

28 October 2020

GEM DIAMONDS LIMITED

Q3 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 July 2020 to 30 September 2020 (“**Q3 2020**” or the “**Period**”).

Highlights:

- The Group further reduced its net debt position by US\$6.6 million, ending the Period in a net cash position of US\$1.1 million (H1 2020: net debt US\$5.5 million). In addition, US\$29.8 million of the September tender proceeds were received after Period end and is excluded from the reported net cash position.
- Average price achieved for the Period was US\$2 215 per carat (H1 2020: US\$1 714* per carat).
- During the Period, five diamonds greater than 100 carats were recovered to bring the total for the year to date to 13.
- Seven diamonds sold for more than US\$1.0 million each, generating revenue of US\$25.6 million during the Period, bringing the total number of diamonds sold for greater than US\$1.0 million to 24 for the year to date.
- 70 559 carats sold in the year to date, achieving an average price of US\$1 908 per carat (YTD 2019: US\$1 608 per carat).
- Following the commencement of ore mining and the ramp up to planned treatment capacity during Q2 2020 (after the temporary suspension of operations for 30 days in line with the Lesotho Government’s lockdown regulations to curb the spread of the Covid-19 virus), Letšeng successfully returned to planned waste mining activities in July.

*The previously reported H1 2020 average dollar per carat of US\$1 707 has been adjusted following the sale of the smaller sized diamonds carried over from the June tender and sold in the Period. The previously reported average dollar per carat for H1 2020 of US\$ 1 707 per carat included an estimated value of these smaller sized diamonds.

Covid-19:

- The Group’s wide range of Covid-19 protocols and health and safety measures and precautions to protect its employees and contractors remain in force. These include thermal screening, X-ray screening, Rapid Anti-gen Diagnostic screening and Polymerase Chain

Reaction (PCR) testing, promotion of sanitation measures, appropriate social distancing, compulsory wearing of face masks and the provision of Personal Protective Equipment.

- As part of the Covid-19 management strategy, all suspected cases are safely transferred to their respective residences, or national health facilities if required, for quarantining ensuring no suspected positive cases remain on mine site.
- The Group continues to provide support to its workforce, contractors and surrounding communities in its efforts to halt the spread of the virus in all countries where it operates.

Corporate and Financial:

- The Group ended the Period with US\$24.5 million cash on hand (excluding US\$29.8 million of the September tender proceeds received after the Period end). Utilised facilities amounted to US\$23.4 million resulting in a net cash position of US\$1.1 million at Period end (H1 2020: net debt US\$5.5 million).
- The Group has unutilised and available facilities of US\$52.7 million at Period end.
- The process to sell Ghaghoo remains subject to certain suspensive conditions and regulatory approvals in Botswana.
- At Period end, US\$75 million of the targeted US\$100 million in incremental revenue, productivity improvements and cost savings over the 4-year period to end 2021 had been delivered.

Gem Diamonds' CEO, Clifford Elphick, commented:

“The average price of US\$2 215 per carat for the Period demonstrates the improved demand for Letšeng’s high quality large diamond production. These prices achieved (on a like for like basis) are higher than those realised in the pre Covid-19 market conditions of H2 2019. This, together with the continued pro-active cost control and cash preservation measures implemented across the Group, has resulted in continued positive cash flow for the Group.

We are also pleased that Letšeng has returned to normal operating activities post the lockdown period, with waste mining activities ramping up 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 our employees and communities.”

1. Diamond Market

Prices achieved for Letšeng's diamonds reflected an improvement in market conditions with prices achieved in the September sale, on a like for like basis, higher than that experienced before the onset of the Covid-19 pandemic. The latest tender in September included the sale of the 439 carat Letšeng Icon.

2. Letšeng

2.1. Rough diamond sales

	H1 2020*	Q3 2020	YTD 2020	YTD 2019	YTD 2020 vs YTD 2019 % Change
Carats	43 233	27 326	70 559	81 345	-13.3%
Total value (US\$ millions)	74.1	60.5	134.6	130.8	2.9%
US\$/carat	1 714	2 215	1 908	1 608	18.7%

*The H1 2020 price achieved was adjusted following the sale of the smaller sized diamonds carried over from the June tender and sold in the Period. The average dollar per carat for H1 2020 previously reported of US\$ 1 707 per carat included an estimated value of these diamonds.

2.2. Production

	H1 2020	Q3 2020	YTD 2020	YTD 2019	YTD 2020 vs YTD 2019 % Change
Waste tonnes stripped	5 167 305	4 823 955	9 991 260	18 690 059	-47%
Ore tonnes treated	2 353 991	1 538 562	3 892 553	5 076 104	-23%
Satellite pipe contribution (tonnes)	1 175 906	814 869	1 973 485	789 969	+150%
Carats recovered ¹	43 275	29 127	72 403	84 207	-14%
Grade recovered (cpht) ¹	1.84	1.89	1.86	1.66	+12%

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

Letšeng had returned to full ore mining and treatment capacity in a responsible phased manner during the previous quarter (Q2 2020) and, largely in line with planned volumes, treated 1.5 million tonnes during the current Period. Enhanced focus on stability and overall uptime of the Letšeng plants resulted in a conscious decision to reduce the instantaneous feed rate to each plant to reduce feed variability and enhance recovery.

Waste stripping at Letšeng resumed in July 2020. The planned reduced overall waste mining for the year will not have a significant impact on the future availability of ore as this was partially offset by (i) lower volumes of ore mined and treated during Q2 2020 and (ii) the availability of additional exposed ore in the main pipe due to the redesign of a cutback.

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

During the Period, no LTI's occurred. The year to date Group-wide All Injury Frequency Rate is 0.46 (FY 2019: 0.93).

FOR FURTHER INFORMATION:

Gem Diamonds Limited

Susan Wallace, Company Secretarial department

ir@gemdiamonds.com

Celicourt Communications

Mark Antelme / Ollie Mills

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