

01 February 2022

GEM DIAMONDS LIMITED

Q4 2021 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 2021 to 31 December 2021 (“**Q4 2021**” or the “**Period**”).

Highlights:

- All operational and financial metrics for FY2021 were within, or better than, guidance.
- The Group strengthened its net cash position at the end of the year to US\$20.9 million (Q3 2021: US\$11.7 million net debt).
- 24 790 carats were sold during the Period (Q3 2021: 29 783 carats), generating revenue of US\$50.0 million and achieving an average price of US\$2 018 per carat (Q3 2021: US\$1 589 per carat).
- 109 697 carats have been sold for the year (11% higher than 2020: 99 172 carats), achieving an average price of US\$1 835 per carat (2020: US\$1 908 per carat).
- The highest price achieved in the Period was US\$40 130 per carat for a 101.16 carat white diamond.
- Five diamonds sold for more than US\$1.0 million each, generating revenue of US\$16.3 million during the Period, bringing the total number of diamonds sold for greater than US\$1.0 million to 21 for the year to date, generating revenue of US\$62.5 million.
- During the Period, three diamonds greater than 100 carats were recovered to bring the total for the year to six.
- The Business Transformation target of US\$100 million in incremental revenue, productivity improvements and cost savings up to year end 2021 has been fully delivered.
- The Group successfully concluded its Climate Change Scenario Analysis (CCSA) to identify and assess its physical climate change risks as part of the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Gem Diamonds' CEO, Clifford Elphick, commented:

"It is pleasing to report that all operational and cost metrics for FY2021 were within, or better than, guidance and we have delivered our four-year US\$100 million Business Transformation target.

During the quarter, prices achieved for the Letšeng goods, averaging over \$2 000 per carat, were strong, reflecting the continued good demand for Letšeng's production – especially for the larger higher quality diamonds.

We are pleased to announce that the Group-wide debt refinancing was successfully concluded during the Period. The successful conclusion of the Sustainability Linked Loans is testament to the strength and focus on sustainability throughout our Group.

In addition, further significant progress has been made with the successful Covid-19 vaccine rollout at Letšeng which has resulted in 97% of the workforce being fully vaccinated. We however continue to be vigilant by remaining focused on maintaining stringent Covid-19 protocols and appropriate support at Letšeng and the rest the Group."

Covid-19:

- All requisite staffing, facilities and equipment, as well as communication and education mechanisms, as developed and implemented in response to the Covid-19 pandemic, remain in place to ensure the safety of our employees and contractors and the continuation of safe and responsible operations. The controls implemented were effective in mitigating the risk associated with Covid-19 during the fourth wave of infections experienced in Lesotho and South Africa from November 2021.
- The successful rollout of the onsite vaccination drive by Letšeng, with the support of the Lesotho Ministry of Health, has resulted in 97% of staff and contractors at Letšeng being fully vaccinated to date.

Corporate and Financial:

- The Group-wide debt refinancing was successfully concluded during the Period. An additional lender joined the lender group, bringing the total number of lenders to three, and the Group's revolving credit facilities were increased from US\$61.3 million to secured facilities of US\$77.0 million, in dollar equivalent. US\$32.3 million of the facilities are Sustainability Linked Loans where the margin and resultant interest rate will decrease subject to the Group meeting certain carbon reduction and water conservation KPI's that are aligned with the Group's Sustainability strategy.
- The Group ended the Period with US\$31.1 million of cash on hand (US\$23.5 million attributable to Gem Diamonds) with utilised facilities of US\$10.2 million, resulting in a net cash position of US\$20.9 million (Q3 2021: US\$11.7 million net debt).

- During the Period, Letšeng declared a dividend of US\$13.0 million resulting in a net cash flow of US\$8.6 million to Gem Diamonds and a cash outflow from the Group for withholding taxes of US\$0.5 million and payment of the Government of Lesotho’s share of dividend of US\$3.9 million.
- The completion of the sale of Gem Diamonds Botswana Proprietary Limited to Okwa Diamonds Proprietary Limited, an entity owned by Vast Resources PLC (“**Vast**”) and Botswana Diamonds PLC (“**BOD**”), is subject to the fulfilment of certain Suspensive Conditions including obtaining the competition authority and regulatory approvals within Botswana. The competition authority and regulatory conditions have now been fulfilled and written approvals have been obtained from the Botswana Competition Authority and, in December 2021, the Ministry of Mineral Resources, Green Technology and Energy Security of Botswana.

Vast has however informed Gem Diamonds and BOD that it does not intend to continue with the transaction.

BOD confirmed its commitment to conclude the transaction as originally envisaged as soon as possible and has informed Gem Diamonds that it has identified an alternative financing partner which will, subject to any approvals that are required, replace Vast. The parties are working together towards a mutually beneficial outcome and have therefore agreed to extend the Longstop Date under the Sale Agreement from 31 January 2022 to 31 March 2022 to allow BOD to secure an alternative financing partner and to obtain any approvals that are required.

1. Diamond Market

Strong prices achieved in the December tender for Letšeng’s high value diamonds reflected a continued recovery of the global diamond market which was supported by strong consumer demand. This trend has continued into the current year.

2. Letšeng

2.1. Rough diamond sales

	H1 2021	Q3 2021	Q4 2021	FY 2021	FY 2020	FY 2021 vs FY 2020 % Change
Carats sold	55 124	29 783	24 790	109 697	99 172	11%
Total value (US\$ millions)	104.0	47.3	50.0	201.3	189.1	6%
US\$/carat	1 886	1 589	2 018	1 835	1 908	-4%

2.2. Production

	H1 2021	Q3 2021	Q4 2021	FY 2021	FY 2020	FY 2021 vs FY 2020 % Change
Waste tonnes stripped	10 167 526	3 999 532	4 496 434	18 663 492	15 572 967	20%
Ore tonnes treated	3 139 719	1 503 125	1 529 585	6 172 429	5 436 396	14%
Satellite pipe contribution (tonnes)	1 672 289	641 273	1 012 896	3 326 458	2 812 192	18%
Carats recovered ¹	58 831	23 435	33 069	115 335	100 780	14%
Grade recovered (cpht) ¹	1.87	1.56	2.16	1.87	1.85	1%

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 long-term mine plan. Opportunities implemented during the Period to shorten haulage distances produced immediate and ongoing waste cost reductions, also reducing our carbon emissions. During the Period, a total of 4.5 million tonnes of waste material was mined in accordance with our short term mine plan.

Letšeng's Plants treated a total of 1.2 million tonnes of ore during the Period of which 1 million tonnes were sourced from the Satellite pipe and 0.2 million from the Main pipe. In addition, 0.3 million tonnes of Main pipe material were treated through the Alluvial Ventures contractor plant.

Frequency of recovery of large diamonds

	2021	2020	FY Average 2008 - 2020
Number of diamonds			
>100 carats	6	16	8
60-100 carats	16	29	19
30-60 carats	81	102	76
20-30 carats	122	115	114
Total diamonds > 20 carats	225	262	214

Although the recovery of six plus 100 carat diamonds during the year were below the 16 plus 100 carat diamonds recovered in 2020, it was largely in line with the 12-year average of eight. Prices achieved during the year supports the strong consumer demand for Letšeng's high quality goods.

2.3. FY 2021 Guidance

2.3.1. Cost

Letšeng maintained its cash costs within expected targets with operating costs per tonne and capex under the full year 2021 guidance.

Costs	FY 2021	Guidance issued
Direct cash costs, (before waste) per tonne treated (Maloti)	202 – 207	200 - 210
Operating costs per tonne treated ¹ (Maloti)	270 -280	280 - 290
Mining waste cash costs per tonne of waste mined (Maloti)	44 – 46	44 - 46
Total capex (US\$ million)	4 – 5	6 - 8

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

2.3.2. Production

Mine Plan	FY 2021	Guidance issued
Waste tonnes mined (Mt)	18.6	18 - 20
Ore treated (Mt)	6.2	6.1 – 6.3
Satellite pipe ore contribution (Mt)	3.3	3.0 – 3.1
Carats recovered (Kct)	115	110 - 114
Carats sold (Kct)	109	103 - 107

3. Sustainability

The Group advanced its work to adopt the recommendations of the TCFD through focussed assessments of the Group’s climate related risks and opportunities. During the Period, Letšeng proactively implemented initiatives to improve resource use efficiencies and reduce mining related environmental impacts. No major or significant environmental incidents occurred across the Group during the Period.

One Lost Time Injury (LTIs) occurred during the Period, which has resulted in a Group-wide Lost Time Injury Frequency Rate (LTIFR) of 0.24 and a Group-wide All Injury Frequency Rate (AIFR) of 0.93 for 2021. The Group commenced with the implementation of a critical control management strategy and leadership coaching programme to strengthen the Group’s safety performance.

No major or significant community incidents occurred across the Group during the Period. The Group's Corporate Social Investment (CSI) strategy focused on relieving the impact of Covid-19 in vulnerable communities through enterprise development and medical and health project spending.

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 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