GEM DIAMONDS

ANNUAL REPORT AND ACCOUNTS 2023

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PRESENTING THE GEM DIAMONDS ANNUAL REPORT AND ACCOUNTS 2023

The Annual Report and Accounts covers Gem Diamonds Limited and its subsidiaries (the Group) for the financial year ended 31 December 2023.

This report has been prepared in accordance with:

Regulatory guidance

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

Voluntary guidance

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

THE 2023 REPORTING SUITE

In addition to this report, our reporting suite includes:

Our Sustainability Report 2023

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

Board approval of this report

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

The Board approved the Annual Report and Accounts 2023, which includes the Strategic Report, on 13 March 2024.

By order of the Board

Harry Kenyon-Slaney

Chairperson

13 March 2024

STRATEGIC REPORT

OUR GUIDING PRINCIPLES

CARAT

Purpose

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

CLARITY

Vision

A world full of Gem diamonds

CUT

The way we do things (values)

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

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

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

Respect – We cultivate an open and transparent culture where we respect and value the beliefs, ideas and contributions of all our stakeholders. Everyone matters and is treated equally.

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

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

COLOUR

Culture

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

We support, develop and empower our people so that:

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

2023 IN NUMBERS

Financial

Measure	2023	2022	% change
Average price per carat achieved (US$)	**1 334**	1 755	(24)
Revenue (US$ million)	**140.3**	188.9	(26)
Total direct cash cost (excluding waste costs) per tonne treated (LSL)	**288.5**	263.1	10
Total direct cash cost (including waste costs) per tonne treated (LSL)	**404.7**	386.1	5
Total operating cost per tonne treated (LSL)	**374.4**	345.1	8
Earnings before interest, tax, depreciation and amortisation (EBITDA) (US$ million) [1]	**15.2**	43.7	(65)
Profit for the year (US$ million)	**1.6**	20.2	(92)
Corporate costs including depreciation (US$ million)	**7.9**	9.0	(12)
Basic (loss) / earnings per share (EPS) (US cents)[2]	**(1.5)**	7.3	(121)
Cash and short-term deposits (US$ million)	**16.5**	8.7	90
Cash flows from operating activities	**35.0**	63.0	(44)
Drawn down bank facilities (US$ million)	**37.8**	5.4	600
Net (debt) / cash (US$ million)[3]	**(21.3)**	3.3	(745)
Available undrawn bank facilities (US$ million)	**45.9**	82.6	(44)

People

Average number of employees (including contractors)	**1 401**	1 612	(13)
Gender diversity (% female employees including contractors)	**23**	22	5
Skills development (training hours)	**14 796**	24 928	(41)
Fatalities	**0**	0	–
Lost time injuries (LTIs)	**2**	3	(33)
Lost time injury frequency rate (LTIFR)	**0.10**	0.13	(23)
All injury frequency rate (AIFR)	**0.67**	0.70	(4)
ISO 45001 (occupational health and safety) certification	**Yes**	Yes	–

Operational

Capital expenditure excluding waste (US$ million)	**30.4**	11.9	155
Ore tonnes treated (millions)	**5.0**	5.5	(9)
Waste tonnes mined	**8.8**	10.2	(13)
Carats recovered	**109.7**	106.7	3
Carats sold	**104.5**	107.5	(3)

Sustainability

Corporate Social Investment (CSI)	**0.4**	0.5	(20)
Major or significant stakeholder incidents	**0**	0	–
Major or significant environmental incidents reported	**0**	0	–
Significant residue storage facility breaches	**0**	0	–
Total carbon footprint (tCO_2e)	**110 198**	112 827	(2)
ISO 14001 (environmental management) certification	**Yes**	Yes	–

[1] *Refer Note 4, Operating profit on page 147 for the definition of non-GAAP (Generally Accepted Accounting Principles) measures.*
[2] *Refer to Group financial performance for GAAP measures on page 123.*
[3] *Net (debt) / 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, insurance premium financing and credit underwriting fees).*

HOW THE GROUP IS STRUCTURED

HEAD OFFICE

The Group's holding company which is listed on the London Stock Exchange and 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 Letšeng 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 the highest obtainable prices on an international market.

Gem Diamonds Marketing Services (100% ownership)

DIAMOND ANALYSIS AND MANUFACTURING

The Group's high-tech rough diamond 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)

GHAGHOO DIAMOND MINE

An underground diamond mining development in Botswana placed on care and maintenance in 2017. Exit options including the sale, closure and rehabilitation of the mine are being considered, in consultation with stakeholders.

Gem Diamonds Botswana (100% ownership)

LETŠENG DIAMOND MINE

Our flagship open pit diamond mine in Lesotho is the highest achieving average US$ per carat kimberlite mine in the world. The operation focuses on mining and processing ore safely, responsibly and efficiently from its two kimberlite pipes (Main and Satellite) which are 17.0ha and 5.2ha, respectively. Ore is processed through two treatment plants with an annual throughput of 5.3 million tonnes and carat recoveries of 100 000 carats to 110 000 carats.

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

TECHNICAL AND ADMINISTRATIVE SERVICES

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

Gem Diamond Technical Services (100% owned)

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)

OUR BUSINESS MODEL

TYPICAL DIAMOND VALUE CHAIN

ROUGH DIAMONDS → POLISHED DIAMONDS

PRODUCTION → SALES → MANUFACTURING

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

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

MANUFACTURING

Rough diamonds manufactured into polished diamonds

Rough diamond

GEM DIAMONDS

INPUTS REQUIRED

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

- Valid mining lease period to **2029** with an exclusive option to renew to **2039**
- **783 738 GJ** of direct energy consumed
- **0.46m³** water per tonne treated
- Social and environmental management plans implemented
- Workforce of **1 297** people (including contractors) at year-end
- Highly experienced **management team**
- **450** registered customers

OUR APPROACH

Our strategic focus on extracting maximum value from our operations prioritises prodution optimisation and consistency, continually improving efficiencies, reducing costs and enhancing cash generation.

The health, wellness and development of our workforce are prioritised throughout the Group.

Zero tolerance for harm of employees, human rights violations, bribery and corruption.

The Group values and safeguards its social licence to operate.

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

TOP COST DRIVERS:
- Necessary waste stripping
- Increasing depth of pits, longer haulage distances
- Remoteness of mines
- Foreign exchange rate fluctuations
- Inflationary pressures

- Available undrawn debt facilities **US$45.9 million**.
- Annual capex investment (excluding waste) of **US$30.4 million**.

OUTPUTS

- Rough carats sold: **104 520**
- Rough carats recovered: **109 656**

564 >10.8ct diamonds, contributing **69%** of revenue

22 diamonds selling for more than US$1.0 million, contributing **US$40.8 million** to revenue

DIAMOND JEWELLERY

SALES → JEWELLERY MANUFACTURING → RETAIL SALES

Sales
- Wholesale of polished diamonds
- Trading in polished diamonds

*Cut and polished diamond**

Jewellery manufacturing

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 for certain diamonds

OUTCOMES: 2023 DELIVERY

Total carbon footprint of **110 198 tCO_2e**
Zero major or significant environmental incidents
4.5 million m³ of water recycled
Group rehabilitation provision of **US$14.2 million**
100% of diamond exports comply with the Kimberley Process

Won the Water award (for water management and pollution prevention) in February 2023 at the *Investing in African Mining Indaba Junior ESG Awards*.

Since inception, Gem Diamonds has worked in partnership with the Government of the Kingdom of Lesotho to make a positive contribution to national priorities. We continue to invest in initiatives that support long-term and sustainable development in our PACs.

Our Sustainability Report provides a comprehensive report on ESG matters.

Gem Diamonds has adopted eight UN SDGs (1, 2, 3, 6, 8, 10, 12, 13) as part of our Sustainability Framework.

Zero fatalities
LTIFR of **0.10**
AIFR of **0.67**
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$0.4 million** in needs-based corporate social investment projects
Letšeng in-country procurement: **US$80.6 million**
Letšeng paid royalties in Lesotho of **US$13.1 million**

US$140.3 million revenue
EBITDA of **US$15.2 million**
Net debt of **US$21.3 million**
Focus on cost containment and enhancing operational efficiencies during the year.

Our viability statement on page 27 explains how the outcomes ultimately lead to a sustainable business model that delivers on our vision.

**Images supplied by Graff Diamonds International.*

Financial | People | Sustainability

OVERARCHING BUSINESS DRIVERS

OPERATING RESPONSIBLY	GEM DIAMONDS' POSITION
Shareholders, funders, regulators, employees, communities, consumers and other stakeholders expect companies to adhere to responsible and ethical practices. This includes providing safe working conditions and fair labour practices for employees, operating in an environmentally responsible manner, ensuring the safe operation and governance of dams and residue storage facilities, preparing for and responding to climate-related risks and opportunities, and contributing to global and local sustainability initiatives. Consumers, shareholders and funders are increasingly interested in ESG factors when making buying, investment and lending decisions. For mining companies, among the most prominent topics on the ESG agenda are climate change preparedness and carbon emissions reduction. In response to the growing demand for sustainable jewellery and the need for traceability programmes, certain jewellery manufacturers and retailers are insisting on traceability and proof of provenance of diamonds. Refer to the Climate change report on page 51 and our Sustainability Report 2023 available at www.gemdiamonds.com for more insight.	We are committed to ethical business practices, and corporate governance is a core component of our long-term sustainability and value creation. We regularly enhance our workplace safety systems and processes to ensure that we achieve our goal of zero harm. The Group remains strongly committed to environmental sustainability, and Gem Diamonds' inclusion in the FTSE4Good Index recognises the high standards of ESG practices we adhere to. We have adopted eight UN SDGs and the TCFD recommendations, and our residue storage facility management practices are aligned with the International Council on Mining and Metals' (ICMM) Global Industry Standard on Tailings Management (GISTM). Our 2022 and 2023 awards for sound ESG practices and climate reporting are evidence of our leading position on sustainability in climate change, water stewardship and health and safety, in particular. All our diamond exports comply with the Kimberley Process[1]. We are transparent and protect the provenance of all our diamonds, and we participate in the Gemological Institute of America's (GIA) Diamond Origin programme. This gives consumers information regarding the country of origin of their diamonds and the positive impact the diamond mining industry has on the communities and countries in which we operate. US$2.3 million invested in environmental stewardship (2022: US$0.8 million) 0.67 AIFR (2022: 0.70) Zero major or significant environmental or stakeholder incidents reported (2022: Zero)

SUSTAINABLE RETURNS	GEM DIAMONDS' POSITION
Generating sustainable returns for shareholders while continuing to create value for our other stakeholders will ensure our future. Refer to the CEO Review and the CFO Review on pages 30 and 34 respectively for more information on the Group's financial results and operational performance.	2023 was a challenging year, mainly due to a downturn in the diamond market resulting in a significant decrease in revenue. Another challenge was increased load shedding, which impacted operating costs of the treatment plants by increasing the reliance on diesel-powered generators. We right-sized Letšeng during 2023 in line with operational requirements, insourced the mining activities in December, implemented initiatives to ensure plant stabilisation to improve production volumes, and rigorously interrogated capital expenditure. US$15.2 million EBITDA[2] (2022: US$43.7 million)[2]

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

[2] Refer Note 4, Operating profit on page 147 for the definition of non-GAAP measures.

MARKET DEMAND FOR DIAMONDS

Market demand for diamonds will be shaped by the traditional industry factors of affordability, desirability, value chain efficiency, and the buying experience. Diamond affordability relies heavily on economic growth and consumers' disposable income.

Desirability is measured by the share of diamond jewellery sales within total luxury consumption, as well as cultural acceptance of diamond jewellery gifting. The growing custom of using diamonds in bridal jewellery in India and China, the increased use of diamonds across a wider range of luxury goods, and the continued growth in the number of high-net-worth individuals worldwide support increased demand for polished diamonds.

GEM DIAMONDS' POSITION

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

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

The diamond market was under significant pressure in 2023 due to a challenging macro-economic environment and international conflicts which negatively impacted rough and polished diamond prices.

The average price per carat achieved for Letšeng's diamonds decreased by 24% compared to 2022. Large diamond recoveries were relatively comparable (five greater than 100 carat diamonds sold in 2023 compared to four in 2022, and 84 diamonds between 30 and 100 carats compared to 87 in 2022).

US$1 334 average price per carat achieved in 2023

(2022: US$1 755 per carat)

69% of revenue derived from diamonds greater than 10.8 carats in 2023

(2022: 69%)

DIAMOND SUPPLY

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

The popularity of lab-grown diamonds is growing, but prices continue to decrease, which has also resulted in factories closing down. These diamonds sell at a significant discount to natural diamonds and are not considered as a replacement for natural diamonds, but rather as another diamond look-alike in the same category as cubic zirconias and moissanite stones.

GEM DIAMONDS' POSITION

Annual global rough diamond production is expected to steadily decrease to around 110 million carats by 2030, having peaked in 2017 at 151 million carats. Total global rough diamond production is estimated at approximately 121 million carats in 2023. The decrease is largely due to a combination of planned mine closures, COVID-19-driven closures of marginal mines and suspension and slowdown of certain other operations.

A primary focus is to reduce diamond damage in mining and treatment activities to improve the recovery of large, high-value diamonds and thereby protect their value.

Manufacturing of lab-grown diamonds has increased exponentially (c. 1 million carats in 2015 to a forecasted c. 20 million carats in 2024) and although these have gained popularity due to their favourable price point, this has not impacted demand or prices of large high-value diamonds at the premium end of the diamond market.

121 million carats global rough diamond production in 2023 (estimated)

(2022: 121 million carats)

SOCIAL VALUE	GEM DIAMONDS' POSITION
The Letšeng mine, which is co-owned by the Government of the Kingdom of Lesotho (30%), is an important employer and makes a substantial positive contribution to the country's socio-economic development. Refer to our Sustainability Report 2023 available at www.gemdiamonds.com for more insight into our social contribution.	We acknowledge our privileged position as custodians of the natural resources in the countries in which we operate and we strive to maintain mutually beneficial relationships with our employees, contractors, communities, regulators, governments and wider society. We develop and empower our people, and endeavour to make a meaningful, sustainable contribution to the countries and communities in which we operate. We engage the government, employees and communities in life of mine communications to inform them about relevant aspects of our operations and the expected economic lives of our mines. The Group's community investments are informed by engagements with the PACs to identify needs such as access to tertiary education, basic infrastructure (roads, bridges and water supply) and local business development to create long-term sustainable employment opportunities independent of the mine. Letšeng makes a significant contribution to the Lesotho economy through dividends, royalties and tax contributions, and provides employment for 1 297 people (including contractors). This number excludes casual workers who are regularly employed at Letšeng on a short-term basis. The mine also provides procurement opportunities to support the local economy and the broader population of Lesotho. 55 student scholarships since 2006 US$15.5 million paid in royalties and taxes in Lesotho (2022: US$39.7 million paid in dividends, royalties and taxes in Lesotho) US$0.4 million invested in local communities in Lesotho (2022: US$0.5 million) US$80.6 million Letšeng in-country procurement (2022: US$129.0 million)

CHAIRPERSON'S STATEMENT

The Board steered the Group through another challenging year in the face of the global cost-of-living crisis, international conflicts and the resultant downturn in the natural diamond market.

The Board had to make important decisions during the past year that will determine the longer-term sustainability of the Letšeng orebody and the preservation of value for all our stakeholders.

Harry Kenyon-Slaney
Chairperson

Dear shareholders,

On behalf of the Board of Directors, I am pleased to share with you the Gem Diamonds Annual Report and Accounts for 2023, which outlines the Group's performance over the past year and highlights some of our focus areas for the year ahead.

We entered 2023 with the ongoing Russian invasion of Ukraine and the cost-of-living crisis which saw global economies grappling with accelerating inflation, rising interest rates and continued supply chain challenges. The slowdown of global economic growth in 2023 was further impacted by the conflict in Gaza that began in October 2023, and in early 2024, the attacks launched by Yemen's Houthi rebels on cargo vessels in the Red Sea.

The diamond industry suffered in the face of these challenges. Demand and prices for rough and polished diamonds exhibited material weakness and, as reported by some of the world's major diamond producers, declined year-on-year by as much as 40% in certain categories of diamonds.

The past four years, starting with the COVID-19 pandemic, have been difficult for our business, with the result that our workforce, their families and the wider communities within which we operate have all had to adapt to the new economic environment. The resilience and fortitude they have displayed has been inspiring and commendable.

At Letšeng, the impact of a wide array of operating costs rising at a rate markedly higher than inflation put enormous strain on the business. In particular, the fact that Letšeng is reliant on South African grid electricity supplier Eskom, which is currently plagued with poor operating performance leading to frequent load shedding, resulted in a sharp rise in our use of more expensive diesel-powered generators. These higher input costs, combined with a 26% decrease in revenue due to lower diamond prices, led to EBITDA reducing by 65% compared to 2022. Management moved swiftly to address these external challenges by tightening cost controls even further and by taking a range of tough decisions to align the organisational structure with the market conditions. The financial results are discussed in the CFO Review on page 34 and the financial statements are available from page 118.

Letšeng performed well operationally, especially in the second half of the year, with ore throughput in the plants being steady and consistent. The COO review on page 41 contains the full details of Letšeng's operational performance during 2023.

The sale, closure and/or handover options for Ghaghoo continue to be actively managed while the site is being appropriately maintained and safeguarded, and we will continue to support management through this process.

We are pleased to report that there were no major or significant environmental or social incidents reported at any of our operations during the year.

GOVERNANCE MATTERS IN 2023

The Governance section from page 62 provides full details of all corporate governance matters relevant to the Group in 2023.

I can report that there were no changes to the makeup of the Board of Directors during 2023, and that the current governance structure is aligned with the independence requirements of the UK Corporate Governance Code and is fully representative with respect to both gender and minority groups.

The findings from the external Board evaluation concluded at the end of 2022 were reviewed. It is encouraging that the report was complimentary of the functioning of the Board, offering only minor improvement opportunities which we implemented during 2023.

In line with past practice, Gem Diamonds was again able to derive 99% of the workforce at Letšeng from within Lesotho. Increasing female representation in our workforce remains a priority, and we have implemented various initiatives in local communities and schools to create awareness of the many possible careers that exist within the mining sector, and to promote Letšeng as an employer of choice for women.

Shareholders will be aware that Matekane Mining Investment Company (Proprietary) Limited (MMIC) has held the contract to conduct mining operations at the Letšeng mine since 2005. In October 2022, Mr Sam Matekane (the ultimate owner of MMIC) was elected as the new Prime Minister of Lesotho. In order to avoid any potential conflicts of interest between Mr Matekane's political appointment and his business with Letšeng, we concluded a mutually agreed early termination of the mining services agreement and all mining activities were taken over by Letšeng. I would like to take this opportunity to thank both the Prime Minister and Letšeng's management for the professionalism with which this important transition was undertaken.

The financial and operational details of this transaction are included in the CFO Review on page 34 and the COO Review on page 41.

THE BOARD'S PRIORITIES IN 2023

- Considering the way forward for the Letšeng orebody, including the finalisation of the 2024 Resource and Reserve Statement
- Overseeing the implementation of initiatives to improve the maturity of the Group's organisational safety culture
- Overseeing the execution of the Group's decarbonisation strategy and the completion of its TCFD adoption roadmap
- Advancing efforts to sell or exit the Ghaghoo mine in Botswana, which remains on care and maintenance
- Implementing the opportunities identified by the external Board evaluation concluded in 2022
- Considering external growth opportunities

IMPROVEMENT IN SAFETY PERFORMANCE AND CULTURE

We regard the safety and health of our employees as our single most important priority, and I am very pleased to report that in 2023 Letšeng reported its best All Injury Frequency Rate on record at 0.67. We would like to congratulate and thank Letšeng's management and workforce for this notable accomplishment. The Board would like to express its gratitude for the effort and commitment that was applied to drive forward the various initiatives that were developed following the 24-hour stop-for-safety shutdown in June 2021. We recognise that it requires relentless focus and close attention to detail to achieve these results. Despite this achievement we all appreciate the need to remain constantly vigilant and alert to existing and new hazards and risks, and to continue to build a mature and collaborative safety culture where employees and management actively look out for each other's safety and health at all times.

The COO Review on page 41 contains full details of Letšeng's safety performance during 2023.

THE FUTURE DEVELOPMENT OF LETŠENG

With the Letšeng open pit mine progressing deeper every year, the Board carefully considered the future development of Letšeng's orebodies during 2023. An underground study carried out during the year indicated that underground mining of the Satellite pipe is not currently an economically viable option and we therefore continue with optimising open pit mining at Letšeng.

Following an in-depth resource development programme that involved extensive core resource drilling, pit surface mapping, 3D modelling, and petrography, we have concluded our NI 43-101 Technical Report. The report contains Letšeng's 2024 Resource and Reserve Statement and will be published on the Group's website at www.gemdiamonds.com.

Refer to the COO Review for more details on the underground study on page 44 and the 2024 Resource and Reserve Statement on page 45.

DECARBONISATION STRATEGY

During 2023 we made notable progress on our decarbonisation strategy with the Group completing its three-year TCFD adoption roadmap as planned. At the beginning of 2023, we also announced that our decarbonisation target would be a commitment to reduce our Scope 1 and Scope 2 carbon emissions by 30% (as measured against our 2021 emissions) by 2030.

Our primary focus is now on identifying and implementing ways to reduce our energy usage and at the same time searching for ways to lower our dependence on the unreliable and high-carbon grid electricity supplied by Eskom. We continue to actively investigate alternative large-scale, long-term energy solutions that will not only underpin the sustainability of the business but also contribute to offsetting the wider suite of climate change risks. The energy consumption of the Group in 2023 is detailed in the Climate change report on page 51.

COMMUNITY AND GOVERNMENT ENGAGEMENT

The Lesotho Government is a significant shareholder in the Letšeng mine and we seek at all times to maintain sound and constructive relationships with government departments and officials. Accordingly, I am very pleased that during the past year we were able work constructively with the new government following the elections in Lesotho in late 2022. Honest communication with all stakeholders is crucial, and has been particularly so during the political and economic challenges of recent years. Their ongoing support will be tremendously important as we seek to steer Letšeng's operations through the current period of challenging market conditions.

We consider all stakeholders' concerns and inform them about our business and the broader political, social and operational environment that we require in order to thrive. This dialogue is conducted through a range of stakeholder engagement forums which meet regularly and which routinely pass details of the issues discussed to the Board for its consideration.

LOOKING TO THE FUTURE

At the time of writing, it would seem that many of the challenges we faced during 2023 will be evident again during the coming year – a difficult economic environment with slow economic growth impeded by several international conflicts. The prospect of declining inflation and early indications of a reduction in interest rates in major economies suggest a stabilisation of the global economy towards the end of 2024. Until then, we will have to remain resilient through effective cost control and delivery of further operational efficiencies.

We will define the future development pathway for the Letšeng orebody based on the 2024 Resource and Reserve Statement, and we will communicate widely and consult as necessary with all relevant stakeholders.

Our exit from the Ghaghoo mine remains a priority, and negotiations are continuing with the Government of Botswana on closure, handover and/or rehabilitation should a sale not be possible.

The Group's revolving credit facilities are expiring at the end of 2024, and we will actively oversee the extension of these facilities with the Group's lenders.

We will stay abreast of developments in the diamond market and respond appropriately by selling Letšeng's rough diamonds through appropriate channels and available diamond centres in order to achieve the highest obtainable market prices.

APPRECIATION

On behalf of the Board, I would like to thank every single person who has contributed to the Group's performance in 2023, especially our executive and senior management for steering the Group through a very challenging year. We thank our employees, contractors, community partners, the Government of the Kingdom of Lesotho and our shareholders for their ongoing support. I also wish to thank my fellow Directors for their commitment and valuable contributions during 2023.

Harry Kenyon-Slaney

Chairperson

13 March 2024

OUR STAKEHOLDER RELATIONSHIPS

Proactive stakeholder engagement is a fundamental principle of sustainability, and we believe that regular engagement builds mutual trust and understanding.

STAKEHOLDER MANAGEMENT

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

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

Our communication channels are detailed below:

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

The Group's stakeholder engagement is assessed in the Board's annual evaluation process.

STAKEHOLDER ENGAGEMENT

Shareholders

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

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

Shareholder interests include:

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

Engagements post the AGM

At the Group AGM on 7 June 2023, the Board noted the proportion of the votes cast against Resolution 2 relating to the approval of the 2022 Directors' Remuneration Report (Resolution 2 passed with 69.0% of participating shareholders voting in favour) and Resolution 12 referring to the authority of Directors to allot shares (Resolution 12 passed with 69.5% of participating shareholders voting in favour). In accordance with Provision 4 of the UK Corporate Governance Code, the Company is required to engage with significant shareholders who vote against resolutions.

The 2022 Directors' Remuneration Report described the implementation of the Remuneration Policy approved at the 2021 AGM. Prior to finalising the 2021 Remuneration Policy, the Board consulted its largest shareholders, and adapted the Remuneration Policy to align with shareholder feedback. However, the Board is aware that one significant shareholder has a structurally different view on how the Remuneration Policy should be implemented, and this impacted their vote on Resolution 2 on the 2022 Directors' Remuneration Report at the 2023 AGM.

The Board is also aware that this same significant shareholder has a policy of not supporting resolutions referring to the authority of Directors to allot shares, and this shareholder also voted against Resolution 12. This resolution reflected UK-listed company market practice and the Board considers the flexibility afforded by the authority to allot shares to be in the best interest of the Company.

The Board, through the CEO, engaged with this shareholder since the 2023 AGM to help ensure any continuing concerns are understood and considered the feedback during the Board's Remuneration Committee's deliberations over the 2024 Remuneration Policy that will be presented to shareholders for approval at the 2024 AGM. The significant shareholder has a standing position on Resolution 12, and the Board will regularly consider its approach to this matter.

Majority interest in shares

On 13 February 2024, the Company was notified of the following major interests (at or above 3%) in the issued ordinary shares of the Company in accordance with the Disclosure Guidance and Transparency Rules (DTR) 5:

Shareholders	Number of ordinary shares	% shareholding
Sustainable Capital Limited	30 469 182	21.8
Graff Investments Limited	20 861 931	14.9
Lansdowne Partners Limited	18 677 221	13.4
Aberforth Partners LLP	16 709 450	12.0
Gem Diamonds Holdings Limited[1]	9 325 000	6.7
Hargreaves Lansdown Asset Management	4 425 962	3.2
Hosking Partners LLP (UK)	4 327 869	3.1

[1] *C 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 these ordinary shares.*

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 periodically. The shareholder base comprises 139.7 million issued ordinary shares of US$0.01 each (excluding the 1.5 million treasury shares held by Gem Diamonds). Institutional shareholders hold 99.6 million shares (71.3%) while private shareholders hold 40.1 million shares (28.7%).

Employees and contractors

Our employees and contractors are responsible for running our operations and delivering on our strategy. Operating in a remote region in a small country with limited resources makes the retention and development of local skills a priority. Gem Diamonds aims to provide regular communication to employees on all matters relevant to them and to facilitate platforms where employees can express their needs. The well-being of employees is a priority, and a full-time counsellor was employed at Letšeng during 2023 to assist the workforce with mental wellness.

Engagement with employees through daily informal interactions, the employee app LetšGem, the Employee Engagement Committee, the Group's website, the quarterly Letšeng newsletter and frequent pre-shift "toolbox" talks with smaller shift teams provide opportunities to interact. Regular site visits to Letšeng are also undertaken by the Board and executives.

Mazvi Maharasoa, a non-Executive Director, is the Board's representative with delegated responsibility to engage with the broader workforce and provide direct feedback to the Board on key concerns raised. Mazvi chairs the Group-wide Employee Engagement Committee that includes employee representatives from all companies in the Group. The Committee provides a platform for the Board to effect two-way communication to ensure that the workforce's voice is heard in the boardroom and that Board expectations can be communicated to employees directly.

The Letšeng right-sizing process in 2023 was not brought to the Committee by employee representatives as an item for discussion, the Board was interested in receiving feedback on employees' experience of the process. With participation from the chairperson of the Remuneration Committee, Mazvi led the discussion and received positive feedback from representatives. The view was that the process was managed fairly, first and foremost with employee well-being in mind, and that employees were at all times kept informed on its progress. No significant matters were raised by employees during any of the Committee engagements in 2023 that required action from the Board.

Towards the end of 2023, MMIC initiated consultations with their employees ahead of the insourcing of the mining activities by Letšeng. The process was managed appropriately within the local legal framework, and the inclusive approach was pivotal to the successful conclusion of the transaction and transition.

Employee interests include:

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

Bankers, insurers and funders

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

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

In December 2021, the Group-wide debt refinancing was successfully concluded with the renewal of the Group's revolving credit facilities for an amount of US$71.0 million for a three-year period. US$29.9 million of the facilities are sustainability-linked loans (SLLs) where the margin and resultant interest rate will decrease if the Group meets certain carbon reduction and water conservation key performance indicators (KPIs). These KPIs are aligned to the Group's sustainability strategy. Refer to the CFO Review on page 38 for more details.

The Group's revolving credit facilities expire in December 2024, but the facility agreement contains a 24-month extension option subject to lender credit approvals. The process to either extend or renew these facilities will commence in Q2 2024.

Providers of finance interests include:

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

Refer to page 34 in the CFO Review for more details.

Project-affected communities (PACs)

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

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

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

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

Community needs and concerns include:

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

In 2023, the Group procured US$1.6 million of goods from PACs located around Letšeng and US$34.2 million of goods from the broader Mokhotlong region. From 2016 to 2023 the Group has invested US$4.8 million in needs-based and sustainable CSI initiatives. In 2023, the Group invested US$0.4 million in CSI projects in small and medium enterprise development, education and basic infrastructure provision.

Customers

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

Customers care about:

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

Eight large and four rough diamond tender viewings were held in Antwerp in 2023. We were able to rely on our loyal customer base for support during the year while the diamond market was under significant pressure.

Suppliers and business partners

Suppliers and business partners provide the products and services we require to run our operations and achieve our strategic objectives, and we therefore build strong relationships with core suppliers. We are very aware of the increased importance of ensuring responsible business across supply chains, and recognise the significant impact that suppliers and business partners may have on our reputation. To this end, we ensure that formal written contracts are in place, and that negotiations are undertaken applying the principles of fairness, transparency and responsibility that drive the culture of our procurement supply chain.

Suppliers and business partners care about:

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

Refer to page 35 in the CFO Review for details on Letšeng's insourcing of its mining activities.

Regulators and government

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

Government and regulator priorities include:

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

We have continued to work well with the newly elected Lesotho Government following the national elections held in Lesotho in October 2022. In difficult years such as 2023, it is especially important to communicate in an open, honest and transparent manner with our government partners, as we need their support in guiding the operations through tough times in order to ensure the delivery of sustainable value for all stakeholders.

OUR STRATEGY

Our strategy aims to maximise stakeholder value in a sustainable manner. It underpins the Group's purpose, vision and values, which affirm our commitment to creating social value and serving as custodians of the natural resources of the countries in which we operate.

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

2023 STRATEGY REVIEW

In November 2023, the Board and executive leadership reviewed the strategy against the backdrop of the current macro, industry and operating conditions. The review also considered the effect of these on the diamond market, industry peers and the Group's operations. A number of potential opportunities to enhance shareholder value were assessed, including external growth opportunities, diversification across assets, potential partnerships, and operating structures.

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

The Group's overarching business drivers are set out on page 8. We aim to effectively contain costs while recovering the highest-value diamonds to sell for the best market prices. The short to medium-term priority remains maximising value from our Letšeng operation through three main focus areas:

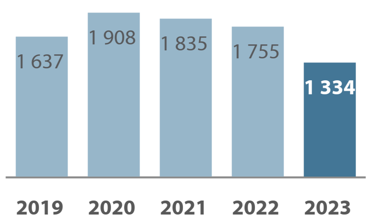
Optimising the current operating model	The right-sizing of Letšeng to align with operational requirements was concluded in June 2023. The mining activities were insourced effective 1 December 2023 along with other selected activities, such as housekeeping and the operation of the recovery plant. We continue to investigate and implement ways to contain costs, enhance operational efficiencies and rigorously interrogate capital expenditure. All operational contracts will be reviewed for absolute necessity.
External growth opportunities	The Group has been a single-asset operation for a number of years, and although Letšeng is the highest dollar per carat kimberlite mine in the world, it has a finite life and the operating environment is becoming more challenging as the pits deepen. It is essential for the Group to explore external growth opportunities, in the form of either acquiring other diamond-producing assets or diversifying into different commodities.
Independent power generation	Investigating and implementing longer-term alternative energy solutions is a top priority for the Group. These will not only support our decarbonisation strategy, but also alleviate our dependency on Eskom and reliance on diesel-powered generators during load shedding.

The tables below further define our strategic objectives and link them to relevant KPIs and targets. Our 2023 performance against our strategic objectives is included in the CEO Review on page 30, the CFO Review on page 34, and the COO Review on page 41.

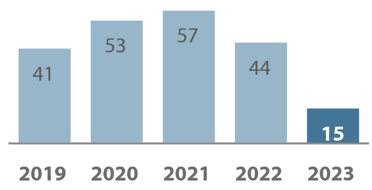
1. Extracting Maximum Value from Our Operations

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

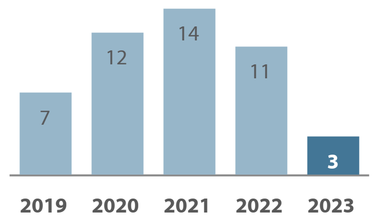
US$ per carat achieved



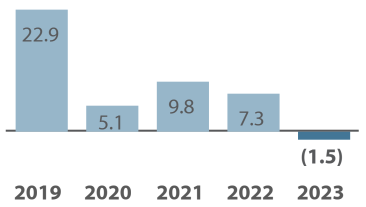
Underlying EBITDA (US$ millions)



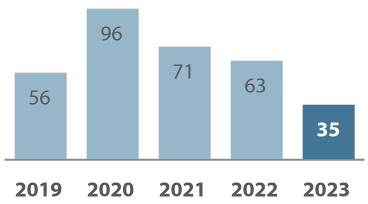
Return on average capital employed (%)



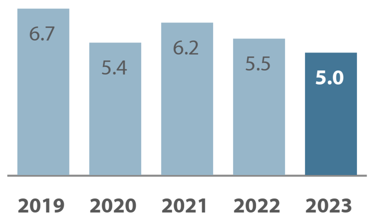
Basic earnings / (loss) per share (BPS) (pre-exceptional items) (US cents)



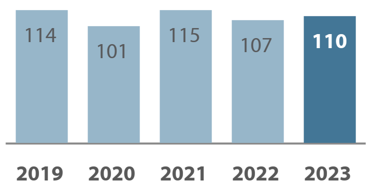
Cash generated from operating activities (US$ million)



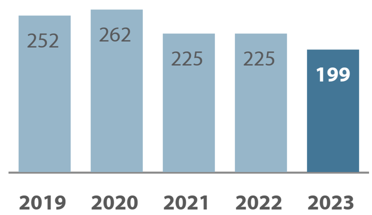
Ore tonnes treated (millions)



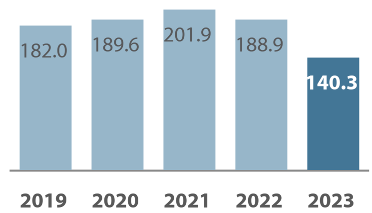
Carats recovered (thousands)



>20 carat recoveries



Revenue (US$ million)



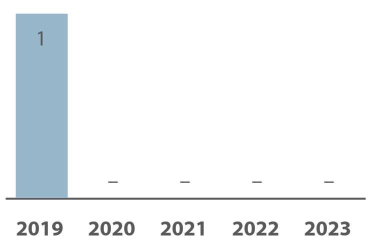
[1] *Refer Note 4, Operating profit on page 147 for the definition of non-GAAP (Generally Accepted Accounting Principles) measures.*

2. Working Responsibly and Maintaining Our Social Licence

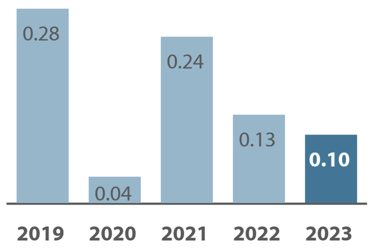
What this objective entails	KPIs related to the objective
Embed a culture of zero harm and responsible care for our workforce, PACs and environment, and drive the eight priority UN SDGs the Group has adopted: • No poverty • Zero hunger • Good health and well-being • Clean water and sanitation • Decent work and economic growth • Reduced inequalities • Responsible consumption and production • Climate action	• Safety measures: Zero fatalities, LTIFR[1], AIFR[1] • Best environmental practices adopted • Zero major environmental or stakeholder incidents • Zero significant residue storage facility breaches • Sustainability legal compliance • Community investment • ISO certifications • Fair remuneration practices • Employment opportunities for communities • Adopted ethical Modern Slavery & Child Labour policies • Anti-bribery & Corruption policy • Decarbonisation target adopted

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

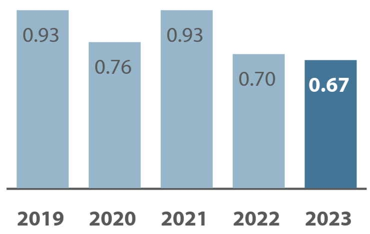
Fatalities



LTIFR



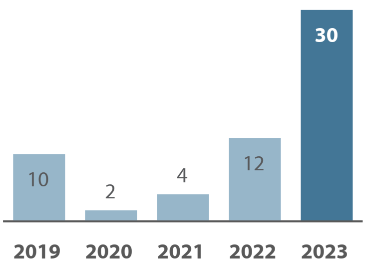
All injury frequency rate (AIFR)



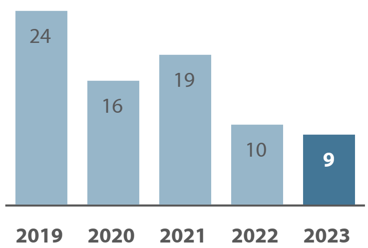
3. Preparing for Our Future

What this objective entails	KPIs related to the objective
• Investigating and implementing alternative lower energy solutions • Assess external growth opportunities • Long-term mine planning and optimisation	• Capital expenditure (excluding waste) • Waste tonnes mined • Extending life of mine • Mining in accordance with life of mine plan • Mergers and acquisitions

Capital expenditure (excluding waste) (US$ million)



Waste tonnes mined (millions)



RISK MANAGEMENT

HOW WE APPROACH RISK

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

Risk management framework

Oversight

BOARD OF DIRECTORS

The Board is responsible for the overall approach to risk management for the Group and provides stakeholders with assurance that key risks are properly identified, assessed, mitigated and monitored. The Board maintains a formal Group risk management framework, assesses and approves the overall risk appetite and tolerance, and formally evaluates the effectiveness of the Group's risk management and internal control processes. It confirms that the process is appropriately 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 challenges mitigating plans with management.

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

Governance

AUDIT COMMITTEE

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

SUSTAINABILITY COMMITTEE

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

Responsibility

MANAGEMENT

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

GROUP INTERNAL AUDIT

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

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

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

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

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

1. Variability in cash generation	Risk: Marginal cash resources and variability of cash flows could negatively affect the Group's ability to effectively operate, repay debt and fund capital projects, and impacts strategic short and long-term decision-making. The risk is directly impacted by other principal risks such as rough diamond demand and prices, variability of the resource, economic viability of reserves and volatility of exchange rate.	Risk response: • Rigorous cost and capital discipline is in place • Funding facilities are in place to manage variability in the short to medium term • Focus on cost discipline to achieve greater operational efficiencies • Ongoing drive for continuous improvement to deliver operational efficiencies	Strategic impact:
2. Diamond resources and reserves	Risk: Letšeng's low-grade orebodies make the operation sensitive to resource variability. Unexpected variability in key resource/reserve criteria, such as volume, tonnage, grade and price, could significantly impact mine planning, forecasting and financial stability, both in the short and medium term, and could influence decisions regarding future growth.	Risk response: • Gathering geological evidence on variations within the resource (lithology, density, volume/tonnage, grade, diamond population size and value distribution), applying industry best practice and engaging independent experts to audit and provide advice • Optimised mine plan • 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, and monitoring recovery data on a daily and monthly basis, as well as per export period, to follow trends in diamond distributions, large stone recovery frequencies and average diamond prices per kimberlite domain	Strategic impact:

3. Rough diamond demand and prices	Risk: Numerous factors beyond our control could affect the price and demand for diamonds. These factors include geopolitical tension, macro-economic conditions, global diamond production levels and consumer trends. Medium to long-term demand is forecast to outpace supply, but short-term uncertainty and liquidity constraints within the diamond sector may negatively impact rough diamond pricing.	Risk response: • Monitoring market conditions and trends • Flexibility in sales processes and utilisation of multiple sales and marketing channels including additional viewing opportunities • Ability to enter into partnership agreements to share in the upside of polished diamonds • Maintaining the integrity of the tender process	Strategic impact:
4. Availability of sustainable and reliable power supply	Risk: Regular power interruptions (load shedding by the South African power utility, Eskom) compound the need for and cost of self-generated power and escalated diesel prices. Unscheduled power interruptions and poor quality of power supply reduce the available processing time and negatively influence the reliability and stability of plant equipment.	Risk response: • Exploring solutions with the Lesotho Electricity Company (LEC) for grid and/ or renewable power • Assessing the potential to generate renewable energy for own use • Prioritisation of load and allocation of power • Identification and implementation of consumption-reduction initiatives	Strategic impact:
5. Growth and access to capital	Risk: The volatility of the Group's share price and lack of growth opportunities negatively impact the Group's market capitalisation. Constrained cash flows add pressure on returns to shareholders. The Group currently relies on a single mine with a finite life for its revenues, profits and cash flows.	Risk response: The Group's strategic objectives are to drive share price growth through: • Assessing mergers and acquisitions and diversification opportunities • Focusing on existing operations to unlock further value through rationalisation and efficiency improvements	Strategic impact:
6. Workforce	Risk: Achieving the Group's objectives and sustainable growth depend on the ability to attract and retain suitably qualified, experienced and ethical employees. Gem Diamonds operates in an environment and industry where shortages in experience and skills are prevalent.	Risk response: • Human resource practices are designed to identify skills shortages and implement development programmes and succession planning for employees • Remuneration practices and incentives are in place to appropriately remunerate and retain skills • Training and coaching plans are in place to address skills and experience shortages	Strategic impact:

7. Information Technology (IT) and Operational Technology (OT) systems, and cybersecurity	Risk: The Group's operations rely on secure OT and IT systems to process financial and operating data in its information management systems. If these systems are compromised, there could be a material adverse impact on the Group through a lack of production and/or compromised recovery parameters.	Risk response: • Application of technical and process IT controls and policies in line with industry-accepted standards • Appropriate back-up procedures, firewalls and other appropriate security applications in place • Vulnerability assessments to define gaps and devise corrective actions	Strategic impact:
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.	Risk response: • Robust business continuity plans are in place to ensure limited delays due to disruptions • Appropriate levels of critical resources (fuel, ore stockpiles, etc) are maintained to mitigate the impact of any production interruptions • Appropriate insurance is maintained	Strategic impact:
9. Health, safety and wellness	Risk: The probability of a major health or safety incident occurring is inherent to mining operations. Such incidents could impact the well-being of employees, PACs, our licence to operate, the Group's reputation, and compliance with our mining lease agreement. The health and safety of our people is critical to the business.	Risk response: • Appropriate health and safety policies and practices and training and awareness campaigns are in place • Dam safety management framework has been implemented in alignment with the ICMM's GISTM • ISO 45001 accreditation is maintained • A safety management and leadership programme, visible felt leadership, and detection and prevention strategies have been developed and implemented • We continually assess the organisational safety culture maturity to address current and emerging issues	Strategic impact:
10. Security of product	Risk: Theft is an inherent risk in the diamond industry. The high-value nature of the product at Letšeng makes it susceptible to theft and could result in significant losses that would negatively affect revenue, cash flows and strategic short and long-term mine plan decision-making.	Risk response: • Zero tolerance of non-conformance to diamond security policies and regulations • Advanced security access control and surveillance system is in place. • Monitoring of security process effectiveness is performed by the Executive Committee and the Board • Appropriate diamond specie insurance cover is in place • Vulnerability assessments and assurance audits are conducted by internal and independent third parties	Strategic impact:

	Risk:	Risk response:	Strategic impact:
11. Social licence to operate	The Group's social licence to operate is underpinned by the support of its stakeholders, particularly employees, regulators, PACs and society. This support is an outcome of the way the Group manages issues such as ethics, labour practices and sustainability in our wider environment, as well as our risk management and engagement activities with stakeholders.	• The implementation of an appropriate CSI strategy based on a community needs analysis that provides infrastructure and access to education and healthcare and supports local economic development • Adoption of relevant standards, best practices and strategies • Appropriate governance structures across all levels of the Group, including established Employee Engagement Committee • Regular engagement with all stakeholders, including government, regulators, community leadership and PACs	
12. Climate change	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. The uncertainty of potential carbon taxes and the impact of climate change present significant current and future risks to the Group which, if not identified and managed responsibly, could negatively impact the Group's long-term operational and financial resilience.	• TCFD recommendations adopted and climate change strategy developed • Adoption of a Group decarbonisation strategy and 2030 target • Governance and management practices implemented to oversee the implementation of the adopted strategy and 2030 target • New reporting standards adopted • Adoption of UN SDG framework • Carbon emissions monitoring and reporting	

13. Environmental	Risk:	Risk response:	Strategic impact:
	Failure to manage vital natural resources, environmental regulations and pressure from neighbouring communities could affect the Group's ability to operate sustainably. Furthermore, investors and stakeholders are increasingly focused on environmental practices.	• Appropriate sustainability and environmental policies are in place and regularly reviewed • The current behaviour-based care programme embeds environmental stewardship • A dam safety management framework has been implemented • Annual social and environmental management plan audit programme has been implemented • ISO 14001 (Environmental Management) accreditation maintained • Adopted the UN SDG framework • Rehabilitation and closure management strategy adopted and updated annually • Implementation of an integrated water management framework • Concurrent rehabilitation strategy implemented	

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

EMERGING RISKS

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

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

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

- lab-grown diamonds attracting a larger market share;
- generational shifts in consumer preferences; and
- future workforce (automation, skills for the future, etc).

VIABILITY STATEMENT

The Board has assessed the viability of the Group over a period significantly longer than 12 months from the approval of the financial statements, in accordance with the UK Corporate Governance Code. The Board considers three years from the financial year end to be the most relevant period for consideration for this assessment, given the Group's current position and the potential impact on the Group's viability of the principal risks documented on pages 21 to 26.

While the Group maintains a full business model, based predominantly on the life of mine plan for Letšeng, the Group's annual business and strategic planning process also uses a three-year time horizon. This process is led by the CEO and CFO and involves all relevant functions including operations, 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, the environment in which the Group operates, and the current short-term mine plan, even though the life of mine, the mining lease tenure and available estimated reserves exceed three years.

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

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

GROUP FACILITIES

The Group has access to US$71.0 million in RCFs when fully available. Of these RCFs, US$30.6 million was utilised at the end of the year. The Group's RCFs mature on 22 December 2024. The existing facility agreement includes an option to extend the facilities for a period of 24 months (subject to lender approval). The Group may also decide to renew these facilities for a potentially longer period of 36 months. These facilities have been in place since 2011 and have been renewed on three previous occasions through expanding the lender group and increasing the overall facility amount. In addition, there is a general banking facility of US$5.5 million with no set expiry date, but which is reviewed annually by the lenders. This facility was fully available at the end of the year.

ROUGH DIAMOND MARKET

Demand and prices for rough and polished diamonds exhibited material weakness and declined year-on-year by as much as 40% in certain categories of diamonds, as reported by some of the world's major diamond producers. The offloading of large, high-value polished diamonds by other producers has had a detrimental effect on the top end of the diamond market. All of these factors placed severe pressure on rough and polished diamond prices during 2023.

RISING COSTS

At Letšeng, the impact of a wide array of operating costs rising at a rate markedly higher than inflation put strain on the business. In particular, the fact that Letšeng is reliant upon South African grid electricity supplier Eskom, which is currently plagued with poor operating performance leading to frequent load shedding, resulted in a rise in the use of more expensive diesel-powered generators. The price of diesel also remains high which has a direct impact on costs due to the large volumes of diesel used in the loading and hauling of ore and waste tonnes. The Group strives to mitigate these rising costs through stringent cost control and efficient mining, evidenced through the recent right-sizing and insourcing initiatives.

CLIMATE CHANGE

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

In terms of transitional risks, as users of grid-supplied and fossil fuel energy, the short-term focus is on improving energy efficiencies in our operational processes and reducing the use of fossil fuels. 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 uncertainty around the cost and timing of implementation of carbon-related taxes, the impact of such taxes on the Group's operations and cash flows has been excluded from the viability assessment and scenario stress testing. Management and the Board will continue to assess these impacts as the information becomes more certain. The Group has adopted a carbon-pricing model that will be used to responsibly assess the potential financial impact of future projects. The Group has also adopted a decarbonisation strategy that is aimed at reducing potential future carbon tax liabilities.

STRESS TESTS

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

Effect	Extent of sensitivity analysis	Related principal risks	Area of business model affected
A decrease in forecast rough diamond revenue from reduced market prices or production volumes caused by unforeseen production disruption due to climate-related events, electricity grid disruptions or any other events.	22%	• 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.	19% (R15.25:$1)	• Variability in cash generation	• Financial capital inputs and outcomes
An increase in mine operating costs caused by volatility in diesel, explosives and other consumable prices.	27%	• Variability in cash generation	• Financial capital inputs and outcomes

[1] *Refer Note 4, Operating profit on page 147 for the definition of non-GAAP measures.*

CONCLUSION

The Group ended the year in a net debt[1] position of US$21.3 million and undrawn available credit facilities of US$45.9 million. These facilities expire on 22 December 2024 and have an option to extend the facilities for a period of 24 months (subject to lender approval). The Group will follow all necessary processes to extend the facilities for this available period or renew the facilities for an extended period, as has been the practice in the past.

During the final year of the viability period, in 2026, there will be no Satellite pipe ore available for processing which will negatively impact overall revenue and cashflows and access to RCFs will be required. It is estimated, based on the current life of mine plan, that the availability of this higher-value ore will resume in 2030.

Letšeng, the Group's core asset, is cash generative over the viability period and remains flexible in being able to adjust its operating plans within the normal course of business. In the unlikely event that the RCFs are not renewed further cost-reduction initiatives could be implemented during the viability period, and ongoing optimisation of the mine plan (as mentioned in the COO Review on page 48) may further reduce the cost profile in the period. Based on the robust assessment of the principal risks, prospects and viability of the Group, and the successful extension of the facilities, 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 2026.

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

PERFORMANCE REVIEW

CHIEF EXECUTIVE OFFICER'S REVIEW

Challenging macro-economic conditions negatively impacted the diamond market in 2023.

2023 was a challenging year globally, with surging inflation and interest rates in major economies, two international conflicts and a subdued overall global economic outlook. The Israel-Hamas conflict in Gaza is detrimental to the diamond market because Tel Aviv is one of the world's most important diamond trading centres. The attacks by Yemen's Houthi rebels on cargo vessels in the Red Sea from the beginning of 2024 are expected to further challenge supply chains not yet fully recovered after the COVID-19 pandemic.

In the diamond industry, aggressive overstocking post-COVID-19 led to high inventory levels resulting in an inevitable oversupply of polished diamonds. Given China's importance as a consumer of polished diamonds, the sluggish growth of its economy contributed to the decrease in demand, which was exacerbated by slow economic growth in other important consumer markets such as the US and the rest of Asia. There is evidence of below market sales of large, high-value polished diamonds by certain manufacturers that has had a detrimental effect on the top end of the diamond market. These factors have placed severe pressure on rough and polished diamond prices during 2023.

The manufacturing of lab-grown diamonds has continued to double every year since 2015 and is forecast to reach 20 million carats in 2024. Although lab-grown diamonds have increased in availability and popularity due largely to their favourable price point, we have not seen it impact the demand for Letšeng's large, high-value diamonds; these goods are on the opposite side of the spectrum when it comes to value and quality. Lab-grown diamonds have taken the place of other natural diamond look-alikes such as cubic zirconia and moissanite, and are regarded as consumer goods, not investments. Lab-grown diamonds can be compared to what "fast fashion" is to the premium clothing industry. In order to clearly differentiate them from natural diamonds, and avoid any confusion of the two by consumers, it is notable that the French Government recently ruled that these diamonds may only be referred to as "synthetic".

The Letšeng mine continued to grapple with increased operating costs, mainly because of inflation and higher diesel consumption due to Eskom's continued load shedding, which increased its reliance on diesel-powered generators. Considering these challenges, there was no choice but to relentlessly focus on cost control measures, enhance operational efficiencies, rigorously evaluate capital projects against measurable returns, and defer non-essential longer-term projects.

The diamond market suffered in the face of challenging external factors, putting downward pressure on rough and polished prices.

Clifford Elphick
CEO

As reported in our Half-year Report 2023, a further right-sizing programme commenced at Letšeng in March 2023 and the workforce element of the programme was completed in June. The programme was aimed at more effectively and efficiently aligning the workforce to operational requirements.

Letšeng concluded the early termination of the mining services agreement with MMIC on 1 December. It is pleasing to report the smooth transition to owner mining, which included the transfer of all relevant equipment and employees to Letšeng. Employment was effective 1 February 2024 and MMIC employees remained on contract until this date. The process was well managed by senior management, and we are already seeing significant benefits from this transaction, both financially and operationally. The full details of the transaction are included in the CFO Review on page 34.

Several changes were made to the senior leadership structure at Letšeng. Kelebone Leisanyane retired from his position as CEO of Letšeng at the expiration of his contract at the end of June. We would like to thank Kelebone for his valuable contribution during his tenure as CEO. He was succeeded by Motooane Thinyane, previously the Head of Operations. Motooane has been a senior manager and executive of Letšeng for the past eight years. An important part of his role will be spearheading the identification and implementation of appropriate alternative energy solutions. Gideon Scheepers was appointed to the position of Operations Director. Gideon has 32 years of extensive experience in diamond mining and related processes, many of these in the Lesotho diamond mining industry.

Glenn Turner, the Chief Commercial and Legal Officer of the Group, retired at the end of April. Glenn's expertise and leadership was invaluable to the Group over the past 16 years. I have worked with Glenn for many years both at De Beers and subsequently at Gem. We have relied heavily on him as an experienced and deeply trusted colleague. His sound judgement, legal knowledge and commercial experience have helped steer the Group through challenging times and his absence will leave a huge gap. We wish him all the best with this new chapter in his life.

We continue to work well with the newly elected Lesotho Government. Three new non-Executive Directors appointed by the Lesotho Government joined the Letšeng Board during the year. We welcome them and look forward to their valuable contribution and support while we navigate a challenging macro-economic and operating environment. We would also like to thank the outgoing Directors for their dedication and commitment during the time they served on the Letšeng Board.

We concluded the implementation of our TCFD adoption strategy in 2023 and are actively working towards our decarbonisation target of a 30% reduction in Scope 1 and 2 emissions by 2030 (measured against our 2021 footprint). We are pleased to report that in 2023 we achieved a 26% reduction against the 2021 baseline of our decarbonisation target.

Letšeng's underground pre-feasibility study was completed during the year and the results show that underground mining in the Satellite pipe is not currently economically viable. These options for both the Main and Satellite pipes may be revisited when macro-economic and diamond market conditions improve. Letšeng will therefore, on current and foreseeable economics, continue with open pit mining and pursue mine plan optimisation options to ensure maximum value for all stakeholders.

Our NI 43-101 Technical Report containing Letšeng's 2024 Resource and Reserve Statement will be published following an in-depth resource development programme over the past number of years. The detailed documents will be available on the Group's website at www.gemdiamonds.com.

Refer to the COO Review for more details on the underground study on page 44 and the 2024 Resource and Reserve statement on page 45.

EXTRACTING MAXIMUM VALUE FROM OUR OPERATIONS

We have operated safely, responsibly and efficiently during the year with an ongoing focus on cost containment and control and enhancing operational efficiencies. Production stabilised and volumes of ore treated increased in H2 2023 compared to H1 2023, with the implementation of targeted initiatives to improve plant stabilisation and increase diamond recoveries.

Five diamonds greater than 100 carats were recovered during the year. Exceptional sales during the year included a 7 carat pink diamond that was sold for US$282 889 per carat, the third-highest dollar per carat achieved for a Letšeng diamond. In addition, three large high-quality Type IIa white diamonds of 58 carats each were sold for US$36 399 per carat, US$34 441 per carat and US$34 252 per carat, respectively.

We have an effective, transparent and competitive tender sales process in Antwerp. The limited supply agreement that was concluded in 2022 with two important diamond manufacturing customers who supply polished diamonds to some of the world's most premium luxury brands has continued. These diamonds are polished to precise specifications required by the brands and additional value is realised for the Group. This is a further step in the Group's strategy of focused delivery of top-quality diamonds to promote Letšeng as an exceptional diamond brand, Lesotho as the origin and therefore to achieve premium prices for its diamonds.

The operational performance of the Letšeng mine is discussed in more detail in the COO Review on page 41.

The challenging macro-economic environment and downturn in the diamond market resulted in pressure on rough diamond prices, which had a direct and significant impact on our financial results. The average price achieved decreased to US$1 334 per carat compared to US$1 755 per carat in 2022. The lower prices achieved resulted in total revenue of US$140.3 million and underlying EBITDA[1] of US$15.2 million. The Group ended the year in a net debt[2] position of US$21.3 million.

Full details of the Group's financial performance are included in the CFO Review on page 34.

[1] *Refer Note 4, Operating profit on page 147 for the definition of non-GAAP (Generally Accepted Accounting Principles) measures.*
[2] *Net debt is a non-GAAP measure and calculated as cash and short-term deposits less drawn down bank facilities (excluding insurance premium financing).*

WORKING RESPONSIBLY AND MAINTAINING OUR SOCIAL LICENCE

One of our proudest accomplishments in 2023 was the Group's safety performance. There were no fatalities for the fourth consecutive year, two LTIs (2022: three), and we achieved an overall AIFR of 0.67 (2022: 0.70), our lowest AIFR on record. The drive to mature the organisational safety culture since June 2021 has yielded positive results of which we are very proud. We will continue to entrench a workplace safety culture founded on individual responsibility, mutual care and collaboration.

We adhere to the highest environmental management standards. We are proud to report that Gem Diamonds' work in sustainable water treatment and community water initiatives during 2022 was recognised by the award in the Water category conferred by the Mining Indaba Sustainability Committee Junior ESG Awards Committee in February 2023.

In order to improve the quality of water from the mine, we introduced two small-scale mobile bioremediation plants in 2023. Results from these plants indicate an effective reduction in nitrates in the water flowing through these plants. Construction of a ~300 kilolitre per day plant was completed in December 2023 and commissioned in February 2024.

Our residue storage facility management process aligns with the ICMM's GISTM. Our residue storage and freshwater facilities are subject to regular inspections by external experts. These professional external reviews, together with the internal governance, management, monitoring and reporting processes, ensure that our residue storage and freshwater dam management is both effective and closely monitored.

In 2023, we adopted two additional UN SDGs, being Zero Hunger and Climate Action. Our CSI activities are focused on supporting infrastructure development, education and health while assisting and stimulating small businesses. In 2023, we supported small agricultural operations including those in egg, vegetable and dairy production, provided scholarships for tertiary education, and constructed classrooms at schools. From 2016 to 2023 the Group invested US$4.8 million in sustainable CSI initiatives.

In 2023, Letšeng contributed a total of US$15.5 million (LSL285.8 million) to the Lesotho fiscus in the form of taxes and royalties alone. We are proud of our contribution to this developing economy and our position as a significant taxpayer and employer.

GEM DIAMONDS' CONTRIBUTION TO LESOTHO

Jobs for **1 297 employees** and contractors of which 99% are Basotho nationals

Local procurement **US$80.6 million** (LSL1 548.0 million)

Local procurement directly from PACs **US$1.6 million** (LSL29.5 million)

Local procurement from regional communities **US$34.2 million** (LSL631.0 million)

Investment in **training** to improve individual skills

55 bursaries and scholarships for local students since 2007

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

PREPARING FOR THE FUTURE

In 2024, we aim to deliver the business plan approved by the Board. This includes achieving our financial and operational targets with a focus on cost control measures and improved operational efficiencies. Every single contract, capital project and expense is being interrogated and scrubbed for absolute necessity. We will continue to focus on our safety performance by maintaining the cadence of safety interventions, critical control management, visual safety leadership and communication with the workforce.

The increase in load shedding and consequent reliance on diesel-powered generators with their associated costs have intensified our need to identify and implement alternative energy solutions for the short, medium and long term. The criteria for these solutions are that they must be renewable, reliable and reduce costs. We are making progress on this important workstream.

Our capital plans include funding for projects that will sustain growth and value creation. The planned capital-intensive projects in 2024, although not financially significant, include recovery plant and sort house enhancements, the required extension of the Patiseng coarse residue storage facility to align its capacity with future mining activities, and necessary screen replacements in both the treatment plants.

Now that the NI 43-101 Technical Report containing Letšeng's 2024 Resource and Reserve Statement will be published, we will carefully consider our long-term mine plan to ensure the delivery of sustainable value for all stakeholders.

OUTLOOK

Pressure on the diamond market has persisted into 2024, although there have been some signs of price recovery at the top and bottom end. We are cautiously optimistic that prices will stabilise and that there will be some growth towards the end of 2024. Global economic growth outlooks for major economies and important diamond consumer markets such as the US and China remain uncertain. It is worth noting that almost half of the global population is expected to participate in national elections during 2024, which will likely cause further economic and geopolitical uncertainty.

It is pleasing to note that the global luxury market continued to grow in 2023 and remains poised to expand further in 2024. The luxury market appears well positioned to cope with economic turbulence, with a larger and more resilient consumer base.

In the medium to long term, rough diamond prices should be supported by favourable demand and supply fundamentals, with a projected further decrease in natural rough diamond supply. This dynamic of rising demand and constrained supply is expected to benefit high-quality rough diamonds in particular. The fundamentals that underpin our business are sound and strongly position Gem Diamonds for success.

APPRECIATION

I would like to thank the Board for their support and commitment in 2023. We are grateful for our workforce and appreciate the dedication required to deliver the safety performance we saw in 2023. We also appreciate their commitment to delivering our strategic goals and to living our values. I would like to thank our customers for their continued trust in Letšeng's diamonds, and our shareholders for their support. Finally, I would like to thank the Government of the Kingdom of Lesotho for their support and open and transparent communication. We look forward to a productive 2024.

Clifford Elphick

Chief Executive Officer

13 March 2024

CHIEF FINANCIAL OFFICER'S REVIEW

The financial performance of the Group in 2023 was disappointing, driven by a downturn in the diamond market that resulted in lower diamond prices achieved.

The turbulent global economic conditions from the previous year continued into 2023 with high inflation, interest rate hikes and slow overall economic growth in major economies. The continued Russian invasion of Ukraine and the recent conflict in Gaza further impacted the global economy and specifically the diamond market. Locally, the ever-increasing load shedding by the South African grid electricity supplier, Eskom, put pressure on the operating environment and costs. These factors had a significant impact on diamond prices achieved and costs incurred during the year, resulting in lower EBITDA compared to 2022. This necessitated a renewed focus on cost containment and improvement in operational efficiencies.

Operationally, Letšeng performed in line with expectations despite several challenges posed by high rainfall and increased electricity supply disruptions (refer to the COO Review on page 41). The pressure experienced on the diamond market significantly impacted rough and polished diamond prices and resulted in an average price of US$1 334 per carat for the year, with revenue from the sale of rough diamonds of US$139.4 million. In addition, US$0.9 million of margin uplift was generated, bringing total revenue for the year to US$140.3 million.

Underlying EBITDA decreased to US$15.2 million from US$43.7 million in 2022. The Group reported a loss attributable to shareholders for the year of US$2.1 million, equating to a basic loss per share of 1.5 US cents on a weighted average number of shares in issue of 139.5 million.

The Group ended the year with a cash balance of US$16.5 million and drawn down facilities of US$37.8 million, resulting in a net debt position of US$21.3 million and available undrawn facilities of US$45.9 million.

The global economic environment necessitated a renewed focus on cost containment and cash generation.

Michael Michael
CFO

Summary of financial performance

Refer to the full annual financial statements from page 118.

US$ million	2023	2022
Revenue from contracts with customers	**140.3**	188.9
Royalties and selling costs	**(15.3)**	(20.3)
Cost of sales[1]	**(102.1)**	(116.3)
Corporate expenses (excluding depreciation)	**(7.7)**	(8.6)
Underlying EBITDA[2]	**15.2**	43.7
Depreciation and mining asset amortisation	**(7.3)**	(8.4)
Share-based payments	**(0.3)**	(0.3)
Other operating income/(expenses)	**–**	(2.4)
Foreign exchange gain	**2.8**	1.9
Net finance costs	**(4.7)**	(4.1)
Profit before tax for the year	**5.7**	30.4
Income tax expense	**(4.1)**	(10.2)
Profit after tax for the year	**1.6**	20.2
Non-controlling interests	**(3.7)**	(10.0)
Attributable (loss)/profit	**(2.1)**	10.2
(Loss)/earnings per share (US cents)	**(1.5)**	7.3

1 *Including waste stripping costs amortisation but excluding depreciation and mining asset amortisation.*
2 *Underlying EBITDA as defined in Note 4, Operating profit of the notes to the consolidated financial statements.*

Revenue

Revenue decreased 26% compared to 2022, mainly due to lower prices achieved as a result of a downturn in the diamond market and a decrease of 3% in carats sold (104 520 carats compared to 107 498 in 2022). Rough diamond revenue of US$139.4 million (2022: US$188.6 million) was generated at Letšeng, achieving an average price of US$1 334 per carat (2022: US$1 755 per carat).

Additional revenue is generated through an arrangement with two diamond manufacturing customers to supply polished diamonds to some of the world's most premium luxury brands, and other partnership arrangements. These agreements allow the Group to share in the margin uplift on the sale of polished diamonds. In 2023, additional revenue of US$0.9 million (2022: US$0.3 million) was generated from these arrangements.

US$ million	2023	2022
Group revenue summary		
Rough diamond sales	**139.4**	188.6
Polished diamond margin	**0.9**	0.3
Group revenue	**140.3**	188.9

Insourcing of the mining activities

Matekane Mining Investment Company (Proprietary) Limited (MMIC) has been the provider of mining services to Letšeng since 2005. Following the election of Mr Sam Matekane (the ultimate owner of MMIC) as Prime Minister of Lesotho in October 2022, Letšeng carefully considered its options to resolve the potential conflict of interest created by being in a business relationship with a politically exposed person.

Effective 1 December 2023, Letšeng reached an agreement with MMIC to early terminate the mining services contract, 11 months ahead of its scheduled contractual end date of 31 October 2024, and insourced these activities. Letšeng acquired the mining fleet and support equipment that was used exclusively for Letšeng, and offered employment to those MMIC employees working exclusively for Letšeng, in line with operational requirements. Employment was effective 1 February 2024 and MMIC employees remained on contract until this date.

The total purchase price, which was determined with the assistance of external third-party valuators, was US$22.7 million. Payment terms were agreed whereby US$13.0 million was paid on the effective date, US$9.3 million was paid in January 2024, and a retainer of US$0.4 million was withheld for equipment under repair at the effective date and subsequently settled in early March 2024.

The full purchase price was capitalised to the statement of financial position and the fleet and equipment will be depreciated over the useful life of each asset based on the available production hours. The financial results for the year include one month of depreciation on the acquired fleet.

This transition to owner mining creates further opportunities for Letšeng to maximise mining efficiencies, reduce costs through eliminating contractor margins, and manage mining procurement directly, and enables further flexibility in the planning and execution of its mining activities. All these factors will contribute to a more efficient and cost-effective operation. The full benefit of the insourcing of the mining activities will be seen from 2024 onwards.

Expenditure

Energy costs

The increased load shedding by Eskom in 2023, which impacted 335 days of the year (compared to 205 in 2022), has necessitated an increase in diesel usage due to Letšeng's reliance on diesel-powered generators to operate the treatment plants uninterruptedly. This increase was partially set off by a decrease in diesel usage for mining activities due to lower volumes mined (refer to the COO Review on page 41) and the full year benefit of previously implemented lower-energy consumption initiatives.

The net impact was a 0.1 million litre increase in diesel consumption compared to the prior year. The average cost per litre of diesel decreased by 2% from 2022. Overall, it resulted in a 1% decrease in diesel costs, in local currency, to LSL336.0 million (US$18.2 million) from LSL340.6 million (US$20.8 million) in 2022.

Grid electricity usage decreased due to increased load shedding during the year. The marginal 3% decrease in cost to LSL54.9 million (US$3.0 million) was set off by a 7.9% rate increase.

Overall energy costs, including diesel and electricity, amounted to LSL390.9 million (US$21.2 million) in 2023 (2022: LSL397.0 million, US$24.3 million), a 2% decrease from 2022 in local currency. Energy costs as a percentage of direct cash costs remained unchanged at 27%, and the energy cost per tonne treated increased by 8% from LSL72.09 in 2022 to LSL77.79 in 2023, driven by lower volumes of tonnes treated.

Letšeng Unit Cost Analysis

Unit cost per tonne treated	Direct cash costs	Third plant operator costs	Total direct cash operating costs	Non-cash accounting charges[2]	Total operating cost	Waste cash costs per waste tonne mined
2023 (LSL)	**288.54**	**–**	**288.54**	**85.87**	**374.41**	**66.03**
2022 (LSL)	252.50	10.57	263.07	82.02	345.09	66.74
% change	14	(100)	10	5	8	(1)
2023 (US$)	**15.63**	**–**	**15.63**	**4.66**	**20.29**	**3.58**
2022 (US$)	15.42	0.65	16.07	5.01	21.08	4.08
% change	1	(100)	(3)	(7)	(4)	(12)

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

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

Operating expenditure

Group cost of sales (excluding depreciation) decreased by 12% in 2023 to US$102.1 million from US$116.3 million in 2022.

- Direct cash costs (excluding waste) remained virtually unchanged at LSL1 449.8 million (2022: LSL1 448.6 million). In 2023 these costs were affected by energy costs (detailed above), price increases from suppliers on explosives, equipment, spare parts and tyres, and additional once-off severance payments and related consulting fees due to the right-sizing of the Letšeng operation (refer to the COO Review on page 43). Direct cash costs per tonne treated increased by 14% to LSL288.54 from LSL252.50 in 2022, impacted by the lower volume of tonnes treated in the year. The third plant operator's (Alluvial Ventures or AV) contract expired on 30 June 2022. Ore tonnes treated decreased 9% to 5.0 million tonnes (2022: 5.5 million tonnes of which AV contributed 0.4 million tonnes). On a like-for-like basis (excluding the impact of AV), the 2022 unit costs would be LSL274.48 per tonne treated, resulting in a year-on-year increase of 11%, which is driven by the additional costs mentioned above.
- Non-cash accounting charges refers to waste amortisation, stockpile and diamond inventory movements and finance lease costs. These charges decreased 4% to LSL431.5 million (2022: LSL451.7 million), mainly due to the combination of an increase in total waste amortisation charges of LSL723.2 million (2022: LSL594.0 million), despite lower tonnes treated during the year, and the impact of the increase in stockpile tonnes on hand from 0.7 million tonnes in 2022 to 1.1 million tonnes in 2023. The increase in waste amortisation charges was mainly driven by the reduction of the anticipated future ore tonnes from SC6W as a consequence of an updated pit design (refer to the COO Review on page 47). In US dollar terms, waste amortisation charges increased by 8% to US$39.2 million compared to US$36.3 million in 2022.
- Total operating costs in local currency decreased marginally to LSL1 881.3 million (2022: LSL1 900.3 million), which includes the impact of direct cash costs and non-cash accounting charges detailed above. The unit cost per tonne treated increased 8% to LSL374.41 per tonne treated (2022: LSL345.09 per tonne treated), mainly due to the 9% decrease in tonnes treated in the year.
- Waste cash costs decreased by 14% to LSL583.8 million from LSL677.7 million in 2022, which is in line with the 13% reduction in waste tonnes mined (8.8 million tonnes compared to 10.2 million tonnes in 2022). Initiatives such as the steepening of slopes in the Main pit and decreasing of waste hauling distances, implemented in 2022, resulted in a 1% decrease in waste cash cost per waste tonne to LSL66.03 (2022: LSL66.74) despite the lower waste tonnes mined.

US dollar-reported costs

Gem Diamonds' revenue is generated in US dollars, while the majority of operational expenses are incurred in the relevant local currency in the operational jurisdictions. Local currency rates for the Lesotho loti (LSL) (pegged to the South African rand) and Botswana pula (BWP) were weaker against the US dollar compared to 2022, which decreased the Group's US dollar-reported costs and increased local currency cash flow generation. The fluctuation of the exchange rates are set out in the table below:

Exchange rates	2023	2022	% change
LSL per US$1.00			
Average exchange rate	**18.45**	16.37	13
Year end exchange rate	**18.29**	17.02	7
BWP per US$1.00			
Average exchange rate	**13.36**	12.37	8
Year end exchange rate	**13.39**	12.75	5
GBP per US$1.00			
Average exchange rate	**0.80**	0.81	(1)
Year end exchange rate	**0.78**	0.83	(6)

Royalties and marketing costs

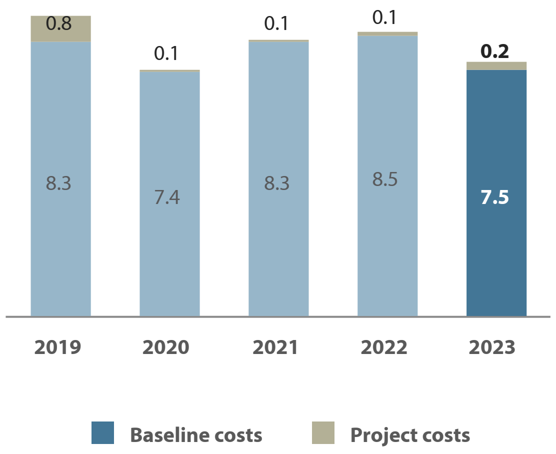
In terms of Letšeng's mining lease, royalties are paid to the Government of the Kingdom of Lesotho on the value of rough diamonds sold. The Group's sales and marketing operation in Belgium incurs costs relating to diamond selling and marketing. Royalties and selling costs decreased by 25% to US$15.3 million (2022: US$20.3 million) in line with the decrease in revenue.

Corporate costs

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

Corporate costs (excluding depreciation) were US$7.7 million, representing a 10% decrease from 2022. In 2023, US$0.2 million of project costs were incurred on the ongoing sales process of Ghaghoo and investigating external growth opportunities (2022: US$0.1 million).

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



Underlying EBITDA[1] and attributable profit

Group underlying EBITDA[1] decreased by 65% to US$15.2 million (2022: US$43.7 million), mainly due to the decline in revenue in the current year. The loss attributable to shareholders was US$2.1 million, which translates to a loss of 1.5 US cents per share based on a weighted average number of shares in issue of 139.5 million.

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

Statement of financial position – selected indicators

US$ million	2023	2022
Property, plant and equipment	**295.8**	293.5
Non-current: receivables and other assets	**4.5**	2.9
Current: receivables and other assets	**3.6**	4.9
Inventory	**37.6**	30.4
Net income tax receivable	**3.7**	2.3
Cash and short-term deposits	**16.5**	8.7
Non-current: interest-bearing loans and borrowings	**(5.2)**	(4.4)
Current: interest-bearing loans and borrowings	**(33.4)**	(1.6)
Net deferred tax liabilities	**(75.3)**	(76.0)
Non-current: rehabilitation provisions	**(14.2)**	(15.4)

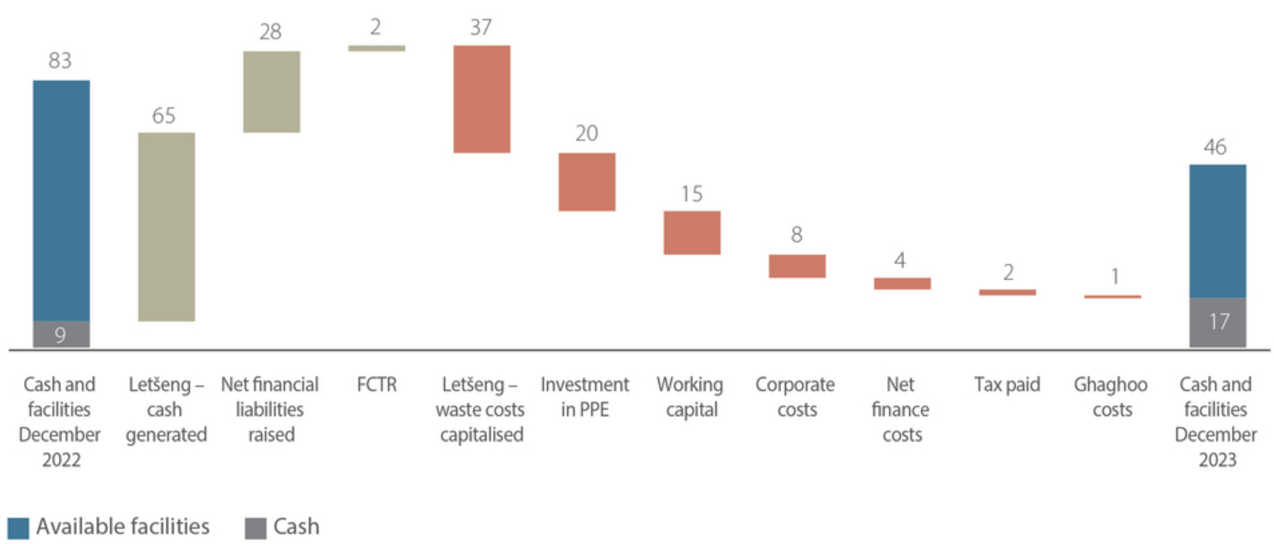
Capital expenditure

Total capital expenditure (excluding waste stripping) was US$30.4 million during the year (2022: US$11.9 million). The increase in 2023 was mainly due to the acquisition of the mining fleet and support equipment from MMIC for US$22.7 million, as detailed on page 35. The replacement of the PCA and the underground study that commenced in 2022 were completed. Three bioremediation plants were constructed, with the large-scale, ~300 kilolitre per day plant being commissioned in February 2024.

Cash on hand

The Group ended the year with cash on hand of US$16.5 million (2022: US$8.7 million) and net debt of US$21.3 million, which was a decrease in net cash of US$24.6 million year on year. Group cash generated by operations was US$56.1 million before capital and waste investment of US$57.1 million.

Cash movement (US$ million)



Loans and borrowings

The Group-wide debt facilities for Letšeng (LSL450.0 million and ZAR300.0 million) and Gem Diamonds (US$30.0 million), which were concluded in December 2021 for an initial three-year period, are due to expire in December 2024. The process to extend or renew the revolving credit facilities will commence in Q2 2024.

Letšeng has a ZAR100.0 million (US$5.5 million) general banking facility with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) reviewed annually. The facility was utilised from time to time during the year and was fully repaid by year end.

The funding partners to the existing facilities are Nedbank, Standard Bank and Firstrand Bank (through their respective operations). Nedbank's portion of the funding, totalling US$29.9 million, is a sustainability-linked loan (SLL), an innovative structure that links the margin and resultant interest rate on the SLL to the Group's ESG performance. The margin on the SLL will decrease subject to the Group meeting certain carbon reduction and water conservation KPIs that are aligned with the Group's sustainability strategy. These KPIs are assessed at the end of every financial year.

The two KPIs included for the SLLs both need to be met at each measurement date before the margin reduction on these loans becomes effective. At 31 December 2023, both the carbon emission and water conservation KPIs were met and therefore the margin reduction is expected to apply to any outstanding balance on these facilities in 2024.

In 2022, Letšeng implemented a four-and-a-half-year facility agreement with Nedbank for the replacement of the PCA for an amount of ZAR136.4 million (US$8.0 million). The facility is underwritten by the Export Credit Insurance Corporation of South Africa (ECIC). At the end of the availability period on 30 November 2023, an amount of LSL132.0 million (US$7.2 million) was utilised and the remaining balance expired. Quarterly repayments of this facility will commence from Q1 2024 until May 2027.

At year end, the Group had utilised facilities of US$37.8 million, resulting in a net debt position of US$21.3 million and available facilities of US$45.9 million. Gem Diamonds, the Company, ended the year with US$6.0 million of its facility drawn down (2022: nil) and US$24.0 million available. Letšeng ended the year with US$24.6 million (2022: nil) of its revolving credit facility utilised and US$16.4 million available.

Summary of loan facilities as at 31 December 2023

Company	Term/description/ expiry	Lender	Interest rate	Amount US$ million	Drawn down/ Balance due US$ million	Available US$ million
Gem Diamonds Limited	Three-year revolving credit facility Expires 22 December 2024	Nedbank Standard Bank Firstrand Bank	Facility A (US$30 million): Term SOFR + 5.26%	30.0	6.0	24.0
Letšeng Diamonds	Three-year revolving credit facility Expires 22 December 2024	Standard Lesotho Bank Nedbank Lesotho First National Bank of Lesotho Firstrand Bank	Facility B (LSL450 million): Central Bank of Lesotho rate + 3.25%	24.6	14.8	9.8
		Nedbank	Facility C (ZAR300 million): South African JIBAR + 3.05%	16.4	9.8	6.6
Letšeng Diamonds	Four-and-a-half-year project facility Expires 31 May 2027	Nedbank Export Credit Insurance Corporation	ZAR136 million South African JIBAR + 2.50%	7.2	7.2	–
Letšeng Diamonds	General banking facility Annual review in March	Nedbank	ZAR100 million South African Prime Lending Rate minus 0.70%	5.5	–	5.5
Total				83.7	37.8	45.9

Ghaghoo

The Board and management remain committed to exiting the Ghaghoo Diamond Mine in Botswana, either by sale, closure or handover of the mine. Ghaghoo ceased to be classified as a discontinued operation held for sale as at 31 December 2022 due to the highly probable requirements set out in IFRS 5 not being met.

Care and maintenance cash costs decreased to US$1.8 million in 2023 (2022: US$1.9 million), which amount is included in other operating expenses in the financial results. An additional US$0.2 million (2022: US$0.2 million) on the unwinding of the environmental rehabilitation provision resulted in a non-cash interest charge which is included in finance costs. In addition, a US$0.4 million reduction in the rehabilitation provision has been included in operating income and expenses.

A solar power solution was installed during the year. The solar plant was commissioned in January 2024 and completely replaces the existing diesel generator. This will result in future cost savings as it will eliminate costs related to generator rentals, diesel usage and transport.

The operation has also commenced site clean-up activities to prepare it for handover, the costs of which are included in the above cash costs.

Insurance

The perception of risk in the mining industry has improved, with insurers offering more competitive rates for mining companies. In 2023, insurance premiums for the Group were 15% lower compared to 2022. The Group is in the third year of a five-year multi-aggregate insurance policy to mitigate the increased risk of higher deductibles in the unlikely event of an unexpected loss.

Letšeng's insurance claim relating to diesel theft, which was identified in 2021, was settled during the year and is included in other operating income in the financial results. The business interruption claim for insured losses arising out of the COVID-19-related shutdown in 2020, where the mine was required to be placed on care and maintenance, is ongoing and we hope to receive an appropriate settlement in 2024.

Share-based payments

The share-based payment charge for the year was US$0.3 million (2022: US$0.3 million). At the AGM on 2 June 2021, shareholders approved the 2021 Remuneration Policy, which included the introduction of a post-termination shareholding, an employee pension alignment plan, as well as the new Gem Diamonds Incentive Plan (GDIP) for Executive Directors. On 21 April 2023, 1 060 055 nil-cost options were granted to certain key employees and Executive Directors under the GDIP. Refer to Note 26, Share-based payments on page 167 for more detail.

TAXATION

The Group applies all relevant principles in accordance with prevailing legislation in assessing its tax obligations. The Group's effective tax rate was 72.0%. Most of the Group's taxes are incurred in Lesotho, which has a corporate tax rate of 25%. The effective tax rate is above the Lesotho corporate tax rate mainly due to deferred tax assets not recognised on losses incurred in other operations, the impact of the alignment of foreign tax at different rates, partially offset by withholding tax overpaid in prior periods and refunded in full by the Revenue Services Lesotho (RSL) during the year. Refer to Note 6, Income tax expense on page 148 for more detail.

The Group continues to pursue a long-standing legal matter relating to an amended tax assessment that was issued to Letšeng by the RSL in December 2019, contradicting the application of certain tax treatments in the current Lesotho Income Tax Act 1993. We expect to pursue this matter in the courts in 2024. We have sought senior legal counsel and their advice indicates good prospects for success. Refer to the accounting treatment for this matter, Note 1.2.26, Critical accounting estimates and judgements for further detail.

OUTLOOK

In light of the many external macro-economic factors negatively impacting our business, we have renewed our focus on cost containment measures, tightening capital allocation decision-making and enhancing operational efficiencies. The insourcing of the mining activities is expected to deliver significant savings. A key focus for 2024 will be the extension or renewal the Group's facilities which expire on 22 December 2024.

Michael Michael

Chief Financial Officer

13 March 2024

CHIEF OPERATING OFFICER'S REVIEW

The overall operational performance of the Group in 2023 was pleasing, driven by a focus on safety and operational efficiency.

Market conditions and the continuing pressure on revenue in 2023, coupled with the ever-rising cost of operating, including longer hauling distances due to deeper pits, and increased load shedding, necessitated a reinforcement of our focus on operational efficiencies and cost containment, while at all times ensuring that we meet our production targets safely, responsibly and sustainably.

The challenges of lower revenues and increasing costs are not always within our control. To meet these challenges head-on however, we made significant changes to management, workforce and operating methodologies at Letšeng and Ghaghoo in 2023. This required a direct focus on operating more efficiently to reduce, or at the very least contain, those operational costs that are within our control.

The implementation and integration of sustainability initiatives at our operations over the past few years, in particular our focus on reducing energy consumption and associated costs, positioned the Group well to navigate a difficult financial year in 2023. This is evident in reduced costs and decarbonisation related to waste mining in particular, and the successful implementation of several other energy-efficiency initiatives. In 2023, we recorded a 26% decrease in our Scope 1 and 2 emissions and a 25% decrease in diesel consumption-related emissions when compared to our 2021 baseline carbon emission footprint.

One of our proudest achievements in 2023 is our safety performance. The health and safety of our workforce remains paramount, and it is very pleasing to reap the rewards of a three-year safety campaign that started with a 24-hour stop-for-safety in June 2021. Achieving our lowest all injury frequency rate (AIFR) on record is testament to our commitment to achieving a zero harm operation and the relentless focus of leadership, management and each employee to achieve this.

We have also completed the NI 43-101 Technical Report containing Letšeng's 2024 Resource and Reserve Statement, which will be available on the Group's website at www.gemdiamonds.com.

Our focus on enhancing operational efficiencies led to improved production performance.

Brandon de Bruin
COO

PERFORMANCE

Safety

Safety performance	Unit	2023	2022	% change
Fatalities	Number	**0**	0	–
LTIs	Number	**2**	3	(33)
LTIFR	200 000 man hours	**0.10**	0.13	(26)
AIFR	200 000 man hours	**0.67**	0.70	(4)

The Group's safety culture is founded on our commitment to zero harm and our strong belief that all injuries can be prevented. Letšeng's safety performance in 2023 was of the highest standard, with zero fatalities (2022: zero), two LTIs (2022: three), an improved LTIFR of 0.10 (2022: 0.13) and our lowest AIFR on record of 0.67 (2022: 0.70). Our improved safety performance does not happen by chance but is a direct result of the relentless effort and commitment of executive leadership and operational management in the implementation of the organisational safety maturity strategy. This strategy addresses critical safety risks, enhances safety-specific leadership visibility, and engages with the workforce to implement engineering and behaviour-focused controls to more specifically prevent safety incident reoccurrences. A focused safety programme was guided by independent subject matter experts and included mentoring senior management on best practice safety leadership and successfully implementing a critical control management strategy.

The safety of our workforce remains our highest priority and we will continue to build on the organisational safety maturity at our operations, which is founded on and entrenched in a safety culture of visible safety-focused leadership, individual responsibility and accountability, mutual care and collaboration.

Operations

KPI	Unit	2023	2022	% change
Ore mined	tonnes	**5 419 033**	5 732 493	(5)
Waste mined	tonnes	**8 841 628**	10 153 846	(13)
Ore treated	tonnes	**5 024 665**	5 506 576	(9)
Carats recovered[1]	carats	**109 656**	106 704	3
Grade	cpht	**2.18**	1.94	12
Carats sold	carats	**104 520**	107 498	(3)
Average price per carat	US$/carat	**1 334**	1 755	(24)

[1] *Includes carats produced from the Letšeng plants and the coarse and fines tailings treatment plants.*

Operationally, 2023 was a year of two halves. Following a positive start in Q1 2023, Letšeng faced numerous challenges and changes in Q2 2023, culminating in the finalisation of the right-sizing programme and a change in senior management in June 2023. Operational challenges at Letšeng during this period included high rainfall, instability in the performance of the treatment plants and continued load shedding by Eskom, which resulted in poor overall treatment efficiencies and increased reliance on more expensive diesel generators to power operations. An intensified focus on the identification and implementation of initiatives to optimise and improve operational performance and efficiencies and to significantly reduce costs commenced in Q3 2023, resulting in a marked improvement in operational performance seen in H2 2023 compared to H1 2023.

The implementation of a number of initiatives to slow down the instantaneous rate at which ore is fed into the treatment plants significantly improved overall stability. This in turn materially improved the consistency of higher daily overall plant utilisation. The newly built Primary Crushing Area (PCA), which was commissioned in Q4 2023, further contributed to the improved performance by providing the plant with a consistent feed of well-fragmented ore. The initial benefit of these initiatives when comparing H2 2023 to H1 2023 is set out in the table below:

KPI	Unit	H2 2023	H1 2023	% change
Overall plant utilisation	%	**81**	75	8
Ore treated	tonnes	**2 557 415**	2 467 250	4
Carats recovered	carats	**59 055**	50 601	17
Grade	cpht	**2.48**	2.05	21

The 4% increase in ore treated in H2 2023 can largely be attributed to the improved plant stability and higher overall daily utilisation. Overall plant utilisation improved from 75% in H1 2023 to 81% in H2 2023. Plant stability further contributed to improved recoveries in H2 2023, with a notable 17% increase in carats recovered and a 21% improvement in the grade.

Waste tonnes mined

Total waste tonnes mined in 2023 decreased 13% to 8.8 million tonnes from 10.2 million tonnes in 2022. This was in line with the planned 2023 waste mining profile, which was further reduced in Q4 2023 to align with the ore treatment performance. Initiatives to further optimise waste mining and reduce associated costs continued to be implemented, and during 2023 this included a re-design of the Cut 4 West cutback in the Main pit to reduce waste, and the implementation of a new fleet management system that improved fleet productivity, availability and utilisation.

Ore mined

Total ore tonnes mined in 2023 decreased 5% to 5.4 million tonnes from 5.7 million tonnes in 2022. This was in line with the 2023 mine plan, taking into account the reduced ore treatment capacity in 2023 following the expiry of the Alluvial Ventures (AV) processing contract on 30 June 2022. This was partially off set by increased mining to the surface ore stockpiles in 2023.

Ore treated

Letšeng's two plants treated 5.0 million tonnes of ore during 2023 (2022: 5.5 million tonnes). The reduction in total ore tonnes treated in 2023 compared to 2022 was primarily due to the expiry of AV's processing contract, which contributed 0.4 million tonnes in 2022. The balance of the fewer tonnes treated in 2023 compared to 2022 was mainly as a result of plant performance and instability experienced in H1 2023. Of the total ore treated, 2.0 million tonnes were sourced from the Main pipe and 3.0 million from the Satellite pipe, this being in line with the planned Satellite/Main pipe ore contribution for 2023.

The biggest operational challenge in 2023 was the continued occurrence of more frequent and longer periods of load shedding by Eskom, the South African grid electricity supplier. Letšeng's generator capacity is sufficient and the synchronised switch-over from grid to generator power is effective (provided Eskom adheres to its load shedding schedule), but the additional running hours and strain on what was designed as a back-up generator system requires increased maintenance and heightens the risk of generator plant and equipment breakdowns. The increased utilisation of diesel generators, resulting in considerably higher volumes of diesel being consumed by the treatment plants in the year, had a significant negative impact on treatment operating costs.

Total carats recovered

Total carats recovered in 2023 increased 3% to 109 656 carats (2022: 106 704 carats), due primarily to differences in ore mix year on year and improvements in plant stability in H2 2023, resulting in improved recoveries.

The coarse tailings mobile XRT sorting machine recovered 367 carats in 2023 (2022: 774 carats) from re-treating current coarse recovery tailings, and an additional 5 206 carats (2022: 2 657 carats) were recovered by the fines tailings mobile XRT sorting machine, which re-treated current fines recovery tailings.

The overall grade for 2023 was 2.18 cpht, a 12% increase compared to 1.94 cpht in 2022, which was marginally better than expected. The contribution of higher grade material from the Satellite pipe accounted for 59% of ore treated during the year (2022: 55%).

Capital projects

Capital expenditure allocation during 2023 was thoroughly interrogated against necessity and applied in line with operational and cash management requirements. Material capital projects at Letšeng in 2023 included:

- completion of the PCA replacement project, which was successfully commissioned in Q4 2023;
- completion of the Satellite pipe underground study;
- final design and construction of the bioremediation plant; and
- purchase of the mining fleet and equipment in the transition to owner mining.

Details of overall costs and capital expenditure incurred at Letšeng are included in the CFO Review on page 34.

The planned capital spend at Letšeng for 2024 includes necessary modifications and upgrades to the recovery plant and final sort, the development of the next phase of the Patising coarse tailings extension project to ensure future capacity, and other smaller projects, including necessary upgrades to storage facilities, Plant 1 scrubber shell replacement and resource drilling.

Enhancing operational efficiencies

A change in operational requirements, together with significant pressure to further reduce operating expenses in line with challenging market conditions and lower rough diamond prices, required Letšeng to critically review all aspects of its business to maximise operational efficiency and effectively control costs to ensure continued business sustainability.

The right-sizing programme at Letšeng, which affected a total of 327 positions, including contractors, was completed in June. The programme was aimed at more effectively and efficiently aligning the workforce to operational requirements. In addition, a number of changes were made to the management team at Letšeng, including the appointment of Gideon Scheepers to the position of Operations Director. Gideon has 32 years of extensive experience in diamond mining, treatment and related processes, and following his appointment in June, drove the implementation of significant improvements at the operation in H2 2023, particularly in mining, treatment and site management.

A smooth transition to owner mining was concluded in Q4 2023 (refer to the CFO Review on page 35), with no interruption to production or mining activities. In addition to an immediate decrease in operating costs, there is room to further improve operational efficiencies as Letšeng management now has direct control over its mining fleet and execution of the mine plan. This will also assist in reducing "day-works" costs for other necessary projects around site, including concurrent rehabilitation.

The management of the recovery plant was brought in-house from Minopex to ensure direct control and management over what is arguably the most important part of the treatment process along with the final sort.

In addition, a revision to the catering and housekeeping contract on site resulted in the housekeeping and laundry activities being insourced, with the contractor providing the catering services only for the remainder of the contract term.

All operational contracts are undergoing rigorous reviews to ensure optimisation, efficiency and effective cost control management as a top priority.

Large diamond recoveries

In 2023, Letšeng recovered five diamonds greater than 100 carats (2022: four), including three high-quality Type IIa white diamonds of 120.43 carats, 117.47 carats and 112.46 carats, respectively. A total of 131 greater than 100 carat diamonds have been recovered at Letšeng since 2006, and we are pleased to report that three more greater than 100 carat diamonds have been recovered to date in Q1 2024. Total diamonds recovered greater than 10 carats decreased by 5% year on year, mostly in the 10 to 20 carat and 60 to 100 carat size categories. The lower number of diamonds in the larger categories can be primarily attributed to the resource domains that were mined in both the Satellite and Main pipes in 2023. 22 diamonds sold for over US$1.0 million each in 2023, generating revenue of US$40.8 million.

Number of large diamond recoveries	2023	2022	FY average 2008 – 2023
>100 carats	5	4	8
60 – 100 carats	13	18	18
30 – 60 carats	71	69	76
20 – 30 carats	107	108	114
10 – 20 carats	477	507	449
Total diamonds >10 carats	673	706	664

Diamond sales

Eight large and four small rough diamond tender viewings were held in Antwerp during the year.

A total of 104 520 carats were sold in 2023 (2022: 107 498) and Letšeng generated rough diamond revenue of US$139.4 million (2022: US$188.6 million) at an average price of US$1 334 per carat (2022: US$1 755). The significant challenges experienced in the diamond market, discussed in the CEO Review on page 30, coupled with the reduced volume of large high-value diamonds in 2023, were the primary factors behind the lower average price and revenue achieved in 2023.

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

Underground study

A conceptual desktop study for an underground mining operation in the Satellite pipe post the current Cut 5 West (SC5W) open pit cutback was completed in November 2021. The outcome indicated potential for underground mining and recommended that a comprehensive Underground Feasibility Study be undertaken to confirm the feasibility thereof to most optimally and economically extend the life of mine for the Satellite pipe. The objective of the proposed study was to upgrade the desktop study to the confidence level of a feasibility study and to develop a transition model for an underground operation once the life of the Satellite pit reached maximum depth achievable through the current open pit mining. The study commenced in mid-2022 to (i) assess the viability of an earlier shift to underground mining of the Satellite pipe, and (ii) inform the trade-off between an underground mining option and the next open pit cutback in the Satellite pipe Cut 6 West (SC6W) post the completion of SC5W in 2024/5.

The project focused on the viability of the mining block within the indicated resources zone of the Satellite pipe, but also included the assessment of additional levels, to the point where the project no longer added positive financial returns. Following numerous iterations of the mining strategy, a three-level sub-level retreat was identified with the caving method as the most efficient and appropriate underground mining method for the available ore within the Satellite pit. To improve the economic viability of the mine, the study focused on several optimisation strategies, particularly with regards to mining costs. A detailed analysis of the cost breakdown was conducted to identify areas of potential savings and to explore alternative contracting models.

The economic viability and performance of the underground operation was determined through developing a detailed financial model founded on the results derived from the study and other available information. Unfortunately, at a mid-point review held in June 2023, the preliminary analysis at that time revealed a negative net present value of such an underground project in the Satellite pipe. Further sensitivity analysis was conducted in H2 2023 to ascertain the impact on project value due to potential variability in significant value drivers such as capital expenditure, diamond selling prices and operating costs. Following this analysis and a further review of capital expenditure and operating costs in particular, it was clear that the underground project for the extension of life of the Satellite pipe was not economically viable under current macro-economic conditions and the current state of the diamond market. The study was therefore halted at a pre-feasibility level to avoid spending unnecessarily on further geotechnical and hydro-technical drilling work at this time. Underground mining for both the Main and Satellite pipes may again be reconsidered should macro-economic and diamond market conditions improve.

In the meantime, various strategies to optimise open pit mining activities in both the Satellite and Main pits are continually being investigated and implemented as appropriate. A steeper conventional concept for C6W in the Satellite pit, which will significantly reduce the strip ratio, is currently under review.

Resource and Reserve Statement

Following the publication of Letšeng's 2015 SAMREC Mineral Resource and Reserve Statement, efforts were focused on improving confidence in the geological models and the predictability of the large +100 carat Type II diamonds, which contribute materially to Letšeng's value.

Initial petrography and microdiamond studies in the latter part of 2015 suggested that the geological complexity in both the Main and Satellite pipes may have been greater than that reflected in the broader resource categories at the time. What set out as an exercise to better understand the internal variability of the existing resource domains in the Main pipe (KMain, K6 and K4) and Satellite pipe (NVK and SVK), transformed into a comprehensive drilling and resource development programme spanning eight years and culminating in a new appreciation of the complexity within the Letšeng orebodies, as reflected in the current Resource and Reserve Statement.

The 2024 Mineral Resource and Reserve Statement was prepared in line with the Canadian Institute of Mining, Metallurgy and Petroleum's (CIM) Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines dated November 2019, and the Definition Standards for Mineral Resources and Mineral Reserves published May 2014, and is reported in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects.

Letšeng's 2024 Mineral Resource Statement is informed by a suite of geological studies that (i) enabled differentiation between the various known and newly recognised kimberlite domains, (ii) delineated the internal boundaries between the kimberlite domains, and (iii) characterised them in terms of their diamond populations, volumes, tonnages, grades and value.

The 2024 Resource and Reserve Statement and NI 43-101 Technical Report is based on an extensive drilling and resource development programme that commenced in 2015 and was completed in 2023 and included the following workstreams:

- Three phases of additional diamond core drilling: 2017-2020 (31 drillholes, 8 386 metres), 2021-2022 (24 drillholes, 8 640 metres) and 2022-2023 (8 drillholes, 2 235 metres).
- Petrographic analysis and mineral chemistry conducted between 2015 and 2023 in both the Satellite and Main pipes.
- Microdiamond analysis: initial studies in late 2015 followed by more detailed studies in 2019-2020.
- Discrete sampling, production and updated sales data was analysed for diamonds recovered from the dominant domains within each pipe.
- In-pit mapping data of internal and external domain contacts.
- 3D geological models for both the Satellite and Main pipes were updated.
- Updated Size Frequency Distributions (SFD) for each domain.
- As-built survey of the open pit topography as of 31 December 2023.

The Reserve Statement has been prepared on a Life of Mine plan including SC6W on current slope angles (refer to page 47). An opportunity to optimise this plan with a steeper conventional concept is discussed below on page 48.

The NI 43-101 Technical Report containing Letšeng's 2024 Resource and Reserve Statement will be available on the Group's website at www.gemdiamonds.com.

Letšeng's 2024 Resource and Reserve Statements are set out in the tables below (*Note*: the tables and accompanying notes below are presented as a direct extraction from the NI 43-101 Technical Report):

Resource statement

	Pipe	Domain	Density g/cm³	Mass (kt)	Average Value Diamond Grade (cpht)	Average Value Diamond Price (US$/ct)	Contained Carats (kct)
Indicated	Main pipe	K1A	2.52	7 109.6	1.56	2 170	110.9
		RFW-K1S-K1AS	2.52	2 781.3	1.56	2 170	43.4
		K1B-1	2.51	7 635.6	1.59	980	121.4
		RFW-K1S-K1B-1s	2.51	2 417.2	1.59	980	38.4
		K1B-2	2.51	5 177.2	1.59	980	82.3
		RFW-K1S-K1B-2	2.51	74.4	1.59	980	1.2
		K1C	2.51	959.2	1.59	980	15.3
		K2	2.54	25 793.5	1.61	1 130	415.3
		K6	2.48	5 682.1	2.47	825	140.3
	Total Main pipe		**2.52**	**57 630.1**	**1.68**	**1 211**	**968.5**
	Satellite pipe	NVK	2.50	5 175.6	2.19	2 185	113.3
		SVK	2.45	7 967.7	2.26	2 535	180.1
		GVK	2.45	1 746.3	3.46	970	60.4
		GVK-SVK_Mixed	2.45	1 715.7	3.11	1 420	53.4
		KIMB7	2.47	1 310.8	2.28	2 475	29.9
	Total Satellite pipe		**2.47**	**17 916.1**	**2.44**	**2 088**	**437.1**
	Total indicated		**2.51**	**75 546.2**	**1.86**	**1 484**	**1 405.6**

	Pipe	Domain	Density g/cm³	Mass (kt)	Average Value Diamond Grade (cpht)	Average Value Diamond Price (US$/ct)	Contained Carats (kct)
Inferred	Main Pipe	K1A	2.52	5 929.9	1.56	2 170	92.5
		K1B-1	2.51	7 152.9	1.59	980	113.7
		RFW-K1S-K1B-1s	2.51	396.7	1.59	980	6.3
		K1B-2	2.51	1 371.0	1.59	980	21.8
		K1C	2.51	348.7	1.59	980	5.5
		XENO-BSLT	2.66	1 154.9	0.40	1 130	4.6
		K4	2.52	697.5	1.10	360	7.7
		K6	2.48	4 952.6	2.47	825	122.3
	Total Main pipe		**2.51**	**22 126.2**	**1.70**	**1 217**	**376.3**
	Satellite Pipe	SVK	2.45	1 539.3	2.26	2 535	34.8
		GVK	2.45	309.7	3.46	970	10.7
		KIMB7	2.47	597.1	2.28	2 475	13.6
	Total Satellite pipe		**2.45**	**2 446.1**	**2.42**	**2 238**	**59.1**
	Total inferred		**2.51**	**24 572.3**	**1.77**	**1 356**	**435.4**

Notes:
1. *The effective date of the Mineral Resource Statement is 31 December 2023. The QP for the estimate is Cliff Revering, P.Eng., an employee of SRK Consulting (Canada) Inc.*
2. *Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All numbers have been rounded to reflect accuracy of the estimate.*
3. *Mineral Resources are inclusive of in-situ Mineral Reserves and are exclusive of all mine stockpile material.*
4. *Mineral Resources are quoted above a +2.00 mm square-mesh bottom cut-off and have been factored to account for diamond losses within the smaller sieve classes.*
5. *Inferred Mineral Resources are estimated on the basis of limited geological evidence and sampling, sufficient to imply but not verify geological grade and continuity. They have a lower level of confidence than that applied to an Indicated Mineral Resource and cannot be directly converted into a Mineral Reserve.*
6. *Average diamond value estimates are based on diamond sales data to the end of 2023 provided by Gem Diamonds Ltd.*
7. *Mineral Resources have been estimated with no allowance for mining dilution and mining recovery.*

Reserve statement

	Pipe	Domain	Mass (kt)	Average Value: Diamond Grade (cpht)	Average Value: Diamond Price (US$/ct)	Contained Carats (kct)	Value (US$'000)
Probable	Main Pipe	K1A Grouping	9 450.1	1.55	2 170	146.5	317 888.3
		K1B Grouping	14 790.2	1.58	980	233.6	228 910.4
		K1C	935.0	1.57	980	14.7	14 392.6
		K2	17 512.4	1.60	1 130	279.6	315 958.5
		K6	5 250.8	2.48	825	130.2	107 432.2
	Total Main pipe		**47 938.6**	**1.68**	**1 224**	**804.6**	**984 582.0**
	Satellite Pipe	NVK	3 442.5	2.16	2 185	74.4	162 658.6
		SVK	6 164.0	2.22	2 535	136.6	346 341.6
		GVK	1 673.5	3.45	970	57.8	56 067.3
		GVK-SVK_Mixed	1 674.4	3.09	1 420	51.7	73 413.4
		KIMB7	1 200.9	2.20	2 475	26.4	65 248.7
	Total Satellite pipe		**14 155.5**	**2.45**	**2 028**	**346.9**	**703 729.6**
	Stockpiles	Live Stockpile	11.2	1.95	1 754	0.2	382.5
		Main Pipe Stockpile	900.7	1.25	1 190	11.2	13 380.2
		Satellite Pipe Stockpile	176.6	1.41	2 287	2.5	5 693.6
	Total Stockpiles		**1 088.5**	**1.28**	**1 394**	**14.0**	**19 456.3**
	Total probable		**63 182.5**	**1.84**	**1 465**	**1 165.5**	**1 707 767.9**

Notes:
1. *The effective date of the Mineral Reserve Statement is 31 December 2023. The QP for the estimate is Dr Anoush Ebrahimi, P. Eng., an employee of SRK Consulting (Canada) Inc.*
2. *Figures have been rounded to the appropriate level of precision for reporting.*
3. *Due to rounding, some columns or rows may not compute exactly as shown.*
4. *Grades quoted as recovered and dry, pre-acid wash.*
5. *The Mineral Reserves are stated as in-situ dry metric tonnes.*
6. *K1A Grouping includes K1A, RFW-K1S: K1AS and RFW-K1S: XENO-BSLT.*
7. *K1B Grouping includes K1B-1, RFW-K1S: K1B-1s, K1B-2 and RFW-K1S: K1B-2.*
8. *The Mineral Reserves were prepared under the guidelines of the CIM, for reporting under NI 43-101.*
9. *Average diamond value estimates are based on diamond sales data to the end of 2023 provided by Gem Diamonds Ltd.*
10. *Modifying factors for mining recovery of 88% and waste dilution of 12% applied on pipe contact blocks.*
11. *Probable Mineral Reserves were derived from Indicated Mineral Resources.*
12. *Mineral Reserves are inclusive of Mineral Resources.*
13. *There are no known legal, political, environmental, or other risks that could materially affect the Probable Mineral Reserves.*
14. *Stockpiles comprise surface loose stocks of material including high-value, low-value and highly diluted kimberlite contact ore. Stockpiles of low-value and highly diluted kimberlite contact ore will be processed at the end of life of open pit mining.*
15. *The Mineral Reserves reported in this table are attributable solely to the ore to be mined (and processed or stockpiled for later processing) from the open pit mining operations at Letšeng Mine.*

Long-term mine plan

Letšeng's long-term mine plan has incorporated all relevant attributes of the 2024 Resource and Reserve Statement discussed above. The previous long-term mine plan was predicated on SC5W being completed in 2024 at an extraction rate of 3.0 million tonnes of Satellite ore per annum. The extraction rate of Satellite ore from the SC5W cutback has been revised down in 2024 to c.2.0 million tonnes with the remaining c.0.9 million tonnes of ore from this cutback to be mined out by Q2 2025. Cost containment, the potentially unsafe conditions created when mining above SC5W before ore extraction is complete, and the opportunity to finalise the study of a steeper conventional concept for SC6W to avoid unnecessary waste stripping on the conventional slope angles, has necessitated that the commencement of waste stripping in SC6W be pushed out, from Q1 2024 to Q3 2025.

In addition, the anticipated ore from SC6W has been reduced, as instantaneous triple and double benches on the kimberlite basalt contact areas around the pipe had to be removed from the updated pit design. The strategy of transitioning from basalt to kimberlite was revised in the 2024 mine plan to include flatter angles around the basalt/kimberlite contact areas. The revised strategy was in response to the latest geological mapping results, which revealed the curvature and dip of the pipe contact not supporting the double and triple benching previously planned along the pipe contact. Consequently, about 1.3 million tonnes of ore of the previous SC6W mine plan can no longer be accessed safely.

During the annual review of the long-term mine plan in the first half of 2023, it was observed that the in-situ revenue per tonne for certain ore domains in the Main pipe had decreased, impacting the economics of the final cutbacks in the Main pit (MC4). The latest pit optimisation model indicated a smaller MC4 than in the previous long-term mine plan. MC4 West was therefore redesigned in line with this outcome, which resulted in reduced waste required to be mined and an estimated 10.0 million tonnes of ore no longer being economically viable to extract. The 2024 mine plan was updated to include the revised waste and ore volumes for MC4W, thereby reducing the previously published mine plan by approximately two years from 2040 to 2038.

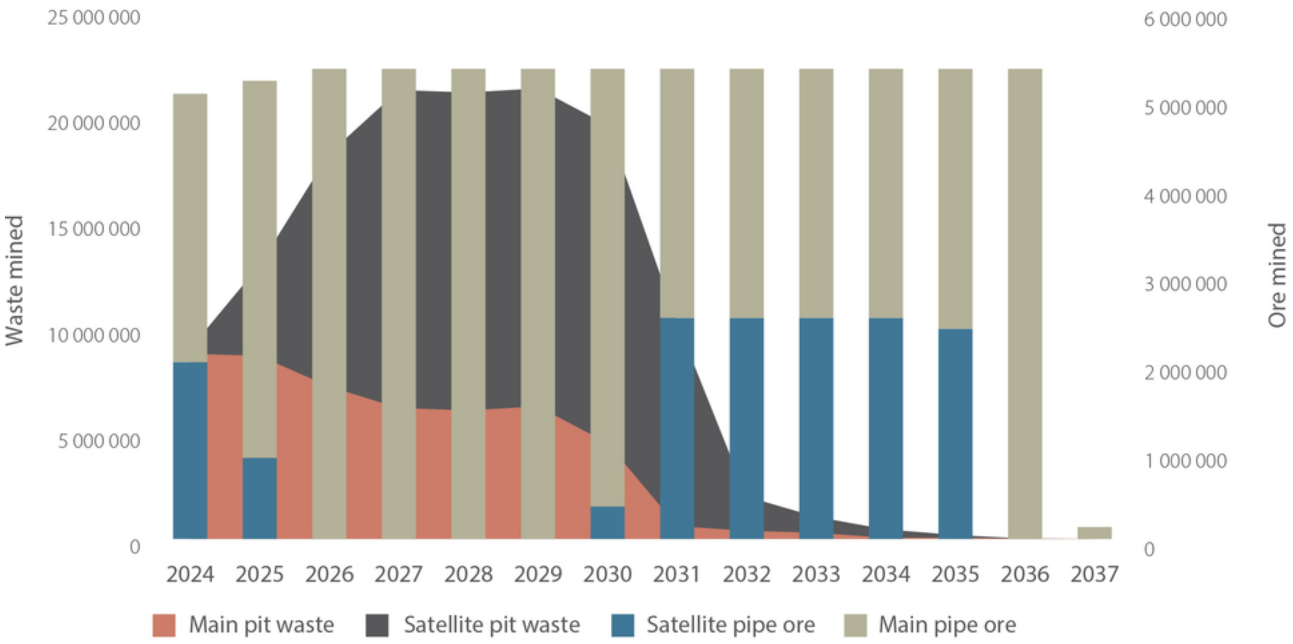
The long-term mine plan has also been updated using the latest resource models discussed above. For most of the ore domains, except K2 (Main pipe) and NVK (Satellite pipe), the indicated and inferred resource interface levels were shallower than in the 2015 resource models. This resulted in some ore that was included as indicated in the previous mine plan now being excluded in line with the mineral reserves declaration rules. Pending possible further upgrade of the inferred resources in both the Main and Satellite pipes, the revised final pit shell has been designed to include only indicated resources with minimal inferred resources being included. This has shortened the updated life of mine plan by an additional two years, from 2038 to 2036/7. Refer to the updated long-term mine plan in the graph below.

The updated long-term mine plan includes SC5W, MC4E, a smaller MC4W and SC6W (each based on current slope angles) and an updated plant throughput rate to life of mine of 5.3 million tonnes per annum. Waste stripping of the SC6W cutback is currently scheduled to commence in 2025 with ore estimated to be available from end 2030 at an extraction rate of 2.5 million ore tonnes per annum thereafter.

The life of mine production profile is shown in the figure below:

Long-term mine plan profile

SC6W WASTE STRIPPING COMMENCING IN Q3 2025



Life of Mine optimisation projects

Steeper conventional pit concept in Satellite C6W

Slope steepening carried out at Letšeng in a safe and responsible way has had a significant positive effect on the economic value of open pit mining by reducing the stripping ratio. An initiative to introduce a steeper conventional design in the basalt of SC6W cutback commenced pit designs of a steeper slope concept with the final cutback commencing from within the current SC5W pit have been completed. The slope design has been approved by independent slope design experts in Q4 2023 and the requisite support design and costs are being analysed to fully evaluate the factor of safety, economics and overall feasibility of the concept. Results of this study are expected to be completed by Q3 2024. In the event that we are able to safely execute the steeper conventional concept in SC6W, with the benefit of significantly reduced waste, the above long-term mine plan adopted in our 2024 Reserve Statement will be amended accordingly.

Upgrading inferred resource

The updated long-term mine plan shown in the graph above could be extended by an additional two years (c.12.5 million tonnes) without any incremental stripping of waste by upgrading the inferred resource in the Main pipe to indicated resource. Once upgraded, the ore could then confidently be included in the long-term mine plan with no incremental stripping of waste, given the flexibility that has been incorporated in the current final pit design.

Ghaghoo

We remain committed to exiting the Ghaghoo Diamond Mine in Botswana, which has been on care and maintenance since March 2017. In the absence of a sale, closure and/or handover options are being actively pursued and affected stakeholders have been widely consulted.

The site is being well maintained in a safe and responsible manner. Employees on site have consistently demonstrated adherence to safety protocols and environmental regulations, with no instances of activities causing any disturbance to the environment being reported, and we are pleased to report that there were no LTIs recorded at Ghaghoo in 2023.

In preparation for possible closure or partial closure and handover to government, extensive site clean-up and partial rehabilitation activities commenced in H1 2023. This has been carried out in a cost-effective manner and included the removal and sale of a significant amount of scrap metal and other redundant infrastructure and materials. The salvage values received for these contributed significantly to the cost of the clean-up project. At the end of 2023, a solar power solution was implemented to power the necessary camp and reverse osmosis water plant requirements. The solar plant was fully commissioned from 1 January 2024 and has completely replaced the existing diesel generator power supply. Securing long-term power supply for the Ghaghoo operation allows for the site to be handed over without additional diesel generator associated costs, and also supports the immediate rehabilitation and decarbonisation objectives of the Group.

OUR PLANS FOR 2024

We have several operational objectives for 2024. These include:

- Optimising and improving the long-term mine plan of Letšeng with particular focus on the SC6W cutback.
- Further enhancing operational efficiencies and reducing overall operating costs.
- Investing in appropriate renewable and/or alternative energy sources. Providing a consistent source of power for the mine operations remains a challenge at Letšeng. In the meantime, the focus remains on reducing power consumption throughout the Group, and low energy-usage alternatives continue to be investigated and implemented.

SUSTAINABILITY

Refer to our Sustainability Report 2023 available at www.gemdiamonds.com for full details of our sustainability strategy and performance in 2023.

UN Sustainable Development Goals

The Group has committed to contribute to the global drive to realise the United Nations Sustainable Development Goals (UN SDGs) and has developed an appropriate framework for meeting this commitment. The Group's UN SDG framework aims, over a three-year period (2023 – 2025), to self-assess current contributions and thereafter implement appropriate measures to advance the realisation of the Group's eight adopted UN SDGs. Following the first three-year cycle (2021 – 2023), an additional two SDGs were adopted in 2023, being Zero Hunger and Climate Action.

No poverty	Zero hunger	Good health and well-being	Clean water and sanitation	Decent work and economic growth	Reduced inequalities	Responsible consumption and production	Climate action

Residue Storage Facility and Dam Management

Operational status of dams and residue storage facilities

We acknowledge the severe adverse impact poor Residue Storage Facility (RSF) (previously referred to as Tailings Storage Facilities (TSF)) management can have on human lives, the natural environment and our business. To this end, Letšeng has reviewed all applicable international standards, codes and guidelines related to responsible RSF management and aligned our Residue Management System (RMS) to the Conformance Protocols on the Requirements of the Global Industry Standard on Tailings Management (GISTM) published by the International Council on Mining and Metals (ICMM). The RMS is a comprehensive framework that integrates people, resources, processes and practices related to RSF management to help the business achieve its performance objectives, manage risk and ensure safe, responsible management of its RSFs. The RMS is aligned and integrated with other relevant site-level systems, such as the site-wide environmental and social management system and systems related to water management.

Letšeng has two RSFs and one freshwater dam on site:

1. The Patising RSF, which is currently in use for the deposition of coarse and fine tailings from the treatment plants.
2. The Old RSF has reached capacity and is no longer used for any tailings deposition. Plans for concurrent rehabilitation are currently being considered.
3. The Mothusi Dam, which is the mine's freshwater supply source.

Letšeng's RSFs and freshwater dam were constructed using the centre line and downstream tipping method, being a safer method of construction than the "upstream" construction methods used in most recent dam failures reported in the mining industry. The RSFs and freshwater dam are managed in accordance with the adopted industry best practices and governance structures. No areas of concern have been noted at the established governance forums and the operational parameters are in line with the set targets. The condition of the RSFs and all risk mitigation measures are continuously monitored and well managed. The appointed engineer of record (EoR) and Independent Tailings Review Board (ITRB) have conducted their periodic and annual inspections of the respective facilities and have not noted any issues or concerns related to the stability and management of these facilities. There were no incidents of compromised dam or RSF integrity in 2023 or prior thereto.

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

An external consultant was appointed to investigate the founding conditions of the RSFs, construct stratigraphic models for each of those, and conduct a stability analysis followed by a review and update of the previous dam breach analysis that was conducted in 2020. From the study results it was concluded that the stability of the RSFs at current height complies with the minimum safety requirements. Based on the in-depth stability assessment conducted on the RSFs at final height, the overall stability exceeds requirements and liquefaction risk is considered low (and largely inconsequential if it were to occur). The most credible mode of failure associated with a far-reaching zone of influence is thus linked only to the escape of impounded water.

Refer to our Annual Report and Accounts 2022 available on our website at www.gemdiamonds.com for full details on our RSF governance framework and assurance strategy.

Managing our environmental footprint

The Group has adopted detailed sustainability, environmental, climate change and water management policies that clearly set out our adherence to best practice in managing our environmental footprints and associated impacts. During 2023, zero major or significant environmental or stakeholder incidents were recorded, Letšeng received its seventh consecutive annual ISO 14001 (Environmental Management) and 45001 (Occupational Health and Safety Management) certifications and the three-year TCFD adoption strategy was successfully concluded.

In Q1 2023, the Group committed to a 30% reduction of its Scope 1 and 2 emissions by 2030, using 2021 as a baseline. The total 2023 carbon footprint for the Group was 110 198 tCO_2e (2022: 112 827 tCO_2e), 28% lower than our 2021 carbon emissions. This includes direct carbon emissions (Scope 1), energy indirect carbon emissions (Scope 2) and material Scope 3 emissions.

The Group strives to minimise its environmental impacts and minimise the consumption of natural resources by working within our value chain to identify and implement initiatives that will reduce operational costs and minimise environmental impacts. Our water stewardship strategy is informed by nature-based solutions that offer synergies between ecosystem health and human well-being, while ensuring adequate water supply for operational activities. In 2023 we commenced with the construction of a bioremediation treatment plant to treat water predominantly leaching from our active mineral waste dump. This plant has a capacity to treat ~300 000 litres of water per day and the first module was commissioned at the end of 2023, with the remaining five modules commissioned in Q1 2024.

Corporate Social Responsibility

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

During 2023, the Group CSRI programme mainly focused on small and medium enterprise development, education and basic infrastructure provision. The Group invested US$0.4 million towards the following CSRI projects:

- Letšeng awarded four scholarships to young Basotho citizens (55 scholarships awarded since 2007).
- We expanded the egg production capacity at our Mokhotlong and Mapholaneng egg circle projects to help farmers meet increasing demand.
- We assisted with the increase in milk production at our dairy project by donating 17 additional cows and a tractor to plant fodder in their fields.
- We built classrooms for the Ntlholohetsane and Tšepong primary schools.
- We renovated classrooms at the Ha Moroke and Mapholaneng high schools.

Gem Diamonds endeavours to leave a positive legacy in the countries in which we operate through contributing to local economies, maximising local employment and procurement opportunities, and developing sustainable CSRI projects. We take an integrated approach to achieving this, and we understand how matters of sustainability, society and the environment are inextricably linked.

Refer to our 2023 Sustainability Report available on the Group's website at www.gemdiamonds.com for full details on our Environmental and Corporate Social Responsibility objectives and performance.

CLIMATE CHANGE REPORT

OUR APPROACH TO CLIMATE CHANGE

Gem Diamonds is committed to responsible, safe and sustainable mining. In support of this commitment, the Board adopted the TCFD framework in June 2021, and our three-year TCFD adoption roadmap (outlined below) was completed by the end of 2023.

In Q1 2023, the Group committed to a 30% reduction of its Scope 1 and 2 emissions by 2030, using 2021 as a baseline. This commitment followed the Board's adoption of our decarbonisation strategy, which sets out our ambitions to reduce energy consumption, improve our energy-use efficiency and transition to appropriate renewable energy sources. This strategy is underpinned by our carbon-pricing model. For information on carbon pricing and the Gem Diamonds model, refer to Our Approach to Climate Change Half-Year Report 2022.

OUR TCFD ROADMAP

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

2023 HIGHLIGHTS

- Completed the implementation of the three-year TCFD adoption strategy
- Decarbonisation strategy finalised and adopted by the Board
- Set target of 30% reduction in Scope 1 and 2 emissions by 2030, using 2021 as a baseline
- Achieved 2 629 tonnes of carbon dioxide equivalent (tCO_2e) annual reduction in Scope 1, 2 and 3 emissions compared to 2022
- Achieved a 25% decrease in diesel consumption-related emissions compared to our 2021 baseline
- Transitioned Ghaghoo to solar power (fully commissioned in January 2024)

GOVERNANCE

How we govern climate-related risks and opportunities

Board

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

To ensure effective oversight, the Group has adopted the Governance structure set out below. The Board and relevant Committees receive regular updates on climate change-related matters and, following the full adoption of the TCFD, on the monitoring and managing of our climate-related exposure and the tracking of progress against our decarbonisation targets. The climate change-related data and performance information presented to the Board and relevant Committees informed the 2023 reviews of the Group strategy, risk management framework and annual budgets.

Oversight

BOARD

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

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

Governance

AUDIT COMMITTEE

Reviews and monitors matters concerning strategy and governance and reports to the Board on these issues.

SUSTAINABILITY COMMITTEE

Reviews matters regarding existing and planned metrics and targets, and performance and operational objectives.

Responsibility

TCFD ADOPTION STEERING COMMITTEE

Management forum responsible for the adoption and implementation of the TCFD framework and ensuring climate change-related risks and opportunities are appropriately identified and subsequently elevated through the established governance and operational structures.

Following the successful completion of the three-year TCFD adoption strategy, the TCFD Adoption Steering Committee was dissolved at the end of 2023. Climate change-related risks and opportunities will continue to be identified by the appropriate management forums to ensure they are elevated to the established governance and operational structures.

ENERGY AND DECARBONISATION COMMITTEE (EDC)

Management forum responsible for identifying, assessing and overseeing the implementing of energy-related opportunities to improve energy security and access to renewable energy sources. Drives focus on opportunities for decarbonisation across the value chain.

Following a review of our decarbonisation governance structures at the end of 2023, the responsibility of identifying, assessing and overseeing energy-related opportunities was operationalised. Management receive progress reports on a quarterly basis through a technical review forum.

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

Management

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

Through the three-year TCFD adoption project, the Group has embedded the consideration of climate-related risks and opportunities within the appropriate internal functions (i.e. enterprise risk management, communication and reporting, insurance, financial planning and disclosure, project management, internal audit, engineering, mining and treatment) to bolster the integration of climate change, energy and decarbonisation strategies throughout the business. Management reports to the Gem Diamonds and Letšeng Boards and their respective Audit and Sustainability Committees, on a quarterly basis, on the identification and response to climate-related risks and opportunities.

Climate education and training

Climate science is constantly evolving. As the Group navigates its transition to a low-carbon economy, it is imperative that knowledge, understanding and skills in this field are both kept up to date and improved. Management is responsible for identifying and responding to emerging climate-related risks and opportunities. An understanding of these risks and opportunities is imperative to ensure that appropriate levels of mitigation are developed and responsibly elevated through established governance structures, as appropriate. Gem Diamonds has adopted a bottom-up approach to embed energy reduction and decarbonisation awareness across the Group. Education around climate change and decarbonisation continued throughout 2023, with a series of workshops and presentations held to explain to employees the concept of carbon footprint and the importance of carbon reduction.

STRATEGY

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

Our Group strategy to sustainably maximise stakeholder value goes hand in hand with our commitment to be responsible stewards of our natural resources. Our climate and decarbonisation work is integral to our objective to operate efficiently and further reduce costs. We expect to realise additional reductions in our carbon footprint together with further cost savings through focused initiatives to reduce energy consumption and improve efficiencies. Gem Diamonds identified three strategic priorities that underpin how the Group creates value for our stakeholders. We believe that effective management of climate-related matters contributes to the Group's performance in line with these strategic priorities.

Strategic priorities		
Extracting Maximum Value from Our Operations	**Working Responsibly and Maintaining Our Social Licence**	**Preparing for Our Future**
Climate considerations		
Operational efficiency initiatives reduce operating costs, minimise resource wastage and ensure 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 operate responsibly within our environment and with our stakeholders	The Group has established structures for the identification and implementation of climate-related opportunities, and existing business continuity and disaster management plans include considerations for natural weather events, which we have successfully managed at our operations for many years
2023 integration		
• We further optimised our mining fleet over the period, resulting in reduced fossil fuel consumption and associated carbon emissions and costs • We reduced diesel consumption per carat recovered by 38% against our 2021 baseline • We installed technology to improve lighting-related energy use efficiency, resulting in reduced fossil fuel consumption, related costs and carbon emissions • We reduced Scope 1 and 2 energy consumption per carat recovered by 29% against our 2021 baseline	• We recorded a 26% decrease in our Scope 1 and 2 emissions when compared to our 2021 baseline carbon emissions footprint • We completed the implementation of the three-year TCFD adoption roadmap • We constructed a 300Kl bioremediation water treatment plant • We worked with PACs to provide water and sanitation infrastructure • We integrated climate change considerations into our GISTM dam safety management framework	• We committed to reducing our Scope 1 and 2 emissions by 30% by 2030 against our 2021 baseline • We piloted a priority-controlled electrical load management system • We commissioned an energy feed assessment for viable future alternative energy solutions • We transitioned the Ghaghoo operation to solar energy

Decarbonisation strategy

We are aware of the importance of committing to practical, enforceable and realistic decarbonisation targets. The Group has therefore committed to a 30% reduction of its Scope 1 and 2 emissions by 2030, using 2021 as a baseline. We will regularly communicate our progress against this commitment, which is aligned with internal performance metrics, including specific key performance indicators and remuneration.

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

The Group adopted a bottom-up approach to identify decarbonisation risks and opportunities and consider potential implementation pathways for resource-use efficiency and carbon-reduction initiatives. Since 2021, Gem Diamonds has commissioned independent energy and carbon subject matter experts to identify opportunities to improve energy efficiency and reduce the energy use associated with Scope 1 and 2 emissions. We continuously assess and implement initiatives to progressively reduce our overall demand for energy and, where possible, switch to lower-carbon and renewable energy sources. Reducing the overall demand for energy means that implementing renewable energy sources and offsetting residual emissions becomes as efficient and cost-effective as possible.

Our decarbonisation strategy targets two key levers for reduced carbon emissions within both Scope 1 and 2:

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

Letšeng draws its power from the South African power grid, supplied by Eskom. A 2021 study by the Centre for Research on Energy and Clean Air found Eskom to be the world's most polluting company. This is as a result of Eskom's 15 coal-fired power stations, which produce 80% of the country's power. Eskom-supplied grid electricity is currently the only grid power that Letšeng has access to and accounts for all our Scope 2 emissions. As of 2023, no renewable or alternative electricity sources are available to Letšeng to replace the existing grid-supplied electricity. Mobile (mining fleet and equipment) and stationary (diesel-powered generators) combustion activities account for 98% of our Scope 1 emissions, emanating from the diesel consumed through these activities.

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

We have integrated energy efficiencies, alternative energy sources and decarbonisation into our overall business strategy, and prioritised these as critical workstreams. In 2023, our Scope 1 and 2 carbon footprint comprised 48% direct Scope 1 emissions (2022: 49%) and 52% indirect Scope 2 emissions (2022: 51%). For more information on the decarbonisation initiatives implemented during 2023, refer to the Targets and Metrics section on page 58.

RISK MANAGEMENT

How we identify, assess and manage climate-related risks

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

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

Manage and Monitor

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

Top-down approach –
Board
Audit Committee
Sustainability Committee

Assess

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

Identity

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

Bottom-up approach –
Management

Physical and transitional risk exposure assessments

In 2023, we expanded on the comprehensive physical and transition risk exposure assessments we conducted in 2021, determining the materiality of potential impacts on financial performance and production. We took a science-based approach to identify potential exposure events associated with our climate-related risks and materialisation, enabling us to better plan for their management, mitigation and financial impact.

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

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

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

TARGETS AND METRICS

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

The Group monitors various metrics to inform its assessment of climate-related risks and opportunities. We conduct semi-annual carbon and water footprint assessments, which provide shorter-term monitoring of our progress against set goals and the associated immediate risks and opportunities. This allows us to respond rapidly to climate and energy-related matters such as consumption rates, carbon emission trends and opportunities to improve usage efficiencies.

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

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

For more information on our carbon emissions, including Scope 1, 2 and 3 emissions and other climate-related metrics, refer to our Sustainability Report 2023 available at www.gemdiamonds.com.

Our carbon, energy and water footprints

Carbon

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

Our total 2023 carbon footprint for the Group was 110 198 tCO_2e, 2% lower than 2022 (112 827 tCO_2e). This includes direct carbon emissions (Scope 1), energy indirect carbon emissions (Scope 2) and material Scope 3 emissions.

The reduction of Group-wide carbon emission, since 2021, has been driven by the reduction of our ore and waste profile as well as the implementation of initiatives to reduce energy consumption, improve energy-use efficiencies and transition to renewable energy sources. Mining optimisation initiatives implemented during 2021, such as reduced hauling distances, steeper slopes and reduced mineral waste mining, were advanced further during 2023. Relooking at these initiatives to assess and implement further improvement opportunities not only contributed to a reduced carbon footprint, but also mitigated the impact of significantly increased diesel usage and associated cost to power the plants during the longer and more frequent periods of grid power load shedding experienced in 2023.

We implemented the following operational measures that have contributed to the reduction of our carbon footprint and associated energy costs:

- Reviewed the basic maintenance processes and purchased a mobile maintenance vehicle for the mining fleet to reduce tramming in and out of the pits
- Designed a priority-controlled electrical load management system for Letšeng for implementation in 2024
- Transitioned the Ghaghoo operation from diesel-powered generators to renewable solar power
- Further reduced our waste rock hauling distances, resulting in a reduction of our carbon emissions, diesel consumption and associated costs
- Relocated diesel depots to reduce the distance mining equipment needs to travel to refuel
- Replaced all lighting infrastructure at Letšeng with energy-efficient technology

The above measures, and reduced ore and waste profiles, have resulted in a 41% reduction of mobile diesel consumption (the diesel consumed by our mining fleet and support equipment) since 2021. As a result of the reduced diesel consumption, we also saw a 25% reduction in our Scope 1 carbon emissions over the same two-year period.

While the Group has been working to decarbonise the Letšeng operation, our most material carbon emissions contributor, the reliability of the South African electricity grid has deteriorated, with load shedding worsening to unprecedented levels during 2023. The South African grid was affected by load shedding on 335 days in 2023, up from 205 days in 2022, 75 days in 2021 and 54 days in 2020. Letšeng relies on diesel-powered generators to power the operation during periods of load shedding or other grid power outages. Since 2021, there has been a 215% increase in generator hours and 245% increase in the volume of diesel consumed for generator power. The increase in diesel consumption by the generators has been offset by the reduction in diesel consumption by the mining fleet and support equipment as a consequence of lower volumes mined.

Letšeng carbon emissions related to diesel consumption (tCO_2e)	**2023**	2022	% change
Diesel: Mobile combustion	**33 955**	38 035	(11)
Diesel: Stationary combustion	**11 671**	8 667	35
Total emissions related to diesel consumption	**45 626**	46 702	(2)

Scope 2 emissions of 49 975 tCO_2e in 2023 represent a 26% reduction since 2021 (67 473 tCO_2e). This reduction was driven by a combination of load shedding and energy-efficiency initiatives implemented at Letšeng to reduce energy consumption.

The Group monitors intensity indicators to assess and appropriately respond to carbon emission changes. Although our emissions intensity for tonnes mined (ore and waste) increased slightly in 2023 from 2022, this was directly related to the significant reduction in waste tonnes mined being offset by a relatively smaller reduction in overall emissions. However, our intensity indicators for carats recovered and ore tonnes treated showed a 22% and 9% improvement from 2021 to 2023.

Carbon emissions	**Unit**	**2023**	2022	2021	Performance against 2021 baseline (%)
Scope 1 (direct)	tCO_2e	**46 964**	48 219	62 672	(25)
Scope 2 (indirect)	tCO_2e	**49 975**	51 092	67 473	(26)
Total Scope 1 and 2	tCO_2e	**96 939**	99 311	130 145	(26)
Scope 3 (indirect)	tCO_2e	**13 259**	13 516	23 718	(44)
Total Scope 1, 2 and 3	tCO_2e	**110 198**	112 827	153 863	(28)
Total tonnes mined (ore and waste)	tonnes	**14 260 661**	15 886 339	24 395 986	(42)
Ore tonnes treated	tonnes	**5 024 665**	5 506 576	6 172 428	(19)
Carats recovered	carats	**109 656**	106 704	115 336	(5)
Intensity indicator: Scope 1 and 2 (tCO_2e)/ Tonnes mined (ore and waste)	ratio	**0.007**	0.006	0.005	27
Intensity indicator: Scope 1 and 2 (tCO_2e)/ Tonnes ore treated	ratio	**0.019**	0.018	0.021	(9)
Intensity indicator: Scope 1 and 2 (tCO_2e)/ Carats recovered	ratio	**0.884**	0.931	1.128	(22)

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

Energy

In 2023, as part of our ongoing efforts to reduce our energy consumption, associated emissions and operational costs, we implemented the following initiatives:

- Diesel usage was reduced through route optimisation, reduced hauling distances, relocated support infrastructure, reduced idling of fleet, improved maintenance programmes and improved driving behaviours.
- We replaced existing mine area, workshops and conveyor belt lighting with energy-saving LEDs, reducing lighting power requirements by 70%, from 234kW to 68kW.
- A priority-controlled electrical load management system was designed for implementation in 2024, enabling low-priority power usage to be curtailed during load shedding.
- Heating, used in office and accommodation buildings on site, was automated to relieve the pressure on generators during load shedding.

Group-wide energy consumption (for Scope 1 and 2 activities) in 2023 was 217.7 million kWh (2022: 219.6 million kWh). 99% of Scope 1 and 2 energy consumption in 2023 is attributable to Letšeng, where our principal energy sources are grid electricity and diesel-powered generators. The reduction in Scope 1 and 2 energy consumption resulted in an improvement of energy-use efficiencies for ore tonnes treated (refer to the table below). This illustrates an improvement in energy consumption across the board, from mining to treatment to site services. The increase in energy intensity for tonnes mined was primarily driven by the significant reduction in waste tonnes mined as the actual energy consumption for both Scope 1 and 2 reduced by 1.9 million kWh in 2023 from 2022.

Energy consumption	Unit	2023	2022	2021	Performance against 2021 baseline (%)
Scope 1	kWh	**166 709 905**	167 643 889	251 743 229	(34)
Scope 2	kWh	**50 994 991**	51 975 278	68 637 800	(26)
Total Scope 1 and 2	kWh	**217 704 896**	219 619 167	320 381 029	(32)
Total tonnes mined (ore and waste)	tonnes	**14 260 661**	15 886 339	24 395 986	(42)
Ore tonnes treated	tonnes	**5 024 665**	5 506 576	6 172 428	(19)
Carats recovered	carats	**109 656**	106 704	115 336	(5)
Intensity indicator: Scope 1 and 2 (kWh)/ Tonnes mined (ore and waste)	ratio	**15.27**	13.82	13.13	16
Intensity indicator: Scope 1 and 2 (kWh)/ Tonnes ore treated	ratio	**43.33**	39.88	51.91	(17)
Intensity indicator: Scope 1 and 2 (kWh)/ Carats recovered	ratio	**1 985.34**	2 058.21	2 777.81	(29)

Water

Gem Diamonds acknowledges the impact climate change will have on reshaping the future of freshwater. Changing precipitation patterns are shifting seasons and affecting the timing and quantity of freshwater recharge. The impact of unmitigated industry on water quality will further exacerbate an already vulnerable global water supply system, and as a responsible mining company and good corporate citizen, we have therefore integrated water stewardship into our business strategy.

Our water stewardship strategy is informed by nature-based solutions that offer synergies between ecosystem health and human well-being, while ensuring adequate water supply for operational activities. At Letšeng, ongoing water analysis over the years has indicated an increase in nitrates in our water. Elevated nitrate levels are often associated with mining activities but are also attributed to the application of fertilizers, human and animal waste and other sources. Nitrates may also be naturally present as a result of soil nitrification processes from the mineralisation and mobilisation of nitrate from natural soil or host rock lithologies. In 2014, in response to the increase in nitrate levels, Letšeng commissioned a nitrate management study to find and implement solutions to prevent nitrate-infused water leaving the lease area. The study was extensive, and the solutions put in place have been far-reaching and effective. An official nitrate task team, which works in collaboration with the relevant government departments in Lesotho, was also established. Since the commissioning of the nitrate management study, the operation has implemented the following solutions to protect and maintain water quality:

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

Following the successful trial of a passive treatment technology with leading experts, iWater, the results from two pilot plants tested at Letšeng indicated that bioremediation was an effective denitrification process for our unique operating environment. In 2023 we commenced with the construction of a bioremediation treatment plant, with capacity to treat ~300 kilolitres of water per day. The first module of this plant was commissioned at the end of 2023 and the remaining five modules were commissioned in February 2024.

In 2023, Letšeng completed the design of an artificial phytoremediation (plant-based filtration) wetland to be located downstream of the bioremediation treatment facility. Wetlands have proven to effectively offset environmental impacts, contribute to rehabilitation of the environment, increase biodiversity, and act as a natural source of water treatment, and we have previously successfully established a wetland within the mine lease area to improve denitrification of the run-off water.

Refer to our detailed water stewardship case study in our Sustainability Report 2022 available at www.gemdiamonds.com for more information on our approach.

We are very mindful of our PACs' access to sufficient potable water. Letšeng has, through its CSI department, provided access to clean water and sanitation infrastructure to multiple villages in Lesotho to assist communities in dealing with the issue of coliform contamination of surface water. This issue is not related to mining activities, but is rather a result of livestock fouling. At Ghaghoo, we continue to provide potable water to the Gope Community, with a potable water storage facility situated at the nearby police camp.

In 2022 and 2023, Lesotho received significant rainfall, recharging our freshwater storage facility. The water currently held in the Mothusi freshwater facility ensures adequate water supply, at current usage rates, for the next eight years. The lower treatment volumes in 2023 and the implementation of water stewardship initiatives resulted in a 30% decrease in our Group-wide net water usage and a 44% decrease in water withdrawal.

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

Water consumption	Unit	2023	2022	2021
Net water usage	million m^3	**2.3**	3.3	7.1
Water withdrawal and capture	million m^3	**0.8**	1.5	3.8
Water recycled	million m^3	**4.5**	6.4	8.9
Water loss through evaporation, entrainment, and seepage	million m^3	**1.7**	3.6	3.1
Total tonnes mined (ore and waste)	tonnes	**14 260 661**	15 886 339	24 395 986
Ore tonnes treated	tonnes	**5 024 665**	5 506 576	6 172 428
Net water use (m^3)/Tonnes mined (ore and waste)	ratio	**0.16**	0.21	0.29
Net water use (m^3)/Tonnes ore treated	ratio	**0.46**	0.60	1.15
Recycled water (m^3)/Tonnes mined (ore and waste)	ratio	**0.32**	0.40	0.36
Recycled water (m^3)/Tonnes ore treated	ratio	**0.90**	1.16	1.44

GOVERNANCE

CHAIRPERSON'S INTRODUCTION TO CORPORATE GOVERNANCE

FOCUS AREAS 2023

As the Board of Gem Diamonds, we take our responsibility as stewards of the interests of stakeholders seriously. During 2023, the Board again focused on enhancing the Group's corporate governance processes and policies. Primary focus areas included:

- Organisational safety culture and safety incidents.
- Board evaluation outcomes.
- Future development of Letšeng's orebodies, considering underground studies and further slope steepening options.
- Financial discipline, operational efficiencies and intensified cost containment, including the workforce rationalisation.
- TCFD recommendations and implementation across the Group.
- The decarbonisation strategy and alternative energy options.
- Risk management systems and processes.
- Sale, closure or handover options for the Ghaghoo mine.
- The going concern and viability statements of the Group.
- CSI commitments and activities.
- The well-being of our workforce, to support them through the significant operational changes during the year.
- Insourcing of the mining activities.

Factoring others into decision-making

Fair shareholder engagement
- Engagement (page 14)
- Conflict of interest (page 75)

Long-term consequences
- Capital allocation (page 38)
- Business model (page 6)
- Risk appetite and risk (page 21)

Ethical business conduct
- Culture, values and purpose (page 3)
- Anti-bribery and corruption (page 72)
- Human rights (page 72)
- Tax policy (page 40)

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

Employee interests
- Engagement (page 14)
- Diversity (page 78)
- Remuneration (page 94)

Ethical business conduct
- Climate change (page 51)
- Sustainability (page 49)

Other stakeholder interests
- Other engagement (page 14)
- Supply chain (page 17)
- Payments to governments (page 175)

PRINCIPAL DECISIONS 2023

Refer to our Committee reports on pages 83 to 113, which give more detail regarding the major decisions taken and recommendations made by Board Committees as part of their mandate of support to the Board.

GOVERNANCE

The Group complied with the provisions set out in the 2018 UK Corporate Governance Code in 2023. Gem Diamonds consistently applied the principles of good governance contained in the Code and voluntary disclosures in relation to the Miscellaneous Reporting Regulation during the year. Our 2023 Compliance Statement is available on page 66.

TRANSPARENT REPORTING

The Board and reporting team have applied their minds to ensure the Annual Report and Accounts 2023 are transparent and provide meaningful disclosures on our activities and on the way we manage our business. We welcome any feedback or further information requests.

FUTURE FOCUS AREAS 2024

The Board will continue to focus on the future viability of the Group through operational efficiency and cost-reduction initiatives and the extension or renewal of the Group's revolving credit facilities in 2024.

Another primary Board focus for 2024 remains the health and safety of our workforce and PACs. We will continue to oversee the improved maturity of our organisational safety culture. We will endeavour to at all times maintain a constructive, open and transparent dialogue with representatives of the governments of both Lesotho and Botswana, whom we regard as important stakeholders in our business.

We will listen and respond to the needs and concerns of our workforce and communities as informed by input received from the Sustainability Committee and Employee Engagement Committee.

In 2024, we will continue to track our carbon footprint with a view to embarking on a path to lower it each year where reasonably possible. This will specifically include the further implementation of lower-energy-usage initiatives to reduce consumption and decrease the reliance on Eskom. We will also actively investigate longer-term alternative energy solutions on a larger scale to address climate change risks.

Our Audit Committee will continue to focus on assessing principal and emerging risks and the quality and effectiveness of the external audit. EY SA's regulatory rotation requirements have resulted in the 2023 audit being their final year. We would like to thank EY for their professional services during their tenure. A robust tender process was conducted to identify a suitable replacement auditor. The recommendation to appoint the new external auditor, RSM UK, will be tabled at the 2024 AGM. Refer to page 80 for more details on this process.

Succession planning for Board and Executive Management is crucial and we will consider the consequences of Board members reaching the end of their tenure. We acknowledge the value of having competent and experienced leadership and we continue to track the diversity of culture, gender and skills across the Group.

Details of the Board's internal evaluation of its own performance, the performance of the Board Committees and individual Directors are available on page 79. Outcomes will be actioned in 2024.

FURTHER ENGAGEMENT

My fellow Directors and I will be available at the 2024 AGM on 5 June 2024 to respond to any questions our shareholders may have on this report or on any of the Committees' activities. I look forward to engaging with those shareholders who are able to attend.

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

HOW WE PERFORM OUR DUTIES

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

Strategy

The Board oversees, analyses and approves the annual strategy review, which considers the concerns of key stakeholders and developments in regulations, governance requirements, current market conditions and the short, medium and long-term business outlook (refer to pages 18 to 20).

Risk management

The Board oversees and has ultimate responsibility for the Group's risk management processes, ensuring that key risks are properly identified, assessed, mitigated and monitored (refer to pages 21 to 26).

Sustainability

The Board oversees that appropriate systems and policies are in place to identify and responsibly manage sustainability-related matters (refer to page 49 and our Sustainability Report 2023 available on the Group's website at www.gemdiamonds.com).

External assurance

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

Organisational culture

The Board sets the ethical tone for the Group and ensures that our Group's organisational culture aligns with our purpose and values (refer to page 3).

Stakeholder engagement

The Board tracks stakeholder engagement to ensure the Group is informed of key stakeholders' main concerns and interests (refer to pages 14 to 17).

SECTION 172(1) STATEMENT

The Board of Directors confirms that during 2023, it has acted to promote the long-term success of the Group for the benefit of shareholders, while having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act, 2006, being:

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

b. the interests of the Group's employees;

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

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

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

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

Harry Kenyon-Slaney

Chairperson

13 March 2024

GOVERNANCE AT A GLANCE

Governance is integrated via clear structures, policies, roles, oversight, and ethical standards, ensuring alignment and accountability.

HIGHLIGHTS AS AT 31 DECEMBER 2023

Board independence
57%

Board ethnic minorities
29%

Board gender diversity
29%

UK CORPORATE GOVERNANCE CODE – COMPLIANCE STATEMENT

The Board confirms that for the year ended 31 December 2023, the Company fully complied with all provisions of the UK Corporate Governance Code 2018 (the Code). Page 70 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 2023
- Oversaw the implementation of phase 3 of the TCFD adoption roadmap
- Approved the decarbonisation target of 30% reduction by 2030
- Approved the deferment of any underground mining based on the outcome of the underground study
- Approved the NI 43-101 Technical Report containing Letšeng's 2024 Resource and Reserve Statement
- Supported the investigation and assessment of longer-term renewable energy solutions
- Approved the insourcing of the mining activities to resolve governance issues and potential conflicts of interest and reduce costs

KEY GOVERNANCE ACTIVITIES

- Conducted an internal Board evaluation
- Monitored the Group's cost controls and the implementation of operational efficiencies
- Oversaw, interrogated and approved the annual strategy review
- Reviewed and debated key risks and mitigating actions with management
- Oversaw the completion of the Group's adoption of the TCFD recommendations and progress against the decarbonisation target
- Supported the investigation for longer-term alternative power generation solutions
- Oversaw the Group's alignment with the ICMM's GISTM on residue storage facility management
- Oversaw the external auditor tender process and appointment of external auditors on rotation of the existing external auditors following the completion of the 31 December 2023 financial statements
- Monitored the progress on the Group's sustainability objectives
- Appointed the new Company Secretary
- Reviewed the going concern and viability assessment and statements

Governance framework

The Board

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

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

Our strategy
page 18

Our principal risks and uncertainties
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S172 statement
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Delegation of certain matters to Board subcommittees

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

Audit Committee (page 90)	Nominations Committee (page 83)	Sustainability Committee (page 86)	Remuneration Committee (page 94)	Standing Committee and Share Scheme Committee
Reviewing and monitoring: • The integrity of the financial and narrative statements and other financial information provided to shareholders • The Group's system of internal controls and risk management • The internal and external audit process and auditors • The processes for compliance with laws, regulations and ethical codes of practice	• Lead and ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board • Ensure Board composition is regularly reviewed and refreshed • Oversee the development of a diverse workforce and pipeline for succession • Liaise with Remuneration Committee in respect of any remuneration package to be offered to any new appointee to the Board	• Promote a culture of zero harm and responsible care • Monitor environmental impact and resource consumption • Review and monitor the Group's approach, policies and measures on health, safety, corporate social responsibility, climate change and the environment	• Ensure remuneration policies and practices are designed to support strategy and promote long-term sustainable success and reward fairly and responsibly, with a clear link to corporate and individual performance, having regard for statutory and regulatory requirements • Ensure executive remuneration is aligned to purpose, values and attainment of long-term strategy	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

NON-EXECUTIVE DIRECTORS

1. HARRY KENYON-SLANEY (63)

Independent non-Executive Chairperson

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

2. MICHAEL LYNCH-BELL (70)

Independent non-Executive Director

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

3. ROSALIND KAINYAH (66)

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

4. MAZVI MAHARASOA (54)

Non-Executive Director

LLB, LLM International and Commercial Law (University of Buckingham)

5. MIKE BROWN (63)

Independent non-Executive Director

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

Committee Icons

- Audit
- Remuneration
- Nominations
- Sustainability
- Chairperson

EXECUTIVE DIRECTORS

6. CLIFFORD ELPHICK (63)

Chief Executive Officer

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

7. MICHAEL MICHAEL (53)

Chief Financial Officer

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

EXECUTIVE MANAGEMENT

8. BRANDON DE BRUIN (52)

Chief Operating Officer

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

9. JACO HOUMAN (49)

Senior Manager – Technical and Projects

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

10. KIKI CONSTANTOPOULOS (44)

Group Financial Controller and Company Secretary

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

11. MINELLE ZECH (49)

Group Human Resources Executive

BCom HR (Potchefstroom University)

CORPORATE GOVERNANCE STATEMENT

HOW THIS SECTION IS STRUCTURED

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

BOARD LEADERSHIP AND GROUP PURPOSE

Effective Board

The Board comprises Directors with a broad range of appropriate expertise, knowledge and insights including extensive mining industry experience (refer to page 179). The Board's focus areas (refer to page 63) support the guidance of the Code by fostering the long-term sustainability of the Group, creating and preserving stakeholder value and contributing to wider society.

The Board oversees, analyses and approves the annual strategy and business plan prepared by Executive Management. This year's review took place in November 2023 and assessed the ongoing relevance of the strategy against the current local and global context, the potential impact of current and emerging risks (refer to page 21), and the appropriateness of the current business model (refer to page 6) to achieve our strategic objectives.

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

- The share price performance and engagement with shareholders.
- Alignment of the strategic priorities with the Group's purpose, vision, values and culture.
- The strategy's contribution to achieving the Group's vision in 2023, including its meaningful, sustainable contributions to the countries in which we operate.
- Updates on the performance of the diamond market and Gem Diamonds' position in the diamond industry.
- Optimising operations through a review of operational structures, capital allocations, mine planning, cost containment, enhancing operational efficiencies and strategic partnerships.
- External growth opportunities through the acquisition of other diamond orebodies or diversification into other commodities.
- The future development pathway for the Letšeng orebody.
- Investigations into long-term renewable energy solutions.

The Board is supported by the Board Committees, which prioritise specific areas of the business (refer to page 67) and provide feedback to the Board through the respective chairpersons to ensure that the Board is kept abreast of all emerging issues and up to date on the matters delegated to the respective Committees in order to carry out its responsibilities effectively.

Purpose, values and culture

Several metrics are utilised to monitor workplace culture, providing information on the Group's collective experience and behavioural trends to inform future focus areas. In 2023, the Board and senior management continued to promote the Group's sustainable success by reinforcing the purpose, values and goals.

The Board monitored strategic metrics to track culture, including:

- Training data.
- Diversity of the workforce and an appropriate diverse pipeline for succession planning.
- Recruitment, reward and promotion decisions.
- Whistleblowing, grievance and "speak-up" data.
- Board interaction with senior management and the workforce.
- Health and safety data.

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 14).
- Maintaining an effective risk management framework (refer to page 21) aligned with the Group's strategy and performance objectives, and supported by comprehensive internal controls and regular assurance.
- Independent insight and knowledge from the non-Executive Directors.

Clear information flows are in place between the Board and Executive Management, and ample time is provided at Board meetings to focus on strategy and key decisions. The information the Board receives allows for an appropriate level of detail to inform the discussions, without being excessive. Where relevant, the person responsible for the report attends the Board meeting to provide further information and give Directors the opportunity to gain deeper insights into the matter. Presentations by external experts in relevant areas expose Directors and Executive Management to new perspectives.

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 and approval by the Chairperson or the Senior Independent non-Executive Director.

Company Secretary

The Company Secretary is supported by outsourced company secretarial services provided by the law firm Shakespeare Martineau LLP. This ensures all Company secretarial and governance issues are attended to and the Board is kept abreast of all compliance and best practice matters throughout the year.

Protection

In line with the Company's Articles of Association, the Company has, and continues to maintain, indemnities granted by the Company to the Directors of the Company and the Company's associated companies, to the extent permitted by and consistent with BVI law and the UK Companies Act 2006 and rules made by the UK Listing Authority. Neither the insurance nor the indemnity provide cover in the case where the Director or Group employee has acted fraudulently or dishonestly.

Stakeholder engagement

The Board recognises the importance of effective and proactive engagement with stakeholders. Pages 14 to 17 contain a detailed analysis of stakeholder engagement during 2023.

Annual General Meeting

The meeting addressed the formal resolutions in the notice of meeting, and shareholders were invited to submit questions in advance. Voting on all resolutions was conducted by poll vote. The results of the resolutions were announced through the Regulatory News Services and on the Gem Diamonds website.

In accordance with the Code, if any resolution put to shareholders receives over 20% votes against, the Board will seek to actively engage with investors to understand their concerns and publish a report on the actions taken and any next steps within six months of the meeting. Refer to page 15 for further details of such resolutions and engagements.

The 2024 AGM will be held on Wednesday, 5 June 2024. Details of the resolutions to be proposed at the AGM will be included in the Notice of AGM, which will be published on the Gem Diamonds website at www.gemdiamonds.com. It will be sent to shareholders who requested to receive paper copies a minimum of 20 business days before the meeting. Shareholders who receive electronic communications can access the Annual Report and Accounts 2023 and the AGM documentation through the same website.

Employee policies and practices

Employee policies and involvement

The Group prioritises the health, safety and effective performance of employees, and maintains positive employee relations. The Group encourages a direct relationship with open communication between employees and management. Mazvi Maharasoa, a non-Executive Director, is the Board's representative who engages with the broader workforce and provides direct feedback to the Board on the key concerns raised. In 2022, the Employee Engagement Committee was established, which is chaired by Mazvi and holds several meetings annually with employee representatives. The Chairperson of the Remuneration Committee attends each operational site meeting at least once a year to discuss how executive remuneration aligns with the wider company pay policy.

Matters raised during these meetings are addressed at Board and management level, as appropriate. Employees are informed about the Group's performance and objectives through direct and ongoing communication with management as well as the Group's website, published information, the employee app, the circulation of press cuttings and Group announcements. Refer to page 15 for details on matters raised in the current year.

Equal opportunity is a fundamental principle of Gem Diamonds, and the Group is committed to achieving equality irrespective of gender, religion, race or marital status. Applications from people with disabilities are welcomed for positions they can adequately fill, having regard for their abilities and aptitude. Where existing employees become disabled, it is the Group's policy, where practical, to provide continuing employment under normal terms and conditions, and to provide training, career development and promotion for disabled employees wherever possible.

The Group aims to attract and retain excellent management and employees by creating an environment that incentivises top performance. Guidelines and frameworks covering remuneration benefits, performance management, career development, succession planning, recruitment, expatriate employment and the alignment of human resources management and policies are in place and aligned with international best practice. Each operating unit manages its human resources requirements locally, within the Group's guidelines and frameworks.

The Modern Slavery Statement, in accordance with the Slavery Act, is updated and published on the Group website annually and can be viewed here: https://www.gemdiamonds.com/pdf/modern-slavery.

Bribery Act

The Group has a zero-tolerance approach to acts of bribery and corruption involving any of its employees, third-party representatives or associates. We uphold and comply with the requirements of the UK Bribery Act. The Group's terms of business require all customers and third parties with whom business is transacted to adopt the same zero-tolerance approach to bribery and corruption as implemented by the Board. The Group anti-bribery and corruption policy was reviewed during the year, with no changes necessary.

Refer to the Audit Committee report on page 90.

Whistleblowing programme

Independently operated and confidential toll-free phone hotlines are in place in each country where the Group operates. Online submissions through www.gemdiamonds.ethicpoints.com can also be made. Individuals can report any breach of the Group's business principles through these channels, including but not limited to bribery, breaches of ethics and fraud.

All whistleblowing incidents reported are referred by the Group Internal Auditor or Company Secretary to the relevant operations, where they are fully investigated. The results of these investigations are reported to the Boards of local operations and the Audit Committee. Group Internal Audit periodically reviews the design and effectiveness of the hotline and reports the results to the Audit Committee.

During the year, there were 11 new whistleblowing reports, of which nine were resolved by year end. The open matter from 2022 was also resolved. The Board is satisfied that the whistleblowing programme is being used effectively by concerned individuals and that all reports raised in 2023 were properly investigated and reported.

Data protection

The Group's privacy policy can be found on its website at www.gemdiamonds.com/privacy.php. A dedicated email address is available for any correspondence relating to data protection and privacy queries: dataprotection@gemdiamonds.com. This is reviewed by the Chief Financial Officer.

No correspondence was received during the year.

DIVISION OF RESPONSIBILITIES

Board roles

The governance framework on page 67 sets out the primary role of the Board.

The Board meets regularly, covering strategic matters such as operational and financial performance, risk management and other critical business concerns, and has a formal schedule of matters reserved for its decision. The agenda for each Board meeting includes discussion, decision-making and sufficient time and appropriate resource allocation surrounding these matters.

While all Directors have equal responsibility in terms of the law for managing the Group's affairs, Executive Management is responsible for operating the business within the parameters set by the Board. This includes producing clear, accurate and timely information and reports to equip the Board to monitor and assess the Group's performance.

Financial and operational performance are reviewed at each Board meeting, and Directors receive regular updates on the Group's performance across a range of metrics. Regular reports presented to the Board include health and safety reports; CSI and stakeholder matters reports; TCFD and climate-related risk reports; risk management reports; residue storage facility integrity reports; operations reviews; sales and marketing reports; half-year and full-year financial results; employee surveys and investor relations updates. Executive Management draws on the expertise and experience of the non-Executive Directors.

Directors are encouraged to express their views freely and, where they have concerns about the running of the Group or a proposed course of action, they may ask that these be recorded in the minutes where appropriate. No such concerns were raised during 2023.

Chairperson and Chief Executive Officer

The respective responsibilities of the Chairperson and the Chief Executive Officer are clearly defined and separate, ensuring a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group's business. The Chairperson is responsible for creating the conditions for the effective working of the Board. The Chief Executive Officer is responsible for the leadership, operations and management of the Group within the strategy and business plan agreed by the Board. Their individual responsibilities, together with the responsibilities of the Senior Independent Director and non-Executive Directors, align with the requirements of the Code and are detailed below.

Role of Chairperson Harry Kenyon-Slaney	Role of Chief Executive Officer Clifford Elphick
• Provides effective leadership to the Board, ensures it operates effectively and sets the highest standards of corporate governance • Provides strategic guidance to the executive team • Sets the agenda, style and tone of Board discussions, ensuring adequate time is available for discussion on all agenda items, and encourages input from all members of the Board • 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, including identifying development or training needs and giving timely individual performance feedback • Encourages a culture of openness and discussion to foster a high-performing collegial team of Directors • Ensures that strategic issues are regularly reviewed, clearly understood and underpin the work of the Board • Facilitates the relationship between the Board and the CEO • Current Chairperson of the Nomination Committee and chairs the Risk and Strategy meetings	• 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 • Together with the Board, ensures compliance with all relevant laws and regulations • Makes recommendations to the Board on the appropriate delegation of authority within the Group • Keeps the Board informed about the performance of the Group and brings to the Board's attention all matters that materially affect, or are capable of materially affecting, the performance of the Group and the achievement of its strategy • Develops, for the Board's approval, appropriate values and standards to guide all activities undertaken by the Group • Provides clear and visible leadership in responsible business conduct

Role of Senior Independent non-Executive Director Michael Lynch-Bell	Role of non-Executive Directors
• Acts as a sounding board and provides support to the Chairperson • Serves as an intermediary between the Chairperson and 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 the succession planning for the Chairperson • Current Chairperson of the Audit and Remuneration Committees	• 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 • Chairperson of the Sustainability Committee (one individual)

For more information on the roles of Board Committees, refer to www.gemdiamonds.com/corporate-governance.php.

Independence

Non-Executive Directors are required to be independent in character and judgement. In applying the independence test, the Board considers relationships with Executive Management, major shareholders, subsidiary and associated companies and other parties with whom the Group transacts business against predetermined materiality thresholds.

The Board considers the majority of the non-Executive Directors, Harry Kenyon-Slaney, Michael Lynch-Bell, Rosalind Kainyah and Mike Brown, to be independent in accordance with the Code. Mazvi Maharasoa adds extensive value to the Board; however, under the criteria of the Code, she cannot be considered independent due to her previous role at Letšeng Diamonds.

The letters of appointment for the non-Executive Directors and the contracts of the Executive Directors are available for inspection at the place of business of Gem Diamonds in London.

External commitments and conflicts of interest

External commitments

External commitments are detailed in the Directors' CVs on page 179.

Conflicts of interest

The UK Companies Act (the Act) requires Directors to avoid any situation where they may have a direct or indirect interest that conflicts, or may conflict, with the Group's interests, unless approved by the non-interested Directors. In accordance with this Act, the Group operates a procedure, which was reviewed with no changes by the Board in March 2024, to ensure the disclosure of conflicts and, if appropriate, the consideration and authorisation of them by non-conflicted Directors. The Board maintains a register of "conflicts of interest" that it reviews annually (most recently in March 2024). The Group voluntarily complies with this requirement.

Dealings in shares and the UK market abuse regime

Gem Diamonds' share dealing policy and reporting procedures are in line with the UK Market Abuse Regulations implemented in July 2016 and updated in June 2022. The policy is due for review again in 2024.

Related-party transactions

Other than those disclosed in Note 24 of the financial statements, the Company did not have any transactions with, nor did it make loans to, related parties during the period in which any Director had any interest.

Key activities of the Board in 2023

The Board's key activities for 2023 are linked to our three strategic priorities to deliver maximum value for all stakeholders:

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

These key activities relate to various focus areas:

Operational	
	• Oversight of the organisational safety culture strategy implemented at Letšeng • Review of quarterly management reports on operational performance • Oversight of the final phase of our TCFD adoption roadmap • Oversight of renewable energy assessments • Oversight of responsible residue facility management and alignment with the ICMM's GISTM • Oversight of the implementation of the CSI strategy • Oversight of environmental conservation and stewardship performance • Review of the outcome of the underground pre-feasibility study • Review of the right-sizing of Letšeng and the insourcing of the mining activities • Support additional sales channels to diamond manufacturers for the supply of polished diamonds to luxury jewellery brands • Review of the 2024 business plan

Strategy and financing	• Annual strategy review in November 2023 • Monitoring of progress on the decarbonisation targets • Ongoing review of KPIs to assess delivery of strategy during the year • Monitoring of the Group's cash-preservation and cash-generation initiatives • Oversight of the Group's funding commitments • Review and approval of planned capital expenditure • Oversight of the integration of climate change-related issues into strategy planning
Risk management and internal control	• Review of risk management processes and the updated risk register, including emerging risks • Review updates from the Audit Committee on internal control and assurance functions • Review of regular updates from the Sustainability Committee on the identification and management of health, safety, environmental, community investment and relationship, residue and water storage facilities and climate change-related risks
Corporate and performance reporting	• Regular review of financial performance and position • Monitoring of cash flow forecasts and available facilities • Review updates from the Remuneration Committee on key focus areas • Review and approval of quarterly updates, interim results and final results and the relevant announcements • Oversight of climate-related financial disclosures as recommended by the TCFD • Review and approval of the 2022 Annual Report and Accounts and the 2023 Half-Year Report, Our Approach to Climate Change Report and Sustainability Report
Governance	• Conduct an internal Board effectiveness review • Annual review and update of Committee terms of reference and evaluation of Committee composition • Review and approval of updates to key policies • Oversight of succession plans for the Board and senior management • Review regular governance updates from the Company Secretary • Review the matters reserved for the Board • Review of Directors' independence and conflicts of interest • Monitoring the maintenance of the separation of roles between the Chairperson and CEO • Oversight of the external auditor tender process, and review recommendation from the Audit Committee on the appointment of RSM UK in 2024 following the rotation of EY
Stakeholder engagement	• Oversight of the CSI strategy development and performance • Measuring the Group's culture through a number of metrics, including the Employee Engagement Committee chaired by a designated non-Executive Director

Meeting attendance

Five Board meetings (four scheduled and one special) were held in 2023. The terms of reference for the Audit, Nominations, Sustainability and Remuneration Committees can be viewed on the Group's website together with the matters reserved for the Board: www.gemdiamonds.com/corporate-governance.php.

If Board approval is required between Board meetings, Board members are emailed the details, including supporting information for decision-making. The decision of each Board member is communicated, recorded and ratified as necessary at the following Board meeting. The below table notes the attendance of the members of the Board at Committee meetings.

Director	Board: 5 held	Audit: 6 held	Remuneration: 4 held	Nominations: 4 held	Sustainability: 4 held	Strategy: 4 held
Executive Board members						
C Elphick	5/5	N/A	N/A	N/A	N/A	4/4
M Michael	5/5	N/A	N/A	N/A	N/A	4/4
Non-Executive Board members						
H Kenyon-Slaney	5/5	N/A	4/4	4/4	4/4	4/4
M Lynch-Bell	5/5	6/6	4/4	4/4	N/A	4/4
M Brown	5/5	6/6	N/A	4/4	4/4	4/4
M Maharasoa	4/5	N/A	N/A	N/A	3/4	3/4
R Kainyah	5/5	5/6	4/4	N/A	4/4	4/4

M Maharasoa missed one round of meetings due to personal reasons.

Non-Executive Directors' meetings

The non-Executive Directors meet independently of the Executive Directors, in accordance with the practice adopted by many listed companies.

COMPOSITION, SUCCESSION AND EVALUATION

Board Selection and Appointment Policy

The Board's formal Selection and Appointment Policy ensures that the procedure for appointing new Directors is formal, rigorous and transparent, and that appointments are made on merit against objective criteria. The Nominations Committee further considers diversity (of gender, social and ethnic background), cognitive and personal strengths and specialist skill sets when reviewing appointments. Further details are in the Nominations Committee report on page 83.

There were no changes to the Board or Board Committees during 2023.

Re-election

The Nominations Committee's report is set out on page 83. 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 100 and 102.

The Nominations Committee has considered and concluded that the Board has demonstrated commitment to its role. The Committee is also satisfied that the collective skills, experience, background and knowledge of the Directors enable the Board and its Committees to conduct their respective duties and responsibilities effectively.

Board expertise, experience and knowledge

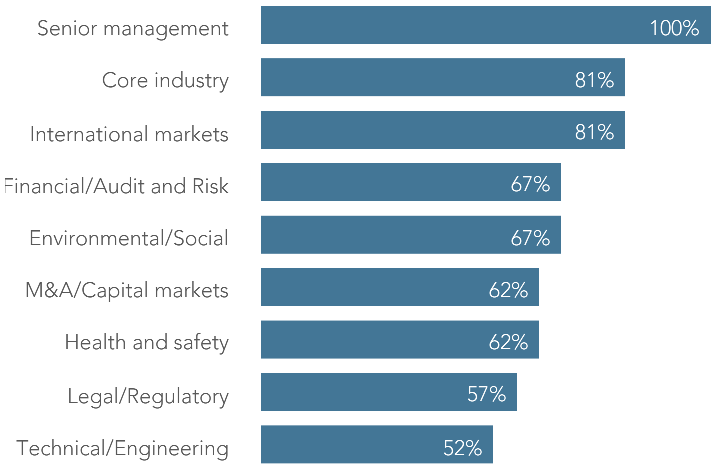
The Board undergoes an annual review of the composition and chairmanship of its primary committees, namely the Audit, Nominations, Sustainability and Remuneration Committees. The Company adheres to the Code's requirement that there should be a balance of Executive and non-Executive Directors so that no individual or group can dominate the Board's decision-making.

As a mining company, the efficiency of the day-to-day operations, in both the medium and long term, is essential to achieving shareholder value. Knowledge of the diamond industry is critical to developing new business opportunities and overseeing the Group's sales and marketing strategies. Knowledge of financial markets is also necessary to fulfil the Group's strategy.

The biographies, which can be found on page 179, provide more information on each Director's competencies. All Directors allow sufficient time to the Group to fulfil their responsibilities effectively.

The non-Executive Directors have varied experience, competencies and unique perspectives to bring to bear on matters of strategy, performance and resources that are critical to the Group's ongoing success.

Board skills and experience (%)



Diversity

The Board recognises the importance of increasing diversity, including gender and ethnic diversity, in the boardroom.

The Group supports diversity at all levels. The Diversity, Equity and Inclusion (DE&I) Policy covers both Board diversity and the approach across the Group. The objectives of the Policy are to create an inclusive organisation, dedicated to encouraging a supportive and inclusive culture among the whole workforce and committed to the provision of equal opportunities to anyone through recruitment, development and promotion of employees, and the proactive tackling and elimination of any form of discrimination. It also endorses the principle that the workforce at each location should reflect, as far as is reasonably possible, the community within which it operates. The Policy is reviewed annually, and management monitors implementation of the Policy through the review of any related whistleblowing matters as well and any employee grievances submitted through regular Human Resources channels.

Over time, the Board has improved its diversity from a position of no female and ethnic minority in 2018 to 29% female and ethnic minority on the Board in 2023. The number of females in senior management across the Group increased to 43% in 2023 (2022: 38%). 99% of the total Group workforce are Lesotho nationals and 23% of the total workforce is female. Information on gender-based employment can be found in our Sustainability Report 2023 available at www.gemdiamonds.com.

Due to the size of the Group, the Board consists of only seven members. During the year, no movement took place in Board appointments and/or terminations, which posed challenges in increasing diversity on the Board. These challenges will continue into the next reporting period as it is unlikely that requisite board movement will take place.

Data to obtain diversity statistics is collated through the use of Human Resources and Payroll reporting systems. Individuals are required to submit data on their gender and ethnic status as part of onboarding processes within the Group. Currently, questions to obtain gender and ethnicity status are straightforward and open-ended, simply requiring information on gender and race. These questions will be amended from 2024 going forward to specify the categories indicated in the tables below.

Board and Senior Management Gender

	Number of Board members	Percentage of the Board %	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number of Senior Management	Percentage of Senior Management %
Men	5	71	4	4	57
Women	2	29	–	3	43
Not specified / prefer not to say	–	–	–	–	–

Board and Senior Management Ethnicity					
	Number of Board members	**Percentage of the Board %**	**Number of senior positions on the Board (CEO, CFO, SID and Chair)**	**Number of Senior Management**	**Percentage of Senior Management %**
White British or other White (including minority-white groups)	5	71	4	5	71
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	2	29	–	2	29
Other ethnic group, including Arab	–	–	–	–	–
Not specified / prefer not to say	–	–	–	–	–

Succession planning at Board and Senior Management level includes a review of skills, experience and diversity, and consideration is given to all these areas when considering future appointments. Succession planning is a priority across the Group, with a focus on the development of women and ethnic minorities into leading roles, which drives a diverse pipeline of talent.

Further detail on the Group framework on succession planning can be found in the Nominations Committee report on page 83.

Training and induction

A formal and bespoke induction is provided to new Directors on joining the Board. This includes meetings with management and access to external auditors, and covers the Board Committees they join. In addition, ongoing support and resources are extended to Directors to refresh their skills, knowledge and familiarity with the Group. Professional development and training are provided through the following:

- Regular updates on changes (actual and proposed) in laws and regulations affecting the Group or its business.
- Planning, including site visits, to ensure Directors are familiar with Group operations, including its commitment to and application of the Group's corporate and social responsibility policies.
- Creating opportunities for professional and skills training, such as Committee chairmanship.
- Appropriate Board presentations and formal professional seminars.

Site visits

Visiting the Group's operations and interacting with senior management and employees is an integral part of the Directors' ongoing knowledge of the business. In February 2023, the Board undertook a Letšeng site visit which was attended by five of the seven Board members, including four non-Executive Directors and one Executive Director. In addition, Mike Brown visited Letšeng three more times. The Executive Directors, Clifford Elphick and Michael Michael, visited the Letšeng mine site and the Maseru office in Lesotho a number of times, and were accompanied by Michael Lynch-Bell on a visit to the Antwerp office.

Annual Board evaluation

As per the Code, the Board must undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In 2023, an internal evaluation was conducted in Q4 2023, which was facilitated by Shakespeare Martineau LLP.

The review was carried out by questionnaire completed by each of the Directors.

The findings were consolidated into a report which, along with recommendations, was circulated to all Directors and discussed at the November Board meeting. The overall findings from the evaluation were positive, with a number of recommendations made to consider optimisation of the current operations, expansion and/or growth opportunities, implementing an individual performance feedback mechanism between the Chairperson and other members of the Board, and Board visibility to shareholders and other stakeholders.

In 2024, the Board and Committees will implement the recommendations from the evaluation and monitor progress against these over the following months.

The recommendations of the 2022 external Board effectiveness review, conducted by Ceradas, were implemented during the year.

AUDIT, RISK AND INTERNAL CONTROL

Financial reporting

The Board is conscious of its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects, and is satisfied that the Strategic Report from page 2 meets this obligation. The Responsibility Statement of the Directors in respect of the Annual Report and Accounts 2023 is set out on page 1.

Financial reporting to the Board is regularly modified and improved to cater for evolving circumstances. The Group's comprehensive planning and financial reporting procedures include detailed operational business plans for the coming year and a three-year rolling plan, and sustainability matters including climate-related risks and opportunities. The Board reviews and approves the Group's annual business plan, which is prepared in co-operation with all Group functions based on specified economic and sustainability assumptions.

Performance is monitored and relevant action taken throughout the year through monthly reporting of KPIs and updated forecasts for the year, together with information on key risk areas.

In addition, routine management reports, including results to date and updated forecasts for the year, are prepared and presented to the Board. Detailed consolidated management accounts, as well as an executive summary, are circulated prior to each scheduled Board meeting. Between Board meetings, summary update reports covering matters such as operational performance, sustainability, sales results, cash flow and progress on strategic matters are circulated to Board members and senior executives.

External auditor

A principle of the Code is that the Board establish formal and transparent arrangements for considering the application of financial reporting and internal control principles and for maintaining an appropriate relationship with the Group's external auditor, EY SA. These responsibilities are delegated to and discharged by the Audit Committee.

The lead audit partner is based in Johannesburg, South Africa. Further information regarding the appointment of EY SA is detailed in the Audit Committee report on page 90.

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.

Tender process for external auditor for 2024

In the Annual Report and Accounts 2022, the Group disclosed the decision to commence a tender process to find a suitable external auditor to replace EY SA following its rotation after completion of the 31 December 2023 audit. The overall objective of the audit tender was to select an appropriate audit firm in terms of quality and within a reasonable price range for the size of the Group. To ensure a transparent and robust evaluation and selection process, the tender was led by the Chief Financial Officer (CFO) and Group Financial Controller (GFC), with the Audit Committee overseeing the process.

Selection criteria

Four mid-tier audit firms were invited to submit their proposals. In order to be successful in the audit tender, the participants were assessed on certain minimum requirements such as willingness to bid, footprint of firm in the Group's subsidiaries' jurisdictions, audit firm and auditor independence and price range. In addition, a number of selection criteria were applied:

- Technical criteria including the proposed audit plan, audit quality, structure of audit, innovative tools and transition plan.
- Team quality including lead partner and team, industry knowledge, access to specialists and mitigation of frequent team changes.
- Resources and organisation including representation in industry and conflict resolution mechanism in the audit firm.

The firms were ranked against each other after each step in the tender process taking the above into consideration.

Request for proposal

In July 2023 the request for proposal was issued to the audit firms invited to the tender. Relevant information on the Group, its structure, activities and policies were shared with each of the firms through an electronic data room that was accessible during the tender period. In this period a structured Q&A process was in place where responses to clarification questions and additional information requests were shared with all participating firms through the electronic data room.

Engagement sessions and site visits

Each of the participants visited the Letšeng mine in Lesotho and the sales and marketing office in Antwerp, accompanied by the CFO. A series of engagement sessions were set up following both site visits to allow the participating firms to better understand the business and discuss certain subject matter areas in greater depth with the CFO and GFC.

Evaluation

The final proposals submitted were compliant with the minimum requirements set, and all bids qualified and were assessed for the evaluation against the selection criteria. The CFO, GFC and Letšeng Head of Finance reviewed each of the proposals and sought additional clarifications from the audit firms through a further structured Q&A.

Each of the participating firms provided a final presentation of their proposal to the CFO, the GFC, the Letšeng Head of Finance and the Audit Committee in September.

In October, the Audit Committee reviewed the evaluation conducted and concluded it was robust and that RSM UK was the preferred firm to conduct the Group audit engagement for the 2024 financial period. The Committee considered the transition arrangements from EY SA and concluded there were no significant risks. The Committee also noted that the CFO and Director, Michael Michael, previously held employment with RSM Betty & Dickson South Africa some 15 years ago. The Committee concluded that in line with UK and SA regulatory guidance this was not deemed a conflict of interest given the time gap, and the Committee had observed that Michael Michael had acted independently during the process.

During its November meeting, the Audit Committee considered the process followed and results of the tender and agreed to recommend to the Board that it would propose RSM UK for appointment as the external auditors of the Group at the 2024 Annual General Meeting (AGM) for the financial year 2024. A resolution to this effect will be included in the 2024 Notice of AGM.

Internal audit

The Group Internal Audit function, as an independent assurance provider, is a fundamental component of the overall process by which the Audit Committee and the Board obtain the required assurance that risks are being effectively managed and controlled and the Group's control environment is adequate and effective.

Our in-house Internal Audit function is supplemented by external industry experts when required. The 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. It 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 2023

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 published by the FRC in September 2014, the Board has defined the processes adopted for its ongoing monitoring and assessment and relies on reviews undertaken by the Audit Committee throughout the year. In addition, regular management reporting and a balanced assessment of key risks and controls is an important component of Board assurance.

The internal control system aims to manage the business risks that significantly threaten the Group's achievement of its business and strategic objectives, with a view to enhance the value of shareholders' investments and safeguard assets. The internal control systems are designed to manage rather than eliminate risk, to achieve business objectives, and to provide reasonable, but not absolute, assurance that the Group's business objectives will be achieved within the Board-approved risk tolerance levels. The system of internal control includes the controls over compliance with regulatory and legal requirements.

In 2023, the Directors reviewed the effectiveness of the system of internal control. For the review, the Audit Committee considered reports dealing with Internal Audit plans and outcomes, as well as risk logs and management representations. A full report of the work carried out by the Audit Committee on behalf of the Board is set out in the Audit Committee report on page 90.

Investment appraisal

Capital expenditure is managed through a budgetary process and authorisation levels. For expenditure beyond specific levels, detailed written proposals are submitted to the Board. The approval procedure for investments includes funding options and a detailed calculation of return based on current assumptions that are consistent with those included in management reports.

Post-investment reviews are conducted after the project is complete and, for material projects, Steering Committees are established to monitor the progress against the approved plan. Details regarding the Group's capital expenditure decisions during 2023 are available in the CFO's Review on page 34.

Commercial, legal and financial due diligence are carried out, using external consultants as appropriate, in respect of acquisitions and disposals.

Risk management

Risks are monitored continually and formally reviewed quarterly. A comprehensive report of the Group's principal and emerging risks and how these are managed and/or mitigated can be found on pages 21 to 26 of the Strategic Report.

The Group's operations perform regular risk assessment reviews and maintain risk registers. Objectives in the business plan are aligned with risks, and a summary of the key risks, related internal controls, accountabilities and further mitigating actions are tabled and approved by the Board. The Sustainability Committee provides assurance that sustainability-related risks, including health, safety, environmental and climate-related risks, are monitored and managed appropriately. The Audit Committee and the Board, where appropriate, are kept informed on progress against the plans and any significant changes in order to review the risk profile. This enables the relevant management and non-Executive Directors to holistically review the risk, mitigate it and implement controls as necessary.

The Board reviews risks and risk management at a stand-alone quarterly risk review meeting that allows enough time to fully explore risks and test management's scenarios and plans. During these meetings, the Board reviews the risk register, interrogates the most critical risks in detail and challenges mitigation plans with management.

REMUNERATION

Linking remuneration with purpose and strategy

The Remuneration Policy links executive remuneration to the underlying health and performance of the Group through relevant social and environmental indicators of performance. The financial and non-financial KPIs used to measure performance align with our strategy, which in turn supports the Group's purpose to produce the best diamonds, in the best way, leaving a lasting legacy.

Remuneration Policy review

Directors' remuneration

While the Board is ultimately responsible for Directors' remuneration, the Remuneration Committee, consisting of independent non-Executive Directors, determines the remuneration and conditions of employment of Executive Directors, as well as the Chairperson. The current remuneration policy was adopted at the AGM in 2021, and June 2024 will mark the third anniversary of its adoption. A proposed 2024 remuneration policy will be submitted to shareholders at the 2024 AGM. The updated policy will become effective from that date, if approved. The details of the Directors' Remuneration Policy and all Directors' remuneration are provided in the report on remuneration on pages 94 to 113.

Performance outcomes in 2023

No adjustments were made to performance conditions set at the beginning of the year, and the formulaic Gem Diamonds Incentive Plan (GDIP) outcome for the business scorecard was 35.5% of the maximum of 85%. The Remuneration Committee noted management's proposal to forego the cash element of the GDIP and to restrict the deferred shares element to more closely align with the shareholder experience over 2023. The Committee agreed that only the deferred shares element would be awarded, and that the share price to be used to determine the number of shares under the deferred GDIP award, which is to be granted in 2024 after the release of the 2023 annual results, would be 25 GB pence, rather than the prevailing share price of c.10 GB pence at the meeting when the Committee reviewed the GDIP outcome. This will have the effect of reducing the number of shares granted by c.59%, which also implies a lower aggregate bonus for Executive Directors than that paid in 2022.

The GDIP business scorecard is shown on page 98.

Strategic targets

The 2023 GDIP rewards performance in the ratio of 15% on personal factors and 85% on business performance. This 85% business weighting aligns with the strategic focus areas:

- Preparing for Our Future (10%)
- Extracting Maximum Value from Our Operations (55%)
- Working Responsibly and Maintaining our Social Licence (20%)

More information on the GDIP scorecard is available on page 98.

NOMINATIONS COMMITTEE

Harry Kenyon-Slaney

Non-Executive Chairperson

The role of the Committee is to:

- Lead and ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.
- Assist the Board in ensuring its composition is regularly reviewed and refreshed, considering the length of service of the Board as a whole, so it is effective and able to operate in the best interests of shareholders.
- Ensure plans are in place for orderly succession to positions on the Board and the Executive Committee.
- Oversee the development of a diverse pipeline for succession.
- Work and liaise with other Board Committees as appropriate, including the Remuneration Committee, in respect of any remuneration package to be offered to any new appointment of the Board.

Membership as at 31 December 2023:

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

Other attendees:

- C Elphick
- Secretary (Shakespeare Martineau LLP)

The Nominations Committee comprises three non-Executive Directors. The Committee's terms of reference provides for a formal and transparent procedure for the Committee to follow in executing its responsibilities. The terms of reference 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 2023 to ensure it was compliant with the Code.

The Committee continued to assess the Board's composition, evaluate the composition of the various Committees, and monitor developments in corporate governance to ensure the Group remains at the forefront of good governance practices.

The Committee initiated an internal Board evaluation in October 2023 and the outcomes were discussed at the November 2023 Board meeting. Following the extensive external Board evaluation conducted in March 2023 by Ceradas, the October 2023 recommendations were minor and mainly administrative in nature. A summary of the evaluation approach and recommendations can be found on page 79.

2023 value-adding activities	Link to strategic pillar
Board composition	
The composition, skills and independence of the Board remained key topics for the Committee during the year. The objective of the Committee is to ensure that the Board retains a balanced composition and that all members have the necessary skills and experience to contribute actively to the ongoing success of the business. In line with the UK Corporate Governance Code, the Committee assessed the independence of all non-Executive Directors. This involved a review of both the external appointments held by each Director and of any potential or actual conflicts of interest recorded. The Committee noted the external appointments held by Board members, which were considered to be in accordance with the parameters of the Code and to have no effect on 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 invaluable. All non-Executive Directors constructively challenge and scrutinise 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 were re-elected by the shareholders at the 2023 AGM.	
Succession planning	
The Committee maintains a proactive approach to succession planning and regularly reviews succession planning across the organisation through a succession framework. This ensures candidates have been identified to fill key roles in both planned and emergency situations and that appropriate development plans are in place. The competencies and experience required in the boardroom were regularly assessed as part of the succession planning process, and the Committee will continue to review the need to secure any particular or specific skills. During the year, the Committee oversaw the retirement of Glenn Turner, the Chief Legal Officer and Company Secretary, and the subsequent appointment of Kiki Constantopoulos to the position of Company Secretary. The Committee's succession planning review extends from senior management to the next level of management, considering emerging talent and key roles with a particular focus on maintaining momentum on diversity. Development plans for potential successors were progressed during the year.	
Diversity	
There remains a commitment to diversity in the boardroom, just as the Company is committed to equal opportunities at all levels within the organisation. The Committee continued to be supportive of this objective during the year. Appointments and succession planning focused on ensuring gender and ethnic diversity, as well as ensuring that a wide range of experience, backgrounds, perspectives and skills were available to facilitate effective decision-making. The Committee reviewed the Group's Diversity and Equality Policy and determined that it remained fit for purpose. During the year the Committee expanded its remit to review diversity across the Group to include all levels below senior management. Further detail on the Group's diversity, equality and inclusion approach can be found on page 78.	
Board effectiveness	
The Committee considered the 2022 external Board evaluation outcomes. The overall findings from the evaluation were positive and the recommendations were implemented during 2023. An internal evaluation was conducted in October 2023, which was facilitated by Shakespeare Martineau LLP. The details are discussed on page 79. The findings were consolidated into a report which, along with recommendations, was circulated to all Directors and discussed at the March 2024 Board meeting. The Committee will monitor progress on the implementation of the recommendations during the coming year. The Board evaluation process reviews the current skills and experience of the members of the Board, as well as its composition and structure. This process enables the Committee to identify what knowledge and competencies are needed for the business in the future, and it therefore supports the search process for future Board members. It further provides assurance that the measured skills remain fit for purpose and support the Group strategy.	
Committee membership	
The Committee continued to evaluate the composition of the various Board Committees to ensure they had the requisite skills and experience to perform effectively. It found that the Committees were appropriately comprised and no changes to membership were proposed for 2023. All Board Committees are compliant with the provisions of the Code.	

2023 value-adding activities	Link to strategic pillar
Future focus areas	

In 2024, the Committee will:

- Maintain its focus on ensuring the Board's composition is strong and diverse, providing support and advice to enable management to steer the Group in an increasingly volatile and fast-paced environment, while always promoting exemplary governance practices in the boardroom.
- Continue to monitor alignment of talent and succession planning throughout the organisation to the needs of the business and to the Group's long-term strategy. Development plans for potential successors will continue to be progressed during the coming year.
- Review its succession plans to address Board composition and diversity targets.
- Monitor progress on the implementation of the recommendations of the 2023 internal Board evaluation.
- Conduct a 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.
- Ensure the Board and Senior executive team have the appropriate ESG skill sets and development mechanisms in place to understand ESG risks and their impact on long-term value creation.

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 and PACs by maintaining a safe and healthy work environment.
- Promote efforts to minimise environmental impact and monitor resource-use efficiency improvements.
- Promote corporate social responsibility with a sustainable positive impact in PACs and host countries.
- Review existing and planned metrics and targets regarding climate change, decarbonisation and energy consumption, and monitor performance against objectives.
- Review and monitor the Group's progress towards sustainable development and meeting the needs of the present while sustaining the ability of future generations to support their needs.
- Review and monitor the Group's approach, policies and measures on sustainability matters.

Membership as at 31 December 2023:

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

Other attendees:

- B de Bruin
- G Turner (retired 30 April 2023)
- Danielle Kriel, Group HSSE and Sustainability Manager
- Secretary (Shakespeare Martineau LLP)

Mike Brown visited Letšeng on four occasions during the year. These visits specifically focused on:

- Safety culture maturity and performance improvement.
- Residue storage facilities management and GISTM implementation.
- Decarbonisation performance and energy-efficiency initiatives.
- CSI projects performance.
- Water stewardship and the bioremediation plant.

2023 value-adding activities	Link to strategic pillar

Working towards a culture of zero harm

The Committee is pleased to report that, during 2023, the Group achieved its lowest AIFR recorded to date and completed the implementation of its organisational safety culture maturity campaign. The Committee continued to monitor critical health and safety matters during 2023, including:

- Responsible residue storage facilities and freshwater dam management.
- Safety-focused leadership coaching.
- Processing plant and conveyor systems safety.
- Emergency response preparedness and management.

The Committee met quarterly and received reports on the Group's health and safety performance, with particular focus on safety performance trends and incident investigation reports on significant safety incidents, including LTIs and near-misses. The Committee received feedback on the completion of the organisational safety culture maturity strategy, safety-focused leadership coaching and the occupational health and safety programmes implemented to achieve the objective of zero harm.

The Committee received feedback on the progress made on conformance of the residue storage facilities with the ICMM's GISTM and measures implemented to align, as deemed appropriate or applicable, existing practices with those outlined in the standard. There were regular discussions and reports on the residue storage facilities and freshwater dam at Letšeng, providing assurance that these were being effectively monitored and managed in a safe and responsible manner and that there were no incidents of compromised residue storage facilities or dam integrity in 2023 or prior thereto.

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.
- Residue storage and freshwater facilities.
- Downstream dam management control audit.
- Conveyor system safety audit.
- Clinic management audit.
- Fire response system and equipment audit.
- Maintenance system audit.
- Health and safety systems management.

Promoting corporate social responsibility

The Committee is pleased to report that no major or significant stakeholder incidents were recorded during the year. Corporate social responsibility matters remain a priority and the Committee received regular reports on the delivery of the 2023 CSI strategy. The strategy specifically focused on the long-term sustainability of existing small and medium enterprise development, education and basic service delivery to PACs. The Committee focused on the following matters during 2023:

- Implementation of the planned 2023 CSI projects.
- Integration of adopted UN SDGs into the five-year CSI strategy.
- Community engagement and stakeholder management.
- Emergency planning and community response.
- Expansion of production capacity at the existing small and medium enterprises.
- Performance of the agricultural skills incubator.

2023 value-adding activities	Link to strategic pillar

Minimising environmental impact

The Committee received reports on material environmental matters and performance against 2023 objectives and continued to oversee the various strategies aimed at mitigating environmental impact. The Committee is pleased to report that no major or significant environmental incidents were recorded during 2023. During 2023 the Committee focused on the following environmental matters:

- Environmental footprint reduction objectives and performance.
- Regional environmental risk management.
- Climate change risk response and adaptation.
- Stakeholder engagement regarding material environmental matters.
- Efficient water management and stewardship.
- Construction and commissioning of a 300Kl bioremediation plant.
- Rehabilitation strategy and enhancement of the concurrent rehabilitation strategy.
- Biodiversity conservation and offset strategy.
- Compliance with adopted best practice standards.

The Committee also received external non-financial audit reports on the management of environmental parameters and the resulting impact on the environment to benchmark the Group's performance and identify improvement opportunities. These reports included:

- The Group Carbon and Water Footprints.
- ISO 14001 Environmental systems audit.
- The SEMP compliance audit report.

Sustainability Strategy and reporting

The Committee received reports on projects to further the integration of the sustainability strategy within the Group and approved updates to Group processes as appropriate. The sustainability projects included:

- Completing the three-year TCFD adoption roadmap and adopting the Group decarbonisation targets.
- Adopting two new UN SDGs and advancing the integration of the Group’s eight priority UN SDGs into the business strategy.
- Reporting to the Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI) and UN Global Compact.
- Development of a Group reporting framework to integrate new best practice standards into the Group’s existing sustainability reporting suite.

The Committee reviewed and approved the following Group policies in 2023:

- Modern slavery statement
- Water
- Corporate Social Responsibility
- Sustainability
- Environmental Management
- Health and Safety
- Tailings Management
- Climate Change

The Committee also received reports on emerging sustainability trends and risks with the potential to impact on the Group’s ability to achieve its objectives, including:

- Load shedding and energy availability
- Regional carbon tax developments
- Fuel and electricity price volatility

2023 value-adding activities	Link to strategic pillar
Future focus areas	
The Committee's core focus areas for 2024 include: • Advancing the Group decarbonisation strategy. • Building on the foundation of the organisational safety culture maturity strategy in pursuit of zero harm. • Monitoring the bioremediation plant performance and water treatment efficacy. • Further improving resource-use efficiency. • Integrating the eight adopted 2024 – 2027 Group UN SDG objectives. • Delivering the 2024 corporate sustainability KPIs. • Overseeing the implementation of the 2024 CSI Strategy. • Advancing the Group alternative energy and energy-efficiency strategy. • Continued implementation of global best practice standards.	

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

AUDIT COMMITTEE

Michael Lynch-Bell
Chairperson
Non-Executive Director

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

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

Membership as at 31 December 2023:

- M Lynch-Bell
- M Brown
- R Kainyah

Other attendees:

- H Kenyon-Slaney
- C Elphick
- M Maharasoa
- M Michael
- B de Bruin
- K Constantopoulos
- Financial Manager
- Group HSSE and Sustainability Manager
- External and internal audit
- Secretary (Shakespeare Martineau LLP)

2023 value-adding activities	Link to strategic pillar

External auditor and audit effectiveness

During the year, the Committee considered the effectiveness, objectivity, skills, capacity and independence of EY SA (our external auditor), considering all current ethical guidelines, and was satisfied that all criteria were met. The 2022 auditor's fee was approved and the 2023 fee was considered as part of this process.

In advance of the 2023 audit, the Committee reviewed and assessed the appropriateness of the external auditor's plan, audit strategy, scoping, materiality and audit risks. The significant areas of audit focus identified by the external auditors to be addressed during the course of the audit were primarily impairment of property, plant and equipment and goodwill, revenue recognition, deferred waste stripping calculation, taxation, the insourcing of the mining activities and early termination of the mining contract, inventory, bank facilities, rehabilitation provisions, share-based payments and the prospects of Ghaghoo. The key audit matter during the year was the goodwill impairment as mentioned in the Independent Auditor's Report on page 120. The Committee challenged the assumptions and judgements used in the impairment model. The Committee was satisfied with the robust process followed by management and was satisfied that no further work was necessary. The Committee was satisfied that all material audit risks were covered within the auditor's scope. The Committee assessed the materiality level applied as appropriate to identify relevant audit risks.

Following the audit, EY SA presented its findings to the Committee and the Committee met with the audit partner without members of management being present. The audit partner also met separately with the Committee Chairperson to discuss key audit findings, judgements and estimates. This provided an opportunity to assess the audit work performed, understand how management's assessments had been challenged and assess the quality of conclusions drawn. The Committee also made enquiries of senior management to obtain its feedback on the audit process and considered this feedback in its assessment.

In line with the Code and the duty of the Committee to assess the effectiveness of the audit process, the Committee assessed the effectiveness of the current audit process, which remained largely unchanged, and assessed whether the areas identified in the 2021 survey had been appropriately addressed during the 2022 audit. The Committee noted some minor improvements raised, but was satisfied that 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.

Auditor appointment and independence and tender process for new external auditor selection

The Committee remained satisfied with the performance of EY SA and recommended its reappointment to the Board for the 2023 financial year end results.

The provision of any non-audit service requires Committee pre-approval 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. The fees for non-audit services amounted to US$6 678. This was against the external audit fee of US$488 902, representing 1.4% of external audit fees.

In 2022, the Committee was made aware that EY SA will step down as the auditor for the 2024 financial year end as a result of mandatory firm rotation rules applicable to South African auditors. During the year, management completed its tender process for the selection of the new external audit firm, which is subject to shareholder approval at the 2024 AGM. The Committee was satisfied with the process followed by management and the recommendation made to the Board. Refer to page 80 for further details on the tender process.

Anti-bribery and corruption

The Committee reviewed its Anti-bribery and corruption policy and concluded that it was adequate and no further updates were required. There were no known or identified incidents of bribery during the year, and the Committee is satisfied that the policy remains robust regarding compliance and diligence procedures.

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, 11 reports were received through the whistleblowing line and 10 reports were closed, including one that was carried over from 2022. Two reports remained under investigation at year end. The Committee approved the Group's Fraud and Whistleblowing Policy, which remained unchanged from the previous year's review. There were no instances of fraud reported through the whistleblowing line.

2023 value-adding activities	Link to strategic pillar

Monitoring internal audit

The Committee reviewed the principal matters reported by the Group Internal Auditor, based on its strategic and risk-based audit plan, and continued to monitor management's responsiveness to the findings and recommendations of the Internal Auditor. The 2024 Internal Audit plan was approved by the Committee and is linked to the current risk profile of the organisation.

The Committee reviewed and approved the Internal Audit Charter, which remained unchanged from the previous year.

The Committee assessed the effectiveness of Group Internal Audit during the year by means of a survey. The responses to the survey questionnaire informed the Committee's assessment. The Committee found Group Internal Audit to be effective and concluded that the current Internal Audit structure was appropriate for the size and requirements of the Group.

Risk management and internal controls

Although the Committee maintained its oversight of the principal and emerging risks during the year, separate quarterly Risk Meetings were held as an extension of the main Board meeting, with all Board members attending, in line with the Code's requirements for all Board members to focus on risk management.

The detailed principal and emerging risks are discussed further on pages 21 to 26.

The Committee was satisfied that the previously approved enterprise risk management framework remained relevant and was being effectively adhered to.

The Committee considered the internal controls in place throughout the year to be effective.

Annual review

During the year the Committee updated its terms of reference to ensure these encompassed the updated provisions of the Code. The Board evaluation undertaken included a review of the Audit Committee's performance within its remit.

Climate-related financial disclosures

The Audit Committee received reports on risk, strategy and governance processes related to climate change and the associated financial disclosures up to the full adoption of the TCFD objectives, which was concluded in June. The Audit Committee had oversight of climate-related risks and potential financial, strategy and business planning impacts, through presentations to the Board during separate quarterly Risk Meetings. During the year, the Audit Committee received feedback on:

- the adoption of the TCFD objectives;
- the Group's timeline and process leading up to the publishing of its 2030 decarbonisation strategy;
- the Group's decarbonisation objectives;
- the timeline and process leading up to the adoption of the new global sustainability and climate disclosure standards due to become effective from reporting periods commencing 1 January 2024, according to the International Sustainability Standards Board (ISSB); and
- assurance, through the Sustainability Committee, on climate-related risk management effectiveness.

2023 value-adding activities	Link to strategic pillar

Financial disclosure

The Committee ensured that the Group's Annual Report and Accounts 2023 and Half-Year Report 2023 were fair, balanced and understandable by challenging and debating the judgements made by management and ensuring that the information necessary for shareholders to assess the Group's performance, business model and strategy was provided. EY SA audited the Financial Statements included from pages 118 to 173 for the year ended 31 December 2023 and issued an unmodified audit opinion in this regard.

The significant issues reviewed by the Committee relating to the 2023 results were:

- The assumptions in the Group's financial forecasts incorporating the Group's debt facilities and the status of forecast future covenant compliance, mitigating actions available to the Group, and the appropriateness of the going concern and viability assumptions and related disclosures. The Committee assessed the disclosures in the Annual Report and Financial Statements in respect of going concern and covenant compliance and concluded that they were appropriate. Refer to Note 1.2.2, Going concern on page 133 for further details.
- The significant estimates and judgements applied in the valuation of the carrying value of mining assets, intangible assets and impairment testing, considering the impact of the invasion of Ukraine and the conflict in Gaza on inflation and costs, the availability of reliable power supply, production capabilities and exchange rate fluctuations. The Committee critically reviewed the key assumptions and parameters (diamond price forecasts and the discount rates applied in assessing the valuations) in the LoM plan for Letšeng (currently an extended open pit plan including a new Satellite pipe Cut 6W cutback and steeper slope angles in the Main pit) that supported the impairment tests performed by management, together with the sensitivity analysis performed under various scenarios. The Committee noted the diamond price recovery in the LoM plan given the depressed diamond market experienced in the year. The impact on the LoM valuation caused by changes to the underlying operational plan, costs (including cost saving from insourcing of the mining activities and further right-sizing at Letšeng) and capital expenditure assumptions were noted. There was no impairment charge necessary and Letšeng's carrying value remained above its recoverable value, albeit at a lower headroom than the previous year. The Committee further reviewed the relevant disclosure in the Financial Statements to ensure compliance with reporting standards.
- The judgements applied by management in the accounting recognition of the insourcing of the mining activities as an asset acquisition and not a Business Combination in terms of IFRS 3. The Committee assessed the judgement applied by management, and was satisfied that the concentration test, being that the majority of the fleet purchased was concentrated into one class of asset with similar risks and inputs into the mining activities, had been met. It was further satisfied that the consideration paid was the fair value of the assets acquired and that the total purchase price was allocated to all the identifiable IAS 16 Property, plant and equipment asset categories.
- The assumptions relating to the classification of tax uncertainties and the treatment and disclosure thereof.

Future focus areas

Specific focus areas for 2024 are to:

- continue to assess and monitor principal and emerging risks and their impact on the business;
- oversee the process of the change of auditor;
- assess the quality and effectiveness of the new auditor and the procedures and controls to ensure auditor independence; and
- ensure adequate reporting against the Group's decarbonisation strategy and set targets.

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

REMUNERATION COMMITTEE

The Committee believes that the Remuneration Policy is appropriate to motivate and reward senior executives and align their interests with the Group's purpose and values as well as the interests of shareholders.

Michael Lynch-Bell
Chairperson
Independent non-Executive Director

STRUCTURE

ANNUAL STATEMENT

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Committee's Directors' Remuneration Report for 2023. The report is presented in three sections: this Annual Statement, the Directors' Remuneration Policy (page 97) and the Annual Report on Remuneration (page 103).

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 produce the best diamonds, in the best way, leaving a lasting legacy. This purpose is relevant for our employees, the communities in which we operate and shareholders alike. Each strategic pillar is linked to an element of remuneration as set out on pages 97 to 102 of the Directors' Remuneration Policy.

Remuneration decisions taken during 2023

Context

2023 has undeniably been a challenging period for the Group. The past year has presented a multitude of challenges, ranging from global economic uncertainties to grid electricity supply disruptions at the Letšeng operation, all of which have significantly impacted the ability to operate effectively.

In this challenging environment, characterised by persistent high inflation rates and escalating cost pressures, the task of ensuring fair and competitive remuneration for executives has been particularly demanding. The Committee understands the importance of attracting and retaining top talent, especially in times of uncertainty, and has endeavoured to strike a balance between offering competitive compensation while safeguarding the long-term sustainability of the business.

The Group ended the year with a cash balance of US$16.5 million and drawn down facilities of US$37.8 million, resulting in a net debt position of US$21.3 million. Underlying EBITDA decreased 65% to US$15.2 million from US$43.7 million in 2022, mainly driven by a downturn in the market resulting in reduced revenue. The Board is not proposing a dividend based on the 2023 financial results due to the volatility in the current economic outlook and the need to preserve the Group's available cash resources.

At Letšeng, the successful conclusion of the right-sizing programme to align the workforce with operational requirements, as well as the insourcing of the mining activities, provides a platform to increase operational efficiencies and realise cost savings from 2024 onwards.

Letšeng's safety performance in 2023 was excellent, with its best all injury frequency rate on record. The Group's carbon emission reduction initiatives progressed well and it is on track to achieve its commitment to a 30% reduction in Scope 1 and 2 emissions by 2030, as set out in the Climate Change report on page 59.

Through its remuneration strategies, the Group has remained steadfast in its commitment to fairness, transparency, and alignment with organisational goals. Market trends have been closely monitored and remuneration benchmarked to ensure it remains competitive within the industry, while also taking into account the unique challenges posed by the current environment.

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

Remuneration Policy Review

The current remuneration policy was adopted at the AGM in 2021 and June 2024 will mark the third anniversary of its adoption. The Company will be submitting a proposed 2024 Remuneration Policy to shareholders at the 2024 AGM. The updated policy will become effective from that date, if approved.

During 2023 and early 2024 the Committee reviewed the effectiveness of the current policy to ensure it remains appropriate for the Company over the coming years. The Committee concluded that the current policy remains fit for purpose and proposed one change to the malus and clawback provisions. These have been expanded to include provision for serious wrongdoing, serious reputational damage and corporate failure.

Gem Diamonds Incentive Plan (GDIP)

The GDIP is based on a range of financial, operational and personal objectives that support the delivery of the Group's key strategic priorities, with 85% linked to business performance and 15% to personal performance.

In 2023 the CEO and CFO were awarded 363 544 and 250 863 nil-cost share options respectively under the deferred portion of the 2022 GDIP, as reflected on page 111.

The resulting formulaic GDIP outcome for the 2023 business scorecard was 35.5% of maximum (which accounted for 85% of the GDIP); the personal performance outcomes (accounting for 15% of the GDIP) averaged 11% across the Executive Directors. The Committee concluded that the 2023 GDIP outcome would be 45.5% for the CEO and 47.5% for the CFO. The Committee noted management's proposal to forego the cash element of the GDIP and to restrict the deferred shares element to more closely align with the shareholder experience over 2023. The Committee agreed that only the deferred shares element would be awarded. The share price to be used to determine the number of shares to be granted in 2024 under the deferred GDIP award will be 25 GB pence, rather than the prevailing share price of c.10 GB pence at the time of the meeting. This will have the effect of reducing the number of shares to be granted in 2024 by c.59%, which also implies a lower aggregate bonus for the Executive Directors compared to 2022, as reflected in the single figure emoluments table on page 108.

CEO Pay Ratio

We have not included a CEO pay ratio in this report, as the Company has no employees based in the UK, and any resulting ratios would not be meaningful.

Implementation of the Remuneration Policy in 2024

The Executive Directors' salaries were reviewed in February 2024, considering relevant benchmarks and in-country inflation. The review was in line with the general practice of considering the wider employee group when applying inflation as a base for salary increases across the Group. The Committee considered management's recommendation that zero increases were to be awarded in light of the current challenging environment the Group finds itself in. Based on all considerations, including current market conditions, the Remuneration Committee determined that base salaries would not be increased in 2024. The wider workforce had been granted a 6.5% salary increase, which took into account the year-on-year increase in inflation.

The Committee is also aware of the role it can play in supporting our employees in the current economic environment. It does this by offering a range of benefits and programmes across the Group to support employees' health, well-being and work-life balance.

For 2024, the GDIP will remain unchanged with a maximum annual award opportunity of 180% of salary. Group performance will continue to be measured with reference to a business scorecard linked to the Group's three strategic focus areas: Extracting Maximum Value from Our Operations; Working Responsibly and Maintaining Our Social Licence; and Preparing for Our Future. Group performance will be weighted 85% of maximum, with the remaining 15% linked to personal performance.

The Committee is mindful of the impact our operations have on the environment, and a Working Responsibly and Maintaining Our Social Licence element has been included in the GDIP since it was first implemented in 2021. For 2024, this will include reducing our environmental impact, diversity initiatives and various health and safety metrics. The Committee reviews the metrics on an annual basis and will consider the options to include other ESG metrics, provided they align with our strategy at the time.

The incentive will be paid 55% in cash and 45% will be awarded through the issue of nil-cost options vesting in one-third annual tranches after one, two and three years, subject to continued employment and good/bad leaver provisions over this period. Vested awards will also be subject to a two-year post-vesting holding period, during which time Executive Directors may not sell shares except to cover taxes associated with the exercising of share options. Malus and clawback provisions will apply during the performance period and for a period of two years following payment.

Engagement

As we look towards the future, the Remuneration Committee remains dedicated to its responsibility of overseeing the fair and equitable compensation of employees. We will continue to adapt our strategies in response to evolving market conditions, while remaining vigilant in our efforts to balance the needs of our employees with the long-term interests of our shareholders.

I look forward to receiving your support at our 2024 AGM. The Board considers it important that shareholders have the opportunity to raise questions with the Board. Shareholders are invited to send any questions they may have on this report or in relation to any of the Committee's activities. Please feel free to contact me through Minelle Zech, the Group Human Resources Executive, at mzech@gemdiamonds.com.

Michael Lynch-Bell

Chairperson of the Remuneration Committee

13 March 2024

REMUNERATION AT A GLANCE

Fostering a culture of transparent and fair remuneration that supports our purpose and strategy and is aligned with wider employee considerations

Basis of preparation

This report has been prepared in accordance with the principles of the UK Companies Act 2006, Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and the UK Market Abuse Regulations. The external auditor of Gem Diamonds has audited certain information within this remuneration report which has been marked as such.

COMPONENT

Basic salary	Benefits	Pension
• Market-competitive base salary to recruit and retain individuals • No prescribed minimum or maximum annual increase	• Cash allowance in lieu of non-cash benefits	• Retirement benefits that are appropriately competitive • Alignment with wider employee group in January 2023

GDIP

- Participants can receive a maximum of up to 180% of their base salary
- For threshold-level and target-level performance, the incentive earned is up to 20% and 50% of maximum opportunity, respectively
- Group scorecard targets may include one or more of the three key strategic priority areas
- Award to be delivered 55% in cash and 45% in nil-cost share options vesting in one-third annual tranches after one, two and three years, and subject to a two-year post-vesting holding period

100% Remuneration Committee attendance

No malus or clawback provisions triggered in 2023

Wider considerations for employees in 2023

+7.8% approved inflationary increase to comparative employees' basic salaries effective from 1 January 2023 (Executive Directors 4%)

7.5% pension contributions, aligned to the workforce

Similar group performance scorecards for management incentive schemes across the Group

BASIC SALARY AND SHAREHOLDING

Shareholding

200% of salary shareholding requirement

CEO

Total shareholding 16682% of salary

CFO

Total shareholding 154% of salary

Pension and benefits:

- Pension contributions for the CEO and CFO reduced to 7.5% of salary effective 1 January 2023
- Non-cash benefits are in line with the market at 6% of base salary

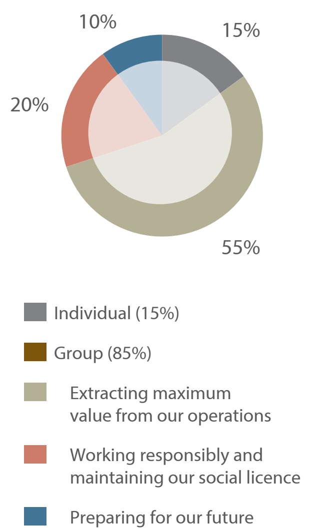
Total non-Executive Director fee

£368 016 actual < £750 000

maximum aggregate per the Articles

GDIP

Profile of scorecard



REMUNERATION POLICY

The proposed remuneration policy as set out in this section of the report will be put to a binding shareholder vote at the 2024 AGM and, subject to shareholder approval, will become effective from the date of the 2024 AGM. The Committee considered the relevance of the policy over the course of 2023 and at its February 2024 meeting and concluded that it remains fit for purpose. The Policy is as disclosed in the 2022 Directors' Remuneration Report save for some non-significant changes as follows:

- references to financial years have been updated where appropriate;
- references to performance measures have been updated for the latest business strategy, as appropriate;
- pay-for-performance charts have been updated to reflect 2024 salaries; and
- malus and clawback triggers have been expanded to include serious wrongdoing, serious reputational damage and corporate failure.

The Remuneration Policy is designed to provide a level of remuneration that attracts, retains and motivates executives of a suitably high calibre to manage the business, implement the Group's strategy and maximise long-term shareholder value. It is intended that, as far as possible, remuneration policies and practices will conform to best practice in the markets in which the Group operates, will be aligned with shareholder interests and will promote effective management of business risk.

The Committee's policy is to provide base salaries and benefits that are fair and to weight remuneration towards variable pay. Variable pay incentives are linked to the achievement of realistic performance targets relative to the Group's strategy and corporate objectives.

The Committee is satisfied that the proposed policy is clear, simple, and appropriately aligned with the Group's strategy, risk appetite and culture, and that the incentives are appropriately capped.

How good governance informs policy design

The table below sets out the application of the Principles of the Code relating to the design of remuneration policies and practices:

Clarity	Targets for annual cash incentives and share awards are aligned to the Group's strategic priorities. This provides clarity to shareholders and other stakeholders on the relationship between the successful delivery of the Group's strategy and remuneration paid.
Simplicity	The Remuneration Policy is designed to be simple and clear while complying with all relevant regulatory requirements and meeting shareholder expectations. It simplifies remuneration elements further by combining the cash and deferred shares components into a single GDIP.
Risk	The Committee is aware of the risks that can result from excessive rewards and believes that the robust target-setting and long history of applying discretion to formulaic outcomes reflects this. Malus and clawback provisions in the Remuneration Policy further mitigate this risk.
Proportionality	The Committee's overriding discretion ensures that remuneration outcomes are aligned with Group performance.
Predictability	The GDIP ensures a simpler but more predictable range of performance outcomes that align with the business model, ensuring predictable pay outcomes that do not reward poor performance.
Culture	As reflected in the Chairperson's statement on page 11, the Committee considers overall pay and conditions for employees across the Group when determining Executive Director outcomes. Personal and Group performance measures include non-financial metrics linked to the Group's purpose and culture.

Policy table for Executive Directors

Salary

Purpose and link to strategy	To offer a market-competitive base salary to recruit and retain individuals of the high calibre necessary to execute the Group's business strategy.
Operation	Base salaries are reviewed annually with changes effective from 1 April. Salaries are typically set after considering the salary levels in companies of a similar size, complexity and risk profile, the responsibilities of each individual role, progression within the role, and individual performance. In setting salaries for Executive Directors, the Committee takes note of the overall approach to salary reviews for the wider employee group.
Opportunity	There is no prescribed minimum or maximum annual increase. It is expected that salary increases for Executive Directors will ordinarily be (in percentage of salary terms) in line with those of the wider employee group in countries of a similar inflationary environment. In certain circumstances (for example, where there is a change in responsibility, role size or complexity, or progression in the role), the Committee has discretion to award higher increases to ensure salary levels remain competitive.
Performance measures	N/A

Benefits

Purpose and link to strategy	To provide competitive benefits considering the market value of the role and benefits offered to the wider UK management population, in line with the Group's strategy to keep remuneration simple and consistent.
Operation	Executive Directors receive a cash allowance in lieu of non-cash benefits.
Opportunity	The benefit value may vary by role to reflect market practice. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) will increase materially over the term of this policy, though the Committee retains discretion to approve a higher cost in exceptional circumstances.
Performance measures	N/A

Pension

Purpose and link to strategy	To provide retirement benefits that are appropriately competitive.
Operation	Executive Directors receive a cash allowance in lieu of pension.
Opportunity	Any current and/or new Executive Director will receive pension benefits aligned to that of the wider employee group (currently 7.5% of salary).
Performance measures	N/A

GDIP

Purpose and link to strategy	To drive and reward performance against financial and non-financial KPIs, as well as personal objectives, all of which are directly linked to business strategy.
Operation	The GDIP is reviewed annually by the Committee at the start of the year to ensure the opportunity and performance measures are appropriate and continue to support business strategy. The Committee has discretion to adjust the formulaic outcome of the bonus to more accurately reflect the underlying business and personal performance during the year. Performance is measured over one year, and earned awards are delivered 55% in cash and 45% in nil-cost share options vesting in one-third annual tranches after one, two and three years, subject to continued employment and good/bad leaver provisions over this period. Vested awards are also subject to a two-year post-vesting holding period. Malus and clawback provisions may be applied for a period of two years following payment in exceptional circumstances, including, but not limited to, misstatement, misconduct, error, serious wrongdoing, serious reputational damage and corporate failure.
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

Legacy arrangements

In approving this Policy, authority is given to honour any previous commitments or arrangements entered into with current or former Directors (such as the unwinding of legacy share schemes) at a time when a previous remuneration policy was in force. Authority is also given to honour arrangements agreed with an employee prior to the individual becoming a Director, if in the opinion of the Committee the payment was not in consideration for the individual becoming a Director. Details of any such awards or payments are disclosed in the Annual Report on Remuneration.

Selection of performance measures (GDIP)

Performance measures used in the Group's executive incentive scheme – the GDIP – are selected to ensure incentives reinforce the Group strategy and align executive interests closely with those of shareholders. It is the Committee's opinion that the financial and non-financial measures used in the GDIP support the strategic priorities of Extracting Maximum Value from Our Operations, Working Responsibly and Maintaining Our Social Licence, and Preparing for Our Future, and are well accepted measures for the mining sector.

Performance targets are set to be stretched but achievable, considering a range of reference points including the Group's business plan, its strategic priorities and the economic environment in which the Group operates. The Committee believes it has a robust approach to target setting and the maximum outcomes are achievable only for exceptional performance.

Remuneration policy for other employees

Salary reviews are implemented with a consistent approach across the Group and consider the level of responsibility, experience, individual performance, market levels and the Group's ability to pay.

Senior management (below Board level) remuneration is reviewed by the Remuneration Committee. Senior management and management level employees participate in an annual bonus scheme on a similar basis as the Executive Directors, although the weighting on Group performance measures increases with seniority and share awards vary appropriately according to organisational level.

Other employees participate in an annual bonus linked to operational metrics.

Shareholding guidelines

The in-post guideline requires Executive Directors to hold 200% of their salary in beneficially owned shares. 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 2024

The table and subsequent graph below illustrate an estimate of the potential future remuneration for the Executive Directors and the potential split between the different elements of pay under four performance scenarios: fixed, at target, maximum, and maximum +50% share price appreciation. Potential remuneration is calculated on the incentive opportunities set out in the 2024 Remuneration Policy applied to the salaries effective 1 April 2024.

The maximum GDIP is 180% of the salary.

The fixed scenario includes base salary, pension and benefits only.

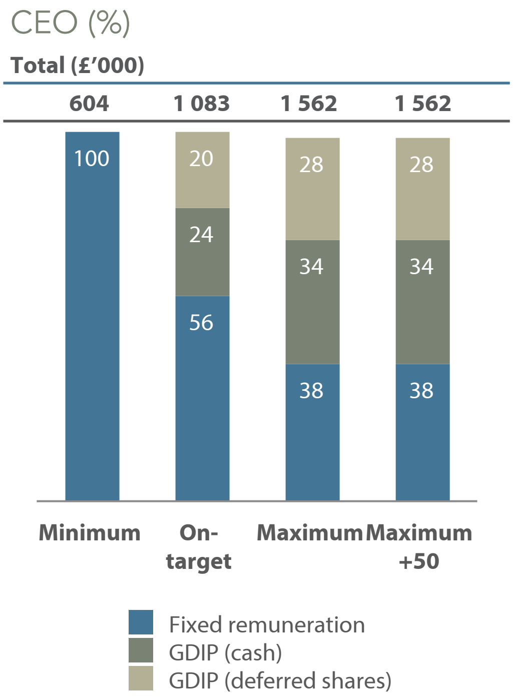
The at-target scenario includes fixed remuneration as above, plus target pay-out of the GDIP.

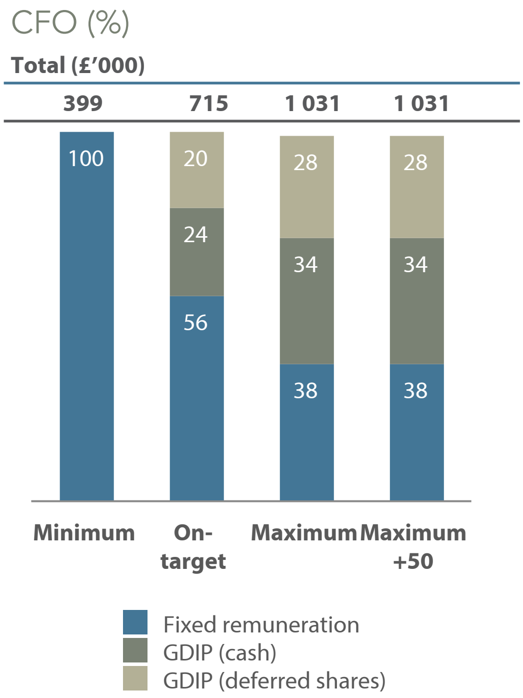
The maximum scenario includes fixed remuneration, plus full pay-out and vesting of all incentives.

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 2024			
Benefits	6.0% of salary			
Pension	7.5% of salary			
GDIP (cash)	0% of maximum	50% of maximum	100% of maximum	100% of maximum
GDIP (deferred shares)	0% of maximum	50% of maximum	100% of maximum	100% of maximum





Approach to remuneration on executive recruitment

The Committee will follow the Remuneration Policy as set out in the policy table when recruiting new Executive Directors. Any arrangement specifically established to recruit an external Executive Director will be capped at the limits described in the policy table on appointment. Where an individual forfeits outstanding incentive payments and/or contractual rights at a previous employer because of their appointment, the Committee may offer additional compensatory payments or awards (buy-out) in such form as it considers appropriate. Any such buy-out compensation would be on a comparable basis to the forfeited benefit, considering factors including the performance conditions attached to these awards, the likelihood of conditions being met, and the remaining vesting period of these awards. The Committee would normally use the remuneration components under the regular policy to make such buy-out awards, but may also exercise its discretion under Listings Rule 9.4.2 if an alternative incentive structure were required. Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable, time-limited assistance with relocation in line with local market norms.

In the case of internal promotions, any commitments made prior to promotion and the approval of the Remuneration Policy (except for pension entitlements) will be honoured. Where the new appointee has an initial salary set below market, any shortfall will be managed with phased increases over a period of several years, subject to the individual's performance and development in the role.

Service contracts

The Company's policy is to limit termination payments to pre-established contractual arrangements. If the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Details of the Executive Directors' service contracts are summarised in the table below.

Director	Contract date	Unexpired	Notice period	Contractual termination payment
CT Elphick	13 February 2007	Rolling contract	12 months	Pay basic salary on summary termination. Benefits are payable only at the Committee's discretion.
M Michael	22 April 2013			

Payments for loss of office under all service contracts

On termination of an Executive Director's contract, payments equal to salary in lieu of notice may be made monthly during the notice period. Benefits are payable only at the Committee's discretion. Payment in lieu of unused annual leave entitlement can be made at the effective salary rate at the point of termination.

Where employment is terminated by the Company and the departing Executive Director has a legal entitlement (under statute or otherwise) to additional amounts, these would need to be met. Should the Company wish to enter into a settlement agreement and the individual seeks independent legal advice, the Committee retains discretion to settle any claims by or on behalf of the Executive Director in return for making an appropriate payment and contributing to the legal fees incurred by the Executive Director in connection with the termination of employment.

In exceptional circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, outplacement services, restrictive covenants and/or consultancy arrangements. These will be used only in circumstances where the Committee believes it is in the best interests of the Company and its shareholders to do so.

The table below provides details of exit payments under different leaver scenarios:

Incentive	Scenario	Time of payment/vesting	Calculation of payment/vesting
GDIP awards, prior to end of performance period	Death, disability, ill health, redundancy, retirement, or any other reasons the Committee may determine (normally not including resignation or where there are concerns as to performance)	Normal payment date, although the Committee has discretion to accelerate (for example, in relation to death)	Performance against targets will normally be assessed by the Committee at the end of the year and any resulting award is normally pro-rated for the proportion of the year worked
	Change of control (whether or not employment is terminated as a result)	Immediately, on change of control	Performance against targets will normally be assessed by the Committee up to the date of change of control and any resulting award is normally pro-rated for time
	All other reasons	Not applicable	No award is paid
GDIP (unvested nil-cost options)	Death, disability, ill health, redundancy, retirement, or any other reasons the Committee may determine (normally not including resignation or where there are concerns as to performance)	Normal vesting date, although the Committee has discretion to accelerate	Unvested awards will normally be pro-rated for time unless the Committee decides otherwise
	Change of control (whether or not employment is terminated as a result)	Immediately, on change of control	Unvested awards will normally be pro-rated for time unless the Committee decides otherwise
	All other reasons	Not applicable	Awards lapse
GDIP (nil-cost options/shares in holding period)	Death, disability, ill health, redundancy, retirement, or any other reasons the Committee may determine (normally not including resignation or where there are concerns as to performance)	Normal vesting date, although the Committee has discretion to accelerate	Not applicable
	Change of control (whether or not employment is terminated as a result)	Immediately, on change of control	Not applicable
	All other reasons	Normal release date, although the Committee has discretion to accelerate	Not applicable

Non-Executive Directors

Non-Executive Directors do not receive benefits from the Company and they are not eligible to participate in any cash or share-based incentive scheme.

Directors' fees	
Purpose and link to strategy	To attract and retain a high-calibre Chairperson and non-Executive Directors with experience relevant to the Company.
Operation	Fees are reviewed annually, with any changes effective from 1 April. Fees are typically set after considering current market levels, time commitment and responsibilities involved. All non-Executive Directors, including the Chairperson, are each paid an all-inclusive fee. No additional fees are paid for chairing Committees. All fees are payable monthly in cash in arrears. The non-Executive Directors do not participate in any of the Group's incentive plans. No other benefits or remuneration are provided to non-Executive Directors.
Opportunity	There is no prescribed maximum annual increase. It is expected that fee increases will typically be in line with market levels of fee inflation. In certain circumstances (for example, where there is a change in time commitment required or a material misalignment with market), the Committee has the discretion to adjust fee levels to ensure they remain competitive. The maximum aggregate annual fee for all non-Executive Directors, including the Chairperson, allowed by the Company's Articles of Association, is £750 000.

Director	Contract date	Unexpired term	Notice period	Contractual termination payment
H Kenyon-Slaney	6 June 2017	Rolling appointment	Three months	No provision for payment of compensation
M Brown	1 January 2018			
M Lynch-Bell	15 December 2015			
M Maharasoa	1 July 2019			
R Kainyah	1 May 2021			

Considerations of shareholder views

The Committee considers shareholder views and the guidelines of investor bodies when determining remuneration. The Committee values feedback from shareholders on the Company's Remuneration Policy and commits to consulting shareholders in advance of any significant changes to the policy. Details on the votes received on the 2022 Annual Report on Remuneration (at the 2023 AGM) and the 2021 Remuneration Policy (at the 2021 AGM) are provided in the Annual Report on Remuneration.

External directorships

Executive Directors are permitted to accept external directorships with prior approval of the Chairperson. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the experience gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these would be retained by the Executive Director. Refer to page 107 for further details.

ANNUAL REPORT ON REMUNERATION

This report provides information regarding the implementation of the Company's approved 2021 Remuneration Policy during the financial year ended 31 December 2023, and how the Remuneration Policy will be implemented in 2024. This Annual Report on Remuneration will be subject to an advisory vote at our 2024 AGM on 5 June 2024.

Role, composition and experience of the Committee

The Committee's terms of reference are available on the Company's website and comply with the UK Corporate Governance Code.

Michael Lynch-Bell

Chairperson

Independent non-Executive Director

The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that:

- Remuneration policy and practices of the Group are designed to support strategy and promote long-term sustainable success, and reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- Executive remuneration is aligned to Group purpose and values and linked to the delivery of the Group's long-term strategy.

Membership as at 31 December 2023:

- M Lynch-Bell
- H Kenyon-Slaney*
- R Kainyah

Other attendees:

- C Elphick*
- M Michael*
- M Zech
- Ellason (Independent remuneration consultants)
- Secretary (Shakespeare Martineau LLP)

** Except when issues relating to their own remuneration are discussed.*

2023 value-adding activities	Link to strategic pillar
Remuneration policies and practice	
Reviewed the remuneration policy to ensure it is appropriate to motivate and reward senior executives and align their interests with the Group's purpose and values, as well as the interest of shareholders. Ensured incentives include an appropriate balance of financial and non-financial elements for the long-term sustainability of the Group. Reviewed and approved base salaries and total remuneration for the Executive Directors and reviewed fees for non-Executive Directors and senior management remuneration in line with consideration of recent developments in remuneration market trends and best practice.	
Share-based remuneration and bonus arrangements	
Considered the effectiveness of short and long-term incentive structures and their alignment with shareholder expectations. Reviewed the range of non-financial performance metrics in variable remuneration. Determined performance conditions and targets for incentive plans. Considered the effectiveness of current ESG metrics linked to executive pay and whether further human capital management (HCM) topics are material to the business and should be monitored. Applied its collective mind to the determination of discretionary elements in the GDIP scorecard and the appropriateness of the formulaic output from the incentive calculations, to ensure these accurately reflect performance during the year. Reviewed diversity, equity and inclusion (DE&I) metrics and their link to executive pay.	
Workforce remuneration and related policies	
Confirmed that the Group's compensation programmes consider employees' needs beyond fair and equitable remuneration. Engaged with employees through formalised structures on executive pay and how it supports strategy. Reviewed employee remuneration and related policies and the alignment of incentives and rewards with culture and strategy. Reviewed gender pay data to establish whether pay gaps are present. Extended the Committee's remit to include a broader oversight of human capital matters to establish whether the Group's compensation programmes address the issues that employees care about.	
Other matters	
Reviewed the Committee's composition, terms of reference and operation. Reviewed and approved the Directors' Remuneration Report for 2022. Facilitated the retirement payments for Glenn Turner (Chief Legal Officer and Company Secretary).	
Future focus areas	
In 2024 the Committee will: • Continue to assess the wider Employee Value Proposition including the benefits and wellness offering, particularly given the ongoing focus on emotional, physical and financial employee well-being. • Ensure that ESG metrics are viewed through the commercial impact lens and that there is an appropriate balance between financial and non-financial goals, as well as alignment with the Group's overall culture and values.	

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

Consideration of independence

Ellason LLP was appointed by the Committee in January 2021 to provide independent remuneration advice to the Committee and attend Committee meetings. Ellason LLP provides remuneration advice to a large portfolio of clients, including many in the FTSE 350 and FTSE Small Cap, reassuring the Committee that the advice provided is appropriate and relevant. Ellason LLP is a signatory to, and abides by, the Remuneration Consultants Group Code of Conduct. Further details can be found at www.remunerationconsultantsgroup.com.

Ellason LLP does not provide non-remuneration services to the Group and is in no other way connected to the Group, and is therefore considered to be independent. The fees payable to them in relation to work for the Committee in 2023 were US$46 500, excluding VAT.

Summary of shareholder voting

The table below shows the results of the advisory vote on the 2022 Annual Report on Remuneration at the 2023 AGM and the binding vote on the 2021 remuneration policy at the 2021 AGM.

		For	Against	Total votes cast	Withheld
2022 Report on Remuneration	Total number of votes	72 745 289	32 651 526	105 396 815	10 000
	Percentage of votes cast	69.0 %	31.0 %	–	–
2021 Remuneration Policy	Total number of votes	101 332 434	10 512 308	111 844 742	–
	Percentage of votes cast	90.6 %	9.4 %	–	–

The 2022 Directors' Remuneration Report described the implementation of the Remuneration Policy approved at the 2021 AGM. Prior to finalising the 2021 Remuneration Policy, the Board consulted its largest shareholders, and adapted the Remuneration Policy to align with shareholder feedback. One significant shareholder has a materially different view on how the Remuneration Policy should be implemented, and this impacted the vote on the 2022 Directors' Remuneration Report at the 2023 AGM. The Board has engaged with this shareholder since the 2023 AGM to help ensure any continuing concerns are understood. The Committee further consulted shareholders on the proposed 2024 Remuneration Policy which will be submitted for a vote at the 2024 AGM. Feedback from all shareholders was considered during the Committee's deliberations over the 2024 Remuneration Policy which will be presented to shareholders for approval at the 2024 AGM.

Wider employee considerations

The Committee considers Executive Director remuneration in the context of pay policies and practices across the wider employee group. We value and appreciate the contribution made by our employees and aim to provide them with market-competitive remuneration and benefit packages. Our approach to remuneration for our wider employee group is similar to that of Executive Directors and includes both fixed and performance-based components.

Base salaries are reviewed annually, and any increases become effective from either 1 January or 1 March, dependent on operation-specific remuneration policies. The Committee reviews salary increases for the wider employee group and significant changes in practice or policy. The average salary increase awarded to the wider workforce was 7.8% for 2023, which took into account the year-on-year increase in inflation. All employees participate in an annual discretionary bonus scheme that rewards both an employee's contribution to the performance of the Group and their individual performance.

The majority of our employees receive an employer pension contribution equal to 7.5% of salary per annum and may opt to join a medical aid scheme to which the Company contributes 50% up to a capped amount. We also offer a wide range of benefits and programmes throughout the Group to support employees' health, well-being and work-life balance. Benefits and programmes vary from site to site, and include employee wellness and/or access to a counsellor, an employee communications app, on-site gym and/or recreation centres, travel subsidies, a flexible working environment and paying for professional subscriptions.

We have an open, collaborative and inclusive management structure and engage regularly with our employees on a range of issues. The designated non-Executive Director, Mazvi Maharasoa, conducts formal engagement sessions with workforce committees across the Group. During 2023 the Remuneration Committee Chairperson attended one engagement session per operational site. This afforded the opportunity for engagement with the workforce as to how executive remuneration supports strategy and aligns with that of the employees. Company culture is monitored and assessed by the Board on a quarterly basis against pre-determined metrics.

Gender pay considerations

We have not included a UK gender pay gap report, as the Company has no employees based in the UK, and any resulting ratios would not be meaningful. The Committee reviewed gender pay across the various employee levels in the Group and is satisfied that no material differences exist between genders.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (dividends, share buybacks and return of capital) from the financial year ended 31 December 2022 to the financial year ended 31 December 2023.

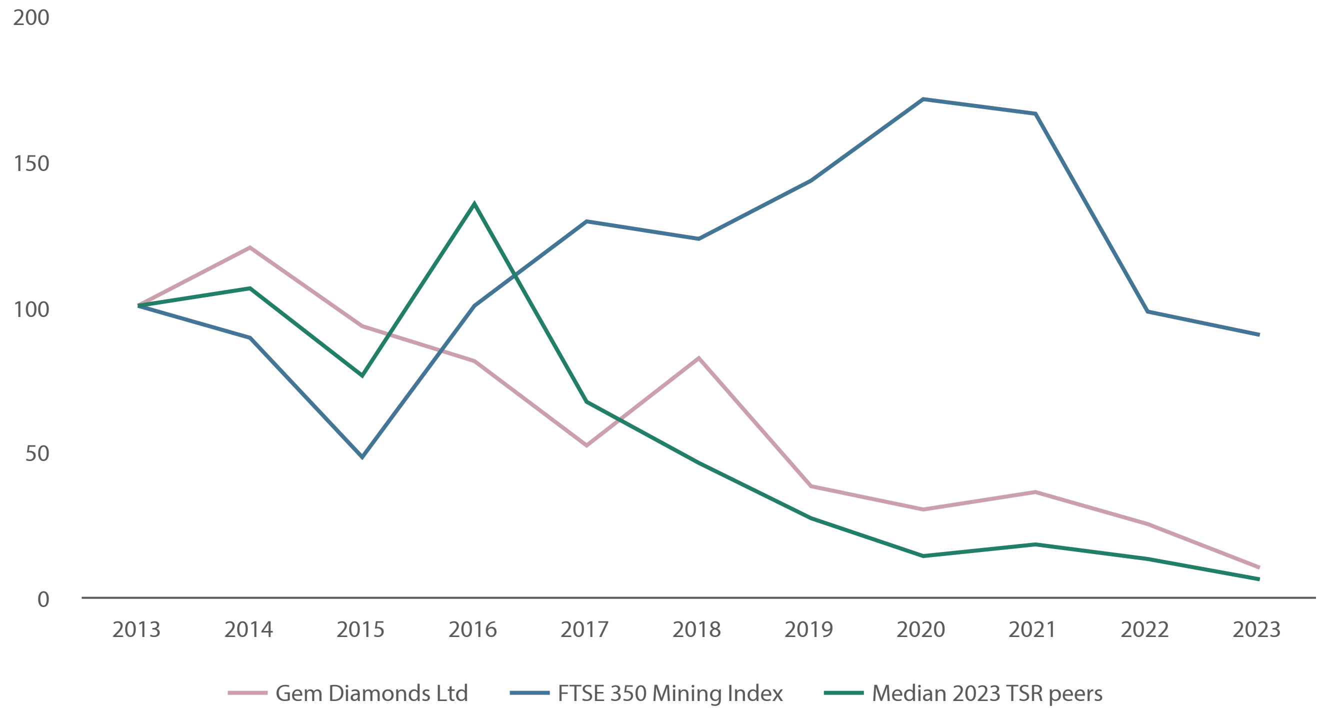
	2023 US$	2022 US$	% change
Distribution to shareholders[1]	**–**	–	–
Employee remuneration[2]	**12 736 751**	18 964 828	(33)
Return of capital[3]	**–**	1 156 783	(100)

[1] No dividends were declared from the 2022 or 2023 results.
[2] Includes salary, pension and benefits, bonus, accounting charge for the ESOP, and employer national insurance contribution.
[3] Any other significant distributions and payments or other uses of profit or cash flow deemed to assist in understanding the relative importance of spend on pay. The amount for 2022 relates to the amount spent on the share buyback programme.

Pay for performance

The graph below shows the Company's total shareholder return (TSR) performance compared to the performance of the TSR Peer Group and the FTSE 350 Mining Index over the 10-year period to 31 December 2023. The TSR Peer Group has been selected to provide a diamond miner comparator group, and the FTSE 350 Mining Index has been selected as the Group and the constituents of the index are affected by similar commercial and economic factors. The table below the graph details the CEO's single figure of remuneration and actual variable pay outcomes over the same period.

Value of £100 invested on 1 January (Gem Diamonds vs. FTSE 350 Mining Index and 2023 TSR Peers (£))



	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
CEO single figure of remuneration (£)	892 935	879 719	611 314	681 191	995 161	891 643	989 921	1 016 832	1 023 207	**677 186**[1]
Annual bonus outcome (% of maximum)	83.0	74.0	0.0	20.0	83.0	62.6	66.0	39.3	43.9	**45.5**[2]
ESOP vesting outcome (% of maximum)	0.0	0.0	28.3	14.5	21.4	25.9	65.9	60.1	42.7	**n/a**[3]

[1] *Share options under the deferred portion of the 2023 GDIP will be awarded in 2024 following the release of the 2023 annual results. The Committee applied its discretion in awarding deferred share options at a price of 25 GB pence rather than the prevailing share price of c.10 GB pence. This will have the effect of reducing the number of shares granted by c.59%, which also implies a lower aggregate bonus for the Executive Directors compared to 2022.*

[2] *The waiver of the cash element of the annual bonus, together with the lower deferred shares as set out in the above note, results in an effective 9% annual bonus outcome against the maximum achievement.*

[3] *Following the implementation of the GDIP in 2021, no share options have been awarded subject to performance conditions and no vesting of awards were subject to 2023 performance conditions.*

The percentage change in Director remuneration compared to other employee pay

The table below shows a comparison of the annual change of each individual Director's pay to the annual change in average employee pay for the year ended 31 December 2023. Average employee pay is calculated using the approved basic salary increase for 2023. The parent company consists of only Directors, and the Company therefore chose to voluntarily disclose the change in Directors' remuneration compared to a wider employee comparator group, as this will provide a more representative comparison.

		Executive Directors		Non-Executive Directors					
		C Elphick	M Michael	H Kenyon-Slaney	M Lynch-Bell	M Brown	M Maharasoa	R Kainyah	Comparator group[2]
2023	Base salaries (% change)	**4.0**	**4.0**	**–**	**–**	**–**	**–**	**–**	**7.8**
	Benefits (% change)	**(4.5)**	**(4.0)**	**–**	**–**	**–**	**–**	**–**	**2.5**
	Bonuses (% change)[1]	**(43.9)**	**(45.9)**	**–**	**–**	**–**	**–**	**–**	**(4.0)**
2022	Base salaries (% change)	4.0	4.0	10.0	4.0	4.0	4.0	4.0	4.7
	Benefits (% change)	(1.3)	(1.0)	–	–	–	–	–	–
	Bonuses (% change)	4.6	5.6	–	–	–	–	–	7.3
2021	Base salaries (% change)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	5.9
	Benefits (% change)	(0.9)	(0.7)	–	–	–	–	–	–
	Bonuses (% change)	(27.1)	(27.1)	–	–	–	–	–	(19.9)
2020	Base salaries (% change)	(1.3)	(1.3)	(14.5)	(16.0)	(16.0)	96.0	–	(2.0)
	Benefits (% change)	–	–	–	–	–	–	–	0.7
	Bonuses (% change)	3.7	4.7	–	–	–	–	–	4.9

1 *The executive bonus depicts the zero cash bonus for 2023. The Committee's discretion in awarding deferred share options at a price of 25 GB pence implies a reduced aggregate bonus with a y-o-y net effect of (76)% for the CEO and CFO.*

2 *The comparator group is made up of Letšeng Diamond employees which in turn make up 87% of the Group's employees.*

Executive Directors' external appointments

Apart from interests in private entities, only Clifford Elphick holds any significant executive directorship or appointments outside the Group. He is appointed as the non-Executive Chairperson of Zanaga Iron Ore Co Limited, which listed on the AIM Market of the London Stock Exchange in November 2010. Total fees paid to Clifford Elphick by Zanaga are £83 000. Any fees paid to Clifford Elphick in fulfilling these external roles are retained by him.

Salary increases

The Committee approved a 4% salary increase for the Executive Directors in 2023, effective 1 April 2023:

Executive Director	2023 salary	2022 salary	% increase
	£	£	
C Elphick	**532 041**	511 578	4 %
M Michael	**351 125**	337 620	4 %

Pension and other benefits

No formal pension provision is made by the Company, but Executive Directors receive a cash allowance in lieu of pension. On 1 January 2023 the pension allowance for both the CEO and CFO was reduced to 7.5% of salary to be fully aligned with pension contributions to the wider employee group. Executive Directors received a cash allowance in lieu of other non-cash benefits, the values of which were 6.0% of salary respectively for the CEO and the CFO.

Implementation of remuneration policy for 2023

Total single figure of remuneration for Directors

The table below sets out the total single figure remuneration received by each Director for 2023 and the prior year. Although the Group's reporting currency is US dollars, these figures are stated in sterling, as the Directors' emoluments are based in sterling.

	Salary and fees [1]		Non-cash benefits [2]		Pension [3]		Total fixed remuneration		GDIP (cash) [4]		GDIP (share options) [5]		ESOP [6]		Total variable remuneration		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	£	£	**£**	£	**£**	£	**£**	£	**£**	£	**£**		**£**	£	**£**	£	**£**	£
Executive Directors																		
C Elphick	**526 925**	506 659	**30 977**	27 867	**39 520**	63 166	**597 422**	597 692	**–**	222 166	**79 764**	181 772	**–**	21 577	**79 764**	425 515	**677 186**	1 023 207
M Michael	**347 749**	334 374	**20 864**	20 062	**26 081**	38 180	**394 694**	392 616	**–**	153 305	**54 957**	125 431	**–**	15 948	**54 957**	294 684	**449 651**	687 300
Non-Executive Directors																		
H Kenyon-Slaney	**134 640**	131 580	**–**	–	**–**	–	**134 640**	131 580	**–**	–	**–**	–	**–**	–	**–**	–	**134 640**	131 580
M Lynch-Bell	**58 344**	57 783	**–**	–	**–**	–	**58 344**	57 783	**–**	–	**–**	–	**–**	–	**–**	–	**58 344**	57 783
M Brown	**58 344**	57 783	**–**	–	**–**	–	**58 344**	57 783	**–**	–	**–**	–	**–**	–	**–**	–	**58 344**	57 783
M Maharasoa	**58 344**	57 783	**–**	–	**–**	–	**58 344**	57 783	**–**	–	**–**	–	**–**	–	**–**	–	**58 344**	57 783
R Kainyah	**58 344**	57 783	**–**	–	**–**	–	**58 344**	57 783	**–**	–	**–**	–	**–**	–	**–**	–	**58 344**	57 783

Audited

[1] *Salary and fees.*

[2] *Non-cash benefits: cash payments in lieu.*

[3] *Pension: cash payments in lieu.*

[4] *Includes the cash component of the GDIP.*

[5] *The 2023 GDIP (share options) figures relate to the value of the deferred nil-cost share options to be awarded in 2024 following the release of the 2023 annual results. The Committee applied its discretion to award deferred share options at a price of 25 GB pence rather than the prevailing share price of c.10 GB pence. This will have the effect of reducing the number of shares granted by c.59%, and also implies a lower aggregate bonus for the Executive Directors than that paid in 2022.*

[6] *The 2022 ESOP figures have been adjusted to reflect the share price on the vesting date of 21.95 GB pence.*

GDIP in respect of 2023 performance

Executive Directors participated in the GDIP in 2023, 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 2023, the maximum award opportunity for the Executive Directors was 180% of base salary. The earned incentive is paid in cash (55%) and a nil-cost share award (45%), with vesting subject to continued employment over three years. Pay-out is based 85% on a business scorecard and 15% on personal objectives assessed on a discretionary basis by the Remuneration Committee. The business scorecard performance measures, targets and actual results for 2023 are disclosed in full in the table below.

	Weighting (% of max)	Threshold target	Stretch target	Actual performance	Pay-out % of max
Preparing for Our Future					
As set out in strategic focus areas[1]	10.0	Judged by Committee on discretionary basis			7.7
Extracting Maximum Value					
Underlying EBITDA (US$ millions)	30.0	34.9	47.2	15.2	–
Costs					
» Corporate costs (US$ millions)	1.5	8.1	7.3	7.5	1.2
» Cost per tonne (LSL)	13.5	371	336	403	–
Carats recovered (carats)	10.0	90 533	110 651	109 656	9.5
Working Responsibly, Maintaining Social Licence					
Reduce environmental impact (tCO_2e)	5.0	104 821	95 387	96 892	4.6
All Injury Frequency Rate (AIFR)	5.0	1.6	0.8	0.7	5.0
Any fatality will result in 100% forfeiture of this element	5.0	–	–	–	5.0
Increase diversity (%)	2.5	2	4	–	–
Any major community incident will result in 100% forfeiture of this element	2.5	–	–	–	2.5
	85.0				35.5

[1] *The Committee reviewed progress against the strategic focus elements of Long-term mine planning and optimisation, the 'Assessment of external growth opportunities' and the 'Advancement of innovative technologies'. It was determined that a score of 7.7 out 10 is appropriate.*

In assessing the discretionary element of Preparing for Our Future, the Committee considered the following three areas set out as the strategic focus for the year:

Long-term mine planning and optimisation

- The successful insourcing of the mining activities has provided the platform to enhance operational efficiencies and decrease operating costs in future.
- The right-sizing programme at Letšeng effectively aligned the workforce to future operational requirements.
- A study to introduce a steeper conventional concept in the basalt of SC6W has been commissioned; the initial slope design has been approved and the requisite support design and costs are being analysed.

Assessment of external growth opportunities

During the year, numerous assets and projects were reviewed and a number of parties were engaged as part of the strategic focus on growth and expansion.

Advancement of innovative technologies

Various new technologies were tested for their ability to reduce diamond breakage and detect diamonds in kimberlite.

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 comprise 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 10.0% and 12.0% (out of 15%) respectively for the CEO and CFO.

Clifford Elphick

Preparing for Our Future	• During the year, numerous assets and projects were reviewed and a number of parties were engaged as part of the strategic focus on growth and expansion.
Extracting Maximum Value from Our Operations	• In 2022, an agreement was entered into with two important diamond manufacturing customers who will supply polished diamonds to some of the world's most premium luxury jewellery brands. These diamonds are polished to the clients' specifications and additional value is realised for the Group as it shares in a percentage of the polished sales price of these diamonds. Additional revenue earned from the sale of these diamonds amounted to US$0.9 million in 2023.
Working Responsibly and Maintaining Our Social Licence	• Succession planning across the Group was progressed with an increased focus on diversity and inclusion. Senior management diversity increased, although the rationalisation process at Letšeng impacted the ability to increase the overall diversity of the Group. • Decarbonisation initiatives progressed well during the year, keeping the Group on track to realise its decarbonisation target of a 30% reduction in Scope 1 and 2 emissions by 2030 against a 2021 baseline. In 2023, a 26% reduction against this baseline was achieved. • Excellent safety performance with the best all injury frequency rate on record.

Michael Michael

Preparing for Our Future	• The underground study was completed at a pre-feasibility level. Based on the current economic environment and input, the underground mining project in the Satellite pit was found to be not economically viable but will be reconsidered in case of a change in macro-economic conditions that has a positive impact on the diamond market and prices. • Successful conclusion of the mining activities insourcing has led to enhanced operational efficiencies and cost reductions going forward. The transition to owner mining also provides a platform for further enhancing operational efficiencies and reducing costs. • A study to introduce a steeper conventional concept in the basalt of SC6W has been commissioned; the initial slope design has been approved and the requisite support design and costs are being analysed.
Extracting Maximum Value from Our Operations	• Initiatives to reduce energy consumption include the replacement of existing lighting at Letšeng with energy-efficient lighting and the implementation of a solar power solution at Ghaghoo to replace the diesel-powered generator entirely. • Initiatives to improve plant stability by decreasing the instantaneous feed rates to the treatment plants resulted in an increase in overall plant utilisation, ore treated and grade recovered in H2 2023. • The right-sizing programme at Letšeng effectively aligned the workforce to future operational requirements.
Working Responsibly and Maintaining Our Social Licence	• The Group successfully completed the final phase of our three-year TCFD adoption journey. This included the adoption of a decarbonisation target of 30% reduction in Scope 1 and 2 emissions by 2030 (against a 2021 baseline), and monitoring and measuring our progress against these targets. • Extensive site clean-up and partial rehabilitation activities were performed at Ghaghoo for possible closure or handover to government.

The formulaic outcome from the business scorecard for Group performance was 35.5% (out of the maximum 85%) which, combined with the personal element, resulted in formulaic GDIP outcomes of 45.5% and 47.5% of maximum for the CEO and the CFO, respectively. The Committee noted management's proposal to forego the cash element of the GDIP and to restrict the deferred shares element to align more closely with the shareholder experience over 2023. The Committee agreed that only the deferred shares element would be awarded and that the share price to be used to determine the number of shares to be granted in 2024 under the deferred GDIP award would be 25 GB pence, rather than the prevailing share price of c.10 GB pence at the meeting when the Committee reviewed the GDIP outcome. This will have the effect of reducing the number of shares to be granted in 2024 by c.59%, which also implies a lower aggregate bonus for the Executive Directors compared to 2022.

Based on business and personal performance, the GDIP incentive for 2023 was as follows:

	Total Performance score (%)	Cash[1] (£)	Deferred shares[2] (£)	Total (£)
Executive Directors at 31 December 2023				
C Elphick	**45.5**	–	**79 764**	**79 764**
M Michael	**47.5**	–	**54 957**	**54 957**

1 As noted above, the Committee agreed to management's proposal to forego their entitlement under the cash element of the GDIP.
2 The deferred nil-cost options will be granted in 2024 with the number of shares based on an assumed share price of 25 GB pence; the value in the table above is based on the share price at the time of the GDIP approval by the Committee, of c.10 GB pence, and will be subject to the rules as set out in the Directors' Remuneration Policy on page 97.

Awards granted in 2023

The CEO and the CFO received share options with face values of respectively 34% and 36% of their then salaries, as summarised in the table below.

Executive Director	Date of grant	Number of options granted	Share price to determine award[1] £	Face value of award £	Face value as % of salary
C Elphick	21 April 2023	363 544	0.5	181 772	34 %
M Michael	21 April 2023	250 863	0.5	125 432	36 %

1. The number of deferred share options awarded was determined based on the Committee's discretion to award deferred share options at a price of 50 GB pence rather than the prevailing share price of 27 GB pence on the date of the award.

Details of outstanding awards of performance options to Director

	Performance options as at 1 January 2023[1]	Granted in the year	Vested in the year	Lapsed in the year	Exercise price GB pence	Date of grant	Earliest normal exercise date	Expiry date	Performance options outstanding as at 31 December 2023
M Michael	**37 088[2]**	–	–	–	177.6	11 September 2012	1 January 2016	31 December 2023	–

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 2023 was 12.92 GB pence. The highest and lowest closing prices in the year were 33.1 GB pence and 10.98 GB pence respectively. Details of the vesting conditions for awards made under the ESOP are included in note 26 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 2023 are presented below. It is confirmed that there were no changes to the Directors' holdings between 31 December 2023 and the date of this report. No Director held an interest in the shares of any subsidiary company.

		Performance shares held			Performance options held			
	Shares owned outright as at 31 December 2023	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[1]	Shareholding guideline met
Executive Directors								
C Elphick[2]	**9 325 000**	–	561 689	197 374	–	–	16682 %	Yes
M Michael	**171 849**	–	384 957	353 954	–	–	154 %	No[3]
Non-Executive Directors								
H Kenyon-Slaney	**50 000**	–	–	–	–	–	–	–
M Lynch-Bell	**15 000**	–	–	–	–	–	–	–
M Brown	**67 124**	–	–	–	–	–	–	–

Audited
1 The Committee deemed it appropriate to calculate the total shareholding as a % of salary based on the share price at the time of issue/purchase. This differs from previous reporting where the 3-month average to the end of the financial year was used in the calculation. In applying the 3-month average calculation, the shareholding would be 237% and 21% respectively for the CEO and CFO.
2 C 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.
3 In terms of the shareholding guidelines, M Michael is required to retain at least 50% of his vested awards until the guideline of 200% of basic salary has been met.

Implementation of remuneration policy for 2024

The Committee considered management's recommendation that zero increases were to be awarded in light of the current challenging environment the Group finds itself in. Based on all considerations, including current market conditions, the Committee determined that base salaries would not be increased in 2024. The wider workforce had been granted a 6.5% salary increase, which took into account the year-on-year increase in inflation.

Executive Director	2024 salary £	2023 salary £	% increase
C Elphick	532 041	532 041	–
M Michael	351 125	351 125	–

Pension and benefits

The Executive Directors will continue to receive cash supplements in lieu of pension and benefits in 2024. Pension benefits are fully aligned with that of the wider employee group at 7.5% of base salary. Pension contributions to any new Executive Director appointments will be capped at the prevailing wider employee group pension rate at the time.

The allowance in lieu of non-cash benefits will be 6% of salary for both the CEO and CFO.

Gem Diamonds Incentive Plan

The Executive Directors will participate in the GDIP in line with the remuneration policy, with a maximum award opportunity of 180% of salary, and with pay-out based on a scorecard of financial, operational and personal objectives measured over the financial year.

The performance measures will continue to support the delivery of the Group's key strategic priorities as set out on page 18 of this Annual Report and Accounts 2023, 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 2024 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 2024 remuneration report.	

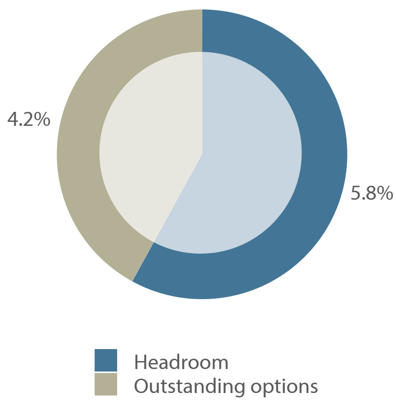
Targets are considered sensitive and will be disclosed in full on a retrospective basis in next year's report. In approving these targets, the Committee considered a range of perspectives on performance outcomes, including internal and external reference points. More detail is given on the selection of GDIP performance measures on page 98 of this report.

Dilution

Employee share awards may be satisfied with newly issued shares subject to aggregate dilution limits. The issue of shares to satisfy awards under the Company's share schemes will not exceed 10% of the Company's issued ordinary share capital in any rolling 10-year period. As of 31 December 2023, a total of 14 121 018 shares (10% of issued share capital) may be issued pursuant to all current awards outstanding over the last 10 years.

As at 31 December 2023, the Company's headroom position, which remains within the current IA Guidelines, was as presented in the chart to the right:

Dilution headroom



DETAILS OF OUTSTANDING AWARDS TO DIRECTORS

Directors	Date of grant	Balance as at 1 January 2023	Granted in the year	Vested in the year	Lapsed in the year	Exercised in the year	Exercise price US$	Earliest normal exercise date	Expiry date	Balance as at 31 December 2023
C Elphick (CEO)	9 June 2020	**230 000**	–	98 302	131 698	–	–	9 June 2023	9 June 2030	**98 302**
	No award in 2021	**–**	–	–	–	–	–	–	–	**–**
	4 April 2022	**297 217**	–	99 072	–	–	–	04 Apr '23 (1/3) 04 Apr '24 (1/3) 04 Apr '25 (1/3)	4 April 2032	**297 217**
	21 April 2023	**–**	363 544	–	–	–	–	21 Apr '24 (1/3) 21 Apr '25 (1/3) 21 Apr '26 (1/3)	21 April 2033	**363 544**
Total		**527 217**	**363 544**	**197 374**	**131 698**	**–**	**–**			**759 063**
M Michael (CFO)	20 March 2018	**112 042**	–	–	–	–	–	20 March 2021	20 March 2028	**112 042**
	20 March 2019	**102 207**	–			–	–	20 March 2022	20 March 2029	**102 207**
	9 June 2020	**170 000**	–	72 658	97 342	–	–	9 June 2023	9 June 2030	**72 658**
	No award in 2021	–	–	–	–	–	–	–	–	**–**
	4 April 2022	**201 141**	–	67 047	–	–	–	04 Apr '23 (1/3) 04 Apr '24 (1/3) 04 Apr '25 (1/3)	4 April 2032	**201 141**
	21 April 2023	**–**	250 863	–	–	–	–	21 Apr '24 (1/3) 21 Apr '25 (1/3) 21 Apr '26 (1/3)	21 April 2033	**250 863**
Total		**585 390**	**250 863**	**139 705**	**97 342**	**–**	**–**			**738 911**

Audited

Chairperson and non-Executive Director fees

Chairperson and non-Executive Director fees were reviewed in February 2024. Considering appropriate industry benchmarks as well as the current environment in which the Company operates, it was decided that fees for the Chairperson and the non-Executive Directors will not be increased for 2024.

DIRECTORS' REPORT

The Directors are pleased to submit the financial statements of the Group for the year ended 31 December 2023.

As a British Virgin Islands-registered company, Gem Diamonds Limited (company registration number: 669758) is not required to conform with the Companies Act, 2006. However, the Directors have elected to conform to the requirements of the Companies Act, 2006.

Accordingly, Directors must present a Strategic Report and a Directors' Report to inform shareholders of the Group's performance and prospects and help them evaluate whether the Directors performed their fiduciary duty. The 2023 Annual Report and Accounts discloses how the Directors have performed their duty to ensure the Group's continued success and sustainability, in line with the Companies Act, 2006.

In line 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 2023 Annual Report and Accounts, indicated by a reference.

The Strategic Report can be found on pages 2 to 62. This will provide the shareholders with a balanced assessment of the Group's business including a description of its principal risks and uncertainties. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

Forward-looking statements

The Strategic Report and other sections of this report contain forward-looking statements. Forward-looking statements, by their nature, involve several risks, uncertainties and future assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future. The actual results and outcomes may differ materially from those expressed or implied by the forward-looking statements. No assurance can be given that the forward-looking statements in the Strategic Report will be realised. Statements about the Directors' expectations, beliefs, hopes, plans, intentions and strategies are subject to change and are based on expectations and assumptions about future events, circumstances and other factors which are, in many instances, outside the Company's control.

The information in the Strategic Report was prepared based on the knowledge and information available to the Directors at the time of its preparation. The Company is under no obligation to update or revise the Strategic Report during 2024. The expectations set out in the forward-looking statements are reasonable but may be influenced by several variables which could cause actual results or trends to differ materially. Forward-looking statements need to be read in context with actual historic information provided. The Company's shareholders are cautioned not to place undue reliance on the forward-looking statements. Shareholders should note that the Strategic Report has not been audited.

CORPORATE GOVERNANCE

DTR 7.2 requires certain information to 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 113.

DIRECTORS

The Directors, as at the date of this report, are listed on pages 179 to 181 together with their biographical details. Details of the Directors' interests in shares and share options of the Company can be found on page 111.

Directors who held office during the year and date of appointment

	Appointment
Executive Directors	
C Elphick	20 January 2006
M Michael	22 April 2013
Non-Executive Directors	
H Kenyon-Slaney	6 June 2017
M Brown	1 January 2018
M Lynch-Bell	15 December 2015
M Maharasoa	1 July 2019
R Kainyah	1 May 2021

Appointment and re-election of Directors

The Board's formal Selection and Appointment Policy ensures that the procedure for appointing new Directors is formal, rigorous and transparent, and appointments are made on merit, against objective criteria. The Nominations Committee makes appointments based on merit while considering diversity (of gender, social and ethnic background), cognitive and personal strengths and specialist skill sets.

The Articles of Association (82) provide that a third of Directors retire annually by rotation and, if eligible, offer themselves for re-election. However, in accordance with the Code, all the Directors retire at the AGM and, subject to being eligible, offer themselves for re-election.

Payments for loss of office due to change of control

The basis for payments for loss of office to Executive Directors due to a change in control can be found on page 100.

PROTECTION AVAILABLE TO DIRECTORS

By law, the Directors are ultimately responsible for most aspects of the Group's business dealings. This means they face potentially significant personal liability under criminal or civil law, or the UK Listing, Prospectus and Disclosure and Transparency Rules, and face a range of penalties including private or public censure, fines and/or imprisonment. In line with normal market practice, the Group understands that it is in its best interests to protect its Board members from the consequences of innocent error or omission. This allows the Group to attract prudent individuals to act as Directors.

The Group maintains, at its expense, a Director and Officer's liability insurance policy to provide indemnity, in certain circumstances, for the benefit of Directors and other Group employees.

Refer to the Corporate Governance statement on page 72 for further details.

DIRECTORS' INTERESTS

No Director had, at any time during the year, a material interest in any contract of significance in relation to the Company's business. The interests of Directors in the shares of the Company are included on page 111.

SUPPLIERS AND CUSTOMERS

We engage extensively with suppliers and contractors to ensure alignment, mutual understanding and the sustainability of all parties. The early termination (by mutual agreement) of the mining services contract and subsequent insourcing thereof was concluded in December 2023.

We have sound relationships with our customers. We interact with customers regularly in the normal course of business and at tenders. We continued to hold regular diamond tender viewings in Antwerp during the year. We were able to rely on the loyal customer base for support during the year while the diamond market was under significant pressure. The agreement entered in 2022 with two diamond manufacturing customers to supply polished diamonds to some of the world's most premium luxury brands remained in effect in 2023.

Refer to our stakeholder relationships section on pages 14 to 17 for more details on our engagement with suppliers, contractors and customers.

RESULTS AND DIVIDENDS

The Group's attributable loss after taxation amounted to US$2.1 million (2022: profit of US$10.2 million).

The Group's detailed financial results are set out in the financial statements on pages 118 to 173.

The Board is not proposing a dividend based on the 2023 financial results due to the volatility in the current economic outlook, the Group's available cash resources and the current business outlook.

The Group's dividend policy sets the appropriate dividend each year, and considers:

- The Group's cash resources.
- The level of free cash flow and earnings generated during the year.
- Expected funding commitments for future capital projects.

The Board will consider special dividends in the event of significant diamond recoveries and will consider further share buyback programmes if appropriate.

GOING CONCERN

The Group business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 62. The financial position of the Group, its cash flows and liquidity position are described in the Strategic Report on pages 34 to 40. In addition, Note 1.2.2, Note 25 and Note 27 to the financial statements include the Group's going concern policy and its 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, the likely successful renewal of its debt facilities, various cost-reduction initiatives, 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 prospects of the Group over a period longer than the 12 months required by the "going concern" provision. The viability statement, aligned with Provision 31 of the UK Corporate Governance Code 2018, is included in the Strategic Report on page 27.

SUBSEQUENT EVENTS

Refer to Note 29 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 15 to the financial statements.

As at 13 March 2024, there were 139.7 million fully paid ordinary shares of US$0.01 each in issue and listed on the official list maintained by the Financial Conduct Authority in its capacity as the UK Listing Authority. In addition, the Company holds 1.5 million shares as treasury shares acquired during the share buyback programme that was launched in 2022. These treasury shares are not entitled to dividends and have no voting rights.

The Company has one class of ordinary shares. Shareholders have the right to receive notice of and attend, speak and vote at any general meeting of the Company. Shareholders may be present in person (or, being a corporation, by representative) or by proxy at a general meeting. Every shareholder present in person (or, being a corporation, by representative) or by proxy will have one vote in respect of every ordinary share they hold. The appointment of a proxy to vote at a general meeting must be received no less than 48 hours before the meeting's appointed time.

Shareholders have the right to participate in dividends and other distributions according to their respective rights and interests in the profit of the Company.

No shareholders have any special rights with regard to the control of the Company. The Company is not aware of any agreements between shareholders which may result in restrictions on transfers or voting rights, save as mentioned below.

There are no restrictions on the transfer of ordinary shares other than:

- As set out in the Company's Articles of Association.
- Certain restrictions may from time to time be imposed by laws and regulations.
- Pursuant to the Company's share dealing code whereby the Directors and employees of the Company require approval to deal in the Company's ordinary shares.

At the AGM held in June 2023, the Board noted the proportion of the votes cast against the resolution referring to the authority of Directors to allot shares (Resolution 12 passed with 69.5% of participating shareholders voting in favour). The CEO met the significant shareholder who voted against Resolution 12 to discuss their voting policy, and although the shareholder has a standing position on these resolutions, the Board will regularly consider its approach to this matter. The resolution reflected UK-listed company market practice, and the Board considers the flexibility afforded by the authority to allot shares to be in the best interest of the Company.

At the same AGM, shareholders authorised the Company to make on-market purchases of up to 14 121 018 of its ordinary shares, representing approximately 10% of the Company's issued share capital at that time. In 2022, the Company purchased 1 520 170 of its ordinary shares, which are being held as treasury shares and may be used to settle ESOP and GDIP awards.

At the 2024 AGM, shareholders will be requested to renew this authority. The Directors continue to consider various options and keep the authorisation under regular review. The 2024 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 15.

ARTICLES OF ASSOCIATION

Any proposed amendments to the Articles of Association of the Company need to be approved by shareholders by special resolution.

RESOURCE DEVELOPMENT

The NI 43-101 Technical Report containing Letšeng's 2024 Resource and Reserve Statement will be available on the Group's website at www.gemdiamonds.com. The COO Review on page 45 provides more detail on this.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Read more about the Group's 2023 Sustainability Performance, including CSI investment, community participation and environmental management, in our Sustainability Report 2023 which is available at www.gemdiamonds.com.

POLITICAL DONATIONS

The Group made no political donations during 2023.

TCFD, CARBON EMISSIONS AND ENERGY CONSUMPTION SUMMARY

Information on the Group's decarbonisation strategy, adoption of the TCFD recommendations, carbon footprint and energy consumption in 2023 can be found in the Sustainability and Climate Change reports on pages 49 and 51 respectively.

By order of the Board

Harry Kenyon-Slaney

Non-Executive Chairperson

13 March 2024

FINANCIAL SATEMENTS

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with International Financial Reporting Standards (IFRS). Having taken advice from the Audit Committee, the Board considers that this report and financial statements taken as a whole, are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

PREPARATION OF THE FINANCIAL STATEMENTS

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 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

13 March 2024

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 123 to 173, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

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 our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our 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 this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit

GOODWILL IMPAIRMENT
 	
Management performs an annual impairment test on goodwill as required by IAS 36 *Impairment of Assets* using discounted future cash flows to determine the recoverable amount. Goodwill relates to the Group's investment in the Letšeng Diamond mine. The carrying value of goodwill amounts to US$10.4 million (2022:US$11.2 million).
 	
There is an inherent uncertainty in forecasting and discounting future cash flows, which forms the basis of the Group's recoverable amount calculations. This was amplified by uncertainties in various world economies which impacted the depressed diamond prices, operating costs, exchange rates and discount rates resulting in additional audit work in assessing the Group's impairment model.
 	
As disclosed in Note 11 I*mpairment testing* and Note 1.2.26 *Critical accounting estimates and judgements*, the Group uses discounted cash flows to determine the recoverable amount for each cash generating unit, based on the following key assumptions:
• Rough diamond prices;
• Inflation rates;
• Production costs and volumes; and
• Discount rates
 	
The current year impairment model further includes certain assumptions that materially impact the recoverable amount – this include the re-optimisation of the pits which resulted in lower reserves and ultimately reducing the life of mine from 2040 to 2038 - this further impacted waste and ore volumes.
 	
Given the above factors, the goodwill impairment, required significant audit effort including the use of our valuation experts in the audit of the recoverable amount.
	Our audit procedures included amongst others the following:
	• We involved our internal valuation specialists as part of our team to assist in evaluating management's impairment methodology and key assumptions used in the impairment calculations;
	• Our valuation specialists evaluated the valuation methodology against acceptable industry methods and accounting standards;
	• Our valuation specialists calculated two independent weighted average cost of capital (WACC) rates (Revenue and costs) to compare to management's WACC's. Our independent WACC recalculations were based on publicly available market data for comparable companies for the Letšeng Cash Generating Unit (CGU);
	• Our valuation specialists 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 and growth, by comparing them to independent sources. Assumptions such as production costs and volumes were considered for reasonability with reference to history, the mine plan and reserves;
	• We have performed sensitivity analyses around the key assumptions used in the impairment model. We did this by increasing and decreasing the following assumptions in the model to determine the impact on the headroom (difference between the carrying value of the CGU and the recoverable amount). These included:
	  ▪ WACC;
	  ▪ Processing costs; and
	  ▪ Diamond prices
	• Our valuation specialists considered the re-optimisation and the impact on the life of mine in the context of the reserves.
	• 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 183-page document titled "Gem Diamonds Annual Report and Accounts 2023". The other information does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 identify 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)

13 March 2024

102 Rivonia Road

Sandton

Private Bag X14

Sandton

2146

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 US$'000	2022 US$'000
Revenue from contracts with customers	2	**140 287**	188 937
Cost of sales		**(109 112)**	(124 113)
Gross profit		**31 175**	64 824
Other operating income/(expense)	3	**7**	(1 937)
Royalties and selling costs		**(15 340)**	(20 328)
Corporate expenses		**(7 905)**	(8 997)
Share-based payments	26	**(332)**	(253)
Foreign exchange gain	4	**2 775**	1 914
Impairment of non-current assets	4	**–**	(702)
Operating profit	4	**10 380**	34 521
Net finance costs	5	**(4 696)**	(4 089)
– Finance income		**617**	413
– Finance costs		**(5 313)**	(4 502)
Profit before tax for the year		**5 684**	30 432
Income tax expense	6	**(4 090)**	(10 277)
Profit for the year		**1 594**	20 155
Attributable to:			
Equity holders of parent		**(2 125)**	10 178
Non-controlling interests		**3 719**	9 977
Earnings per share (cents)	7		
– Basic (loss)/earnings for the year attributable to ordinary equity holders of the parent		**(1.5)**	7.3
– Diluted (loss)/earnings for the year attributable to ordinary equity holders of the parent		**(1.5)**	7.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 US$'000	2022 US$'000
Profit for the year	**1 594**	20 155
Items that could be reclassified to profit or loss in the future:		
Exchange differences on translation of foreign operations, net of tax	**(16 849)**	(18 534)
Other comprehensive loss for the year, net of tax	**(16 849)**	(18 534)
Total comprehensive (loss)/income for the year	**(15 255)**	1 621
Attributable to:		
Equity holders of parent	**(14 082)**	(2 513)
Non-controlling interests	**(1 173)**	4 134

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**295 830**	293 499
Right-of-use assets	9	**4 746**	6 340
Intangible assets	10	**10 440**	11 221
Receivables and other assets	12	**4 487**	2 916
Deferred tax assets	21	**6 814**	5 994
		322 317	319 970
Current assets			
Inventories	13	**37 633**	30 370
Receivables and other assets	12	**3 631**	4 855
Income tax receivable	19	**4 631**	2 323
Cash and short-term deposits	14	**16 503**	8 721
		62 398	46 269
Total assets		**384 715**	366 239
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	15	**1 413**	1 410
Treasury shares	15	**(1 157)**	(1 157)
Share premium		**885 648**	885 648
Other reserves	15	**(250 797)**	(239 169)
Accumulated losses		**(496 238)**	(494 113)
		138 869	152 619
Non-controlling interests		**79 255**	80 428
Total equity		**218 124**	233 047
Non-current liabilities			
Interest-bearing loans and borrowings	16	**5 156**	4 370
Lease liabilities	17	**3 786**	6 021
Trade and other payables	18	**1 494**	2 169
Provisions	20	**14 170**	15 387
Deferred tax liabilities	21	**82 136**	82 030
		106 742	109 977
Current liabilities			
Interest-bearing loans and borrowings	16	**33 411**	1 575
Lease liabilities	17	**2 164**	1 877
Trade and other payables	18	**23 356**	19 708
Income tax payable	19	**918**	55
		59 849	23 215
Total liabilities		**166 591**	133 192
Total equity and liabilities		**384 715**	366 239

Approved by the Board of Directors on 13 March 2024 and signed on its behalf by:

C Elphick
Director

M Michael
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to the equity holders of the parent							
	Issued capital	Share premium	Treasury shares	Other reserves[1]	Accumulated (losses)/ retained earnings	Total	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2023	**1 410**	**885 648**	**(1 157)**	**(239 169)**	**(494 113)**	**152 619**	**80 428**	**233 047**
Total comprehensive loss	**–**	**–**	**–**	**(11 957)**	**(2 125)**	**(14 082)**	**(1 173)**	**(15 255)**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**(2 125)**	**(2 125)**	**3 719**	**1 594**
Other comprehensive loss	**–**	**–**	**–**	**(11 957)**	**–**	**(11 957)**	**(4 892)**	**(16 849)**
Share capital issued (Note 15)	**3**	**–**	**–**	**(3)**	**–**	**–**	**–**	**–**
Share-based payments (Note 26)	**–**	**–**	**–**	**332**	**–**	**332**	**–**	**332**
As at 31 December 2023	**1 413**	**885 648**	**(1 157)**	**(250 797)**	**(496 238)**	**138 869**	**79 255**	**218 124**
As at 1 January 2022	1 406	885 648	–	(226 697)	(500 550)	159 807	86 843	246 650
Total comprehensive (loss)/ income	–	–	–	(12 691)	10 178	(2 513)	4 134	1 621
Profit for the year	–	–	–	–	10 178	10 178	9 977	20 155
Other comprehensive loss	–	–	–	(12 691)	–	(12 691)	(5 843)	(18 534)
Share capital issued (Note 15)	4	–	–	(4)	–	–	–	–
Share-based payments (Note 26)	–	–	–	253	–	253	–	253
Share buyback (Note 15)	–	–	(1 157)	–	–	(1 157)	–	(1 157)
Transfer between reserves	–	–	–	(30)	30	–	–	–
Dividends declared (Note 28)	–	–	–	–	(3 771)	(3 771)	(10 549)	(14 320)
As at 31 December 2022	1 410	885 648	(1 157)	(239 169)	(494 113)	152 619	80 428	233 047

1 Other reserves relate to Foreign currency translation reserves and Share-based equity reserves. Refer Note 15, Issued share capital and reserves for further detail.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 US$'000	2022 US$'000
Cash flows from operating activities		**35 020**	63 032
Cash generated by operations	22.1	**56 150**	82 799
Working capital adjustments	22.2	**(15 610)**	(9 889)
Interest received		**292**	303
Interest paid		**(4 216)**	(2 933)
Income tax paid	19	**(1 596)**	(8 435)
Income tax received	19	**–**	1 187
Cash flows used in investing activities		**(57 146)**	(59 672)
Purchase of property, plant and equipment	8	**(20 048)**	(11 920)
Waste stripping costs capitalised	8	**(37 102)**	(47 948)
Proceeds from sale of property, plant and equipment		**4**	196
Cash flows from/(used in) financing activities		**28 021**	(24 909)
Lease liability capital repayment	17	**(2 092)**	(1 846)
Net financial liabilities raised/(repaid)	22.3	**30 113**	(7 734)
Financial liabilities repaid		**(45 103)**	(17 627)
Financial liabilities raised		**75 216**	9 893
Share buyback	15	**–**	(1 157)
Dividends paid to holders of the parent		**–**	(3 623)
Dividends paid to non-controlling interests		**–**	(10 549)
Net increase/(decrease) in cash and cash equivalents	14	**5 895**	(21 549)
Cash and cash equivalents at beginning of year		**8 721**	31 057
Foreign exchange differences		**1 887**	(787)
Cash and cash equivalents at end of year	14	**16 503**	8 721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 13 March 2024.

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 2023.

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] The Courtyard unit 7A Plot 54513 Village Gaborone Botswana	100%	US$5 844 579	Botswana	Diamond mining; evaluation and development; and holder of mining licences and concessions. Currently on care and maintenance.
Gem Diamonds Investments Limited[2] 6th Floor, 60 Gracechurch Street Broadway, London EC3V 0HR 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.*

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information

For management purposes, the Group is organised into geographical units as its risks and required rates of return are affected predominantly by differences in the geographical regions of the mines and areas in which the Group operates or areas in which operations are managed. The below measures of profit or loss, assets and liabilities are reviewed by the Chief Operating Decision-Maker, ie Board of Directors. The main geographical regions and the type of products and services from which each reporting segment derives its revenue from are:

- Lesotho (diamond mining activities);
- Belgium (sales, marketing and manufacturing of diamonds);
- BVI, RSA, UK and Cyprus (technical and administrative services); and
- Botswana (diamond mining activities, currently on care and maintenance)

Management monitors the operating results of the geographical units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss. Intersegment transactions are entered into under normal arm's length terms in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transactions between segments. Those transactions are eliminated on consolidation.

Segment revenue is derived from mining activities, polished manufacturing margins, and diamond analysis and manufacturing services.

The following tables presents revenue from contracts with customers, profit/(loss) for the year, EBITDA and asset and liability information from operations regarding the Group's geographical segments:

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

Year ended 31 December 2023	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus[1] US$'000	Botswana US$'000	Total US$'000
Revenue from contracts with customers					
Total revenue	140 905	140 121	6 733	–	287 759
Intersegment	(140 051)	(688)	(6 733)	–	(147 472)
External customers	854	139 433	–	–	140 287
Depreciation and amortisation	45 835	194	470	10	46 509
– Depreciation and mining asset amortisation	6 641	194	470	10	7 315
– Waste stripping cost amortisation	39 194	–	–	–	39 194
Share-based equity transactions	(21)	(2)	(309)	–	(332)
Segment operating profit/(loss)	19 573	676	(8 550)	(1 319)	10 380
Net finance costs	(3 500)	(23)	(1 000)	(173)	(4 696)
Profit/(loss) before tax	16 073	653	(9 550)	(1 492)	5 684
Income tax (expense)/income	(3 678)	5	(417)	–	(4 090)
Profit/(loss) for the year	12 395	658	(9 967)	(1 492)	1 594
EBITDA	22 129	857	(7 754)	–	15 232
Segment non-current assets	308 973	1 347	369	327	311 016
Segment assets	371 056	2 770	3 280	795	377 901
Segment liabilities	72 193	1 503	7 725	3 034	84 455
Other segment information					
Net cash/(debt) and short-term deposits[2]	(17 908)	642	(4 082)	1	(21 347)
Capital expenditure					
– Property, plant and equipment	30 014	25	34	311	30 384
– Net movement in rehabilitation asset[3]	(1 342)	–	–	–	(1 342)
– Waste cost capitalised	37 102	–	–	–	37 102
Total capital expenditure	65 774	25	34	311	66 144
Average number of employees employed under contracts of service	266	7	21	19	313

[1] *No revenue was generated in BVI and Cyprus.*

[2] *Calculated as cash and short-term deposits less drawn down bank facilities (excluding insurance premium financing and credit underwriting fees). Refer Note 16, 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 three customers who individually contributed 10% or more to total revenue. This revenue in total amounted to US$55.4 million arising from sales reported in the Belgium segment.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

Segment non-current assets do not include deferred tax assets of US$6.8 million and financial instruments of US$4.5 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$20.7 thousand.

Segment assets and liabilities do not include deferred tax assets and liabilities of US$6.8 million and US$82.1 million respectively.

Revenue decreased 26% compared to 2022 mainly due to lower prices achieved as a result of a downturn in the diamond market, a decrease of 3% in carats sold (104 520 carats compared to 107 498 in 2022) and lower than average recoveries of large diamonds. An average sales price of US$1 334 per carat (2022: US$1 755 per carat) was achieved.

Year ended 31 December 2022	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus[1] US$'000	Botswana US$'000	Total US$'000
Revenue from contracts with customers					
Total revenue	186 087	189 497	7 326	–	382 910
Intersegment	(185 782)	(865)	(7 326)	–	(193 973)
External customers	305	188 632	–	–	188 937
Depreciation and amortisation	43 267	263	1 081	80	44 691
– Depreciation and mining asset amortisation	6 982	263	1 081	80	8 406
– Waste stripping cost amortisation	36 285	–	–	–	36 285
Share-based equity transactions	(33)	(2)	(218)	–	(253)
Segment operating profit/(loss)	46 060	1 307	(10 158)	(2 688)	34 521
Net finance costs	(2 569)	(17)	(1 294)	(209)	(4 089)
Profit/(loss) before tax	43 491	1 290	(11 452)	(2 897)	30 432
Income tax expense	(10 236)	(195)	154	–	(10 277)
Profit/(loss) for the year	33 255	1 095	(11 298)	(2 897)	20 155
EBITDA	50 842	1 625	(8 781)	–	43 686
Segment non-current assets	308 889	1 516	627	28	311 060
Segment assets	350 640	2 411	6 676	518	360 245
Segment liabilities	43 987	1 677	2 097	3 401	51 162
Other segment information					
Net cash and short-term deposits[2]	(2 627)	660	5 231	1	3 265
Capital expenditure					
– Property, plant and equipment	11 894	7	19	–	11 920
– Net movement in rehabilitation asset[3]	858	–	–	(573)	285
– Waste cost capitalised	47 948	–	–	–	47 948
Total capital expenditure	60 700	7	19	(573)	60 153
Average number of employees employed under contracts of service	322	7	22	19	370

[1] *No revenue was generated in BVI and Cyprus.*

[2] *Calculated as cash and short-term deposits less drawn down bank facilities (excluding the asset-based finance facility, insurance premium financing and credit underwriting fees). Refer Note 16, 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 2022 year is revenue from two customers who individually contributed 10% or more to total revenue. This revenue in total amounted to US$48.7 million arising from sales reported in the Belgium segment.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.1 Corporate information (continued)

1.1.3 Segment information (continued)

Segment non-current assets do not include deferred tax assets of US$6.0 million and financial instruments of US$2.9 million. Included in the non-current assets BVI, RSA, UK and Cyprus segment disclosure are non-current assets located in the Company's country of domicile, the UK, of US$19.4 thousand.

Segment assets and liabilities do not include deferred tax assets and liabilities of US$6.0 million and US$82.0 million respectively.

1.2 Summary of material 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 1.2.14, 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 1.2.26, Critical accounting estimates and judgements.

Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group adopted certain standards and amendments for the first time, which became effective for the Group on 1 January 2023 and are listed in the table below. The adoption of these new accounting pronouncements has not had a significant impact on the consolidated financial statements of the Group nor the accounting policies, methods of computation or presentation applied by the Group. Other than the changes described below, the accounting policies are consistent with those of the previous financial year.

Amendments and new standards	Description
IFRS 17	Insurance contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules

Standards issued but not yet effective

The 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*
Amendments to IAS 1	Classification of liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Pending

** Annual periods beginning on or after.*

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

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 25, Financial risk management, includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to market risk, credit risk and liquidity risk.

The Group's net debt at 31 December 2023 was US$21.3 million (31 December 2022: net cash US$3.3 million). The Group's available undrawn facilities at 31 December 2023 amounted to US$45.9 million (31 December 2022: US$82.6 million), resulting in liquidity (defined as net debt/cash and available undrawn facilities) of US$24.6 million (31 December 2022: US$85.9 million). The gross liquidity position of the Group (defined as gross cash and available undrawn facilities) as at 31 December 2023 is US$62.4 million (31 December 2022: US$91.3 million). The Group's Revolving Credit Facilities (RCF), which total US$71.0 million when fully unutilised, mature on 22 December 2024. In addition, there is a US$5.5 million general banking facility with no set expiry date, but is reviewed annually (Refer Note 16, Interest-bearing loans and borrowings).The impacts on future cash flows of Eskom's continued electricity outages, the current diamond market conditions, the ongoing Russian invasion on Ukraine and the conflict in Gaza, were considered by performing sensitivities on costs, diamond pricing and the unlikely weakening of the US dollar against the Lesotho loti.

The Group's RCFs mature on 22 December 2024. The existing facility agreement includes an option to extend the facilities for a period of 24 months (subject to lender approval). The Group may also decide to renew these facilities for a potentially longer period of 36 months. These facilities have been in place since 2011 and have been renewed on three previous occasions through expanding the lender group and increasing the overall facility amount. The Directors believe that in considering the future cash flows, the long-standing relationships with the wider lender group and the history of the successful renewals of the facilities, it is more than likely that the facilities be extended or renewed during 2024. In the unlikely event that the RCFs are not renewed, the Directors believe that various mitigation actions such as the deferment or further optimisation of waste stripping activities could be implemented in the short term.

After making enquiries which include reviews of forecasts and budgets, timing of cash flows and sensitivity analyses, the Group's operations and production levels, the various cost reduction initiatives and considering the likely successful renewal of the Group's RCFs, the Directors have a reasonable expectation that the Group has adequate financial resources without the use of mitigating actions to continue in operational existence for the foreseeable future. For this reason, the Directors 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 2023.

Subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three of the following criteria must be met: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions, including unrealised gains and losses arising from them, are eliminated in full.

Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent company and is presented separately within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

1.2.4 Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- acquisition of rights to explore;
- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.4 Exploration and evaluation expenditure (continued)

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 mining assets within property, plant and equipment, and amortised over the term of the permit.

Exploration and evaluation expenditure is capitalised as incurred. Capitalised exploration expenditure is recorded as a component of property, plant and equipment, as an exploration and development asset, at cost less accumulated impairment charges. As the asset is not available for use, it is not depreciated.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit (CGU)) to which the exploration is attributed. To the extent that exploration expenditure is not expected to be recovered, it is charged to the statement of profit or loss. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way as planned.

Management is required to make certain estimates and judgements when determining whether the commercial viability of an identified resource has been met and when determining whether indicators of impairment exist.

1.2.5 Development expenditure

When proven and probable reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified from exploration phase to development phase. As the asset is not available for use, during the development phase, it is not depreciated. On completion of the development phase, any capitalised exploration and evaluation expenditure already capitalised to a development asset, together with the subsequent development expenditure, is reclassified within property, plant and equipment to mining assets and depreciated on the basis as laid out in Note 1.2.6, Property, plant and equipment.

All development expenditure is monitored for indicators of impairment annually. Management is required to make certain estimates and judgements when determining whether indicators of impairment exist.

1.2.6 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition and construction of the items, to get the asset in its condition and location for its intended use among others, professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies.

Subsequent costs to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised when the cost of the item can be measured reliably, with the carrying amount of the original component being written off. All repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of the asset to its residual value over its estimated useful life, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Item	Method	Useful life
Mining assets	Straight line	Lesser of life of mine or period of mining lease
Decommissioning assets	Straight line	Lesser of life of mine or period of mining lease
Leasehold improvements	Straight line	Three years or lesser of life of mine or period of mining lease
Plant and equipment	Straight line; units of production	Three to 15 years; machine hours
Other assets	Straight line	Two to eight years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (ie, at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed annually. Changes in the expected residual values, expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation period or method, as appropriate, and are treated as changes in accounting estimates, and adjusted for prospectively, if appropriate.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.6 Property, plant and equipment (continued)

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 1.2.26, 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.

1.2.8 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 material accounting policies (continued)

1.2.9 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 and interest. When financial assets are recognised initially, they are measured at fair value plus (in the case of financial assets not at fair value through profit or loss) directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those with maturities greater than 12 months after the reporting date. These are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method, if the time value of money is significant, less any allowance for impairment. Gains and losses are recognised in the statement of profit or loss when the financial assets at amortised cost are derecognised or impaired, as well as through the amortisation process.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset. Gains or losses from derecognition of financial assets are recognised in the statement of profit or loss.

Financial liabilities

Financial liabilities are initially measured at fair value net of (in the case of financial liabilities not at fair value through profit or loss) directly attributable transaction costs. The Group's Interest-bearing loans and borrowings and trade and other payables financial liabilities are subsequently stated at amortised cost using the effective interest rate method, with any difference between proceeds (net of transaction costs) and the redemption value being recognised in the statement of profit or loss, unless capitalised in accordance with Note 1.2.6, Property, plant and equipment, over the contractual period of the financial liability.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Gains or losses from derecognition of financial liabilities are recognised in the statement of profit or loss.

1.2.10 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.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.11 Inventories

Inventories, which include rough diamonds, ore stockpiles and consumables, are measured at the lower of cost and net realisable value. The amount of any write-down of inventories to net realisable value and all losses, is recognised in the period the write-down or loss occurs. Cost is determined as the average cost of production, using the weighted average method. Cost includes directly attributable mining overheads, but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to be incurred in marketing, selling and distribution.

The Group maintains strategic stockpiles in line with operational and insurance requirements. In normal mining activities, lower grade (highly diluted) ore is consequentially mined and maintained in a separate stockpile. Although this lower grade (highly diluted) stockpile could be processed as emergency plant feed, it is likely that it will be processed at the end of life of mine. As a result, the associated mining costs for this stockpile are allocated at the net realisable value and the balance of the costs are allocated to the Main pipe strategic stockpiles.

1.2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less that are held to meet the Group's short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

1.2.13 Issued share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Treasury shares

Own equity instruments that are reacquired are recognised at cost, including transaction costs, and deducted from equity. These are disclosed as treasury shares. No gain or loss is recognised in profit or loss in the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

1.2.14 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 15, Issued share capital and reserves.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary items for each statement of financial position presented are translated at the closing rate at the reporting date.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.15 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).

Equity-settled transactions

The cost of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

On a cumulative basis, over the vesting period of an award, no expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement of the vesting conditions or otherwise of the non-market vesting conditions and of the number of equity instruments that is expected to ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous reporting date is recognised in the statement of profit or loss, with a corresponding entry in equity.

Management applies judgement when determining whether share options relating to employees who resigned before the end of the service condition period are cancelled or forfeited as referred under Note1.2.26, Critical accounting estimates and judgements.

The Group periodically releases the share-based equity reserve to retained earnings in relation to lapsed and forfeited options subsequent to vesting dates.

1.2.16 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.

1.2.17 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 1.2.26, Critical accounting estimates and judgements.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.18 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.

1.2.19 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 material accounting policies (continued)

1.2.20 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 1.2.10, 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. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.21 Revenue from contracts with customers

Revenue comprises net invoiced diamond sales to customers excluding VAT. Diamond sales are made through a competitive tender process and recognised when the Group's performance obligations have been satisfied at the time the buyer obtains control of the diamond(s), at an amount that the Group expects to be entitled in exchange for the diamond(s). Where the Group makes rough diamond sales to customers and retains a right to an interest in their future sale as polished diamonds, the Group records the sale of the rough diamonds but such contingent revenue on the onward sale is only recognised at the date when the polished diamonds are sold or when polished sales prices are mutually agreed between the customer and the Group.

The following revenue streams are recognised:

- rough diamonds which are sold through a competitive tender process, partnership agreements and joint operation arrangements;
- polished diamonds and other products which are sold through direct sales channels;
- additional uplift (on the value from rough to polished) on partnership arrangements; and
- additional uplift (on the value from rough to polished) on joint operation arrangements.

The sale of rough diamonds is the core business of the Group, with other revenue streams contributing marginally to total revenue.

Revenue through partnership arrangements is recognised for the sale of the rough diamond, with an additional uplift based on the polished margin achieved. Management recognises the revenue on the sale of the rough diamond when it is sold to a third party, as there is no continuing involvement by management in the cutting and polishing process and control has passed to the third party. Revenue from additional uplift is considered to be a variable consideration. This variable consideration will generally be significantly constrained. This is on the basis that the ultimate additional uplift received will depend on a range of factors that are highly susceptible to factors outside the Group's influence. Management recognises revenue on the additional uplift when the polished diamond is sold by the third party or the polished sales prices are mutually agreed between the third party and the Group and the additional uplift is guaranteed, as this is the point in time at which the significant constraints are lifted or resolved from the Polished Margin revenue.

Rendering of services

Revenue from services relating to third-party diamond manufacturing is recognised in the accounting period in which the services are rendered, when the Group's performance obligations have been satisfied, at an amount that the Group expects to be entitled to in exchange for the services.

1.2.22 Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

1.2.23 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.

1.2.24 Finance costs

Finance costs are recognised on a time proportion basis using the effective interest rate method.

1.2.25 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.

1.2.26 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, the reported income and expenses during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results or the financial position reported in future periods are discussed below.

Business environment and country risk

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in certain areas of Africa, Europe and the United Kingdom. These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to taxes and regulations, foreign exchange rate fluctuations and the enforceability of contract rights.

The consolidated financial information reflects management's assessment of the impact of these business environments and country risks on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.26 Critical accounting estimates and judgements (continued)

Task Force on Climate-related Financial Disclosures (TCFD)

In preparing the Consolidated Financial Statements management continues to consider the impact of climate change, particularly in the context of the disclosures included in the Strategic Report detailing the now implemented 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 2025, after which management will assess the impact on the Group's going concern. These considerations also had no material impact on any Property, Plant and Equipment or Commitments. For Letšeng, the physical risks identified of severe weather conditions, are similar to its current operating conditions of drought, high wind, snow and rainfall. The operation is therefore well set up to manage these conditions within its current reporting and accounting framework. As users of grid-supplied and fossil fuel energy, our short-term focus is on improving energy efficiencies in our operational processes and on reducing fossil fuel use. Due to the uncertainty of the cost and timing of implementation of carbon-related taxes, the impact of such taxes on the Group's operations and cash flows has been excluded from the going concern, viability assessment and impairment review.

The ongoing Russian invasion of Ukraine and the conflict in Gaza

The supply chain challenges caused by the ongoing Russian invasion of Ukraine has significantly increased the price of consumables, especially diesel and explosive costs used in the mining activities, and inflation rates across the jurisdictions where the Group operates. The slowdown of global economic growth in 2023 was further impacted by the conflict in Gaza that began in October 2023 and the subsequent attacks launched by Yemen's Houthi rebels on cargo vessels in the Red Sea at the start of 2024. The diamond industry has suffered in the face of these challenges. Management has incorporated the impact of the current and historical diamond prices, increased costs and current inflation when assessing its future cash flows.

Insourcing of the mining activities

Matekane Mining Investment Company (Proprietary) Limited (MMIC) has been the provider of mining services to Letšeng since 2005. Following the election of Mr Sam Matekane (the ultimate owner of MMIC) as Prime Minister of Lesotho in October 2022, Letšeng carefully considered its options to resolve the potential conflict of interest created by being in a business relationship with a politically exposed person. This transition to owner mining further creates an opportunity for Letšeng to maximise mining efficiencies, reduce costs through eliminating contractor margins, manage mining procurement directly and enables further flexibility in the planning and execution of its mining activities. All these factors will contribute to a more efficient and cost effective operation. Effective 1 December 2023, Letšeng reached agreement with MMIC to early terminate the mining equipment and service lease contract, eleven months ahead of its scheduled contractual end date (31 October 2024) without any termination penalties and insourced these activities. Letšeng acquired the mining fleet and support equipment that was used exclusively for Letšeng, and offered employment to those MMIC employees working exclusively for Letšeng, in line with operational requirements, effective 1 February 2024. The MMIC employees remained as contract workers from 1 December 2023.

The total purchase price, which was determined with the assistance of external third-party valuators,was US$22.7 million. A payment mechanism was agreed whereby US$13.0 million was paid on 1 December 2023, the effective date, US$9.3 million was paid in January 2024, and a retainer of US$0.4 million, withheld for equipment under repair was paid in early March 2024. The US$9.7 million portion of the purchase price not settled in cash on the effective date of the acquisition has been presented as part of current trade and other payables in the consolidated statement of financial position.

In assessing whether this transaction met the criteria of an asset acquisition or a business combination, the criteria set out in IFRS 3 Business Combinations was considered. Management opted to apply the optional test, being a concentration test, which permits a simplified quantitative assessment of whether an acquired set of activities and assets is not a business. Based on the results from the concentration test, the Group concluded that the acquisition is not a business combination but rather an asset acquisition due to substantially all the fair value of the gross assets acquired being concentrated into a group of similar identifiable assets which are the same in nature and exposed to the same risk in terms of managing and creating outputs from the mining activities at Letšeng. The total purchase price was allocated to all the identifiable IAS 16 Property, plant and equipment assets acquired on the basis of their relative fair values at the effective date of the acquisition. The capitalised total purchase price has been disclosed as additions within Note 8, Property, plant and equipment mainly within the plant and equipment category amounting to US$22.7 million. Directly attributable transaction costs of US$0.1 million were allocated to all of the individual identifiable IAS 16 Property, plant and equipment assets acquired on the basis of their relative fair values at the effective date of the acquisition. These assets will be depreciated over the useful life of each asset based on the available production hours. The financial results for 31 December 2023 includes one month of depreciation. The US$13.0 million portion of the purchase price and the directly attributable transaction costs of US$0.1 million that were settled in cash during the current financial reporting period have been presented in the purchase of property, plant and equipment line item within cash flows used in investing activities.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.26 Critical accounting estimates and judgements (continued)

Estimates

Ore reserves and associated life of mine (LoM)

There are numerous uncertainties inherent in estimating ore reserves and the associated LoM. Therefore, the Group must make a number of assumptions in making those estimations, including assumptions as to the prices of diamonds, exchange rates, production costs and recovery rates. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of diamonds, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the ore reserves being restated. Where assumptions change the LoM estimates, the associated depreciation rates, residual values, waste stripping and amortisation ratios, and environmental provisions are reassessed to take into account the revised LoM estimate. Refer Note 8, Property, plant and equipment, Note 10, Intangible assets and Note 20, 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 20, Provisions, for further detail.

Judgement

Impairment reviews

The Group determines if goodwill is impaired at least on an annual basis, while all other significant operations are tested for impairment when there are potential indicators which may require impairment review. This requires an estimation of the recoverable amount of the relevant CGU under review. Recoverable amount is the higher of fair value less costs to sell and value in use. While conducting an impairment review of its assets using value-in-use impairment models, the Group exercises judgement in making assumptions about future rough diamond prices, volumes of production, ore reserves and resources included in the current LoM plans, production costs and macro-economic factors such as inflation and discount rates. Changes in estimates used can result in significant changes to the consolidated statement of profit or loss and consolidated statement of financial position. Refer Note 11, Impairment testing, for further estimates and judgements applied.

The key assumptions used in the recoverable amount calculations, determined on a value-in-use basis, are listed below:

Valuation basis

Discounted present value of future cash flows.

LoM and recoverable value of reserves and resources

Economically recoverable reserves and resources, carats recoverable and grades achievable are based on management's expectations of the availability of reserves and resources at mine sites and technical studies undertaken by in-house and third-party specialists. Reserves remaining after the current LoM plan have not been included in determining the value in use of the operations. The LoM of Letšeng is to 2038 (2022: 2040). The earlier life was mainly as a result of a redesign of the Main pit.

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 costs have been based on owner-mining assumptions and estimates, following the insourcing of the mining activities, and are lower than in the past due to an immediate saving of contractor margin costs. Processing costs in the short term have been based on historical trends and agreements with relevant contractors. More recently there has been a significant focus on cost efficiencies in the processing plants, which have yielded positive results consistently for two months. These costs have been reduced to recently achieved levels from 2025. In the longer term, management has applied local inflation rates of 5.0% (2022: 5.0%) for operating costs beyond 2026. Up to 2026, inflation rates applied ranged between 5.4% – 8.9% (2022: 5.5% - 8.9%).

Capital costs for the first five years have been based on management's capital programme after which a fixed percentage of operating costs has been applied to determine the capital costs necessary to maintain current levels of operations.

Exchange rates

Exchange rates are applied in line with IAS 36, Impairment of Assets. The US dollar/Lesotho loti (LSL) exchange rate used was determined with reference to the closing rate at 31 December 2023 of LSL18.29 (31 December 2022: LSL17.02).

Diamond prices

The short and medium-term diamond prices used in the impairment test have been set with reference to historical and 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.

Discount rate

The discount rate of 10.4% for revenue (2022: 12.5%) and 12.4% for costs (2022: 15.4%) used for Letšeng represents the before-tax risk-free rate adjusted for market risk, volatility and risks specific to the asset and its operating jurisdiction.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.26 Critical accounting estimates and judgements (continued)

Market capitalisation

In the instance where the Group's asset carrying values exceed market capitalisation, this results in an indicator of impairment. The Group believes that this position does not represent an impairment as all significant operations were assessed for impairment during the year and no impairments were recognised.

Sensitivity

The value in use for Letšeng indicated sufficient headroom, and the further changes to key assumptions which could result in impairment are disclosed in Note 11, Impairment testing.

Provision for restoration and rehabilitation and deferred tax thereon

Judgement is applied when calculating the closure costs associated with the restoration of the Letšeng mine site. These include the following:

- there are no costs associated with the backfill of the open pits due to no in-country legislation requirements;
- concurrent rehabilitation of the waste rock dump and residue storage facilities will take place during the operational phase; and
- there are no costs associated with dismantling permanent buildings as these will be handed over to various parties in consultation with the Lesotho Government when the end of life is reached.

At the Ghaghoo mine site, the following judgements were applied:

- the mine site will be left in a state which could enable a future operator to operate on the site, and therefore certain infrastructure, such as access roads to the mine, paving and walkways, a new solar solution installation, borehole pump and water treatment plant, will remain intact and, after obtaining the necessary approvals, it will be handed over to the Government of Botswana through the Ministry of Minerals and Energy. Therefore, no costs associated with the rehabilitation of certain roads or rehabilitation and dismantling of certain infrastructures; and
- the timing of the rehabilitation cost cash flows has been estimated to be five years.

At Letšeng, 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. At Ghaghoo, no deferred tax assets have been recognised on the provision for rehabilitation as management does not foresee any taxable profits or taxable temporary differences against which the deferred tax asset can be utilised due to the operation being under care and maintenance.

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 26, Share-based payments, for further detail.

1. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.2 Summary of material accounting policies (continued)

1.2.26 Critical accounting estimates and judgements (continued)

Identifying uncertainties over tax treatments

As previously disclosed, an amended tax assessment was issued to Letšeng by the Revenue Services Lesotho (RSL), in December 2019, contradicting the application of certain tax treatments in the current Lesotho Income Tax Act 1993. An objection to the amended tax assessment was lodged with the RSL in March 2020, which was supported by the opinion of senior counsel. The RSL subsequently lodged a court application for the review and setting aside of the applicable regulations to the Lesotho High Court pertaining to this matter, which Letšeng is opposing. The amended court application process will continue during 2024, with support from senior legal counsel.

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; or,
- any potential legal costs that could be incurred should the matter be found in favour of the RSL has been raised in the 2023 Annual Financial Statements.

Offsetting of deferred tax assets and deferred tax liabilities of the Group's subsidiary, Letšeng Diamonds

The Group's subsidiary, Letšeng Diamonds, is subject to the tax laws and regulations enacted within Lesotho. The corporate tax laws and regulations currently enacted by the RSL requires a taxpayer to file a claim for offsetting current tax asset and current tax liabilities, and offsetting deferred tax assets and deferred tax liabilities with the Commissioner within four years after service of the notice of assessment for the year of assessment to which the claim relates.

The Group, after applying significant judgement, is of the view that Letšeng Diamonds does not have a legal enforceable right to offset current tax assets against current tax liabilities, and deferred tax assets against deferred tax liabilities within the Lesotho corporate tax jurisdiction as it is subject to the Commissioner's approval of the claim submitted for which the outcome is highly uncertain as the approval is purely subject to the discretion of the Commissioner. On this basis, the Group does not offset Letšeng Diamonds deferred tax assets and deferred tax liabilities, but rather presents them on a gross basis in the consolidated statement of financial position. Refer Note 1.2.18, Taxation.

Equipment and service lease

Prior to the insourcing of Letšeng's mining activities on 1 December 2023, these activities were outsourced to a mining contractor, MMIC, that performed these functions using their own equipment. Management applied judgement when evaluating whether the contract between Letšeng and MMIC contained a lease. While it was concluded there was a lease, lease payments were variable in nature as the lease payments varied based on the tonnes of ore and waste mined and hence no right of use asset or liability could be measured. From the beginning of the current year until 1 December 2023, a portion of the lease payment was expensed in the consolidated statement of profit or loss, and the portion relating to waste removal/stripping costs was 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 1.2.26, Critical accounting estimates and judgements, Capitalised stripping costs (deferred waste) and Note 23, Commitments and contingencies.

	2023 US$'000	2022 US$'000
2. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sale of goods	**139 433**	188 615
Partnership arrangements	**854**	306
Rendering of services	**–**	16
	140 287	188 937

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$0.9 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 (2022: US$0.3 million). At year end 1 728 carats (2022: 1 457 carats) have significant constraints in recognising revenue relating to the additional uplift.

	2023 US$'000	2022 US$'000
3. OTHER OPERATING INCOME/(EXPENSES)		
Sundry income	**206**	61
Ghaghoo reduction in rehabilitation provision	**354**	–
Proceeds from insurance claim[1]	**1 030**	–
Proceeds from VAT refund[2]	**251**	–
Ghaghoo care and maintenance costs[3]	**(1 809)**	(2 053)
(Loss)/profit on disposal and scrapping of property, plant and equipment	**(22)**	195
COVID-19 related costs	**(3)**	(140)
	7	(1 937)

[1] *Proceeds from insurance claim includes a payout of US$1.0 million for a claim on diesel theft at Letšeng which occurred between June 2020 and June 2021.*
[2] *Proceeds from VAT refund relates to long-outstanding VAT refunds received from the Revenue Service of Lesotho which had been previously written off at Letšeng.*
[3] *Includes depreciation recognised in the current year of US$10.0 thousand (31 December 2022: US$80.0 thousand) relating to right of use assets.*

4. OPERATING PROFIT

	2023 US$'000	2022 US$'000
Operating profit includes operating costs and income as listed below:		
Depreciation and amortisation		
Depreciation and mining asset amortisation excluding waste stripping cost[1]	**(5 423)**	(6 588)
Depreciation of right-of-use assets	**(1 892)**	(1 818)
Waste stripping costs amortised	**(39 194)**	(36 285)
	(46 509)	(44 691)
Inventories		
Cost of inventories recognised as an expense (including the relevant portion of waste stripping costs amortised)	**(102 204)**	(116 382)
Foreign exchange		
Foreign exchange gain	**2 775**	1 914
Lease expenses not included in lease liability		
Mine site property	**(152)**	(142)
Equipment and service lease	**(9 728)**	(11 154)
Contingent rental – Alluvial Ventures	**–**	(3 556)
	(9 880)	(14 852)
Impairment of non-current assets	**–**	(702)
Auditor's remuneration – EY		
Group financial statements	**(328)**	(411)
Statutory	**(161)**	(242)
	(489)	(653)
Auditor's remuneration – other audit firms		
Statutory	**(92)**	(26)
Other non-audit fees – EY		
Other services	**(7)**	(56)
Other non-audit fees – other audit firms		
Tax services advisory and consultancy	**(31)**	(74)
Employee benefits expense		
Salaries and wages[2]	**(14 386)**	(17 239)
Underlying earnings before interest, tax, depreciation and mining asset amortisation (underlying EBITDA)		
Underlying EBITDA is shown, as the Directors consider this measure to be a relevant guide to the operational performance of the Group and excludes such non-operating costs and income as listed below. The reconciliation from operating profit to underlying EBITDA is as follows:		
Operating profit	**10 380**	34 521
Other operating (income)/expenses[3]	**(20)**	1 718
Impairment of non-current assets	**–**	702
Foreign exchange gain	**(2 775)**	(1 914)
Share-based payments	**332**	253
Depreciation and amortisation (excluding waste stripping cost amortised)	**7 315**	8 406
Underlying EBITDA	**15 232**	43 686

[1] Includes depreciation for the month of December, of US$0.2 million, relating to the mining fleet and support equipment, acquired as part of the insourcing of the mining activities. Refer Note 1.2.26, Critical accounting estimates and judgements.

[2] Includes contributions to defined contribution plan of US$0.4 million (31 December 2022: US$0.5 million). An average of 313 employees excluding contractors were employed during the period (2022: 370).

[3] Excludes COVID-19-related costs of US$3.3 thousand (31 December 2022: US$0.1 million) which are considered as operating costs. Includes Ghaghoo-related care and maintenance costs of US$1.8 million (31 December 2022: US$2.1 million), and an insurance payout of US$1.0 million for a claim on diesel theft at Letšeng, which are considered non-operating.

5. NET FINANCE COSTS

	2023 US$'000	2022 US$'000
Finance income		
Bank deposits	**292**	303
Insurance asset	**325**	110
Total finance income	**617**	413
Finance costs		
Finance costs on borrowings	**(3 332)**	(2 552)
Finance costs on lease liabilities	**(497)**	(666)
Finance costs on unwinding of rehabilitation and decommissioning provision	**(1 484)**	(1 284)
Total finance costs	**(5 313)**	(4 502)
	(4 696)	(4 089)

Finance income relates to interest earned on cash, short-term deposits and insurance assets.

Finance costs include interest incurred on borrowings and associated unwinding of facility credit underwriting fees, finance lease liabilities and the unwinding of rehabilitation provisions.

6. INCOME TAX EXPENSE

	2023 US$'000	2022 US$'000
Current		
– Foreign	**(909)**	(6 054)
Withholding tax		
– Foreign	**–**	(1 356)
– Foreign: prior year over payment[1]	**596**	–
Deferred		
– Foreign	**(3 777)**	(2 867)
Income tax expense	**(4 090)**	(10 277)
Profit before taxation	**5 684**	30 432

	%	%
Reconciliation of tax rate		
Applicable income tax rate	**25.0 %**	25.0 %
Permanent differences[2]	**5.4 %**	0.4 %
Unrecognised deferred tax assets	**32.9 %**	6.4 %
Effect of foreign tax at different rates[3]	**19.2 %**	2.8 %
Unremitted earnings[4]	**— %**	(5.3)%
Withholding tax[4]	**— %**	4.5 %
Withholding tax: prior year over payment[1]	**(10.5)%**	— %
Effective income tax rate	**72.0 %**	33.8 %

The tax rate reconciles to the statutory Lesotho corporation tax rate of 25% as this is the jurisdiction in which the majority of the Group's taxes are incurred.

[1] This item relates to withholding tax previously overpaid and refunded in full in the current year by the Revenue Services Lesotho after acknowledgment thereof.
[2] Permanent differences comprise non-deductible expenses for tax purposes, namely corporate social investment, legal fees of a capital nature and share-based payments in both the current and prior year.
[3] Includes provision for uncertain tax positions. Refer Note 23 Commitments and contingencies.
[4] These amounts were disclosed on a net basis in the prior year and have been disaggregated and disclosed separately in the current year and had no impact in the consolidated financial statements of the Group.

The corporate income tax rate in the United Kingdom was increased from 19% to 25% for companies effective from 1 April 2023. This is applicable to Gem Diamonds Limited, the Groups' parent company. This increase did not have a material impact on the Group.

	2023 US$'000	2022 US$'000

7. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023 US$'000	2022 US$'000
Profit for the year	**1 594**	20 155
Less: Non-controlling interests	**(3 719)**	(9 977)
Net (loss)/ profit attributable to ordinary equity holders of the parent for basic and diluted earnings	**(2 125)**	10 178
Number of ordinary shares outstanding at end of year ('000)	**141 210**	140 923
Weighted number of share options exercised during the year ('000)	**(161)**	(145)
Effect of share buyback - Treasury shares ('000)	**(1 520)**	(977)
Weighted average number of ordinary shares outstanding during the year ('000)	**139 529**	139 801
Basic (loss)/earnings per share attributable to ordinary equity holders of the parent (cents)	**(1.5)**	7.3

(Loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss)/earnings per share is calculated by dividing the net (loss)/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.

	2023 Number of shares 000's	2022 Number of shares 000's
Weighted average number of ordinary shares outstanding during the year	**139 529**	139 801
Effect of dilution:		
– Future share awards under the Employee Share Option Plan	**2 509**	1 857
Weighted average number of ordinary shares outstanding during the year adjusted for the effect of dilution	**142 038**	141 658
Diluted (loss)/earnings per share attributable to ordinary equity holders of the parent (cents)	**(1.5)**	7.2

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Stripping activity asset US$'000	Mining asset US$'000	De-commis-sioning assets US$'000	Lease-hold improve-ment US$'000	Plant and equip-ment[3] US$'000	Other assets[1] US$'000	Total US$'000
As at 31 December 2023							
Cost							
As at 1 January 2023	**609 336**	**103 972**	**3 519**	**53 740**	**89 292**	**8 521**	**868 380**
Additions[2]	**37 102**	**2 056**	**–**	**17**	**27 056**	**1 255**	**67 486**
Net movement in rehabilitation provision	**–**	**–**	**–**	**–**	**(1 342)**	**–**	**(1 342)**
Disposals	**–**	**–**	**–**	**–**	**(588)**	**(238)**	**(826)**
Reclassifications	**–**	**156**	**–**	**710**	**(1 153)**	**287**	**–**
Foreign exchange differences	**(42 066)**	**(5 357)**	**(264)**	**(3 575)**	**(5 948)**	**(489)**	**(57 699)**
As at 31 December 2023	**604 372**	**100 827**	**3 255**	**50 892**	**107 317**	**9 336**	**875 999**
Accumulated depreciation/ amortisation/impairment							
As at 1 January 2023	**425 316**	**42 564**	**3 519**	**33 140**	**63 727**	**6 615**	**574 881**
Charge for the year	**39 194**	**559**	**–**	**1 536**	**2 895**	**433**	**44 617**
Disposals	**–**	**–**	**–**	**–**	**(571)**	**(229)**	**(800)**
Foreign exchange differences	**(27 356)**	**(4 097)**	**(264)**	**(2 132)**	**(4 279)**	**(401)**	**(38 529)**
As at 31 December 2023	**437 154**	**39 026**	**3 255**	**32 544**	**61 772**	**6 418**	**580 169**
Net book value at 31 December 2023	**167 218**	**61 801**	**–**	**18 348**	**45 545**	**2 918**	**295 830**

[1] Other assets comprise motor vehicles, computer equipment, furniture and fittings, and office equipment.
[2] Includes purchase of mining fleet and support equipment (including transaction costs capitalised) of US$22.8 million in terms of the insourcing of the mining activities which is disclosed in the plant and equipment category. Refer Note 1.2.26 Critical accounting estimates and judgements.
[3] Included in plant and equipment are capital projects in progress of US$4.1 million (31 December 2022: US$14.4 million).

	Stripping activity asset	Mining asset	De-commis-sioning assets	Lease-hold improve-ment	Plant and equip-ment	Other assets[1]	Total
As at 31 December 2022							
Cost							
Balance at 1 January 2022	599 558	107 999	3 769	51 418	74 504	7 304	844 552
Additions - Ghaghoo (Note 15)	–	585	–	6 135	10 594	1 240	18 554
Additions	47 948	242	–	–	11 391	287	59 868
Net movement in rehabilitation provision	858	–	–	(307)	(266)	–	285
Disposals	–	–	–	–	(23)	(116)	(139)
Reclassifications	–	262	–	113	(685)	310	–
Foreign exchange differences	(39 028)	(5 116)	(250)	(3 619)	(6 223)	(504)	(54 740)
As at 31 December 2022	609 336	103 972	3 519	53 740	89 292	8 521	868 380
Accumulated depreciation/ amortisation/impairment							
As at 1 January 2022	414 706	44 874	3 769	26 648	55 544	5 384	550 925
Additions - Ghaghoo (Note 15)	–	585	–	5 567	9 746	1 243	17 141
Charge for the year	36 080	958	–	2 925	2 388	522	42 873
Impairment[2]	–	–	–	161	541	–	702
Disposals	–	–	–	–	(21)	(116)	(137)
Foreign exchange differences	(25 470)	(3 853)	(250)	(2 161)	(4 471)	(418)	(36 623)
As at 31 December 2022	425 316	42 564	3 519	33 140	63 727	6 615	574 881
Net book value at 31 December 2022	184 020	61 408	–	20 600	25 565	1 906	293 499

[1] Other assets comprise motor vehicles, computer equipment, furniture and fittings, and office equipment.
[2] The impairment relates to the assets impaired at Gem Diamonds Botswana (Proprietary) Limited (Ghaghoo Diamond Mine) following it ceasing to be classified as a discontinued operation held for sale during the prior year. The recoverable amount of all items of property, plant and equipment at Ghaghoo was assessed and an impairment charge of US$0.7 million was recognised, reducing the carrying value of the leasehold improvements and plant and equipment categories to zero. This impairment has been included in the Botswana segment in Note 1.1.3, Segment information.

9. RIGHT-OF-USE ASSETS

	Plant and equipment US$'000	Motor vehicles US$'000	Buildings US$'000	Total US$'000
As at 31 December 2023				
Cost				
As at 1 January 2023	**3 190**	**421**	**6 430**	**10 041**
Additions	**502**	**508**	**122**	**1 132**
Derecognition of lease	**(94)**	**(536)**	**(225)**	**(855)**
Foreign exchange differences	**(219)**	**(30)**	**(319)**	**(568)**
As at 31 December 2023	**3 379**	**363**	**6 008**	**9 750**
Accumulated depreciation				
As at 1 January 2023	**688**	**115**	**2 898**	**3 701**
Charge for the year	**845**	**96**	**951**	**1 892**
Derecognition of lease	**(42)**	**(100)**	**(225)**	**(367)**
Foreign exchange differences	**(41)**	**(8)**	**(173)**	**(222)**
As at 31 December 2023	**1 450**	**103**	**3 451**	**5 004**
Net book value at 31 December 2023	**1 929**	**260**	**2 557**	**4 746**
As at 31 December 2022				
Cost				
As at 1 January 2022	56	94	5 761	5 911
Additions	3 259	384	1 644	5 287
Derecognition of lease	(27)	(38)	(672)	(737)
Foreign exchange differences	(98)	(19)	(303)	(420)
As at 31 December 2022	3 190	421	6 430	10 041
Accumulated depreciation				
As at 1 January 2022	20	63	2 691	2 774
Charge for the year	695	96	1 027	1 818
Derecognition of lease	(24)	(38)	(672)	(734)
Foreign exchange differences	(3)	(6)	(148)	(157)
As at 31 December 2022	688	115	2 898	3 701
Net book value at 31 December 2022	2 502	306	3 532	6 340

Plant and equipment mainly comprise back-up power generating equipment utilised at Letšeng. Motor vehicles mainly comprise vehicles utilised by contractors at Letšeng. Buildings comprise office buildings in Maseru, Antwerp, London, Gaborone and Johannesburg.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

During the year, Gem Diamonds Limited entered into a new contract for the rental of its London office space as the original lease came to an end. At Letšeng, the lease contract for certain assets relating to blasting services was renegotiated resulting in the recognition of associated right-of-use assets and lease liabilities. The original contract was cancelled and all associated assets and liabilities were derecognised. Furthermore, two new contracts were entered into for the rental of earth-moving equipment and certain assets relating to catering, housekeeping and laundry services. Both contracts were assessed as containing a lease resulting in the recognition of the new associated right-of-use assets and lease liabilities. Refer Note 17, Lease liabilities.

During the prior year, a new lease contract for back-up power generating equipment at Letšeng was entered into resulting in the recognition of right-of-use assets and lease liabilities associated with the new lease. Furthermore, Gem Diamonds Marketing Services and Baobab Technologies entered into new contracts for the rental of office space in Antwerp as the original contracts both came to an end. The new contracts were assessed as containing leases, which resulted in the recognition of the new associated right-of-use assets and lease liabilities. Refer Note 17, Lease liabilities and Note 22.1, Cash generated by operations.

Total gains of US$30 thousand (2022: nil) have been recognised in the consolidated statement of profit or loss relating to the derecognition of leases in the Group during the year. Refer Note 17, Lease liabilities and Note 22.1, Cash generated by operations.
During the year the Group recognised income of US$0.3 million (2022: 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 future years in line with current lease terms:

	US$ '000
1 January 2024 - 31 December 2024	**340**
1 January 2025 - 31 December 2025	**205**

10. INTANGIBLE ASSETS

	Goodwill[1] US$'000
As at 31 December 2023	
Cost	
Balance at 1 January 2023	**11 221**
Foreign exchange translation difference	**(781)**
Balance at 31 December 2023	**10 440**
Accumulated amortisation	
Balance at 1 January 2023	**–**
Amortisation	**–**
Balance at 31 December 2023	**–**
Net book value at 31 December 2023	**10 440**
As at 31 December 2022	
Cost	
Balance at 1 January 2022	11 962
Foreign exchange translation difference	(741)
Balance at 31 December 2022	11 221
Accumulated amortisation	
Balance at 1 January 2022	–
Amortisation	–
Balance at 31 December 2022	–
Net book value at 31 December 2022	11 221

[1] *Goodwill allocated to Letšeng Diamonds. Refer Note 11, Impairment testing.*

	2023 US$'000	2022 US$'000
11. IMPAIRMENT TESTING		
Goodwill impairment testing is undertaken on Letšeng Diamonds annually and when there are indications of impairment. The most recent test was undertaken at 31 December 2023. 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 2023, the recoverable amount for Letšeng Diamonds has been determined based on a value in use model, similar to that adopted in the past.		
Goodwill		
Letšeng Diamonds	**10 440**	11 221
As at 31 December 2023	**10 440**	11 221

Movement in goodwill relates to foreign exchange translation from functional to presentation currency, as disclosed within Note 10, Intangible assets.

The discount rates are outlined below and represents the nominal pre-tax rate. These rates are based on the weighted average cost of capital (WACC) of the Group and adjusted accordingly at a risk premium for Letšeng Diamonds, taking into account risks associated therein.

	2023 %	2022 %
Discount rate – Letšeng Diamonds		
Applied to revenue	**10.4**	12.5
Applied to costs	**12.4**	15.4

Value in use

The mining lease period at Letšeng extends to 2029 with an exclusive option to renew for a further 10 years to 2039. The latest open pit mine plan which has been used to project the cash flows, reflects that the open pit mining (including inferred resources) is expected to cease in 2038 (31 December 2022: 2040). In terms of IAS 36, cash flows are projected for a period up to the date of the life of mine plan period, ie 2038, as it is earlier than the ceasing of the current mining lease period of 2039. During the prior period the IAS 36 cash flows were projected for a period up to the end of the mining lease period of 2039 as it was earlier than the life of mine plan period which was up to 2040. The mine plan takes into account the available reserves and other relevant inputs such as diamond pricing, costs and geotechnical parameters. It includes the next open pit cutback in the Satellite pipe (C6W) and steeper slope angles implemented in the Main pit Cut 4 East and Cut 4 West cutbacks. The cost savings associated with the recently concluded owner-mining initiative have been included in the value-in-use model. Refer Note1.2.26, Critical accounting estimates and judgements.

Sensitivity to changes in assumptions

The Group will continue to test its assets for impairment where indications are identified.

Refer Note 1.2.26, 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 historical and 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 2023 exceeded the carrying value by US$63.3 million (31 December 2022: US$92.2 million). The valuation is sensitive to input assumptions particularly in relation to the foreign exchange assumption of the US dollar (US$) to the Lesotho loti (LSL) at year end, future price growth for diamonds and increase in operating costs. The Group has assumed an appropriate price increase for its diamonds following the significant pressure experienced in the diamond market during the year.

A range of alternative scenarios have been considered in determining whether there is a reasonable possible change in the foreign exchange rates, operating costs and diamond prices, which would result in the recoverable amount equating to the carrying amount. A 7% strengthening of the LSL to the US$ to US$1:LSL17.00 (31 December 2022: 8% to US$1:LSL15.60) or a reduction of 5.0% (31 December 2022: 6.5%) to the starting diamond prices (at year end exchange rate) would result in the recoverable amount equating to the current carrying value, with other valuation assumptions remaining the same. As a result of the variability in consumable prices such as diesel and explosive costs, a third sensitivity on changes in costs was performed. An 8% (31 December 2022: 8%) increase in current estimated operating costs of US$1.7 billion (31 December 2022: US$2.5 billion) over the life of mine would result in the recoverable amount equating to the current carrying amount, with other valuation assumptions remaining the same.

As a result, no impairment charge was recognised for the Letšeng Diamonds CGU during the year.

	2023 US$'000	2022 US$'000
12. RECEIVABLES AND OTHER ASSETS		
Non-current		
Deposits	**90**	96
Insurance asset[1]	**4 397**	2 820
	4 487	2 916
Current		
Trade receivables	**23**	23
Prepayments[2]	**1 249**	1 350
Deposits	**24**	21
Other receivables	**374**	249
Vat receivable	**1 961**	3 212
	3 631	4 855
The carrying amounts above approximate their fair value due to the nature of the instruments.		
Analysis of trade receivables based on their terms and conditions		
Neither past due nor impaired	**2**	–
Past due but not impaired:		
> 120 days	**21**	23
	23	23

[1] This non-current asset relates to Letšeng's Multi-aggregate Protection Insurance Policy with The Lesotho National Insurance Group (LNIGC) of M140.0 million (US$7.7 million) (31 December 2022: LSL140.0 million) entered into in October 2021. This policy has a remaining tenure of two-and-a-half years at year end (31 December 2022: three-and-a-half-years). Premium payments of LSL30.0 million (US$1.6 million) (31 December 2022: LSL30.0 million (US$1.8 million)) for the policy are payable annually in advance. Refer Note 23, Commitments and contingencies. The policy gives Letšeng the right to claim up to LSL75.0 million (31 December 2022: LSL75.0 million) for each-and-every-loss and LSL150.0 million (31 December 2022: LSL150.0 million) in the aggregate (subject to terms and conditions contained in the policy). On expiry of the policy in June 2026, all unutilised funds within the policy are due and payable to Letšeng. A non-current financial asset has been recognised for the unutilised premium paid to date, net of underwriting service fee of LSL 2.1 million (US$0.1 million) (31 December 2022: LSL2.1 million (U$0.1 million)) as expensed as part of operating expenses within the Statement of Profit or Loss. The non-current financial asset is measured at amortised cost in line with IFRS 9 Financial Instruments. Interest is earned on the unrealised premium and recognised as finance income. The third premium payment of LSL 30.0 million (US$1.6 million) (31 December 2022: LSL30.0 million (US$1.8 million) was financed through a 10-month loan through Premium Finance Partners (Proprietary) Limited. This non-current financial asset is ceded in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 16, Interest-bearing loans and borrowings.

[2] Prepayments include insurance premiums prepaid at Letšeng of US$0.4 million (31 December 2022: US$0.4 million) which were also funded through Premium Finance Partners (Proprietary) Limited. This prepayment is ceded in favour of Premium Finance Partners (Proprietary) Limited. Refer Note 16, Interest-bearing loans and borrowings.

Based on the nature of the Group's customer base and the negligible exposure to credit risk through its customer base, insurance asset and other financial assets, the expected credit loss is insignificant and has no impact on the Group.

	2023 US$'000	2022 US$'000
13. INVENTORIES		
Diamonds on hand	**17 128**	16 745
Ore stockpile	**11 553**	5 053
Consumable stores	**8 952**	8 572
	37 633	30 370

Inventory is carried at the lower of cost or net realisable value.

There were no write-downs to net realisable value recorded in the current year. In the prior year, lower grade (highly diluted) ore stockpile inventory at Letšeng was written down by US$1.5 million to net realisable value.

Part of the ore stockpile was historically treated by Alluvial Ventures, the third-party plant contractor. This contract expired during the previous year and the plant was dismantled, resulting in the stockpiles being treated at a slower rate, causing the overall increase in the balance. Refer Note 1.2.11, Inventories.

14. CASH AND SHORT-TERM DEPOSITS

	2023 US$'000	2022 US$'000
Cash on hand	**3**	4
Bank balances	**5 101**	6 006
Short term bank deposits	**11 399**	2 711
	16 503	8 721

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 2023, the Group had US$45.9 million (31 December 2022: US$82.6 million) of undrawn facilities, representing LSL180.0 million (US$9.8 million) (31 December 2022: LSL450.0 million (US$26.5 million)) and ZAR120.0 million (US$6.6 million) (31 December 2022: ZAR300.0 million (US$17.6 million)) of the three-year secured revolving working capital facility at Letšeng, ZAR100.0 million (US$5.5 million) (31 December 2022: ZAR100.0 million (US$5.9 million) of the Letšeng general banking facility, and US$24.0 million (31 December 2022: US$30.0 million) of the Company's three-year secured revolving credit facility. In the prior year there was also an amount of ZAR43.5 million (US$2.6 million) undrawn facility relating to the PCA project facility which had been fully drawn down in the current year. For further details on these facilities, refer Note 16, Interest-bearing loans and borrowings.

15. ISSUED SHARE CAPITAL AND RESERVES

Share capital

	31 December 2023		31 December 2022	
	Number of shares '000	US$'000	Number of shares '000	US$'000
Authorised – ordinary shares of US$0.01 each				
As at year end	**200 000**	**2 000**	200 000	2 000
Issued and fully paid balance at beginning of year	**140 923**	**1 410**	140 515	1 406
Allotments during the year	**287**	**3**	408	4
Number of ordinary shares outstanding at end of year	**141 210**	**1 413**	140 923	1 410
Treasury shares	**(1 520)**	**(1 157)**	(1 520)	(1 157)
Balance at end of year	**139 690**	**256**	139 403	253

Share premium

Share premium comprises the excess value recognised from the issue of ordinary shares above its par value.

15. ISSUED SHARE CAPITAL AND RESERVES (continued)

Other reserves

	Foreign currency translation reserve US$'000	Share-based equity reserve US$'000	Total US$'000
As at 1 January 2023	**(245 967)**	**6 798**	**(239 169)**
Other comprehensive loss	**(11 957)**	**–**	**(11 957)**
Total comprehensive loss	**(11 957)**	**–**	**(11 957)**
Share capital issue	**–**	**(3)**	**(3)**
Share-based payment expense	**–**	**332**	**332**
As at 31 December 2023	**(257 924)**	**7 127**	**(250 797)**
As at 1 January 2022	(233 276)	6 579	(226 697)
Other comprehensive loss	(12 691)	–	(12 691)
Total comprehensive loss	(12 691)	–	(12 691)
Share capital issue	–	(4)	(4)
Share-based payment expense	–	253	253
Transfer to (accumulated losses)/retained earnings	–	(30)	(30)
As at 31 December 2022	(245 967)	6 798	(239 169)

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	2023 US$'000	2022 US$'000
Average rate	ZAR/LSL to US$1	**18.45**	16.37
Year end	ZAR/LSL to US$1	**18.29**	17.02
Average rate	Pula to US$1	**13.36**	12.37
Year end	Pula to US$1	**13.39**	12.75

Share-based equity reserves

For details on the share-based equity reserve, refer Note 26, Share-based payments.

Capital management

For details on capital management, refer Note 25, Financial risk management.

Treasury shares

During the previous year, the Board of Directors approved a share buyback programme to purchase up to US$2.0 million of the Company's ordinary shares. The sole purpose of the programme was to reduce the capital of the Company and the Company intends to hold those ordinary shares purchased under the programme in treasury. Such treasury shares are not entitled to dividends and have no voting rights. The share buyback programme was initiated on 12 April 2022. At 31 December 2022, 1 520 170 shares had been bought back at the market value on the date of each buyback, equating to a weighted average price of 60.05 GB pence (78.07 US cents) per share, totalling US$1.2 million (including transaction costs). This reduction in shares issued has been taken into account in calculating the earnings per share. No further share buybacks have taken place since the prior year.

16. INTEREST-BEARING LOANS AND BORROWINGS

Gem Diamonds Limited provides security for both the Letšeng Diamonds and Gem Diamonds Limited RCF facilities over its bank accounts domiciled in the United Kingdom (US$1.4 million) (31 December 2022: US$4.6 million) and over its 70% shareholding in Letšeng Diamonds, refer Note 30. Material partly owned subsidiary.

The interest-bearing loans and borrowings subject to the US$ three-month LIBOR rate transitioned to a Secured Overnight Financing Rate (SOFR) effective from 1 January 2023, in line with the IBOR phase 2 Amendments which became effective in 2021. The South African JIBAR rates are yet to transition to alternative benchmark rates at the reporting period end. The interest-bearing loans and borrowings that remain subject to the South African JIBAR rate include the LSL132.0 million unsecured project debt facility and the ZAR300.0 million revolving credit facility.

The Group will continue to assess the impact of the interest rate benchmark reform on the Group's JIBAR interest-bearing loans and borrowings as the revised benchmark rates are published or negotiated with the funders. The developments on these facilities from 1 January 2023 and their carrying amounts and maturities as at 31 December 2023 are disclosed in the note below.

	Effective interest rate	Maturity	2023 US$'000	2022 US$'000
Non-current				
LSL450.0 million and ZAR300.0 million bank loan facility	Central Bank of Lesotho rate + 3.25% and South African JIBAR + 3.05%		**–**	–
Credit underwriting fees		22 December 2024	**–**	(327)
US$30.0 million bank loan facility	Term SOFR + 5.26% (2022: London US$ three-month LIBOR + 5.00%)	22 December 2024	**–**	–
Credit underwriting fees			**–**	(225)
ZAR132.0 million project debt facility	South African JIBAR + 2.50%	31 May 2027	**5 156**	4 922
			5 156	4 370
Current				
LSL30.0 million insurance premium finance	3.55 %	Repaid 1 April 2023	**–**	719
ZAR2.5 million insurance premium finance	3.55 %	Repaid 1 April 2023	**–**	60
LSL10.9 million insurance premium finance	3.55 %	Repaid 1 May 2023	**–**	262
LSL30.0 million insurance premium finance	4.20 %	1 April 2024	**671**	–
ZAR2.5 million insurance premium finance	4.30 %	1 April 2024	**55**	–
LSL12.4 million insurance premium finance	4.20 %	1 April 2024	**278**	–
ZAR132.0 million project debt facility	South African JIBAR + 2.50%	31 May 2027	**2 062**	534
LSL450.0 million and ZAR300.0 million bank loan facility	Central Bank of Lesotho rate + 3.25% and South African JIBAR + 3.05%		**24 632**	–
Credit underwriting fees		22 December 2024	**(175)**	–
US$30.0 million bank loan facility	Term SOFR + 5.26% (2022: London US$ three-month LIBOR + 5.00%)	22 December 2024	**6 000**	–
Credit underwriting fees			**(112)**	–
			33 411	1 575

16. INTEREST-BEARING LOANS AND BORROWINGS (continued)

LSL450.0 million and ZAR300.0 million (US$41.0 million) bank loan facility at Letšeng Diamonds

The Group, through its subsidiary Letšeng Diamonds, has a LSL450.0 million and ZAR300.0 million (US$41.0 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 is secured and expires on 22 December 2024, and has therefore been recorded as a current liability. The facility has a 24-month extension option which can be exercised at any time up to 21 September 2024, being three months before expiry, and is subject to credit approval by the lenders at the extension date. The LSL450.0 million facility is subject to interest at the Central Bank of Lesotho rate plus 3.25% and the ZAR300.0 million facility is subject to South African JIBAR plus 3.05%. At year end LSL270.0 million (US$14.8 million) and ZAR180.0 million (US$9.8 million) had been drawn down resulting in LSL180.0 million (US$9.8 million) and ZAR120.0 million (US$6.6 million) remaining available. At 31 December 2022, there were no drawdowns on these facilities.

The remaining balance of the credit underwriting fees capitalised is US$0.2 million (31 December 2022: US$0.3 million). The capitalised fees are amortised and accounted for as finance costs within profit or loss over the period of the facility.

US$30.0 million bank loan facility at Gem Diamonds Limited

This facility is a secured three-year revolving credit facility 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 are made in these ratios.

The facility is secured and expires on 22 December 2024, and has therefore been recorded as a current liability. The facility has a 24-month extension option which can be exercised at any time up to 21 September 2024, being three months before expiry, and is subject to credit approval by the lenders at the extension date.

At year end US$6.0 million (31 December 2022: nil) had been drawn down resulting in US$24.0 million (31 December 2022: US$30.0 million) remaining available. The remaining balance of the credit underwriting fees capitalised is US$0.1 million (31 December 2022: US$0.2 million) at year end. The capitalised fees are amortised and accounted for as finance costs within profit or loss over the period of the facility.

The US$-based interest rate for this facility at 31 December 2023 was 10.65% (31 December 2022: 8.67%) which comprises term SOFR plus a 0.26% credit adjustment spread and 5.00% margin (31 December 2022: US$ three-month LIBOR plus 5.00% margin).

Total interest for the year on this interest-bearing RCF was US$0.9 million (31 December 2022: US$1.1 million).

The facility includes an additional US$20.0 million accordion option for Gem Diamonds, the utilisation of which is subject to all necessary credit and other approvals from the lenders. There was no utilisation of this facility in the current or prior years.

ZAR132.0 million (US$7.2 million) project debt facility at Letšeng Diamonds

This loan is an unsecured project debt facility which was signed jointly with Nedbank Limited and the ECIC on 29 November 2022 to fund the replacement of the primary crushing area (PCA) at Letšeng. The loan is repayable in equal quarterly payments commencing in March 2024. The total project debt facility initially available on the effective date (29 November 2022) was ZAR136.4 million (US$7.5 million), which is the amount that was previously disclosed at 31 December 2022. Utilisation of the project debt facility amounted to ZAR132.0 million (US$7.2 million) at the end of the availability period on 29 November 2023 and the remaining available balance expired on the same date. This loan expires on 27 May 2027.

The South African rand-based interest rates for the facility at 31 December 2023 was 10.90% which comprises JIBAR plus 2.50%.

Total interest for the year on this interest-bearing loan was US$0.7 million (31 December 2022: US$15.6 thousand). The interest has been capitalised as part of the qualifying PCA asset included within the plant and equipment asset class within Note 8, Property, plant and equipment. The PCA asset was successfully commissioned in November 2023.

Insurance premium finance for Multi-aggregate and Asset All Risk Insurance policies

The Group, through its subsidiary Letšeng Diamonds, enters into financing agreements for insurance premiums for the Multi-aggregate Insurance Policy and its Asset All Risk Policy. All respective insurance premiums prepaid are ceded in favour of Premium Finance Partners (Proprietary) Limited. The funding is payable monthly in advance. Refer Note 12, Receivables and other assets.

During the year, all prior year outstanding insurance premium finance balances for the Multi-aggregate Insurance Policy and its Asset All Risk Policy were fully repaid by 1 May 2023. The total interest paid during the current year relating to these liabilities was LSL0.3 million (US$16.2 thousand).

In June, the Group through its subsidiary Letšeng Diamonds, entered into a LSL30.0 million (US$1.6 million) 10-month funding agreement with Premium Finance Partners (Proprietary) Limited to finance the third premium of LSL30.0 million on the Multi-aggregate Insurance Policy. At year end, LSL12.3 million (US$0.7 million) remains outstanding. The funding is repayable in 10 monthly instalments, payable in advance. Total interest on this funding is LSL1.3 million (US$70.5 thousand) of which LSL1.0 million (US$54.2 thousand) was paid during the year.

In July, the Group through its subsidiary Letšeng Diamonds, entered into a LSL12.4 million (US$0.7 million) 10-month funding agreement with Premium Finance Partners (Proprietary) Limited for insurance premium finance for its annual Asset All Risk insurance premium. At year end LSL5.2 million (US$0.3 million) remains outstanding. The funding is repayable in 10 monthly instalments, payable in advance. Total interest on this funding is LSL0.5 million (US$27.1 thousand) of which LSL0.4 million (US$21.6 thousand) was paid during the year.

Other facilities

Letšeng Diamonds has a ZAR100.0 million (US$5.5 million) general banking facility with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) which is reviewed annually. During the year the facility was utilised from time to time based on cash flow requirements, but repaid in full at year end.

17. LEASE LIABILITIES

	2023 US$'000	2022 US$'000
Non-current	**3 786**	6 021
Current	**2 164**	1 877
Total lease liabilities	**5 950**	7 898
Reconciliation of movement in lease liabilities		
As at 1 January	**7 898**	4 824
Additions	**1 132**	5 287
Interest expense	**497**	666
Lease payments	**(2 589)**	(2 512)
Derecognition of lease	**(519)**	–
Foreign exchange differences	**(469)**	(367)
As at 31 December	**5 950**	7 898

Lease payments comprise payments in principle of US$2.1 million (31 December 2022: US$1.8 million) and repayments of interest of US$0.5 million (31 December 2022: US$0.7 million).

During the year, the Group recognised variable lease payments of US$31.6 million (31 December 2022: US$39.5 million), which consist of mining activities outsourced to a mining contractor, prior to the transition to insourcing of mining activities effective 1 December 2023. Total costs incurred for the year amounted to US$31.6 million (31 December 2022: US$39.5 million) of which US$21.9 million (31 December 2022: US$28.4 million) were capitalised to the Stripping Asset. Refer Note 1.2.6, Property plant and equipment, Note 1.2.26, Critical accounting estimates and judgements, Equipment and service lease, Note 4, Operating profit and Note 8, Property, plant and equipment.

During the year, the lease contract for blasting services at Letšeng was renegotiated resulting in the recognition of new associated right-of-use assets and lease liabilities. The original contract was cancelled and all associated assets and liabilities were derecognised.

During the prior year, a new lease contract for backup power generating equipment at Letšeng was entered into. This lease contains residual value guarantees of US$37.7 thousand (31 December 2022: US$42.5 thousand) which represents the cost to decommission and return the power generating equipment to the supplier at the end of the lease term. Refer Note 9, Right-of-use assets for details on new leases entered into and leases derecognised during the year.

No rental expenses from short-term leases were incurred by the Group during the year (31 December 2022: US$61.8 thousand).

18. TRADE AND OTHER PAYABLES

	2023 US$'000	2022 US$'000
Non-current		
Severance pay benefits[1]	**1 494**	2 169
Current		
Trade payables[2,3]	**15 761**	10 888
Accrued expenses[2]	**4 066**	5 884
Leave benefits	**498**	625
Royalties[2]	**2 679**	1 936
Withholding taxes[2]	**224**	230
Other	**128**	145
	23 356	19 708

[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 both interest and non-interest bearing and are settled in accordance with terms agreed between the parties.

[3] Included in the current year amount is US$9.7 million relating to the remaining portion of the purchase price for the mining fleet and support equipment purchased in terms of the insourcing of the mining activities. Post period end, this amount was settled. Refer Note 1.2.26, Critical accounting estimates and judgements.

Royalties consist of a levy payable to the Government of the Kingdom of Lesotho on the value of diamonds sold by Letšeng. Withholding taxes mainly consist of taxes payable on dividends and other services to the Revenue Services Lesotho.

The carrying amounts above approximate fair value.

	2023 US$'000	2022 US$'000
19. INCOME TAX (RECEIVABLE)/PAYABLE		
Reconciliation of movement in income tax (receivable)/payable		
As at 1 January	**(2 268)**	(1 191)
Payments made during the year	**(1 596)**	(8 435)
Refunds received during the year	**–**	1 187
Current income tax charge	**909**	6 054
Authorised offset - VAT Receivable[1]	**(897)**	–
Foreign exchange differences	**139**	117
As at 31 December	**(3 713)**	(2 268)
Split as follows		
Income tax receivable	**(4 631)**	(2 323)
Income tax payable	**918**	55

[1] VAT receivable from Revenue Services Lesotho (RSL) of US$0.9 million (LSL16.6 million) was offset against provisional tax payments due to RSL during the year. This offset has been authorised by RSL. No offset took place in the prior year.

	2023 US$'000	2022 US$'000
20. PROVISIONS		
Rehabilitation provisions	**14 170**	15 387
Reconciliation of movement in rehabilitation provisions		
As at 1 January	**15 387**	11 202
Additions - Ghaghoo	**–**	3 654
Decrease in provision - Ghaghoo	**(354)**	(573)
Other movements - Letšeng	**(1 342)**	858
Unwinding of discount rate	**1 484**	1 284
Foreign exchange differences	**(1 005)**	(1 038)
As at 31 December	**14 170**	15 387

Rehabilitation provisions

The provisions have been recognised as the Group has an obligation for rehabilitation of the mining areas. The provisions have been calculated based on total estimated rehabilitation costs, discounted back to their present values over the estimated rehabilitation period at the mining operations. The pre-tax discount rates are adjusted annually and reflect current market assessments.

In determining the amounts attributable to the rehabilitation provision at Letšeng, management used a discount rate of 11.4% (31 December 2022: 11.5%), estimated rehabilitation timing of 16 years (31 December 2022: 13 years) and an inflation rate of 7.2% (31 December 2022: 7.0%). Although the Letšeng rehabilitation quantum increased from the prior year mainly driven by the completion of the PCA and annual reassessment of the estimated closure costs performed at the operation, the effect of the revised timing of the rehabilitation, discount rate and interest rate used to present value the provision, together with a weakening exchange rate, had an overall impact of reducing the provision.

At Ghaghoo, which continued its care and maintenance state, an independent rehabilitation assessment was performed during the year based on the rehabilitation costs of certain areas of the mine which are expected to be rehabilitated. Following discussions with the Ministry of Minerals and Energy and the Department of Mines of Botswana, it is anticipated that the mine site will be left in a state which could enable a future operator to operate on the site, and therefore certain infrastructure, such as access roads to the mine, paving and walkways, a new solar solution installation, borehole pump and water treatment plant, will remain intact and handed over to the Government of Botswana through the Ministry of Minerals and Energy.

In determining the amounts attributable to the rehabilitation provision at Ghaghoo, management used a discount rate of 6.0% (31 December 2022: 6.0%), estimated rehabilitation timing of 5 years (31 December 2022: 5 years) and an inflation rate of 4.8% (31 December 2022: 4.8%). The decrease in the provision at Ghaghoo is mainly attributable to cost saving measures implemented by management since the previous reporting date and the removal of certain camp site costs from the prior year cost estimate following discussions with the Ministry of Minerals and Energy and the Department of Mines of Botswana as mentioned above.

21. DEFERRED TAXATION

	2023 US$'000	2022 US$'000
Deferred tax assets		
Lease liabilities	**1 122**	1 590
Accrued leave	**111**	141
Provisions	**3 759**	4 263
Other	**–**	–
Tax losses[1]	**1 822**	–
	6 814	5 994
Deferred tax liabilities		
Property plant and equipment	**(79 537)**	(79 021)
Right of use assets	**(966)**	(1 347)
Prepayments	**(55)**	(84)
Unremitted earnings	**(1 578)**	(1 578)
	(82 136)	(82 030)
Net deferred tax liability	**(75 322)**	(76 036)
Reconciliation of net deferred tax liability		
As at 1 January	**(76 036)**	(77 355)
Movement in current period:		
- Accelerated depreciation for tax purposes	**(5 326)**	(5 321)
- Accrued leave	**(21)**	4
- Unremitted earnings	**–**	1 604
- Prepayments	**29**	102
- Provisions	**(205)**	779
- Deferred tax asset raised on tax losses[1]	**1 822**	–
- Lease liabilities	**(354)**	459
- Right-of-use assets	**294**	(494)
- Foreign exchange differences	**4 475**	4 186
As at 31 December	**(75 322)**	(76 036)

[1] *Deferred tax assets were recognised on tax losses incurred by Letšeng during the current year as management believe Letšeng will generate future taxable income against which the losses can be utilised.*

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$110.5 million (31 December 2022: US$134.3 million).

The deferred tax liability on unremitted earnings is based on the timing of expected dividends from the Group's subsidiaries over the next three years. There are no income tax consequences attached to the payment of dividends by Gem Diamonds Limited to its shareholders.

The Group has estimated tax losses of US$208.5 million (of which US$155.7 million relates to Gem Diamonds Botswana) (31 December 2022: US$223.4 million, of which US$175.8 million related to Gem Diamonds Botswana) for which no deferred tax assets have been recognised as management does not foresee any taxable profits or taxable temporary differences against which to utilise these. Letšeng has no unrecognised deferred tax losses (31 December 2022: nil). The net decrease from the prior period is as a result of a total estimated tax loss for which no deferred tax assets have been recognised of US$8.2 million, offset by tax assessment updates and forex movements.

The majority of tax losses are generated in jurisdictions where tax losses do not expire, except for tax losses incurred by Gem Diamonds Innovation Solutions CY Limited, within the Cyprus jurisdiction, which has unrecognised tax losses of US$2.0 million ((31 December 2022: US$1.8 million) and if not utilised, will expire as indicated in the table below:

	2023 US$ '000	2022 US$ '000
Utilisation required within one year	**350**	82
Utilisation required between one and two years	**415**	338
Utilisation required between two and five years	**1 217**	1 404

22. CASH FLOW NOTES

	Notes	2023 US$'000	2022 US$'000
22.1 Cash generated by operations			
Profit before tax for the year		**5 684**	30 432
Adjustments for:			
Depreciation and amortisation excluding waste stripping		**5 423**	6 588
Depreciation on right-of-use assets	4, 9	**1 892**	1 818
Waste stripping cost amortised	4	**39 194**	36 285
Finance income	5	**(617)**	(413)
Finance costs	5	**5 313**	4 502
Unrealised foreign exchange differences		**(2 001)**	(1 911)
Loss/(profit) on disposal and scrapping of property, plant and equipment	3	**22**	(195)
Gain on derecognition of leases	9	**(30)**	–
Environmental rehabilitation adjustment	3	**(354)**	–
Write-down of inventories to net realisable value		**–**	1 556
Bonus, leave and severance provisions raised		**1 292**	3 182
Share-based payments		**332**	253
Impairment of assets	4	**–**	702
		56 150	82 799
22.2 Working capital adjustment			
Increase in inventory		**(10 157)**	(3 747)
Decrease/(increase) in receivables		**1 444**	(1 465)
Decrease in payables		**(6 897)**	(4 677)
		(15 610)	(9 889)
22.3 Cash flows from financing activities (excluding lease liabilities)			
As at 1 January		**5 945**	11 044
Net cash generated/(used) in financing activities		**30 113**	(7 734)
– Financial liabilities repaid		**(45 103)**	(17 627)
– Financial liabilities raised		**75 216**	9 893
Interest paid		**(3 719)**	(2 263)
Non-cash movements		**6 228**	4 898
– Interest accrued		**3 065**	2 263
– Interest capitalised to property, plant and equipment		**654**	–
– Amortisation of credit underwriting fees		**265**	284
– Financial liabilities raised [1]		**2 434**	2 654
– Foreign exchange differences		**(190)**	(303)
As at 31 December	16	**38 567**	5 945

[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 16, Interest-bearing loans and borrowings.*

	2023 US$'000	2022 US$'000
23. 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	**218**	187
– After one year but not more than five years	**1 000**	847
– More than five years	**628**	809
	1 846	1 843
Equipment and service lease		
Until 1 December 2023, the Group had 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 were variable in nature. A portion of the lease payment was expensed in the consolidated statement of profit or loss and the portion relating to waste removal/stripping costs was 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 1.2.26, Critical accounting estimates and judgements.		
This lease was early terminated, effective 1 December 2023 in terms of the transition to insourced mining and therefore there are no commitments associated with this lease as at 31 December 2023. During the year, variable lease payments of US$31.6 million (31 December 2022: US$39.5 million) relating to this lease, were paid. Refer Note 1.2.26, Critical accounting estimates and judgements, and Note 17., Lease liabilities.		
– Within one year	**–**	32 645
– After one year but not more than five years	**–**	32 514
	–	65 159
Multi-aggregate protection policy		
The Group, through its subsidiary Letšeng entered into a LSL140.0 million (US$7.7 million) Multi-aggregate Protection Insurance Policy with the Lesotho National Insurance Group (LNIGC) in October 2021. The policy has a tenure of 4 years and 9 months and consists of five premium payments each payable annually in advance.		
As at 31 December 2023 the Group has committed to settle the two remaining premium payments, as well as the annual insurance risk finance service fee of 7% of the annual premium and the surplus reserve finance cost fee of 1.5% on the cumulative net premiums surplus balance carried over each year. These fees are either deductible from premium or payable upfront at the option of Letšeng. The Group has elected to deduct the fees from the annual premiums, therefore there is no additional cash commitment relating to these fees and the future cash flow commitments are stated at the future premiums payable over the remaining insurance period. Refer Note 12, Receivables and other assets for further detail on the policy.		
– Within one year	**1 640**	1 763
– After one year but not more than five years	**1 640**	3 526
	3 280	5 289
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	**80**	68
– After one year but not more than five years	**42**	103
	122	171
Capital expenditure		
Approved but not contracted for	**3 645**	8 676
Approved and contracted for	**643**	5 999
	4 288	14 675

23. COMMITMENTS AND CONTINGENCIES (continued)

The main capital expenditure approved relates to the replacement of screens in Plant 1 and Plant 2 and the scrubber in Plant 1 at a combined cost of US$1.5 million; and investment in continued residue storage extension of US$0.8 million. Other smaller capital expenditure, all at Letšeng, relates to the continued construction of the bioremediation plant of US$0.3 million, the balance of the investment in the new PCA of US$0.2 million and new investment in energy saving projects of US$0.3 million. The expenditure is expected to be incurred over the next 12 months.

In the prior year, the main capital expenditure approved consisted mainly of the investment in the new PCA at Letšeng of US$2.6 million and the Underground Feasibility Study of US$4.5 million. During the current year, the new PCA was successfully commissioned in November 2023. Part of the Underground Feasibility Study was completed at a total cost of U$1.8 million.

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$0.5 million (December 2022: US$0.3 million) relating mainly to labour matters.

The Group monitors possible tax claims within the various jurisdictions in which the Group operates. It is noted that tax legislation is highly complex and subject to interpretation of the application of the law. It is common for tax authorities to review tax returns, and in some instances, disputes may arise over the interpretation and application of the prevailing tax legislation. Due to the complexity of the legislation, significant judgment is required to determine any effects of uncertainties in accounting for and disclosure of income taxes. Uncertain tax positions that have been determined as being probable within the Group have been provided for and are disclosed to such an extent that such disclosure does not prejudice the Group. Refer Note 1.2.26, Critical accounting estimates and judgements and Note 6., Income tax expense. 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.

24. 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.

	2023 US$'000	2022 US$'000
Compensation to key management personnel (including Directors)		
Share-based equity transactions	**252**	204
Short-term employee benefits	**3 577**	3 874
Post-employment benefits (including severance pay and pension)	**139**	203
	3 968	4 281
Fees paid to related parties		
Jemax Management (Proprietary) Limited	**(68)**	(84)
Royalties paid to related parties		
Government of the Kingdom of Lesotho	**(14 215)**	(18 869)
Lease and licence payments to related parties		
Government of the Kingdom of Lesotho	**(32)**	(38)
Sales to/(purchases from) related parties		
Jemax Management (Proprietary) Limited	**(12)**	(5)
Amount included in trade payables owing to related parties		
Jemax Management (Proprietary) Limited	**(7)**	(7)
Amounts owing to related party		
Government of the Kingdom of Lesotho	**(3 176)**	(2 163)
Dividends declared		
Government of the Kingdom of Lesotho	**–**	(10 549)

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 above transactions were made on terms agreed between the parties. The amounts included in trade payables are non-interest bearing and have no repayment terms.

25. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks:

- market risk (including commodity price risk, foreign exchange risk and interest rate risk);
- credit risk; and
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

There have been no changes to the financial risk management policy since the prior year.

Capital management

For the purpose of the Group's capital management, capital includes the issued share capital, share premium and liabilities on the Group's statement of financial position. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, buy back its shares, or restructure its debt facilities. The management of the Group's capital is performed by the Board.

The Group's capital management, among other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants in the current year.

At 31 December 2023, the Group had US$45.9 million (31 December 2022: US$82.6 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 16, Interest-bearing loans and borrowings for detail on the debt facilities within the Group.

a) Market risk

(i) Commodity price risk

The Group is subject to diamond price risk. Diamonds are not homogeneous products and the price of rough diamonds is not monitored on a public index system. The fluctuation of prices is related to certain features of diamonds such as quality and size, together with diamond market fundamentals. Diamond prices are marketed in US dollar and long-term US dollar per carat prices are based on external market consensus forecasts. The Group does not have any financial instruments that may fluctuate as a result of commodity price movements.

(ii) Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Lesotho loti, South African rand and Botswana pula. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's sales are denominated in US dollar which is the functional currency of the Company, but not the functional currency of all its operations.

The currency sensitivity analysis below is based on the following assumptions:

- Differences resulting from the translation of the financial statements of the subsidiaries into the Group's presentation currency of US dollar, are not taken into consideration;
- The major currency exposures for the Group relate to the US dollar and local currencies of subsidiaries. Foreign currency exposures between two currencies where one is not the US dollar are deemed insignificant to the Group and have therefore been excluded from the sensitivity analysis; and
- The analysis of the currency risk arises because of financial instruments which are denominated in a currency that is not the functional currency of the relevant Group entity. The sensitivity has been based on financial assets and liabilities at 31 December 2023 and 31 December 2022.

There has been no change in the assumptions or method applied from the prior year.

Sensitivity analysis

At year-end, Letšeng had US$2.5 million (2022: US$40.4 thousand) cash on hand held in US$. If the US dollar had appreciated/(depreciated) by 10% against the LSL, the Group's profit before tax and equity at 31 December 2023 would have been US$0.3 million higher/(lower) (31 December 2022: US$3.4 thousand).

25. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

a) Market risk (continued)

(iii) Forward exchange contracts

From time to time, the Group enters into forward exchange contracts to hedge the exposure to changes in foreign currency of future sales of diamonds at Letšeng Diamonds. The Group performs no hedge accounting. At 31 December 2023, the Group had no forward exchange contracts outstanding (31 December 2022: nil).

(iv) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's cash flow interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. At the time of taking new loans or borrowings, management uses its judgement to decide whether it believes that a fixed or variable rate borrowing would be more favourable to the Group over the expected period until maturity.

Sensitivity analysis

If the interest rates on the interest-bearing loans and borrowings (increased)/decreased by 100 basis points (2022: 100 basis points) during the year, profit before tax and equity would have been US$0.2 million (lower)/higher 31 December 2022: US$0.1 million).

(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 material 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 2023 and 31 December 2022 financial reporting periods.

(c) Liquidity risk

Liquidity risk arises from the Group's inability to obtain the funds it requires to comply with its commitments including the inability to realise a financial asset in a short period of time at a price close to its fair value. Management manages the risk by maintaining sufficient cash and marketable securities and ensuring access to financial institutions and shareholding funding. This ensures flexibility in maintaining business operations and maximises opportunities. The Group has available undrawn debt facilities of US$45.9 million at year end (2022: US$82.6 million). The Group's facilities expire in December 2024. The current facility agreements have a two-year renewal option subject to lender approval. Management will commence the process of renewal or extension in the second quarter of 2024.

25. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

(c) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

	2023 US$'000	2022 US$'000
Floating interest rates		
Interest-bearing loans and borrowings		
– Within one year	**35 037**	2 317
– After one year but not more than five years	**5 913**	8 805
Total	**40 950**	11 122
Lease liabilities		
– Within one year	**2 487**	2 332
– After one year but not more than five years	**3 650**	6 161
– After five years	**448**	448
Total	**6 585**	8 941
Trade and other payables		
– Within one year	**23 356**	19 708
– After one year but not more than five years	**1 494**	2 169
Total	**24 850**	21 877

26. SHARE-BASED PAYMENTS

	2023 US$'000	2022 US$'000
The expense recognised for employee services received during the year is shown in the following table:		
Equity-settled share-based payment transactions charged to the statement of profit or loss	**332**	253

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. Prior to the April 2022 award, the fair value of share options granted was 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 took into account projected dividends and share price fluctuation co-variances of the Company. Since 2022, the fair value of the share options granted have been based on the observable Gem Diamonds Limited share price on the date of the award with no adjustments made to the price.

There is a nil exercise price for the options granted. The contractual life of the options is 10 years and there are no cash settlement alternatives. The Company has no past practice of cash settlement.

The Company's LTIP policy is reviewed every 10 years.

26. SHARE-BASED PAYMENTS (continued)

LTIP 2007 Award

Under the 2007 LTIP rules, there is one award where options are still outstanding.

This award was awarded on the following basis:

To key employees (excluding Executive Directors):

- the award vests 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 award vests, it is exercisable for seven years (ie contractual term is 10 years); and
- the vested award is equity settled.

To Executive Directors:

- the award vests 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 award granted is 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 award vests, it is exercisable for seven years (ie contractual term is 10 years); and
- the vested award is equity settled.

The fair value of the Nil value award is based on the observable Gem Diamonds Limited share price on the date of award with no adjustments to the price made.

The following table reflects details of the award within the 2007 LTIP that remains outstanding:

	LTIP March 2016
Number of options granted – Nil value	1 215 000
Number of options granted – Market value	185 000
Date exercisable	15 March 2019
Options outstanding	24 287
Dividend yield (%)	2.00
Expected volatility (%)[1]	39.71
Risk-free interest rate (%)[2]	0.97
Expected life of option (years)	3.00
Exercise price (US$)	nil
Exercise price (GBP)	nil
Weighted average share price (US$)	1.56
Fair value of nil value options (US$)	1.40
Fair value of nil value options (GBP)	0.99
Fair value of market value options (US$)	0.69
Fair value of market value options (GBP)	0.49
Model used	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.*

26. SHARE-BASED PAYMENTS (continued)

LTIP 2017 Award

Under the 2017 LTIP rules, there are six awards where options are still outstanding.

All the awards were issued on the same basis as the 2007 LTIP.

LTIP 2017 Award – April 2023 award

On 21 April 2023, 250 860 nil-cost options were granted to certain key employees of the Company. In addition, 809 195 nil-cost options were granted to certain Executive employees and the Executive Directors on a similar basis as the 2007 LTIP. These options were granted in line with the introduction of the Gem Diamonds Incentive Plan (GDIP) in 2021, which integrates annual bonus awards with awards under the LTIP. The options which vest in tranches of one-third per annum commencing on 21 April 2024, are exercisable between the respective vesting dates and 21 April 2033. The fair value of the award is based on the observable Gem Diamonds Limited share price on the date of the award with no adjustments to the price made.

This new award was made under predominantly the same basis as the 2007 LTIP, with the following differences:

To key employees (excluding Executive Directors):

- the number of awards granted are determined on the Group's performance in the preceding financial year in terms of the Gem Diamonds Incentive Plan (GDIP) introduced in 2021;
- the vesting of the award is dependent only on service conditions. There are no future performance conditions attached to the award;
- if the service conditions are not met, the options lapse;
- the fair value of the awards is based on the observable Gem Diamonds Limited share price on the date of award with no adjustments to the price made; and
- the awards are subject to malus and clawback.

To Executive Directors as a bonus share award:

- the number of awards granted are determined on the Group's performance in the preceding financial year in terms of the Gem Diamonds Incentive Plan (GDIP) introduced in 2021;
- the vesting of the award is dependent only on service conditions. There are no future performance conditions attached to the award;
- if the service conditions are not met, the options lapse;
- the fair value of the awards is based on the observable Gem Diamonds Limited share price on the date of award with no adjustments to the price made;
- the awards have a two-year holding period from the respective vesting dates and are exercisable for 10 years from the award date; and
- the awards are subject to malus and clawback.

26. SHARE-BASED PAYMENTS (continued)

The following table reflects details of all the awards within the 2017 LTIP that remain outstanding:

	LTIP April 2023	LTIP April 2022	LTIP June 2020	LTIP March 2019	LTIP March 2018	LTIP July 2017
Number of options granted – Nil value	1 060 055	1 007 098	1 069 000	1 160 500	1 265 000	1 150 000
Number of options granted – Market value	–	–	180 000	142 500	185 000	185 000
Date exercisable	21 April 2024	4 April 2023	9 June 2023	20 March 2022	20 March 2021	4 July 2020
Options outstanding	1 060 055	888 221	323 267	244 582	236 154	48 642
Dividend yield (%)	–	–	–	–	—	2.00
Expected volatility (%)[1]	n/a	n/a	47.00	43.00	40.00	40.21
Risk-free interest rate (%)[2]	n/a	n/a	0.34	1.20	1.20	0.67
Expected life of option (years)	3.00	3.00	3.00	3.00	3.00	3.00
Exercise price (US$)	nil	nil	nil	nil	nil	nil
Exercise price (GBP)	nil	nil	nil	nil	nil	nil
Weighted average share price (US$)	0.34	0.74	0.39	1.20	1.35	1.24
Fair value of nil value options (US$)	0.34	0.74	0.39	1.20	1.35	1.11
Fair value of nil value options (GBP)	0.27	0.58	0.31	0.90	0.96	0.86
Fair value of market value options (US$)	–	—	0.19	0.58	0.74	0.72
Fair value of market value options (GBP)	–	—	0.15	0.44	0.53	0.56
Model used	n/a	n/a	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

[1] *Expected volatility was based on the average annual historic volatility of the Company's share price over the previous three years.*

[2] *The relevant risk-free interest rate is taken from a UK Treasury Bond issued which closely matches the lifetime of the option.*

26. SHARE-BASED PAYMENTS (continued)

The following table illustrates the number ('000) and movement in the outstanding share options during the year:

	2023 US$'000	2022 US$'000
Outstanding as at 1 January	**2 648**	2 453
Granted during the year	**1 060**	1 007
Exercised during the year[1]	**(253)**	(394)
Forfeited	**(630)**	(418)
Outstanding as at 31 December	**2 825**	2 648
Exercisable as at 31 December	**1 244**	635

[1] *Options were exercised regularly throughout the year. The weighted average share price during the year was £0.21 (US$0.26) (2022: £0.45 (US$0.55)).*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 was 7.7 years (2022: 7.6 years).

The weighted average fair value of the share options outstanding as at 31 December 2023 was US$0.40 (2022: US$0.48).

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 2023 was £0.13 (US$0.17) (2022: £0.33 (US$0.39)). The shares outstanding at the end of the year are as follows:

	2023 US$'000	2022 US$'000
Outstanding as at 1 January	**10**	10
Exercised during the year	**–**	–
As at 31 December	**10**	10
Exercisable as at 31 December	**10**	10

27. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than the current portions of the prepayment disclosed in Note 12, Receivables and other assets, which do not meet the criteria of a financial asset.

	Notes	2023 US$'000	2022 US$'000
Financial assets at amortised cost			
Cash	14	**16 503**	8 721
Receivables and other assets	12	**6 869**	6 421
Total		**23 372**	15 142
Total non-current		**4 487**	2 916
Total current		**18 885**	12 226
Financial liabilities at amortised cost			
Interest-bearing loans and borrowings	16	**38 567**	5 945
Trade and other payables	18	**24 850**	21 877
Total		**63 417**	27 822
Total non-current		**6 650**	6 539
Total current		**56 767**	21 283

The carrying amounts of the Group's financial instruments held approximate their fair value.

There were no open hedges at year end (2022: nil).

28. DIVIDENDS DECLARED AND PROPOSED

	2023 US$'000	2022 US$'000
Declared dividends on ordinary shares		
Final ordinary cash dividend for 2022: nil (2021: 2.7 US cents per share)	**–**	3 771

There were no dividends proposed in 2022.

In the prior year, the 2021 declared dividend was approved on 8 June 2022 and a final cash dividend of 2.7 US cents per share was paid to shareholders on 21 June 2022.

29. EVENTS AFTER THE REPORTING PERIOD

The deferred consideration payable of US$9.7 million relating to the insourcing of the mining activities at Letšeng was settled post period end. US$9.3 million was paid in January 2024, and the retainer of US$0.4 million which was withheld for equipment under repair at the effective date was settled in early March 2024. Refer Note 18 Trade and other payables.

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.

30. 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. This information is based on amounts before intercompany eliminations.

		2023 US$'000	2022 US$'000
Name	Country of incorporation and operation		
Letšeng Diamonds (Proprietary) Limited	Lesotho		
Accumulated balances of material non-controlling interest		**68 543**	69 822
Profit allocated to material non-controlling interest		**3 981**	9 786
Summarised statement of profit or loss for the year ended 31 December			
Revenue		**140 905**	186 087
Cost of sales		**(109 959)**	(123 793)
Gross profit		**30 946**	62 294
Royalties and selling costs		**(14 747)**	(19 571)
Other operating income		**4 162**	2 133
Operating profit		**20 361**	44 856
Net finance costs		**(3 500)**	(2 590)
Profit before tax		**16 861**	42 266
Income tax expense		**(3 590)**	(9 647)
Profit for the year		**13 271**	32 619
Total comprehensive income		**13 271**	32 619
Attributable to non-controlling interest		**3 981**	9 786
Dividends paid to non-controlling interest		**–**	(10 549)
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		**320 186**	317 550
Current assets			
Inventories, receivables and other assets, and cash and short-term deposits		**60 711**	39 231
Total assets		**380 897**	356 781
Non-current liabilities			
Interest-bearing loans and borrowings, trade and other payables, provisions, lease liabilities and deferred tax liabilities		**101 278**	104 118
Current liabilities			
Interest-bearing loans and borrowings, trade and other payables and lease liabilities		**51 144**	19 923
Total liabilities		**152 422**	124 041
Total equity		**228 475**	232 740
Attributable to:			
Equity holders of parent		**159 932**	162 918
Non-controlling interest		**68 543**	69 822
Summarised cash flow information for the year ended 31 December			
Operating cash inflows		**43 548**	74 793
Investing cash outflows		**(56 827)**	(59 928)
Financing cash inflows/(outflows)		**22 543**	(36 387)
Foreign exchange differences		**1 848**	(475)
Net increase/(decrease) in cash and cash equivalents		**11 112**	(21 997)

ADDITIONAL INFORMATION

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 2023 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 2023 financial year, extractive activities were conducted in Lesotho while the operation in Botswana was under care and maintenance. All payments made in relation to the Botswana entity were under the materiality level and therefore not reported.

Extractive activities

Extractive activities relate to the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. Gem Diamonds Limited, through its subsidiaries, is engaged in diamond mining activities.

Scope of payments

The report discloses only those significant payments made to governments arising from extractive activities.

Government

Government includes any national, regional, or local authority of a country. It includes a department, agency or undertaking (ie corporation) controlled by that authority.

Payment types disclosed at legal entity level

Production entitlements

There were no payments of this nature for the year ended 31 December 2023.

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 2023.

Signature, discovery, and production bonuses

There were no payments of this nature to governments for the year ended 31 December 2023.

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 2023.

Cash flow basis

Payments reported are on a cash flow basis and may differ to amounts reported in the Gem Diamonds Limited 2023 Annual Report and Accounts, which are prepared on an accrual basis.

Materiality level

In line with the guidance provided in the Report on Payments to Governments Regulations, payments made as a single payment, or as a series of related payments, which are equal to or exceed US$109 632 (£86 000), are disclosed in this report. All payments below this threshold have been excluded.

Reporting currency

The payments to government have been reported in US dollar.

Payments made in currencies other than US dollar were translated at the relevant annual average exchange rate for the year ended 31 December 2023.

Summary report

Operation	Country	Taxes US$'000	Royalties US$'000	Licence fee US$'000	Total US$'000
Letšeng Diamonds (Proprietary) Limited	Lesotho	**2 418**	**13 072**	**180**	**15 670**
Total		**2 418**	**13 072**	**180**	**15 670**

Lesotho Letšeng Diamonds (Proprietary) Limited	Taxes US$'000	Royalties US$'000	Licence fee US$'000	Total US$'000
Revenue Services Lesotho	**2 418**	**–**	**–**	**2 418**
Government of the Kingdom of Lesotho	**–**	**13 072**	**180**	**13 252**

Other

Other than the taxes, royalties and licence fees disclosed above, there were no other payments to governments for the year ended 31 December 2023, but Letšeng Diamonds (Proprietary) Limited (a subsidiary of Gem Diamonds Limited) has a mining contract (which has been in place since 2006), with Matekane Mining Investment Corporation. Letšeng Diamonds (Proprietary) Limited understands that Matekane Mining Investment Corporation is wholly or majority indirectly owned and controlled by Ntsokoane Samuel Matekane, who became Prime Minister of the Kingdom of Lesotho in October 2022. An early termination of the agreement was reached effective 1 December 2023, eleven months ahead of the expiry date of October 2024, which resolved any potential conflicts of interest.

ABBREVIATIONS AND DEFINITIONS

AGM	Annual General Meeting
AIFR	All injury frequency rate
AV	Alluvial Ventures (a third-party contractor)
Basotho	Lesotho nationals
BEPS	Basic earnings per share
BWP	Botswana pula
CAGR	Compound annual growth rate
CCSA	Climate Change Scenario Analysis
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLO	Community Liaison Officer
CO_2e	Carbon dioxide equivalent
COO	Chief Operating Officer
cpht	Carats per hundred tonnes
CSI	Corporate social investment
CSR	Corporate social responsibility
CSRI	Corporate social responsibility investment
DTR	Disclosure Guidance and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDC	Energy Decarbonisation Committee
EPS	Earnings per share
ESG	Environmental, social and governance
ESOP	Employee Share Option Plan
EU	European Union
EY	Ernst & Young
FCA	Financial Conduct Authority
FPIC	Free, Prior and Informed Consent
FRC	Financial Reporting Council
FTSE	Financial Times Stock Exchange
GDIP	Gem Diamonds Incentive Plan
GDP	Gross domestic product
GIA	Gemological Institute of America
GISTM	Global Industry Standard on Tailings Management
GRI	Global Reporting Initiative
ha	Hectare
HSSE	Health, safety, social and environment
IAS	International Accounting Standards
ICMM	International Council on Mining and Metals
IFRS	International Financial Reporting Standard
ISO	International Organization for Standardization
IT	Information technology
JIBAR	Johannesburg Interbank Agreed Rate
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LoM	Life of mine
LSL	Lesotho loti
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
MRM	Mineral Resource Management
Net cash/ (debt)	The sum of cash and cash equivalents less drawn down bank facilities (excluding asset-based finance facility, insurance premium financing and credit underwriting fees)
NGO	Non-governmental organisation
PAC	Project-affected community
PCA	Primary crushing area
RCF	Revolving credit facility
RSF	Residue storage facility
SDG	Sustainable Development Goal
SEIA	Social and environmental impact assessment
SEMP	Social and environmental management plan
SLL	Sustainability-linked loan
SME	Small and medium enterprise
SOFR	Secured overnight financing rate
STIB	Short-term incentive bonus
TCFD	Task Force on Climate-related Financial Disclosures
The Board	The Gem Diamonds Board of Directors
The Group	The Gem Diamonds Company and its subsidiaries
TSR	Total shareholder return
UK	United Kingdom
UN	United Nations
UNGC	United Nations Global Compact
US$	United States dollar
USA/US	United States of America
VAT	Value added tax

CONTACT DETAILS AND ADVISERS

GEM DIAMONDS LIMITED

Registered office

2nd Floor, Coastal Building
Wickhams Cay II
PO Box 2221
Road Town
Tortola
British Virgin Islands
T: +1 (0) 28 4494 9820

Head office
2 Eaton Gate
London SW1W 9BJ
United Kingdom
T: +44 (0) 20 3043 0280

FINANCIAL ADVISER AND SPONSOR

JP Morgan Cazenove Limited

25 Bank St, Canary Wharf
London E14 5JP
United Kingdom
T: +44 (0) 20 7742 4000

AUDITOR

Ernst & Young Inc.

102 Rivonia Road
Sandton
2196
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 ADVISER

Panmure Gordon & Co.

40 Gracechurch Street
London E3V 0BT
United Kingdom
T: +44 20 7886 2500

FINANCIAL PUBLIC RELATIONS ADVISER

Celicourt Communications Limited

4 Bream's Buildings
London EC4A 1HP
United Kingdom
T: +44 (0) 20 7770 6424

FEEDBACK

Gem Diamonds Limited

K. Constantopoulos, Company Secretary
T: +44 (0) 20 3043 0280
E: IR@gemdiamonds.com

DIRECTORS' AND EXECUTIVE MANAGEMENT CVS

NON-EXECUTIVE DIRECTORS

Harry Kenyon-Slaney (63)

Non-Executive Chairperson

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

Chairperson tenure <9 years

No independence conflict exists

Appointed to the Board in June 2017

Skills and experience

Harry has over 40 years of experience in the mining industry, principally with Rio Tinto. He is a geologist by training and his experience spans operations, marketing, projects, finance and business development. He has worked in South Africa, Australia and the UK. Until 2015, Harry was a member of the Group Executive Committee of Rio Tinto, where he held the roles of CEO of Energy and before that CEO of Diamonds and Minerals. Prior to this he variously led Rio Tinto's global titanium dioxide business, was CEO of Rio Tinto's listed subsidiary, Energy Resources of Australia Limited, was general manager of operations at Palabora Mining Company in South Africa and held senior marketing roles in copper, uranium and industrial minerals. He began his career as an underground geologist with Anglo American on the gold mines in South Africa.

Current external appointments

Harry is currently a senior adviser to McKinsey & Co.

Harry is the Senior Independent Director of Sibanye-Stillwater and WE Soda, a member of the advisory board of Phoenix Copper Limited, and a director of several other private companies.

Michael Lynch-Bell (70)

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 Serabi Gold plc.

Rosalind Kainyah MBE (66)

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 a trusted adviser to Boards and Senior Executives on sustainability and responsible business. 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, and one private company.

Mike Brown (63)

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 39 years' experience in the resources industry in operational, senior management and director roles. He spent six years in Switzerland as the Managing Director technical at Pala, where he oversaw all technical aspects of the mining sector investments, including the risks associated with resource performance, project management, ramp-up, operations, and the associated working capital and financial controls. Prior to joining Pala, Mike spent 21 years with De Beers in southern Africa in various roles, culminating in the post of chief operating officer where he was accountable for five operating mines, including greenfield and brownfield growth projects. He also managed the restructuring at De Beers Consolidated Mines in 2005/2006 and again in 2009. Mike has overseen growth projects and building of mines in Namibia, South Africa, Sierra Leone, Vietnam and USA.

Current external appointments

Mike is currently a non-Executive Director of Nevada Copper.

Mazvi Maharasoa (54)

Non-Executive Director

LLB, LLM International and Commercial Law (University of Buckingham)

Appointed to the Board in July 2019

Skills and experience

Mazvi has over 23 years' experience in senior management positions, including leading roles in the mining sector, having served as the resident director and chief executive officer of Letšeng Diamonds Proprietary Limited until 2017. Furthermore, Mazvi was also the founder and president of the Lesotho Chamber of Mines (2016). Prior to her work in the mining industry, Mazvi was involved in the Ministry of Natural Resources and the Central Bank of Lesotho, where she was the senior legal counsel for each of these entities.

Since joining the Board, Mazvi has been appointed as the designated non-Executive Director for workforce engagement.

Current external appointments

Mazvi is currently the Chairperson of First National Bank Lesotho Limited and a non-Executive Director of several private companies.

EXECUTIVE DIRECTORS

Clifford Elphick (63)

Chief Executive Officer

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

Founded Gem Diamonds in July 2005

Skills and experience

Clifford joined Anglo American Corporation in 1986 and was seconded to E Oppenheimer & Son Proprietary Limited as Harry Oppenheimer's personal assistant in 1988. In 1990, he was appointed Managing Director of E Oppenheimer & Son, a position he held until leaving in December 2004. During that time, Clifford was also a Director of Central Holdings, Anglo American and DB Investments. Following the privatisation of De Beers in 2000, Clifford served on the De Beers Executive Committee.

Current external appointments

Clifford is currently the non-Executive Chairperson of Zanaga Iron Ore Co. Limited.

Michael Michael (53)

Chief Financial Officer

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

Appointed to the Board in April 2013

Skills and experience

Michael has over 24 years' experience in financial management. He joined the audit firm RSM Betty & Dickson in Johannesburg, South Africa in January 1993 and became audit partner at the firm in March 2000. From August 2006 to February 2008 Michael was seconded to Gem Diamonds Limited to assist with the financial aspects of the main London listing, including the financial reporting, management accounting and tax relating to the initial public offering. In March 2008 Michael joined Gem Diamonds on a full-time basis as the Group Financial Manager. On 22 April 2013 he was promoted to the position of Chief Financial Officer and appointed to the Board.

Current external appointments

None

EXECUTIVE MANAGEMENT

Brandon de Bruin (52)

Chief Operating Officer

BCom, LLB (University of the Witwatersrand)

Skills and experience

Brandon joined Gem Diamonds in 2007 from Clifford Chance LLP. Practising in New York and London, he specialised in debt and equity capital markets and corporate finance, gaining extensive commercial and legal experience in international corporate and finance transactions, stock exchange listings in London, Luxembourg and New York and in the UKLA (UK) and SEC (USA) rules and regulations. At Gem Diamonds, Brandon has been responsible for numerous corporate and financial transactions. He was head of the Group's Sales, Marketing and Manufacturing division from 2013 to 2017 when he was appointed as the Group Business Transformation Officer. In 2019 Brandon was appointed as the Group Operations and Business Transformation Executive and in 2021 as Chief Operating Officer.

Current external appointments

None

Jaco Houman (49)

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 27 years. He has a diverse background in areas of operational excellence, design, production, technical support, Safety, Health, Environment and Quality (SHEQ) and consulting. He has been involved in the development and implementation of a turnaround plan, performance improvement initiatives, cost reduction measures, volume expansion at an operation, project, and group level. He has led and assisted in the development of technical strategies, pre-feasibility and feasibility studies, design, commissioning and technical evaluation reviews. He led the safety, occupational hygiene and environmental departments at a large corporate for more than two years. He spent some time in business improvement and applied financial modelling skills to enhance operational delivery through the optimisation of the value chain to maximise value for the business.

Current external appointments

None

Kiki Constantopoulos (44)

Group Financial Controller and Company Secretary

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

Skills and experience

Kiki has 18 years' experience in accounting, reporting and financial management. Following her qualification as a Chartered Accountant she spent three years as a financial manager at Dunns Clothing & Accessories (a subsidiary of Pepkor, a leading retailer in South Africa). In 2010, Kiki joined Gem Diamonds as Financial Manager, and in 2013 was promoted to Group Financial Controller. Kiki was the finance lead support to the Business Transformation Officer from 2017 – 2019. She is responsible for financial and management accounting across the Group's operations. In April, Kiki was appointed as the Company Secretary.

Current external appointments

None

Minelle Zech (49)

Group Human Resources Executive

BCom HR (Potchefstroom University)

Skills and experience

Minelle joined Gem Diamonds in 2015 as HR manager and was promoted to Group HR Manager in 2019. She has 20 years of HR experience and 10 years' experience in the services and mining industries. She was involved in the restructuring of Avis following its acquisition by Barloworld and has extensive experience in rationalisation projects in the mining industry. At Gem, Minelle was the HR lead during its Business Transformation between 2017 and 2019, responsible for organisational health and driving the culture aspect of the programme. She most recently implemented LetšGem, an employee communication app for Gem's entire workforce. Minelle is responsible for all people aspects across the Group.

Current external appointments

None

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