

1 February 2023

GEM DIAMONDS LIMITED

Q4 2022 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 2022 to 31 December 2022 (“**Q4 2022**” or the “**Period**”).

Highlights:

- All operational metrics achieved for FY 2022 were within or better than guidance.
- 26 530 carats were recovered during the Period, resulting in 106 704 carats recovered for the year (FY 2021: 115 335 carats).
- 107 498 carats were sold in 2022, achieving an average price of US\$1 755 per carat (FY 2021: 109 697 carats sold for US\$1 835 per carat).
- The highest price achieved in the Period was US\$34 170 per carat for a 42.98 carat white diamond for a total price of US\$1 469 000.
- Four diamonds sold for more than US\$1.0 million each, generating revenue of US\$5.3 million during the Period.

Corporate and Financial:

- The Group ended the Period with US\$8.7 million cash on hand and utilised project facilities of US\$5.5 million (under the project debt facility for the replacement of the Primary Crushing Area (PCA)), resulting in a net cash position of US\$3.2 million at Period end (Q3 2022: US\$5.4 million).
- The Group had undrawn and available facilities of US\$82.6 million at Period end including the remaining US\$2,6 million project debt facility for the replacement of the PCA.

Gem Diamonds’ CEO, Clifford Elphick, commented:

“Despite Letšeng continuing to be impacted by Eskom-driven power outages which not only interrupt the production cycle but also impact costs significantly due to the increased alternative power generation costs, it was pleasing to meet planned operational metrics in 2022. Long-term alternative power supply options are being actively investigated.

Pleasingly, the implementation of initiatives aimed at energy efficiency and carbon reduction resulted in a year-on-year reduction in the Group’s carbon footprint of ~10%.”

1. Diamond Market

Letšeng's tenders were well-attended which contributed positively to the prices achieved for Letšeng's large high-value diamonds during the Period.

2. Letšeng

2.1. Rough Diamond Sales

	H1 2022	Q3 2022	Q4 2022	FY 2022	FY 2021	FY 2022 vs FY 2021 % Change
Carats sold	57 076	27 913	22 509	107 498	109 697	-2%
Total value (US\$ millions)	99.6	56.6	32.4	188.6	201.3	-6%
US\$/carat	1 745	2 028	1 438	1 755	1 835	-4%

2.2. Production

	H1 2022	Q3 2022	Q4 2022	FY 2022	FY 2021	FY 2022 vs FY 2021 % Change
Waste tonnes stripped	6 289 380	2 116 761	1 747 704	10 153 845	18 663 492	-46%
Ore tonnes treated	3 017 664	1 246 209	1 242 703	5 506 576	6 172 429	-11%
Satellite pipe contribution (tonnes)	1 378 404	713 239	946 323	3 037 966	3 326 458	-9%
Carats recovered ¹	55 156	25 018	26 530	106 704	115 335	-7%
Grade recovered (cpht) ¹	1.83	2.01	2.13	1.94	1.87	4%

¹ Includes carats produced from the Letšeng Plants, the recovery tailings treatment facility and the Alluvial Ventures (AV) plant (Until 30 June 2022)

The 46% reduction in waste tonnes mined in 2022 compared to 2021 was in line with the mine plan. The reduced waste profile from slope steepening of the active cutbacks in Main pipe contributed to this reduction. The Satellite pipe contribution of 3.0 million tonnes treated in 2022 was in line with the planned annual Satellite ore contribution.

Letšeng's Plants treated a total of 1.2 million tonnes of ore during the Period. The 11% reduction in total ore tonnes treated in 2022 compared to 2021 was mainly driven by the expiry of Alluvial Ventures' processing contract on 30 June 2022 as planned to allow for the waste stripping of the new cutback in the Main pipe to commence.

The reduction in ore tonnes treated for the Period was, as previously reported, due to the Lesotho general election requiring a compulsory two-day site wide shutdown at Letšeng to allow the workforce to vote in their respective constituencies, a secondary crusher breakdown in Plant 2 and continued power disruption on the energy supply network. The reduction in ore tonnes treated for 2022 consequently impacted the carats recovered for the year negatively.

Frequency of recovery of large diamonds

	2022	2021	FY Average 2008 - 2021
Number of diamonds			
>100 carats	4	6	8
60-100 carats	18	16	19
30-60 carats	69	81	77
20-30 carats	108	122	114
Total diamonds > 20 carats	199	225	218

The recovery of four >100 carat diamonds during the year which was lower than the 14-year average of eight, impacted overall revenue generated during the year. Demand for Letšeng’s high quality goods however remained high and the prices achieved for these high quality >100 carat diamonds remained strong.

2.3. FY 2022 Guidance

2.3.1. Production

Mine Plan	FY 2022	Guidance issued
Waste tonnes mined (Mt)	10.2	10 – 12
Ore treated (Mt)	5.5	5.45
Satellite pipe ore contribution (Mt)	3.0	2.8 – 3.0
Carats recovered (Kct)	106	104
Carats sold (Kct)	107	105

2.3.2. Cost

Letšeng maintained its direct cash and operating costs per tonne treated within expected targets and capex under the full year 2022 guidance. All costs were however impacted by the increased diesel usage due to the Eskom-driven power outages and increased costs of diesel and other consumables. Waste cash costs per waste tonne were slightly above guidance further impacted by the lower waste tonnes (on the lower end of guidance) during the year.

Costs	FY 2022	Guidance issued
Direct cash costs (before waste) per tonne treated (Maloti)	264	250 – 270
Operating costs per tonne treated ¹ (Maloti)	340	330 – 350
Mining waste cash costs per tonne of waste mined (Maloti)	67	62 – 65
Total capex ² (US\$ million)	11.5	19 – 23

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

² The 2022 guidance for capital included the full costs of the PCA capital. This was not fully incurred in 2022 and will be carried over to 2023.

3. Sustainability

Energy efficiency and carbon reduction initiatives contributed to a year-on-year reduction in the Group's carbon footprint of ~10%

During the Period, one LTI occurred at Letšeng, and the Group-wide All Injury Frequency Rate was 0.72 for 2022. 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 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