26 April 2018

GEM DIAMONDS LIMITED
Q1 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 31 March 2018 (“Q1 2018” or the “Period”).

Letšeng:

• During the Period seven diamonds greater than 100 carats were recovered

• The Lesotho Legend, a high-quality 910 carat, D Colour Type IIa diamond, which was recovered on 15 January was sold on 12 March for US$ 40 million (US$ 43 912 per carat). This is the second largest gem quality diamond recovered in the past century and the largest diamond recovered to date at the Letšeng mine.

• Sold 32 412 carats and achieved an average price of US$ 3 276 per carat for the Period, up 48% from US$ 2 217 per carat in Q4 2017

• 16 diamonds sold for more than US$ 1.0 million each, generating revenue of US$ 70.7 million during the Period

Ghaghoo:

• A formal sale process has commenced to sell the Ghaghoo mine. Nedbank Capital has been appointed as the corporate advisor on this transaction.

Business Transformation:

• The targeted US$ 100 million of cumulative cash cost savings and productivity improvements over the next four years is on track, with initiatives which will contribute approximately US$ 27 million of this target implemented to date.

Financial:

• The Group had US$ 91.3 million of cash on hand (of which US$ 66.7 million attributable to Gem Diamonds) and net cash of US$ 48.1 million (of which US$ 28.9 million attributable to Gem Diamonds) at the end of the Period, compared to the Q4 net cash position of US$ 1.4 million.
Gem Diamonds’ CEO, Clifford Elphick commented:

“We are delighted with the outcome of the sale of The Lesotho Legend, which demonstrates the exceptional quality of the diamond itself, as well as reaffirming the unique quality of Letšeng’s diamond production.

It is encouraging to see the improvement in the frequency of large diamond recoveries during the Period with seven diamonds greater than 100 carats being recovered, supported by strong production results driving an 8% increase in carats recovered. The market for Letšeng’s high-quality diamonds has remained robust over the Period, achieving an average price of US$ 3 276 per carat, up 48% from the previous quarter.

It is also pleasing to see the significant progress that has been made in the business transformation initiatives.”

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$ 3 276 per carat during the Period.

2. Letšeng

2.1. Production

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q4 2017</th>
<th>QoQ % Change</th>
<th>Q1 2017</th>
<th>YoY % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste tonnes stripped</td>
<td>6 746 161</td>
<td>7 029 742</td>
<td>-4%</td>
<td>7 811 416</td>
<td>-14%</td>
</tr>
<tr>
<td>Ore tonnes treated</td>
<td>1 553 045</td>
<td>1 625 946</td>
<td>-4%</td>
<td>1 667 000</td>
<td>-7%</td>
</tr>
<tr>
<td>Carats recovered</td>
<td>33 526</td>
<td>30 560</td>
<td>10%</td>
<td>25 479</td>
<td>32%</td>
</tr>
<tr>
<td>Grade recovered (cpht)</td>
<td>2.16*</td>
<td>1.88</td>
<td>15%</td>
<td>1.53</td>
<td>41%</td>
</tr>
</tbody>
</table>

* Grade recovered includes 2 254 carats recovered through the re-treatment of tailings material through the mobile XRT sorting machine.

Letšeng treated a total of 1.3 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 (0.3 million tonnes) was treated through the Alluvial Ventures contractor plant, of which 66% was sourced from the Main pipe and 34% from low-grade stockpiles. Waste stripping has reduced in line with the long-term mine plan.
A new scrubber shell is currently being installed in Plant 2. During this planned shutdown, additional maintenance will be done to the plant in an effort to further improve the availability of the plant. This planned shutdown is not anticipated to have any material impact on production.

The mining services complex project was completed on time and under budget, during April. The project was completed with no Lost Time Injury (LTI) or any significant or major environmental incidents.

During March 2018 the Company lodged an application for the renewal of the Letšeng Mining Lease. On 18 April, an announcement was made by the Prime Minister of Lesotho at the Commonwealth Heads of Government meeting in London, of the Lesotho Government’s intention to renew the Letšeng Mining lease until 2034. The terms of the renewed Mining Lease will be subject to statutory negotiations with the Lesotho Mining Board.

### 2.2. Rough diamond sales

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q4 2017</th>
<th>QoQ % change</th>
<th>Q1 2017</th>
<th>YoY % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carats sold</td>
<td>32 412</td>
<td>31 476</td>
<td>3%</td>
<td>23 428</td>
<td>38%</td>
</tr>
<tr>
<td>Total value (US$ millions)</td>
<td>106.2</td>
<td>69.8</td>
<td>52%</td>
<td>38.8</td>
<td>174%</td>
</tr>
<tr>
<td>Achieved US$/ct</td>
<td>3 276</td>
<td>2 217</td>
<td>48%</td>
<td>1 658</td>
<td>98%</td>
</tr>
</tbody>
</table>

Two tenders were held in the Period with a total of 32 412 carats sold for US$ 106.2 million, achieving an average price of US$ 3 276 per carat.

The diamond which achieved the highest price per carat was a 66.27 carat, Type Ila, white diamond which achieved US$ 56 028 per carat.

### 3. Business Transformation

The Business Transformation four-year target of US$ 100 million remains on track. Initiatives which have been implemented to date will contribute approximately US$27 million to the four-year target and comprise US$ 23 million of cumulative recurring benefit and US$ 4 million of once-off savings. Of the cumulative recurring benefit of US$ 23 million, US$ 15 million will result from increased revenue and US$8 million from reduced costs. This increased revenue of US$ 15 million will be generated from additional carats recovered from re-treated tailings through the mobile XRT sorting machine and the extension of the third plant operator’s tenure to mid-2020. The cost reduction of US$ 8 million is mainly due to a reduction in blasting consumables through changing blasting patterns, explosive mix and charging practices. Cost reductions have also been achieved through reducing the corporate office footprints and office, administration and travel costs across the UK, South Africa and Lesotho. Once-off savings mainly comprise of the sale of non-core assets.
US$ 3.5 million (net of implementation costs and fees) of these savings have been cash flowed, of which US$ 2.2 million were cash flowed during the Period.

4. Financial

At the end of the Period, the Group had a net cash position of US$ 48.1 million, a US$ 46.7 million improvement from the Q4 2017 net cash position of US$ 1.4 million. US$ 43.2 million of available facilities had been drawn down, resulting in undrawn and available facilities of US$ 41.1 million.

During the Period, Letšeng paid dividends of US$ 16.2 million, which resulted in a net cash flow of US$ 10.2 million to Gem Diamonds and a cash outflow from the Group as a result of withholding taxes of US$ 1.1 million and payment of the Government of Lesotho’s share of dividend of US$ 4.9 million.

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

Four LTI’s occurred during the Period, resulting in a Group-wide Lost Time Injury Frequency Rate of 0.58 for the Period. The Group-wide All Injury Frequency Rate for the Period was 1.44.

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