GEM DIAMONDS

2nd Floor, Coastal Building,
Wickham's Cay II, PO Box 2221, Road Town,
Tortola, British Virgin Islands, Registration number: 669758

GEM DIAMONDS LIMITED
www.gemdiamonds.com

GEM DIAMONDS ANNUAL REPORT AND ACCOUNTS **2021**

GEM DIAMONDS

ANNUAL REPORT AND ACCOUNTS 2021

CONTENTS

This icon indicates additional information available on the Group's website at www.gemdiamonds.com

This icon refers the reader to further information about the Group's sustainable development activities on the Group's website at www.gemdiamonds-reports.co.za/reports/sd-2022/index.php

This QR code refers the reader to the Group's website www.gemdiamonds.com

PRESENTING THE GEM DIAMONDS ANNUAL REPORT AND ACCOUNTS 2021

The Annual Report and Accounts (this report) covers Gem Diamonds Limited and its subsidiaries (the Group) for the financial year ended 31 December 2021. The Annual Report should be read in conjunction with the Sustainability Report where we detail environmental, social and governance matters.

This report has been prepared in accordance with:

- 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 Value Reporting Foundation's Integrated Reporting <IR> Framework, which is publicly available at www.integratedreporting.org.
- Guidance from the Global Reporting Initiative (GRI) Standards as updated in 2021.
- Guidance from the Task Force on Climate-related Financial Disclosures (TCFD).
- Guidance from the International Finance Corporation Environmental, Health and Safety (IFC EHS) Guidelines and Equator Principles.
- Applicable standards of the International Organization for Standardisation (ISO).
- 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.

THE 2021 REPORTING SUITE

In addition to this report, our reporting suite includes:

Sustainability Report 2021 (report and interactive platform)

Additional information and case studies on the Group's sustainability activities can be found on www.gemdiamonds-reports.co.za/reports/sd-2022/index.php and in our 2021 Sustainability Report.

Our Approach to Climate Change Report

Additional information on the Group's approach to climate change and related financial disclosures can be found on www.gemdiamonds.com/results-reports-presentations.php and in our 2021 Our Approach to Climate Change report.

Board approval of this report

The Board, supported by the Audit Committee, acknowledges its responsibility to ensure 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 workforce and other stakeholders, including the communities and environment in which we operate, when making decisions. We believe that the report provides a balanced and appropriate representation of the Group's performance, strategy and material risks. Acting fairly and in good faith, we considered what is most likely to promote the sustainability and success of Gem Diamonds in the long term.

The Board approved the Annual Report and Accounts 2021, which includes the Strategic Report on pages 2 to 46, on 16 March 2022.

STRATEGIC REPORT

OUR GUIDING PRINCIPLES

CARAT

Purpose

Unearthing unique possibilities

CLARITY

Vision

To support, develop and empower our people so that:

- A meaningful, sustainable contribution can be made to the countries in which we operate.
- We can deliver long-term value to our shareholders.
- Our employees can benefit in the short and long term.

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 have zero tolerance for bribery and corruption and conduct ourselves in a manner consistent with good governance practices. We pride ourselves on being socially and environmentally responsible.

Respect – We cultivate an open and transparent culture where we 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 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.

Refer to our Chairperson's statement on page 14.

COLOUR

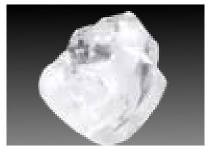
Culture

At Gem Diamonds we invest in our workforce to create an environment where every person is proud to be part of our family. Mutual respect and care are not only shared throughout the Group but extend to the wider society and the natural environment in which we operate. 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.

THE SALIENT FEATURES OF 2021

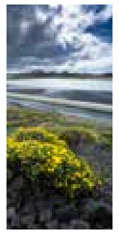
Zero fatalities. Lost time injury performance improved significantly in the second half of the year following the 'Stop for Safety' campaign held in June 2021 and the implementation of several specific interventions to drive organisational safety culture maturity.

Refer to our case study on page 61 for more information.



109 697 carats sold, an increase of 11%, in six well-attended tenders, including a first trial viewing in Dubai. Prices achieved reflect a continued recovery in the diamond market, supported by strong consumer demand, particularly in the US and China.

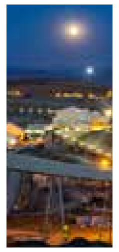
Group tailings storage facility standards and policies have been appropriately aligned with the International Council on Mining and Metals' (ICMM) Global Industry Standard on Tailings Management (GISTM), and relevant governance structures have been established. Tailings management expenditure, including the profiling of the old tailings storage facilities (TSF), amounted to US$2.8 million for the year.



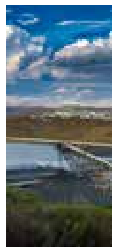
The Group successfully concluded its Climate Change Scenario Analysis (CCSA) to identify and assess its physical climate change risks as part of the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. A total of US$0.2 million was invested in climate change-related work during the year.

A total of US$0.7 million was invested towards the operational response to mitigate the impact of COVID-19 on our workforce and operations to date. 99% of the workforce is fully vaccinated to date.

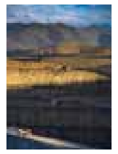
Refer to our case study on page 82 for more information.



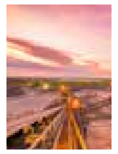
Successful conclusion of the Group-wide debt refinancing. An additional funder joined the lender group, bringing the total number of funders to three. The Group's revolving credit facilities were increased from US$61.3 million to US$77.0 million, in dollar equivalent. Security for the RCFs was implemented after year end.



6.2 million tonnes of ore treated, an increase of 15% compared to 2020, notwithstanding numerous challenges during the year, including the ongoing impacts of COVID-19 on people and critical supply chains, extreme weather conditions, power supply interruptions, poor plant performance and a breakdown of the primary jaw crusher in Q3.



The Business Transformation (BT) four-year cumulative target of US$100.0 million in revenue, productivity and cost savings was exceeded by the end of 2021 by achieving US$110.0 million.



A binding share sale agreement was entered into for the sale of the Ghaghoo diamond mine in Botswana. Regulatory conditions and approvals are in place and the transaction is expected to be complete by 31 March 2022.

Strong delivery on corporate social investment (CSI) projects, including projects delayed in 2020 due to COVID-19-related lockdowns and restrictions. Localised flooding in the first quarter of 2021 caused significant damage to roads and infrastructure, restricting access to project-affected communities (PACs) and further delaying CSI project execution. US$0.8 million was invested in COVID-19 relief and CSI projects in communities during the year.

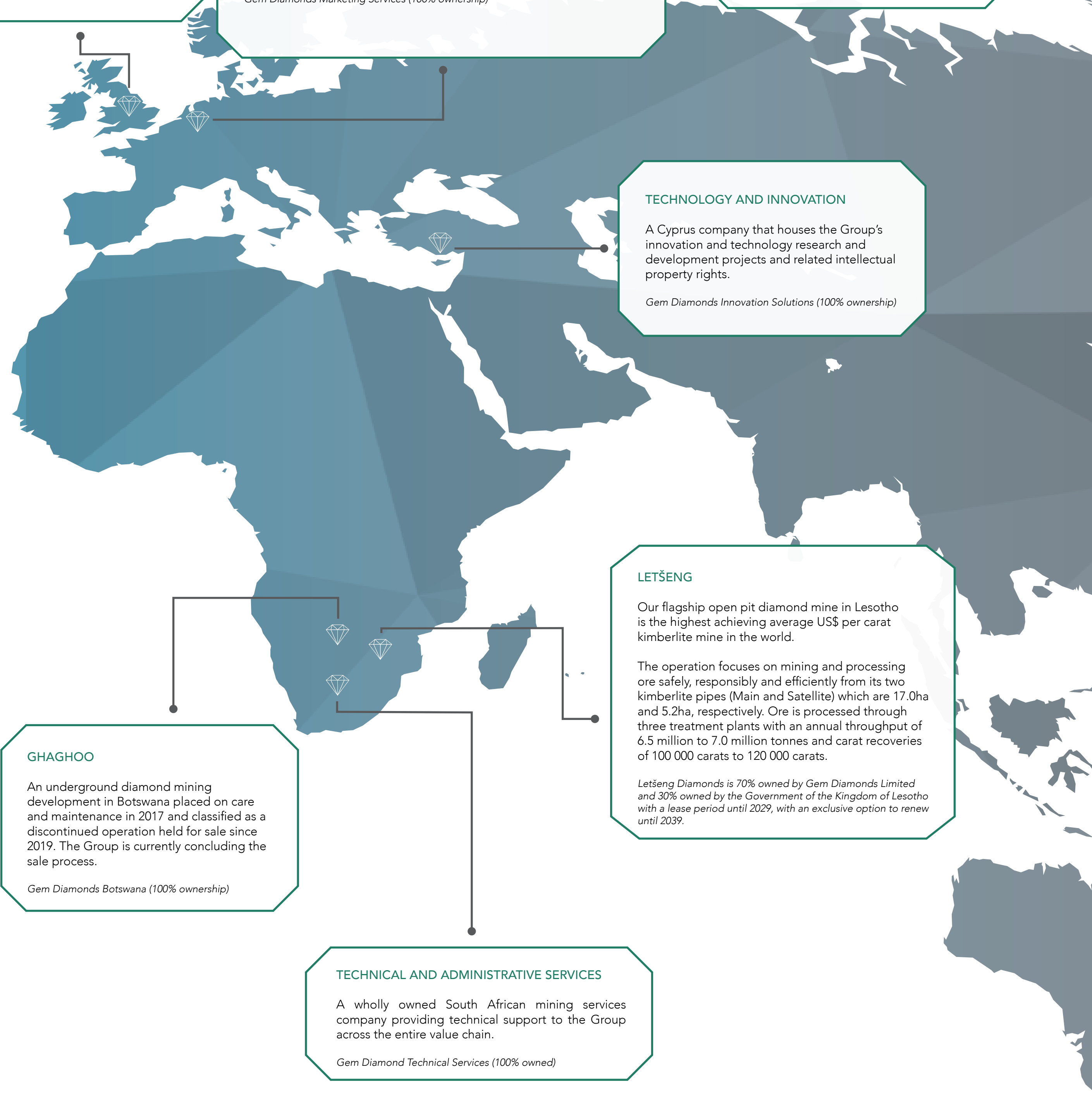
2021 IN NUMBERS

Measure	2021	2020	% change
Average price per carat achieved (US$)	1 835	1 908	(4)
Revenue (US$ million)	201.9	189.6	6
Total direct cash cost (excluding waste costs) per tonne treated (LSL)	201.1	201.5	–
Total direct cash cost (including waste costs) per tonne treated (LSL)	335.5	326.6	3
Total operating cost per tonne treated (LSL)	271.8	320.2	(15)
EBITDA[1] (US$ million)	57.4	53.2	8
Profit for the year (from continuing operations) (US$ million)	31.1	27.5	13
Corporate costs (US$ million)	8.9	8.0	11
Basic EPS[2] (from continuing operations) (US cents)	13.2	12.1	9
Cash and short-term deposits (US$ million)	31.1	49.8	(38)
Cash generated from operating activities	71.3	96.2	(26)
Drawn down bank facilities (US$ million)	10.2	15.2	(33)
Net cash[3] (US$ million)	20.9	34.6	(40)
Available bank facilities (US$ million)	74.3	60.8	22
Cumulative Business Transformation benefits delivered (US$ million)	110.0	79.2	39
Average number of employees (including contractors)	1 671	1 702	(2)
Gender diversity (% female employees)	22	20	10
Skills development (training hours)	33 694	13 101	157
Fatalities	0	0	–
Lost time injuries (LTIs)	6	1	500
Lost time injury frequency rate (LTIFR)	0.24	0.04	500
All Injury Frequency Rate (AIFR)	0.93	0.76	22
COVID-19 response investment (US$ million)	0.7	1.1	(36)
COVID-19 vaccination rate (%)	98	n/a	n/a
ISO 45001 (occupational health and safety) certification	Yes	Yes	–
Capital expenditure (US$ million)	4.0	1.6	150
Ore tonnes treated (millions)	6.2	5.4	15
Waste tonnes mined (millions)	18.7	15.6	20
Carats recovered (thousands)	115.3	100.8	14
Carats sold (thousands)	109.7	99.2	11
Corporate Social Investment (CSI) (US$ million)	0.8	0.3	167
Major or significant stakeholder incidents	0	0	–
Major or significant environmental incidents	0	0	–
Greenhouse gas emissions (tCO_2e)	153 864	135 694	13
ISO 14001 (environmental management) certification	Yes	Yes	–

Financial **People** **Operational** **Sustainability**

[1] *Refer Note 4, Operating profit on page 179 for the definition of non-GAAP (Generally Accepted Accounting Principles) measures.*
[2] *Refer to Group financial performance for GAAP measures.*
[3] *Net cash is a non-GAAP measure and calculated as cash and short-term deposits less drawndown bank facilities (excluding the asset-based finance facility and insurance premium financing).*

HOW THE GROUP IS STRUCTURED



HEAD OFFICE

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

Gem Diamonds Limited

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 is 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 highest obtainable prices on an international market.

Gem Diamonds Marketing Services (100% ownership)

DIAMOND ANALYSIS AND MANUFACTURING

The Group's high-tech rough diamond analysis 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)

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)

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 three treatment plants with an annual throughput of 6.5 million to 7.0 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.

GHAGHOO

An underground diamond mining development in Botswana placed on care and maintenance in 2017 and classified as a discontinued operation held for sale since 2019. The Group is currently concluding the sale process.

Gem Diamonds Botswana (100% ownership)

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)

OUR BUSINESS MODEL

OUR BUSINESS MODEL CONTINUED

TYPICAL DIAMOND VALUE CHAIN

ROUGH DIAMONDS

PRODUCTION

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

SALES

- Rough diamond analysis and sorting
- Sale of rough diamonds

POLISHED DIAMONDS

MANUFACTURING

Rough diamonds manufactured into polished diamonds

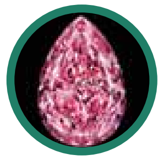
Rough diamond

GEM DIAMONDS

DIAMOND JEWELLERY

SALES

- Wholesale of polished diamonds
- Trading in polished diamonds



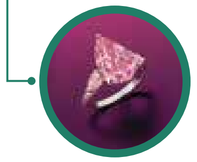
*Cut and polished diamond**

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. Read more on page 24.

INPUTS REQUIRED

Letšeng is a long-term asset with an open pit resource base with 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.

- Mine lease period to **2029** with an exclusive option to renew to **2039**.
- Total mineral resource of **5 million carats**.
- **1 153 404 GJ** of energy consumed.
- **1.15m³** water per tonne treated.
- Social and Environmental Management Plans implemented.
- Workforce of **1 671** people (including contractors) with an absenteeism rate of 4.5 days per annum per person.
- **US$0.9 million** investment in COVID-19 response.
- Highly experienced **global management team**.
- **451** registered clients.

OUR APPROACH

- The health, wellness and development of **our workforce are priorities** throughout the Group.
- The Group continues to take all necessary precautions in line with its COVID-19 protocols to ensure the welfare of our employees, contractors and the communities in which we operate, and the continuation of safe and responsible operations.
- **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
- Cost of remoteness of mines
- Foreign exchange rate fluctuations
- COVID-19 impact on supply chains

- Available undrawn debt facilities **US$74.3 million**.
- Annual capex investment of **US$4.0 million**.

OUTPUTS

Rough carats sold: **109 697**

Rough carats recovered: **115 335**

697 >10ct diamonds, contributing **71%** of revenue

21 diamonds selling for more than US$1 million, contributing **US$64.5 million** to revenue

OUTCOMES: 2021 DELIVERY

Total carbon footprint of **153 864tCO_2e**
Zero major or significant environmental incidents
8.9 million m³ of water recycled
100% of diamond exports comply with the Kimberley Process
Letšeng rehabilitation provision of **US$11.2 million**

Since inception, Gem Diamonds has worked in partnership with the Government of Lesotho to make a positive contribution to national priorities. We continue to support government's efforts to combat COVID-19 and invest in initiatives in PACs that support long-term and sustainable development.

The Sustainability Report provides a comprehensive report on environmental, social and governance matters.

Gem Diamonds has adopted six United Nations Sustainable Development Goals (UN SDGs) as part of our Sustainability Framework:

Zero fatalities

LTIFR of **0.24**

AIFR of **0.93**

99% of employees fully vaccinated against COVID-19 to date

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$0.2 million** in community and country COVID-19 prevention programmes

Resettled PACs: **0**

Letšeng in-country procurement: **US$158.7 million**

Letšeng paid royalties of **US$18.0 million**

Focus on cash generation and cost containment during the year
Cash generated per share **0.51 US cents**

Basic earnings per share (BEPS) from continuing operations **13.2 US cents**
Average price per carat achieved of **US$1 835**
Return on average capital employed of **27%**
Earnings before interest, tax, depreciation and amortisation (EBITDA) of **US$57.4 million**
Revenue of **US$201.9 million**

Our viability statement on page 45 explains how the outcomes ultimately lead to a sustainable business model that delivers on our vision.

**Images supplied by Graff Diamonds International.*

WHY INVEST IN GEM DIAMONDS

The Group has a number of attributes that make it a unique and compelling investment proposition.

- Large, high-value diamonds
- Embedded Board governance
- Integrated environmental, social and governance (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 behave responsibly at all times. This includes providing safe working conditions and fair labour practices for its workforce, operating in an environmentally responsible manner, ensuring safe operation and governance of dams and tailings storage facilities and contributing to global, national and regional sustainability priorities.

Consumers, shareholders and funders are increasingly interested in ESG factors when making buying, investment and lending decisions.

Refer to the climate and sustainability sections on pages 26 and 67 of this report, and the Sustainability Report for more insight.

GEM DIAMONDS' POSITION

We are committed to ethical business practices and regard corporate governance as an essential aspect of long-term sustainability and value creation. Workplace safety is an absolute priority and we are continuously improving our safety systems and processes. 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 have successfully aligned our tailings storage facility management practices with the ICMM's GISTM.

All diamond exports comply with the Kimberley Process[1]. Gem Diamonds also participates in the Gemological Institute of America's (GIA) Diamond Origin programme, which provides consumers with information regarding the country of origin of their diamonds, as well as the positive impact the diamonds we mine have on the communities and countries in which we operate.

US$0.9 million invested in environmental stewardship
(2020: US$0.5 million)

0.93 AIFR
(2020: 0.76)

Zero major or significant environmental and stakeholder incidents reported
(2020: 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 CEO Review and the CFO Review on pages 48 and 52 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, continuously improving efficiencies, reducing costs and generating cash flow. Since the start of the COVID-19 pandemic, the Group has prioritised cash flow generation and maintaining cash reserves. By ensuring sustainable returns, the Group can continue to access equity and debt funding to sustain current operations, maintain a sustainable dividend policy, and invest in our preparations for the future.

US$57.4 million EBITDA[2]
(2020: US$53.2 million EBITDA)[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: https://www.kimberleyprocess.com.*
[2] *Refer Note 4, Operating profit on page 179, for the definition of non-GAAP measures.*

OVERARCHING BUSINESS DRIVERS CONTINUED

MARKET DEMAND FOR DIAMONDS

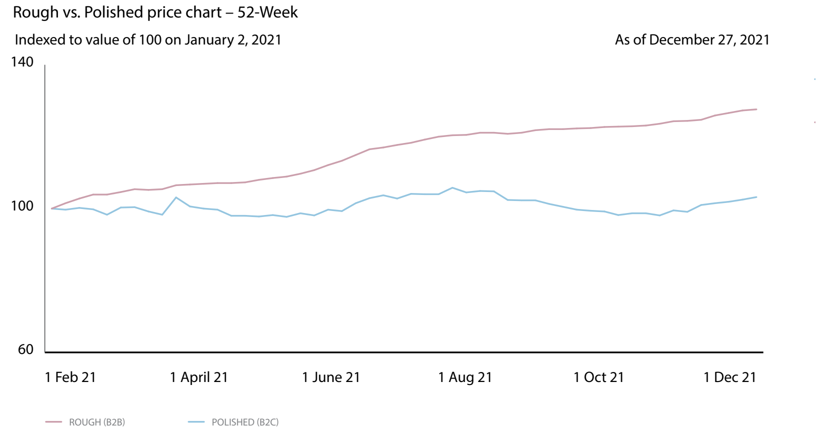
Demand for rough diamonds is driven by consumer demand for jewellery which depends on global economic growth and disposable income. The growing custom of diamonds used in bridal jewellery in India and China, the increased use of diamonds across a wider range of luxury goods, and the continued growth in the number of high-net-worth individuals worldwide support growth in demand for polished diamonds.

GEM DIAMONDS' POSITION

We sell our diamonds on tender and we are therefore, to a large extent, subject to immediate market forces. 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 fluctuations and historically the prices for larger high-quality diamonds have proven more resilient to market pressures.

Rough diamond prices have seen a strong recovery since the middle of 2020, with prices for larger high-value diamonds accelerating quickly. Prices on our smaller diamonds (<5 carats) have also improved significantly in 2021, which has been supported by price increases imposed for smaller diamonds by De Beers and ALROSA in Q1 2022. Contributing factors supporting a positive diamond market in 2021 included positive market sentiment, a decrease in the supply of similar size, quality and value diamonds in the market, improved demand for high-value polished diamonds from China in particular, and depleted stock levels at manufacturers.

Notwithstanding the continued recovery of the diamond market, the average price per carat achieved for Letšeng's diamonds during the year was 4% compared to 2020. This was mainly due to fewer large diamond recoveries (seven greater than 100 carat diamonds sold compared to 16 in 2020, and 16 diamonds between 60 and 100 carats compared to 29 in 2020) due to lower value areas of the resource that were mined.



Source: Data provided by Paul Zimnisky (www.paulzimnisky.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 increase of both rough and polished diamond prices during 2021 indexed to 2 January 2021.

US$1 835 average price per carat achieved in 2021
(2020: US$1 908 per carat)

71% of revenue derived from diamonds greater than 10.8 carats in 2021
(2020: 81%)

OVERARCHING BUSINESS DRIVERS CONTINUED

DIAMOND SUPPLY

The supply of diamonds is directly linked to the economics of diamond mining in that extended periods of low rough diamond prices lead to mine closures and a resultant decrease in supply. Large producers tend to maintain stockpile inventory, primarily in lower value commercial diamonds, which they release into the market when demand starts to improve, resulting in a slower price increase in the short term following such increases in demand.

The supply of lab-grown diamonds is increasing, along with their size and quality. These diamonds sell at a significant discount to natural diamonds and continue to take 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. Current production volumes of around 118 million carats are fast approaching the forecasted 2030 levels of 110 million carats, largely due to a combination of aged mine closures, closure of marginal mines as a result of the impact of COVID-19, and the suspension or slowdown of certain other operations. The shortfall in large high-quality rough diamonds grew further in 2021, largely due to reduced supply into the market since the start of the COVID-19 pandemic in March 2020 and peer company exclusive take-off arrangements to single buyers.

We have a number of 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 strong and competition from lab-grown diamonds is yet to be seen on this end of the premium market.

118 million carats global rough diamond production in 2021 (estimated)
(2020: 107 million carats)

SOCIAL CONTRIBUTION

The Letšeng mine, which is co-owned with the Government of the Kingdom of Lesotho, is an important employer and makes a significant positive contribution to the economy and social development of the country.

Refer to the sustainability section on page 67 and the Sustainability Report for more insight.

GEM DIAMONDS' POSITION

We regard ourselves as guests in the countries we operate in, and endeavour at all times to maintain strong and constructive relationships with our employees, communities, regulators, governments and wider society. Our vision commits us to supporting, developing and empowering our people, and to making a meaningful, sustainable contribution to the countries and communities in which we operate.

The Group's social investments in surrounding communities aim to improve education, develop infrastructure (roads, bridges and water supply) and stimulate local enterprises to create self-sustaining employment independent of the mine. Refer to our community engagement and impact case study on page 80.

The Letšeng mine makes a substantial contribution to the Lesotho economy through dividends, royalties and tax contributions, and provides jobs for more than 1 592 people. This number does not include 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.

48 Student scholarships since 2006

US$48.3 million paid in dividends, royalties and taxes in Lesotho
(2020: US$12.3 million)

US$0.8 million invested in local communities
(2020: US$0.2 million)

US$158.7 million Letšeng in-country procurement
(2020: US$126.2 million)

CHAIRPERSON'S STATEMENT

The Board took measures in 2021 to enhance risk management, improve stakeholder relations and meet the board independence requirements of the UK Governance Code.

Dear shareholders,

On behalf of your Board of Directors, I am pleased to share the Gem Diamonds Annual Report and Accounts for 2021, which describes both the Group's performance during the past year and the progress we have made against our longer-term strategic objectives.

2021 was certainly not without its challenges, with a combination of the impact of renewed COVID-19 waves and restrictions, planned periods of mining in lower grade areas of the resource and extreme weather conditions. Pleasingly, notwithstanding these challenges, operational stability improved significantly towards the end of the year. We also saw the positive effect of several important safety interventions (including a 24-hour 'Stop for Safety' campaign in June 2021) returning the operation to its usual strong level of safety performance following a number of disappointing safety incidents in the first half of the year. In parallel, robust global demand for our large high-value diamonds resulted in a solid financial performance of EBITDA of US$57.4 million, an increase of 8% on 2020, and revenue of US$201.9 million.

CONTINUOUSLY IMPROVING OUR GOVERNANCE APPROACH

As stewards of the interests of all stakeholders of the Group, the Directors strive to continuously improve governance and oversight. Good governance is the bedrock upon which the Group's reputation rests and it underpins operational efficiency, the relationships we have with employees, local communities and governments, and the respect we have for and in which we are held by our shareholders and the wider market. Ultimately, good governance is a crucial element in the sustainability of our business and the preservation of value for all stakeholders.

The Board's priorities in 2021:

- Ensuring safe and stable operations during the COVID-19 pandemic.
- Enhancing risk management systems and processes.
- Overseeing the adoption of the TCFD recommendations and Group climate change strategy.
- Resolving certain shareholder concerns regarding the Board's independence.
- Overseeing the renewal of the Group's funding arrangements.
- Overseeing the pending sale of the Ghaghoo mine.

"Good governance is a crucial element in the sustainability of our business and the preservation of value for all stakeholders"

– Harry Kenyon-Slaney –

CHAIRPERSON'S STATEMENT CONTINUED

During the past year, we worked hard to further refine our risk management systems and processes. This has enabled us to improve the identification, quantification and mitigation of operational and wider environmental and societal risks, and to assess their potential impact against the risk tolerance levels we judge appropriate for the Group. Practical examples include the restructuring of our insurance cover to mitigate the substantial recent increase in insurance cost and further refinement of our tailings management systems to align them fully with the ICMM's GISTM. Effective risk management and ongoing stakeholder engagement ensure that the Board is kept appraised of issues as they emerge and evolve, and that new opportunities are brought to the Board's attention.

As part of our governance process, we continually review our approaches to combatting systemic challenges. This year we have again reassessed and refreshed our positions on human rights, modern slavery, corruption and climate change. I am pleased that all employees and contractors have reaffirmed their commitment to these statements.

ADDRESSING SAFETY AND CLIMATE CHANGE

We regard the safety and health of our workforce as our highest priority and, while we are not complacent and can always do better, our track record over recent years has been solid. It was therefore a concern to the Board that our safety performance deteriorated during the first six months of 2021, but management took swift action to turn the situation around. The Letšeng mine was shut down for a full day in a 'Stop for Safety' campaign to allow the workforce to be addressed. A new safety culture programme was launched to reinforce the message that production must happen safely or not at all. Pleasingly the second half of the year showed a sharp recovery. The AIFR for the full year was 0.93.

Letšeng is located in a remote and pristine region of the world and the Board has always been sensitive to the need to operate in an environmentally responsible manner. In 2021, the existential threat of climate change moved to the centre of the public's consciousness and is top of mind for political and business leaders. As a mining company that is necessarily a sizeable consumer of energy, we have commenced the process of both understanding our contribution to greenhouse gas emissions and what we can do to limit it. Climate change is now a topic of discussion at every Board meeting and is a top priority in our risk management system.

Gem Diamonds has adopted six priority goals from the 17 UN SDGs and our ongoing inclusion in the FTSE4Good index is an external validation that our positive ESG practices align with global standards and expectations. There were no major or significant environmental incidents reported at any of our operations during the year.

VALUING DIVERSITY, SKILLS AND EXPERIENCE

While ours is a small Board, appropriate for the size of the Group, we are committed to aligning with the requirements of the UK Corporate Governance Code. In May, Johnny Velloza (previously deputy CEO) stepped down from the Board to ensure that the Board meets the independence requirements of the Code. We are grateful to Johnny for his significant contribution and commitment over the last five years and we continue to benefit from his technical expertise as a strategic adviser.

We welcomed Rosalind Kainyah MBE to the Board. Rosalind has decades of experience in corporate and environmental law, government relations, political risk management and sustainability. Her experience in diamond mining includes an Executive Director position at the De Beers Group and she adds valuable ESG and leadership skills to the Board.

The Nominations Committee oversees board and senior management succession planning, and this important work ensures that the Group's leadership is appropriately sized, regularly refreshed, diverse and equipped with the necessary skills. We believe that the Board, as currently constituted, contains the right balance of critical thinking capabilities, skills and experience and that the complementary perspectives included ensure appropriate independent oversight of the Group.

We are proud of our track record of local appointments and promotions with a representation of nearly 98% Lesotho nationals at Letšeng and steadily improving gender diversity throughout the Group.

LISTENING TO OUR STAKEHOLDERS

As the operator and 70% owner of the Letšeng mine, we regard ourselves as guests of the people of Lesotho. We endeavour to always maintain constructive, open and honest dialogue with local communities and government partners. We consider their priorities and ensure that they in turn understand the nature of our business and Letšeng's significant contribution to the national economy.

Since joining the Board in July 2019, Mazvi Maharasoa has been the designated non-Executive Director for workforce engagement. She engages directly with employee representatives and provides the Board with an unfiltered view on issues that people wish to raise. This engagement process has broadened our understanding of various concerns and has enhanced the channels via which employees can communicate with management and see their issues being resolved. The Board values this process as it gives us reassurance that employee voices are heard at the top of the organisation and has helped to strengthen our relationships with them. These interactions have been particularly important while access to the mine has been restricted during the COVID-19 pandemic.

ENTRENCHING AN ETHICAL CULTURE

Gem Diamonds has always maintained a strong set of ethical principles that remain the firm foundation of 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, 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.

SUSTAINABLE RETURNS FOR OUR SHAREHOLDERS

In line with our dividend policy to pay a dividend to shareholders when the financial strength of the Group allows, we are pleased to propose that a dividend of 2.7 US cents per share be declared for the 2021 financial year.

ACKNOWLEDGING OUR STAKEHOLDERS' CONTRIBUTIONS

Operating a large mine high in the Maluti Mountains of Lesotho under the constraints of COVID-19-related travel and access restrictions once again provided a considerable test for everyone at Gem Diamonds during 2021. Management's ability to oversee the operation remotely for extended periods is a testament first and foremost to the ability and fortitude of our workforce, to the quality of the systems and culture in place at the mine and the strength of our relationships with local community leaders and with the Government of the Kingdom of Lesotho.

On behalf of the Board, I therefore want to thank everyone who has contributed to the Group's success this past year despite considerable disruption to their lives and those of their families. We thank our employees, contractors, our community partners, the Government of the Kingdom of Lesotho and our shareholders for their ongoing support. Finally, I wish to thank my fellow Directors for the dedication and commitment they showed and the valuable contributions they made during the year.

BEING CONFIDENT ABOUT THE FUTURE

While there are some signs that the COVID-19 pandemic may be starting to wane, there remains a risk of further resurgences. The success of our efforts to largely shield our people over the past two years has given us confidence that we have the systems and processes in place to deal with this risk, to keep our people safe and maintain the supply chain that our operations depend on.

2021 marked the end of the four-year period over which we delivered in excess of the target of US$100 million by achieving US$110.0 million in revenue, productivity and cost savings generated through the Business Transformation programme launched in 2017. In 2022, our goal is to build on the success of this effort by further improvement of our operational consistency through the focused implementation of a rigorous continuous improvement culture. In addition, we vigorously continue to exploit opportunities to optimise the mine plan and to reduce our waste profile, investigate future options to explore underground mining at Letšeng and progress several technological innovations in our processing plants.

The climate change scenario analysis that the Group undertook in 2021 provides a strong foundation to incorporate climate change-related risks and opportunity considerations into future business plans, strategies and feasibility studies.

Diamond prices have recovered steadily since the second half of 2020 due to an improving market outlook and declining supply. Prices increased further in 2021 and it is pleasing to note that this trend has continued into 2022. While predicting the frequency of the recovery of large diamonds is impossible in the short term, consistent delivery of plant throughput volumes is the best way to yield results over time.

Harry Kenyon-Slaney
Chairperson
16 March 2022

OUR STAKEHOLDER RELATIONSHIPS

Our relationships and transparent and regular engagement with our stakeholders supports improves decision-making, promotes sustainability and ensures Gem Diamonds' positive contribution to society.

STAKEHOLDER MANAGEMENT

Gem Diamonds' strong relationships with stakeholders, particularly employees, regulators, communities and society, underpins the Group's social licence to operate. The relationships built and information obtained through regular engagements with these stakeholders, provides relevant input for decision-making, promotes the long-term sustainability of the Group and enables our contribution to wider society.

The Board is responsible for stakeholder engagement and relevant stakeholder views and strategic issues are regularly reviewed, clearly understood and underpin the work of the Board. We consider the views of stakeholders when making decisions regarding strategy, sustainability, remuneration, CSI and other relevant matters.

Our stakeholder engagement strategy guides interactions with stakeholders. Various engagement channels are utilised, which include:

Electronic channels	Written communication	Direct interaction	Media
• Company website • Virtual meetings • Email and SMS communications • Electronic tender platform • Sustainability platform	• Annual Report and Accounts • Sustainability Report • TCFD 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 • Corporate Social Responsibility Investment (CSRI) Committee meetings	• Press releases • Interviews • Media briefings

The effectiveness of stakeholder engagement in the Group is included in the annual Board evaluation process and personal performance objectives (that determine short-term incentive bonuses) for Executive Directors include a weighting for strengthening key stakeholder relationships.

OUR STAKEHOLDER RELATIONSHIPS CONTINUED

OUR STAKEHOLDER RELATIONSHIPS CONTINUED

STAKEHOLDER ENGAGEMENT

Shareholders

Our shareholders include institutional shareholders (63% of shares) and private shareholders (37% of shares). Shareholders are the owners of the Group, and the Board is ultimately accountable to them for performance. Gem Diamonds' strategy aims to maximise shareholder value in a sustainable manner. Shareholders represent a potential source of funding for future expansion opportunities.

The Chairperson, Senior Independent Director and Executive Directors engage regularly with shareholders at requested meetings, during roadshows to larger investors and at the AGM, which is attended by all Directors. The investor relations function is the responsibility of the Chief Legal and Commercial Officer. Feedback from these meetings is reported back to the Board at the Board meetings.

Shareholder interests include:

- Growth opportunities.
- Sustainable returns and capital allocation.
- Cash flow generation and balance sheet strength.
- Corporate governance and ethics.
- ESG considerations including climate change and tailings facility management.
- Responsible environmental and social practices.
- Fair executive remuneration practices.

ENGAGEMENTS POST THE AGM

At the Group AGM in June, Resolution 14 (Authority to allot shares) passed with 71.99% of participating shareholders voting in favour, while Resolution 15 (The disapplication of pre-emption rights) and Resolution 16 (The further disapplication of pre-emption rights) did not pass with the proportion of votes against these resolutions exceeding 20%.

The Board is disappointed in the outcome of these votes given that these resolutions followed the provisions of the Pre-Emption Group's Statement of Principles for the disapplication of pre-emption rights and reflected UK listed company market practice. In accordance with Provision 4 of the UK Corporate Governance Code, the Company engaged with the significant shareholder who voted against these resolutions. This is the second consecutive year that these resolutions were not passed, and due to the standing policy of this shareholder on these matters, it is unlikely to be resolved. The Board will continue to regularly consider their approach to this matter.

MAJORITY INTEREST IN SHARES

On 15 February 2022, 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 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	17 187 672	12.3
Gem Diamonds Holdings Limited	9 325 000	6.7
Hosking Partners LLP	6 209 593	4.5

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 140.5 million issued ordinary shares of US$0.01 each. There are institutional shareholders that hold 88.9 million shares (63%) and private shareholders who hold 51.6 million shares (37%).

Employees and contractors

Our strength lies in the quality of our workforce that is instrumental in running our operations and delivering our strategy. With a remote mining location and a small pool of local talent, the retention and development of skills is always a priority. Regular engagement with our workforce ensure that we understand and address their needs.

Management engages with the workforce through daily informal interactions, via the Company's website and other electronic channels, and through the quarterly Letšeng newsletter. Visible field leadership visits and regular 'toolbox talks' with smaller shift teams provide further opportunities for engagement. During 2021, Group and contractor management was often unable to physically visit the operations due to travel restrictions and had to use virtual engagement channels.

A 24-hour 'Stop for Safety' campaign was held at Letšeng in June to address and engage with employees and contractors to understand root causes of the deterioration in safety performance following an increase in the frequency of safety incidents in H1. This provided a critical opportunity for employees to engage directly with senior management and executives. Following feedback from these engagements, 225 safety interventions were actioned in 2021. Refer to our safety case study on page 61 for more details.

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 2021, she chaired several meetings with employee representatives. Matters raised during these meetings were addressed at Board and senior management level and employees were kept informed throughout the process. In response to these employee engagements, management adjusted the communications strategy to include more in-person meetings, which were felt to be lacking due to COVID-19 social distancing requirements and restrictions on large gatherings.

Employees and contractors value:

- Fair treatment and remuneration.
- Health and safety, including safe working conditions during COVID-19.
- Opportunities for advancement.
- Skills development.

Key employee projects for 2021

A tailor-made leadership programme was launched at Letšeng during the last quarter of 2021. The programme focuses on developing key competencies specific to our operations. In addition, emphasis was placed on developing skillsets to support a culture of continuous improvement.

Management trialled a new shift roster and considered how to change shifts to better meet the needs of employees. The shift roster was amended to allow for longer off periods for employees to spend more continuous time with their families.

Management reviewed and amended the Letšeng succession planning policy. The revised policy was approved in November 2021 and will be implemented in 2022. The main change to the policy was the introduction of a formal Succession Committee that will review and monitor compliance to the succession management policy and guidelines. Notable succession success stories for 2021 include the local appointments of the Head of Operations and Head of Finance at Letšeng.

Motooane Thinyane was appointed as the Head of Operations in March 2021. The appointment followed his successful career at Letšeng over the previous seven years as engineering manager. During 2020 he assumed responsibility for the operation when COVID-19 travel restrictions impacted the ability of Group management to travel to site, and successfully led the operation through this challenging period.

Makhomo Motaung was appointed as Head of Finance in March 2021. She was first employed at Letšeng in June 2011 as a financial accountant. She was promoted to finance manager in 2014 and stepped up to lead the finance team at the beginning of 2020.

These two appointments mark an important milestone for Letšeng as all Executive Management positions are held by Basotho nationals. It is a testament to the continued focus and dedication to the Group's diversity, inclusion and localisation policies.

At Letšeng, a full-time psychologist was appointed to assist employees cope with mental health issues, especially related to the impact of COVID-19. An employee wellness provider was appointed to assist employees in the Johannesburg office. Refer to our case study on how we have responded to the COVID-19 pandemic on pages 82.

The 'Stop for Safety' day in June 2021 (refer to page 61) indicated the need for further engagements to address certain specific concerns among employees and contractors. Monthly follow-up sessions were held with employees led by Letšeng management to provide feedback on the actions taken to address the concerns raised.

OUR STAKEHOLDER RELATIONSHIPS CONTINUED

Bankers, insurers and funders

Providers of capital allow the Group to invest in capital projects and expansion opportunities. Insurance enables the transfer of certain risk elements as part of the Group's 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 interacts with insurance brokering consultants around renewal anniversaries with oversight from Group risk management.

Providers of finance interests include:

- Responsible management of the Group's financial position to ensure commitments can be met as they fall due.
- ESG practices and regulatory compliance.
- Effective management of tailings storage facilities.
- Transparency in reporting potential material matters in a timeous manner.

The risk perception of the mining industry by banks, funders and insurers has increased significantly since the start of COVID-19. A number of international catastrophic tailings storage facility failures has also reduced the risk appetite for the mining industry. This led to tighter lending criteria as well as increased exclusions, deductibles and premiums on insurance policies which were further affected by insurance claims due to the civil unrest experienced in South Africa in July 2021. Aggregate limits are being imposed on insurance policies and Director and Officer liability cover is becoming more difficult to secure. Insurers will likewise be assessing climate change risks in determining whether to provide cover or adjust premiums for extreme weather risk. The Group has implemented a new risk transfer strategy to address these challenges. Refer to page 58 in the CFO review for more details.

Letšeng submitted a business interruption claim to its insurers for insured losses arising out of the 30-day COVID-19-related shutdown period in 2020 when the mine was required by Lesotho regulations to be placed on care and maintenance. This claim has been rejected by the insurer and Letšeng intends to pursue the matter further.

The Group-wide debt refinancing was successfully concluded with the renewal of the Group's revolving credit facilities for an amount of US$77.0 million for a three-year period. US$32.3 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) that are aligned to the Group's sustainability strategy. Refer to page 67 for more information on how we manage our carbon and water footprints.

Project-affected communities

Letšeng's PACs play a vital role in the success of the operation and we are committed to ensuring that these communities develop and benefit from the operation.

Letšeng's Community Liaison Officer (CLO) engages with the surrounding communities, government officials and community elected representatives. PACs select community representatives who sit on the 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 grievances directly to mine management. Social and environmental impact assessments and community needs analyses identify the most pressing community needs and concerns through consultation processes facilitated through independent external specialists. The needs and concerns identified through these independent studies form the foundation of our 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 with PACs and updates regarding progress on community projects.
- Responsible and safe mining, environmental and social practices.
- Local employment opportunities.
- COVID-19-related support through PPE provision and other critical aid during the pandemic.
- Operational support in response to climate-related impacts, such as extreme weather events.

A community needs analysis was conducted during the year. Refer to the Sustainability Report for further details on our approach to community engagement and investment.

Letšeng continued to support surrounding communities during the COVID-19 pandemic, details of which can be found in the Sustainability Report.

OUR STAKEHOLDER RELATIONSHIPS CONTINUED

Customers

Gem Diamonds' relationship with its customers supports demand for its unique diamonds and helps to ensure the best prices are achieved.

We interact with customers regularly in the normal course of business, at tenders, and communicate through the Company website and press releases. Customers also have access to 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.
- The ability to participate in tenders safely during COVID-19.
- Responsible environmental and social practices.

Six tenders were held in Antwerp in 2021, with the first trial viewing held in Dubai in September. The response from the Dubai diamond market was overwhelmingly positive and it made a significant contribution to the results achieved during this tender.

Refer to page 24 where we describe our participation in the GIA's blockchain initiative to link the source of rough diamonds to the final polished diamonds.

Regulators and government

Mining is a highly regulated industry and the Government of the Kingdom of Lesotho is a 30% shareholder in Letšeng, the Group's flagship mine. It is therefore essential that good relationships are maintained with these key stakeholders to ensure ongoing economically sustainable operations.

Engagements with regulators are held as required by relevant legislation and we interact with government regularly regarding operational challenges where support is required, employment and progress on community initiatives, and to support local and national COVID-19 priorities.

Government and regulator priorities include:

- Health and safety.
- Good governance and ethics.
- Responsible environmental and social practices.
- Community relationships and investments.
- Local employment and procurement.
- Contribution to Lesotho gross domestic product (GDP) through dividends, royalties and tax contributions.
- Support for government COVID-19 priorities.

OUR STRATEGY

The goal of our strategy is 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 that emphasises our commitment to creating social benefit and our duty to be responsible stewards of the natural resources of the countries that we operate in.

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

2021 STRATEGY REVIEW

In November 2021, the strategy was reviewed in the context of current macro, industry and operational conditions (including the ongoing impact of COVID-19 and the climate-related risks and opportunities identified in Phase 1 of the TCFD adoption strategy) and their effect on the diamond market, industry peers and the Group's operations. The review included an assessment of various potential opportunities to create stakeholder value, including technologies and diversification across assets, commodities, industries, business models and operating structures. We assess both internal and external opportunities on an ongoing basis and engage with stakeholders to investigate compelling options to unlock value.

Although emerging issues, such as the COVID-19 pandemic, require short-term responses, our medium- to long-term strategic objectives remain intact and the business model remains effective to support these strategic priorities. Our agility to adjust 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-quality 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, reduce diamond damage 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 continued redesign of blasting patterns as appropriate, improving the front end of our processing plants and providing stable feed to the concentration circuits of the plants. A project was successfully completed in 2021 to improve process controls to ensure plant stability and improve diamond recoveries.

OUR STRATEGY CONTINUED

The tables below further define our strategic objectives and links them to relevant KPIs and targets. More information is also included in the CEO review, page 48, the CFO review, page 52, and the Operations Review, page 60.

1. Extracting maximum value from our operations

What this objective entails	KPIs related to the objective
• Optimise 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 • Carats recovered • >20 carat diamond recoveries • Average US$ per carat achieved

2021 performance

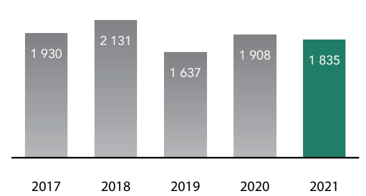
Our workforce, communities, supply chains and production continued to be negatively impacted by COVID-19. Our Letšeng operation experienced a number of challenges related to mining and its processing plants during the year. Cash generated from operating activities amounted to US$71.3 million during the year, resulting in a net cash position at the end of the year of US$20.9 million. The CFO review on page 52 discusses the Group's financial performance and position.

The BT four-year target of US$100 million in revenue, productivity and cost savings was exceeded, by the end of the year by achieving US$110.0 million. The BT programme is discussed on page 65.

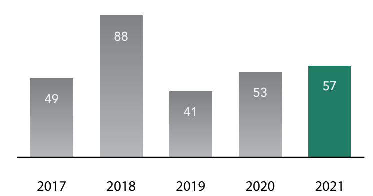
Letšeng implemented an improved mine waste dumping strategy during the year that not only reduced hauling distances and related operating costs per tonne, but also resulted in a measurable reduction in diesel consumption and associated greenhouse gas emissions. Refer to page 65 for further information on this initiative.

Partnership agreements with strategic manufacturers resulted in Letšeng earning an additional US$0.2 million in the polished uplift on the sale of these diamonds during the year.

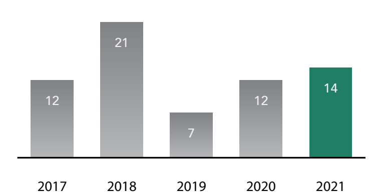
US$ per carat achieved



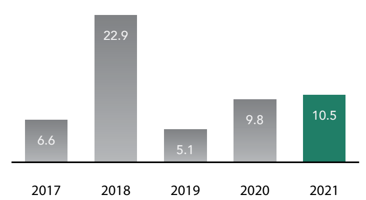
Underlying EBITDA[1] (US$ million)



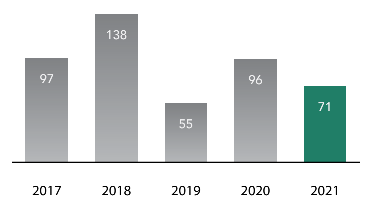
Return on average capital employed (%)



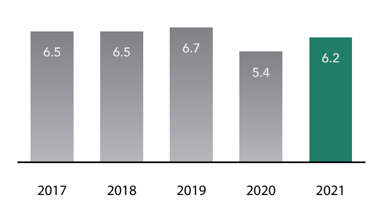
Basic earnings per share (BEPS)
(pre-exceptional items) (US cents)



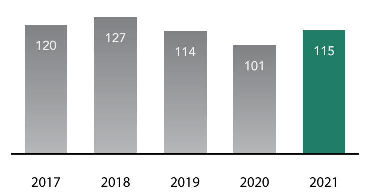
Cash generated from operating activities (US$ million)



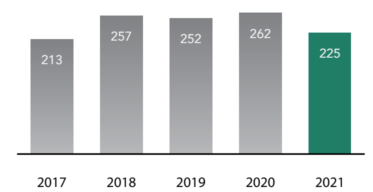
Ore tonnes treated (million)
target: 6.1 – 6.3



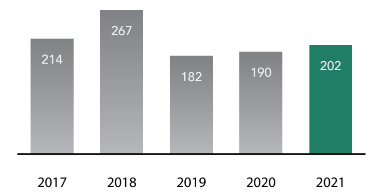
Carats recovered (thousand)
target: 110 – 114



>20 carat recoveries (number of diamonds)



Revenue (US$ million)



[1] *Refer Note 4, operating profit on page 179, for the definition of non-GAAP measures.*

OUR STRATEGY CONTINUED

2. Working responsibly and maintaining our social licence

What this objective entails

- Promote a culture of zero harm and responsible care
- Adoption of six priority UN SDGs:
  - › No poverty
  - › Good health and wellbeing
  - › Clean water and sanitation
  - › Decent work and economic growth
  - › Reduced inequalities
  - › Responsible consumption and production
- Participating in the GIA's blockchain technology initiative

KPIs related to the objective

- Zero fatalities
- LTIFR[1]
- AIFR[1]
- Zero major environmental or stakeholder incidents
- 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*

2021 performance

Zero fatalities were recorded during 2021. The Group recorded six LTIs, increasing the Group's AIFR and LTIFR year on year. Most of the safety incidents occurred in the first half of the year, which led to a 24-hour 'Stop for Safety' campaign being held at Letšeng in June 2021. More information on the campaign and safety interventions implemented during the second half of the year is provided on page 61.

The COVID-19 Detection and Management Protocol remains in place and has proven extremely effective in ensuring the welfare of employees, contractors and surrounding communities, and curbing the spread of COVID-19. A focused education and information campaign resulted in 99% of our workforce being fully vaccinated to date.

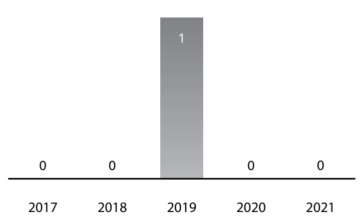
There were no major or significant environmental or stakeholder incidents during the year and Letšeng successfully piloted its bioremediation technology for water treatment. We expanded on the Group's knowledge around how climate change will affect our people, operations and PACs. Bolstering our resilience to the physical and transitional impacts of climate change and working with stakeholders to improve the readiness and resilience of our PACs, ensures that we protect our social licence to operate and continue to operate responsibly. Improving our resource use efficiencies within the mining value chain, such as energy and water reduces our environmental footprint and operating costs, and ensures that we continue to operate responsibly and in a sustainable manner.

We continue to invest in local communities and strengthen our relationships with our key stakeholders. Refer to pages 77 and 80 for more information on our social licence to operate.

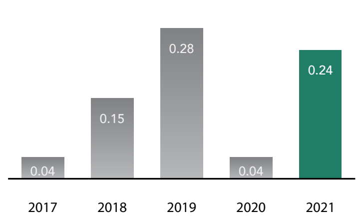
Letšeng achieved ISO 14001 and 45001 recertification in July 2021. The Group aligned its tailings facility management code of practice with the ICMM's GISTM and put the appropriate related governance structures in place to effectively monitor the continued safe and responsible management of our tailings storage facilities. No incidents of structural instability regarding dam integrity were recorded during the year. The Group adopted the recommendations of the TCFD and commenced with Phase 1 of the adoption strategy which worked to establish a science-based foundation for our climate-related risk and opportunity identification process. Refer to page 26 for our approach to climate change.

The Group submitted 352 rough diamonds to the GIA during the year to undergo its Rough Diamond Analysis Service. The GIA collects data and images of the rough diamonds and uses individual markers and data identified during the analysis to scientifically match polished diamonds to its original rough diamond which enables it to confirm the 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. Available materials include a brochure and mobile application that trace a diamond's journey from formation through discovery and mining, polishing and grading, and describes the beneficial impact of diamonds in a given country. The mobile application also includes report data and images of the rough and polished diamond. For more information, see https://www.gia.edu/diamond-origin-report-service.

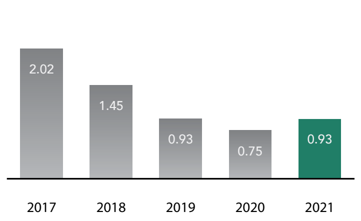
Fatalities



LTIFR



AIFR



OUR STRATEGY CONTINUED

3. Preparing for our future

What this objective entails

- Advance innovative technologies focusing on reducing diamond damage and reducing 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

2021 performance

We continue to investigate technologies for reducing diamond damage and reducing costs. We continually assess external growth opportunities but did not identify any available assets within the diamond industry that offered compelling value to our shareholders during the year.

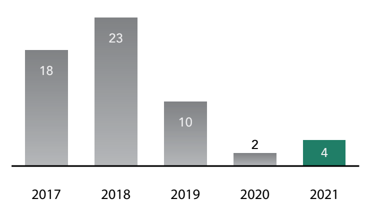
The current Letšeng long-term mine plan was reviewed during the year and a revised mine plan was designed which will be implemented in 2022. Details of the revised mine plan can be found in the Operations Review on page 60.

A conceptual study on the potential economic viability and mining method for underground expansion of the Satellite pipe at Letšeng (with the potential to include the Main pipe in the future) commenced during the year. Further and more detailed studies in this regard will be undertaken in 2022.

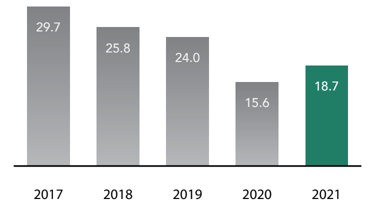
During the year, a pilot project was undertaken to test a surface miner on site at Letšeng. The pilot project resulted in c.122 000 tonnes of ore of varying hardness being mined and treated. The outcome of the test was inconclusive as to its potential positive impact on diamond damage and recovery, but the consistency and size of the in-pit material mined was encouraging and showed a potential increase in plant throughput through better fragmented material being fed to the plants. Further evaluation of the various surface miner designs, operability and total cost of ownership is planned in 2022.

The work undertaken during the year to identify and respond to both physical and transition risks associated with climate change, ensures that we can appropriately plan for and mitigate the impact of climate change risks on our operations in the future.

Capital expenditure (US$ million)
target: 6 – 8



Waste tonnes mined (million)
target: 18 – 20



OUR APPROACH TO CLIMATE CHANGE

We believe that climate-related issues are intrinsically linked to creating value for all stakeholders. Therefore, these issues formed part of the Board's considerations when reviewing strategy, risk management, annual budgets and business plans as well as developing action plans and Group policies. In support of our existing commitment to sustainability and climate change-related matters, the Board officially adopted the TCFD framework in June 2021. It will be implemented over three years.

We are committed to understanding and responding to climate change in a way that is measured and rooted in science, supports our business sustainability, and considers the needs of our host countries and local communities. To this end, we have developed a TCFD roadmap that outlines our path and allows us to deepen our understanding and respond effectively.

Our objective is to ensure that our science-based targets and decarbonisation strategy are established by the end of 2022 and implementation is scheduled to commence by the end of 2023 in alignment with our TCFD roadmap below.

"Sustainability requires a continuous balance between capital investment, sustainable growth, reducing the unavoidable impacts of operational activities and creating stakeholder value. These considerations are increasingly integrated into our business and financial planning, which has enhanced our ability to determine costs and benefits at an early stage of deliberation.

Our financial performance supports the broader goals of the business to leave a positive legacy for generations to come in terms of sustainable corporate social responsibility projects, responsible environmental stewardship, opportunities for decent work, skills development, training programmes and driving forward our six UN SDGs.

Across the industry we have seen an increased interest from investors in ESG performance, and we're pleased to be able to respond by demonstrating both our work over the past several years and our future planning in this regard."

–Michael Michael –
–Group CFO –

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 against our decarbonisation targets.

In 2022, the Group will embark on the next phase of its TCFD adoption strategy, which will focus on:

- Deepening our understanding of the climate-related risks Gem Diamonds faces.
- Reflecting on the resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
- Establishing climate-related performance targets that will underpin the Group's decarbonisation strategy.

2021 HIGHLIGHTS

Established robust Board and management governance structures.

Strengthened the enterprise risk management processes to ensure climate risk is considered and managed.

Completed the climate change scenario analysis.

Identified and assessed physical and transition risks over the short, medium and long term.

Board and senior leadership trained in the science behind climate change and related studies.

Strengthened the Board's ESG skills and experience with the appointment of Rosalind Kainyah.

OUR APPROACH TO CLIMATE CHANGE CONTINUED

GOVERNANCE

How we govern climate-related risks and opportunities

Board

The Board is ultimately responsible for the governance of climate-related risks and opportunities and is supported by the Sustainability and Audit Committees. The Board embraces a science-based approach to understanding the impact of climate change and continues to deepen its understanding of the physical and transition risks, along with associated opportunities.

To ensure effective oversight, the Board and Committees received quarterly reports, updates and presentations on climate change-related matters and the progress made in adopting the recommendations of the TCFD. During 2021, these reports included information on:

- Physical and transition risks.
- Resource use performance and efficiencies.
- Carbon tax.
- Carbon footprint reduction opportunities.
- Major project considerations related to climate matters and decarbonisation.

The climate change-related data and performance information presented to the Board and Committees informed the 2021 reviews of the Group strategy, risk management framework, annual budgets and business plans. The Board and Committees also considered climate change-related data and performance when setting the Group's internal KPIs and non-financial personal performance metrics for senior management.

Oversight

BOARD
Ultimately responsible for the Group strategy, risk and governance of climate-related risks and opportunities.

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, 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.

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

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

Management

The Group's CFO holds overall accountability for the integration of climate-related issues into annual budgets and business plans, financial disclosures and risk management. The Group's COO holds overall accountability for sustainability, including climate-related issues. He is supported by the HSSE and Sustainability Manager, who is responsible for day-to-day management of climate-related work within the Group and reporting matters such as TCFD and the Carbon Disclosure Project (CDP).

"Climate change has become a priority in our planning from the Board down to operational level, and we start from the position that efficiencies are necessary not only to reduce costs and increase revenues, but to reduce our carbon emissions, mitigate any climate risk and enhance the sustainability of the business."

– Michael Michael –
– Group CFO –

OUR APPROACH TO CLIMATE CHANGE CONTINUED

In June 2021 Gem Diamonds established a TCFD Adoption Steering Committee, a management forum responsible for ensuring climate change-related risks and opportunities are appropriately identified and subsequently elevated through the established governance structures.

The Committee meets monthly and members include the CFO, COO, Group Financial Controller and HSSE and Sustainability Manager. Internal and external attendees are invited to provide input into the process as appropriate. The TCFD Adoption Steering Committee drives an integrated approach to climate change by identifying and assessing climate-related issues through both internal assessments and external independent studies. In 2021, the TCFD Adoption Steering Committee commissioned the following external and independent studies to build the Group's climate-related knowledge base:

- Climate Change Scenario Analysis.
- Carbon and water footprints.
- Physical and transition risk assessments.
- Scope 1 and 2 carbon footprint reduction opportunity assessment.
- Materiality assessment.

The TCFD Adoption Steering Committee also worked with the relevant internal functions to bolster the integration of climate change considerations throughout the Group, including:

- Enterprise risk management.
- Communication and reporting.
- Insurance.
- Financial planning and disclosure.
- Project management.
- Internal audit.
- Engineering.
- Mining.
- Treatment.

The TCFD Adoption Steering Committee's findings are reported to the Board and the Audit and Sustainability Committees by the HSSE and Sustainability Manager on a quarterly basis. Reports on existing and planned metrics and targets, performance and operational objectives are reported to the Sustainability Committee. At the same time, the Audit Committee reviews matters concerning strategy, governance and risk. Both Committees report to the Board on these issues. In addition, the HSSE and Sustainability Manager presents to the Board each quarter on emerging climate-related issues and developments such as carbon tax, regulatory changes and technological developments.

OUR APPROACH TO CLIMATE CHANGE CONTINUED

STRATEGY

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

Our strategy aims to sustainably maximise stakeholder value in alignment with its commitment to be responsible stewards of natural resources. Gem Diamonds identified three strategic priorities, listed below, that underpin how the Group creates maximum value for all stakeholders. We believe that climate-related issues can affect the Group's performance within these priorities and impact our business, strategy, financial planning and performance.

Strategic priority		
EXTRACTING MAXIMUM VALUE FROM OUR OPERATIONS	**WORKING RESPONSIBLY AND MAINTAINING SOCIAL LICENCE**	**PREPARING FOR OUR FUTURE**
Climate considerations		
Operational initiatives to 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 impact of climate change can already be seen around the world. The work we undertook in 2021 to identify and respond to both physical and transition risks associated with climate change ensures that we can appropriately strategise for and mitigate against the impact of climate change in our future. The Group's existing business continuity and disaster management plans include considerations for extreme natural events, which we have responded to since we started mining in 2006.
2021 integration		
In 2021, Letšeng implemented an improved waste rock dumping strategy that reduced hauling distances and resulted in a measurable reduction in fossil fuel consumption, related carbon emissions and costs. Our integrated approach ensures alignment between sustainability and operational objectives. Refer to page 65 for more information on this initiative.	As a result of localised flooding in the Patiseng valley during the first half of 2021, water supply infrastructure, access roads and footbridges in our PACs were swept away. We rebuilt the damaged infrastructure and used the findings from our climate change work findings to design an improved water supply structure, using borehole and groundwater systems rather than surface water. This limits the impact of future flooding and drought on water supply.	While Gem Diamonds is currently in the foundation phase of its TCFD journey, the business identified climate-related risks and opportunities through externally commissioned studies and internal assessment processes.

The 2021 Group risk and strategy workshops identified strategic and financial planning processes that should consider climate-related risks and opportunities over the short, medium and long term. As outlined in the table on the next page, the timeframes adopted by Gem Diamonds for the short, medium, and long term, align with accepted industry practice and consider the mine lease period for our operating mine, Letšeng.

OUR APPROACH TO CLIMATE CHANGE CONTINUED

Our operations are located in remote areas, making them susceptible to more frequent extreme weather events due to climate change. While we continue to deepen our understanding of the expected physical risks under various scenarios, climate change has already impacted our operations and forms part of our business continuity planning. For more information on how we are managing and mitigating the impact of extreme weather events, refer to our environmental section on page 70.

The table below provides a high-level overview of some of the risks and opportunities identified during 2021. Where opportunities for improvement over the short term were identified, the related processes were enhanced, and the foundations for further integration and consideration of climate-related issues in 2022 were established.

Climate-related risks	Potential financial impact	Climate-related opportunities	Potential financial impact
Short term: 1–3 years			
Short-term processes include annual business and financial planning, performance reporting, short-term capital 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: 3–5 years, long term: 5–10 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 of 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 i.e. 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.

OUR APPROACH TO CLIMATE CHANGE CONTINUED

Our mining operations require significant amounts of energy, and Letšeng receives its electricity supply from the South African grid. Increasing global demand for renewable energy, concerns about climate change and greenhouse gas (GHG) emissions, actual and proposed taxation of carbon emissions and limited availability of alternative energy sources will affect the price and availability of energy. Higher energy demand in countries that are supplied with electricity through South Africa and grid instability in South Africa could increase electricity supply interruptions and associated use of diesel-powered generators. Greater focus on transitioning the South African electricity supply sector to renewable energy can also increase energy supply interruptions. Additionally, changes in energy laws and regulations in various jurisdictions, such as taxation on carbon emissions or fossil fuel-based energy, may impact energy costs and technology available for use. Limitations on grid electricity supply and increased energy prices could negatively impact our operating activities, costs, and cash flows.

In line with our TCFD roadmap, in 2022 we will conduct comprehensive physical and transition risk exposure assessments and determine the materiality of potential financial impacts on financial performance and position. This will assist us in indicating the materiality of the risks in the short, medium and long term, as well as the Group's resilience against climate issues, and identify appropriate mitigation strategies.

"We have historically maintained numerous funding facilities across the Group with varying expiry periods. Although this provides a degree of flexibility, we decided to consolidate our funding position, and expand on our funding partnerships.

As a result, Firstrand Bank has joined Nedbank and Standard Bank in a consolidated funding facility, which increased our revolving credit facilities to $77.0 million, in dollar equivalent.

An exciting aspect of the funding is that a portion of the facility is linked to sustainability performance targets. This is a first for our Group and it clearly marks a milestone in terms of our commitments to ESG and the way ESG commitments are embedded in our financial models."

– Michael Michael –
– Group CFO –

UNPACKING OUR CLIMATE CHANGE SCENARIO ANALYSIS

Understanding climate-related risks and opportunities allows us to align our business strategy with stakeholder demands of the industry, enhance sustainability efforts throughout the organisation, create resilience to the climate change-related impacts and maximise value for all stakeholders.

During 2021, Gem Diamonds engaged an independent external expert to conduct an organisation-specific CCSA that considers a mix of quantitative and qualitative information. Data from the Carbon Brief and World Bank Climate Change Knowledge Portal was used to determine climate-related physical impacts specific to the Group's locations. The current open pit life of mine for Letšeng was considered in determining appropriate timeframes in the short, medium and long term.

The Shared Socio-Economic Pathway model is a GHG concentration trajectory model, adopted by the International Panel on Climate Change (IPCC) and includes consideration for 1.4°C, 1.9°C, 3.3°C and 6.0°C temperature increases. The 6.0°C datasets were used as critical information and represent the world economy in the current format without climate adaptation and initiatives. These four climate scenarios, modelled on potential temperature increases by the end of the century, were included in the Group's assessment of physical climate-related impacts.

General circulation models (GCMs), also called global climate models, which simulate the physics of the climate itself, were used. These models consider the flows of air and water in the atmosphere and/or the oceans, as well as the transfer of heat. The most recent subset of GCMs now incorporate biogeochemical cycles and can simulate the carbon cycle, nitrogen cycle, atmospheric chemistry, ocean ecology and changes in vegetation and land use, which all affect how the climate responds to human-caused GHG emissions. An ensemble of GCMs was used to determine our Group locations' climate-related changes and impacts. To understand the impact of climate-related events on our mining activity, we linked climate issues to production impact by considering factors such as human health and behaviour, water, energy and vegetation changes. Parameters such as temperature, heat waves, cold waves, floods, droughts, hurricanes, and storms directly affect human health and behaviour. Precipitation, evaporation, drought and wind factors will generally increase operational challenges and present a resultant risk to the mining sector.

This research reflects our measured and science-based approach to understanding the impact of climate change and will inform the work that will be performed in Phases 2 and 3 of our TCFD roadmap.

OUR APPROACH TO CLIMATE CHANGE CONTINUED

RISK MANAGEMENT

How we identify, assess and manage climate-related risks

Gem Diamonds has a robust risk management process and framework in place to identify, 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.

The Board is responsible for risk management in the Group, including climate-related risks, ensuring that all 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 time frames. The impact of a specific risk is assessed within the categories of finance, reputation, regulation, health and safety, climate and environment, and social and community. A standalone risk review meeting of the Board is held quarterly to explore all risks, including climate-related risks, in depth and fully assess management scenarios and plans.

Our climate-related risks are integrated into the Group's risk management framework. In assessing the Group's principal risks, the impact of climate change is considered a key element and impact determinator. Refer to pages 37 to 44 for the Group's risk management section.

In 2022, we will undertake an extensive exposure assessment of climate-related risks to mature our understanding of the potential impacts and opportunities.

"Our work to understand and mitigate the effects of climate change is not new, but the degree to which it has been explicitly embedded into business structures and financial planning has increased significantly. In particular, to enhance reporting on the financial and strategic considerations related to climate change, Gem Diamonds is integrating the recommendations of the TCFD into the Group's governance and risk management structures, strategy and reporting platforms.

The processes to plan for and deal with the effects of climate change are therefore increasingly embedded, as are the results of the CCSA, which allows us to mitigate risk more effectively. How we implement our investment decisions and take our decarbonisation and climate change impacts into account is becoming more sophisticated. However, it remains a complex and rapidly changing focus area by its nature.

For example, just two years ago the persistent drought encouraged discussions around building supplementary dams to ensure our sustainability from a water-availability perspective. This year we saw severe rainfall and flooding. These extremities of weather events are expected to become more common, which clearly makes forecasting and budgeting a complex endeavour. We are, however, making progress on our ability to do so, especially by ensuring that these considerations are included at the beginning of planning processes, and involve all affected stakeholders in the business."

– Michael Michael –
– Group CFO –

OUR APPROACH TO CLIMATE CHANGE CONTINUED

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, strategy and business planning impacts, through presentations to the Board during separate quarterly risk meetings.
- The Sustainability Committee assures the Board that appropriate systems are in place to identify and manage climate-related health, safety, social and environmental impacts.

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 to the Audit and Sustainability Committees and Board for approval.
- Emerging and existing regulatory requirements related to climate issues are monitored and addressed by the Audit and Sustainability Committees of which the HSSE and Sustainability Manager is an invitee.

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, these are presented to the Board through the quarterly risk review meetings.
- Approved risk management plans are implemented by management at Group and site level. This is monitored and managed through TCFD Adoption Steering Committee meetings, quarterly technical reviews, management risk workshops, quarterly risk reviews, and Committee and Board meetings.

Top-down approach –
Board

Audit Committee

Sustainability Committee

Bottom-up approach –
Management

TCFD Adoption Steering Committee

OUR APPROACH TO CLIMATE CHANGE CONTINUED

TARGETS AND METRICS

The targets and metrics used to assess and manage relevant climate-related risks and opportunities where such information is material

The Group monitors a wide range of metrics to inform its assessment of climate-related risks and opportunities. Prior to 2021, the following metrics and trends were measured and monitored:

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

For information on our GHG emissions, including Scope 1, 2 and 3 emissions, and other climate-related metrics refer to page 35.

In addition to these metrics, we also monitor developments in areas that may impact our transition risks:

- Current and emerging climate-related regulations.
- Regional renewable energy developments.
- Existing and proposed carbon pricing such as carbon tax.
- New technology.

Following the adoption of the TCFD recommendations, we also track our climate change-related expenditure. In 2021, we spent US$0.9 million on environmental protection measures and US$0.2 million specifically related to climate change.

Non-financial performance indicators related to climate metrics are included in Group Executives' personal performance targets, Group performance targets and as part of the Group's annual incentive plan. Refer to the Remuneration Committee Report on page 118 for more information.

In 2021, the Group worked on improving the internal KPIs and targets around climate change. Our internal KPIs aim to improve resource use efficiencies, reduce our carbon footprint and advance our water stewardship goals. In line with our Group sustainability strategy, Gem Diamonds included carbon reduction and water conservation KPIs in its sustainability-linked loan (SLL). The interest rate on the SLL decreases if performance targets are achieved.

In 2022, the Group will embark on the next phase of its TCFD adoption strategy, which will focus on establishing climate-related performance targets that will underpin the Group's decarbonisation strategy. Gem Diamonds is committed to a science-based approach to setting targets and metrics. Our objective is to ensure that our science-based targets and decarbonisation strategy are implemented by the end of 2023 in alignment with our TCFD adoption roadmap, refer to page 26.

Our carbon, energy and water footprints

CARBON FOOTPRINT

The Gem Diamonds carbon footprint was calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard, an accounting tool to manage GHG emissions. The standard was developed through a decade-long partnership between the World Resources Institute and the World Business Council for Sustainable Development. It includes IPCC GHG inventory guidelines for specific heating values, carbon content, densities and emission factors.

Our carbon footprint was also calculated in accordance with the International Organisation for Standardisation (ISO) 14064-1 Part 1: Specification with guidance at the organisation level for quantification and reporting of GHG emissions and removals.

In 2021, the total carbon footprint for the Group was 153 864 tonnes of carbon dioxide equivalent (tCo_2e) (2020: 135 694 tCo_2e). This includes direct GHG emissions (Scope 1), energy indirect GHG emissions (Scope 2) and material Scope 3 emissions.

In 2020, our Letšeng mine suspended operations from 28 March to 26 April due to the Lesotho Government's COVID-19-related lockdown. During May, operational activities were ramped up and planned waste mining activities were successfully deferred to resume in July. This suspension of operations explains the reduced 2020 carbon footprint. A three-year view of our carbon emission performance is detailed on the next page.

Carbon emissions (tCO_2e)	2021	2020	2019
Scope 1 (direct) (tCO_2e)	**62 672**	53 568	75 359
Scope 2 (indirect) (tCO_2e)	**67 473**	61 320	67 870
Total Scope 1 and 2 (tCO_2e)	**130 145**	114 888	143 229
Scope 3 (indirect) (tCO_2e)	**23 718**	20 807	29 739
Total Scope 1, 2 and 3 (tCO_2e)	**153 864**	135 694	172 968
Total tonnes mined (ore and waste)	**24 962 356**	21 167 606	30 327 114
Ore tonnes treated	**6 213 098**	5 436 396	6 707 791
Scope 1 and 2 (tCO_2e)/Tonnes mined (ore and waste)	**0.005**	0.005	0.005
Scope 1 and 2 (tCO_2e)/Tonne ore treated	**0.021**	0.021	0.021

The Group's carbon footprint is primarily driven by electricity consumption, and mobile and stationary fuel combustion at Letšeng. Scope 1 emissions made up 41% of the 2021 total carbon footprint. 92% of the Scope 1 emissions are related to mobile combustion activity at Letšeng with the remainder related to stationary combustion, liquefied petroleum gas and explosives. Scope 2 emissions make up 44% of Group emissions, driven by grid electricity consumption at Letšeng. Our carbon intensity reporting is based on Scope 1 and 2 emissions. Less than 1% of the Group's total CO_2 emissions originated from its UK-based office.

ENERGY CONSUMPTION

The Group-wide energy consumption (for Scope 1 and 2 activities) in 2021 was 320 381 029kWh (2020: 278 103 602 kWh). 99% of Scope 1 and 2 energy consumption in 2021 is attributable to Letšeng. Less than 1% of our Scope 1 and 2 energy consumption originated from our UK-based operations. The COVID-19-related operational suspension of our Letšeng mine during 2020 explains the reduced energy consumption during 2020. Below is a three-year view of our energy consumption performance.

Our principal energy sources are grid electricity and diesel. Scope 1 energy consumption in 2021 was primarily driven by mobile and stationary diesel combustion activities at our Letšeng operation. Group-wide Scope 1 energy consumption decreased by 18.7% from 2019 to 2021, resulting in a 9% improvement in our energy efficiency ratio for ore tonnes treated. The energy efficiency improvements are because on a reduction in waste tonnes, steeper slopes and an optimised mine waste dumping strategy.

Energy consumption (kWh)	2021	2020	2019
Scope 1 (kWh)	**251 743 229**	215 725 348	309 639 385
Scope 2 (kWh)	**68 637 800**	62 378 253	69 751 658
Total Scope 1 and 2 (kWh)	**320 381 029**	278 103 602	379 391 043
Total tonnes mined (ore and waste)	**24 962 356**	21 167 606	30 327 114
Ore tonnes treated	**6 213 098**	5 436 396	6 707 791
kWh/Tonnes mined (ore and waste)	**12.83**	13.14	12.51
kWh/Tonnes ore treated	**51.57**	51.16	56.56

Our Letšeng operation is located in a remote location, requiring long-distance transmission of power. Scope 2 energy consumption for the Group is primarily driven by grid electricity consumption at the Letšeng operation. As our operations move towards lower carbon emissions targets, power sources and technology, our operations will continue to be evaluated to secure stable and cost-effective supply and reduce our carbon emissions.

OUR APPROACH TO CLIMATE CHANGE CONTINUED

WATER CONSUMPTION

The Group water footprint (net water usage) for 2021 was 7.1 million cubic metres (m^3) (2020: 6.0 million m^3). The COVID-19-related operational suspension of our Letšeng mine in 2020 explains the reduced water consumption during the year. Below is a three-year view of our water consumption performance.

The total volume of water recycled within our production processes increased by 11.3% from 2019 to 2021. This is due to water use efficiencies in recycling water, seepage from the Patiseng tailings facility and wastewater from the sewerage treatment plant back into the processing plants.

Water consumption (million m^3)	2021	2020	2019
Net water usage	**7.1**	6.0	7.6
Water withdrawal and capture	**3.8**	3.5	5.6
Water recycled	**8.9**	8.8	7.9
Water loss through evaporation, entrainment, and seepage	**3.1**	3.2	2.7
Total tonnes mined (ore and waste)	**24.9**	21.1	30.3
Ore tonnes treated	**6.2**	5.4	6.7
Net water use (m^3)/Tonnes mined (ore and waste)	**0.29**	0.28	0.25
Net water use (m^3)/Tonnes ore treated	**1.15**	1.11	1.13
Recycled water (m^3)/Tonnes mined (ore and waste)	**0.36**	0.42	0.26
Recycled water (m^3)/Tonnes ore treated	**1.44**	1.63	1.18

RISK MANAGEMENT

HOW WE APPROACH RISK

The Group's risk management framework, which is fully integrated within strategic and operational planning, aims to identify, manage and mitigate the risks and uncertainties to which the Group is exposed and combines top-down and bottom-up approaches with appropriate governance and oversight, as shown in the graphic below.

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.

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 and environmental risks. It monitors the Group's performance within these categories and drives proactive risk mitigation strategies to secure the safe and responsible operations and the social licence to operate in the future.

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.

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

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

Risk management framework

The Board and its Committees oversee the most relevant and significant current and emerging risks facing the Group which include strategic, operational and external risks. These risks are actively monitored, managed and mitigated to the extent possible as their impact, individually or collectively, could affect the Group's ability to achieve its objectives.

While Gem Diamonds' risk management framework focuses on risk identification and mitigation, many factors that give rise to these risks also offer opportunities. The Group monitors existing and emerging opportunities and incorporates them into the strategy where they support the Group's vision.

The learnings from COVID-19 led to increased emphasis on identifying the possible implications of external macro risks and low-probability and high-consequence events to inform appropriate contingency plans. These risks are mitigated by building resilience and flexibility into our leadership and operational processes, and ensuring the Group is equipped to quickly quantify the size and scale of the emerging issue and adapt accordingly. Insurance cover plays an important role in risk mitigation, enabling the transfer of certain risk elements within the primary risk categories of the Group. While it does not eliminate the need for operational controls to manage and mitigate risk, it offsets the financial loss should the risk materialise.

RISK MANAGEMENT CONTINUED

Insurers have continued to decrease their exposure to the mining industry due to the risk perception created by the COVID-19 pandemic, as well as claims in the industry due to the looting experienced in South Africa in July 2021. As a result, the renewal of appropriate insurance has become challenging, leading to additional exclusions, reduced cover, increasing deductibles or excesses payable and increasing premiums. Reduced cover consequently directly impacts the Group's cash management risk. In response to these challenges, the Group has decided to adopt a new risk transfer strategy to address the substantial changes in the insurance market by developing a sustainable insurance solution for the Group in the medium to long term.

Exposure increased	**Exposure unchanged**	**Exposure reduced**

1. Climate Change (Exposure increased)	**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 and opportunities to the Group, that if not identified and managed responsibly could negatively impact the organisation's long-term resilience. **Opportunity:** Opportunities for improvements in energy and operational efficiency, innovation and growth.	**Risk Response:** • TCFD adoption and climate change strategy development. • Governance and management practices implemented. • Structured TCFD Adoption Steering Committee meetings. • New reporting standards adopted. • Adoption of UN SDG framework • GHG emissions monitoring and reporting.	**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
2. Diamond damage (Exposure unchanged)	**Risk:** Letšeng's valuable Type IIa diamonds are highly susceptible to damage during the mining and recovery 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 cash flow and profitability	**Risk Response:** • Continuous diamond damage monitoring and analysis to identify opportunities to reduce diamond damage. • Optimising blasting and processing activities to reduce possible diamond damage. • Development of early identification and improved liberation technology.	**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

RISK MANAGEMENT CONTINUED

3. Diamond Resources and Reserves (Exposure reduced)	**Risk:** Letšeng's low-grade orebodies makes the operation sensitive to resource variability. Inadequate information on the geological continuity, distribution, grade, and quality of diamonds within the orebodies increases the risk that production targets may 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 the operation's 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 assume 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 distributions), applying industry best practice and engaging independent experts to audit and advise. • 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 daily and monthly basis, as well as per export period, to follow trends in diamond distributions, large stone 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
4. Security of product (Exposure unchanged)	**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 would negatively affect revenue and cash flows. **Related opportunities**: Advanced security control measures increase employee and product safety and improves revenue.	**Risk Response:** • Zero tolerance on non-conformance to policy 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 (subcommittee of the Letšeng Board). • Appropriate diamond specie insurance cover in place. • Regular vulnerability assessments complemented by internal and independent third-party assurance audits undertaken.	**Risk type:** Strategic and Operational **Strategic impact:** Extracting maximum value from our operations Working responsibly and maintaining our social licence **Business model impact:** Affects outputs of carats recovered, which increases financial outputs. Improves human capital and safety outcomes

RISK MANAGEMENT CONTINUED

5. Variability in cash generation	**Risk:** Variability in cash flows from operational activities and currency fluctuations 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. **Related opportunities:** Cash constraints drive more efficient capital allocation and cost discipline. Consistent and regular cash flows provides 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 any variability in the short to medium term. • Ongoing CI programme to drive 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 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.	**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

RISK MANAGEMENT CONTINUED

7. Health Safety and Wellness	**Risk:** The probability of a major health or safety incident occurring within the Group is inherent in mining operations. These incidences could impact the wellbeing of employees, PACs, our licence to operate, the Company's reputation and compliance with its 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 implemented timeously. • Dam safety management framework implemented and alignment with the GISTM. • ISO 45001 accreditation maintained. • Safety management and leadership programme; detection and prevention strategies are developed and implemented. • Training and awareness campaigns. • Psychological support considerations for the full workforce. • Continually assess organisational health to address current and emerging issues. • Flexible shift configuration to assess alternatives to limit community transmission and transfer to the workplace.	**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
8. 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. 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 fulfilled to ensure proper contract management and minimise potential for disputes and disruptions. • Appropriate insurance maintained. • Appropriate levels of resources maintained (fuel, stockpiles, etc) to mitigate certain production interruptions. • Improvements implemented in the management of contractors' procurement 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

RISK MANAGEMENT CONTINUED

9. Rough diamond demand and prices	**Risk:** Numerous factors beyond the control of the Group may affect the price and demand for diamonds. These factors include international economic and political trends, as well as consumer trends. Medium- to long-term demand is forecast to outpace supply, but short-term uncertainty and liquidity constraints within the diamond sector may affect rough diamond pricing. **Related opportunities:** Reduced supply and increased demand may result in improved revenue resulting in positive cash flows	**Risk Response:** • Monitoring of 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 with manufacturers to share in the upside of the polished diamonds. • Maintaining the integrity of the tender process. • Reduction in supply in the market with greater demand for Letšeng goods caused by current offtake agreement between a diamond trader and a competitive mine.	**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
10. Creating and preserving value for shareholders	**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 on returns to shareholders. The Group currently relies on a single mine with a finite life for its revenues, profits and cash flows. **Related opportunities:** Focusing on existing operations could unlock further value through rationalisation and efficiency improvements.	**Risk Response:** The Groups strategy review has the objective of improving the share price through: • Continuous Improvement initiatives. • Investigating early identification and anti-breakage technology. • Assessing mergers and acquisitions and diversification opportunities.	**Risk type:** Strategic **Strategic impact:** Working responsibly and maintaining our social licence Preparing for our future **Business model impact:** Affects the entire business model

RISK MANAGEMENT CONTINUED

11. Workforce	**Risk:** Achieving the Group's objectives and sustainable growth depend on the ability to attract and retain suitably qualified and experienced key 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 resources 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 bonus and long-term share awards. • Remuneration practices are in place which review current remuneration policies, skills and succession planning. • Development of training plans to address areas where skills 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
12. 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:** • Implemented appropriate Sustainability and Environmental policies which are subject to a continuous improvement review. • The current behaviour-based care programme instils environmental stewardship. • A dam safety management framework has been implemented. • Annual social and environmental management plan audit programme has been implemented. • ISO 14001 accreditation maintained. • Adopted a UN SDG framework. • Rehabilitation and closure management strategy adopted and updated annually. • Implementation of the water management framework. • Concurrent rehabilitation strategy implemented. • Group shared natural resources management 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

RISK MANAGEMENT CONTINUED

13. 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. **Related opportunities:** Realising the Group's vision to make a meaningful and sustainable contribution to the countries in which we operate builds the Group's reputation with employees, government, regulators, communities and investors.	**Risk Response:** • Appropriate CSI strategy based on community needs analysis which provides infrastructure, 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 government and regulators.	**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

EMERGING RISKS

The Group risk framework includes an assessment of emerging risks which are indicators of future conditions from which new opportunities and threats can arise.

The Group's consideration of emerging risk includes those risks that:

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

The current emerging risks and opportunities being monitored by the Group are:

- although the invasion of Russia into the Ukraine and consequential sanctions applied is a current event; the social, political and economic effect of this on commodity prices, supply chains and market conditions is unknown.
- lab-grown diamonds.
- generational shifts in consumer preferences – social influencers.
- the rate of advancement of digital technologies such as blockchain.
- future workforce (automation, skills for the future, etc).
- uncertainty around carbon tax.

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 approval of the financial statements 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 37 to 44 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 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.

REFINANCING OF GROUP FACILITIES

The refinancing of the Group's facilities which was completed in December 2021, significantly increased the Group's available facilities from US$67.6 million immediately before the refinancing to US$83.3 million thereafter, when fully unutilised. US$77.0 million of these facilities mature in December 2024, with the balance of US$6.3 million being a general banking facility with no set expiry date, but which is reviewed annually.

COVID-19

While there are promising signs that the impact of the COVID-19 pandemic may be dissipating, there remains a potential risk of further resurgences. The Group is confident in its ability to manage through any such resurgence given its experience and success to date, especially following the successful roll-out of vaccinations at Letšeng. The Group predominantly holds viewings for its rough tender sales in Antwerp, although viewings have been held in Tel Aviv and more recently in Dubai. Although international travel has been subject to changing levels of restrictions, the main diamond sales market in Antwerp has remained open. Diamond sales are concluded on Gem Diamonds' electronic tender platform which can be accessed from anywhere in the world. The Group is confident that it will be able to continue to hold tender viewings in Antwerp despite any potential COVID-19 travel restrictions.

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 and transitional 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, is 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.

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 tested included the compounding effect of the factors below and were applied independently of each other.

[1] *Refer Note 4, Operating profit on page 179, for the definition of non-GAAP measures.*

VIABILITY STATEMENT CONTINUED

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 either COVID-19 restrictions or climate-related events.	20%	• 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

CONCLUSION

The Group's current net cash[1] position of US$20.9 million as at 31 December 2021 and available facilities of US$74.3 million would enable it to withstand the impact of these scenarios over the three-year period. The revolving credit facilities which expire on 22 December 2024, has 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 2024.

[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'S REVIEW

We performed strongly in 2021 and operated in a safe and responsible manner to protect the wellbeing of our workforce.

Letšeng has a unique ore body with diamonds that are of the highest value of any kimberlite mine, and the most beautiful found anywhere in the world. Despite the many COVID-19-related challenges encountered during the year, the Group ended the year in a strong cash position (net cash of US$20.9 million) with the average price of Letšeng goods exceeding US$2 000 per carat in Q4. This robust pricing for Letšeng's large, high-quality diamonds has continued into 2022.

We aim to extract maximum value for our stakeholders by operating safely, responsibly and efficiently and exploring new technologies to reduce diamond damage during the diamond liberation process. Achieving the highest average prices of any kimberlite mine in the world requires an effective, transparent and competitive tender sales process which we boast in Antwerp and, more recently, in Dubai. In addition, the Group adheres to internationally recognised systems and processes which provide our clients and their customers the assurance that our diamonds are ethically mined.

EXTRACTING MAXIMUM VALUE FROM OUR OPERATIONS

The strategy during the second year of COVID-19 impact on our operations focused on driving the extraction of greater value from our assets.

The Group's Letšeng operation delivered a solid operating performance, despite the significant challenges presented by travel restrictions, supply chain constraints, extreme weather conditions and intermittent external power outages on site.

Tonnes treated increased 15% year on year as operations returned to normal after the COVID-19 shutdowns in 2020. Carats recovered increased 14% to 115 335 (2020: 100 780).

Six diamonds greater than 100 carats were recovered during the year, which is comparable to the 13-year average of eight, albeit lower than the 16 such diamonds recovered in 2020. Exceptional recoveries during the year included the two large high-quality Type IIa white diamonds of 367 and 245 carats which sold for US$26 160 per carat and US$40 139 per carat, respectively. Letšeng's operational performance is discussed in more detail on page 60.

The diamond market has recovered to levels not seen in some time and demand for the high-quality white diamonds produced at Letšeng is particularly strong. 21 diamonds sold for more than US$1 million each, generating revenue of US$64.5 million (2020: 34 diamonds contributing US$72.6 million). The average price achieved during the year decreased 4% to US$1 835 per carat (2020: US$1 908 per carat) from the sale of 109 697 carats (2020: 99 172). The decrease in the prices achieved compared

"We are committed to operating in an environmentally responsible way."

– Clifford Elphick –

CHIEF EXECUTIVE'S REVIEW CONTINUED

to 2020 relates mainly to fewer large and exceptional diamond recoveries, and the overall quality of the diamonds recovered as a result of the areas of the resource mined during the year. The Group successfully hosted its first trial tender viewing in Dubai in September, making it easily accessible for important clients from the UAE, India and Israel to participate in the tender. The viewings were well-attended and contributed to the robust prices achieved. The Group will hold its next Dubai viewing in March 2022.

Group revenue increased 6% to US$201.9 million (2020: US$189.6 million), which translates to underlying EBITDA[1] of US$57.4 million and earnings per share of 10.5 US cents. Operational cash generated amounted to US$71.3 million resulting in a net cash[2] position of US$20.9 million at the end of 2021. The Group-wide debt refinancing was successfully concluded during the year. An additional funder joined the lender group, bringing the total number of lenders to three. The Group's revolving credit facilities were increased from US$61.3 million to US$77.0 million, in dollar equivalent, and renewed for a three-year period.

Based on the positive financial performance of the Group in 2021, we are pleased to announce that the Board has proposed a dividend of 2.7 US cents per share. More information regarding the Group's financial results is included in the CFO review on page 52.

WORKING RESPONSIBLY AND MAINTAINING OUR SOCIAL LICENCE

Gem Diamonds aims to sustain a workplace safety culture founded on mutual care and collaboration across the workforce. We continue to roll out programmes to drive a behavioural, organisational and culture ethos of safe conduct in the workplace.

In the past year, there were no fatalities (2020: none), six LTIs (2020: 1), and we achieved an overall AIFR of 0.93.

We are committed to operating in an environmentally responsible way. Our tailings storage facility management process aligns with the ICMM's GISTM which ensures the responsible management and monitoring of the tailings storage and freshwater facilities with regular inspections by external experts.

We invest in our surrounding communities through our well-established CSI programme to improve educational outcomes, develop infrastructure and stimulate local enterprises to create self-sustaining employment independent of the mine. Implementing these programmes was a significant highlight in 2021 as we were able to successfully implement a number of 2020 projects delayed by the COVID-19 lockdowns, while also commencing with those projects planned for 2021. In addition, we were active in repairing roads, footbridges and other PAC infrastructure damaged by the extraordinary flooding in the Patiseng valley in the first quarter of the year.

We are particularly proud of the pipeline of in-country mining skills we have developed that will serve Letšeng, and Lesotho as a country, well into the future. We started operations with 250 people in 2006, more than half of whom were expatriates. There are now 1 591 people working at Letšeng, of whom 98% are Basotho. This is due to our significant investment in transferring of skills, sponsoring the studies of students in mining and business-related disciplines, and in coaching initiatives specific to our needs.

Responsible social and environmentally sourced diamonds are a consumer priority. We have adopted six of the UN SDGs and continue to support the GIA's use of blockchain technology to assure consumers of our diamonds' ethical footprint.

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

GEM DIAMONDS' CONTRIBUTION TO LESOTHO

Jobs for **1 591** employees and contractors of which **98%** are Basotho nationals.

Local procurement **US$158.7 million**.

Local procurement directly from PACs **US$3.4 million**.

Local procurement from regional communities **US$31.4 million**.

Investment in training to improve individual skills.

48 bursaries and scholarships for local students.

Vaccine and ambulance donations.

[1] *Refer Note 4, Operating profit on page 179, 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).*

CHIEF EXECUTIVE'S REVIEW CONTINUED

OPERATING THROUGH COVID-19

The challenge for our business over the last two years has been to keep our workforce safe, find ways to run efficiently and uninterrupted during COVID-19 and generate a return for our shareholders. We demonstrated our care and agility at the start of the pandemic by quickly establishing a testing laboratory, strict controls and protocols, giving confidence to employees, contractors, communities and the Government of the Kingdom of Lesotho that we were serious about keeping our people safe. The Group has incurred significant expenditure in implementing its COVID-19 protocols with the majority being spent at Letšeng, where an estimated LSL26.4 million (LSL17 375 per employee) was spent on COVID-19 management and prevention to date.

When vaccinations started in Lesotho in the second half of 2021, we acquired and donated 20 000 vaccines to the Lesotho Department of Health. As part of the national vaccination programme, we worked with the Department of Health to allow our workforce the opportunity to be vaccinated on site. We are proud to report that 99% of our workforce is fully vaccinated to date.

As a result of our early and proactive interventions, the mine operated continuously throughout 2021. However, travel restrictions made it challenging for Group management, contractors and certain technical skills to access the mine, and ongoing supply chain disruptions affected the timeous replenishment of essential spares and equipment. We remain alert to the effects of the pandemic on mental health and in response targeted wellness initiatives have been rolled out at the Johannesburg office and a full-time psychologist was appointed at Letšeng to support the workforce at the mine.

Focusing on climate change

We are cognisant of the risks presented by climate change and conscious of the need to minimise emissions and our environmental impact more broadly. Letšeng's physical location exposes the operation to extreme weather conditions including drought, strong wind, heavy rain, extreme cold and snow. The operation is well set up to manage these conditions and is experienced in sheltering and supporting our PACs when necessary.

We held climate change workshops and completed a Group-specific climate change scenario analysis to deepen our understanding of climate-related risks and its likely impacts on the Group. The TCFD framework is proving to be a useful tool to identify and assess climate change-related issues.

As users of grid and fossil fuel energy, our short-term focus is on improving energy efficiencies in our operating processes and reducing combustion-related fossil fuel use. We are assessing our options in the context of the size, nature and location of our operations, the required investment and the expectations of our main stakeholders.

The Group has appointed independent external subject matter experts to provide input into the climate change considerations that will inform governance, risk management and strategy decisions as well as climate change-related targets for the Group. Our approach to climate change is included on page 26.

PREPARING FOR THE FUTURE

The four-year BT target of US$100 million was exceeded by the end of the year with the achievement of US$110.0 million, and many of the embedded initiatives will continue to create value for the Group. We continue to foster a culture of continuous improvement to identify and execute value driving initiatives and look forward to realising the benefits thereof in the near future.

Our capital plans include funding for projects that will sustain growth and value creation. Advancing technologies to reduce diamond damage during processing is a focus and while the potential is clear, the slow pace of progress during the year was disappointing.

The current open pit mine plan for both Main and Satellite pipes extends to 2036. In preparing for the future, we are exploring the trade-off between the next cutback in Satellite pipe versus an earlier underground access to this ore body in a safe and efficient manner. To inform our decision in this regard, we deepened our knowledge of the resource body in 2021 through an extensive resource drilling programme and will continue this process into 2022.

CHIEF EXECUTIVE'S REVIEW CONTINUED

OUTLOOK

The current strong diamond demand and the ongoing decrease in the number of diamond producers, suggests that the fundamentals are supportive for achieving higher diamond prices in the future. We will prioritise stable and consistent production while driving efficiencies and managing costs to maximise cash flows, sustain an appropriate capital return to shareholders and maintain our status as a responsible, safe and low-cost operation.

Russia's recent invasion of the Ukraine has created political turmoil and the impact on the global economy, and the diamond market in particular, is uncertain at this stage.

Our future success depends on ensuring access to the requisite technical expertise, which will require further investments in skills development and retention initiatives, as well as effective succession planning. We remain focused on safeguarding the health of employees and contractors against COVID-19 for as long as it persists. We will continue to support our PACs and assist the Government of the Kingdom of Lesotho in its efforts to manage the impact of the pandemic.

APPRECIATION

In closing, I thank the Board and our Chairperson for their leadership during the year. The management teams once again demonstrated their commitment to the Group, and I thank them for their exceptional efforts during another difficult year.

We thank our customers for their continued trust and patronage, and our shareholders for their support. I would like to acknowledge the Government of the Kingdom of Lesotho for allowing us to continue to operate in a safe and responsible manner through three COVID-19 waves during the year.

Clifford Elphick
Chief Executive Officer
16 March 2022

CHIEF FINANCIAL OFFICER'S REVIEW

Gem Diamonds generated positive cash flow and ended the year in a strong financial position, proposing a shareholder dividend for the second consecutive year.

Underlying EBITDA from continuing operations increased 8% to
US$57.4 million
from US$53.2 million in 2020

Group's attributable profit:
US$14.8 million
(2020: US$13.6 million)

Earnings per share from continuing operations:
13.2 US cents
(2020: 12.1 US cents)

The Group ended the year in a net cash position of
US$20.9 million
(2020: US$34.6 million)

Profit attributable to shareholders from continuing operations:
US$18.5 million
(2020: US$16.9 million)

Unutilised available facilities of
US$74.3 million
(2020: US$60.8 million)

"The successful refinancing of our facilities, which includes a sustainability-linked loan, further embeds our commitment to delivering the Group's ESG strategy."

– Michael Michael –

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

We generated another strong set of results and positive cash flows in 2021, against the backdrop of ongoing COVID-19 challenges. Our effective and early interventions in response to COVID-19 enabled operations to continuing uninterrupted throughout 2021, with an ongoing focus on protecting employees and contractors against infection whilst maximising production and continues to sell our diamonds at the highest obtainable market price.

Production throughput was constrained during the year with three waves of COVID-19 impacting the availability of equipment, spares, skills and supply chain management. This resulted in the Group resetting some of its full year production targets, although the strong performance in Q4 resulted in some of those metrics being exceeded. The diamond market showed significant recovery and we achieved US$1 835 per carat for the year.

We successfully concluded the Group-wide debt refinancing during the year by renewing our revolving credit facilities at an amount of US$77.0 million for a three-year period. US$32.3 million of this amount is a Sustainability Linked Loan (SLL) which links the margin and resultant interest rate on the loans to the Group's ESG performance, which is aligned to its sustainability strategy.

In further support of our commitment to sustainability and climate change-related matters, Phase 1 of our TCFD Adoption Strategy was concluded during the year by establishing the necessary foundations to support meaningful, science-based decision making. The TCFD-related workstreams completed during 2021 included:

- Establishing robust board and management governance structures;
- Strengthening the enterprise risk management processes to ensure the full ambit of climate risk are considered and managed;
- Concluding our climate change scenario analysis; and
- Identifying, assessing and plotting the impact of our physical and transition risks over the short-, medium- and long-term.

Underlying EBITDA[2] from continuing operations increased to US$57.4 million, from US$53.2 million in 2020. Profit attributable to shareholders from continuing operations for the year was US$18.5 million, equating to earnings per share from continuing operations of 13.2 US cents on a weighted average number of shares in issue of 140.3 million.

The Group ended the year with a cash balance of US$31.1 million and drawn down facilities of US$10.2 million, resulting in a net cash position of US$20.9 million (2020: net cash of US$34.6 million) and unutilised facilities of US$74.3 million.

Summary of financial performance

Refer to the full annual financial statements starting on page 147.

US$ million	**2021**	2020
Revenue	**201.9**	189.6
Royalty and selling costs	**(21.9)**	(19.8)
Cost of sales[1]	**(113.0)**	(104.7)
COVID-19 costs/standing costs	**(0.7)**	(3.9)
Corporate expenses	**(8.9)**	(8.0)
Underlying EBITDA[2] from continuing operations	**57.4**	**53.2**
Depreciation and mining asset amortisation	**(8.6)**	(9.1)
Share-based payments	**(0.4)**	(0.6)
Other income	**0.1**	–
Foreign exchange gain/(loss)	**1.9**	(0.9)
Net finance costs	**(3.7)**	(4.4)
Profit before tax from continuing operations	**46.7**	38.2
Income tax expense	**(15.6)**	(10.7)
Profit for the year from continuing operations	**31.1**	27.5
Non-controlling interests	**(12.6)**	(10.6)
Attributable profit from continuing operations	**18.5**	16.9
Loss from discontinued operations	**(3.7)**	(3.3)
Attributable net profit	**14.8**	**13.6**
Earnings per share from continuing operations (US cents)	**13.2**	12.1
Loss per share from discontinued operations (US cents)	**(2.7)**	(2.3)
Dividends per share (US cents)	**2.7**	2.5

[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.*

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Revenue

Rough diamond revenue of US$201.3 million was generated at Letšeng, achieving an average price of US$1 835 per carat (2020: US$1 908 per carat). The Group sold 21 diamonds for more than US$1.0 million each, contributing US$64.5 million to revenue.

The Group's increased revenue was mainly driven by higher volumes through normalised production (following the COVID-19-related disruptions in 2020) and improved market conditions. The overall dollar per carat achieved was negatively impacted by a decrease in large diamond recoveries during the year when compared to 2020.

Letšeng entered into partnership arrangements during the year that allows them to share in the margin uplift on the sale of the resultant polished diamonds. In 2021, additional revenue of US$0.3 million (2020: US$0.6 million) was generated from these partnership arrangements.

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**
2021 (LSL)	**185.59**	**15.53**	**201.12**	**70.63**	**271.75**	**44.44**
2020 (LSL)	185.73	15.73	201.46	118.74	320.20	43.70
% change	–	(1)	–	(41)	(15)	2
2021 (US$)	**12.55**	**1.05**	**13.60**	**4.78**	**18.38**	**3.00**
2020 (US$)	11.28	0.95	12.23	7.21	19.44	2.65
% change	11	11	11	(33)	(5)	13

US$ million	**2021**	2020
Group revenue summary		
Letšeng sales – rough	**201.3**	189.1
Sales – polished margin	**0.3**	0.6
Impact of movement in inventory	**0.3**	(0.2)
Group revenue	**201.9**	189.6

Expenditure

OPERATING EXPENDITURE

Group cost of sales increased by 8% to US$113.0 million from US$104.7 million in 2020. In 2021, the Group incurred US$0.7 million to manage and maintain protocols to contain the spread of COVID-19 at its operations (2020: US$1.0 million). In 2020, an additional US$2.9 million standing charges were incurred during the shutdown and ramp-up periods at Letšeng. Total waste-stripping costs amortised increased by 8% to US$46.8 million compared to US$43.4 million in 2020.

Total operating costs in local currency decreased by 4% to LSL1 677.4 million compared to LSL1 740.8 million in 2020 which includes the impact of non-cash accounting charges.

The unit cost per tonne treated decreased 15% to LSL271.75 (2020: LSL320.20 per tonne treated) due to more consistent operational throughputs and an increase in tonnes treated compared to 2020.

- **Direct cash costs** (excluding waste) increased by 13% to LSL1 241.4 million in line with the increase of ore tonnes treated to 6.2 million, a 15% increase compared to 2020. Waste cash costs increased by 22% to LSL829.4 million which was also in line with the 20% increase in waste tonnes mined (18.7 million tonnes compared to 15.4 million tonnes in 2020). Direct cash costs per tonne treated of LSL185.59 which is similar to 2020. Waste cash cost per waste tonne mined increased marginally to LSL44.44 (2020: LSL43.70).
- **Third plant operator costs** reflect payments to the contractor which are calculated from revenue generated by the sales from diamonds recovered through the contractor plant. In 2021, the total cash costs in local currency increased by 12% in line with the increase in carats recovered and sold.
- **Non-cash accounting charges:** comprise waste amortisation, stockpile and diamond inventory movements and finance lease costs. The total impact of these charges in 2021 was LSL436.0 million compared to LSL645.6 million in 2020. The decrease is mainly driven by a build-up of ore stockpile to standard levels as mining activities normalised. An increase in diamond inventory on hand at year-end of about 3 500 carats driven by a higher grade mining mix post the last export of the year, also contributed to the decrease. Total waste amortisation charges decreased to LSL669.1 million (2020: LSL690.1 million), impacting the unit cost by LSL108.41 per tonne treated (2020: LSL131.56).

The diesel theft as discussed on page 115 had no material effect on operating costs or the unit cost per tonne treated.

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 stronger against the US dollar (compared to 2020), which increased the Group's US dollar-reported costs and decreased local currency cash flow generation. The fluctuation of the exchange rates are set out in the table below:

Exchange rates	**2021**	2020	% change
LSL per US$1.00			
Average exchange rate	**14.79**	16.47	(10)
Year end exchange rate	**15.96**	14.69	9
BWP per US$1.00			
Average exchange rate	**11.09**	11.45	(3)
Year end exchange rate	**11.76**	10.80	9
GBP per US$1.00			
Average exchange rate	**0.73**	0.78	(6)
Year end exchange rate	**0.74**	0.73	1

ROYALTIES AND MARKETING COSTS

In terms of Letšeng's mining lease, Gem Diamonds pays royalties to the Government 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 increased by 11% to US$21.9 million (2020: US$19.8 million) in line with the increase in revenue.

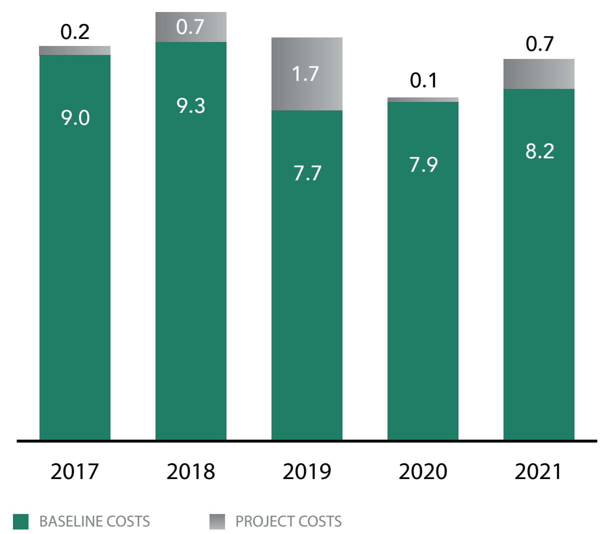
CORPORATE EXPENSES

The technical and administrative offices 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.

Baseline corporate costs were US$8.2 million, a 4% increase compared to US$7.9 million in 2020. The benefits from the corporate cost initiatives implemented through BT continue to be realised. During the year, US$0.7 million in costs were incurred on ad hoc projects (2020: US$0.1 million), an increase of US$0.6 million compared to 2020, when all ad hoc projects were suspended due to COVID-19. Current year costs were impacted by the stronger South African Rand and British Pound against the US dollar.

Total expenditure for the year relating to the adoption of TCFD and CCSA amounted to US$0.2 million.

Historical corporate costs data (US$ million)



[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, finance lease costs, and exclude depreciation and mining asset amortisation.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

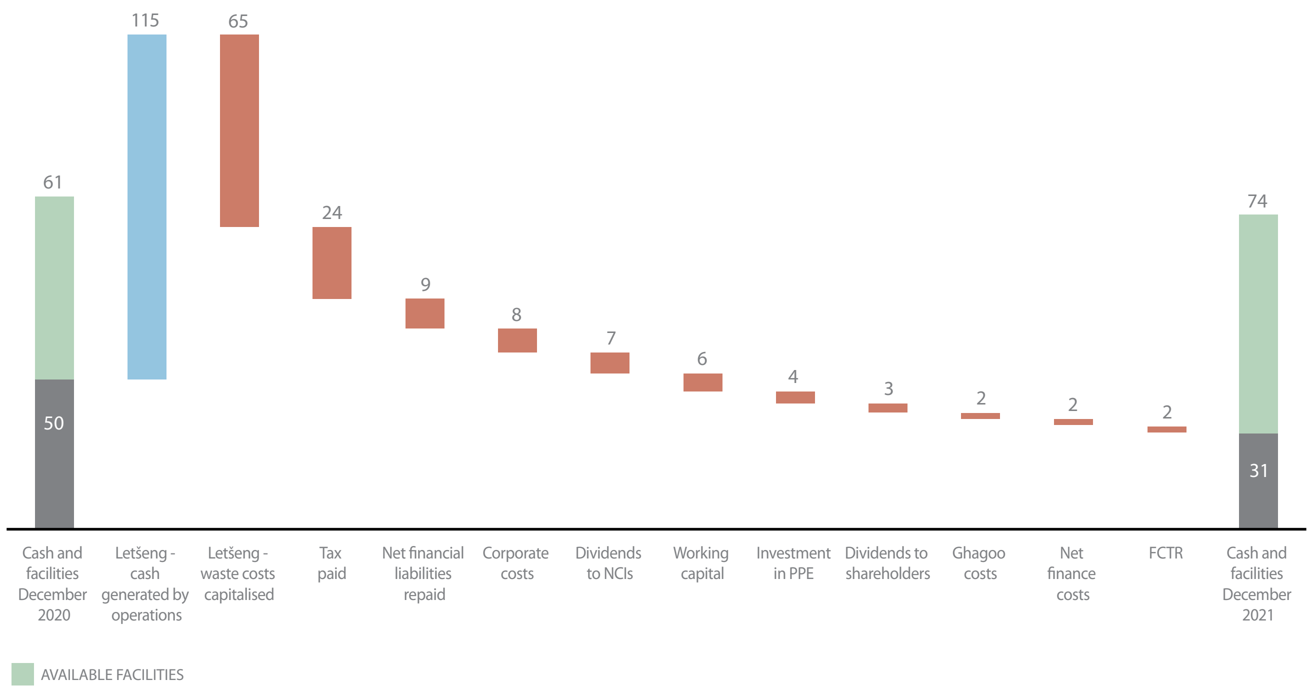
Underlying EBITDA[1] and attributable profit

Group underlying EBITDA[1] from continuing operations increased by 8% to US$57.4 million (2020: US$53.2 million) as a result of the increase in revenue. Profit attributable to shareholders was US$14.8 million, which translates to 10.5 US cents per share based on a weighted average number of shares in issue of 140.3 million.

Statement of financial position – selected indicators

US$ million	2021	2020
Property, plant and equipment	293 627	304 005
Receivables and other assets	5 373	5 839
Inventory	31 158	26 741
Income tax receivable	1 191	–
Cash and short-term deposits	30 913	49 820
Assets held for sale	2 097	3 528
Non-current: interest-bearing loans and borrowings	(8 340)	(1 702)
Current: interest-bearing loans and borrowings	(2 704)	(14 385)
Liabilities associated with assets held for sale	(4 100)	(4 224)
Deferred tax	(77 355)	(78 192)
Provisions	(11 202)	(12 331)
Income tax payable	–	(11 834)

Cash movement (US$ million)



CAPITAL EXPENDITURE

The Group's capital expenditure increased following the cash preservation focus in 2020. Letšeng's capital spend was incurred mainly on the completion of a single-occupancy accommodation block, the purchase and installation of an additional X-ray sorting machine, the replacement of an overland conveyor for one of the tailings storage facilities and expenditure on progressing the drilling work to develop our Resource and Reserve Statement. Total capital expenditure (excluding waste stripping) increased to US$4.0 million during the year (2020: US$1.6 million).

CASH AT HAND

Group cash generated from operating activities (before capital and waste investment of US$68.7 million) was US$71.3 million. At year end, cash on hand totalled US$31.1 million (2020: US$49.8 million), of which US$23.5 million is attributable to Gem Diamonds. All scheduled capital debt repayments during the year were made, totalling US$4.0 million. The overall result is a decrease in net cash of US$13.7 million year on year.

Letšeng declared and paid a dividend of LSL200.0 million (US$12.5 million) in 2021. Gem Diamonds paid a dividend to its shareholders of 2.5 US cents per share, totalling US$3.5 million after approval by the AGM in June 2021.

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

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

LOANS AND BORROWINGS

The Group-wide debt refinancing was successfully concluded on 23 December 2021. Letšeng's LSL500.0 million and Gem Diamonds' US$30.0 million revolving credit facilities (RCF), that were due to expire in December 2021, were refinanced for LSL750.0 million and US$30.0 million respectively, for an initial three-year period. The facilities were therefore increased from US$61.3 million to US$77.0 million, in dollar equivalent. Security for the facilities over Gem Diamonds' bank accounts and its shareholding in Letšeng was implemented after year-end.

The funding partners to the new facility agreement are Nedbank, Standard Bank and new to the Group, Firstrand Bank (through their respective operations). Nedbank's portion of the funding, totalling US$32.3 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.

The measurement dates for these KPIs are 31 December 2022 and 31 December 2023.

At year end, the Group had utilised facilities of US$10.2 million, resulting in a net cash position of US$20.9 million and available facilities of US$74.3 million, mainly comprising a net debt position of US$5.5 million (after US$9.0 million drawndown) at Gem Diamonds and a net cash position of US$24.2 million at Letšeng. Gem Diamonds ended the year with a US$9.0 million outstanding balance.

Letšeng made repayments of LSL56.9 million (US$3.8 million) on its project debt facility for the construction of the mining workshop complex. The outstanding balance of LSL19.0 million (US$1.2 million) will be repaid by September 2022.

The Group engages regularly 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 2021

Company	Term/description/ expiry	Lender	Interest rate[1]	Amount US$ million	Drawn down/ Balance due US$ million	Available US$ million
Gem Diamonds Limited	Three-and-a-half-year RCF *Expires 22 December 2024*	Nedbank Standard Bank Firstrand Bank	Facility A (US$30 million): LIBOR + 6.5%[2]	30.0	9.0	21.0
Letšeng Diamonds	Three-year revolving credit facility *Expires 22 December 2024*	Standard Lesotho Bank Nedbank Lesotho First National Bank of Lesotho	Facility B (LSL450 million): Central Bank of Lesotho rate + 4.75%[2]	28.2	–	28.2
		Nedbank	Facility C (ZAR300 million): JIBAR + 4.55%[2]	18.8	–	18.8
Letšeng Diamonds	Five-and-a-half-year project facility *Tranche A: expires September 2022*	Nedbank Export Credit Insurance Corporation	Tranche A (LSL35 million) South African JIBAR + 6.75%	2.2	0.4	–
	Tranche B: expires March 2022		Tranche B (R180 million) South African JIBAR + 3.15%	11.3	0.8	–
Letšeng Diamonds	General banking facility *Annual review in March*	Nedbank	LSL100 million South African prime rate minus 0.7%	6.3	–	6.3
Total				96.8	10.2	74.3

[1] *At 31 December 2021 LIBOR was 0.08% and JIBAR was 3.89%.*
[2] *Margin will decrease with 1.5% upon implementation of the security condition.*

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

DISCONTINUED OPERATION

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. Following the exclusivity agreement in the prior year, a binding share sale agreement was entered into for the sale of the mine in 2021. The agreement was subject to the fulfilment of certain suspensive conditions, including obtaining competition authority and regulatory approvals within Botswana. Prior to year end, the regulatory conditions were fulfilled and approvals were obtained from the Botswana Competition Authority. Although the transaction was not yet concluded by year end, management is pursuing to close it out as soon as possible.

The operation remains on care and maintenance and is classified as a discontinued operation and asset held for sale per IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Care and maintenance cash and non-cash costs amounted to US$3.7 million (2020: US$3.3 million) and have been recognised and disclosed separately in the Consolidated Statement of Profit or Loss. The increase in costs was mainly due to a non-cash impairment of redundant stock and spares during the year.

INSURANCE

Letšeng submitted a business interruption claim to its insurers for insured losses arising out of the 30-day COVID-19-related Government shutdown period in 2020 when the mine was required to be placed on care and maintenance. This claim has been rejected by the insurer and Letšeng has commenced the process to pursue it further.

Increased risk perception in the mining industry due to the COVID-19 pandemic and dam wall failures reported by other companies around the world have led to insurers decreasing their exposure to the industry. This has resulted in the renewal of appropriate insurance becoming challenging, leading to additional exclusions, reduced cover, increasing deductibles or excesses payable and increasing premiums. In response, the Group has implemented a new risk transfer strategy to address the substantial changes in the insurance market by developing a sustainable insurance solution for the Group in the medium to long term.

The Group assessed its potential maximum risk exposure and its history of insurance claims as a basis to transition its conventional approach to insurance cover to a more flexible model by retaining higher insurance excesses which resulted in an insurance premium saving. To mitigate the increased risk exposure of the higher deductibles in the unlikely event of an unexpected loss, the Group entered into a five-year Multi-aggregate Protection Insurance Policy.

SHARE-BASED PAYMENTS

The share-based payment charge for the year was US$0.4 million (2020: US$0.6 million). 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. No awards in line with the new GDIP or the existing Long-Term Incentive Plan (LTIP) were made in 2021.

Dividend

The Board is committed to sustaining shareholder value through the implementation of appropriate dividend policies and we aim to pay a dividend when the financial strength of the Group permits. The Board's proposed dividend in March 2021 of 2.5 US cents per share (US$3.5 million) was approved and paid to shareholders in June.

Based on the Group's financial performance during the year, the Board is proposing a dividend of 2.7 US cents per share (US$3.8 million). The dividend is subject to shareholder approval at the scheduled AGM on 8 June 2022.

TAXATION

The Group has applied all relevant principles in accordance with prevailing legislation in assessing its tax obligations. The Group's effective tax rate was 33.4%. 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 and permanent differences which are non-deductible for tax purposes.

As disclosed in the prior year, an amended tax assessment was issued to Letšeng by the Lesotho Revenue Authority (LRA) 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 LRA in March 2020, which was supported by the opinion of senior counsel. The LRA 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 and a court date is expected to be set in June 2022.

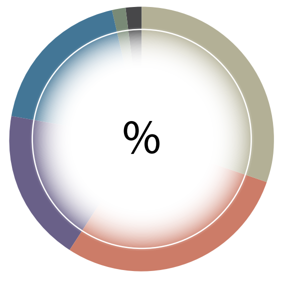
On 7 February 2022 Letšeng received an application from the LRA to amend its original grounds for the court application. Letšeng's counsel continues to review the LRA's proposed amendment of its case and has opposed the new application by the LRA. Senior counsel advice has been obtained for the new circumstances. This advice still reflects good prospects of success. There has therefore been no change in the judgement applied and the accounting treatment for this matter (refer Note 1.2.28, Critical accounting estimates and judgements for further detail).

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

SENSITIVITIES

A range of external factors outside of the Group's control have an impact on its ability to create financial value. The Group has the necessary resilience, balance sheet strength and access to funds to adjust for shifts in these factors. The graph below illustrates the sensitivity of 2021's EBITDA to various factors that have the most significant impact on our ability to create value.

SENSITIVITY IMPACT OF 1% CHANGE (US$ MILLION)



Royalties rate change (absolute)	2.0
Average selling price for rough diamonds sold	2.0
Operating cost per tonne – direct cash cost	0.9
Exchange differences	1.1
Diesel price or volume	0.1
Corporate expenses	0.1

OUTLOOK

The Group's focus remains on operational consistency and cost management to optimise cash flows, which together with appropriate funding facilities will enable it to meet its operational and capital requirements.

Michael Michael
Chief Financial Officer
16 March 2022

OPERATIONS REVIEW

2021 OVERVIEW

- Zero fatalities, successful 'Stop for Safety' campaign and focus on maturing operational safety culture.
- Exceeded BT four-year target, achieving US$110.0 million by 31 December 2021.
- 99% of workforce fully vaccinated to date.
- Improved, adapted, and implemented our COVID-19 protocols and procedures to protect the safety and wellbeing of our people while continuing operations through three COVID-19 waves in a safe and responsible manner.
- Recovered six diamonds greater than 100 carats, including a 367 carat and a 245 carat large high-quality Type IIa white diamonds.
- Sold 21 diamonds for over US$1.0 million each, generating revenue of US$64.5 million.
- Highest prices achieved:
  - US$119 886 per carat for a 3.4 carat pink diamond.
  - US$47 574 per carat for a 65 carat Type IIa white diamond.
- Average price of US$1 835 per carat achieved.
- Supported our PACs through COVID-19 and repaired flood-damaged infrastructure.
- Fifth consecutive annual ISO 14001 and 45001 certifications.
- Group-level climate change scenario analysis completed.
- Reduced waste costs by reducing haulage distances for Main pipe waste.
- Advanced the resource core drilling programme.
- Completed a preliminary conceptual underground study to evaluate for Satellite pipe.
- Completed designs for the replacement PCA.
- Successful trial of steeper slopes in Satellite pipe to significantly reduce waste and increase ore availability.
- New fines X-ray sorting machine to treat fine recovery tailings commissioned.
- Enhanced and optimised process control to stabilise plant feed conditions.
- Initial surface miner trials completed in Q2 and Q3.

OPERATIONS REVIEW CONTINUED

PERFORMANCE

Safety

The Group's safety approach is founded on our commitment to zero harm and belief that all injuries are preventable. Letšeng recorded zero fatalities but six LTIs during 2021, resulting in an LTIFR of 0.24 (2020: 0.04) and an AIFR of 0.93 (2020: 0.76). An organisational safety culture initiative was implemented to advance the maturity of our operational safety practices and reduce the frequency of safety incidents experienced in H1, through focused interventions including a 24-hour 'Stop for Safety' campaign and critical control management.

Safety performance	Unit	H1 2020	H2 2020	FY 2020	H1 2021	H2 2021	FY 2021
Fatalities	Number	0	0	0	0	0	**0**
LTIs	Number	0	1	1	4	2	**6**
LTIFR	200 000 man hours	0.00	0.08	0.04	0.32	0.16	**0.24**
AIFR	200 000 man hours	0.33	1.07	0.76	1.29	0.57	**0.93**

The safety case study below, outlines the key 2021 safety interventions implemented to mature our safety culture at Letšeng and improve safety performance.

MATURING OUR ORGANISATIONAL SAFETY CULTURE

Our safety journey in 2021 reflects the Group's deep commitment to zero harm and the belief that all injuries are preventable.

During the first half of 2021, Letšeng recorded a series of safety incidents that led the leadership team taking to shut down operations for 24 hours for safety-focused engagements with the entire workforce.

The site-wide 'Stop for Safety' campaign was the first of its kind for the Group and Letšeng and was aimed at understanding the root causes of increased safety incidents, reaffirm the commitment to zero harm and to design a targeted strategy to address the identified root causes and other concerns raised by the workforce during the intensive engagements.

This campaign took place on 8 June. Group Executive Management and Letšeng's leadership teams, accompanied by our contractors' executive and operational management, engaged extensively with the workforce. An additional session for employees not on duty on the day was held the following week.

A comprehensive list of actions was put together to immediately address matters raised during these sessions, which spanned a range of topics, including:

- The continuing impacts of the COVID-19 pandemic.
- Fatigue management.
- Health and safety.
- Human resource management and leadership.

As part of the discussions, the workforce requested more regular employee engagement forums to discuss safety and other matters, and as such, monthly employee engagement sessions were established.

Following the 'Stop for Safety', we appointed external safety specialists to review our safety practices and identify opportunities for improvement. In support of this process, a safety perception survey was conducted in October to map the Group's current safety maturity level. The findings of the safety perception survey informed a safety-focused response plan to implement strategic programmes that aim to develop and mature safety practices and organisational culture at Letšeng.

The strategic safety programmes initiated in 2021 include:

- Critical control management.
- Incident investigation and management.
- Safety-focused leadership coaching.
- Just Culture Model development.

In addition to the above programmes, we are maturing from reacting to lagging indicators, which measure failures post-incident to leading indicators that measure performance and indicate whether safety and health controls are effective at managing safety risk, thus being more proactive in our safety strategy. This approach will be monitored and measured through a leading indicator safety committee that will meet monthly to conduct retrospective analysis of all the leading indicators to identify trends or potential red flags to allow a proactive response.

We recognise that with one operating mine, there is limited opportunity for cross-operational knowledge sharing and we have identified a need for external assistance to transfer knowledge, experience and expertise on safety-related matters. We have constituted a committee of experienced individuals, our 'Grey Hair Council', from a broad industry base with deep insight into industry leading safety practices. In 2021, this council provided valuable guidance and insights into actual safety incidents, which have been integrated into our safety response and management plans.

We remain committed to zero harm and continue to look for innovative ways to deepen our understanding of how we can keep ourselves and our teams safe.

OPERATIONS REVIEW CONTINUED

Operations

KPI	Unit	2021	2020	% change
Ore mined	tonnes	**6 298 863**	5 594 639	13
Ore treated	tonnes	**6 213 098**	5 436 396	12
Carats recovered[1]	carats	**115 335**	100 780	14
Carats sold	carats	**109 697**	99 172	11
Average price per carat	US$/carat	**1 835**	1 908	(4)

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

The Group's Letšeng operation continued operating safely and responsibly throughout the year notwithstanding the ongoing impact of COVID-19 on the availability of spares and equipment, limited access to skills and services due to travel restrictions and supply chain disruptions, and lost shifts due to required quarantining. Fatigue and mental health challenges placed significant strain on the management and the workforce.

Waste tonnes mined increased 20% to 18.7 million tonnes from 15.6 million tonnes in 2020 (2020 being impacted by the 30-day COVID-19 shutdown).

The trial to further steepen the west side of the Satellite pipe was safely and successfully managed during the year, with blasting and berm retention controls well entrenched. A similar slope steepening programme is planned for the final cutbacks in the Main pit. This will significantly reduce waste volumes and related costs, and expose more ore over the life of the Main pipe open pit.

Ore mined in 2021 of 6.3 million tonnes (2020: 5.6 million tonnes) was in line with the requirements of the plants and stockpile management.

Although a successful year overall, the Letšeng operations experienced many challenges during the year, including:

- Intermittent Main pit closures due largely to extreme weather conditions and spillage caused by the split-shell mining method as one cutback is completed while the next starts.
- Regional power grid instability and unplanned power cuts.
- A breakdown of the primary jaw crusher at the end of the third quarter.
- Unscheduled and extended maintenance of critical plant equipment.

Ore treated during 2021 of 6.2 million tonnes (2020: 5.4 million tonnes) comprised 5.2 million tonnes treated by Letšeng's plants (2020: 4.5 million) and 1.0 million tonnes treated by Alluvial Ventures, the third-party processing contractor (2020: 0.9 million).

Of the total ore treated, 2.7 million was sourced from the Main pipe, 3.3 million from the Satellite pipe with 0.2 million tonnes treated from the Main pipe stockpiles.

During the year we reduced the PCA throughput to ensure the longevity of our current PCA while the construction of the replacement PCA commences in 2022 and for commissioning in 2023. The new PCA comprises a twin module design with a combined throughput of c.1 000 tonnes/hour.

Total carats recovered in 2021 increased 14% to 115 335 carats (2020: 100 780 carats). Carats recovered increased by 1% when compared to 2019, which was a more comparable year not impacted by COVID-19.

The BT initiative to re-treat historic and current recovery tailings through the mobile X-ray transmission sorting machine recovered 1 098 carats in 2021 (2020:1 341 carats). An additional 213 carats were recovered by the new fines X-ray sorting machine that was installed and commissioned in H2 with expected full production in H1 2022.

Overall grade for 2021 was 1.85cpht which is aligned with 2020 and in line with the expected reserve grade. The contribution from Satellite pipe material accounted for 54% of all material treated during the year (2020: 52%).

Revised Mine Plan

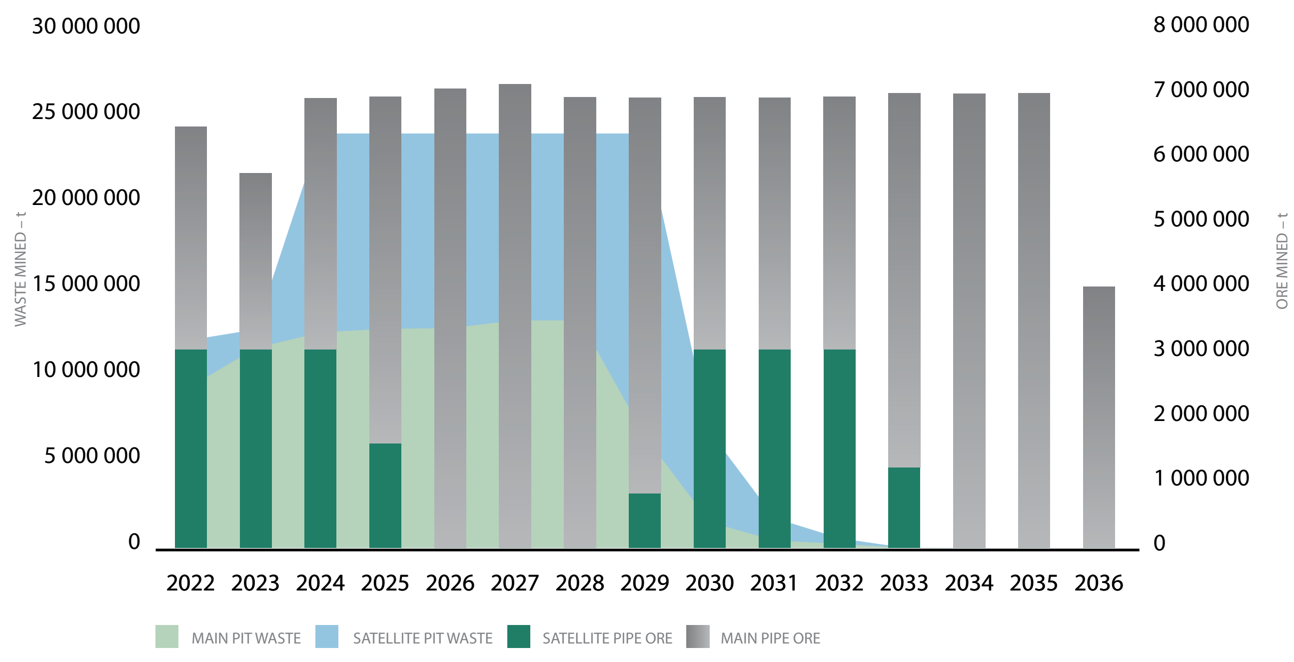
Following the change in design of the Satellite pit, resulting in the successful implementation of steeper slopes in 2019, and further steepening and pit design optimisation over the last three years, more ore has been exposed. This has resulted in the availability of ore from the Satellite pipe extending late into 2025, compared to the 2019 plan where it was depleted in mid-2023. This has allowed the commencement of the waste stripping related to the next cutback (Cut 6 West / C6W) of the Satellite pit to be delayed to 2024.

In 2021, a preliminary conceptual study of an early-access underground in the Satellite pit was completed. An underground feasibility study will be commissioned in 2022 to assess the viability of an earlier shift to underground mining of the Satellite pipe and to evaluate the trade-off between this and C6W. The trade-off analysis between C6W and underground mining of the Satellite pit will be completed in 2023.

Our long-term mine plan has been revised accordingly to commence waste stripping related to C6W in 2024, previously 2022. At this rate of waste stripping, Satellite ore from C6W will be available from 2029. Pending the outcome of the proposed underground feasibility study, Satellite C6W cutback may be replaced by the early commencement of underground mining with the intention of bringing forward access to Satellite ore post the completion of Satellite Cut 5 West in 2025.

The waste mining profile for the next two years has therefore been reduced to an estimated 11.0 million and 11.6 million tonnes respectively. At this rate of waste stripping, Satellite ore from C6W will be available from 2029.

LoM Ore Waste Profile Incl. Deferred SC6W at 3Mtpa



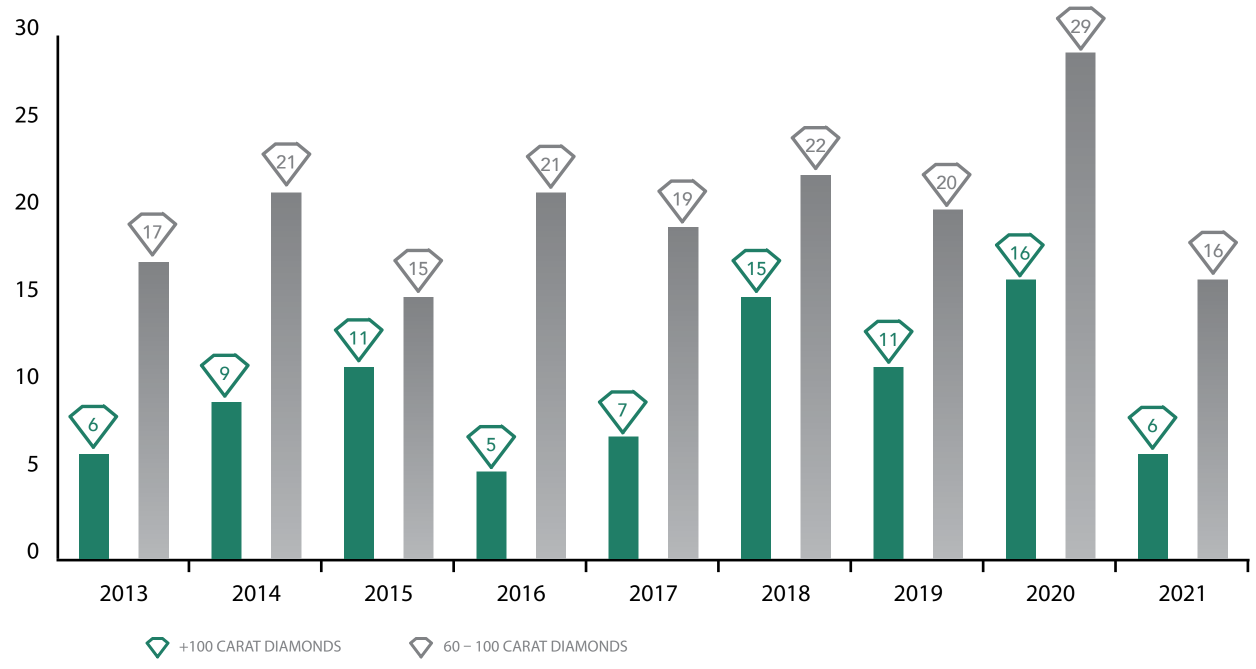
Large diamond recoveries

In 2021 Letšeng recovered six diamonds greater than 100 carats and total diamonds recovered greater than 10 carats increased by 4% year on year, mostly in the 10 to 20 carat size category. Although recoveries throughout the categories are mostly in line with the 13-year averages, the lower number of diamonds in the large categories (60 to 100 carats and greater than 100 carats) can be primarily attributed to the areas of the resource that were mined in 2021 versus what was mined in 2020. 2020 was a record year for these two categories of larger diamonds. A total of 122 greater than 100 carat diamonds have been recovered at Letšeng since 2006.

Number of large diamond recoveries	2021	2020	FY average 2008-2020
> 100 carats	**6**	16	8
60 – 100 carats	**16**	29	19
30 – 60 carats	**81**	102	76
20 – 30 carats	**122**	115	114
10 – 20 carats	**570**	500	433
Total diamonds > 10 carats	**795**	762	650

OPERATIONS REVIEW CONTINUED

Letšeng 60 – 100 and +100 carat diamonds



Mineral resources and reserves

A primary focus in 2021 was advancing the resource core drilling programme in the Main and Satellite pipes, using the new drill rig purchased at the end of 2020. As the new drilling crews and management systems were embedded, the number of shifts increased, and the drilling process accelerated. The main challenge facing demarcated drilling programme remains the competition with production activities for access to the drilling sites, which were all positioned in the pits. Although completion of the core drilling programme was a high priority, continued production activities remained paramount.

Resource drilling in the Satellite pipe progressed well and nine delineation drillholes were completed. The kimberlite contact of the Satellite pipe along the western wall deviated out slightly from the expected position at the current mining elevation and posed certain geotechnical risks. A series of 19 additional holes were drilled for geotechnical purposes at intervals along the length of the western wall to resolve the immediate risk to the mine design and pit wall stability. These drillholes detected an increase in the pipe margin, adding further ore to the resource base of Satellite pipe. Detailed petrography of the core is in progress and updated geological models are expected by mid-2022.

Resource drilling in the Main pipe proved more difficult, with ground conditions hampering drilling progress and resulting in several holes having to be abandoned and redrilled. Delays experienced related to excessive rainfall and the commencement of mining activities on the upper benches in the new cutback (Cut 4 East), creating unsafe working conditions for the drilling crews below and periodically restricting access to the drilling sites.

Two additional contractor drill rigs were brought to site to reduce the impact on the timeline for completion of the drilling programme and updating of the Resource and Reserve Statement. By year end, the objectives of the drilling programme in Satellite pipe had been met and only four of the 14 planned drillholes in Main pipe remained to be completed.

Diamond sales

Six rough diamond tender viewings were held in Antwerp and a first trial tender viewing was held in Dubai in September. Travel and other COVID-19-related restrictions had little impact on attendance at the tender viewings and demand remained strong throughout the year.

A total of 109 697 carats were sold in 2021 (2020: 99 172) and Letšeng generated rough diamond revenue of US$201.3 million (2020: US$189.2 million), at an average price of US$1 835 per carat (2020: US$1 908).

The Group supports the GIA's blockchain technology to inform and assure consumers about the ethical and socially supportive footprint of the diamonds being purchased. 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.

OPERATIONS REVIEW CONTINUED

Capital projects

Although limited, capital was appropriately spent during 2021 in line with operational requirements. Certain capital was deferred into 2022 without putting the continuation of operations at risk. A number of key capital projects are planned for 2022, including the replacement of the PCA, the completion of the resource core drilling programme to inform Letšeng's Resource and Reserve Statement, the construction of the bioremediation plant, further evaluation of the underground development opportunities and expansion of the Patiseng coarse tailings storage facility. Details of overall costs and capital expenditure incurred at Letšeng during the year are included in the CFO review on pages 52 to 59.

Business Transformation

The Group's BT programme concluded at the end of 2021, exceeding the targeted US$100 million[1] in revenue, productivity and cost savings (against the 2017 base) by achieving a total of US$110.0 million, as set out below. The programme identified 325 initiatives to create a step change in efficiency, productivity and cost management, and to position Gem Diamonds favourably in its peer group.

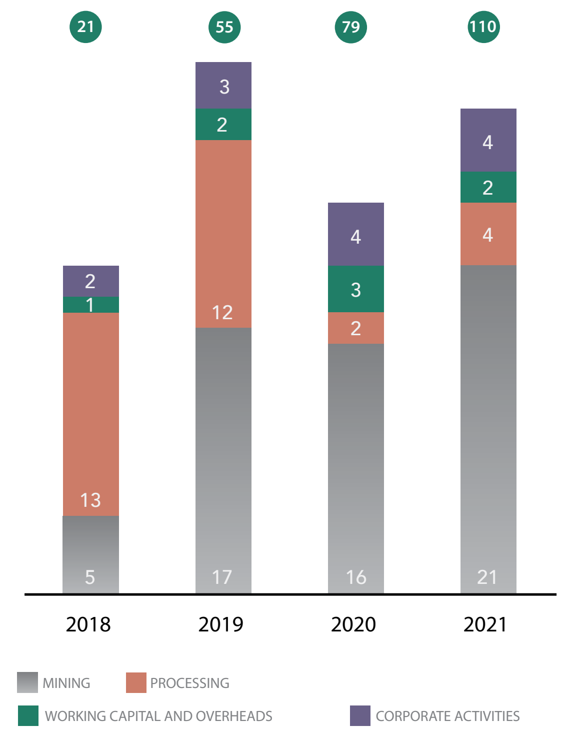
The targeted US$100 million comprised US$7.1 million in once-off savings and US$103.0 million in cumulative recurring annualised benefits over four primary workstreams – mining, processing, working capital and overheads, and corporate activities. The implemented initiatives are sustainably embedded in the operation and continue to deliver benefits in reduced costs and improved efficiencies that have been critical in maximising operational cash flows, which was crucial in the Group's ability to successfully absorb the external shock of the COVID-19 pandemic.

Continuous Improvement

The CI programme aims to implement behavioural strategies and meaningful KPIs to create effective visual management tools and problem solving at all levels. The CI methodology, supported by training and coaching, enables the Group to continuously improve efficiencies by unlocking the inherent capabilities of employees at all levels to implement best practices, build effective teams and drive incremental improvements. Although severely hampered by COVID-19 restrictions and constraints, CI was successfully implemented in Mining at Letšeng in 2020, with the roll-out to the Treatment and Services areas commencing in 2021. In 2022, the programme will focus on training and focused coaching to improve skills and experience at the supervisory level.

BT programme annual cash saving (US$ million)

Cumulative saving



A key strategic objective for the Group is to continuously identify opportunities to unlock value within our business. During 2021, we focused on continuous improvement opportunities to reduce mining-related costs and improve resource use efficiencies. At Letšeng, waste hauling distance is a major driver of both current and future mining costs and fossil fuel combustion-related greenhouse gas emissions.

We identified an opportunity to reduce both mining costs and greenhouse gas emissions through shorter mining waste haulage distances of our waste from the Main pit. Following extensive collaboration between our environmental and mining teams, a new mine waste dumping plan was designed and implemented. The revised plan has reduced the haulage distance of waste from the Main pit by 30%, resulting in a significant long-term reduction of the associated operational costs and diesel consumption, and advancing our sustainability objectives to lower carbon emissions.

By working together to design innovative solutions, we are able to unlock shared value and drive Group goals with regards to maximising value, managing costs and reducing our environmental footprint.

[1] *The target is stated net of implementation costs, consultant fees and an employee incentive plan that rewarded the successful delivery of initiatives contributing to the overall target.*

OPERATIONS REVIEW CONTINUED

Dam safety and integrity

Letšeng has three dams on site – (i) the Patiseng tailings storage facility, which is currently in use for the deposition of coarse tailings and fine tailings, (ii) the Old Tailings Storage Facility, which is sporadically used for fine tailings deposition, and (iii) the Mothusi Dam, which is the mine's freshwater supply resource. Letšeng's dams were constructed using the 'centre line and downstream tipping' method[1], which is a safer method of construction than the 'upstream' construction methods used in most recent dam failures reported in the mining industry.

We have aligned our 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.

The Group has aligned its tailings storage facility management code of practice to that of the ICMM's GISTM and established appropriate governance structures at both operational and Group levels to provide oversight and assurance of continued safe and responsible management of our tailings storage facilities. The relevant details of Letšeng's tailings storage facilities 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/. Further information is available on page 78.

Preventing diamond damage

The large high-value Type II diamonds in Letšeng's orebody are more susceptible to damage through the mining and treatment processes. Diamond damage negatively impacts the value and in turn the sales prices realised for these diamonds. Reducing damage to these diamonds provides an important opportunity to significantly enhance revenue.

Our main focus in this regard has been on identifying, validating and testing technologies from various industries that show potential to identify diamonds within kimberlite at an early stage and liberate these using non-mechanical means. In 2019, the Group's wholly owned subsidiary, Gem Diamonds Innovation Solutions, constructed and commissioned a pilot plant at Letšeng to test this technology under operating conditions. Progress on the detection components of this pilot plant has been limited to the development of the detection and ejection algorithms and further development is required to enhance this technology. The materials handling component of the pilot plant now forms part of Letšeng's new fines XRT system that was commissioned in H2 of 2021.

Sale of Ghaghoo

A binding share sale agreement was entered into for the sale of the Ghaghoo diamond mine in Botswana to Okwa Diamonds Pty Ltd, an entity owned by Vast Resources PLC (Vast) and Botswana Diamonds PLC (BOD). The agreement is subject to the fulfilment of certain suspensive conditions including obtaining the competition authority and regulatory approvals within Botswana. Regulatory conditions have been fulfilled and written approvals have been obtained from the Botswana Competition Authority and, in December 2021, the Ministry of Mineral Resources, Green Technology and Energy Security of Botswana. However, the completion date for the transaction has been extended by two months to 31 March 2022 to allow BOD to secure an alternative financing partner to replace Vast.

OUR PLANS FOR 2022

A pre-evaluation of the feasibility of an earlier shift to underground operation will start early in 2022 and the replacement of the PCA will commence in the first half of the year. The contract with Alluvial Ventures, which runs the third processing plant, expired at the end of 2021 and has been extended to 30 June 2022. We are currently evaluating several options for a replacement 1.0 to 1.2 million tonne per annum XRT plant. Work continues to steepen slopes to optimise the mining plan for Main pipe and we will begin planning for the tailings extension at Patiseng. A number of other projects are planned to optimise mining efficiencies, improve production, decrease costs and reduce emissions in line with our commitment to decarbonisation.

[1] A discussion of the construction and applicability of the various types of tailings facilities is available on the International Council of Mining and Metals website at www.icmm.com/en-gb/environment/tailings.

SUSTAINABILITY

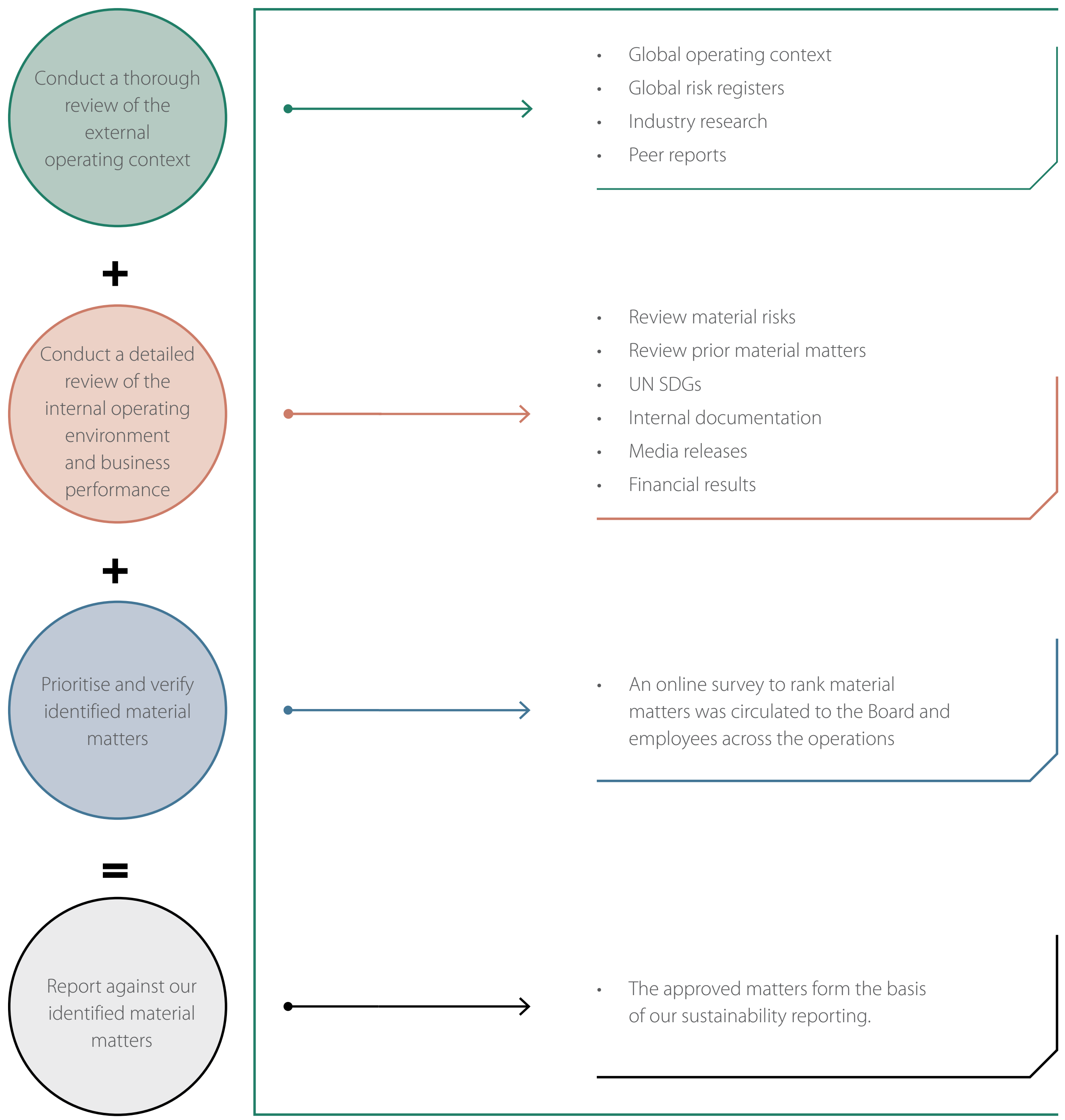
MATERIAL MATTERS

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. Therefore, material matters include risks that must be managed and opportunities that could be captured to enhance the viability of the business in the short, medium and long term.

How we determine materiality

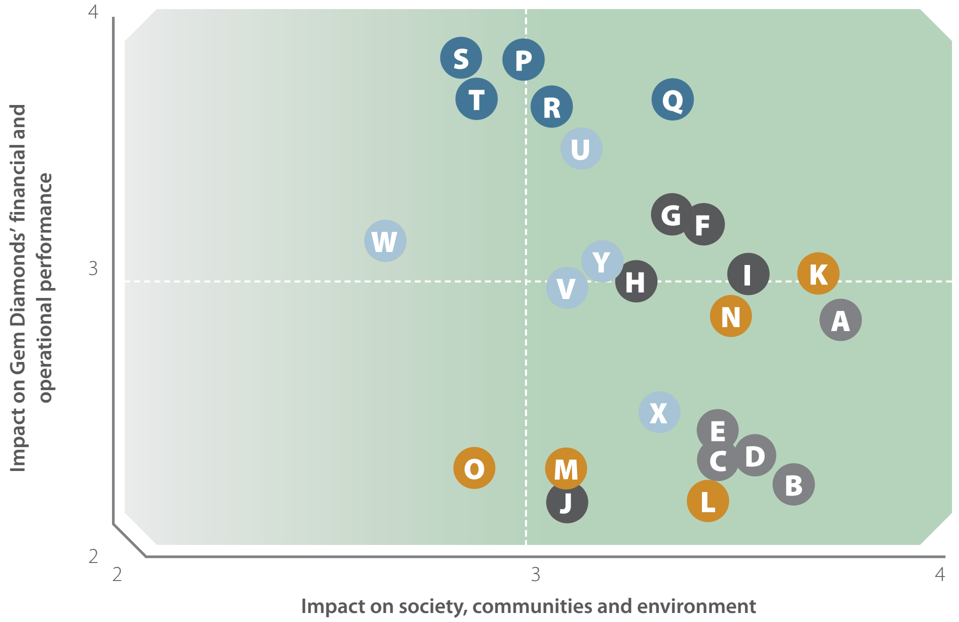
A list of possible material matters was developed following a detailed materiality review, which considered internal and external research. This year we used a double materiality lens, prioritising our material matters in terms of their impact on our financial and operational performance as well as their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

INPUTS



SUSTAINABILITY CONTINUED

Results for all material matters



LABELS

Financial and operational

- **A** Maintaining a strong revenue stream and managing costs
- **B** Enhancing balance sheet strength
- **C** Protecting the premium brand of diamonds
- **D** Ensuring product security
- **E** Managing and mitigating macro socio and economic risks

Governance and ethics

- **F** Implementing effective ESG strategies, which are managed at Board level
- **G** Prioritising business integrity
- **H** Ensuring transparent governance and remuneration practices
- **I** Ensuring legal, regulatory and governance excellence
- **J** Raising standards across the pipeline

Employees

- **K** Providing a safe working environment
- **L** Attracting and retaining qualified people
- **M** Providing skills development opportunities for employees
- **N** Ensuring our employees remain healthy
- **O** Engaging with employees and elected representatives

Social

- **P** Safeguarding our communities
- **Q** Ensuring positive engagement with our stakeholders
- **R** Minimising our potentially negative social impact
- **S** Working with communities to understand and meet their needs
- **T** Supporting our communities through localisation to create shared value

Environment

- **U** Managing our environmental footprints
- **V** Managing and addressing climate change and extreme natural events
- **W** Protecting biodiversity and enhancing conservation
- **X** Ensuring consistent electricity supply and minimising energy consumption
- **Y** Planning for mine closure

SUSTAINABILITY CONTINUED

WORKING TOWARDS GLOBAL GOALS

We are embedding material United Nations (UN) Sustainable Development Goals (SDGs) in the Group's 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 have started with the following six UN SDGs, to be implemented over a three-year rolling cycle, as this is a manageable and achievable target with widespread impact.

No poverty	Good health and wellbeing	Clean water and sanitation	Decent work and economic growth	Reduced inequalities	Responsible consumption and production

2020	2021	2022
Perform a gap analysis to evaluate alignment with each UN SDG	Focus on addressing any shortfalls identified in the first year and further strengthen 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 maximum value for stakeholders:

Extracting maximum value from our operations

- Business integrity
- Organisational health and safety
- Advancing our people

Working responsibly and maintaining a social licence to operate

- Business integrity
- Environmental stewardship
- Organisational health and safety
- Enhancing community benefits

Preparing for our future

- 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 SDGs support, contextualise and inform the principles

SUSTAINABILITY CONTINUED

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 positive legacy for future generations.

Related sustainability principles

Improving resource use efficiencies

Prioritising environmental protection

Optimising socio-economic benefits

Related UN SDGs

We launched the first rolling three-year cycle to embed the SDGs into our systems, processes and decision-making during the year. The following UN SDGs relate to our environmental pillar:

1 POVERTY

6 CLEAN WATER AND SANITATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

Snapshot of our performance

In 2020, operations were suspended at Letšeng from 28 March to 26 April due to the Lesotho Government's COVID-19-related lockdown. Operational activities were ramped up during May and planned waste mining activities was successfully deferred to resume in July. The suspension of operations explains the reduced resource consumption during 2020. For comparative purposes we have provided both 2019 and 2020 resource consumption data.

Zero major environmental incidents for the 13th consecutive year	**Zero significant environmental incidents** for the 8th consecutive year	**US$0.9 million** invested in environmental protection during 2021 (2020: US$0.5 million)
US$14.9 million environmental rehabilitation provision (2020: US$16.1 million)	**No fines for environmental transgressions** or non-compliance with host country legislation for the 12th consecutive year	ICMM **Global Industry Standard for Tailings Management** adopted and dam safety management framework implemented
Annual **social and environmental management plan** (SEMP) audit programme implemented	**ISO 14001** accreditation retained	**Rehabilitation and closure** management strategy adopted and updated
8.9 million m^3 of water recycled. (2020: 8.8 million m^3, 2019: 7.9 million m^3)	Total carbon footprint of **153 864 tCo$_2$e** (2020: 135 694 tCo$_2$e, 2019: 172 968 tCo$_2$e)	**US$0.2 million** invested towards adopting the recommendations of the TCFD

Our goals

- Understanding the long-term implications of climate change on our operations.
- Identifying further opportunities to decarbonise our operational activities.
- Managing the effects of extreme weather on our operations.
- Reducing consumption, particularly of fossil fuels, remains a focus as we identify and evaluate renewable energy solutions.
- Implement innovative waste management strategies taking into consideration the remote location of our operations and limited formal waste disposal facilities within our host countries.
- Prioritising water conservation throughout the Group.

SUSTAINABILITY CONTINUED

Our future

We remain committed to environmental responsibility, including rigorous and ongoing monitoring of our water management, reducing our environmental footprint, the recommendations of the TCFD and upholding our commitment to the UN SDGs.

In 2022, we will advance our TCFD roadmap to appropriately respond to relevant climate change-related risks and opportunities. We will review our operation-specific SEMPs for improved impact mitigation, implement our concurrent rehabilitation plan at Letšeng and aim to develop and implement carbon, water and waste management initiatives while maintaining and improving environmental standards.

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 with operations to identify initiatives that reduce our costs, resource consumption and our carbon, energy and water footprints. These initiatives are predominantly focused on scope 1 and scope 2 carbon emissions, being (mobile and stationary fuel combustion and grid electricity) as these represent approximately 84% of the Group's total carbon footprint.

In addition, we understand that responsible waste management plays a significant role in the sustainability of our business and long-term protection of our environment. Our operation, which mainly generates waste rock and residues from production processes, ensures responsible management and disposal of all mineral and non-mineral wastes.

Our approach

Carbon

We understand that it is a global imperative to reduce our carbon footprint. Our goal is to reduce our carbon emissions to avoid any dangerous anthropogenic interference in our climate system. Our decarbonisation strategy considers all stakeholders and will be implemented in a way that maintains our goal of mining in a responsible manner. Letšeng operates in a country without wide-scale access to renewables, as such a flexible and innovative approach to decarbonisation is required. Refer to managing and addressing climate change and extreme natural events in the Sustainability report for more information.

Our carbon footprint is monitored and measured bi-annually to develop and implement initiatives that mitigate our environmental impact.

Water

Our operations are reliant on the continuous supply of water. We collect rainwater in our freshwater and process water storage facilities for operations and consumption on site. We are mindful of our valuable relationship with our PACs, especially regarding

MANAGING OUR IMPACTS THROUGH BIOREMEDIATION

Water is one of the most valuable natural resources and is expected to become increasingly constrained over time. Safeguarding water sources through reduced consumption and quality stewardship is a priority globally as well as within the Mokhotlong region where our Letšeng operation is based.

Since Gem Diamonds started operating the Letšeng mine in 2006, the operation has prioritised the stewardship of water through a water management plan. The operational approach to water management has matured over time to align with appropriate best practice standards and operational trends in water use and impact. A comprehensive water monitoring protocol has been implemented at Letšeng, looking at both water quality on-site and downstream, as well as consumption volumes through mining and treatment activities.

In 2014, our Letšeng operation adopted a site-specific nitrate management plan. As part of this plan, the operation researched new water treatment technologies in collaboration with external subject matter experts. Working with the University of the Free State, bioremediation was identified as a priority technology for further assessment. This led to the development of our bioremediation nitrate treatment solution, which was subjected to an intensive research and review process involving various experts both regionally and internationally.

Bioremediation is a strategy that uses naturally occurring micro-organisms to break down chemical compounds, such as nitrate, into less toxic substances, such as nitrogen gas (N2). The passive bioremediation method of remediation is especially appealing as it does not produce any toxic or hazardous waste products. Not only does bioremediation create significantly less waste than alternative treatment methods, such as reverse osmosis, but it is also more cost efficient and not as labour intensive.

At Letšeng, the bioremediation project is aimed at reducing blasting-related nitrate levels from water emanating from the mining operations' facilities such as waste rock dumps and tailings storage facilities. During 2021, our bioremediation pilot plant was upgraded and re-commissioned to assess the denitrification efficiency of the improved technology. The pilot demonstrated the effectiveness of treating nitrates using naturally occurring micro-organisms.

A full-scale bioremediation plant is now designed with construction to commence in 2022. This plant will treat water seeping from the waste rock dumps, historically the water source with the highest levels of nitrate. The treated water will then be discharged from this plant, into a newly constructed wetland to ensure sufficient water supply for downstream users.

SUSTAINABILITY CONTINUED

access to sufficient potable water, food security and stakeholder engagement. We know that we cannot secure water resources for our mine without ensuring that the water requirements of our PACs are met. Our Group water management policy considers the water 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.

The water catchment facility below our Patiseng TSF captures seepage and recycles water back into our processing plants. This reduces the use of freshwater for processing and prevents nitrates, related to the use of explosives, from entering the natural environment. We have also created a wetland in our Qa Qa catchment with endemic plants that absorb nitrates and purify run-off during the summer months. The Group successfully completed its bioremediation pilot plant study during 2021, with plans to construct a full-scale bioremediation plant in our RTZ catchment during 2022. Bioremediation uses naturally occurring micro-organisms within the soil to absorb nitrates from water, refer to our case study on page 71 for more information.

Waste

We continually seek ways to improve our waste reduction efforts to minimise our impact on the natural environment and surrounding communities. Our mining operations have waste management plans for effective waste handling.

Non-mineral waste generated at our operations is managed inline with the waste hierarchy; reduce, reuse, recycle and as last option dispose. During 2021, we focused on reducing three main sources of waste – food, plastic and polystyrene waste.

To minimise food waste as much as possible, the catering and environmental teams identified and implemented initiatives to reduce the volumes of food waste. In addition, to more effectively manage food waste, Letšeng purchased a food shredder that ensures improved composting and fermentation rates of the waste. The compost and compost tea (a product of the fermentation process) is used to bolster rehabilitation trials and concurrent rehabilitation projects.

The Letšeng operation also ran campaigns focused on reducing plastic waste, which included a total ban on bringing plastic to site during November. It also aligned with a national initiative 'Plastic Free Wednesdays' during 2021. Staff were provided with reusable lunchboxes to replace single use containers for food storage. We continue to look at introducing sustainable initiatives to reduce plastic use and waste in 2022.

The operations are compliant with the Basel Convention on the Control of Transboundary Movement of Hazardous waste and 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 then responsibly disposed of in South Africa at certified sites, that issue safe disposal certificates.

Mineral waste at Letšeng is retained on site in structures designed for this purpose. These structures comply with Lesotho's requirements and international best practice standards. Our non-mining operations generate small quantities of domestic waste. During 2021 we advanced our adoption of the ICMM Global Industry Standard on Tailings Management. Appropriate governance committees were established to oversee the adoption and alignment of operational practice with the standard, including the constitution of an internal tailings review board consisting of two world renowned tailings facility and risk management experts.

Operationally we continue to look at ways to minimise the mining and movement of mineral waste. Our steeper slope project has significantly reduced the mining and movement of mineral waste, and further opportunities in this regard are being explored.

Our performance

Carbon

At Letšeng, we have implemented numerous initiatives reducing our carbon emissions, such as steepening the slopes of the pit walls to reduce waste movement and shortening our waste hauling distances by optimising our routes. These initiatives reduce our carbon emissions through reduced fuel consumption. Refer to page 65 for the case study on our optimised waste dumping strategy and to Our Approach to Climate Change Report for our carbon emissions performance metrics.

Water

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 the operation and its PACs. Refer to our Sustainability Report and Our Approach to Climate Change Report for our water consumption performance metrics.

Waste

Effective waste management and awareness campaigns continued, and a food waste shredder and an incinerator were installed and commissioned during the year at Letšeng to improve waste management.

MANAGING AND ADDRESSING CLIMATE CHANGE AND EXTREME NATURAL EVENTS

Our context

It is widely accepted that human influence has warmed the atmosphere, ocean and land, causing widespread rapid changes to the planet and the climate system as a whole. Human-induced climate change has already affected weather patterns across the globe. The International Panel on Climate Change (IPCC) Working Group 1 predicts that the world will exceed 1.5°C global temperature increase within the next two decades.

Our operations are located in remote areas, making them susceptible to more frequent extreme weather events due to climate change. These weather events include snowstorms, extreme temperatures, flash floods and drought. Understanding climate related risks and potential impacts is key to assess our organisational exposure and resilience to climate change. It also provides guidance to update business continuity plans and operational strategies to mitigate the impact of climate change related risks.

SUSTAINABILITY CONTINUED

Historical natural events in Lesotho include hailstorms, snowstorms, droughts and frost days. The longest drought in over 200 years was recorded between 1991 and 1995, which negatively impacted communities and the economy within Lesotho.

Lesotho frequently experiences localised floods, damaging basic service infrastructure in already impoverished communities, with 75% of the Lesotho population residing in rural areas, and are exposed to the effects of extreme weather including extreme cold, snow and other precipitation events.

Our approach

We are cognisant of the risks presented by climate change and its potential impact on our operations and stakeholders. This year, we adopted the TCFD framework and implemented its recommendations throughout the Group.

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

Refer to Our Approach to Climate Change on page 26 for more information on our TCFD adoption roadmap and climate change-related work.

During 2021 the Group undertook a CCSA to assess which physical climate change-related risks will emerge at our locations over the short-, medium- and long-term. The CCSA was based on a mix of quantitative and qualitative data and information sourced from the Carbon Brief and World Bank climate change knowledge portal. This data and information informed the short-, medium- and long-term models developed for all locations that the Group operates in.

The CCSA especially focused on Letšeng, currently our only operating mine. It also took into consideration the life of mine of the operation.

Four temperature increase scenarios were included in the CCSA, namely 1.4°C, 1.9°C, 3.3°C, and 6.0°C. These scenarios were informed by shared socio-economic pathways (SSPs). The SSPs were developed by climate scientists to model the greenhouse gas concentration trajectory, and was subsequently adopted by the IPCC. The 6.0°C scenario represents the current world economy continuing to function under the current conditions of little to no climate adaption or global GHG emissions reduction initiatives.

The physical weather parameters considered in the modelling included:

- Temperature
- Wind
- Frost days
- Heat days
- Cold waves
- Heat waves
- Precipitation events
- Drought likelihood

The risk to the Group, in terms of potential physical climate impact, was assessed considering the following aspects:

- Human health
- Water resource availability
- Energy and electricity
- Vegetation

The CCSA identified the following physical climate change-related risks that could impact on the Letšeng operation:

- Temperatures will increase over the next two decades.
- The number of frost days at the operation will increase.
- The operation will, on average, experience reduced precipitation and more frequent severe drought periods.
- Sporadic occurrences of thunderstorms and hailstorms will be more extreme.

The above physical climate change-related risks will inform an operational exposure assessment to drive the Group adaptation and mitigation strategy.

The last three years have seen an acceleration of climate change related information and regulations. The Group has embraced this and is actively incorporating these into relevant climate change strategies and plans, such as the Letšeng climate change adaptation and water management plans. These updates will also include the specific physical climate-change related risks identified through the CCSA.

The Group has its two assets located in extreme natural environments, and it has been managing and responding to extreme natural events since 2006. The operational business continuity plans, disaster management plans, and all other operational procedures and systems are informed by the extreme weather already experienced at these locations. The Letšeng operation maintains a two-week supply of food and diesel, should extreme weather disrupt access and energy supply. In addition, our medical teams are suitably equipped with extensive training in high-altitude rescues and 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.

During 2021, the prolonged drought in Lesotho ended with localised flooding. Our water management strategy prioritises water saving, recycling and catchment efficiency initiatives to preserve water and ensure it is always treated as a precious resource. At the same time, our teams respond swiftly to assist communities during periods of flood and drought. The increased frequency of extreme flooding and prolonged drought periods illustrate the potential impacts of climate change at our Letšeng operation.

SUSTAINABILITY CONTINUED

Our performance

We adopted the TCFD recommendations and implemented phase one of our three phase TCFD roadmap. The implementation of phase one included:

- Improved climate change governance structures.
- Enhanced organisational risk processes to integrate climate change.
- Completion of a detailed climate scenario analysis to ensure science-based data inform decisions.
- Appropriate training to ensure understanding of climate change across the business.
- A strategy process which integrates climate change considerations.
- Updating the climate change adaptation plan.
- Updating the stormwater management and catchment plan.

ENSURING CONSISTENT ELECTRICITY SUPPLY AND MINIMISING ENERGY CONSUMPTION

Our context

The consistent and stable supply of power is critical for mining operations. The Letšeng mining operation accounts for the vast majority of the Groups energy consumption, both in terms of fossil fuel-based energy and grid-based electricity. Therefore, our energy efficiency initiatives are focused on reducing the energy consumption profile at Letšeng. Our one direct source of grid electricity at the mine is grid-based electricity through the Lesotho national grid, which is fed through the South African national electricity supplier Eskom. Grid instability and rotational load shedding by Eskom affects the Letšeng operation as the electricity supply to Lesotho is cut periodically to protect the South African national grid.

To ensure a consistent supply of energy to the mining operations and associated infrastructure, a generator-based power supply system is in place. The generators are operated when extreme weather or Eskom-related electricity cuts impact production.

The Ghaghoo mine, which is currently on care and maintenance, is powered by an on-site generator as no access to grid-based electricity exists at that location. The Groups' office-based locations are all fed through grid electricity.

Our approach

As part of the work that the Group is doing to reduce its carbon emissions, we have identified several 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. The Group recognises the need to transition appropriately to energy sources that are less carbon intensive than the traditional fossil fuel-based energy sources that currently power our operations.

During 2021, the Group assessed several energy-saving initiatives, specifically at Letšeng as the primary energy consumer. Our approach to energy saving initiatives considers both short- and long-term initiatives. The following initiatives were implemented in 2021.

By **optimising heating systems**, we were able to reduce 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 accommodation facilities by **28%**
The Letšeng operation implemented a **ISO 50001** aligned energy management system that further informs the operational approach to **manage, track and protect energy** supply as well as track and **minimise energy consumption**.	We reduced our waste rock hauling distances, resulting in a **reduction of our carbon emissions and diesel consumption**.

SUSTAINABILITY CONTINUED

The Group commissioned independent energy advisors to identify opportunities to improve energy efficiency and reduce energy related emissions as a result of reduced consumption or cleaner energy sources. The assessment included mobile and stationary combustion related fossil fuel consumption and grid supplied electricity.

The various studies undertaken during 2021 also identified a number of challenges that the Group need to consider in its decarbonisation assessments:

- The remaining life of open pit mine at Letšeng impacts on the feasibility of any capital-intensive projects.
- The mine operates in a region that is protected as a nesting zone for endangered vultures, as a result, wind power development is not possible within a 40km radius of the operation.
- The location specific irradiance of the Letšeng mine indicates that a maximum of 5.5 hours a day is available for energy yield through solar PV.
- The extreme low temperatures at Letšeng eliminates the possibility of Biodiesel replacing or substituting traditional mineral diesel due to the biodiesel thickening within the fuel system at low temperatures.
- As of 2021, no renewable or alternative electricity sources are available to Letšeng to replace the existing grid supplied electricity supply.

At Ghaghoo, energy consumption has reduced since the operation was placed under care and maintenance in 2017 with further reductions in 2020 and 2021 following the reduction of our underground dewatering activities. One generator remains in use for essential services and there is a back-up generator when needed.

Our performance

Frequent load shedding and extreme storm events have increased the use of generators at Letšeng. These energy interruptions are potentially damaging and costly as machinery must shutdown safely and not mid-use. Restarting machinery also consumes more power and could damage equipment. Power interruptions therefore pose a risk to our operations. To mitigate this risk, we ensure that load shedding schedules and regional weather predictions reports are integrated into our production planning to facilitate an effective change-over to generator power.

We have disclosed our carbon, energy and water footprint performance metrics in our Sustainability Report and Our Approach to Climate Change Report.

PLANNING FOR MINE CLOSURE

Our context

Mining is one of the main contributors to the gross domestic product (GDP) of the countries in which we operate. It offers considerable direct and indirect employment opportunities during a mine's lifespan. However, there is potential for adverse environmental and socio-economic impacts if mines are not managed responsibly during and post its lifespan. Rehabilitating environmental impact only is not sufficient to responsibly close a mine, and our mine closure plans therefore also consider the socio-economic status and impacts of potential mine closure on our PACs.

Our approach

We take a long-term view of the land under our management, recognising that adverse impacts must be remediated to demonstrate responsible stewardship of natural resources. All our project life cycles focus on the rehabilitation of our mine lease areas, during and post life of mine.

We follow best practice when planning mine-closure programmes. This is part of our responsibility to our host countries and the communities close to our mines. Our operations have integrated rehabilitation plans that are supported through concurrent rehabilitation and annual reassessment of rehabilitation strategies. This approach ensures that we meet our closure objectives as responsibly and efficiently as possible. We also quantify unforeseen mine rehabilitation and restoration costs, and make adequate financial provision in the Group's financial statements.

As Letšeng is located in the extreme highlands of Lesotho, guidance on successful rehabilitation is scarce. Since 2012, a series of trials have examined different rehabilitation applications to test closure criteria and estimate the mine's rehabilitation and closure costs. These trials replicate the rehabilitation of the mine's main waste residue disposal facilities: fine tailings (slimes), coarse tailings and waste rock. The trials use waste rock and tailings reserves with minimal topsoil requirements, and examine vegetation rehabilitation and restoration of natural ecosystems. Topsoil is essential for successful vegetation and it is considered a critical component to the successful post-mining rehabilitation of the mine.

In addition to these initiatives, several academic studies are underway, in collaboration with the National University of Lesotho and North-West University in South Africa, at Letšeng to inform rehabilitation and support mining strategies and techniques that enables concurrent rehabilitation.

Our Ghaghoo mine remains under care and maintenance. We continue to review its rehabilitation plans as we investigate restorative initiatives to reduce the end of mine life liability.

We engage with independent experts at Letšeng and Ghaghoo to understand the work needed to ensure safe and responsible end of life mine closure. Letšeng's rehabilitation plans and resultant liability are reviewed externally every year. In 2021, the end of mine life rehabilitation provision reduced to US$14.9 million (2020: US$16.1 million) following improved concurrent rehabilitation planning.

Our performance

- US$14.9 million environmental rehabilitation provision (2020: US$16.1 million).
- 6 174h a of land under our management (2020: 6 174ha).
- 1.95ha newly disturbed by mining operations (2020: 10.2ha).
- Total disturbed land to 776.15ha (2020: 774.2ha).
- Rehabilitation and closure plans were updated.
- Rehabilitation and revegetation trials at Letšeng are proving successful.

SUSTAINABILITY CONTINUED

PROTECTING BIODIVERSITY AND ENHANCING CONSERVATION

Our context

While mining is a significant contributor to host nations' socio-economic prosperity, it can also have a significant environmental impact. Gem Diamonds is committed to mitigating environmental damage, protecting biodiversity and enhancing conservation efforts.

Letšeng is located in the Maluti Drakensberg Transboundary Park, a legally protected key biodiversity area. All potential biodiversity impacts of the mining activities were assessed as part of the SEIA process and the SEMPs include consideration for the management and mitigation of direct, indirect and cumulative impacts. Operational Biodiversity Management Plans have been developed for Letšeng and are reviewed annually, biodiversity monitoring is conducted every two years to inform further possible updates to our management plans.

Our approach

We are responsible for protecting the biodiversity of indigenous flora and fauna surrounding our mine. Through our closure planning, rehabilitation strategy and biodiversity management plans, we ensure biodiversity is included in our financial planning and long-term strategy objectives.

We collaborate extensively with our host countries, PACs, regulators, scientists and other industry stakeholders to implement practical environmental protection strategies. Ultimately, we aim to ensure 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 take into consideration all threatened, migratory and endemic species as well as regionally relevant ecosystem services such as rangeland, wetlands, grassland and water. At Letšeng, the biodiversity offset strategy has been implemented to mitigate mining related impacts on biodiversity. The offset strategy includes:

- No-go areas, protected from any development.
- An indigenous plant garden.
- An artificial wetland construction programme.
- Native seed propagation and rehabilitation trial programme.
- Concurrent rehabilitation plan.
- Grazing management plan in collaboration with subsistence farmers in the region.

Our annual biodiversity monitoring found positive rangeland performance over the 2020-2021 period and increased biomass production in the mine lease area as a result of biodiversity initiatives. The Spiral Aloe (Aloe polyphylla) is a protected plant that is endemic to Lesotho and threatened to near extinction. Despite being declared a protected plant in Lesotho since 1938, their in-country numbers have been declining.

During 2021, the Letšeng biodiversity monitoring noted a high density of both adult (894) and seedling (70) Spiral Aloes, and no indication of illegal harvesting on site. The successful establishment of the Spiral Aloe is indicative of the successful biodiversity management strategy implemented at the operation. In addition, the monitoring also confirmed that the mammalian diversity on site has remained stable for the 2015-2021 period. Letšeng hosts 39.5% of all mammalian species found in Lesotho.

Our performance

- Conservation plans updated annually.
- Biannual mammal-monitoring protocol rolled out.
- Completed a wetland rehabilitation and biodiversity offset project.

SUSTAINABILITY CONTINUED

SOCIAL

The Group's purpose 'Unearthing unique possibilities', is directly underpinned by three strategic priorities: extracting maximum value from operations, preparing for our future, and working responsibly and maintaining our social licence to operate.

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 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 need to establish CSI projects that continue to create value in our absence.

Related sustainability principles

Prioritising environmental protection

Optimising socio-economic benefit

Prioritising the development and wellbeing of our employees

Related UN SDGs

We launched the first rolling three-year cycle to embed the UN SDGs into our systems, processes and decision-making during the year. The following UN SDGs relate to our social pillar:

1 NO POVERTY | 3 GOOD HEALTH AND WELL-BEING | 6 CLEAN WATER AND SANITATION | 10 REDUCED INEQUALITIES

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

Snapshot of our performance

US$0.2 million invested in COVID-19 community relief (2020: US$0.1 million)

US$0.8 million invested in social projects (2020: US$0.3 million)

US$164.9 million spent on local procurement (2020: US$126.9 million)

Zero major or significant community incidents (2020: zero)

Our goals

- Supporting our PACs following localised flooding in 2021 that damaged infrastructure and washed away access roads.
- Extending our support of existing CSI projects to ensure their independence and sustainability following the impact of COVID-19.
- Reducing costs and enhancing operational efficiencies while balancing the needs of our stakeholders.
- Working to implement both the 2021 CSI strategy and projects postponed from 2020 resulting from the COVID-19 related lockdowns and restrictions.

Our future

- Strengthen our partnership with our PACs through CSI initiatives that support the creation of lasting mutually beneficial industries, through extended support.
- Enhance communication and stakeholder engagement.
- Mature our integration of UN SDGs into our corporate social responsibility strategy.

Material matters

SAFEGUARDING OUR COMMUNITIES

Our context

Since the start of the COVID-19 pandemic, our primary objective has at all times been to operate safely and responsibly, ensuring the safety and health of our workforce, their families and the communities surrounding our operations while also supporting Lesotho's national effort to curb the spread of the virus.

At Letšeng, 98% of our workforce resides in Lesotho, and therefore we recognise that embedding a safe and responsible workplace practice at Letšeng directly and indirectly benefits and protects vulnerable PACs. Our mining operations face daily challenges due to their remote locations, including extreme weather, difficult transport routes and limited public infrastructure. While these circumstances pose significant operational challenges, they can also impact the health and well-being of the communities surrounding our operations. In addition to the challenges community members face due to their natural and built environment, our responsibility as a good corporate citizen is to protect our communities against any potential risks posed by our mining operations and support our communities during times of crisis.

SUSTAINABILITY CONTINUED

SUSTAINABILITY CONTINUED

Our TSFs are integral in to mining operations, yet they present a substantial risk if not responsibly managed. In response to global TSF failure-events, the ICMM developed and finalised the GISTM for its member companies. Gem Diamonds has adopted the GISTM and aligned its existing TSF Code of Practice with the recommendations of the Standard.

Our approach

We follow a comprehensive social and environmental engagement programme to help us identify the need of PACs. The Letšeng operation has committed to investing 1% of annual turnover or a minimum of LSL5 million towards community initiatives every year. In addition, following the recovery and sale of special diamonds, those greater than 300 carats, 1% of the diamond's sale value is directed to social projects. These obligations are included in our Mining Lease agreement with the Government of Lesotho.

During 2021, Letšeng engaged an external independent party to conduct a needs analysis within the Mokhotlong and Thaba-Tseka districts. The findings of the needs analysis informed the five-year community investment strategy, ensuring that the identified community needs directly inform the CSI strategy.

COVID-19

We leverage our infectious disease management platform to help raise awareness about COVID-19 by engaging extensively with government, medical experts and communities. The goal is to protect our workforce and support Lesotho locally and nationally in minimising the impact of the pandemic.

We continue to support the Lesotho government in its fight against COVID-19, and in 2021 Letšeng donated 20 000 vaccines, oxygen concentrators, personal protective equipment and an ambulance. Approximately 99% of our Letšeng workforce have been vaccinated.

Dam safety and integrity

Globally, the most recent dam failures are attributed to 'upstream' construction methods. Letšeng has three dams on site: the Patiseng TSF, the Old TSF and the freshwater Mothusi Dam – all constructed using 'centre line and downstream construction methods, which is recognised as a safe and stable construction method'. Gem Diamonds prioritises the safe and responsible management of its tailings and freshwater storage facilities to mitigate any potentially significant risk posed by these facilities.

The Letšeng facilities undergo stringent daily, weekly and monthly inspections during which various factors are surveyed, including water level, beach length, freeboard and overall structural stability. Furthermore, we have implemented an early-warning system with continuous community training and awareness programmes to ensure communities' emergency readiness in the unlikely event of a failure. Ensuring the integrity of our mining waste and freshwater storage facilities also safeguards our communities. We are proactive in monitoring dam safety in terms of our GISTM aligned Dam Safety Protocol. Stringent dam wall safety monitoring involves regular internal and external inspections and audits throughout the year. The findings and recommendations are reported to the sustainability subcommittees and the Board. For more information about our TSFs, read the Gem Diamonds voluntary disclosure as part of the Investor Mining and Tailings Safety Initiative of the Church of England.

We also regularly monitor natural springs and local boreholes in and around our PACs. Over the years, we have seen an increase of E. coli bacteria from livestock fouling the community water sources while grazing or drinking. To assist the communities and mitigate the risk of bacterial infection from the E.coli, we provide clean potable water to local communities.

Road safety

As basic transport infrastructure and road services in the region and communities surrounding Letšeng is inadequate, we regularly upgrade roads, clear snow, scatter salt on iced access roads and remove vehicles obstructing access to communities and the mine. In the event of vehicle accidents and other road emergencies, the Letšeng clinic and healthcare workers, which include advanced life support paramedics, are often the closest and best equipped to assist. In 2021, the clinic responded to 13 accidents on national roads and 60 injured people from the public were treated in our clinic.

Our performance

- Zero incidents of compromised dam integrity were recorded in 2021 (2020: zero).
- In 2021, the Letšeng emergency team responded to 22 emergency calls (2020: 12) from PACs of which 13 were motor vehicle-related (2020: 9).

ENSURING POSITIVE ENGAGEMENT WITH OUR STAKEHOLDERS

Our context

The strength of our relationships with our stakeholders, particularly employees, regulators, PACs and host governments ensures our social licence to operate. These relationships depend on our 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 our stakeholders' needs. Our decision-making is helped by regular stakeholder engagements, enabling us to create value for society at large and promote our long-term sustainability. Refer to page 17 for more information about stakeholder engagement and management.

As Lesotho has high levels of unemployment, inequality and poverty, we have a responsibility to contribute positively and sustainably to the economy and to our PACs during and beyond life of mine. Letšeng is guided by our stakeholder engagement and corporate social investment strategy in this regard. For more information, read our Optimising positive social outcomes case study in the Sustainability Report.

Our approach

Our community engagement approach is informed by operation-specific social and environmental impact assessments (SEIAs) and community needs analyses following extensive public participation. It is also aligned with host country legislation and international best practice guidelines such as the Equator Principles and the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability.

Acknowledging our communities' unique cultural and traditional context is essential, and we aim to engage transparently and respectfully. We achieve this by employing suitably qualified and trained people. Furthermore, our operations have a stakeholder consultation framework to ensure regular, meaningful engagement. We integrate feedback from these engagements in our decision-making. At Letšeng, community representatives communicate with the CSI department as a sustainable and culturally effective link between PACs and the mine. Community representatives sit on the CSI subcommittee of the Letšeng Board, which meets quarterly to discuss the implementation and sustainability of current and planned projects.

Community engagement at Ghaghoo was downscaled when the mine was placed on care and maintenance in 2017. Although this reduced CSI project-related investment at Ghaghoo, we continue to support the Gope community close to the mine with potable water, medical care, and inclusion in regular health and safety campaigns.

Our performance

- No major or significant stakeholder incidents occurred at any of our operations (2020: none).
- No incidents involving any violation of the rights of the indigenous people on whose land the Group operates (2020: none).
- COVID-19-related aid and assistance provided to PACs.
- 20 000 vaccines donated to the Government of Lesotho.
- US$0.9 invested to minimise the impact of the COVID-19 pandemic in Lesotho.

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 believe it is our duty to support the upliftment of these communities' economic, environmental and social sustainability potential, promoting practices that protect human rights in every aspect of our operations.

Our approach

Our six priority UN SDGs are integrated into our community investment strategy to ensure that projects contribute to both local needs and global goals.

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 (UNDRIP). It allows them to give or withhold consent to a project that may affect them or their territories.

We align our community engagements and CSI projects with international best practices and sustainability principles. Our informed approach uses information gathered in community needs analyses and SEIAs. These assessments include extensive public participation to understand our PACs' needs and concerns. The goal is to minimise adverse mining impacts while identifying opportunities for positive outcomes. Our SEIAs involve biodiversity surveys as well as studies of soil, water and air quality, archaeological surveys, visual and socio-economic impact assessments, and an extensive public participation process.

Our performance

- Zero incidents involving the violation of the rights of indigenous communities (2020: zero).
- We continued to engage with PACs through established and enhanced forums in a safe and responsible manner.
- Zero major or significant community grievances were lodged (2020: zero).

WORKING WITH COMMUNITIES TO UNDERSTAND AND MEET THEIR NEEDS

Our context

Lesotho is a developing country with high poverty rates. 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. We contribute towards our host communities through the payment of taxes and royalties as well as our sustainable development investments, local employment and procurement practices. To ensure that our investments create meaningful change, we focus on authentic engagement with our communities to understand their needs and implement sustainable projects.

Our approach

We value our mutually beneficial relationships with our PACs as this ensures our long-term sustainability. We comply with regulations and legal requirements and go beyond legislation to make a meaningful impact and meet our host communities' needs.

Each project in our CSI programme follows a five-year plan to ensure sustainability. Our CSI projects focus on education, health, infrastructure, the environment and enterprise development. We include the SDGs in conceptualising new CSI initiatives to contribute to achieving these goals. Refer to our Sustainability Report and Our Approach to Climate Change Report for more information.

We also value education, mentorship and skills transfer. Our scholarship programme works with the government to identify scarce skills, particularly in mining, engineering, emergency medical care, geology and finance. Since the scholarship programme was launched in 2006, 48 scholarships have been awarded to deserving young Basotho. 47 of whom have graduated successfully and 25 of whom are employed full-time at the mine.

Our performance

- CSI investment of US$0.8million (2020: US$0.3 million).
- Externally led community Needs Analysis.
- The Tlokoeng and Mokhotlong egg circles were completed at the end of October, farmers subsequently began supplying eggs to the Letšeng mine.

SUSTAINABILITY CONTINUED

- We provided ongoing support to our flagship dairy and vegetable projects when handover was delayed due to the COVID-19 pandemic.
- Since its inception, we have issued 48 scholarships and over 100 interns have received valuable experience at Letšeng mine.

SUPPORTING OUR COMMUNITIES THROUGH LOCALISATION TO CREATE SHARED VALUE

Our context

Localisation is crucial in creating shared value for our host countries and communities. We therefore employ people from our PACs and engage with local businesses in our supply chain to contribute meaningfully to the well-being of our communities while meeting our business needs.

Our approach

The Letšeng mine is a major contributor to Lesotho's economy, providing jobs for more than 1 600 people and supporting socio-economic development through focused local procurement initiatives.

We recruit locally and match available local skills with our operational requirements wherever possible. In total, 98% of our Group's workforce are citizens of our host countries.

We also ensure that our goods and services are purchased from local suppliers who comply with necessary standards, and we help these entrepreneurs develop their businesses.

Our performance

- 98% of Letšeng's workforce comprises Lesotho nationals (2020: 98%).
- Group in-country procurement was US$164.9 million (2020: US$126.9 million) of which US$3.4 million was procured directly from PACs (2020: US$2.2 million) and US$31.4 million (2020: US$27.4 million) from communities around Letšeng.

TAKING A HOLISTIC APPROACH TO COMMUNITY ENGAGEMENT AND IMPACT

At Gem Diamonds, we are committed to creating meaningful and lasting change. We want to leave a positive legacy in the countries in which we operate through contributions to local economies, maximising local employment and procurement, as well as developing sustainable CSI projects. We take an integrated approach on how we achieve this, understanding how inextricably linked the issues of sustainability, society and the environment are.

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

COVID-19 has caused severe health and economic devastation for communities across the globe and Lesotho was no different. In 2020, as the crisis first unfolded and numerous travel and other restrictions were imposed, we shifted our focus to supporting our PACs and the Lesotho nation at large. CSI funds were allocated towards the most urgent of needs, including food aid and PPE provision, as well as training health care workers and the donation of a mobile testing lab.

In 2021, we refocused on our longer-term CSI goals as the impact of COVID-19 on our operations stabilised. However, before we could fully return to our CSI agenda, localised flooding in the Mokhotlong district impacted the accessibility of seven of the nine villages located downstream from the mine. Roads were washed away and villages became inaccessible. We responded swiftly to support and assist our communities affected by the floods, and immediately started work to rebuild damaged infrastructure (including footbridges, access roads, water provision infrastructure and schools). We are is well versed in assisting our PACs during extreme weather events, and pride ourselves on our resilience to these events both operationally and in assisting our communities. Our climate change-related studies which confirm the probability of the increasing occurrence of extreme weather events that are likely to affect local communities, are used to inform appropriate community response plans and disaster management procedures.

We recognise the importance of the well-established cultures and social structures in the local communities surrounding our operations. We therefore take a holistic approach to community engagement, informed by specific social and SEIAs and community need analyses. The SEIAs and community needs analysis are informed by extensive public participation, host country legislation and international best practice guidelines such as the World Bank Equator Principles and the International Finance Corporation's Performance Standards on Environmental and Social Performance.

Our community needs analysis, delayed in 2020 due to COVID-19-related lockdowns, was recommissioned during 2021. The externally facilitated needs analysis not only reviewed the existing CSI projects, but also engaged directly with PACs to understand their immediate needs. This approach to understanding and prioritising the needs of our PACs directly informs our five-year CSI strategy, which incorporates our UN SDG priorities to maximise impact.

The bisecting crisis of climate change and COVID-19, with numerous knock-on effects on economic growth and social cohesion, are expected to adversely impact our communities. We are committed to developing sustainable, informed interventions that empower our host communities and create a real impact in their lives, long after our mine is closed.

SUSTAINABILITY CONTINUED

EMPLOYEES

Our primary objective is safeguarding the health and safety of our employees, their families and surrounding communities – everyone should work and live in a safe environment every day.

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

Related sustainability principles

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

Related UN SDGs

We launched the first rolling three-year cycle to embed the UN SDGs into our systems, processes and decision-making during the year. The following UN SDGs relate to our employees pillar:

1 POVERTY | 3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

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

Snapshot of our performance

Zero fatalities (2020: zero)	**Six** lost time injuries (LTIs) (2020: one)	Lost time injury frequency rate (LTIFR) of **0.24** (2020: 0.04)
US$0.7 million invested in COVID-19 mitigation measures at Letšeng (2020: US$1.1 million)	All injury frequency rate (AIFR): **0.93** (2020: 0.76)	**US$37.4 million** spent on employee remuneration and benefits (2020: US$31.8 million)
Letšeng retained **ISO 45001** certification	More than **17 800** COVID-19 tests at Letšeng (2020: 13 000)	**67 599** proactive safety management actions (2020: 55 547)

Our goals

- Continuously mitigating the impact of COVID-19 on our workforce and PACs.
- Addressing our operational safety culture through a comprehensive leadership and safety campaign.
- Attracting and retaining talent with the required skills and relevant experience.

Our future

We will continue ensuring our employees' safety and health as the pandemic continues, leveraging our existing COVID-19 management protocols and vaccination programme to keep our workforce safe.

We will continue to deepen our understanding of the safety culture maturity of our workforce at our mining operations and strengthen our leadership teams to support our zero harm goal. Refer to our organisational safety culture case study for more information.

SUSTAINABILITY CONTINUED

COMBATTING COVID-19 – AN INTEGRATED APPROACH

In line with our commitment to zero harm, we strive to ensure a safe and healthy working environment throughout the Group's operations. Following the onset of the COVID-19 pandemic, we responded by proactively managing the emerging challenges, enabling us to protect our workforce and allowing operations to continue in a safe manner.

Our Letšeng operation worked with all key stakeholders, including our workforce, PACs and the Government of Lesotho, to identify how to:

- Collaboratively mitigate the impact of the pandemic.
- Curb the spread of the virus, both at our operations and in our PACs.
- Practically support the Government and our communities.

For more information on the support given to our PACs and Government partners, which includes the donation of 20 000 vaccines, oxygen concentrators, personal protective equipment and an ambulance, refer to the social section on page 77.

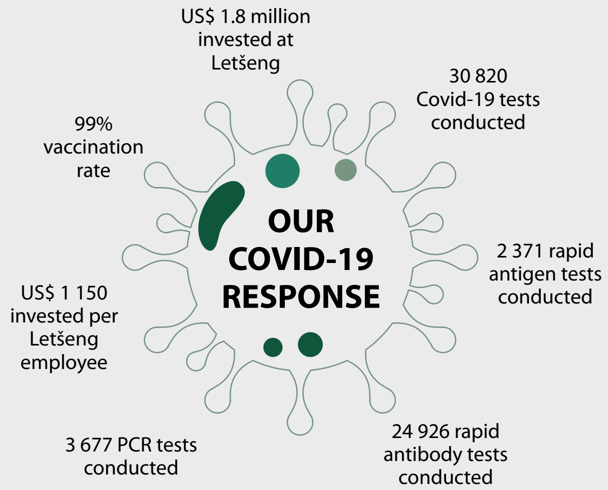
To ensure we could continue operations safely, a COVID-19 response plan was implemented. The response plan focused on:

- Adhering to COVID-19 protocols and procedures such as appropriate PPE, social distancing, sanitising and quarantining.
- Wide-scale screening and testing.
- An on-site vaccination programme.

We also took the host country regulations and associated alert levels into account, adjusting the on-site protocols and procedures as needed.

Throughout the year, we continued with COVID-19 screening and testing at staff transportation points, before travelling to site, and on site. A quarantine and contact tracing procedure was implemented to limit transmission of the virus. Team members who tested positive or showed symptoms were immediately isolated, assessed and safely transported to their homes or a regulated medical quarantine facility.

A key highlight of 2021 was the successful roll-out of our vaccination drive. While 52% of the world population was fully vaccinated against COVID-19 as at 31 December 2021, only



34% of the eligible population in Lesotho was fully vaccinated. In this context, it is pleasing to report that the focus and effort to raise awareness and drive a vaccination campaign throughout our operations achieved a 99% vaccination rate to date. The success of this programme is due to an extensive on-site information campaign and our collaboration with the Lesotho Ministry of Health to have the workforce vaccinated on site.

We are conscious of the impact COVID-19 has had on our entire workforce both in the workplace and at home. These impacts have manifested themselves in mental health, fatigue and operational performance issues. To address these, we focused on regular employee engagement and a full-time psychologist was appointed to provide mental health support to our workforce.

Our COVID-19 strategy has enabled us to continue operating safely and responsibly and is reflective of our commitment to work with our stakeholders and partners to keep our employees, communities and host countries safe.

As long as the pandemic remains a risk to our people, we will continue to support the Lesotho Government in its efforts to combat the virus and will follow emerging medical and scientific research to inform our safety practices on site to keep our people safe and our operations open.

SUSTAINABILITY CONTINUED

Material matters

PROVIDING A SAFE WORKING ENVIRONMENT

Our context

Letšeng is the highest diamond mine in the world and the remoteness and extreme natural environment contributes to extreme operating conditions. We therefore experience unique occupational health and safety challenges requiring specialist knowledge, rigorous planning and exceptional leadership to embed a culture of zero harm.

Our approach

Believing that every injury is preventable, our goal of zero harm is underpinned by a culture of care and accountability that is driven by each employee and advocated for by every leader. We do 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.

Following an increase in the frequency of safety incidents in the first half of 2021, leadership halted all operations at Letšeng for 24 hours to launch a focused safety campaign aimed at understanding the root causes of the recent safety performance and identify appropriate preventative measures. These discussions with the workforce during the shutdown informed a safety intervention programme, which resulted in an improved safety performance during the second half of the year. More information on the various safety interventions, including our organisational safety perception survey and formation of our 'Grey Hair Council' can be found in the safety case study page 61.

We take a firm stand against non-compliance with our high safety standards for employees, contractors and sub-contractors. Non-compliance leads to disciplinary action against employees (including dismissal) and contractors (including blacklisting and banning offending contractor employees from site).

Our performance

- AIFR: 0.93 (2020: 0.76).
- Zero fatalities (2020: zero).
- Six LTIs across the Group during 2021 (2020: one), resulting in a Group-wide LTIFR of 0.24 (2020: 0.04).
- 1 restricted work injury (RWI) across the Group during 2021 (2020: four).
- US$0.7 million spent on ongoing COVID-19 protocols to protect our employees and contractors (2020: US$1.1 million).
- 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 employ local people, elevates our focus on being an employer of choice. Gem Diamonds therefore invests considerable resources in attracting and retaining talent, skills, expertise and experience.

Our approach

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

We understand that frequent engagement and communication is critical to cultivating a collaborative working environment that facilitates the development and retention of employees. Since the onset of the COVID-19 pandemic, we have engaged regularly with our people to understand their needs.

We recognise that competitive remuneration plays a significant role in attracting and retaining qualified people. We remunerate our employees in line with market-related rates without discrimination based on race or gender. We also ensure that our lowest-graded employees are remunerated above the minimum wage of the host country. While 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, 9.9% of the workforce at Letšeng was compensated at the operation's minimum wage (2020: 3.4%). In 2021, the lowest-graded permanent employees at Letšeng received 55.6% above the construction sector's minimum wage (2020: 54%). 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.

We have committees at Group and subsidiary levels to review current remuneration policies, skills and succession planning. Furthermore, non-financial metrics are included in employee and leadership scorecards in line with sustainability goals. Refer to the remuneration report for more information.

Of our permanent workforce at Letšeng, 93% of employees subscribe to the mandatory government retirement provision scheme. Letšeng contributes 7.5% of employees' annual salaries to this scheme and employees contribute 7.5%. The remaining 7% comprises fixed-term contract employees who are not eligible for this benefit but paid a fixed-term contract allowance at 20%. Employees at our Ghaghoo mine receive a statutory payment upon contract completion, equal to 15% of 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 (2020: 25%).

SUSTAINABILITY CONTINUED

Our performance

- 353 employees (2020: 357) and 1305 contractor employees (2020: 1 535) at year end.
- The average number of employees was 354 (2020: 377) and the average number of contractor employees was 1 317 (2020: 1 466).
- US$37.4 million was spent on employee wages, benefits and incentives (2020: US$31.8 million).
- The Group-wide absenteeism rate was 4.5 days per person (2020: 1.8 days).
- 2.3% Group-wide voluntary staff turnover (2020: 6.1%).
- Zero cases of discrimination were recorded (2020: zero).

Employee demographics (%)

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**
2020	**Male**	**Female**	**Local**	**<30**	**31-50**	**>50**
Board	86	14	29	0	29	71
Senior management	67	33	78	0	67	33
Middle management	81	19	85	7	85	8
Total	80	20	98	10	77	13

PROVIDING SKILLS 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

We invest in the training and development of our employees and identify skills shortages to implement relevant development programmes as well as focused succession planning for employees. We train and develop our employees through various internal and external programmes, and have a well-established mentorship culture. All 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.

Formal policies support our succession planning. In 2021, these policies were reviewed in depth, updated, enhanced and aligned to the Board's commitment to diversity and inclusion.

In addition to on-site technical training, we have implemented a strategy to support our commitment to skills development. Our internship programme, which has been in place since 2009, focuses on offering practical field experience for new graduates. To date, we have had 48 graduates with 53% offered permanent employment. Our scholarship programme provides current and future employees the opportunity to study at recognised institutions. Since the programme's inception in 2006, Letšeng has awarded 48 scholarships to young Lesotho citizens to study mining, engineering, emergency medical care and finance. The appointment of our heads of operations and finance at Letšeng, both graduates of our Gem Diamonds development process, was a highlight of 2021. During the year, we also developed an on-site leadership coaching programme that will be rolled out in 2022.

Our performance

- Senior management training: 209 hours (2020: 176 hours)
- Middle management training: 4 503 hours (2020: 1 136 hours).
- Non-management training: 28 982 hours (2020: 5 092 hours).
- 14% of employee career reviews performed (2020: 16%).
- 20% of female employees received reviews (2020: 17%).
- 11% of male employees received reviews (2020: 19%).

SUSTAINABILITY CONTINUED

ENSURING OUR EMPLOYEES REMAIN HEALTHY

Our context

Improving employee health and wellness increases morale, reduces absenteeism and improves 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 prioritise our employees' mental well-being through tailored counselling and engagement programmes.

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 reputation.

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 lower than previous years. No cases of malaria or cholera were reported at our operations for the fourth consecutive year.

At the onset of COVID-19, we began implementing our precautions to ensure the welfare of our workforce. COVID-19 protocols and prevention measures are adjusted as the pandemic progresses.

We implemented active COVID-19 testing at Letšeng to screen and monitor people entering the site. In addition, people showing symptoms of the virus are immediately isolated, assessed and safely transported to their homes or a regulated medical quarantine facility.

An enhanced physical and mental health programme supports our workforce in coping with additional pressures during this period. A mental health practitioner was employed by our Letšeng this year and we contracted ICAS for our Johannesburg employees. ICAS is a leading provider of employee wellness services.

As many of our employees and their families reside in our local communities, we also understand the importance of protecting our surrounding communities. We continued our efforts to support the Government of Lesotho in their fight to curb the spread of COVID-19. Refer to the social section on page 77 for our progress in 2021.

Our performance

- Fully equipped clinic at Letšeng to deal with on site and occupational medical needs.
- 99% of employees fully vaccinated to date.
- 100% pre-employment medical examination rate at Letšeng (2020: 100%).
- 100% exit medical examination rate at Letšeng (2020: 100%).
- Decrease in occupational health cases to 348 (2020: 503).
- 7 232 serious disease prevention and management interventions (2020: 3 611).

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 Letšeng operation remains non-unionised while Ghaghoo became unionised in 2016.

Our approach

Our approach to employee engagement continues to evolve in line with best practice and our unique circumstances.

Non-Executive Director Mazvi Maharasoa leads employee engagement, ensuring that employee concerns are heard at Board level. Engagements in 2021 included an open forum discussion with employees identifying their representatives.

We maintain a freedom of association policy, and our employees are free to join unions and other collective-bargaining organisations. We aim to swiftly address employee grievances and proactively engage with our employees and their elected representatives to facilitate this. We have established policies and procedures to guide our operations. Our policy provisions 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 established policies and procedures. Our management team also provides frequent engagement with our workforce through multiple forums, including daily toolbox talks, weekly visible felt leadership visits, town hall meetings (subject to COVID-19 protocols) and weekly newsletters.

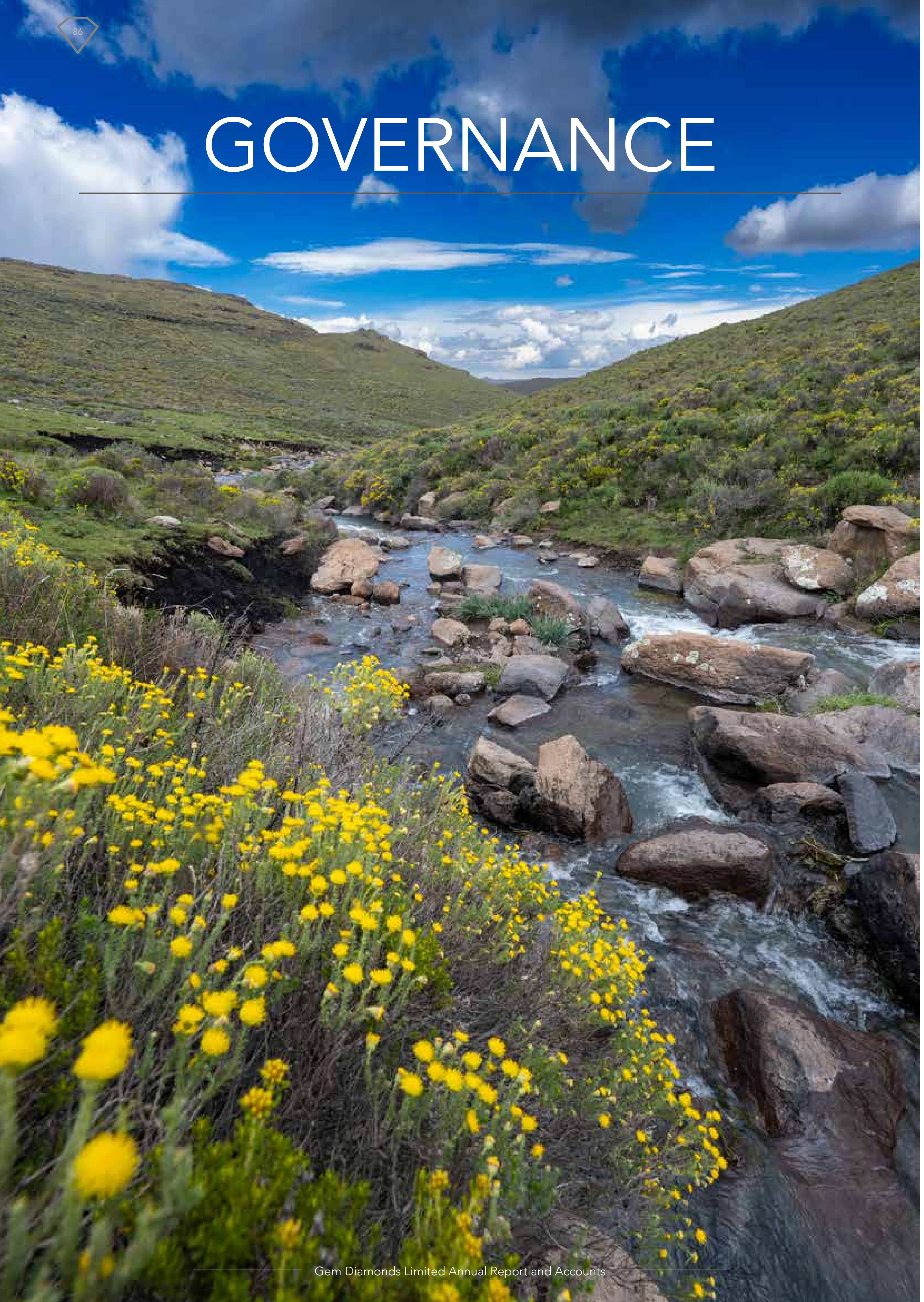
This year, our engagements highlighted the need to optimise our employees' shift rotations to maximise their time at home. Letšeng operates continuously with shift configurations in line with local legislative requirements, and operational and market demands. We endeavour to ensure the safety of our workforce during shift rotations and strive to minimise shift disruptions. Following the 'Stop for Safety' engagements in 2021, an alternative schedule was requested, assessed, successfully piloted and implemented.

We are satisfied that adequate mechanisms are in place to record and address workforce' grievances, and we maintain good relationships with our workforce and relevant bodies. Refer to our stakeholder section for more information on our engagements with employees.

Our performance

- Zero strikes or lockouts were recorded in 2021 (2020: zero).
- Constructive engagement with employee representatives continued in 2021.

GOVERNANCE



CHAIRPERSON'S INTRODUCTION TO CORPORATE GOVERNANCE

FOCUS AREAS 2021

At Gem Diamonds, we take our responsibility as the public stewards of the interests of shareholders seriously. In 2021, the Board focused on further improvement of our corporate governance processes and policies. Throughout the COVID-19 pandemic, our vision and the way we do things (refer to page 3) has allowed us to continue operating, despite the challenges presented. The Board's and Committees' primary focus areas included:

- Ensuring sustainable operations, keeping employees and local communities safe and supporting the Lesotho Government during COVID-19.
- Advancing the organisational safety culture and reducing safety incidents.
- Resolving certain shareholder concerns regarding the Board's independence.
- Overseeing the Group's renegotiated funding arrangements.
- Overseeing TCFD adoption and implementation across the Group.
- Enhancing the risk management systems and processes.
- Overseeing the pending sale of Ghaghoo mine.
- Maintaining disciplined financial control.
- Considering an appropriate capital return to shareholders.
- Refinement of risk management processes including insurance risk transfer opportunities.
- Consideration of conceptual underground expansion studies.
- Overseeing the delivery of CSI commitments and activities.
- Overseeing the implementation of the Group's insurance risk transfer strategy.

"Strong governance and governance processes have ensured our smooth operations throughout the pandemic."

– Harry Kenyon-Slaney –

CHAIRPERSON'S INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Factoring others into decision-making

Unearthing unique possibilities s172

Fair shareholder engagement
- Engagement page 17
- Conflict of interest page 98

Ethical business conduct
- Culture, values and purpose page 3
- Anti-bribery and corruption page 96
- Human rights page 96
- Tax Policy page 58

Ethical business conduct
- TCFD page 26
- UN SDGs page 69

Long-term consequences
- Capital allocation page 53
- Business model page 8
- Risk appetite and risk page 37

Employee interests
- Engagement page 19
- Diversity page 103
- Remuneration page 118

Other stakeholder interests
- Other engagement page 17
- Supply chain page 20
- Payments to governments page 212

PRINCIPAL DECISIONS 2021

Refer to our Committee reports on pages 106 to 143, which give more detail regarding the major decisions taken by Board Committees as part of their mandate of support to the Board.

GOVERNANCE

Throughout the year ended December 2021, the Group has been in compliance with the provisions set out in the 2018 UK Corporate Governance Code. Gem Diamonds has consistently applied the principles of good governance contained in the Code and voluntary disclosures in relation to the Miscellaneous Reporting Regulation during the year. Further information on our compliance with the provisions of the Code is available in our 2021 Compliance Statement on page 90.

TRANSPARENT REPORTING

The Board and reporting team have applied their minds to ensure the Annual Report and Accounts 2021 is transparent and provides meaningful disclosures on our activities and values. We welcome any feedback or further information requests.

FUTURE FOCUS AREAS 2022

The primary Board focus for 2022 is the continued health and safety of our workforce and PACs as we manage the impact of COVID-19. We will be guided by the Sustainability Committee on how our stakeholders' needs are evolving in response to the pandemic.

As climate change moves to the centre of the corporate agenda, we will continue to monitor our climate and environmental impact. We are attuned to the need to reduce our energy consumption and related greenhouse gas emissions and investigate cleaner energy solutions to improve the environmental performance of the business. We will also continue with the implementation of Phase 2 of our TCFD roadmap.

Our Audit and Risk Committee will focus on improving its oversight into risk practices and financial controls.

Succession planning for both Board and Executive Management will remain a focus. We recognise the inherent value in diversity and having a range of perspectives, aptitudes and experiences. We continue to track the diversity of culture, gender and skills across the Group.

CHAIRPERSON'S INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

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 103. Outcomes will be actioned in 2022.

We recognise that we are guests of the Lesotho Government and engagement with this important stakeholder is a constant Board focus. We will therefore maintain constructive, open and honest dialogue with the Government of Lesotho.

FURTHER ENGAGEMENT

My fellow Board members and I will be available at the 2022 AGM on 8 June 2022 to respond to any questions our shareholders may have on this report or on any of the Committees' activities and I look forward to welcoming those of you who are able to attend.

If you wish to discuss any aspect of 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, interrogates 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 outlook (refer pages 22 to 25).

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.

SUSTAINABILITY COMMITTEE

Provides assurance to the Board that appropriate systems and policies are in place to identify and responsibly manage sustainability-related matters.

EXTERNAL ASSURANCE

Provided by audits and certification in terms of international management systems.

ORGANISATIONAL CULTURE

The Board sets the ethical tone for the Group and ensures that the organisational culture aligns with our purpose and values.

STAKEHOLDER ENGAGEMENT

The Board monitors stakeholder engagement to ensure the Group is cognisant of key stakeholders' main concerns and interests (refer pages 17 to 21).

SECTION 172(1) STATEMENT

The Board of Directors confirms that during the year under review, it has acted to promote the long-term success of the Company 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 Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly between members of the Company.

Harry Kenyon-Slaney
Chairperson
16 March 2022

GOVERNANCE AT A GLANCE

Governance is a system and process, not a single activity, and requires a systematic approach that incorporates strategic planning, risk mitigation and performance management.

HIGHLIGHTS AS AT 31 DECEMBER 2021

Board and committee meeting attendance
100%

Board independence
50%

Board ethnic minorities
29%

Board gender diversity
29%

UK CORPORATE GOVERNANCE CODE – COMPLIANCE STATEMENT

The Board confirms that for the year ended 31 December 2021, the Principles of good corporate governance contained in the 2018 UK Corporate Governance Code (the Code) have been consistently applied. The Company fully complied with all the provisions of the Code. Page 94 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 2021.
- Continued capital allocation to COVID-19 response.
- Review of the restructuring of insurance arrangements.
- Adopting the recommendations of the TCFD and overseeing the implementation of the first phase of the TCFD adoption roadmap.
- Reviewing the underground mining plan programmes.
- Review of the new funding and security arrangements.

KEY GOVERNANCE ACTIVITIES

- Supporting and overseeing management's response to COVID-19.
- Monitoring the Group's cash preservation and cash generation initiatives.
- Overseeing, interrogating and approving the annual strategy review.
- Reviewing and debating key risks and mitigating actions with management.
- Overseeing progress achieved in the BT and CI programmes.
- Assessing significant estimates and judgements applied in the valuation of the carrying value of mining assets and impairment testing in the context of the impact of COVID-19 on pricing and production capability.
- Overseeing the advancement of sustainability objectives throughout the Group.
- Overseeing progress with the adoption of TCFD recommendations and the Group-wide CCSA.
- Overseeing alignment with the ICMM's GISTM.
- Overseeing diversity and inclusion throughout the organisation.
- Overseeing and supporting management's engagements with funders to refinance Group debt.

GOVERNANCE AT A GLANCE CONTINUED

GOVERNANCE FRAMEWORK

The Board

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

- Setting the Group's purpose and values, establishing the overall strategy and satisfying itself that these are aligned with the Group's culture.
- Ensuring the 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.
- Considering the views of shareholders and other key stakeholders when making decisions.
- 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 22

Our principal risks and uncertainties page 37

S172 statement page 89

Delegation of certain matters to Board sub-committees

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

Audit Committee (page 113)

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; and
- The processes for compliance with laws, regulations and ethical codes of practice.

Nominations Committee (page 106)

- Ensure a formal, rigorous and transparent procedure for the appointment of new directors to the Board;
- Lead the process for Board appointments;
- Ensure Board composition is regularly reviewed and refreshed;
- Oversee the development of a diverse pipeline for succession; and
- Work and liaise in respect of any remuneration package to be offered to any new appointment of the Board.

Sustainability Committee (page 109)

- Promote a culture of zero harm and responsible care;
- Minimise environmental impact and reduce resource consumption;
- Achieve the goal of sustainable development; and
- Review and monitor the Group's approach, policies and measures on health, safety, corporate social responsibility and the environment.

Remuneration Committee (page 118)

- 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; and
- Ensure executive remuneration is aligned to purpose, values and attainment of long-term strategy.

Standing and Share Scheme Committee

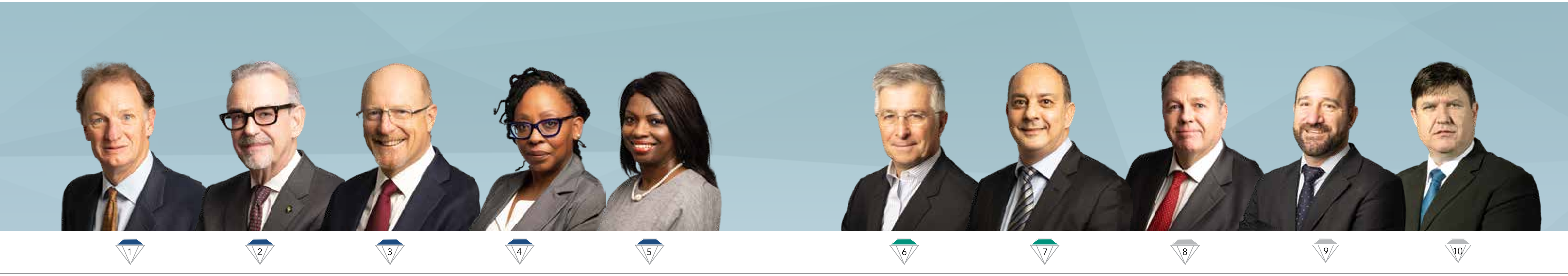
Facilitate the administration of the Board's delegated authority.

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

DIRECTORATE AND EXECUTIVE MANAGEMENT CONTINUED



1. HARRY KENYON-SLANEY (61)

Independent non-Executive Chairperson

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

Chairperson

Member

Member

3. MIKE BROWN (61)

Independent non-Executive Director

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

Chairperson

Member

Member

5. ROSALIND KAINYAH (64)

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

2. MICHAEL LYNCH-BELL (68)

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

4. MAZVI MAHARASOA (52)

Non-Executive Director

LLM International and Commercial Law (University of Buckingham)

Member

Committee icons

Audit

Remuneration

Nominations

Sustainability

6. CLIFFORD ELPHICK (61)

Chief Executive Officer

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

8. GLENN TURNER (61)

Chief Legal and Commercial Officer and Company Secretary

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

7. MICHAEL MICHAEL (51)

Chief Financial Officer

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

9. BRANDON DE BRUIN (50)

Chief Operating Officer

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

10. JACO HOUMAN (47)

Senior Manager - Technical and Projects

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

Non-Executive Directors

Executive Directors

Executive Management

CORPORATE GOVERNANCE STATEMENT

HOW THIS SECTION IS STRUCTURED

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

BOARD LEADERSHIP AND GROUP PURPOSE

Effective Board

The Board comprises a range of relevant skills, knowledge and perspective, with extensive collective experience in the mining industry (refer to page 102). The Board's focus areas (refer to page 87) support the guidance of the Code by promoting the long-term sustainable success of the Group, generating value for all stakeholders and contributing to wider society.

The Board oversees, interrogates and approves the annual strategy prepared by Executive Management. This year's review took place in November 2021 and assessed the continuing relevance of the strategy in the current local and global context, the potential impact of current and emerging risks (refer to page 37) and the appropriateness of the current business model (refer to page 8) for long-term value creation.

Key areas discussed by the Board during the strategy review included:

- Alignment of the strategic priorities with the Group's purpose, vision, values and culture.
- The strategy's contribution to the achievement of the Group's vision in 2021, including its meaningful, sustainable contributions to the countries in which we operate.
- Climate-related risks and consideration of the short-, medium- and long-term impact on future decision-making, strategy and business planning considerations and financial implications.
- Updates on the performance of the diamond market and Gem Diamonds' position in the diamond industry.
- Opportunities to unlock value across operations and commodities, operational structure, capital restructuring, use of technology, revised mine planning, cost efficiencies and strategic partnerships.
- Review of corporate activities.

The Board is supported by the Board Committees, which focus on specific areas of the business (refer to page 91) and report back to the Board through their chairs to ensure that Board meetings use time effectively.

Purpose, values and culture

A number of metrics are utilised to monitor workplace culture, providing information on the collective experience within the organisation and the prevalent patterns of behaviour to inform areas for future focus. During the year, the Board and senior management continued to promote the Company's sustainable success by reinforcing the purpose, values and goals and ensuring they remain relevant and aligned with strategy metrics to monitor 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 workforce, and health and safety data. Refer to workforce engagement on page 19 to read how the Board monitors company 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 37) 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 have been established between the Board and Executive Management which allows greater time at Board meetings to focus on strategy and key decisions. The information supplied to the Board aims to provide the depth necessary for effective debate 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 develop a deeper understanding of the issue. Presentations from external subject matter experts in relevant areas expose Directors and Executive Management to a broader range of views.

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) to ensure all company secretarial and governance issues are attended to and the Board is apprised 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 where the Director or Group employee has acted fraudulently or dishonestly.

Stakeholder engagement

The Board recognises the importance of effective communication and seeks to maintain open and transparent relationships with all its stakeholders. Pages 17 to 21 contains a detailed analysis of stakeholder engagement during 2021.

ANNUAL GENERAL MEETING

Due to restrictions on travel and public gatherings at the time, the 2021 AGM took place as a closed 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 Company's 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. As discussed on page 18, at the 2021 AGM three resolutions received more than 20% votes against them and members of the Board and the Executive Management team engaged with one of the Company's larger shareholders on the concerns raised. This is the second consecutive year that these resolutions were not passed; however, due to the standing policy of the shareholder on these matters, it is unlikely to be resolved. The Company released an updated statement in December 2021 on actions taken in response to the votes received, which can be viewed on the Company's website www.gemdiamonds.com.

The 2022 AGM will be held on Wednesday 8 June 2022. It will be held both virtually and in person, if permitted by the prevailing COVID-19 restrictions at the time. Details of the resolutions to be proposed at the AGM can be found in the Notice of AGM, which will be published on the Company's website and sent to shareholders who requested to continue 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 2021 and the AGM documentation through the Company's website.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Employee policies and practices

EMPLOYEE POLICIES AND INVOLVEMENT

The Group prioritises the health, safety and effective performance of employees, as well as maintaining 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 2021, she chaired several meetings with employee representatives. Matters raised during these meetings were addressed at Board and management level and employees were kept informed throughout the process. Employees are informed about the Group's performance and objectives through direct and ongoing communication with management as well as the Company's website, published information, the circulation of press cuttings and Group announcements.

Gem Diamonds is committed to achieving equality irrespective of gender, religion, race or marital status, and equal opportunity is a fundamental principle in the Group. 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 top-calibre management and employees by creating a work environment that incentivises enhanced 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 have been implemented by the Group and are in line 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.

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 and is committed to upholding and complying 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 is currently being reviewed by the Board.

Refer to the Audit Committee report on page 113.

WHISTLEBLOWING PROGRAMME

Independently operated and confidential toll-free phone hotlines are in place in each country where the Group operates. Online submissions through 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. A training and awareness programme on the whistleblowing facility was rolled out at Letšeng during the year.

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.

During the year, a whistleblowing report was received alleging diesel theft at Letšeng. Details of how this was managed can be found in the Audit Committee report on page 113.

The Board is satisfied that the whistleblowing programme is being used correctly by concerned individuals and that all queries raised during the year have been 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 which 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 91 sets out the primary role of the Board.

The Board meets regularly, covering strategic issues, 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 running the business within the parameters established by the Board and for producing clear, accurate and timely information and reports to enable 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; BT and CI status 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 2021.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 Company'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 on the following pages.

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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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.	• Scrutinise the performance of Executive Management in meeting agreed goals and objectives and monitoring the reporting of performance. • Review the integrity of financial information and determine whether internal controls and systems of risk management are robust. • Determine the Company's policy for executive remuneration, as well as the remuneration packages for the Chairperson and Executive Directors through the Remuneration Committee. • Ensure a satisfactory dialogue with shareholders on strategy, remuneration policy and other relevant matters as well as engagement with key stakeholders. • Strengthen 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. • Provide 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 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 Company transacts business against predetermined materiality thresholds. The Board considers the majority of the non-Executive Directors, i.e. Harry Kenyon-Slaney, Michael Lynch-Bell, Rosalind Kainyah and Mike Brown, to be independent in accordance with the Code. Mazvi Maharasoa brings a wealth of skills and experience to the Board; however, under the criteria of the Code, she cannot be considered independent due to her previous role within the Group. Mazvi is only a member of the Sustainability Committee. Our Nominations Committee Report on page 106 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 the Company in London.

External commitments and conflicts of interest

EXTERNAL COMMITMENTS

External commitments are detailed in the Directors' CVs on page 218.

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 Company 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 November 2021). The Company voluntarily complies with this requirement. The Board considered all external Directors' appointments made during the year.

DEALINGS IN SHARES AND THE UK MARKET ABUSE REGIME

The Company's share dealing policy and reporting procedures are in line with the UK Market Abuse Regulations implemented in July 2016 and updated in June 2021.

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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Key activities of the Board in 2021

Key activities of the Board in relation to various focus areas:

Operational	• Oversight of the Group's response to COVID-19. • Oversight of the organisational safety culture strategy implemented at Letšeng. • Review of quarterly management reports on operational performance. • Review and approval of the 2022 business plan. • Oversight of progress achieved in the BT and CI programmes. • Oversight of TCFD adoption and climate change strategy development. • Oversight of responsible tailings facility management and alignment with ICMM's GISTM. • Oversight of CSI strategy. • Oversight of environmental conservation and stewardship performance. • Review of progress on technology initiatives. • Updates on Mineral Resource Management and the mapping of resources.
Strategy and financing	• Annual strategy review in November 2021. • Ongoing review of KPIs to assess delivery of strategy during the year. • Monitoring of the Group's cash-preservation and cash-generation initiatives. • Oversight of the process of ensuring access to funding facilities and rolling over debt falling due or expiring. • Review and approval of planned capital expenditure. • Oversight of process to integrate climate change-related issues into strategy planning.
Risk management and internal control	• Review of risk management processes and updated risk register, including emerging risks. • Review of 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. • Review of the impact of the increased risk perception of insurance markets on risk management. • Review the implementation of an insurance risk transfer strategy.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Corporate and performance reporting

- Regular review of financial performance and position.
- Monitoring of cash flow forecasts.
- Review of 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 2020 Annual Report and Accounts, and the Sustainability Report.

Governance

- Monitoring and maintenance of the separation of roles between the Chairperson and CEO.
- Annual review and update of Committee terms of reference and evaluation of Committee composition.
- 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.
- Participation in annual evaluation of the Board, Committees and Directors.
- Review of regular governance updates from the Company Secretary.
- Review of matters reserved for the Board.
- Review of Directors' independence and conflicts of interest.
- Engagement with significant shareholders and the Remuneration Committee regarding the votes against resolutions 14, 15 and 16 at the 2021 AGM.

Stakeholder engagement

- Oversight of CSI strategy development and performance.
- Measuring the Group's culture through a number of metrics, including employee engagement through a designated non-Executive Director.

Refer to pages 17 to 21

CORPORATE GOVERNANCE STATEMENT CONTINUED

MEETING ATTENDANCE

Four scheduled Board meetings were held during 2021. 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.

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	1/1*	4/4	4/4
J Velloza	1/1*	N/A	N/A	N/A	1/1*
M Maharasoa	4/4	N/A	N/A	N/A	4/4
R Kainyah	3/3*	3/3*	3/3*	N/A	3/3*

J Velloza stepped down from the Board and the Sustainability Committee with effect from 1 May 2021.
R Kainyah was appointed to the Board and to the Remuneration, Audit and Sustainability Committees with effect from 1 May 2021.
** Full attendance of all meetings up to resignation from/since appointment to the Board or Committee on 1 May 2021.*

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

Changes to the Board

In 2021 the Board approved a formal Selection and Appointment policy which ensures that the procedure for appointing new Directors is formal, rigorous and transparent, and appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

Johnny Velloza stepped down from the Board with effect from 1 May 2021 to take up a technical consulting role in the Group and Rosalind Kainyah MBE joined the Board as an independent non-Executive Director from the same date.

The Board comprises a broad and highly relevant skill set, and the Nominations Committee continues to make appointments based on merit while considering diversity (of gender, social and ethnic background), cognitive and personal strengths and the specialist skill set required by the business. Further details are in the Nominations Committee report on page 106.

Board Committee membership was amended during the year to consider the changes to the Board and allocation of appropriate skills to those Committees, also taking into account independence.

RE-ELECTION

The Nominations Committee's report is set out on pages 106 to 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 Company's Directors enable the Board and its Committees to conduct their respective duties and responsibilities effectively.

Board skills, experience and knowledge

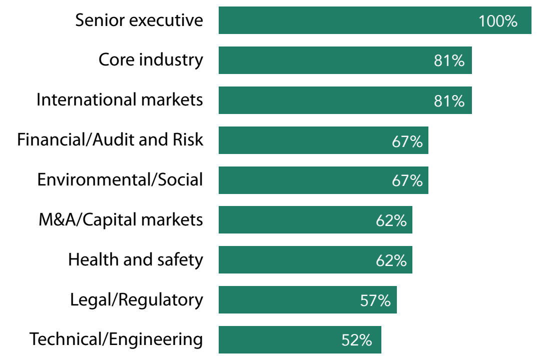
The Board conducts an annual review of the composition and chairmanship of its primary Committees, namely the Audit, Nominations, Sustainability and Remuneration Committees. The Company complies with the requirement of the Code that there should be a balance of Executive and non-Executive Directors so 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 the Group's progress in producing shareholder value. Knowledge of the diamond industry is crucial to fostering new business opportunities and enhancing the Group's sales and marketing strategies.

Knowledge of financial markets is also necessary to ensure fulfilment of the Group's strategy. The biographies, which can be found on pages 92 to 93, provide more information on each Director's competencies. All Directors allocate sufficient time to the Group to fulfil their responsibilities effectively.

The non-Executive Directors possess a range of experience and competencies and bring independent judgement to bear on issues of strategy, performance and resources that is vital to the success of the Group.

Board skills and experience (%)



CORPORATE GOVERNANCE STATEMENT CONTINUED

BOARD DIVERSITY

The Board recognises the importance of the Hampton-Alexander reviews as well as the Parker reviews and their objective to improve gender and ethnic diversity in executive leadership and senior management. Similarly, the Board is conscious of trends evidenced in the Code to increase diversity in boardrooms. There is a focus from the Board on gender and ethnic diversity at Board level and in the succession pipeline. The Group recognises the importance of diversity at all levels and the diversity and inclusion policy covers both Board diversity and the Company's approach across the organisation. The Board has steadily worked to increase diversity and has moved from a position of 0% female and ethnic minority in 2018 to 29% female and ethnic minority on the Board in 2021. It is also significant that 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%	29%
Senior Management	17%	50%
Management pipeline	41%	76%

Succession planning is a key 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.

Further detail on the Group framework to succession planning can be found in the Nominations Committee report on page 106.

More information on gender-based employment is contained in the Sustainability Report.

TRAINING AND INDUCTION

A formal and tailored 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 provided to Directors to extend and refresh their skills, knowledge and familiarity with the Group. Professional development and training are provided through four measures:

- regular updates on changes (actual and proposed) in laws and regulations affecting the Company 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; and
- 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. Travel restrictions limited the opportunity for site visits since the start of COVID-19. Johnny Velloza visited Letšeng in February and Mike Brown visited Letšeng three times during the year. Executive Directors, Clifford Elphick and Michael Michael each visited Letšeng once during the year and Clifford visited the sales and marketing office in Antwerp once in November.

Annual Board evaluation

In accordance with the Code, the Board is responsible for undertaking a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. This year, an internal evaluation was conducted in December, facilitated by Bruce Wallace Associates. The review was initiated by the Board and arranged by the Nominations Committee and covered both overall and individual performance as well as effectiveness of the Board and its Committees. The review took the form of a questionnaire based around a number of themes, including the Board and Company's response to events of the preceding months, strategy formulation, stakeholder engagement and risk management. The findings were consolidated into a report which, along with recommendations, was circulated to all Directors and discussed at the March 2022

CORPORATE GOVERNANCE STATEMENT CONTINUED

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board meeting. The overall findings from the evaluation were positive and demonstrated significant progress on some of the key findings from the previous year's evaluation, such as the implementation of a formal Board Selection and Appointments policy and the appointment of Rosalind Kainyah to satisfy the Board's independence requirement. During 2021 there was significant focus on succession planning and stakeholder engagement and the outcome of the evaluation confirmed not only this, but further highlighted the Board's view that more can be done in these areas during 2022.

The Board and Committees will implement the recommendations from the evaluation in 2022.

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 on pages 2 to 46 meets this obligation. The Responsibility Statement of the Directors in respect of the Annual Report and Accounts 2021 is set out on page 1.

Financial reporting to the Board is continuously modified and enhanced to cater for changing circumstances. The Group's comprehensive planning and financial reporting procedures include detailed operational business plans for the year ahead and a three-year rolling plan, as well as consideration of sustainability matters such as climate-related risks and opportunities as recommended by the TCFD. 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 issues are circulated to Board members and senior executives.

External auditor

A principle of the Code is that the Board should establish formal and transparent arrangements for considering how it should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Group's external auditor, EY. 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 pages 113 to 117.

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 2022 AGM.

Internal audit

The Group Internal Audit function, as an independent assurance provider, is an important element 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.

The Group Internal Audit function is provided through an in-house Internal Audit team 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 2021

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 principal aim of the system of internal control is the management of business risks that significantly threaten the fulfilment of the Group's business and strategic objectives, with a view to enhancing the value of shareholders' investments and safeguarding assets. To support this aim, the Board adopted the TCFD recommendations during 2021, providing a framework for the identification, disclosure and management of climate-related risks. The internal control systems have been 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 risk tolerance levels identified by the Board. The system of internal control includes the controls over compliance with regulatory and legal requirements.

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. The diesel theft at Letšeng that was brought to the attention of the Audit Committee via the whistleblowing programme evidenced a potential breakdown of internal control. Details of how this was managed can be found in the Audit Committee report on page 115. 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 pages 113 to 117.

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 carried out 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 2021 are available in the CFO's review on page 52.

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 annually. 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 37 to 44 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 Audit Committee. 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 sufficient 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 Unearth Unique Possibilities.

Remuneration Policy review

DIRECTORS' REMUNERATION

While the Board is ultimately responsible for Directors' remuneration, the Remuneration Committee, consisting of independent non-Executive Directors, is responsible for determining 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 118 to 143.

Performance outcomes in 2021

No adjustments were made to performance conditions set at the beginning of the year to account for the impact of COVID-19 on the operations and the formulaic GDIP outcome for the business scorecard was 26.8% 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.

Based on the performance to 31 December 2021, 60.1% of the long-term incentive share awards made under the 2019 ESOP will vest in March 2022, subject to continued employment at that time.

The GDIP business scorecard is shown on page 136 and the ESOP award calculation on page 138.

Strategic targets

The 2021 Gem Diamonds Incentive Plan (GDIP) rewards performance 15% on personal factors and 85% on business performance. This 85% business weighting aligns with the strategic focus areas Preparing for our Future (10% weighting), Extracting Maximum Value (55%) and Working Responsibly and Maintaining Our Social Licence (20%). More information on the GDIP scorecard is available on page 136.

NOMINATIONS COMMITTEE

Harry Kenyon-Slaney

Non-Executive Chairperson

The role of the Committee is to:

- ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.
- lead the process for Board appointments and make recommendations 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.

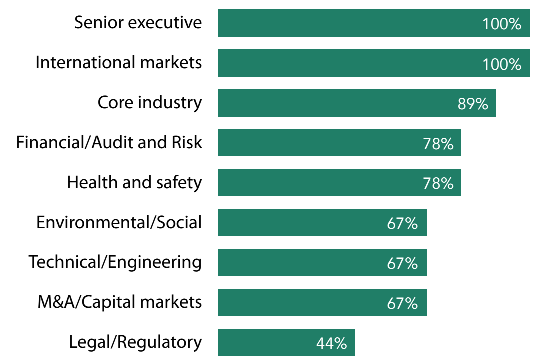
Membership as at 31 December 2021:

- H Kenyon-Slaney
- M Brown
- M Lynch-Bell

Other attendees:

- C Elphick
- Secretary (Bruce Wallace Associates)

Nomination Committee skills (%)



The Nominations Committee comprises three non-Executive Directors and one Executive Director. 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 2021 to ensure it was compliant with the new Code.

In order to meet UK corporate governance independence expectations and to specifically address comments from voting institutions around Board independence, Johnny Velloza stepped down from the Board on 1 May 2021 and assumed an important technical consulting role in the Company. Following Johnny Velloza stepping down, Rosalind Kainyah MBE joined the Board on 1 May 2021.

The change in Board composition initiated a review of the Committee membership to ensure the relevant skills and experience of the Board are appropriately positioned. Rosalind Kainyah was appointed to the Remuneration, Audit and Sustainability Committees and Mike Brown stepped down from the Remuneration Committee. 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 initiated an internal board evaluation in October 2021 and the outcomes will be discussed at the March 2022 Board meeting. A summary of the evaluation approach and recommendations can be found on page 103.

NOMINATIONS COMMITTEE CONTINUED

2021 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 interests 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 being hugely 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 2021 AGM. The Committee oversaw the appointment of Rosalind Kainyah, following a rigorous recruitment process through an independent search consultant, Jack Hammer Executive Search. Jack Hammer Executive Search was engaged as it has a global reach of more than 50 countries and over several industries and has a track record for successful placements of non-Executive Directors. Jack Hammer Executive Search had no other connection to the Company or its Directors during the year. In November 2021 the Committee approved a Board Selection and Appointments policy, thereby ensuring that appointments to the Board are made in a way which will promote the success and strategic direction of the Group.	
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. The Committee further extended its succession planning review 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 will be 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. In line with its commitment, the diversity of the Board was enhanced through the appointment of Rosalind Kainyah. Further to this there was an improvement in the diversity of the leadership pipeline through the appointment of women to senior management and management positions. Further detail on the Group's diversity and inclusion approach can be found on page 103.	

NOMINATIONS COMMITTEE CONTINUED

2021 value-adding activities	Link to strategic pillar
Board effectiveness	
The Committee considered the 2020 internal Board evaluation outcomes and addressed the recommendations along with some of the key findings, such as the implementation of a formal Board Selection and Appointments policy and the appointment of Rosalind Kainyah to satisfy the Board's independence requirement. In addition, it oversaw the 2021 internal Board evaluation, which covered Board, Committee and individual Director performance. The details are discussed on page 103. The findings from the internal evaluation were discussed in March 2022 and reported to the Board. The Committee will monitor progress on the implementation of the recommendations during the coming year. An annual reassessment of the Board skills matrix serves to provide assurance that the measured skills remain fit for purpose and supports the Group strategy. In March 2021 the Committee approved an amended skills matrix. The new skills matrix comprises four core skills and five sector specific skills which is aligned with the Glass Lewis descriptions of the criteria used to appraise Director skills.	
Committee membership	
The Committee and the Board remain committed to complying with the provisions of the Code. Following the appointment of Rosalind Kainyah the Committee recommended changes to the Audit, Remuneration and Sustainability Committees' membership during the year, in order to enable the newly appointed non-Executive Director to be included on those Committees where other members would benefit from her knowledge and expertise, particularly as it relates to sustainability and ESG matters. All Board Committees are compliant with the provisions of the Code.	

Future focus areas

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.

The Committee will 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.

The Committee will review the ESG competence and skills of the Board and whether succession plans explicitly address ESG competency.

The Committee will review continued legislative and regulatory action on board composition and diversity targets set by the FCA.

The Committee will conduct an external Board evaluation 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.

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.
- minimise environmental impact and improve resource use efficiencies.
- promote corporate social responsibility with a lasting positive impact in PACs and host countries.
- achieve the goal of sustainable development, 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.

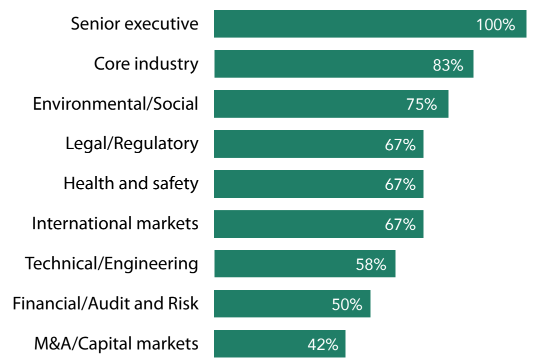
Membership as at 31 December 2021:

- M Brown
- R Kainyah
- M Maharasoa
- H Kenyon-Slaney

Other attendees

- B de Bruin
- G Turner
- HSSE and Sustainability Manager
- Secretary (Bruce Wallace Associates)

Sustainability Committee skills (%)



Included in the responsibility of the Committee are the following sustainability matters:

Safety – achieving a culture of zero harm in the Group

Health and wellbeing – occupational hygiene, community health matters and the health and wellbeing of the workforce.

Environment – protection of the environment, natural resource stewardship, mine rehabilitation and closure.

Climate change – financial impact, risks and opportunities related to climate change, operational mitigation and adaptation measures.

Corporate social responsibility – relationships with PACs, socio-economic development projects, community development, human rights and the UN SDGs.

Socio-economic issues – including such issues as contributions to national socio-economic development, licencing, long-term economic development, land access and corporate governance.

Supply chain – specifically local and inclusive procurement, supplier assurance and the impact of procurement decisions on health and the environment.

Mike Brown visited Letšeng on three occasions during the year. Johnny Velloza visited Letšeng in February. These visits specifically focused on:

- Safety culture and performance.
- Tailings management.
- Risk management with regards to heavy machinery and equipment and pit safety.
- CSI projects.
- Bioremediation and water management.

SUSTAINABILITY COMMITTEE CONTINUED

2021 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 2021, including:

- Management of the COVID-19 impacts and vaccination roll-out;
- Tailings and water storage facilities management; and
- Organisational safety culture drive.

The Committee received quarterly reports on health and safety performance throughout the Group with particular focus on the COVID-19 management strategy and the vaccination programme. The Committee received feedback on the impact of COVID-19 on production activities and the measures the Group implemented to protect its workforce, operate responsibly and build resilience through vaccination.

The Committee received regular reports on safety performance trends, including LTIs and near-misses. In response to concerning trends, the Committee approved appropriate mitigation strategies such as establishing a council of safety and mining experts to review safety reports and advise on appropriate controls, commissioning a safety culture perception survey to assess the maturity of safe behaviour within the organisation and partnering with external safety consultants to mature the safety framework and culture at Letšeng, and to provide coaching on effective safety leadership. The Committee also received incident investigation reports on significant safety incidents and approved several immediate and long-term interventions to address the root causes of the incidents, such as implementing a Critical Control Management Strategy.

The Committee received feedback on the progress made to assess conformance with the ICMM GISTM and measures implemented to align existing practices with those outlined in the standard. There were regular reports on the tailings and water 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 fresh water facilities.
- Health and safety systems management.

SUSTAINABILITY COMMITTEE CONTINUED

2021 value-adding activities | **Link to strategic pillar**

Promoting corporate social responsibility

Corporate social responsibility matters remain a priority and following COVID-19-related delays in 2020 the Committee focused on the below matters during 2021:

- Completion of an updated community needs analysis.
- Development of a UN SDG-aligned five-year CSI strategy.
- Emergency flood response and infrastructure restoration.
- Medical and health service assistance.
- Implementation of the planned 2021 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 its PACs and received reports on the progress made in delivering the 2021 CSI strategy. The strategy included projects delayed in 2020 as a result of COVID-19 restrictions, basic infrastructure provision and continued COVID-19 aid to communities, including the donation of 20 000 vaccinations and an ambulance.

The Committee received feedback following the 2021 community needs analysis, reviewed the updated CSI strategy and approved the integration of the Group's six priority UN SDGs into the five-year investment strategy. The Committee oversaw the voluntary submissions of the Group's tailings management processes in line with the Group's adoption of the ICMM GISTM to promote fair and transparent stakeholder engagement and relations.

Minimising environmental impact

The Committee is pleased to report that no major or significant environmental incidents were recorded during 2021. The Committee continues to monitor the environmental impact of the Group's operations and oversees the various strategies aimed at mitigating this impact. During 2021 the Committee focused on the following 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 waste and water management throughout the Group, and oversaw the completion of rehabilitation efforts on the old TSF at Letšeng. The Committee received feedback on the 2021 rehabilitation strategy review and approved the Letšeng concurrent rehabilitation plan. The Committee oversaw the continuing successful implementation of the nitrate management plan at Letšeng, which included projects such as leachate testing and the Bioremediation pilot plant.

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 COMMITTEE CONTINUED

2021 value-adding activities	Link to strategic pillar
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: • Adopting the recommendations of the TCFD and developing an appropriate climate change strategy. • Integrating the Group's six priority UN SDGs into business strategy. • Updating the stakeholder impact materiality assessment. • Developing 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 2022 include: • Maturing of organisational safety culture and safety focused leadership coaching. • Commence construction of the full-scale bioremediation project. • Improving resource use efficiency and reducing non-mineral waste. • COVID-19 operational resilience and vaccination programme. • Delivery of corporate sustainability KPIs. • Implementation of the Group's UN SDG framework. • Implementation of the five-year CSI Strategy. • Advancement of the Group climate change strategy and TCFD adoption. • 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.

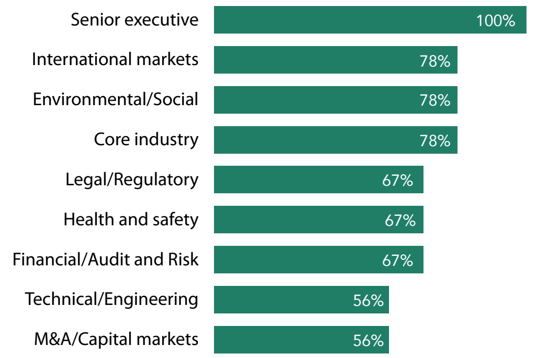
Membership as at 31 December 2021:

- M Lynch-Bell
- M Brown
- R Kainyah

Other attendees:

- H Kenyon-Slaney
- C Elphick
- M Maharasoa
- M Michael
- B de Bruin
- Group Financial Controller
- HSSE and Sustainability Manager
- External and internal audit
- Secretary (Bruce Wallace Associates)

Audit Committee skills (%)



AUDIT COMMITTEE CONTINUED

2021 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, considering all current ethical guidelines, and was satisfied that all criteria were met. The auditor's fee was approved as part of this process.

In advance of the 2021 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 which were in line with the previous year, were primarily: revenue recognition, impairment of property, plant and equipment and goodwill, the continued treatment of Ghaghoo as a discontinued operation and the application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, COVID-19-related matters, deferred waste stripping calculation, taxation, rehabilitation provisions, bank facility renewals and share-based payments. Additional areas of audit focus in the current year related to the diesel theft at Letšeng which was identified through the Letšeng whistleblowing facility during the year, and the cyber breach which occurred subsequent to year end. The key audit matter during the year was the goodwill impairment as mentioned in the Independent Auditor's Report on page 149. 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 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 2020 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 and collaboration of all audit specialist teams involved. The Committee commended the auditor's conclusion of the audit, considering the COVID-19 backdrop of remote working conditions and constrained capacity of audit team members.

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 three 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 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. 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. The Committee noted that these services are not permissible services in terms of the FRC requirements (the Group aims to comply with these requirements), but considered the value as immaterial and this investigation as being the most effective way to attend to this incident. The Committee received regular reports on any proposed non-audit work to be undertaken by EY and monitored the fees in line with the delegation of authority framework. All such fees during the year were below the Committee's thresholds for approval. Through monitoring these activities, the Committee ensured it safeguarded auditor objectivity and independence. The fees for such work amounted to US$41 283. This was against the external audit fee of US$427 511, representing 9.7% of external audit fees.

AUDIT COMMITTEE CONTINUED

2021 value-adding activities | **Link to strategic pillar**

Anti-bribery and corruption

The policy which was approved in 2020 remained in effect during the year, with there being no incidents of bribery during the year. The Committee is satisfied that the policy remains robust regarding compliance and diligence procedures and will be reviewing an updated policy in 2022.

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, 25 reports (16 relating to contractors) were received through the whistleblowing line, of which 23 were closed before the end of the year and two remained under investigation. The majority of the reports related to labour practices and remuneration matters. The most significant whistleblowing report received related to allegations of theft of diesel used in the mining operation. Management immediately commenced an internal investigation which confirmed the allegations, suspended the suspects involved and implemented additional procedures to mitigate any further loss. EY Forensics were engaged to do an investigation which identified collusion and weakness in internal controls that resulted in the override of controls. The matter was referred to the local police and the Group's insurers. The Committee found the investigation process remained transparent and actions taken in response to these reports to be swift and appropriate.

The Committee approved the Group's Fraud and Whistleblowing policy which remained unchanged from the previous year's review.

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 2022 Internal Audit plan was approved by the Committee and is linked to the current risk profile of the organisation.

There was no change to the Internal Audit Charter which was approved in June 2020.

The Committee assessed the effectiveness of Group Internal Audit during the year by conducting a survey which 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;
- 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; and
- an assessment by the Group management structure of the Internal Audit function focusing on Group Internal Audit's planning, execution of work, reporting, integrity, objectivity, independence, competence and due professional care.

The responses formed the Committee's assessment of the effectiveness of the 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.

AUDIT COMMITTEE CONTINUED

2021 value-adding activities | **Link to strategic pillar**

Risk management and internal controls

Although the Committee maintained its oversight on the principal and emerging risks during the year, in line with the Code's requirements for all Board members to focus on risk management, the 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:

- climate change;
- the residual impact of COVID-19 throughout the business model;
- the tax uncertainty relating to the amended assessment by the Lesotho Revenue Authority;
- dam wall safety; and
- the challenging insurance market.

The detailed principal and emerging risks are discussed further pages 37 to 44.

As a result of the challenging insurance market, the risk appetite was reconsidered and a programme to self-insure a portion of the risk was implemented through the 2021 insurance renewal process.

The Committee assessed the appropriateness of the cover and the ability to transfer any potential financial implications of the risks materialising. Based on the revised insurance strategy, the Committee reviewed the revised enterprise risk management framework.

The Committee considered the internal controls in place throughout the year as being effective. Further to the forensic investigation on the diesel theft, the Committee considered the internal controls in place and what additional procedures were implemented to ensure the potential for a similar breach was mitigated.

Information Technology (IT)

Following a Malware breach on the Letšeng IT systems in February 2022, the Committee considered the security protocols and the process undertaken to restore IT systems. The Committee further considered the impact on the operations, the timing and efficiency to restore normal IT functionality, the effectiveness of the Business Continuity Plan and concluded that the impact of any data extracted was not significant and did not result in any reporting obligations.

The Committee was satisfied that back-up data was successfully restored with only a few days of lost data which has been recaptured in all material respects, and that there was no material impact on operating activities.

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.

Climate-related financial disclosures

Following the Group's adoption of the TCFD recommendations in June, 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 2021, 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 readiness for climate-related financial disclosure reporting; and
- assurance, through the Sustainability Committee, on climate-related risk management effectiveness.

AUDIT COMMITTEE CONTINUED

2021 value-adding activities | **Link to strategic pillar**

Financial disclosure

The Committee continued to ensure that the Group's Annual Report and Accounts 2021 and the Half-Year Report 2021 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 147 to 211 for the year ended 31 December 2021 and issued an unmodified audit opinion in this regard.

The significant issues reviewed by the Committee relating to the 2021 results were:

- The assumptions in the Group's financial forecasts incorporating the successful roll over of 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 on page 162 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 COVID-19 on pricing, production capabilities and exchange rate fluctuations. The Committee critically reviewed the key assumptions and parameters (diamond price forecasts, foreign exchange rates against current rates and the discount rates applied in assessing the valuations) in the LoM plan for Letšeng 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. Changes to the underlying operational plan, costs and capital expenditure assumptions did not materially change the LoM valuation. 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 the continued assessment of Ghaghoo as a discontinued operation, 30 months since its initial assessment, and the application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations to its results. The Committee assessed the delays caused in the conclusion of the sales process and supported management assumptions on the basis that the Company remains fully committed to the sale.
- 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 LRA in December 2019, contradicting the application of certain tax treatments in the current Income Tax Act.

Future focus areas

Specific focus areas for 2022 are to:

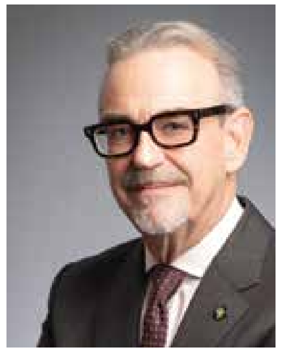
- monitor the implementation of the revised enterprise risk management framework;
- continue to assess principal and emerging risks and consider the impact of climate change on any of these risks;
- continue to assess the quality and effectiveness of the external audit and the procedures and controls to ensure auditor independence; 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 the shareholders.

STRUCTURE



Michael Lynch-Bell

Chairperson

Non-Executive Director

FOCUS AREAS 2021

- Adoption of the 2021 remuneration policy to ensure robust and motivational incentives.
- Employee remuneration and related policies and the alignment of incentives and rewards with culture and strategy.
- The link of appropriate ESG measures to executive pay.
- Performance conditions and targets for incentive plans given the impact of COVID-19 and the focus on stabilisation and business recovery.
- The composition of the total reward package for the Group and any constituent parts which could have discouraged the promotion of individuals from minority groups.
- Implementation of a post-termination shareholding policy.
- Gender pay data to establish whether pay gaps are present.
- The most effective way to engage with employees on how executive pay aligns with the Group's strategy and the wider employee group.
- Re-evaluate alignment of executive pension contributions to that of the wider employee group.

FUTURE FOCUS AREAS 2022

- Understand how the Group's compensation programmes consider employees' needs beyond fair and equitable remuneration.
- Review the effectiveness of current ESG metrics linked to executive pay and consider whether further Human Capital Management (HCM) topics are material to the business and should be monitored.
- Given the changing responsibilities of the Committee, review its composition, terms of reference and operation.
- Consider whether Diversity, Equity and Inclusion (DE&I) metrics should be linked to executive pay.
- Engagement with employees through formalised structures on executive pay and how it supports strategy.

ANNUAL STATEMENT

Dear shareholders

On behalf of the Board, I am pleased to present the Remuneration Committee's Directors' Remuneration Report for 2021. 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 support the Group's purpose to unearth unique possibilities. These unique possibilities are 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 2021

2021 marked the end of the four-year BT programme launched in 2017. We delivered in excess of the targeted US$100 million in revenue, productivity and cost savings by achieving US$110.0 million. During 2021, the Group faced numerous waves of the COVID-19 pandemic. Rapid roll-out of testing, establishment of the analysis laboratory on site in 2020, the stringent continuation of protocols and use of these facilities enabled uninterrupted operations. In conjunction with the British Government, the Group donated 20 000 vaccines to the Lesotho Government. This project fast-tracked the successful roll-out of vaccinations covering 99% of the workforce at the mine to date. Across the Group there were no salary cuts during 2021 as a result of the impact of COVID-19, no employees were furloughed, and no government assistance was taken up.

Despite the challenges of 2021, the Group ended the year with a cash balance of US$31.1 million and drawn-down facilities of US$10.2 million, resulting in a net cash position of US$20.9 million. Underlying EBITDA from continuing operations increased 8% to US$57.4 million from US$53.2 million in 2020. A cash dividend of 2.5 US cents was paid during the year. In light of the positive financial results in 2021, the Board is again proposing a dividend of 2.7 US cents per share, as part of sustaining its capital returns policy.

With the results and cash flows generated by the Group, the Group's share performance has been positive. The Group achieved a c.18.7% absolute total shareholder return for 2021 and was at the top of its peer group over the three-year period ended 2021.

During the year the Group commenced a preliminary conceptual study on the potential economic viability and mining method for underground expansion of the Satellite pipe at Letšeng (with the potential to include the Main pipe in the future).

The Group also successfully concluded its CCSA to identify and assess its physical climate change risks as part of the adoption of the TCFD recommendations.

In this context, the Committee's key decisions during the year related to the following areas:

GEM DIAMONDS INCENTIVE PLAN (GDIP)

As in the previous incentive plan (STIBS), 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.

The resulting formulaic GDIP outcome for the business scorecard was 26.8% of maximum (which accounted for 85% of the GDIP); the personal performance outcomes (accounting for 15% of the GDIP) averaged 13% across the Executive Directors. The Committee considered whether the GDIP outcome accurately reflects the underlying performance of the business and the wider employee and shareholder experience, and was satisfied that it does. The Committee exercised no discretion in determining the outcome of the GDIP.

ESOP

The 2019 ESOP rewards performance against total shareholder return against a tailored diamond mining peer comparator group (25% weighting), delivery of the BT programme (25%), and profit and production (50%), 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. 25% (out of a maximum of 25%) and 20.24% (out of a maximum of 50%) of the BT and profit and production elements will respectively vest, based on performance over the three-year period. Overall, 60.1% of the share awards granted to the Executive Directors under the 2019 ESOP will vest on 20 March 2022, subject to continued employment at that time.

The specific targets and outturns underlying these elements are discussed in detail on page 139 of the Annual Report on Remuneration. 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.

REMUNERATION COMMITTEE CONTINUED

Implementation of the remuneration policy in 2022

The Executive Directors' salaries were reviewed in February 2022, considering relevant benchmarks and in-country inflation. The review is 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%.

For 2022, 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 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.

The Committee has reconsidered the timing over which the Executive Director pensions will align with that of the wider employee group, taking into account market practice and guidance from investors, and concluded that the alignment should be brought forward to 1 January 2023. As a result, the Executive Director pensions will reduce with 1.1% and 0.9% of salary for the CEO and CFO respectively on 1 April 2022 (as originally planned), with a further reduction of 4.7% for the CEO and 3.7% for the CFO taking effect on 1 January 2023, to be fully aligned with workforce pensions at that time.

At the February 2022 meeting, the Committee also considered the level of share ownership required under the shareholding guidelines and concluded that this should be raised from 100% to 200% of salary for the Executive Directors.

Refer to pages 140 to 141 for further details on the implementation of the 2022 remuneration policy.

Engagement

I look forward to receiving your support at our 2022 AGM. The Board considers it important that shareholders have the opportunity to raise questions with the Board. As such, shareholders are invited to send any questions that 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 Manager on mzech@gemdiamonds.com.

Michael Lynch-Bell
Chairperson of the Remuneration Committee
16 March 2022

REMUNERATION COMMITTEE CONTINUED

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 information within this remuneration report which has been marked as such.

COMPONENT

BASIC SALARY
- Market-competitive base salary to recruit and retain individuals.
- No prescribed minimum or maximum annual increase.

BENEFITS
- Cash allowance in lieu of non-cash benefits.

PENSION
- Retirement benefits that are appropriately competitive.
- Alignment with wider employee group by January 2023.

GDIP
- Participants can receive a maximum of up to 180% of their base salary.
- For threshold- 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 2021

WIDER CONSIDERATIONS FOR EMPLOYEES IN 2021

+5.2% Approved inflationary increase to comparative employees' basic salaries effective from 1 January 2021 (excluding Directors)

13.2% → 7.5% Executive Director pension alignment by January 2023 (accelerated compared to that previously adopted in the 2021 remuneration policy)

Similar performance scorecards for management incentive schemes across the Group

BASIC SALARY AND SHAREHOLDING

SHAREHOLDING

100% of salary (to be raised to 200% in 2022)

CEO  Total shareholding 784% of salary

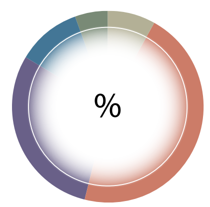
CFO  Total shareholding 52% of salary

PENSION AND BENEFITS:
- Pension contributions for the CEO and CFO reduced respectively by 1.2% and 0.9% of salary.
- No change was made to allowances for non-cash benefits.

TOTAL NON-EXECUTIVE DIRECTOR FEE
365 500 < £750 000
MAXIMUM AGGREGATE PER THE ARTICLES

GDIP

PROFILE OF SCORECARD



Individual	15%
Group	85%
Extracting Maximum Value from Our Operations	55%
Working Responsibly and Maintaining Our Social Licence	20%
Preparing for Our Future	10%
TOTAL	100%

REMUNERATION POLICY 2022

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 2022 meeting and concluded that two areas of implementation would be toughened to reflect market practice and guidance from investors. Pensions for the Executive Directors will now be reduced to align with that of the wider employee group by 1 January 2023 (rather than by 2026 as under the approved Policy) and the shareholding requirement will be increased from 100% to 200% of salary.

The Remuneration Policy is designed to provide a level of remuneration which 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 weight remuneration towards variable pay in order to provide base salaries and benefits that are fair, and variable pay incentives 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 119, 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.

REMUNERATION COMMITTEE CONTINUED

Policy table for Executive Directors

SALARY

Purpose and link to strategy	To offer a market-competitive base salary to recruit and retain individuals of the high calibre necessary to execute the Company'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 Company'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	The CEO and the CFO respectively receive pension benefits from 1 April 2022 equal to 12.2%, and 11.2% of their salary. Pension benefits will be reduced to 7.5% of salary effective 1 January 2023 to be fully aligned with that of the wider employee group. Any new Executive Director will receive pension benefits aligned to that of the wider employee group (currently 7.5%) at the time of appointment.
Performance measures	N/A

REMUNERATION COMMITTEE CONTINUED

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 Company 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.

REMUNERATION COMMITTEE CONTINUED

Shareholding guidelines

The in-post guideline was increased in February 2022 to requiring 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 2022

The table and subsequent graph below illustrates 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 2022.

The maximum GDIP is 180% of the salary.

The fixed scenario includes base salary, pension and benefits only.

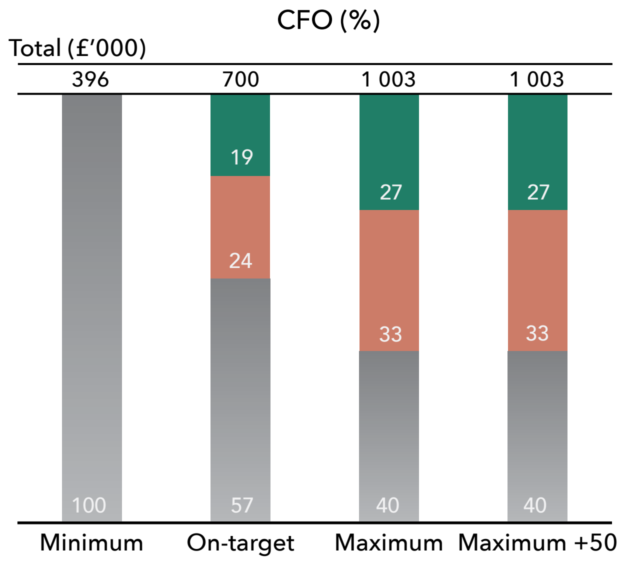
The at-target scenario includes fixed remuneration as above, plus target pay-out of the GDIP.

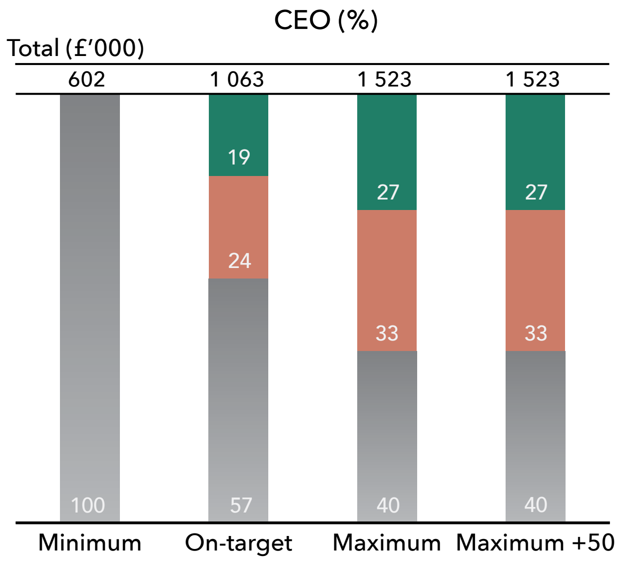
The maximum scenario includes fixed remuneration, plus full pay-out and vesting of all incentives.

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 2022			
Benefits	5.5% and 6.0% of salary for the CEO and the CFO respectively			
Pension	12.2% and 11.2% of salary for the CEO and the CFO respectively, in 2022			
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





FIXED REMUNERATION GDIP (CASH) GDIP (DEFERRED SHARES)

REMUNERATION COMMITTEE CONTINUED

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.

REMUNERATION COMMITTEE CONTINUED

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

REMUNERATION COMMITTEE CONTINUED

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 2020 Annual Report on Remuneration and 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.

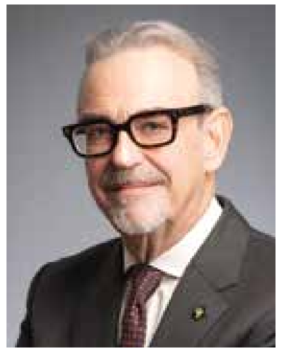
REMUNERATION COMMITTEE CONTINUED

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 2021, and how the 2021 Remuneration Policy will be implemented in 2022. This Annual Report on Remuneration will be subject to an advisory vote at our 2022 AGM on 8 June 2022.

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

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; and
- 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 2021:

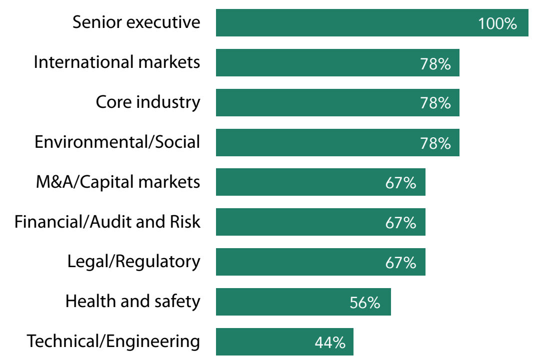
- M Lynch-Bell
- H Kenyon-Slaney*
- R Kainyah (member from 2 June 2021)
- M Brown (member until 1 June 2021)

Other attendees:

- C Elphick*
- M Michael*
- Group Human Resources Manager
- Ellason (Independent remuneration consultants)
- Secretary (Bruce Wallace Associates)

* *Except when issues relating to their own remuneration are discussed.*

Remuneration Committee skills (%)



REMUNERATION COMMITTEE CONTINUED

2021 activities	Link to strategic pillar
Reviewed the remuneration policy to ensure it is appropriate to motivate and reward senior executives and align their interests with the Company's purpose and values, as well as the interest of shareholders	
Considered the effectiveness of short- and long-term incentive structures and the alignment with shareholder expectations	
Reviewed the implementation of in- and post-termination shareholding policies	
Reviewed the range of non-financial performance metrics in variable remuneration	
Ensured incentives include an appropriate balance of financial and non-financial elements for the long-term sustainability of the organisation	
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 and approved the terms of reference of the Committee	
Reviewed and approved the Directors' Remuneration Report for 2020	
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	

Extracting maximum value from our operations | Working responsibly and maintaining our social licence | Preparing for our future

REMUNERATION COMMITTEE CONTINUED

CONSIDERATION OF INDEPENDENCE

Ellason LLP was appointed by the Committee in January 2021 and provided independent remuneration advice to the Committee and attended Committee meetings during 2021. Ellason LLP provides remuneration advice to a large portfolio of clients, including many in the FTSE350 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 in relation to work for the Committee in 2021 were US$29 278, excluding VAT.

Summary of shareholder voting

The table below shows the results of the advisory vote on the 2020 Annual Report on Remuneration at the 2021 AGM, and the binding vote on the 2021 Remuneration Policy at the 2021 AGM.

		For	Against	Total votes cast	Withheld
2020 Annual Report on Remuneration	Total number of votes	100 217 068	11 542 203	111 759 271	85 471
	Percentage of votes cast	89.7%	10.3%	–	–
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.

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 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 employees across the Group. The structure of the engagement sessions was reviewed during 2021 to determine whether the quality of the sessions could be improved. Following the review, a formal engagement plan was approved for 2022 which would see the Remuneration Committee Chairperson annually attend one engagement session per operational site. This would afford 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 (ie dividends, share buy-backs and return of capital) from the financial year ended 31 December 2020 to the financial year ended 31 December 2021.

	2021 US$	2020 US$	% increase
Distribution to shareholders[1]	**3 794 431**	3 509 082	0.1
Employee remuneration[2]	**19 347 781**	19 735 981	(2)
Return of capital[3]	**–**	–	–

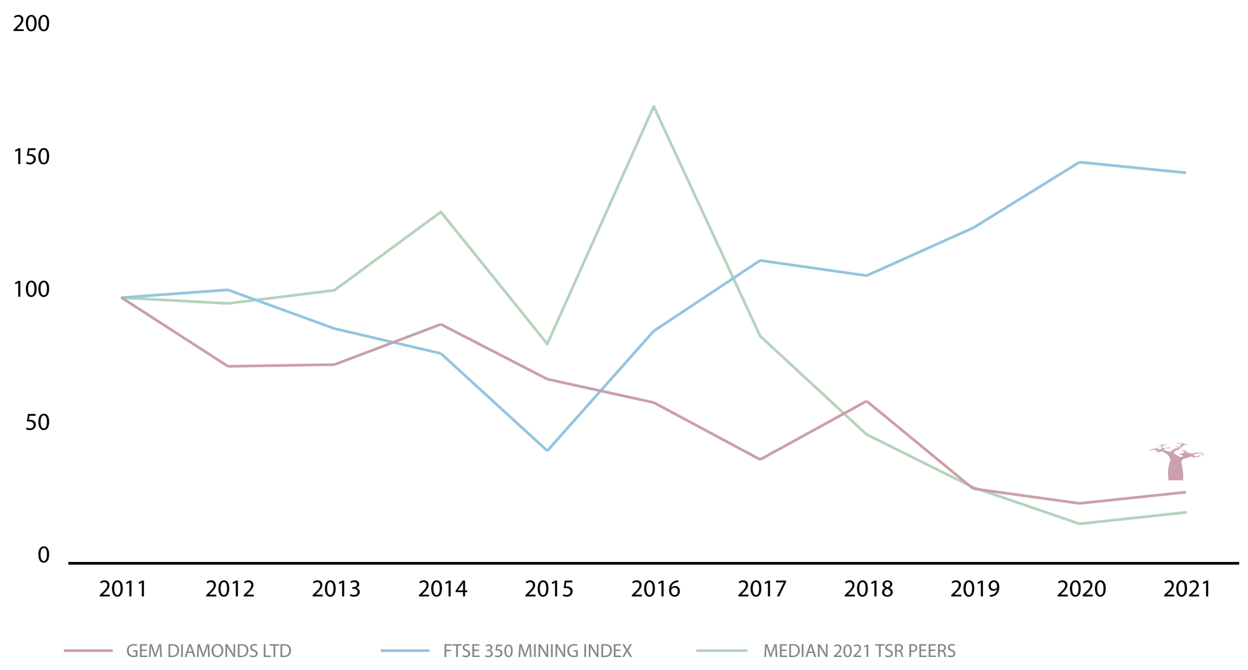
[1] The proposed distribution to shareholders on the 2022 dividend payment date is currently unknown, therefore the distribution is valued using the shares in issue as at 31 January 2022. The 2020 figures have been adjusted to reflect the actual distribution on the dividend payment date of 15 June 2021.
[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.

REMUNERATION COMMITTEE CONTINUED

Pay for performance

The graph shows the Company's 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 2021. 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. FTSE350 Mining Index and 2021 TSR Peers (£))



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
CEO single figure of remuneration (£)	797 755	564 419	776 406	892 935	879 719	611 314	681 191	995 161	891 643	989 921	**1 006 724**
Annual bonus outcome (% of maximum)	75	13	61	83	74	–	20	83	63	66	**39**
ESOP vesting outcome (% of maximum)	–	–	–	–	–	28.3	14.5	21.4	25.9	65.9	**60.1**

The percentage change in Director remuneration compared to other employee pay

The table on the next page 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 2021. 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. Where there is a year-on-year increase in base salary or fees paid to the Directors, this is due to reinstatement of salaries and fees following COVID-19-related sacrifices in 2020.

REMUNERATION COMMITTEE CONTINUED

	2021			2020		
	Base salaries[1] (% change)	**Benefits (% change)[2]**	**Annual bonuses (% change)[3]**	**Base salaries (% change)**	**Benefits (% change)**	**Annual bonuses (% change)**
Executive Directors						
C Elphick	4.1	(0.9)	(27.1)	(1.3)	–	3.7
M Michael	4.1	(0.7)	(27.1)	(1.3)	–	4.7
Non-Executive Directors						
H Kenyon-Slaney	4.1	–	–	(14.5)	–	–
M Lynch-Bell	4.1	–	–	(16.0)	–	–
M Brown	4.1	–	–	(16.0)	–	–
J Velloza[4]	4.1	–	–	(12.0)	–	–
M Maharasoa	4.1	–	–	96.0	–	–
R Kainyah[5]	–	–	–	–	–	–
Average pay of comparator group employees[6]	5.9	–	(19.9)	(2.0)	0.7	4.9

[1] The annual percentage change in salary is calculated by reference to actual salary paid for the financial year ended 31 December 2021, compared to the financial year ended 31 December 2020. The increase in salaries and fees reflect the reinstatement to contractual levels following the COVID-19-related sacrifice in 2020.
[2] The annual percentage change in benefits is calculated by reference to the benefits as a % of salary in respect of the financial year ended 31 December 2021, compared to the financial year ended 31 December 2020.
[3] The annual percentage change in bonus is calculated by reference to the % of annual salary achieved for the financial year ended 31 December 2021, compared to the financial year ended 31 December 2020. For 2021, the cash portion of the GDIP is included and the deferred portion is excluded.
[4] Stepped down from the Board on 1 May 2021. Fees were calculated on a full-time equivalent basis.
[5] Appointed to the Board on 1 May 2021.
[6] Average employee pay is calculated by reference to the mean average pay of employee comparator group.

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.

REMUNERATION COMMITTEE CONTINUED

REMUNERATION COMMITTEE CONTINUED

Salary increases

The Committee did not approve any salary increases for the Executive Directors in 2021:

Executive Director	**2021 salary £**	2020[1] salary £	% increase
C Elphick	**491 902**	491 902	–
M Michael	**324 635**	324 635	–

[1] *This figure does not reflect the COVID-19 salary sacrifice of 4.1% during 2020*

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 2021, the pension allowance for the CEO and CFO was reduced to 13.3% and 12.1% of salary respectively, in line with the commitment to align pensions with the wider employee group over time. 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 2021

TOTAL SINGLE FIGURE OF REMUNERATION FOR DIRECTORS

The table below sets out the total single figure remuneration received by each Director for 2021 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]		Cash payments in lieu of other non-cash benefits[2]		Cash payments in lieu of pension[2]		Total fixed remuneration		GDIP (cash)[3]	STIB[3]	GDIP (share options)[4]	ESOP[4]		Total variable remuneration		Total	
	2021 £	2020 £	**2021 £**	2020 £	**2021 £**	2020 £	**2021 £**	2020 £	**2021 £**	2020 £	**2021 £**	**2021 £**	2020 £	**2021 £**	2020 £	**2021 £**	2020 £
Executive Directors																	
C Elphick	**491 902**	472 611	**27 055**	25 994	**66 899**	68 529	**585 856**	567 134	**191 404**	326 379	**156 604**	**72 860**	96 408	**420 868**	422 787	**1 006 724**	989 921
M Michael	**324 635**	311 904	**19 478**	18 714	**40 011**	40 547	**384 124**	371 165	**129 533**	218 643	**105 981**	**53 853**	71 258	**289 367**	289 901	**673 491**	661 066
Non-Executive Directors																	
H Kenyon-Slaney	**122 400**	117 600	**–**	–	**–**	–	**122 400**	117 600	**–**	–	**–**	**–**	–	**–**	–	**122 400**	117 600
M Lynch-Bell	**56 100**	53 900	**–**	–	**–**	–	**56 100**	53 900	**–**	–	**–**	**–**	–	**–**	–	**56 100**	53 900
M Brown	**56 100**	53 900	**–**	–	**–**	–	**56 100**	53 900	**–**	–	**–**	**–**	–	**–**	–	**56 100**	53 900
J Velloza[5]	**37 400**	107 800	**–**	–	**–**	–	**37 400**	107 800	**–**	–	**–**	**–**	11 649	**–**	11 649	**37 400**	119 449
M Maharasoa	**56 100**	53 900	**–**	–	**–**	–	**56 100**	53 900	**–**	–	**–**	**–**	–	**–**	–	**56 100**	53 900
R Kainyah[6]	**37 400**	–	**–**	–	**–**	–	**37 400**	–	**–**	–	**–**	**–**	–	**–**	–	**37 400**	–

[1] *Salary and fees. The increase relates to the reinstatement of salaries following the COVID-19 sacrifice in 2020.*

[2] *Benefits and pension: cash payments in lieu.*

[3] *Includes the cash component of the GDIP (in 2021) and previous STIB (in 2020).*

[4] *The 2021 GDIP (share options) figures relate to the value of deferred nil-cost share options to be awarded in 2022 following the release of the annual results. The 2021 ESOP figures relate to the values at vesting of awards vesting on performance over the three-year period ended 31 December 2021. 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 2021 of 52.69 pence. The 2021 values at vesting reflect the impact of a 42% reduction in share price over the period. The 2020 figures have been adjusted to reflect the share price on the vesting date of 63.6 pence.*

[5] *Fees are 50% standard fees and 50% additional fees related to special projects. J Velloza stepped down from the Board as of 1 May 2021. The 2021 fees relate to the period 1 January 2021 to 30 April 2021. ESOP vesting relates to awards granted prior to his appointment as a non-Executive Director.*

[6] *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 2021 PERFORMANCE

Executive Directors participated in the GDIP in 2021, 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 2021, 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%), 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 outturns for 2021 are disclosed in full in the table on page 136.

REMUNERATION COMMITTEE CONTINUED

Performance measure	Weighting (% of max)	Threshold	Stretch	Actual performance	Pay-out (% of max)
Preparing for Our Future					
As set out in strategic focus areas	10.0	Judged by Committee on a discretionary basis			8.5
Extracting Maximum Value					
Underlying EBITDA (US$ millions)	30.0	61.2	82.9	57.4	–
Costs					
» Corporate costs (US$ millions)	1.5	7.2	6.5	7.2	0.3
» Cost per tonne (LSL)	13.5	347	314	386	–
Carats recovered (carats)	10.0	111 273	136 000	115 335	3.0
Working Responsibly and Maintaining Our Social Licence					
Any fatality will result in 100% forfeiture of this element	5.0	–	–	–	5.0
All Injury Frequency Rate (AIFR)	5.0	2.20	1.25	0.93	5.0
Lost Time Injury Frequency Rate (LTIFR)	5.0	0.11	–	0.24	–
Any major environmental/community incident will result in 100% forfeiture of this element	5.0	–	–	–	5.0
	85.0				26.8

Preparing for Our Future

Following the implementation of the BT programme in 2017 and the approval of the Bankable Plan for the Group of US$40 million (US$31 million annual and US$9 million once-off savings), a four-year US$100 million target was set in 2018 (to be delivered by end of 2021). This was impacted by COVID-19 and the operational shutdown due to the in-country lockdown in 2020. Notwithstanding these challenges, the US$100 million four-year target was exceeded by achieving US$110.0 million on time.

During 2021, the Group faced numerous waves of the COVID-19 pandemic. Rapid roll-out of testing, establishment of the analysis laboratory on site in 2020, and the stringent continuation of protocols and use of these facilities in 2021 enabled uninterrupted operations.

The Group undertook a comprehensive debt refinancing project due to the expiry of its current facilities. The objective was to expand its lender group and to further upsize the Group's available facilities. This was successfully concluded and in addition, US$32.3 million of the facilities are Sustainability-Linked Loans where the margin and resultant interest rate will decrease if the Group meets certain carbon reduction and water conservation KPIs that are aligned with the Group's sustainability strategy. These facilities are renewable in December 2024 and strengthen the Group's balance sheet appropriately for the next three years. Further to this, the Group successfully concluded its CCSA to identify and assess its physical climate change risks as part of the adoption of the TCFD recommendations.

In-country Competition Commission and Government approvals were received in terms of the Conditions Precedent as set out in the sales agreement for the disposal of the Ghaghoo asset. However, the sale was not concluded prior to year end, as the purchaser requested an extension of time to secure an alternative financing partner.

During the year the Group commenced a preliminary conceptual study on the potential economic viability and mining method for underground expansion of the Satellite pipe at Letšeng (with the potential to include the Main pipe in the future).

The Committee reviewed performance in this area during 2021 on a holistic basis, and determined that a score of 8.5 out of 10 was appropriate.

REMUNERATION COMMITTEE CONTINUED

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 12.5% and 13.5% (out of 15%) respectively for the CEO and CFO.

Clifford Elphick

Strategic focus area	*Performance*
	• During the year, numerous assets and projects were reviewed and potential parties were engaged as part of the strategic focus on growth and expansion. • The continued participation in the GIA's blockchain initiative provides assurance to end-consumers around the provenance of the rough diamonds and the contribution of the diamond industry to Lesotho.
	• The first Dubai trial tender viewing was held in September, 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 robust prices achieved.
	• Succession planning across the Group was progressed with an increased focus on diversity and inclusion. This specifically led to the appointments of the Head of Operations and Head of Finance at Letšeng. Training spend on the development of female employees was significantly higher than in prior years. • The gap analysis on the adopted UN SDG framework was completed in 2021, laying the foundation for implementation in 2022. • Behaviour driving culture was monitored on a quarterly basis and initiatives were implemented to ensure that it continued to align with business goals.

Michael Michael

Strategic focus area	*Performance*
	• Comprehensive debt refinancing was concluded which added a new funder to the lender group and resulted in an increase of facilities at Letšeng. This strengthened the Group's balance sheet appropriately for the next 3 years. • During the year a review of the Group's capital allocation was undertaken. The reviewed dividend policy was implemented and a dividend payment was effected.
	• Continuous Improvement projects were rolled out in the year achieving financial benefits. These projects included waste reduction through shorter haulage (c. LSL30.0 million p.a.), electricity efficiencies through geyser and heating timers as well as drilling efficiencies through drilling depth accuracy.
	• The Group successfully concluded and delivered the CCSA to identify and assess the physical climate change risks as part of the adoption of the TCFD recommendations. The scenario analysis considered four climate-related scenarios, which will allow the Group to work towards developing an effective response. • Various risk management processes were embedded and advanced during the year. These included the conclusion of the insurance risk transfer process and establishment of a LSL100m self-insurance fund.

Extracting maximum value from our operations | Working responsibly and maintaining our social licence | Preparing for our future

REMUNERATION COMMITTEE CONTINUED

The formulaic outcome from the business scorecard for Group performance was 26.8% (out of the maximum 85%) which, combined with the personal element, resulted in formulaic GDIP outcomes of 39.3% and 40.3% of maximum for the CEO and the CFO, respectively.

Based on business and personal performance, the GDIP incentive for 2021 was as follows:

	Total Performance score (%)	Cash (£)	Deferred nil-cost options (£)[1]	Total (#)
Executive Directors as at 31 December 2021				
C Elphick	39.3	191 404	156 604	348 008
M Michael	40.3	129 533	105 981	235 514

[1] *The deferred nil-cost options will be granted in 2022 and will be subject to the rules as set out in the Directors Remuneration Policy on page 122.*

ESOP: 2019 AWARDS VESTING IN 2022

The Executive Directors were granted awards of performance shares in March 2019, 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 as at 31 December 2021						
C Elphick	20 March 2019	230 000	0.904	207 920	44	20 March 2022
M Michael	20 March 2019	170 000	0.904	153 680	50	20 March 2022

REMUNERATION COMMITTEE CONTINUED

Vesting of the awards was dependent on relative TSR against companies in the diamond mining sector (25% of the award) and BT (25%) measured over the period 1 January 2019 to 31 December 2021. Profit and production (50%) 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	3 years	Median	75th percentile	85th percentile	Top of group	25.0
BT	25	3 years	90.0	100.0	110.0	110.0	25.0
Underlying EBITDA (US$ million)	10	2019	55.2	82.8	81.0	40.9	–
		2020	46.5	69.8	76.7	53.2	3.8
		2021	60.9	91.4	100.6	57.4	–
		Average					1.3
EPS (US cents)	10	2019	10.3	15.4	17.0	5.1	0
		2020	8.7	13.0	14.3	9.8	3.1
		2021	15.2	22.7	25.0	10.5	–
		Average					1.0
US$ per carat	10	2019	1 624	2 198	2 417	1 637	2.1
		2020	1 490	2 015	2 217	1 908	6.8
		2021	1 396	1 888	2 077	1 835	7.4
		Average					5.4
Ore tonnes treated (millions)	10	2019	6.6	6.9	7.2	6.7	3.8
		2020	6.6	6.9	7.3	5.4	–
		2021	5.5	5.7	6.0	5.1	–
		Average					1.3
Carats recovered (carats)	10	2019	109 800	128 100	140 300	113 974	3.4
		2020	114 890	134 039	146 804	100 780	–
		2021	122 400	142 800	156 400	115 335	–
		Average					1.1
	100						60.1

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 2021, 60.1% of the maximum award will vest for Clifford Elphick and Michael Michael in March 2022, subject to their continued employment at the time.

REMUNERATION COMMITTEE CONTINUED

DETAILS OF OUTSTANDING AWARDS OF PERFORMANCE OPTIONS TO DIRECTOR

	Performance options as at 1 January 2021[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 options outstanding as at 31 December 2021
M Michael	**37 088**[2]	–	–	–	177.6	11 September 2012	1 January 2016	31 December 2023	**37 088**

Audited

[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 2021 was 52.69 pence. The highest and lowest closing prices in the year were 65 pence and 43.6 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 2021 are given below. It is confirmed that there were no changes to the Directors' holdings between 31 December 2021 and the date of this report. The GDIP deferred scheme options are not included in the table below. 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 2021	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**	230 000	138 280	–	–	–	999%	✔
M Michael	**171 849**	170 000	102 207	112 042	–	37 088	52%	[2]
Non-Executive Directors								
H Kenyon-Slaney	**50 000**	–	–	–	–	–	–	n/a
M Lynch-Bell	**–**	–	–	–	–	–	–	n/a
M Brown	**67 124**	–	–	–	–	–	–	n/a
M Maharasoa	**–**	–	–	–	–	–	–	n/a
R Kainyah	**–**	–	–	–	–	–	–	n/a

Audited

[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 2022

The Committee determined that base salaries will be increased by 4% for 2022:

	2022 salary £	2021 salary £	% increase
Executive Director			
C Elphick	**511 578**	491 902	4
M Michael	**337 620**	324 635	4

PENSION AND BENEFITS

The Executive Directors will continue to receive cash supplements in lieu of pension and benefits in 2022. From 1 April 2022, the CEO and CFO pension benefits will reduce to 12.2% and 11.2% of basic salary, respectively. Effective 1 January 2023, pension benefits will further reduce to 7.5% of basic salary to align with that of the wider employee group; the timing of this alignment has been accelerated (versus that disclosed in last year's report) based on the Committee's consideration of recent investor guidance and market practice. Pension contributions to any new Executive Director appointments will be capped at the prevailing wider employee group pension rate at the time.

The current allowance in lieu of non-cash benefits will remain unchanged from 2021.

REMUNERATION COMMITTEE CONTINUED

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 22 of this Annual Report and Accounts 2021, 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 2022 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 2022 remuneration report.	

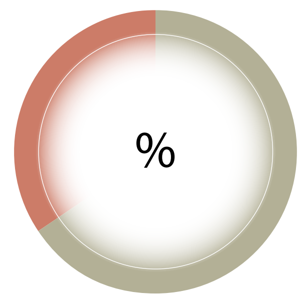
Targets are considered sensitive and will be disclosed in full on a retrospective basis in next year's report. In approving these targets, the Committee considered a range of perspectives on performance outcomes, including internal and external reference points.

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 2021, a total of 14 051 555 shares (10% of issued share capital) may be issued pursuant to all current awards outstanding over the last 10 years.

As at 31 December 2021, the Company's headroom position, which remains within the current IA Guidelines, was as shown in the chart to the right:

DILUTION HEADROOM



Headroom	6.58
Outstanding options	3.42

REMUNERATION COMMITTEE CONTINUED

REMUNERATION COMMITTEE CONTINUED

	Date of grant	**Performance shares[1] as at 1 January 2021**	Granted in the year	Vested in the year	Lapsed in the year	Exercised in the year	Exercise price US$	Market value at date of grant US$	Earliest normal exercise date	Expiry date	**Performance shares outstanding as at 31 December 2021**
C Elphick (CEO)	10-Jun-14	**58 209**	–	–	–	58 209	0.01	556 200	10-Jun-17	10-Jun-24	**–**
	01-Apr-15	**33 425**	–	–	–	33 425	0.01	453 100	01-Apr-18	01-Apr-25	**–**
	15-Mar-16	**49 300**	–	–	–	49 300	0.01	322 000	15-Mar-19	15-Mar-26	**–**
	04-Jul-17	**59 633**	–	–	–	59 633	0.01	253 000	04-Jul-20	04-Jul-27	**–**
	20-Mar-18	**230 000**	–	151 586	78 414	151 586	0.01	308 200	20-Mar-21	20-Mar-28	**–**
	20-Mar-19	**230 000**	–	–	–	–	0.01	274 454	20-Mar-22	20-Mar-29	**230 000**
	09-Jun-20	**230 000**	–	–	–	–	0.01	92 742	09-Jun-23	09-Jun-30	**230 000**
	No shares were awarded in 2021	**–**	–	–	–	–	–	–			–
Total		**890 567**	–	151 586	78 414	352 153	–	–	–	–	**460 000**
M Michael (CFO)	11-Sep-12	**–**	–	–	–	–	0.01	68 400	01-Jan-16	31-Dec-23	**–**
	10-Jun-14	**–**	–	–	–	–	0.01	302 400	10-Jun-17	10-Jun-24	**–**
	01-Apr-15	**–**	–	–	–	–	0.01	334 900	01-Apr-18	01-Apr-25	**–**
	15-Mar-16	**–**	–	–	–	–	0.01	238 000	15-Mar-19	15-Mar-26	**–**
	04-Jul-17	**–**	–	–	–	–	0.01	187 000	04-Jul-20	04-Jul-27	**–**
	20-Mar-18	**170 000**	–	112 042	57 958	–	0.01	227 800	20-Mar-21	20-Mar-28	**112 042**
	20-Mar-19	**170 000**	–	–	–	–	0.01	202 858	20-Mar-22	20-Mar-29	**170 000**
	09-Jun-20	**170 000**	–	–	–	–	0.01	68 548	09-Jun-23	09-Jun-30	**170 000**
	No shares were awarded in 2021	**–**	–	–	–	–	–	–			–
Total		**510 000**	–	112 042	57 958	–	–	–	–	–	**452 042**

Audited

[1] *Conditional right to acquire shares.*

CHAIRPERSON AND NON-EXECUTIVE DIRECTOR FEES

Chairperson and non-Executive Director fees were reviewed in February 2022. Considering appropriate industry benchmarks, it was decided that fees for the Chairperson will be increased by 10% to £134 640 annually, and the fees for non-Executive Directors will be increased by 4% to £58 344 annually.

DIRECTORS' REPORT

The Directors are pleased to submit the financial statements of the Group for the year ended 31 December 2021.

As a British Virgin Islands-registered company, Gem Diamonds Limited 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.

This requires that the Directors present a Strategic Report and a Directors' Report to inform shareholders of the Group's performance and prospects and help them assess whether the Directors performed their fiduciary duty. The 2021 Annual Report and Accounts discloses how the Directors have performed their duty to ensure the Group's continued success, in line with the Companies Act, 2006.

To ensure compliance 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 2021 Annual Report and Accounts, indicated by a reference.

The Strategic Report can be found on pages 2 to 46. This has been prepared to provide the shareholders with a fair review 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. This means that 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 has been prepared based on the knowledge and information available to the Directors at the date of its preparation. The Company is under no obligation to update or revise the Strategic Report during the financial year ahead. The expectations set out in the forward-looking statements are reasonable but may be influenced by a wide range of 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 2 to 85.

DIRECTORS

The Directors, as at the date of this report, are listed on pages 92 to 93 together with their biographical details. Details of the Directors' interests in shares and share options of the Company can be found on page 140.

Directors who held office during the year and date of appointment/ resignation

	Appointment	Resignation
Executive Directors		
C Elphick	20 January 2006	n/a
M Michael	22 April 2013	n/a
Non-Executive Directors		
H Kenyon-Slaney	6 June 2017	n/a
M Brown	1 January 2018	n/a
M Lynch-Bell	15 December 2015	n/a
J Velloza	1 July 2018	1 May 2021
M Maharasoa	1 July 2019	n/a
R Kainyah	1 May 2021	n/a

PROTECTION AVAILABLE TO DIRECTORS

By law the Directors are ultimately responsible for most aspects of the Group's business dealings. As a result, 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 believes 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 therefore has, and continues to maintain, 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 94 for further details.

DIRECTORS' REPORT CONTINUED

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 140.

SUPPLIERS AND CUSTOMERS

We engage extensively with contractors and suppliers to ensure alignment, mutual understanding and the sustainability of all parties especially during COVID-19 operating conditions.

We have ongoing communication with customers and our sales processes have been adapted to COVID-19 operating conditions. We achieved market-related prices for our diamonds throughout the year.

Refer to the our stakeholder relationships section on pages 17 and 21 for more details on our engagement with suppliers, contractors and customers.

RESULTS AND DIVIDENDS

The Group's attributable profit after taxation amounted to US$14.8 million (2020: US$13.6 million).

The Group's detailed financial results are set out in the financial statements on pages 147 to 211.

Based on positive earnings generated and disciplined cash management the Board proposes that a dividend be declared for the 2021 financial year. The Board has a dividend policy in place that sets the appropriate dividend each year, based on consideration of the Group's cash resources; the level of free cash flow and earnings generated during the year; and expected funding commitments for future capital projects. The Board has a policy to consider special dividends in the event of significant diamond recoveries and to consider a share buyback programme should the opportunity arise.

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 2 to 85. The financial position of the Group, its cash flows and liquidity position are described in the Strategic Report on pages 52 to 59. 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 2018 UK Corporate Governance Code, is included in the Strategic Report on page 45.

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 16 March 2022, there were 140.5 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.

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 2021, shareholders authorised the Company to make on-market purchases of up to 14 016 955 of its ordinary shares, representing approximately 10% of the Company's issued share capital at that time. During 2021, the Company did not purchase any shares.

At the 2022 AGM, shareholders will be asked to renew this authority. The Directors continue to consider various options and keep the authorisation under regular review. The 2022 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.

RESOURCE DEVELOPMENT

The Group's resource development activities focused on enhancing the understanding of existing resources at Letšeng. The Operations Review on page 60 provides more detail on these activities. For information on the current Resources and Reserves Statement visit the Group's website: www.gemdiamonds.com.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Read more about the Group's 2021 Sustainability Performance, including CSI investment, community participation and environmental management in the Sustainability Report which is available at www.gemdiamonds.com.

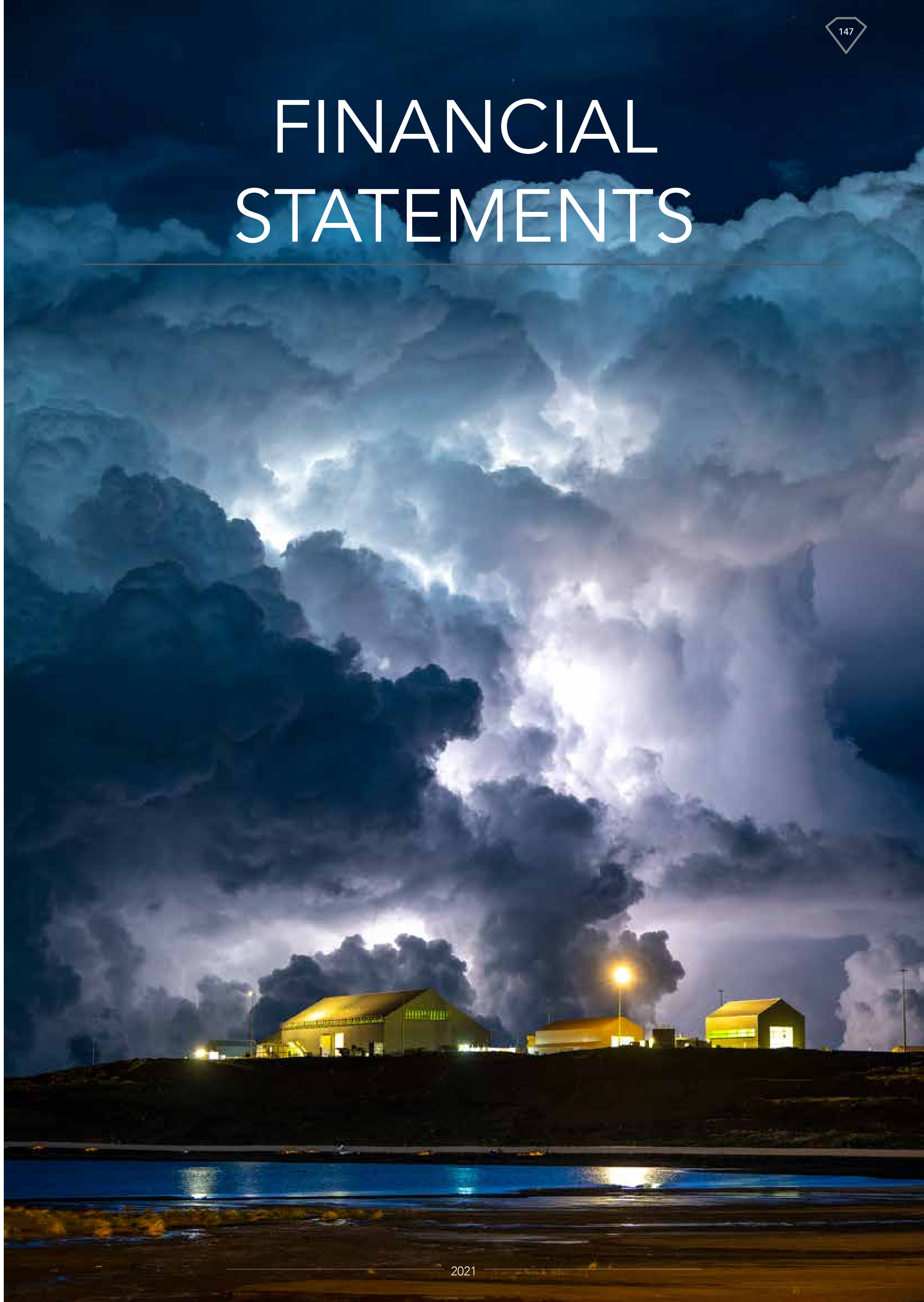
POLITICAL DONATIONS

The Group made no political donations during 2021.

TCFD, GHG EMISSIONS AND ENERGY CONSUMPTION SUMMARY

Information on the Group's adoption of the TCFD recommendations, carbon footprint and energy consumption in 2021 can be found in the Our Approach to Climate Change and Sustainability sections on pages 26 and 67 respectively.

By order of the Board
Harry Kenyon-Slaney
Non-Executive Chairperson
16 March 2022



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 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

16 March 2022

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 152 to 211, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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. Goodwill relates to the Group's investment in the Letšeng Diamond mine. There is an inherent uncertainty in forecasting and discounting future cash flows, which forms the basis of the Group's value in use calculations used in the impairment model. This was amplified due to the economic and other effects of the continued Covid-19 pandemic including uncertainty around the duration of the pandemic and timing of the recovery of the various world economies. The continued volatility in diamond prices, exchange rates and discount rates resulted in additional audit work in assessing the Group's impairment model. 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 value in use for each cash generating unit, on the basis of the following key assumptions: • Diamond prices; • Inflation rates; • Production costs and volumes; • Capital expenditure; • Discount rates; and • Exchange rates. Given the above factors, the goodwill impairment, particularly in the diamond mining industry, required significant audit attention in the current year through extended sensitivity and stress testings with different scenarios including the use of our valuation experts.	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 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 calculated an independent net present value (NPV) to compare to management's NPV; • Our valuation specialists assessed the reasonability of the significant inputs and assumptions used in the impairment models, such as diamond prices, exchange rates, inflation rates, by comparing them to independent sources; • 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 between the value of the recorded assets of the CGU and the value in use as calculated. These included: › WACC; and › Diamond prices • 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 224-page document titled 'Gem Diamonds Annual Report and Accounts 2021'. 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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)

16 March 2022

102 Rivonia Road, Sandton, Private Bag X14, Sandton, 2146

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 US$'000	2020 US$'000
CONTINUING OPERATIONS			
Revenue from contracts with customers	2	**201 859**	189 647
Cost of sales		**(121 587)**	(113 802)
Gross profit		**80 272**	75 845
Other operating expense	3	**(591)**	(3 911)
Royalties and selling costs		**(21 918)**	(19 843)
Corporate expenses		**(8 886)**	(7 992)
Share-based payments	27	**(395)**	(555)
Foreign exchange gain/(loss)	4	**1 929**	(880)
Operating profit	4	**50 411**	42 664
Net finance costs	5	**(3 742)**	(4 411)
– Finance income		**202**	382
– Finance costs		**(3 944)**	(4 793)
Profit before tax for the year from continuing operations		**46 669**	38 253
Income tax expense	6	**(15 562)**	(10 711)
Profit after tax for the year from continuing operations		**31 107**	27 542
DISCONTINUED OPERATION			
Loss after tax from discontinued operation	15	**(3 754)**	(3 264)
Profit for the year		**27 353**	24 278
Attributable to:			
Equity holders of parent		**14 767**	13 641
Non-controlling interests		**12 586**	10 637
Earnings per share (cents)	7		
– Basic earnings for the year attributable to ordinary equity holders of the parent		**10.5**	9.8
– Diluted earnings for the year attributable to ordinary equity holders of the parent		**10.4**	9.6
Earnings per share (cents) for continuing operations			
– Basic earnings for the year attributable to ordinary equity holders of the parent		**13.2**	12.1
– Diluted earnings for the year attributable to ordinary equity holders of the parent		**13.0**	11.9

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 US$'000	2020 US$'000
Profit for the year		**27 353**	24 278
Other comprehensive loss that will be reclassified to the Consolidated Statement of Profit or Loss in subsequent periods			
Exchange differences on translation of foreign operations, net of tax		**(21 196)**	(14 049)
Other comprehensive loss for the year, net of tax		**(21 196)**	(14 049)
Total comprehensive income for the year, net of tax		**6 157**	10 229
Attributable to:			
Equity holders of the parent		**(154)**	3 779
Non-controlling interests		**6 311**	6 450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 US$'000	2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**293 627**	304 005
Right-of-use assets	9	**3 137**	4 823
Intangible assets	10	**11 962**	12 997
Receivables and other assets	12	**1 278**	153
Deferred tax assets	22	**5 117**	6 346
		315 121	328 324
Current assets			
Inventories	13	**31 158**	26 741
Receivables and other assets	12	**4 095**	5 686
Income tax receivable	20	**1 232**	106
Cash and short-term deposits	14	**30 913**	49 820
		67 398	82 353
Assets held for sale	15	**2 097**	3 528
Total assets		**384 616**	414 205
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	16	**1 406**	1 397
Share premium		**885 648**	885 648
Other reserves	16	**(226 697)**	(212 164)
Accumulated losses		**(500 550)**	(511 808)
		159 807	163 073
Non-controlling interests		**86 843**	84 422
Total equity		**246 650**	247 495
Non-current liabilities			
Interest-bearing loans and borrowings	17	**8 340**	1 702
Lease liabilities	18	**3 851**	4 902
Trade and other payables	19	**2 095**	2 029
Provisions	21	**11 202**	12 331
Deferred tax liabilities	22	**82 472**	84 538
		107 960	105 502
Current liabilities			
Interest-bearing loans and borrowings	17	**2 704**	14 385
Lease liabilities	18	**973**	1 836
Trade and other payables	19	**22 188**	28 823
Income tax payable	20	**41**	11 940
		25 906	56 984
Liabilities directly associated with the assets held for sale	15	**4 100**	4 224
Total liabilities		**137 966**	166 710
Total equity and liabilities		**384 616**	414 205

Approved by the Board of Directors on 16 March 2022 and signed on its behalf by:

C Elphick
Director

M Michael
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to the equity holders of the parent						
	Issued capital US$'000	Share premium US$'000	Other reserves[1] US$'000	Accumulated (losses)/ retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance 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)
Balance at 31 December 2021	1 406	885 648	(226 697)	(500 550)	159 807	86 843	246 650
Attributable to discontinued operation (Note 15)	–	–	(52 893)	(196 006)	(248 899)	–	(248 899)
Balance at 1 January 2020	1 391	885 648	(202 857)	(525 449)	158 733	85 424	244 157
Total comprehensive (loss)/income	–	–	(9 862)	13 641	3 779	6 450	10 229
Profit for the year	–	–	–	13 641	13 641	10 637	24 278
Other comprehensive loss	–	–	(9 862)	–	(9 862)	(4 187)	(14 049)
Share capital issued (Note 16)	6	–	(6)	–	–	–	–
Share-based payments (Note 27)	–	–	561	–	561	–	561
Dividends declared	–	–	–	–	–	(7 452)	(7 452)
Balance at 31 December 2020	1 397	885 648	(212 164)	(511 808)	163 073	84 422	247 495
Attributable to discontinued operation (Note 15)	–	–	(53 046)	(192 252)	(245 298)	–	(245 298)

[1] *Other reserves relate to Foreign currency translation reserves and Share based equity reserves. Refer Note 16, Issued capital and reserves for further detail.*

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 US$'000	2020 US$'000
Cash flows from operating activities		**71 307**	96 227
Cash generated by operations	23.1	**103 902**	93 050
Working capital adjustments	23.2	**(7 107)**	464
Interest received		**202**	382
Interest paid	18, 23.3	**(2 457)**	(3 558)
Income tax paid	20	**(23 329)**	(1 268)[1]
Income tax received	20	**96**	7 157[1]
Cash flows used in investing activities		**(68 686)**	(48 718)
Purchase of property, plant and equipment	8	**(3 985)**	(1 571)
Waste stripping costs capitalised	8	**(64 725)**	(47 167)
Proceeds from sale of property, plant and equipment		**24**	20
Cash flows used in financing activities		**(19 025)**	(12 995)
Lease liabilities repaid	18	**(1 660)**	(1 906)
Net financial liabilities repaid	23.3	**(7 194)**	(6 431)
Financial liabilities repaid		**(26 393)**	(55 638)
Financial liabilities raised		**19 199**	49 207
Dividends paid to holders of the parent		**(3 486)**	–
Dividends paid to non-controlling interests		**(6 685)**	(4 658)
Net (decrease)/ increase in cash and cash equivalents		**(16 404)**	34 514
Cash and cash equivalents at beginning of year		**49 827**	11 443
Foreign exchange differences		**(2 366)**	3 870
Cash and cash equivalents at end of year		**31 057**	49 827
Cash and cash equivalents at end of year – continuing operation	14	**30 913**	49 820
Cash and cash equivalents at end of year – discontinued operation	15	**144**	7

[1] *These amounts were presented on a net basis in the prior year and have been disaggregated and presented separately in the current year. This reclassification had no impact on the financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 16 March 2022.

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 2021. During the prior year Gem Equity Group Limited, a 100% held dormant investment holding company, was abandoned. Following the sale of its investments within the prior year the Board of Directors of Gem Equity Group Limited resolved to voluntarily liquidate the company. The liquidation was finalised on 2 July 2021 and the company no longer exists at year end. In addition, Calibrated Diamonds Investment Holdings (Proprietary) Limited, a 100% held subsidiary of Gem Diamonds Investments Limited was deregistered during the year after being dormant for several years.

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] Suite 103, GIA Centre Diamond Technology Park Plot 67782, Block 8 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, 3rd Floor, 11–12 St. James Square, London SW1Y 4LB 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), which is in the process of being sold, has been classified as a discontinued operation held for sale since 30 June 2019 and disclosed separately (refer Note 15, Asset 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, i.e. 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), classified as discontinued operation held for sale since 30 June 2019.

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 from 2019, continues to be classified as such at year end as management remain committed to the sales process. Refer Note 15, Asset held for sale.

During the prior year Gem Equity Group, a dormant investment holding company registered in the BVI, was abandoned. Following the sale of its investments within the prior year the Board of Directors of Gem Equity Group resolved to voluntarily liquidate the company. The company no longer exists as the liquidation was finalised on 2 July 2021 at a minimal liquidation professional fee paid by Gem Diamonds Limited. There was no further impact on the Group's results in the current year from the company. GEG was classified as part of the BVI, RSA, UK and Cyprus segment. Calibrated Diamonds Investment Holdings (Proprietary) Limited (CDIH), a 100% held subsidiary of Gem Diamonds Investments Limited was deregistered during the year after being dormant for several years. There was no impact on the Group's results in the current year from this company. CDIH was classified as part of the BVI, RSA, UK and Cyprus segment.

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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

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:

Year ended 31 December 2021	Lesotho US$'000	Belgium US$'000	BVI, RSA UK and Cyprus[1] US$'000	Total Continuing operations US$'000	Discontinued operation US$'000	Total US$'000
Revenue from contracts with customers						
Total revenue	198 816	202 461	7 031	408 308	–	408 308
Intersegment	(198 581)	(837)	(7 031)	(206 449)	–	(206 449)
External customers	235	201 624	–	201 859	–	201 859
Depreciation and amortisation	54 012	350	1 063	55 425	–	55 425
– Depreciation and mining asset amortisation	7 199	350	1 063	8 612	–	8 612
– Waste stripping cost amortisation	46 813	–	–	46 813	–	46 813
Share-based equity transactions	(105)	(4)	(286)	(395)	(2)	(397)
Segment operating profit/(loss)	59 008	1 238	(9 835)	50 411	(3 533)	46 878
Net finance costs	(2 395)	(1)	(1 346)	(3 742)	(221)	(3 963)
Profit/(loss) before tax	56 613	1 237	(11 181)	46 669	(3 754)	42 915
Income tax expense	(14 661)	(178)	(723)	(15 562)	–	(15 562)
Profit/(loss) for the year	41 952	1 059	(11 904)	31 107	(3 754)	27 353
EBITDA	64 328	1 625	(8 584)	57 369	(2 047)	55 322
Segment non-current assets	306 777	161	1 788	308 726	1 413	310 139
Segment assets	369 105	1 985	6 312	377 402	2 097	379 499
Segment liabilities	39 440	351	11 603	51 394	4 100	55 494
Other segment information						
Net cash and short-term deposits[2]	24 175	1561	(5 014)	20 722	144	20 866
Capital expenditure						
– Property, plant and equipment	3 952	7	32	3 991	–	3 991
– Net movement in rehabilitation asset[3]	(1 345)	–	–	(1 345)	–	(1 345)
– Waste cost capitalised	64 725	–	–	64 725	–	64 725
Total capital expenditure	67 332	7	32	67 371	–	67 371
Average number of employees employed under contracts of service	304	6	22	332	22	354

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 current 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.

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$0.1 million.

Segment assets and liabilities do not include deferred tax assets and liabilities of US$5.1 million and US$82.5 million respectively.

Total revenue for the year is higher than that of the prior year mainly due to higher volume of carats sold of 109 697 (2020: 99 172). An average sales price of US$1 835 (2020: US$1 908) was achieved.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

Year ended 31 December 2020	Lesotho US$'000	Belgium US$'000	BVI, RSA UK and Cyprus[1] US$'000	Total Continuing operations US$'000	Discontinued operation[2] US$'000	Total US$'000
Revenue from contracts with customers						
Total revenue	186 801	189 825	5 997	382 623	–	382 623
Intersegment	(186 183)	(796)	(5 997)	(192 976)	–	(192 976)
External customers	618	189 029	–	189 647	–	189 647
Depreciation and amortisation	50 636	391	1 463	52 490	–	52 490
– Depreciation and mining asset amortisation	7 216	391	1 463	9 070	–	9 070
– Waste stripping cost amortisation	43 420	–	–	43 420	–	43 420
Share-based equity transactions	157	6	392	555	6	561
Segment operating profit/(loss)	49 061	1 354	(7 751)	42 664	(3 062)	39 602
Net finance costs	(2 742)	(6)	(1 663)	(4 411)	(202)	(4 613)
Profit/(loss) before tax	46 319	1 348	(9 414)	38 253	(3 264)	34 989
Income tax expense	(10 790)	(179)	258	(10 711)	–	(10 711)
Profit/(loss) for the year	35 529	1 169	(9 156)	27 542	(3 264)	24 278
EBITDA	59 038	1 748	(7 588)	53 198	(2 943)	50 255
Segment non-current assets	318 611	504	2 710	321 825	1 533	323 358
Segment assets	396 040	1 694	6 597	404 331	3 528	407 859
Segment liabilities	63 733	496	13 719	77 948	4 224	82 172
Other segment information						
Net cash and short-term deposits[2]	40 311	877	(6 565)	34 623	7	34 630
Capital expenditure						
– Property, plant and equipment	1 535	7	29	1 571	–	1 571
– Net movement in rehabilitation asset[3]	(3 125)	–	–	(3 125)	–	(3 125)
– Waste cost capitalised	47 167	–	–	47 167	–	47 167
Total capital expenditure	45 577	7	29	45 613	–	45 613
Average number of employees employed under contracts of service	323	6	21	350	31	381

[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 rolling fees capitalised to the Company's US$30.0 million bank loan facility). 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 annual revenue for the 2020 year is revenue from six customers who individually contributed 10% or more to total revenue. This revenue in total amounted to US$66.9 million arising from sales reported in the Belgium segment.

Segment non-current assets do not include deferred tax assets of US$6.3 million and financial instruments of US$0.2 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$0.3 million.

Segment assets and liabilities do not include deferred tax assets and liabilities of US$6.3 million and US$84.5 million respectively.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effect of these changes as a result of the adoption of these new pronouncements are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform Phase 2

The amendment addresses issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. In the prior year, the Group and its funders commenced a comprehensive debt refinancing programme of the Group's facilities. The refinancing programme incorporates the consideration of any risk posed to the Group by phase two of the IBOR reform, which was effective from 1 January 2021. The IBOR reform may potentially have an impact on the South African JIBAR, and LIBOR linked interest-bearing loans and borrowings The interest-bearing loans and borrowings subject to the South African JIBAR rate include the LSL215.0 million unsecured project debt facility between Letšeng Diamonds, Nedbank Limited and the Export Credit Insurance Corporation (ECIC) and the ZAR300.0 million revolving credit facility between Letšeng Diamonds and Nedbank Limited. The interest-bearing loans and borrowings subject to the US$ three-month LIBOR rate include the US$30.0 million revolving credit facility between Gem Diamonds Limited, Nedbank Limited, Standard Bank of South Africa Limited and Firstrand Bank Limited. Both the South African JIBAR and the LIBOR rates are yet to transition to alternative benchmark rates at the reporting period end. Refer to Note 17, Interest- bearing loans and borrowings for more information regarding the maturities and the related benchmark rates subject to the IBOR reform on these loans and/or borrowing facilities. At year end, it is not possible to estimate the potential impact of the amendment as no alternative rates have been published by the regulatory bodies or negotiated with the funders, however, in terms of the agreement, the LIBOR rate on the US$30.0 million revolving credit facility of Gem Diamonds Limited will be replaced by 30 June 2022. The Group will continue to assess the impact of the interest rate benchmark reform as the revised benchmark rates are published or negotiated with the funders. This assessment will include considerations on how the practical expedients available within the amendments will impact the Group's interest rate benchmarking.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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
Amendment to IFRS 16	Covid 19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment proceeds before intended use	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending
Improvement IFRS 1	Subsidiary as a first-time adopter	1 January 2022
Improvement IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Improvement IAS 41	Agriculture – Taxation in fair value measurements	1 January 2022

* *Annual periods beginning on or after.*

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.

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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.2 Going concern (continued)

The Group's net cash at 31 December 2021 was US$20.9 million (31 December 2020: net cash US$34.6 million). Following the successful refinancing of the Group's facilities for a three-year period from 23 December 2021, the Group's undrawn facilities at 31 December 2021 amounted to US$74.3 million, resulting in strong liquidity (defined as net cash and undrawn facilities) of US$95.2 million (31 December 2020: US$95.4 million). The Group's Revolving Credit facilities, which total US$77.0 million when fully unutilised, mature on 22 December 2024. The balance of US$6.3 million is a general banking facility with no set expiry date, but is reviewed annually (Refer Note 17, Interest-bearing loans and borrowings). The uncertainty that exists around the ongoing impact of COVID-19 on future cashflows was considered by performing sensitivities on diamond pricing and diamond production volumes and continued strengthening of the US$ against the Lesotho Loti.

After 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.

1.2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as at 31 December 2021.

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 intragroup 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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.4 Exploration and evaluation expenditure (continued)

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 proved 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.

1.2.6 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[1]
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

[1] *Certain asset classes are depreciated over the lesser of life of mine, or period of mining lease. Prior to 1 January 2020, the period of mining lease was shorter than the life of mine. On 1 January 2020 a reassessment of assets' useful lives was performed at Letšeng which resulted in a revision of assets' useful lives being made from a remaining useful life of five years (original period of mining lease) to 15 years (life of mine) due to the extension of the Letšeng mining lease. Furthermore, also within the prior year the useful life of plant and equipment was reassessed from a useful life of 10 years to the remaining life of mine (15 years); and the useful life of vehicles, categorised within the "Other assets category", were reassessed from five years to eight years.*

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.6 Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., 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.

1.2.7 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. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

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 re-sale.

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 other notes to the financial statements include amounts for continuing operations, unless indicated 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 time frame established by regulation or convention in the market place (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

The Groups 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 1.2.7, Borrowing costs, 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.

1.2.11 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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.11 Fair value measurement (continued)

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).

1.2.13 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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

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.

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.

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.

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 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.

1.2.17 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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.17 Share-based payments (continued)

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 Note 1.2.28, Critical accounting estimates and judgements.

The Group periodically releases the share-based equity reserve to retained earnings in relation to lapsed, forfeited and exercised options.

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.

1.2.19 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. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

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.

1.2.21 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. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

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.

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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

1.2.23 Revenue from contracts with customers (continued)

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 service

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.

1.2.24 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of significant accounting policies (continued)

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.

COVID-19

The Group has considered the impact of COVID-19 on its significant accounting judgements and estimates. The Group's main source of estimation uncertainty is in relation to assumptions used for the assessment of impairment and impairment reversal of assets. No further significant estimates have been identified as a result of COVID-19, although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts.

Task Force on Climate-related Financial Disclosures (TCFD)

In preparing the Consolidated Financial Statements management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report this year 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 2023 nor viability over the next three years. These considerations also had no material impact on any Property, Plant and Equipment or Commitments. For Letšeng, the physical risks identified of extreme weather conditions, are similar to its current operating conditions of drought, high wind, extreme precipitation and cold events. 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 to reducing combustion related 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.

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.

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)

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, exchange rates, 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. The results of the impairment testing performed did not indicate any impairments in the current year. 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 2037 (2020: 2034).

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% (2020: 4.0% to 5.3%) for operating costs in addition to a depth escalation factor for mining costs as a result of mining in deeper areas within both pits.

Capital costs in the short-term has been based on management's capital programme after which a fixed percentage of operating costs have 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 2021 of LSL15.96 (31 December 2020: LSL14.69).

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 11.5% for revenue (2020: 10.8%) and 13.4% for costs (2020: 14.3%) 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.

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.

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)

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; 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.

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.

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)

Identifying uncertainties over tax treatments

As disclosed in the prior year, an amended tax assessment was issued to Letšeng by the Lesotho Revenue Authority (LRA) 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 LRA in March 2020, which was supported by the opinion of senior counsel. The LRA 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 and a court date is expected to be set in June 2022.

On 7 February 2022, Letšeng received an application from the LRA to amend its original grounds for the court application. Letšeng's counsel continues to review the LRA's proposed amendment and has opposed the new application by the LRA.

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 2021 Annual Financial Statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	2021 US$'000	2020 US$'000
2. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sale of goods	**201 610**	189 028
Partnership arrangements	**235**	618
Rendering of services	**14**	1
	201 859	189 647

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$0.2 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 (2020: US$0.6 million). At year end 894 carats (2020: 485 carats) have significant constraints in recognising revenue relating to the additional uplift.

The revenue from the rendering of services mainly represents the sales of rough diamonds on behalf of third parties, for which revenue is recognised at the time when performance obligations are met, and services rendered on third-party diamond analysis and manufacturing, for which the revenue is recognised over time as the services are rendered.

No revenue was generated from joint operation arrangements during the current or prior year (2021: Nil) (2020: Nil).

3. OTHER OPERATING (EXPENSES)/INCOME

	2021 US$'000	2020 US$'000
Sundry income	**116**	26
Sundry expenses	**(12)**	(23)
Profit/(loss) on disposal and scrapping of property, plant and equipment	**16**	(30)
COVID-19 costs/standing costs	**(711)**	(3 884)
	(591)	(3 911)

COVID-19 standing costs

During the prior year, COVID-19 standing costs consisted of US$2.9 million which related to certain standing fixed mining contract and ore stockpile movement costs which were incurred during the brief period that the mine suspended operations in compliance with the Lesotho lockdown order and was placed on care and maintenance, and were recognised as abnormal costs and expensed immediately in the Consolidated Statement of Profit or Loss. The remaining US$1.0 million related to costs incurred to implement protocols throughout the Group to address the risk and curb the spread of COVID-19. In the current year, there were no abnormal standing costs incurred. Costs of US$0.7 million were incurred relating to continued protocols for curbing the spread of the virus.

4. OPERATING PROFIT

Operating profit includes operating costs and income as listed below:

	2021 US$'000	2020 US$'000
Depreciation and amortisation		
Depreciation and amortisation excluding waste stripping costs	**(6 927)**	(7 027)
Depreciation of right-of-use assets	**(1 685)**	(2 043)
Waste stripping costs amortised	**(46 813)**	(43 420)
	(55 425)	(52 490)
Inventories		
Cost of inventories recognised as an expense	**(113 737)**	(105 524)
Foreign exchange		
Foreign exchange gain/(loss)	**1 929**	(880)
Lease expenses not included in lease liability		
Mine site property	**(170)**	(69)
Equipment and service lease	**(8 462)**	(7 280)
Contingent rental – Alluvial Ventures	**(6 483)**	(5 190)
	(15 115)	(12 539)
Auditor's remuneration – EY		
Group financial statements	**(238)**	(296)
Statutory	**(190)**	(176)
	(428)	(472)
Auditor's remuneration – other audit firms		
Statutory	**(20)**	(17)
Other non-audit fees – EY		
Tax compliance	**–**	(5)
Tax services advisory and consultancy	**–**	(13)
Other services[1]	**(41)**	–
	(41)	(18)
Other non-audit fees – other audit firms		
Tax services advisory and consultancy	**(45)**	(15)
Employee benefits expense		
Salaries and wages[2]	**(17 767)**	(18 781)
Underlying earnings before interest, tax, depreciation and mining asset amortisation (underlying EBITDA) before discontinued operation		
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**	42 664
Other operating (income)/expense[3]	**(120)**	27
Foreign exchange (gain)/loss	**(1 929)**	880
Share-based payments	**395**	555
Depreciation and amortisation (excluding waste stripping cost amortised)	**8 612**	9 070
Underlying EBITDA before discontinued operation	**57 369**	53 196

[1] Includes services related to forensic investigation performed on allegations of diesel theft at Letšeng.
[2] Includes contributions to defined contribution plan of US$0.6 million (31 December 2020: US$0.5 million). An average of 354 employees excluding contractors were employed during the period (2020: 381).
[3] Excludes COVID-19 costs/standing costs which are considered as operating costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	2021 US$'000	2020 US$'000
5. NET FINANCE COSTS		
Finance income		
Bank deposits	197	358
Other	5	24
Total finance income	202	382
Finance costs		
Finance costs on borrowings	(2 232)	(3 297)
Finance costs on lease liabilities	(525)	(608)
Finance costs on unwinding of rehabilitation and decommissioning provision	(1 187)	(888)
Total finance costs	(3 944)	(4 793)
	(3 742)	(4 411)
6. INCOME TAX EXPENSE		
Current		
– Foreign	(10 197)	(11 593)
Withholding tax		
– Foreign	(639)	(529)
Deferred		
– Foreign	(4 726)	1 411
Income tax expense	(15 562)	(10 711)
Profit before taxation from continuing operations	46 669	38 253

	2021 %	2020 %
Reconciliation of tax rate		
Applicable income tax rate	25.0	25.0
Permanent differences	2.3[1]	(3.0)
Unrecognised deferred tax assets	3.1	3.0
Effect of foreign tax at different rates	1.6	1.7
Withholding tax	1.4	1.3
Effective income tax rate	33.4	28.0

The tax rate reconciles to the statutory Lesotho corporation tax rate of 25.0% rather than the statutory UK corporation tax rate of 19.0% as this is the jurisdiction in which the majority of the Group's taxes are incurred.

[1] *Permanent differences mainly comprise CSI at Letšeng Diamonds, legal fees of a capital nature and share-based payments, all of which are non-deductible for tax purposes.*

7. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2021 US$'000	2020 US$'000
Profit for the year:	27 353	24 278
Continuing operations	31 107	27 542
Discontinued operation	(3 754)	(3 264)
Less: Non-controlling interests	(12 586)	(10 637)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	14 767	13 641
Number of ordinary shares outstanding during the year ('000)	140 516	139 612
Weighted number of share options exercised during the year ('000)	(223)	(339)
Weighted average number of ordinary shares outstanding during the year ('000)	140 293	139 273
Basic earnings per share attributable to ordinary equity holders of the parent (cents)	10.5	9.8

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.

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares outstanding during the year	140 293	139 273
Effect of dilution:		
– Future share awards under the Employee Share Option Plan	1 796	2 341
Weighted average number of ordinary shares outstanding during the year adjusted for the effect of dilution	142 089	141 614
Diluted earnings per share attributable to ordinary equity holders of the parent (cents)	10.4	9.6

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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 equipment US$'000	Other assets[1] US$'000	Total US$'000
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)
Balance at 31 December 2021	599 558	107 999	3 769	51 418	74 504	7 304	844 552
Accumulated depreciation/ amortisation/impairment							
Balance 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)
Balance 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.*

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Stripping activity asset US$'000	Mining asset US$'000	De-commis-sioning assets US$'000	Lease-hold improve-ment US$'000	Plant and equipment US$'000	Other assets[1] US$'000	Total US$'000
As at 31 December 2020							
Cost							
Balance at 1 January 2020	562 583	122 061	5 822	58 219	84 757	6 999	840 441
Additions	47 167	–	–	7	1 561	3	48 738
Net movement in rehabilitation provision	(990)	–	(1 373)	(381)	(381)	–	(3 125)
Disposals	–	–	–	–	–	(85)	(85)
Scrapping[2]	–	(2 929)	–	(610)	(993)	(444)	(4 976)
Reclassifications	–	504	–	674	(1 751)	573	–
Foreign exchange differences	(21 405)	(4 586)	(330)	(1 954)	(3 725)	555	(31 445)
Balance at 31 December 2020	587 355	115 050	4 119	55 955	79 468	7 601	849 548
Accumulated depreciation/ amortisation/impairment							
Balance at 1 January 2020	369 388	53 936	4 102	23 901	60 128	5 133	516 588
Charge for the year[3]	43 420	1 174	88	2 834	2 513	458	50 487
Disposals	–	–	–	–	–	(41)	(41)
Scrapping[2]	–	(2 929)	–	(567)	(987)	(488)	(4 971)
Foreign exchange differences	(11 365)	(2 992)	(71)	36	(2 504)	376	(16 520)
Balance at 31 December 2020	401 443	49 189	4 119	26 204	59 150	5 438	545 543
Net book value at 31 December 2020	185 912	65 861	–	29 751	20 318	2 163	304 005

[1] *Other assets comprise motor vehicles, computer equipment, furniture and fittings, and office equipment.*
[2] *Certain assets at Letšeng that were no longer in use were scrapped.*
[3] *The 2020 reassessment of assets' useful lives undertaken at Letšeng resulted in certain assets' useful lives being realigned from the period of mining lease to the life of mine. This resulted in a reduction in depreciation charge which will continue into the future. Refer Note 1.2.6, Property, plant and equipment.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

9. RIGHT-OF-USE ASSETS

	Right-of-use assets Plant and equipment US$'000	Motor vehicles US$'000	Buildings US$'000	Total US$'000
As at 31 December 2021				
Cost				
Balance 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)
Balance at 31 December 2021	56	94	5 761	5 911
Accumulated depreciation				
Balance 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)
Balance at 31 December 2021	20	63	2 691	2 774
Net book value at 31 December 2021	36	31	3 070	3 137
As at 31 December 2020				
Cost				
Balance at 1 January 2020	2 012	1 656	7 318	10 986
Additions	821	–	354	1 175
Derecognition of lease	(585)	(1 019)	(988)	(2 592)
Foreign exchange differences	(31)	(273)	(240)	(544)
Balance at 31 December 2020	2 217	364	6 444	9 025
Accumulated depreciation				
Balance at 1 January 2020	980	361	1 191	2 532
Charge for the year	793	114	1 136	2 043
Derecognition of lease	(115)	(175)	(196)	(486)
Foreign exchange differences	79	(45)	79	113
Balance at 31 December 2020	1 737	255	2 210	4 202
Net book value at 31 December 2020	480	109	4 234	4 823

At year end, plant and equipment mainly comprise printing equipment utilised at Gem Diamond Technical Services. Motor vehicles mainly comprise vehicles utilised by contractors at Letšeng. Buildings comprise office buildings in Maseru, Antwerp, London 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, the 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 have been derecognised. A new lease for back-up power generating equipment is in the process of being negotiated. In the interim, Letšeng is renting existing back-up power generating equipment on a month-to-month basis. 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.

In the prior year, Letšeng entered into a new contract with its existing ore processing contractor. The new contract was assessed as not containing a lease as Letšeng no longer retained the right to control the use of the assets associated with the contract. The original contract, which was assessed as containing a lease on adoption on 1 January 2019, was cancelled and all associated assets and liabilities were derecognised. Furthermore, in the prior year, Gem Diamonds Limited entered into a new contract for the rental of its office space in London. The new contract was assessed as containing a lease resulting in the recognition of the associated assets and liabilities. The original contract was cancelled, and the associated assets and liabilities were derecognised.

9. RIGHT-OF-USE ASSETS (continued)

Total gains of US$0.1 million (2020: US$0.2 million) relating to the derecognition of leases in the Group have been recognised in the Consolidated Statement of Profit or Loss. 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 (2020: 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
2022	358
2023	381
2024	405
2025	245

10. INTANGIBLE ASSETS

	Intangibles US$'000	Goodwill[1] US$'000	Total US$'000
As at 31 December 2021			
Cost			
Balance at 1 January 2021	791	12 997	13 788
Foreign exchange 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
As at 31 December 2020			
Cost			
Balance at 1 January 2020	791	13 653	14 444
Foreign exchange difference	–	(656)	(656)
Balance at 31 December 2020	791	12 997	13 788
Accumulated amortisation			
Balance at 1 January 2020	791	–	791
Amortisation	–	–	–
Balance at 31 December 2020	791	–	791
Net book value at 31 December 2020	–	12 997	12 997

[1] *Goodwill allocated to Letšeng Diamonds. Refer Note 11, Impairment testing.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

11. IMPAIRMENT TESTING

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 2021. 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 2021, the recoverable amount for Letšeng Diamonds has been determined based on a value-in-use model, similar to that adopted in the past.

	2021 US$'000	2020 US$'000
Goodwill		
Letšeng Diamonds	**11 962**	12 997
Balance at end of year	**11 962**	12 997

Movement in goodwill relates to foreign exchange translation from functional to presentation currency, as disclosed within Note 10, Intangible assets.

The discount rate is outlined below and represents the nominal pre-tax rate. This rate is 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.

	2021 %	2020 %
Discount rate – Letšeng Diamonds		
Applied to revenue	**11.5**	10.8
Applied to costs	**13.4**	14.3

Value in use

Cash flows are projected for a period up to the date that the open pit mining is expected to cease in 2037 (in terms of IAS 36). This is based on the latest available mine plan and is shorter than the mining lease period which extends to 2029 with an exclusive option to renew for a further 10 years to 2039. This mine plan takes into account the available reserves and other relevant inputs such as diamond pricing, costs and geotechnical parameters.

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 2021 exceeded the carrying value at an attributable level by US$35.1 million (31 December 2020: US$83.0 million). The valuation is sensitive to input assumptions particularly in relation to the foreign exchange assumption of the US dollar (US$) to the Lesotho loti (LSL) and the future price growth for diamonds. 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 in conjunction with a reasonably possible change in the diamond price recovery, which would result in the recoverable amount equating to the carrying amount. A 5% strengthening of the LSL to the US$ to US$1:LSL15.15 or a further reduction of 4% 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, no impairment charge was recognised during the year.

12. RECEIVABLES AND OTHER ASSETS

	2021 US$'000	2020 US$'000
Non-current		
Deposits	**109**	153
Insurance Asset[1]	**1 169**	–
	1 278	153
Current		
Trade receivables	**25**	22
Prepayments[2]	**975**	1 349
Deposits	**19**	–
Other receivables	**122**	135
VAT receivable	**2 954**	4 180
	4 095	5 686

The carrying amounts above approximate their fair value due to the nature of the instruments.

	2021 US$'000	2020 US$'000
Analysis of trade receivables based on their terms and conditions		
Neither past due nor impaired	**2**	–
Past due but not impaired:		
Less than 30 days	**–**	22
30 to 60 days	**–**	–
60 to 90 days	**–**	–
90 to 120 days	**23**	–
	25	22

[1] *During the year, the Group, through its subsidiary Letšeng, transitioned its conventional approach to insurance cover towards a more flexible approach, through retaining higher insurance excesses, thereby obtaining an insurance premium saving and ultimately preserving cashflow. To mitigate the increased risk exposure of the higher deductible in the unlikely event of an unexpected loss, Letšeng entered into a LSL100.0 million (US$6.2 million) Multi-aggregate Protection Insurance Policy with The Lesotho National Insurance Group (LNIGC) on 1 October 2021. This policy has a tenure of 4 years and 9 months, consisting of five premium payments of LSL20.0 million (US$1.3 million), each payable annually in advance (refer Note 24, Commitments and contingencies). This policy gives Letšeng the right to claim up to LSL50.0 million for each-and-every-loss and LSL100.0 million in the aggregate (subject to terms and conditions contained in the policy), from inception of 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 and fronting fees as expensed within other operating expenses. The non-current financial asset is measured at amortised cost in line with IFRS 9. Interest is earned on the unrealised premium and recognised as finance income. The first premium payment 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 Diamonds of US$0.3 million (31 December 2020: US$0.6 million) and Gem Diamonds Technical Services of US$0.2 million (31 December 2020: US$0.1 million) which were 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13. INVENTORIES

	2021 US$'000	2020 US$'000
Diamonds on hand	**18 303**	15 558
Ore stockpiles	**4 702**	2 365
Consumable stores	**8 153**	8 818
	31 158	26 741

Inventory is carried at the lower of cost or net realisable value. There were no write-downs recorded to net realisable value in the current or prior year.

14. CASH AND SHORT-TERM DEPOSITS

	2021 US$'000	2020 US$'000
Cash on hand	**3**	4
Bank balances	**27 673**	35 456
Short-term bank deposit	**3 237**	14 360
	30 913	49 820

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 2021, the Group had US$74.3 million (31 December 2020: US$60.8 million) of undrawn facilities, representing the LSL750.0 million (US$47.0 million) three-year unsecured revolving working capital facility at Letšeng, the Letšeng ZAR100.0 million (US$6.3 million) general banking facility and US$21.0 million from the Company's 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 and Management have remained committed to the sale of Gem Diamonds Botswana (Pty) Ltd (GDB), which owns the Ghaghoo diamond mine. Notwithstanding the lapsing in the prior year during January 2020 of the initial sales agreement which was entered into in June 2019, management remained committed and again opened the process to other prospective buyers and on 23 August 2021 entered into a binding share sale agreement with Okwa Diamonds (Pty) Ltd (Okwa Diamonds), the entity with which an exclusivity agreement had been entered into in November 2020. Okwa Diamonds, an SPV company registered in Botswana, which is owned by Vast Resources PLC (Vast), a mining and resource development company listed on AIM (a sub-market of the London Stock Exchange), and by Botswana Diamonds PLC (BOD), a diamond exploration and project development company listed on AIM and the Botswana Stock Exchange. Vast and BOD are both parties to the share sale agreement and guarantee the obligations of Okwa Diamonds. Under the share sale agreement, the purchaser would pay a total consideration of US$4.0 million, payable in two instalments of US$2.0 million each, the first of which would be payable five days after the date on which the last suspensive condition is fulfilled or waived.

The suspensive conditions included obtaining the competition authority and regulatory approvals within Botswana. The competition authority and regulatory conditions were fulfilled prior to year end and written approvals were obtained from the Botswana Competition Authority and the Ministry of Mineral Resources, Green Technology and Energy Security of Botswana. The agreement had an initial longstop date of 31 January 2022.

In January 2022, after the reporting period, Vast informed Gem Diamonds and BOD that it did not intend to continue with the transaction due to its inability to meet the funding suspensive condition. BOD confirmed its commitment to conclude the transaction as originally envisaged as soon as possible and has informed Gem Diamonds Limited that it has identified an alternative financing partner which will, subject to any approvals that are required, replace Vast as the initial financing partner. Gem Diamonds Limited and BOD remain committed to the sale of GDB and are working together towards a mutually beneficial outcome and have agreed to extend the longstop date from 31 January 2022 to 31 March 2022.

As the transaction was not successfully concluded by year end, GDB continued to be disclosed as a discontinued operation held for sale at year end based on the circumstances detailed above.

During the year, certain consumable inventory items which were not being used in the mine's care and maintenance operations were written off relating to expired explosives and plant consumables; underground mining consumables and spares and accessories for automotives no longer on site. The asset held for sale is carried at carrying value which is lower than fair value less costs to sell. The fair value is based on the unobservable market offer from the potential buyer for the disposal group, accordingly the non-recurring fair value measurement is included in level 3 of the fair value hierarchy.

The trading results of the operation continue to be classified as a discontinued operation held for sale and are presented as follows:

	2021 US$'000	2020 US$'000
Gross profit	**–**	–
Other costs	**(2 070)**	(2 816)
Inventory write-down	**(1 455)**	(240)
Share-based payments	**(2)**	(6)
Foreign exchange gain	**(6)**	–
Operating loss	**(3 533)**	(3 062)
Net finance costs	**(221)**	(202)
Loss before tax from discontinued operation	**(3 754)**	(3 264)
Income tax expense	**–**	–
Loss after tax from discontinued operation attributable to equity holders of the parent	**(3 754)**	(3 264)
Loss per share from discontinued operation (cents)		
Basic	**(2.7)**	(2.3)
Diluted	**(2.6)**	(2.3)

Gem Diamonds Botswana incurred rental expenses from short-term leases of US$0.5 million (31 December 2020: US$0.9 million) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

15. ASSETS HELD FOR SALE (continued)

Gem Diamonds Botswana has estimated tax losses of US$173.0 million (31 December 2020: US$185.2 million), which carry no expiry date, for which no deferred tax asset has been recognised. Deferred tax assets of US$0.3 million (31 December 2020: US$0.3 million) were recognised to the extent of the deferred tax liabilities. These have been offset in the table below.

	2021 US$'000	2020 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1 413	1 533
Current assets		
Inventories	477	1 774
Receivables and other assets	63	214
Cash and short-term deposits	144	7
	684	1 995
Total assets	2 097	3 528
LIABILITIES		
Non-current liabilities		
Provisions	3 654	3 753
Current liabilities		
Trade and other payables	446	471
Total liabilities	4 100	4 224
The net cash flows attributable to the discontinued operation held for sale are as follows:		
Operating cash outflows	(2 186)	(2 920)
Investing	–	–
Financing cash inflows[1]	2 332	2 850
Foreign exchange loss on translation of cash balance	(9)	(63)
Net cash inflow/(outflow)	137	(133)

[1] *Financing provided by Gem Diamonds Botswana (Pty) Ltd's holding company, being Gem Diamonds Limited, to fund care and maintenance costs.*

16. ISSUED SHARE CAPITAL AND RESERVES

Share capital

	31 December 2021		31 December 2020	
	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	139 612	1 397	138 984	1 391
Allotments during the year	903	9	628	6
Balance at end of year	140 515	1 406	139 612	1 397

Share premium

Share premium comprises the excess value recognised from the issue of ordinary shares above its par value.

16. ISSUED SHARE CAPITAL AND RESERVES (continued)

Other reserves

	Foreign currency translation reserve US$'000	Share-based equity reserve US$'000	Total US$'000
Balance 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 payments	–	397	397
Balance at 31 December 2021	(233 276)	6 579	(226 697)
Balance at 1 January 2020	(208 493)	5 636	(202 857)
Other comprehensive loss	(9 862)	–	(9 862)
Total comprehensive loss	(9 862)	–	(9 862)
Share capital issue	–	(6)	(6)
Share-based payments	–	561	561
Balance at 31 December 2020	(218 355)	6 191	(212 164)

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	2021	2020
Average rate	ZAR/LSL to US$1	14.79	16.47
Year end	ZAR/LSL to US$1	15.96	14.69
Average rate	Pula to US$1	11.09	11.45
Year end	Pula to US$1	11.76	10.80

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.

17. INTEREST-BEARING LOANS AND BORROWINGS

A consolidated Group-wide refinancing of revolving credit facilities (RCF) took place during the year with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking Division) (Nedbank) appointed as sole mandated lead arranger. Financial close of the three-year RCF took place on 23 December 2021. The salient features of the new consolidated RCF are as follows:

- Three funders are participating in the RCF, namely Nedbank (US$34.7 million), Standard Bank of South Africa Limited (US$23.1 million) and Firstrand Bank Limited (through their various operations) (US$19.2 million). All draw downs will be made in this same ratio;
- The RCF of Gem Diamonds Limited remains unchanged at US$30.0 million and the Letšeng Diamonds RCF has increased from LSL500.0 million (31 December 2020: US$34.0 million) to US$47.0 million, made up of two facilities of LSL450.0 million and ZAR300.0 million;
- As at 31 December 2021, the RCF is unsecured;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

- On 28 February 2022, subsequent to year end, Gem Diamonds Limited provided security for the RCF over its bank accounts domiciled in the United Kingdom and on 15 March 2022 the security over its 70% shareholding in Letšeng Diamonds (carrying value: US$256.2 million, which includes net cash and short-term deposits of US$24.2 million) was implemented. This security has 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 Nedbank Limited portions of the RCF, being US$13.5 million for Gem Diamonds Limited and ZAR300.0 million for Letšeng Diamonds are Sustainability-linked loans, whereby the interest rate can be reduced if certain sustainability performance targets to be measured on 31 December 2022 and 31 December 2023 are achieved. This has had no impact on the classification or measurement of these facilities as at 31 December 2021;
- The facilities also 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 during the current year.

	Effective interest rate	Maturity	2021 US$'000	2020 US$'000
Non-current				
LSL215.0 million bank loan facility				
Tranche A	South African JIBAR + 6.50%	30 September 2022	–	477
Tranche B	South African JIBAR + 3.15%	31 March 2022	–	817
ZAR12.8 million asset-based finance facility	South African Prime Lending Rate	1 January 2024	202	408
LSL450.0 million and ZAR300.0 million bank loan facility				
Credit underwriting fees	–	22 December 2024	(525)	–
US$30.0 million bank loan facility	London US$ three-month LIBOR + 6.50%	22 December 2024	8 663	–
			8 340	1 702
Current				
ZAR1.8 million insurance premium finance	2.5%	1 May 2021	–	64
LSL14.5 million insurance premium finance	2.95%	3 July 2021	–	542
US$30.0 million bank loan facility	London US$ three-month LIBOR + 5.0%	31 December 2021	–	9 700
LSL7.3 million insurance premium finance	2.35%	1 June 2022	305	–
ZAR3.5 million insurance premium finance	2.5%	1 July 2022	155	–
LSL20.0 million insurance premium finance	3.2%	1 July 2022	880	–
LSL215.0 million bank loan facility				
Tranche A	South African JIBAR + 6.75%	30 September 2022	439	635
Tranche B	South African JIBAR + 3.15%	31 March 2022	752	3 268
ZAR12.8 million asset-based finance facility	South African Prime Lending Rate	1 January 2024	173	176
			2 704	14 385

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

LSL215.0 million (US$13.5 million) bank loan facility at Letšeng Diamonds

This loan comprises two tranches of debt as follows:

- Tranche A: Lesotho loti denominated LSL35.0 million (US$2.2 million) term loan facility without Export Credit Insurance Corporation (ECIC) support (five years and six months tenure); and
- Tranche B: South African rand denominated ZAR180.0 million (US$11.3 million) debt facility supported by the ECIC (five years tenure).

The loan is an unsecured project debt facility which was signed jointly with Nedbank and the ECIC on 22 March 2017 to fund the construction of the Letšeng mining support services complex. The loan is repayable in equal quarterly payments which commenced in September 2018. At year end LSL19.0million (US$1.2 million) (31 December 2020: LSL76.3 million (US$5.2 million)) remains outstanding.

The South African rand-based interest rates for the facility at 31 December 2021 are:

- Tranche A: 10.63% (31 December 2020: 10.10%); and
- Tranche B: 7.03% (31 December 2020: 6.50%).

Total interest for the year on this interest-bearing loan was US$0.4 million (31 December 2020: US$0.6 million).

LSL450.0 million and ZAR 300.0 million (US$47.0 million) bank loan facility at Letšeng Diamonds

Following the consolidated refinancing on 23 December 2021, the Group, through its subsidiary Letšeng Diamonds, has a LSL450.0 million and ZAR300.0 million (US$47.0 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 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 4.75% and the ZAR300.0 million facility is subject to South African JIBAR plus 4.55%.

The facility was unsecured as at 31 December 2021, however, following the implementation of the security, subsequent to period end, on 15 March 2022, the interest rate will decrease to Central Bank of Lesotho rate plus 3.25% and the ZAR300.0 million facility is subject to South African JIBAR plus 3.05% respectively. There was no draw down on this facility at year end.

Credit underwriting fees of US$0.5 million (31 December 2020: US$ nil) which were incurred as part of the refinancing were capitalised to the Group's consolidated interest-bearing loans and borrowings, albeit that Letšeng did not have any draw downs on its RCF 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. Arranging fees of US$0.2 million which were incurred as part of the refinancing were expensed to profit or loss for the year.

US$30.0 million bank loan facility at Gem Diamonds Limited

This new facility is a 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.

The previous RCF of US$30.0 million with Nedbank Limited which was due to expire on 31 December 2021, was replaced with the new RCF on 23 December 2021. On this date, the outstanding balance on the previous RCF was US$15.0 million and after a capital repayment of US$6.0 million, the new RCF was recognised at US$9.0 million.

At year end US$9.0 million (31 December 2020: US$10.0 million) had been drawn down resulting in US$21.0 million (31 December 2020: US$20.0 million) remaining undrawn. Credit underwriting fees of US$0.3 million (31 December 2020: US$0.3 million facility rolling fees) were capitalised to the loan balance, resulting in the disclosure of a net US$8.7 million (31 December 2020: US$9.7 million) loan balance. The capitalised fees will be amortised and accounted for as finance costs within profit or loss over the period of the facility. Arranging fees of US$0.1 million which were incurred as part of the refinancing were expensed to profit or loss for the year.

The US$-based interest rate for this facility at 31 December 2021 was 6.72% (31 December 2020: 5.22%) which comprises London US$ three-month LIBOR plus 6.50%.

The facility was unsecured as at 31 December 2021, however, following the implementation of the security, subsequent to period end, on 15 March 2022, the interest rate will decrease to London US$ three-month LIBOR plus 5.00%.

Total interest for the year on this interest-bearing RCF was US$1.0 million (31 December 2020: US$1.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

ZAR12.8 million (US$0.9 million) Asset-Based Finance facility

In January 2019, the Group, through its subsidiary, Gem Diamond Technical Services, entered into a ZAR12.8 million (US$0.9 million) Asset Based Finance (ABF) facility with Nedbank Limited for the purchase of a mobile X-Ray transmission machine (the asset). The asset serves as security for the facility and has a carrying value of ZAR2.5 million (US$0.2 million) as at 31 December 2021 (31 December 2020: ZAR4.9 million (US$0.3 million)). At year end ZAR6.0 million (US$0.4 million) remains outstanding (31 December 2020: ZAR8.6 million (US$0.6 million)). The facility is repayable over five years and bears interest at the South African Prime Lending rate, which was 7.25% at 31 December 2021 (31 December 2020: 7.0%).

Total interest for the year on this interest-bearing ABF was US$34 thousand (31 December 2020: US$0.1 million).

LSL7.3 million insurance premium finance

The Group through its subsidiary Letšeng Diamonds, entered into a LSL7.3million (US$0.5 million) 9-month funding agreement with Premium Finance Partners (Proprietary) Limited for insurance premium finance for its annual Asset All Risk insurance premium. At year end LSL4.9million (US$0.3million) remains outstanding. The funding is repayable in 9 monthly instalments, payable in advance. Total interest on this funding is LSL0.2 million (US$11.6 thousand) of which LSL0.1 million (US$4.8 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.

LSL14.5 million insurance premium finance

In the prior year, the Group through its subsidiary Letšeng Diamonds, entered into a LSL14.5million (US$1.0 million) 12-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 3 July 2021.

LSL20.0 million insurance premium finance for Multi-aggregate Protection Insurance Policy

The Group through its subsidiary Letšeng Diamonds, entered into a LSL20.0 million (US$1.3 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. At year end LSL14.0 million (US$0.9 million) remains outstanding. The funding is repayable in 10 monthly instalments, payable in advance. Total interest on this funding is LSL0.6 million (US$43.3 thousand) of which LSL0.2 million (US$15.1 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.

ZAR3.5 million insurance premium finance

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. At year end ZAR2.5 million (US$154.9 thousand) remains outstanding. The funding is repayable in 10 monthly instalments. Total interest on this funding is ZAR88.1 thousand (US$5.5 thousand) of which ZAR33.1 thousand (US$2.1 thousand) interest 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.

ZAR1.8 million insurance premium finance

In the prior year, the Group through its subsidiary Gem Diamonds Technical Services, entered into a ZAR1.8 million (US$0.1 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. Refer Note 12, Receivables and other assets. This financing was fully repaid on 1 May 2021.

Other facilities

In addition, Letšeng Diamonds has a ZAR100.0 million (US$6.3 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 at year end.

18. LEASE LIABILITIES

	2021 US$'000	2020 US$'000
Non-current	**3 851**	4 902
Current	**973**	1 836
Total lease liabilities	**4 824**	6 738
Reconciliation of movement in lease liabilities		
As at 1 January	**6 738**	10 479
Additions	**507**	1 175
Interest expense	**525**	608
Lease payments	**(2 185)**	(2 522)
Derecognition of lease	**(352)**	(2 296)
Foreign exchange differences	**(409)**	(706)
As at 31 December	**4 824**	6 738

Lease payments comprise payments in principle of US$1.7 million (31 December 2020: US$1.9 million) and repayments of interest US$0.5 million (31 December 2020: US$0.6 million).

The Group recognised variable lease payments of US$50.0 million (31 December 2020: US$41.4 million) for the year ended 31 December 2021 which consist of mining activities outsourced to a mining contractor. Total costs incurred for the year amount to US$50.0 million (31 December 2020: US$41.4 million) of which US$41.5 million (31 December 2020: US$34.1 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, Note 4, Operating profit.

During the year, the lease relating to backup power generating equipment at Letšeng expired and was therefore derecognised. A new lease for back-up power generating equipment is in the process of being negotiated. In the interim, Letšeng is renting existing backup power generator equipment on a month-to-month basis, which amounted to US$0.4 million for the year which has been included in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	2021 US$'000	2020 US$'000
19. TRADE AND OTHER PAYABLES		
Non-current		
Severance pay benefits[1]	**2 095**	2 029
Current		
Trade payables[2]	**10 778**	12 892
Accrued expenses[2]	**5 413**	8 169
Leave benefits	**639**	685
Royalties[2]	**4 996**	3 250[3]
Withholding taxes[2]	**341**	705[3]
Dividend payable to non-controlling interest	**–**	3 064
Other	**21**	58
	22 188	28 823

[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.*
[3] *These amounts were presented on a net basis in the prior year and have been disaggregated and presented separately in the current year.*

Royalties consist of a levy paid to the Government of the Kingdom of Lesotho on the value of diamonds sold by Letšeng. Withholding taxes consist of taxes paid on dividends and other services to the Lesotho Revenue Authorities.

The carrying amounts above approximate fair value.

	2021 US$'000	2020 US$'000
20. INCOME TAX (RECEIVABLE)/PAYABLE		
Reconciliation of movement in income tax payable		
Balance at 1 January	**11 834**	(8 176)
Payments made during the year	**(23 329)**	(1 268)[1]
Refunds received during the year	**96**	7 157[1]
Income tax charge	**10 197**	11 593
Foreign exchange differences	**11**	2 528
Balance at 31 December	**(1 191)**	11 834
Split as follows		
Income tax receivable	**(1 232)**	(106)
Income tax payable	**41**	11 940

[1] *These amounts were presented on a net basis in the prior year and have been disaggregated and presented separately in the current year.*

	2021 US$'000	2020 US$'000
21. PROVISIONS		
Rehabilitation provisions	**11 202**	12 331
Reconciliation of movement in rehabilitation provisions		
Balance at 1 January	**12 331**	15 588
Decrease during the year	**(1 345)**	(3 125)
Unwinding of discount rate	**1 187**	888
Foreign exchange differences	**(971)**	(1 020)
Balance at 31 December	**11 202**	12 331

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 LoM at the mining operations. The pre-tax discount rates are adjusted annually and reflect current market assessments.

21. PROVISIONS (continued)

Rehabilitation provisions (continued)

In determining the amounts attributable to the rehabilitation provision at Letšeng, management used a discount rate of 9.8% (31 December 2020: 9.7%), estimated rehabilitation timing of 14 years (31 December 2020: 15 years) and an inflation rate of 5.3% (31 December 2020: 5.3%). At Ghaghoo (Refer Note 15, Asset held for sale), management used the available estimated costs to rehabilitate, considering its care and maintenance state. The decrease 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.

	2021 US$'000	2020 US$'000
22. DEFERRED TAXATION		
Deferred tax assets		
Lease liabilities	**1 225**	1 683
Accrued leave	**321**	263
Provisions	**3 571**	4 400
	5 117	6 346
Deferred tax liabilities		
Property, plant and equipment	**(78 202)**	(79 902)
Right-of-use assets	**(900)**	(1 236)
Prepayments	**(188)**	(218)
Unremitted earnings	**(3 182)**	(3 182)
	(82 472)	(84 538)
Net deferred tax liability	**(77 355)**	(78 192)
Reconciliation of net deferred tax liability		
Balance at beginning of year	**(78 192)**	(83 124)
Movement in current period:		
– Accelerated depreciation for tax purposes	**(4 249)**	548
– Accrued leave	**(2)**	21
– Unremitted earnings	**–**	857
– Prepayments	**30**	29
– Provisions	**(429)**	12
– Lease liabilities	**(350)**	(582)
– Right-of-use assets	**273**	527
– Foreign exchange differences	**5 564**	3 520
Balance at end of year	**(77 355)**	(78 192)

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$99.5 million (31 December 2020: US$97.1 million). There are no income tax consequences attached to the payment of dividends by Gem Diamonds Limited to its shareholders.

The Group, excluding Ghaghoo, has estimated tax losses of US$40.3 million (31 December 2020: US$34.0 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 do not foresee any taxable profits or taxable temporary differences against which to utilise these.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Notes	2021 US$'000	2020 US$'000
23. CASH FLOW NOTES			
23.1 Cash generated by operations			
Profit before tax for the year – continuing operations		**46 669**	38 253
Loss for the year – discontinued operation		**(3 754)**	(3 264)
Adjustments for:			
Depreciation and amortisation excluding waste stripping	4	**6 927**	7 027
Depreciation on right-of-use assets	4, 9	**1 685**	2 043
Waste stripping cost amortised	4	**46 813**	43 420
Finance income	5	**(202)**	(382)
Finance costs	5, 15	**4 165**	4 994
Unrealised foreign exchange differences		**(2 426)**	(4 019)
(Profit)/loss on disposal and scrapping of property, plant and equipment		**(16)**	30
Gain on derecognition of leases		**(107)**	(150)
Inventory write down	15	**1 455**	240
Bonus, leave and severance provisions raised		**2 284**	4 317
Share-based payments		**397**	561
Gain on abandonment of investment		**–**	(20)
Bad debts written off		**12**	–
		103 902	93 050
23.2 Working capital adjustment			
(Increase)/decrease in inventory		**(8 255)**	3 489
Decrease in receivables		**5 072**	1 316
Decrease in payables		**(3 924)**	(4 341)
		(7 107)	464
23.3 Cash flows from financing activities (excluding lease liabilities)			
Balance at beginning of year		**16 087**	22 341
Net cash used in financing activities		**(7 194)**	(6 431)
– Financial liabilities repaid		**(26 393)**	(55 638)
– Financial liabilities raised		**19 199**	49 207
Interest paid		**(1 927)**	(2 884)
Non-cash movements		**4 078**	3 061
– Interest accrued		**1 927**	2 884
– Unwinding of facility rolling fees		**300**	–
– Financial liabilities raised[1]		**2 082**	1 047
– Foreign exchange differences		**(231)**	(870)
Balance at year end	17	**11 044**	16 087

[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.*

	2021 US$'000	2020 US$'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	**145**	162
– After one year but not more than five years	**760**	695
– More than five years	**784**	993
	1 689	1 850
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	**39 290**	52 855
– After one year but not more than five years	**89 241**	181 904
	128 531	234 759

	2021 US$'000	2020 US$'000
24. COMMITMENTS AND CONTINGENCIES (continued)		
Multi-aggregate protection policy		
The Group, through its subsidiary Letšeng entered into a LSL100.0 million (US$6.2 million) Multi-aggregate Protection Insurance Policy with the Lesotho National Insurance Group (LNIGC) on 1 October 2021. This policy has a tenure of 4 years and 9 months, consisting of five premium payments of LSL20.0 million (US$1.3 million), each payable annually in advance. As at 31 December 2021 the Group has committed to making the four remaining premium payments, as well as the annual insurance risk finance service fee of 7% on an annual premium of LSL1.4 million (US$0.1 million) 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 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	1 253	–
– After one year but not more than five years	3 759	–
	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	54	37
– After one year but not more than five years	64	50
	118	87
Capital expenditure		
Approved but not contracted for	19 335	1 091
Approved and contracted for	855	372
	20 190	1 463

24. COMMITMENTS AND CONTINGENCIES (continued)

The main capital expenditure approved relates to the investment in the new primary crushing area at Letšeng of US$15.0 million. Other smaller capital expenditure, all at Letšeng, relates to investment in continued tailings storage extension of US$1.3 million (31 December 2020: US$1.0 million), the construction of an employee centre of US$0.8 million linked to the successful completion of the Business Transformation target, further mineral resource and reserve studies of US$0.5 million and detailed engineering designs relating to the new primary crushing area of US$0.5 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% (2020: 39.5% to 60%) of the value (after costs) of the diamonds recovered by Alluvial Ventures and is limited to US$1.4 million (2020: US$1.4 million) per individual diamond. As at the reporting date, such future sales cannot be estimated reliably due to the variability within these estimations.

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$0.2 million (December 2020: US$0.2 million).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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.

	2021 US$'000	2020 US$'000
Compensation to key management personnel (including Directors)		
Share-based equity transactions	**248**	344
Short-term employee benefits	**4 655**	3 562
Post-employment benefits (including severance pay and pension)	**152**	93
	5 055	3 999
Fees paid to related parties		
Jemax Management (Proprietary) Limited	**(93)**	(83)
Royalties paid to related parties		
Government of the Kingdom of Lesotho	**(20 214)**	(18 425)
Lease and licence payments to related parties		
Government of the Kingdom of Lesotho	**(70)**	(132)
Sales to/(purchases from) related parties		
Jemax Management (Proprietary) Limited	**(6)**	(4)
Non-executive director	**11**	–
Amount included in trade payables owing to related parties		
Jemax Management (Proprietary) Limited	**(8)**	(9)
Amounts owing to related party		
Government of the Kingdom of Lesotho	**(5 337)**	(3 955)
Dividends declared		
Government of the Kingdom of Lesotho	**(3 890)**	(7 452)
Dividends payable		
Government of the Kingdom of Lesotho	**–**	(3 064)

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 was for the sale of a polished diamond. All proceeds were received prior to 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 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 2021, the Group had US$74.3 million (31 December 2020: US$60.8 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 in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

26. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

a) Market risk (continued)

(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 the 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 2021 and 31 December 2020.

There has been no change in the assumptions or method applied from the prior year.

Sensitivity analysis

At year-end, Letšeng had US$22.1 million (2020: US$31.1 million) cash on hand held in US$. If the US dollar had appreciated/(depreciated) by 10% against the LSL, the Group's profit before tax and equity at 31 December 2021 would have been US$2.4 million higher/(lower) (31 December 2020: US$2.8 million).

(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 2021, the Group had no forward exchange contracts outstanding (31 December 2020: US$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 80 basis points (2020: 80 basis points) during the year, profit before tax and equity would have been US$0.1 million (lower)/higher (31 December 2020: US$0.1 million). The assumed movement in basis points is based on the currently observable market environment, which remained consistent with the prior year and assumed a continued impact of the COVID-19 pandemic for the year.

26. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

(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 2021 and 31 December 2020 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, 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 debt facilities of US$74.3 million at year end (2020: US$60.8 million).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments, excluding discontinued operation:

	2021 US$'000	2020 US$'000
Floating interest rates		
Interest-bearing loans and borrowings		
– Within one year	**2 758**	14 960
– After one year but not more than five years	**8 856**	1 750
Total	**11 614**	16 710
Lease liabilities		
– Within one year	**1 459**	2 375
– After one year but not more than five years	**4 282**	5 880
Total	**5 741**	8 255
Trade and other payables		
– Within one year	**22 188**	28 823
– After one year but not more than five years	**2 095**	2 029
Total	**24 283**	30 852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

27. SHARE-BASED PAYMENTS

The expense recognised for employee services received during the year is shown in the following table:

	2021 US$'000	2020 US$'000
Equity-settled share-based payment transactions charged to the statement of profit or loss – continuing operation	395	555
Equity-settled share-based payment transactions charged to the statement of profit or loss – discontinued operation	2	6
	397	561

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 or nominal 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.

LTIP 2007 Award

Under the 2007 LTIP rules, there are three awards where options are still outstanding.

All four 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 (i.e. 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 (i.e. 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.

27. SHARE-BASED PAYMENTS (continued)

The following table reflects details of all the awards within the 2007 LTIP that remain outstanding:

	LTIP March 2016	LTIP April 2015	LTIP June 2014	LTIP March 2014
Number of options granted – Nil value	1 215 000	1 215 000	456 750	625 000
Number of options granted – Market value	185 000	185 000	152 250	–
Date exercisable	15 March 2019	1 April 2018	10 June 2017	19 March 2017
Options outstanding	34 287	5 000	–	5 000
Dividend yield (%)	2.00	2.00	0.00	0.00
Expected volatility[1] (%)	39.71	37.18	37.25	–
Risk-free interest rate[2] (%)	0.97	1.16	1.94	–
Expected life of option (years)	3.00	3.00	3.00	3.00
Exercise price (US$)	nil	nil	nil	nil
Exercise price (GBP)	nil	nil	nil	nil
Weighted average share price (US$)	1.56	2.10	2.70	2.87
Fair value of nil value options (US$)	1.40	1.97	2.70	2.87
Fair value of nil value options (GBP)	0.99	1.33	1.61	1.74
Fair value of market value options (US$)	0.69	1.18	1.83	–
Fair value of market value options (GBP)	0.49	0.80	1.09	–
Model used	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.*

LTIP 2017 Award

Under the 2017 LTIP rules, there are three awards where options are still outstanding.

All the awards were issued on the same basis as the 2007 LTIP.

During the current year there were no new awards granted in terms of the LTIP.

The following table reflects details of all the awards within the 2017 LTIP that remain outstanding:

	LTIP June 2020	LTIP March 2019	LTIP March 2018	LTIP July 2017
Number of options granted – Nil value	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	9 June 2023	20 March 2022	20 March 2021	4 July 2020
Options outstanding	1 068 132	964 198	302 639	73 917
Dividend yield (%)	0.00	0.00	0.00	2.00
Expected volatility[1] (%)	47.00	43.00	40.00	40.21
Risk-free interest rate[2] (%)	0.34	1.2	1.2	0.67
Expected life of option (years)	3.00	3.00	3.00	3.00
Exercise price (US$)	nil	nil	nil	nil
Exercise price (GBP)	nil	nil	nil	nil
Weighted average share price (US$)	0.39	1.20	1.35	1.24
Fair value of nil value options (US$)	0.39	1.20	1.35	1.11
Fair value of nil value options (GBP)	0.31	0.90	0.96	0.86
Fair value of market value options (US$)	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	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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

27. SHARE-BASED PAYMENTS (continued)

The following table illustrates the number ('000) and movement in the outstanding share options during the year:

	2021 '000	2020 '000
Outstanding at beginning of year	3 887	4 002
Granted during the year	–	1 249
Exercised during the year[1]	(855)	(480)
Forfeited	(579)	(884)
Balance at end of year	2 453	3 887
Exercisable at end of year	454	535

[1] *Options were exercised regularly throughout the year. The weighted average share price during the year was £0.60 (US$0.83) (2020: £0.39 (US$0.50).*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 7.5 years (2020: 7.9 years).

The weighted average fair value of the share options outstanding as at 31 December 2021 was US$0.65 (2020: US$0.79).

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 2021 was £0.47 (US$0.65) (2020: £0.41 (US$0.52)). The shares outstanding at the end of the year are as follows:

	2021 '000	2020 '000
Outstanding at beginning of year	17	47
Granted during the year	–	–
Exercised during the year	(7)	(30)
Balance at end of year	10	17
Exercisable at end of year	10	17

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. These prepayments are carried at amortised cost.

	Notes	2021 US$'000	2020 US$'000
Financial assets at amortised cost			
Cash – continuing operations	14	30 913	49 820
Cash – discontinued operation	15	144	7
Receivables and other assets – continuing operations	12	4 398	4 490
Receivables and other assets – discontinued operation	15	45	195
Total		35 500	54 512
Total non-current		1 278	153
Total current		34 222	54 359
Financial liabilities at amortised cost			
Interest-bearing loans and borrowings	17	11 044	16 087
Trade and other payables – continuing operations	19	24 283	30 852
Trade and other payables – discontinued operation	15	446	471
Total		35 773	47 410
Total non-current		10 435	3 730
Total current		25 338	43 680

The carrying amounts of the Group's financial instruments held approximate their fair value.

There were no open hedges at year end (2020: nil).

29. DIVIDENDS DECLARED AND PROPOSED

	2021 US$'000	2020 US$'000
Declared dividends on ordinary shares		
Final ordinary cash dividend for 2020: 2.5 US cents per share (2019: Nil)	3 509	–

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.

A proposed ordinary cash dividend of 2.7 US cents per ordinary share for 2021 is subject to approval at the AGM to be held on 8 June 2022 and is not recognised as a liability as at 31 December.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

30. EVENTS AFTER THE REPORTING PERIOD

Events which occurred after the reporting period relating to the discontinued operation and the status of the sales process have been disclosed in Note 15 Assets held for sale. These events did not require any adjustments to the financial statements.

Events which occurred after the reporting period relating to the successful implementation of the security on certain revolving credit facilities within the Group have been disclosed in Note 17 Interest-bearing loans and borrowings. These events did not require any adjustments to the financial statements.

On 23 February 2022, the South African corporate income tax rate was reduced from 28% to 27% for companies with years of assessment ending on or after 31 March 2023. The change in tax rate will affect recorded deferred tax assets and liabilities and effective tax rate in the future. The new corporate tax rate of 27% is considered to be substantively enacted on 23 February 2022 and is expected to not 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 Technical Services, the Group's South African subsidiary.

Progress relating to the amended tax assessment issued to Letšeng by the LRA has been disclosed in Note 1.2.28 Critical accounting estimates and judgements.

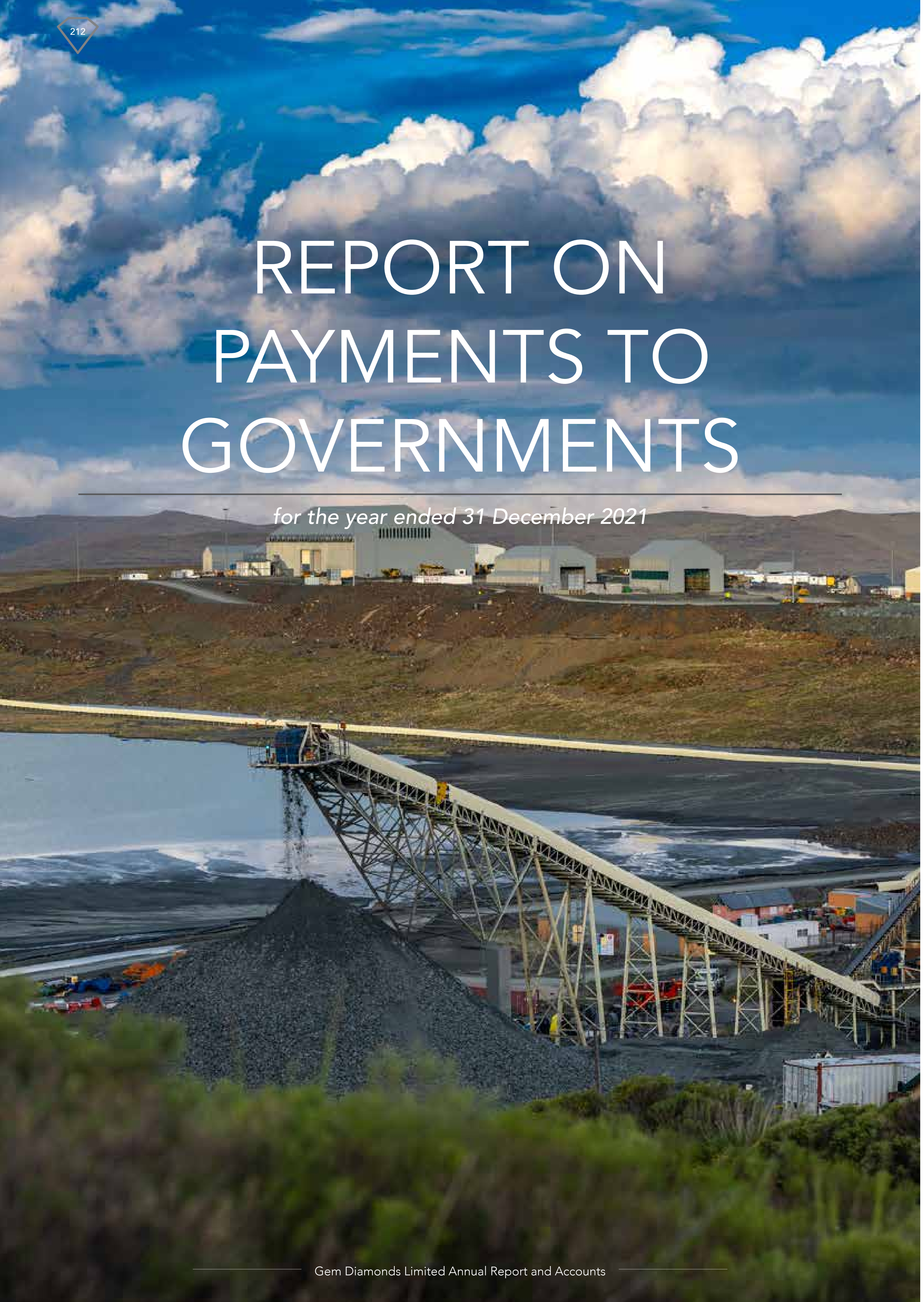
An ordinary cash dividend of 2.7 US cents for the 2021 financial year has been proposed. This is subject to approval at the AGM to be held on 8 June 2022.

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.

Name	Country of incorporation and operation	2021 US$'000	2020 US$'000
Letšeng Diamonds (Proprietary) Limited	Lesotho		
Accumulated balances of material non-controlling interest		**76 845**	79 906
Profit allocated to material non-controlling interest		**12 458**	10 683
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		**198 510**	186 579
Cost of sales		**(120 751)**	(112 081)
Gross profit		**77 759**	74 498
Royalties and selling costs		**(20 879)**	(19 043)
Other income/(expenses)		**1 110**	(6 695)
Operating profit		**57 990**	48 760
Net finance costs		**(2 470)**	(2 840)
Profit before tax		**55 520**	45 920
Income tax expense		**(13 993)**	(10 307)
Profit for the year		**41 527**	35 613
Total comprehensive income		**41 527**	35 613
Attributable to non-controlling interest		**12 458**	10 683
Dividends paid to non-controlling interest		**(6 685)**	(4 658)
Dividends payable to non-controlling interest		**–**	(3 064)
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		**313 028**	325 009
Current assets			
Inventories, receivables and other assets, and cash and short-term deposits		**61 455**	78 098
Total assets		**374 483**	403 107
Non-current liabilities			
Interest-bearing loans and borrowings, trade and other payables, provisions, lease liabilities and deferred tax liabilities		**95 261**	101 203
Current liabilities			
Interest-bearing loans and borrowings, trade and other payables and lease liabilities		**23 072**	35 553
Total liabilities		**118 333**	136 756
Total equity		**256 150**	266 351
Attributable to:			
Equity holders of parent		**179 305**	186 445
Non-controlling interest		**76 845**	79 906
Summarised cash flow information for the year ended 31 December			
Operating cash inflows		**77 824**	105 471
Investing cash outflows		**(68 655)**	(48 700)
Financing cash outflows		**(30 582)**	(20 640)
Foreign exchange differences		**1 271**	2 787
Net (decrease)/increase in cash and cash equivalents		**(20 142)**	38 918



REPORT ON PAYMENTS TO GOVERNMENTS

for the year ended 31 December 2021

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 2021 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 2021 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 (i.e. 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 2021.

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 2021.

SIGNATURE, DISCOVERY, AND PRODUCTION BONUSES

There were no payments of this nature to governments for the year ended 31 December 2021.

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 2021.

Cash flow basis

Payments reported are on a cash flow basis and may differ to amounts reported in the Gem Diamonds Limited 2021 Annual Report and Accounts, which are prepared on an accrual basis.

REPORT ON PAYMENTS TO GOVERNMENTS CONTINUED

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$110 000 (£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.

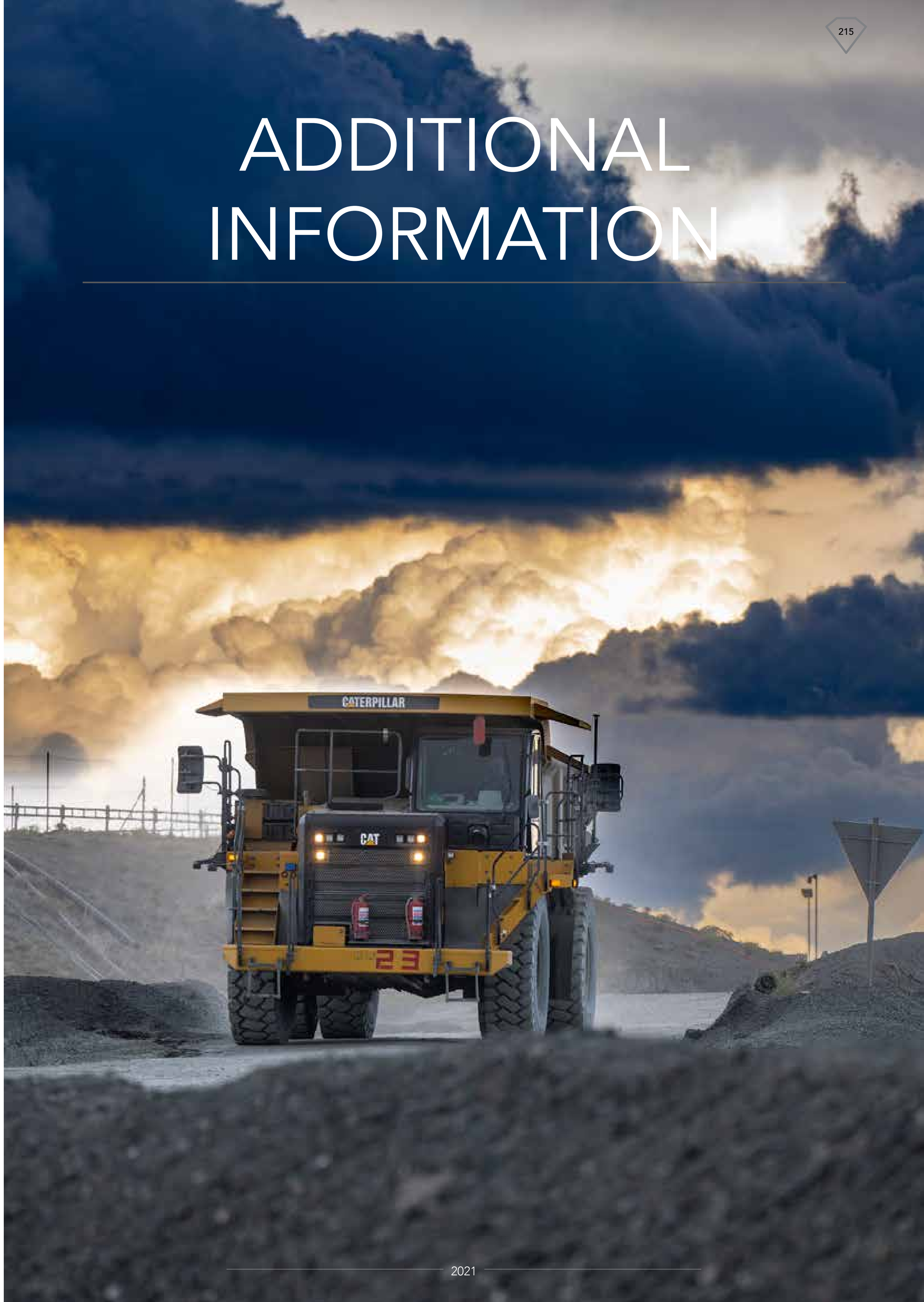
Payments made in currencies other than US dollar were translated at the relevant annual average rate for the year ended 31 December 2021.

SUMMARY REPORT

Operation	Country	Taxes US$'000	Royalties US$'000	Licence fee US$'000	Total US$'000
Letšeng Diamonds (Proprietary) Limited	Lesotho	23 104	18 050	150	41 304
Total		23 104	18 050	150	41 304

Lesotho Letšeng Diamonds (Proprietary) Limited	Taxes US$'000	Royalties US$'000	Licence fee US$'000	Total US$'000
Lesotho Revenue Authority	23 104	–	–	23 104
Government of Kingdom of Lesotho	–	18 050	150	18 200

ADDITIONAL INFORMATION



ADDITIONAL INFORMATION CONTINUED

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
BT	Business Transformation
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
CI	Continuous Improvement
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
DMS	Dense Medium Separation
DTR	Disclosure Guidance and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
ESG	Environmental, social and governance
ESOP	Employee Share Option Plan
EU	European Union
EY	Ernst & Young
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FTSE	Financial Times Stock Exchange
GCM	General circulation model
GDIP	Gem Diamonds Incentive Plan
GDP	Gross domestic product
GHG	Greenhouse gas
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
IPCC	International Panel on Climate Change
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)
PAC	Project-affected community
PCA	Primary crushing area
PPE	Personal protective equipment
RCF	Revolving credit facility
SDG	Sustainable Development Goal
SEIA	Social and environmental impact assessment
SEMP	Social and environmental management plan
SLL	Sustainability-linked loan
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
US$	United States dollar
USA/US	United Stated of America
VAT	Value added tax

ADDITIONAL INFORMATION CONTINUED

CONTACT DETAILS AND ADVISERS

GEM DIAMONDS LIMITED

Registered office
2nd Floor, Coastal Building
Wickhams Cay II
PO Box 2221
Road Town
Tortola
British Virgin Islands

Head office
2 Eaton Gate
London SW1W 9BJ
United Kingdom
T: +44 (0) 203 043 0280
F: +44 (0) 203 043 0281

FINANCIAL ADVISER AND SPONSOR

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA
United Kingdom
T: +44 (0) 20 7588 2828
F: +44 (0) 20 7155 9000

AUDITORS

Ernst & Young Incorporated
102 Rivonia Road
Sandton
2146
South Africa
T: +27 (0) 11 772 3000

LEGAL ADVISER

Linklaters
One Silk Street
London EC2Y 8HQ
United Kingdom
T: +44 (0) 20 7456 2000
F: +44 (0) 20 7456 2222

FINANCIAL ADVISERS

Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY
United Kingdom
T: +44 (0) 20 3100 2000
F: +44 (0) 20 3100 2099

Panmure Gordon & Co.
One New Change
London EUM 9AF
United Kingdom
T: +44 20 7886 2500

FINANCIAL PUBLIC RELATIONS ADVISER

Celicourt Communications
Adam House
7 – 10 Adam Street, The Strand
London WC2N 6AA
United Kingdom
T: +44 (0) 20 7520 9265

FEEDBACK

Gem Diamonds Limited
Glenn Turner
T: +44 (0) 203 043 0280
E: IR@gemdiamonds.com

ADDITIONAL INFORMATION CONTINUED

DIRECTORS' AND EXECUTIVE MANAGEMENT CVs

Non-Executive Directors

HARRY KENYON-SLANEY (61)

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 39 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.

Chairperson *Member* *Member*

MICHAEL LYNCH-BELL (68)

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.

Chairperson *Chairperson* *Member*

Committee icons

Audit *Remuneration* *Nominations* *Sustainability*

MIKE BROWN (61)

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 37 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.

Chairperson *Member* *Member*

ROSALIND KAINYAH MBE (64)

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.

Member *Member* *Member*

ADDITIONAL INFORMATION CONTINUED

MAZVI MAHARASOA (52)

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 a non-Executive Director of First National Bank Lesotho Limited and a non-Executive Director of several private companies.

Member

Executive Directors

CLIFFORD ELPHICK (61)

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.

Committee icons

Audit	*Remuneration*	*Nominations*	*Sustainability*

ADDITIONAL INFORMATION CONTINUED

MICHAEL MICHAEL (51)

CHIEF FINANCIAL OFFICER

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

Appointed to the Board in April 2013

Skills and experience

Michael has over 22 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 2 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 (61)

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 (50)

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

ADDITIONAL INFORMATION CONTINUED

JACO HOUMAN (47)

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 25 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

Committee icons

Audit | *Remuneration* | *Nominations* | *Sustainability*

ADDITIONAL INFORMATION CONTINUED

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 27. Our Sustainability Report, page 6 and 14. Our Annual Report and Accounts 2021, pages 87, 90, 109 and 113. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php
Describe management's role in assessing and managing climate-related risks and opportunities.	Our Approach to Climate Change, page 27. Our Sustainability Report, page 27 and 42. Our Annual Report and Accounts 2021, pages 37, 48 and 52. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php

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, page 30. Our Sustainability Report, page 19. Our Annual Report and Accounts 2021, pages 38 and 65. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Our Approach to Climate Change, page 29. Our Sustainability Report, page 22. Our Annual Report and Accounts 2021, page 38. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php
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, page 29. Our Sustainability Report, page 22. Our Annual Report and Accounts 2021, page 38. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php

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, page 32. Our Sustainability Report, page 22. Our Annual Report and Accounts 2021, page 37. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php
Describe the organisation's processes for managing climate-related risks.	Our Approach to Climate Change, page 33. Our Sustainability Report, page 21. Our Annual Report and Accounts 2021, page 37. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php
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, page 32. Our Annual Report and Accounts 2021, page 37. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php

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, page 34. Our Sustainability Report, page 22. Our Annual Report and Accounts 2021, page 73. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our Approach to Climate Change, page 35. Our Sustainability Report, page 20. Our Annual Report and Accounts 2021, page 35. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php
Describe targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Our Approach to Climate Change, page 34. Our Sustainability Report, page 22. Our Annual Report and Accounts 2021, page 34. Our Sustainable Development Reporting platform www.gemdiamonds-reports.co.za/reports/sd-2022/index.php

NOTES

GREYMATTERFINCH # 15773