

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act, 2000 immediately.

If you have sold or otherwise transferred all of your shares or depositary interests, please send this document, together with the accompanying documents, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



(Incorporated in the British Virgin Islands with registered number 669758)

NOTICE OF ANNUAL GENERAL MEETING

TO BE HELD ON WEDNESDAY, 3 JUNE 2020 AT 10:00 AM (BST)

AT MEDLAR HOUSE, MANOR ROAD,
WANTAGE, OXFORDSHIRE, OX12 8NF, UNITED KINGDOM

Notice of the 2020 Annual General Meeting of Gem Diamonds Limited to be held at Medlar House, Manor Road, Wantage, Oxfordshire, OX12 8NF, United Kingdom at 10:00 am on Wednesday, 3 June 2020, is set out on page 5 of this document.

You will not receive a form of proxy or form of direction for the Annual General Meeting in the post. Details on how you can vote are included under the 'important notes' on pages 8 and 9 of this document.

All references to dates and times are to London dates and times unless stated otherwise.

NOTICE OF ANNUAL GENERAL MEETING

continued

Gem Diamonds Limited

(Gem Diamonds or the Company)
(Incorporated in the British Virgin Islands with registered number 669758)

Registered office

2nd Floor, Coastal Building
Wickhams Cay II
PO Box 2221
Road Town
Tortola
British Virgin Islands

30 April 2020

To the shareholders and holders of depositary interests of Gem Diamonds Limited

NOTICE OF ANNUAL GENERAL MEETING 2020

Dear shareholder,

The 13th Annual General Meeting (AGM) of Gem Diamonds will be held on Wednesday, 3 June 2020 at 10:00 am. In light of the coronavirus (COVID-19) situation and the UK Government's current guidance and restrictions on travel and public gatherings, the decision has been made to hold this year's AGM of Gem Diamonds at Medlar House, Manor Road, Wantage, Oxfordshire, OX12 8NF, United Kingdom.

Mindful of these requirements and the challenges they present, this year it will regrettably not be possible for shareholders to attend the AGM in person and the AGM will be run as a closed meeting. The Board will ensure there is a quorum present and no additional shareholders will be permitted to attend the meeting in person as this would be in contravention of current legal restrictions.

Given this restricted attendance, the AGM this year will be purely functional in format and will address just the formal resolutions detailed in the notice of meeting, necessary to enable the Board to conduct the business and affairs of the Company. There will be no discussions or presentations and no opportunity for questions at the meeting. If shareholders have questions, they should be emailed to ir@gemdiamonds.com in advance of the AGM. You will receive a written response and, if there are common themes raised by a number of shareholders, we may, if appropriate, publish an AGM questions and answers section on the Company's website.

Voting on all resolutions at the meeting will be conducted by poll vote and we strongly encourage you to submit your proxy votes to ensure your votes are included. **You will need to appoint 'the Chairman of the meeting' as your proxy** as no other person will be able to attend the AGM on your behalf this year. Please follow the instructions under the 'important notes' on pages 8 and 9 on how to submit your vote.

We very much regret the need to impose this restriction on attendance as we regard the AGM as an important date in the Company's corporate calendar and a key opportunity to engage with shareholders, but it is important that the Company, its employees and shareholders comply with the law and prioritise the steps needed to slow the spread of the virus. Dependent on how the COVID-19 situation develops, we will consider convening a further shareholder meeting later in the year.

Throughout the year the Board has sought to evolve and improve our corporate governance. We continued to implement the necessary adjustments identified to ensure the Company is fully compliant with the UK Corporate Governance Code 2018, as well as responding to the corporate governance reforms enacted by the Companies (Miscellaneous Reporting) Regulations 2018 insofar as the Company voluntarily elects to comply with the same.

During 2019 we spent considerable time evaluating the work of the Board and its Committees, for which we brought in external expertise to assess our performance. This was a very valuable exercise and resulted in several recommendations which the Board and the Committees started to implement over the course of the 2019 financial year. Many areas were positively or highly rated, such as Board dynamics, information and support received by the Board, management of meetings, and engagement with various stakeholders. Recommendations for further focus included more regular strategic discussions, addressing talent and succession, current and emerging risk management and increased time allocation to the Board and Committee meetings.

NOTICE OF ANNUAL GENERAL MEETING

continued

One of the changes that recently came into effect is the requirement for a Board to demonstrate that it is engaging not only with employees, but also with the wider stakeholder community. The Board fully supports this objective and, in line with our existing efforts in this area, has appointed Mazvi Maharasoa, who joined the board as a non-Executive Director during 2019, as the Board's representative to engage with the broader workforce and communities. Mazvi brings a wealth of diamond experience, skills and diversity to the Board, as well as an in-depth knowledge of Lesotho. The composition of the Board is evaluated on an ongoing basis and will continue to be appraised.

At the 2019 AGM, two of the proposed resolutions, pertaining to the reappointment of two Directors, received less than 80% support and the Board and members of the senior management engaged actively with some of our larger investors to understand their concerns. Further details on the shareholder engagement process can be found in the 2019 Annual Report and Accounts pages 57 and 58. We understand that the significant votes received against the two Directors principally related to the Board's approach on share buybacks, dividends and Board composition. Through discussions, the reasoning behind the Board's decision not to currently recommend a share buyback programme or payment of dividend was clarified. As stated in the half year review issued in September 2019 and the full year results issued on 11 March 2020, the Company's dividend policy is dependent on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at that time. The present position of the diamond market and the need to maintain appropriate levels of cash reserves, were key factors in the Board's current approach to these share capital matters, and they will continue to be regularly reviewed by the Board.

As set out in the notice of meeting, Mazvi Maharasoa, will be standing for election by the shareholders at the AGM and all remaining Directors will be retiring and offering themselves for re-election. The Board is of the view that each of the Directors being proposed for re-election, following formal performance evaluation in 2019, continue to be effective in their role and are committed to making available the appropriate time for Board meetings and other duties, and have been and continue to be important to the Company's long-term sustainable success. Biographies of each of the Directors can be found on pages 11 to 14 of this document.

The Directors' remuneration policy, as set out in the 2019 Annual Report and Accounts, has been updated to reflect best practice and good governance standards. The Gem Diamonds Limited Employee Share Option Plan 2017 (ESOP) has also been updated in line with good governance principles and includes an amendment that will allow the Company to deliver a proportion of an employee's annual bonus in the form of a deferred award over Company shares. More details of the changes made to the Directors' remuneration policy and the terms of the new ESOP can be found in the notes to the resolutions.

This document includes the Notice of AGM in which we have set out the resolutions that shareholders are being asked to vote on. Resolutions 1 to 14 are ordinary resolutions, the majority of which relate to standard business matters, however, also include resolutions relating to an updated executive remuneration policy and proposed changes to the ESOP. Resolutions 15 to 17 are special resolutions and are proposed because they enable your Directors to take advantage of business opportunities as they arise.

An explanation of the business to be conducted at the meeting is included on pages 10 to 18 of this document.

The Board considers that the proposals described in this document are in the best interests of the Company and its shareholders and holders of depositary interests as a whole and the Board unanimously recommends that shareholders and holders of depositary interests vote in favour of the resolutions. Those Directors who hold ordinary shares in the Company each intend to vote their shares in favour of the resolutions to be proposed at the AGM (other than in respect of their own re-election as a Director).

We would also encourage shareholders and holders of depositary interests to exercise their right to vote on the business of the meeting in the following ways:

- you will not receive a hard copy proxy form for the 2020 AGM in the post unless you request one. You can instead submit your proxy vote electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the 'Vote Online Now' link. You will require your username and password in order to log in and vote. If you have forgotten your username or password, you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code which can be found on your share certificate. Proxy votes should be submitted as early as possible and, in any event, no later than 48 hours before the start of the meeting (excluding weekends and public holidays), ie by 10:00 am on 1 June 2020. While ordinarily lodging a proxy vote does not preclude a member from attending and voting at the meeting, as outlined above, due to COVID-19 restrictions, no additional members over and above the quorum requirement will be able to attend the AGM on 3 June 2020. **Members are therefore strongly encouraged to appoint the 'Chairman of the meeting' as their proxy** to ensure their votes are included in the poll vote conducted on all resolutions. You may request a hard copy proxy form directly from the Registrars, using the online portal at www.signalshares.com or by email at enquiries@linkgroup.co.uk or by post at Link Asset Services, 34 Beckenham Road Beckenham, Kent, BR3 4TU; and

NOTICE OF ANNUAL GENERAL MEETING

continued

- depositary interest holders may instruct the depositary on how to vote by utilising the CREST electronic voting service. To instruct the depositary on how to vote on or amend an instruction to vote via the CREST system, the CREST message must be received by Link Asset Services (CREST ID RA10) by 10:00 am on 29 May 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s), should contact their CREST sponsor or voting service provider(s) for assistance. For further information on CREST procedures, limitations and system timings, please refer to the CREST manual.

We have announced our results for the year ended 31 December 2019, the details of which can be found in our 2019 Annual Report and Accounts online at www.gemdiamonds.com. On our website you will also find our Online Sustainability Reporting Platform, which we believe gives shareholders informative and helpful insight into the Company's approach to corporate social responsibility.

The Board would like to thank you for your co-operation at this extremely challenging time and **urge you again to submit a form of proxy appointing 'the Chairman of the meeting'** to ensure your votes are counted.

Yours sincerely

Harry Kenyon-Slaney

Chairman

NOTICE OF ANNUAL GENERAL MEETING

continued

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13th AGM of Gem Diamonds Limited will be held at Medlar House, Manor Road, Wantage, Oxfordshire, OX12 8NF, United Kingdom at 10:00 am on Wednesday, 3 June 2020, to consider and, if thought fit, pass the following resolutions.

Resolutions 1 to 14 will be proposed as ordinary resolutions and resolutions 15 to 17 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

Reports and Accounts

- 1 THAT the Audited Accounts of the Company for the year ended 31 December 2019, together with the Directors' Report and the Auditors' Report thereon, be received.

Directors' Remuneration Policy

- 2 THAT the Directors' Remuneration Policy, as included on pages 70 to 78 of the Annual Report and Accounts for the year ended 31 December 2019, be approved.

The Annual Report on Remuneration

- 3 THAT the Annual Report on Remuneration, including the Remuneration Committee Chair's statement, as included in the Annual Report and Accounts for the year ended 31 December 2019, be approved.

Reappointment of auditor

- 4 THAT Ernst & Young Inc. be reappointed as auditor of the Company (the auditor), to hold office until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.

Remuneration of Auditor

- 5 THAT the Directors be authorised to set the remuneration of the auditor.

Re-election and election of Directors

- 6 THAT Mr Harry Kenyon-Slaney be re-elected as a Director.
- 7 THAT Mr Michael Lynch-Bell be re-elected as a Director.
- 8 THAT Mr Mike Brown be re-elected as a Director.
- 9 THAT Mr Johnny Velloza be re-elected as a Director.
- 10 THAT Mr Clifford Elphick be re-elected as a Director.
- 11 THAT Mr Michael Michael be re-elected as a Director.
- 12 THAT Ms Mazvi Maharasoa be elected as a Director.

Employee Share Option Plan

- 13 THAT the proposed amendments to the rules of the ESOP summarised in the Appendix to this notice and the amended ESOP rules, a copy of which has been signed by the Chairman for identification purposes and is available on receipt of a valid request as set out under paragraph 16 of the 'important notes', be and are hereby approved.

Authority to allot shares

- 14 THAT, in substitution for any existing authority to allot relevant equity securities, which is hereby revoked, but without prejudice to any allotment of securities made pursuant thereto, the Directors be and are hereby generally and unconditionally authorised for the purposes of Article 3.1 of the Company's Articles of Association to exercise all the powers of the Company to allot shares or to grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal amount of US\$463 298 (representing an amount equal to 33.33% of the Company's issued share capital as at 20 April 2020 (the allotment amount)) during the period commencing on the date of the passing of this ordinary resolution and expiring at the conclusion of the next AGM of the Company, or, if earlier, at the close of business on 30 June 2021 (the allotment period), save that the Directors may, before the expiry of such allotment period, make offers or enter into agreements which would or might require relevant equity securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant equity securities in pursuance of such offers or agreements.

NOTICE OF ANNUAL GENERAL MEETING

continued

SPECIAL RESOLUTIONS

Disapplication of pre-emption rights

- 15 THAT, subject to the passing of resolution 14, in substitution for any existing authority to disapply pre-emption rights, which is hereby revoked, but without prejudice to any allotment or issue of securities made pursuant thereto, the Directors be and are hereby authorised to allot and issue equity securities (and/or to sell ordinary shares held by the Company as treasury shares) for cash pursuant to the authority conferred by resolution 14 without first having offered such equity securities to existing shareholders and depositary holders, provided that this power shall be limited:
- a to the allotment of equity securities (and/or sale of treasury shares) in connection with an offer or issue of, or invitation to apply for, equity securities in favour of:
 - i ordinary shareholders where the equity securities respectively attributable to the interests of the ordinary shareholders (other than the Company) are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them; and
 - ii holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary, and so that in both cases the Directors may impose any limits, exclusions or restrictions and make any arrangements which they deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in, or under the laws of, or the requirements of, any relevant regulatory body or stock exchange in any territory, or any other matter; and
 - b to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities (and/or sale of treasury shares) up to a total aggregate nominal amount of US\$69 494 (representing an amount (equal to 5%) of the issued share capital as at 20 April 2020);

such power to apply until the end of the Company's next AGM (or, if earlier, until the close of business on 30 June 2021), but in each case, prior to its expiry the Directors may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not expired.

Specific power to disapply pre-emption rights in connection with an acquisition or specified capital investment

- 16 THAT, subject to the passing of resolution 14, the Directors be and are hereby empowered, in addition to any power granted under resolution 15, to allot equity securities (for cash pursuant to the authority given by resolution 14 and/or to sell ordinary shares held by the Company as treasury shares for cash without first having offered such equity securities to existing shareholders and depositary holders), provided that this power shall be:
- a limited to the allotment of equity securities (and/or sale of treasury shares) up to a total aggregate nominal amount of US\$69 494 (representing an amount (equal to 5%) of the issued share capital as at 20 April 2020); and
 - b used only for the purposes of financing (or refinancing, if the power is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of the Notice;

such power to expire at the end of the Company's next AGM (or, if earlier, at the close of business on 30 June 2021), but in each case, prior to its expiry the Directors may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power expires and the Directors may allot equity securities (and sell treasury shares) pursuant to any such offer or agreement as if the power had not expired.

NOTICE OF ANNUAL GENERAL MEETING

continued

Purchase of own shares

17 THAT the Company be and is hereby generally and unconditionally authorised, for the purposes of Article 10.1 of the Company's Articles of Association, to purchase, redeem or otherwise acquire ordinary shares in the Company in such a manner and upon such terms as the Directors may determine during the period commencing on the date of the passing of this special resolution and expiring at the conclusion of the next AGM of the Company held in 2021 or, if earlier, at the close of business on 30 June 2021, unless revoked, renewed or varied during that period, provided that:

- a the maximum aggregate number of ordinary shares authorised to be purchased is 13 898 945; (representing an amount equal to 10% of the Company's issued share capital as at 20 April 2020);
- b the minimum price which may be paid for an ordinary share is US\$0.01 per share;
- c the maximum price which may be paid for a share is the higher of:
 - i 105% of the average of the closing price of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List during the five business days immediately prior to the date of purchase; and
 - ii an amount equal to the higher of the price of the last independent trade of a share and the highest current independent bid; and
- d this authority shall allow the Company to purchase shares after the expiry of this authority under any agreement made before the expiry of this authority, as if the authority hereby conferred had not expired.

By order of the Board

Glenn Turner

Company Secretary

30 April 2020

Registered office

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

London office

2 Eaton Gate
London
SW1W 9BJ
United Kingdom

(Incorporated in the British Virgin Islands with registered number 669758)

NOTICE OF ANNUAL GENERAL MEETING

continued

IMPORTANT NOTES

The following notes explain the general rights of shareholders and holders of depositary interests and the rights to attend and vote at the AGM or to appoint someone else to vote on their behalf.

Holders of ordinary shares

- 1 A member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. While ordinarily lodging a form of proxy does not preclude a member from attending and voting at the meeting, due to COVID-19 restrictions, no additional members over and above the quorum requirement will be able to attend the AGM on 3 June 2020. **Members are therefore strongly encouraged to appoint the 'Chairman of the meeting' as their proxy** to ensure their votes are included in the poll vote conducted on all resolutions. A shareholder may appoint the Chairman of the meeting to vote, as per the shareholder's voting instructions, or at the Chairman's discretion as he shall see fit, if the shareholder has expressly authorised the Chairman under the 'Discretion to Chairman' option in the voting instructions. If a member appoints more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy, they may do so at www.signalshares.com and if paper proxy forms are required, the member should contact the registrar's helpline on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. They are open between 09:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales. Submission of a proxy vote shall not normally preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof (although please note that as explained above, no additional members over and above the quorum requirement will be able to attend the AGM on 3 June 2020 due to COVID-19 restrictions).
- 2 To be effective, the proxy vote must be submitted at www.signalshares.com, the Company's registrar, no less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjournment of it. Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's registrar, Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4TU. If you need help with voting online, or require a paper proxy form, please contact the Company's registrar, Link Asset Services by email at enquiries@linkgroup.co.uk, or you may call Link Asset Services on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. They are open between 09:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales.
- 3 If a share is held by joint shareholders and more than one of the joint shareholders vote (including by way of proxy), the only vote that will count in respect of those joint shareholders is the vote of the person whose name is listed before the other joint shareholder(s) on the register.
- 4 Any person to whom this notice is sent who is a person nominated under Article 144.5 of the Articles of Association to enjoy information rights (a nominated person) may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM.

If a nominated person has no such right to be appointed or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- 5 The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to nominated persons. The rights described in these notes can only be exercised by shareholders of the Company.
- 6 Only those shareholders entered on the register as at the close of business on 1 June 2020 (or, if the AGM is adjourned, 48 hours before the time fixed for the adjourned meeting) will be entitled to vote at the AGM in respect of the number of shares registered in their names at that time. In each case, changes to entries on the register after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

Holders of depositary interests

- 7 You will not receive a form of direction for the AGM in the post. Depositary interests may be voted through the CREST proxy voting service in accordance with the procedures set out in the CREST manual.

NOTICE OF ANNUAL GENERAL MEETING

continued

- 8 In the case of depositary interest holders, a form of direction may be requested and completed in order to instruct Link Market Services Trustees Limited, the depositary, to vote on the holder's behalf by proxy or, if the meeting is adjourned, at the adjourned meeting. If you need help with voting online, or require a paper form of direction, please contact our registrar, Link Asset Services by email at enquiries@linkgroup.co.uk, or you may call Link Asset Services on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. They are open between 09:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales.
- 9 To be effective, a valid form of direction (and any power of attorney or other authority under which it is signed) must be received electronically or delivered to Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 10.00 am on 29 May 2020) or 72 hours before any adjourned meeting. You must be registered as holder of the depositary interests as at close of business on 29 May 2020 for your form of direction to be valid.
- 10 **The depositary will appoint the Chairman of the meeting as its proxy** to cast your votes. The Chairman of the meeting may also vote or abstain from voting as he thinks fit on any other business (including amendments to resolutions) which may properly come before the meeting. The 'vote withheld' option is provided to enable you to abstain from voting on the resolutions. However, it should be noted that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution.

Corporate representatives

- 11 Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

Questions

- 12 If shareholders have questions, they should be emailed to ir@gemdiamonds.com in advance of the AGM. You will receive a written response and, if there are common themes raised by a number of shareholders, we may publish an AGM questions and answers section on the Company's website.

Website information

- 13 A copy of this notice can be found at www.gemdiamonds.com.

Voting rights and results

- 14 As at 20 April 2020 (being the last practicable date prior to the publication of this notice), the Company's issued shares consist of 138 989 448 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 April 2020 are 138 989 448.
- 15 As soon as practicable following the Annual General Meeting, the results of the voting at the AGM and the numbers of proxy votes cast for and against, and the number of votes actively withheld in respect of each of the resolutions will be announced via a regulatory information service and will also be placed on the Company's website at www.gemdiamonds.com.

A summary of the business transacted will also be available, on written request, from the Company Secretary at the Company's London office.
- 16 While copies of certain documentation are ordinarily made available for inspection during normal business hours at the Company's registered office up to the date of the AGM and at the place of the AGM from 15 minutes before the start of the meeting until conclusion of the meeting, given the COVID-19 restrictions, copies of the following documents will be made available to members on receipt of a valid request:
 - a all Directors' service contracts or letters of appointment; and
 - b Memorandum and Articles of Association (unchanged from last year); and
 - c the amended rules of the Gem Diamonds Limited ESOP 2017.
- 17 You may vote your shares electronically at www.signalshares.com. On the home page, search 'Gem Diamonds Limited' and then log in or register, using your investor code. To vote, click on the 'Vote Online Now' button.

NOTICE OF ANNUAL GENERAL MEETING

continued

EXPLANATORY NOTES TO THE RESOLUTIONS

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 14 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than 50% of the votes cast must be in favour of the resolution.

Resolutions 15 to 17 are proposed as special resolutions. This means that for each of those resolutions to be passed at least 75% of the votes cast must be in favour of the resolution.

ORDINARY RESOLUTIONS

Company Accounts and Reports of the Directors and Auditors (resolution 1)

The first item of business is the requirement for shareholders to receive the Company's Accounts and the Reports of the Directors and Auditors for the financial period ended 31 December 2019.

Directors' Remuneration Policy (resolution 2)

Shareholders will be asked to approve the revised Directors' remuneration policy (the policy) as included on pages 70 to 78 in the Annual Report and Accounts for the year ended 31 December 2019. The AGM in June marks the third anniversary of the adoption of the current remuneration policy, and therefore the Board is submitting a proposed 2020 remuneration policy to shareholders. The Board reviewed the policy in the context of recent revisions to the UK Corporate Governance Code 2018 and found the existing remuneration structure generally remained fit-for-purpose, but that a few amendments to the policy should be introduced to the 2020 remuneration policy to reflect evolving best practice and shareholder expectations:

- aligning pension contributions for all newly appointed Executive Directors with pension contribution available to the wider workforce – the Board supports the principle of reducing, over time, the disparity in pension contributions between the Executive Directors and the wider workforce. Therefore, from 2020, pension contributions to any new appointments to the Board will be capped at the prevailing workforce pension rate at the time, and the relevant rate will be disclosed. With respect to incumbent Executive Directors, the Board will keep this area under review;
- formalising post-vesting of ESOP award from 2020 – the 2017 remuneration policy provided the flexibility for the Board to introduce a holding period of up to two years (or such other period the Board may determine) for vested awards, during which time Executive Directors may not sell shares save to cover tax. The Board proposes to formalise the introduction of post-vesting holding from ESOP awards made in 2020; and
- introducing the flexibility for bonus deferral into shares – the annual bonus, which provides an opportunity for 100% of salary, is currently payable in cash. The Board proposes to introduce the flexibility to deliver some or all of the bonus in shares which may vest immediately or be deferred for up to two years (or such other period the Board may determine).

Further details of the Remuneration Committee's work on the proposed policy is available in the Directors' Remuneration Report pages 79 to 93 of the Annual Report and Accounts for the year ended 31 December 2019.

The Annual Report on Remuneration (resolution 3)

Shareholders will be asked to approve the Annual Report on Remuneration found on pages 79 to 93 of the Annual Report and Accounts for the year ended 31 December 2019, as well as the Remuneration Committee chairman's statement as included on pages 68 and 69 of the 2019 Annual Report and Accounts (together, the 'Remuneration Report'). The approval of shareholders is requested in an advisory role only. The Remuneration Report gives details of remuneration of the Directors for the year under review. The Auditor has audited certain parts of the Remuneration Report and their report may be found on pages 101 to 103 of the 2019 Annual Report and Accounts.

Reappointment of auditor (resolution 4)

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditor, Ernst & Young Inc (EY) on behalf of the Board, which now proposes the reappointment of EY as auditor of the Company to hold office until the next meeting at which accounts are laid. EY has indicated its willingness to continue in office. Accordingly, resolution 4 will, if passed, reappoint EY as auditor to the Company.

NOTICE OF ANNUAL GENERAL MEETING

continued

Remuneration of the auditor (resolution 5)

Resolution 5, if passed, authorises the Directors of the Company to set the remuneration of the auditor as recommended by the Audit Committee.

Election and re-election of Directors (resolutions 6 to 12)

Under Article 79 of the Company's Articles of Association, each Director shall retire at the AGM held in the third calendar year following the year in which they were elected or last re-elected but, unless otherwise agreed, shall be eligible for re-election. Under Article 80 of the Company's Articles of Association, new Directors are only eligible for appointment if nominated by the Board.

In addition, as a UK listed company, the Board has agreed that in accordance with the UK Corporate Governance Code 2018 Provision 18, the whole Board will offer themselves for re-election each year. All the current Directors will be retiring and offering themselves for election or re-election in 2020.

Ms Mazvi Maharasoia, having been appointed during 2019, will be standing for election by the shareholders, having been nominated by the Board.

The skills and experience of each director, which can be found below and on pages 45 to 48 of the 2019 Annual Report and Accounts, demonstrate why their contribution is, and continues to be, important to the company's long-term sustainable success.

The Board is mindful of the continuing Hampton-Alexander review and its objective to improve diversity in executive leadership and senior management. Further detail on the new framework to succession planning can be found in the Nominations Committee report on page 63 of the 2019 Annual Report and Accounts and in the Sustainable Development Review on the Company's website www.gemdiamonds.com.

Biographical details of each of the Directors retiring at the AGM who wish to seek election, or are standing for election for the first time, are as follows:

NON-EXECUTIVE DIRECTORS

Harry Kenyon-Slaney (59)

Non-Executive Chairman

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

Appointed

Harry was appointed to the Gem Diamonds Board in June 2017.

Key skills and experience

Harry has over 37 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 chief executive officer (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. Harry's experience and broad knowledge of the industry remains central in his contribution to the Company's strategic direction and in ensuring its long-term sustainable success.

Current external appointments

Harry is currently a senior adviser to McKinsey & Co. Harry is also the senior independent director of Petropavlovsk Plc; a member of the advisory board of Schenck Process AG and a non-executive director of Sibanye-Stillwater.

Board committee membership

Chairman of Nominations Committee and member of the Remuneration Committee.

NOTICE OF ANNUAL GENERAL MEETING

continued

Michael Lynch-Bell (66)

Senior Independent Director

BA Hons Economics and Accountancy (University of Sheffield); FCA of the ICAEW

Appointed

Michael was appointed to the Gem Diamonds Board in December 2015.

Key skills and experience

Michael spent a 38-year career with Ernst & Young LLP (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. Michael's skills and experience positions him to contribute to the Company's strategy and provides focus in the areas of risk management and remuneration matters. As the Senior Independent non-Executive Director, Michael is further instrumental in building long-term, transparent and mutually beneficial relationships with shareholders.

Current external appointments

Michael is currently deputy chair and senior independent non-executive director at Kaz Minerals Plc; chair of the audit and remuneration committees at Lenta Limited; chair of Little Green Pharma Limited; and non-executive director and chair of the remuneration committee at Barloworld Limited.

Board committee membership

Chairman of the Audit and Remuneration Committees and member of Nomination Committee.

Mike Brown (59)

Non-Executive Director

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

Appointed

Mike was appointed to the Gem Diamonds Board in January 2018.

Key skills and experience

Mike has over 35 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. Mike contributes a broad industry perspective as the Company executes its strategy and provides invaluable insight in driving business optimisation.

Current external appointments

Mike is currently a non-executive director of Nevada Copper.

Board committee membership

Chairman of the HSSE Committee and member of the Nomination and Remuneration Committees.

NOTICE OF ANNUAL GENERAL MEETING

continued

Johnny Velloza (49)

Non-Executive Director

BSc (Mining & Mineral Engineering) – University of Johannesburg; BSc (Business/Commerce, General) – University of South Africa

Appointed

Johnny was appointed Chief Operating Officer in June 2016; Deputy Chief Executive Officer in May 2018; Executive Director to the Board in July 2018; and non-Executive Director from September 2018.

Key skills and experience

Johnny is a Mining Engineer with broad mining experience in both open-pit and underground operations across southern, central and east Africa, Chile and Australia. Johnny has worked in a number of different commodities including iron ore, copper, cobalt, gold and diamonds. Johnny has held senior operational management roles in large mining companies, including De Beers, AngloGold Ashanti and BHP Billiton. Since starting his career 25 years ago, Johnny has gained experience in exploration, feasibility studies, opening new mines and running mines. Johnny's technical expertise is critical to enable the Company to deliver on its strategy. Johnny provides particular insights into the area of extracting maximum value from the Company's operations.

Current external appointments

Johnny is currently a non-executive director of Zanaga Iron Ore Co Limited.

Board committee membership

Member of the Audit and Health, Safety, Social and Environment (HSSE) Committees.

Mazvi Maharasoa (50)

Non-Executive Director

LLM (International and Commercial Law), University of Buckingham

Appointed

Mazvi was appointed to the Gem Diamonds Board in July 2019.

Key skills and experience

Mazvi has over 20 years' experience in senior management positions, including leading roles in the mining sector having served as the resident director and CEO 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. Mazvi has also established an advisory firm that specialises in corporate governance practice and advice. Since joining the Board, Mazvi has been appointed as the designated non-Executive Director for steering engagement with the workforce. Mazvi is uniquely positioned to contribute to the Company's strategy by drawing on her in-country experience of Lesotho and culture within the Company.

Current external appointments

Mazvi is currently a non-executive director of Stanlib Lesotho Proprietary Limited and Intellectual Disabilities and Autism Lesotho.

Board committee membership

Member of the Audit and HSSE Committee.

NOTICE OF ANNUAL GENERAL MEETING

continued

EXECUTIVE DIRECTORS

Clifford Elphick (59)

CEO

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

Appointed

Clifford formed Gem Diamonds in July 2005.

Key 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. Clifford's broad-based skills, leadership, energy and vision are invaluable to the Company as it continues its strategic journey. Clifford's in-depth knowledge of the diamond market and his appreciation of the end-to-end customer journey is critical to the Company as it advances innovative technologies and explores new sales avenues to maximise value.

Current external appointments

Clifford is currently the non-executive chairman of Zanaga Iron Ore Co Limited.

Michael Michael (49)

Chief Financial Officer

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

Appointed

Michael joined Gem Diamonds in March 2008 and was appointed to the Board in April 2013.

Key skills and experience

Michael has over 20 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 to assist with the financial aspects of the Main London Listing including the financial reporting, management accounting and tax relating to the initial public offering. In March 2008 Michael joined Gem Diamonds on a full-time basis as the Group Financial Manager. On 2 April 2013 he was promoted to the position of Chief Financial Officer. Michael has extensive business and financial expertise making him ideally suited to act as the Company's financial expert. Michael continues to provide constructive challenge and robust scrutiny of financial and business processes which are instrumental in delivering the company's strategy.

He holds no external appointments.

Harry Kenyon-Slaney, Mike Brown and, Michael Lynch Bell are classed as 'independent' under Provision 10 of the UK Corporate Governance Code 2018.

NOTICE OF ANNUAL GENERAL MEETING

continued

Amendments to the Gem Diamonds Limited ESOP (resolution 13)

Earlier this year, the Board adopted a schedule to the ESOP so that the Company may deliver a proportion of an employee's annual bonus in the form of a deferred award over Company shares in order to increase the alignment of employees' interests with those of shareholders. Shareholder approval under the ESOP is required in order that Executive Directors of the Company may receive deferred bonus awards. Participation of the Executive Directors in deferred bonus share awards also requires shareholder approval of the new Directors' remuneration policy (resolution 2).

There are two other aspects of the deferred bonus share awards which the Company wishes to adopt and for which shareholder approval is required under the ESOP:

- that awards can be made to former employees in connection with any bonus they receive for the financial year in which their employment ceased; and
- if deferred bonus share awards vest early on a takeover or other corporate event provided for under the current ESOP rules then those awards would vest in full rather than be pro-rated for time since their grant.

A summary of the terms of the deferred bonus share awards is set out in the Appendix to this notice. The remainder of the ESOP rules as approved by shareholders on 6 June 2017 remain unchanged.

Authority to allot shares (resolution 14)

The purpose of resolution 14 is to renew the Directors' authority to allot shares.

Under Article 3.1 of the Company's Articles of Association, the Directors may only allot relevant equity securities with the authority of the shareholders in a general meeting. Relevant equity securities as defined in the Company's Articles of Association include the Company's shares. This ordinary resolution would provide that authority and allow the Directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares.

Resolution 14 will, if passed, authorise the Directors to allot relevant equity securities up to an aggregate nominal amount of US\$463 298. This represents 33.33% of the Company's total issued share capital as at 20 April 2020 and reflects the Investment Association (IA) guidance limit of one-third of the Company's issued ordinary share capital. No treasury shares are held by the Company. If the resolution is passed, this authority will expire on the Company's next AGM in 2021 or, if earlier, at the close of business on 30 June 2021.

The Directors have no intention at present to exercise this authority other than in relation to the Company's employee share arrangements. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

NOTICE OF ANNUAL GENERAL MEETING

continued

SPECIAL RESOLUTIONS

Disapplication of pre-emption rights (resolution 15)

Article 3.5 of the Company's Articles of Association prevents the issue of equity securities which are, or are to be, paid up wholly in cash and not first offered to the existing shareholders in proportion to the number of shares held by them at the time of the offer. However, it may be in the interests of the Company for the Directors to issue shares to shareholders free of the restriction imposed by Article 3.5.

Resolution 15 is conditional on the passing of resolution 14 and will be proposed as a special resolution and will, if passed, give the Directors authority to issue equity securities (or sell treasury shares) for cash without first being required to offer them to existing shareholders. If the resolution is passed, this authority will expire on the Company's next AGM in 2021 or, if earlier, at the close of business on 30 June 2021.

Resolution 15 will give the Directors authority, in certain circumstances, to allot ordinary shares pursuant to the authority granted under resolution 14, or sell treasury shares, for cash without first offering them to existing shareholders in proportion to their existing shareholding.

The authority would be limited to allotment or sales:

- a in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of such securities or as the Directors otherwise consider necessary to deal with certain legal, regulatory or practical difficulties. For example, in a pre-emptive rights issue, there may be difficulties in relation to fractional entitlements or the issue of new shares to certain shareholders, particularly those residents in certain overseas jurisdictions. The Directors consider the authority to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or pre-emptive rights issue having made appropriate exclusions or arrangements to address such difficulties; and
- b otherwise up to a maximum nominal value of US\$69 494 (representing 6 949 472 ordinary shares). This aggregate nominal amount represents approximately 5% of the Company's issued ordinary share capital as at 20 April 2020 (the last practicable date prior to the publication of this notice).

In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles (which were last amended on 12 March 2015) ('Principles') regarding cumulative usage of authorities within a rolling three-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders or in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. This approach is endorsed by the Investment Association.

Specific power to disapply pre-emption rights in connection with an acquisition or specified capital investment (resolution 16)

Resolution 16 is proposed as a separate resolution, in accordance with a recommendation of the Pre-emption Group and the IA Guidelines, to authorise the Directors to allot an additional quantity of shares (or sell treasury shares) for cash otherwise than to existing shareholders pro rata to their holdings up to an aggregate nominal amount of US\$69 494, representing a further 5% of the Company's issued share capital. The additional authority in resolution 16 may be used only in connection with the financing (or refinancing) of an acquisition or specified capital investment. The Principles define 'specified capital investment' as meaning one or more specific capital investment-related uses for the proceeds of an issue of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets, the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return. In accordance with the Principles, the Directors confirm that they intend to use the authority sought in resolution 16 only in connection with such an acquisition or specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue, and will provide shareholders with information regarding the transaction if the authority is used. Except for allotments under employee share plans, the Board has no present intention of issuing any further ordinary shares pursuant to the new general authorities in resolutions 15 and 16. No issue will be made which would effectively change the control of the Company or the nature of its business without the prior approval of shareholders at a general meeting.

If the resolution is passed, this authority will expire on the Company's next AGM in 2021 or, if earlier, at the close of business on 30 June 2021.

NOTICE OF ANNUAL GENERAL MEETING

continued

Authority to purchase of own shares (resolution 17)

Article 10.1 of the Company's Articles of Association gives a general authority to the Company to purchase its own shares, but that authority is subject to the approval of shareholders. The Directors believe that granting such approval would be in the best interests of shareholders in allowing them the flexibility to react promptly to circumstances requiring market purchases.

Accordingly, resolution 17, which will be proposed as a special resolution, will, if passed, renew the Directors' authority to make one or more market purchases of the Company's shares. The authority contained in this resolution will be limited to a maximum of 13 898 945 ordinary shares having an aggregate nominal value of US\$138 989, which represents 10% of the issued ordinary share capital of the Company as at 20 April 2020. The Company's exercise of this authority is subject to the stated upper and lower limits on the price which may be paid for those shares as set out in resolution 17. This authority will expire at the Company's next AGM in 2021 or at the close of business on 30 June 2021, whichever is the earlier.

Shares purchased under this authority may be held as treasury shares. The Company may purchase and hold shares as treasury shares up to a maximum amount equal to 50% of the nominal value of the issued ordinary shares as at the date of purchase, rather than cancelling them. Shares held in treasury in this way can be sold for cash or cancelled, either immediately or at a point in the future, or used for the purposes of the Company's employee share schemes. The Directors believe that it is desirable for the Company to have this choice and therefore intends to hold any shares purchased under this authority as treasury shares. This would allow the Company additional flexibility in the management of its capital base.

The Board has no present intention of exercising this authority. Shares will only be repurchased for the purposes of employee share schemes, or if the Directors consider such purchases to be in the best interests of shareholders generally and that they can be expected to result in an increase in earnings per share. The authority will only be used after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. Shares held as treasury shares will not automatically be cancelled and will not be taken into account in future calculations of earnings per share (unless they are subsequently resold or transferred out of treasury).

As at 20 April 2020 (being the latest practicable date prior to the publication of this notice), there were 3 317 781 outstanding options granted under all share option schemes operated by the Company and no outstanding warrants. If exercised, the outstanding options would represent 2.39% of the current issued share capital of the Company (excluding any shares held in treasury). If this authority granted under resolution 17 were exercised in full, that percentage would increase to 2.65%.

NOTICE OF ANNUAL GENERAL MEETING

continued

APPENDIX

A summary of the terms of the deferred bonus share awards granted under the Gem Diamonds Limited ESOP, including the proposed amendments to those terms is set out below.

Other than as described below, deferred bonus share awards are granted on the general terms applicable to awards under the ESOP rules, including malus and clawback.

Bonus share awards

Eligibility

The Board of Directors of the Company (the Board), or the Remuneration Committee, may grant awards (bonus share awards) to any employee of the Company or its subsidiaries (including, subject to approval of the Company's new Directors' Remuneration Policy (resolution 2), an executive director of the Company) under Schedule 1 to the ESOP.

The Board may also grant a bonus share award to a former employee in respect of any annual bonus payable by the Gem Diamonds Group (Group) for the financial year in which their employment ceased.

Grant of bonus share awards

A bonus share award will represent a portion of an employee's annual bonus award payable by the Group which the Board decides should be deferred into an award over ordinary shares of the Company (shares). A bonus share award will be granted over a value of shares equivalent to the amount of the deferred bonus.

For Executive Directors of the Company, a bonus share award will only be granted subject to approval of, and in accordance with, the Company's Directors' remuneration policy as approved by shareholders from time to time.

Bonus share awards will be granted as either conditional awards or nil-cost options.

No performance conditions

As bonus share awards will represent a portion of annual bonus payable by the Group to an employee, no performance conditions will apply to the awards.

Vesting

Bonus share awards will vest immediately on grant or on such later date within two years of grant as determined by the Board in its absolute discretion or, if later, the first date on which vesting is not prevented by a dealing restriction.

The vesting date for bonus share awards made to Executive Directors of the Company will be set at grant in accordance with the Company's Directors' remuneration policy as approved by shareholders from time to time.

Leaving employment

Bonus share awards in the form of options that are vested at the time a participant leaves employment with the Group will be treated in the same way as unvested bonus share awards. Where the participant is a 'good leaver', vested options will be exercisable for six months from leaving employment.

Change of control

If bonus share awards vest early on a change of control of the Company or on another corporate event, then the bonus share awards will not be time pro-rated as they represent the deferral of bonuses.

