

3 August 2018

## GEM DIAMONDS LIMITED

### H1 2018 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 for the Period from 1 January 2018 to 30 June 2018 (“**H1 2018**” or the “**Period**”).

#### **Letšeng:**

- The Lesotho Legend, a high-quality 910 carat, D Colour, Type IIa diamond was recovered during January and sold for US\$ 40 million (US\$ 43 912 per carat) in March. This is the second largest gem quality diamond recovered in the past century and the largest diamond recovered to date at the Letšeng mine.
- Recovered a record 10 diamonds greater than 100 carats during the Period.
- Sold 61 696 carats and achieved an average price of US\$ 2 742 per carat for the Period, up 33% from US\$ 2 061 per carat in H2 2017.
- Generated record rough tender revenues of US\$ 169.2 million during the Period.
- Sold 25 diamonds for more than US\$ 1.0 million each, generating revenue of US\$ 99.1 million during the Period.
- No Lost Time Injuries (LTI’s) occurred during Q2 2018.

#### **Ghaghoo:**

- A formal sale process has commenced to sell the Ghaghoo mine and initial non-binding offers have been received. Further updates will be provided when appropriate.
- The water fissure which was damaged due to the occurrence of an earthquake in 2017 was successfully sealed during the Period.

#### **Business Transformation:**

- Encouraging progress has been made in the targeted US\$ 100 million of cumulative cash cost savings and productivity improvements for the period to end 2021. Further details will be released at the Half Year results, on 5 September 2018.

**Financial:**

- At the end of the Period, the Group had US\$ 70.5 million of cash on hand of which US\$ 58.1 million is attributable to Gem Diamonds. The Group also had a net cash position of US\$ 29.8 million (of which US\$ 22.1 million is attributable to Gem Diamonds). US\$ 40.7 million of available facilities had been drawn down, resulting in undrawn and available facilities of US\$ 38.2 million.

**Gem Diamonds' CEO, Clifford Elphick commented:**

*"We are delighted to see the continuation in the recoveries of large diamonds during the Period with a record ten diamonds greater than 100 carats recovered. This trend continued into Q3 2018 with the eleventh diamond greater than 100 carats recovered in July, now equalling the highest number of these recoveries in a single year. Greatly improved recoveries combined with the discovery and subsequent sale of the Lesotho Legend has generated a strong financial performance for the first half.*

*The market for Letšeng's high-quality diamonds has remained robust over the Period, achieving an average price of US\$ 2 742 per carat, up 33% from the previous 6-month period.*

*It is also pleasing to see the encouraging progress that has been made in the business transformation initiatives and further details as to the progress in cumulative cash cost savings and productivity improvements will be provided in the H1 2018 report on 5 September."*

**1. Diamond Market**

The strong demand for Letšeng's large high-quality white rough diamonds has continued, as evidenced by the average price achieved of US\$ 2 742 per carat during the Period.

**2. Letšeng**

**2.1. Production**

	H1 2018	H2 2017	% Change
Waste tonnes stripped	13 492 867	14 714 826	-8%
Ore tonnes treated	2 991 802	3 260 668	-8%
Carats recovered	61 596	61 333	-
Grade recovered (cpht)*	2.06	1.88	10%

\* Grade recovered includes 5 368 carats (H2 2017: 3 128 carats) recovered through the re-treatment of tailings material through the mobile XRT sorting machine.

Letšeng treated a total of 2.5 million tonnes of ore during the Period, 59% of which was sourced from the Main pipe and 41% from the Satellite pipe. The balance of the ore (0.5 million tonnes) was treated through the Alluvial Ventures contractor plant, of which 54% was sourced from the Main pipe and 46% from low-grade stockpiles. Waste stripping has reduced in line with the long-term mine plan.

A new scrubber shell was successfully installed in Plant 2 during Q2 2018. The feed rate into the plant has reverted to normal levels since the shutdown was completed. The installation of the new shell was a complex operation and took longer than planned, owing to the concrete foundation of the scrubber installation requiring to be fully rehabilitated. As a consequence, the shutdown was extended by 10 days and is the primary reason for the reduction in tonnage treated during the Period. During the scrubber change out, an initiative to run a bypass conveyer was implemented which mitigated the overall impact of lost tonnages.

As previously announced, the Company lodged an application for the renewal of the Letšeng Mining Lease with the Prime Minister of Lesotho announcing the Lesotho Government’s intention to renew the Letšeng Mining lease until 2034. The terms of the renewed Mining Lease are currently being negotiated with the Lesotho Mining Board and updates will be provided when appropriate.

**2.2. Rough diamond sales**

	H1 2018	H2 2017	% Change
Carats sold	61 696	57 221	8%
Total value (US\$ millions)	169.2	118.0	43%
Achieved US\$/ct	2 742	2 061	33%

During the Period, the highest price achieved was US\$ 62 433 per carat for a 2.26 carat pink diamond. The highest price achieved for a white diamond was US\$ 56 028 per carat for a 66.27 carat, Type IIa, diamond.

**3. Financial**

During the Period, the Group generated rough tender revenues of US\$ 169.2 million (a half-year record at Letšeng) and Letšeng paid dividends of US\$ 51.8 million, which resulted in a net cash flow of US\$ 32.6 million to Gem Diamonds and a cash outflow from the Group as a result of withholding taxes of US\$ 3.7 million and payment of the Government of Lesotho’s share of dividend of US\$ 15.5 million.

Subsequent to Period end, the Letšeng LSL 250.0 million three-year unsecured revolving working capital facility jointly with Standard Lesotho Bank and Nedbank Capital was increased to LSL 500.0 million and renewed for a further 3-years until July 2021. This increases the undrawn and available facilities to US\$ 56.5 million.

#### **4. Health, Safety, Social and Environment (HSSE)**

Four LTI's occurred during the Period, resulting in a Group-wide Lost Time Injury Frequency Rate of 0.30 for the Period. The Group-wide All Injury Frequency Rate for the Period was 1.37.

No major or significant community or environmental 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 high value diamonds. The Company owns 70% of the Letšeng mine in Lesotho and 100% 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](http://www.gemdiamonds.com)