1.59	1.61	-2%	1.66

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 that incorporates the steeper inter-ramp slope angles.

Letšeng's Plants treated a total of 1.5 million tonnes of ore during the Period of which 0.4 million tonnes was sourced from the Satellite pipe and 1.1 million from the Main pipe. The remaining balance of 0.2 million tonnes were treated through the Alluvial Ventures contractor plant. The improvements implemented to Plant 2's fine Dense Medium Separation (DMS) circuit in Q2 2019 resulted in an increased and consistent feed rate in Plant 2 and contributed to the 3% improvement in ore tonnes treated during the Period.

As Letšeng transitioned into the new cutback to accommodate the planned increase in contribution from Satellite pipe ore in H2 2019, a deviation in the anticipated contact face position, which was last mined in 2014, was identified. This deviation resulted in a lower contribution of Satellite pipe ore during the Period and will also impact the full year contribution and scheduling thereof.

2.2. Rough diamond sales

	Q3 2019	Q2 2019	% Change	YTD 2019
Carats sold	25 631	28 379	-10%	81 345
Total value (US\$ millions)	36.3	42.6	-15%	130.9
Achieved US\$/carat	1 417	1 501	-6%	1 609

During the Period, the highest price achieved for a D-colour Type Ila diamond was US\$ 37 408 per carat.

2.3. Updated guidance for 2019

	FY 2019	FY 2019
	Updated Guidance November 2019	Previous Guidance March 2019
Waste tonnes mined (Mt)	24 – 26	25 – 27
Ore treated (Mt)	6.6 – 6.8	6.5 – 6.7
Satellite pipe ore contribution (Mt)	1.6	1.8
Carats recovered (Kct)	No change	114 – 118
Carats sold (Kct)	111 – 113	115 – 119
Direct cash costs, (before waste and including Business Transformation costs) per tonne treated (Maloti)	No change	182 – 193
Operating costs (including Business Transformation costs) per tonne treated ¹ (Maloti)	245 – 255	257 – 268
Mining waste cash costs per tonne of waste mined (Maloti)	No change	36 – 38
Total capex (US\$ million)	11 - 13	18 – 20

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

Following the positive impact of the improved plant performance in Q3 2019 and the lower contribution from Satellite pipe ore and the scheduling thereof impacting carat sales for the year, production guidance for 2019 has been revised.

Given the consistent performance of Letšeng's plants, ore treated guidance has been increased. Due to the contact variance in the Satellite pipe, the forecast contribution for 2019 has been reduced. The overall impact on carats recovered for the year remain unchanged however carats sold have been reduced due to the lower contribution from the higher-grade Satellite pipe.

Although additional once-off Business Transformation (BT) cost were incurred with the conclusion of the consultancy agreement during the Period, guidance for overall direct cash costs (including BT costs) remains unchanged. Operating costs per tonne treated are anticipated to reduce with the lower amortisation cost while additional capital savings identified contributes to an overall lower expected cash spend for the year.

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

Three LTI's occurred during the Period. This has resulted in a YTD Group-wide Lost Time Injury Frequency Rate of 0.27 and a Group-wide All Injury Frequency Rate of 0.98.

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

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