

13 February 2020

GEM DIAMONDS LIMITED

Q4 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 from 1 October 2019 to 31 December 2019 (“**Q4 2019**” or the “**Period**”).

Highlights:

- Revenue for the Period improved by **41%** to US\$51.3 million (Q3 2019: US\$36.3 million).
- Average price achieved for the Period increased by **21%** to US\$1 713 per carat (Q3 2019: US\$1 417 per carat).
- Carats sold during the Period increased by **17%** to 29 945 (Q3 2019: 25 631).
- Average price achieved further improved to US\$1 753 per carat* for the first tender of 2020.
- On 3 February 2020, recoveries of three exceptional 183, 89 and 70 carat diamonds were made and will be sold in March 2020.
- Recovered four diamonds greater than 100 carats during the Period, bringing the total to eleven diamonds greater than 100 carats for 2019. There have now been 100 diamonds of greater than 100 carats each recovered at the Letšeng mine since Gem Diamonds began operating the mine in 2006.
- Sold 7 diamonds for more than US\$1.0 million each, generating revenue of US\$15.6 million during the Period. In total, 27 diamonds were sold for more than US\$1.0 million each during 2019, generating revenue of US\$68.2 million.
- Operational guidance metrics for the 2019 full year were achieved**.
- Operating costs per tonne treated were the lowest for the last three years.
- The mining lease was renewed for a further 10 years, effective from 3 October 2019, with an exclusive right granted to Letšeng to renew for a further period of 10 years thereafter.

**These sales figures include the carry-over of small diamonds from Export 1 that have been included at valuation and will be sold in March 2020.*

*** Carats recovered were an immaterial 26 carats below guidance.*

Corporate and Financial:

- 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 has delivered US\$52 million as at the end of 2019.
- Corporate costs reduced by US\$1.0 million to below US\$10.0 million for the year.
- During the Period, the Group generated free cash flow of US\$1.5 million, improving its net debt position to US\$10.1 million (Q3 2019: US\$11.6 million). The Group ended the Period with US\$11.5 million of cash on hand of which US\$9.2 million is attributable to Gem Diamonds.
- During the Period, Letšeng entered into a LSL100.0 million (US\$7.2 million) working capital facility which, including scheduled debt repayments, improved the Group's available facilities to US\$69.9 million (Q3 2019: US\$49.3 million).

Gem Diamonds' CEO, Clifford Elphick, commented:

"Letšeng delivered solid operational results. Carats sold are up 17% on the prior quarter. There was an increase in volumes treated for the year and a significant reduction in the waste profile. This, together with the Business Transformation programme delivering its targeted gains and continued emphasis on cost controls, positions the Company well for the anticipated upturn in the market which appears to have begun.

The swing to a stronger market for Letšeng's diamonds was confirmed by the 21% increase in the average price achieved during the Period of US\$1 713 per carat. This improvement continued into 2020 with the first tender achieving US\$1 753 per carat. The first tender of 2020 did not include the remarkable recoveries of the 183, 89 and 70 carat diamonds on 3 February."

1. Diamond Market

Following pressure on the prices for the larger high-quality diamonds seen during 2019, signs of improvement were noted in December 2019 and this has continued into 2020.

Diamond prices for the smaller commercial type goods remained under pressure during 2019 with polished inventory levels remaining high. However, improvements in demand were noted in December 2019 as the midstream started to restock. Further improvement in the prices of these goods has been confirmed during January and February 2020.

2. Letšeng

2.1. Rough diamond sales

	Q4 2019	Q3 2019	% Change	FY 2019	FY 2018	% Change
Carats sold	29 945	25 631	17%	111 291	125 111	-11%
Total value (US\$ millions)	51.3	36.3	41%	182.1	266.6	-32%
Achieved US\$/carat	1 713	1 417	21%	1 637	2 131	-23%

2.2. Production

	Q4 2019	Q3 2019	% Change	FY 2019	FY 2018	% Change
Waste tonnes stripped	5 339 250	5 539 642	-4%	24 029 309	25 809 076	-7%
Ore tonnes treated	1 631 687	1 736 484	-6%	6 707 791	6 532 596	3%
Satellite pipe contribution (tonnes)	898 844	406 314	121%	1 688 813	2 151 697	-22%
Carats recovered ¹	29 768	27 539	8%	113 974	126 875	-10%
Grade recovered (cpht) ¹	1.82	1.59	15%	1.70	1.94	-13%

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. The initiative to steepen inter-ramp slope angles has resulted in 5.8 million less waste tonnes being mined during 2019 when compared to the 2017 mine plan (which did not include the steeper slope angles).

Letšeng's Plants treated a total of 1.4 million tonnes of ore during the Period of which 0.9 million tonnes was sourced from the Satellite pipe and 0.5 million from the Main pipe. The remaining balance of 0.2 million tonnes were treated through the Alluvial Ventures contractor plant. Tonnes treated for the Period were impacted by a planned 15-day shutdown to replace the jaw crusher in the Primary Crushing Area (PCA). During this period the plants were fed from pre-prepared strategic stockpiles in order to minimise any impact on tonnes treated resulting from the shut-down of the PCA.

On-going testing, under challenging operating conditions, of the Integrated Pilot Plant continues. The focus is on the identification, validation and testing of technologies to reduce diamond damage by early detection of diamonds within kimberlite and the non-mechanical means of liberating the diamonds.

Frequency of recovery of large diamonds

	2019	2018	FY Average 2008 - 2018
Number of diamonds			
>100 carats	11	15	7
60-100 carats	20	22	18
30-60 carats	82	83	74
20-30 carats	139	137	111
Total diamonds > 20 carats	252	257	210

2.3. FY 2019 Costs

Letšeng has managed to maintain its direct cash costs and operating costs within and below guidance respectively. Although waste cash cost per waste tonne was 2% higher than guidance due to a reduction in waste tonnes mined, the total waste mining cash costs were below expectations:

Costs	Maloti	Guidance
Direct cash costs, (before waste and including Business Transformation costs) per tonne treated ¹ (Maloti)	182 – 183	182 – 193
Operating costs (including Business Transformation costs) per tonne treated ² (Maloti)	246 – 247	257 – 268
Mining waste cash costs per tonne of waste mined (Maloti)	38 – 39	36 - 38

¹ Direct cash costs represent all operating costs, excluding royalty and selling costs

² Operating costs per tonne excludes royalty, selling costs, depreciation and mine amortisation, but includes inventory, waste, ore stockpile and the impact of adopting IFRS 16 – Leases adjustments.

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

During the Period, two LTI's occurred which has resulted in a Group-wide Lost Time Injury Frequency Rate of 0.28 and a Group-wide All Injury Frequency Rate of 0.93 for 2019. Letšeng continues to focus on enhancing its Safety strategy, in line with our objective of zero harm, and to ensure behaviour-based care is integrated at all operational sites.

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