



ANNUAL REPORT
AND ACCOUNTS

2022

16 March 2023

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The information contained herein is correct as at 15 March 2023.

2022 IN REVIEW

Revenue

US\$188.9 million

EBITDA

US\$43.7 million

Carats recovered

106 704

Basic earnings per share

7.3 US cents

All injury frequency rate

0.70

Net cash position

US\$3.3 million

Decarbonisation target

30% by 2030

US\$ per carat achieved

US\$1 755

Dividend & share buyback

US\$4.8 million

2022 KEY STRATEGIC PRIORITIES

PRODUCE THE BEST DIAMONDS, IN THE BEST WAY, LEAVING A LASTING LEGACY

EXTRACTING MAXIMUM VALUE FROM OUR OPERATIONS

- Optimise operating model:
 - Reduced waste hauling distances
 - Implemented steeper slopes in Main pit
 - Reduced waste tonnes mined
 - Short-term mine planning
 - Surface miner trials completed

WORKING RESPONSIBLY AND MAINTAINING OUR SOCIAL LICENCE

- Maturing organisational safety culture continued
- Adopted ICMM's Global Industry Standard on Tailings Management
- Strengthened long-term relationships with all stakeholders
- Advanced 5-year needs-based CSI investment strategy

PREPARING FOR OUR FUTURE

- Underground Feasibility Study
- Long-term mine planning and optimisation
- External growth opportunities
- Phase 2 of three-year TCFD strategy implemented
- Decarbonisation target set
- Renewable energy plan

DIAMOND MARKET

THE DIAMOND MARKET IMPROVED IN 2022

GLOBAL ECONOMIC BACKDROP

- Global economic growth of 3% in 2022
- Significant impact of the Russian/Ukrainian war:
 - Diesel prices
 - Supply chains disrupted
 - Explosives and other consumable prices
 - Commodity prices
 - Inflation
- China re-opening post COVID in Q4 2022 - expected rebound in economic activity

DIAMOND MARKET

- Strong demand throughout 2022
- Sanctions on Russia (Alrosa) caused diamond supply shortage in smaller goods
- Slight softening of diamond prices seen in Q4 2022
- Luxury jewellery brands performed exceptionally well

GEM DIAMONDS' MARKET POSITION

- Highest US\$ per carat kimberlite producer
- Strong prices achieved for large high-value diamonds
- Strong demand and competitive bidding throughout the year
- Price increases for <5 carat diamonds seen in 2022
- Opportunities to capture downstream value continued

OUR APPROACH TO CLIMATE CHANGE



OUR APPROACH TO CLIMATE CHANGE

- Completed Phase 2 of TCFD roadmap
- Advanced the materiality assessment of relevant physical and transition climate-related risks
- Developed and adopted carbon-pricing model
- Established Decarbonisation and Energy Committee to:
 - Assess lower-carbon and renewable energy sources
 - Drive our newly adopted decarbonisation strategy

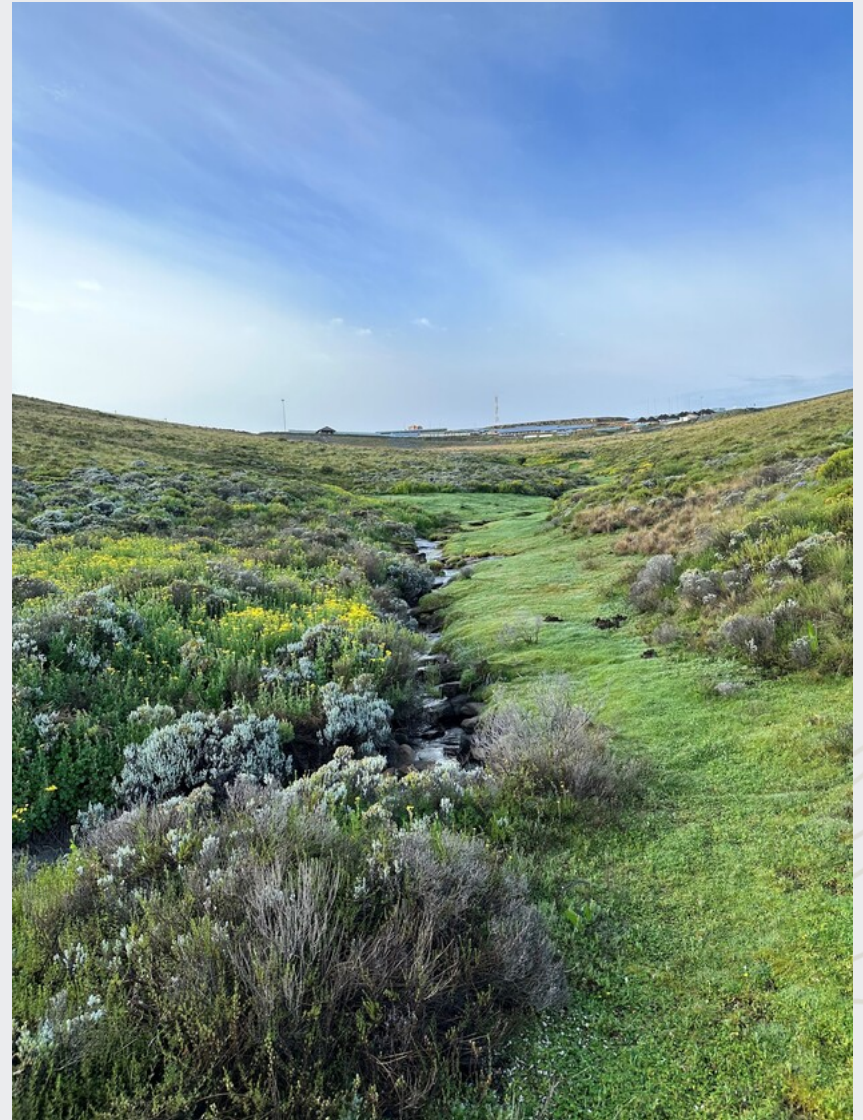
Outcomes

Scope 1 (fossil fuels)	Scope 2 (grid)	Achievements
<ul style="list-style-type: none">· Further reduced waste rock hauling distances· Reduced waste mining volumes (steeper slopes)· 18% net reduction in Scope 1 carbon emissions	<ul style="list-style-type: none">· Implemented energy use efficiency initiatives in processing plants· Optimised lighting and heating energy consumption· Improved energy demand management· 24% net reduction in carbon emissions	<ul style="list-style-type: none">· 31% reduction in total energy consumption· 'Best Climate-Related Reporting (Small Cap)' award

OUR DECARBONISATION STRATEGY

COMMITTED TO 30% REDUCTION BY 2030

- Letšeng accounts for 98% of Group carbon footprint
- Targeting a 30% reduction of Scope 1 and 2 emissions (against our 2021 footprint)
- Two key levers to achieve this:
 - Reduce energy consumption through process and equipment efficiencies
 - Replace fossil fuel-based energy with lower-carbon and renewable energy sources





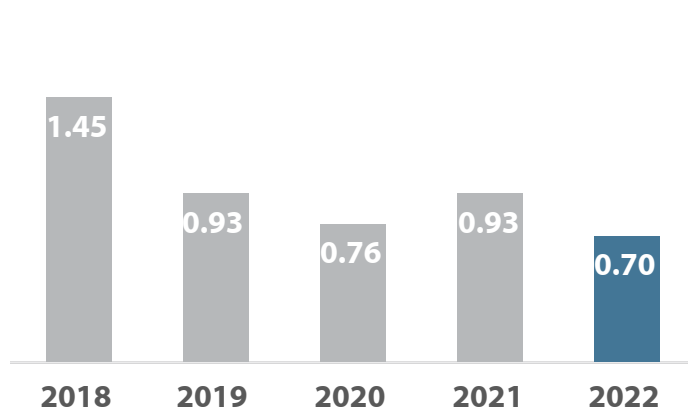
ZERO HARM AND RESPONSIBLE CARE

SCC 01 - 0
Lamp 01 - 0
Cam 01 - 10
Cabo 01 - 10
Antoy 1 - 10

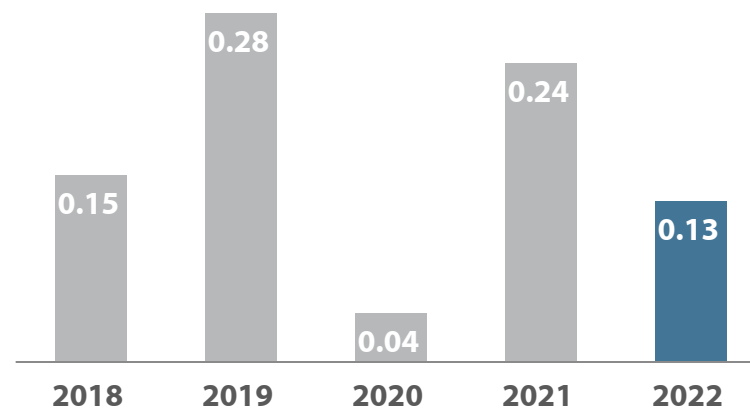
ZERO HARM IS A PRIORITY

- Organisational safety maturity strategy advanced
- Improved safety performance in 2022:
 - Zero fatalities and three LTIs
 - AIFR: 0.70
- No major or significant environmental incidents
- No major or significant social incidents
- Aligned to Global Industry Standard on Tailings Management
 - Zero incidents of compromised dam or TSF integrity

All injury frequency rate (AIFR)



Lost time injury frequency rate (LTIFR)



CORPORATE SOCIAL RESPONSIBILITY



2022 CSR OVERVIEW

- Successful implementation of 2022 CSI strategy:
 - Water and sanitation infrastructure
 - Tertiary scholarships and improved infrastructure at schools
 - Lesotho Legend egg project operational
 - Small and medium enterprise development
- Advanced bioremediation project
- Retained ISO 14001 and ISO 45001 certification (for six consecutive years)
- Retained FTSE4Good status for 4th consecutive year
- UN Global Compact member - integration of six adopted UN SDGs



COMMUNITY MEMBERS

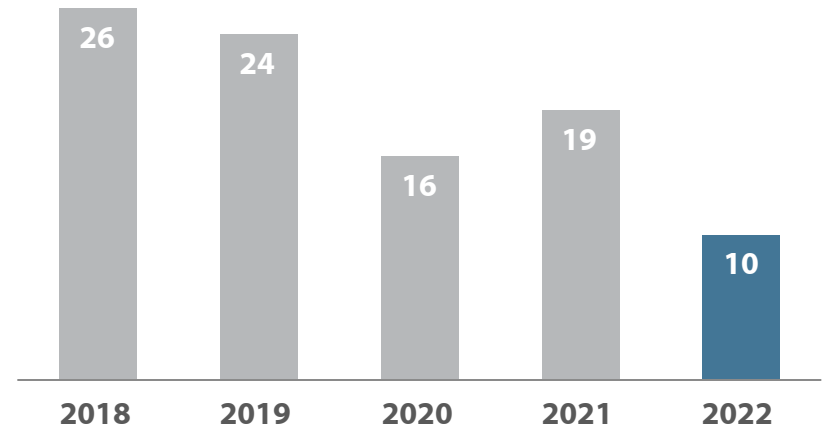
LETŠENG



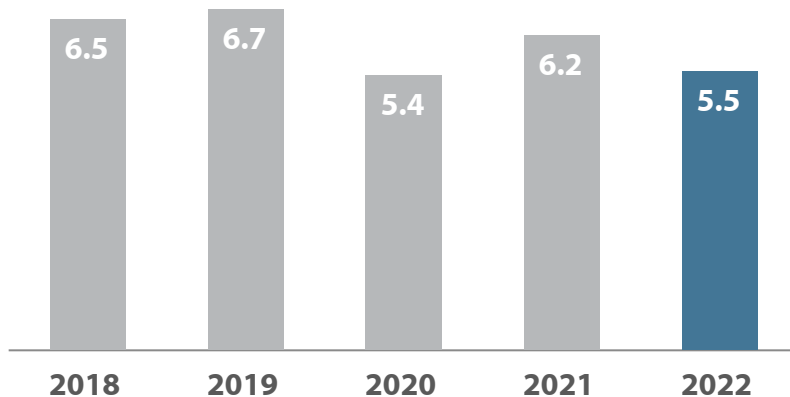
OPERATIONS REVIEW

- Focus on reducing operating costs and decarbonisation
- Reduced waste volumes (steeper slopes in Main pit)
- Reduced waste haulage distances
- Ore tonnes treated impacted primarily by:
 - AV contract expired 30 June
 - Electricity grid interruptions
 - Lesotho national elections 2-day shutdown
- Carats recovered in line with expected grade from treated ore

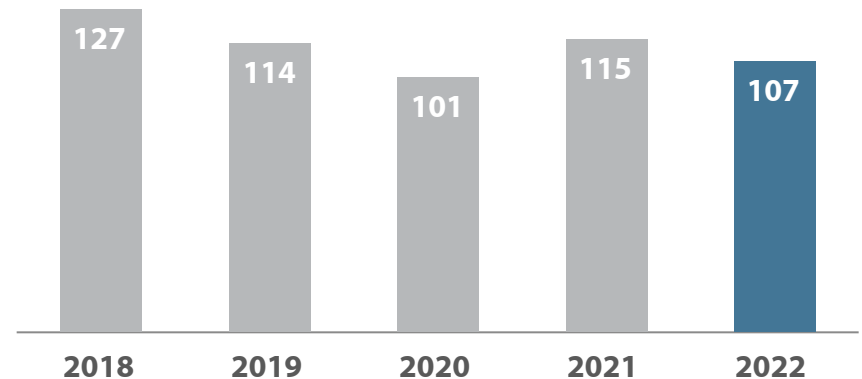
Waste tonnes mined (millions)



Ore tonnes treated (millions)



Carats recovered (thousands)



OPERATIONS REVIEW continued

Frequency of large diamond recoveries

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

• Projects:

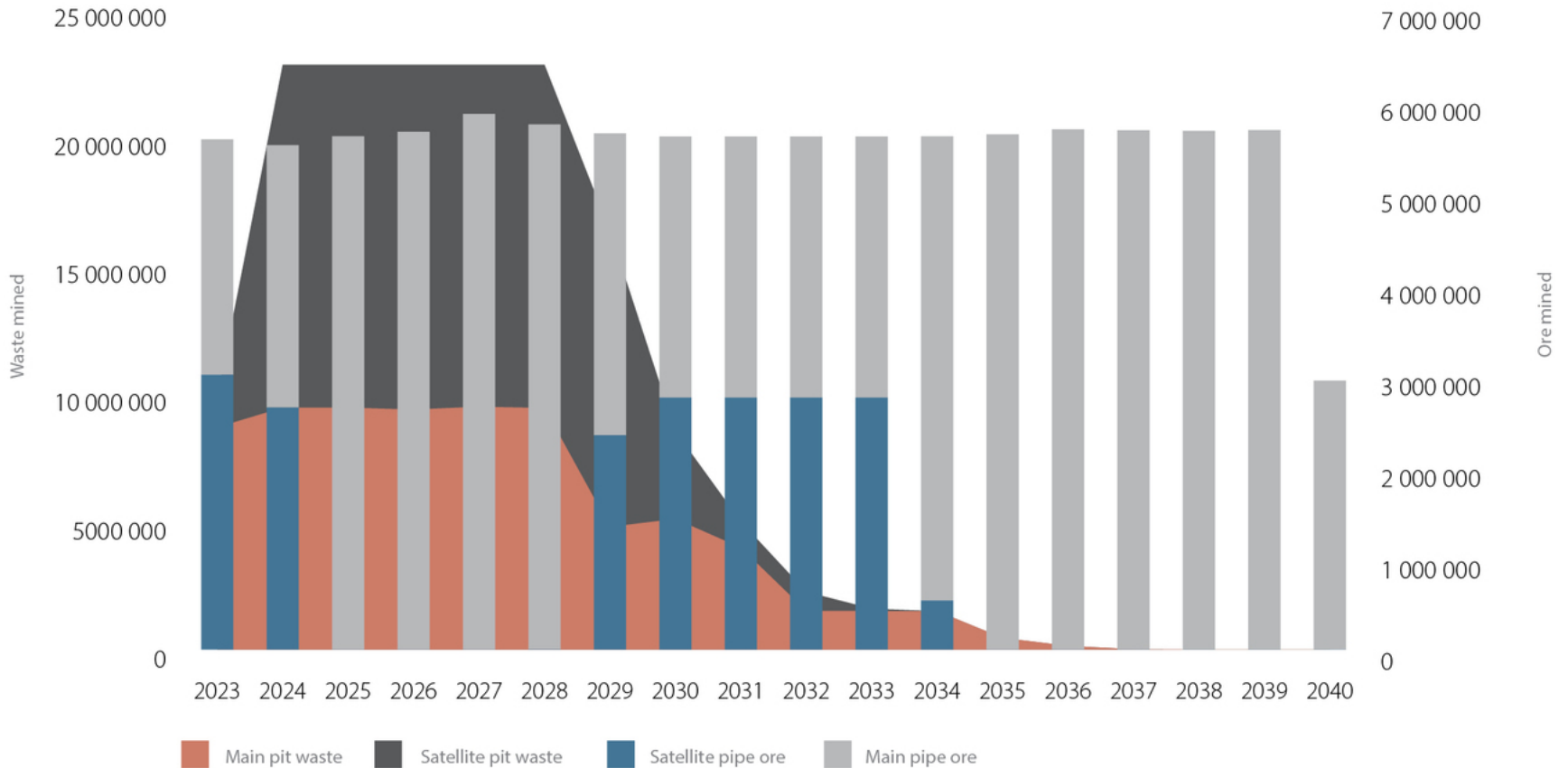
- Replacement of the PCA - completion date Q2 2023
- Resource and Reserve Statement - completion date Q4 2023
 - 2020 Resource core drilling programme completed
- Underground Feasibility Study - completion date Q4 2023

LONG-TERM MINE PLAN

- Implementation of steeper slopes and continued mining optimization in the Main pit:
 - Reduced waste volumes of c.2.7 million tonnes over LoM
 - Increased ore volumes of c.5.3 million tonnes over LoM
 - Further reduced waste haulage distances
- Satellite pipe contact position:
 - Urgent change in pit design required for safety reasons
 - Deferment of c.1.9 million ore tonnes of C5W into C6W / Underground
 - C5W mining ends in 2024 (excluding any additional tonnes from end of cutback mining)
- Revised waste mining profile:
 - 2023 - decreased to c.10.0 million tonnes p.a.
 - 2024 - ramping up to c.23.0 million tonnes p.a. (subject to trade-off studies below)
 - Ore mining remains constant at c.5.6 million tonnes p.a. from 2024
 - Life of mine to 2040
- Underground Feasibility Study commenced in July 2022 scheduled to be completed in Q4 2023
- Resource & Reserve Statement scheduled to be completed by end of 2023
- Open pit vs underground mining trade-off studies to be completed in 2023

LONG TERM MINE PLAN continued

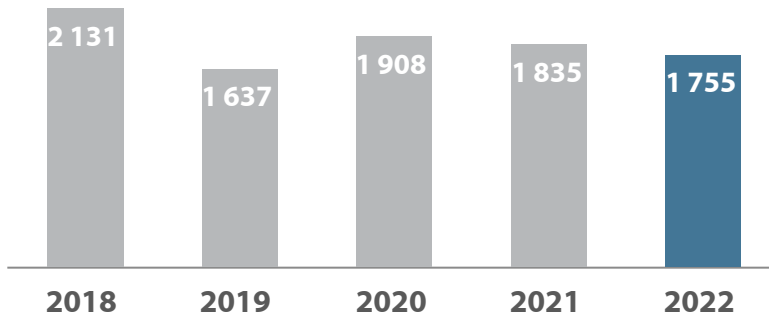
Life of mine profile (including deferred SC6W at 2.75 million tonnes per annum)



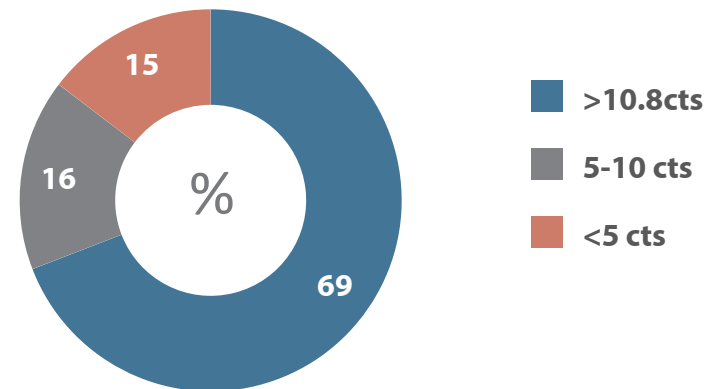
SALES AND MARKETING

- Achieved US\$1 755 per carat
- Sold 4 diamonds greater than 100 carats
- Sold 29 diamonds for more than US\$1.0 million
- Sold 83 diamonds for more than US\$20 000 per carat
- >10.8 carat diamonds contributed 69% of revenue
- Dubai viewings in March and September
- Targeted supply to premium, luxury brands

Average US\$ per carat



Revenue per size fraction



SIGNIFICANT DIAMOND RECOVERIES IN 2022



244 CARAT WHITE DIAMOND



127 CARAT WHITE DIAMOND



99 CARAT WHITE DIAMOND



30 CARAT WHITE DIAMOND
(HIGHEST WHITE \$/CT)



92 CARAT WHITE DIAMOND



10 CARAT PINK DIAMOND
(HIGHEST \$/CT)

FINANCIAL RESULTS



INCOME STATEMENT

US\$ million	2022	2021*	% Variance
Revenue from contracts with customers	188.9	201.9	(6)
Royalties and selling costs	(20.3)	(21.9)	
Cost of sales	(116.2)	(113.5)	
COVID-19 related costs	(0.1)	(0.7)	
Corporate expenses	(8.6)	(8.4)	
Underlying EBITDA	43.7	57.4	(24)
Depreciation and mining asset amortisation	(8.4)	(8.6)	
Other operating expenses	(2.4)	(3.3)	
Net finance costs	(4.1)	(4.0)	
Non-cash items	1.6	1.5	
Profit before tax for the year	30.4	43.0	(29)
Income tax expense	(10.2)	(15.6)	
Profit after tax for the year	20.2	27.4	(26)
Non-controlling interests	(10.0)	(12.6)	
Attributable profit	10.2	14.8	
Earnings per share (US cents)	7.3	10.5	(30)
Dividends per share (US cents)	–	2.7	(100)

*The prior year figures have been re-presented, as Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) ceased to be classified as a discontinued operation during the current financial reporting period.

LETŠENG COST ANALYSIS

	2022	2021	%
			Variance
Ore tonnes treated (millions)	5.5	6.2	(11)
Operating Costs			
<i>Direct cash costs¹</i>	252.50	185.59	
<i>Plant 3 operator costs</i>	10.57	15.53	
Total direct cash operating costs	263.07	201.12	31
Non-cash accounting charges ²	82.02	70.63	
Total operating cost per tonne treated – LSL	345.09	271.75	27
<i>Average foreign exchange rate</i>	16.37	14.79	
Total operating cost per tonne treated – US\$	21.08	18.38	15

Waste tonnes mined (millions)	10.2	18.7	(46)
Total waste cash costs per waste tonne mined – LSL	66.74	44.44	50
<i>Average foreign exchange rate</i>	16.37	14.79	
Total waste cash costs per waste tonne mined – US\$	4.08	3.00	36

¹ Direct mine cash costs represent all operating costs, excluding royalty and selling costs.

² Non-cash accounting charges include waste stripping cost amortised, inventory and ore stockpile adjustments, finance lease costs, and excludes depreciation and mining asset amortisation.

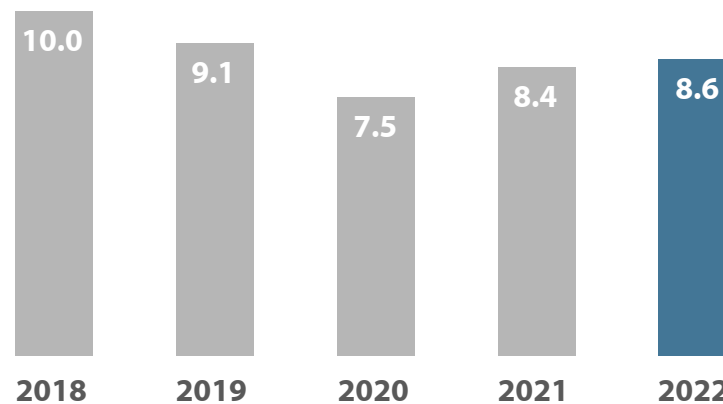
FINANCIAL POSITION

US\$ million	2022	2021	% Variance
Non-current assets	313.6	312.0	
IFRS 16 Right of use assets	6.3	3.1	
Current assets	35.2	35.3	
Income tax receivable	2.3	1.2	
Cash	8.7	30.9	
Total assets	366.1	382.5	(4)
Equity attributable to the parent company	152.6	159.8	
Non-controlling interest	80.4	86.9	
Total equity	233.0	246.7	(6)
Interest-bearing loans and borrowings (long and short term)	5.9	11.0	
IFRS 16 lease liabilities (long and short term)	7.9	4.8	
Non-current liabilities	17.6	13.3	
Deferred tax liabilities	82.0	82.5	
Current liabilities	19.7	22.2	
Liabilities associated with assets held for sale	–	2.0	
Total liabilities	133.1	135.8	(2)

CASH MANAGEMENT

- Group cash of US\$8.7 million
- Net cash of US\$3.3 million
- Available facilities at year end - US\$82.6 million

Corporate costs (excl depreciation) (US\$ millions)



Cash movement (US\$ million)



LETŠENG 2023 GUIDANCE

	2023 Guidance
Waste stripped (Mt)	9 – 11
Ore treated (Mt)	5.15 – 5.35
Satellite pipe ore contribution ¹ (Mt)	2.8 – 3.0
Carats recovered (Kct)	104 – 107
Carats sold (Kct)	102 – 105
Direct cash costs (before waste) per tonne treated ² (Maloti)	250 – 270
Operating costs per tonne treated ³ (Maloti)	345 – 365
Mining waste cash costs per tonne of waste mined (Maloti)	65 – 70
Total capital ⁴ (US\$ million)	13 – 15

¹ The contribution from Satellite pipe material is evenly spread throughout the year.

² Direct cash costs excludes royalty and selling costs.

³ Operating costs comprise direct cash costs, waste stripping cost amortised, inventory and ore stockpile adjustments, depreciation and mining asset amortisation and finance lease costs.

⁴ At an exchange rate of US\$1: LSL17.50.

2023 FOCUS AREAS



2023 FOCUS AREAS

EXTRACTING MAXIMUM VALUE FROM OUR OPERATIONS

- Short-term mine planning
- Underground Feasibility Study
- Right-sizing of Letšeng
- PCA replacement project
- Surface miner project

WORKING RESPONSIBLY AND MAINTAINING OUR SOCIAL LICENCE

- Phase 3 of TCFD recommendations
- Bioremediation project
- 5-year CSI investment strategy
- Organisational safety culture

PREPARING FOR OUR FUTURE

- Resource & Reserve Statement
- Premium luxury brands
- External growth and expansion opportunities
- Decarbonisation
- Lower carbon
- Renewable energy

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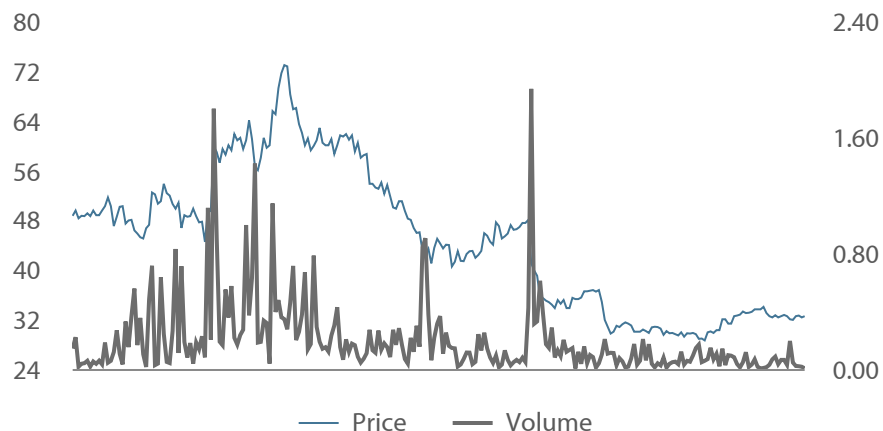
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APPENDIX A: MARKET INFORMATION

2022 Share price movement



Gem Diamonds Limited is listed on the Main Board of the London Stock Exchange LSE: GEMD

Daily average trading volume across all platforms in 2022

170k

Shares in issue (excl. treasury shares)

139 403 591

Free float (excl. holders above 5%, ESOP and Directors' holdings) (%)

30.8

Share price (15 March 2023)

£0.27

Market capitalisation (millions)

£38/US\$46

As at 15 February 2023 (%)

Major shareholders

Sustainable Capital Limited	21.9
Graff Investments Limited	15.0
Lansdowne Partners Ltd	13.4
Aberforth Partners LLP	12.1
Gem Diamonds Holdings Ltd	6.7
Hosking Partners LLP	3.6
Ruffer LLP	2.9
Dimensional Fund Advisors	2.6

Company officers

Clifford Elphick	Chief Executive Officer
Glenn Turner	Chief Legal and Commercial Officer
Michael Michael	Chief Financial Officer
Brandon de Bruin	Chief Operating Officer

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