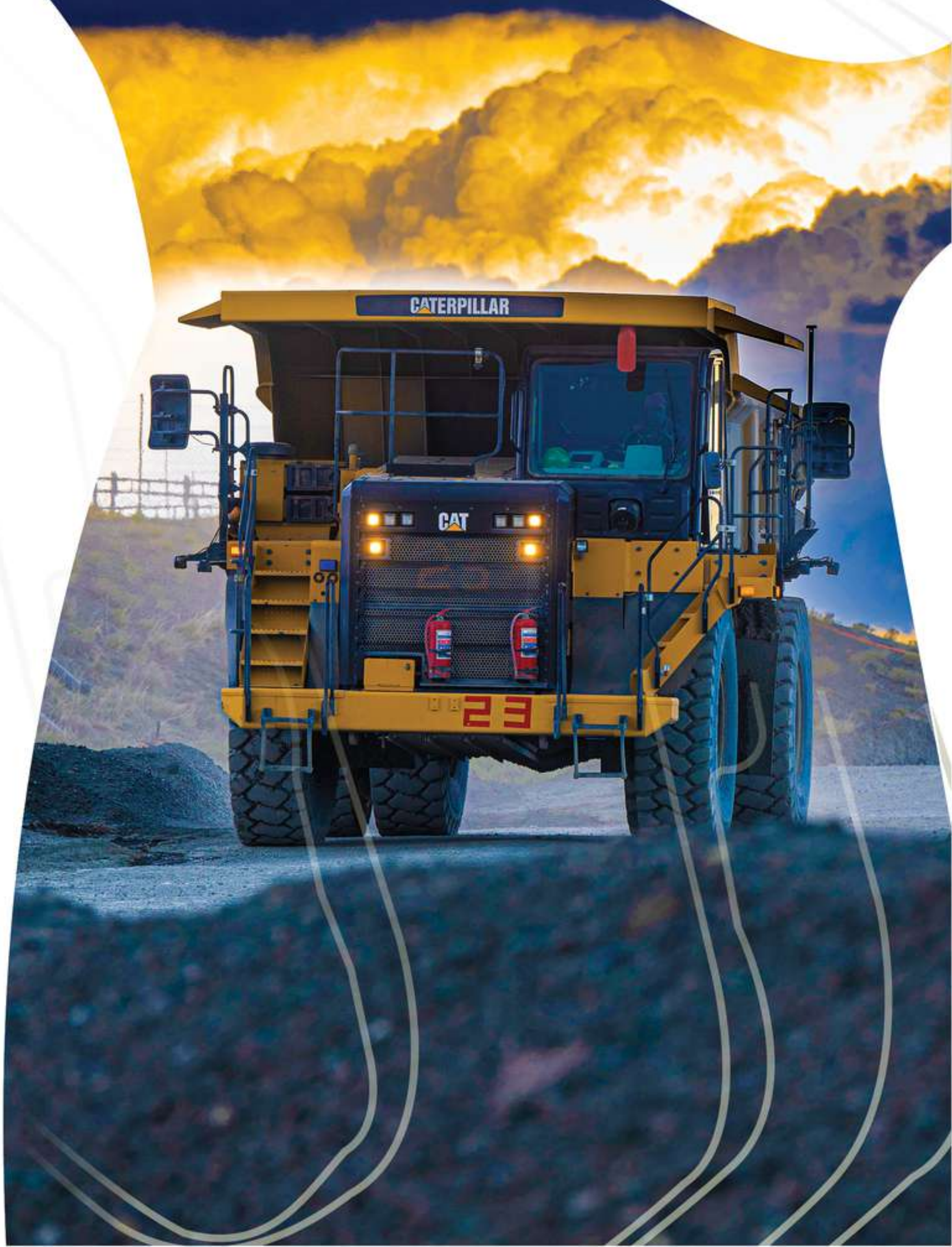
GEM DIAMONDS



ANNUAL REPORT AND ACCOUNTS 2022

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PRESENTING THE GEM DIAMONDS ANNUAL REPORT AND ACCOUNTS 2022

The Annual Report and Accounts covers Gem Diamonds Limited and its subsidiaries (the Group) for the financial year ended 31 December 2022.

This report has been prepared in accordance with:

Regulatory guidance

- Applicable English and British Virgin Islands law.
- Regulations and best practice as advised by the Financial Reporting Council (FRC) and the Department of Business, Innovation and Skills in the United Kingdom (UK).
- Guidance from the Task Force on Climate-related Financial Disclosures (TCFD).
- Information on payments made to governments was compiled as required under the UK's Report on Payments to Governments Regulations 2014 (as amended December 2015) as applicable to companies involved in extractive activities. It is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the UK.
- International Financial Reporting Standards (IFRS).
- The UK Corporate Governance Code 2018, which is publicly available at www.frc.org.uk.

Voluntary guidance

- Guidance from the International Integrated Reporting Framework, which is publicly available at www.integratedreporting.org.
- Guidance from the Global Reporting Initiative (GRI) Standards as updated from time to time.
- Guidance from the International Finance Corporation Environmental, Health and Safety (IFC EHS) Guidelines and Equator Principles.
- Applicable standards of the International Organization for Standardization (ISO).

THE 2022 REPORTING SUITE

In addition to this report, our reporting suite includes:

Our Sustainability Report 2022

The Annual Report and Accounts should be read in conjunction with Our Sustainability Report where we provide extensive detail on environmental, social and governance (ESG) matters. Additional information and case studies on the Group's sustainability activities can be found on www.gemdiamonds.com.

Our Approach to Climate Change Report 2022

Additional information on the Group's approach to climate change and related financial disclosures can be found in Our Approach to Climate Change Report 2022 at www.gemdiamonds.com.

Board approval of this report

The Board, supported by the Audit Committee, is responsible for ensuring the integrity and completeness of this report. The Board applied its collective mind to the preparation and presentation of this report. We consider the broader interests of our stakeholders, including the communities and environment, when making decisions. We believe the report provides a balanced and appropriate representation of the Group's performance, strategy and material risks. Acting fairly and in good faith, we have considered what is most likely to promote the long-term sustainability and success of Gem Diamonds.

The Board approved the Annual Report and Accounts 2022, which includes the Strategic Report, on 15 March 2023.

By order of the Board

Harry Kenyon-Slaney

Chairperson

15 March 2023

STRATEGIC REPORT

OUR GUIDING PRINCIPLES

CARAT

Purpose

Produce the best diamonds, in the best way, leaving a lasting legacy

CLARITY

Vision

A world full of Gem diamonds

CUT

The way we do things (values)

Care – We listen and respond responsibly to the needs of our employees, communities and shareholders. We honour our commitments to all stakeholders, and we care for the natural environment in which we operate.

Trust – We empower our people and trust them to make decisions that will deliver on our strategy.

Ethical – We promote a culture of ethical behaviour and conduct ourselves in a manner consistent with good governance practices. We have zero tolerance for bribery and corruption and pride ourselves on being socially and environmentally responsible.

Respect – We cultivate an open and transparent culture where we respect and value the beliefs, ideas and contributions of all our stakeholders. Everyone matters and is treated equally. We pride ourselves on the respect we have for all our stakeholders and the natural environment in which we operate.

Flexible and open-minded – We encourage and consider ideas from employees and project-affected communities (PACs) while remaining responsive and agile.

Passionate and fun – We enjoy the work that we are fortunate to do and the people we do it with. We seek opportunities to explore and develop while encouraging a healthy work-life balance.

COLOUR

Culture

At Gem Diamonds we invest in our workforce to create an environment where every person is proud to be part of our organisation. Mutual respect and care are not only shared throughout the Group but extend to the wider society. Individuals are valued for their differences and are empowered to thrive, grow and contribute to a common goal, holding themselves and each other accountable for delivering on their promises.

We support, develop and empower our people so that:

- a meaningful, sustainable contribution is made to the countries in which we operate;
- we can deliver long-term value to our shareholders; and
- our employees benefit in the short and long term.

Refer to our Chairperson's statement on page14 for more information about our purpose and vision.

THE SALIENT FEATURES OF 2022

Zero fatalities and three lost time injuries (LTIs) for 2022. The Group also implemented a critical control management strategy, an important safety risk mitigation initiative, as part of its organisational safety culture maturity programme. A Leading Indicator Safety Committee was established to support safety-specific workforce engagement.

107 498 carats sold in eight well-attended and competitive tenders in Antwerp and two successful tender viewings in Dubai. An average price of US$1 755 per carat was achieved. Prices achieved reflect strong demand throughout 2022 with a slight softening of prices in Q4. This demand was supported by a better than expected performance by global luxury jewellery brands.

In June 2022, an exceptional quality 244 carat white diamond was recovered at Letšeng. This discovery followed the recovery of a 129 carat diamond and a 125 carat diamond in May 2022. Since its acquisition in 2006, 126 greater than 100 carat rough diamonds have been recovered at the mine.

Gem Diamonds was awarded the Best Climate-Related Reporting (Small Cap) award at the ESG Investing Awards 2022. The award acknowledges our 2021 Climate Change Report, which focused on how climate change considerations are being incorporated into financial planning and strategy at the Group. ESG Investing is a global media platform publishing news on sustainability for the investor community.

Gem Diamonds won three awards at the Investing in African Mining Indaba Junior ESG Awards, in the categories of Health and Safety and of Responsible Water and Protection of Biodiversity in May 2022, and another award in February 2023 for Water (management and the prevention of pollution). These awards recognise the Group's work to deliver on our commitment to the environment, our workforce and PACs.

The Group completed our climate-change related 2022 objectives and is on track to meet our three-year TCFD adoption plan which commenced in 2021. A total of US$0.5 million was invested in climate change-related work during the year.

We treated 5.5 million tonnes of ore, a decrease of 11% compared to 2021. The reduction can mainly be attributed to the planned expiry of the Alluvial Ventures (AV) contract on 30 June 2022, an increased frequency of electricity disruptions, and the Lesotho national elections which required a two-day shutdown.

In line with our commitment to deliver sustainable shareholder returns, a share buyback programme was launched in April 2022. 1 520 170 shares were purchased for US$1.2 million and are held as treasury shares. A dividend of 2.7 US cents was paid in June 2022.

A decrease in waste tonnes mined, in line with the mine plan, and the implementation of steeper slopes in the Main pit, together with several initiatives aimed at energy use efficiency and carbon reduction, resulted in a 27% year on year reduction of the Group's total carbon footprint.

The Group spent approximately US$0.5 million on corporate social investment (CSI) projects. This included three tertiary scholarships to enhance skills in Lesotho in mining, engineering and emergency medical care. We purchased additional cows for our diary project, constructed 50 ablution facilities in local villages and schools, and completed the construction of the Lesotho Legend egg circle projects. Our focused CSI strategy and initiatives support our social licence to operate and our commitment to the United Nations Sustainable Development Goals (UN SDGs).

2022 IN NUMBERS

Measure	2022	2021	% change
Average price per carat achieved (US$)	**1 755**	1 835	(4)
Revenue (US$ million)	**188.9**	201.9	(6)
Total direct cash cost (excluding waste costs) per tonne treated (LSL)	**263.1**	201.1	31
Total direct cash cost (including waste costs) per tonne treated (LSL)	**386.1**	335.5	15
Total operating cost per tonne treated (LSL)	**345.1**	271.8	27
Earnings before interest, tax, depreciation and amortisation (EBITDA) (US$ million) [1]	**43.7**	57.4	(24)
Profit for the year (US$ million)*	**20.2**	27.4	(26)
Corporate costs including depreciation (US$ million)	**9.0**	8.9	1
Basic earnings per share (EPS) (US cents)[2]*	**7.3**	10.5	(30)
Cash and short-term deposits (US$ million)	**8.7**	31.1	(72)
Cash generated from operating activities	**63.0**	71.3	(12)
Drawn down bank facilities (US$ million)	**5.4**	10.2	(47)
Net cash (US$ million)[3]	**3.3**	20.9	(84)
Available bank facilities (US$ million)	**82.6**	74.3	11
Average number of employees (including contractors)	**1 612**	1 671	(4)
Gender diversity (% female employees including contractors)	**22**	22	–
Skills development (training hours)	**24 928**	33 694	(26)
Fatalities	**0**	0	–
Lost time injuries (LTIs)	**3**	6	(50)
Lost time injury frequency rate (LTIFR)	**0.13**	0.24	(46)
All injury frequency rate (AIFR)	**0.70**	0.93	(25)
ISO 45001 (occupational health and safety) certification	**Yes**	Yes	–
Capital expenditure excluding waste (US$ million)	**11.9**	4.0	198
Ore tonnes treated (millions)	**5.5**	6.2	(11)
Waste tonnes mined	**10.2**	18.7	(46)
Carats recovered	**106.7**	115.3	(7)
Carats sold	**107.5**	109.7	(2)
Corporate Social Investment (CSI)	**0.5**	0.8	(38)
Major or significant stakeholder incidents	**0**	0	–
Major or significant environmental incidents reported	**0**	0	–
Significant tailings storage facility breaches	**0**	0	–
Total carbon footprint (tCO_2e)	**112 827**	153 863	(27)
ISO 14001 (environmental management) certification	**Yes**	Yes	–

Financial | People | Operational | Sustainability

1 Refer Note 4, Operating profit on page 177 for the definition of non-GAAP (Generally Accepted Accounting Principles) measures.
2 Refer to Group financial performance for GAAP measures on page 151.
3 Net cash is a non-GAAP measure and calculated as cash and short-term deposits less drawn down bank facilities (excluding the asset-based finance facility and insurance premium financing).
** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale.*

HOW THE GROUP IS STRUCTURED

HEAD OFFICE

The Group's holding company, listed on the London Stock Exchange, provides oversight of governance structures and overall strategy. The company is based in London, United Kingdom.

Gem Diamonds Limited

TECHNOLOGY AND INNOVATION

A Cyprus company that houses the Group's innovation and technology research and development projects and related intellectual property rights.

Gem Diamonds Innovation Solutions (100% ownership)

SALES AND MARKETING

The Group's diamond sorting, sales and marketing operation in Belgium:

- Maximises the revenue achieved on diamond sales.
- Develops the Gem Diamonds brand in the market.
- Enhances customer relationships.

Most of our diamonds are sold through a tender process. Technical mapping and analysis determine the value of Letšeng's large high-quality rough diamonds and are used to achieve the highest rough value through multiple selling channels.

The Group's electronic tender platform provides an enhanced experience for clients and significantly increases internal efficiencies in the sales and marketing function, while ensuring the highest obtainable prices on an international market.

Gem Diamonds Marketing Services (100% ownership)

DIAMOND ANALYSIS AND MANUFACTURING

The Group's high-tech rough diamond operation in Belgium:

- Estimates the value of exceptional large high-value rough diamonds through technical mapping and analysis.
- Manages the manufacturing process of selected diamonds through third-party manufacturers for final polished sale.

Baobab Technologies (100% ownership)

LETŠENG

Our flagship open pit diamond mine in Lesotho is the highest achieving average US$ per carat kimberlite mine in the world.

The operation focuses on mining and processing ore safely, responsibly and efficiently from its two kimberlite pipes (Main and Satellite) which are 17.0ha and 5.2ha, respectively. Ore is processed through two treatment plants with an annual throughput of 5.3 million to 5.7 million tonnes and carat recoveries of 100 000 carats to 120 000 carats.

Letšeng Diamonds is 70% owned by Gem Diamonds Limited and 30% owned by the Government of the Kingdom of Lesotho with a lease period until 2029, with an exclusive option to renew until 2039.

TECHNICAL AND ADMINISTRATIVE SERVICES

A wholly owned South African mining services company providing technical support to the Group across the entire value chain.

Gem Diamond Technical Services (100% owned)

GHAGHOO

An underground diamond development in Botswana placed on care and maintenance in 2017. The Group is currently considering sale and closure options for the mine.

Gem Diamonds Botswana (100% ownership)

OUR BUSINESS MODEL

Typical diamond value chain

ROUGH DIAMONDS

POLISHED DIAMONDS

PRODUCTION → SALES → MANUFACTURING

Production
- Mining ore and waste
- Processing ore
- Recovering diamonds
- Sorting diamonds

Sales
- Rough diamond analysis and sorting
- Sale of rough diamonds

Manufacturing

Rough diamonds manufactured into polished diamonds

Rough diamond

GEM DIAMONDS

INPUTS REQUIRED

Letšeng is a long-term-asset with an open pit resource base and the potential for further underground expansion. It is a low-cost operation with a track record of successful mine plan optimisation and cost-reduction initiatives.

- Valid mining lease period to **2029** with an exclusive option to renew to **2039**
- Total mineral resource of **5 million carats**
- **790 629 GJ** of direct energy consumed
- **0.60m³** water per tonne treated
- Social and environmental management plans implemented
- Workforce of **1 534** people (including contractors) at year-end with an absenteeism rate of 1.3 days per annum per person
- Highly experienced **global management team**
- **424** registered clients

OUR APPROACH

The health, wellness and development of our workforce are prioritised throughout the Group.
Zero tolerance for harm of employees, human rights violations, bribery and corruption.
The Group values and safeguards its social licence to operate.

Top revenue drivers:
- Resource grade performance
- Diamond market
- Number of large (>10ct) high-quality diamonds recovered
- Exceptional large, high-value diamond recoveries
- Reduction in diamond damage
- Main versus Satellite pipe ore mix at Letšeng

Top cost drivers:
- Necessary waste stripping
- Increasing depth of pits, longer haulage distances
- Remoteness of mines
- Cost of remoteness of mines
- Foreign exchange rate fluctuations
- Inflationary pressures, especially rising fuel prices

- Available undrawn debt facilities **US$82.6 million**.
- Annual capex investment (excluding waste) of **US$11.9 million**.

OUTPUTS

- Rough carats sold: **107 498**
- Rough carats recovered: **106 704**

623 >10.8ct diamonds, contributing **69%** of revenue

29 diamonds selling for more than US$1.0 million, contributing **US$56.3 million** to revenue

DIAMOND JEWELLERY

SALES → MANUFACTURE JEWELLERY → RETAIL SALES

SALES

- Wholesale of polished diamonds
- Trading in polished diamonds

*Cut and polished diamond**

MANUFACTURE JEWELLERY

Design and manufacturing of diamond jewellery

RETAIL SALES

Retail sales to the end consumer

*The diamond in jewellery state**

Blockchain solutions connect the end user and the producer.

OUTCOMES: 2022 DELIVERY

Total carbon footprint of **112 827 tCO_2e**
Zero major or significant environmental incidents
6.4 million m³ of water recycled
100% of diamond exports comply with the Kimberley Process
Group rehabilitation provision of **US$15.4 million**
Zero major or significant environmental incidents

Won three *Investing in African Mining Indaba Junior ESG Awards* – Health and Safety, Responsible Water and Protection of Biodiversity in May 2022, and the Water award (for water management and pollution prevention) again in February 2023.
Best Climate-Related Report (Small Cap) in the *ESG Investing awards.*

Since inception, Gem Diamonds has worked in partnership with the Government of the Kingdom of Lesotho to make a positive contribution to national priorities. We continue to invest in initiatives that support long-term and sustainable development in our PACs.
Our Sustainability Report provides a comprehensive report on ESG matters.
Gem Diamonds has adopted six UN SDGs (1, 3, 6, 8, 10, 12) as part of our Sustainability Framework.

Zero fatalities
LTIFR of **0.13**
AIFR of **0.70**
Human rights training included in employee induction programme.
Zero major or significant stakeholder incidents
Supply chain controls in place to prevent child and forced labour

Invested **US$0.5 million** in needs-based corporate social investment projects
Letšeng in-country procurement: **US$129.0 million**
Letšeng paid royalties in Lesotho of **US$21.7 million**

Focus on cash generation and cost containment during the year.

Our viability statement on page 43 explains how the outcomes ultimately lead to a sustainable business model that delivers on our vision.

**Images supplied by Graff Diamonds International.*

Financial | People | Sustainability

WHY INVEST IN GEM DIAMONDS

The Group has a unique and compelling investment proposition based on 10 core attributes.

Large, high-value diamonds	Embedded corporate governance
Integrated ESG strategy	Transparent, world-class multi-channel sales and marketing
Low-cost operator	Cash generating, strong balance sheet and proven financial resilience
Responsible, agile leadership	Long life asset
Disciplined capital allocation	Internal growth opportunities

OVERARCHING BUSINESS DRIVERS

OPERATING RESPONSIBLY

Shareholders, funders, regulators, employees, communities, consumers and other stakeholders expect companies to adhere to responsible and ethical practices. This includes providing safe working conditions and fair labour practices for employees, operating in an environmentally responsible manner, ensuring the safe operation and governance of dams and tailings storage facilities, preparing for and responding to climate-related risks and opportunities, and contributing to global and local sustainability initiatives.

Consumers, shareholders and funders are increasingly interested in ESG factors when making buying, investment and lending decisions. For mining companies, one of the most prominent topics on the ESG agenda is climate change preparedness and carbon emissions reduction.

Following the growing demand for sustainable jewellery and the need for traceability programmes, certain jewellery manufacturers and retailers are insisting on proof of traceability and provenance of diamonds.

Refer to Our approach to climate change on pages 25, Sustainability on page 64 and Our Sustainability Report for more insight.

GEM DIAMONDS' POSITION

We are committed to ethical business practices, and corporate governance is a core component of our long-term sustainability and value creation. We regularly enhance our workplace safety systems and processes to ensure that we protect our employees.

The Group remains strongly committed to environmental sustainability, and Gem Diamonds' inclusion in the FTSE4Good index recognises the high standards of ESG practices we have in place. We have adopted six UN SDGs and the TCFD recommendations, and our tailings storage facility management practices are aligned with the International Council on Mining and Metals' (ICMM) Global Industry Standard on Tailings Management (GISTM). Our 2022 and 2023 awards for sound ESG practices and climate reporting illustrate our leading position on sustainability.

All our diamond exports comply with the Kimberley Process[1]. We are transparent and protect the provenance of all our diamonds, and we participate in the Gemological Institute of America's (GIA) Diamond Origin programme. This gives consumers information regarding the country of origin of their diamonds and the positive impact the diamonds we mine have on the communities and countries in which we operate.

US$0.8 million invested in environmental stewardship

(2021: US$0.9 million)

0.70 AIFR

(2021: 0.93)

Zero major or significant environmental or stakeholder incidents reported

(2021: Zero)

SUSTAINABLE RETURNS

Our future requires that we generate sustainable returns for shareholders, while continuing to create value for our other stakeholders.

Refer to the Chief Executive Officer's Review and the Chief Financial Officer's Review on pages 46 and 49 respectively for more information on the Group's financial results and position.

GEM DIAMONDS' POSITION

Our strategic focus on extracting maximum value from our operations prioritises production optimisation and consistency, continually improving efficiencies, reducing costs and enhancing cash generation. The Group has initiatives in place to prioritise cash generation and maintain cash reserves. 2022 was a challenging year as our cost base increased, driven largely by an increase in fuel and other consumable prices. We are investigating ways to reduce the consumption of fuel and to mitigate our reliance on diesel generators when grid power is unavailable. By maintaining sustainable returns, the Group can continue to access equity and debt funding for current operations, offer sound shareholder returns, and invest in our future plans.

US$43.7 million EBITDA[2]

(2021: US$57.4 million)[2]

[1] The Kimberley Process (KP) unites administrations, civil societies and industry in reducing the flow of conflict diamonds around the world. For more information, visit: www.kimberleyprocess.com.

[2] Refer Note 4, Operating profit on page 177 for the definition of non-GAAP measures.

MARKET DEMAND FOR DIAMONDS

Market demand for diamonds will be shaped by the traditional industry factors of affordability, desirability, value chain efficiency, and the buying experience. Diamond affordability relies heavily on the pace of economic growth and consumers' disposable income. Desirability is measured by the share of diamond jewellery sales within total jewellery and luxury consumption, as well as cultural acceptance of diamond jewellery gifting. The growing custom of using diamonds in bridal jewellery in India and China, the increased use of diamonds across a wider range of luxury goods, and the continued growth in the number of high-net-worth individuals worldwide support increased demand for polished diamonds.

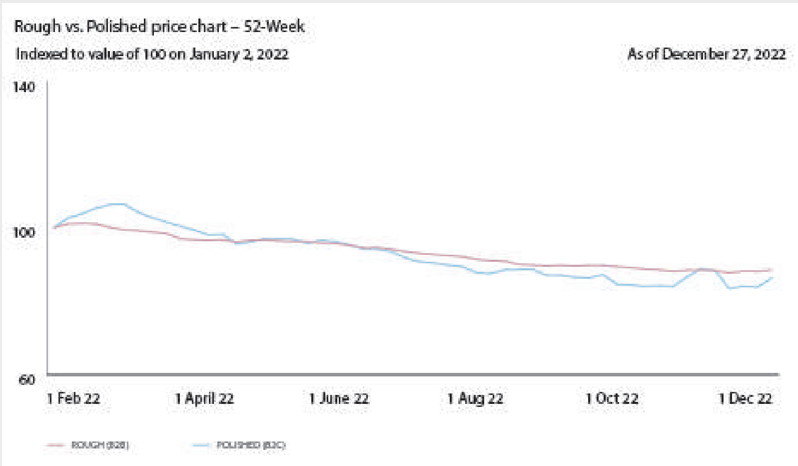
GEM DIAMONDS' POSITION

We sell the majority of our rough diamonds on tender and are, to a large extent, subject to immediate market forces. We also have agreements to sell diamonds directly to the contract manufacturers for some of the world's premium luxury brands.

Diamonds from Letšeng are at the top end of the market in terms of size, colour, quality and price. High-net-worth customers for large high-quality polished diamonds tend to be less affected by global economic turbulence, and historically the prices for larger high-quality diamonds have been more resilient to short to medium-term market pressures.

The diamond market rebounded strongly in 2021 following the material impact of the COVID-19 pandemic. Prices for larger high-value diamonds recovered quickly, and the strong demand for larger diamonds continued in 2022 before softening slightly in Q4 2022. Prices on Letšeng's smaller diamonds (<5 carats) also improved significantly, supported by price increases for smaller diamonds by De Beers in Q1 2022. In addition, the sanctions imposed on Russia, with Alrosa being a major Russian diamond producer, caused a reduction in the supply of rough diamonds. However, despite these sanctions, Alrosa's diamonds are now finding their way back into the market.

Notwithstanding the continued recovery of the diamond market, the average price per carat achieved for Letšeng's diamonds during the year was 4% lower compared to 2021. This was mainly due to fewer large diamond recoveries (four greater than 100 carat diamonds sold in 2022 compared to six in 2021, and 87 diamonds between 30 and 100 carats compared to 97 in 2021), due largely to lower value domains of the resource that were mined.



Source: Data provided by Paul Zimnisky (www.paulzimnisky.com.com). Rough diamond price is based on the Zimnisky Global Rough Diamond Price Index. More information can be found at www.roughdiamondindex.com.. Polished diamond price is based on data gathered via sampling of online retailers, specifically round, 0.3-1.5 carat, near-colourless, VS-clarity, VG-cut diamonds.

The above graph reflects the slight softening of rough and polished diamond prices during 2022, indexed to 2 January 2022.

US$1 755 average price per carat achieved in 2022

(2021: US$1 835 per carat)

69% of revenue derived from diamonds greater than 10.8 carats in 2022

(2021: 71%)

DIAMOND SUPPLY

The supply of diamonds is inextricably linked to the economics of diamond mining. In extended periods of low rough diamond prices, mines close which reduces supply. Established producers tend to maintain stockpile inventory, primarily in lower value commercial diamonds, which they release into the market as demand ticks up, resulting in a slower price increase in the short term following an increase in demand.

The popularity of lab-grown diamonds is growing, along with their size and quality. Sales of lab-grown diamonds have jumped from 4% of the overall diamond market in 2019 to 10% in 2022, according to consumer trends forecaster WGSN Insight. These diamonds sell at a significant discount to natural diamonds and continue to grow in market share, particularly for smaller, commercial type diamonds. The impact on natural diamond demand and price is not yet fully understood and will depend on consumer preferences and perceptions.

GEM DIAMONDS' POSITION

Annual global rough diamond production is expected to steadily decrease to around 110 million carats by 2030, having peaked in 2017 at 151 million carats. Total global rough diamond supply decreased to approximately 119 million carats in 2022 compared to 139 million carats in 2019. This is largely due to a combination of planned mine closures, COVID-19 driven closures of marginal mines and suspension and slowdown of certain other operations and, more recently, the sanctions imposed on Russia and consequently Alrosa. The lower-than-expected production of rough diamonds in 2021 provided an opportunity for miners, such as De Beers, to release some of their stockpile inventory into the market, and their reported inventory levels are lower, which allowed De Beers to implement price increases in Q1 2022.

We have several initiatives in place to reduce diamond damage in mining and processing to improve the recovery of large, undamaged high-value diamonds. The Group continues to investigate new technologies for early detection and non-mechanical liberation of these special diamonds without damage.

Demand for Letšeng's large, high-value diamonds continues to be robust and competition from lab-grown diamonds is yet to be seen on this end of the premium market.

119 million carats global rough diamond production in 2022 (estimated)

(2021: 120 million carats)

SOCIAL VALUE

The Letšeng mine, which is co-owned with the Government of the Kingdom of Lesotho (30%), is an important employer and makes a substantial positive contribution to the country's socio-economic development.

Refer to Sustainability on page 64 and Our Sustainability Report for more insight into our social contribution.

GEM DIAMONDS' POSITION

We acknowledge our privileged position as guests in the countries where we operate, and strive to maintain mutually beneficial relationships with our employees, communities, regulators, governments and wider society. We develop and empower our people, and endeavour to make a meaningful, sustainable contribution to the countries and communities in which we operate. We engage the government, employees and communities in life of mine communications to inform them about relevant aspects of our operations and the expected economic lives of our mines.

The Group's community investments are informed by engagements with the PACs to identify needs such as access to tertiary education, basic infrastructure provision (roads, bridges and water supply) and local businesses enhancement to create long-term sustainable employment opportunities independent of the mine.

Letšeng makes a significant contribution to the Lesotho economy through dividends, royalties and tax contributions, and provides employment for more than 1 534 people. This number excludes casual workers who are regularly employed at Letšeng on a short-term basis. The mine also provides procurement opportunities to support the local economy and the broader population of Lesotho.

51 student scholarships since 2006

US$39.7 million paid in dividends, royalties and taxes in Lesotho

(2021: US$48.3 million)

US$0.5 million invested in local communities in Lesotho

(2021: US$0.8 million)

US$129.0 million Letšeng in-country procurement

(2021: US$161.8 million)

CHAIRPERSON'S STATEMENT

The Board steered the Group through another challenging and uncertain year. We made important progress in our climate change journey by adopting a decarbonisation strategy and a carbon-pricing model. The challenge for the year ahead will be to continue operating safely, effectively and cost-efficiently.

As the custodian of our stakeholders' interests, the Board constantly strives to improve overall governance. We believe that good governance ensures the long-term sustainability and success of our business and the preservation of value for our stakeholders.

Harry Kenyon-Slaney

Chairperson

Dear shareholders,

On behalf of the Board of Directors, I am pleased to share with you the Gem Diamonds Annual Report and Accounts for 2022, which outlines the Group's performance over the past year and some of our focus areas for the year ahead.

In the early months of 2022, as the threat of the COVID-19 pandemic subsided, we were finally able to return to something approaching normal operations. While the experience of the past two years has been very difficult for our workforce, their families and our local communities, the community of spirit generated during the fight against the pandemic has built new levels of trust and enabled us to extend our employee health improvement programmes.

While the world emerged from one crisis, it was immediately plunged into another as Russia invaded Ukraine. The consequences of this conflict were widely felt as they impacted supply chains, exacerbated inflation and increased energy costs. Just about every country has had to grapple with sharply rising input costs and the trifecta of accelerating inflation, rising interest rates and the lingering impact of COVID-19, weighing down global growth.

At Gem Diamonds, we felt the impact of these pressures through a sharp rise in the price of diesel and countless other inflationary increases in the cost of important commodities, machinery and services. Added to this was the well-documented deterioration in the reliability of the supply of grid power by Eskom, which meant we had to frequently resort to using diesel-powered generators. As a result, we experienced a steep rise in input costs which resulted in our EBITDA falling 24% to US$43.7 million (2021: US$57.4 million). While revenue fell 6% to US$188.9 million on the back of a slightly lower volume of carats recovered, 2022 was a solid year overall from an operational perspective.

Demand for high-quality diamonds was strong in 2021 and this robust market continued into 2022. Market strength was further underpinned by the imposition of sanctions on Russia's Alrosa, which caused a shortage of smaller diamonds. In Q4 2022 consumer demand weakened slightly, although pleasingly demand for Letšeng's exceptional white diamonds remained firm and we achieved an average price per carat of US$1 755 compared to US$1 835 in 2021.

The Letšeng mine is located in a remote and pristine region in Lesotho, and the Group's overarching ethos is to operate at all times in an exemplary social and environmentally responsible manner. Our continued inclusion in the FTSE4Good Index and our receipt of various awards in recognition of the work we do around our operation and communities are validation that our ESG programmes deliver real value. There were no major or significant environmental incidents reported at any of our operations during the year.

GOVERNANCE IMPROVEMENTS FOR 2022

Despite being a small Group with a small Board of Directors, I am pleased that our governance structure is aligned with the independence requirements of the UK Corporate Governance Code. While we acknowledge that there is always room for improvement, I believe we have further strengthened our governance structures over the past two years, and have established an effective rhythm and cadence to the work of our Board. Specifically, we have worked to clarify governance processes, allocated more time for routine and strategic Board deliberations, and ensured the smooth running of the important work of our Board subcommittees.

One area where I believe we can improve further is to carve out sufficient Board time to better understand the future strategic opportunities available to the Group. As the Letšeng orebodies are mined progressively deeper, we are accelerating our analysis of possible future development pathways for the mine, including whether it is economically feasible to transition to underground operations. In addition, we need to consider our future beyond our ownership of a single operational asset.

In 2022, we once again reassessed and refreshed our positions on human rights, modern slavery, corruption and climate change as part of our approach to combatting these global systemic challenges. As part of this process, our employees and contractors reaffirmed their commitment to these important statements.

The Nominations Committee oversees Board and senior management succession planning, with the objective of ensuring that our leadership is appropriately sized, regularly reinvigorated, and offers a wide range of diversity and skill sets. I am satisfied that the Board contains the right balance of gender, experience and complementary perspectives to ensure the appropriate independent oversight of the Group.

Maintaining a diverse workforce in an atmosphere where everyone feels included is hugely important to me personally, and it gives me great pride to see the work that Gem Diamonds has done over the years to achieve a representation of almost 98% Lesotho nationals at Letšeng. The representation of female employees at Letšeng remains lower than we would like, and we continue to work closely with local communities and schools to promote mining and Letšeng as a company as rewarding and safe places for women to aspire to join.

THE BOARD'S PRIORITIES IN 2022

- Conducting an external Board effectiveness evaluation
- Overseeing the execution of the Group's climate change strategy
- Advancing efforts to sell or exit the Ghaghoo mine in Botswana, which remains on care and maintenance
- Approving the share buyback programme announced in April 2022
- Considering the way forward for Letšeng, including the initial results of the Underground Feasibility Study
- Considering external growth opportunities

SUPPORTING ORGANISATIONAL ETHICS

Gem Diamonds maintains a strong set of ethical principles that provides a firm foundation for everything we do. We insist on transparency and have no tolerance for fraud, theft, modern slavery, child labour or any other wrongdoing. The culture espoused by the Board and senior management is one of transparency, openness, and a willingness to challenge and to change, and these principles promote high standards of ethical behaviour throughout the Group. To support these principles, we maintain a rigorous system of internal controls, a comprehensive internal audit programme and an anonymous whistleblowing facility.

OUR PURPOSE AND VISION

In November 2022, the Board approved a new purpose and vision for the Group. The new purpose "Produce the best diamonds, in the best way, leaving a lasting legacy", outlines the Group's purpose in a way that is clear and easily understood. This purpose replaces "Unearthing unique possibilities". It speaks to our ambition to produce high-quality diamonds in a way that protects our workforce, local communities and the environment. We have a long-term perspective, and we aim to leave a positive legacy in the countries in which we operate. This involves making meaningful investments in our local communities that will have a lasting impact, supporting education, health and skills development, and creating and maintaining an open and constructive working relationship with governments at a local and national level.

Our new vision "A world full of Gem diamonds" speaks to actively pursuing expansion and growth opportunities for Gem Diamonds, elevating the brand and ensuring it is synonymous with large, high-value diamonds, a passionate workforce and an ethical culture. All elements of our previous vision remain relevant and have been encapsulated in our new purpose.

FOSTERING A STRONG SAFETY CULTURE

We regard the safety and health of our employees as our single most important priority. I am pleased to report that during 2022 we continued to drive our safety and health initiatives, and we again suffered no fatal accidents and experienced only three lost time injuries resulting in a lost time injury frequency rate (LTIFR) of 0.13, a strong improvement on the 0.24 achieved in 2021. The all injury frequency rate (AIFR) for the full year was 0.70 (2021: 0.93).

We recognise that maintaining a safe workplace requires relentless and close attention to detail and a strong and trusting relationship with our workforce. To this end, during the year we implemented a safety improvement programme, with a specific focus on safety leadership coaching, that was informed by a detailed safety performance survey carried out in 2021. During 2023 we will focus on embedding these new leadership skills into the organisation to improve the ability of employees at all levels to identify and permanently eliminate risk from the operations, with the aim of further improving our safety performance.

GOVERNANCE OF WATER AND TAILINGS MANAGEMENT

Lesotho experienced unprecedented rainfall during 2022, resulting in Letšeng's water storage facilities rising to their highest levels on record. It was pleasing to see that our freshwater catchment areas functioned effectively despite the heavy rainfall, and the mine now has a secure source of water for almost nine years based on current usage rates.

In line with global efforts to elevate the safety and security of all tailings and water storage facilities, Gem has put significant emphasis into ensuring full alignment with all the new recommendations emerging from recent international tailings facility failure investigations. This includes strict adherence to a management programme that includes daily inspections, monthly audits and annual external audits. Our alignment with international standards is well established and our Independent Tailings Review Board is led by one of the world's leading dam-safety experts. We are confident that we have the right skills, systems and governance to ensure appropriate water and tailings management in the future.

CONTINUING OUR CLIMATE CHANGE JOURNEY

We recognise that climate change is an existential issue for our planet that must be addressed. The Board is therefore determined that the Group makes its contribution to this challenge when reviewing strategy, risk management, annual budgets and business plans and when developing action plans and Group policies. The Board officially adopted the TCFD framework in 2021, and in 2022 we implemented the second phase of our three-year roadmap. This included the adoption of a decarbonisation strategy and carbon-pricing model. We have set a target to reduce our Scope 1 and Scope 2 carbon emissions by 30% by 2030.

There is a great deal of global uncertainty within multinationals and capital markets on how corporates should respond to and communicate their actions to address climate change. As a small Group with limited resources, we recognise that we must prioritise those actions that will have the maximum benefit to the business and to Lesotho while also addressing climate change.

COMMUNITY AND GOVERNMENT ENGAGEMENT

We strive to always maintain constructive, open and honest dialogue with our local communities and government partners. We consider their concerns and inform them about our business and the broader environment we require to thrive. Our ongoing stakeholder engagement with communities and government ensures that the Board is kept abreast of issues as they emerge and evolve.

In 2022, our communities were affected by unemployment and inflation, including steep increases in food and energy costs. In these economic conditions, our ongoing investments in community support become increasingly important. We remain very proud of the work we do to support our local communities, which is informed by a community needs analysis undertaken in 2021 and contributes to our UN SDG commitments. We believe that investing in our local communities will bolster the resilience and sustainability of Letšeng in the long term.

Mining is a major contributor to Lesotho's gross domestic product and offers considerable direct and indirect employment opportunities during a mine's lifespan. However, mines have a finite lifespan. This means that we must proactively engage with our employees, communities and government to sensitise them to the expected ultimate closure of the mine. We aim to maintain open dialogue with government as we begin preparing for the various pathways that might exist for the mine. As a Board, we will work constructively with management, employees and communities as the long-term view emerges.

LOOKING TO THE FUTURE

Our actions in 2023 will be strongly influenced by the cost pressures that unfolded in 2022. Our efforts to contain costs will require real productivity and efficiency improvements. This will also mean that we will need to be smarter in our technological and operational choices.

During the year we will continue to work on defining the future development pathway for the Letšeng orebody. As the pits go deeper, various options exist, including the possibility of a transition to underground operations, and we will consult widely with all stakeholders as the options become clear.

We are now well placed to progress our environmental, social and governance (ESG) strategy, and will in particular be looking at both the source and the intensity of the energy we use. If possible, we will identify partners with whom we can work to help us switch to more renewable sources of power, both to reduce our carbon footprint and to lower our dependence on Eskom's increasingly unreliable grid.

We are pleased that Lesotho's national elections in 2022 concluded peacefully and we welcome the transition to a new government that is business-friendly and collaborative. We look forward to a constructive working relationship with the new administration as we continue to further our contribution to the country's economic development.

Antwerp in Belgium is a city that has been inextricably linked to the trade and manufacturing of rough diamonds for centuries. The diamond market, however, is changing as diamond trading in new centres outside of Antwerp gain traction. We will respond accordingly and embrace opportunities to work with and sell through other centres.

APPRECIATION

On behalf of the Board, I thank all our stakeholders who have contributed to the Group's performance in 2022. Without the support of our employees, contractors, community partners, the Government of the Kingdom of Lesotho and our shareholders, we would be unable to operate effectively. Finally, a sincere thank you to my fellow directors for their dedication, insight and support over the past year.

Harry Kenyon-Slaney

Chairperson

15 March 2023

OUR STAKEHOLDER RELATIONSHIPS

We believe that proactive stakeholder engagement is a fundamental principle of sustainability. We regularly communicate with our stakeholders to stay relevant and better understand their needs.

STAKEHOLDER MANAGEMENT

Gem Diamonds' sound stakeholder relationships, particularly with employees, regulators, communities and society, are critical to our social licence to operate. These relationships are built through regular engagement, and provide relevant insights for decision-making while supporting the Group's long-term sustainability and unlocking our ability to meaningfully contribute to the broader society.

The Board is accountable for stakeholder engagement and stakeholder views and strategic issues raised by stakeholders are regularly reviewed, clearly understood, and underpin the work of the Board. Stakeholder input is considered in decision-making for strategy, sustainability, remuneration, CSI and other relevant matters.

Our stakeholder engagement strategy guides interactions with stakeholders. Our communication channels are detailed below.

Electronic channels	Written communication	Direct interaction	Media
• Company website • Virtual meetings • Employee application (app) • Email, SMS and WhatsApp communications • Electronic tender platform	• Annual Report and Accounts • Our Sustainability Report • Our Approach to Climate Change Report • Quarterly and interim results statements and presentations • Newsletters	• In-person meetings • AGMs • Investor roadshows • Results presentations • Industry conferences • Tenders • Informal interaction • Independent analysis of community needs • Community representative meetings • Employee Engagement Committee • Corporate Social Responsibility Investment (CSRI) Committee meetings	• Press releases • Interviews • Media briefings • Social media platforms

The Group's stakeholder engagement is assessed in the Board's annual evaluation process. Executive Directors' personal performance objectives for determining short-term incentive bonuses include strengthening stakeholder relationships.

STAKEHOLDER ENGAGEMENT

Shareholders

Our shareholders include institutional and private shareholders. The shareholders are the owners of the Group, and the Board is ultimately accountable to them for performance. They offer a potential avenue for the funding of future expansion opportunities. Our strategy aims to maximise shareholder value in a sustainable manner.

The Chairperson, Senior Independent Director and Executive Directors regularly interact with shareholders at requested meetings, during roadshows to larger investors, and at the Annual General Meeting (AGM), which is attended by all Directors. The Chief Legal and Commercial Officer is responsible for the investor relations function and is supported by an independent investor relations consultancy. Feedback and concerns from investors are considered at Board meetings.

Shareholder interests include:

- growth opportunities;
- sustainable returns and capital allocation;
- cash flow generation and balance sheet strength;
- ESG considerations including corporate governance and ethics, responsible environmental and social practices, as well as climate change and tailings storage facility (TSF) management; and
- fair executive remuneration practices.

Engagements post the AGM

At the Group AGM in June 2022, the Board noted the proportion of the votes cast against the resolution referring to the authority of Directors to allot shares (Resolution 13 passed with 58.55% of participating shareholders voting in favour). The Board was disappointed in this outcome, given that the resolution reflects UK-listed company market practice. In view of a significant shareholder's position and standing policy on this matter, the Board and the Executive Management team have not engaged in further consultation with the significant shareholder, but will continue to regularly consider their approach to this matter.

Majority interest in shares

On 15 February 2023, the Company was notified of the following major interests (at or above 3%) in the issued ordinary shares of the Company in accordance with the Disclosure Guidance and Transparency Rules (DTR) 5:

Shareholders	Number of ordinary shares	% shareholding
Sustainable Capital Limited	30 469 182	21.9
Graff Investments Limited	20 861 931	15.0
Lansdowne Partners Limited	18 677 221	13.4
Aberforth Partners LLP	16 812 950	12.1
Gem Diamonds Holdings Limited	9 325 000	6.7
Hosking Partners LLP	5 066 516	3.6

There were no further updates at the date of this report. Changes in major interests in the Company are updated on the Company's website as and when they occur. The shareholder base comprises 139.4 million issued ordinary shares of US$0.01 each (excluding the 1.5 million treasury shares held by Gem Diamonds). Institutional shareholders hold 99.3 million shares (71%) while private shareholders hold 40.1 million shares (29%).

Employees and contractors

Our employees and contractors are responsible for running our operations and delivering on our strategy. Operating in a remote region in a country with a small talent pool makes the retention and development of local skills a priority. Gem Diamonds aims to provide regular high quality communication to employees and facilitate platforms where employees can express their needs. The well-being of employees is taken seriously. A full-time psychologist is employed at Letšeng to assist employees cope with mental health issues while employees at the Johannesburg office have access to an employee wellness provider.

Management engages with employees through daily informal interactions, the employee app which launched at the end of 2022, the Employee Engagement Committee, the Group's website and the quarterly Letšeng newsletter. Regular leadership visits to Letšeng are undertaken, while "toolbox" talks with smaller shift teams provide additional opportunities for engagement.

In 2022, the Board reviewed the Group's employee value proposition and the benefits offered by each subsidiary, and found these to be fit for purpose. Mazvi Maharasoa, a non-Executive Director, is the Board's representative who engages with the broader workforce and provides direct feedback to the Board on key concerns raised. Mazvi chairs the Group-wide Employee Engagement Committee that includes employee representatives from all companies in the Group.

One of the issues raised by employees was poor awareness of how to use the Group's whistleblowing hotline. This resulted in a new awareness roadshow being held with employees on how to use the whistleblowing hotline and how matters raised are addressed. In addition, management developed a new reporting mechanism to communicate the outcome of whistleblowing incidents.

Employee interests include

- fair treatment and safe working conditions;
- competitive remuneration; and
- skills development and opportunities for advancement.

Key employee projects for 2022

In 2022, a key focus was embedding the formalised Group-wide Employee Engagement Committee that was planned in 2021. This included establishing the appropriate structures and communicating the role of the committee. The purpose of the committee is to assist the Gem Diamonds Board in facilitating two-way communication to ensure that the workforce's voice is heard in the boardroom and that Board expectations are communicated to employees. The Committee further provides a platform for employees to exchange ideas and suggest ways to enhance employee engagement and work effectiveness.

In 2022, Gem Diamonds reviewed its Diversity and Equality Policy with a view to better addressing inclusion and assessing the effectiveness of initiatives in place to improve diversity across the Group. The first gender diversity initiatives were implemented in 2022, focusing on the various aspects that could impact women throughout the recruitment and appointment process. These initiatives include unconscious bias training for interviewers and having a senior female participant in panel interviews. The focus for 2023 will be on the medium-term retention and promotion of women throughout the Group. In 2023, we will assign mentors to female employees at Letšeng and introduce role rotation as part of their development programmes to ensure that female employees gain exposure to different areas of the mine.

Succession planning and recruiting local talent is always a priority. A formal Succession Committee is in place to review and monitor compliance to the succession management policy and guidelines. In 2022, the Group extended the reach of its recruiting practices by promoting the Group to skilled Lesotho nationals working in other countries. The intention is to create a larger talent pool for the Group while attracting much-needed skills back into the country.

In December 2022, we launched an employee app called 'LetšGem'. The app serves as a communication tool to facilitate a greater understanding of the Group among employees – for example, by showcasing the various entities within the Group, highlighting successful CSI initiatives or providing interviews with team members. The app allows for quick dissemination of communications throughout the Group and for tracking of important communications. In addition, the app is designed to be interactive, with a capability to host surveys. More than 95% of employees at Letšeng have a smartphone and can access free internet connectivity. In 2023, we plan to add a training and development module to the app to drive Group-wide training. This could include safety training, personal development courses or basic computer skills.

For more information about the LetšGem app, refer to the case study in Our Sustainability Report.

Bankers, insurers and funders

Banks and other funders allow the Group to invest in capital projects and expansion opportunities. Insurance providers allow us to mitigate certain risk elements, and form part of the Group's overall risk mitigation strategy.

The finance department engages with bankers and funders on an ongoing basis regarding facilities, compliance with covenants, and debt renegotiations. At each operation, the finance team regularly interacts with insurance brokers, with detailed engagement around renewal anniversaries with oversight from Group risk management.

In December 2021, the Group-wide debt refinancing was successfully concluded with the renewal of the Group's revolving credit facilities for an amount of US$74.1 million for a three-year period. US$31.1 million of the facilities are sustainability-linked loans (SLLs) where the margin and resultant interest rate will decrease if the Group meets certain carbon reduction and water conservation key performance indicators (KPIs). These KPIs are aligned to the Group's sustainability strategy.

Providers of finance interests include:

- responsible management of the Group's financial position to ensure commitments can be met as they fall due;
- performance against sustainability and climate-related targets for the SLLs;
- ESG practices and regulatory compliance, including effective management of tailings storage facilities; and
- transparency in reporting potential material matters in a timeous manner.

Refer to page 49 in the CFO review for more details.

Project-affected communities

We are committed to ensuring that our PACs benefit from our operations and we are mindful that the strength of these relationships helps in safeguarding our social licence to operate.

We take a multi-level approach to stakeholder engagement, including monthly engagements with local community leaders, quarterly meetings with residents of local villages, and regular forums with district-level stakeholders and leadership. Letšeng's Community Liaison Officer (CLO) engages with the surrounding communities, government officials and community-elected representatives.

PACs select their community representatives, who sit on the Corporate Social Responsibility Investment (CSRI) subcommittee of the Letšeng Board, creating a direct link between communities' needs and Board decision-making. In addition to regular community engagement forums, a grievance mechanism is in place for PAC members to submit issues directly to mine management.

Social and environmental impact assessments (SEIAs) and community needs analyses identify the most pressing community needs and concerns. These are conducted through consultation processes facilitated by independent external specialists. The needs and concerns identified through these independent studies form the foundation of our corporate social investment (CSI) strategies and community engagement plans.

Community needs and concerns include:

- basic infrastructure provision and local economic development;
- improved access to education, skills development and healthcare;
- regular engagement and updates regarding progress on community projects;
- responsible and safe mining, environmental and social practices;
- responsible tailings management and disaster response mechanisms;
- local employment opportunities; and
- operational support in response to climate-related impacts, such as extreme weather events.

In 2022, the Group procured US$2.4 million of goods from PACs located around Letšeng and US$30.0 million of goods from the broader Mokhotlong region. From 2016 to 2022 the Group has invested US$4.4 million in needs-based and sustainable CSI initiatives. In 2022, the Group invested US$0.5 million in CSI projects in education, clean water, sanitation and small business development.

Customers

Gem Diamonds' sound customer relationships support demand for our unique diamonds and help to ensure that best prices are achieved. We interact with customers regularly in the normal course of business and at tenders, and communicate through the Company website and press releases. Customers can access our electronic tender platform, which is used to provide specific tender-related information.

Customers care about:

- consistent availability of large, high-quality diamonds;
- regular and transparent tenders;
- transparency and traceability of the provenance of rough diamonds; and
- responsible environmental and social practices.

Eight rough diamond tender viewings were held in Antwerp and two viewings were held in Dubai in March and September, respectively. Tenders were well attended and the competitive bidding was evidence of strong demand for our high-quality diamonds.

Suppliers and business partners

Suppliers and business partners provide the products and services we require to run our operations and achieve our strategic objectives, and we therefore build strong relationships with core suppliers. Formal written contracts and negotiations, applying the principles of transparency, our beliefs and attitudes, drive the culture of the procurement supply chain. Some of these suppliers are involved with determining the future development of Letšeng through the Underground Feasibility Study.

Suppliers and business partners care about:

- fair payment terms;
- local procurement opportunities; and
- responsible environmental and social practices.

In 2022, we received notifications from several suppliers regarding price increases due to the current inflationary environment and supply chain pressures.

Letšeng's mining contractor is Matekane Mining Investment Corporation Proprietary Limited (MMIC) and has been since 2006. MMIC is wholly owned and controlled by Ntsokoane Samuel Matekane, who became Prime Minister of Lesotho following the national elections in October 2022. The contract is due to expire in October 2024 and we are considering our options, which may include a tender process, before the expiry date.

Regulators and government

The Government of the Kingdom of Lesotho is a 30% shareholder in Letšeng. We respect and adhere to regulations in all countries in which we operate and maintain good relationships with government and regulators. Engagements with regulators are held as appropriate. We interact with government regularly regarding operational challenges where support is required, regarding employment and progress on community initiatives, and to support local and national development priorities.

Government and regulator priorities include:

- responsible environmental and social practices and the health and safety of employees;
- good governance and ethics;
- community relationships and investments;
- local employment and procurement; and
- contribution to Lesotho's GDP through dividends, royalties and tax contributions.

Following the national elections held in Lesotho in October 2022, a new ruling party and Prime Minister were elected. The new administration is business-orientated and we look forward to working with them in future to contribute to the growth of Lesotho's economy. A number of engagements have already taken place and will continue, as appropriate.

OUR STRATEGY

Our strategy aims to maximise stakeholder value in a sustainable manner. It aligns with the Group's purpose, vision and values, which provide a broader context to our business activities, and considers our commitment to creating social value and serving as custodians of the natural resources of the countries in which we operate.

The Group strategy is developed by the management team, led by the CEO, and presented to the Board for review and approval. The strategy is reviewed each year against developments in regulations, governance requirements, current market conditions and the short, medium and long-term outlook. Where necessary, the strategy is revised to adjust for any such developments.

Our three strategic priorities aim to deliver maximum value for all stakeholders:

Extracting Maximum Value from Our Operations	**Working Responsibly and Maintaining Our Social Licence**	**Preparing for Our Future**

2022 STRATEGY REVIEW

In November 2022, the Board and executive leadership reviewed the strategy against our context of current macro, industry and operational conditions and their effect on the diamond market, industry peers and our operations. We assessed the various potential opportunities to enhance shareholder value, including technologies, diversification across assets, potential partnerships, and operating structures.

Our medium and long-term strategic objectives remain unchanged and the business models remain appropriate to achieve these objectives. Our flexibility in adjusting tactics in the short to medium term contributes to protecting and preserving long-term fundamentals and strategy.

The Group's overarching business drivers are set out on page 11, and we aim to control costs while recovering the highest-value diamonds to sell as effectively as possible. The short to medium-term priority remains maximising value from our Letšeng operation through three main focus areas:

Optimising the current operating model	We continue to investigate and implement new ways to optimise our operating model to ensure we are running efficiently and appropriately.
Using early identification and anti-breakage technology	We are enhancing technology that shows potential to improve diamond recovery and decrease costs by improving early identification of diamonds within kimberlite and a non-mechanical method of liberating diamonds from kimberlite.
Reducing diamond damage	Preventing diamond damage from mining and processing activities is a key focus to improve the price achieved for rough diamonds. This includes continuous monitoring and redesign of blasting practices and patterns as appropriate, improving the front end crushing circuits, and ensuring a consistent and stable feed to the concentration and recovery circuits of the plants.

The tables below further define our strategic objectives and link them to relevant KPIs and targets. More information is included in the CEO review on page 46, the CFO review on page 49, and the Operations Review on page 56.

1. Extracting Maximum Value from Our Operations

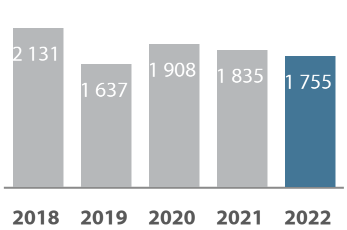
What this objective entails	KPIs related to the objective
• Optimise the operating model • Reduce diamond damage • Embed a culture of continuous improvement	• Underlying EBITDA[1] • Return on average capital employed • Basic earnings per share • Cash generated from operating activities • Ore tonnes treated and carats recovered • >20 carat diamond recoveries • Average US$ per carat achieved

2022 performance

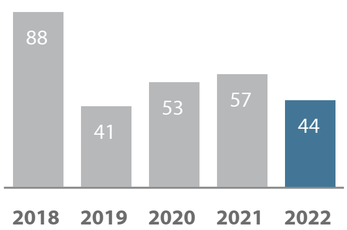
Despite experiencing significant electricity disruptions due to load shedding in 2022, Letšeng was able to operate on diesel generators without material disruption. Letšeng's improved mine waste dumping strategy and reduced hauling distances, implemented in 2021, were further improved in 2022, resulting in a measurable reduction in diesel consumption and associated costs and carbon emissions. This initiative partially offset the additional costs related to the significant increase in diesel price.

Cash generated from operating activities amounted to US$63.0 million, notwithstanding the challenges experienced with increased costs and severe inflation. Partnership agreements with strategic manufacturers generated an additional US$0.3 million revenue from the polished uplift on the sale of these diamonds. In 2022, we entered into an agreement with two important diamond manufacturing clients who will to supply polished diamonds to some of the world's most premium luxury brands. These diamonds are polished to the specifications of the luxury brands and additional value is realised for the Group as it shares in a percentage of the sales price of the resultant polished diamonds with diamonds. Additional revenue from this agreement is expected in 2023.

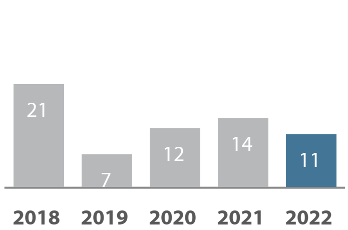
US$ per carat achieved



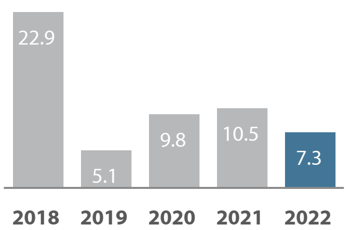
Underlying EBITDA (US$ millions)



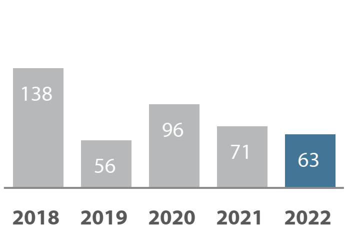
Return on average capital employed (%)



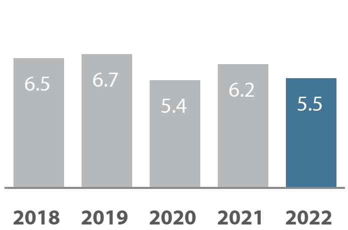
Basic earnings per share (BPS) (pre-exceptional items) (US cents)



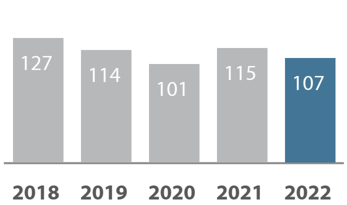
Cash generated from operating activities (US$ million)



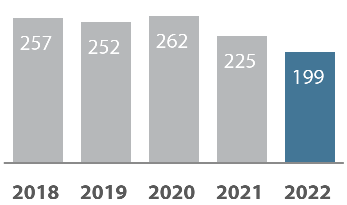
Ore tonnes treated (millions)



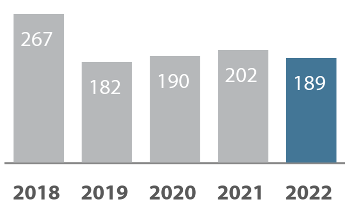
Carats recovered (thousands)



>20 carat recoveries



Revenue (US$ million)



1 *Refer Note 4, Operating profit on page 177 for the definition of non-GAAP (Generally Accepted Accounting Principles) measures.*

2. Working Responsibly and Maintaining Our Social Licence

What this objective entails	KPIs related to the objective
Embed a culture of zero harm and responsible care for our workforce, PACs and environment, and drive the six priority UN SDGs the Group has adopted: • No poverty • Good health and well-being • Clean water and sanitation • Decent work and economic growth • Reduced inequalities • Responsible consumption and production	• Zero fatalities • LTIFR[1] • AIFR[1] • Zero major environmental or stakeholder incidents • Zero significant tailings storage facility breaches • Sustainability legal compliance • Community investment • ISO certifications

[1] Measures the safety performance of the Group (including contractors) and is expressed as a frequency rate per 200 000 man hours.

2022 performance

Zero fatalities were recorded during 2022. The Group recorded three LTIs, and the Group's AIFR and LTIFR improved year on year.

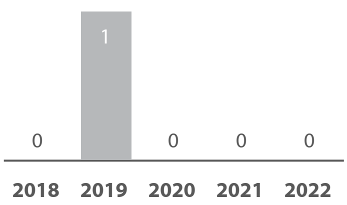
There were no major or significant environmental or stakeholder incidents during the year.

We continue to invest in PACs and strengthen our relationships with community members. Our sustainability strategy and maintaining our social licence to operate are of the utmost importance to the Group. We are proud that Gem Diamonds won three awards at the Investing in African Mining Indaba Junior ESG Awards in May 2022, in the categories of Health and Safety, Responsible Water and Protection of Biodiversity; and in February 2023 again won the award for Water (management and prevention of pollution). These awards recognise the work we do to deliver on our commitment to the environment, our workforce and PACs. Refer to the Sustainability section on page 64 for more information on our social licence to operate.

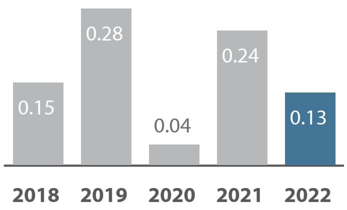
Letšeng achieved ISO 14001 and ISO 45001 recertification in 2022. Our tailings storage facility management code of practice is aligned to the ICMM's GISTM, with the appropriate related governance structures in place to effectively monitor the continued safe and responsible management of our tailings storage facilities. No incidents of structural instability regarding dam integrity were recorded. In addition, we commissioned internal and external experts to assess the possibly of a dam failure at our tailings storage facilities and freshwater dam, and no material findings were made.

The Group continues to participate in the GIA's blockchain initiative by submitting certain of our rough diamonds to undergo its Rough Diamond Analysis Service. The number of diamonds submitted has decreased following the closing of the GIA laboratory in Antwerp. The GIA collects data and images of rough diamonds and uses individual markers and data identified during the analysis to scientifically match polished diamonds to their original rough diamonds, which enables it to confirm a diamond's original source. This origin information is indicated on the GIA certificate of the polished diamond, which is available to retailers and end consumers.

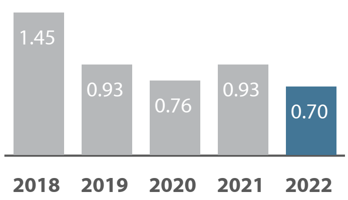
Fatalities



LTIFR



All injury frequency rate (AIFR)



3. Preparing for Our Future

What this objective entails

- Advance innovative technologies focusing on reducing diamond damage and costs
- Assess external growth opportunities
- Long-term mine planning and optimisation

KPIs related to the objective

- Capital expenditure
- Waste tonnes mined
- Extending life of mine
- Mining in accordance with life of mine plan
- Mergers and acquisitions

2022 performance

We regularly assess external growth opportunities, including promising green and brownfields operations. At present, we are analysing several assets and will communicate with the market should any further discussions materialise.

In 2022, we began implementing the revised long-term mine plan for Letšeng, which was approved in 2021. We commissioned a comprehensive Underground Feasibility Study to provide details of the financial viability and method of mining for the underground expansion of the Satellite pipe. The initial results look promising. Further details of this study can be found in the Operations review.

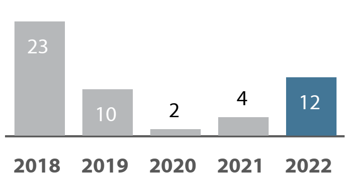
In 2022, the surface miner trials continued at Letšeng. The technology presents a potentially diamond-friendly method of breaking the rock while providing better fragmented material for feeding to the plants and thereby increasing plant throughput. The incorporation of a surface miner into Letšeng's mining method for the Satellite pipe is being considered and discussions with various surface miner suppliers and mining contractors have commenced.

An Energy and Decarbonisation Committee was established in 2022. This management committee is responsible for identifying, assessing and implementing energy-related opportunities to improve energy security. During 2022, we implemented an energy use efficiency programme aimed at reducing energy consumption and improving energy use efficiencies. The Committee also drives focus on opportunities for decarbonisation across the value chain and will measure and assess progress made in achieving the Group's decarbonisation strategy.

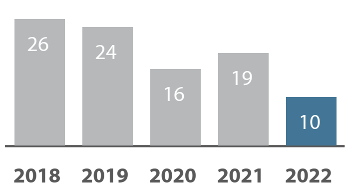
Towards the end of 2022, we commenced a comprehensive power usage study at Letšeng to review and assess viable renewable energy sources.

In 2022, we embarked on the second phase of our three-year TCFD adoption strategy. This included the adoption of a decarbonisation strategy and carbon-pricing model, augmenting our climate-related Board and management structures, and implementing initiatives to improve resource use efficiencies. We believe that our adoption of the TCFD will ensure that we can plan for and mitigate the impact of climate change risks on our business. Read more on page 25.

Capital expenditure (US$ million)



Waste tonnes mined (millions)



OUR APPROACH TO CLIMATE CHANGE

OUR APPROACH TO CLIMATE CHANGE

Gem Diamonds is committed to responsible, safe and sustainable mining. In support of this commitment, the Board officially adopted the TCFD framework in June 2021, with a three-year TCFD adoption roadmap (outlined below). With completion of the objectives in phases 1 and 2 in 2021 and 2022 respectively, we remain on target to achieve full TCFD adoption by the end of 2023.

In early 2023, the Group committed to a 30% reduction of its Scope 1 and 2 emissions by 2030. This commitment followed the Board's adoption in 2022 of the Gem Diamonds Group decarbonisation strategy, which sets out our ambitions to reduce energy consumption, improve our energy use efficiency and transition to renewable energy sources. This strategy is underpinned by our carbon-pricing model.

OUR TCFD ROADMAP

Phase 1: 2021	Phase 2: 2022	Phase 3: 2023
Establish the necessary governance, strategy and risk foundations to support meaningful, science-based decision-making	Understand the climate-related risks Gem Diamonds faces to reassess our organisational resilience Identify climate-related opportunities available to the Group and establish clear metrics and targets for decarbonisation	Monitor and manage our climate-related exposure and measure this against our decarbonisation targets
Completed	Completed	On track

2022 HIGHLIGHTS

Decarbonisation strategy finalised and adopted by the Board	**Carbon-pricing model completed and adopted by the Board**	**Set target of 30% Scope 1 and 2 emissions reduction by 2030**
Achieved 41 036 tonnes of carbon dioxide equivalent (tCO_2e) annual reduction in Scope 1, 2 and 3 emissions	**Implemented initiatives to improve energy use efficiencies and reduce energy use**	**Won the Best Climate-Related Reporting (Small Cap) award at the ESG Investing Awards 2022 for Our Approach to Climate Change 2021 report**

GOVERNANCE

How we govern climate-related risks and opportunities

Board

The Board, supported by the Sustainability and Audit Committees, is ultimately responsible for the governance of climate-related risks and opportunities, and ensuring that our decarbonisation strategy (to mitigate potential negative impacts on the climate) is implemented in a manner that is in the best interest of the Group. The Board continues to deepen its understanding of climate-related physical and transition risks and opportunities.

To ensure effective oversight, the Board and relevant Committees receive regular updates on climate change-related matters and the progress made in adopting the recommendations of the TCFD. The climate change-related data and performance information presented to the Board and Committees informed the 2022 reviews of the Group strategy, risk management framework, annual budgets and business plans.

Oversight	**BOARD** Ultimately responsible for the Group strategy, risk and governance of climate-related risks and opportunities	**Top-down approach –** sets the risk appetite and tolerances, strategic objectives and accountability for the management of the framework
Governance	**AUDIT COMMITTEE** Reviews and monitors matters concerning strategy and governance and reports to the Board on these issues **SUSTAINABILITY COMMITTEE** Reviews matters regarding existing and planned metrics and targets, and performance and operational objectives	
Responsibility	**TCFD ADOPTION STEERING COMMITTEE** Management forum responsible for ensuring climate change-related risks and opportunities are appropriately identified and subsequently elevated through the established governance and operational structures **ENERGY AND DECARBONISATION COMMITTEE (EDC)** Management forum responsible for identifying, assessing and overseeing the implementing of energy-related opportunities to improve energy security and access to renewable energy sources Drives focus on opportunities for decarbonisation across the value chain	**Bottom-up approach –** ensures a sound risk management process and establishes formal reporting structures

Management

The Group COO has overall executive accountability for sustainability, including climate-related issues, decarbonisation and energy-related matters. The COO acts upon the most material risks and opportunities to successfully transition business models for maximum benefit. The Group CFO holds overall executive accountability for integrating climate-related issues into annual budgets, business plans, financial disclosures and risk management.

Gem Diamonds established the TCFD Adoption Steering Committee and the EDC to support climate-related work. These Committees work with the relevant internal functions (enterprise risk management, communication and reporting, insurance, financial planning and disclosure, project management, internal audit, engineering and mining and treatment) to bolster the integration of climate change, energy and decarbonisation considerations throughout the business. The Committees report to the Gem Diamonds and Letšeng Boards and their respective Audit and Sustainability Committees quarterly.

The TCFD Adoption Steering Committee is a management committee responsible for ensuring that climate change-related risks and opportunities are appropriately identified, evaluated and elevated through established governance and risk mitigation structures.

The Committee meets monthly. It comprises the CFO, COO, Group Financial Controller, Health, Safety, Social and Environment (HSSE) and Sustainability Manager, and Letšeng's Head of Operations and Head of Finance. Internal and external attendees are invited to provide input as appropriate.

The EDC is a management committee responsible for identifying, assessing and overseeing the implementation of energy-related opportunities to improve energy security and access to renewable energy sources. The Committee drives focus on opportunities for decarbonisation across the value chain and will measure and assess progress made in achieving the Group's decarbonisation strategy.

The EDC meets twice a month. It comprises the COO, Senior Manager: Technical and Projects, HSSE and Sustainability Manager, and Letšeng's Head of Operations and Head of Finance.

Climate education and training

Climate science is constantly evolving. As the Board navigates the Group's transition to a low-carbon economy, it is imperative that the Board continually improves and updates its knowledge, understanding and skills in this field. The Board takes a longer-term view to ensure the Group's strategy is appropriate for long-term success.

Management is responsible for identifying and responding to emerging climate-related risks and opportunities. Management should understand these risks and opportunities to ensure that appropriate levels of mitigation are developed and responsibly elevated through established governance structures, as appropriate.

In 2022, the Board and senior management received regular climate-related training, including attending workshops on carbon pricing, decarbonisation and ESG risk. Climate change knowledge-building workshops for heads of departments and senior management took place during climate-specific working sessions at departmental level. These workshops focused on resource consumption, operational optimisation and decarbonisation initiatives.

Gem Diamonds adopted a bottom-up approach to embed decarbonisation awareness across the Group, with a series of workshops and presentations to explain the concept of carbon footprint and importance of carbon reduction to employees.

In 2022, Gem Diamonds joined the United Nations Global Compact (UNGC) initiative, a voluntary leadership platform for developing, implementing and disclosing responsible business practices in alignment with the UN's development principles and SDGs. The Group COO and HSSE and Sustainability Manager completed the six-month UNGC Climate Ambition Accelerator programme.

The Climate Ambition Accelerator programme equips companies with knowledge and skills to accelerate progress towards setting science-based emissions reduction targets aligned with the 1.5°C pathway. The learnings from this programme were integrated into the Group decarbonisation strategy.

STRATEGY

The impacts of climate-related risks and opportunities on our businesses, strategy and financial planning

Our Group strategy to sustainably maximise stakeholder value goes hand in hand with our commitment to be responsible stewards of our natural resources. Gem Diamonds identified three strategic priorities that underpin how the Group creates value for our stakeholders. We believe that effective management of climate-related matters contributes to the Group's performance within these priorities.

Strategic priorities		
Extracting Maximum Value from Our Operations	**Working Responsibly and Maintaining Our Social Licence**	**Preparing for Our Future**
Climate considerations		
Operational initiatives will improve efficiencies, thereby reducing operating costs and ensuring future availability of resources for all stakeholders	Bolstering our resilience to the physical impacts of climate change while working with our PACs to improve their readiness and resilience ensures that Gem Diamonds can protect its social licence to operate and continue to work responsibly with our stakeholders	The Group's existing business continuity and disaster management plans include considerations for natural weather events, which we have successfully managed at our operations for many years
2022 integration		
• Our focused waste rock dumping strategy was further improved in 2022 and resulted in even shorter hauling distances, which reduced costs, fossil fuel consumption and associated carbon emissions • We began steepening the pit walls in the Main pit in 2022, which reduced the volumes of waste rock to be moved, eliminating associated costs, fossil fuel consumption and carbon emissions • We piloted an energy prioritisation schedule to reduce energy demand	• We completed a climate-related risk exposure assessment • We worked with PACs to provide water and sanitation infrastructure	• We developed a climate-pricing model for use in life of mine planning and to evaluate future optimisation projects • The Board approved our decarbonisation strategy • We set a target of 30% Scope 1 and 2 emissions reduction by 2030 • We established the EDC to drive our decarbonisation strategy and projects

Decarbonisation strategy

The Board's adoption of the TCFD framework in June 2021 included a commitment to adopt a decarbonisation strategy by March 2023, with implementation to commence in 2023. Decarbonisation reduces anthropogenic carbon emissions through reduced resource consumption and the implementation of lower carbon and renewable energy sources, and is a key factor in meeting our climate change commitments.

The Group adopted a bottom-up approach to identify decarbonisation risks and opportunities and consider potential implementation pathways for resource use efficiency and carbon-reduction initiatives. We held decarbonisation workshops with specific operational teams throughout 2022 to identify initiatives that could support the Group's decarbonisation objectives through improved resource use efficiencies, lower carbon emissions and reduced operational costs. These workshops informed our decarbonisation strategy, in which we commit to a 30% Scope 1 and 2 emissions reduction by 2030. This is equivalent to a reduction of 39 044 tC_2Oe using our 2021 emissions footprint as a baseline.

Following extensive decarbonisation workshops, the strategy and supporting initiatives were evaluated internally and externally by carbon and energy experts. Further workshops were held with the Board to consider the decarbonisation strategy for final approval in March 2023.

We are aware of the importance of committing to practical, enforceable and realistic decarbonisation targets. We will use our 2021 carbon footprint as a baseline and will regularly communicate our progress against this commitment, which is aligned with internal performance metrics, including specific key performance indicators and remuneration. Our baseline will be re-evaluated should there be any material change to our organisational or operational structure (for example, acquisition or disposal of assets).

Our decarbonisation levers

In 2022, our Scope 1 and 2 carbon footprint comprised 49% direct Scope 1 emissions (2021: 48%) and 51% indirect Scope 2 emissions (2021: 52%). Currently, the Group targets both Scope 1 and Scope 2 emissions as part of our decarbonisation strategy and our 30% reduction by 2030 objective.

Letšeng draws its power from the South African power grid, supplied through the national power utility, Eskom. A 2021 study by the Centre for Research on Energy and Clean Air found Eskom to be the world's most polluting company. This is as a result of Eskom's 15 coal-fired power stations, which produce 80% of the country's power. Eskom-supplied grid electricity is currently the only grid power that Letšeng has access to and accounts for all our Scope 2 emissions. As of 2022, no renewable or alternative electricity sources are available to Letšeng to replace the existing grid-supplied electricity. Mobile (mining fleet and equipment) and stationary (diesel-powered generators) combustion activities account for 98% of our Scope 1 emissions as a result of the diesel consumed through these activities.

The Gem Diamonds decarbonisation strategy focuses primarily on Letšeng, which represents 98% of the Group's carbon footprint. Our strategy targets two key levers for reduced carbon emissions within both Scope 1 and 2, to:

- reduce our energy use and associated carbon emissions by improving the efficiency of our processes and equipment; and
- replace our dependence on fossil fuel-based energy sources with lower-carbon and renewable energy sources.

Reducing the overall demand for energy means that implementing renewable energy sources and offsetting residual emissions becomes as efficient and cost-effective as possible.

We are assessing and implementing initiatives to progressively switch to lower-carbon and renewable energy sources. Since 2021, Gem Diamonds has commissioned independent energy and carbon subject matter experts to identify opportunities to improve energy efficiency and reduce the energy use associated with Scope 1 and 2 emissions. These studies provided valuable insight to inform how we define and implement our decarbonisation strategy.

	What we learnt	How we responded
Scope 1	The extremely low temperatures at Letšeng eliminate the possibility of biodiesel to replace traditional mineral diesel. This is because biodiesel thickens in the fuel systems of the mining fleet and equipment at low temperatures.	We are assessing alternative energy sources for our mining fleet and equipment that could potentially replace traditional diesel combustion engines in the future.
	Frequent load shedding has increased the use of generators at Letšeng. These energy interruptions are potentially damaging and costly as machinery must shut down safely and not mid-use. Restarting machinery also consumes more power and increases the risk of damaging equipment.	We ensure that load shedding schedules are integrated into our production planning to facilitate an effective changeover to generator power. In the short term, we are assessing lower-carbon energy for our generators.
Scope 2	The remaining life of open pit mining at our Letšeng operation impacts the feasibility of any capital-intensive projects.	We commissioned a study to assess the possibility of hybrid power solutions and partnerships to bolster the viability of large-scale renewable energy projects.
	The Letšeng mine operates in a region that is protected as a nesting zone for endangered vultures. As a result, traditional turbine-driven wind power development is not possible within a 40km radius of the mine.	We are assessing bird-friendly wind power technology that poses no danger to endangered or other bird species in the region.
	The location-specific irradiance of the Letšeng mine indicates that a maximum of 5.5 hours a day are available for energy yield through solar photovoltaics.	We commissioned a study to assess the viability of solar power as part of a hybrid model that includes other renewable energy sources.

Energy demand reduction and decarbonisation initiatives

Our carbon footprint analysis at Letšeng showed that we successfully reduced our comparative carbon footprint and associated intensity indicators during the reporting period. The reduction is mainly due to mining optimisation initiatives that reduced the volume of waste mining, including a 30% reduction in haulage distances.

At our Group sustainability and decarbonisation workshop, we selected projects and initiatives to form part of our operational and Group decarbonisation strategy. In 2022, as part of our ongoing efforts to reduce energy-related emissions and costs, the Group implemented a number of initiatives that positively impacted our carbon footprint:

By **optimising heating systems**, we reduced the energy requirements for accommodation heating by 19%

Through the **implementation of technology** that staggers energy demand related to lighting and water heating, we **reduced the peak power demand** in the on-site accommodation facilities by 28%

The Letšeng operation implemented an **ISO 50001-aligned energy management system** that further informs the operational approach to manage, track and protect energy supply, and track and minimise energy consumption

We **further reduced our waste rock hauling distances**, resulting in a reduction of our carbon emissions and diesel consumption

We implemented a focused **behaviour-based training programme** to create awareness of the impact each employee has on energy consumption

We commissioned a site-wide **lighting energy assessment** and adopted a strategy to replace all lighting infrastructure on site with energy-efficient or renewable technology

Working towards a just transition

Our decarbonisation strategy considers the socio-economic environment in Lesotho and the well-being of our workforce and surrounding communities. We acknowledge the importance of a just transition from fossil fuel reliance, and we intend to target decarbonisation projects that take into consideration economic, societal and climate impacts.

Carbon pricing

Internal carbon pricing is a globally recognised tool to guide decision-making when assessing climate change impacts and risks and opportunities, by forecasting a future world under various climate change scenarios.

Companies that adopt an internal price on carbon are better able to integrate the impact of climate change into their business strategy and planning. Gem Diamonds' adoption of an internal carbon-pricing model in August 2022 set the basis for our decarbonisation strategy.

Our shadow price carbon-pricing model (a method of investment analysis that adds a hypothetical surcharge to the price of projects that involved the creation of carbon emissions) considers our climate change scenario planning work and assigns prices based on current and potential future global responses associated with various changes in global temperature. Inputs into our carbon-pricing model include a potential future carbon tax, technology development and deployment, coal-powered energy divestiture, fossil fuel pricing increases and location-specific regulation.

Our carbon-pricing model exposes otherwise potentially hidden impacts of climate-related risks (for example, a potential future carbon tax and the cost of a just transition from fossil fuels) and opportunities (for example, renewable energy viability). It supports strategic decision-making related to future capital investments in a just transition, and lower-carbon and renewable energy options. There is uncertainty of the cost and timing of implementation of carbon-related taxes. Carbon pricing is built into our future project planning to appropriately analyse potential investments under different hypothetical scenarios. Management and the Board will continue to assess the potential impacts of carbon-related taxes as the information becomes more certain.

The UNGC called for businesses to adopt an internal carbon price of at least US\$100/tCO_2e by 2020, to keep greenhouse gas (GHG) emissions consistent with a 1.5°C to 2°C pathway.

Following a science-based climate change scenario analysis, Gem Diamonds adopted the following shadow carbon prices as inputs into our carbon-pricing model:
- US$102.49 per tonne for carbon emissions before 2030; and
- US$159.75 per tonne for carbon emissions after 2030.

Gem Diamonds is currently not subject to any carbon taxes as these taxes have not been imposed in any of the jurisdictions in which the Group operates.

For information on carbon pricing and the Gem Diamonds model, refer to Our Approach to Climate Change Half-Year Report 2022.

RISK MANAGEMENT

How we identify, assess and manage climate-related risks

Gem Diamonds has a robust risk management process and framework to identify, assess, manage and mitigate current and emerging risks and uncertainties. Our risk management framework combines a top-down and bottom-up approach to ensure appropriate governance and oversight. It ensures that all material risks are appropriately identified, assessed, mitigated and monitored. Risks are assessed and prioritised in terms of potential impact, probability of occurrence and effectiveness of controls across short, medium and long-term timeframes.

In 2022, we worked with experts in insurance, decarbonisation, energy and climate change to identify emerging risks and potential opportunities for improvement or mitigation, with the aim of assessing our readiness for responding to these. Our collaboration with external experts enabled us to bolster our organisational system readiness and plan appropriately for the mitigation of future risks to the business.

Manage and Monitor

- The Board has ultimate responsibility for climate-related risk management.
- The Audit Committee regularly receives reports on risk, strategy and governance processes related to climate change and the associated financial disclosures.
- The Audit Committee has oversight of climate-related risks and potential financial, strategic and business planning impacts, which are presented to the Board during quarterly risk meetings.
- The Sustainability Committee assures the Board that appropriate systems are in place to identify and manage climate-related HSSE impacts.
- The Sustainability Committee oversees energy and decarbonisation risks and opportunities, and monitors performance against carbon and water footprint parameters.

Top-down approach –

Board

Audit Committee

Sustainability Committee

Assess

- Management, through the TCFD Adoption Steering Committee, assesses the materiality of climate-related risks identified through the risk identification process.
- Based on this assessment, a risk management plan is developed and presented in quarterly meetings to the Audit and Sustainability Committees and, ultimately, to the Board for approval.
- Emerging and existing regulatory requirements related to climate change issues are monitored and addressed by the Audit and Sustainability Committees. The HSSE and Sustainability Manager attends these meetings by invitation.
- Through the EDC, management assesses energy and decarbonisation risks and opportunities. Progress against risk mitigation opportunity improvement plans are presented to the Sustainability Committee.

Identify

- Gem Diamonds has established internal and external processes to identify climate-related risks.
- Quarterly risk workshops for department heads provide management oversight of climate-related risks. The outcomes of the risk workshops inform updates to the Group risk register and mitigation measures to be implemented. These are presented to the Board at the quarterly risk review meetings.
- Approved risk management plans are implemented by management at Group and operational level. This is monitored and managed through TCFD Adoption Steering Committee meetings, EDC meetings, quarterly technical reviews, management risk workshops, quarterly risk reviews, and Board and Committee meetings.

Bottom-up approach –

Management

EDC

TCFD Adoption Steering Committee

Physical and transitional risk exposure assessments

In 2022, we expanded on the comprehensive physical and transition risk exposure assessments we conducted in 2021, determining the materiality of potential impacts on financial performance and position. We took a science-based approach to identify potential exposure events associated with our climate-related risks and materialisation, enabling us to better plan for their management, mitigation and financial impact.

Climate-related transition risks are incorporated into our risk management framework. Our resilience to physical climate-related risks is robust, and we continue to improve our understanding of the potential physical risks under various future scenarios.

The table below provides a high-level overview of some of the Group's climate-related risks and opportunities.

Climate-related risks	Potential financial impact	Climate-related opportunities	Potential financial impact
Short term: 1 to 3 years			
Short-term processes include annual business and financial planning, performance reporting, short-term capital allocation and contract negotiations.			
• Increase in occurrence of moderate precipitation • Enhanced emissions reporting obligations • Enhanced ESG obligations	• Increased operating costs • Increased capital investment	• Increased resource efficiencies and reducing our reliance on fossil fuels • Enhanced water use strategies • Waste reduction and recycling initiatives	• Reduced operating costs • Increased capital investment
Medium term: 3 to 5 years; long term: 5 to 10 years			
Medium to long-term processes include strategy development, social and environmental management plans, rehabilitation planning, capital management plans, financing and capital investments and operational planning, including contract negotiations and future-focused projects.			
• Increase in occurrence and severity of precipitation • Rising mean temperature • Strong winds • Increased frequency and duration of droughts • Failure of electricity providers to move to a low-carbon economy • Substitution of technology with lower-emission alternatives • Social risks due to resource constraints, particularly in developing countries • Evolving regulatory context regarding carbon tax • Increased costs of carbon-intensive products (such as diesel) • Reputational risk	• Increased capital investment • Increased operating cost • Reduced revenue from decreased production capacity • Increased insurance premium or insurance unavailability • Research, development and implementation costs of new technology • Inappropriate investment decisions	• Identify opportunities to transition to renewable energy sources • Position Gem Diamonds as an ethical and responsible producer of low-carbon-footprint diamonds • Use of new technologies	• Reduced exposure to carbon and fossil fuel pricing • Increased capital availability • Reputational benefits • Decreased operating costs • Increased capital investment

TARGETS AND METRICS

The targets and metrics used to assess and manage relevant climate-related risks and opportunities

The Group monitors various metrics to inform its assessment of climate-related risks and opportunities.

In 2022, we increased the frequency of our carbon and water footprint assessments from once a year to every six months. This provides shorter-term monitoring and control of our progress against our set goals and the associated risks and opportunities, and allows us to respond sooner to climate and energy-related matters such as consumption rates, carbon emission trends and opportunities to improve usage efficiencies.

The following metrics and trends are measured and monitored as part of our normal operations:

- Carbon footprint
- Water footprint
- Freshwater dam levels
- Precipitation patterns
- Energy consumption trends
- Environmental expenditure
- Land use and rehabilitation activities

For more information on our carbon emissions, including Scope 1, 2 and 3 emissions and other climate-related metrics, refer to Our Sustainability Report 2022.

Our carbon, energy and water footprints

Carbon

The Gem Diamonds' carbon footprint is calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, an accounting tool developed by the World Resources Institute and the Business Council for Sustainable Development to manage GHG emissions. The standard includes Intergovernmental Panel on Climate Change GHG inventory guidelines for specific heating values, carbon content, densities and emission factors.

Our total 2022 carbon footprint for the Group was 112 827 tCO_2e (2021: 153 863 tCO_2e). This includes direct carbon emissions (Scope 1), energy indirect carbon emissions (Scope 2) and material Scope 3 emissions.

The reduction of the Group's carbon footprint can be attributed to a reduction in the volume of tonnes mined and treated in accordance with the mine plan at Letšeng, mining optimisation initiatives, improved energy demand management and scheduling, implementation of energy efficiency workstreams, and load shedding of the South African power grid.

Mining optimisation initiatives implemented during 2021, such as reduced hauling distances, steeper slopes and reduced mineral waste mining were further improved during 2022. Relooking these initiatives to assess and implement further improvement opportunities not only contributed to a reduced carbon footprint, but also mitigated the impact of significantly increased diesel prices during 2022. The 2022 period also saw increased reliance on diesel-powered generators to power the Letšeng operations due to the increased impact of load shedding of the South African grid, which feeds the Letšeng mine.

In 2022, the South African grid was affected by load shedding on 207 days, up from 75 days in 2021 and 54 days in 2020. The ever-increasing instability of South Africa's Eskom grid, from which the grid power for our Letšeng mine is sourced, resulted in significantly increased reliance on our diesel-powered generators to power the mining operations. As a result of load shedding, the Letšeng operation recorded a 242% year on year increase in carbon emissions related to stationary combustion (reliance on generators), while recording a 27% decrease in carbon emissions related to mobile combustion (driven by mining activities). The 27% reduction of mobile combustion-related emissions can be attributed to mining optimisation initiatives and lower volumes of material mined in 2022, in line with the mine plan.

Letšeng carbon emissions related to diesel consumption (tCO_2e)	**2022**	2021	% change
Diesel: Mobile combustion	**38 035**	52 410	(27)
Diesel: Stationary combustion	**8 667**	3 587	242
Total emissions related to diesel consumption	**46 702**	56 939	(18)

The Group monitors intensity indicators to assess and appropriately respond to carbon emission changes. Although our emissions intensity for tonnes mined (ore and waste) increased slightly in 2022, this is directly related to the significant reduction in waste tonnes mined being offset by a relatively smaller reduction in overall emissions. However, our intensity indicators for tonnes treated showed an improvement from 2021 to 2022, largely as a result of the decarbonisation initiatives implemented.

Carbon emissions	Unit	2022	2021	2020
Scope 1 (direct)	tCO_2e	**48 219**	62 672	53 568
Scope 2 (indirect)	tCO_2e	**51 092**	67 473	61 320
Total Scope 1 and 2	tCO_2e	**99 311**	130 145	114 888
Scope 3 (indirect)	tCO_2e	**13 516**	23 718	20 807
Total Scope 1, 2 and 3	tCO_2e	**112 827**	153 863	135 695
Total tonnes mined (ore and waste)	tonnes	**15 886 339**	24 395 986	21 167 606
Ore tonnes treated	tonnes	**5 506 576**	6 172 428	5 436 396
Intensity indicator: Scope 1 and 2 (tCO_2e)/tonnes mined (ore and waste)	ratio	**0.006**	0.005	0.005
Intensity indicator: Scope 1 and 2 (tCO_2e)/tonnes ore treated	ratio	**0.018**	0.021	0.021

The Group will continue to measure and report on our carbon footprint performance as we work towards our goal of reducing our footprint by 30% by 2030, using 2021 as a base.

Energy

Group-wide energy consumption (for Scope 1 and 2 activities) in 2022 was 219.6 million kWh (2021: 320.4 million kWh). 99% of Scope 1 and 2 energy consumption in 2022 is attributable to Letšeng, where our principal energy sources are grid electricity and diesel. The reduction in the Scope 1 and 2 energy consumption resulted in an improvement of energy use efficiencies for ore tonnes treated (see the table below). This illustrates an improvement in energy consumption across the value chain, from mining to treated production. The increase in energy intensity for tonnes mined is primarily driven by the significant reduction in waste tonnes mined as the actual energy consumption for both Scope 1 and 2 reduced by 100.8 million kWh in 2022 from 2021.

Energy consumption	Unit	2022	2021	2020
Scope 1	kWh	**167 643 889**	251 743 229	215 725 348
Scope 2	kWh	**51 975 278**	68 637 800	62 378 253
Total Scope 1 and 2	kWh	**219 619 000**	320 381 000	278 103 000
Total tonnes mined (ore and waste)	tonnes	**15 886 339**	24 395 986	21 167 606
Ore tonnes treated	tonnes	**5 506 576**	6 172 428	5 436 396
Intensity indicator: kWh/Tonnes mined (ore and waste)	ratio	**13.82**	13.13	13.14
Intensity indicator: kWh/Tonnes ore treated	ratio	**39.88**	51.91	51.16

Water

Scientists warn that most people will be forced to live with severe pressure on fresh water supply within the next two generations as a result of over-use and climate change. The Group continues to deepen our understanding of water-related risks and opportunities at our operations. Until the start of 2021, Letšeng faced an extended four-year drought, prompting the operation to assess further water use reduction and recycling initiatives. During 2022, Letšeng also implemented a number of plans focused on water stewardship, including:

- improving site-wide stormwater management to minimise the potential flow of water in mining areas and to maximise the flow to our clean water dam;
- improving the pit dewatering system to reduce the water-residency time in the pits;
- adopting a "closed-loop" return water system from our tailings facility (Patiseng) for return water required for processing activities; and
- implementing improved water treatment methodologies.

These initiatives reduce the volume of fresh water consumed by the Letšeng operation and ensure water quality is protected through focused engineering controls.

In 2022, Lesotho received significant rainfall, recharging our freshwater storage facility. The water currently held in the Mothusi freshwater facility ensures adequate water supply, at current usage rates, for the next nine years. The implementation of water stewardship initiatives resulted in a 54% decrease in our Group-wide net water usage and a 61% decrease in water withdrawal. We recycled 6.4 million m^3 of water, reduced the net water consumed across the value chain by 48% for treated ore, and improved our recycled water usage for treated ore by 19%.

The management of our response to more dynamic weather patterns will continue to evolve alongside our understanding of the impacts of climate change.

Water consumption	Unit	2022	2021	2020
Net water usage	million m^3	**3.3**	7.1	6.0
Water withdrawal and capture	million m^3	**1.5**	3.8	3.5
Water recycled	million m^3	**6.4**	8.9	8.8
Water loss through evaporation, entrainment, and seepage	million m^3	**3.6**	3.1	3.2
Total tonnes mined (ore and waste)	tonnes	**15 886 339**	24 395 986	21 167 606
Ore tonnes treated	tonnes	**5 506 576**	6 172 428	5 436 396
Net water use (m^3)/Tonnes mined (ore and waste)	ratio	**0.21**	0.29	0.28
Net water use (m^3)/Tonnes ore treated	ratio	**0.60**	1.15	1.10
Recycled water (m^3)/Tonnes mined (ore and waste)	ratio	**0.40**	0.36	0.42
Recycled water (m^3)/Tonnes ore treated	ratio	**1.16**	1.44	1.62

RISK MANAGEMENT

HOW WE APPROACH RISK

The Group's risk management framework, which is fully integrated with strategic and operational planning, aims to identify, manage and respond to the Group's risks and uncertainties. The framework combines top-down and bottom-up approaches with appropriate governance and oversight.

Risk management framework

Oversight

Board of Directors

The Board is responsible for risk management in the Group and provides stakeholders with assurance that key risks are properly identified, assessed, mitigated and monitored. The Board maintains a formal risk management framework for the Group and formally evaluates the effectiveness of the Group's risk management process. It confirms that the process is accurately aligned with the Group's strategy and performance objectives.

At the quarterly risk review meeting, the Board reviews the risk register, assesses management's scenarios and plans, interrogates the most critical risks in detail and debates mitigating plans with management.

Top-down approach – the Board sets the risk appetite and tolerances, strategic objectives and accountability for the management of the framework

Governance

Audit Committee

The Audit Committee monitors the Group's risk management processes, reviews the status of risk management, and reports to the Board on a biannual basis. It is responsible for addressing the corporate governance requirements of risk management and for monitoring risk management at each operation.

Sustainability Committee

The Sustainability Committee provides assurance to the Board that appropriate systems are in place to identify and manage health, safety, social, environmental and climate change-related risks. It monitors the Group's performance within these categories and drives proactive risk mitigation strategies to secure safe and responsible operations and our social licence to operate in the future.

Responsibility

Management

Management develops, implements, communicates and monitors risk management processes and integrates them into the Group's day-to-day activities. It identifies risks affecting the Group, including internal and external, current and emerging risks. It implements appropriate risk responses consistent with the Group's risk appetite and tolerance.

Group Internal Audit

Group Internal Audit formally reviews the effectiveness of the Group's risk management processes. The outputs of risk assessments are used to compile the strategic three-year rolling and annual internal audit coverage plan, and evaluate the effectiveness of controls.

Bottom-up approach – ensures a sound risk management process and establishes formal reporting structures

The Board is ultimately responsible and accountable for the Group's risk management function. It is supported by its subcommittees and senior management to oversee the Group's most relevant and significant current and emerging risks. These include strategic, operational and external risks. These risks are actively identified, assessed, prioritised, managed and mitigated as much as reasonably possible, as they could negatively impact the Group's ability to execute its strategy.

While the Group's risk management framework focuses on risk identification and mitigation, many of the factors that give rise to these risks also present opportunities. Gem Diamonds tracks these opportunities and incorporates them into the strategy where they appropriately support the Group's purpose.

The Board and its subcommittees have identified the following key strategic, operational and external risks, which have been set out in no order of priority.

Exposure increased ↑	Exposure unchanged ←	Exposure reduced ↓

1. Availability and sustainability of reliable power supply ↑	**Risk:** Poor quality of power supply reduces the available processing time and negatively influences the reliability and stability of plant equipment. Regular power interruptions result in higher generator use and compound the impact of escalated diesel prices and time between failures, which in turn increases operating costs. **Opportunity:** Improved efficiencies, reduced costs and decarbonisation benefits.	**Risk response:** • Exploring solutions with the Lesotho Electricity Company (LEC) for grid and/or renewable power • Initiated power usage option study • Assessing potential to generate renewable energy for own use • Established an Energy and Decarbonisation Committee • Prioritisation of load and allocation of power • Identification and implementation of consumption reduction initiatives	**Risk type:** Strategic, operational and external **Strategic impact:** Extracting Maximum Value from Our Operations Preparing for Our Future Working Responsibly and Maintaining Our Social Licence **Business model impact:** Affects the entire business model.
2. Diamond resources and reserves ↑	**Risk:** Letšeng's low-grade orebodies make the operation sensitive to resource variability. Inconclusive information on the geological continuity, distribution, grade and quality of diamonds within the orebodies and variability at depth increases the risk that production targets will not be achieved and reduces confidence in the performance of the resource. Unexpected variability in key resource/reserve criteria, such as volume, tonnage, grade and price, can significantly impact mine planning, forecasting and financial stability, both in the short and medium term, and can influence decisions regarding future growth. **Related opportunity:** Having access to adequately detailed and reliable exploration, sampling and testing data enables the operation to reasonably estimate geological, grade and quality continuity within defined domains, and improves planning and forecasting accuracy.	**Risk response:** • Gathering geological evidence on variations within the resource (lithology, density, volume/tonnage, grade, diamond population size and value distribution), applying industry best practice and engaging independent experts to audit and provide advice • Ongoing pit mapping, petrography, drilling and 3D modelling • Grade control, bulk sampling, density and moisture content measurements (on-site and independent lab verification), dilution control, stockpile management, data management, quality control and internal auditing of production data (including geological, processing, recovery and sales data) • Managing the Diamond Accounting System and Mineral Resource Management (MRM) database, monitoring recovery data on a daily and monthly basis, as well as per export period, to follow trends in diamond distributions, large stone recovery frequencies and average diamond prices per kimberlite domain	**Risk type:** External and operational **Strategic impact:** Extracting Maximum Value from Our Operations Preparing for Our Future **Business model impact:** Affects natural capital inputs and outputs of carats recovered. Life of mine affects the long-term viability of the business model.

3. Workforce	**Risk:** Achieving the Group's objectives and sustainable growth depend on the ability to attract and retain suitably qualified, experienced and ethical employees. Gem Diamonds operates in an environment and industry where shortages in experience and skills are prevalent. **Related opportunities:** Skills retention and continuous improvement initiatives build the Group's human capital and can create a competitive advantage.	**Risk response:** • Human resource practices are designed to identify skills shortages and implement development programmes and succession planning for employees • Incentives are in place to retain key individuals through performance-based bonuses and long-term share awards • Remuneration practices are in place to ensure the Group regularly reviews current remuneration policies, skills and succession planning • Development of training and coaching plans to address areas where skills and experience shortages are identified, in conjunction with government agencies	**Risk type:** Strategic and operational **Strategic impact:** Extracting Maximum Value from Our Operations Working Responsibly and Maintaining Our Social Licence Preparing for Our Future **Business model impact:** Affects human, intellectual and financial capital inputs into the business model.
4. Security of product	**Risk:** Theft is an inherent risk in the diamond industry. The high-value nature of the product at Letšeng makes it susceptible to theft and significant losses, which could negatively affect revenue and cash flows. **Related opportunities:** Advanced security control measures increase employee and product safety and improve revenue.	**Risk response:** • Zero tolerance of non-conformance to diamond security policies and regulations • Advanced security access control and surveillance system in place, complemented by off-site surveillance • Monitoring of security process effectiveness by the Diamond Recovery Protection Committee (a subcommittee of the Letšeng Board) • Appropriate diamond specie insurance cover in place • Vulnerability assessments and assurance audits conducted by internal and independent third parties	**Risk type:** Strategic and operational **Strategic impact:** Extracting Maximum Value from Our Operations Working Responsibly and Maintaining Our Social Licence **Business model impact:** Improves outputs of carats recovered, which increases financial outputs. Improves human capital and safety outcomes.
5. Variability in cash generation	**Risk:** Variability in cash flows from operational activities, currency fluctuations and uncontrollable cost inflation can negatively affect the Group's ability to effectively operate, repay debt and fund capital projects. This risk is directly impacted by other principal risks such as rough diamond demand and prices, diamond damage, and diamond resources and reserves performance. **Related opportunities:** Cash constraints drive more efficient capital allocation and cost discipline. Consistent and regular cash flows provide predictability to maintain an appropriate capital allocation strategy.	**Risk response:** • Appropriate treasury management procedures and framework to enter into short-term hedging instruments are implemented to mitigate the effects of currency volatility on cash flows • Rigorous cost and capital discipline is in place • Funding facilities are in place to manage variability in the short to medium term • Ongoing drive for continuous improvement to deliver operational efficiencies	**Risk type:** External and strategic **Strategic impact:** Extracting Maximum Value from Our Operations Preparing for Our Future **Business model impact:** Affects funding and financial capital inputs and outcomes.

6. Information Technology (IT) and Operational Technology (OT) systems, and cybersecurity	**Risk:** The Group's operations rely on secure IT and OT systems to process and record financial and operating data in its information management systems. If these systems are compromised, there could be serious production interruption and a material adverse impact on the Group. **Related opportunities:** Stability to the business with no production interruption.	**Risk response:** • Application of technical and process IT controls in line with industry-accepted standards • Appropriate back-up procedures, firewalls and other appropriate security applications in place • Regular testing of back-up restorations • IT management policies • Delivering on the outcomes of the National Institute of Standards and Technology's (NIST) cybersecurity risk assessment	**Risk type:** Strategic and operational **Strategic impact:** Extracting Maximum Value from Our Operations Preparing for Our Future **Business model impact:** Affects the entire business model.
7. Production interruption	**Risk:** Material mine and/or plant shutdowns, pit closures or periods of decreased production could arise due to various events. These events could lead to personal injury or death, environmental impacts, damage to infrastructure and delays in mining and processing activities and could result in financial losses and possible legal liability. The Group relies on the use of external contractors in its mining and processing activities. Material disputes with these contractors could materially impact the Group's operations. **Related opportunities:** Focused contract management supports operating at or near steady-state levels, which improves efficiencies due to stability of production. Robust business continuity plans are in place which results in limited delays due to disruptions.	**Risk response:** • Continuous review of business continuity plans • Bespoke contract management role in place to ensure proper contract management and minimise potential for disputes and disruptions • Appropriate insurance is maintained • Appropriate levels of critical resources maintained (fuel, ore stockpiles, etc) to mitigate the impact of any production interruptions • Continual improvements in the management of contractors' operating practices	**Risk type:** Operational and External **Strategic impact:** Extracting Maximum Value from Our Operations Working Responsibly and Maintaining Our Social Licence **Business model impact:** Reduced operational activity could lead to a decline in financial capital and outputs. Negative outcomes decrease natural and human capital.
8. Diamond damage	**Risk:** Letšeng's valuable Type IIa diamonds are susceptible to damage during the mining and ore treatment process. This affects revenue generated by the Group's large, high-value diamonds, resulting in reduced cash flow and profitability. **Related opportunities:** Reduction in diamond damage will result in higher prices achieved, resulting in improved revenue, cash flow and profitability.	**Risk response:** • Continuous diamond damage monitoring and analysis to identify opportunities to reduce diamond damage • Adherence to defined blasting and processing parameters to reduce possible diamond damage • Development of early identification and improved liberation technology • Evaluating alternative technologies for reduced diamond damage in the mining and treatment processes	**Risk type:** Strategic and operational **Strategic impact:** Extracting Maximum Value from Our Operations Preparing for Our Future **Business model impact:** Reduces financial inputs, increases diamond prices realised and output of carats recovered, increasing financial outputs.

9. Health, safety and wellness	**Risk:** The probability of a major health or safety incident occurring is inherent to mining operations. These incidences could impact the well-being of employees, PACs, our licence to operate, the Group's reputation and compliance with our mining lease agreement. **Related opportunities:** Improving employee health and wellness can increase morale, reduce absenteeism and improve productivity. Effective safety policies and processes in place reduces risk to our workforce, strengthens our relationships with employees and regulators, and safeguards our reputation.	**Risk response:** • Appropriate health and safety policies and practices are in place • Corrective actions identified from incident investigations and internal and external audits are implemented timeously • Dam safety management framework implemented in alignment with the ICMM's GISTM • ISO 45001 accreditation maintained • Safety management and leadership programme; visible felt leadership, detection and prevention strategies developed and implemented • Safety training and awareness campaigns • Psychological support considerations for entire workforce • Continually assess organisational safety culture maturity to address current and emerging issues • Implement a mine-wide critical control management strategy	**Risk type:** Strategic and operational **Strategic impact:** Extracting Maximum Value from Our Operations Working Responsibly and Maintaining Our Social Licence **Business model impact:** Affects the entire business model.
10. Social licence to operate	**Risk:** The Group's social licence to operate is underpinned by the support of its stakeholders, particularly employees, regulators, PACs and society. This support is an outcome of the way the Group manages issues such as ethics, labour practices and sustainability in our wider environment, as well as our risk management and engagement activities with stakeholders. The recent election outcome in Lesotho could result in new government policies. **Related opportunities:** Realising the Group's goal to make a meaningful and sustainable contribution to the countries in which we operate builds our reputation with all stakeholders including employees, government, regulators, communities and investors.	**Risk response:** • The implementation of an appropriate CSI strategy based on a community needs analysis which provides infrastructure and access to education and healthcare, and supports local economic development • Adoption of relevant standards, best practices and strategies • Appropriate governance structures across all levels of the Group • Regular engagement with all stakeholders, including government, regulators, community leadership and PACs • Established an Employee Engagement Committee	**Risk type:** Strategic and operational **Strategic impact:** Working Responsibly and Maintaining Our Social Licence Preparing for Our Future **Business model impact:** Affects social capital and the viability of the business model.

11. Climate change	**Risk:** Climate change-related risks (transitional and physical risks) are recognised as top global risks and investors are increasingly focused on the management of these risks. Climate change presents significant present and future risks to the Group which, if not identified and managed responsibly, could negatively impact the Group's long-term operational and financial resilience. **Opportunity:** Opportunities for improvements in energy consumption and sustainable power supply resulting in operational efficiency, decarbonisation, and reduction in costs and potential carbon taxes.	**Risk response:** • TCFD adoption and climate change strategy development • Adoption of a Group decarbonisation strategy • Governance and management practices implemented • Structured TCFD Adoption Steering Committee meetings • New reporting standards adopted • Adoption of UN SDG framework • Carbon emissions monitoring and reporting • Drive and monitor the implementation and benefits realised from energy and decarbonisation initiatives through the Energy and Decarbonisation Committee	**Risk type:** Strategic, operational and external **Strategic impact:** Preparing for Our Future Working Responsibly and Maintaining Our Social Licence **Business model impact:** Affects the entire business model.
12. Access to capital	**Risk:** The volatility of the Group's share price and lack of growth negatively impacts the Group's market capitalisation. Constrained cash flows could impact returns to shareholders. The Group currently relies on a single mine with a finite life for its revenues, profits and cash flows. **Related opportunities:** Exploit growth opportunities within current operations and pursue other external assets.	**Risk response:** The Group's strategic objectives are to drive share price growth through: • Continuous improvement initiatives • Investigating early diamond identification and alternative mining and liberation technology • Assessing mergers and acquisitions and diversification opportunities • Focusing on existing operations to unlock further value through rationalisation and efficiency improvements	**Risk type:** Strategic **Strategic impact:** Extracting Maximum Value from Our Operations Working Responsibly and Maintaining Our Social Licence Preparing for Our Future **Business model impact:** Affects the entire business model.

13. Rough diamond demand and prices	**Risk:** Numerous factors beyond our control could affect the price and demand for diamonds. These factors include macro-economic, political and consumer trends. Medium to long-term demand is forecast to outpace supply, but short-term uncertainty and liquidity constraints within the diamond sector may negatively impact rough diamond pricing. **Related opportunities:** Reduced supply and increased demand could result in improved revenue, resulting in positive cash flows.	**Risk response:** • Managing our own sales processes and closely monitoring market conditions and trends • Flexibility in sales processes and utilisation of multiple sales and marketing channels, and increased viewing opportunities • Ability to enter into partnership agreements to share in the upside of polished diamonds • Maintaining the integrity of the tender process	**Risk type:** External **Strategic impact:** Extracting Maximum Value from Our Operations Preparing for Our Future **Business model impact:** Affects funding of the business model, sales and marketing activities and chosen distribution channels.
14. Environmental	**Risk:** Environmental issues are recognised as top global risks by the World Economic Forum and investors are increasingly focused on environmental performance. Failure to manage vital natural resources, environmental regulations and pressure from neighbouring communities can affect the Group's ability to operate sustainably. **Related opportunities:** Responsible environmental stewardship improves relationships with regulators and communities while strengthening our brand. Increased focus on environmental responsibility could translate into a competitive advantage.	**Risk response:** • Appropriate sustainability and environmental policies are in place and regularly reviewed • The current behaviour-based care programme embeds environmental stewardship • A dam safety management framework has been implemented • Annual social and environmental management plan audit programme has been implemented • ISO 14001 (Environmental Management) accreditation maintained • Adopted a UN SDG framework • Rehabilitation and closure management strategy adopted and updated annually • Implementation of an integrated water management framework • Concurrent rehabilitation strategy implemented	**Risk type:** External and operational **Strategic impact:** Extracting Maximum Value from Our Operations Working Responsibly and Maintaining Our Social Licence Preparing for Our Future **Business model impact:** Affects natural capital inputs into the business model and negative outcomes in the case of environmental incidents.

EMERGING RISKS

The Group risk framework includes an assessment of emerging risks, which considers those risks that:

- are likely to materialise or impact over a longer timeframe than existing risks;
- do not have much reference from prior experience; and
- are likely to be assessed and monitored against vulnerability, velocity and preparedness when determining likelihood and impact.

The current emerging risks that are being monitored by the Group are:

- lab-grown diamonds attracting a larger market share;
- generational shifts in consumer preferences back to diamonds, as led by social influencers; and
- future workforce (automation, skills for the future, etc).

VIABILITY STATEMENT

The Board has assessed the viability of the Group over a period significantly longer than 12 months from the approval of the financial statements, in accordance with the UK Corporate Governance Code. The Board considers three years from the financial year end to be the most relevant period for consideration for this assessment, given the Group's current position and the potential impact of the principal risks documented on pages 36 to 42 on the Group's viability.

While the Group maintains a full business model, based predominantly on the life of mine plan for Letšeng, the Group's annual business and strategic planning process also uses a three-year time horizon. This process is led by the CEO and CFO and involves all relevant functions including operations, technology and innovation, sales and marketing, finance, treasury and risk. The Board participates in the annual review process through structured Board meetings and annual strategy review sessions. A three-year period provides sufficient and realistic visibility in the context of the industry and environment in which the Group operates, even though the life of mine, the mining lease tenure and available estimated reserves exceed three years.

The business and strategic plan reflects the Directors' best estimate of the Group's prospects. The Directors evaluated several additional scenarios to assess the potential impact on the Group by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan.

The Board's assessment of the Group's viability focused on the critical principal risks categorised within the strategic, external and operational risk types, together with the effectiveness of the potential mitigations that management reasonably believes would be available to the Group over this period.

GROUP FACILITIES

The refinancing of the Group's facilities, which was completed in December 2021, and the new project debt facility for the replacement of the primary crusher area (PCA), implemented in November 2022, significantly increased the Group's available facilities to US$82.6 million, when fully unutilised. US$74.1 million of these facilities mature in December 2024 and US$5.9 million is a general banking facility with no set expiry date, but which is reviewed annually. The balance of US$2.6 million relates to the PCA funding which expires in May 2027.

RISING COSTS

The Russian invasion of Ukraine caused extreme global uncertainty which resulted in increased diesel and explosives prices experienced during the year. This had a direct impact on costs due to the large volumes of diesel used in the loading and hauling of ore and waste tonnes. In addition, the cost of running the treatment plants increased as the diesel-run generators were used for extended periods due to the electricity grid disruptions experienced in South Africa, the primary source of electricity for Letšeng. The Group has seen a slight reduction in the diesel price during the first two months of 2023.

CLIMATE CHANGE

The Board is cognisant of the risks presented by climate change and conscious of the need to minimise emissions. A Group-specific climate change scenario analysis has been conducted whereby the short to medium and longer-term physical risks were assessed. The short to medium-term impacts fall within the viability period. The physical risks identified for Letšeng, such as drought, strong winds, extreme precipitation and cold, are similar to its current operating conditions. The operation is therefore well geared to manage these conditions within its current and medium-term operational activities, cost structure and business planning. Additional cash investment required in the event of these short to medium-term physical risks materialising has been assessed as low with no material impact on the current operations and viability of the Group.

In terms of transitional risks, as users of grid-supplied and fossil fuel energy, the short-term focus is on improving energy efficiencies in our operational processes and reducing combustion-related fossil fuel use. Options are being assessed in the context of the size, nature and location of the Group's operations, the required investment and the expectations of our main stakeholders. Any material investment during the viability period is considered unlikely. Due to the uncertainty of the cost and timing of implementation of carbon-related taxes, the impact of such taxes on the Group's operations and cash flows has been excluded from the viability assessment and scenario stress testing. Management and the Board will continue to assess these impacts as the information becomes more certain. The Group has adopted a carbon-pricing model that will be used to responsibly assess the potential financial impact of future projects. The Group has also adopted a decarbonisation strategy which is aimed at reducing potential future carbon tax liabilities.

STRESS TESTS

The scenarios tested considered the Group's revenue, EBITDA[1], cash flows and other key financial ratios over the three-year period. The scenarios included the compounding effect of the factors below and were applied independently of each other.

Effect	Extent of sensitivity analysis	Related principal risks	Area of business model affected
A decrease in forecast rough diamond revenue from reduced market prices or production volumes caused by unforeseen production disruption due to climate-related, electricity grid disruptions or any other events.	26%	• Rough diamond demand and prices • Production interruption • Diamond damage • Diamond resources and reserves	• Entire business model, ie inputs, activities, outputs and outcomes
A strengthening of local currencies to the US dollar from expected market forecasts.	23%	• Variability in cash generation	• Financial capital inputs and outcomes
An increase in mine operating costs caused by volatility in diesel, explosives and other consumable prices	30%	• Variability in cash generation	• Financial capital inputs and outcomes

[1] *Refer Note 4, Operating profit on page 177 for the definition of non-GAAP measures.*

CONCLUSION

The Group's current net cash[1] position of US$3.3 million as at 31 December 2022 and undrawn facilities of US$82.6 million at 31 December 2022, subject to availability, would enable it to withstand the impact of these scenarios over the three-year period. During the final year of the viability period, in 2025, there is no Satellite pipe ore available for processing. The timing of the availability of this higher value ore is dependent on the Underground or Open pit Cut 6 decision, which will be made by the Board during the viability period. The revolving credit facilities which expire on 22 December 2024 have a 24-month extension period and the Group will follow all necessary processes to extend the facilities for this available period, as it has in the past. This position is supported by the cash-generating nature of the Group's core asset, Letšeng, and its flexibility in adjusting its operating plans within the normal course of business. Based on the robust assessment of the principal risks, prospects and viability of the Group, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2025.

[1] *Net cash is calculated as cash and short-term deposits less drawn down bank facilities (excluding asset-based finance facility and insurance premium financing).*

PERFORMANCE REVIEW

CHIEF EXECUTIVE OFFICER'S REVIEW

2022 was a year of solid operational performance and steady execution of our strategy.

In 2022, the Letšeng mine emerged from the COVID-19 pandemic to resume normal operations, but new operational challenges emerged following Russia's invasion of Ukraine, which impacted global inflation and drove extraordinary increases in diesel prices. In addition, Eskom's significantly increased electricity outages posed challenges to the stability of Letšeng's production processes and negatively impacted costs due to the regular requirement for diesel power generation.

It is pleasing to report that the implementation of cost-saving and decarbonisation initiatives at Letšeng, aimed at energy efficiency and carbon reduction, together with the additional reduction in waste tonnes from our revised mine plan for the year, resulted in a 27% year on year reduction in the Group's carbon footprint. We implemented the second year of our TCFD adoption strategy, where we made good progress towards the Group's long-term decarbonisation objectives.

We also advanced the updating of our Resource and Reserve Statement by completing a second core resource drilling programme. We intend to publish the Resource and Reserve Statement in Q4 2023.

Letšeng also commissioned a comprehensive Underground Feasibility Study. We will have greater clarity on the way forward for Letšeng as we finalise this important exercise and complete the trade-off studies between an underground operation to mine the Satellite pipe versus another open pit cutback (Cut 6 West).

The October 2022 national elections in Lesotho saw a peaceful transition of power from the All Basotho Convention party to the Revolution for Prosperity party in coalition with the Alliance of Democrats and the Movement for Economic Change. As significant investors in the Kingdom of Lesotho, we have worked well with every government and will continue to do so. The new government is business-orientated and investor-friendly and has announced several positive initiatives to improve service delivery. One important example is the government's commitment to issue work permits within a shorter defined time period. This is an important step to enhancing economic growth and allowing for the speedy engagement of scarce technical skills.

Despite operating in challenging physical conditions, we have a strong track record of producing diamonds safely and ethically. Our employees are fairly remunerated, with their needs and concerns carefully considered.

Clifford Elphick

EXTRACTING MAXIMUM VALUE FROM OUR OPERATIONS

We have achieved our objectives of extracting value for our stakeholders by operating safely, responsibly and efficiently. The lifting of COVID-19 restrictions eased the supply constraints experienced in 2021 and allowed us to resume regular leadership visits to Letšeng.

Tonnes treated decreased 11% year on year in line with the revised mine plan. This plan excluded the third party operated plant from 1 July. Carats recovered decreased 7% to 106 704 (2021: 115 336).

Four diamonds greater than 100 carats were recovered during the year (2021: six). Exceptional sales during the year included the three large high-quality Type IIa white diamonds of 245 carats, 128 carats and 125 carats, which sold for US$35 811 per carat, US$28 618 per carat and US$12 123 per carat, respectively. The operational performance of the Letšeng mine is discussed in more detail in the Operations review on page 56.

The diamond market improved in 2022 and demand for the high-quality white diamonds produced at Letšeng remained robust. The average price achieved decreased slightly year on year by 4% to US$1 755 per carat (2021: US$1 835 per carat). The decrease in the average price achieved compared to 2021 relates mainly to the quality of diamonds recovered and a slight softening of the global diamond market in Q4 2022.

We have an effective, transparent and competitive tender sales process in Antwerp, with two additional viewings having taken place in Dubai in 2022. The viewings in Dubai are convenient for clients from the United Arab Emirates, India and Israel. These were well supported and contributed to the strong prices achieved. These viewings are now part of our annual tender calendar and are scheduled to take place when appropriate. In 2022, Letšeng entered into an agreement with two important diamond manufacturing clients who will supply polished diamonds to some of world's most premium luxury brands. These diamonds are polished to precise specifications and additional value is realised for the Group. This is a further step in the Group's strategy to move further down the value chain and to promote Letšeng as the exceptional diamond brand.

Group revenue decreased 6% to US$188.9 million (2021: US$201.9 million), which translates to underlying EBITDA of US$43.7 million and earnings per share of 7.3 US cents. Significant inflationary increases, specifically in diesel prices, resulted in profit attributable to shareholders of US$10.2 million. The Group ended the year in a net cash position of US$3.3 million. More information regarding the Group's financial results is included in the CFO review on page 49.

The biggest challenge faced in 2022 was the unreliability of Eskom-generated power supply and the high cost of diesel. As the incidence of load shedding increased and diesel costs rose, with the price of crude oil exceeding US$120 per barrel in June 2022, the impact on profitability has been significant. Total operating costs rose 13% to LSL1 900.3 million (2021: LSL1 677.2 million), and the costs related to diesel increased by 29% to LSL340.6 million (2021: LSL265.0 million).

The Government of Lesotho is showing a commendable determination to find solutions to reduce national dependency on South Africa's unreliable electricity grid. The Minister of Mines and his colleagues have been supportive of Letšeng's intentions to implement renewable energy solutions.

[1] *Refer Note 4, Operating profit on page 177 for the definition of non-GAAP (Generally Accepted Accounting Principles) measures.*

[2] *Net cash is a non-GAAP measure and calculated as cash and short-term deposits less drawn down bank facilities (excluding the asset-based finance facility and insurance premium financing).*

WORKING RESPONSIBLY AND MAINTAINING OUR SOCIAL LICENCE

Another highlight for 2022 is the Group's improved safety performance. Once again, there were no fatalities (2021: none), three LTIs (2021: six), and we achieved an overall AIFR of 0.70 (2021: 0.93), a 33% decrease year on year. We continue to implement safety initiatives to reinforce our safety measures and responsible behaviour, and entrench a workplace safety culture founded on mutual care and collaboration.

We adhere to the highest environmental management standards. We are proud to report that Gem Diamonds' work in sustainable water treatment and community water initiatives during 2022 was recognised by the award in the Water category conferred by the Mining Indaba Sustainability Committee Junior ESG Awards Committee.

Our tailings storage facility management process aligns with the ICMM's GISTM, which ensures the responsible management and monitoring of the tailings storage facilities. In addition, our tailings storage and freshwater facilities are subject to regular inspections by external experts. In 2022, we engaged an external consultant to evaluate our tailings storage facilities and to review and update the dam breach analysis that was conducted in 2020, and no material issues or concerns were raised. In addition, the engineer responsible for the Mothusi Dam, our freshwater dam, was consulted to provide an opinion on the safe operating level of the dam. The engineer provided an opinion that the dam can be safely operated at 100% capacity. These professional opinions together with the internal governance, management, monitoring and reporting processes ensure that our tailings storage and freshwater dam management is both effective and closely monitored.

In 2022, our CSI activities resumed as normal and our focus areas, as aligned with our selected UN SDGs, are to support infrastructure development, education and health while stimulating small businesses. In 2022, we supported small agricultural operations including those in egg, vegetable and dairy production, provided scholarships for tertiary education, and delivered water and sanitation projects in schools. From 2016 to 2022 the Group invested US$4.4 million in sustainable CSI initiatives.

In 2022, Gem Diamonds contributed a total of US$39.7 million (LSL649.3 million) to the Lesotho fiscus in the form of taxes, royalties and dividends. We are proud of our contribution to this developing economy and our position as a significant taxpayer and employer.

GEM DIAMONDS' CONTRIBUTION TO LESOTHO

Jobs for **1 534 employees** and contractors of which 98% are Basotho nationals

Local procurement **US$134.1 million** (LSL2 195.2 million)

Local procurement directly from PACs **US$2.4 million** (LSL39.3 million)

Local procurement from regional communities **US$30.0 million** (LSL491.1 million)

Investment in **training** to improve individual skills

51 bursaries and scholarships for local students to date

10 schools and **five villages** provided with potable water and sanitation since 2010

PREPARING FOR THE FUTURE

In 2023, we aim to deliver the business plan approved by the Board. This includes achieving our financial and operational targets. We will maintain a focus on further improving our safety performance by keeping up a steady drumbeat of safety interventions, critical control management and communication.

Our capital plans include funding for projects that will sustain growth and value creation. The two major capital-intensive projects in 2023 include the replacement of the primary crushing area (PCA), which commenced in 2022 and will be completed in Q2 2023, and concluding the Underground Feasibility Study which was commissioned in July 2022. As soon as the latter is concluded, we will evaluate the trade-off between the next cutback in the Satellite pipe versus an earlier and potentially more cost-effective underground mining opportunity. The current open pit mine plan extends to 2040.

In 2023, we will prioritise consistent production levels while enhancing efficiencies. We will manage costs to protect cash flows and strive to improve our capital return to shareholders. We are investigating new measures to maintain our status as a low-cost operator in the face of significant inflationary pressures. This includes plans to right-size and further optimise operations at Letšeng in line with its operational requirements. This right-sizing process has commenced in an appropriate and structured manner to deliver these objectives.

Securing power independence

In 2022, Eskom shed over 1 900 hours of power, making it the most load shedding intensive year on record. The pain of severe load shedding has been felt throughout all industries in southern Africa, from small businesses to large companies.

Lesotho is heavily dependent on Eskom, although there are plans at government levels to reduce this dependency. Over this period, we had to significantly increase the utilisation of our two diesel generator farms to run for more frequent and extended periods. This has required an investment in replacement generators and increased diesel storage as well as funding the ongoing and increased related running and maintenance costs. While this allows us to be self-sufficient to continue operations, the asset maintenance and fuel costs related to diesel generation are placing significant pressure on profitability.

We are therefore considering renewable energy sources. We have a team of experts examining all potential solutions, including wind, hydro and solar. We have completed the foundation work in 2022 to outline all the practical solutions. In 2023, we will advance this programme and plot the way forward for Letšeng. This also speaks to our long-term decarbonisation strategy, while addressing the immediate need to provide energy at a price that is sustainable for the business.

OUTLOOK

The Russian invasion of Ukraine might continue to hamper global growth, increase energy costs and exacerbate geopolitical tensions. While there are mixed signs of inflation starting to ease, interest rates across the globe remain high and could pose a constraint to growth. However, the major developing nations are already reporting a positive growth outlook for 2023/2024, and China's reopening paves the way for a rapid rebound in economic activity in that country. Many analysts expect high levels of savings among Chinese consumers during the pandemic to translate to greater spending in 2023. This bodes well for the global diamond market as Chinese consumers represent the world's second-largest market for diamonds. In China, women increasingly buy diamonds for themselves to celebrate their achievements and financial independence.

Despite the highly uncertain economic market conditions, the global luxury market continued to grow in 2022 and remains poised to expand further in 2023. The luxury market appears well positioned to cope with economic turbulence, with a larger and more resilient consumer base. According to a report by Bain & Company, the luxury market consumer base broadened to 400 million consumers in 2022 and is expected to expand to 500 million consumers by 2030.

In the medium to long term, rough diamond prices should be supported by favourable demand and supply fundamentals, which are underpinned by continued growth in demand from markets such as the US, China and India, contrasted with a projected fall in rough diamond supply. This dynamic of rising demand and constrained supply is expected to benefit high-quality rough diamonds in particular. The fundamentals that underpin our business are sound and strongly position Gem Diamonds for success.

APPRECIATION

I would like to thank the Board for their strong leadership and commitment in 2022. I appreciate our hard-working employees for their efforts to deliver our strategic goals and for living our values. I would also like thank our customers for their continued trust and for purchasing Letšeng's diamonds, and our shareholders for their faith in our business. Finally, I thank the Government of the Kingdom of Lesotho for their support and our productive engagements. We look forward to another mutually beneficial year.

Clifford Elphick

Chief Executive Officer

15 March 2023

CHIEF FINANCIAL OFFICER'S REVIEW

The Group delivered a solid financial performance in 2022 despite the volatile global economic environment, significant inflation, extraordinary fuel costs and increased grid electricity interruption.

Underlying EBITDA decreased 24% to
US$43.7 million
from US$57.4 million in 2021

Profit attributable to shareholders:
US$10.2 million
(2021: US$14.8 million)

Earnings per share:
7.3 US cents
(2021: 10.5 US cents)

The Group ended the year in a net cash position of
US$3.3 million
(2021: US$20.9 million)

Share buyback programme: 1 520 170 shares purchased for
US$1.2 million
(2021: nil)

Unutilised available facilities of
US$82.6 million
(2021: US$74.3 million)

We implemented several initiatives to reduce the impact of significant cost increases, drive efficiencies and effectively manage operating costs in a highly volatile and uncertain economic environment.

Michael Michael

We delivered a credible financial performance for 2022 despite several operational challenges and turbulent global economic conditions. Most major economies experienced unprecedented levels of inflation in 2022, which showed some signs of easing late in the year. Russia's invasion of Ukraine significantly impacted the global economy and resulted in significantly higher fuel prices, and several suppliers also passed on higher than inflation increases to the operations. In response, we looked at opportunities to decrease our consumption of diesel by reducing waste tonnes mined and introducing shorter haulage distances. In the medium to long term, we are looking to reduce our reliance on diesel generators by pursuing renewable energy solutions.

Our Letšeng operation performed in line with expectations, despite several challenges presented by an exceptionally high rainfall season and snow, increased electricity supply disruptions and higher than anticipated operating costs. We benefited from a strong diamond market, and achieved an average price of US$1 755 per carat for the year. The overall dollar per carat achieved was negatively influenced by a decrease in large, high-value diamond recoveries compared to 2021.

In 2022, we supported shareholder value creation by paying a dividend of 2.7 US cents per share and we initiated a share buyback programme in April 2022.

Underlying EBITDA[2] decreased to US$43.7 million from US$57.4 million in 2021. Profit attributable to shareholders for the year was US$10.2 million, equating to basic earnings per share of 7.3 US cents on a weighted average number of shares in issue of 139.8 million.

The Group ended the year with a cash balance of US$8.7 million and drawn down facilities of US$5.4 million, resulting in a net cash position of US$3.3 million (2021: net cash of US$20.9 million) and unutilised facilities of US$82.6 million.

Summary of financial performance

Refer to the full annual financial statements from page 146.

US$ million	2022	2021*
Revenue from contracts with customers	**188.9**	201.9
Royalties and selling costs	**(20.3)**	(21.9)
Cost of sales[1]	**(116.2)**	(113.5)
COVID-19 related costs	**(0.1)**	(0.7)
Corporate expenses	**(8.6)**	(8.4)
Underlying EBITDA[2]	**43.7**	57.4
Depreciation and mining asset amortisation	**(8.4)**	(8.6)
Share-based payments	**(0.3)**	(0.4)
Other operating expenses	**(2.4)**	(3.3)
Foreign exchange gain	**1.9**	1.9
Net finance costs	**(4.1)**	(4.0)
Profit before tax for the year	**30.4**	43.0
Income tax expense	**(10.2)**	(15.6)
Profit after tax for the year	**20.2**	27.4
Non-controlling interests	**(10.0)**	(12.6)
Attributable profit	**10.2**	14.8
Earnings per share (US cents)	**7.3**	10.5
Dividends per share (US cents)	**–**	2.7

** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale of the notes to the consolidated financial statements.*

1 Including waste stripping costs amortisation but excluding depreciation and mining asset amortisation.

2 Underlying EBITDA as defined in Note 4, Operating profit of the notes to the consolidated financial statements.

Revenue

The Group's decrease in revenue was mainly driven by lower production volumes compared to 2021 (ore tonnes treated decreased 11% to 5.5 million tonnes) and lower than average recoveries of large diamonds. Rough diamond revenue of US$188.6 million was generated at Letšeng, achieving an average price of US$1 755 per carat (2021: US$1 835 per carat). The Group sold 29 diamonds for more than US$1.0 million each, contributing US$56.3 million to revenue.

Letšeng has partnership agreements that allow the Group to share in the margin uplift on the sale of polished diamonds. In 2022, additional revenue of US$0.3 million (2021: US$0.2 million) was generated from these partnership arrangements.

US$ million	2022	2021
Group revenue summary		
Letšeng sales – rough	**188.6**	201.3
Sales – polished margin	**0.3**	0.3
Impact of movement in inventory	**–**	0.3
Group revenue	**188.9**	201.9

Letšeng Unit Cost Analysis

Unit cost per tonne treated	Direct cash costs[1]	Third plant operator costs	**Total direct cash operating costs**	Non-cash accounting charges[2]	**Total operating cost**	**Waste cash costs per waste tonne mined**
2022 (LSL)	**252.50**	**10.57**	**263.07**	**82.02**	**345.09**	**66.74**
2021 (LSL)	185.59	15.53	201.12	70.63	271.75	44.44
% change	36	(32)	31	16	27	50
2022 (US$)	**15.42**	**0.65**	**16.07**	**5.01**	**21.08**	**4.08**
2021 (US$)	12.55	1.05	13.60	4.78	18.38	3.00
% change	23	(38)	18	5	15	36

1 *Direct cash costs represent all operating costs, excluding royalties and selling costs.*
2 *Non-cash accounting charges include waste stripping amortised, inventory and ore stockpile adjustments, and finance lease costs, and exclude depreciation and mining asset amortisation.*

Expenditure

Operating expenditure

Group cost of sales increased slightly in 2022 to US$116.2 million from US$113.5 million in 2021. In 2022, the Group incurred US$0.1 million in COVID-19-related costs (2021: US$0.7 million) to maintain COVID-19 protocols at its operations. Total waste-stripping costs amortised decreased by 22% to US$36.3 million compared to US$46.8 million in 2021.

- **Total operating costs** in local currency increased by 13% to LSL1 900.27 million (2021: LSL1 677.21 million) which includes the impact of non-cash accounting charges. The unit cost per tonne treated increased 27% to LSL345.09 (2021: LSL271.75 per tonne treated) due to cost increases, especially the significantly increased cost of diesel and other consumables, and further impacted by lower tonnes treated in the year. Ore tonnes treated decreased 11% to 5.5 million tonnes (2021: 6.2 million tonnes).
- **Direct cash costs** (excluding waste) increased by 17% to LSL1 448.6 million. This was driven primarily by the cost of diesel. The average price per litre of diesel increased by 68% from 2021 and, despite a 5.6 million litre decrease in consumption, resulted in a 29% increase in diesel costs to LSL340.6 million from LSL265.0 million in 2021. Direct cash costs were also affected by price increases from suppliers on explosives, equipment, spare parts and tyres. Significant effort was made to reduce costs and drive efficiencies, such as steepening the slopes in the Main pit and decreasing waste hauling distances. Notwithstanding these efforts and the impact of lower tonnes processed, direct cash costs per tonne treated increased by 36% to LSL252.50 from LSL185.59 in 2021.
- **Third plant operator costs** reflect payments to Alluvial Ventures, the contractor, which are calculated from revenue generated by the sales from diamonds recovered by the contractor plant. In 2022, the total cash costs in local currency decreased by 39% to LSL58.2 million due to the expiry of the Alluvial Ventures contract on 30 June 2022.
- **Waste cash costs** decreased by 18% to LSL677.7 million from LSL829.4 million in 2021. Waste tonnes mined decreased by (46)% (10.2 million tonnes compared to 18.7 million tonnes in 2021) but the decrease in volumes were offset by increased costs, most notably diesel costs as disclosed above. Waste cash cost per waste tonne mined increased by 50% to LSL66.74 (2021: LSL44.44).
- **Non-cash accounting charges** refers to waste amortisation, stockpile and diamond inventory movements and finance lease costs. Non-cash accounting charges increased 4% to LSL451.7 million (2021: LSL436.0 million). This is a combination of a decrease in total waste amortisation charges of LSL594.0 million (2021: LSL692.3 million) due to lower tonnes mined during the year, offset by a change in inventory in 2021 when there was a material increase at year end inventory values compared to 2020; the year end inventory values between 2021 and 2022 were similar. In addition, a write-down to net realisable value of lower-grade stockpile material of US$1.6 million was recognised during the period.

US-dollar reported costs

Gem Diamonds' revenue is generated in US dollars, while the majority of operational expenses are incurred in the relevant local currency in the operational jurisdictions. Local currency rates for the Lesotho loti (LSL) (pegged to the South African rand) and Botswana pula (BWP) were weaker against the US dollar (compared to 2021), which decreased the Group's US dollar-reported costs and increased local currency cash flow generation. The fluctuation of the exchange rates are set out in the table below:

Exchange rates	2022	2021	% change
LSL per US$1.00			
Average exchange rate	**16.37**	14.79	11
Year end exchange rate	**17.02**	15.96	7
BWP per US$1.00			
Average exchange rate	**12.37**	11.09	12
Year end exchange rate	**12.75**	11.76	8
GBP per US$1.00			
Average exchange rate	**0.81**	0.73	12
Year end exchange rate	**0.83**	0.74	13

Royalties and marketing costs

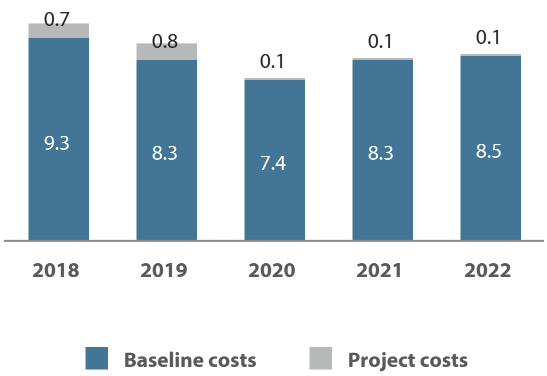
In terms of Letšeng's mining lease, it pays royalties to the Government of the Kingdom of Lesotho on the value of rough diamonds sold. The Group's sales and marketing operation in Belgium incurs costs relating to diamond selling and marketing. Royalties and selling costs decreased by 7% to US$20.3 million (2021: US$21.9 million) in line with the decrease in revenue.

Corporate costs

The technical and administrative office in South Africa and head office in the UK provide expertise in all areas of the business to realise maximum value from the Group's assets. Central costs are incurred in South African rand and British pounds respectively.

Corporate costs (excluding depreciation) were contained to US$8.6 million, representing a slight increase from 2021. In 2022, US$0.1 million of project costs were incurred on the ongoing sales process of Ghaghoo and the implementation of certain TCFD recommendations (2021: US$0.1 million).

Historical corporate costs (excl. depreciation) (US$ million)



Underlying EBITDA[1] and attributable profit

Group underlying EBITDA[1] decreased by 24% to US$43.7 million (2021: US$57.4 million) due to the decline in revenue and increased operating expenditure. Profit attributable to shareholders was US$10.2 million, which translates to 7.3 US cents per share based on a weighted average number of shares in issue of 139.8 million.

[1] *Underlying EBITDA as defined in Note 4., Operating profit of the notes to the consolidated financial statements.*

Statement of financial position – selected indicators

US$ million	2022	2021
Property, plant and equipment	**293 499**	293 627
Non-current: receivables and other assets	**2 916**	1 278
Current: receivables and other assets	**4 855**	4 095
Inventory	**30 370**	31 158
Net income tax receivable	**2 268**	1 191
Cash and short-term deposits	**8 721**	30 913
Assets held for sale	**–**	2 097
Non-current: interest-bearing loans and borrowings	**(4 370)**	(8 340)
Current: interest-bearing loans and borrowings	**(1 575)**	(2 704)
Liabilities associated with assets held for sale	**–**	(4 100)
Net deferred tax liabilities	**(76 036)**	(77 355)
Non-current: rehabilitation provisions	**(15 387)**	(11 202)

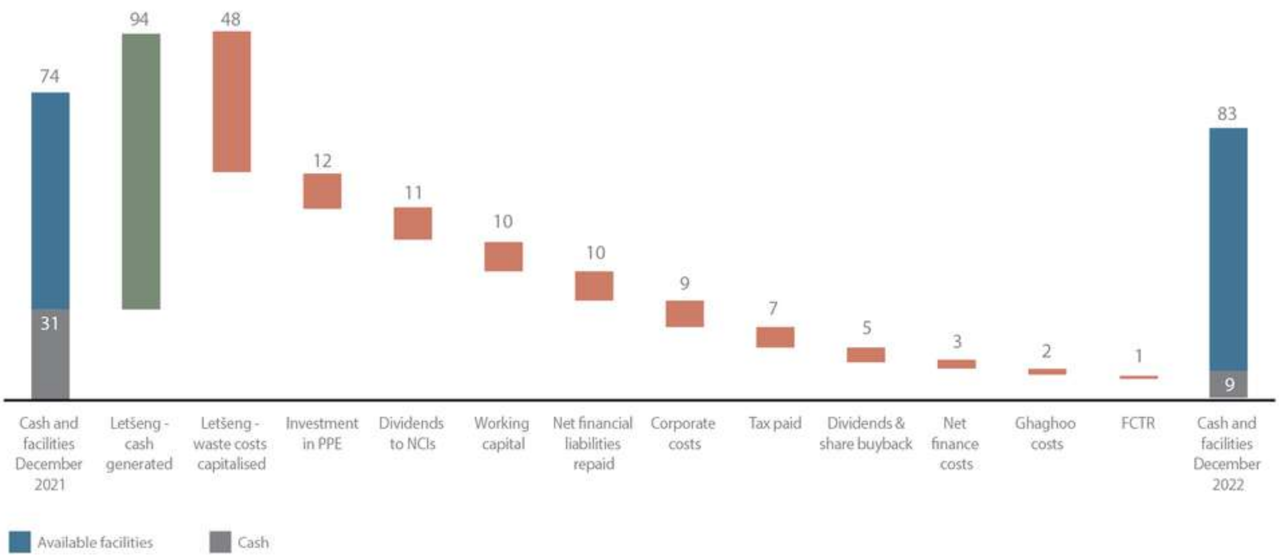
Capital expenditure

The Group's capital expenditure increased for 2022 as capital spend was incurred on the replacement of the PCA, with completion expected in Q2 2023, the commencement of the Underground Feasibility Study for the Satellite pipe, and the core drilling programme to inform the Resource and Reserve Statement. The designs for the Patiseng Coarse Tailings Facility expansion project and the bioremediation plant were also completed during the year. Total capital expenditure (excluding waste stripping) was US$11.9 million during the year (2021: US$4.0 million).

Cash at hand

At year end, cash on hand totalled US$8.7 million (2021: US$31.1 million) and net cash of US$3.3 million which was a decrease in net cash of US$17.6 million year on year. Group cash generated by operations was US$82.8 million before capital and waste investment of US$59.7 million. Gem Diamonds' share buyback programme and the dividend paid to its shareholders totalled US$4.8 million. In addition, the Lesotho Government's portion of dividends and withholding taxes extracted from Letšeng was US$10.5 million.

Cash movement (US$ million)



Loans and borrowings

The Group-wide debt refinancing for Letšeng and Gem Diamonds was successfully concluded in December 2021 for LSL750.0 million and US$30.0 million respectively, for an initial three-year period. Security for the facilities was implemented over Gem Diamonds' bank accounts and its shareholding in Letšeng, reducing the margin on the interest rates applicable to these facilities by 1.5%.

Letšeng has a ZAR100.0 million (US$5.9 million) general banking facility with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) renewable annually. There was no drawdown on this facility at year end.

The funding partners to the facility agreement are Nedbank, Standard Bank and Firstrand Bank (through their respective operations). Nedbank's portion of the funding, totalling US$31.1 million, is a sustainability-linked loan (SLL), which is an innovative structure that links the margin and resultant interest rate on the SLL to the Group's ESG performance. The margin on the SLL will decrease subject to the Group meeting certain carbon reduction and water conservation KPIs that are aligned with the Group's sustainability strategy. These KPIs were assessed for 31 December 2022 and will be assessed again on 31 December 2023.

The two KPIs included for the SLLs both need to be met at each measurement date before the margin reduction on these loans becomes effective. The carbon emissions reduction KPI was achieved at 31 December 2022, but due to delays in the construction of the bioremediation plant, the water conservation KPI could not be measured. No margin reduction will therefore be implemented on any utilisation of the facility in 2023.

In 2022, Letšeng implemented a four-and-a-half-year facility agreement for the replacement of the PCA to an amount of R136.4 million (US$8.0 million) with Nedbank. The facility is underwritten by the Export Credit Insurance Corporation of South Africa (ECIC). At year end, an amount of LSL92.8 million was utilised (US$5.4 million). Repayment of this facility is scheduled to commence in Q4 2023 once the balance of the facility is drawn down, which is expected by May 2023.

At year end, the Group had utilised facilities of US$5.4 million (as mentioned above), resulting in a net cash position of US$3.3 million and available facilities of US$82.6 million. Gem Diamonds, the Company, ended the year with no outstanding facilities (2021: US$9.0 million).

Letšeng made final repayments of LSL19.0 million (US$1.2 million) on its project debt facility for the construction of the mining workshop complex which expired on 30 September 2022.

The Group regularly engages with funders and credit providers to ensure continued access to funding and to manage cash flow requirements.

Summary of loan facilities as at 31 December 2022

Company	Term/description/ expiry	Lender	Interest rate[1]	Amount US$ million	Drawn down/ Balance due US$ million	Available US$ million
Gem Diamonds Limited	Three-year revolving credit facility Expires 22 December 2024	Nedbank Standard Bank Firstrand Bank	Facility A (US$30 million): US$ 3-month LIBOR + 5.00% Term SOFR + 0.26% + 5.00%[2]	**30.0**	**–**	**30.0**
Letšeng Diamonds	Three-year revolving credit facility Expires 22 December 2024	Standard Lesotho Bank Nedbank Lesotho First National Bank of Lesotho Firstrand Bank	Facility B (LSL450 million): Central Bank of Lesotho rate + 3.25%[2]	**26.4**	**–**	**26.4**
		Nedbank	Facility C (ZAR300 million): South African JIBAR + 3.05%[1]	**17.6**	**–**	**17.6**
Letšeng Diamonds	Four-and-a-half-year project facility Expires 31 May 2027	Nedbank Export Credit Insurance Corporation	ZAR136 million South African JIBAR + 2.50%	**8.0**	**5.4**	**2.6**
Letšeng Diamonds	General banking facility Annual review in March	Nedbank	ZAR100 million South African Prime Lending Rate minus 0.70%	**5.9**	**–**	**5.9**
Total				**88.0**	**5.4**	**82.6**

[1] At 31 December 2022 LIBOR was 4.47% and JIBAR was 7.26%.
[2] The transition from LIBOR to term SOFR on the GDL RCF was concluded on 30 November 2022 and is effective from all interest periods starting on or after 1 January 2023.

Ghaghoo

In line with the strategic objective to dispose of non-core assets, the Board and management remain committed to the sale of the Ghaghoo Diamond Mine in Botswana and continues to engage a number of interested parties. In parallel, Gem Diamonds is discussing various alternatives with affected stakeholders, including the potential closure of the mine.

The operation remains on care and maintenance but due to the failure to close a sales transaction, including considerations of potential closure of the mine, Ghaghoo no longer met the highly probable requirements as set out in IFRS 5 and therefore Ghaghoo ceased to be classified as a discontinued operation held for sale as at 31 December 2022. As a result, a reassessment of the carrying value of the remaining assets resulted in an impairment of US$0.7 million (2021: nil). This, together with the care and maintenance cash costs of US$1.9 million (2021: US$2.1 million), is included in other operating expenses. An additional US$0.2 million (2021: US$0.2 million) on the unwinding of the environmental rehabilitation provision resulted in a non-cash interest charge which is included in finance costs. The decrease in cash costs was mainly due to the favourable exchange rate and further reduction of care and maintenance activities.

Insurance

The perception of risk in the mining industry has improved, with insurers offering more competitive rates for mining companies. In 2022, insurance premiums for the Group were 13% lower compared to 2021. The Group is in the second year of a five-year multi-aggregate insurance policy to mitigate the increased risk of higher deductibles in the unlikely event of an unexpected loss.

Letšeng pursued two insurance claims in 2022. One relates to the business interruption claim for insured losses arising out of the COVID-19-related shutdown in 2020, where the mine was required to be placed on care and maintenance. We hope to receive an appropriate settlement in 2023. The second claim relates to diesel theft identified in 2021.

Share-based payments

The share-based payment charge for the year was US$0.3 million (2021: US$0.4 million). At the AGM on 2 June 2021, shareholders approved the 2021 Remuneration Policy, which included the introduction of a post-termination shareholding, an employee pension alignment plan, as well as the new Gem Diamonds Incentive Plan (GDIP) for Executive Directors. On 4 April 2022, 1 007 098 nil-cost options were granted to certain key employees and Executive Directors under the new GDIP. Refer to the Remuneration Committee report on page 119 for more detail.

Dividends and share buyback programme

In line with the Group's commitment to deliver sustainable shareholder returns, the Board proposed a dividend of 2.7 US cents per share (US$3.8 million) which was approved at the 2022 Annual General Meeting and paid in June 2022.

In addition, the Board launched a share buyback programme on 12 April 2022 and purchased 1 520 170 shares that are held as treasury shares. The weighted average purchase price was 60.05 GB pence (78.07 US cents) per share. An amount of US$1.2 million was spent up to 7 June 2022, which is the date that the Board authority lapsed. We believe that this buyback represents another important mechanism by which to return further capital to shareholders. The share price strengthened immediately following the announcement of the share buyback programme. At the AGM on 8 June 2022 shareholders again authorised Gem Diamonds to purchase its own shares within the permitted parameters. The programme, however, was not reinstated to preserve cash in light of increasing operating costs.

The Board is not proposing a dividend based on the 2022 financial results due to the volatility in the current economic outlook and the need to preserve the Group's available cash resources.

TAXATION

The Group applies all relevant principles in accordance with prevailing legislation in assessing its tax obligations. The Group's effective tax rate was 33.8%. Most of the Group's taxes are incurred in Lesotho, which has a corporate tax rate of 25%. The effective tax rate is above the Lesotho corporate tax rate mainly due to deferred tax assets not recognised on losses incurred in other operations.

The Group continues to pursue a long-standing legal matter relating to an amended tax assessment that was issued to Letšeng by the Revenue Services Lesotho (RSL) (previously known as the Lesotho Revenue Authority (LRA)) in December 2019, contradicting the application of certain tax treatments in the current Lesotho Income Tax Act 1993. We expect to pursue this matter in the courts in 2023. We have sought senior legal counsel and their advice indicates good prospects for success. Refer to the accounting treatment for this matter, Note 1.2.28, Critical accounting estimates and judgements for further detail.

OUTLOOK

We are driving several initiatives to contain our operating costs in a volatile environment. These include a focus on reducing the impact of significant cost increases and investing in renewable energy to support our decarbonisation strategy. We have commenced the optimisation and right-sizing of Letšeng. This project will include a coaching and mentoring component to address skills and experience challenges at supervisory and management levels together with certain targeted operational performance issues. This project will consider resizing the business to ensure a more appropriate skills match with the current profile of our operations. This is a difficult but necessary step to ensure that our continued status as a low-cost operator is maintained.

Michael Michael

Chief Financial Officer

15 March 2023

OPERATIONS REVIEW

2022 saw robust operational performance and improving operational efficiencies in challenging physical and economic conditions.

2022 OVERVIEW

- Zero fatalities, three LTIs (2021: six), an LTIFR of 0.13 (2021: 0.24) and an AIFR of 0.70 (2021: 0.93).
- Zero major or significant environmental or stakeholder incidents.
- Focused dam and tailings facilities management.
- Energy efficiency and carbon reduction initiatives resulted in a 27% year on year reduction of the Group's carbon footprint.
- Objectives of the second year of our three-year TCFD adoption strategy completed.
- Recovered four diamonds greater than 100 carats, including two high-quality Type IIa white diamonds of 244.34 carats and 127.58 carats.
- Sold 29 diamonds for over US$1.0 million each, generating revenue of US$56.3 million.
- Average price of US$1 755 per carat achieved, with highest prices achieved being:
  - US$79 543 per carat for a 10.07 carat pink diamond.
  - US$66 059 per carat for an 8.41 carat pink diamond.
  - US$53 834 per carat for a 30.01 carat white diamond.
- Supported our PACs through investment in education, school infrastructure, small business development and clean water projects.
- Received our sixth consecutive annual ISO 14001(Environmental Management) and 45001 (Occupational Health and Safety Management) certifications.
- Completed the 2021-2022 core resource drilling programme and commenced an Underground Feasibility Study for the Satellite pipe.
- Commenced the PCA replacement project, to be completed in Q2 2023, with commissioning early in Q3 2023.
- Completed the designs for a modular bioremediation plant to be constructed in 2023.

PERFORMANCE

Safety

The Group's safety culture is founded on our commitment to zero harm and the belief that all injuries are preventable. Letšeng recorded zero fatalities and three LTIs during 2022 (2021: six), resulting in an improved LTIFR and AIFR of 0.13 (2021: 0.24) and 0.70 (2021: 0.93), respectively. Letšeng's safety performance improved in 2022, with the implementation of an organisational safety culture maturity programme yielding positive results. In 2022, Letšeng commenced a two-year safety maturity strategy aimed at addressing critical safety risks, enhancing safety-specific leadership visibility, and engagement and implementing engineering and behaviour-focused controls to more specifically prevent safety incident reoccurrences. The programme is guided by independent subject matter experts and includes mentoring senior management on best practice safety leadership and successfully implementing our critical control management strategy.

Safety performance	Unit	2022	2021
Fatalities	Number	**0**	0
LTIs	Number	**3**	6
LTIFR	200 000 man hours	**0.13**	0.24
AIFR	200 000 man hours	**0.70**	0.93

Operations

KPI	Unit	2022	2021	% change
Ore mined	tonnes	**5 732 493**	6 298 862	(10)
Waste tonnes mined	tonnes	**10 153 846**	18 663 493	(45)
Ore treated	tonnes	**5 506 576**	6 172 428	(11)
Carats recovered[1]	carats	**106 704**	115 336	(7)
Carats sold	carats	**107 498**	109 697	(2)
Average price per carat	US$/carat	**1 755**	1 835	(4)

[1] Includes carats produced from the Letšeng plants, the Alluvial Ventures plant and the coarse and fines tailings treatment plants.

Letšeng operated safely and responsibly throughout 2022 and we welcomed a resumption of more normal operating conditions post COVID-19, particularly a more reliable supply chain. This however was short-lived as the Russian invasion of Ukraine and the ensuing war brought about immediate inflationary, cost and supply chain challenges globally, directly impacting our operations.

Extreme weather conditions at Letšeng, including exceptionally high rainfall and snow, although well managed, resulted in intermittent disruptions to our mining operations. The positive impact of the high rainfall throughout the wet season was that the freshwater dam reached 92% of its capacity and, based on current usage rates for operational requirements, has sufficient freshwater capacity for up to nine years.

The 2022 Lesotho general election held in October required a compulsory two-day site-wide shutdown at Letšeng to allow the workforce to vote in their respective constituencies. Although operations were halted for two days, the time was used to perform scheduled maintenance to mitigate the impact of lost operating time.

Waste tonnes mined

Total waste tonnes mined in 2022 decreased (46)% to 10.2 million tonnes from 18.7 million tonnes in 2021. This was in line with the planned 2022 waste mining profile, further optimised with the successful implementation of slope steepening of the active cutbacks in the Main pit. This followed the successful steeper slope and berm retention programme implemented in Cut 5 West of the Satellite pit during 2021. To further optimise waste mining and the cost thereof, we enhanced our initiative to further reduce the haulage distances travelled from the Main pit, in particular the new Cut 4 West cutback, to the waste dump.

Ore mined

Total ore tonnes mined in 2022 decreased 9% to 5.7 million tonnes from 6.3 million tonnes in 2021. This was in line with the 2022 mine plan, taking into account the treatment capacity of the plants, including the reduced requirement of ore mining following the expiry of the Alluvial Ventures processing contract on 30 June 2022, and required stockpile management.

Ore treated

Ore treated during 2022 of 5.5 million tonnes (2021: 6.2 million tonnes) comprised 5.1 million tonnes treated by Letšeng's two plants (2021: 5.2 million) and 0.4 million tonnes treated by Alluvial Ventures, the third party processing contractor (2021: 1.0 million). The 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. Of the total ore treated, 2.5 million tonnes were sourced from the Main pipe and 3.0 million from the Satellite pipe, the latter being in line with the planned annual Satellite ore contribution.

The biggest challenge to the performance and stability of the plants in 2022 was the negative impact of more frequent and longer periods of grid power outages resulting from increased load shedding by Eskom. Although the work completed on increasing Letšeng's back-up generator capacity and improving the synchronised switch-over to generator power yielded benefits, the additional strain on and instability caused by more frequent and longer load shedding increased the risk of plant and equipment breakdowns and chokes. An example of this was a sudden secondary crusher breakdown in Plant 2 in October 2022, which caused 3.5 days of downtime to repair. The significantly increased utilisation of diesel generators, together with the increased cost of diesel in the year, had a significant negative impact on operating costs.

Other challenges to plant performance included the maintained lower feed rate of the current ageing primary crusher asset in 2021, to protect its longevity, while the replacement PCA is being constructed. This impacted the ability of the current primary crusher to keep up with plant demand, creating plant feed challenges at times. The new PCA will be commissioned in Q3 2023 and comprises a twin module design with a combined throughput of c.1 000 tonnes/hour.

Extensive work to resolve identified issues of plant stability, appropriate maintenance strategy implementation, and certain other issues causing inconsistent performance, yielded positive results in Q4 2022 as plant stability and performance improved. Further improvement and optimisation of the organisational structure is being implemented to ensure that the operation and maintenance of the plants are more effectively and efficiently managed.

Total carats recovered

Total carats recovered in 2022 decreased 7% to 106 704 carats (2021: 115 336 carats) due primarily to comparatively lower production volumes treated.

The coarse tailings mobile XRT sorting machine recovered 774 carats in 2022 (2021:1 098 carats) from re-treating coarse recovery tailings, and an additional 2 657 carats (2021: 213 carats) were recovered by the fines tailings mobile XRT sorting machine, which treated both historic and current fines recovery tailings.

The overall grade for 2022 was 1.94cpht which is higher than 2021 and in line with the expected reserve grade. The contribution from Satellite pipe material accounted for 55% of all material treated during the year (2021: 54%).

Large diamond recoveries

In 2022, Letšeng recovered four diamonds greater than 100 carats, and total diamonds recovered greater than 10 carats decreased by 11% year on year, mostly in the 10 to 20 carat size category. The lower number of diamonds in the larger categories can be primarily attributed to the domains of the resource that were mined in both the Satellite and Main pipes in 2022. A total of 126 greater than 100 carat diamonds have been recovered at Letšeng since 2006.

Number of large diamond recoveries	2022	2021	FY average 2008 – 2021
>100 carats	**4**	6	8
60 – 100 carats	**18**	16	19
30 – 60 carats	**69**	81	77
20 – 30 carats	**108**	122	114
10 – 20 carats	**507**	570	442
Total diamonds >10 carats	**706**	795	660

Diamond sales

Eight rough diamond tender viewings were held in Antwerp with two additional viewings held in Dubai in March and September. All tenders were well attended and the competitive bidding evidenced that demand for Letšeng's large, high-value diamonds remained strong throughout the year.

A total of 107 498 carats were sold in 2022 (2021: 109 697) and Letšeng generated rough diamond revenue of US$188.6 million (2021: US$201.30 million), at an average price of US$1 755 per carat (2021: US$1 835).

The Group supports the GIA's blockchain technology to inform and assure consumers about the ethical and socially supportive footprint of our diamonds. Blockchain technology can link the source of rough diamonds to the final polished diamonds, proving their authenticity, provenance and traceability, and supporting ethical sourcing and processing in the diamond value chain.

Life of mine plan and Underground Feasibility Study

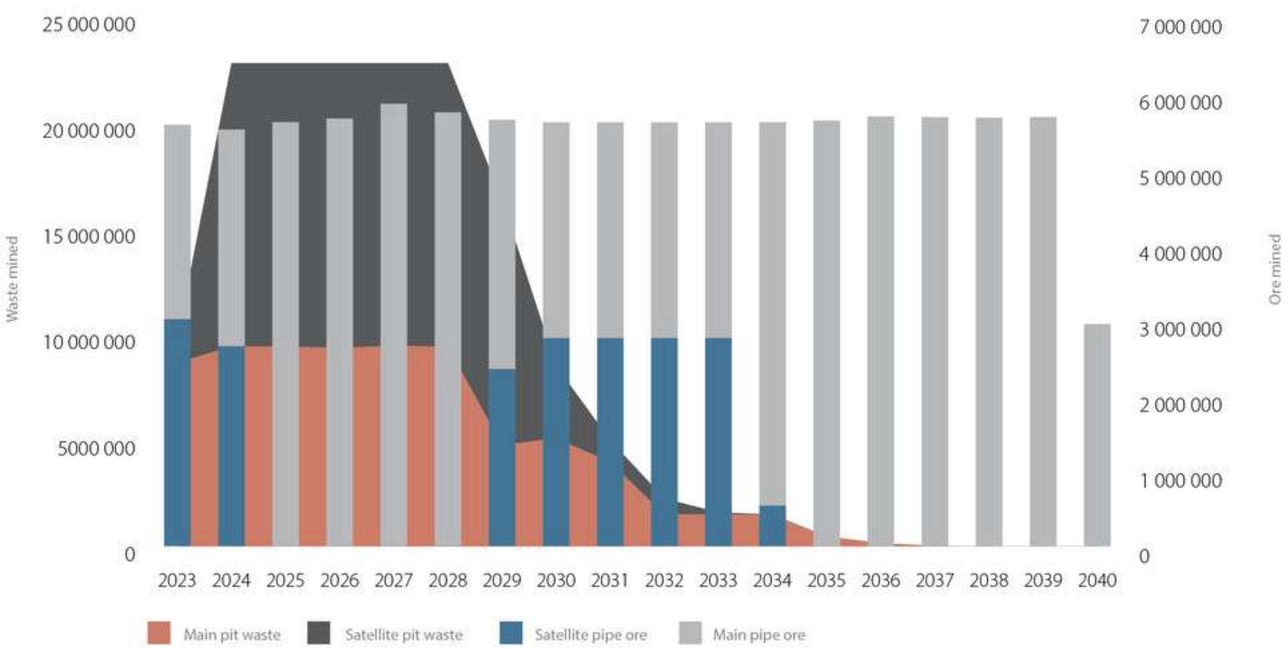
In Q2 2022 it was identified that the kimberlite contact on the west side of the Satellite pipe protruded further into the side wall from where it had been previously mapped. This resulted in an inability to access the ore in the contact area safely and required an amendment to the short-term Satellite pit design. Following a review of numerous solutions, the most appropriate plan was to "step-in" on the pit design of Satellite Cut 5 West (C5W), which resulted in a deferment of ore originally planned for C5W into either (i) the next cutback in the Satellite pipe (Cut 6 West (C6W)) or (ii) a potential underground operation. This has resulted in a reduction in the volume of ore previously available in C5W, thereby reducing the life of this cutback from 2025 to 2024. We continue to review and explore opportunities to extract additional ore from C5W – ie initiatives such as the use of a surface miner to steepen remaining benches and other viable end-of-cutback opportunities (ie backloading of the ramp) that could bring additional ore back into C5W.

In light of these changes, our long-term mine plan has been updated to take into account the reduced tonnes in Satellite C5W.

A conceptual desktop study for an underground mining operation in the Satellite pipe post the current C5W cutback was completed in November 2021. The outcome indicated potential for underground mining and recommended that a comprehensive Underground Feasibility Study be undertaken to confirm the feasibility thereof to most optimally and economically extend the life of mine for the Satellite pipe. This study commenced in mid-2022 and is expected to be completed in Q4 2023. The study will (i) assess the viability of an earlier shift to underground mining of the Satellite pipe, and (ii) inform the trade-off between underground mining and proceeding with the next open pit cutback in the Satellite pipe (C6W) post the completion of Satellite C5W in 2024. The study will encompass several underground feasibility studies, including geological and hydrogeological drilling and modelling, geotechnical drilling, geo-metallurgy and social and environmental impact assessments.

Following the successful steepening of the pit slope angles in Satellite C5W, steeper slopes have now been implemented in the Main pit Cut 4 East and Cut 4 West cutbacks. This has resulted in lower waste stripping requirements for the Main pit from c.12.0 million tonnes per annum to c.9.5 million tonnes per annum compared to the previous mine plan. This has also allowed access to a further c.5.3 million tonnes of Main pipe ore. A third plant which was included in the previous mine plan has been deferred and will be reassessed following the outcome of the trade-off between open pit and underground mining, resulting in reduced annual treatment rates. These factors have had the impact of extending the mine plan to 2040 as set out in the graph below.

Life of mine profile (including deferred SC6W at 2.75 million tonnes per annum)



Resource development

Letšeng embarked on a Resource Development Project in 2016, the objectives of which initially were to improve the understanding of grade and price variability within the five historical kimberlite domains (namely KMain, K6 and K4 in the Main pipe and NVK and SVK in the Satellite pipe) which formed the basis of previous Resource and Reserve Statements. Letšeng's last independent Resource and Reserve Statement was published in 2015.

The first step in the process was to increase the drillhole coverage down to 300 metres below pit floor, including extensive core drilling, petrography, mineral chemistry and micro-diamond studies. This core drilling programme was concluded in December 2018, with 12 drillholes (c.3 000 metres) in the Main pipe and 16 drillholes (c.4 000 metres) in the Satellite pipe. Sampling of the core and related geological studies were carried out in 2019-2020. Preliminary geological models produced by SRK Consulting suggested more complex internal geology in both pipes than was previously reflected in the 2015 Resource and Reserve Statement. Additional drilling was therefore required to delineate the internal contacts between domains before the geological models could be finalised and the Resource Statement updated. To achieve this, a further c.9 000 metre core drilling programme was undertaken in late 2020, which was completed in June 2022 and comprised 13 core drillholes (c.3 500 metres) in the Satellite pipe and 25 core drillholes (c.5 500 metres) in the Main pipe.

The draft geological models for the Satellite pipe indicated that yet more core drilling was required to adequately define contacts in the central portion of the pipe. The drilling of four additional core drillholes (c.2 000 metres) in the Satellite pipe commenced in December 2022 and will be completed by May 2023. The preliminary geological models for the Main pipe were completed by SRK Consulting in November 2022. Work on the pit optimisation of both the Main and Satellite pits has commenced.

The focus in 2022 was completing the core drilling programme in the Main pipe and assembling the bulk sampling and pricing data for the newly defined domains in both pipes. The primary challenge facing an in-pit core drilling programme of this nature is competing with ongoing production activities for access to the drilling sites within the limited confines of each pit. Although both the core drilling programme and continued production are vital to the sustainability of the operation, priority is given to the latter.

The information from this latest drilling programme will inform both the updated Resource and Reserve Statement and the Underground Feasibility Study currently being undertaken for the Satellite pipe. The updated Resource and Reserve Statement and accompanying NI43-101 Technical Report are scheduled to be completed by the end of 2023.

Surface miner trial

In 2022, we further progressed a mining project to optimise ore fragmentation and plant throughput by trialling a surface miner in Main pit Cut 4 East (MC4E). By year end, 0.2 million tonnes of ore were cut by the machine and treated as a sample through both Letšeng's plants. The surface miner technology presents a potentially diamond-friendly method of breaking the rock while providing a consistently well-fragmented product to the plant, positively impacting throughput. In addition to achieving higher truck payloads by replacing drilling and blasting in the kimberlite, the surface miner has the potential to allow for steeper pit slopes in ore – thereby enabling access to more ore for the same waste stripped. Replacing the drilling and blasting process in ore is also a cleaner mining method, as nitrates resulting from blasting are reduced. The incorporation of a surface miner into Letšeng's mining method for the Satellite pipe is being considered and discussions with various surface miner suppliers and mining contractors have commenced.

Capital projects

Capital was appropriately allocated during 2022 and was in line with operational requirements. All project-related capital spend is closely monitored by the Projects Steering Committee, attended by the COO (Chair), CFO and Senior Technical and Projects Manager, together with senior management from Group and Letšeng. Letšeng's key capital projects for 2022 included:

- the replacement of the PCA;
- commencement of the Underground Feasibility Study;
- the core drilling programme to inform the Resource and Reserve Statement; and
- the designs for the Patiseng Coarse Tailings Facility expansion project and the bioremediation project.

Details of overall costs and capital expenditure incurred at Letšeng are included in the CFO review on page 49.

The planned capital spend in 2023 relates mainly to 2022 carry-over capital, including the completion of the new PCA and bioremediation project, and finalising the Underground Feasibility Study and Resource and Reserve Statement. No other major new capital spend is anticipated in 2023.

Tailings storage facility and dam management

Operational status of our dams and tailings storage facilities

The recent global tailings dam failures in the mining industry have shown the severe adverse impact these can have on human lives and the natural environment. Tailings dam integrity is consequently an ongoing area of significant focus for mining companies and investors.

Letšeng has two tailings storage facilities (TSFs) and one freshwater dam on site:

1. the Patiseng TSF, which is currently in use for the deposition of coarse and fines tailings;
2. the Old TSF, which is sporadically used for fine tailings deposition; and
3. the Mothusi Dam, which is the mine's freshwater supply source.

Letšeng's TSFs and dam were constructed using the centre line and downstream tipping method, being a safer method of construction than the "upstream" construction methods used in most recent dam failures reported in the mining industry.

The 2022 quarterly dam safety inspections for the Mothusi Dam were completed as scheduled. There were no adverse findings regarding the safety of the dam or the possible failure modes relating to the embankment, the spillway structure or the seepage. The exceptionally high rainfall experienced in 2021 and 2022 prompted us to request the Engineer of Record (EoR) responsible for the Mothusi Dam to provide an opinion on the safe operating level of the dam. The EoR confirmed that the dam can be safely operated at its 100% full supply capacity, subject to all operation and maintenance procedures being followed. The dam reached 100% full supply capacity in January 2023 and water started flowing down the spillway which had been extended to push the flow away from the toe of the wall.

Our TSF management code of practice is aligned to that of the ICMM's GISTM, and we have established appropriate governance structures at both operational and Group levels to provide oversight and assurance of continued safe and responsible management of our TSFs. The relevant details of Letšeng's TSFs are available in our voluntary disclosure as part of the Investor Mining and Tailings Safety initiative set up by the Church of England, which can be found under the Company's name at http://tailing.grida.no/.

An external consultant was appointed to conduct geotechnical investigations to provide the technical data and information to understand the tailing storage facilities' founding conditions and to review and update the dam breach analysis that was conducted in 2020. The outcome of this work will inform the current consequence classification of our TSFs. This work has commenced and is scheduled to be completed by Q3 2023.

There were no incidents of compromised dam or TSF integrity.

Governance framework

Our approach

It is our responsibility to guard our workforce, communities and the environment in which we operate against any potential risks posed by our operations. TSFs, while an integral part of mining, present a significant potential hazard if not responsibly managed and continuously monitored. Focused risk management is therefore crucial at every stage of the lifecycle of our TSFs.

In response to recent tragedies, the ICMM's GISTM was established to achieve the ultimate goal of zero harm to people and the environment. The GISTM requires operators to take responsibility and prioritise the safety of TSFs through all phases of their lifecycles, including closure and post-closure. It also requires the disclosure of relevant information to support public accountability. Gem Diamonds has committed to and adopted the GISTM standards.

We recognise that ensuring the integrity of our TSFs and freshwater storage facilities is non-negotiable and integral in exercising our responsibility to safeguard our workforce, communities and environment to ensure business continuity. We take a focused and proactive approach to managing our TSFs according to appropriate international best practice. Retaining structures and embankments undergo stringent safety monitoring in the form of inspections and audits, which are conducted both internally and externally at regular intervals throughout the year. Stringent inspections and monitoring on a daily, weekly and monthly basis include surveying various factors such as the densities of fines deposits, water levels, beach lengths and freeboard. Annual structural stability analysis is also conducted at our TSFs and an early-warning system, together with community training and awareness programmes, are used to ensure the emergency readiness of communities that could be affected in the unlikely event of a failure. The nearest village is located 20km downstream from the mine.

The findings and recommendations stemming from these investigations and audits are reported quarterly to the Boards and Sustainability subcommittees at both operational and Group level.

The Global Industry Standard on Tailings Management

The GISTM is directed at operators and applies to TSFs, both existing and to-be-built. It makes it clear that extreme consequences to people and the environment from catastrophic TSF failures are unacceptable. To this end, operators must have zero tolerance for human fatalities and strive for zero harm to people and the environment, which is directly aligned to our safety culture. The GISTM provides the specified measures to prevent failure of TSFs and to implement best practices in planning, design, construction, operation, maintenance, monitoring, closure and post-closure activities.

Our dam and TSF management, monitoring and assurance strategy

Storage facility	Internal inspections	External inspections	Additional studies	Measures in case of failure
Patiseng TSF	Daily inspections and weekly surveys of water level, beach length and freeboard as well as overall TSF condition	Quarterly structural stability inspections by the appointed EoR Annual structural stability assessment by independent external expert	• Facility risk assessment • Inundation studies with flow modelling • Geotechnical characterisation	• Emergency assessments and planning for wall failures • Communication towers in downstream villages • Mobile phone contact with communication custodians • Alarm activation from within villages or Letšeng emergency control centre • Business continuity planning
Old TSF	Daily inspections and weekly surveys of water level, beach length and freeboard as well as overall TSF condition	Quarterly structural stability inspections by EoR Annual structural stability assessment by independent external expert	• Facility risk assessment • Inundation studies with flow modelling • Geotechnical characterisation	• Emergency assessments and planning for wall failures • Communication towers in downstream villages • Mobile phone contact with communication custodians • Alarm activation from within villages or Letšeng emergency control centre • Business continuity planning
Mothusi Dam	Weekly inspections	Annual dam safety inspections by EoR Quarterly dam safety inspections by Letšeng, reviewed by EoR	• Facility risk assessment • Flow modelling study • Resistivity surveys	• Emergency assessments and planning for wall failures • Communication towers in downstream villages • Mobile phone contact with communication custodians • Alarm activation from within villages or Letšeng emergency control centre • Business continuity planning

TSF Risk and Governance Management Framework

Board	The Board of Directors is informed of the status of the TSFs, providing confirmation of the following: • All TSFs have been designed with a full understanding of the consequence of failure, site conditions and reasonably expected operating conditions. • All TSFs are and will be constructed and operated in accordance with defined thresholds and performance indicators, with particular reference to containment integrity and overtopping risk management, and managed in accordance with the Gem Diamonds TSF Management Standard. • Construction, operation, maintenance and surveillance of each TSF is proceeding in conformance to design intent. • Compliance and performance are verified as part of the Gem Diamonds assurance programme, both internally and externally. Non-conformances that may increase risk to the point where the design intent may not be achieved are identified, reported and addressed. • An emergency response plan, based on a comprehensive understanding of the consequences of failure, has been developed, implemented, maintained and tested. • In alignment with the requirements of the recently published GISTM, the above items are independently verified by suitably qualified professionals (an external reviewer/review board) at intervals dictated by the consequence classification of each facility.
Risk and Assurance	Risk management and assessment commensurate with the consequences of failure of each facility is carried out routinely, the results of which are reviewed and overseen by independent third-party experts.
Independent Technical Review Board (ITRB)	• An appointed ITRB consisting of Senior Independent Technical Reviewers (SITRs) is mandated for systematic and ongoing independent reviews. • The ITRB provides independent technical review of the design, construction, operation, closure and management of tailings facilities. The independent reviewers are third parties who are not and have not been directly involved with the design or operation of the particular tailings facility. The expertise of the ITRB members reflects the range of issues relevant to the facility and its context and the complexity of these issues. The ITRB reports directly to the COO.
Tailings Governance Committee	The Tailings Governance Committee is chaired by the COO, who reports directly to the CEO on matters related to the GISTM, communicates with the Board of Directors, and is accountable for the safety of tailings facilities and for minimising the social and environmental consequences of a potential tailings facility failure.
Engineer of Record (EoR)	The EoR is a qualified engineering firm or individual responsible for confirming that the tailings facility is designed, constructed and decommissioned with appropriate concern for integrity of the facility, and that it aligns with and meets applicable regulations, statutes, guidelines, codes and standards. Every facility has an EoR working continuously with the Responsible Tailings Facility Engineer (RTFE) and operational management to ensure construction and operational adherence to design, and that the structure is performing in line with the design intent.
Competent person (RTFE)	The RTFE is an engineer appointed by Letšeng who is responsible for the tailings facilities. The RTFE must be available at all times during construction, operations and closure. The RTFE has clearly defined, delegated responsibility.

Community engagement on TSF and dam safety

Letšeng provides the community and district-level stakeholders with balanced and objective information about the state and safety of its TSFs and freshwater storage dam. This is done during quarterly public gatherings attended by community representatives from nine neighbouring villages.

Consultations are held with these stakeholders on TSFs and dam-related safety activities and project decisions that directly or indirectly affect them. Letšeng and six of the nine neighbouring villages jointly established the downstream emergency preparedness programme. The aim of this programme is to alert the community in the event of a TSF or dam incident or any other emergency that would require the communities to evacuate from the downstream villages.

We frequently conduct in-depth training of community members on how to respond during an emergency. Emergency preparedness drills with community members are held every quarter. Assembly points have been identified and clearly marked in the villages. A two-way radio system is also in place and is regularly tested. Sirens have been installed in the six villages which are centrally controlled at the mine and manned 24 hours a day by the mine's Emergency Team.

Stakeholder engagement platforms:

- Quarterly public gatherings with local communities.
- Daily, weekly and monthly engagement with community leaders.
- Biannual district-level stakeholder forums.
- Quarterly district leadership forums.
- Monthly district leadership meetings.
- Joint emergency preparedness drills.

OUR PLANS FOR 2023

We have several operational objectives for 2023. These include:

- Completion of the Underground Feasibility Study timeously and cost-effectively. Concluding this important study will allow us to make strategic decisions on the way forward for Letšeng's orebody (ie the trade-off between Satellite C6W and the early access underground operation), and will also inform the updated Resource and Reserve Statement.
- Complete our updated Resource and Reserve Statement.
- Enhancing efficiencies and reducing costs. The optimisation and right-sizing of Letšeng's operations to align with operational requirements.
- Investment in renewable and/or alternative energy sources. Providing a consistent source of power for the mine operations remains a challenge at Letšeng. A power usage study has been commissioned to inform the way forward on prioritised power usage and assess the opportunities for lower-carbon and renewable energy sources.

SUSTAINABILITY

MATERIAL MATTERS

Our material matters are topics that directly or indirectly impact our ability to create or preserve economic, environmental and social value for our organisation, our stakeholders and society at large. As such, material matters include risks that must be managed and opportunities that can be captured to enhance the sustainable viability of our business in the short, medium and long term.

How we determine materiality

A list of possible material matters was developed following a detailed materiality review that considered internal and external research. We used a double materiality lens, prioritising our material matters in terms of their impact on our financial and operational performance as well as their impact on society, communities and the environment.

INPUTS

Conduct a thorough review of the external operating context →

- Global operating context
- Global risk registers
- Industry research
- Peer reports

+

Conduct a detailed review of the internal operating environment and business performance →

- Review material risks
- Review prior material matters
- UN SDGs
- Internal documentation
- Media releases
- Financial results

+

Prioritise and verify identified material matters →

- An online survey to rank material matters was circulated to the Board and employees across the operations

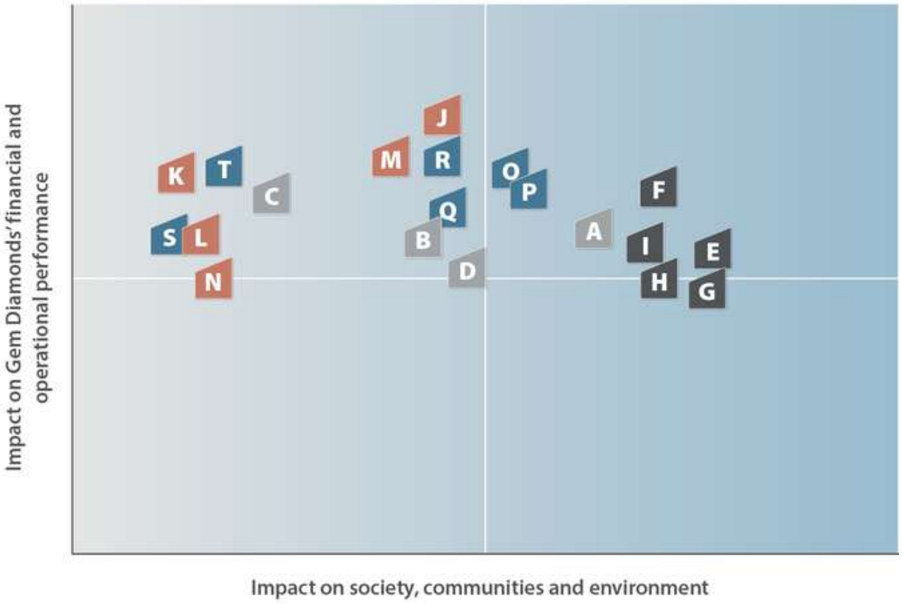
=

Report against our identified material matters →

- The approved matters form the basis of our sustainability reporting

Our material matters

Results for all material matters



Environment

A	Managing our environmental footprints
B	Managing and addressing climate change and extreme natural events
C	Ensuring consistent electricity supply and minimising energy consumption
D	Planning for mine closure, protecting biodiversity and enhancing conservation

Employees

J	Providing a safe working environment
K	Attracting and retaining qualified people
L	Providing learning and development opportunities for employees
M	Caring for our employees' health and well-being
N	Engaging with employees and elected representatives

Social

E	Safeguarding our communities
F	Ensuring positive engagement with our stakeholders
G	Working with communities to understand and meet their needs
H	Creating shared value through localisation
I	Honouring our social compact

Governance and ethics

O	Implementing effective Board-approved ESG strategies
P	Prioritising business integrity
Q	Ensuring transparent governance and remuneration practices
R	Ensuring legal, regulatory and governance excellence
S	Raising standards across the pipeline
T	Protecting the premium brand of diamonds

WORKING TOWARDS GLOBAL GOALS

We are embedding material UN SDGs in the Group's strategy, systems and processes while we implement the recommendations of the TCFD to ensure we create sustainable value for our stakeholders.

In accordance with our sustainability strategy, we started in 2020 by adopting the following six UN SDGs, implemented over a three-year rolling cycle, as this is a manageable and achievable target with widespread impact.

1 NO POVERTY	3 GOOD HEALTH AND WELL-BEING	6 CLEAN WATER AND SANITATION	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
No poverty	Good health and well-being	Clean water and sanitation	Decent work and economic growth	Reduced inequalities	Responsible consumption and production

Year one: 2020	Year two: 2021	Year three: 2022
Perform a gap analysis to evaluate alignment with each UN SDG	Focus on addressing any shortfalls identified in the first year and further strengthening achievements	Evaluate the success of those measures to ensure their sustainable application

The interconnectedness of value creation

Across the business, we are focusing on practical and implementable measures to deliver maximum value for stakeholders.

Three key priorities support our strategy in delivering this value:

Extracting Maximum Value from Our Operations	Working Responsibly and Maintaining Our Social Licence	Preparing for Our Future
Business integrity Organisational health and safety Advancing our people	Business integrity Environmental stewardship Organisational health and safety Enhancing community benefits	Business integrity Environmental stewardship Organisational health and safety Advancing our people Resource efficiency Enhancing community benefits

Sustainability principles underpin our priorities	Upholding business integrity	Prioritising environmental protection	Creating a safe and healthy working environment	Prioritising the development and well-being of our employees	Improving resource use efficiencies	Optimising socio-economic benefit
The UN SDGs support, contextualise and inform the principles	1 No poverty 3 Good health and well-being 6 Clean water and sanitation 8 Decent work and economic growth 10 Reduced inequalities 12 Responsible consumption and production	3 Good health and well-being 8 Decent work and economic growth 12 Responsible consumption and production	3 Good health and well-being 6 Clean water and sanitation 8 Decent work and economic growth 12 Responsible consumption and production	1 No poverty 3 Good health and well-being 6 Clean water and sanitation 8 Decent work and economic growth 10 Reduced inequalities 12 Responsible consumption and production	1 No poverty 3 Good health and well-being 8 Decent work and economic growth	1 No poverty 3 Good health and well-being 6 Clean water and sanitation

ENVIRONMENTAL

Our commitment to responsible environmental stewardship and the UN SDGs compels us to better understand and manage our impact on the natural environment, mitigating climate change and other environmental risks so that we leave a meaningful legacy for future generations.

RELATED SUSTAINABILITY PRINCIPLES

Improving resource use efficiencies

Prioritising environmental protection

Optimising socio-economic benefit

RELATED UN SDGs

The following UN SDGs relate to our environmental pillar:

1 NO POVERTY | 6 CLEAN WATER AND SANITATION | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Refer to Our Approach to Climate Change Report 2022 for more information on our approach to integrating these UN SDGs into our business operations.

SNAPSHOT OF OUR PERFORMANCE

Zero major or significant environmental incidents for the 14th and 9th consecutive year, respectively

ICMM's GISTM adopted and dam safety management framework implemented

US$0.8 million invested in environmental protection during 2022 (2021: US$0.9 million)

US$15.4 million environmental rehabilitation provision (2021: US$14.9 million)

No fines for environmental transgressions or non-compliance with host country legislation for the 13th consecutive year

Decarbonisation and carbon-pricing strategies and targets adopted

Social and environmental plan (SEMP) updated and audited

ISO 14001 (Environmental Management) accreditation retained

Won **Best Climate-Related Reporting (Small Cap)** at the 2022 ESG Investing Awards

6.4 million m^3 of water recycled (2021: 8.9 million m^3, 2020: 8.8 million m^3)

Total **carbon footprint** reduced from 153 863 tCO_2e in 2021 to **112 827 tCO_2e** in **2022**

Won the **Responsible Water Management and Protection of Biodiversity** awards at the Investing in African Mining Indaba 2022 (Junior ESG Awards)

OUR GOALS

- Understanding and reducing our carbon footprint
- Improving our energy consumption efficiency
- Managing the effects of extreme weather events on our operations
- Reducing our reliance on fossil fuels.
- Advancing projects aimed at conserving water.

OUR OUTLOOK

We remain committed to environmental responsibility, including rigorous and ongoing monitoring and reduction of our environmental footprint, reporting according to the recommendations of the TCFD and upholding our commitment to the UN SDGs. In 2023, we will monitor and manage our climate-related exposure and measure our performance against our decarbonisation targets in line with our TCFD roadmap. We will advance our bioremediation strategy, implement and track fuel consumption, emission and cost-reduction initiatives, and maintain stringent management of our water and TSFs.

MATERIAL MATTERS

Managing our environmental footprints

Our context

We strive to responsibly manage our environmental impacts by measuring, monitoring and minimising our consumption, considering our water and carbon footprints and waste within our value chain. We ensure responsible consumption with the utmost respect for the natural resources we need. We are working within our value chain to identify initiatives that reduce our costs, resource consumption, and carbon, energy and water footprints.

Refer to Our Approach to Climate Change Report 2022 for details on our water, carbon and energy footprints.

Carbon

To ensure responsible stewardship of the environment around us, we measure, monitor and continually strive to minimise our consumption. Our carbon footprint is an important aspect of our environmental stewardship.

Our Letšeng mine does not have wide-scale access to renewable energy sources such as hydro, wind or solar power in Lesotho. We therefore require innovative and well thought-out energy and carbon initiatives to ensure a sustainable solution for the Group (refer to page 74 for more information).

Water

Letšeng's mine operations are 3 275 metres above sea level, on the watershed between the Khubelu and Matsoku drainages. These drainages flow into the proposed Polihali Dam and the Katse Dam, respectively. To ensure clean water flows into these dams and to our PACs, water management at Letšeng is prioritised throughout all aspects of our value chain. This water management takes place in the context of increasingly dynamic weather systems which we expect to further intensify as a result of climate change.

Letšeng experienced a severe four-year drought which ended in 2021. During this water-constricted period, a significant water conservation strategy was developed and implemented throughout the operation. High levels of precipitation since the drought resulted in the mine's freshwater Mothusi dam returning to 88% capacity by the end of 2022. The Letšeng mine currently has approximately nine years of available fresh water at current usage rates.

Patterns of extended droughts interrupted by short but extensive precipitation events align with the weather patterns predicted by climate change models.

Waste

Responsible waste management plays a significant role in the sustainability of our business and the long-term protection of our environment and surrounding PACs. We ensure the responsible management and disposal of mineral and non-mineral waste generated by our operations.

Our approach

Carbon

Our goal is to improve our energy usage efficiencies, introduce renewable energy sources to our operations and reduce our carbon emissions. We work with operations to identify and implement initiatives aimed at reducing costs, improving resource consumption and carbon, energy and water footprints. Initiatives are primarily focused on reducing our Scope 1 and 2 carbon emissions, including mobile and stationary fuel combustion and grid electricity, representing approximately 89% of the Group's total carbon footprint.

Our recently developed decarbonisation strategy considers all stakeholders and aligns with our goal of mining responsibly and minimising our consumption and our impact on the environment. We ensure that our carbon footprint mitigation initiatives remain relevant and progressive, and we measure and report on these biannually, most recently in Our Approach to Climate Change Report 2022.

Hydrocarbon management

Letšeng operates on the principle of zero oil contamination to the environment and, accordingly, hydrocarbon management is a high priority. Workshops and diesel depots are connected to oil separators to ensure minimal contamination of water and soil. If an accidental oil spill occurs, the contaminated soil is collected and treated at an on-site soil treatment and remediation facility.

Water

Gem Diamonds has prioritised the stewardship of water through a comprehensive water management strategy at its operations. Our responsible approach to water management has matured to align with appropriate best practice standards and operational trends in water use and impact, and we prioritise the needs of our stakeholders.

Letšeng has a comprehensive water monitoring and stewardship plan, including a detailed water monitoring protocol for analysing water quality on site and downstream, and monitoring consumption volumes through mining, treatment and other site projects and activities.

We strive to minimise and manage the unavoidable impacts of mining activities on the natural environment by measuring (through independent water quality assessments in and around the mine lease area), monitoring and minimising our consumption, and considering our water footprint and waste within our value chain. Letšeng's detailed water management policy clearly sets out our adherence to best practice and operational trends in water use and impact (refer to www.gemdiamonds.com).

We actively minimise fresh water use by recycling and reusing water on site, recovering run-off water, managing the impact and flow of stormwater, and attempting at all times to lower our water consumption. Our recently improved stormwater management system is designed to catch and redirect clean stormwater drainage into our freshwater dam. We continually explore additional catchment and freshwater supply opportunities for our operation and PACs.

The implementation of our revised stormwater management plan significantly limited the operational reliance on natural water catchments and safeguarded our water resources. As part of this plan, we implemented site-wide redirection measures and we perform monthly stormwater infrastructure inspections.

The management of our TSFs and freshwater dams is aligned with the ICMM's GISTM, as adopted in 2021 (refer to the case study on page 60).

Waste

We continually seek ways to improve our waste reduction efforts to minimise our impact on the natural environment and PACs. Our mining operations implemented waste management plans in line with the waste hierarchy: reduce, reuse, recycle and, as a last option, dispose. Non-mineral waste generated at our operations is separated at source and managed in accordance with the implemented waste management policies.

Our operations comply with the Basel Convention on the Control of Transboundary Movement of Hazardous Waste. We ensure that relevant permits are in place when hazardous waste is moved from Lesotho to South Africa, as there are currently no hazardous waste disposal sites in Lesotho. Hazardous waste is responsibly disposed of in South Africa at certified sites which issue certificates of safe disposal. Medical waste (from on-site clinics) is incinerated on site, which reduces the cost and emissions associated with transportation of waste to the nearest alternative incineration site.

Mineral waste

Operationally, we continue to look at ways to minimise the mining and movement of mineral waste, including our steeper slope project and shorter haulage distance initiatives, which have shown great success.

We retain our mineral waste on site at Letšeng in structures that comply with in-country requirements and international best practice.

Refer to our tailings management case study on page 60 for more information.

Our performance

Carbon

In 2022, we recorded a 41 036tCO_2e annual reduction in total Scope 1, 2 and 3 emissions. The reduction was mainly due to the mining optimisation initiatives we implemented during Q4 2021, such as reduced waste tonnes mined, steeper slopes and the 30% reduction in mine waste hauling distances. These initiatives lower our carbon emissions through reduced fuel consumption.

To decrease costs, diesel consumption and carbon emissions, and increase mining efficiencies, we implemented new and improved existing initiatives in 2022:

- Our focused waste rock dumping strategy reduced hauling distances and associated diesel consumption, lowering costs and associated carbon emissions.
- We implemented the pit wall steepening in the Main pit, reducing the volumes of waste rock to be moved. This lowered costs and reduced fossil fuel consumption and carbon emissions.
- Our reduction in explosives use lowered direct emissions and reduced the production of nitrates, supporting our environmental and water management goals.

Refer to Our Approach to Climate Change Report 2022 for details on our carbon emission performance metrics and additional information on our carbon initiatives and footprint.

Water

Water usage reduction initiatives

This past year saw an increased focus on water usage efficiency within our business processes. We revised our water use reduction strategy and implemented water-saving systems, including:

- improving stormwater management to minimise the potential flow of stormwater into mining and other operational areas;
- improving the pit dewatering system to reduce the water residency time in the pits;
- adopting a "closed-loop" return water system for makeup water required for processing activities; and
- implementing improved water treatment methodologies.

Refer to Our Approach to Climate Change Report 2022 for our water footprint and consumption performance metrics.

Waste

We continued our waste management and awareness campaigns, which have proven effective. We commenced a "no single-use plastics" initiative on site in October 2022. As part of this initiative, we provided branded reusable carry bags for staff to replace single-use plastic bags. The project showed immediate success, with single-use plastics usage dropping significantly across the site.

We conducted an emissions survey to monitor our waste incinerator performance and introduced corrective measures to improve monitoring and combustion efficiency.

Water stewardship

We actively minimise freshwater use by recycling and reusing water on site, recovering run-off water, managing the impact and flow of stormwater and economising our water consumption. Our stormwater management system is designed to catch and redirect stormwater drainage into our freshwater dam, and we continually explore additional catchment and freshwater supply opportunities for our operation and PACs.

We ensure responsible consumption with respect for the natural resources we need. Our operations rely on a continuous supply of water. We are mindful of our valuable relationship with our PACs, especially regarding access to sufficient potable water. We know we cannot secure water resources for our mine without ensuring that the water requirements of our PACs are met, and our Group water management policy considers the needs of all stakeholders. Various operational departments have implemented initiatives to reduce process water consumption, secure adequate water reserves to operate during potential future drought conditions, and ensure stable access to water for PACs.

Our Letšeng operation is located in the Maluti Mountains of Lesotho and our social licence to operate depends on regular engagement with government and local communities, as well as financial and practical support to address challenges with sustainable solutions. One of the UN SDGs Gem Diamonds has adopted is SDG 6 – Clean Water and Sanitation. Access to safe water and sanitation is a basic human right, and Letšeng has been working with stakeholders to improve access to water and sanitation for our communities.

Since 2010, we have provided 10 schools and five villages with access to safe potable water and dignified sanitation facilities through our corporate social investment (CSI) programme. These facilities have not only improved the health and hygiene of students at the schools and for inhabitants of the villages, but also the health of the water-related ecosystems that previously became polluted with E coli.

In addition to the water and sanitation provision projects in our PACs, Letšeng initiated a wetland rehabilitation and establishment programme to restore these critical ecosystems to fully functioning status. Wetlands are lands saturated with water, either permanently or seasonally, with distinct ecosystems that provide valuable services for humans and wildlife – filtering pollutants, reducing flooding and providing habitats for fish, wildlife and indigenous plants.

Our wetland rehabilitation projects serve a three-fold purpose, to:

- rehabilitate natural wetlands;
- offset environmental impacts; and
- provide a natural source of water treatment.

The Qaqa engineered wetland was constructed downstream of the Qaqa waste rock dump. In addition to rehabilitating an area previously mined for alluvial diamonds, it is anticipated that the wetland, perhaps the highest man-made wetland in southern Africa, will improve water quality through natural biological and chemical filtering in the wetland biomass. Since 2013, the wetland has continued to develop naturally, allowing indigenous vegetation to flourish. Through weekly water quality monitoring, there has been steady progress regarding wetland establishment and water quality improvement. We anticipate that results will improve as the wetland continues to establish itself over a longer period.

In 2015, Letšeng partnered with the Government of the Kingdom of Lesotho on the "sponge project" to protect and conserve the "sponges" or wetlands in the Khubelu catchment through sustainable management. The wetlands are crucial to the sustenance of the ecosystems and biodiversity in the catchment, providing livelihoods for humans, sustaining livestock and regulating water storage, quality and flow. These benefits are important for the livelihoods of local communities and the growth of the economy of Lesotho. Conservation of the wetlands is expected to reverse the losses already experienced due to degradation and ensure a sustainable flow of services and benefits from the wetlands. We have published several case studies demonstrating our investment in innovative technology to manage water stewardship and mature our processes and technologies.

Monitoring and measuring

Letšeng Diamonds monitors the water quality in the Patiseng and Maloraneng streams and the Khubelu River monthly. We collect water samples from several points in these watercourses and at varying distances downstream from the Letšeng mine. The samples we collect are subject to independent laboratory testing.

We developed a comprehensive water monitoring protocol, collecting water samples monthly, quarterly and biannually from selected sites throughout the mining lease area, and from control sites in rivers unaffected by mining activities. The water is analysed for various chemicals, including nitrates, sulphates and metals. Additionally, river health is monitored by measuring the biological status of diatoms and South African Scoring System Version 5 samples.

The mine's performance on water quality is reported to stakeholders as mandated by the Record of Decisions issued by the Lesotho Department of Environment.

Letšeng appointed GroundTruth, an independent water, wetlands and environmental engineering firm, to develop a Biannual Water Quality Monitoring Report to support our SEMP commitments. GroundTruth collects water samples according to scientific methodology and sends these to a South African National Accreditation System and ISO 17025-accredited water laboratory in South Africa for chemical, microbiological and environmental analysis.

The Biannual Water Quality Monitoring Report informs our Annual Environmental Performance Report submitted to the Department of Environment.

Water quality

Elevated nitrate levels are often associated with mining activities, but can also be also attributed to the application of fertilisers, human and animal waste, and other sources. As nitrates are produced by the decay of plants and animal and human waste, nitrate pollution of water typically occurs wherever intensive land use activities take place. Nitrate-nitrogen concentrations exceeding 20mg/ℓ are a common occurrence in groundwater. Nitrates may also be naturally present as a result of soil nitrification processes from the mineralisation and mobilisation of nitrate from natural soil or host rock lithologies.

Water quality assessments at Letšeng confirmed that, before mining activities commenced, the natural levels of nitrate in the surface water around the mine were approximately 15mg/ℓ. The World Health Organization published guidelines on the concentration of nitrates that are considered detrimental to health, and found there are no adverse health effects where drinking water consistently contains nitrates at concentrations below 50mg/ℓ. Ongoing water analysis over the years has indicated an increase in nitrates in our water, mainly due to mining explosives residue. In 2014, in response to the increase in nitrate levels, Letšeng commissioned an extensive nitrate management study to find and implement solutions to prevent nitrate-infused water leaving the lease area. The established solutions have been far-reaching and effective. We also constituted an official nitrate task team, working in collaboration with the relevant government departments in Lesotho. The operation has implemented the following solutions to conserve water quality:

- Commissioned a wetland construction and rehabilitation programme.
- Refined and amended blasting practices and procedures to limit the volume of nitrates from explosives released into the environment.
- Partnered with water conservation experts to trial the feasibility of fertigation and bioremediation as treatment methods, and conducted leach testing to better understand the management options.

During 2021, we successfully completed the bioremediation pilot project at Letšeng to treat water with potentially higher volumes of nitrates leaching from the waste rock dumps, and a modular bioremediation project is scheduled for commissioning in Q3 2023. The bioremediation project will treat water seeping from the mine waste rock dumps, and the treated water will be discharged from the plant into a newly constructed wetland before leaving the mine lease area.

We prioritise the needs of our stakeholders in our approach to water management, and our water strategy is based on international best practice standards. Letšeng has a comprehensive water monitoring and stewardship plan, including external and independent assessment of water quality inside and outside our mine lease area. We also consider the water quality results of other stakeholders in the region – the Lesotho Highlands Development Authority being a key stakeholder as the custodian of the Katse and Muela freshwater dams. Run-off from the mine found its way to two rivers near the mine, Matsuku and Khubelu. These rivers are major waterways in Lesotho and form part of the Lesotho Highlands Water Provision Scheme. Historical testing results indicate that mine activities have not impacted the water quality in either of the rivers. The most recent environmental and water quality report from the Lesotho Highlands Development Authority indicates that nitrate levels in the dams are consistently below 1mg/ℓ and they have confirmed that the water in the dams is of a good quality.

Our water quality testing protocol includes monitoring biological parameters, notably E coli and total coliforms. E coli bacteria normally live in the intestines of healthy people and animals. When E coli is found in surface water, the water has been contaminated with faeces from humans or animals. High levels of E coli and coliforms are especially common in rural subsistence farming communities with livestock, such as our communities. It should be noted that elevated levels of nitrate do not cause gastrointestinal issues.

Independent water quality assessments, conducted through an accredited laboratory, have consistently found elevated levels of E coli and total coliforms in the Maloraneng Village (20km from the Letšeng mine), Patising village and Lithakong village (23km from Letšeng) surface water sources. The E coli contamination is mainly due to livestock fouling the surface water sources around the villages.

Most types of E coli are harmless or cause brief bouts of diarrhoea. However, a few strains can cause severe stomach cramps, bloody diarrhoea, vomiting and bacterial dermatitis. Healthy adults usually recover from E coli infection within a week. Young children and older adults have a greater risk of developing a life threatening form of kidney failure.

Letšeng is proud of our history of corporate social responsibility and partnerships with communities to ensure shared benefit. Our on-site clinic provides emergency and primary healthcare for community members, and the considerable number of bacterial gastroenteritis cases treated through our clinic resulted in a decision to assist communities with the provision of potable drinking water, which we have done since 2014. The provision of safe drinking water resulted in a significant decrease in gastroenteritis cases in the communities.

Bioremediation

Bioremediation is a process that utilises naturally occurring micro-organisms in the soil to break down chemical compounds found in water (for example, nitrates) and convert them to harmless gases found in the atmosphere (for example, nitrogen). It is more cost-effective and less labour and energy-intensive than traditional technologies such as reverse osmosis.

Our pilot bioremediation plant has been operational at Letšeng since the beginning of 2017. Initial water quality samples indicate that 95% to 99% of nitrates have been removed from the water treated during this process.

Based on this success, in 2021, Letšeng commissioned the design of a bioremediation project to treat water seeping from the mine waste rock dumps into the RTZ catchment dam. The aim is to discharge treated water from the plant into a newly constructed wetland, ensuring that natural sequestration takes place and any particulates settle out of the water. This passive treatment process ensures that biodiversity and water quality are protected.

The location and construction of the bioremediation project have presented challenges relating mainly to access to power and long lead times from global supply chains for necessary equipment. We have reviewed the implementation of this project and prioritised the construction of a 300 000 litre per day plant, which we plan to commission in Q3 2023. In prioritising the implementation of this project, we approved a modular design and workstreams and hold bi-weekly bioremediation cadence meetings to ensure the project remains on track. In the meantime, we relocated our pilot bioremediation plant and a second similar-sized bioremediation plant to the bottom of the waste dump area in the RTZ valley. We are currently treating approximately 40 000 litres of water a day.

We are investigating the opportunity to use renewable energy for the bioremediation plants, and have identified a site for sufficient renewable energy-powered capacity to power the baseload needed.

Managing and addressing climate change and extreme natural events

Our context

Due to remote locations, our operations are susceptible to frequent weather events such as snowstorms, extreme temperatures, excessive rainfall and/or flash floods and drought. These events are exacerbated by climate change. Lesotho frequently experiences localised floods that damage basic service infrastructure in often impoverished communities; 75% of the Lesotho population resides in rural areas.

Human-induced climate change affects weather patterns across the globe. The International Panel on Climate Change Working Group 1 predicts that global temperatures will exceed a 1.5°C increase within the next two decades.

Understanding climate-related risks and potential impacts is key to assessing our organisational exposure and resilience to climate change. Additionally, this knowledge guides us when updating business continuity plans and operational strategies to mitigate the impact of climate change-related risks.

Our approach

We are cognisant of the risks presented by climate change and their potential impact on our operations and stakeholders. This year, the Board adopted Gem Diamonds' decarbonisation strategy, a commitment to a 30% reduction in Scope 1 and 2 emissions by 2030, and a carbon-pricing model that will underpin the integration and assessment of decarbonisation into our operations and all projects.

We continued the implementation of our three-year plan towards full TCFD compliance. The objectives set out in the first phase of the roadmap were completed in 2021, and we delivered the phase 2 objectives in 2022. The final objectives in phase 3 will be completed in 2023.

Phase 1 (2021)
Build the foundations to support meaningful science-based decision-making

Phase 2 (2022)
Understand the risks we face and reflect on our organisational resilience

Phase 3 (2023)
Establish clear metrics and targets for monitoring and managing our exposure

Refer to Our Approach to Climate Change Report 2022 for our detailed TCFD reporting.

In 2022, our work focused on mitigating the Group's climate change impact by reducing Scope 1 carbon emissions, reducing our grid electricity consumption, and assessing viable renewable energy options.

We improved business resilience through adequate assessment of climate change risks and opportunities, by understanding adaptation measures available for the Group in response to climate risks, and by more effectively managing the physical risks related to climate change and the location of our operations – including extreme weather events on site.

We view climate change through two lenses, in line with the TCFD framework's recommendations. Firstly, we ensure operational resilience and continuity regarding physical risks, including extreme weather events. Secondly, we are preparing for a just transition to a low-carbon economy.

The last three years were marked by an acceleration of climate change-related information and regulations. The Group embraced this acceleration and is actively incorporating regulations and information into relevant climate change strategies and plans, such as the Letšeng climate change adaptation and water management plans. These updates include specific physical climate change-related risks identified through our climate change scenario analysis.

Our two mines are located in extreme environments, and we have been managing and responding to extreme natural events since 2006. Our operational business continuity plans, disaster management plans, and all other operational procedures and systems are informed by the weather experienced at these locations.

The Letšeng operation maintains a two-week supply of food and diesel in case extreme weather disrupts access and/or energy supply. Additionally, our medical teams are equipped with extensive training in high-altitude rescues and emergency treatment under extreme conditions.

Our water management systems also consider potential natural events. Dams and storage facilities are managed so that there is excess capacity to handle a sudden influx of water without compromising safety.

At the beginning of 2021, a four-year prolonged drought in Lesotho ended with localised flooding and persistent heavy precipitation which continued in 2022. Our water management strategy prioritises water saving, recycling and catchment efficiency initiatives to preserve water and ensure it is treated as a precious resource.

Concurrently, our teams respond swiftly to assist communities during periods of flood or drought. The increased frequency of localised flooding and prolonged drought illustrates the potential impacts of climate change in the region around our Letšeng operation.

Our performance

We implemented phase 2 of our three-phase TCFD roadmap with the following milestones:

- Our carbon-pricing model was finalised and adopted by the Board.
- Our decarbonisation strategy was finalised and adopted by the Board.
- We set a target of 30% Scope 1 and 2 emissions reduction by 2030.
- We implemented initiatives to improve efficiencies and reduce energy use.
- We augmented our climate-related Board and management structures.
- We further strengthened our enterprise risk management process, and expanded our assessment of physical and transition risks.
- Certain executives and senior management participated in the UN Global Compact Climate Ambition Accelerator programme.

Ensuring consistent electricity supply and minimising energy consumption

Our context

A consistent and stable supply of power is critical for our mining operations. The Letšeng operation accounts for the vast majority of the Group's energy consumption in terms of fossil fuel-based energy and grid-based electricity. Scope 2 energy consumption for the Group is primarily driven by grid electricity.

Letšeng receives its electricity supply from the South African grid, which has been experiencing load shedding – planned interruptions to electricity supply – since 2007. Load shedding and grid instability affects the Letšeng operation, as the electricity supply to Lesotho is cut periodically as part of the load shedding schedule in South Africa.

The amount and severity of load shedding is increasing steadily. South Africa experienced 207 days of load shedding in 2022, compared to 75 days in 2021 and 54 in 2020. The availability of a sustainable and reliable power supply has therefore become our principal risk.

Our energy use is directly related to our production of carbon emissions, not only to costs incurred. Our energy-saving initiatives are increasingly synchronous with our emissions reduction initiatives, and our planning around energy and climate-related concerns is increasingly integrated.

Our approach

A generator-based back-up power supply system is in place to ensure a consistent supply of energy to our mining operations and associated infrastructure. The generators are operated when regional lightning strikes or Eskom-related electricity load shedding impacts production.

Part of the work that the Group is doing to reduce its carbon emissions lies in identifying opportunities relating to energy and electricity that will assist us as we strive to decarbonise the business and evaluate which opportunities are feasible for the Group to implement. We determined an internal carbon price to enable us to assess the impact of these, and other opportunities, on our strategy, operations, projects, financial position and performance.

We recognise the need to appropriately transition to energy sources that are less carbon-intensive than the traditional fossil fuel-based energy sources currently powering our operations.

Refer to Our Approach to Climate Change Report 2022 for information on our carbon-pricing model, decarbonisation strategy and energy consumption performance.

As our operations move towards lower carbon emissions targets, we will continue evaluating power sources and technology to reduce carbon emissions and secure stable and cost-effective energy supply.

We are investigating renewable energy alternatives and have conducted several studies to determine their viability. While there are significant challenges to full-scale adoption of renewables, including their potential impact on biodiversity, location-specific irradiance and the extremely low temperatures on site, we are actively exploring all possibilities.

In line with our decarbonisation roadmap, our path towards targeted emissions reduction involves a phased approach, beginning with identifying efficiencies in our processes and technology and reducing energy consumption.

Refer to Our Approach to Climate Change Report 2022 for information on our decarbonisation strategy.

Energy demand reduction and decarbonisation initiatives

We have adopted a bottom-up approach to embed energy-reduction and decarbonisation awareness across the Group, with a series of workshops and presentations to explain to employees the concept of carbon footprint and the importance of carbon reduction.

Education around climate change and decarbonisation continued throughout 2022, and the identification and planning of emission-reduction initiatives took place at departmental level.

Our energy consumption prioritisation programme determines which operational elements can run on generator power when grid energy is unavailable. Energy availability is prioritised for essential operational elements, resulting in less diesel usage and lower costs and emissions.

Managing demand and consumption through behaviour-based initiatives stands to positively impact our costs and emissions, and embed climate-related thinking among employees.

Our performance

- Ensured constant energy supply to Letšeng through a diesel generator power plant.
- Implemented an energy demand management programme.
- Established an Energy and Decarbonisation Committee.
- Reduced our year on year energy consumption by 27%.

To mitigate the risk of power interruptions, we ensure that load shedding schedules and regional weather prediction reports are integrated into our production planning to facilitate effective change-overs to generator power.

Refer to Our Approach to Climate Change Report 2022 for our energy footprint performance metrics.

Planning for mine closure, protecting biodiversity and enhancing conservation

Our context

Gem Diamonds has developed and implemented an innovative strategy to sustain biodiversity within the mine lease area and preserve the natural environment to promote the ecosystem services found in these unique bioregions.

The Letšeng mine is situated on the edge of the Maloti Drakensberg Transfrontier Project and the Ukhahlamba Drakensberg World Heritage Site in the highlands of Lesotho. Mines have finite lifespans, and it is imperative that, as the mine owner, we take responsibility for protecting the biodiversity of indigenous flora and fauna surrounding our mine post mine closure.

Through our closure planning, rehabilitation strategy and biodiversity management plans, we ensure that biodiversity is included in our financial planning, mine closure and long-term strategic objectives, and that adequate financial provision is made for rehabilitation. Our mine closure plans consider the socio-economic status and impacts of potential mine closure on our PACs and our environmental effects.

Our approach

Letšeng is committed to mitigating environmental damage, protecting biodiversity and enhancing conservation efforts in the areas in which we operate.

We collaborate extensively with our host countries, PACs, regulators, scientists and other industry stakeholders to implement practical environmental protection strategies. Ultimately, we aim to contribute meaningfully to environmental and socio-economic sustainability and prosperity for our host countries, PACs and business. Bioremediation is the cornerstone of our water quality conservation efforts and a critical part of our stakeholder relationships.

Our biodiversity risk assessments consider all threatened, migratory and endemic species and regionally relevant ecosystem services, such as rangeland, wetlands, grasslands and water. We implemented the biodiversity offset strategy at Letšeng to mitigate mining-related impacts on biodiversity. The offset strategy includes:

- no-go areas protected from development;
- an indigenous plant garden;
- an artificial wetland construction programme;
- a native seed propagation and rehabilitation trial programme;
- a concurrent rehabilitation plan; and
- a grazing management plan in collaboration with subsistence farmers in the region.

Our offset strategy is supported by a comprehensive monitoring programme, enabling us to record and track species numbers and diversity within the mine lease area and region.

Our operations have mature and detailed SEMPs that underpin our biodiversity and conservation efforts. These plans consider all threatened, migratory and endemic species within our mine lease areas and the regional ecosystems.

All potential biodiversity and environmental impacts of our mining activities are assessed as part of our SEIA process. Our SEMPs consider the management and mitigation of direct, indirect and cumulative impacts. External biodiversity specialists developed Operational Biodiversity Management Plans for Letšeng, which are reviewed annually.

We have designed and appraised post-mining closure and rehabilitation requirements and are undertaking concurrent rehabilitation at our Letšeng operation. Our rehabilitation trials test various methods to find the optimal techniques for soil stability and plant growth at Letšeng's high altitude.

Our performance

Biodiversity and veld quality monitoring takes place every two years, with the last complete cycle occurring in 2021. A positive trend in the total number of species, including Red Data and restricted species, has been recorded over the last five years. Our operations are noted as having a minimal impact on biodiversity on site.

Partnering to preserve biodiversity

Gem Diamonds is a member of the United Nations Global Compact and supports the SDGs. SDG 17 (Partnering for the Goals) recommends partnering to achieve goals and strengthen the means of implementation.

Partnerships play a critical role in our biodiversity protection work. We identified a network of interested and affected stakeholders to consult and work with to optimise our biodiversity stewardship work. These partners range from communities and local traditional leaders, to subsistence farmers and government departments.

Our partnerships with local subsistence farmers include implementing rotational grazing and veld management programmes to ensure that rangelands outside of the mine lease area are protected from overgrazing, and that overgrowth in these areas is managed.

Gem Diamonds' innovative strategy to sustain biodiversity within our mine lease areas preserves the natural environment and promotes the ecosystem services in these unique bioregions. Our strategy aims to protect and manage natural habitats in a way that ensures "no net loss" of biodiversity.

In support of our biodiversity protection ambition, we established "no-go areas" in mine lease areas. These areas are protected from development or disturbance by mining activities.

We work to prevent the loss of plant species through a rescue and relocation procedure – named the Priority Plant Relocation Procedure. We helped establish a high-altitude rescue plant garden and seed storage facility in Lesotho with the most comprehensive native seed collection in the country.

Our biodiversity protection initiatives have shown excellent results, with previously threatened plant species establishing thriving colonies in the Letšeng mine lease area. The spiral Aloe, threatened to near-extinction due to poaching and overgrazing, has established a footprint in the Letšeng mine lease area, the only place in Lesotho where its numbers are increasing.

Wetlands are considered priority ecosystems in the Drakensberg Afro Alpine Region. We partnered with the Government of the Kingdom of Lesotho and other stakeholders to protect these important ecosystems by constructing new wetlands and rehabilitating existing wetlands in the Khubelu valley.

Livestock overgrazing and trampling are major challenges in this regard, affecting the rate of erosion of the wetlands. Overgrazing harms wetlands through soil compaction, removal of vegetation and stream bank destabilisation. Wetlands offer excellent forage for livestock and provide a water source and cover, so livestock tend to spend a disproportionately large amount of time there.

Proper management of wetlands rests on effective rotational grazing to allow the wetlands to rest. The initial stages of the wetlands biodiversity protection project involved educating local herdsmen about sustainable grazing practices and ensuring that areas are grazed evenly, to decrease the risk of erosion. Following better grazing practices, the environmental conditions are expected to improve, allowing wetlands to rehabilitate and sustain naturally.

SOCIAL

The Group's purpose – "Produce the best diamonds, in the best way, leaving a lasting legacy" – is directly underpinned by three key strategic priorities: Extracting Maximum Value from Our Operations, Working Responsibly and Maintaining Our Social Licence, and Preparing for Our Future.

Our social licence to operate depends on regular engagement with all stakeholders, including government, local communities, employees and other interested parties, to address challenges with mutually beneficial and sustainable solutions. As responsible operators and social partners in our host countries, we endeavour to maintain healthy and constructive relationships with governments and our PACs.

As mining life is finite, we must establish CSRI projects that continue to create value for stakeholders in our absence. We want to leave a positive legacy in the countries in which we operate through contributing to local economies, maximising local employment and procurement, and developing sustainable CSRI projects. We take an integrated approach to achieving this; we understand how the issues of sustainability, society and the environment are inextricably linked.

RELATED SUSTAINABILITY PRINCIPLES

Prioritising environmental protection

Optimising socio-economic benefit

Prioritising the development and well-being of our employees

RELATED UN SDGs

While our CSRI activities focus on PACs at our operating mine in Lesotho, where the need is greatest, we acknowledge that we are part of a global community striving to address larger issues. To this end, we integrated the UN SDGs into our decision-making process, with six of the 17 SDGs identified as key to our communities and organisational objectives.

The following UN SDGs relate to our social pillar:

Refer to Our Approach to Climate Change Report 2022 for more information on our approach to integrating these UN SDGs into our business operations.

SNAPSHOT OF OUR PERFORMANCE

US$0.5 million invested in social projects (2021: US$0.8 million)	**US$134.1 million** spent on local procurement (2021: US$164.9 million)	**Zero** major or significant community accidents (2021: zero)
Established an **agriculture skills incubator**	**Zero** incidents of compromised dam integrity (2021: zero)	**Zero** incidents involving **rights violations of indigenous communities** (2021: zero)

OUR GOALS

- Build on our foundation of positive relationships with all stakeholders through continuous engagement.
- Enhance the sustainability of our small and medium-sized enterprise (SME) projects through partnerships with appropriate non-governmental organisations (NGOs).
- Implement our needs-based CSRI programme effectively to enhance benefit to PACs.

OUR FUTURE

- Strengthen partnerships with our PACs through CSRI initiatives that support the creation of sustainable, mutually beneficial industries through extended support.
- Launch our second three-year UN SDG cycle and integrate this into our corporate social responsibility strategy.
- Further integrate climate-related considerations into our CSR strategy.

MATERIAL MATTERS

Safeguarding our communities

Our context

Our primary objective is to operate safely and responsibly – ensuring the safety and health of our workforce, their families and the communities surrounding our operations.

Our Letšeng operation is located in a remote part of Lesotho's Maluti Mountains with limited public infrastructure and challenging transport routes. Not only does the remote location create operational challenges, but our PACs also face daily difficulties accessing basic public services. Our responsibility as a good corporate citizen extends beyond protecting our communities against any potential risks posed by our mining operations, but includes generating sustainable shared value that will benefit PACs for generations to come.

During 2022, two material topics were at the centre of our engagement with stakeholders: water quality and TSF management.

Our approach

The lack of access to public services and water provision infrastructure resulted in our PACs primarily relying on surface water sources (streams and springs) for their daily water needs, including subsistence farming, livestock and human consumption, and hygiene. E.coli can be found in these surface water bodies, and can sometimes cause severe gastrointestinal illness (for more information, refer to our water quality case study on page 76).

At Letšeng, our on-site clinic provides emergency and primary healthcare for community members, and our medical staff often travel to PACs to assist community members who are not able to travel to the clinic. After noting continuing high levels of E.coli-related gastrointestinal illness, we designed a strategy focused on assisting our PACs with safe and potable water and decent sanitation infrastructure. This strategy protects the communities from ingesting water contaminated with E.coli as a result of fouling in the water, and also protects the water bodies from further contamination by providing sanitation facilities. To date, we have provided 10 schools and five villages with safe potable water and dignified sanitation facilities.

In addition to our community outreach and primary healthcare programmes, we provide emergency response and medical assistance in the region. We leverage resources at our Letšeng operation to directly assist communities in the Mokhotlong district. We repair and maintain national roads on behalf of the Roads Agency. In 2022, we responded to eight accidents on public roads and treated 33 people in our clinic for trauma injuries sustained in the community villages.

The second material engagement topic in 2022 was the responsible management of our TSFs. These are an integral part of mining operations, and they present one of the most significant potential hazards associated with the industry if they are not responsibly managed. Recent tragedies involving tailings dam failures have placed the mining industry under intense scrutiny, highlighting that risk management is crucial at every stage of the lifecycle of tailings facilities.

In response to these tragedies, the ICMM established the GISTM to strive to help achieve the ultimate goal of zero harm to people and the environment, with zero tolerance for human fatality. The standard requires operators to take responsibility and prioritise the safety of tailings facilities through all phases of a facility's lifecycle, including closure and post-closure. It also requires the disclosure of relevant information to support public accountability. Gem Diamonds has committed to and adopted the ICMM's GISTM.

We recognise that ensuring the integrity of our mining waste and freshwater storage facilities is non-negotiable and integral in exercising our responsibility to safeguard our communities. We take a proactive approach and ensure that dam safety is continually managed according to international best practice. Dam walls undergo stringent safety monitoring in the form of inspections and audits, conducted both internally and externally at regular intervals throughout the year.

To protect our host communities from potential dam-related hazards, we monitor two TSFs and a freshwater dam at our Letšeng mine: the Patiseng TSF, the Old TSF, and the Mothusi dam – our freshwater supply resource. All facilities undergo stringent inspections on a daily, weekly and monthly basis, surveying factors including water level, beach length, freeboard and overall structural stability. Furthermore, an early-warning system, together with community training and awareness programmes, are used to ensure the emergency readiness of communities that could be affected in the unlikely event of a failure. The nearest village is located 20km downstream from the mine. However, Letšeng has never had a case of tailings overflowing or breaching of a tailings containment facility.

Refer to the Operations review on page 60 for our response to tailings management.

Our performance

- Zero incidents of compromised dam integrity were recorded in 2022 (2021: zero).
- In 2022, the Letšeng emergency team responded to 17 emergency calls (2021: 22) from PACs, of which eight were motor vehicle-related (2021: 13).

Ensuring positive engagement with our stakeholders

Our context

The strength of our relationships with stakeholders, particularly employees, regulators, PACs and host governments, ensures our social licence to operate. These relationships depend on the effective management of ethics, labour practices, environmental and social responsibility, and our risk management and engagement activities with stakeholders.

Our culture of care encourages us to engage, listen and respond responsibly to stakeholders' needs. Our decision-making is supported by regular stakeholder engagements, enabling us to create value for society and promote our long-term sustainability.

Lesotho has high levels of unemployment, inequality and poverty. Our stakeholder engagement and CSI strategy guides our Letšeng operations in responsibly and sustainably contributing to the economy and our PACs during and beyond our life of mine.

Refer to page 17 for information about our stakeholder engagement and management.

Our approach

Our community engagement approach is informed by operation-specific SEIAs and community needs analyses, following extensive public participation. It is aligned with host country legislation and international best practice guidelines, such as the Equator Principles and the IFC Performance Standards on Environmental and Social Sustainability.

At Letšeng, we take a multi-level approach to stakeholder engagement. We hold monthly engagements with local community leaders, quarterly meetings with residents of local villages, and regular forums with district-level stakeholders and leadership.

Our stakeholder engagement specialist established WhatsApp groups with local villagers for rapid, frequent communication, enhancing the quality of our relationships and our ability to understand and proactively address issues.

We acknowledge our communities' unique cultural and traditional context. We aim to engage transparently and respectfully; to do so, we employ suitably qualified and trained people. We have a stakeholder consultation framework to ensure meaningful engagement, from which we integrate feedback to guide our decision-making. Community representatives sit on the CSRI subcommittee of the Letšeng Board, meeting quarterly to discuss the implementation and sustainability of current and planned projects.

Topics of engagement in 2022

This past year, community engagement teams highlighted issues relating to Letšeng's employment policy, community projects, SME development and the mine's emergency medical response capacity. The teams also encouraged community members to use the formal grievance procedure if grievances arose.

An important issue raised in 2022 was the occasional breach of perimeter boundaries by community members and livestock. These breaches pose a safety risk for community members and employees, and can affect the mine's biodiversity initiatives (refer to page 76 for more on biodiversity). We held discussions with community members and agreed on several measures to prevent and manage the breaches.

Our performance

- No major or significant stakeholder incidents occurred at any of our operations during 2022 (2021: none).
- No incidents involving rights violations of the indigenous people on whose land the Group operates occurred at our operations in 2022 (2021: none).

Working with communities to understand and meet their needs

Our context

Lesotho is a developing country with high poverty rates. Approximately 81% of the Lesotho population lives on less than US$5.50 a day, and almost 35% of the population is under-nourished. The three districts bordering our Letšeng mine are home to some of the most impoverished communities in Lesotho. The diamond and textile industries are the primary contributors to the country's export economy.

While we have a comprehensive corporate social community investment strategy focused on sustainable shared value creation, we also contribute to our host communities through tax payments and royalties, our sustainable development investments and local employment and procurement practices. We focus on authentic engagements to understand communities' needs and implement sustainable projects – in this way, we create meaningful change focused on the provision of basic services, food security and decent work.

Our approach

We value our mutually beneficial relationships with our PACs; these relationships ensure our long-term sustainability. We comply with regulations and legal requirements and go beyond legislated minimum requirements to make a meaningful impact and meet communities' needs.

We facilitate CSRI through rolling five-year strategies, informed by an independent third-party assessment of community needs. Our strategy focuses on areas with the greatest potential for positive impact, namely, infrastructure development, education, health, SME development and, where appropriate, regional environmental projects.

Our most recent strategy development and needs analysis was conducted in 2021. We consulted a broad range of stakeholders during the needs analysis process, including communities, leadership authorities, employees and relevant government departments.

The Letšeng CSRI Committee, which includes community representatives from the Mokhotlong region, governs our CSRI strategy. Letšeng agreed in its mining lease to allocate LSL5.0 million, or 1% of total dividends declared and paid in the relevant financial year, whichever is the greater, to CSRI projects. These commitments are included in our mining lease agreement with the Government of the Kingdom of Lesotho. The CSRI policy, which includes consideration of our adopted UN SDGs, outlines the process we adopt in identifying CSRI projects and prioritising sustainable and worthy causes, as informed by a bottom-up, community-focused approach. The governance of CSRI allows for ad hoc and responsive projects where appropriate, for example, to allow for effective responses to emergencies, such as flooding.

Our performance

- CSRI investment of US$0.5 million (2021: US$0.8 million).
- To date, Letšeng Diamonds has awarded 51 scholarships to young Basotho citizens to study in the fields of mining, engineering, emergency medical care and finance. 48 have graduated successfully and 26 are employed full-time at the mine.
- We constructed perimeter fencing and ablution facilities at Mapholaneng High School in late 2022.
- We constructed 50 toilets and a water storage and supply scheme at Ha Moroke village, which had no access to clean water or sanitation facilities.
- Construction began on classrooms and toilets at Nthlolohetsane Primary School, due for completion in 2023.
- The egg circle projects in Tlokoeng and Mokhotlong were commissioned in 2022.
- We established an agriculture skills incubator with specialist input to mentor and guide egg farmers.
- Milk production has increased at the Dairy Project due to the addition of 13 Holstein cows in 2022, and the establishment of a dairy farming incubator to support the project.

Enhancing our support for flagship projects

Our flagship projects are intended as income-generating enterprises that become self-sustaining without the long-term support of the Letšeng mine.

The projects we supported before 2020 are self-sustaining. However, COVID-19 had a devastating impact on projects that were in the process of development and handover to communities.

In 2022, we engaged the services of project-specific NGOs to provide business incubation support for these initiatives. The NGOs offer mentorship and guidance and help to set up the necessary structures to support sustainability. Organisational development experts transfer governance, accounting and administrative skills to the members of the associations that oversee the projects, and subject matter experts develop programmes to enhance productivity.

The success of this approach resulted in the refinement of our flagship project model to involve ongoing partnerships with NGOs and subject matter experts.

Supporting our communities through localisation to create shared value

Our context

Localisation is key to embedding shared value for our host countries and communities. Gem Diamonds contributes to shared value by employing people from our PACs and engaging with local businesses in our supply chain. This enables us to contribute meaningfully to the socio-economic development and well-being of our communities while meeting our business needs.

Our approach

Letšeng is a significant contributor to Lesotho's economy. We provide jobs for more than 1 500 locals and support socio-economic development through our focused local procurement strategy. Wherever possible, we recruit locally and match locally available skills with operational requirements. Where local skills shortages are noted, we utilise our scholarship and internship programmes to ensure future skills availability. We purchase goods and services from local suppliers who comply with the necessary standards while helping these entrepreneurs develop their businesses.

Our performance

- 98% of Letšeng's workforce comprises Lesotho nationals (2021: 98%).
- Group in-country procurement was US$134.1 million (2021: US$164.9 million), of which US$2.4 million was procured directly from PACs (2021: US$3.4 million) and US$30.0 million (2021: US$31.4 million) from communities around Letšeng.

Minimising our potentially negative social impact

Our context

As our mines are in remote rural locations, we recognise and respect the importance of protecting the surrounding communities' well-established cultures and social structures. We help to uplift these communities, advancing their economic, environmental and social sustainability potential while promoting practices that protect human rights.

Our approach

Our overarching impact assessments are guided by Free, Prior and Informed Consent (FPIC) guidelines. FPIC is a specific right that pertains to indigenous peoples and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples. It allows indigenous communities to give or withhold consent to a project that could affect them or their territories.

We align our community engagements and CSRI projects with international best practice and sustainability principles. Our informed approach applies information gathered from community needs analyses and SEIAs. Assessments include extensive public participation to understand our PACs' needs and concerns.

Our goal is to minimise adverse mining impacts while identifying opportunities for positive outcomes. Our SEIAs involve biodiversity surveys, soil, water and air quality studies, archaeological surveys, visual and socio-economic impact assessments and an extensive public participation process.

Our performance

- Zero incidents involving rights violations of indigenous communities (2021: zero).
- Zero major or significant community grievances lodged in 2022 (2021: zero).
- Engagement with PACs through established and enhanced forums in a safe and responsible manner.

EMPLOYEES

We provide a safe environment to ensure the health and safety of our employees, their families and our surrounding communities.

We promote equality, diversity and professional development for employees at every business level, with attention to their physical and psychological well-being.

RELATED SUSTAINABILITY PRINCIPLES

Creating a safe and healthy working environment
Prioritising the development and well-being of our employees
Optimising socio-economic benefit

RELATED UN SDGs

In 2022, we completed the final year of our first rolling three-year UN SDG cycle to embed the adopted goals into our systems, processes and decision-making.

The following UN SDGs relate to our employees pillar:

Refer to Our Approach to Climate Change Report 2022 for more information on our approach to integrating these UN SDGs into our business operations.

SNAPSHOT OF OUR PERFORMANCE

Zero fatalities (2021: zero)	**Three** lost time injuries (LTIs) (2021: six)	LTIFR: **0.13** (2021: 0.24)
Gem Diamonds won the Junior ESG Award for **Health & Safety** at the 2022 Mining Indaba	All injury frequency rate (AIFR): **0.70** (2021: 0.93)	**US$45.3 million** spent on employee remuneration and benefits (2021: US$37.4 million)
Letšeng retained **ISO 45001** certification (Occupational Health and Safety Management)	**Women in senior management** increased from 28% in 2021 to **38% in 2022**	**72 697** proactive safety management actions (2021: 67 599)

OUR GOALS

- Implement our LetšGem employee communication platform.
- Further advance employee engagement forums to provide meaningful outcomes.
- Drive diversity and inclusion.

OUR FUTURE

- Focus on training and skills development.
- Further develop our employee value proposition.
- Enhance skills development and communication technology platforms.

MATERIAL MATTERS

Providing a safe working environment

Our context

The remote location of Letšeng contributes to its unique operating environment and occupational health and safety challenges. Our primary objective is to safeguard the health and safety of our employees and surrounding communities by integrating specialist knowledge, rigorous planning and exceptional leadership into a holistic health and safety risk management system that considers all stakeholders to embed a culture of zero harm.

Our approach

Our goal of zero harm is grounded in our belief that every injury is preventable and underpinned by a culture of care and accountability that is driven by each employee and advocated for by every leader. We not only classify a safety incident based on its impact on people or property, but more importantly, on its potential for impact or injury. Every safety incident and near miss must be reported and appropriately investigated to implement effective corrective actions and prevent future incidents.

Health and safety strategy and safety culture maturity journey – 2021 to 2023

The Bradley curve measures four phases of organisational safety culture maturity: "reactive", "dependent", "independent" and "interdependent". As an organisation moves along the curve from reactive to interdependent, it marks progression from externally motivated compliance to internally motivated, team-driven commitment.

In 2022, Letšeng partnered with an external safety expert to assess organisational safety maturity as a foundation of our focused programme for safety performance improvement. The safety performance improvement strategy is aimed at progressing the organisational safety culture maturity along the Bradley curve to further embed a culture of zero harm with each employee at Letšeng. We conduct interim assessments to monitor the progress we are making and amend our occupational health and safety systems for appropriateness in relation to organisational safety maturity.

In partnership with subject matter experts, the following safety-focused programmes were implemented during 2022:

Leadership visibility and accountability

We implemented a management-specific leading indicator programme, monitored through the newly established Safety Committee. The Safety Committee members include senior management from Gem Diamonds and Letšeng, and subject matter experts (internal and external) are invited as appropriate. Our coaching programme partners senior site management with leading safety experts for mentorship on interdependent safety culture, effectively identifying risks and mitigating against industrial blindness.

We developed a training programme for our health, safety and environmental representatives, supervisors and line managers, focused on embedding effective safety leadership and the principle of being one's "brother's keeper". During 2022, we invited external safety experts to join our visible felt leadership engagements and identify opportunities to bolster the effectiveness of these sessions, including walkabout inspections, toolbox talks and over inspections.

Safety compliance

We take a firm stand against non-compliance, with high safety standards for employees, contractors and sub-contractors. During 2023, we relaunched our Life Saving Rules – a set of critical safety parameters – and implemented a Just Culture Procedure to drive accountability and consequence management for non-compliance with safety rules and procedures. We established a recognition and reward programme to recognise individuals and teams who live the culture of zero harm and elevate learnings throughout the organisation. In 2022, our TSF management contractor was recognised for achieving 11 LTI-free years, and our mining contractor achieved two LTI-free years.

Critical control management

In 2022, key employees completed a critical control management programme through the University of Queensland. The learnings from this programme were leveraged to design a critical control strategy for the Letšeng mine. The two-year strategy analyses the critical safety risks and controls at the operation to mitigate these risks. Through the strategy, we are analysing existing controls to focus efforts and resources on bolstering the effectiveness of critical controls to prevent risks from becoming incidents. The Letšeng operation focused on two risks in the mining operations in 2022: equipment loss of control and fall of ground.

Our performance

- Zero fatalities (2021: zero).
- Gem Diamonds received the Junior ESG Award for Health & Safety at the 2022 Mining Indaba for its Stop for Safety campaign during 2021, which was led by senior executives and targeted the root cause of safety incidents.
- AIFR: 0.70 (2021: 0.93).
- Three LTIs across the Group during 2022 (2021: six), resulting in a Group-wide LTIFR of 0.13 (2021: 0.24).
- Zero restricted work injuries across the Group during 2022 (2021: one).
- ISO 45001 certification retained at Letšeng.

Attracting and retaining qualified people

Our context

Skills shortages in the mining sector – exacerbated by our remote location, as we strive to recruit and employ locally – elevate our focus on being an employer of choice. Gem Diamonds invests considerable resources in attracting and retaining talent, skills, expertise and experience through an enhanced employee value proposition.

Our approach

Our strength is in the quality of our people. To attract and retain talented individuals, we continually seek to understand and address employee needs, offer market-related salaries, cultivate a supportive working environment and offer career development opportunities.

Employee value proposition

We continually review our employee value proposition (EVP). In 2022, the Board reviewed the makeup of the EVP, finding it to be fit for purpose. Letšeng remains an employer of choice in Lesotho, and we see a consistently low turnover rate throughout the Group.

In 2023, the Board will examine how the Group's compensation and benefit programmes consider employee needs beyond fair and equitable remuneration, and whether there are additional human capital matters which ought to fall under its remit.

Recruitment to support localisation policies

Lesotho's small population is an ongoing challenge in terms of our ability to successfully pursue our succession planning, diversity and localisation goals. We continue to find ways to broaden our recruitment pool. In 2022, we extended the reach of our recruitment practices via an online recruitment platform to reach Lesotho nationals who reside outside the country. When we note long-term skills shortages in specialist fields, we tailor our scholarship programme to address these shortages in the longer term.

Diversity

The Board is increasingly focused on the diversity of the Gem Diamonds workforce and consequent measures to enhance inclusion, with gender diversity being a matter for particular attention. Lesotho's small population, Letšeng's remote location, and historical attitudes to the role of women in the workplace – specifically within the mining industry – challenge our ability to increase the representation of women.

Despite this, initiatives implemented in 2021 and 2022 have started to bear fruit:

- We focus on the female experience in the workplace to identify and address potential barriers to promotion, retention and advancement.
- We make it clear in our recruitment campaigns that we encourage female applications and support female candidates.
- We appointed a bias challenger to our interview panels who monitors possible unconscious bias during the process.

As a result, the representation of women in senior management increased from 28% in 2021 to 38% in 2022.

In 2022, we reviewed our Diversity, Equality and Inclusion Policy (DE&I Policy) to identify initiatives that could encourage diverse appointments. Several initiatives are planned for 2023 to support this drive:

- We will schedule unconscious bias training for interviewers.
- We will hold talks at local schools to inform young women of the roles available for them in mining, and the possibility of pursuing careers in subjects like mining and engineering.
- We will institute mentorship opportunities for women in the organisation.
- We will include a rotational component in our development programmes so that women are exposed to different areas of the mine.

Remuneration

We recognise that competitive remuneration plays a significant role in attracting and retaining qualified people. We provide market-related remuneration without discrimination based on race or gender, and ensure that our lowest-graded employees are remunerated above the minimum wage of the host country. As Lesotho and Botswana do not prescribe a minimum wage for the mining sector, we use the construction industry wage guidelines as the standard. We also ensure that minimum requirements for remuneration are stipulated in our labour contracts.

In total, none of the workforce at Letšeng was compensated at the operation's minimum wage in 2022 (2021: 9.9%). In 2022, the lowest-graded permanent employees at Letšeng received 11% above the construction sector's minimum wage (2021: 55.6%). Other Gem Diamonds employees are remunerated above the minimum wage in line with market-related rates.

We provide benefits and incentives over and above basic remuneration to attract and retain top talent. Incentives retain key individuals through performance-based bonuses and long-term share awards.

Our Committees at Group and subsidiary levels review current remuneration policies, skills and succession planning. Furthermore, we include non-financial metrics in employee and leadership scorecards in line with our sustainability goals.

Of our permanent workforce at Letšeng, 100% of employees subscribe to the mandatory Company retirement provision scheme (2021: 93%). Letšeng contributes 7.5% (2021: 7.5%) of employees' annual salaries to this scheme, and employees contribute 7.5% (2021: 7.5%). Fixed-term contract employees are not eligible for this benefit but are paid a fixed-term contract allowance at 20% (2021: 20%) of their basic salary. Employees at our Ghaghoo mine receive a statutory gratuity payment upon contract completion, equal to 15% (2021: 15%) of the basic monthly salary for each month of employment.

South Africa and London-based employees are remunerated on a cost-to-company basis, enabling them to elect their retirement schemes and contributions. At our Belgian operations, employees contribute 25% of their salaries to a mandatory government retirement scheme (2021: 25%).

Our performance

- 362 employees (2021: 353) and 1 172 contractor employees (2021: 1 305) at year end.
- The average number of employees was 371 (2021: 354), and the average number of contractor employees was 1 241 (2021: 1 317).
- US$45.3 million was spent on employee wages, benefits and incentives (2021: US$37.4 million).
- The Group-wide absenteeism rate was 1.3 days per person (2021: 4.5 days).
- 4.8% Group-wide voluntary staff turnover (2021: 2.3%).
- Zero cases of discrimination were recorded (2021: zero).

Employee demographics (%) [1]

	Gender		Localisation	Age		
2022	**Male**	**Female**	**Local employees [2]**	**<30**	**31-50**	**>50**
Board [3]	**71**	**29**	**43**	**0**	**0**	**100**
Senior management	**62**	**38**	**92**	**0**	**54**	**46**
Middle management	**78**	**22**	**98**	**5**	**83**	**12**
Total	**78**	**22**	**98**	**7**	**79**	**14**
2021	Male	Female	Local	<30	31-50	>50
Board	71	29	43	0	0	100
Senior management	72	28	100	0	67	33
Middle management	79	21	89	6	75	19
Total	78	22	98	7	76	17

[1] Represents own employees up to senior management level and own as well as contractor employees for middle management level .
[2] Proportion of employees hired from the local region within which the Company operates..
[3] The Board demographic represents the Gem Diamonds Limited Board in the UK, all other demographics refer to Group wide operations.

Providing learning and development opportunities for employees

Our context

To remain competitive, we require exceptional people. While we invest in recruiting specialist skills as required, we also empower Gem Diamonds employees to further their careers by providing learning and development opportunities.

Our approach

Training and development

We invest in the training and development of our employees, identifying skills shortages to implement relevant development programmes and focused succession planning. We train and develop our employees through various internal and external programmes and have a well-established mentorship culture. Employees have clear development plans that incorporate key competencies. These plans are monitored regularly with annual performance reviews to ensure our people are engaged and meet business objectives.

Existing training and development continued for all Gem Diamond employees in 2022, and we worked to identify opportunities to enhance these processes and improve ease of access to training platforms.

We introduced a comprehensive Manager's Development Programme to address gaps in the standard development pathway. Managers went through a detailed assessment process where gaps were identified, and specific, targeted and personalised interventions were established to address these gaps, for hard and soft skills.

The process yielded valuable lessons in how development programmes can best be structured, allowing resources to be efficiently allocated and employees to control their development pathway.

Succession planning

We continued to work to ensure that our succession planning processes are correctly focused. Issues of skills allocation, resource allocation and succession planning are integrated with the mine plan and holistically considered by the Board.

Internship programme

Our internship programme, established in 2009, focuses on offering practical field experience for new graduates. To date, we have interned 48 graduates of our scholarship programme and offered 53% of these interns' permanent employment.

Our performance

- Senior management training: 816 hours (2021: 209 hours).
- Middle management training: 4 848 hours (2021: 4 503 hours).
- Non-management training: 19 264 hours (2021: 28 982 hours).
- Employee career reviews performed: 9% (2021: 14%).
- 16% of female employees received career reviews (2021: 20%).
- 10% of male employees received career reviews (2021: 11%).

Caring for our employees' health and well-being

Our context

Improving employee health and wellness increases morale, reduces absenteeism and enhances productivity. As our mines are in extreme locations with limited public infrastructure, we rely on our on-site clinics to provide the necessary emergency, occupational and primary healthcare for our employees. We also provide access to tailored counselling and engagement programmes to help employees prioritise mental well-being.

Our approach

We strive to provide an environment that actively encourages and supports employee well-being and healthy lifestyles. Effective safety policies and processes reduce risks, strengthen our relationships with employees and regulators and safeguard the Group's social licence to operate.

All new employees complete a full medical examination during induction. Similarly, when an employee departs, we perform an exit medical examination.

Our primary healthcare and total occupational disease cases were slightly higher than in 2021. No cases of malaria or cholera were reported at our operations for the fifth consecutive year.

An enhanced physical and mental health programme supports our workforce in coping with additional pressures, with employee wellness services and counsellors available to all employees.

COVID-19

Since we commenced our COVID-19 response and prevention plan at the end of Q1 2020, the Group has invested US$1.8 million towards detecting and preventing infection.

Letšeng's vaccination rate is 99.9%. One employee remains unvaccinated based on a medical exemption. The high vaccination rate and reduced risk of infection guided the Group to review testing and screening protocols. While vaccination remains mandatory for access to the Letšeng mine, screening has been revised to symptom-based testing. Protocols will continue to be adjusted based on changing regulations, number of infections and risk to employees and business continuity.

Our performance

- Fully equipped clinic at Letšeng to deal with on-site and occupational medical needs.
- 100% pre-employment medical examination rate at Letšeng (2021: 100%).
- 100% exit medical examination rate at Letšeng (2021: 100%).
- Increase in occupational health cases to 430 (2021: 348).
- 3 617 serious disease prevention and management interventions (2021: 7 232).

Engaging with employees and elected representatives

Our context

We seek to maintain and consistently improve engagement and communication with our workforce to understand their needs and challenges and to enhance workforce relations.

Our approach

Frequent engagement and communication is critical to cultivating a collaborative working environment that facilitates the development and retention of employees. Our approach to employee engagement continues to evolve in line with best practice and our unique circumstances.

We aim to address employee grievances swiftly and to proactively engage with our employees and their elected representatives to facilitate this.

Our management team frequently engages with our workforce through multiple forums, including daily toolbox talks, weekly visible felt leadership visits, town hall meetings and newsletters.

We maintain a freedom of association policy, and our employees can join unions and other collective-bargaining organisations.

We have established policies and procedures to guide our operations which are based on our detailed change management system and the host country's legislation. We ensure that our employees are notified of significant or material changes to the operations or working environments through these policies and procedures.

Employee Engagement Committee

Detailed engagement with our workforce occurs primarily through our newly formed Employee Engagement Committee, which meets throughout the year. Employee representatives contribute mine-wide issues to the agenda ahead of time, and the resulting discussions, and any matters brought from the floor, are reported verbatim to the Board for consideration. The Board monitors actions put in place by management to address identified issues.

The Employee Engagement Committee meetings are chaired by Mazvi Maharasoa, a non-Executive Director. The format has proven successful, with initiatives such as LetšGem arising directly from issues raised within the forum.

The following issues were raised through the Committee:

- A request for additional communications channels (refer to our LetšGem case study below).
- A request for clarification of the whistleblowing process, resulting in an awareness roadshow to explain how to use the hotline, how matters are addressed and how anonymous statistics are reported.
- A request for additional recreational capacity at the mine aligned with planning for the construction of the recreation centre.

The Chair of the Remuneration Committee also attended a session and spoke about how executive remuneration aligns with the wider Company pay policy.

LetšGem

One issue raised by employee representatives within Gem Diamonds' newly formed Employee Engagement Committee was that current Company communication channels were outdated and messages did not always reach the workforce as intended. The employees indicated a lack of understanding of their place and value in the business and how external matters (such as the Ukraine conflict and the impact on fuel prices) affect each individual. They further expressed a need to understand how each one of them can make a difference in their own way to contribute to the bigger picture envisaged by the Group. Employees requested that communication be conducted through a social media/workforce portal in a manner that is quick, visual and up to date with current technological applications. In response, we introduced a digital employee communications platform in late 2022, dubbed LetšGem.

LetšGem is a smartphone-based, two-way communication app which allows for modular expansion. Smartphone penetration within the Gem Diamond workforce is approximately 95%, so this is one of the best communication methods in this context. The app was developed to enable communication on matters of interest and importance to employees.

Topics include CSRI successes, Company events, environmental news, and a popular series of employee profiles that humanise and provide a new perspective on co-workers. Certain content can be shared via social media.

Employees are also introduced to international teams, reinforcing the sense of working in a multinational organisation with a vibrant value chain.

LetšGem has proven its value; it provides a crucial source of truth on critical issues and allows for direct feedback from employees. The app will evolve in response to employee usage and feedback. We expect functionality such as training, organisational and personal development modules, pulse-checks and micro-surveys to be rolled out in 2023.

Our performance

- Zero strikes or lockouts were recorded in 2022 (2021: zero).
- Instituted the Employee Engagement Committee process.
- Launched the LetšGem employee communication platform.

GOVERNANCE

CHAIRPERSON'S INTRODUCTION TO CORPORATE GOVERNANCE

FOCUS AREAS 2022

At Gem Diamonds, we take our responsibility as stewards of the interests of shareholders seriously. During 2022, the Board maintained its practice of continuously searching for opportunities to improve the Group's corporate governance processes and policies and focused on the following areas:

- Improving the organisational safety culture and reducing the number of safety incidents.
- Conducting an external Board effectiveness review.
- Developing a capital allocation policy to define returns to shareholders, including approving the share buyback programme.
- Balancing shareholder returns against conserving cash for developing options to extend the operating life of Group assets.
- Overseeing the adoption and implementation of TCFD recommendations across the Group.
- Defining an appropriate decarbonisation strategy for the Group.
- Enhancing risk management systems and processes.
- Advancing sale and other exit options for the Ghaghoo mine.
- Maintaining disciplined financial control.
- Overseeing the going concern and the viability statements of the Group.
- Clearly defining and articulating the employee value proposition and employee benefits offered across the Group.
- Approving the approach and budget for the Underground Feasibility Study.
- Overseeing the delivery of CSI commitments and activities.

We believe that good corporate governance leads to ethical business practices, which in turn lead to trust and respect from stakeholders.

Harry Kenyon-Slaney

Factoring others into decision-making

Fair shareholder engagement

- Engagement (page 17)
- Conflict of interest (page 101)

Long-term consequences

- Capital allocation (page 55)
- Business model (page 8)
- Risk appetite and risk (page 36)

Ethical business conduct

- Culture, values and purpose (page 4)
- Anti-bribery and corruption (page 99)
- Human rights (page 98)
- Tax policy (page 55)

Produce the best diamonds, in the best way, leaving a lasting legacy

Employee interests

- Engagement (page 17)
- Diversity (page 104)
- Remuneration (page 119)

Ethical business conduct

- Climate change (page 25)
- Sustainability (page 64)

Other stakeholder interests

- Other engagement (page 17)
- Supply chain (page 20)
- Payments to governments (page 209)

PRINCIPAL DECISIONS 2022

Refer to our Committee reports on pages 108 to 141, which give more detail regarding the major decisions taken by Board Committees as part of their mandate of support to the Board.

GOVERNANCE

The Group complied with the provisions set out in the 2018 UK Corporate Governance Code in 2022. Gem Diamonds consistently applied the principles of good governance contained in the Code and voluntary disclosures in relation to the Miscellaneous Reporting Regulation during the year. Our 2022 Compliance Statement is available on page 92.

TRANSPARENT REPORTING

The Board and reporting team have applied their minds to ensure the Annual Report and Accounts 2022 are transparent and provide meaningful disclosures on our activities and on the way we manage our business. We welcome any feedback or further information requests.

FUTURE FOCUS AREAS 2023

The primary Board focus for 2023 is the continued health and safety of our workforce and PACs. We will continue to oversee the implementation of further initiatives to maintain our good safety record and entrench an enhanced organisational safety culture. We will endeavour to at all times maintain a constructive, open and honest dialogue with representatives of the governments of both Lesotho and Botswana, whom we regard as important stakeholders in our business.

We will listen and respond to our stakeholders' needs and concerns, as informed by input received from the Sustainability Committee. This will include views from our Employee Engagement Committee, which was established in 2022.

In 2023, we will continue to oversee the implementation of our TCFD adoption journey and decarbonisation strategy. We will track our carbon footprint with a view to embarking on a path to lower it each year where reasonably possible. In 2023, this will specifically include determining how we can begin accessing sources of renewable energy and accelerating our decarbonisation journey.

Our Audit Committee will continue to focus on assessing principal and emerging risks and the quality and effectiveness of the external audit. A significant focus area for the Committee will be to oversee the tender process and recommend the appointment of the new external auditor for 2024.

Succession planning for Board and Executive Management is crucial. We acknowledge the value of having competent and experienced leadership and we continue to track the diversity of culture, gender and skills across the Group.

Details of the Board's formal annual evaluation of its own performance, the performance of the Board Committees and individual Directors are available on page 105. Outcomes will be actioned in 2023.

FURTHER ENGAGEMENT

My fellow Directors and I will be available at the 2023 AGM on 7 June 2023 to respond to any questions our shareholders may have on this report or on any of the Committees' activities. I look forward to engaging with those shareholders who are able to attend.

We welcome discussions with shareholders regarding our governance arrangements. Please contact me via our Company Secretary at ir@gemdiamonds.com.

HOW WE PERFORM OUR DUTIES

The main methods used by the Directors to perform their duties include:

Strategy

The Board oversees, analyses and approves the annual strategy review, which considers the concerns of key stakeholders and developments in regulations, governance requirements, current market conditions and the short, medium and long-term business outlook (refer pages 21 to 24).

Risk management

The Board oversees and has ultimate responsibility for the Group's risk management processes, ensuring that key risks are properly identified, assessed, mitigated and monitored (refer pages 36 to 42).

Sustainability Committee

Provides assurance to the Board that appropriate systems and policies are in place to identify and responsibly manage sustainability-related matters (refer pages 64 to 88).

External assurance

Provided by audits and certification in accordance with international management standards.

Organisational culture

The Board sets the ethical tone for the Group and ensures that our Group's organisational culture aligns with our purpose and values (refer page 4).

Stakeholder engagement

The Board tracks stakeholder engagement to ensure the Group is informed of key stakeholders' main concerns and interests (refer pages 17 to 20).

SECTION 172(1) STATEMENT

The Board of Directors confirms that during 2022, it has acted to promote the long-term success of the Group for the benefit of shareholders, while having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act, 2006, being:

a. the likely consequences of any decision in the long term;

b. the interests of the Group's employees;

c. the need to foster the Group's business relationships with suppliers, customers and others;

d. the impact of the Group's operations on the community and the environment;

e. the desirability of the Group maintaining a reputation for high standards of business conduct; and

f. the need to act fairly between members of the Group.

Harry Kenyon-Slaney

Chairperson

15 March 2023

GOVERNANCE AT A GLANCE

As a Board, we acknowledge our role in ensuring Gem Diamonds' success by directing the Group's affairs while representing the interests of its shareholders. We oversee that management focuses on the Group's commercial needs while acting responsibly towards its employees, communities and society as a whole.

HIGHLIGHTS AS AT 31 DECEMBER 2022

Board and committee meeting attendance	Board independence
100%	**57%**

Board ethnic minorities	Board gender diversity
29%	**29%**

UK CORPORATE GOVERNANCE CODE – COMPLIANCE STATEMENT

The Board confirms that for the year ended 31 December 2022, the Company fully complied with all provisions of the UK Corporate Governance Code 2018 (the Code). Page 96 illustrates how the Governance section has been structured around the Principles contained in the Code.

MAJOR BOARD DECISIONS

- Review of the appropriateness of incentive calculations.
- No political donations during 2022.
- Oversaw the implementation of phase 2 of the TCFD adoption roadmap.
- Proposed the 2021 dividend for approval at the June 2022 AGM.
- Approved the share buyback programme.
- Reviewed progress with the core drilling programme and the Underground Feasibility Study.
- Defined an appropriate decarbonisation strategy for the Group.
- Decided to proceed with the assessment of renewable energy solutions, with key decisions and milestones to be decided in 2023.

KEY GOVERNANCE ACTIVITIES

- Conducted an external Board effectiveness review.
- Monitored the Group's cash preservation and cash generation initiatives.
- Oversaw, interrogated and approved the annual strategy review.
- Reviewed and debated key risks and mitigating actions with management.
- Evaluated the employee value proposition and benefits throughout the Group and oversaw diversity and inclusion throughout the Group.
- Oversaw the advancement of the Group's sustainability objectives, including the progress with the adoption of TCFD recommendations and the Group-wide decarbonisation strategy.
- Oversaw the Group's alignment with the ICMM's GISTM on tailings facility management.

Governance framework

The Board

The Board is responsible for the overall conduct of the Group's business, with its primary focus as follows:

- Determining the Group's vision, purpose and values to guide and set the pace for its current operations and future development
- Establishing the overall strategy and satisfying itself that these are aligned with the Group's culture
- Ensuring employee policies and practices are consistent with the Group's values and support its long-term success, and regularly assess and monitor the Group's culture
- Establishing procedures to manage risk and oversee the internal control framework
- Exercising accountability to shareholders and being responsible to relevant key stakeholders
- Ensuring adequate succession planning
- Approving changes to the Group's capital and corporate structure
- Determining the Remuneration Policy
- Monitoring the effectiveness of and reporting on corporate governance

Our strategy
page 21

Our principal risks and uncertainties
page 36

S172 statement
page 91

Delegation of certain matters to Board subcommittees

There are six formally constituted Committees of the Board, each of which has specific terms of reference.

Audit Committee
(page 114)

Reviewing and monitoring:

- The integrity of the financial and narrative statements and other financial information provided to shareholders
- The Group's system of internal controls and risk management
- The internal and external audit process and auditors
- The processes for compliance with laws, regulations and ethical codes of practice

Nominations Committee
(page 108)

- Lead and ensure a formal, rigorous and transparent procedure for the appointment of new directors to the Board
- Ensure Board composition is regularly reviewed and refreshed
- Oversee the development of a diverse pipeline for succession
- Liaise with Remuneration Committee in respect of any remuneration package to be offered to any new appointee to the Board

Sustainability Committee
(page 111)

- Promote a culture of zero harm and responsible care
- Monitor environmental impact and resource consumption
- Review and monitor the Group's approach, policies and measures on health, safety, corporate social responsibility, climate change and the environment

Remuneration Committee
(page 119)

- Ensure remuneration policies and practices are designed to support strategy and promote long-term sustainable success and reward fairly and responsibly, with a clear link to corporate and individual performance, having regard for statutory and regulatory requirements
- Ensure executive remuneration is aligned to purpose, values and attainment of long-term strategy

Standing and Share Scheme Committees

Facilitate the administration of the Board's delegated authority.

Executive Directors and management

The Board delegates the execution of strategy and the day-to-day management of the business to the Executive Directors and management.

DIRECTORATE AND EXECUTIVE MANAGEMENT

1. HARRY KENYON-SLANEY (62)

Independent non-Executive Chairperson

BSc Geology (Southampton University), International Executive Programme (INSEAD France)

Chairperson

Member

Member

2. MICHAEL LYNCH-BELL (69)

Independent non-Executive Director

BA Hons Economics and Accountancy (University of Sheffield); FCA of the Institute of Chartered Accountants in England and Wales

Chairperson

Chairperson

Member

3. ROSALIND KAINYAH (65)

Independent non-Executive Director

BA (Hons) (University of Ghana), LLB (Hons) (University of London), LLM (University College, University of London), Member of the Bar of England & Wales (Gray's Inn), MCIArb

Member

Member

Member

4. MAZVI MAHARASOA (53)

Non-Executive Director

LLM International and Commercial Law (University of Buckingham)

Member

5. MIKE BROWN (62)

Independent non-Executive Director

BSc Engineering; Mining PR Eng (ECSA) Engineering (University of Witwatersrand); Strategic Executive Programme (London Business School)

Chairperson

Member

Member

Committee Icons

Audit

Remuneration

Nominations

Sustainability

6. CLIFFORD ELPHICK (62)

Chief Executive Officer

BCom (University of Cape Town); BCompt Hons (University of South Africa)

7. MICHAEL MICHAEL (52)

Chief Financial Officer

BCom Hons (Rand Afrikaans University); CA(SA)

8. GLENN TURNER (62)

Chief Legal and Commercial Officer and Company Secretary

BA; LLB (University of Cape Town); LLM (Cambridge)

9. BRANDON DE BRUIN (51)

Chief Operating Officer

BCom; LLB (University of the Witwatersrand); Attorney (South Africa) and Solicitor (England and Wales)

10. JACO HOUMAN (48)

Senior Manager – Technical and Projects

B.Eng(Met) (University of Pretoria); MBA (University of Witwatersrand Business School)

Non-Executive Directors

Executive Directors

Executive Management

KIKI CONSTANTOPOULOS (43)

Group Financial Controller

BCom Hons (University of the Witwatersrand); CA(SA)

MINELLE ZECH (48)

Group Human Resources Executive

BCom HR (Potchefstroom University)

CORPORATE GOVERNANCE STATEMENT

HOW THIS SECTION IS STRUCTURED

The Governance section aligns with the structure and Principles (A to R) of the UK Corporate Governance Code 2018 (the Code) and illustrates how we have applied the Code Principles and complied with the provisions.

1	**Board leadership and Group purpose** **Pages 96 to 99**
A	Effective Board
B	Purposes, values and culture
C	Governance framework and Board resources
D	Stakeholder engagement
E	Employee policies and practices
2	**Division of responsibilities** **Pages 99 to 103**
F	Board roles
G	Independence
H	External commitments and conflicts of interest
I	Key activities of the Board in 2022
3	**Composition, succession and evaluation** **Pages 103 to 105**
J	Changes to the Board
K	Board skills, experience and knowledge
L	Annual Board evaluation
4	**Audit, risk and internal control** **Pages 105 to 106**
M	Financial reporting External auditor Internal audit
N	Review of the Annual Report and Accounts 2022
O	Internal financial controls Risk management
5	**Remuneration** **Pages 107 to 107**
P	Linking remuneration with purpose and strategy
Q	Remuneration Policy review
R	Performance outcomes in 2022 Strategic targets

BOARD LEADERSHIP AND GROUP PURPOSE

Effective Board

The Board comprises Directors with a broad range of appropriate expertise, knowledge and insights including extensive mining industry experience (refer to page 214). The Board's focus areas (refer to page 89) support the guidance of the Code by fostering the long-term sustainability of the Group, creating and preserving stakeholder value and contributing to wider society.

The Board oversees, analyses and approves the annual strategy and business plan prepared by Executive Management. This year's review took place in November 2022 and assessed ongoing relevance of the strategy against the current local and global context, the potential impact of current and emerging risks (refer to page 36) and the appropriateness of the current business model (refer to page 8) to achieve our strategic objectives.

Key areas discussed by the Board during the strategy review and business plan review included:

- Alignment of the strategic priorities with the Group's purpose, vision, values and culture. This included approving the Group's revised vision and purpose.
- The strategy's contribution to achieving the Group's vision in 2022, including its meaningful, sustainable contributions to the countries in which we operate.
- Progress against our TCFD adoption roadmap and definition of our decarbonisation objectives.
- Updates on the performance of the diamond market and Gem Diamonds' position in the diamond industry.
- Opportunities to unlock value across operations, operational structure, capital restructuring, use of technology, revised mine planning, cost efficiencies and strategic partnerships.
- The future development pathway for the Letšeng orebody.
- Initial investigations into renewable energy solutions.
- Review of corporate activities.

The Board is supported by the Board Committees, which prioritise specific areas of the business (refer to page 93) and provide feedback to the Board through their chairs to ensure that Board meetings use time effectively.

Purpose, values and culture

Several metrics are utilised to monitor workplace culture, providing information on the Group's collective experience and behavioural trends to inform future focus areas. In 2022, the Board and senior management continued to promote the Group's sustainable success by reinforcing the purpose, values and goals. In 2022, the Board approved the Group's new purpose and vision.

The Board monitored strategic metrics to track culture including:

- Turnover and absenteeism rates.
- Training data.
- Recruitment, reward and promotion decisions.
- Whistleblowing, grievance and "speak-up" data.
- Board interaction with senior management and the workforce.
- Health and safety data.

In 2022, the Board reviewed the employee value proposition and benefits offered at all Group entities and found these to be fit for purpose. Refer to employee and contractor engagement on page 18 for how the Board monitors organisational culture through regular employee engagement.

Governance framework and Board resources

The Group's corporate governance framework and processes provide effective oversight of the business to ensure long-term value creation and benefit for all stakeholders. Strategy development and execution is supported by:

- Clear lines of accountability and responsibility.
- Linking the strategic priorities to KPIs that can be tracked to monitor delivery on the strategy.
- Regular feedback and sharing of information to inform timeous decisions.
- Engaging with key stakeholders to ensure their concerns and interests are included where relevant (refer to page 17).
- Maintaining an effective risk management framework (refer to page 36) aligned with the Group's strategy and performance objectives, and supported by comprehensive internal controls and regular assurance.
- Independent insight and knowledge from the non-Executive Directors.

Clear information flows are in place between the Board and Executive Management, which provides ample time at Board meetings to focus on strategy and key decisions. The information the Board receives allows for an appropriate level of detail to inform the discussions, without being excessive. Where relevant, the person responsible for the report attends the Board meeting to provide further information and give Directors the opportunity to gain deeper insights into the matter. Presentations by external experts in relevant areas expose Directors and Executive Management to new perspectives. In 2022, we hosted the global law firm, Linklaters, to provide insight into a number of different matters including ESG-related reporting and climate change goals, strategy and reporting obligations.

Independent advice

The Directors have access to Executive Management and the advice and services of the Company Secretary. The Company Secretary is accountable to the Board for compliance with all governance matters and assists with professional development as required.

All Directors, either independently or collectively, may take independent professional advice at the expense of the Company, in the conduct of their duties, subject to prior consultation with the Chairperson.

Company Secretary

The Company Secretary has access to an independent firm of Chartered Secretaries in Public Practice (Bruce Wallace Associates). This ensures all Company secretarial and governance issues are attended to and the Board is kept abreast of all compliance and best practice matters throughout the year.

Protection

In line with the Company's Articles of Association, the Company has, and continues to maintain, indemnities granted by the Company to the Directors of the Company and the Company's associated companies, to the extent permitted by and consistent with BVI law and the UK Companies Act, 2006 and rules made by the UK Listing Authority. Neither the insurance nor the indemnity provide cover in the case where the Director or Group employee has acted fraudulently or dishonestly.

Stakeholder engagement

The Board recognises the importance of effective and proactive engagement with stakeholders. Pages 17 to 20 contain a detailed analysis of stakeholder engagement during 2022.

Annual General Meeting

The meeting addressed the formal resolutions in the notice of meeting and shareholders were invited to submit questions in advance. Voting on all resolutions was conducted by poll vote. The results of the resolutions were announced through the Regulatory News Services and on the Gem Diamonds website.

In accordance with the Code, if any resolution put to shareholders receives over 20% votes against, the Board will seek to actively engage with investors to understand their concerns and publish a report on the actions taken and any next steps within six months of the meeting.

In the June 2022 AGM results announcement, the Board noted the proportion of votes cast against Resolution 13 (Resolution 13 passed with 58.55% of participating shareholders voting in favour), renewing the authority of the Directors to allot shares.

The Board acknowledges that the votes against Resolution 13 related primarily to the votes cast by a significant shareholder and their standing policy on this matter. As noted in June, the Board was disappointed in this outcome, given that the resolution reflected UK-listed company market practice. In view of the significant shareholder's position and standing policy on this matter, the Board and the executive management team have not engaged further. However, we will continue to regularly consider their approach to this matter in accordance with Provision 4 of the UK Corporate Governance Code to engage with significant shareholders who vote against these resolutions.

The 2023 AGM will be held on Wednesday 7 June 2023 in person. Details of the resolutions to be proposed at the AGM are included in the Notice of AGM, which will be published on the Gem Diamonds website at www.gemdiamonds.com. It will be sent to shareholders who requested to receive paper copies, a minimum of 20 business days before the meeting. Shareholders who receive electronic communications can access the Annual Report and Accounts 2022 and the AGM documentation through the same website.

Employee policies and practices

Employee policies and involvement

The Group prioritises the health, safety and effective performance of employees, and maintains positive employee relations. The Group encourages a direct relationship with open communication between employees and management. Mazvi Maharasoa, a non-Executive Director, is the Board's representative who engages with the broader workforce and provides direct feedback to the Board on the key concerns raised. In 2022, she chaired the Employee Engagement Committee and held several meetings with employee representatives.

Matters raised during these meetings were addressed at Board and management level and employees were kept up to date throughout the process. Employees are informed about the Group's performance and objectives through direct and ongoing communication with management as well as the Group's website, published information, the employee app, the circulation of press cuttings and Group announcements.

Equal opportunity is a fundamental principle in Gem Diamonds and the Group is committed to achieving equality irrespective of gender, religion, race or marital status. Applications from people with disabilities are welcomed for positions they can adequately fill, having regard for their abilities and aptitude. Where existing employees become disabled, it is the Group's policy, where practical, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever possible.

The Group aims to attract and retain excellent management and employees by creating an environment that incentivises top performance. Guidelines and frameworks covering remuneration benefits, performance management, career development, succession planning, recruitment, expatriate employment and the alignment of human resources management and policies are in place and aligned with international best practice. Each operating unit manages its human resources requirements locally, within the Group's guidelines and frameworks.

The Modern Slavery Statement, in accordance with the Slavery Act, is updated and published on the Group website annually and can be viewed here: https://www.gemdiamonds.com/pdf/modern-slavery.

Bribery Act

The Group has a zero-tolerance approach to acts of bribery and corruption involving any of its employees, third-party representatives or associates. We uphold and comply with the requirements of the UK Bribery Act. The Group's terms of business require all customers and third parties with whom business is transacted to adopt the same zero-tolerance approach to bribery and corruption as implemented by the Board. The Group anti-bribery and corruption policy was reviewed and amended in 2022.

Refer to the Audit Committee report on page 114.

Whistleblowing programme

Independently operated and confidential toll-free phone hotlines are in place in each country where the Group operates. Online submissions through www.gemdiamonds.ethicpoints.com can also be done. Individuals can report any breach of the Group's business principles through these channels, including but not limited to bribery, breaches of ethics and fraud.

All whistleblowing incidents reported are referred by the Group Internal Auditor or Company Secretary to the relevant operations where they are fully investigated. The results of these investigations are reported to the Boards of local operations and the Audit Committee. Group Internal Audit periodically reviews the design and effectiveness of the hotline and reports the results to the Audit Committee.

In 2022, through the Employee Engagement Committee, employees raised concerns regarding the effectiveness of whistleblowing channels. Based on this feedback management developed a new whistleblowing awareness roadshow that explains how to use the whistleblowing channels and how matters raised are addressed. In addition, management developed a new reporting mechanism to communicate the outcome of whistleblowing incidents.

During the year, there were 13 whistleblowing reports, of which all but one were resolved by year end. The two open matters from 2021 were also resolved. The Board is satisfied that the whistleblowing programme is being used effectively by concerned individuals and that all reports raised in 2022 were properly investigated and reported.

Data protection

The Group's privacy policy can be found on its website at www.gemdiamonds.com/privacy.php. A dedicated email address is available for any correspondence relating to data protection and privacy queries: dataprotection@gemdiamonds.com. This is reviewed by the Chief Legal and Commercial Officer.

No correspondence was received during the year.

DIVISION OF RESPONSIBILITIES

Board roles

The governance framework on page 93 sets out the primary role of the Board.

The Board meets regularly, covering strategic matters such as operational and financial performance, risk management and other critical business concerns, and has a formal schedule of matters reserved for its decision. The agenda for each Board meeting includes discussion, decision-making and sufficient time and appropriate resource allocation surrounding these matters.

While all Directors have equal responsibility in terms of the law for managing the Group's affairs, Executive Management is responsible for operating the business within the parameters set by the Board. This includes producing clear, accurate and timely information and reports to equip the Board to monitor and assess the Group's performance.

Financial and operational performance are reviewed at each Board meeting and Directors receive regular updates on the Group's performance across a range of metrics. Regular reports presented to the Board include health and safety reports; CSI and stakeholder matters report; TCFD and climate-related risk reports; risk management reports; tailings facility integrity reports; operations reviews; sales and marketing reports; half-year and full-year financial results; employee surveys and investor relations updates. Executive Management draws on the expertise and experience of the non-Executive Directors.

Directors are encouraged to express their views freely and, where they have concerns about the running of the Group or a proposed course of action, they may ask that these be recorded in the minutes where appropriate. No such concerns were raised during 2022.

Chairperson and Chief Executive Officer

The respective responsibilities of the Chairperson and the Chief Executive Officer are clearly defined and separate, ensuring a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group's business. The Chairperson is responsible for creating the conditions for the effective working of the Board. The Chief Executive Officer is responsible for the leadership, operations and management of the Group within the strategy and business plan agreed by the Board. Their individual responsibilities, together with the responsibilities of the Senior Independent Director and non-Executive Directors, align with the requirements of the Code and are detailed below.

Role of Chairperson Harry Kenyon-Slaney	Role of Chief Executive Officer Clifford Elphick
• Provides effective leadership to the Board, ensures it operates effectively and sets the highest standards of corporate governance • Provides strategic guidance to the executive team • Sets the agenda, style and tone of Board discussions • Through the Nominations Committee, ensures the Board comprises individuals with appropriate skill sets, experience, knowledge and diversity and that succession plans are in place for the Board and senior management team • Ensures the Company maintains effective communication with shareholders and that the Board understands their views and concerns • Works with the CEO to ensure the Board receives accurate and timely information on the performance of the Group • Leads the evaluation of the performance of the Board, its Committees and individual Directors • Encourages a culture of openness and discussion to foster a high-performing collegial team of Directors • Ensures relevant stakeholder and shareholder views, as well as strategic issues, are regularly reviewed, clearly understood and underpin the work of the Board • Facilitates the relationship between the Board and the CEO • Ensures adequate time is available for discussion on all agenda items	• Develops a business strategy for the Group to be approved by the Board • Produces business plans for the Group to be approved by the Board • Oversees management of the executive resource and succession planning processes and presents the output from these to the Board and Nominations Committee • Ensures effective business and financial controls and risk management processes are in place across the Group, as well as compliance with all relevant laws and regulations • Makes recommendations to the Board on the appropriate delegation of authority within the Group • Keeps the Board informed about the performance of the Group and brings to the Board's attention all matters that materially affect, or are capable of materially affecting, the performance of the Group and the achievement of its strategy • Develops, for the Board's approval, appropriate values and standards to guide all activities undertaken by the Group • Provides clear and visible leadership in responsible business conduct

Role of Senior Independent Director Michael Lynch-Bell	Role of non-Executive Directors
• Acts as a sounding board and provides support to the Chairperson • Serves as an intermediary for other Directors if necessary • Makes himself available to shareholders if concerns they have raised with the executive team and/or the Chairperson have not been satisfactorily resolved • Leads the non-Executive Directors in the performance review of the Chairperson • Ensures there is a clear division of responsibilities between the Chairperson and the CEO • Plays a leading role in succession planning for the Chairperson	• Scrutinises the performance of Executive Management in meeting agreed goals and objectives and monitoring the reporting of performance • Reviews the integrity of financial information and determines whether internal controls and systems of risk management are robust • Determines the Company's policy for executive remuneration, as well as the remuneration packages for the Chairperson and Executive Directors through the Remuneration Committee • Ensures a satisfactory dialogue with shareholders on strategy, remuneration policy and other relevant matters as well as engagement with key stakeholders • Strengthens links between the Board and the workforce by designating a non-Executive Director who, in conjunction with management, develops and implements workforce engagement initiatives and reports to the Board on relevant matters, or issues of concern, highlighted by the workforce • Provides a wide range of skills and independence, including independent judgement on issues of strategy, performance and risk management

For more information on the roles of Board Committees refer to www.gemdiamonds.com/corporate-governance.php.

Independence

Non-Executive Directors are required to be independent in character and judgement. In applying the independence test, the Board considers relationships with Executive Management, major shareholders, subsidiary and associated companies and other parties with whom the Group transacts business against predetermined materiality thresholds.

The Board considers the majority of the non-Executive Directors, ie Harry Kenyon-Slaney, Michael Lynch-Bell, Rosalind Kainyah and Mike Brown, to be independent in accordance with the Code. Mazvi Maharasoa adds extensive value to the Board, however, under the criteria of the Code, she cannot be considered independent due to her previous role at Letšeng Diamonds. Mazvi is only a member of the Sustainability Committee. Our Nominations Committee Report on page 108 discusses the matter in more detail.

The letters of appointment for the non-Executive Directors and the contracts of the Executive Directors are available for inspection at the place of business of Gem Diamonds in London.

External commitments and conflicts of interest

External commitments

External commitments are detailed in the Directors' CVs on page 214.

Conflicts of interest

The UK Companies Act (the Act) requires Directors to avoid any situation where they may have a direct or indirect interest that conflicts, or may conflict, with the Group's interests, unless approved by the non-interested Directors. In accordance with this Act, the Group operates a procedure, which was reviewed with no changes by the Board in October, to ensure the disclosure of conflicts and, if appropriate, the consideration and authorisation of them by non-conflicted Directors. The Board maintains a register of "conflicts of interest" that it reviews annually (most recently in March 2023). The Group voluntarily complies with this requirement.

Dealings in shares and the UK market abuse regime

Gem Diamonds' share dealing policy and reporting procedures are in line with the UK Market Abuse Regulations implemented in July 2016 and updated in June 2022.

Related-party transactions

Other than those disclosed in Note 25 of the financial statements, the Company did not have any transactions with, nor did it make loans to, related parties during the period in which any Director had any interest.

Key activities of the Board in 2022

The Board's key activities for 2022 are linked to our three strategic priorities to deliver maximum value for all stakeholders:

Extracting Maximum Value from Our Operations	Working Responsibly and Maintaining Our Social Licence	Preparing for Our Future

These key activities relate to various focus areas:

Operational

- Oversight of the organisational safety culture strategy implemented at Letšeng
- Review of quarterly management reports on operational performance
- Oversight of phase 2 of our TCFD adoption roadmap
- Oversight of renewable energy assessments
- Oversight of responsible tailings facility management and alignment with the ICMM's GISTM
- Oversight of the implementation of the CSI strategy
- Oversight of environmental conservation and stewardship performance
- Review the mapping of resources and progress on the resource drilling programme and Underground Feasibility Study
- Review of the decarbonisation strategy and carbon-pricing model
- Review of the 2023 business plan

Strategy and financing	• Annual strategy review in November 2022 • Review and approval of the decarbonisation targets • Ongoing review of KPIs to assess delivery of strategy during the year • Monitoring of the Group's cash-preservation and cash-generation initiatives • Proposing the 2021 dividend for approval at the 2022 AGM • Review and approval of the share buyback programme • Oversight of the Group's funding commitments • Review and approval of planned capital expenditure • Oversight of the integration of climate change-related issues into strategy planning
Risk management and internal control	• Review of risk management processes and the updated risk register, including emerging risks • Review updates from the Audit Committee on internal control and assurance functions • Review of regular updates from the Sustainability Committee on the identification and management of health, safety, environmental, community investment and relationship, tailings and water storage facilities and climate change-related risks
Corporate and performance reporting	• Regular review of financial performance and position • Monitoring of cash flow forecasts • Review updates from the Remuneration Committee on key focus areas • Review and approval of quarterly updates, interim results and final results and the relevant announcements • Oversight of climate-related financial disclosures as recommended by the TCFD • Review and approval of the 2021 Annual Report and Accounts, the 2022 Half-Year Report, Our Approach to Climate Change Report and Our Sustainability Report
Governance	• Conduct an external Board effectiveness review • Annual review and update of Committee terms of reference and evaluation of Committee composition and approval of appointments to the Board Committees • Review and approval of updates to key policies • Oversight of succession plans for the Board and senior management • Review regular governance updates from the Company Secretary • Review the matters reserved for the Board • Review of Directors' independence and conflicts of interest • Monitoring the maintenance of the separation of roles between the Chairperson and CEO
Stakeholder engagement	• Oversight of the CSI strategy development and performance • Measuring the Group's culture through a number of metrics, including employee engagement through a designated non-Executive Director

Meeting attendance

Four scheduled Board meetings were held in 2022. The terms of reference for the Audit, Nominations, Sustainability and Remuneration Committees can be viewed on the Group's website together with the matters reserved for the Board: www.gemdiamonds.com/corporate-governance.php.

If Board approval is required between Board meetings, Board members are emailed the details, including supporting information for decision-making. The decision of each Board member is communicated, recorded and ratified as necessary at the following Board meeting. The below table notes the meeting attendance of the members of the Board and Committee meetings.

Director	Board: 4 held	Audit: 4 held	Remuneration: 4 held	Nominations: 4 held	Sustainability: 4 held
Executive Board members					
C Elphick	4/4	N/A	N/A	N/A	N/A
M Michael	4/4	N/A	N/A	N/A	N/A
Non-Executive Board members					
H Kenyon-Slaney	4/4	N/A	4/4	4/4	4/4
M Lynch-Bell	4/4	4/4	4/4	4/4	N/A
M Brown	4/4	4/4	N/A	4/4	4/4
M Maharasoa	4/4	N/A	N/A	N/A	4/4
R Kainyah	4/4	4/4	4/4	N/A	4/4

Non-Executive Directors' meetings

The non-Executive Directors meet independently of the Executive Directors, in accordance with the practice adopted by many listed companies.

COMPOSITION, SUCCESSION AND EVALUATION

Board Selection and Appointment Policy

The Board's formal Selection and Appointment Policy ensures that the procedure for appointing new Directors is formal, rigorous and transparent, and appointments are made on merit, against objective criteria. The Nominations Committee makes appointments based on merit while considering diversity (of gender, social and ethnic background), cognitive and personal strengths and the specialist skill sets. Further details are in the Nominations Committee report on page 108.

There were no changes to the Board or Board Committees during 2022.

Re-election

The Nominations Committee's report is set out on page 108. The Articles of Association (82) provide that a third of Directors retire annually by rotation and, if eligible, offer themselves for re-election. However, in accordance with the Code, all the Directors retire at the AGM and, subject to being eligible, offer themselves for re-election. Details of the Directors' service contracts are included on pages 126 and 128.

The Nominations Committee has considered and concluded that the Board has demonstrated commitment to its role. The Committee is also satisfied that the collective skills, experience, background and knowledge of the Directors enable the Board and its Committees to conduct their respective duties and responsibilities effectively.

Board expertise, experience and knowledge

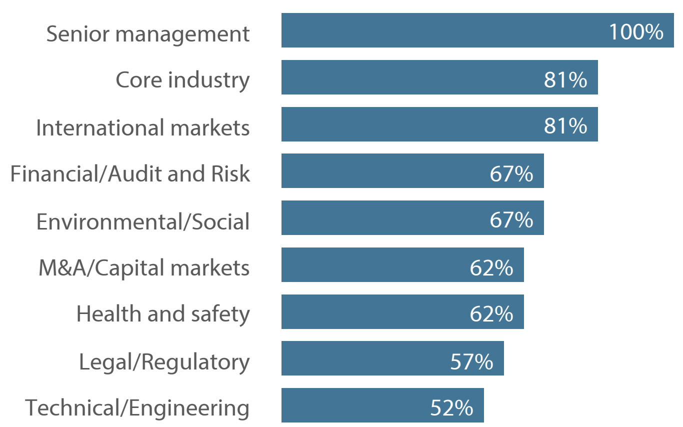
The Board undergoes an annual review of the composition and chairmanship of its primary committees, namely the Audit, Nominations, Sustainability and Remuneration Committees. The Company adheres to the Code's requirement that there should be a balance of Executive and non-Executive Directors so that no individual or group can dominate the Board's decision-making.

As a mining company, the efficiency of the day-to-day operations, in both the medium and long term, is essential to achieving shareholder value. Knowledge of the diamond industry is critical to developing new business opportunities and overseeing the Group's sales and marketing strategies. Knowledge of financial markets is also necessary to fulfil the Group's strategy.

The biographies, which can be found on page 214, provide more information on each Director's competencies. All Directors allow sufficient time to the Group to fulfil their responsibilities effectively.

The non-Executive Directors have varied experience and competencies and their unique perspectives to bring to bear on matters of strategy, performance and resources that are critical to the Group's ongoing success.

Board skills and experience (%)



Diversity

The Board recognises the importance of increasing diversity, including gender and ethnic diversity, in the boardroom. In 2022, Kiki Constantopoulos and Minelle Zech were appointed to the Executive Committee, thereby increasing the gender diversity at this level to 38%.

The Board acknowledges that from 2023 onwards, the Group will be required by the UK's Listing Rules to disclose whether it has met the diversity targets specified by the Financial Conduct Authority (FCA) and, failing compliance with these targets, provide an explanation for such non-compliance.

The Group supports diversity at all levels. In 2022 the Board reviewed the Diversity and Equality Policy to give clarity on the increased focus on inclusion matters. The renamed Diversity, Equity and Inclusion (DE&I) Policy covers both Board diversity and the approach across the Group. Over time, the Board has improved its diversity from a position of no female and ethnic minority in 2018 to 29% female and ethnic minority on the Board in 2022. Pleasingly, 98% of the total Group workforce are Lesotho nationals and 22% of the total workforce is female.

Gem diversity and inclusion statistics			
Female		**Ethnic minority**	
Board	29%	Board	29%
Senior Management	38%	Senior Management	38%
Management pipeline	40%	Management pipeline	89%

Succession planning at Board and Executive Management level includes a review of skills, experience and diversity, and consideration is given to all these areas when considering future appointments. Succession planning is a priority across the Group with a focus on the development of women and ethnic minorities into leading roles, which drives a diverse pipeline of talent. Read more about our initiatives to foster diversity in our stakeholder section on page 17. Information on gender-based employment can be found in Our Sustainability Report available at www.gemdiamonds.com.

Further detail on the Group framework on succession planning can be found in the Nominations Committee report on page 108.

Training and induction

A formal and bespoke induction is provided to new Directors on joining the Board. This includes meetings with management and access to external auditors, and covers the Board Committees they join. In addition, ongoing support and resources are extended to Directors to refresh their skills, knowledge and familiarity with the Group. Professional development and training are provided through the following:

- Regular updates on changes (actual and proposed) in laws and regulations affecting the Group or its business.
- Planning, including site visits, to ensure Directors are familiar with Group operations, including its commitment to and application of the Group's corporate and social responsibility policies.
- Creating opportunities for professional and skills training, such as Committee chairmanship.
- Appropriate Board presentations and formal professional seminars.

Site visits

Visiting the Group's operations and interacting with senior management and employees is an integral part of the Directors' ongoing knowledge of the business. Non-Executive Directors Michael Lynch-Bell and Mazvi Maharasoa each visited Letšeng once during the year and Mike Brown three times. Of the Executive Directors, Clifford Elphick visited the Maseru office twice during the year and Letšeng once, and Michael Michael visited the Maseru office once and Letšeng five times. In February 2023 another site visit was undertaken by five of the seven Board members, including four non-Executive Directors and one Executive Director.

Annual Board evaluation

As per the Code, the Board must undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. This year, an external evaluation was conducted in Q4 2022, which was facilitated by an independent party, Ceradas. Ceradas is a founder member of The Board Effectiveness Guild in the UK. More information on Ceradas can be found on their website: www.ceradas.co.uk. The review was initiated by the Nominations Committee and sponsored by the Chairperson. The main objectives were to review the effectiveness of the Board in line with the requirements of the Code, to assess the Board's progress since 2019 and to identify possible areas of opportunity for its further development.

The review took the form of one-to-one interviews with each of the Directors and the Company Secretary. An interview aide mémoire was provided to all interviewees beforehand, setting out the topics and questions to be discussed. These topics included:

- The Board and strategy.
- Oversight of business performance.
- Risks, controls and mitigation.
- Culture and stakeholders.
- Board meetings, information and papers.
- Contribution of Board members.
- Composition and succession.
- Committees and meetings.
- Chairperson evaluation.
- Challenges and progress.

The findings were consolidated into a report which, along with recommendations, was circulated to all Directors and discussed at the March 2023 Board meeting. The overall findings from the evaluation were positive, with a number of recommendations made regarding considering the use of facilitators to challenge the thinking of the Board in light of the important strategic decisions to be made and brainstorming possible crisis scenarios that may arise, and the immediate response for each. Another recommendation is that the Board should become more visible and engage more with important stakeholders, such as PACs and the Lesotho Government.

In 2023, the Board and Committees will implement the recommendations from the 2022 evaluation and monitor its progress against these over the following months.

AUDIT, RISK AND INTERNAL CONTROL

Financial reporting

The Board is conscious of its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects and is satisfied that the Strategic Report from page 3 meets this obligation. The Responsibility Statement of the Directors in respect of the Annual Report and Accounts 2022 is set out on page 2.

Financial reporting to the Board is regularly modified and improved to cater for evolving circumstances. The Group's comprehensive planning and financial reporting procedures include detailed operational business plans for the coming year and a three-year rolling plan, and sustainability matters including climate-related risks and opportunities. The Board reviews and approves the Group's annual business plan, which is prepared in co-operation with all Group functions based on specified economic and sustainability assumptions. Performance is monitored and relevant action taken throughout the year through monthly reporting of KPIs and updated forecasts for the year, together with information on key risk areas.

In addition, routine management reports, including results to date and updated forecasts for the year, are prepared and presented to the Board. Detailed consolidated management accounts, as well as an executive summary, are circulated prior to each scheduled Board meeting. Between Board meetings, summary update reports covering matters such as operational performance, sustainability, sales results, cash flow and progress on strategic matters are circulated to Board members and senior executives.

External auditor

A principle of the Code is that the Board establish formal and transparent arrangements for considering the application of financial reporting and internal control principles and for maintaining an appropriate relationship with the Group's external auditor, EY SA. These responsibilities are delegated to and discharged by the Audit Committee.

The lead audit partner is based in Johannesburg, South Africa. Further information regarding the appointment of EY SA is detailed in the Audit Committee report on page 114.

As required under section 418 of the Companies Act, 2006, to which the Directors have voluntarily elected to conform, each Director confirms that to the best of their knowledge and belief, there is no information relevant to the preparation of the Auditor's Report of which the Company's auditor is unaware and the Directors have taken all reasonable steps to make themselves aware of any relevant audit information and establish that the Company's auditor is aware of that information.

A resolution to reappoint EY SA as the Company's auditor and to authorise the Board to determine the auditor's remuneration will be proposed at the 2023 AGM.

Internal audit

The Group Internal Audit function, as an independent assurance provider, is a fundamental component of the overall process by which the Audit Committee and the Board obtain the required assurance that risks are being effectively managed and controlled and the Group's control environment is adequate and effective.

Our in-house Internal Audit team is supplemented by external industry experts when required. Group Internal Audit function reports directly to the Audit Committee and is responsible for co-ordinating the Group's risk-based audit approach and evaluating its effectiveness. The team contributes to the improvement of the risk management process, control environment and governance systems. Various ad hoc assignments are also performed during the year at the request of management.

The risk-based audit plan, approved by the Audit Committee, covers all operating units, focusing on the principal risks. It involves discussions with management on the risks identified in the subsidiaries' and Group risk registers, emerging risks, operational changes and capital projects. Findings and agreed actions are reported to management and the Audit Committee.

Review of the Annual Report and Accounts 2022

The Board, supported by the Audit Committee, is responsible for ensuring the integrity and completeness of the Group's Annual Report and Accounts and Half-Year Report. The Board reviews the reports and applies its collective mind to their preparation and presentation to ensure they provide a fair, transparent, balanced, understandable and appropriate representation of the Group's performance, strategy and material risks.

Internal financial controls

The Board is responsible for the Group's overall approach to risk management and internal control, which is embedded in all key operations. In accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting Guidance published by the FRC in September 2014, the Board has defined the processes adopted for its ongoing monitoring and assessment and relies on reviews undertaken by the Audit Committee throughout the year. In addition, regular management reporting and a balanced assessment of key risks and controls is an important component of Board assurance.

The internal control system aims to manage the business risks that significantly threaten the Group's achievement of its business and strategic objectives, with a view to enhance the value of shareholders' investments and safeguard assets. The internal control systems are designed to manage rather than eliminate the risk of failure, to achieve business objectives, and to provide reasonable, but not absolute, assurance that the Group's business objectives will be achieved within the Board-approved risk tolerance levels. The system of internal control includes the controls over compliance with regulatory and legal requirements.

In 2022, the Directors have reviewed the effectiveness of the system of internal control. For the review, the Audit Committee considered reports dealing with Internal Audit plans and outcomes, as well as risk logs and management representations. A full report of the work carried out by the Audit Committee on behalf of the Board is set out in the Audit Committee report on page 114.

Investment appraisal

Capital expenditure is managed through a budgetary process and authorisation levels. For expenditure beyond specific levels, detailed written proposals are submitted to the Board. The approval procedure for investments includes funding options and a detailed calculation of return based on current assumptions that are consistent with those included in management reports.

Post-investment reviews are conducted after the project is complete and, for material projects, Steering Committees are established to monitor the progress against the approved plan. Details regarding the Group's capital expenditure decisions during 2022 are available in the CFO's review on page 49.

Commercial, legal and financial due diligence are carried out, using external consultants as appropriate, in respect of acquisitions and disposals.

Risk management

Risks are monitored continually and formally reviewed quarterly. A more comprehensive report of the Group's principal and emerging risks and how these are managed and/or mitigated can be found on pages 36 to 42 of the Strategic Report.

The Group's operations perform regular risk assessment reviews and maintain risk registers. Objectives in the business plan are aligned with risks and a summary of the key risks, related internal controls, accountabilities and further mitigating actions are tabled and approved by the Board. The Sustainability Committee provides assurance that sustainability-related risks, including health, safety, environmental and climate, are monitored and managed appropriately. The Audit Committee at times delegates its authority to the Board for completeness. The Audit Committee and the Board, where appropriate, are kept informed on progress against the plans and any significant changes to review the risk profile. This enables the relevant management and non-Executive Directors to holistically review the risk, mitigate it and implement controls as necessary.

The Board reviews risks and risk management at a stand-alone quarterly risk review meeting that allows enough time to fully explore risks and test management's scenarios and plans. During these meetings, the Board reviews the risk register and interrogates the most critical risks in detail, debating mitigation plans with management.

REMUNERATION

Linking remuneration with purpose and strategy

The Remuneration Policy links executive remuneration to the underlying health and performance of the Group through relevant social and environmental indicators of performance. The financial and non-financial KPIs used to measure performance align with our strategy, which in turn supports the Group's purpose to produce the best diamonds, in the best way, leaving a lasting legacy.

Remuneration Policy review

Directors' remuneration

While the Board is ultimately responsible for Directors' remuneration, the Remuneration Committee, consisting of independent non-Executive Directors, determines the remuneration and conditions of employment of Executive Directors, as well as the Chairperson. The Directors' Remuneration Policy was amended and approved by shareholders at the 2021 AGM. The details of the Directors' Remuneration Policy and all Directors' remuneration are detailed in the report on remuneration on pages 119 to 141.

Performance outcomes in 2022

No adjustments were made to performance conditions set at the beginning of the year, and the formulaic Gem Diamonds Incentive Plan (GDIP) outcome for the business scorecard was 32.9% of the maximum of 85%. The Remuneration Committee believes that the formulaic vesting outcome is a fair reflection of the Group's underlying performance and therefore no discretionary adjustment was applied. The Committee further considered the decline in the share price over 2022, and agreed that the share price to be used to determine the number of shares under the deferred GDIP award which is to be granted in 2023 after the release of the 2022 annual results would be 50 GB pence, rather than the prevailing share price of c.31 GB pence at the meeting when the Committee reviewed the GDIP outcome. This will have the effect of reducing the number of shares granted by c.40%, which also implies a lower aggregate bonus for Executive Directors than that paid in 2021.

Based on the performance to 31 December 2022, 42.7% of the long-term incentive share awards made under the 2020 ESOP will vest in June 2023, subject to continued employment at that time.

The GDIP business scorecard is shown on page 124 and the ESOP award calculation on page 138.

Strategic targets

The 2022 GDIP rewards performance in the ratio of 15% on personal factors and 85% on business performance. This 85% business weighting aligns with the strategic focus areas:

- Preparing for Our Future (10%)
- Extracting Maximum Value from Our Operations (55%)
- Working Responsibly and Maintaining our Social Licence (20%)

More information on the GDIP scorecard is available on page 124.

NOMINATIONS COMMITTEE

Harry Kenyon-Slaney

Non-Executive Chairperson

The role of the Committee is to:

- Lead and ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.
- Assist the Board in ensuring its composition is regularly reviewed and refreshed, considering the length of service of the Board as a whole, so it is effective and able to operate in the best interests of shareholders.
- Ensure plans are in place for orderly succession to positions on the Board and the Executive Committee.
- Oversee the development of a diverse pipeline for succession.
- Work and liaise with other Board Committees as appropriate, including the Remuneration Committee, in respect of any remuneration package to be offered to any new appointment of the Board.

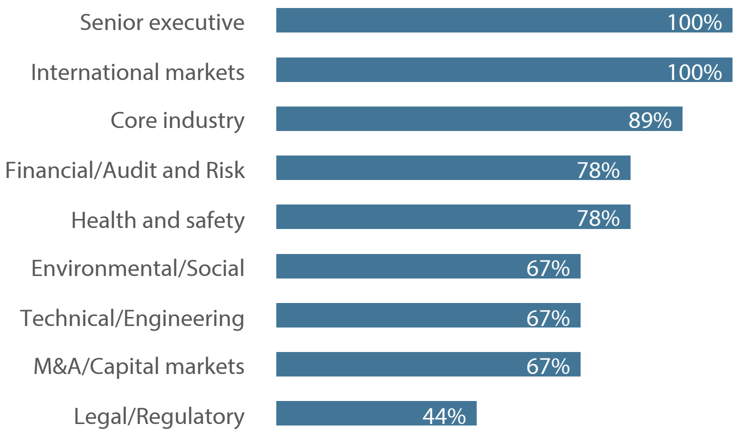
Membership as at 31 December 2022:

- H Kenyon-Slaney
- M Brown
- M Lynch-Bell

Other attendees:

- C Elphick
- Secretary (Bruce Wallace Associates)

Nominations Committee skills (%)



The Nominations Committee comprises three non-Executive Directors. The Committee's terms of reference provides for a formal and transparent procedure for the Committee to follow in executing its responsibilities. The terms of reference of the Nominations Committee is reviewed annually, and subsequently reviewed and approved by the Board, to ensure it continues to be fit for purpose and in line with best practice and governance principles. The last review was performed in June 2022 to ensure it was compliant with the Code.

The Committee continued to assess the Board's composition, evaluate the composition of the various Committees and monitor developments in corporate governance to ensure the Group remains at the forefront of good governance practices.

The Committee engaged Ceradas, an independent party, to conduct a formal external Board evaluation in November 2022. The outcomes were discussed at the March 2023 Board meeting. A summary of the evaluation approach and recommendations can be found on page 105.

2022 value-adding activities	Link to strategic pillar
Board composition	
The composition, skills and independence of the Board remained key topics for the Committee during the year. The objective of the Committee is to ensure that the Board retains a balanced composition and that all members have the necessary skills and experience to contribute actively to the ongoing success of the business. In line with the UK Corporate Governance Code, the Committee assessed the independence of all non-Executive Directors. This involved a review of both the external appointments held by each Director and of any potential or actual conflicts of interest recorded. The Committee noted the external appointments held by Board members, which were considered to be in accordance with the parameters of the Code and to not affect their current duties to the Board. One non-Executive Director, Mazvi Maharasoa, is not deemed "independent" in accordance with the Code. However, as with other non-Executive Directors, her extensive experience of the mining industry, and particularly the regional context within which the Group operates, is regarded as valuable. All non-Executive Directors provide constructive challenge and robust scrutiny of matters that come before the Board and, after careful consideration, the Committee and the Board were satisfied that Mazvi Maharasoa demonstrates the qualities of independence in carrying out her duties. All Board members were recommended for re-election and election at the 2022 AGM.	
Succession planning	
The Committee maintains a proactive approach to succession planning and regularly reviews succession planning across the organisation through a succession framework. This ensures candidates have been identified to fill key roles in both planned and emergency situations and that appropriate development plans are in place. The competencies and experience required in the boardroom were regularly assessed as part of the succession planning process and the Committee will continue to review the need to secure any particular or specific skills. During the year, when reviewing whether Directors are ESG-proficient and in considering skills for new directors as part of succession planning, specific traits and characteristics such as diversity, familiarity with major standards and frameworks and subject matter expertise were considered. The skills and competency matrix was amended to include these areas for future assessments. The Committee's succession planning review extends from senior management to the next level of management, considering emerging talent and key roles with a particular focus on maintaining momentum on diversity. Development plans for potential successors were progressed during the year.	
Diversity	
There remains a commitment to diversity in the boardroom, just as the Company is committed to equal opportunities at all levels within the organisation. The Committee continued to be supportive of this objective during the year and focused appointments and succession planning on ensuring gender and ethnic diversity as well as ensuring that a wide range of experience, backgrounds, perspectives and skills were available to facilitate effective decision-making. The Committee reviewed the Group's Diversity and Equality Policy and amendments to the policy clarified the increased focus on inclusion in the workplace. The policy was renamed as the Diversity, Equality and Inclusion Policy. In line with the commitment to increase gender diversity, the Committee oversaw the appointment of Kiki Constantopoulos and Minelle Zech to the Executive Committee. Further to this, the first phase of focused diversity initiatives was implemented across the Group and there was an improvement in the diversity of the leadership pipeline through the appointment of women and minority groups to junior and middle management positions. Further detail on the Group's diversity, equality and inclusion approach can be found on page 104.	

2022 value-adding activities	Link to strategic pillar

Board effectiveness

The Committee considered the 2021 internal Board evaluation outcomes. The overall findings from the evaluation were positive and demonstrated significant progress on some of the key findings from the previous year's evaluation. Focus areas for 2022 as highlighted by the Board were that more can be done around succession planning and stakeholder engagement.

The Board appointed Ceradas, an independent party, to undertake a comprehensive external Board evaluation in November 2022. The main objectives were to review the effectiveness of the Board in line with the requirements of the Code, to assess the Board's progress since 2019 and to consider how well prepared the Board is for the challenges that lie ahead. The details are discussed on page 105.

The findings were consolidated into a report which, along with recommendations, was circulated to all Directors and discussed at the March 2023 Board meeting. The Committee will monitor progress on the implementation of the recommendations during the coming year.

The Board evaluation process reviews the current skills and experience of the members of the Board, as well as its composition and structure. This process enables the Committee to identify what knowledge and competencies are needed for the business in the future and it therefore supports the search process for future Board members. It further provides assurance that the measured skills remain fit for purpose and supports the Group strategy.

Committee membership

The Committee continued to evaluate the composition of the various Board Committees to ensure they had the requisite skills and experience to perform effectively. It found that the Committees were appropriately comprised and no changes were proposed to membership for 2022 . All Board Committees are compliant with the provisions of the Code.

Future focus areas

In 2023, the Committee will:

- Maintain its focus on ensuring the Board's composition is strong and diverse, providing support and advice to enable management to steer the Group in an increasingly volatile and fast-paced environment, while always promoting exemplary governance practices in the boardroom.
- Continue to monitor alignment of talent and succession planning throughout the organisation to the needs of the business and to the Group's long-term strategy. Development plans for potential successors will continue to be progressed during the coming year.
- Continue to review and upskill the ESG competence of the Board and ensure succession plans explicitly address ESG competency.
- Ensure its succession plans address the new FCA Listing Rules related to Board composition and diversity targets.
- Monitor progress on the implementation of the recommendations of the external Board evaluation.
- Conduct an internal Board evaluation in 2023 and continue to hone Board skills, experience and operational effectiveness to ensure a high level of performance in Board activities in the best interests of all stakeholders.
- Review its current board skills matrix to include attributes that consider multiple dimensions of "invisible" diversity, such as expertise and experience, decision-making style, and behavioural attributes.

Extracting Maximum Value from Our Operations	Working Responsibly and Maintaining Our Social Licence	Preparing for Our Future

SUSTAINABILITY COMMITTEE

Mike Brown

Non-Executive Director

The role of the Committee is to oversee, on behalf of the Board, the Group policies pertaining to sustainability matters and to assist the Board in fulfilling its governance and oversight responsibilities in order to:

- Promote a culture of zero harm and responsible care through effective risk management that prioritises the workforce, creating a safe and healthy environment.
- Monitor efforts to minimise environmental impact and improve resource use efficiencies.
- Promote corporate social responsibility with a lasting positive impact in PACs and host countries.
- Review existing and planned metrics and targets, performance and operational objectives regarding climate change, decarbonisation and energy consumption.
- Review and monitor the Group's progress towards sustainable development and meeting the needs of the present while sustaining the ability of future generations to support their needs.
- Review and monitor the Group's approach, policies and measures on sustainability matters.

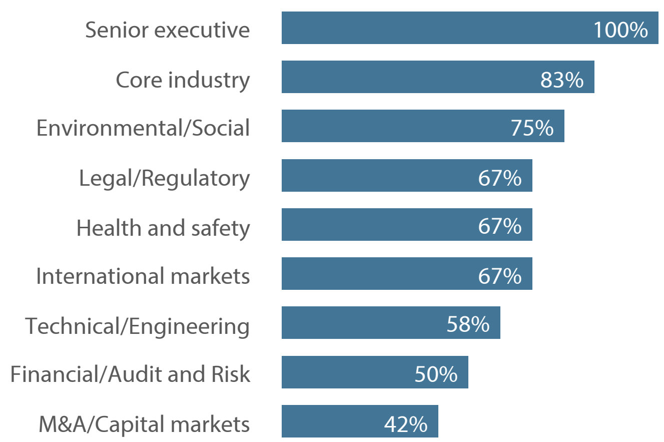
Membership as at 31 December 2022:

- M Brown
- R Kainyah
- M Maharasoa
- H Kenyon-Slaney

Other attendees:

- B de Bruin
- G Turner
- HSSE and Sustainability Manager

Sustainability Committee skills (%)



Mike Brown visited Letšeng on three occasions during the year. These visits specifically focused on:

- Safety culture and performance.
- Tailings management.
- Risk management with regard to heavy machinery and equipment and pit safety.
- CSI projects.
- Bioremediation and water management.

2022 value-adding activities | **Link to strategic pillar**

Working towards a culture of zero harm


The Committee continued to monitor critical health and safety matters during 2022, including:

- Maturing of the organisational safety culture and safety-focused leadership coaching.
- Conveyor systems safety programme.
- Tailings and freshwater storage facilities management.
- Critical control management strategy.

The Committee received quarterly reports on health and safety performance throughout the Group with particular focus on the delivery of the organisational safety culture maturity strategy. The Committee received regular reports on safety performance trends and incident investigation reports on significant safety incidents, including LTIs and near-misses. The Committee received feedback on the safety-focused leadership coaching and the measures the Group implemented to protect its workforce through bolstered occupational health and safety systems, operating responsibly and working to achieve its objective of zero harm. These measures included:

- Improved incident investigation and management.
- Leading indicator programme for safety trend analysis.
- "Just Culture" model development.
- Safety-focused employee engagement.
- Leadership visibility and accountability strategy.
- Critical control management strategy.

The Committee received feedback on the progress made to assess conformance of tailings facilities with the ICMM's GISTM and measures implemented to align existing practices with those outlined in the standard. There were regular reports on the tailings and freshwater storage facilities at Letšeng, and these reports provided assurance that the facilities were functional and were being effectively monitored and managed in a safe and responsible manner.

The Committee received feedback on independent audits conducted to provide assurance on safe and responsible business practices and to identify opportunities for improvement of the health and safety management system. These audits included:

- Legal compliance.
- ISO 45001 occupational health and safety management.
- Tailings storage and freshwater facilities.
- Conveyor system safety audit.
- Maintenance system audit.
- Health and safety systems management.

Promoting corporate social responsibility


Corporate social responsibility matters remain a priority and the Committee focused on the following matters during 2022:

- Completion of an updated community needs analysis.
- Delivery of a UN SDG-aligned five-year CSI strategy.
- Emergency flood response and infrastructure restoration.
- Long-term sustainability of sponsored small and medium enterprises.
- Implementation of the planned 2022 CSI programme.

The Committee is pleased to report no major or significant stakeholder incidents were recorded during the year. The Committee continued to monitor the impact of the global COVID-19 pandemic on PACs and received reports on the measures implemented to support CSI projects impacted by the pandemic. The Committee received regular reports on the delivery of the 2022 CSI strategy. The strategy specifically focused on small and medium enterprise development, education and basic service delivery to PACs.

The Committee oversaw the voluntary membership to the UN Global Compact and submissions of the Group's tailings management processes in line with the Group's adoption of the ICMM's GISTM to promote fair and transparent stakeholder engagement and relations.

2022 value-adding activities	Link to strategic pillar

Minimising environmental impact

The Committee is pleased to report that no major or significant environmental incidents were recorded during 2022. The Committee continues to monitor the environmental impact of the Group's operations and oversees the various strategies aimed at mitigating this impact. During 2022 the Committee focused on the following environmental matters:

- Stakeholder engagement regarding material environmental matters.
- Efficient water management and stewardship.
- Advancing the bioremediation project.
- Enhancing the concurrent rehabilitation strategy.
- Biodiversity conservation.
- Compliance with adopted best practice standards.

The Committee received reports on material environmental matters and performance against 2022 objectives related to environmental management. The Committee received feedback on the continued successful implementation of the surface water management strategy which includes stormwater management, water recycling and treatment measures. The Committee monitored the 2022 rehabilitation strategy review, social and environmental management plan (SEMP) update and approved the Group update of environmental related policies.

The Committee also received external non-financial audit reports on the management of environmental parameters and the resulting impact on the environment to benchmark the Group's performance and identify improvement opportunities. These reports included:

- The Group Carbon and Water Footprints.
- ISO 14001 Environmental systems audit.
- The SEMP compliance audit report.

Sustainability Strategy and reporting

The Committee received reports on the advancement of sustainability-focused projects within the Group and approved updates to Group processes as appropriate. The sustainability projects included:

- Progressing the TCFD adoption roadmap and developing an appropriate carbon-pricing model and decarbonisation and energy efficiency strategy.
- Integrating the Group's six priority UN SDGs into business strategy.
- Reporting to the Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI) and the UN Global Compact.
- Implementing the sustainability communication strategy.
- Integrating new best practice standards into the Group sustainability audit protocol.

Future focus areas

The Committee's core focus areas for 2023 include:

- Delivering the final phase of the TCFD adoption roadmap.
- Completion of the organisational safety culture maturity strategy.
- Commencing water treatment through bioremediation.
- Improving resource use efficiency and reducing non-mineral waste.
- Setting the 2024-2027 Group UN SDG objectives.
- Delivery of corporate sustainability KPIs.
- Advancing the Group decarbonisation strategy.
- Implementation of the 2023 CSI Strategy.
- Advancement of the Group alternative energy and energy efficiency strategy.
- Continued implementation of global best practice standards.

Extracting Maximum Value from Our Operations	Working Responsibly and Maintaining Our Social Licence	Preparing for Our Future

AUDIT COMMITTEE

Michael Lynch-Bell

Chairperson

Non-Executive Director

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- The integrity of the financial and narrative statements and other financial information, including climate-related financial disclosures, provided to shareholders.
- The Group's system of internal controls and risk management.
- The internal and external audit process and auditors.
- The processes for compliance with laws, regulations and ethical codes of practice.

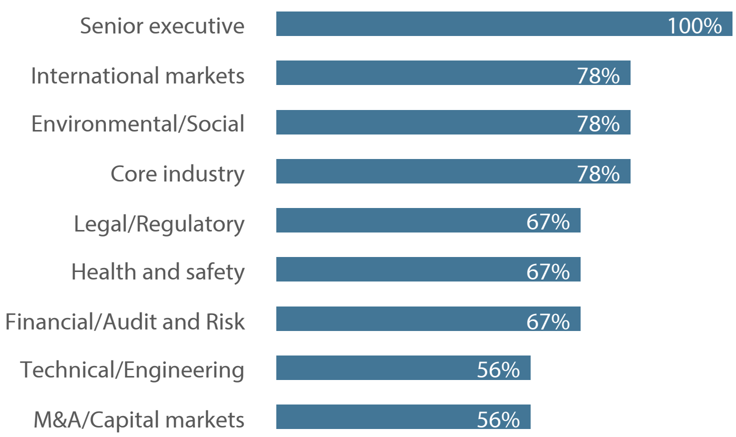
Membership as at 31 December 2022:

- M Lynch-Bell
- M Brown
- R Kainyah

Other attendees:

- H Kenyon-Slaney
- C Elphick
- M Maharasoa
- M Michael
- B de Bruin
- K Constantopoulos
- Financial Manager
- HSSE and Sustainability Manager
- External and internal audit

Audit Committee skills (%)



2022 value-adding activities	Link to strategic pillar

External auditor and audit effectiveness

During the year, the Committee fully considered the effectiveness, objectivity, skills, capacity and independence of EY SA (our external auditor), considering all current ethical guidelines, and was satisfied that all criteria were met. The 2021 auditor's fee was approved and the 2022 fee was considered as part of this process.

In advance of the 2022 audit, the Committee reviewed and assessed the appropriateness of the external auditor's plan, audit strategy, scoping, materiality and audit risks. The significant areas of audit focus identified by the external auditors to be addressed during the course of the audit were primarily impairment of property, plant and equipment and goodwill, revenue recognition, deferred waste stripping calculation, taxation, inventory, bank facilities, rehabilitation provisions, share-based payments and the Ghaghoo sales process. The key audit matter during the year was the goodwill impairment as mentioned in the Independent Auditor's Report on page 148. The Committee was satisfied that all material audit risks were covered within the auditor's scope. The Committee assessed the materiality level applied as appropriate to identify relevant audit risks.

Following the audit, EY SA presented its findings to the Committee and the Committee met with the audit partner without members of management being present. The audit partner also met separately with the Committee Chairperson to discuss key audit findings, judgements and estimates. This provided an opportunity to assess the audit work performed, understand how management's assessments had been challenged and assess the quality of conclusions drawn. The Committee also made enquiries of senior management to obtain its feedback on the audit process and considered this feedback in its assessment.

In line with the Code and the duty of the Committee to assess the effectiveness of the audit process, a detailed assessment by way of a survey was again carried out during the year focusing on the 2021 audit. This survey enabled the Committee to assess the extent to which the audit strategy was appropriate for the Group's activities and addressed the risks the business faced, including factors such as independence, materiality, the auditor's risk assessment versus the Committee's own risk assessment, and the extent of the Group auditor's participation in the subsidiary component audits. The responses formed the Committee's assessment of the effectiveness of the audit, citing minor areas of improvement around the efficiency of the audit process, the use of technology and the provision of improvement opportunities to the management team. The Committee noted the constraints and lack of efficiency of the audits under remote working conditions caused by COVID-19 restrictions on travel to the mine site or finance offices due to border closures in the early months of 2022, and work permits not being timeously granted. The Committee was satisfied that these constraints have since been eliminated for the 2022 audit.

Auditor appointment and independence

The Committee remains satisfied with the performance of EY SA and recommended its reappointment to the Board. The lead engagement partner has served four of his five consecutive years. Other senior primary audit employees will serve no longer than seven consecutive years with a two-year cooling-off period. The Committee assessed the tenure of the partners and senior employees as adequate, considering the transition to EY SA in early 2019. The Committee was made aware that EY SA will step down as the auditor for the 2024 financial year end as a result of mandatory firm rotation rules applicable to South African auditors. Management will commence its tender process for external audit firms during 2023.

The provision of any non-audit service requires Committee pre-approval if above a certain level and is subject to careful consideration, focused on the extent to which provision of such non-audit services may impact the independence or perceived independence of the auditor. In the previous year, EY was engaged to assist with a forensic investigation to be performed at Letšeng following allegations of theft of diesel used in the mining operation raised through the whistleblowing facilities. This investigation continued into the current year and formed the majority of the non-audit services performed by EY during the year. In addition, EY's forensic department carried out a due diligence evaluation on a supplier. These services had not been invoiced by year end. The Committee noted that both these services are not permissible services in terms of the FRC requirements (the Group aims to comply with these requirements), but considered the values as immaterial and the investigation for the diesel theft and the due diligence as being the most effective way to attend to these matters. The fees for non-audit services amounted to US$56 256. This was against the external audit fee of US$653 448, representing 8.6% of external audit fees.

Anti-bribery and corruption

The Committee reviewed and approved an updated policy during the year. There were no incidents of bribery during the year and the Committee is satisfied that the policy remains robust regarding compliance and diligence procedures.

2022 value-adding activities	Link to strategic pillar

Acting on whistleblowing

The Committee reviewed and monitored the actions and progress of all the whistleblowing reports that arose. The whistleblowing line is an important tool to promote and encourage transparency and identify potential areas of irregularities within the Group. During the year, 13 reports were received through the whistleblowing line and 14 reports were closed, including the two that were carried over from 2021. One report remained under investigation at year end. The majority of the reports related to labour practices and remuneration matters. The Committee approved the Group's Fraud and Whistleblowing Policy which remained unchanged from the previous year's review. There were no instances of fraud reported through the whistleblowing line.

Monitoring internal audit

The principal matters reported by the Group Internal Auditor, based on its strategic and risk-based audit plan, were reviewed by the Committee and it continued to monitor management's responsiveness to the findings and recommendations from the Internal Auditor. Risk management effectiveness, health, safety and environmental, asset management and procurement were focus areas for Group Internal Audit during the year. The 2023 Internal Audit plan was approved by the Committee and is linked to the current risk profile of the organisation.

Updates to the Internal Audit Charter guidelines for rating individual audit reports were approved during the year.

The Committee assessed the effectiveness of Group Internal Audit during the year through a separate Q&A session led by senior management without Internal Audit being present. The session included:

- a self-assessment of the Committee on its responsibility for the effectiveness of the Group Internal Audit function in the context of the Group's overall risk management system; and
- an assessment by the Committee of the Internal Audit function focusing on Group Internal Audit's understanding of the Group, integrity and objectivity, independence, structure, resources, planning, governance, reporting and relationships within the Group.

The responses informed the Committee's assessment of the effectiveness of Group Internal Audit which was found to be effective. The Committee also considered if additional resources were required to extend the Internal Audit function but concluded that the current structure was appropriate for the size and requirements of the Group.

Risk management and internal controls

Although the Committee maintained its oversight of the principal and emerging risks during the year, in line with the Code's requirements for all Board members to focus on risk management, separate quarterly Risk Meetings continue to be held as an extension of the main Board meeting with all Board members attending. The main risk areas that the Board concentrated on and considered were:

- the availability and reliability of reliable power supply;
- the variability of cash flow;
- diamond resource and reserves;
- climate change;
- the tax uncertainty relating to the amended assessment by the Lesotho Revenue Authority; and
- tailings storage facility and freshwater dam wall safety.

The detailed principal and emerging risks are discussed further on pages 36 to 42.

The Committee was satisfied that the revised enterprise risk management framework was effectively implemented and presented to the Board.

The Committee considered the internal controls in place throughout the year as being effective.

Annual review

During the year the Committee updated its terms of reference to ensure these encompassed the updated provisions from the Code. The Board evaluation undertaken included a review of the Audit Committee's performance within its remit.

2022 value-adding activities	Link to strategic pillar

Climate-related financial disclosures

Following the Group's adoption of the TCFD recommendations in the prior year, the Audit Committee regularly received reports on risk, strategy and governance processes related to climate change and the associated financial disclosures. The Audit Committee had oversight of climate-related risks and potential financial, strategy and business planning impacts, through presentations to the Board during separate quarterly Risk Meetings. During the year, the Audit Committee received feedback on:

- progress regarding the Group TCFD Adoption strategy;
- the Board and Management Governance structures established related to climate change;
- identifying and assessing climate-related risks;
- the Group's timeline and process leading up to the publishing of its 2030 decarbonisation strategy;
- the Group's decarbonisation objectives; and
- assurance, through the Sustainability Committee, on climate-related risk management effectiveness.

Financial disclosure

The Committee continued to ensure that the Group's Annual Report and Accounts 2022 and the Half-Year Report 2022 were fair, balanced and understandable by challenging and debating the judgements made by management and ensuring the information necessary for shareholders to assess the Group's performance, business model and strategy is provided. EY SA audited the Financial Statements included from pages 146 to 207 for the year ended 31 December 2022 and issued an unmodified audit opinion in this regard.

The significant issues reviewed by the Committee relating to the 2022 results were:

- The assumptions in the Group's financial forecasts incorporating the Group's debt facilities and the status of forecast future covenant compliance, mitigating actions available to the Group, and the appropriateness of the going concern and viability assumptions and related disclosures. The Committee assessed the disclosures in the Annual Report and Financial Statements in respect of going concern and covenant compliance and concluded that they were appropriate. Refer to Note 1.2.2, Going concern page 161 for further details.
- The significant estimates and judgements applied in the valuation of the carrying value of mining assets, intangible assets and impairment testing, considering the impact of the Russian invasion of Ukraine and the availability of reliable power supply on inflation and costs, production capabilities and exchange rate fluctuations. The Committee critically reviewed the key assumptions and parameters (diamond price forecasts and the discount rates applied in assessing the valuations) in the LoM plan for Letšeng (currently an extended open pit plan including a new Satellite pipe Cut 6W cutback and steeper slope angles in the Main pit) that supported the impairment tests performed by management, together with the sensitivity analysis performed under various scenarios. The Committee noted the diamond price recovery in the LoM plan given the recovery of the diamond market experienced in the year. The impact on the LoM valuation caused by changes to the underlying operational plan, costs (including cost saving due to the right-sizing project at Letšeng) and capital expenditure assumptions were noted. There was no impairment charge necessary and Letšeng's carrying value remained above its recoverable value. The Committee further reviewed the relevant disclosure in the Financial Statements to ensure compliance with reporting standards.
- The judgements applied by management in ceasing the assessment of Ghaghoo as a discontinued operation held for sale and reclassifying it into continuing operations. The Committee assessed the progress of the sales process and the more recent communications with the Botswana Director of Mines and supported management assumptions on the basis that, although the Company remains committed to a sale opportunity, the Company is considering other exit options.
- The assumptions relating to the classification of tax uncertainties and the treatment and disclosure thereof in relation to the amended tax assessment issued to Letšeng by the Revenue Services Lesotho in December 2019, contradicting the application of certain tax treatments in the current Income Tax Act.

2022 value-adding activities	Link to strategic pillar
Future focus areas	
Specific focus areas for 2023 are to: • continue to assess principal and emerging risks and consider the impact of climate change on any of these risks; • ensure adequate reporting against the Group's decarbonisation strategy and set targets; • continue to assess the quality and effectiveness of the external audit and the procedures and controls to ensure auditor independence; • ensure the adequacy of the tender process for the appointment of the new auditor for the 2024 audit and recommend the chosen firm as decided by the Committee to the Board of Directors for appointment; and • ensure continued adequate reporting against relevant sustainability standards such as the TCFD recommendations and UN SDGs.	

Extracting Maximum Value from Our Operations	**Working Responsibly and Maintaining Our Social Licence**	**Preparing for Our Future**

REMUNERATION COMMITTEE

The Committee believes that the Remuneration Policy is appropriate to motivate and reward senior executives and align their interests with the Group's purpose and values as well as the interests of shareholders.

Michael Lynch-Bell
Chairperson
Independent non-Executive Director

STRUCTURE

Annual Statement, which includes an "at a glance" of remuneration decisions	Page 119
Directors' Remuneration Policy	Page 122
Annual Report on Remuneration	Page 129

ANNUAL STATEMENT

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Committee's Directors' Remuneration Report for 2022. The report is presented in three sections: this Annual Statement, the Directors' Remuneration Policy (page 122) and the Annual Report on Remuneration (page 129).

Linking Executive Directors' remuneration with our purpose and strategy

Executive remuneration is focused on the underlying health and performance of the Group and considers key drivers, including relevant ESG factors. Performance metrics consist of both financial and non-financial KPIs linked to our strategy, which in turn supports the Group's purpose to produce the best diamonds, in the best way, leaving a lasting legacy. This purpose is relevant for our employees, the communities in which we operate and shareholders alike. Each strategic pillar is linked to an element of remuneration as set out on pages 122 to 128 of the Directors' Remuneration Policy.

Remuneration decisions taken during 2022

Context

In 2022, the Group emerged from the COVID-19 pandemic to resume more normal operations. However, new challenges emerged following Russia's invasion of Ukraine. This impacted global inflation, resulting in extraordinary increases in fuel prices. In addition, Eskom's electricity outages posed challenges to normal production activities and negatively impacted costs due to increased alternative power generation.

Despite these challenges, the Group ended the year with a cash balance of US$8.7 million and drawn down facilities of US$5.4 million, resulting in a net cash position of US$3.3 million. Underlying EBITDA from continuing operations decreased 24% to US$43.7 million from US$57.4 million in 2021. A cash dividend of 2.7 US cents was paid during the year as approved by the AGM in June 2022. In addition, the Board launched a share buyback programme to the amount of US$1.2 million, which was another important mechanism by which to return further capital to shareholders. The Board is not proposing a dividend based on the 2022 financial results due to the volatility in the current economic outlook and the need to preserve the Group's available cash resources.

Following the preliminary conceptual study on the potential economic viability and mining method for the underground expansion of the Satellite pipe at Letšeng in 2021, the Group commenced a detailed Underground Feasibility Study in 2022 with further geological and hydrogeological drilling and modelling, geotechnical drilling, geo-metallurgy and social and environmental impact assessments to be undertaken during 2023.

The Group committed to a 30% reduction of its Scope 1 and 2 emissions by 2030, from a 2021 base, as set out in Our Approach to Climate Change on page 34. This commitment follows the adoption in 2022 of its decarbonisation strategy, which sets out its ambitions to reduce energy consumption, improve energy use efficiency and transition to renewable energy sources. This strategy is underpinned by the Group's carbon-pricing model. It also successfully completed the second year of the three-year roadmap to adopt the TCFD recommendations. In this context, the Committee's key decisions during the year related to the following areas:

Gem Diamonds Incentive Plan (GDIP)

The GDIP was based on a range of financial, operational and personal objectives that support the delivery of the Group's key strategic priorities, with 85% linked to business performance and 15% to personal performance.

In 2022 the CEO and CFO were awarded respectively 297 217 and 201 141 nil-cost share options under the deferred portion of the 2021 GDIP as reflected on page 138.

The resulting formulaic GDIP outcome for the 2022 business scorecard was 32.9% of maximum (which accounted for 85% of the GDIP); the personal performance outcomes (accounting for 15% of the GDIP) averaged 12% across the Executive Directors. The Committee concluded that the 2022 GDIP outcome would be 43.9% for the CEO and 45.9% for the CFO, with 55% paid as cash and 45% deferred in shares as per the Remuneration Policy, and as reflected in the single figure emoluments table on page 134. The Committee also considered the decline in the share price over 2022, and agreed that the share price to be used to determine the number of shares to be granted in 2023 under the deferred GDIP award would be 50 GB pence, rather than the prevailing share price of c.31 GB pence at the meeting when the Committee reviewed the GDIP outcome. This will have the effect of reducing the number of shares to be granted in 2023 by c.40%, which also implies a lower aggregate bonus for the Executive Directors than in 2021.

ESOP

The 2020 ESOP award rewards performance against total shareholder return (TSR) versus a tailored diamond mining comparator group (25% weighting), and profit and production (75%), all measured over a three-year performance period.

The Company's three-year TSR over the period was at the top of the peer comparator group, which resulted in 100% of the element vesting. 17.7% (out of a maximum of 75%) of the profit and production elements will respectively vest, based on performance over the three-year period. Overall, 42.7% of the share awards granted to the Executive Directors under the 2020 ESOP will vest on 9 June 2023, subject to continued employment at that time.

The specific targets and outturns underlying these elements are discussed in detail on page 138 of the Annual Report on Remuneration. The Committee considered the guidance issued by shareholders regarding windfall gains at the time of grant and determined that the approach used to grant ESOP awards at the same number of shares in each cycle protected against windfall gains at the time, as it avoided granting more shares in the event the share price declined. While the awards are not due to vest until 9 June 2023, the Committee notes that the three-month average share price to 31 December 2022 of 31.22 GB pence is lower than the grant price in 2020 of 31.75 GB pence. The Committee believes the formulaic vesting outcome is a fair reflection of the Group's underlying performance and therefore no discretionary adjustment was applied.

We have not included a CEO pay ratio in this report, as the Company has only one employee based in the UK, and any resulting ratios would not be meaningful.

Implementation of the Remuneration Policy in 2023

The Executive Directors' salaries were reviewed in February 2023, considering relevant benchmarks and in-country inflation. The review was in line with the general practice of considering the wider employee group when applying inflation as a base for salary increases across the Group. Based on all considerations, including current market conditions, the Remuneration Committee determined that base salaries would be increased by 4% effective 1 April 2023. The Committee believes that this level of increase is appropriate given the current economic circumstances in which we are operating. The increase is lower than the 7.8% of salary increase awarded to the wider workforce, which took into account the year on year increase in inflation instead of a forecasted inflation position (5.8%) as in previous years.

The Committee is also aware of the role it can play in supporting our employees in the current economic environment. We do this by offering a range of benefits and programmes across the Group to support employees' health, well-being and work-life balance.

For 2023, the GDIP will remain unchanged with a maximum annual award opportunity of 180% of salary. Group performance will continue to be measured with reference to a business scorecard linked to the Group's three strategic focus areas: Extracting Maximum Value from Our Operations; Working Responsibly and Maintaining Our Social Licence; and Preparing for Our Future. Group performance will be weighted 85% of maximum, with the remaining 15% linked to personal performance.

The Committee is mindful of the impact our operations have on the environment, and a Working Responsibly and Maintaining Our Social Licence element has been included in the GDIP since it was first implemented in 2021. For 2023 this will include reducing our environmental impact, diversity initiatives and various health and safety metrics. The Committee reviews the metrics on an annual basis and will keep under review the options to broaden our ESG targets to include other ESG metrics, provided they align with our strategy at the time.

The incentive will be paid 55% in cash and 45% will be awarded through the issue of nil-cost options vesting in one-third annual tranches after one, two and three years, subject to continued employment and good/bad leaver provisions over this period. Vested awards will also be subject to a two-year post-vesting holding period, during which time Executive Directors may not sell shares except to cover taxes associated with the exercising of share options. Malus and clawback provisions will apply during the performance period and for a period of two years following payment.

As from 1 January 2023, Executive Director pensions are fully aligned with that of the workforce at 7.5% of salary, following pension reductions during 2022 of 5.8% and 4.6% of salary respectively for the CEO and CFO. Refer to pages 134 to 141 for further details on the implementation of the Remuneration Policy in 2023.

Engagement

I look forward to receiving your support at our 2023 AGM. The Board considers it important that shareholders have the opportunity to raise questions with the Board. Shareholders are invited to send any questions they may have on this report or in relation to any of the Committee activities. Please feel free to contact me through Minelle Zech, the Group Human Resources Executive on mzech@gemdiamonds.com.

Michael Lynch-Bell

Chairperson of the Remuneration Committee

15 March 2023

REMUNERATION AT A GLANCE

Fostering a culture of transparent and fair remuneration which supports our purpose and strategy and is aligned with wider employee considerations

Basis of preparation

This report has been prepared in accordance with the principles of the UK Companies Act 2006, Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Market Abuse Regulations. The external auditor of Gem Diamonds has audited certain information within this remuneration report which has been marked as such.

COMPONENT

Basic salary	Benefits	Pension
• Market-competitive base salary to recruit and retain individuals. • No prescribed minimum or maximum annual increase.	• Cash allowance in lieu of non-cash benefits.	• Retirement benefits that are appropriately competitive. • Alignment with wider employee group in January 2023.

GDIP

- Participants can receive a maximum of up to 180% of their base salary.
- For threshold-level and target-level performance, the incentive earned is up to 20% and 50% of maximum opportunity, respectively.
- Group scorecard targets may include one or more of the three key strategic priority areas.
- Award to be delivered 55% in cash and 45% in nil-cost share options vesting in one-third annual tranches after one, two and three years, and subject to a two-year post-vest holding period.

100% Remuneration Committee attendance

No Malus or Clawback

provisions triggered in 2022

Wider considerations for employees in 2022

+5.8% approved inflationary increase to comparative employees' basic salaries effective from 1 January 2022 (excluding Directors)

7.5% pension contributions. Executive Director pensions were aligned to workforce pensions from 1 January 2023 (accelerated compared to that previously adopted in the 2021 Remuneration Policy)

Similar group performance scorecards for **management incentive schemes** across the Group

BASIC SALARY AND SHAREHOLDING	GDIP
Shareholding	**Profile of scorecard**

200% of salary shareholding requirement

CEO

Total shareholding 569% of salary

CFO

Total shareholding 39% of salary

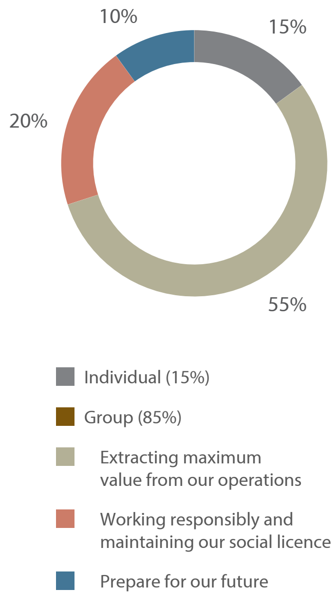
Pension and benefits:

- Pension contributions for the CEO and CFO reduced to 7.5% of salary effective 1 January 2023
- In 2022 no change was made to allowances for non-cash benefits

Total non-executive director fee

£362 712 actual < £750 000

maximum aggregate per the Articles



REMUNERATION POLICY

The Remuneration Policy was approved by the shareholders at the AGM on 2 June 2021 and became effective from this date. The Committee considered the relevance of the policy at its February 2023 meeting and concluded that it remains fit for purpose. The Policy is as disclosed in the 2021 Directors' Remuneration Report save for some non-significant changes as follows:

- references to financial years have been updated where appropriate;
- references to performance measures have been updated for the latest business strategy, as appropriate; and
- pay-for-performance charts have been updated to reflect 2023 salaries.

The Remuneration Policy is designed to provide a level of remuneration that attracts, retains and motivates executives of a suitably high calibre to manage the business, implement the Group's strategy and maximise long-term shareholder wealth. It is intended that, as far as possible, remuneration policies and practices will conform to best practice in the markets in which the Group operates, will be aligned with shareholder interests and will promote effective management of business risk.

The Committee's policy is to provide base salaries and benefits that are fair and to weight remuneration towards variable pay. Variable pay incentives are linked to the achievement of realistic performance targets relative to the Group's strategy and corporate objectives.

The Committee is satisfied that the proposed policy is clear, simple, and appropriately aligned with the Group's strategy, risk appetite and culture, and that the incentives are appropriately capped.

How good governance informs policy design

The table below sets out the application of the Principles of the Code relating to the design of remuneration policies and practices:

Clarity	Targets for annual cash incentives and share awards are aligned to the Group's strategic priorities. This provides clarity to shareholders and other stakeholders on the relationship between the successful delivery of the Group's strategy and remuneration paid.
Simplicity	The Remuneration Policy is designed to be simple and clear while complying with all relevant regulatory requirements and meeting shareholder expectations. It simplifies remuneration elements further by combining the cash and deferred shares components into a single GDIP.
Risk	The Committee is aware of the risks that can result from excessive rewards and believes that the robust target-setting and long history of applying discretion to formulaic outcomes reflects this. Malus and clawback provisions in the Remuneration Policy further mitigate this risk.
Proportionality	The Committee's overriding discretion ensures that remuneration outcomes are aligned with Group performance.
Predictability	The GDIP ensures a simpler but more predictable range of performance outcomes that align with the business model, ensuring predictable pay outcomes that do not reward poor performance.
Culture	As reflected in the Chairperson's statement on page 14, the Committee considers overall pay and conditions for employees across the Group when determining Executive Director outcomes. Personal and Group performance measures include non-financial metrics linked to the Group's purpose and culture.

Policy table for Executive Directors

Salary

Purpose and link to strategy	To offer a market-competitive base salary to recruit and retain individuals of high calibre necessary to execute the Group's business strategy.
Operation	Base salaries are reviewed annually with changes effective from 1 April. Salaries are typically set after considering the salary levels in companies of a similar size, complexity and risk profile, the responsibilities of each individual role, progression within the role, and individual performance. In setting salaries for Executive Directors, the Committee takes note of the overall approach to salary reviews for the wider employee group.
Opportunity	There is no prescribed minimum or maximum annual increase. It is expected that salary increases for Executive Directors will ordinarily be (in percentage of salary terms) in line with those of the wider employee group in countries of a similar inflationary environment. In certain circumstances (for example, where there is a change in responsibility, role size or complexity, or progression in the role), the Committee has discretion to award higher increases to ensure salary levels remain competitive.
Performance measures	N/A

Benefits

Purpose and link to strategy	To provide competitive benefits considering the market value of the role and benefits offered to the wider UK management population, in line with the Group's strategy to keep remuneration simple and consistent.
Operation	Executive Directors receive a cash allowance in lieu of non-cash benefits.
Opportunity	The benefit value may vary by role to reflect market practice. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) will increase materially over the term of this policy, though the Committee retains discretion to approve a higher cost in exceptional circumstances.
Performance measures	N/A

Pension

Purpose and link to strategy	To provide retirement benefits that are appropriately competitive.
Operation	Executive Directors receive a cash allowance in lieu of pension.
Opportunity	Any current and/or new Executive Director will receive pension benefits aligned to that of the wider employee group (currently 7.5% of salary).
Performance measures	N/A

GDIP

Purpose and link to strategy	To drive and reward performance against financial and non-financial KPIs, as well as personal objectives, all of which are directly linked to business strategy.
Operation	The GDIP is reviewed annually by the Committee at the start of the year to ensure the opportunity and performance measures are appropriate and continue to support business strategy. The Committee has discretion to adjust the formulaic outcome of the bonus to more accurately reflect the underlying business and personal performance during the year. Performance is measured over one year, and earned awards are delivered 55% in cash and 45% in nil-cost share options vesting in one-third annual tranches after one, two and three years, subject to continued employment and good/bad leaver provisions over this period. Vested awards are also subject to a two-year post-vesting holding period. Malus and clawback provisions may be applied for a period of two years following payment in exceptional circumstances, including, but not limited to, misstatement, misconduct or error.
Opportunity	Participants can receive a maximum of up to 180% of their base salary. For threshold-level and target-level performance, the award earned is up to 20% and 50% of maximum opportunity, respectively.
Performance measures	Performance is determined by the Committee annually by reference to a scorecard of Group targets as detailed in the Group's business plan and encapsulated in specific KPIs, as well as a discretionary assessment of personal performance. Group scorecard targets may include one or more of the three key strategic priority areas of Extracting Maximum Value from Our Operations, Working Responsibly and Maintaining Our Social Licence, and Preparing for Our Future. The Group scorecard will typically account for 85% of performance bonus in any one year. Details of the measures and weightings for the current year are provided in the Annual Report on Remuneration.

Notes to policy table

Payments from existing arrangements

Executive Directors will be eligible to receive remuneration or other payments in respect of any award granted or payment agreed prior to the approval and implementation of the 2021 Remuneration Policy, or prior to the individual becoming a Director, if in the opinion of the Committee the payment was not in consideration for the individual becoming a Director. Details of any such awards or payments are disclosed in the Annual Report on Remuneration.

Selection of performance measures (GDIP)

Performance measures used in the Group's executive incentive scheme – the GDIP – are selected to ensure incentives reinforce the Group strategy and align executive interests closely with those of shareholders. It is the Committee's opinion that the financial and non-financial measures used in the GDIP support the strategic priorities of Extracting Maximum Value from Our Operations, Working Responsibly and Maintaining Our Social Licence, and Preparing for Our Future, and are well accepted measures for the mining sector.

Performance targets are set to be stretching but achievable, considering a range of reference points including the Group's business plan, its strategic priorities and the economic environment in which the Group operates. The Committee believes it has a robust approach to target setting and the maximum outcomes are achievable only for exceptional performance.

Remuneration policy for other employees

Salary reviews are implemented with a consistent approach across the Group and consider the level of responsibility, experience, individual performance, market levels and the Group's ability to pay.

Senior management (below Board level) remuneration is reviewed by the Remuneration Committee. Senior management and management level employees participate in an annual bonus scheme on a similar basis as the Executive Directors, although the weighting on Group performance measures increases with seniority and share awards vary appropriately according to organisational level.

Other employees participate in an annual bonus linked to operational metrics.

Shareholding guidelines

The in-post guideline was increased in February 2022 to require Executive Directors to hold 200% of their salary in beneficially owned shares (previously 100% of salary under the 2021 approved policy). Until the guideline has been met, Executive Directors will be required to retain 50% of vested awards under the GDIP or any other share-based incentive.

The post-termination shareholding for Executive Directors requires that the in-post shareholding requirement is maintained for a period of a year following cessation of employment, to be achieved through the continued holding of vested share awards granted after the introduction of the 2021 Remuneration Policy.

A formal policy has been implemented to ensure in- and post-termination shareholding requirements are managed appropriately.

Pay for performance: scenario analysis for 2023

The table and subsequent graph below illustrate an estimate of the potential future remuneration for the Executive Directors and the potential split between the different elements of pay under four performance scenarios: fixed, at target, maximum, and maximum +50% share price appreciation. Potential remuneration is calculated on the incentive opportunities set out in the 2021 Remuneration Policy applied to the salaries effective 1 April 2023.

The maximum GDIP is 180% of the salary.

The fixed scenario includes base salary, pension and benefits only.

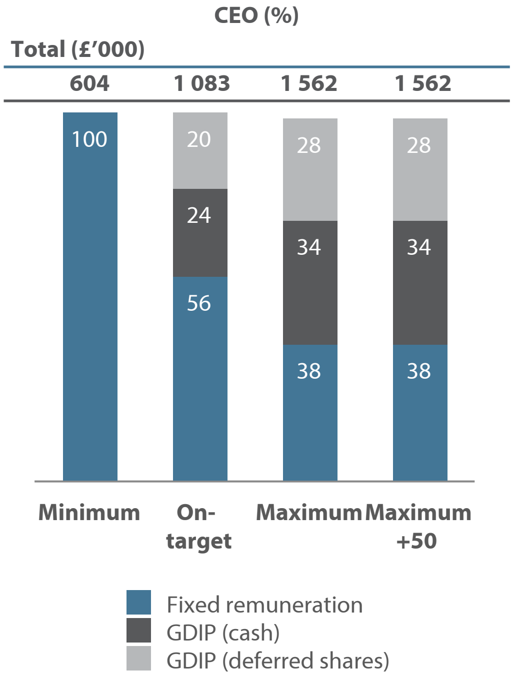
The at-target scenario includes fixed remuneration as above, plus target pay-out of the GDIP.

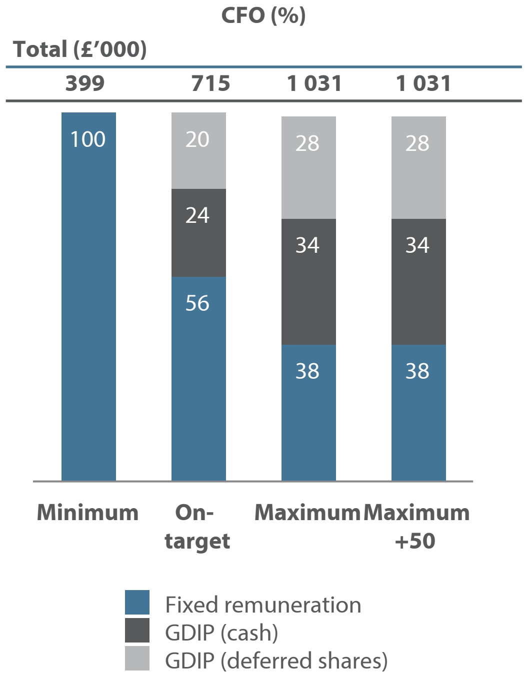
The maximum scenario includes fixed remuneration, plus full pay-out and vesting of all incentives.

The maximum +50% scenario is the same as the maximum scenario, as the deferred share element of the GDIP is not subject to performance conditions over the deferral period.

The assumptions are summarised in the table below:

Component	Fixed	At target	Maximum	Maximum +50% share price appreciation
Salary	Base salary for 2023			
Benefits	6.0% of salary			
Pension	7.5% of salary			
GDIP (cash)	0% of maximum	50% of maximum	100% of maximum	100% of maximum
GDIP (deferred shares)	0% of maximum	50% of maximum	100% of maximum	100% of maximum





Approach to remuneration on executive recruitment

The Committee will follow the Remuneration Policy as set out in the policy table when recruiting new Executive Directors. Any arrangement specifically established to recruit an external Executive Director would be capped at the limits described in the policy table on appointment. Where an individual forfeits outstanding incentive payments and/or contractual rights at a previous employer because of their appointment, the Committee may offer additional compensatory payments or awards (buy-out) in such form as it considers appropriate. Any such buy-out compensation would be on a comparable basis to the forfeited benefit, considering factors including the performance conditions attached to these awards, the likelihood of conditions being met, and the remaining vesting period of these awards. The Committee would normally use the remuneration components under the regular policy to make such buy-out awards, but may also exercise its discretion under Listings Rule 9.4.2 if an alternative incentive structure were required. Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable, time-limited assistance with relocation in line with local market norms.

In the case of internal promotions, any commitments made prior to promotion and the approval of the Remuneration Policy (except for pension entitlements) will be honoured. Where the new appointee has an initial salary set below market, any shortfall will be managed with phased increases over a period of several years, subject to the individual's performance and development in the role.

Service contracts

The Company's policy is to limit termination payments to pre-established contractual arrangements. If the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Details of the Executive Directors' service contracts are summarised in the table below.

Director	Contract date	Unexpired	Notice period	Contractual termination payment
CT Elphick	13 February 2007	Rolling contract	12 months	Pay basic salary on summary termination. Benefits are payable only at the Committee's discretion.
M Michael	22 April 2013			

Payments for loss of office under all service contracts

On termination of an Executive Director's contract, payments equal to salary in lieu of notice may be made monthly during the notice period. Benefits are payable only at the Committee's discretion. Payment in lieu of unused annual leave entitlement can be made at the effective salary rate at the point of termination.

Where employment is terminated by the Company and the departing Executive Director has a legal entitlement (under statute or otherwise) to additional amounts, these would need to be met. Should the Company wish to enter into a settlement agreement and the individual seeks independent legal advice, the Committee retains discretion to settle any claims by or on behalf of the Executive Director in return for making an appropriate payment and contributing to the legal fees incurred by the Executive Director in connection with the termination of employment.

In exceptional circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, outplacement services, restrictive covenants and/or consultancy arrangements. These will be used only in circumstances where the Committee believes it is in the best interests of the Company and its shareholders to do so.

The table below provides details of exit payments under different leaver scenarios.

Incentive	Scenario	Time of payment/vesting	Calculation of payment/vesting
GDIP awards, prior to end of performance period	Death, disability, ill health, redundancy, retirement, or any other reasons the Committee may determine (normally not including resignation or where there are concerns as to performance)	Normal payment date, although the Committee has discretion to accelerate (for example, in relation to death)	Performance against targets will normally be assessed by the Committee at the end of the year and any resulting award is normally pro-rated for the proportion of the year worked
	Change of control (whether or not employment is terminated as a result)	Immediately, on change of control	Performance against targets will normally be assessed by the Committee up to the date of change of control and any resulting award is normally pro-rated for time
	All other reasons	Not applicable	No award is paid
GDIP (unvested nil-cost options)	Death, disability, ill health, redundancy, retirement, or any other reasons the Committee may determine (normally not including resignation or where there are concerns as to performance)	Normal vesting date, although the Committee has discretion to accelerate	Unvested awards will normally be pro-rated for time unless the Committee decides otherwise
	Change of control (whether or not employment is terminated as a result)	Immediately, on change of control	Unvested awards will normally be pro-rated for time unless the Committee decides otherwise
	All other reasons	Not applicable	Awards lapse
GDIP (nil-cost options/shares in holding period)	Death, disability, ill health, redundancy, retirement, or any other reasons the Committee may determine (normally not including resignation or where there are concerns as to performance)	Normal vesting date, although the Committee has discretion to accelerate	Not applicable
	Change of control (whether or not employment is terminated as a result)	Immediately, on change of control	Not applicable
	All other reasons	Normal release date, although the Committee has discretion to accelerate	Not applicable

Non-Executive Directors

Non-Executive Directors do not receive benefits from the Company and they are not eligible to participate in any cash or share-based incentive scheme.

Directors' fees	
Purpose and link to strategy	To attract and retain a high-calibre Chairperson and non-Executive Directors with experience relevant to the Company.
Operation	Fees are reviewed annually, with any changes effective from 1 April. Fees are typically set after considering current market levels, time commitment and responsibilities involved. All non-Executive Directors, including the Chairperson, are each paid an all-inclusive fee. No additional fees are paid for chairing Committees. All fees are payable monthly in cash in arrears. The non-Executive Directors do not participate in any of the Group's incentive plans. No other benefits or remuneration are provided to non-Executive Directors.
Opportunity	There is no prescribed maximum annual increase. It is expected that fee increases will typically be in line with market levels of fee inflation. In certain circumstances (for example, where there is a change in time commitment required or a material misalignment with market), the Committee has the discretion to adjust fee levels to ensure they remain competitive. The maximum aggregate annual fee for all non-Executive Directors, including the Chairperson, allowed by the Company's Articles of Association, is £750 000.

Director	Contract date	Unexpired term	Notice period	Contractual termination payment
H Kenyon-Slaney	6 June 2017	Rolling appointment	Three months	No provision for payment of compensation
M Brown	1 January 2018			
M Lynch-Bell	15 December 2015			
M Maharasoa	1 July 2019			
R Kainyah	1 May 2021			

Considerations of shareholder views

The Committee considers shareholder views and the guidelines of investor bodies when determining remuneration. The Committee values feedback from shareholders on the Company's Remuneration Policy and commits to consulting shareholders in advance of any significant changes to the policy. Details on the votes received on the 2021 Annual Report on Remuneration (at the 2022 AGM) and the 2021 Remuneration Policy (at the 2021 AGM) are provided in the Annual Report on Remuneration.

External directorships

Executive Directors are permitted to accept external directorships with prior approval of the Chairperson. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the experience gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these would be retained by the Executive Director. Refer to page 133 for further details.

ANNUAL REPORT ON REMUNERATION

This report provides information regarding the implementation of the Company's approved 2021 Remuneration Policy during the financial year ended 31 December 2022, and how the Remuneration Policy will be implemented in 2023. This Annual Report on Remuneration will be subject to an advisory vote at our 2023 AGM on 7 June 2023.

Role, composition and experience of the Committee

The Committee's terms of reference are available on the Company's website and comply with the UK Corporate Governance Code.

Michael Lynch-Bell

Chairperson

Independent non-Executive Director

The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that:

- Remuneration policy and practices of the Group are designed to support strategy and promote long-term sustainable success, and reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- Executive remuneration is aligned to Group purpose and values and linked to the delivery of the Group's long-term strategy.

Membership as at 31 December 2022:

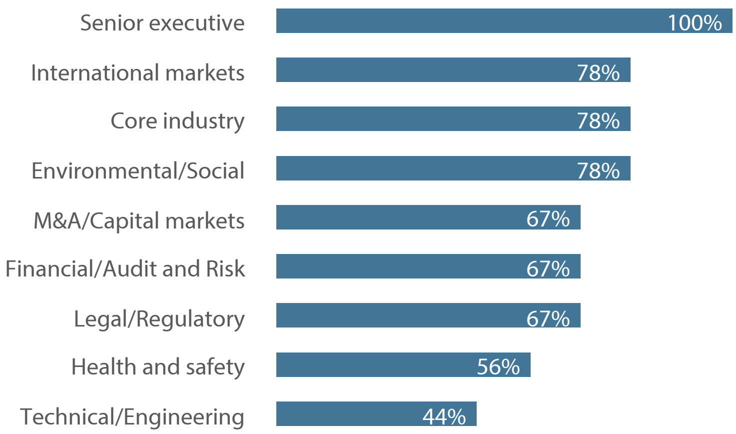
- M Lynch-Bell
- H Kenyon-Slaney*
- R Kainyah

Other attendees:

- C Elphick*
- M Michael*
- Group Human Resources Executive
- Ellason (Independent remuneration consultants)
- Secretary (Bruce Wallace Associates)

** Except when issues relating to their own remuneration are discussed.*

Remuneration Committee skills (%)



2022 value-adding activities	Link to strategic pillar
Remuneration policies and practice	
Reviewed the remuneration policy to ensure it is appropriate to motivate and reward senior executives and align their interests with the Group's purpose and values, as well as the interest of shareholders. Reviewed the implementation of in- and post-termination shareholding policies. Ensured incentives include an appropriate balance of financial and non-financial elements for the long-term sustainability of the Group. Reviewed and approved base salaries and total remuneration for the Executive Directors and fees for non-Executive Directors and reviewed senior management remuneration in line with consideration of recent developments in remuneration market trends and best practice.	
Share-based remuneration and bonus arrangements	
Considered the effectiveness of short and long-term incentive structures and the alignment with shareholder expectations. Reviewed the range of non-financial performance metrics in variable remuneration. Determined performance conditions and targets for incentive plans. Considered the effectiveness of current ESG metrics linked to executive pay and whether further human capital management (HCM) topics are material to the business and should be monitored. Applied its collective mind to the determination of discretionary elements in the GDIP scorecard and the appropriateness of the formulaic output from the incentive calculations, to ensure these accurately reflect performance during the year. Reviewed diversity, equity and inclusion (DE&I) metrics and their link to executive pay.	
Pension arrangements	
Accelerated alignment of executive pension contributions to that of the wider workforce to 1 January 2023.	
Workforce remuneration and related policies	
Confirmed that the Group's compensation programmes consider employees' needs beyond fair and equitable remuneration. Engaged with employees through formalised structures on executive pay and how it supports strategy. Reviewed employee remuneration and related policies and the alignment of incentives and rewards with culture and strategy. Reviewed gender pay data to establish whether pay gaps are present.	
Other matters	
Reviewed the Committee's composition, terms of reference and operation. Reviewed and approved the Directors' Remuneration Report for 2021.	
Future focus areas	
In 2023 the Committee will: • Closely examine all incentive plan metrics and payout ranges to ensure that they adequately align with the Group's strategic and operational goals and shareholder interests, and also have an appropriate level of resilience to withstand future unforeseen events. • Consider extending the Committee's remit to include a broader oversight of human capital matters to establish whether the Group's compensation programmes address the issues that employees care about.	

Extracting Maximum Value from Our Operations	**Working Responsibly and Maintaining Our Social Licence**	**Preparing for Our Future**

Consideration of independence

Ellason LLP was appointed by the Committee in January 2021 to provide independent remuneration advice to the Committee and attend Committee meetings. Ellason LLP provides remuneration advice to a large portfolio of clients, including many in the FTSE 350 and FTSE Small Cap, reassuring the Committee that the advice provided is appropriate and relevant. Ellason LLP is a signatory to, and abides by, the Remuneration Consultants Group Code of Conduct. Further details can be found at www.remunerationconsultantsgroup.com.

Ellason LLP does not provide non-remuneration services to the Group and is in no other way connected to the Group, and is therefore considered to be independent. The fees payable to them in relation to work for the Committee in 2022 were US$22 635, excluding VAT.

Summary of shareholder voting

The table below shows the results of the advisory vote on the 2021 Annual Report on Remuneration at the 2022 AGM and the binding vote on the 2021 remuneration policy at the 2021 AGM.

		For	Against	Total votes cast	Withheld
2021 Report on Remuneration	Total number of votes	49 271 442	7 491 895	56 763 337	30 457 054
	Percentage of votes cast	86.8 %	13.2 %	–	–
2021 Remuneration Policy	Total number of votes	101 332 434	10 512 308	111 844 742	
	Percentage of votes cast	90.6 %	9.4 %	–	–

Wider employee considerations

The Committee considers Executive Director remuneration in the context of pay policies and practices across the wider employee group. We value and appreciate the contribution made by our employees and aim to provide them with market-competitive remuneration and benefit packages. Our approach to remuneration for our wider employee group is similar to that of Executive Directors and includes both fixed and performance-based components.

Base salaries are reviewed annually, and any increases become effective from either 1 January or 1 March, dependent on operation-specific remuneration policies. The Committee reviews salary increases for the wider employee group and significant changes in practice or policy. The average awarded to the wider workforce is 7.8% of salary for 2023, which took into account the year on year increase in inflation instead of a forecasted inflation position (5.8%) as in previous years.
All employees participate in an annual discretionary bonus scheme that rewards both an employee's contribution to the performance of the Group and their individual performance.

The majority of our employees receive an employer pension contribution equal to 7.5% of salary per annum and may opt to join a medical aid scheme to which the Company contributes 50% up to a capped amount. We also offer a wide range of benefits and programmes throughout the Group to support employees' health, well-being and work-life balance. Benefits and programmes vary from site to site, and include employee wellness and/or access to a counsellor, an employee communications app, on-site gym and/or recreation centres, travel subsidies, a flexible working environment and paying for professional subscriptions.

We have an open, collaborative and inclusive management structure and engage regularly with our employees on a range of issues. The designated non-Executive Director, Mazvi Maharasoa, conducts formal engagement sessions with workforce committees across the Group. During 2022 the Remuneration Committee Chairperson attended one engagement session per operational site. This afforded the opportunity for engagement with the workforce as to how executive remuneration supports strategy and aligns with that of the employees. Company culture is monitored and assessed by the Board on a quarterly basis against pre-determined metrics.

Gender pay considerations

We have not included a UK gender pay gap report, as the Company has only one employee based in the UK, and any resulting ratios would not be meaningful. The Committee reviewed gender pay across the various employee levels in the Group and is satisfied that no material differences exist between genders.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (dividends, share buybacks and return of capital) from the financial year ended 31 December 2021 to the financial year ended 31 December 2022.

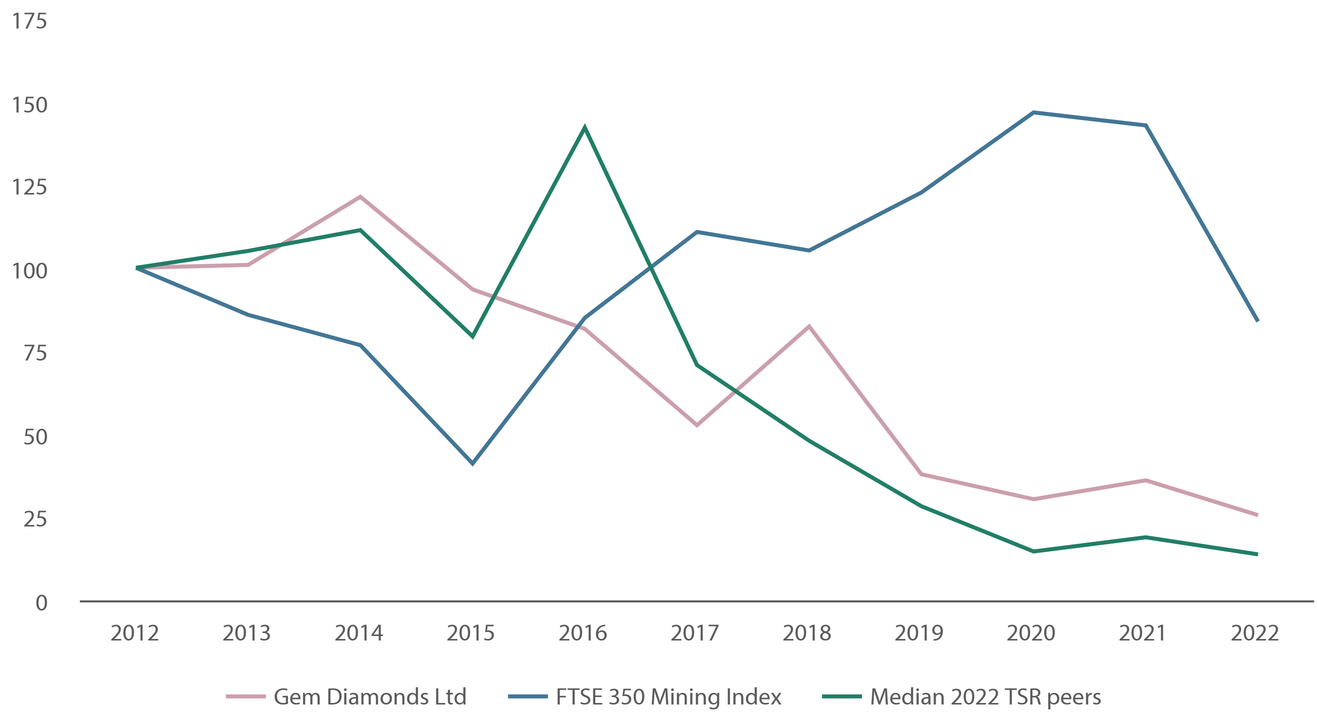
	2022 US$	2021 US$	% change
Distribution to shareholders[1]	**–**	3 770 704	(100)%
Employee remuneration[2]	**18 964 828**	19 347 781	(2)%
Return of capital[3]	**1 156 783**	–	100 %

1 *The 2021 figures have been adjusted to reflect the actual distribution on the dividend payment date of 21 June 2022.*
2 *Includes salary, pension and benefits, bonus, accounting charge for the ESOP, and employer national insurance contribution.*
3 *Any other significant distributions and payments or other uses of profit or cash-flow deemed to assist in understanding the relative importance of spend on pay. The amount for 2022 relates to the amount spent on the share buyback programme.*

Pay for performance

The graph shows the Company's total shareholder return (TSR) performance compared to the performance of the TSR Peer Group and the FTSE 350 Mining Index over the 10-year period to 31 December 2022. The TSR Peer Group has been selected to provide a diamond miner comparator group and the FTSE 350 Mining Index has been selected as the Group and the constituents of the index are affected by similar commercial and economic factors. The table below the graph details the CEO's single figure of remuneration and actual variable pay outcomes over the same period.

Value of £100 invested on 1 January (Gem Diamonds vs. FTSE 350 Mining Index and 2022 TSR Peers (£))



	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
CEO single figure of remuneration (£)	776 406	892 935	879 719	611 314	681 191	995 161	891 643	989 921	1 016 832	**1 032 320**[1]
Annual bonus outcome (% of maximum)	61.0	83.0	74.0	0.0	20.0	83.0	62.6	66.0	39.3	**43.9**
ESOP vesting outcome (% of maximum)	0.0	0.0	0.0	28.3	14.5	21.4	25.9	65.9	60.1	**42.7**

[1] Share options under the deferred portion of the 2022 GDIP will be awarded in 2023 following the release of the 2022 annual results. The Committee applied its discretion in awarding deferred share options at a price of 50 GB pence rather than the prevailing share price of c.31 GB pence. This will have the effect of reducing the number of shares granted by c.40%, which also implies a lower aggregate bonus for the Executive Directors than paid in 2021.

The percentage change in Director remuneration compared to other employee pay

The table below shows a comparison of the annual change of each individual Director's pay to the annual change in average employee pay for the year ended 31 December 2022. Average employee pay is calculated using a mean average. The parent company consists of only one employee who is not a Director, and the Company therefore chose to voluntarily disclose the change in Directors' remuneration compared to a wider employee comparator group, as this will provide a more representative comparison.

		Executive Directors		Non-Executive Directors					
		C Elphick	M Michael	H Kenyon-Slaney	M Lynch-Bell	M Brown	M Maharasoa	R Kainyah	Comparator group[2]
2022	Base salaries (% change)	**4.0**	**4.0**	**10.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.7**
	Benefits (% change)	**(1.3)**	**(1.0)**	**–**	**–**	**–**	**–**	**–**	**–**
	Bonuses (% change)[1]	**4.6**	**5.6**	**–**	**–**	**–**	**–**	**–**	**7.3**
2021	Base salaries (% change)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	5.9
	Benefits (% change)	(0.9)	(0.7)	–	–	–	–	–	–
	Bonuses (% change)	(27.1)	(27.1)	–	–	–	–	–	(19.9)
2020	Base salaries (% change)	(1.3)	(1.3)	(14.5)	(16.0)	(16.0)	96.0	–	(2.0)
	Benefits (% change)	–	–	–	–	–	–	–	0.7
	Bonuses (% change)	3.7	4.7	–	–	–	–	–	4.9

1. *The executive bonus depicts the formulaic change in the GDIP outcome for 2022. The Committee's discretion in awarding deferred share options at a price of 50 GB pence implies a reduced aggregate bonus with a y-o-y net effect of -3% and -2% respectively for the CEO and CFO.*
2. *The comparator group is made up of Letšeng Diamond employees which in turn makes up 87% of the Group's employees.*

Executive Directors' external appointments

Apart from interests in private entities, only Clifford Elphick holds any significant executive directorship or appointments outside the Group. He is appointed as the non-Executive Chairperson of Zanaga Iron Ore Co Limited, which listed on the AIM Market of the London Stock Exchange in November 2010. Total fees paid to Clifford Elphick by Zanaga are £83 000. Any fees paid to Clifford Elphick in fulfilling these external roles are retained by him.

Salary increases

The Committee approved a 4% salary increases for the Executive Directors in 2022, effective 1 April 2022:

Executive Director	2022 salary	2021 salary	% increase
	£	£	
C Elphick	**511 578**	491 902	4 %
M Michael	**337 620**	324 635	4 %

Pension and other benefits

No formal pension provision is made by the Company. Instead, Executive Directors receive a cash allowance in lieu of pension. In 2022, the pension allowance for the CEO and CFO was reduced to 12.2% and 11.2% of salary respectively, and was further reduced to 7.5% as of 1 January 2023 to be fully aligned with pension contributions to the wider employee group. Executive Directors received a cash allowance in lieu of other non-cash benefits, the values of which were 5.5% and 6.0% of salary respectively for the CEO and the CFO.

Implementation of remuneration policy for 2022

Total single figure of remuneration for directors

The table below sets out the total single figure remuneration received by each Director for 2022 and the prior year. Although the Group's reporting currency is US dollars, these figures are stated in sterling, as the Directors' emoluments are based in sterling.

	Salary and fees [1]		Non-cash benefits [2]		Pension [3]		Total fixed remuneration		GDIP (cash) [4]		GDIP (share options) [5]		ESOP [6]		Total variable remuneration		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	£	£	£	£	£	£	£	£	£	£	£		£	£	£	£	£	£
Executive Directors																		
C Elphick	506 659	491 902	27 867	27 055	63 166	66 899	597 692	585 856	222 166	191 404	181 772	156 604	30 690	82 968	434 628	430 976	1 032 320	1 016 832
M Michael	334 374	324 635	20 062	19 478	38 180	40 011	392 616	384 124	153 305	129 533	125 431	105 981	22 684	61 324	301 420	296 838	694 036	680 962
Non-Executive Directors																		
H Kenyon-Slaney	131 580	122 400	–	–	–	–	131 580	122 400	–	–	–	–	–	–	–	–	131 580	122 400
M Lynch-Bell	57 783	56 100	–	–	–	–	57 783	56 100	–	–	–	–	–	–	–	–	57 783	56 100
M Brown	57 783	56 100	–	–	–	–	57 783	56 100	–	–	–	–	–	–	–	–	57 783	56 100
M Maharasoa	57 783	56 100	–	–	–	–	57 783	56 100	–	–	–	–	–	–	–	–	57 783	56 100
R Kainyah[7]	57 783	37 400	–	–	–	–	57 783	37 400	–	–	–	–	–	–	–	–	57 783	37 400

Audited

1 *Salary and fees.*

2 *Non-cash benefits : cash payments in lieu.*

3 *Pension: cash payments in lieu*

4 *Includes the cash component of the GDIP.*

5 *The 2022 GDIP (share options) figures relate to the value of the deferred nil-cost share options to be awarded in 2023 following the release of the 2022 annual results. The Committee applied its discretion to award deferred share options at a price of 50 GB pence rather than the prevailing share price of c.31 GB pence. This will have the effect of reducing the number of shares granted by c.40%, and also implies a lower aggregate bonus for the Executive Directors than paid for in 2021.*

6 *The 2022 ESOP figures relate to the values at vesting of awards vesting on performance over the three-year period ended 31 December 2022. The share price on the vesting date is currently unknown, therefore the awards are valued using the three-month average share price to 31 December 2022 of 31.22 GB pence. The 2022 values at vesting reflect the impact of a 2% reduction in share price over the period. The 2021 figures have been adjusted to reflect the share price on the vesting date of 60.00 GB pence.*

7. *R Kainyah was appointed to the Board in May 2021. The 2021 fees relate to the period 1 May 2021 to 31 December 2021.*

GDIP in respect of 2022 performance

Executive Directors participated in the GDIP in 2022, a discretionary incentive arrangement focused on the strategic areas of Extracting Maximum Value from Our Operations, Working Responsibly and Maintaining Our Social Licence, and Preparing for Our Future, all of which are underpinned by specific KPIs and included in the business plan approved by the Board.

In 2022, the maximum award opportunity for the Executive Directors was 180% of base salary. The earned incentive is paid in cash (55%) and a nil-cost share award (45%), with vesting subject to continued employment over three years. Pay-out is based 85% on a business scorecard and 15% on personal objectives assessed on a discretionary basis by the Remuneration Committee. The business scorecard performance measures, targets and actual results for 2022 are disclosed in full in the table below.

	Weighting (% of max)	Threshold target	Stretch target	Actual performance	Pay-out % of max
Preparing for Our Future					
As set out in strategic focus areas	10.0	Judged by Committee on discretionary basis			6.5
Extracting Maximum Value					
Underlying EBITDA (US$ millions)	30.0	52.3	70.8	43.7	–
Costs					
» Corporate costs (US$ millions)	1.5	8.1	7.3	7.3	1.5
» Cost per tonne (LSL)	13.5	335	303	405	–
Carats recovered (carats)	10.0	95 335	116 521	106 704	5.4
Working Responsibly, Maintaining Social Licence					
Reduce environmental impact	5.0	Judged by Committee on discretionary basis			5.0
All Injury Frequency Rate (AIFR)	5.0	2.0	1.0	0.7	5.0
Any fatality will result in 100% forfeiture of this element	5.0	–	–	–	5.0
Implement focused diversity initiatives	2.5	Judged by Committee on discretionary basis			2.0
Any major community incident will result in 100% forfeiture of this element	2.5	–	–	–	2.5
	85.0				32.9

Preparing for Our Future

- Long-term mine planning and optimisation

Underground: The desktop mining study for the potential Satellite underground mine was completed in November 2021. The outcome indicated potential for an underground mine and recommended a comprehensive Underground Feasibility Study to confirm the extension of the life of mine for the Satellite pipe. This study will assess the viability of an earlier shift to underground mining of the Satellite pipe and to evaluate the trade-off between this and proceeding with Cut 6 West (C6W). This study, which commenced in July 2022, will include several underground feasibility studies, such as geological drilling and modelling, geotechnical drilling, geo-metallurgy and social and environmental impact assessments. Refer to the Operations Review on page 56 for more information.

Steeper slopes: Following the successful execution of the steeper slope initiative in the Satellite pipe, steeper slopes were also executed in the Main pipe in 2022. This has created significant long-term value in reduced waste tonnes to be mined and reduced hauling distances of waste from the Main pipe, resulting in a decrease in operating costs and carbon emissions.

Power usage: A workstream to assess power usage and reduced consumption in the short and long term has commenced. A current study will also consider alternative energy sources to ensure the availability of power for continued operations, including the additional power required for the underground project. In the interim, initiatives to reduce power consumption on site (in particular in the accommodation and office blocks) are being investigated to mitigate the constraints on available power resources and increasing cost of diesel-generated power at the mine.

Resource extension: The resource extension drilling programme was completed in 2022. The results of this drilling programme informed the updated 3D Resource Models (of the Satellite and Main pipes) which will be used for the Resource and Reserve Statement and long-term mine planning and optimisation (including the Underground Feasibility Study).

- Assessment of external growth opportunities

During 2022 various parties were engaged pertaining to possible corporate activities.

- Advance innovative technologies focusing on reducing diamond damage and reducing costs

Surface miner: In 2022, Gem Diamonds embarked on a project to optimise ore fragmentation and plant throughput by trialling a surface miner in Main Pit Cut 4 East. From the trial done at Letšeng, the technology presents a potentially diamond-friendly method of breaking the rock while providing consistently well-fragmented ore to the plant, positively impacting throughput. In addition to achieving higher truck payloads, the surface miner is able to establish steeper pit slopes in ore and enable access to more ore for the same waste stripped. Avoiding the drilling and blasting process is a cleaner mining method as no nitrates are released into water around the mine. The incorporation of a surface miner into Letšeng's mining method for the Satellite pipe is being considered and discussions with various surface miner suppliers and mining contractors have commenced.

EnKap: Work continues on EnKap and other solutions to detect diamonds fully encapsulated in kimberlite rock.

The Committee reviewed the performance in this area during 2022 on a holistic basis, and determined that a score of 6.5 out of 10 was appropriate.

Reduce environmental impact

- Develop the Group's decarbonisation strategy

The Group decarbonisation strategy was announced in March 2023. Refer to page 28 for more information.

- Improve fossil fuel-based energy efficiencies

In 2022 Gem Diamonds consumed 7.4GJ of energy per carat recovered (2021: 10.0GJ). Various initiatives as set out on page 74 were implemented to achieve these efficiencies.

- Enhance water use efficiencies and treatment capabilities

In 2022 Gem Diamonds used 30.9m^3 water per carat recovered (2021: 61.6m^3). Various initiatives as set out on page 70 were implemented to achieve these efficiencies.

The Committee reviewed the performance in this area during 2022 on a holistic basis, and determined that a score of 5 out of 5 was appropriate.

Implement focused diversity initiatives

The Group's diversity strategy focuses on three areas, namely initial recruitment, medium-term retention and promotion. Implementation of initiatives to drive diversity within the Group follows a phased approach and during 2022 mainly focused on the following aspects:

- Vacancy advertisements were updated to include the relevant Company's commitment to diversity.
- Interviewers have been scheduled to receive unconscious bias training in 2023.
- Interview panels include a "bias challenger" which is typically a female manager.
- The Letšeng sponsorship programme includes additional points on the scoring system for females. Four out of seven scholarships were awarded to females for 2023.
- Education of scholars on the opportunities in mining is scheduled for 2023.
- Maternity benefits are being revisited.
- A Future managers programme has been implemented to provide for rotational programmes across business units as part of development plans.

Across the Group, gender diversity for own employees (excluding contractor employees) increased by 3%.

The Committee reviewed the performance in this area during 2022 on a holistic basis, and determined that a score of 2 out of 2.5 was appropriate.

Personal performance

15% of the GDIP is linked to personal performance, with objectives linked to each Executive Director's individual areas of responsibility and designed to collectively support the achievement of the Group's strategic targets for the year. Individual targets comprised contributions to the Group's overall performance and the delivery of strategic projects and initiatives as set out by the Board, including operational performance, strengthening of key stakeholder relationships, bank financing, treasury management, ESG objectives and strategy development and implementation. Following the Committee's consideration of the Executive Directors' personal performance as set out in the tables below, the Committee awarded scores of 11% and 13% (out of 15%) respectively for the CEO and CFO.

Clifford Elphick

Strategic focus area	Performance
Preparing for Our Future	• During the year, numerous assets and projects were reviewed and a number of parties were engaged as part of the strategic focus on growth and expansion.
Extracting Maximum Value from Our Operations	• The Dubai trial tender viewings continue, making it easily accessible for important clients from the UAE, India and Israel to participate in the tender. The response was overwhelmingly positive and contributed to the firm prices achieved. • An agreement was entered into with two important diamond manufacturing clients who will supply polished diamonds to some of world's most premium luxury jewellery brands. These diamonds are polished to the clients' specifications and additional value is realised for the Group as it shares in a percentage of the polished sales price of these diamonds.
Working Responsibly and Maintaining Our Social Licence	• Succession planning across the Group was progressed with an increased focus on diversity and inclusion. This specifically led to the appointments of Kiki Constantopoulos and Minelle Zech to the Executive Committee. Training spend on the development of female employees was significantly higher than in prior years. • During the year the Group adopted a decarbonisation strategy and carbon-pricing model, and committed to a 30% reduction in its Scope 1 and 2 emissions by 2030. • An employee communication app named LetšGem was implemented in November 2022, providing an informal and immediate communication channel with the entire workforce.

Michael Michael

Strategic focus area	Performance
Preparing for Our Future	• A comprehensive Underground Feasibility Study commenced to provide details of the financial viability and method of mining for the underground expansion of the Satellite pipe. • Surface miner trials continued at Letšeng. The technology presents a potentially diamond-friendly method of breaking the rock while providing better fragmented material for feeding to the plants and thereby increasing plant throughput.
Extracting Maximum Value from Our Operations	• A number of initiatives were implemented to reduce energy consumption, carbon emissions and operating costs. These initiatives include steeper slopes in the Main pit resulting in reduced haulage distances and fuel consumption, and an energy prioritisation programme that determines which operational elements can run on generator power when grid electricity is unavailable.
Working Responsibly and Maintaining Our Social Licence	• The Group successfully implemented the second phase of our TCFD adoption journey. This included the adoption of a decarbonisation strategy and a carbon-pricing model, augmenting our climate-related Board and management structures and implementing initiatives to improve resource use efficiencies.

The formulaic outcome from the business scorecard for Group performance was 32.9% (out of the maximum 85%) which, combined with the personal element, resulted in formulaic GDIP outcomes of 43.9% and 45.9% of maximum for the CEO and the CFO, respectively. The Committee considered the decline in the share price over 2022, and agreed that the share price to be used to determine the number of shares to be granted in 2023 under the deferred GDIP award would be 50 GB pence, rather than the prevailing share price of c.31 GB pence at the meeting when the Committee reviewed the GDIP outcome. This will have the effect of reducing the number of shares to be granted by c.40%, which also implies a lower aggregate bonus for the Executive Directors than paid for FY 2021.

Based on business and personal performance, the GDIP incentive for 2022 was as follows:

	Total Performance score (%)	Cash	Deferred shares (value)[1]	Total
Executive Directors at 31 December 2022				
C Elphick	**43.9**	**222 166**	**181 772**	**403 938**
M Michael	**45.9**	**153 305**	**125 431**	**278 736**

[1] *The deferred nil-cost options will be granted in 2023 at a share price of 50p and will be subject to the rules as set out in the Directors' Remuneration Policy on page 122.*

ESOP: 2020 awards vesting in 2023

The Executive Directors were granted awards of performance shares in June 2020, which are set out in the table below:

	Date of grant	Number options granted	Share price on date of award £	Face value on date of award £	Face value as % of salary	Vesting date
Executive Directors at 31 December 2022						
C Elphick	**9 June 2020**	**230 000**	**0.318**	**73 025**	**15**	**9 June 2023**
M Michael	**9 June 2020**	**170 000**	**0.318**	**53 975**	**17**	**9 June 2023**

Vesting of the awards was dependent on relative TSR against companies in the diamond mining sector (25% of the award) measured over the period 1 January 2020 to 31 December 2022. Profit and production (75%) were measured on an annual basis with respect to the business plan for the year, with final vesting based on the average achievement of targets over the three years. The performance conditions that applied to these awards are summarised in the table below.

Performance measure	Weighting (% of max)	Performance period	Threshold (20% vesting)	Stretch (80% vesting)	Super stretch (100% vesting)	Actual performance	Vesting outcome (% of max)
TSR versus diamond mining peer group	25.00	3 years	Median	75th percentile	85th percentile	Top of group	25.0
Underlying EBITDA (US$ million)	18.75	2020	46.5	69.8	76.7	53.2	7.1
		2021	60.9	91.4	100.6	57.4	0.0
		2022	54.2	81.3	89.4	43.7	0.0
				Average			2.3
EPS (US cents)	18.75	2020	8.7	13.0	14.3	9.8	5.9
		2021	15.2	22.7	25.0	10.5	0.0
		2022	17.7	26.5	29.1	7.3	0.0
				Average			2.0
US$ per carat	18.75	2020	1 490	2 015	2 217	1908	12.7
		2021	1 396	1 888	2 077	1 835	13.8
		2022	1 514	2 048	2 253	1 755	8.8
				Average			11.8
Carats recovered	18.75	2020	114 890	134 039	146 804	100 780	0.0
		2021	122 400	142 800	156 400	115 335	0.0
		2022	104 870	122 348	134 000	106 704	4.9
				Average			1.6
	100						42.7

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For each measure, for achievement between threshold and stretch, and stretch and super stretch, the award vested on a straight-line basis. Achievement of less than threshold received no vesting.

Based on performance to 31 December 2022, 42.7% of the maximum award will vest for Clifford Elphick and Michael Michael in June 2023, subject to their continued employment at the time.

Awards granted in 2022

The CEO and the CFO received share options with face values of 31% of their then salaries, as summarised in the table below.

Executive Director	Date of grant	Number of options granted	Share price to determine award[1] £	Face value of award £	Face value as % of salary
C Elphick	4 April 2022	297 217	0.5269	156 604	31 %
M Michael	4 April 2022	201 141	0.5269	105 981	31 %

1. The number of deferred share options awarded was determined based on the 3-month average share price to 31 December 2021. The share price on the date of award was 58p.

Details of outstanding awards of performance options to Director

	Performance options as at 1 January 2022[1]	Granted in the year	Vested in the year	Lapsed in the year	Exercise price £	Date of grant	Earliest normal exercise date	Expiry date	**Performance shares outstanding as at 31 December 2022**
M Michael	**37 088[2]**	–	–	–	177.6	11 September 2012	1 January 2016	31 December 2023	**37 088**

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[1] An option is a right to acquire shares granted under the plan including, unless indicated otherwise, a zero-cost option. The three-month average share price to December 2022 was 31.22 GB pence. The highest and lowest closing prices in the year were 72.9 GB pence and 28.6 GB pence respectively. Details of the vesting conditions for awards made under the ESOP are included in note 27 of the financial statements and a full set of the rules will be available for inspection at the AGM.

[2] These awards were granted to M Michael before he became a Director.

Directors' shareholding and interests in shares

Details of interests in the share capital of the Company of those Directors in office as at 31 December 2022 are presented below. It is confirmed that there were no changes to the Directors' holdings between 31 December 2022 and the date of this report. No Director held an interest in the shares of any subsidiary company.

		Performance shares held			Performance options held			
	Shares owned outright as at 31 December 2022	Subject to performance conditions	Unvested and subject to continued employment only	Vested but not exercised	Subject to performance conditions	Vested but not exercised	Total shareholding as a % of salary	Shareholding guideline met
Executive Directors								
C Elphick[1]	**9 325 000**	–	395 519	–	–	–	569 %	Yes
M Michael	**171 849**	–	273 799	214 249	–	37 088	39 %	No[2]
Non-Executive Directors								
H Kenyon-Slaney	**50 000**	–	–	–	–	–	–	–
M Brown	**67 124**	–	–	–	–	–	–	–

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[1] CT Elphick is interested in these ordinary shares by virtue of his interest as a potential beneficiary in a discretionary trust, which has an indirect interest in those ordinary shares.

[2] In terms of the shareholding guidelines, M Michael is required to retain at least 50% of his vested awards until the guideline has been met.

Implementation of remuneration policy for 2023

The Committee determined that base salaries will be increased by 4% effective from 1 April 2023. The increase is lower than the 7.8% of salary increase awarded to the wider workforce. The Committee believes that this level of increase is appropriate given the current economic circumstances in which we are operating:

Executive Director	2023 salary £	2022 salary £	% increase
C Elphick	532 041	511 578	4 %
M Michael	351 125	337 620	4 %

Pension and benefits

The Executive Directors will continue to receive cash supplements in lieu of pension and benefits in 2023. Effective 1 January 2023, pension benefits reduced to 7.5% of basic salary to align with that of the wider employee group. Pension contributions to any new Executive Director appointments will be capped at the prevailing wider employee group pension rate at the time.

The allowance in lieu of non-cash benefits will be 6% for both the CEO and CFO. The 0.5% of salary adjustment for the CEO is to align his benefit allowance with that of the CFO.

Gem Diamonds Incentive Plan

The Executive Directors will participate in the GDIP in line with the remuneration policy, with a maximum award opportunity of 180% of salary, and with pay-out based on a scorecard of financial, operational and personal objectives measured over the financial year.

The performance measures will continue to support the delivery of the Group's key strategic priorities as set out on page 21 of this Annual Report and Accounts 2022, with 85% linked to business performance and 15% to personal performance. For the business performance element, performance may continue to be linked to the Group's three key strategic priorities of Extracting Maximum Value from Our Operations, Working Responsibly and Maintaining Our Social Licence, and Preparing for Our Future. The weightings that apply to the elements of the scorecard for 2023 are summarised in the table below.

Personal performance	**15%**
Group performance	**85%**
Preparing for Our Future	**10%**
As set out in strategic focus areas	10%
Extracting Maximum Value	**55%**
Underlying EBITDA (US$)	30%
Costs	15%
Carats recovered (carats)	10%
Working Responsibly, Maintaining Social Licence	**20%**
This element of the bonus captures several key metrics around the Group's environmental, safety and social performance. Consistent with the other measures for the GDIP scorecard, the exact measures and targets will be disclosed in full in the 2023 remuneration report.	

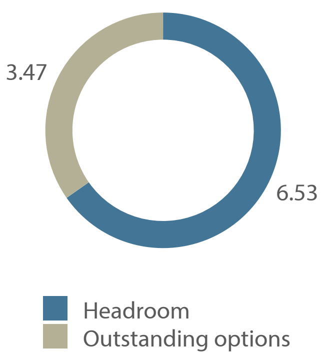
Targets are considered sensitive and will be disclosed in full on a retrospective basis in next year's report. In approving these targets, the Committee considered a range of perspectives on performance outcomes, including internal and external reference points. More detail is given on the selection of GDIP performance measures on page 124 of this report.

Dilution

Employee share awards may be satisfied with newly issued shares subject to aggregate dilution limits. The issue of shares to satisfy awards under the Company's share schemes will not exceed 10% of the Company's issued ordinary share capital in any rolling 10-year period. As of 31 December 2022, a total of 14 092 376 shares (10% of issued share capital) may be issued pursuant to all current awards outstanding over the last 10 years.

As at 31 December 2022, the Company's headroom position, which remains within the current IA Guidelines, was as presented in the chart to the right:

Dilution headroom



DETAILS OF OUTSTANDING AWARDS OF PERFORMANCE SHARES TO DIRECTORS

Directors	Date of grant	Performance shares[1] as at 1 January 2022	Granted in the year	Vested in the year	Lapsed in the year	Exercised in the year	Exercise price US$	Earliest normal exercise date	Expiry date	Performance shares outstanding as at 31 December 2022
C Elphick (CEO)	20 March 2019	**230 000**	–	138 280	91 720	138 280	–	44 640	47 197	**–**
	9 June 2020	**230 000**	–	–	–	–	–	45 086	47 643	**230 000**
	No award in 2021	**–**	–	–	–	–	–	–	–	**–**
	4 April 2022	**–**	297 217	–	–	–	–	4 April 2023 (1/3) 4 April 2024 (1/3) 4 April 2025 (1/3)	4 April 2032	**297 217**
Total		**460 000**	297 217	138 280	91 720	138 280				**527 217**
M Michael (CFO)	20 March 2018	**112 042**	–	–	–	–	–	20 March 2021	20 March 2028	**112 042**
	20 March 2019	**170 000**	–	102 207	67 793	–	–	20 March 2022	20 March 2029	**102 207**
	9 June 2020	**170 000**	–	–	–	–	–	9 June 2023	9 June 2030	**170 000**
	No award in 2021	**–**	–	–	–	–	–	–	–	**–**
	4 April 2022	**–**	201 141	–	–	–	–	4 April 2023 (1/3) 4 April 2024 (1/3) 4 April 2025 (1/3)	4 April 2032	**201 141**
Total		**452 042**	201 141	102 207	67 793	–				**585 390**

Audited

[1] *Conditional right to acquire shares.*

Chairperson and non-Executive Director fees

Chairperson and non-Executive Director fees were reviewed in February 2023. Considering appropriate industry benchmarks, it was decided that fees for the Chairperson and the non-Executive Directors will not be increased for 2023.

DIRECTORS' REPORT

The Directors are pleased to submit the financial statements of the Group for the year ended 31 December 2022.

As a British Virgin Islands-registered company, Gem Diamonds Limited (company registration number: 669758) is not required to conform with the Companies Act, 2006. However, the Directors have elected to conform to the requirements of the Companies Act, 2006.

Accordingly, Directors must present a Strategic Report and a Directors' Report to inform shareholders of the Group's performance and prospects and help them evaluate whether the Directors performed their fiduciary duty. The 2022 Annual Report and Accounts discloses how the Directors have performed their duty to ensure the Group's continued success and sustainability, in line with the Companies Act, 2006.

Aligned with Disclosure Guidance and Transparency Rules (DTR 4.1.5R(3) and DTR 4.1.8R), the required content of the Management Report can be found in the Strategic Report, the Performance Review and the Directors' Report, the Governance section and other sections of the 2022 Annual Report and Accounts, indicated by a reference.

The Strategic Report can be found on pages 3 to 88. This will provide the shareholders with a balanced assessment of the Group's business including a description of its principal risks and uncertainties. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

Forward-looking statements

The Strategic Report and other sections of this report contain forward-looking statements. Forward-looking statements, by their nature, involve several risks, uncertainties and future assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future. The actual results and outcomes may differ materially from those expressed or implied by the forward-looking statements. No assurance can be given that the forward-looking statements in the Strategic Report will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are subject to change and are based on expectations and assumptions about future events, circumstances and other factors which are, in many instances, outside the Company's control.

The information in the Strategic Report was prepared based on the knowledge and information available to the Directors at the time of its preparation. The Company is under no obligation to update or revise the Strategic Report during 2023. The expectations set out in the forward-looking statements are reasonable but may be influenced by a several variables which could cause actual results or trends to differ materially. Forward-looking statements need to be read in context with actual historic information provided. The Company's shareholders are cautioned not to place undue reliance on the forward-looking statements. Shareholders should note that the Strategic Report has not been audited.

CORPORATE GOVERNANCE

DTR 7.2 requires certain information be included in a corporate governance statement set out in the Directors' Report. The Group has an existing practice of issuing a separate Corporate Governance Code Compliance Report as part of its Annual Report and Accounts. The information required by the Disclosure Guidance and Transparency Rules and the UK Financial Conduct Authority's Listing Rules (LR 9.8.6) is located on pages 3 to 88.

DIRECTORS

The Directors, as at the date of this report, are listed on pages 214 to 216 together with their biographical details. Details of the Directors' interests in shares and share options of the Company can be found on page 139.

Directors who held office during the year and date of appointment

	Appointment
Executive Directors	
C Elphick	20 January 2006
M Michael	22 April 2013
Non-Executive Directors	
H Kenyon-Slaney	6 June 2017
M Brown	1 January 2018
M Lynch-Bell	15 December 2015
M Maharasoa	1 July 2019
R Kainyah	1 May 2021

Appointment and re-election of Directors

The Board's formal Selection and Appointment Policy ensures that the procedure for appointing new Directors is formal, rigorous and transparent, and appointments are made on merit, against objective criteria. The Nominations Committee makes appointments based on merit while considering diversity (of gender, social and ethnic background), cognitive and personal strengths and the specialist skill sets.

The Articles of Association (82) provide that a third of Directors retire annually by rotation and, if eligible, offer themselves for re-election. However, in accordance with the Code, all the Directors retire at the AGM and, subject to being eligible, offer themselves for re-election.

Payments for loss of office due to change of control

Details of payments for loss of office to Executive Directors due to a change in control can be found on page 126.

PROTECTION AVAILABLE TO DIRECTORS

By law the Directors are ultimately responsible for most aspects of the Group's business dealings. This means they face potentially significant personal liability under criminal or civil law, or the UK Listing, Prospectus and Disclosure and Transparency Rules and face a range of penalties including private or public censure, fines and/or imprisonment. In line with normal market practice, the Group understands that it is in its best interests to protect its Board members from the consequences of innocent error or omission. This allows the Group to attract prudent individuals to act as Directors.

The Group maintains, at its expense, a Director and Officer's liability insurance policy to provide indemnity, in certain circumstances, for the benefit of Directors and other Group employees.

Refer to the Corporate Governance statement on page 98 for further details.

DIRECTORS' INTERESTS

No Director had, at any time during the year, a material interest in any contract of significance in relation to the Company's business. The interest of Directors in the shares of the Company is included on page 139.

SUPPLIERS AND CUSTOMERS

We engage extensively with suppliers and contractors to ensure alignment, mutual understanding and the sustainability of all parties.

We have ongoing communication with customers and our sales processes have resumed as normal post COVID-19. We achieved market-related prices for our diamonds throughout the year. In 2022, we entered into an agreement with two important diamond manufacturing clients who will supply polished diamonds to some of world's most premium luxury brands. These diamonds are polished to the specifications of these luxury brands and additional value is realised for the Group as it shares in a percentage of the sales price of the resultant polished diamonds.

Refer to our stakeholder relationships section on pages 17 to 20 for more details on our engagement with suppliers, contractors and customers.

RESULTS, DIVIDENDS AND SHARE BUYBACK PROGRAMME

The Group's attributable profit after taxation amounted to US$10.2 million (2021: US$14.8 million).

The Group's detailed financial results are set out in the financial statements on pages 145 to 207.

In line with the Group's commitment to deliver sustainable shareholder returns, the Board proposed a final dividend of 2.7 US cents per share (US$3.8 million) for the 2021 financial year, which was approved at the Annual General Meeting on 8 June 2022.

In addition, the Board launched a share buyback programme on 12 April 2022 and purchased 1 520 170 shares that are held as treasury shares. The weighted average purchase price was 60.05 GB pence (78.07 US cents) per share. An amount of US$1.2 million was spent up to 7 June 2022, which is the date that the Board authority lapsed. At the AGM on 8 June 2022 shareholders again authorised Gem Diamonds to purchase its own shares within the permitted parameters.

The Board is not proposing a dividend based on the 2022 financial results due to the volatility in the current economic outlook, the Group's available cash resources and the current business outlook.

The Group's dividend policy sets the appropriate dividend each year, and considers:

- The Group's cash resources.
- The level of free cash flow and earnings generated during the year.
- Expected funding commitments for future capital projects.

The Board will consider special dividends in the event of significant diamond recoveries and will consider share buyback programmes if appropriate.

GOING CONCERN

The Group business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 3 to 88. The financial position of the Group, its cash flows and liquidity position are described in the Strategic Report on pages 49 to 55. In addition, Note 26 and Note 28 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit and liquidity risk.

The Directors have a reasonable expectation that the Group has adequate financial resources to continue operations for the foreseeable future. This follows a review of forecasts, budgets, timing of cash flows, debt facilities, sensitivity analyses and the uncertainties disclosed in this report. For this reason, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts of the Group.

VIABILITY STATEMENT

In accordance with provision 30 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospect of the Group over a period longer than 12 months as required by the "going concern" provision. The viability statement, aligned with Provision 31 of the UK Corporate Governance Code 2018, is included in the Strategic Report on page 43.

SUBSEQUENT EVENTS

Refer Note 30 of the financial statements for details of events subsequent to the reporting date.

SHARE CAPITAL AND VOTING RIGHTS

Details of the authorised and issued share capital of the Company, including the rights pertaining to each share class, are set out in Note 16 to the financial statements.

As at 15 March 2023, there were 139.4 million fully paid ordinary shares of US$0.01 each in issue and listed on the official list maintained by the Financial Conduct Authority in its capacity as the UK Listing Authority. In addition, the Company holds 1.5 million shares as treasury shares acquired during the share buyback programme that was launched in 2022. These treasury shares are not entitled to dividends and have no voting rights.

The Company has one class of ordinary shares. Shareholders have the right to receive notice of and attend, speak and vote at any general meeting of the Company. Shareholders may be present in person (or, being a corporation, by representative), or by proxy at a general meeting. Every shareholder present in person (or, being a corporation, by representative) or by proxy will have one vote in respect of every ordinary share they hold. The appointment of a proxy to vote at a general meeting must be received no less than 48 hours before the meeting's appointed time.

Shareholders have the right to participate in dividends and other distributions according to their respective rights and interests in the profit of the Company.

No shareholders have any special rights with regard to the control of the Company. The Company is not aware of any agreements between shareholders which may result in restrictions on transfers or voting rights, save as mentioned below.

There are no restrictions on the transfer of ordinary shares other than:

- As set out in the Company's Articles of Association.
- Certain restrictions may from time to time be imposed by laws and regulations.
- Pursuant to the Company's share dealing code whereby the Directors and employees of the Company require approval to deal in the Company's ordinary shares.

At the AGM held in June 2022, the Board noted the proportion of the votes cast against the resolution referring to the authority of Directors to allot shares (Resolution 13 passed with 58.55% of participating shareholders voting in favour). The Board was disappointed in this outcome, given that the resolution reflects UK-listed company market practice. In view of a significant shareholder's position and standing policy on this matter, the Board and the executive management team have not engaged in further consultation with the significant shareholder, but will continue to regularly consider their approach to this matter.

At the same AGM, shareholders authorised the Company to make on-market purchases of up to 13 922 781 of its ordinary shares, representing approximately 10% of the Company's issued share capital at that time. In 2022, the Company purchased 1 520 170 of its ordinary shares which are being held as treasury shares and may be used to settle ESOP and GDIP awards.

At the 2023 AGM, shareholders will be requested to renew this authority. The Directors continue to consider various options and keep the authorisation under regular review. The 2023 Notice of AGM will set out the details regarding exercising voting rights and proxy appointments.

MAJOR INTERESTS IN SHARES

Details of the major interests (at or above 3%) in the issued ordinary shares of the Company are set out in the Strategic Report on page 18.

ARTICLES OF ASSOCIATION

Any proposed amendments to the Articles of Association of the Company need to be approved by shareholders by special resolution.

RESOURCE DEVELOPMENT

The Group's resource development activities are focused on deepening the understanding of existing resources at Letšeng and collecting information on the future strategic decisions to be made. The Operations Review on page 56 provides more detail on these activities.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Read more about the Group's 2022 Sustainability Performance, including CSI investment, community participation and environmental management, in Our Sustainability Report which is available at www.gemdiamonds.com.

POLITICAL DONATIONS

The Group made no political donations during 2022.

TCFD, CARBON EMISSIONS AND ENERGY CONSUMPTION SUMMARY

Information on the Group's decarbonisation strategy, adoption of the TCFD recommendations, carbon footprint and energy consumption in 2022 can be found in the Our Approach to Climate Change and Sustainability sections on pages 25 and 64 respectively.

By order of the Board

Harry Kenyon-Slaney

Non-Executive Chairperson

15 March 2023

FINANCIAL STATEMENTS

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with International Financial Reporting Standards (IFRS). Having taken advice from the Audit Committee, the Board considers that this report and financial statements taken as a whole, are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

PREPARATION OF THE FINANCIAL STATEMENTS

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group, and of their profit or loss for that period. In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Group financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial performance, the financial position and cash flow of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position at year end, cash flow and profit or loss for the year then ended of the Group and the undertakings included in the consolidation taken as a whole. In addition, suitable accounting policies have been selected and applied consistently.

Information, including accounting policies, has been presented in a manner that provides relevant, reliable, comparable and understandable information, and additional disclosures have been provided when compliance with the specific requirements in IFRS have been insufficient to enable users to understand the financial impact of particular transactions, other events and conditions on the Group's financial position, cash flow and financial performance. Where necessary, the Directors have made judgements and estimates that are considered reasonable and prudent.

The Directors of the Company have elected to comply with the Companies Act, 2006, in particular the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 of the United Kingdom pertaining to Directors' remuneration which would otherwise only apply to companies incorporated in the UK.

Michael Michael

Chief Financial Officer

15 March 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gem Diamonds Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Gem Diamonds Limited and its subsidiaries (the Group) set out on pages 151 to 207, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants* (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit

GOODWILL IMPAIRMENT
Management performs an annual impairment test on goodwill as required by IAS 36 Impairment of Assets using discounted future cash flows to determine the recoverable amount. Goodwill relates to the Group's investment in the Letšeng Diamond mine. The carrying value of goodwill amounts to US$11.2 million (2021:US$12.0 million).
As disclosed in Note 11 Impairment testing and Note 1.2.28 Critical accounting estimates and judgements, the Group uses discounted cash flows to determine the recoverable amount for each cash generating unit, on the basis of the following key assumptions:
• Diamond prices;
• Inflation rates;
• Production costs and volumes; and
• Discount rates
The current year impairment model further include certain assumptions that materially impact the recoverable amount – these include: next open pit cutback in Satellite pipe (C6W), optimisation and right-sizing cost savings and steeper slope angles.
Given the above factors, the goodwill impairment, required significant audit effort including the use of our valuation experts in the audit of the recoverable amount.
	Our audit procedures included amongst others the following:
	• We involved our internal valuation specialists as part of our team to assist in evaluating management's impairment methodology and key assumptions used in the impairment calculations;
	• Our valuation specialists evaluated the valuation methodology against acceptable industry methods and accounting standards;
	• Our valuation specialists calculated two independent weighted average cost of capital (WACC) rates (Revenue and costs) to compare to management's WACC's. Our independent WACC recalculations were based on publicly available market data for comparable companies for the Letšeng Cash Generating Unit (CGU);
	• Our valuation specialists assessed the reasonability of the significant inputs and assumptions used in the impairment models, such as diamond prices, inflation rates, by comparing them to independent sources. Assumptions such as production costs and volumes were considered for reasonability with reference to history and the mine plan;
	• We have performed sensitivity analyses around the key assumptions used in the impairment model. We did this by increasing and decreasing the following assumptions in the model to determine the impact on the headroom (difference between the carrying value of the CGU and the recoverable amount). These included:
	  ▪ WACC; and
	  ▪ Diamond prices
	• We considered the appropriateness of the inclusion of next open pit cutback in Satellite pipe (C6W), optimisation and right-sizing cost savings and steeper slope angles in the recoverable amount.
	• We assessed the adequacy of the Group's disclosures in terms of IAS 36, in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 219-page document titled 'Gem Diamonds Annual Report and Accounts 2022''. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identity during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Inc.

Director – Philippus Dawid Grobbelaar

Registered Auditor

Chartered Accountant (SA)

15 March 2023

102 Rivonia Road, Sandton, Private Bag X14, Sandton, 2146

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 US$'000	2021* US$'000
Revenue from contracts with customers	2	**188 937**	201 859
Cost of sales		**(124 113)**	(121 587)
Gross profit		**64 824**	80 272
Other operating expense	3	**(1 937)**	(4 116)
Royalties and selling costs		**(20 328)**	(21 918)
Corporate expenses		**(8 997)**	(8 886)
Share-based payments	27	**(253)**	(397)
Foreign exchange gain	4	**1 914**	1 923
Impairment of non-current assets	15	**(702)**	–
Operating profit	4	**34 521**	46 878
Net finance costs	5	**(4 089)**	(3 963)
– Finance income		**413**	202
– Finance costs		**(4 502)**	(4 165)
Profit before tax for the year		**30 432**	42 915
Income tax expense	6	**(10 277)**	(15 562)
Profit for the year		**20 155**	27 353
Attributable to:			
Equity holders of parent		**10 178**	14 767
Non-controlling interests		**9 977**	12 586
Earnings per share (cents)	7		
– Basic earnings for the year attributable to ordinary equity holders of the parent		**7.3**	10.5
– Diluted earnings for the year attributable to ordinary equity holders of the parent		**7.2**	10.4

** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 US$'000	2021 US$'000
Profit for the year	**20 155**	27 353
Items that could be reclassified to profit or loss in the future:		
Exchange differences on translation of foreign operations, net of tax	**(18 534)**	(21 196)
Other comprehensive loss for the year, net of tax	**(18 534)**	(21 196)
Total comprehensive income for the year	**1 621**	6 157
Attributable to:		
Equity holders of parent	**(2 513)**	(154)
Non-controlling interests	**4 134**	6 311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**293 499**	293 627
Right-of-use assets	9	**6 340**	3 137
Intangible assets	10	**11 221**	11 962
Receivables and other assets	12	**2 916**	1 278
Deferred tax assets	22	**5 994**	5 117
		319 970	315 121
Current assets			
Inventories	13	**30 370**	31 158
Receivables and other assets	12	**4 855**	4 095
Income tax receivable	20	**2 323**	1 232
Cash and short-term deposits	14	**8 721**	30 913
		46 269	67 398
Assets held for sale	15	**–**	2 097
Total assets		**366 239**	384 616
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	16	**1 410**	1 406
Treasury shares	16	**(1 157)**	–
Share premium		**885 648**	885 648
Other reserves	16	**(239 169)**	(226 697)
Accumulated losses		**(494 113)**	(500 550)
		152 619	159 807
Non-controlling interests		**80 428**	86 843
Total equity		**233 047**	246 650
Non-current liabilities			
Interest-bearing loans and borrowings	17	**4 370**	8 340
Lease liabilities	18	**6 021**	3 851
Trade and other payables	19	**2 169**	2 095
Provisions	21	**15 387**	11 202
Deferred tax liabilities	22	**82 030**	82 472
		109 977	107 960
Current liabilities			
Interest-bearing loans and borrowings	17	**1 575**	2 704
Lease liabilities	18	**1 877**	973
Trade and other payables	19	**19 708**	22 188
Income tax payable	20	**55**	41
		23 215	25 906
Liabilities directly associated with the assets held for sale	15	**–**	4 100
Total liabilities		**133 192**	137 966
Total equity and liabilities		**366 239**	384 616

Approved by the Board of Directors on 15 March 2023 and signed on its behalf by:

C Elphick
Director

M Michael
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to the equity holders of the parent							
	Issued capital	**Share premium**	**Treasury shares**	**Other reserves[1]**	**Accumulated (losses)/ retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
As at 1 January 2022	**1 406**	**885 648**	**–**	**(226 697)**	**(500 550)**	**159 807**	**86 843**	**246 650**
Total comprehensive (loss)/ income	**–**	**–**	**–**	**(12 691)**	**10 178**	**(2 513)**	**4 134**	**1 621**
Profit for the year	**–**	**–**	**–**	**–**	**10 178**	**10 178**	**9 977**	**20 155**
Other comprehensive loss	**–**	**–**	**–**	**(12 691)**	**–**	**(12 691)**	**(5 843)**	**(18 534)**
Share capital issued (Note16)	**4**	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**
Share-based payments (Note 27)	**–**	**–**	**–**	**253**	**–**	**253**	**–**	**253**
Share buyback (Note 16)	**–**	**–**	**(1 157)**	**–**	**–**	**(1 157)**	**–**	**(1 157)**
Transfer between reserves	**–**	**–**	**–**	**(30)**	**30**	**–**	**–**	**–**
Dividends declared (Note 29)	**–**	**–**	**–**	**–**	**(3 771)**	**(3 771)**	**(10 549)**	**(14 320)**
As at 31 December 2022	**1 410**	**885 648**	**(1 157)**	**(239 169)**	**(494 113)**	**152 619**	**80 428**	**233 047**
As at 1 January 2021	1 397	885 648	–	(212 164)	(511 808)	163 073	84 422	247 495
Total comprehensive (loss)/ income	–	–	–	(14 921)	14 767	(154)	6 311	6 157
Profit for the year	–	–	–	–	14 767	14 767	12 586	27 353
Other comprehensive loss	–	–	–	(14 921)	–	(14 921)	(6 275)	(21 196)
Share capital issued (Note 16)	9	–	–	(9)	–	–	–	–
Share-based payments (Note 27)	–	–	–	397	–	397	–	397
Dividends declared (Note 29)	–	–	–	–	(3 509)	(3 509)	(3 890)	(7 399)
As at 31 December 2021	1 406	885 648	–	(226 697)	(500 550)	159 807	86 843	246 650
Attributable to asset held for sale (Note 15)	–	–	–	(52 893)	(196 006)	(248 899)	–	(248 899)

[1] *Other reserves relate to Foreign currency translation reserves and Share-based equity reserves. Refer Note 16, Issued share capital and reserves for further detail.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 US$'000	2021 US$'000
Cash flows from operating activities		**63 032**	71 307
Cash generated by operations	23.1	**82 799**	103 902
Working capital adjustments	23.2	**(9 889)**	(7 107)
Interest received	5	**303**	202
Interest paid	18, 23.3	**(2 933)**	(2 457)
Income tax paid	20	**(8 435)**	(23 329)
Income tax received	20	**1 187**	96
Cash flows used in investing activities		**(59 672)**	(68 686)
Purchase of property, plant and equipment	8	**(11 920)**	(3 985)
Waste stripping costs capitalised	8	**(47 948)**	(64 725)
Proceeds from sale of property, plant and equipment		**196**	24
Cash flows used in financing activities		**(24 909)**	(19 025)
Lease liabilities repaid	18	**(1 846)**	(1 660)
Net financial liabilities repaid	23.3	**(7 734)**	(7 194)
Financial liabilities repaid		**(17 627)**	(26 393)
Financial liabilities raised		**9 893**	19 199
Share buyback	16	**(1 157)**	–
Dividends paid to holders of the parent		**(3 623)**	(3 486)
Dividends paid to non-controlling interests		**(10 549)**	(6 685)
Net decrease in cash and cash equivalents		**(21 549)**	(16 404)
Cash and cash equivalents at beginning of year		**31 057**	49 827
Foreign exchange differences		**(787)**	(2 366)
Cash and cash equivalents at end of year		**8 721**	31 057
Cash and cash equivalents at end of year	14	**8 721**	30 913
Cash and cash equivalents at end of year – asset held for sale	15	**–**	144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 Corporate information

1.1.1 Incorporation

The holding company, Gem Diamonds Limited (the Company), was incorporated on 29 July 2005 in the British Virgin Islands (BVI) and is domiciled in the United Kingdom (UK). The Company's registration number is 669758.

These financial statements were authorised for issue by the Board on 15 March 2023.

The Group is principally engaged in operating diamond mines.

1.1.2 Operational information

The Company has the following investments directly and indirectly in subsidiaries at 31 December 2022.

Name and registered address of company	Share-holding	Cost of investment[1]	Country of incorporation	Nature of business
Subsidiaries				
Gem Diamond Technical Services (Proprietary) Limited[2] Illovo Corner 24 Fricker Road Illovo Boulevard Johannesburg South Africa	100%	US$17	RSA	Technical, financial and management consulting services.
Letšeng Diamonds (Proprietary) Limited[2] Letšeng Diamonds House Corner Kingsway and Old School Roads Maseru Lesotho	70%	US$126 000 303	Lesotho	Diamond mining and holder of mining rights.
Gem Diamonds Botswana (Proprietary) Limited[2,3] The Courtyard unit 7A Plot 54513 Village Gaborone Botswana	100%	US$5 844 579	Botswana	Diamond mining; evaluation and development; and holder of mining licences and concessions.
Gem Diamonds Investments Limited[2] Suite 1, 7th Floor, 50 Broadway, London SW1H 0BL United Kingdom	100%	US$17 531 316	UK	Investment holding company holding 100% in each of Gem Diamonds Innovation Solutions CY Limited, a company holding intellectual property relating to development of technology to innovate mining processes; Baobab Technologies BV, a diamond analysis and valuation facility in Belgium; and Gem Diamonds Marketing Services BV, a marketing company that sells the Group's diamonds on tender in Antwerp.

[1] *The cost of investment represents original cost of investments at acquisition dates.*

[2] *No change in the shareholding since the prior year.*

[3] *Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine), ceased to be classified as a discontinued operation held for sale during the current financial reporting period. Refer Note 15, Assets held for sale.*

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information

For management purposes, the Group is organised into geographical units as its risks and required rates of return are affected predominantly by differences in the geographical regions of the mines and areas in which the Group operates or areas in which operations are managed. The below measures of profit or loss, assets and liabilities are reviewed by the Chief Operating Decision-Maker, ie Board of Directors. The main geographical regions and the type of products and services from which each reporting segment derives its revenue from are:

- Lesotho (diamond mining activities);
- Belgium (sales, marketing and manufacturing of diamonds);
- BVI, RSA, UK and Cyprus (technical and administrative services); and
- Botswana (diamond mining activities) ceased to be classified as a discontinued operation held for sale during the current financial reporting period. Refer Note 15, Assets held for sale.

Management monitors the operating results of the geographical units separately for the purpose of making decisions about resource allocation and performance assessment.

Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine), which was classified as a discontinued operation held for sale and disclosed separately as the discontinued operation segment in prior years, has ceased to be classified as a discontinued operation held for sale during the current financial reporting period, refer Note 15, Assets held for sale. The 31 December 2021 comparative segment information has been restated to re-present the previous discontinued operation segment as the Botswana segment as part of the Group's continuing operations.

Segment performance is evaluated based on operating profit or loss. Intersegment transactions are entered into under normal arm's length terms in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transactions between segments. Those transactions are eliminated on consolidation.

Segment revenue is derived from mining activities, polished manufacturing margins, and diamond analysis and manufacturing services.

The following tables presents revenue from contracts with customers, profit/(loss) for the year, EBITDA and asset and liability information from operations regarding the Group's geographical segments:

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

Year ended 31 December 2022	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus[1] US$'000	Botswana US$'000	Total US$'000
Revenue from contracts with customers					
Total revenue	186 087	189 497	7 326	–	382 910
Intersegment	(185 782)	(865)	(7 326)	–	(193 973)
External customers	305	188 632	–	–	188 937
Depreciation and amortisation	43 267	263	1 081	80	44 691
– Depreciation and mining asset amortisation	6 982	263	1 081	80	8 406
– Waste stripping cost amortisation	36 285	–	–	–	36 285
Share-based equity transactions	(33)	(2)	(218)	–	(253)
Segment operating profit/(loss)	46 060	1 307	(10 158)	(2 688)	34 521
Net finance costs	(2 569)	(17)	(1 294)	(209)	(4 089)
Profit/(loss) before tax	43 491	1 290	(11 452)	(2 897)	30 432
Income tax expense	(10 236)	(195)	154	–	(10 277)
Profit/(loss) for the year	33 255	1 095	(11 298)	(2 897)	20 155
EBITDA	50 842	1 625	(8 781)	–	43 686
Segment non-current assets	308 889	1 516	627	28	311 060
Segment assets	350 640	2 411	6 676	518	360 245
Segment liabilities	43 987	1 677	2 097	3 401	51 162
Other segment information					
Net cash and short-term deposits[2]	(2 627)	660	5 231	1	3 265
Capital expenditure					
– Property, plant and equipment	11 894	7	19	–	11 920
– Net movement in rehabilitation asset[3]	858	–	–	(573)	285
– Waste cost capitalised	47 948	–	–	–	47 948
Total capital expenditure	60 700	7	19	(573)	60 153
Average number of employees employed under contracts of service	322	7	22	19	370

1 *No revenue was generated in BVI and Cyprus.*

2 *Calculated as cash and short-term deposits less drawn down bank facilities (excluding insurance premium financing and credit underwriting fees). Refer Note 17, Interest-bearing loans and borrowings.*

3 *Non-cash movements in rehabilitation assets relating to changes in rehabilitation estimates for the Lesotho and Botswana segments.*

Included in revenue for the current year is revenue from two customers who individually contributed 10% or more to total revenue. This revenue in total amounted to US$48.7 million arising from sales reported in the Belgium segment.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

Segment non-current assets do not include deferred tax assets of US$6.0 million and financial instruments of US$2.9 million. Included in the non-current assets BVI, RSA, UK and Cyprus segment disclosure are non-current assets located in the Company's country of domicile, the UK, of US$19.4 thousand.

Segment assets and liabilities do not include deferred tax assets and liabilities of US$6.0 million and US$82.0 million respectively.

Total revenue for the year decreased compared to the prior year mainly due to a decrease in the volume of carats sold of 107 498 (2021: 109 697) and lower recoveries of greater than 100 carat diamonds. An average sales price of US$1 755 per carat (2021: US$1 835 per carat) was achieved.

Year ended 31 December 2021	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus[1] US$'000	Botswana* US$'000	Total* US$'000
Revenue from contracts with customers					
Total revenue	198 816	202 461	7 031	–	408 308
Intersegment	(198 581)	(837)	(7 031)	–	(206 449)
External customers	235	201 624	–	–	201 859
Depreciation and amortisation	54 012	350	1 063	–	55 425
– Depreciation and mining asset amortisation	7 199	350	1 063	–	8 612
– Waste stripping cost amortisation	46 813	–	–	–	46 813
Share-based equity transactions	(105)	(4)	(286)	(2)	(397)
Segment operating profit/(loss)	59 008	1 238	(9 835)	(3 533)	46 878
Net finance costs	(2 395)	(1)	(1 346)	(221)	(3 963)
Profit/(loss) before tax	56 613	1 237	(11 181)	(3 754)	42 915
Income tax expense	(14 661)	(178)	(723)	–	(15 562)
Profit/(loss) for the year	41 952	1 059	(11 904)	(3 754)	27 353
EBITDA	64 328	1 625	(8 584)	(2 047)	55 322
Segment non-current assets	306 777	161	1 788	1 413	310 139
Segment assets	369 105	1 985	6 312	2 097	379 499
Segment liabilities	39 440	351	11 603	4 100	55 494
Other segment information					
Net cash and short-term deposits[2]	24 175	1 561	(5 014)	144	20 866
Capital expenditure					
– Property, plant and equipment	3 952	7	32	–	3 991
– Net movement in rehabilitation asset[3]	(1 345)	–	–	–	(1 345)
– Waste cost capitalised	64 725	–	–	–	64 725
Total capital expenditure	67 332	7	32	–	67 371
Average number of employees employed under contracts of service	304	6	22	22	354

** Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine), previously reported as the discontinued operation segment in prior periods, ceased to be classified as a discontinued operation held for sale during the current financial reporting period and the comparative segment information has been restated to re-present the previous discontinued operation segment as the Botswana segment. Refer Note 15, Assets held for sale.*

[1] No revenue was generated in BVI and Cyprus.

[2] Calculated as cash and short-term deposits less drawn down bank facilities (excluding the asset-based finance facility, insurance premium financing and credit underwriting fees). Refer Note 17, Interest-bearing loans and borrowings.

[3] Non-cash movements in rehabilitation assets relating to changes in rehabilitation estimates for the Lesotho segment.

Included in revenue for the 2021 year is revenue from two customers who individually contributed 10% or more to total revenue. This revenue in total amounted to US$73.0 million arising from sales reported in the Belgium segment.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

Segment non-current assets do not include deferred tax assets of US$5.1 million and financial instruments of US$1.3 million. Included in the non-current assets BVI, RSA, UK and Cyprus segment disclosure are non-current assets located in the Company's country of domicile, the UK, of US$132.5 thousand

Segment assets and liabilities do not include deferred tax assets and liabilities of US$5.1 million and US$82.5 million respectively.

1.2 Summary of significant accounting policies

1.2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared under the historical cost basis except for assets and liabilities measured at fair value. The accounting policies have been consistently applied except for the adoption of the new standards and interpretations detailed on the following pages.

The functional currency of the Company and certain of its subsidiaries is US dollar, which is the currency of the primary economic environment in which the entities operate. All amounts are presented in US dollar and rounded to the nearest thousand. The financial results of subsidiaries whose functional and reporting currency is in currencies other than US dollar have been converted into US dollar on the basis as set out in Note 1.2.16, Foreign currency translations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.2.28, Critical accounting estimates and judgements.

Changes in accounting policies and disclosures

New and amended standards and interpretations
The Group adopted certain standards and amendments for the first time, which became effective for the Group on 1 January 2022 and are listed in the table below. The adoption of these new accounting pronouncements has not had a significant impact on the consolidated financial statements of the Group nor the accounting policies, methods of computation or presentation applied by the Group. Other than the changes described below, the accounting policies are consistent with those of the previous financial year.

Amendments and new standards	Description
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 37	Onerous contracts – costs of fulfilling a contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and equipment proceeds before intended use
Improvement IFRS 1	Subsidiary as a first-time adopter
Improvement IFRS 9	Fees in the "10 per cent" test for derecognition of financial liabilities
Improvement IAS 41	Agriculture – Taxation in fair value measurements

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.1 Basis of preparation (continued)

New standards issued but not yet effective

The new standards, amendments and improvements that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are listed in the table below. These standards, amendments and improvements have not been early adopted and it is expected that, where applicable, these standards, amendments and improvements will be adopted on each respective effective date. The impact of the adoption of these standards cannot be reasonably assessed at this stage.

New standards, amendments, and improvements	Description	Effective date*
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending

** Annual periods beginning on or after.*

1.2.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position have been assessed by management. The financial position of the Group, its cash flows and liquidity position are presented in the Annual Report and Accounts. In addition, Note 26, Financial risk management, includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to market risk, credit risk and liquidity risk.

The Group's net cash at 31 December 2022 was US$3.3 million (31 December 2021: net cash US$20.9 million). Following the successful refinancing of the Group's facilities for a three-year period from 23 December 2021 in the prior year and securing the project debt facility for the replacement of the PCA in the current year, the Group's undrawn facilities at 31 December 2022 amounted to US$82.6 million, resulting in strong liquidity (defined as net cash and undrawn facilities) of US$85.9 million (31 December 2021: US$95.1 million). The Group's Revolving Credit facilities, which total US$74.1 million when fully unutilised, mature on 22 December 2024. In addition, there is a US$5.9 million general banking facility with no set expiry date, but is reviewed annually, and US$8.0 million which is the project debt facility for the replacement of the PCA. This facility expires in May 2027 (Refer Note 17, Interest-bearing loans and borrowings). The uncertainty that exists around the ongoing impact of the Russian conflict on Ukraine on future cash flows was considered by performing sensitivities on costs, diamond pricing and continued strengthening or weakening of the US dollar against the Lesotho loti.

After reviewing detailed assessment performed by management and making enquiries which include reviews of forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses and considering the uncertainties described in this report either directly or by cross-reference, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group Financial Statements.

These financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as at 31 December 2022.

Subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three of the following criteria must be met: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised gains and losses arising from them, are eliminated in full.

Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent company and is presented separately within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

1.2.4 Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- acquisition of rights to explore;
- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are charged to the statement of profit or loss. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised, as a component of property, plant and equipment, and amortised over the term of the permit.

Exploration and evaluation expenditure is capitalised as incurred. Capitalised exploration expenditure is recorded as a component of property, plant and equipment, as an exploration and development asset, at cost less accumulated impairment charges. As the asset is not available for use, it is not depreciated.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit (CGU) to which the exploration is attributed. To the extent that exploration expenditure is not expected to be recovered, it is charged to the statement of profit or loss. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way as planned.

Management is required to make certain estimates and judgements when determining whether the commercial viability of an identified resource has been met and when determining whether indicators of impairment exist.

1.2.5 Development expenditure

When proven and probable reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified from exploration phase to development phase. As the asset is not available for use, during the development phase, it is not depreciated. On completion of the development phase, any capitalised exploration and evaluation expenditure already capitalised to a development asset, together with the subsequent development expenditure, is reclassified within property, plant and equipment to mining assets and depreciated on the basis as laid out in Note 1.2.6, Property, plant and equipment.

All development expenditure is monitored for indicators of impairment annually. Management is required to make certain estimates and judgements when determining whether indicators of impairment exist.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.6 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition and construction of the items, to get the asset in its condition and location for its intended use among others, professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies.

Subsequent costs to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised when the cost of the item can be measured reliably, with the carrying amount of the original component being written off. All repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of the asset to its residual value over its estimated useful life, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Item	Method	Useful life
Mining assets	Straight line	Lesser of life of mine or period of mining lease
Decommissioning assets	Straight line	Lesser of life of mine or period of mining lease
Leasehold improvements	Straight line	Three years; or lesser of life of mine or period of mining lease
Plant and equipment	Straight line	Three to 15 years
Other assets	Straight line	Two to eight years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (ie, at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed annually. Changes in the expected residual values, expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation period or method, as appropriate, and are treated as changes in accounting estimates, and adjusted for prospectively, if appropriate.

Pre-production and in production stripping costs

Costs associated with removal of waste overburden are classified as stripping costs.

Stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset if:

(a) future economic benefits (being improved access to the orebody) are probable;

(b) the component of the orebody for which access will be improved can be accurately identified; and

(c) the costs associated with the improved access can be reliably measured.

The non-current asset recognised is referred to as a "stripping activity asset" and is separately disclosed in Note 8, Property, plant and equipment. If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss as operating costs. The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.

If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. Given the deep vertical nature of the pit, all stripping costs are capitalised on a cut/component basis for each cut in the mine planning process.

The stripping activity asset is subsequently amortised over the expected useful life of the identified component of the orebody that became more accessible as a result of the stripping activity. The net book value of the stripping asset and future expected stripping costs to be incurred for that component is depreciated using the units of production over the proven and probable reserves, in order to match the total stripping costs of the cut to the economic benefits created by the cut. As a result, the stripping activity asset is carried at cost less amortisation and any impairment losses. The future stripping costs of the cut/component and the expected ore to be mined of that cut/component are recalculated annually in light of additional knowledge and changes in estimates. Changes in the stripping ratio are accounted for prospectively as a change in estimate.

Management applies judgement to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s) as referred under Note 1.2.28, Critical accounting estimates and judgements.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.2.8 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that it will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 15, Assets held for sale. All notes to the consolidated statement of financial position for the comparative period as at 31 December 2021 exclude amounts for assets and liabilities held for sale, unless stated otherwise.

1.2.9 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree) over the fair value of the net identifiable amounts of the assets acquired and the liabilities assumed in the business combination.

Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRS.

Identifiable intangible assets, meeting either the contractual legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

If the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the net identifiable amounts of the assets acquired and the liabilities assumed in the business combination, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs (or groups of CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and shall not be larger than an operating segment before aggregation.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.10 Financial instruments

The Group shall only recognise a financial instrument when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date based on the business model for managing these financial assets and the contractual cash flow characteristics. Currently the Group only has financial assets at amortised cost which consist of receivables and other assets, and cash and short-term deposits which is held within a business model to collect contractual cash flows and for which the contractual cash flow characteristics are solely payments of principal interest. When financial assets are recognised initially, they are measured at fair value plus (in the case of financial assets not at fair value through profit or loss) directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those with maturities greater than 12 months after the reporting date. These are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method, if the time value of money is significant, less any allowance for impairment. Gains and losses are recognised in the statement of profit or loss when the financial assets at amortised cost are derecognised or impaired, as well as through the amortisation process.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset. Gains or losses from derecognition of financial assets are recognised in the statement of profit or loss.

Financial liabilities

Financial liabilities are initially measured at fair value net of (in the case of financial liabilities not at fair value through profit or loss) directly attributable transaction costs. The Group's Interest-bearing loans and borrowings and trade and other payables financial liabilities are subsequently stated at amortised cost using the effective interest rate method, with any difference between proceeds (net of transaction costs) and the redemption value being recognised in the statement of profit or loss, unless capitalised in accordance with Note 1.2.6, Property, plant and equipment, over the contractual period of the financial liability.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Gains or losses from derecognition of financial liabilities are recognised in the statement of profit or loss.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.11 Fair value measurement

The Group's financial instruments or transactions that are classified to be measured at fair value on a recurring basis are measured at fair value at each reporting date and financial instruments and transactions that are measured at fair value on a non-recurring basis are measured at fair value at the reporting date for which fair value measurement is relevant.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements that are measured at fair value on a recurring and non-recurring basis, the Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.2.12 Impairments

Non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset (or CGU) may be impaired in accordance with IAS 36. Goodwill is assessed for impairment on an annual basis and when circumstances indicate that the carrying value may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at each reporting date. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the statement of profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Impairment losses relating to goodwill cannot be reversed in future periods.

Financial assets

Financial assets carried at amortised cost

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets at amortised costs in the statement of profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.13 Inventories

Inventories, which include rough diamonds, ore stockpiles and consumables, are measured at the lower of cost and net realisable value. The amount of any write-down of inventories to net realisable value and all losses, is recognised in the period the write-down or loss occurs. Cost is determined as the average cost of production, using the weighted average method. Cost includes directly attributable mining overheads, but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to be incurred in marketing, selling and distribution.

The Group maintains strategic stockpiles in line with operational and insurance requirements. In normal mining activities, lower grade ore is consequentially mined and maintained in a separate stockpile. Although this lower grade stockpile could be processed as emergency plant feed, its overall intention is it to be processed at the end of life of mine. As a result, the associated mining costs for this stockpile are allocated at the net realisable value and the balance of the costs are allocated to the Main pipe strategic stockpiles.

1.2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less that are held to meet the Group's short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

1.2.15 Issued share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Treasury shares

Own equity instruments that are reacquired are recognised at cost, including transaction costs, and deducted from equity. These are disclosed as treasury shares. No gain or loss is recognised in profit or loss in the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

1.2.16 Foreign currency translations

Presentation currency

The results and financial position of the Group's subsidiaries which have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- statement of financial position items are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- resulting exchange differences are recognised as a separate component of equity.

Details of the rates applied at the respective reporting dates and for the statement of profit or loss transactions are detailed in Note 16, Issued share capital and reserves.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary items for each statement of financial position presented are translated at the closing rate at the reporting date.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.17 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In situations where some or all of the goods or services received by the entity as consideration for equity instruments cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled transactions

The cost of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

On a cumulative basis, over the vesting period of an award, no expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement of the vesting conditions or otherwise of the non-market vesting conditions and of the number of equity instruments that is expected to ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous reporting date is recognised in the statement of profit or loss, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative, due to the fact that it would not be beneficial to the employees.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of profit or loss for the award is expensed immediately. Where an equity-settled award is forfeited, it is treated as if vesting conditions had not been met and all costs previously recognised are reversed and recognised in income immediately within the year of forfeiture.

Management applies judgement when determining whether share options relating to employees who resigned before the end of the service condition period are cancelled or forfeited as referred under Note1.2.28, Critical accounting estimates and judgements.

The Group periodically releases the share-based equity reserve to retained earnings in relation to lapsed and forfeited options subsequent vesting date.

1.2.18 Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event; and
- a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.19 Restoration and rehabilitation provision

The mining, extraction and processing activities of the Group normally give rise to obligations for site restoration and rehabilitation. Rehabilitation works can include facility decommissioning and dismantling, removal and treatment of waste materials, land rehabilitation, and site restoration. The extent of the work required and the estimated cost of final rehabilitation, comprising liabilities for decommissioning and restoration, are based on current legal requirements, existing technology and the Group's environmental policies, and is reassessed annually. Cost estimates are not reduced by the potential proceeds from the sale of property, plant and equipment.

Provisions for the cost of each restoration and rehabilitation programme are recognised at the time the environmental disturbance occurs. When the extent of the disturbance increases over the life of the operation, the provision and associated asset is increased accordingly. Costs included in the provision encompass all restoration and rehabilitation activity expected to occur. The restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value, using a pre-tax discount rate. Discount rates used are specific to the country in which the operation is located or reasonable alternatives if in-country information is not available. The value of the provision is progressively increased over time as the effect of the discounting unwinds, which is recognised in finance charges. Restoration and rehabilitation provisions are also adjusted for changes in estimates.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as a decommissioning asset where it gives rise to a future benefit and depreciated over future production from the operation to which it relates.

Management is required to make significant estimates and assumptions when determining the amount of the restoration and rehabilitation provisions as referred under Note 1.2.28, Critical accounting estimates and judgements.

1.2.20 Taxation

Income tax for the period comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items charged or credited directly to equity or to other comprehensive income, in which case the tax consequences are recognised directly in equity and other comprehensive income respectively. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group offsets deferred income tax assets and deferred income tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax is provided except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. Withholding tax is recognised in the statement of profit or loss when dividends or other services which give rise to that withholding tax are declared or accrued respectively. Withholding tax is disclosed as part of current tax.

Royalties

Royalties incurred by the Group comprise mineral extraction costs based on a percentage of sales paid to the local revenue authorities. These obligations arising from royalty arrangements are recognised as current payables and disclosed as part of royalty and selling costs in the statement of profit or loss.

Royalties and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income – rather than based on quantity produced or as a percentage of revenue. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. The royalties incurred by the Group are considered not to meet the criteria to be treated as part of income tax.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.21 Employee benefits

Provision is made in the financial statements for all short-term employee benefits. Liabilities for wages and salaries, including non-monetary benefits, benefits required by legislation, annual leave, retirement benefits and accumulating sick leave obliged to be settled within 12 months of the reporting date, are recognised in trade and other payables and are measured at the amounts expected to be paid when the liabilities are settled. Benefits falling due more than 12 months after the reporting date are measured at the amount the obligation is expected to be settled or discounted to present value using a pre-tax discount rate where relevant or where time value of money is expected to be significant. The Group recognises an expense for contributions to the defined contribution pension fund in the period in which the employees render the related service.

Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation. These liabilities are recognised in trade and other payables and are measured at the amounts expected to be paid when the liabilities are settled.

1.2.22 Leases

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. For leases that contain one lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of the individual relative stand-alone price of all lease and non-lease components and the aggregate stand-alone price of all lease and non-lease components. The lease component is accounted for under the requirements of IFRS 16 and the non-lease component is accounted for using the relevant IFRS standard based on the nature of the non-lease component.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (ie, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, costs to dismantle, restore and remove the right-of-use asset, and lease payments made at or before the commencement date less any lease incentives received. After the commencement date, the right-of-use assets are measured using a cost model. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are subject to impairment. Refer Note 1.2.12, Impairments.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification to the terms and conditions of the lease or if there is a lease reassessment.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (ie, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be qualitatively and quantitatively of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.22 Leases (continued)

Group as a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance or operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise the lease is an operating lease.

Where the Group is an intermediate lessor, the interest in the head lease and the sub-lease is accounted for separately and the lease classification of a sub-lease is determined by reference to the Right-of-use-asset arising from the head lease. Income from operating leases is recognised on a straight-line basis over the lease term.

1.2.23 Revenue from contracts with customers

Revenue comprises net invoiced diamond sales to customers excluding VAT. Diamond sales are made through a competitive tender process and recognised when the Group's performance obligations have been satisfied at the time the buyer obtains control of the diamond(s), at an amount that the Group expects to be entitled in exchange for the diamond(s). Where the Group makes rough diamond sales to customers and retains a right to an interest in their future sale as polished diamonds, the Group records the sale of the rough diamonds but such contingent revenue on the onward sale is only recognised at the date when the polished diamonds are sold or when polished sales prices are mutually agreed between the customer and the Group.

The following revenue streams are recognised:

- rough diamonds which are sold through a competitive tender process, partnership agreements and joint operation arrangements;
- polished diamonds and other products which are sold through direct sales channels;
- additional uplift (on the value from rough to polished) on partnership arrangements; and
- additional uplift (on the value from rough to polished) on joint operation arrangements.

The sale of rough diamonds is the core business of the Group, with other revenue streams contributing marginally to total revenue.

Revenue through joint operation arrangements is recognised for the sale of the rough diamond according to each party's percentage entitlement as per the joint operation arrangement. Contractual agreements are entered into between the Group and the joint operation partner whereby both parties control jointly the cutting and polishing activities relating to the diamond. All decisions pertaining to the cutting and polishing of the diamonds require unanimous consent from both parties. Once these activities are complete, the polished diamond is sold, after which the revenue on the remaining percentage of the rough diamond is recognised, together with additional uplift on the joint operation arrangement. The Group portion of inventories related to these transactions is included in the total inventories balance.

Revenue through partnership arrangements is recognised for the sale of the rough diamond, with an additional uplift based on the polished margin achieved. Management recognises the revenue on the sale of the rough diamond when it is sold to a third party, as there is no continuing involvement by management in the cutting and polishing process and control has passed to the third party. Revenue from additional uplift is considered to be a variable consideration. This variable consideration will generally be significantly constrained. This is on the basis that the ultimate additional uplift received will depend on a range of factors that are highly susceptible to factors outside the Group's influence. Management recognises revenue on the additional uplift when the polished diamond is sold by the third party or the polished sales prices are mutually agreed between the third party and the Group and the additional uplift is guaranteed, as this is the point in time at which the significant constraints are lifted or resolved from the Polished Margin revenue.

Rendering of services

Revenue from services relating to third-party diamond manufacturing is recognised in the accounting period in which the services are rendered, when the Group's performance obligations have been satisfied, at an amount that the Group expects to be entitled to in exchange for the services.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. The Group does not have any contract liabilities as the transfer of goods or services occurs within a short period of time of receiving the consideration.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.24 Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

1.2.25 Dividend income

Dividend income is recognised when the amount of the dividend can be reliably measured and the Group's right to receive payment is established.

1.2.26 Finance costs

Finance costs are recognised on a time proportion basis using the effective interest rate method.

1.2.27 Dividend distribution

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

1.2.28 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, the reported income and expenses during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results or the financial position reported in future periods are discussed below.

Business environment and country risk

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in certain areas of Africa, Europe and the United Kingdom. These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to taxes and regulations, foreign exchange rate fluctuations and the enforceability of contract rights.

The consolidated financial information reflects management's assessment of the impact of these business environments and country risks on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Task Force on Climate-related Financial Disclosures (TCFD)

In preparing the Consolidated Financial Statements management continues to consider the impact of climate change, particularly in the context of the disclosures included in the Strategic Report detailing the phased approach strategy which the Group has adopted in implementing the TCFD requirements and the high level overview of some climate-related risks and opportunities. These considerations did not have a material impact on the financial reporting estimates and judgements, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to March 2024, after which management will assess the impact on the Group's going concern. These considerations also had no material impact on any Property, Plant and Equipment or Commitments. For Letšeng, the physical risks identified of severe weather conditions, are similar to its current operating conditions of drought, high wind, snow and rainfall. The operation is therefore well set up to manage these conditions within its current reporting and accounting framework. As users of grid-supplied and fossil fuel energy, our short-term focus is on improving energy efficiencies in our operational processes and on reducing fossil fuel use. Due to the uncertainty of the cost and timing of implementation of carbon-related taxes, the impact of such taxes on the Group's operations and cash flows has been excluded from the going concern, viability assessment and impairment review.

The Russian invasion of Ukraine

The Russian invasion of Ukraine has significantly increased the price of consumables, especially diesel and explosive costs used in the mining activities, and inflation rates across the jurisdictions where the Group operates. Management has considered the impact of increased costs on future cash flows, and whether these costs and inflation rates are short or long term in nature. Management has used current pricing and inflation estimates for shorter-term forecasts, and normalised these to average historic levels for the medium to long term.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.28 Critical accounting estimates and judgements (continued)

Estimates

Ore reserves and associated life of mine (LoM)

There are numerous uncertainties inherent in estimating ore reserves and the associated LoM. Therefore, the Group must make a number of assumptions in making those estimations, including assumptions as to the prices of diamonds, exchange rates, production costs and recovery rates. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of diamonds, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the ore reserves being restated. Where assumptions change the LoM estimates, the associated depreciation rates, residual values, waste stripping and amortisation ratios, and environmental provisions are reassessed to take into account the revised LoM estimate. Refer Note 8, Property, plant and equipment, Note 10, Intangible assets and Note 21, Provisions.

Provision for restoration and rehabilitation

Significant estimates and assumptions are made in determining the amount of the restoration and rehabilitation provisions. These deal with uncertainties such as changes to the legal and regulatory framework, magnitude of possible contamination, and the timing, extent and costs of required restoration and rehabilitation activity. Refer Note 21, Provisions, for further detail.

Judgement

Impairment reviews

The Group determines if goodwill is impaired at least on an annual basis, while all other significant operations are tested for impairment when there are potential indicators which may require impairment review. This requires an estimation of the recoverable amount of the relevant CGU under review. Recoverable amount is the higher of fair value less costs to sell and value in use. While conducting an impairment review of its assets using value-in-use impairment models, the Group exercises judgement in making assumptions about future rough diamond prices, volumes of production, ore reserves and resources included in the current LoM plans, production costs and macro-economic factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the consolidated statement of profit or loss and consolidated statement of financial position. Refer Note 11, Impairment testing, for further estimates and judgements applied.

The key assumptions used in the recoverable amount calculations, determined on a value-in-use basis, are listed below:

Valuation basis

Discounted present value of future cash flows.

LoM and recoverable value of reserves and resources

Economically recoverable reserves and resources, carats recoverable and grades achievable are based on management's expectations of the availability of reserves and resources at mine sites and technical studies undertaken by in-house and third-party specialists. Reserves remaining after the current LoM plan have not been included in determining the value in use of the operations. The LoM of Letšeng is to 2040 (2021: 2037). The extension was as a result of an additional Satellite pit cutback included in the current LoM model.

Cost and inflation rate

Operating costs for Letšeng are determined based on management's experience and the use of contractors over a period of time whose costs are fairly reasonably determinable. Mining and processing costs in the short to medium term have been based on the agreements with the relevant contractors. In the longer term, management has applied local inflation rates of 5.0% (2021: 5.0%) for operating costs beyond 2025. Up to 2025, inflation rates applied ranged between 5.7% – 8.9%.

Capital costs in the short term have been based on management's capital programme after which a fixed percentage of operating costs has been applied to determine the capital costs necessary to maintain current levels of operations.

Exchange rates

Exchange rates are estimated based on an assessment at current market fundamentals and long-term expectations. The US dollar/Lesotho loti (LSL) exchange rate used was determined with reference to the closing rate at 31 December 2022 of LSL17.02 (31 December 2021: LSL15.96).

Diamond prices

The medium-term diamond prices used in the impairment test have been set with reference to recent prices achieved, recent market trends and the Group's medium-term forecast. Long-term diamond price escalation reflects the Group's assessment of market supply/demand fundamentals.

Discount rate

The discount rate of 12.5% for revenue (2021: 11.5%) and 15.4% for costs (2021: 13.4%) used for Letšeng represents the before-tax risk-free rate adjusted for market risk, volatility and risks specific to the asset and its operating jurisdiction.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.28 Critical accounting estimates and judgements (continued)

Market capitalisation

In the instance where the Group's asset carrying values exceed market capitalisation, this results in an indicator of impairment. The Group believes that this position does not represent an impairment as all significant operations were assessed for impairment during the year and no impairments were recognised.

Sensitivity

The value in use for Letšeng indicated sufficient headroom, and the further changes to key assumptions which could result in impairment are disclosed in Note 11, Impairment testing.

Provision for restoration and rehabilitation and deferred tax thereon

Judgement is applied when calculating the closure costs associated with the restoration of the Letšeng mine site. These include the following:

- there are no costs associated with the backfill of the open pits due to no in-country legislation requirements;
- concurrent rehabilitation of the waste rock dump and tailings facilities will take place during the operational phase; and
- there are no costs associated with dismantling permanent buildings as these will be handed over to various parties in consultation with the Lesotho Government when the end of life is reached.

At the Ghaghoo mine site, the following judgements were applied:

- the site would be donated to various Botswana Government departments already operating within the mine site area of the Central Kalahari Desert. Therefore, no costs associated with the rehabilitation of certain roads or rehabilitation and dismantling infrastructures; and
- the timing of the rehabilitation cost cash flows has been estimated to be five years.

Deferred tax assets are recognised on provisions for rehabilitation as management will ensure appropriate tax planning to ensure sufficient taxable income is available to utilise all deductions in the future.

Capitalised stripping costs (deferred waste)

Waste removal costs (stripping costs) are incurred during the development and production phases at surface mining operations. The orebody needs to be identified in its various separately identifiable components. An identifiable component is a specific volume of the orebody that is made more accessible by the stripping activity. Judgement is required to identify and define these components (referred to as "cuts"), and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are based on a combination of information available in the mine plans, specific characteristics of the orebody and the milestones relating to major capital investment decisions.

Judgements and estimates are also used to apply the amortisation rate, future stripping costs of the cut/component and the expected ore to be mined of that cut/component. Refer Note 8, Property, plant and equipment.

Share-based payments

Judgement is applied by management in determining whether the share options relating to employees who resigned before the end of the service condition period have been cancelled or forfeited in light of their leaving status. Where employees do not meet the requirements of a good leaver as per the rules of the long-term incentive plan (LTIP), no award will vest and this will be treated as cancellation by forfeiture. The expenses relating to these charges previously recognised are then reversed. Where employees do meet the requirements of a good leaver as per the rules of the LTIP, some or all of an award will vest and this will be treated as a modification to the original award. The future expenses relating to these awards are accelerated and recognised as an expense immediately. Refer Note 27, Share-based payments, for further detail.

Identifying uncertainties over tax treatments

As disclosed in the prior year, an amended tax assessment was issued to Letšeng by the Revenue Services Lesotho (RSL), previously the Lesotho Revenue Authority, in December 2019, contradicting the application of certain tax treatments in the current Lesotho Income Tax Act 1993. An objection to the amended tax assessment was lodged with the RSL in March 2020, which was supported by the opinion of senior counsel. The RSL subsequently lodged a court application for the review and setting aside of the applicable regulations to the Lesotho High Court pertaining to this matter, which Letšeng is opposing.

On 7 February 2022, Letšeng received an application from the RSL to amend its original grounds for the court application. Letšeng's counsel continues to review the RSL's proposed amendment and has opposed the new application by the RSL.

Management do not believe an uncertain tax position exists as:

- there is no ambiguity in the application of the published Lesotho Income Tax Act;
- there has been no change in the application of the Income Tax Act and resulting tax; and
- senior counsel advice, which is legally privileged, has been obtained for the new circumstances. This advice still reflects good prospects of success.

No provision or contingent liability, relating to the amended tax assessment in question, is required to be raised in the 2022 Annual Financial Statements.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.28 Critical accounting estimates and judgements (continued)

Offsetting of deferred tax assets and deferred tax liabilities of the Group's subsidiary, Letšeng Diamonds

The Group's subsidiary, Letšeng Diamonds, is subject to the tax laws and regulations enacted within Lesotho. The corporate tax laws and regulations currently enacted by the RSL requires a taxpayer to file a claim for offsetting current tax asset and current tax liabilities, and offsetting deferred tax assets and deferred tax liabilities with the Commissioner within four years after service of the notice of assessment for the year of assessment to which the claim relates.

The Group, after applying significant judgement, is of the view that Letšeng Diamonds does not have a legal enforceable right to offset current tax assets against current tax liabilities, and deferred tax assets against deferred tax liabilities within the Lesotho corporate tax jurisdiction as it is subject to the Commissioner's approval of the claim submitted for which the outcome is highly uncertain as the approval is purely subject to the discretion of the Commissioner. On this basis, the Group does not offset Letšeng Diamonds deferred tax assets and deferred tax liabilities, but rather presents them on a gross basis in the consolidated statement of financial position. Refer Note 1.2.20, Taxation.

Equipment and service lease

The major components of Letšeng's ore-extraction mining activities are outsourced to a mining contractor. The mining contractor performs these functions using their own equipment. Management applied judgement when evaluating whether the contract between Letšeng and the mining contractor contained a lease. While it was concluded there was a lease, lease payments are variable in nature as the lease payment vary based on the tonnes of ore and waste mined and hence no right of use asset or liability could be measured. A portion of the lease payment is expensed in the consolidated statement of profit or loss, and the portion relating to waste removal/stripping costs is capitalised to the waste stripping asset in the proportions referred to under the estimate and judgements applied to the capitalised stripping costs (deferred waste) above. Refer Note 24, Commitments and contingencies.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 US$'000	2021 US$'000
Sale of goods	**188 615**	201 610
Partnership arrangements	**306**	235
Rendering of services	**16**	14
	188 937	201 859

The revenue from the sale of goods mainly represents the sale of rough diamonds, for which revenue is recognised at the point in time at which control transfers.

The revenue from partnership arrangements of US$0.3 million represents the additional uplift from partnership arrangements for which revenue is recognised when the significant constraints are lifted or resolved and the amount of revenue is guaranteed (2021: US$0.2 million). At year end 1 457 carats (2021: 894 carats) have significant constraints in recognising revenue relating to the additional uplift.

No revenue was generated from joint operation arrangements during the current or prior year.

3. OTHER OPERATING EXPENSES

	2022 US$'000	2021* US$'000
Sundry income	**61**	116
Other expenses	**–**	(12)
Ghaghoo care and maintenance costs[2]	**(2 053)**	(3 525)
Profit on disposal and scrapping of property, plant and equipment	**195**	16
COVID-19 related costs[1]	**(140)**	(711)
	(1 937)	(4 116)

** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale.*

[1] COVID-19-related costs relating to continued protocols for curbing the spread of the virus.

[2] Includes depreciation recognised in the current year of US$80.0 thousand (31 December 2021: nil) and inventory write-down of US$nil (31 December 2021: US$1.5 million).

4. OPERATING PROFIT

	2022 US$'000	2021* US$'000
Operating profit includes operating costs and income as listed below:		
Depreciation and amortisation		
Depreciation and mining asset amortisation excluding waste stripping cost	**(6 588)**	(6 927)
Depreciation of right-of-use assets	**(1 818)**	(1 685)
Waste stripping costs amortised	**(36 285)**	(46 813)
	(44 691)	(55 425)
Inventories		
Cost of inventories recognised as an expense (including waste stripping costs amortised)	**(116 382)**	(113 737)
Foreign exchange		
Foreign exchange gain	**1 914**	1 923
Lease expenses not included in lease liability		
Mine site property	**(142)**	(170)
Equipment and service lease	**(11 154)**	(8 462)
Contingent rental – Alluvial Ventures	**(3 556)**	(6 483)
	(14 852)	(15 115)
Impairment of non-current assets	**(702)**	–
Auditor's remuneration – EY		
Group financial statements	**(411)**	(238)
Statutory	**(242)**	(212)
	(653)	(450)
Auditor's remuneration – other audit firms		
Statutory	**(26)**	(20)
Other non-audit fees – EY		
Other services[1]	**(56)**	(41)
Other non-audit fees – other audit firms		
Tax services advisory and consultancy	**(74)**	(45)
Employee benefits expense		
Salaries and wages[2]	**(17 239)**	(18 267)
Underlying earnings before interest, tax, depreciation and mining asset amortisation (underlying EBITDA)		
Underlying EBITDA is shown, as the Directors consider this measure to be a relevant guide to the operational performance of the Group and excludes such non-operating costs and income as listed below. The reconciliation from operating profit to underlying EBITDA is as follows:		
Operating profit	**34 521**	46 878
Other operating expenses[3]	**1 718**	3 405
Impairment of non-current assets	**702**	–
Foreign exchange gain	**(1 914)**	(1 923)
Share-based payments	**253**	397
Depreciation and amortisation (excluding waste stripping cost amortised)	**8 406**	8 612
Underlying EBITDA	**43 686**	57 369

** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale.*

[1] Includes services related to forensic investigation performed on allegations of diesel theft at Letšeng.

[2] Includes contributions to defined contribution plan of US$0.5 million (31 December 2021: US$0.6 million). An average of 370 employees excluding contractors were employed during the period (2021: 354).

[3] Excludes COVID-19-related costs of US$0.1 million (31 December 2021: US$0.7 million) which are considered as operating costs. Includes Ghaghoo-related care and maintenance costs of US$2.1 million (31 December 2021: US$3.5 million), which are considered non-operating costs.

5. NET FINANCE COSTS

	2022 US$'000	2021* US$'000
Finance income		
Bank deposits	**303**	197
Insurance asset	**110**	5
Total finance income	**413**	202
Finance costs		
Finance costs on borrowings	**(2 552)**	(2 232)
Finance costs on lease liabilities	**(666)**	(525)
Finance costs on unwinding of rehabilitation and decommissioning provision	**(1 284)**	(1 408)
Total finance costs	**(4 502)**	(4 165)
	(4 089)	(3 963)

** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale.*

Finance income relates to interest earned on cash, short-term deposits and insurance assets.

Finance costs include interest incurred on borrowings and associated unwinding of facility credit underwriting fees, finance lease liabilities and the unwinding of rehabilitation provisions.

6. INCOME TAX EXPENSE

	2022 US$'000	2021* US$'000
Current		
– Foreign	**(6 054)**	(10 197)
Withholding tax		
– Foreign	**(1 356)**	(639)
Deferred		
– Foreign	**(2 867)**	(4 726)
Income tax expense	**(10 277)**	(15 562)
Profit before taxation	**30 432**	42 915

	%	%
Reconciliation of tax rate		
Applicable income tax rate	**25.0 %**	25.0 %
Permanent differences[1]	**0.4 %**	2.5 %
Unrecognised deferred tax assets	**6.4 %**	5.3 %
Effect of foreign tax at different rates	**2.8 %**	2.0 %
Withholding tax and unremitted earnings	**(0.8)%**	1.5 %
Effective income tax rate	**33.8 %**	36.3 %

The tax rate reconciles to the statutory Lesotho corporation tax rate of 25% rather than the statutory UK corporation tax rate of 19% as this is the jurisdiction in which the majority of the Group's taxes are incurred.

** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale.*

[1] Permanent differences comprise CSI at Letšeng Diamonds, legal fees of a capital nature and share-based payments, all of which are non-deductible for tax purposes.

The corporate income tax rate in the United Kingdom was increased from 19% to 25% for companies effective from 1 April 2023. The new corporate tax rate of 25% is not expected to have a material impact on the Group. This event did not require any adjustment to the financial statements and will be applicable to Gem Diamonds Limited, the Groups' parent company.

7. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2022 US$'000	2021 US$'000
Profit for the year	**20 155**	27 353
Less: Non-controlling interests	**(9 977)**	(12 586)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	**10 178**	14 767
Number of ordinary shares outstanding at end of year ('000)	**140 923**	140 516
Weighted number of share options exercised during the year ('000)	**(145)**	(223)
Share buyback during the year ('000)	**(977)**	–
Weighted average number of ordinary shares outstanding during the year ('000)	**139 801**	140 293
Basic earnings per share attributable to ordinary equity holders of the parent (cents)	**7.3**	10.5

Earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year after taking into account future potential conversion and issue rights associated with the ordinary shares.

	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares outstanding during the year	**139 802**	140 293
Effect of dilution:		
– Future share awards under the Employee Share Option Plan	**1 857**	1 796
Weighted average number of ordinary shares outstanding during the year adjusted for the effect of dilution	**141 659**	142 089
Diluted earnings per share attributable to ordinary equity holders of the parent (cents)	**7.2**	10.4

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Stripping activity asset US$'000	Mining asset US$'000	De-commis-sioning assets US$'000	Lease-hold improve-ment US$'000	Plant and equip-ment US$'000	Other assets[1] US$'000	Total US$'000
As at 31 December 2022							
Cost							
As at 1 January 2022	**599 558**	**107 999**	**3 769**	**51 418**	**74 504**	**7 304**	**844 552**
Additions - Ghaghoo (Note 15)	**–**	**585**	**–**	**6 135**	**10 594**	**1 240**	**18 554**
Additions	**47 948**	**242**	**–**	**–**	**11 391**	**287**	**59 868**
Net movement in rehabilitation provision	**858**	**–**	**–**	**(307)**	**(266)**	**–**	**285**
Disposals	**–**	**–**	**–**	**–**	**(23)**	**(116)**	**(139)**
Reclassifications	**–**	**262**	**–**	**113**	**(685)**	**310**	**–**
Foreign exchange differences	**(39 028)**	**(5 116)**	**(250)**	**(3 619)**	**(6 223)**	**(504)**	**(54 740)**
As at 31 December 2022	**609 336**	**103 972**	**3 519**	**53 740**	**89 292**	**8 521**	**868 380**
Accumulated depreciation/ amortisation/impairment							
As at 1 January 2022	**414 706**	**44 874**	**3 769**	**26 648**	**55 544**	**5 384**	**550 925**
Additions - Ghaghoo (Note 15)	**–**	**585**	**–**	**5 567**	**9 746**	**1 243**	**17 141**
Charge for the year	**36 080**	**958**	**–**	**2 925**	**2 388**	**522**	**42 873**
Impairment[2]	**–**	**–**	**–**	**161**	**541**	**–**	**702**
Disposals	**–**	**–**	**–**	**–**	**(21)**	**(116)**	**(137)**
Foreign exchange differences	**(25 470)**	**(3 853)**	**(250)**	**(2 161)**	**(4 471)**	**(418)**	**(36 623)**
As at 31 December 2022	**425 316**	**42 564**	**3 519**	**33 140**	**63 727**	**6 615**	**574 881**
Net book value at 31 December 2022	**184 020**	**61 408**	**–**	**20 600**	**25 565**	**1 906**	**293 499**

[1] Other assets comprise motor vehicles, computer equipment, furniture and fittings, and office equipment.

[2] The impairment relates to the assets impaired at Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) following it ceasing to be classified as a discontinued operation held for sale during the current financial reporting period. Refer Note 15, Assets held for sale.

	Stripping activity asset	Mining asset	De-commis-sioning assets	Lease-hold improve-ment	Plant and equip-ment	Other assets[1]	Total
As at 31 December 2021							
Cost							
Balance at 1 January 2021	587 355	115 050	4 119	55 955	79 468	7 601	849 548
Additions	64 725	–	–	36	3 850	105	68 716
Net movement in rehabilitation provision	(1 069)	–	–	(138)	(138)	–	(1 345)
Disposals	–	–	–	(508)	(932)	(191)	(1 631)
Reclassifications	–	–	–	473	(810)	337	–
Foreign exchange differences	(51 453)	(7 051)	(350)	(4 400)	(6 934)	(548)	(70 736)
As at 31 December 2021	599 558	107 999	3 769	51 418	74 504	7 304	844 552
Accumulated depreciation/ amortisation/impairment							
As at 1 January 2021	401 443	49 189	4 119	26 204	59 150	5 438	545 543
Charge for the year	46 708	910	–	3 187	2 375	560	53 740
Disposals	–	–	–	(508)	(929)	(187)	(1 624)
Foreign exchange differences	(33 445)	(5 225)	(350)	(2 235)	(5 052)	(427)	(46 734)
As at 31 December 2021	414 706	44 874	3 769	26 648	55 544	5 384	550 925
Net book value at 31 December 2021	184 852	63 125	–	24 770	18 960	1 920	293 627

[1] Other assets comprise motor vehicles, computer equipment, furniture and fittings, and office equipment.

9. RIGHT-OF-USE ASSETS

	Plant and equipment US$'000	Motor vehicles US$'000	Buildings US$'000	Total US$'000
As at 31 December 2022				
Cost				
As at 1 January 2022	**56**	**94**	**5 761**	**5 911**
Additions	**3 259**	**384**	**1 644**	**5 287**
Derecognition of lease	**(27)**	**(38)**	**(672)**	**(737)**
Foreign exchange differences	**(98)**	**(19)**	**(303)**	**(420)**
As at 31 December 2022	**3 190**	**421**	**6 430**	**10 041**
Accumulated depreciation				
As at 1 January 2022	**20**	**63**	**2 691**	**2 774**
Charge for the year	**695**	**96**	**1 027**	**1 818**
Derecognition of lease	**(24)**	**(38)**	**(672)**	**(734)**
Foreign exchange differences	**(3)**	**(6)**	**(148)**	**(157)**
As at 31 December 2022	**688**	**115**	**2 898**	**3 701**
Net book value at 31 December 2022	**2 502**	**306**	**3 532**	**6 340**
As at 31 December 2021				
Cost				
As at 1 January 2021	2 217	364	6 444	9 025
Additions	–	–	507	507
Derecognition of lease	(2 141)	(260)	(768)	(3 169)
Foreign exchange differences	(20)	(10)	(422)	(452)
As at 31 December 2021	56	94	5 761	5 911
Accumulated depreciation				
As at 1 January 2021	1 737	255	2 210	4 202
Charge for the year	437	75	1 173	1 685
Derecognition of lease	(2 141)	(260)	(523)	(2 924)
Foreign exchange differences	(13)	(7)	(169)	(189)
As at 31 December 2021	20	63	2 691	2 774
Net book value at 31 December 2021	36	31	3 070	3 137

Plant and equipment mainly comprise back-up power generating equipment utilised at Letšeng. Motor vehicles mainly comprise vehicles utilised by contractors at Letšeng. Buildings comprise office buildings in Maseru, Antwerp, London, Gaborone and Johannesburg.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

During the year, a new lease contract for back-up power generating equipment at Letšeng was entered into resulting in the recognition of right-of-use assets and lease liabilities associated with the new lease. Furthermore, Gem Diamonds Marketing Services and Baobab Technologies entered into new contracts for the rental of office space in Antwerp as the original contracts both came to an end. The new contracts were assessed as containing leases, which resulted in the recognition of the new associated right-of-use assets and lease liabilities. Refer Note 18, Lease liabilities and Note 23.1, Cash generated by operations.

During the prior year, the original lease contract for back-up power generating equipment and the lease for certain vehicles used on the mine at Letšeng came to an end. The assets and liabilities associated with these leases were derecognised. Furthermore, Gem Diamonds Limited and Gem Diamonds Technical Services entered into new contracts for the rental of office space in London and Johannesburg respectively. The new contracts were assessed as containing leases, which resulted in the recognition of the new associated right-of-use assets and lease liabilities. The original contracts were both cancelled and all associated assets and liabilities were derecognised

9. RIGHT-OF-USE-ASSETS (continued)

There were no gains or losses (2021: US$0.1 million) relating to the derecognition of leases in the Group during the year. Refer Note 18, Lease liabilities and Note 23.1, Cash generated by operations. During the year the Group recognised income of US$0.3 million (2021: US$0.3 million) from the sub-leasing of office buildings in Maseru. The Group expects to receive the following lease payments from the operating sub-leasing in the following years:

	US$ '000
2023	353
2024	376
2025	227

10. INTANGIBLE ASSETS

	Intangibles US$'000	Goodwill[1] US$'000	Total US$'000
As at 31 December 2022			
Cost			
Balance at 1 January 2022	**–**	**11 962**	**11 962**
Foreign exchange translation difference	**–**	**(741)**	**(741)**
Balance at 31 December 2022	**–**	**11 221**	**11 221**
Accumulated amortisation			
Balance at 1 January 2022	**–**	**–**	**–**
Amortisation	**–**	**–**	**–**
Balance at 31 December 2022	**–**	**–**	**–**
Net book value at 31 December 2022	**–**	**11 221**	**11 221**
As at 31 December 2021			
Cost			
Balance at 1 January 2021	791	12 997	13 788
Foreign exchange translation difference	–	(1 035)	(1 035)
Scrapping	(791)	–	(791)
Balance at 31 December 2021	–	11 962	11 962
Accumulated amortisation			
Balance at 1 January 2021	791	–	791
Amortisation	–	–	–
Scrapping	(791)	–	(791)
Balance at 31 December 2021	–	–	–
Net book value at 31 December 2021	–	11 962	11 962

[1] *Goodwill allocated to Letšeng Diamonds. Refer Note 11, Impairment testing.*

11. IMPAIRMENT TESTING

Goodwill impairment testing is undertaken on Letšeng Diamonds annually and when there are indications of impairment. The most recent test was undertaken at 31 December 2022. In assessing whether goodwill has been impaired, the carrying amount of Letšeng Diamonds is compared with its recoverable amount. For the purpose of goodwill impairment testing in 2022, the recoverable amount for Letšeng Diamonds has been determined based on a value in use model, similar to that adopted in the past.

	2022 US$'000	2021 US$'000
Goodwill		
Letšeng Diamonds	**11 221**	11 962
As at 31 December 2022	**11 221**	11 962

Movement in goodwill relates to foreign exchange translation from functional to presentation currency, as disclosed within Note 10, Intangible assets.

The discount rates are outlined below and represents the nominal pre-tax rate. These rates are based on the weighted average cost of capital (WACC) of the Group and adjusted accordingly at a risk premium for Letšeng Diamonds, taking into account risks associated therein.

	2022 %	2021 %
Discount rate – Letšeng Diamonds		
Applied to revenue	**12.5**	11.5
Applied to costs	**15.4**	13.4

Value in use

The mining lease period at Letšeng extends to 2029 with an exclusive option to renew for a further 10 years to 2039. The latest open pit mine plan available which has been used to project the cash flows, reflects that the open pit mining is expected to cease in 2040. In terms of IAS 36, cash flows are projected for a period up to the date of the mining lease period if it is earlier than the ceasing of the mining, ie 2039. The mine plan includes the next open pit cutback in the Satellite pipe (C6W). This mine plan takes into account the available reserves and other relevant inputs such as diamond pricing, costs and geotechnical parameters, and includes the steeper slope angles implemented in the Main pit Cut 4 East and Cut 4 West cutbacks. In addition, cost savings associated with the optimisation and right-sizing which commenced at Letšeng in early 2023 have also been included in the value-in-use model.

A comprehensive Underground Feasibility Study commenced in mid-2022 to confirm the feasibility of mining underground. The completion of this study will take place in 2023 (and has therefore not been included in the Value in use valuation), and will (i) assess the viability of an earlier shift to underground mining of the Satellite pipe and (ii) inform the trade-off between underground mining and proceeding with the next open pit cutback in the Satellite pipe (C6W).

Sensitivity to changes in assumptions

The Group will continue to test its assets for impairment where indications are identified.

Refer Note 1.2.28, Critical accounting estimates and judgements, for further details on impairment testing policies.

The short and medium-term diamond prices used in the impairment test have been set with reference to recent prices achieved, recent market trends and anticipated market supply and the Group's medium-term forecast. Long-term diamond price escalation reflects the Group's assessment of market supply/demand fundamentals. The valuation of Letšeng at 31 December 2022 exceeded the carrying value by US$92.2 million (31 December 2021: US$56.8 million). The valuation is sensitive to input assumptions particularly in relation to the foreign exchange assumption of the US dollar (US$) to the Lesotho loti (LSL) at year end, future price growth for diamonds and increase in operating costs. The Group has assumed an appropriate price increase for its diamonds following the market improvement noted in the diamond prices during the year.

A range of alternative scenarios have been considered in determining whether there is a reasonably possible change in the foreign exchange rates, operating costs and diamond prices, which would result in the recoverable amount equating to the carrying amount. An 8% strengthening of the LSL to the US$ to US$1:LSL15.60 or a reduction of 6.5% to the starting diamond prices would result in the recoverable amount equating to the current carrying value (at year end exchange rate), with other valuation assumptions remaining the same. As a result of the variability in consumable prices such as diesel and explosive costs, a third sensitivity on changes in costs was performed. An 8% increase in current estimated operating costs of US$2.5 billion over the life of mine would result in the recoverable amount equating to the current carrying amount, with other valuation assumptions remaining the same.

As a result, no impairment charge was recognised for the Letšeng Diamonds CGU during the year.

12. RECEIVABLES AND OTHER ASSETS

	2022 US$'000	2021 US$'000
Non-current		
Deposits	**96**	109
Insurance asset[1]	**2 820**	1 169
	2 916	1 278
Current		
Trade receivables	**23**	25
Prepayments[2]	**1 350**	975
Deposits	**21**	19
Other receivables	**249**	122
Vat receivable	**3 212**	2 954
	4 855	4 095

The carrying amounts above approximate their fair value due to the nature of the instruments.

Analysis of trade receivables based on their terms and conditions	**2022 US$'000**	2021 US$'000
Neither past due nor impaired	**–**	2
Past due but not impaired:		
Less than 30 days	**–**	–
30 to 60 days	**–**	–
60 to 90 days	**–**	–
90 to 120 days	**–**	23
> 120 days	**23**	–
	23	25

[1] This non-current asset relates to Letšeng's Multi-aggregate Protection Insurance Policy with The Lesotho National Insurance Group (LNIGC) entered into the prior year. This policy has a remaining tenure of three-and-a-half years at year end. During the current year the policy was increased to LSL140.0 million (US$8.2 million) (31 December 2021: LSL100.0 million (US$6.2 million)). The premium payments were increased to LSL30.0 million (US$1.8 million) (31 December 2021: LSL20.0 million) (US$1.2 million) for the remainder of the policy each payable annually in advance. Refer Note 24, Commitments and contingencies. The policy gives Letšeng the right to claim up to LSL75.0 million (31 December 2021: LSL50.0 million) for each-and-every-loss and LSL150.0 million (31 December 2021: LSL100.0 million) in the aggregate (subject to terms and conditions contained in the policy). On expiry of the policy in June 2026, all unutilised funds within the policy are due and payable to Letšeng. A non-current financial asset has been recognised for the unutilised premium paid to date, net of underwriting service fee of LSL 2.1 million (US$128 thousand) as expensed within other operating expenses. The non-current financial asset is measured at amortised cost in line with IFRS 9 Financial Instruments. Interest is earned on the unrealised premium and recognised as finance income. The second premium payment of LSL 30.0 million (US$1.8 million) was financed through a 10-month loan through Premium Finance Partners (Proprietary) Limited. This non-current financial asset is ceded in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 17, Interest-bearing loans and borrowings.

[2] Prepayments include insurance premiums prepaid at Letšeng of US$0.4 million (31 December 2021: US$0.4 million) which were also funded through Premium Finance Partners (Proprietary) Limited. This prepayment is ceded in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 17, Interest-bearing loans and borrowings.

Based on the nature of the Group's client base and the negligible exposure to credit risk through its client base, insurance asset and other financial assets, the expected credit loss is insignificant and has no impact on the Group.

13. INVENTORIES

	2022 US$'000	2021 US$'000
Diamonds on hand	**16 745**	18 303
Ore Stockpile	**5 053**	4 702
Consumable stores[1]	**8 572**	8 153
	30 370	31 158

[1] *Includes consumable stores from Ghaghoo of US$0.3 million in the current year.*

Inventory is carried at the lower of cost or net realisable value. During the year, lower grade ore stockpile inventory at Letšeng was written down by US$1.5 million (31 December 2021: nil) to net realisable value. Part of this stockpile was historically treated by Alluvial Ventures, the third-party plant contractor. When this contract expired during the year and the plant was dismantled, the stockpile level increased to the end of the period. Refer Note 1.2.13, Inventories.

14. CASH AND SHORT-TERM DEPOSITS

	2022 US$'000	2021 US$'000
Cash on hand	**4**	3
Bank balances	**6 006**	27 673
Short term bank deposits	**2 711**	3 237
	8 721	30 913

The amounts reflected in the financial statements approximate fair value due to the short-term maturity and nature of cash and short-term deposits.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are generally call deposit accounts and earn interest at the respective short-term deposit rates.

The Group's cash surpluses are deposited with major financial institutions of high-quality credit standing predominantly within Lesotho and the United Kingdom.

At 31 December 2022, the Group had US$82.6 million (31 December 2021: US$74.3 million) of undrawn facilities, representing the LSL750.0 million (US$44.1 million) three-year secured (31 December 2021: unsecured) revolving working capital facility at Letšeng, the Letšeng ZAR100.0 million (US$5.9 million) general banking facility, the available portion of the PCA project debt facility of ZAR43.5 million (US$2.6 million) and US$30.0 million from the Company's secured (31 December 2021: unsecured) revolving credit facility. For further details on these facilities, refer Note 17, Interest-bearing loans and borrowings.

15. ASSETS HELD FOR SALE

Since 2019, in line with the strategic objective to dispose of non-core assets, the Board of Directors and Management have remained committed to the sale of Gem Diamonds Botswana (Pty) Ltd (GDB), which owns the Ghaghoo Diamond Mine. In May 2022, the sales agreement which Gem Diamonds Limited had entered into with Okwa Diamonds (Pty) Ltd (Okwa Diamonds), on 23 August 2021, lapsed, following the inability of Okwa Diamonds' owners to secure a funding partner for the transaction. There has been no new agreement entered into for the sale of the asset by year end, although a number of interested parties are performing due diligence procedures. As a result of the developments above, the sale of GDB no longer met the highly probable requirements as set out in the Group's accounting policy 1.2.8 Non-current assets held for sale and discontinued operations at year end and the Board of Directors and Management have reviewed various alternatives of disposal and closure of the asset. As a result, GDB has ceased to be classified as a discontinued operation held for sale as at the 31 December 2022. All impacted prior year figures in the consolidated statement of profit or loss and relevant notes have been re-presented to reflect GDB as part of continuing operations. The assets and liabilities of GDB are no longer disclosed as held for sale in the current reporting period.

15. ASSETS HELD FOR SALE (continued)

The table below represents the prior year re-presentation for all amounts in the consolidated statement of profit or loss and notes thereto which were re-presented.

		As previously reported 2021 US$'000	Re-presentation adjustment 2021 US$'000	Re-presented figures 2021 US$'000
	CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
	CONTINUING OPERATIONS			
	Other operating expense	(591)	(3 525)	(4 116)
	Share-based payments	(395)	(2)	(397)
	Foreign exchange gain/(loss)	1 929	(6)	1 923
	Operating profit	50 411	(3 533)	46 878
	Net finance costs	(3 742)	(221)	(3 963)
	– Finance costs	(3 944)	(221)	(4 165)
	Profit before tax for the year	46 669	(3 754)	42 915
	Profit after tax for the year	31 107	(3 754)	27 353
	DISCONTINUED OPERATION			
	Loss after tax from discontinued operation	(3 754)	3 754	–
	Earnings per share (cents)			
	Earnings per share (cents) for continuing operations			
	– Basic earnings for the year attributable to ordinary equity holders of the parent	13.2	(2.7)	10.5
	– Diluted earnings for the year attributable to ordinary equity holders of the parent	13.0	(2.6)	10.4
3	OTHER OPERATING EXPENSES			
	Ghaghoo care and maintenance costs	–	(3 525)	(3 525)
4	OPERATING PROFIT			
	Foreign exchange			
	Foreign exchange gain/(loss)	1 929	(6)	1 923
	Auditor's remuneration – EY			
	Statutory	(190)	(22)	(212)
	Employee benefits expense			
	Salaries and wages	(17 767)	(500)	(18 267)
	Underlying EBITDA is shown, as the Directors consider this measure to be a relevant guide to the operational performance of the Group and excludes such non-operating costs and income as listed below. The reconciliation from operating profit to underlying EBITDA is as follows:			
	Operating profit	50 411	(3 533)	46 878
	Other operating expenses	(120)	3 525	3 405
	Foreign exchange (gain)/loss	(1 929)	6	(1 923)
	Share-based payments	395	2	397
	Underlying EBITDA	57 369	–	57 369
5	NET FINANCE COSTS			
	Finance costs on unwinding of rehabilitation and decommissioning provision	(1 187)	(221)	(1 408)
6	INCOME TAX EXPENSE			
	Profit before taxation	46 669	(3 754)	42 915
	Reconciliation of tax rate	%	%	%
	Permanent differences	2.3	0.2	2.5
	Unrecognised deferred tax assets	3.1	2.2	5.3
	Effect of foreign tax at different rates	1.6	0.4	2.0
	Withholding tax and unremitted earnings	1.4	0.1	1.5
	Effective income tax rate	33.4	2.9	36.3
27	SHARE-BASED PAYMENTS			
	Equity-settled share-based payment transactions charged to the statement of profit or loss	395	2	397
	Equity-settled share-based payment transactions charged to the statement of profit or loss – discontinued operation	2	(2)	–

15. ASSETS HELD FOR SALE (continued)

Depreciation of US$0.1 million was recognised in the current year relating to the underlying depreciable assets within GDB which was suspended whilst GDB was classified as held for sale.

The recoverable amount of all items of property, plant and equipment was assessed and an impairment charge of US$(0.7) million was recognised, reducing the carrying value of the leasehold improvements and plant and equipment categories to zero. Refer Note 8, Property, plant and equipment. This impairment has been included in the Botswana segment in Note 1.1.3 Segment information.

	2022 US$'000	2021 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	–	1 413
Current assets		
Inventories	–	477
Receivables and other assets	–	63
Cash and short-term deposits	–	144
	–	684
Total assets	–	2 097
LIABILITIES		
Non-current liabilities		
Provisions	–	3 654
Trade and other payables	–	446
Total liabilities	–	4 100

The disposal group's assets held for sale were carried at carrying value which was lower than the disposal group's fair value less costs to sell in the prior year. The fair value was based on the unobservable market offer from the potential buyer for the disposal group, accordingly the non-recurring fair value measurement for the prior year was included in level 3 of the fair value hierarchy.

16. ISSUED SHARE CAPITAL AND RESERVES

Share capital

	31 December 2022		31 December 2021	
	Number of shares '000	US$'000	Number of shares '000	US$'000
Authorised – ordinary shares of US$0.01 each				
As at year end	**200 000**	**2 000**	200 000	2 000
Issued and fully paid balance at beginning of year	**140 515**	**1 406**	139 612	1 397
Allotments during the year	**408**	**4**	903	9
Number of ordinary shares outstanding at end of year	**140 923**	**1 410**	140 515	1 406
Treasury shares	**(1 520)**	**(1 157)**	–	–
Balance at end of year	**139 403**	**253**	140 515	1 406

Share premium

Share premium comprises the excess value recognised from the issue of ordinary shares above its par value.

Other reserves

	Foreign currency translation reserve US$'000	Share-based equity reserve US$'000	Total US$'000
As at 1 January 2022	**(233 276)**	**6 579**	**(226 697)**
Other comprehensive loss	**(12 691)**	**–**	**(12 691)**
Total comprehensive loss	**(12 691)**	**–**	**(12 691)**
Share capital issue	**–**	**(4)**	**(4)**
Share-based payment expense	**–**	**253**	**253**
Transfer to (accumulated losses)/retained earnings	**–**	**(30)**	**(30)**
As at 31 December 2022	**(245 967)**	**6 798**	**(239 169)**
As at 1 January 2021	(218 355)	6 191	(212 164)
Other comprehensive loss	(14 921)	–	(14 921)
Total comprehensive loss	(14 921)	–	(14 921)
Share capital issue	–	(9)	(9)
Share-based payment expense	–	397	397
As at 31 December 2021	(233 276)	6 579	(226 697)

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of foreign entities. The South African, Lesotho and Botswana subsidiaries' functional currencies are different to the Group's presentation currency of US dollar. The rates used to convert the operating functional currency into US dollar are as follows:

	Currency	2022 US$'000	2021 US$'000
Average rate	ZAR/LSL to US$1	**16.37**	14.79
Year end	ZAR/LSL to US$1	**17.02**	15.96
Average rate	Pula to US$1	**12.37**	11.09
Year end	Pula to US$1	**12.75**	11.76

16. ISSUED SHARE CAPITAL AND RESERVES (continued)

Share-based equity reserves

For details on the share-based equity reserve, refer Note 27, Share-based payments.

Capital management

For details on capital management, refer Note 26, Financial risk management.

Treasury shares

During the year, the Board of Directors approved a share buyback programme to purchase up to US$2.0 million of the Company's ordinary shares. The sole purpose of the programme is to reduce the capital of the Company and the Company intends to hold those ordinary shares purchased under the programme in treasury. Such treasury shares are not entitled to dividends and have no voting rights. The share buyback programme was initiated on 12 April 2022. At 31 December 2022, 1 520 170 shares were bought back at the market value on the date of each buyback, equating to a weighted average price of 60.05 GB pence (78.07 US cents) per share, totalling US$$1.2 million (including transaction costs). This reduction in shares issued has been taken into account in calculating the earnings per share.

17. INTEREST-BEARING LOANS AND BORROWINGS

On 28 February 2022, Gem Diamonds Limited provided security for both the Letšeng Diamonds and Gem Diamonds Limited RCF facilities over its bank accounts domiciled in the United Kingdom (US$4.6 million) and on 15 March 2022 the security over its 70% shareholding in Letšeng Diamonds, refer Note 31, Material partly owned subsidiary, was implemented. This security had the impact of decreasing the interest rate margin on all facilities by 1.5% from 15 March 2022 and converting the facilities into secured facilities.

The IBOR phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 became effective on 1 January 2021 for the Group. The IBOR reform has impacted the South African JIBAR and LIBOR linked interest-bearing loans and borrowings within the Group. The interest-bearing loans and borrowings that remains subject to the South African JIBAR rate include the LSL136.4 million unsecured project debt facility and the ZAR300.0 million revolving credit facility. The interest-bearing loans and borrowings that was subject to the US$ three-month LIBOR rate was the US$30.0 million revolving credit facility. The developments on these facilities from 31 December 2021 and their carrying amounts and maturities as at 31 December 2022 are disclosed in the note below.

The South African JIBAR rates are yet to transition to alternative benchmark rates at the reporting period end. The Group will continue to assess the impact of the interest rate benchmark reform on the Group's JIBAR interest-bearing loans and borrowings as the revised benchmark rates are published or negotiated with the funders.

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

	Effective interest rate	Maturity	2022 US$'000	2021 US$'000
Non-current				
ZAR12.8 million asset-based finance facility	South African Prime Lending Rate	Repaid 15 July 2022	–	202
LSL450.0 million and ZAR300.0 million bank loan facility	Central Bank of Lesotho rate + 3.25% and South African JIBAR + 3.05%			
Credit underwriting fees		22 December 2024	**(327)**	(525)
US$30.0 million bank loan facility	London US$ three-month LIBOR + 5.00%	22 December 2024	–	9 000
Credit underwriting fees			**(225)**	(337)
LSL136.4 million project debt facility	South African JIBAR + 2.50%	31 May 2027	**4 922**	–
			4 370	8 340
Current				
LSL7.3 million insurance premium finance	2.35 %	Repaid 1 June 2022	–	305
ZAR3.5 million insurance premium finance	2.50 %	Repaid 1 June 2022	–	155
LSL20.0 million insurance premium finance	3.20 %	Repaid 1 June 2022	–	880
ZAR2.5 million insurance premium finance	3.55 %	1 April 2023	**60**	–
LSL30.0 million insurance premium finance	3.55 %	1 April 2023	**719**	–
LSL10.9 million insurance premium finance	3.55 %	1 May 2023	**262**	–
LSL215.0 million bank loan facility				
Tranche A	South African JIBAR + 6.75%	Repaid 30 September 2022	–	439
Tranche B	South African JIBAR + 3.15%	Repaid 31 March 2022	–	752
ZAR12.8 million asset-based finance facility	South African Prime Lending Rate	Repaid 15 July 2022	–	173
LSL136.4 million project debt facility	South African JIBAR + 2.50%	31 May 2027	**534**	–
			1 575	2 704

ZAR12.8 million (US$0.8 million) Asset-Based Finance facility

In January 2019, the Group, through its subsidiary, Gem Diamond Technical Services, entered into a ZAR12.8 million (US$0.8 million) Asset-Based Finance (ABF) facility with Nedbank Limited for the purchase of a mobile X-Ray transmission machine (the asset). On 15 July 2022, the facility was early settled. The facility had an interest rate of the South African Prime Lending Rate, which was 10.5% at 31 December 2022 (31 December 2021: 7.25%).

Total interest for the year on this interest-bearing ABF was US$13.3 thousand (31 December 2021: US$34 thousand).

LSL450.0 million and ZAR300.0 million (US$44.1 million) bank loan facility at Letšeng Diamonds

The Group, through its subsidiary Letšeng Diamonds, has a LSL450.0 million and ZAR300.0 million (US$44.1 million) three-year revolving credit facility jointly with Nedbank Lesotho Limited, Standard Lesotho Bank Limited, First National Bank of Lesotho Limited, Firstrand Bank Limited (acting through its Rand Merchant Bank division) and Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division).

The facility is secured (31 December 2021: unsecured) and expires on 22 December 2024 and has a 24-month renewal option. The LSL450.0 million facility is subject to interest at the Central Bank of Lesotho rate plus 3.25% and the ZAR300.0 million facility is subject to South African JIBAR plus 3.05%. There was no draw down on this facility at the current or prior year ends.

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

LSL450.0 million and ZAR300.0 million (US$44.1 million) bank loan facility at Letšeng Diamonds (continued)

The remaining balance of the credit underwriting fees of US$0.3 million (31 December 2021: US$0.5 million) which were incurred and capitalised to the Group's consolidated interest-bearing loans and borrowings as part of the prior year refinancing facility, albeit that Letšeng did not have any draw downs on its RCF at year end. The capitalised fees are amortised and accounted for as finance costs within profit or loss over the period of the facility.

US$30.0 million bank loan facility at Gem Diamonds Limited

This facility is a secured (31 December 2021: unsecured) three-year RCF with Nedbank Limited (acting through its London branch), Standard Bank of South Africa Limited (acting through its Isle of Man branch) and Firstrand Bank Limited (acting through its Rand Merchant Bank division) for US$13.5 million, US$9.0 million and US$7.5 million, respectively. All draw downs will be made in these ratios.

The facility expires on 22 December 2024 and has a 24-month renewal option.

At year end the facility was undrawn (31 December 2021: US$9.0 million) resulting in US$30.0 million (31 December 2021: US$21.0 million) being available for draw down. The remaining balance of the previously capitalised credit underwriting fees is US$0.2 million (31 December 2021: US$0.3 million) at year end. The capitalised fees will be amortised and accounted for as finance costs within profit or loss over the period of the facility.

The US$-based interest rate for this facility at 31 December 2022 was 8.7% (31 December 2021: 6.72%) which comprises term US$ three-month LIBOR plus 5.00% (31 December 2021: US$ three-month LIBOR plus 6.50%). The decrease in the margin of 6.50% to 5.00% follows the security implementation on 15 March 2022. As part of the Group's refinancing programme, on 30 November 2022, the contractual terms of this LIBOR linked facility transitioned from the US$ three-month LIBOR rate to term Secured Overnight Financing Rate (SOFR), effective on all interest periods from 1 January 2023. The transition from LIBOR to SOFR had no impact on the Group financial statements as the transition is as a direct consequence of the IBOR reform and the new basis for determining the contractual cash flows is and will be economically equivalent to the basis immediately preceding the change and therefore the Group applied the practical expedient available within the IBOR Phase 2 amendments and changed the basis for determining the contractual cash flows prospectively from 1 January 2023 by revising the effective interest rate.

Total interest for the year on this interest-bearing RCF was US$1.1 million (31 December 2021: US$1.0 million).

LSL136.4 million (US$8.0 million) project debt facility at Letšeng Diamonds

The loan is an unsecured project debt facility which was signed jointly with Nedbank and the ECIC on 29 November 2022 to fund the replacement of the primary crushing area (PCA) at Letšeng. The loan is repayable in equal quarterly payments commencing in November 2023. The outstanding balance at year end was ZAR92.8 million (US$5.4 million). This loan expires on 27 May 2027.

The South African rand-based interest rates for the facility at 31 December 2022 was 9.76% which comprises JIBAR plus 2.50%.

Total interest for the year on this interest-bearing loan was US$15.6 thousand.

LSL7.3 million (US$ 0.4 million) insurance premium finance

In the prior year, the Group through its subsidiary Letšeng Diamonds, entered into a LSL7.3million (US$0.4 million) 9-month funding agreement with Premium Finance Partners (Proprietary) Limited for insurance premium finance for its annual Asset All Risk insurance premium. In the prior year, all respective insurance premiums prepaid were ceded in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 12, Receivables and other assets This financing was fully repaid on 1 June 2022.

ZAR3.5 million (US$ 0.2 million) insurance premium finance

In the prior year, the Group through its subsidiary Gem Diamonds Technical Services, entered into a ZAR3.5 million (US$0.2 million) 10-month funding agreement with Premium Finance Partners (Proprietary) Limited for its annual Group Umbrella Liability insurance premium. In the prior year, all respective insurance premiums prepaid were ceded in favour of Premium Finance Partners (Proprietary) Limited. . This financing was fully repaid on 1 June 2022.

LSL20.0 million (US$ 1.2 million) insurance premium finance for Multi-aggregate Protection Insurance Policy

In the prior year, the Group through its subsidiary Letšeng Diamonds, entered into a LSL20.0 million (US$1.2 million) 10-month funding agreement with Premium Finance Partners (Proprietary) Limited to finance the initial premium of LSL20.0 million on the Multi-aggregate Insurance Policy. In the prior year, all respective insurance premiums prepaid were ceded in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 12, Receivables and other assets. This financing was fully repaid on 1 June 2022.

LSL30.0 million (US$ 1.8 million) insurance premium finance for Multi-aggregate Protection Insurance Policy

The Group through its subsidiary Letšeng Diamonds, entered into a LSL30.0 million (US$1.8 million) 10-month funding agreement with Premium Finance Partners (Proprietary) Limited to finance the second premium of LSL30.0 million on the Multi-aggregate Insurance Policy. At year end LSL12.4 million (US$0.7 million) remains outstanding. The funding is repayable in 10 monthly instalments, payable in advance. Total interest on this funding is LSL1.1 million (US$62.6 thousand) of which LSL0.9 million (US$53.1 thousand) was paid during the year. The unutilised premium paid, recognised as an insurance asset, has been ceded as security in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 12, Receivables and other assets.

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

LSL10.9 million (US$ 0.7 million) insurance premium finance

The Group through its subsidiary Letšeng Diamonds, entered into a LSL10.9 million (US$0.6 million) 10-month funding agreement with Premium Finance Partners (Proprietary) Limited for insurance premium finance for its annual Asset All Risk insurance premium. At year end LSL4.5million (US$0.3 million) remains outstanding. The funding is repayable in 10 monthly instalments, payable in advance. Total interest on this funding is LSL0.4 million (US$23.7 thousand) of which LSL0.3 million (US$19.4 thousand) was paid during the year. All respective insurance premiums prepaid at year end have been ceded in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 12, Receivables and other assets.

Other facilities

Letšeng Diamonds has a ZAR100.0 million (US$5.9 million) general banking facility with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) renewable annually. There was no draw down on this facility in the current or prior years.

The bank loan facilities include an additional US$20.0 million accordion option for Gem Diamonds, the utilisation of which is subject to all necessary internal credit and other approvals from all funders. There was no utilisation of this facility in the current or prior years.

18. LEASE LIABILITIES

	2022 US$'000	2021 US$'000
Non-current	**6 021**	3 851
Current	**1 877**	973
Total lease liabilities	**7 898**	4 824
Reconciliation of movement in lease liabilities		
As at 1 January	**4 824**	6 738
Additions	**5 287**	507
Interest expense	**666**	525
Lease payments	**(2 512)**	(2 185)
Derecognition of lease	**–**	(352)
Foreign exchange differences	**(367)**	(409)
As at 31 December	**7 898**	4 824

Lease payments comprise payments in principle of US$1.8 million (31 December 2021: US$1.7 million) and repayments of interest of US$0.7 million (31 December 2021: US$0.5 million).

During the year, the Group recognised variable lease payments of US$39.5 million (31 December 2021: US$50.0 million), which consist of mining activities outsourced to a mining contractor. Total costs incurred for the year amount to US$39.5 million (31 December 2021: US$50.0 million) of which US$28.4 million (31 December 2021: US$41.5 million) has been capitalised to the Stripping Asset. Refer Note 1.2.6, Property Plant and equipment, Note 1.2.28, Critical accounting estimates and judgements, Equipment and service lease and Note 4, Operating profit.

During the year, a new lease contract for backup power generating equipment at Letšeng was entered into. This lease contains residual value guarantees of US$42 thousand (31 December 2021: nil) which represents the cost to decommission and return the power generating equipment to the supplier at the end of the lease term. Refer Note 9, Right-of-use assets for details on new leases entered into and leases derecognised during the year.

The Group incurred rental expenses from short-term leases of US$62 thousand (31 December 2021: nil) during the year.

19. TRADE AND OTHER PAYABLES

	2022 US$'000	2021 US$'000
Non-current		
Severance pay benefits[1]	**2 169**	2 095
Current		
Trade payables[2]	**10 888**	10 778
Accrued expenses[2]	**5 884**	5 413
Leave benefits	**625**	639
Royalties[2]	**1 936**	4 996
Withholding taxes[2]	**230**	341
Other	**145**	21
	19 708	22 188

[1] *The severance pay benefits arise due to legislation within the Lesotho jurisdiction, requiring that two weeks of severance pay be provided for every completed year of service, payable on retirement.*

[2] *These amounts are mainly non-interest bearing and are settled in accordance with terms agreed between the parties.*

Royalties consist of a levy payable to the Government of the Kingdom of Lesotho on the value of diamonds sold by Letšeng. Withholding taxes mainly consist of taxes payable on dividends and other services to the Lesotho Revenue Authority.

The carrying amounts above approximate fair value.

20. INCOME TAX (RECEIVABLE)/PAYABLE

	2022 US$'000	2021 US$'000
Reconciliation of movement in income tax (receivable)/payable		
As at 1 January	**(1 191)**	11 834
Payments made during the year	**(8 435)**	(23 329)
Refunds received during the year	**1 187**	96
Income tax charge	**6 054**	10 197
Foreign exchange differences	**117**	11
As at 31 December	**(2 268)**	(1 191)
Split as follows		
Income tax receivable	**(2 323)**	(1 232)
Income tax payable	**55**	41

21. PROVISIONS

	2022 US$'000	2021 US$'000
Rehabilitation provisions	**15 387**	11 202
Reconciliation of movement in rehabilitation provisions		
As at 1 January - Letšeng	**11 202**	12 331
Additions - Ghaghoo (Note 15)	**3 654**	–
Decrease in provision - Ghaghoo	**(573)**	–
Other movements - Letšeng	**858**	(1 345)
Unwinding of discount rate	**1 284**	1 187
Foreign exchange differences	**(1 038)**	(971)
As at 31 December	**15 387**	11 202

21. PROVISIONS (continued)

Rehabilitation provisions

The provisions have been recognised as the Group has an obligation for rehabilitation of the mining areas. The provisions have been calculated based on total estimated rehabilitation costs, discounted back to their present values over the estimated rehabilitation period at the mining operations. The pre-tax discount rates are adjusted annually and reflect current market assessments.

In determining the amounts attributable to the rehabilitation provision at Letšeng, management used a discount rate of 11.5% (31 December 2021: 9.8%), estimated rehabilitation timing of 13 years (31 December 2021: 14 years) and an inflation rate of 7.0% (31 December 2021: 5.3%). The increase in the provision at Letšeng is mainly attributable to the annual reassessment of the estimated closure costs performed at the operations together with the ongoing rehabilitation spend during the year at Letšeng.

At Ghaghoo, which continued its care and maintenance state, an independent rehabilitation assessment was performed during the year based on the rehabilitation costs of certain areas of the mine which are expected to be rehabilitated. It is anticipated that certain infrastructure, such as access roads to the mine, paving and walkways, will remain intact for use by the local communities and other government departments in the area.

In determining the amounts attributable to the rehabilitation provision at Ghaghoo, management used a discount rate of 6.0% (31 December 2021: 6.0%), estimated rehabilitation timing of 5 years (31 December 2021: 5 years) and an inflation rate of 4.8% (31 December 2021: 4.0%). The decrease in the provision at Ghaghoo is mainly attributable to the reduced rehabilitation required caused by the access road exclusion and a change in method of rehabilitating the processing waste deposit and evaporation dams, together with the ongoing rehabilitation spend during the year.

22. DEFERRED TAXATION

	2022 US$'000	2021 US$'000
Deferred tax assets		
Lease liabilities	**1 590**	1 225
Accrued leave	**412**	321
Provisions	**3 992**	3 571
	5 994	5 117
Deferred tax liabilities		
Property plant and equipment	**(79 021)**	(78 202)
Right of use assets	**(1 347)**	(900)
Prepayments	**(84)**	(188)
Unremitted earnings	**(1 578)**	(3 182)
	(82 030)	(82 472)
Net deferred tax liability	**(76 036)**	(77 355)
Reconciliation of net deferred tax liability		
As at 1 January	**(77 355)**	(78 192)
Movement in current period:		
- Accelerated depreciation for tax purposes	**(5 321)**	(4 249)
- Accrued leave	**4**	(2)
- Unremitted earnings	**1 604**	–
- Prepayments	**102**	30
- Provisions	**779**	(429)
- Lease liabilities	**459**	(350)
- Right-of-use assets	**(494)**	273
- Foreign exchange differences	**4 186**	5 564
As at 31 December	**(76 036)**	(77 355)

The Group has not recognised a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries because it is able to control the timing of dividends and only part of the temporary difference is expected to reverse in the foreseeable future. The gross temporary difference in respect of the undistributed reserves of the Group's subsidiaries for which a deferred tax liability has not been recognised is US$134.3 million (31 December 2021: US$99.5 million). The deferred tax liability on unremitted earnings is based on the timing of expected dividends from the Group's subsidiaries over the next three years. There are no income tax consequences attached to the payment of dividends by Gem Diamonds Limited to its shareholders.

22. DEFERRED TAXATION (continued)

The Group, excluding Gem Diamonds Botswana, has estimated tax losses of US$47.6 million (31 December 2021: US$40.3 million). All tax losses are generated in jurisdictions where tax losses do not expire. No deferred tax assets were recognised on these losses as management does not foresee any taxable profits or taxable temporary differences against which to utilise these.

Gem Diamonds Botswana has estimated tax losses of US$175.8 million (31 December 2021: US$173.0 million), which carry no expiry date, for which no deferred tax asset has been recognised.

23. CASH FLOW NOTES

		Notes	2022 US$'000	2021 US$'000
23.1	**Cash generated by operations**			
	Profit before tax for the year		**30 432**	42 915
	Adjustments for:			
	Depreciation and amortisation excluding waste stripping		**6 588**	6 927
	Depreciation on right-of-use assets	4, 9	**1 818**	1 685
	Waste stripping cost amortised	4	**36 285**	46 813
	Finance income	5	**(413)**	(202)
	Finance costs	5	**4 502**	4 165
	Unrealised foreign exchange differences		**(1 911)**	(2 426)
	Profit on disposal and scrapping of property, plant and equipment	3	**(195)**	(16)
	Gain on derecognition of leases		**–**	(107)
	Write-down of inventories to net realisable value		**1 556**	1 455
	Bonus, leave and severance provisions raised		**3 182**	2 284
	Share-based payments		**253**	397
	Impairment of assets	4, 15	**702**	–
	Bad debts written off		**–**	12
			82 799	103 902
23.2	**Working capital adjustment**			
	Increase in inventory		**(3 747)**	(8 255)
	(Increase)/decrease in receivables		**(1 465)**	5 072
	Decrease in payables		**(4 677)**	(3 924)
			(9 889)	(7 107)
23.3	**Cash flows from financing activities (excluding lease liabilities)**			
	As at 1 January		**11 044**	16 087
	Net cash used in financing activities		**(7 734)**	(7 194)
	– Financial liabilities repaid		**(17 627)**	(26 393)
	– Financial liabilities raised		**9 893**	19 199
	Interest paid		**(2 263)**	(1 927)
	Non-cash movements		**4 898**	4 078
	– Interest accrued		**2 263**	1 927
	– Amortisation/unwinding of facility rolling fees		**284**	300
	– Financial liabilities raised [1]		**2 654**	2 082
	– Foreign exchange differences		**(303)**	(231)
	As at 31 December	17	**5 945**	11 044

[1] *This amount mainly relates to funding obtained for insurance premium finance. The funding was paid directly by the lender to the third party and is being repaid by the Group in monthly instalments to the lender. Refer Note 17, Interest-bearing loans and borrowings.*

	2022 US$'000	2021 US$'000
24. COMMITMENTS AND CONTINGENCIES		
Commitments		
Mining leases		
Mining lease commitments represent the Group's future obligation arising from agreements entered into with local authorities in the mining areas that the Group operates.		
The period of these commitments is determined as the lesser of the term of the agreement, including renewable periods, or the LoM. The estimated lease obligation regarding the future lease period, accepting stable inflation and exchange rates, is as follows:		
– Within one year	**187**	145
– After one year but not more than five years	**847**	760
– More than five years	**809**	784
	1 843	1 689
Equipment and service lease		
The Group has entered into lease arrangements for the provision of loading, hauling and other transportation services payable at a fixed rate per tonne of ore and waste mined; power generator equipment payable based on a consumption basis; and rental agreements for various mining equipment based on the fleet utilised. All lease payments relating to this lease are variable in nature. A portion of the lease payment is therefore expensed in the Consolidated statement of profit or loss and the portion relating to waste removal/stripping costs is capitalised to the waste stripping asset in the proportions referred to under the estimate and judgements applied to the Capitalised stripping costs (deferred waste). Refer Note 1.2.28, Critical accounting estimates. The terms of this lease are negotiated during the extension option periods catered for in the agreements or at any time sooner if agreed by both parties.		
– Within one year	**32 645**	39 290
– After one year but not more than five years	**32 514**	89 241
	65 159	128 531
Multi-aggregate protection policy		
During the prior year, the Group, through its subsidiary Letšeng entered into a LSL100.0 million (US$5.9 million) Multi-aggregate Protection Insurance Policy with the Lesotho National Insurance Group (LNIGC). The policy has a tenure of 4 years and 9 months and consists of five premium payments each payable annually in advance. On 1 August 2022 the policy was increased to LSL140.0 million (US$8.2 million) and the premium payments were increased to LSL30.0 million (US$1.8 million) for the remainder of the policy. As at 31 December 2022 the Group has committed to settle the three remaining premium payments, as well as the annual insurance risk finance service fee of 7% of the annual premium and the surplus reserve finance cost fee of 1.5% on the cumulative net premiums surplus balance carried over each year. These fees are either deductible from premium or payable upfront at the option of Letšeng. The Group has elected to deduct the fees from the annual premiums, therefore there is no additional cash commitment relating to these fees and the future cash flow commitments are stated at the future premiums payable over the remaining insurance period. Refer Note 12, Receivables and other assets for further detail on the policy.		
– Within one year	**1 763**	1 253
– After one year but not more than five years	**3 526**	3 759
	5 289	5 012
Letšeng Diamonds Educational Fund		
In terms of the mining agreement entered into between the Group and the Government of the Kingdom of Lesotho, the Group has an obligation to provide funding for education and training scholarships. The quantum of such funding is at the discretion of the Letšeng Diamonds Education Fund Committee.		
– Within one year	**68**	54
– After one year but not more than five years	**103**	64
	171	118
Capital expenditure		
Approved but not contracted for	**8 676**	19 335
Approved and contracted for	**5 999**	855
	14 675	20 190

24. COMMITMENTS AND CONTINGENCIES (continued)

The main capital expenditure approved relates to the Underground Feasibility Study of US$4.5 million and the balance of the investment in the new PCA at Letšeng of US$2.6 million (31 December 2021: US$15.0 million). Other smaller capital expenditure, all at Letšeng, relates to the construction of a bioremediation plant of US$1.6 million, investment in continued tailings storage extension of US$1.1 million (31 December 2021: US$1.3 million) and the replacement of the Plant 1 scrubber of US$1.0 million. The expenditure is expected to be incurred over the next 12 months.

Contingent rentals – Alluvial Ventures

The contingent rentals represent the Group's obligation to a third party (Alluvial Ventures) for operating a third plant on the Group's mining property at Letšeng Diamonds. The rental is determined when the actual diamonds mined by Alluvial Ventures are sold. The agreement is based on 39.5% to 60% (2021: 39.5% to 60%) of the value (after costs) of the diamonds recovered by Alluvial Ventures and is limited to US$1.4 million (2021: US$1.4 million) per individual diamond. The Alluvial Ventures contract expired at the end of June 2022 and all liabilities settled. There was therefore no contingent rental at the reporting date.

Contingencies

The Group has conducted its operations in the ordinary course of business in accordance with its understanding and interpretation of commercial arrangements and applicable legislation in the countries where the Group has operations. In certain specific transactions, however, the relevant third party or authorities could have a different interpretation of those laws and regulations that could lead to contingencies or additional liabilities for the Group. Having consulted professional advisers, the Group has identified possible disputes approximating US$0.3 million (December 2021: US$0.2 million) relating mainly to labour matters.

The Group monitors possible tax claims within the various jurisdictions in which the Group operates. Management applies judgement in identifying uncertainties over tax treatments and concluded that there were no uncertain tax treatments relating to the current year. Refer Note 1.2.28, Critical accounting estimates and judgements. There remains a risk that further tax liabilities may potentially arise. While it is difficult to predict the ultimate outcome in some cases, the Group does not anticipate that there will be any material impact on the Group's results, financial position or liquidity.

25. RELATED PARTIES

Related party	Relationship
Jemax Management (Proprietary) Limited	Common director
Government of the Kingdom of Lesotho	Non-controlling interest

Refer Note 1.1.2, Operational information, for information regarding shareholding in subsidiaries.

	2022 **US$'000**	2021 US$'000
Compensation to key management personnel (including Directors)		
Share-based equity transactions	**204**	248
Short-term employee benefits	**3 874**	4 500
Post-employment benefits (including severance pay and pension)	**203**	152
	4 281	4 900
Fees paid to related parties		
Jemax Management (Proprietary) Limited	**(84)**	(93)
Royalties paid to related parties		
Government of the Kingdom of Lesotho	**(18 869)**	(20 214)
Lease and licence payments to related parties		
Government of the Kingdom of Lesotho	**(38)**	(70)
Sales to/(purchases from) related parties		
Jemax Management (Proprietary) Limited	**(5)**	(6)
Non-executive director	**–**	11
Amount included in trade payables owing to related parties		
Jemax Management (Proprietary) Limited	**(7)**	(8)
Amounts owing to related party		
Government of the Kingdom of Lesotho	**(2 163)**	(5 337)
Dividends declared		
Government of the Kingdom of Lesotho	**(10 549)**	(3 890)

Jemax Management (Proprietary) Limited provided administrative services with regards to the mining activities undertaken by the Group. A controlling interest is held by an Executive Director of the Company.

The transaction relating to the non-Executive Director in the prior year was for the sale of a polished diamond. All proceeds were received prior to the previous year end.

The above transactions were made on terms agreed between the parties and were made on terms that prevail in arm's length transactions.

26. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks:

- market risk (including commodity price risk, foreign exchange risk and interest rate risk);
- credit risk; and
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

There have been no changes to the financial risk management policy since the prior year.

Capital management

For the purpose of the Group's capital management, capital includes the issued share capital, share premium and liabilities on the Group's statement of financial position. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, buy back its shares, or restructure its debt facilities. The management of the Group's capital is performed by the Board.

The Group's capital management, among other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants in the current year.

At 31 December 2022, the Group had US$82.6 million (31 December 2021: US$74.3 million) of undrawn debt facilities and continues to have the flexibility to manage the capital structure more efficiently by the use of these debt facilities, thus ensuring that an appropriate gearing ratio is achieved.

Refer Note 17, Interest-bearing loans and borrowings for detail on the debt facilities within the Group.

a) Market risk

(i) Commodity price risk

The Group is subject to diamond price risk. Diamonds are not homogeneous products and the price of rough diamonds is not monitored on a public index system. The fluctuation of prices is related to certain features of diamonds such as quality and size. Diamond prices are marketed in US dollar and long-term US dollar per carat prices are based on external market consensus forecasts. The Group does not have any financial instruments that may fluctuate as a result of commodity price movements.

(ii) Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Lesotho loti, South African rand and Botswana pula. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's sales are denominated in US dollar which is the functional currency of the Company, but not the functional currency of all its operations.

The currency sensitivity analysis below is based on the following assumptions:

- Differences resulting from the translation of the financial statements of the subsidiaries into the Group's presentation currency of US dollar, are not taken into consideration;
- The major currency exposures for the Group relate to the US dollar and local currencies of subsidiaries. Foreign currency exposures between two currencies where one is not the US dollar are deemed insignificant to the Group and have therefore been excluded from the sensitivity analysis; and
- The analysis of the currency risk arises because of financial instruments which are denominated in a currency that is not the functional currency of the relevant Group entity. The sensitivity has been based on financial assets and liabilities at 31 December 2022 and 31 December 2021.

There has been no change in the assumptions or method applied from the prior year.

Sensitivity analysis

At year-end, Letšeng had only US$40.4 thousand (2021: US$22.1 million) cash on hand held in US$. If the US dollar had appreciated/(depreciated) by 10% against the LSL, the Group's profit before tax and equity at 31 December 2022 would have been US$3.4 thousand higher/(lower) (31 December 2021: US$2.4 million).

26. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

a) Market risk (continued)

(iii) Forward exchange contracts

From time to time, the Group enters into forward exchange contracts to hedge the exposure to changes in foreign currency of future sales of diamonds at Letšeng Diamonds. The Group performs no hedge accounting. At 31 December 2022, the Group had no forward exchange contracts outstanding (31 December 2021: nil).

(iv) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's cash flow interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. At the time of taking new loans or borrowings, management uses its judgement to decide whether it believes that a fixed or variable rate borrowing would be more favourable to the Group over the expected period until maturity.

Sensitivity analysis
If the interest rates on the interest-bearing loans and borrowings (increased)/decreased by 100 basis points (2021: 80 basis points) during the year, profit before tax and equity would have been US$0.1 million (lower)/higher 31 December 2021: US$0.1 million). The assumed movement in basis points is based on the currently observable market environment, with eased COVID-19 impact, which has increased interest rates compared to the prior year, and also assumed a continued impact on rising interest rates caused by the Russian invasion of Ukraine.

(b) Credit risk

The Group's potential concentration of credit risk consists mainly of cash deposits with banks, trade receivables, insurance asset and other receivables. The Group's short-term cash surpluses are placed with banks that have investment grade ratings, to minimise the exposure to credit risk to the lowest level possible from the perspective of the Group's cash and cash equivalents. The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the reporting dates.

The Group considers the credit standing of counterparties when making deposits to manage the credit risk.

Considering the nature of the Group's ultimate customers and the relevant terms and conditions entered into with such customers, the Group believes that credit risk is limited as the customers pay and settle their accounts on the date of receipt of goods.

The Group's insurance premiums are placed with insurers and underwriters that have high-quality credit standings, to minimise the exposure to credit risk to the lowest level possible from the perspective of the Group's insurance asset.

No other financial assets are impaired or past due and accordingly, no additional ECL or credit risk analysis has been provided.

The Group did not hold any form of collateral or credit enhancements for its credit exposures during the 31 December 2022 and 31 December 2021 financial reporting periods.

(c) Liquidity risk

Liquidity risk arises from the Group's inability to obtain the funds it requires to comply with its commitments including the inability to realise a financial asset in a short period of time at a price close to its fair value. Management manages the risk by maintaining sufficient cash and marketable securities and ensuring access to financial institutions and shareholding funding. This ensures flexibility in maintaining business operations and maximises opportunities. The Group has available undrawn debt facilities of US$82.6 million at year end (2021: US$74.3 million).

26. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

(c) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments. The prior period excludes the liabilities directly associated with assets held for sale:

	2022 US$'000	2021 US$'000
Floating interest rates		
Interest-bearing loans and borrowings		
– Within one year	**2 317**	2 758
– After one year but not more than five years	**8 805**	8 856
Total	**11 122**	11 614
Lease liabilities		
– Within one year	**2 332**	1 459
– After one year but not more than five years	**6 161**	4 282
– After five years	**448**	–
Total	**8 941**	5 741
Trade and other payables		
– Within one year	**19 708**	22 188
– After one year but not more than five years	**2 169**	2 095
Total	**21 877**	24 283

27. SHARE-BASED PAYMENTS

	2022 US$'000	2021* US$'000
The expense recognised for employee services received during the year is shown in the following table:		
Equity-settled share-based payment transactions charged to the statement of profit or loss	**253**	397

** The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period. Refer Note 15, Assets held for sale.*

The long-term incentive plans are described below:

Long-term incentive plan (LTIP)

Certain key employees are entitled to a grant of options, under the LTIP of the Company. The vesting of the options is dependent on employees remaining in service for a prescribed period (normally three years) from the date of grant. The fair value of share options granted is estimated at the date of the grant using an appropriate simulation model, taking into account the terms and conditions upon which the options were granted. It takes into account projected dividends and share price fluctuation co-variances of the Company.

There is a nil exercise price for the options granted. The contractual life of the options is 10 years and there are no cash settlement alternatives. The Company has no past practice of cash settlement.

The Company's LTIP policy is reviewed every 10 years.

27. SHARE-BASED PAYMENTS (continued)

LTIP 2007 Award

Under the 2007 LTIP rules, there are three awards where options are still outstanding.

All these awards were awarded on the following basis:

To key employees (excluding Executive Directors):

- the awards vest over a three-year period in tranches of a third of the award each year;
- the vesting of the award is dependent on service conditions and certain performance targets being met for the same three-year period (classified as non-market conditions). These non-market condition awards are referred to as Nil Value options in the tables below;
- if the performance or service conditions are not met, the options lapse;
- the performance conditions relating to the non-market conditions are not reflected in the fair value of the award at grant date;
- once the awards vest, they are exercisable for seven years (ie contractual term is 10 years); and
- the vested awards are equity settled.

To Executive Directors:

- the awards vest over a three-year period;
- the vesting of the award is dependent on service conditions and both market and non-market performance conditions;
- 75% of the awards granted are subject to non-market conditions (referred to as Nil Value options in tables below) and 25% to market conditions (referred to as Market Value options in tables below) by reference to the Company's total shareholder return (TSR) as compared to a group of principal competitors;
- if the performance or service conditions are not met, the options lapse;
- the performance conditions relating to the non-market conditions are not reflected in the fair value of the award at grant date;
- once the awards vest, they are exercisable for seven years (ie contractual term is 10 years); and
- the vested awards are equity settled.

The fair value of the Nil value awards is based on the observable Gem Diamonds Limited share price on the date of award with no adjustments to the price made.

The following table reflects details of all the awards within the 2007 LTIP that remain outstanding:

	LTIP March 2016	LTIP April 2015	LTIP March 2014
Number of options granted – Nil value	1 215 000	1 215 000	625 000
Number of options granted – Market value	185 000	185 000	–
Date exercisable	15 March 2019	1 April 2018	19 March 2017
Options outstanding	34 287	5 000	5 000
Dividend yield (%)	2.00	2.00	–
Expected volatility (%) [1]	39.71	37.18	–
Risk-free interest rate (%)[2]	0.97	1.16	–
Expected life of option (years)	3.00	3.00	3.00
Exercise price (US$)	nil	nil	nil
Exercise price (GBP)	nil	nil	nil
Weighted average share price (US$)	1.56	2.10	2.87
Fair value of nil value options (US$)	1.40	1.97	2.87
Fair value of nil value options (GBP)	0.99	1.33	1.74
Fair value of market value options (US$)	0.69	1.18	–
Fair value of market value options (GBP)	0.49	0.80	–
Model used	Monte Carlo	Monte Carlo	–

[1] *Expected volatility was based on the average annual historic volatility of the Company's share price over the previous three years.*
[2] *The relevant risk-free interest rate is taken from a UK Treasury Bond issued which closely matches the lifetime of the option.*

27. SHARE-BASED PAYMENTS (continued)

LTIP 2017 Award

Under the 2017 LTIP rules, there are five awards where options are still outstanding.

All the awards were issued on the same basis as the 2007 LTIP.

LTIP 2017 Award – April 2022

On 4 April, 165 930 nil-cost options were granted to certain key employees of the Company. In addition, 841 168 nil-cost options were granted to certain executive employees and the Executive Directors on the same basis as the 2007 LTIP. These options were granted in line with the introduction of the Gem Diamonds Incentive Plan (GDIP) in the prior year, which integrates annual bonus awards with awards under the LTIP. The options, which vest in tranches of one-third per annum commencing on 4 April 2023, are exercisable between the respective vesting dates and 3 April 2032. The fair value of these awards is based on the observable Gem Diamonds Limited share price on the date of award with no adjustments to the price made.

This new award was made under predominantly the same basis as the 2007 LTIP, with the following differences:

To key employees (excluding Executive Directors):

- the number of awards granted are determined on the Group's performance in the preceding financial year in terms of the Gem Diamonds Incentive Plan (GDIP) introduced in 2021;
- the vesting of the award is dependent only on service conditions. There are no future performance conditions attached to the award;
- if the service conditions are not met, the options lapse;
- the fair value of the awards is based on the observable Gem Diamonds Limited share price on the date of award with no adjustments to the price made; and
- the awards are subject to malus and clawback.

To Executive Directors as a bonus share award:

- the number of awards granted are determined on the Group's performance in the preceding financial year in terms of the Gem Diamonds Incentive Plan (GDIP) introduced in 2021;
- the vesting of the award is dependent only on service conditions. There are no future performance conditions attached to the award;
- if the service conditions are not met, the options lapse;
- the fair value of the awards is based on the observable Gem Diamonds Limited share price on the date of award with no adjustments to the price made;
- the awards have a two-year holding period from the respective vesting dates and are exercisable for 10 years from the award date; and
- the awards are subject to malus and clawback.

27. SHARE-BASED PAYMENTS (continued)

LTIP 2017 Award - April 2022 (continued)

The following table reflects details of all the awards within the 2017 LTIP that remain outstanding:

	LTIP April 2022	LTIP June 2020	LTIP March 2019	LTIP March 2018	LTIP July 2017
Number of options granted – Nil value	1 007 098	1 069 000	1 160 500	1 265 000	1 150 000
Number of options granted – Market value	–	180 000	142 500	185 000	185 000
Date exercisable	4 April 2023	9 June 2023	20 March 2022	20 March 2021	4 July 2020
Options outstanding	994 308	1 023 061	278 679	249 799	58 642
Dividend yield (%)	–	–	–	–	2.00
Expected volatility (%)[1]	n/a	47.00	43.00	40.00	40.21
Risk-free interest rate (%)[2]	n/a	0.34	1.20	1.20	0.67
Expected life of option (years)	3.00	3.00	3.00	3.00	3.00
Exercise price (US$)	nil	nil	nil	nil	nil
Exercise price (GBP)	nil	nil	nil	nil	nil
Weighted average share price (US$)	0.74	0.39	1.20	1.35	1.24
Fair value of nil value options (US$)	0.74	0.39	1.20	1.35	1.11
Fair value of nil value options (GBP)	0.58	0.31	0.90	0.96	0.86
Fair value of market value options (US$)	–	0.19	0.58	0.74	0.72
Fair value of market value options (GBP)	–	0.15	0.44	0.53	0.56
Model used	n/a	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

[1] *Expected volatility was based on the average annual historic volatility of the Company's share price over the previous three years.*

[2] *The relevant risk-free interest rate is taken from a UK Treasury Bond issued which closely matches the lifetime of the option.*

27. SHARE-BASED PAYMENTS (continued)

LTIP 2017 Award - April 2022 (continued)

The following table illustrates the number ('000) and movement in the outstanding share options during the year:

	2022 US$'000	2021 US$'000
Outstanding as at 1 January	**2 453**	3 887
Granted during the year	**1 007**	–
Exercised during the year[1]	**(394)**	(855)
Forfeited	**(418)**	(579)
As at 31 December	**2 648**	2 453
Exercisable as at 31 December	**635**	454

[1] *Options were exercised regularly throughout the year. The weighted average share price during the year was £0.45 (US$0.55) (2021: £0.60 (US$0.83)).*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 was 7.6 years (2021: 7.5 years).

The weighted average fair value of the share options outstanding as at 31 December 2022 was US$0.48 (2021: US$0.65).

ESOP

In September 2017, 47 200 shares which were previously held in the Company Employee Share Trust were granted to certain key employees involved in the Business Transformation of the Group. The Company Employee Share Trust was deregistered in 2017 following the grant of these shares. The fair value of the award was valued at the share price of the Company at the date of the award of £0.71 (US$0.96). These shares vested on 18 March 2019 and became immediately exercisable. The fair value of these outstanding awards at 31 December 2022 was £0.33 (US$0.39) (2021: £0.47 (US$0.65)). The shares outstanding at the end of the year are as follows:

	2022 US$'000	2021 US$'000
Outstanding as at 1 January	**10**	17
Exercised during the year	**–**	(7)
As at 31 December	**10**	10
Exercisable as at 31 December	**10**	10

28. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than the current portions of the prepayment disclosed in Note 12, Receivables and other assets, which do not meet the criteria of a financial asset.

	Notes	2022 US$'000	2021 US$'000
Financial assets at amortised cost			
Cash	14	**8 721**	30 913
Cash – assets held for sale	15	**–**	144
Receivables and other assets	12	**6 421**	4 398
Receivables and other assets – assets held for sale	15	**–**	45
Total		**15 142**	35 500
Total non-current		**2 916**	1 278
Total current		**12 226**	34 222
Financial liabilities at amortised cost			
Interest-bearing loans and borrowings	17	**5 945**	11 044
Trade and other payables	19	**21 877**	24 279
Trade and other payables – liabilities directly associated with assets held for sale	15	**–**	446
Total		**27 822**	35 769
Total non-current		**6 539**	10 435
Total current		**21 283**	25 334

The carrying amounts of the Group's financial instruments held approximate their fair value.

There were no open hedges at year end (2021: nil).

29. DIVIDENDS DECLARED AND PROPOSED

	2022 US$'000	2021 US$'000
Declared dividends on ordinary shares		
Final ordinary cash dividend for 2021: 2.7 US cents per share (2020: 2.5 US cents per share)	**3 771**	3 509

The 2021 proposed dividend was approved on 8 June 2022 and a final cash dividend of 2.7 US cents per share was paid to shareholders on 21 June 2022.

The 2020 proposed dividend was approved on 2 June 2021 and a final cash dividend of 2.5 US cents per share was paid to shareholders on 15 June 2021.

30. EVENTS AFTER THE REPORTING PERIOD

No other fact or circumstance has taken place between the end of the reporting period and the approval of the financial statements which, in our opinion, is of significance in assessing the state of the Group's affairs or requires adjustments or disclosures.

31. MATERIAL PARTLY OWNED SUBSIDIARY

Financial information of Letšeng Diamonds, a 70% held subsidiary which has a material non-controlling interest, with the remaining 30% being held by the Government of the Kingdom of Lesotho, is provided below.

		2022 US$'000	2021 US$'000
Name	Country of incorporation and operation		
Letšeng Diamonds (Proprietary) Limited	Lesotho		
Accumulated balances of material non-controlling interest		**69 822**	76 845
Profit allocated to material non-controlling interest		**9 786**	12 458
The summarised financial information of this subsidiary is provided below. This information is based on amounts before intercompany eliminations.			
Summarised statement of profit or loss for the year ended 31 December			
Revenue		**186 087**	198 510
Cost of sales		**(123 793)**	(120 751)
Gross profit		**62 294**	77 759
Royalties and selling costs		**(19 571)**	(20 879)
Other income		**2 133**	1 110
Operating profit		**44 856**	57 990
Net finance costs		**(2 590)**	(2 470)
Profit before tax		**42 266**	55 520
Income tax expense		**(9 647)**	(13 993)
Profit for the year		**32 619**	41 527
Total comprehensive income		**32 619**	41 527
Attributable to non-controlling interest		**9 786**	12 458
Dividends paid to non-controlling interest		**(10 549)**	(6 685)
Summarised statement of financial position as at 31 December			
Assets			
Non-current assets			
Property, plant and equipment, deferred tax assets, intangible assets and receivables and other assets		**317 550**	313 028
Current assets			
Inventories, receivables and other assets, and cash and short-term deposits		**39 231**	61 455
Total assets		**356 781**	374 483
Non-current liabilities			
Interest-bearing loans and borrowings, trade and other payables, provisions, lease liabilities and deferred tax liabilities		**104 118**	95 261
Current liabilities			
Interest-bearing loans and borrowings, trade and other payables and lease liabilities		**19 923**	23 072
Total liabilities		**124 041**	118 333
Total equity		**232 740**	256 150
Attributable to:			
Equity holders of parent		**162 918**	179 305
Non-controlling interest		**69 822**	76 845
Summarised cash flow information for the year ended 31 December			
Operating cash inflows		**74 793**	77 824
Investing cash outflows		**(59 928)**	(68 655)
Financing cash outflows		**(36 387)**	(30 582)
Foreign exchange differences		**(475)**	1 271
Net decrease in cash and cash equivalents		**(21 997)**	(20 142)

REPORT ON PAYMENTS TO GOVERNMENTS

for the year ended 31 December 2022

REPORT ON PAYMENTS TO GOVERNMENTS

INTRODUCTION

This report provides an overview of the payments made to governments by Gem Diamonds Limited and its subsidiaries (the Group) for the 31 December 2022 financial year, as required under the UK Report on Payments to Governments Regulations 2014 (as amended December 2015). These UK Regulations enact domestic rules in line with Directive 2013/34/EU (the EU Accounting Directive 2013) and apply to companies that are involved in extractive activities.

This report is also filed with the National Storage Mechanism intended to satisfy the requirements of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in the UK.

The Gem Diamonds Limited LEI number is 213800RC2PGGMZQG8L67.

BASIS FOR PREPARATION

Reporting entities

This report includes payments to governments made by subsidiaries in the Group that are engaged in extractive activities. During the 2022 financial year, extractive activities were conducted in Lesotho while the operation in Botswana was under care and maintenance. All payments made in relation to the Botswana entity were under the materiality level and therefore not reported.

Extractive activities

Extractive activities relate to the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. Gem Diamonds Limited, through its subsidiaries, is engaged in diamond mining activities.

Scope of payments

The report discloses only those significant payments made to governments arising from extractive activities.

Government

Government includes any national, regional, or local authority of a country. It includes a department, agency or undertaking (ie corporation) controlled by that authority.

Payment types disclosed at legal entity level

Production entitlements

There were no payments of this nature for the year ended 31 December 2022.

Taxes

These are payments on the entity's income, production, or profits, excluding taxes levied on consumption such as value added taxes, personal income taxes or sales taxes in line with in-country legislation.

Royalties

These are payments for the right to extract diamonds and are determined on percentage of sales in terms of in-country legislation and/or mining lease agreements.

Dividends

These are dividend payments, other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of production entitlements or royalties. There were no dividend payments of this nature to governments for the year ended 31 December 2022.

Signature, discovery, and production bonuses

There were no payments of this nature to governments for the year ended 31 December 2022.

Licence fees

These are fees paid for acquisition of leases and licences, including annual renewal fees, in order to obtain and maintain access to the areas in which extractive activities are performed.

Payments for infrastructure improvements

There were no payments of this nature to governments for the year ended 31 December 2022.

Cash flow basis

Payments reported are on a cash flow basis and may differ to amounts reported in the Gem Diamonds Limited 2022 Annual Report and Accounts, which are prepared on an accrual basis.

Materiality level

In line with the guidance provided in the Report on Payments to Governments Regulations, payments made as a single payment, or as a series of related payments, which are equal to or exceed US$103 450 (£86 000), are disclosed in this report. All payments below this threshold have been excluded.

Reporting currency

The payments to government have been reported in US dollar.

Payments made in currencies other than US dollar were translated at the relevant annual average exchange rate for the year ended 31 December 2022.

Summary report

Operation	Country	Taxes US$'000	Royalties US$'000	Licence fee US$'000	Total US$'000
Letšeng Diamonds (Proprietary) Limited	Lesotho	6 944	21 728	156	28 828
Total		6 944	21 728	156	28 828

Lesotho Letšeng Diamonds (Proprietary) Limited		Taxes US$'000	Royalties US$'000	Licence fee US$'000	Total US$'000
Lesotho Revenue Authority		6 944	–	–	6 944
Government of the Kingdom of Lesotho		–	21 728	156	21 884

Other

Other than the taxes, royalties and licence fees disclosed above, there were no other payments to governments for the year ended 31 December 2022, but Letšeng Diamonds (Proprietary) Limited (a subsidiary of Gem Diamonds Limited) has a mining contract (which has been in place since 2006), with Matekane Mining Investment Corporation. This contract is due to expire in October 2024 under current terms. Letšeng Diamonds (Proprietary) Limited understands that Matekane Mining Investment Corporation is wholly or majority indirectly owned and controlled by Ntsokoane Samuel Matekane, who became Prime Minister of the Kingdom of Lesotho in October 2022.

ADDITIONAL INFORMATION

ABBREVIATIONS AND DEFINITIONS

AGM	Annual General Meeting
AIFR	All injury frequency rate
AV	Alluvial Ventures (a third-party contractor)
Basotho	Lesotho nationals
BEPS	Basic earnings per share
BWP	Botswana pula
CAGR	Compound annual growth rate
CCSA	Climate Change Scenario Analysis
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLO	Community Liaison Officer
CO_2e	Carbon dioxide equivalent
COO	Chief Operating Officer
cpht	Carats per hundred tonnes
CSI	Corporate social investment
CSR	Corporate social responsibility
CSRI	Corporate social responsibility investment
DTR	Disclosure Guidance and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDC	Energy Decarbonisation Committee
EPS	Earnings per share
ESG	Environmental, social and governance
ESOP	Employee Share Option Plan
EU	European Union
EY	Ernst & Young
FCA	Financial Conduct Authority
FPIC	Free, Prior and Informed Consent
FRC	Financial Reporting Council
FTSE	Financial Times Stock Exchange
GDIP	Gem Diamonds Incentive Plan
GDP	Gross domestic product
GIA	Gemological Institute of America
GISTM	Global Industry Standard on Tailings Management
GRI	Global Reporting Initiative
ha	Hectare
HSSE	Health, safety, social and environment
IAS	International Accounting Standards
ICMM	International Council on Mining and Metals
IFRS	International Financial Reporting Standard
ISO	International Organization for Standardization
IT	Information technology
JIBAR	Johannesburg Interbank Agreed Rate
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LoM	Life of mine
LSL	Lesotho loti
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
MRM	Mineral Resource Management
Net cash/ (debt)	The sum of cash and cash equivalents less drawn down bank facilities (excluding asset-based finance facility and insurance premium financing)
NGO	Non-governmental organisation
PAC	Project-affected community
PCA	Primary crushing area
RCF	Revolving credit facility
SDG	Sustainable Development Goal
SEIA	Social and environmental impact assessment
SEMP	Social and environmental management plan
SLL	Sustainability-linked loan
SME	Small and medium enterprise
SOFR	Secured overnight financing rate
STIB	Short-term incentive bonus
TCFD	Task Force on Climate-related Financial Disclosures
The Board	The Gem Diamonds Board of Directors
The Group	The Gem Diamonds Company and its subsidiaries
TSF	Tailings storage facility
TSR	Total shareholder return
UK	United Kingdom
UN	United Nations
UNGC	United Nations Global Compact
US$	United States dollar
USA/US	United States of America
VAT	Value added tax

CONTACT DETAILS AND ADVISERS

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DIRECTORS' AND EXECUTIVE MANAGEMENT CVS

NON-EXECUTIVE DIRECTORS

Harry Kenyon-Slaney (62)

Non-Executive Chairperson

BSc Geology (Southampton University), International Executive Programme (INSEAD France)

Chairperson tenure <9 years

No independence conflict exists

Appointed to the Board in June 2017

Skills and experience

Harry has over 40 years of experience in the mining industry, principally with Rio Tinto. He is a geologist by training and his experience spans operations, marketing, projects, finance and business development. He has worked in South Africa, Australia and the UK. Until 2015, Harry was a member of the Group Executive Committee of Rio Tinto, where he held the roles of CEO of Energy and before that CEO of Diamonds and Minerals. Prior to this he variously led Rio Tinto's global titanium dioxide business, was CEO of Rio Tinto's listed subsidiary, Energy Resources of Australia Limited, was general manager of operations at Palabora Mining Company in South Africa and held senior marketing roles in copper, uranium and industrial minerals. He began his career as an underground geologist with Anglo American on the gold mines in South Africa.

Current external appointments

Harry is currently a senior adviser to McKinsey & Co.

Harry is a member of the advisory board of Schenck Process AG; and a non-Executive Director of Sibanye-Stillwater; and several private companies.

Michael Lynch-Bell (69)

Non-Executive Director

BA Hons Economics and Accountancy (University of Sheffield); FCA of the Institute of Chartered Accountants in England and Wales

Appointed to the Board in December 2015; appointed Senior Independent Director in November 2017

Skills and experience

Michael spent a 38-year career with Ernst & Young (EY), having led its Global Oil and Gas, UK IPO and Global Oil and Gas and Mining transaction advisory practices. He was a member of EY's assurance Practice from 1974 to 1996, when he transferred to the Transaction Advisory Practice. He was also UK Alumni sponsor and a member of the firm's Europe, Middle East, India, and Africa and Global Advisory Councils.
He retired from EY as a partner in 2012 and continued as a consultant to the firm until November 2013.

Current external appointments

Michael is currently chair of Little Green Pharma Ltd; and non-Executive Director and chair of the Remuneration Committee of Barloworld Limited.

Rosalind Kainyah MBE (65)

Non-Executive Director

BA (Hons) (University of Ghana), LLB (Hons) (University of London), LLM (University College, University of London), Member of the Bar of England & Wales (Gray's Inn), MCIArb

Appointed to the Board in May 2021

Skills and experience

Rosalind is the founder and Managing Director of Kina Advisory Limited, a trusted adviser to Boards and Senior Executives of global companies on sustainability and responsible business investment and partnerships in emerging markets. She trained as a lawyer and is a member of the Bar of England and Wales and of the Chartered Institute of Arbitrators. Rosalind has almost 30 years of combined international, senior management, executive and board level experience. She has worked with companies and organisations including Linklaters, Anglo American Corporation of South Africa, De Beers, Tullow Oil plc, the United Nations Environment Programme and ERM, and on projects across Africa, in the UK, Europe, North and South America, Asia, and the South Pacific. As a result, she has a wide network and is respected across a range of stakeholders from governments and corporates through civil society organisations and media for her professional expertise and as a woman of integrity and credibility.

Current external appointments

Rosalind is currently the Managing Director of Kina Advisory Limited and a non-Executive Director for discoverIE plc, CalBank plc (Ghana) and two private companies.

Mike Brown (62)

Non-Executive Director

BSc Engineering; Mining PR Eng (ECSA) Engineering (University of Witwatersrand); Strategic Executive Programme (London Business School)

Appointed to the Board in January 2018

Skills and experience

Mike has over 38 years' experience in the resources industry in operational, senior management and director roles. He spent six years in Switzerland as the Managing Director technical at Pala, where he oversaw all technical aspects of the mining sector investments, including the risks associated with resource performance, project management, ramp-up, operations, and the associated working capital and financial controls. Prior to joining Pala, Mike spent 21 years with De Beers in southern Africa in various roles, culminating in the post of chief operating officer where he was accountable for five operating mines, including greenfield and brownfield growth projects. He also managed the restructuring at De Beers Consolidated Mines in 2005/2006 and again in 2009. Mike has overseen growth projects and building of mines in Namibia, South Africa, Sierra Leone, Vietnam and USA.

Current external appointments

Mike is currently a non-Executive Director of Nevada Copper.

Mazvi Maharasoa (53)

Non-Executive Director

BLLM International and Commercial Law (University of Buckingham)

Appointed to the Board in July 2019

Skills and experience

Mazvi has over 22 years' experience in senior management positions, including leading roles in the mining sector, having served as the resident director and chief executive officer of Letšeng Diamonds Proprietary Limited until 2017. Furthermore, Mazvi was also the founder and president of the Lesotho Chamber of Mines (2016). Prior to her work in the mining industry, Mazvi was involved in the Ministry of Natural Resources and the Central Bank of Lesotho, where she was the senior legal counsel for each of these entities.

Since joining the Board, Mazvi has been appointed as the designated non-Executive Director for workforce engagement.

Current external appointments

Mazvi is currently the Chairperson of First National Bank Lesotho Limited and a non-Executive Director of several private companies.

EXECUTIVE DIRECTORS

Clifford Elphick (62)

Chief Executive Officer

BCom (University of Cape Town);
BCompt Hons (University of South Africa)

Founded Gem Diamonds in July 2005

Skills and experience

Clifford joined Anglo American Corporation in 1986 and was seconded to E Oppenheimer & Son Proprietary Limited as Harry Oppenheimer's personal assistant in 1988. In 1990, he was appointed Managing Director of E Oppenheimer & Son, a position he held until leaving in December 2004. During that time, Clifford was also a Director of Central Holdings, Anglo American and DB Investments. Following the privatisation of De Beers in 2000, Clifford served on the De Beers Executive Committee.

Current external appointments

Clifford is currently the non-Executive Chairperson of Zanaga Iron Ore Co. Limited.

Michael Michael (52)

Chief Financial Officer

BCom Hons (Rand Afrikaans University);
CA(SA)

Appointed to the Board in April 2013

Skills and experience

Michael has over 23 years' experience in financial management. He joined the audit firm RSM Betty & Dickson in Johannesburg, South Africa in January 1993 and became audit partner at the firm in March 2000. From August 2006 to February 2008 Michael was seconded to Gem Diamonds Limited to assist with the financial aspects of the main London listing, including the financial reporting, management accounting and tax relating to the initial public offering. In March 2008 Michael joined Gem Diamonds on a full-time basis as the Group Financial Manager. On 22 April 2013 he was promoted to the position of Chief Financial Officer and appointed to the Board.

Current external appointments

None

EXECUTIVE MANAGEMENT

Glenn Turner (62)

Chief Legal and Commercial Officer and Company Secretary

BA; LLB (University of Cape Town);
LLM (Cambridge)

Served on the Board from April 2008 to November 2017

Skills and experience

Glenn was called to the Johannesburg Bar in 1987, where he spent 14 years practising as an advocate specialising in general commercial and competition law and took silk in 2002. Glenn was appointed De Beers' first general counsel in 2002 and was also a member of its Executive Committee. He was responsible for a number of key initiatives during his tenure, including overseeing De Beers' re-entry into the USA.

Current external appointments

Glenn is currently a non-Executive Director of Agribiomed Limited and Lineout Holdings Limited.

Brandon de Bruin (51)

Chief Operating Officer

BCom; LLB (University of the Witwatersrand)

Skills and experience

Brandon joined Gem Diamonds in 2007 from Clifford Chance LLP. Practising in New York and London, he specialised in debt and equity capital markets and corporate finance gaining extensive commercial and legal experience in international corporate and finance transactions, stock exchange listings in London, Luxembourg and New York and in the UKLA (UK) and SEC (USA) rules and regulations. At Gem Diamonds, Brandon has been responsible for numerous corporate and financial transactions. He was head of the Group's Sales, Marketing and Manufacturing division from 2013 to 2017 when he was appointed as the Group Business Transformation Officer. In 2019 Brandon was appointed as the Group Operations and Business Transformation Executive and in 2021 as Chief Operating Officer.

Current external appointments

None

Jaco Houman (48)

Senior Manager: Technical and Projects

B.Eng(Met) (University of Pretoria); MBA (University of Witwatersrand Business School)

Skills and experience

Jaco joined Gem Diamonds in 2016. His technical and managerial career spans more than 26 years. He has a diverse background in areas of operational excellence, design, production, technical support, Safety, Health, Environment and Quality (SHEQ) and consulting. He has been involved in the development and implementation of a turnaround plan, performance improvement initiatives, cost reduction measures, volume expansion at an operation, project, and group level. He has led and assisted in the development of technical strategies, pre-feasibility and feasibility studies, design, commissioning and technical evaluation reviews. He led the safety, occupational hygiene and environmental departments at a large corporate for more than two years. He spent some time in business improvement and applied financial modelling skills to enhance operational delivery through the optimisation of the value chain to maximise value for the business.

Current external appointments

None

Kiki Constantopoulos (43)

Group Financial Controller

BCom Hons (University of the Witwatersrand); CA(SA)

Skills and experience

Kiki has 17 years experience in accounting, reporting and financial management. Following her qualification as a Chartered Accountant she spent three years as a financial manager at Dunns Clothing & Accessories (a subsidiary of Pepkor, a leading retailer in South Africa). In 2010, Kiki joined Gem Diamonds as Financial Manager, and in 2013 was promoted to Group Financial Controller. Kiki was the finance lead support to the Business Transformation Officer from 2017 – 2019. She is responsible for financial and management accounting across the Group's operations.

Current external appointments

None

Minelle Zech (48)

Group Human Resources Executive

BCom HR (Potchefstroom University)

Skills and experience

Minelle joined Gem Diamonds in 2015 as HR manager and was promoted to Group HR Manager in 2019. She has 20 years of HR experience; 10 years in the services and mining industries respectively. She was involved in the restructuring of Avis following its acquisition by Barloworld and has extensive experience in rationalisation projects in the mining industry. At Gem, Minelle was the HR lead during its Business Transformation between 2017 and 2019, responsible for organisational health and driving the culture aspect of the programme. She most recently implemented LetšGem, an employee communication app for Gem's entire workforce. Minelle is responsible for all people aspects across the Group.

Current external appointments

None

DISCLOSURES RELATED TO THE RECOMMENDATIONS OF THE TCFD

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Recommended Disclosure	References
Describe the Board's oversight of climate-related risks and opportunities.	Our Approach to Climate Change, page 4. Our Sustainability Report, pages 8, 11, 23 and 46. Our Annual Report and Accounts 2022, pages 26, 92, 111 and 117. Our website at www.gemdiamonds.com.
Describe management's role in assessing and managing climate-related risks and opportunities.	Our Approach to Climate Change, pages 1, 4, 6, 8 and 9. Our Sustainability Report, pages 14, 17, 23, 36 and 46. Our Annual Report and Accounts 2022, pages 26, 31 and 68. Our website at www.gemdiamonds.com.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material.

Recommended Disclosure	References
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Our Approach to Climate Change, pages 6, 7 and 10. Our Sustainability Report, pages 14, 19 and 20. Our Annual Report and Accounts 2022, pages 28, 32, 68 and 73. Our website at www.gemdiamonds.com.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Our Approach to Climate Change, pages 1, 6 and 9. Our Sustainability Report, pages 8, 11, 14, 19, 20, 23 and 36. Our Annual Report and Accounts 2022, pages 14, 23, 28 and 31. Our website at www.gemdiamonds.com.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Our Approach to Climate Change, pages 6, 9 and 11. Our Sustainability Report, pages 14, 19, 20 and 36. Our Annual Report and Accounts 2022, pages 28, 30, 32, 33, 37, 41, 43, 68, 73 and 74. Our website at www.gemdiamonds.com.

Risk Management

Disclose how the organisation identifies, assesses and manages climate-related risks.

Recommended Disclosure	References
Describe the organisation's processes for identifying and assessing climate-related risks.	Our Approach to Climate Change, pages 1 and 9. Our Sustainability Report, pages 19, 46 and 48. Our Annual Report and Accounts 2022, pages 31, 36, 92 and 113. Our website at www.gemdiamonds.com.
Describe the organisation's processes for managing climate-related risks.	Our Approach to Climate Change, pages 1, 4, 6, 8, 9 and 11. Our Sustainability Report, pages 14, 17, 19, 21, 23, 26 and 36. Our Annual Report and Accounts 2022, pages 31, 33, 36, 41, 68, 71 and 73. Our website at www.gemdiamonds.com.
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Our Approach to Climate Change, pages 1, 5, 6, 7, 8, 9 and 11 . Our Sustainability Report, pages 8, 11, 14, 19, 20, 26 and 37. Our Annual Report and Accounts 2022, pages 22, 23, 24, 28, 29, 31 and 43. Our website at www.gemdiamonds.com.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure	References
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Our Approach to Climate Change, pages 11, 12 and 13. Our Sustainability Report, page 14. Our Annual Report and Accounts 2022, pages 6, 33, 34 and 68. Our website at www.gemdiamonds.com.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 carbon emissions, and the related risks.	Our Approach to Climate Change, pages 11, 12 and 13. Our Sustainability Report, page 14. Our Annual Report and Accounts 2022, page 6, 33, 34, 35 and 68. Our website at www.gemdiamonds.com.
Describe targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Our Approach to Climate Change, pages 11, 12 and 13. Our Sustainability Report, page 14, 15, 16 and 17. Our Annual Report and Accounts 2022, pages 33, 34, 35 and 68. Our website at www.gemdiamonds.com.

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