

30 July 2020

GEM DIAMONDS LIMITED

H1 2020 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 from 1 January 2020 to 30 June 2020 ("**H1 2020**" or the "**Period**").

Highlights:

- The Group reduced its net debt position by US\$4.6 million to US\$5.5 million (H2 2019: US\$10.1 million).
- Average price for the Period was US\$1 707* per carat (H2 2019: US\$1 576 per carat).
- 16 diamonds sold for more than US\$1.0 million each, generating revenue of US\$29.4 million during the Period (H2 2019: 12 diamonds sold for more than US\$1.0 million each, generating US\$26.6 million of revenue).
- Letšeng returned to its standard treatment capacity during Q2 2020 after temporarily suspending operations for 30 days in line with the Lesotho Government's regulations to curb the spread of the Covid-19 virus.

*The smaller sized diamonds from the June tender have been carried over and will be sold in September. The average dollar per carat for H1 2020 includes an estimated value of these diamonds.

Covid-19:

- In compliance with the Lesotho Government's lockdown order, Letšeng temporarily suspended operations between 28 March and 26 April 2020 (the lockdown period) and placed the mine on care and maintenance.
- The Group has implemented a wide range of precautions to protect its employees and contractors, based upon expert advice. These Covid-19 health and safety measures include thermal screening, X-ray screening, Polymerase Chain Reaction (PCR) screening, promotion of sanitation measures, appropriate social distancing, compulsory wearing of face masks and the provision of Personal Protective Equipment.
- To date, Letšeng's advanced screening protocol has resulted in 74 suspected Covid-19 cases. As part of the Covid management strategy, all suspected cases have been safely transferred to their respective residences for self-quarantining and thus no suspected positive cases remain on mine site. Sadly, two employees have subsequently passed away whilst in

quarantine, but these have yet to be confirmed by the National Health Authority as Covid-19 related deaths.

- Letšeng continues to provide support to its workforce and surrounding communities and assistance to the Government in its efforts to curb the spread of the virus in Lesotho.
- There has been one positive case reported from the Gem Diamonds office in Johannesburg and this employee has fully recovered.
- In addition to the two successful tenders held in Q1 2020, a third tender was successfully concluded in Antwerp during June 2020, in strict compliance with Covid-19 health and safety protocols.
- The full impact of the Covid-19 pandemic on Letšeng's operations and production outlook for 2020 remains uncertain. Revised guidance will be released when the Company has greater clarity on the market environment.

Corporate and Financial:

- The Group ended the Period with US\$17.5 million of cash on hand of which US\$13.8 million is attributable to Gem Diamonds. Utilised facilities amounted to US\$23.0 million resulting in a net debt position of US\$5.5 million (H2 2019: US\$10.1 million).
- The Group has unutilised facilities of US\$51.5 million.
- Significant operating and capital cost reduction and deferment measures were implemented during Q2 2020 in order to preserve cash, which contributed to the positive cash generation in the Period. The salary reductions for management, as previously announced, remain in place.
- The process to dispose of Ghaghoo remains subject to regulatory approvals in Botswana. In line with the care and maintenance status of this operation and for reasons of safety, ore body preservation and cost containment, the dewatering of the underground workings was suspended in March 2020.
- At Period end, US\$65 million of the targeted US\$100 million in incremental revenue, productivity improvements and cost savings over the 4-year period to end 2021 has been delivered. The impact of Covid-19, the related state-imposed lockdowns and subsequent reduction in production may affect the timing of the final delivery of the targeted US\$100 million by the end of 2021.

Gem Diamonds’ CEO, Clifford Elphick, commented:

“The positive sales results during the Period demonstrate the continued demand for Letšeng’s high quality diamonds with an average price of US\$1 707 per carat, despite the challenging global conditions. This, together with the pro-active cost control and cash preservation measures implemented across the Group, has resulted in positive cash flow generation during the Period.

We are also pleased that Letšeng has quickly returned to its standard treatment capacity post the lockdown period, as well as ramping up waste mining activities from July.

Gem Diamonds continues to ensure that the Group’s safety protocols relating to Covid-19 are strictly adhered to and that appropriate support is provided to employees.”

1. Diamond Market

Prices for Letšeng’s diamonds have been impacted by the fallout from the Covid-19 pandemic but have nonetheless demonstrated a resilience in this global crisis. The latest tender in June included the sale of only the larger diamonds and the results were positive, in light of the current market environment.

2. Letšeng

2.1. Rough diamond sales

The impact of Covid-19 on the Group’s tender process and prices achieved for its diamonds was evident from the second tender in Q1 2020 and this has continued through to the only tender for Q2 2020, held in June.

	H1 2020*	Q2 2020*	Q1 2020	H2 2019	H1 vs H2 % Change
Carats	43 384	14 086	29 298	55 578	-22%
Total value (US\$ millions)	74.0	26.7	47.3	87.6	-16%
US\$/carat	1 707	1 896	1 615	1 576	8%

*The smaller sized diamonds for the June tender were carried over and will be sold in September. These values include the carats and an estimated valuation of these diamonds.

2.2. Production

	H1 2020	Q2 2020	Q1 2020	H2 2019	H1 vs H2 % Change
Waste tonnes stripped	5 167 305	332 192	4 835 113	10 878 892	-53%
Ore tonnes treated	2 353 991	899 237	1 454 754	3 368 171	-30%
Satellite pipe contribution (tonnes)	1 175 906	537 026	638 880	1 224 171	-4%
Carats recovered ¹	43 275	17 165	26 110	57 306	-24%
Grade recovered (cpht) ¹	1.84	1.93	1.79	1.70	8%

¹ Includes carats produced from the Letšeng Plants, the Alluvial Ventures (AV) plant and the recovery tailings treatment facility.

Waste stripping was significantly reduced during the Period due to the enforced operational interruption caused by the lockdown in Lesotho and the subsequent decision to further reduce waste stripping during Q2 2020 in order to preserve cash. The reduced waste mining will not have a significant impact on the future availability of ore as this was partially offset by lower volumes of ore mined and treated during Q2 2020 and with normal waste stripping activities having resumed in July 2020.

Treatment volumes were impacted during the Period, primarily by the enforced lockdown, and the subsequent phased ramp-up approach adopted. This resulted in Letšeng returning to full operating treatment capacity from the beginning of June 2020.

Treatment during the Period focused on the high-value Satellite pipe material which accounted for 50% of all material treated during the Period, and which also contributed in an improved grade and price when compared to H2 2019.

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

During the Period, no LTI's occurred, and the Group-wide All Injury Frequency Rate was 0.33 (FY 2019: 0.93).

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

FOR FURTHER INFORMATION:

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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 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, exceptional white diamonds, making it the highest dollar per carat kimberlite diamond mine in the world. www.gemdiamonds.com