

02 February 2021

GEM DIAMONDS LIMITED

Q4 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 October 2020 to 31 December 2020 (“**Q4 2020**” or the “**Period**”).

Highlights:

- The Group further increased its net cash position by US\$33.1 million, ending the Period with net cash of US\$34.2 million (Q3 2020: net cash US\$1.1 million).
- Operational guidance metrics for the 2020 full year were achieved.
- During the Period, four diamonds greater than 100 carats were recovered to bring the total for the year to 16.
- Average price achieved for the Period was US\$1 907 per carat.
- 99 172 carats sold in the year, achieving an average price of US\$1 908 per carat (2019: US\$1 637 per carat).
- Ten diamonds sold for more than US\$1.0 million each, generating revenue of US\$22.6 million during the Period, bringing the total number of diamonds sold for greater than US\$1.0 million to 34 for the year.
- Diamond prices achieved in the Period were higher than those realised (on a like-for-like basis) before the onset of the Covid-19 pandemic in Q1 2020, reflecting overall improvement in market conditions.

Covid-19:

- The Group continues to meticulously implement its wide range of Covid-19 protocols, health and safety measures and other precautions to protect its employees and contractors at its operations. This has had a positive effect in containing infections across the Group. These measures include thermal screening, X-ray screening, Rapid Anti-body and 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 positive cases are safely transferred to their respective residences, or national health facilities if determined medically necessary, for quarantining, thus limiting suspected positive cases on mine site.
- The Group continues to provide support to its workforce, contractors and surrounding communities in its efforts to curb the spread of the virus in all countries where it operates. In support of the Group's surrounding communities in Lesotho, 750 food parcels have been distributed to alleviate the additional hardship brought on by the pandemic.

Corporate and Financial:

- The Group ended the Period with US\$49.9 million of cash on hand (US\$36.3 million is attributable to Gem Diamonds) with utilised facilities of US\$15.7 million, resulting in a net cash position of US\$34.2 million (Q3 2020: US\$1.1 million).
- During the Period, Gem Diamonds extended its revolving credit facility (US\$30.0 million) for a further 12 months until 31 December 2021.
- The Group had unutilised and available facilities of US\$60.8 million at Period end.
- During the Period, Letšeng declared a dividend of US\$27.2 million of which US\$17.0 million was paid before Period end, resulting in a net cash flow of US\$11.3 million to Gem Diamonds and a cash outflow from the Group for withholding taxes of US\$0.6 million and payment of the Government of Lesotho's share of dividend of US\$5.1 million. The remaining dividend is scheduled to be paid in Q1 2021.
- The targeted US\$100 million in incremental revenue, productivity improvements and cost savings over the 4-year period to end 2021 is still on target to be delivered.
- The process to sell Ghaghoo continues.

Gem Diamonds' CEO, Clifford Elphick, commented:

"The average price of US\$1 908 per carat for the year demonstrates the strong demand for Letšeng's high value and quality large diamond production. The prices achieved (on a like-for-like basis) are higher than those realised in the pre Covid-19 market conditions of Q1 2020. This, together with the continued proactive cost control and cash preservation measures implemented across the Group, has resulted in an increased positive cash flow for the Group during a most difficult time for the diamond industry."

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, contractors and surrounding communities."

1. Diamond Market

Prices achieved for Letšeng's diamonds reflected the improvement in market conditions experienced during H2 2020, with prices achieved in the Period, on a like-for-like basis, higher than that achieved before the onset of the Covid-19 pandemic in Q1 2020.

2. Letšeng

2.1. Rough diamond sales

	H1 2020	Q3 2020	Q4 2020	FY 2020	FY 2019	FY 2020 vs FY 2019 % Change
Carats sold	43 233	27 326	28 613	99 172	111 291	-11%
Total value (US\$ millions)	74.1	60.5	54.6	189.2	182.1	+4%
Achieved US\$/carat	1 714	2 215	1 907	1 908	1 637	+17%

The 11% reduction in carats sold in the year was as a result of the cessation of production during the Lesotho Government's lockdown period in Q2 2020.

2.2. Production

	H1 2020	Q3 2020	Q4 2020	FY 2020	FY 2019	YTD 2020 vs YTD 2019 % Change
Waste tonnes stripped	5 167 305	4 823 955	5 581 707	15 572 967	24 029 309	-35%
Ore tonnes treated	2 353 991	1 538 562	1 543 843	5 436 396	6 707 791	-19%
Satellite pipe contribution (tonnes)	1 175 906	814 869	828 249	2 812 192	1 688 813	+67%
Carats recovered ¹	43 275	29 127	28 377	100 780	113 974	-12%
Grade recovered (cpht) ¹	1.84	1.89	1.84	1.85	1.70	+9%

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

Following the cessation of operations at Letšeng at the end of March 2020, waste stripping resumed in July 2020 in accordance with the revised 2020 mine plan. During the Period, a total of 5.6 million tonnes

were mined. The reduced overall waste mining for the full 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.

Letšeng's Plants treated a total of 1.3 million tonnes of ore during the Period of which 0.8 million tonnes were sourced from the Satellite pipe and 0.5 million from the Main pipe. Continued 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. The remaining balance of 0.2 million tonnes were treated through the Alluvial Ventures contractor plant.

Frequency of recovery of large diamonds

	2020	2019	FY Average 2008 - 2019
Number of diamonds			
>100 carats	16	11	8
60-100 carats	29	20	18
30-60 carats	102	82	74
20-30 carats	115	139	114
Total diamonds > 20 carats	262	252	214

2.3. FY 2020 Costs

Letšeng has managed to maintain its direct cash costs per tonne treated below guidance. Although waste cash cost per waste tonne mined was slightly higher than guidance (which was largely due to the reduction in waste tonnes mined), the total waste mining cash costs were significantly below expectations. Operating costs per tonne treated were slightly higher than guidance, driven by the additional contribution of Satellite pipe tonnes treated which carry a higher waste amortisation cost charge. The table below sets out the expected costs for 2020:

Costs	2020	Guidance issued
Direct cash costs, (before waste and including Business Transformation costs) per tonne treated ¹ (Maloti)	202 - 203	210 – 220
Operating costs (including Business Transformation costs) per tonne treated ² (Maloti)	321 – 322	300 – 310
Mining waste cash costs per tonne of waste mined (Maloti)	44 – 45	40 – 42

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. Sustainability

During the Period, one LTI occurred which has resulted in a Group-wide Lost Time Injury Frequency Rate of 0.04 and a Group-wide All Injury Frequency Rate (AIFR) of 0.75 for 2020, the lowest AIFR in a decade. The Group continues to implement its safety management strategy which is aimed at proactively identifying and mitigating risks. No major or significant community 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 large 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