

ANNUAL REPORT AND ACCOUNTS 2021

17 March 2022

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The information contained herein is correct as at 16 March 2022.

2021 IN REVIEW

Revenue

US\$202 million

EBITDA

US\$57 million

Carats recovered

1 15 335

Basic EPS
(pre-exceptional items)

10.5 US cents

All Injury Frequency Rate

0.93

Net cash position

US\$21 million

Business Transformation
Cumulative to date

US\$1 10 million

US\$ per carat achieved

US\$1 835

Dividend

2.7 US cents

KEY STRATEGIC PRIORITIES

UNEARTHING UNIQUE POSSIBILITIES

EXTRACTING MAXIMUM VALUE FROM OPERATIONS

- Optimise operating model:
 - Improved mine waste dumping strategy
 - New fines XRT machine commissioned
 - Short-term mine planning
- Reduce diamond damage:
 - Enhanced process controls to ensure stable plant feed
 - Surface miner trials
- BT four-year target exceeded

WORKING RESPONSIBLY AND MAINTAINING SOCIAL LICENCE TO OPERATE

- ‘Stop for Safety’ campaign and maturing safety culture
- Building long-term relationships with all stakeholders
- CSI investment strategy based on community needs analysis
- Aligned to global industry standards on tailings management
- Integration of six UN SDGs
- Participating in the GIA Diamond Origin Report blockchain initiative

PREPARING FOR OUR FUTURE

- Adoption of TCFD recommendations
- Concluded Group-wide debt refinancing
- Assessing external growth opportunities
- Long-term mine planning and optimisation

2021 DIAMOND MARKET

CONTINUED RECOVERY OF THE DIAMOND MARKET ACROSS ALL SEGMENTS

GLOBAL ECONOMIC BACKDROP

- Impact of Russia's invasion of the Ukraine uncertain at this stage
- Global economic growth of 5.5% in 2021 driven mainly by the US and China
- COVID-19 supply chain interruptions led to significant price increases of imported goods
- Inflation expected to remain elevated in 2022
- Support for emerging markets on climate change adaptation insufficient

DIAMOND MARKET

- Strong demand throughout 2021
- Midstream inventory and debt levels decreased to lowest in more than a decade
- Strong demand and depleted inventory levels supported price growth
- Margins across the value chain recovered
- Diamond market benefited from lack of leisure spend options

GEM DIAMONDS' MARKET POSITION

- Highest US\$ per carat kimberlite producer
- Continued recovery of large high-value diamond prices
- Significant increase in <4.8 carat diamonds seen in 2021
- Successful first viewing held in Dubai in September
- Opportunities to capture downstream value continue
- Price recovery continuing into 2022



OUR APPROACH TO CLIMATE CHANGE

OUR APPROACH TO CLIMATE CHANGE

- TCFD recommendations adopted in 2021
- Phase 1 of our implementation included:
 - Established Board and management governance structures
 - Identified and assessed physical and transition risks over short, medium and long term
 - Enhanced risk management processes to include climate change considerations
 - Completed a science-based climate change scenario analysis
 - Board and management training on climate change completed
- The appointment of Rosalind Kainyah enhanced the Board's ESG skills

TCFD Roadmap	PHASE 1 – 2021	PHASE 2 – 2022	PHASE 3 – 2023
	<ul style="list-style-type: none">• Establish governance strategy and risk foundations to support science-based decision-making	<ul style="list-style-type: none">• Understand climate-related risks to reassess organisational resilience• Identify climate-related opportunities• Establish clear metrics and targets for decarbonisation	<ul style="list-style-type: none">• Monitor and manage climate-related exposure• Measure against decarbonisation targets

CLIMATE STRATEGY CONSIDERATIONS

Impact on strategy, operations and financial planning

EXTRACTING MAXIMUM VALUE FROM OPERATIONS

Operational initiatives to improve efficiencies, reduce operating costs and ensure future availability of resources

An improved mine waste dumping strategy was implemented that reduced hauling distances, fossil fuel consumption, carbon emissions and costs

WORKING RESPONSIBLY AND MAINTAINING SOCIAL LICENCE TO OPERATE

Bolstering resilience to physical impacts of climate change while working with PACs to improve their readiness and resilience

Following localised flooding around Letšeng in H1, destroyed infrastructure was rebuilt and an improved water supply structure was designed, using borehole and groundwater systems rather than surface water

PREPARING FOR OUR FUTURE

Work done in 2021 enables us to plan for and mitigate the impact of climate change in the future

Existing business continuity and disaster management plans include considerations for extreme natural weather events that we have been responding to since 2006

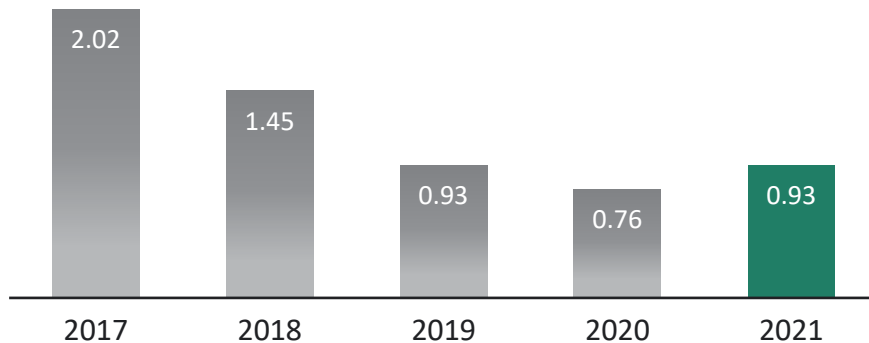


ZERO HARM AND
RESPONSIBLE CARE

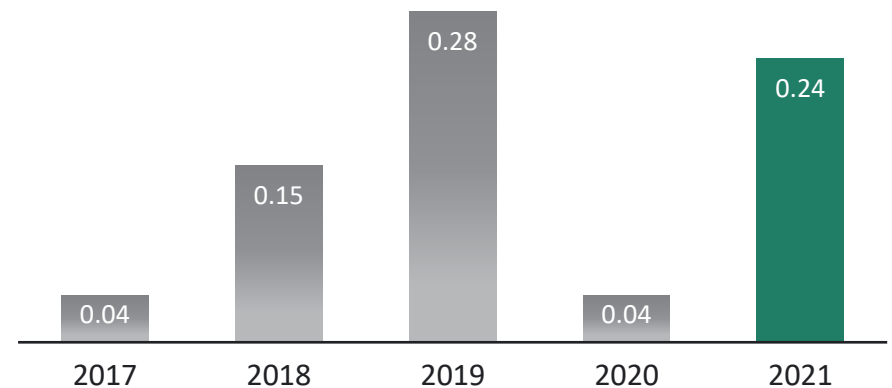
ZERO HARM IS A PRIORITY

- AIFR: 0.93
- Zero fatalities and six LTIs during the year
- ‘Stop for Safety’ campaign and various initiatives implemented to mature the safety culture at Letšeng which led to a marked safety performance improvement in H2
- No major or significant environmental incidents
- No major or significant social incidents
- COVID-19 protocols adapted and implemented as necessary

All injury frequency rate (AIFR)



Lost time injury frequency rate (LTIFR)



COVID-19: PROTECTING OUR PEOPLE

- **99%** of workforce fully vaccinated to date
- Continued to protect our people through three COVID-19 waves in order to safely and responsibly continue uninterrupted operations during 2021
- COVID-19 protocols adjusted and implemented as required
- Donated 20 000 vaccines, a 4x4 ambulance, 17 oxygen concentrators and PPE
- Wide-scale screening and testing continued (30 820 tests conducted by end 2021)
- LSL17 375 spent per employee on COVID-19 measures
- Continued support of our PACs during pandemic



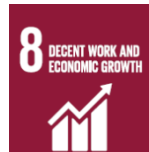
CLINIC STAFF MEMBER CONDUCTING
A PCR TEST AT LETŠENG



CORPORATE SOCIAL
RESPONSIBILITY

2021 CSR OVERVIEW

- Updated community needs analyses informed 5-year CSI strategy
- Integration of six UN SDGs
- 2020 and 2021 CSI projects implemented
- Rebuilding of infrastructure destroyed by localised flooding in surrounding areas
- Successful trials of bioremediation pilot plant
- Aligned to Global Industry Standard on Tailings Management for all tailings and water storage facilities
- Retained our ISO 14001 and ISO 45001 certification at Letšeng
- Retained FTSE4Good status for 3rd consecutive year



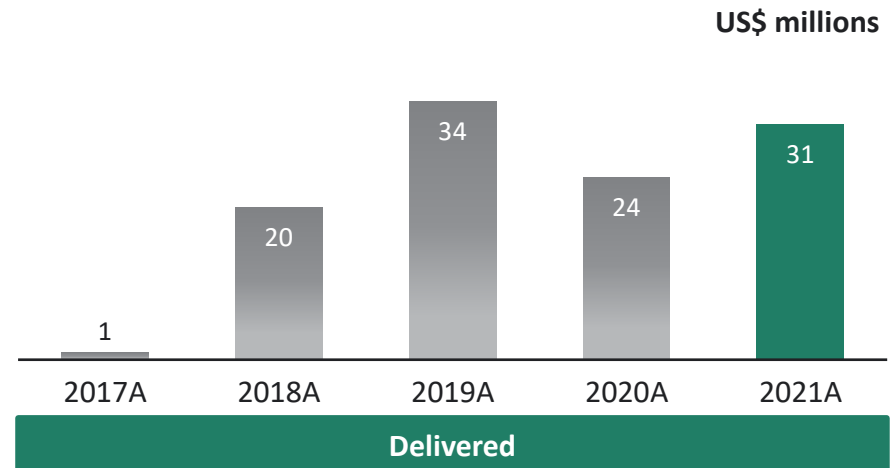
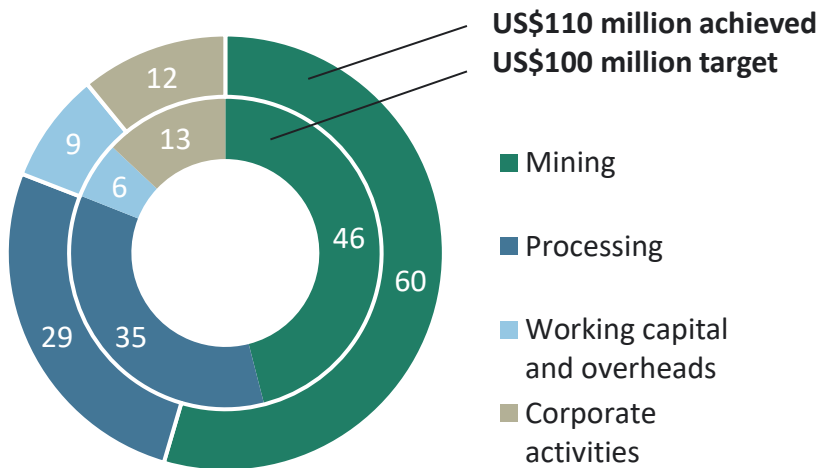
COMMUNITY MEMBERS



LETŠENG

BUSINESS TRANSFORMATION

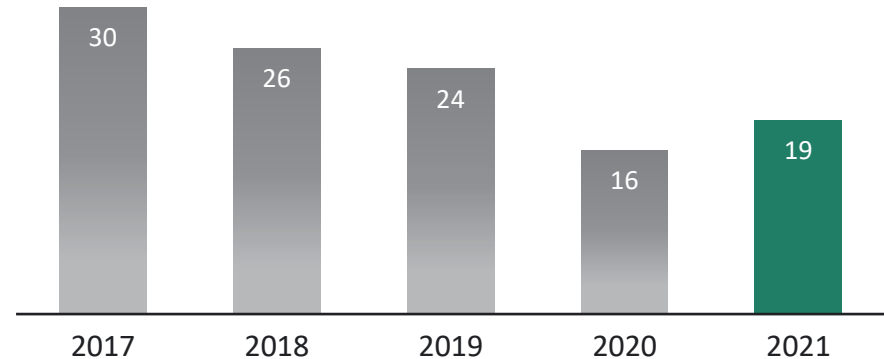
- **US\$110 million** achieved – exceeding the four-year target of US\$100 million
- Initiatives are embedded and will continue to deliver value
- Ensuring the sustainability of these and other CI initiatives



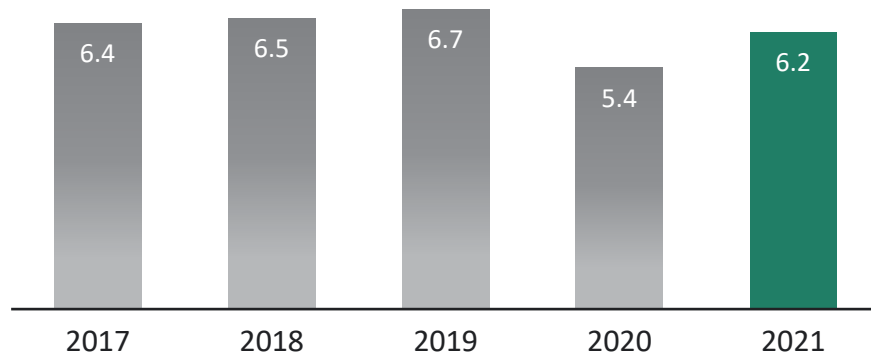
OPERATIONS REVIEW

- Waste mined in line with mine plan and ore treated during the year
- Steeper slopes success continued
- Ore tonnes treated impacted primarily by:
 - COVID-19-related supply chain challenges, skills availability, lost shifts
 - Reduced feed rate through PCA
 - Jaw crusher breakdown end of Q3
- Carats recovered in line with expected grade from treated ore

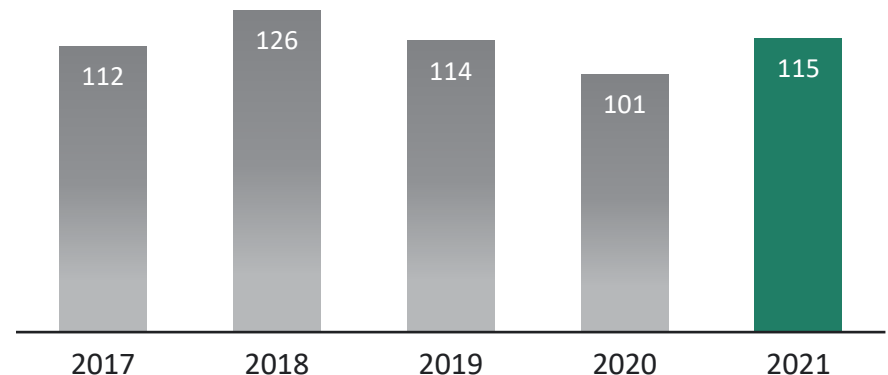
Waste tonnes mined (millions)



Ore tonnes treated (millions)



Carats recovered (thousands)



OPERATIONS REVIEW

- 2021 Focus projects:
 - Advanced Process Control to ensure stable plant operating conditions
 - Initial surface miner trials concluded, further trials planned for 2022
 - Cost containment and reduction initiatives
 - New fines XRT commissioned in 2021
 - Resource core drilling programme advanced
- Large diamond recoveries mostly in line with 13-year average

Frequency of large diamond recoveries

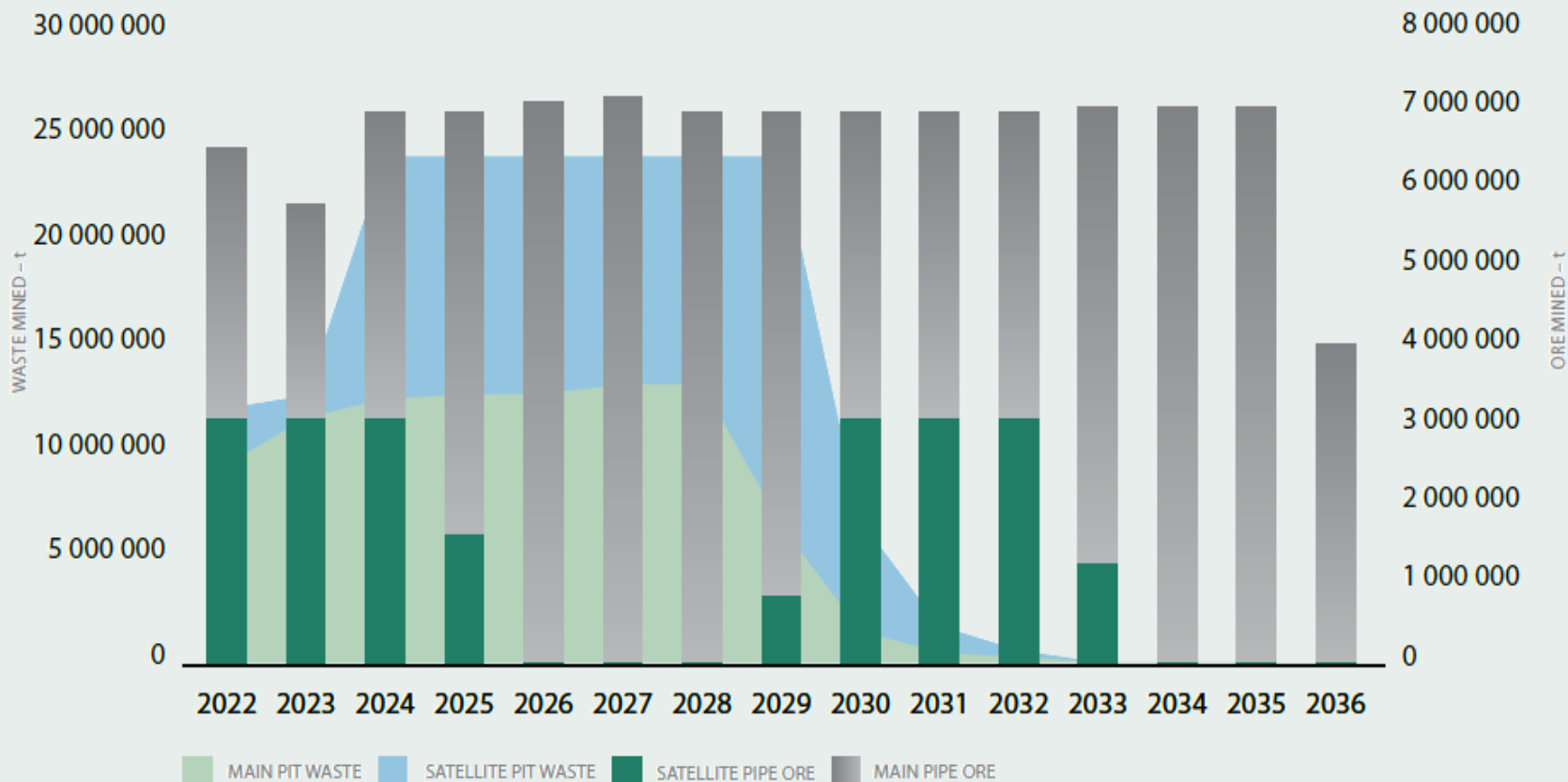
Weight category	2021	2020	Average 2008 – 2020
>100 carats	6	16	8
60 – 100 carats	16	29	19
30 – 60 carats	81	102	76
20 – 30 carats	122	115	114
10 – 20 carats	570	500	433
Total diamonds >10 carats	795	762	650

REVISED LONG-TERM MINE PLAN

- Mine plan optimisation and steeper slopes resulted in:
 - Additional Satellite ore availability
 - Extended to 2025 vs mid-2023 (2019 plan)
 - Deferred commencement of next waste cutback in Satellite pipe (SC6W) to 2024
- Revised waste mining profile:
 - 2022/2023 - decreased to c11.5 million tonnes p.a.
 - 2024 - ramping up to c24.0 million tonnes p.a.
- Ore mining remains constant at c6.8 million tonnes p.a. from 2024
- Preliminary underground conceptual study completed in 2021
- Trade-off between SC6W vs earlier move to underground to be evaluated

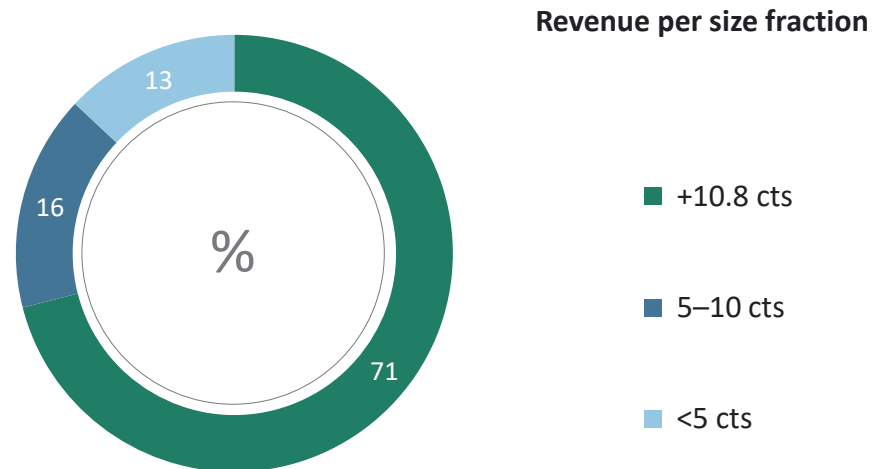
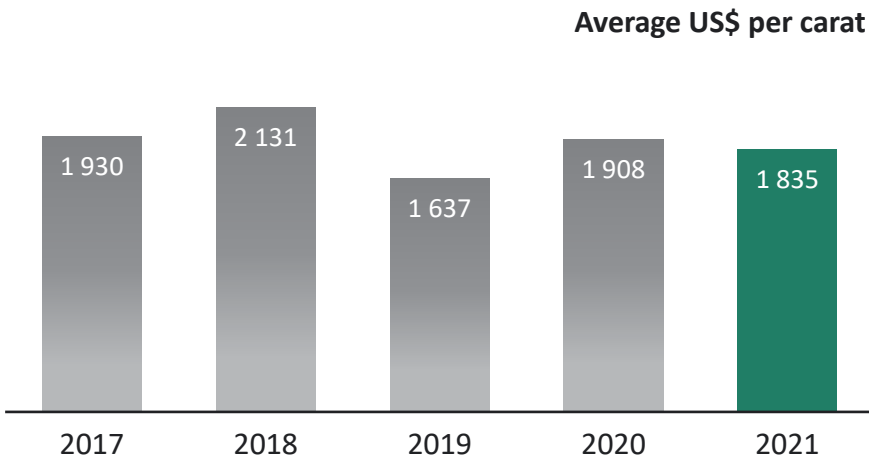
REVISED LONG-TERM MINE PLAN

LoM Ore Waste Profile Incl. Deferred SC6W at 3Mtpa



SALES AND MARKETING

- 2021 sales highlights:
 - Achieved US\$1 835 per carat
 - Sold 7 diamonds greater than 100 carats
 - Sold 21 diamonds for more than US\$1.0 million
 - Sold 78 diamonds for more than US\$20 000 per carat
 - >10.8 carat diamonds contributed 71% of revenue
- Successful dual viewing held in Dubai and Antwerp in September
- Continued recovery of the diamond market seen in 2022



SIGNIFICANT DIAMOND RECOVERIES IN 2021



367 CARAT LETŠENG PRINCESS



147 CARAT WHITE DIAMOND



246 CARAT WHITE DIAMOND



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



101 CARAT WHITE DIAMOND



3.35 CARAT PINK DIAMOND
(HIGHEST \$/CT)



FINANCIAL RESULTS

INCOME STATEMENT

US\$ million	2021	2020	% Variance
Revenue	201.9	189.6	6
Royalty and selling costs	(21.9)	(19.8)	
Cost of sales	(113.0)	(104.7)	
COVID-19 costs	(0.7)	(3.9)	
Corporate expenses	(8.9)	(8.0)	
Underlying EBITDA from continuing operations	57.4	53.2	8
Depreciation and mining asset amortisation	(8.6)	(9.1)	
Other income	0.1	–	
Net finance costs	(3.7)	(4.4)	
Non-cash items	1.5	(1.5)	
Profit before tax from continuing operations	46.7	38.2	22
Income tax expense	(15.6)	(10.7)	
Profit after tax from continuing operations	31.1	27.5	13
Attributable profit from continuing operations	18.5	16.9	
Loss from discontinued operations	(3.7)	(3.3)	
Attributable net profit	14.8	13.6	9
<i>Earnings per share (US cents) from continuing operations</i>	<i>13.2</i>	<i>12.1</i>	<i>9</i>
<i>Dividends per share (US cents)</i>	<i>2.7</i>	<i>2.5</i>	<i>–</i>

LETŠENG COST ANALYSIS

	2021	2020	% Variance
Ore tonnes treated (millions)	6.2	5.4	15
Operating Costs <i>Direct cash costs¹</i>	185.59	185.73	
<i>Plant 3 operator costs</i>	15.53	15.73	
Total direct cash operating costs	201.12	201.46	-
Non-cash accounting charges ²	70.63	118.74	
Total operating cost per tonne treated – LSL	271.75	320.20	(15)
<i>Average foreign exchange rate</i>	14.79	16.47	
Total operating cost per tonne treated – US\$	18.38	19.44	(5)
Waste tonnes mined (millions)	18.7	15.6	20
Total waste cash costs per waste tonne mined – LSL	44.44	43.70	2
<i>Average foreign exchange rate</i>	14.79	16.47	
Total waste cash costs per waste tonne mined – US\$	3.00	2.65	13

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

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

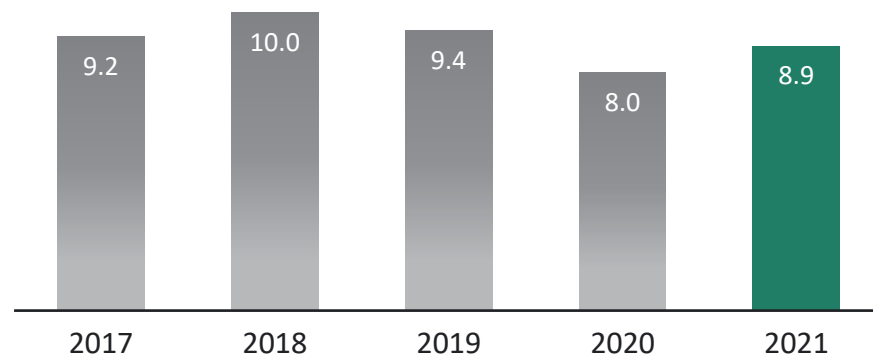
FINANCIAL POSITION

US\$ million	2021	2020	% Variance
Non-current assets	312.0	323.5	
IFRS 16 Right of use assets	3.1	4.8	
Current assets	35.3	32.4	
Income tax receivable	1.2	0.1	
Cash	30.9	49.8	
Total assets	382.5	410.6	(7)
Equity attributable to the parent company	159.8	163.1	
Non-controlling interest	86.9	84.4	
Total equity	246.7	247.5	-
Interest-bearing loans and borrowings (long and short term)	11.0	16.1	
IFRS 16 lease liabilities (long and short term)	4.8	6.7	
Non-current liabilities	13.3	14.4	
Deferred tax liabilities	82.5	84.5	
Current liabilities	22.2	28.8	
Income tax payable	—	11.9	
Liabilities associated with assets held for sale	2.0	0.7	
Total liabilities	135.8	163.1	(17)

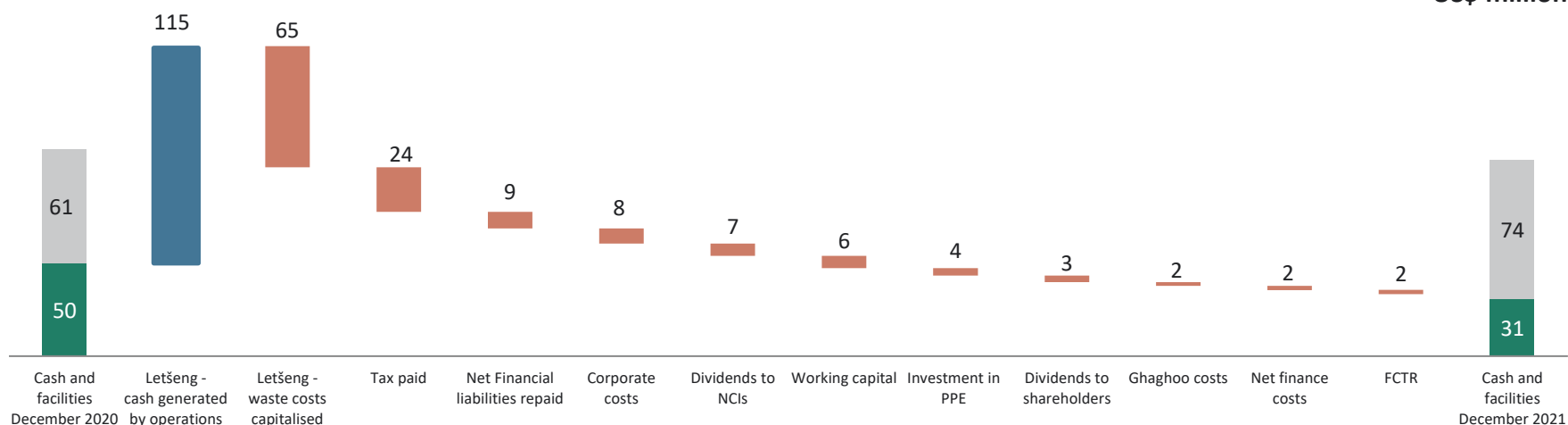
CASH MANAGEMENT

- Group cash of US\$31 million
- Net cash of US\$21 million
- Group debt refinancing concluded in 2021
- Three facilities - US\$83 million
- Available facilities at year-end - US\$74 million

Corporate costs (US\$ millions)

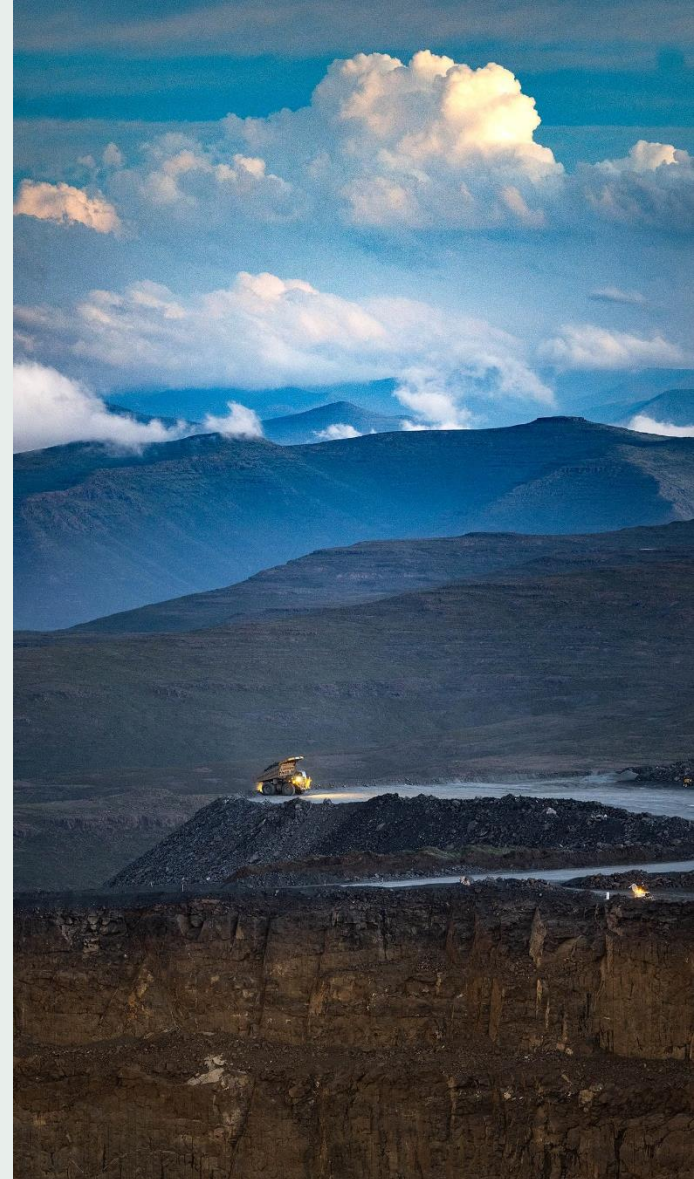


US\$ millions



DIVIDEND

- Cash dividend of 2.7 US cents per share proposed
- Total dividend payable cUS\$3.8 million
- Timetable:
 - Last date of registration: 19 May
 - Record date: 20 May
 - Subject to AGM approval on 8 June
 - Payment on 21 June
- Dividend policy:
 - Annual cash dividend review based on cash resources, free cash flow and earnings generated, and capital projects
 - Special dividends with significant diamond recoveries
 - Consider share buy-back programme when appropriate



LETŠENG

LETŠENG 2022 GUIDANCE

	2022 Guidance
Waste stripped (Mt)	10 – 12
Ore treated (Mt)	5.6 – 5.8
Satellite pipe ore contribution ¹ (Mt)	2.8 – 3.0
Carats recovered (Kct)	112 – 116
Carats sold (Kct)	110 – 114
Direct cash costs (before waste) per tonne treated ² (Maloti)	220 – 230
Operating costs per tonne treated ³ (Maloti)	275 – 285
Mining waste cash costs per tonne of waste mined (Maloti)	51 – 53
Total capital ⁴ (US\$ million)	25 – 30

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

² Direct cash costs excludes royalty and selling costs.

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

⁴ At an exchange rate of US\$1: LSL15.00



2022
FOCUS AREAS

2022 FOCUS AREAS

EXTRACTING MAXIMUM VALUE FROM OPERATIONS

- Optimising mine plan and pit slope angles in Main pit
- Advance resource core drilling programme
- Embed continuous improvement culture at Letšeng
- PCA replacement
- Third plant opportunity

WORKING RESPONSIBLY AND MAINTAINING SOCIAL LICENCE TO OPERATE

- Phase 2 of TCFD adoption
- Advance GISTM alignment
- Implement 5-year CSI investment strategy
- Maturing safety culture
- Bioremediation plant commissioning

PREPARING FOR OUR FUTURE

- Downstream value add
- Advancing technology
- Underground feasibility studies
- Continued surface miner project
- Develop decarbonisation strategy

CONTACT US

Gem Diamonds Limited

Glenn Turner / Susan Wallace

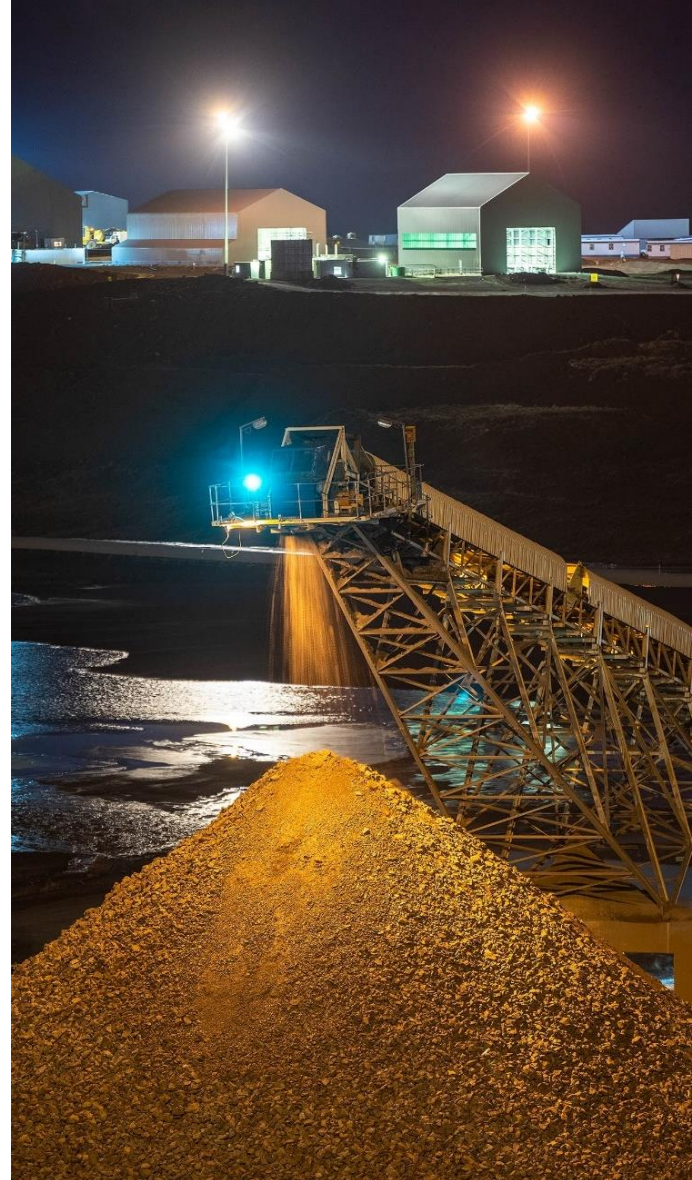
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STOCKPILE AT LETŠENG

APPENDIX A: MARKET INFORMATION

2021 Annual share price (GBP millions)



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

Daily average trading volume across all platforms in 2021	170k
Shares in issue	140 534 485
Free float (excl. holders above 5%, ESOP and Directors' holdings)	30.59%
Share price (15 March 2022)	£0.57
Market capitalisation (millions)	£80/US\$105

Major shareholders

	As at 15 February 2022
Sustainable Capital Limited	21.9%
Graff Investments Limited	15.0%
Lansdowne Partners Limited	13.4%
Aberforth Partners LLP	12.3%
Gem Diamonds Holdings Limited	6.7%
Hosking Partners LLP	4.5%
Dimensional Fund Advisors	2.7%
Hargreaves Lansdown Asset Management	2.3%

Company officers

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



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