

GEM DIAMONDS



HALF-YEAR

REPORT

2022

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INTERIM BUSINESS REVIEW

OVERVIEW

The Group is pleased to report its results for the six months ended 30 June 2022 (the Period) which saw continued positive demand for Letšeng's high-quality diamonds with global events impacting operational costs.

The global economic backdrop for the Period has been challenging with unprecedented high levels of inflation and interest rates experienced in major economies. The World Bank downgraded its global real GDP forecast for 2022 to 2.9% compared to a high-water mark of 5.7% in 2021¹. The Russian invasion of Ukraine has contributed significantly to slowing down global economic growth by disrupting supply chains worldwide and impacting energy and commodity prices. The global diamond market, however, has continued to recover into 2022. The sanctions imposed on Alrosa in Russia, a major diamond producer, has caused a shortage of rough diamonds in the market which has supported strong demand and robust prices being achieved for Letšeng's high-quality white diamonds. During the Period, a record number of average bids per lot was received and an average price of US\$1 745 per carat was achieved. These results do not include the sale of three greater than 100 carat diamonds that were recovered in June and sold subsequent to Period end, in July.

Our sustainability strategy and maintaining our social licence to operate are of the utmost importance to the Group and we are proud that Gem Diamonds won three awards at the *Investing in African Mining Indaba Junior ESG Awards* in May, in the following categories; Health and Safety, Responsible Water and Protection of Biodiversity. These awards recognise the work to deliver our commitment to the environment, workforce and project-affected communities.

The safety of our workforce remains a top priority and numerous initiatives that commenced in 2021 to mature the organisational safety culture at Letšeng, have been fully implemented during the Period. The identification and implementation of further initiatives continue.

Our Letšeng operation has operated in line with expectations during the Period, despite numerous challenges presented by severe weather conditions such as a high rainfall season and snow which impacted both mining and treatment activities; increased frequency of electricity supply disruptions and increased operating costs. Waste tonnes mined during the Period were 6.3 million tonnes (H1 2021: 10.2 million) in accordance with the mine plan, ore tonnes treated were 3.0 million tonnes (H1 2021: 3.1 million), 55 157 carats were recovered (H1 2021: 58 831) and the mine's 2022 production metrics remain on track. The decrease in volume of recoveries during the Period is due to lower tonnes treated and the reduced contribution for the higher-grade Satellite pit compared to H1 2021. Three greater than 100 carat diamonds were recovered during the Period which were sold in July, compared to three that were recovered and sold in H1 2021.

Revenue decreased by 4% to US\$100.0 million, compared to H1 2021, achieving an average of US\$1 745 per carat (H1 2021: US\$1 886 per carat). This, together with the extraordinary increases in operating costs, most notably diesel prices and explosive consumables, resulted in a decrease in underlying EBITDA from continuing operations to US\$20.9 million (H1 2021: US\$34.7 million), with attributable profit decreasing to US\$3.8 million (H1 2021: US\$9.3 million).

The Group ended the Period with a cash balance of US\$24.2 million (31 December 2021: US\$31.1 million) and drawn down facilities of US\$12.1 million (31 December 2021: US\$10.2 million), resulting in a net cash position of US\$12.1 million (31 December 2021: US\$20.9 million) and unutilised available facilities of US\$69.9 million (31 December 2021: US\$74.3 million).

In line with our commitment to deliver sustainable shareholder returns, the Board proposed a dividend of 2.7 US cents per share (US\$3.8 million) in March which was approved at the Annual General Meeting on 8 June. In addition, a share buyback programme was launched on 12 April, and during the Period, 1 520 170 shares were purchased for US\$1.2 million and held as treasury shares. The weighted average purchase price was 60.05 GB pence (78.07 US cents) per share.

We continue to work towards our 2022 objectives as set out in the three-year Task Force on Climate-related Financial Disclosures (TCFD) adoption roadmap that commenced in 2021. The members of the TCFD Adoption Steering Committee are participating in the UN Global Compact Climate Ambition Accelerator programme. The Climate Ambition Accelerator is a six-month programme designed to equip companies with the knowledge and understanding needed to set science-based emissions reduction targets aligned with the 1.5°C pathway. For more details, refer to the Our Approach to Climate Change Half-Year Report available on our website at www.gemdiamonds.com.

LOOKING AHEAD

We are driving initiatives to reduce the impact of the significant uncontrollable cost increases experienced during the Period, to drive efficiencies and effectively manage operating costs in the current volatile environment.

The Group is advancing the implementation of its critical control management strategy, a safety risk mitigation initiative that is on track to be completed by the end of the year.

¹ <https://www.worldbank.org/en/publication/global-economic-prospects>

OPERATIONS REVIEW: LETŠENG

H1 2022 IN REVIEW

- Zero fatalities and two LTIs
- Zero significant environmental or social incidents
- Recovered three diamonds greater than 100 carats (H1 2021: Three)
- Achieved an average price of US\$1 745 per carat (H1 2021: US\$1 886 per carat)
- The highest price achieved was US\$66 059 per carat for an 8.41 carat pink diamond

SUSTAINABILITY

The Group's safety approach is founded on our commitment to zero harm and belief that all injuries are preventable. The organisational safety maturity campaign continues to be implemented at Letšeng to address specific actions identified during the 2021 'Stop for Safety' campaign. Group and operational leadership have reaffirmed their commitment to proactively leading safety-focused improvement through regular engagements with the workforce and have established a 'leading indicator safety committee'. In addition to the initiatives that form part of the organisational safety maturity campaign, best practice engagements are planned to focus on further safety performance improvement.

The LTIFR and AIFR are tabled below:

| | 2018 | 2019 | 2020 | 2021 | H1 2022 |
|--------------------|------|------|------|------|-------------|
| LTI frequency rate | 0.15 | 0.28 | 0.04 | 0.24 | 0.16 |
| AIFR | 1.45 | 0.93 | 0.76 | 0.93 | 0.82 |

The Group has spent approximately US\$0.3 million on corporate social responsibility projects during the Period. Three tertiary scholarships were awarded in 2022 to enhance skills in Lesotho in mining, engineering and emergency medical care. In support of our dairy project, an additional 15 cows have been purchased and in support of our communities we have provided additional access to water and sanitation infrastructure which includes the construction of 50 ablution facilities, construction of a water storage tank for supply of clean water from a natural spring catchment and the installation of standpipe taps in a local village. Our focused CSRI strategy and initiatives support our social licence to operate and our commitment to the UN Sustainable Development Goals.

The measures implemented during 2021, as part of the TCFD adoption strategy and carbon emissions reduction objectives, have resulted in a reduction of our H1 2022 carbon emissions footprint by approximately 10% compared to H1 2021. The carbon emissions reduction was primarily driven by mining initiatives aimed at optimising waste mining and reducing hauling and travel distances of mining equipment.

PRODUCTION OVERVIEW

| | Unit | H1 2022 | H1 2021 | % variance |
|------------------|------------------|------------------|------------|------------|
| Waste mined | tonnes | 6 289 380 | 10 167 526 | (38) |
| Ore mined | tonnes | 3 219 615 | 3 175 880 | 1 |
| Ore treated | tonnes | 3 017 664 | 3 139 719 | (4) |
| Carats recovered | carats | 55 157 | 58 831 | (6) |
| Recovered grade | cph ¹ | 1.83 | 1.87 | (2) |

¹ Carats per hundred tonnes.

Waste mining decreased by 38% to 6.3 million tonnes (H1 2021: 10.2 million) in accordance with the mine plan. 3.0 million ore tonnes were treated, of which the two Letšeng plants treated 2.6 million tonnes (H1 2021: 2.6 million tonnes), with the remaining 0.4 million tonnes (H1 2021: 0.5 million tonnes) treated by Alluvial Ventures (AV), the third-party processing contractor. The contract with AV ended on 30 June and with the start of the next cut-back in the Main Pipe, the contractor has commenced decommissioning of its plant. The opportunity to replace the 1.0 to 1.2 million tonnes per annum previously treated by AV, through the construction of a third plant, is being considered.

The Group recovered 55 157 carats (H1 2021: 58 831 carats). The decrease in volume of recoveries during the Period is due to the reduced contribution from the higher-grade Satellite pit compared to H1 2021, and lower tonnes treated in May and June due to operational challenges, primarily weather conditions and more frequent disruptions in grid electricity supply.

OPERATIONS REVIEW: LETŠENG (CONTINUED)

The mobile coarse X-ray sorting machine recovered 367 carats (H1 2021: 592) and an additional 472 carats were recovered by the mobile fines X-ray sorting machine that was commissioned in 2021.

The overall grade for H1 2022 was 1.83 cpht (H1 2021: 1.87 cpht), representing a decrease of 2% from H1 2021, mainly driven by a lower contribution from Satellite pipe material which accounted for 46% of all material treated during the Period (H1 2021: 53%). The grade recovered is in line with the expected reserve grade.

The plant stabilisation initiatives that were implemented for Plant 1 in 2021 were rolled out to Plant 2 during the Period. The benefits were evidenced in the improved production performance from January to April which was offset by lower tonnes treated in May and June as mentioned above.

Due to the significant increase in operating costs during the Period, specifically diesel prices and explosive consumables, a number of cost-reduction initiatives have been implemented in an effort to manage these costs. These initiatives mainly focus on reducing hauling and travel distances of mining equipment and the introduction of saver plugs in ore blasting practices.

Frequency of large diamond recoveries

| Number of diamonds | H1 2022 | H1 2021 | FY average 2008 – 2021 |
|---------------------------|---------|---------|---------------------------|
| >100 carats | 3 | 3 | 8 |
| 60 – 100 carats | 8 | 9 | 19 |
| 30 – 60 carats | 42 | 43 | 77 |
| 20 – 30 carats | 63 | 59 | 114 |
| 10 – 20 carats | 258 | 317 | 442 |
| Total diamonds >10 carats | 374 | 431 | 660 |

DIAMOND SALES

The average price achieved during the Period was US\$1 745 per carat (H1 2021: US\$1 886 per carat) for 57 075 carats generating rough diamond revenue of US\$99.6 million (H1 2021: 55 123 carats at a value of US\$104.0 million).

The highest price achieved was for an 8.41 carat pink diamond that sold for US\$66 059 per carat

15 diamonds sold for more than US\$1.0 million each, generating revenue of US\$25.8 million (H1 2021: 10 diamonds sold for more than US\$1.0 million each, generating revenue of US\$36.1 million).

The Group hosted another Dubai tender viewing in March 2022 which was well-attended and contributed positively to the firm prices achieved during the Period. The next Dubai viewing will be held in September.

GHAGHOO

Following the lapse of the sales agreement with Botswana Diamonds in May 2022 we continue to pursue potential sales opportunities while closure and other disposal alternatives are being investigated.

CAPITAL PROJECTS

The replacement of the primary crushing area (PCA) has commenced and is progressing well with commissioning expected in Q2 2023. The resource core drilling programme to inform Letšeng's Resource and Reserve Statement, was completed in June. The Resource statement is expected in Q4 2022 and the Reserve Statement by Q1 2023.

The first phase of the underground feasibility study has commenced to review the financial viability of the Blast Hole Open Stope and Sub-Level Cave Mining methods.

The design of a bioremediation plant has advanced, and construction is planned to commence in Q3 with implementation of the first phase expected in Q4.

GROUP FINANCIAL PERFORMANCE

H1 2022 IN REVIEW

- Revenue achieved of US\$100.0 million (H1 2021: US\$104.5 million)
- Underlying EBITDA¹ decreased to US\$20.9 million (H1 2021: US\$34.7 million)
- Attributable profit from continuing operations decreased to US\$4.9 million (H1 2021: US\$10.6 million)
- Dividend paid of 2.7 US cents per share (H1 2021: 2.5 US cents)
- Loss from discontinued operations relating to Ghaghoo reduced to US\$1.1 million (H1 2021: US\$1.3 million)

PROFITABILITY AND LIQUIDITY

| US\$ million | H1 2022 | H1 2021 |
|---|-------------|---------|
| Revenue | 100.0 | 104.5 |
| Royalty and selling costs | (10.8) | (11.0) |
| Cost of sales ² | (63.2) | (53.6) |
| COVID-19 costs/standing costs | (0.1) | (0.4) |
| Corporate expenses | (5.0) | (4.8) |
| Underlying EBITDA¹ from continuing operations | 20.9 | 34.7 |
| Depreciation and mining asset amortisation | (4.3) | (4.2) |
| Share-based payments | (0.1) | (0.3) |
| Foreign exchange loss | – | (0.1) |
| Net finance costs | (2.1) | (1.8) |
| Profit before tax from continuing operations | 14.4 | 28.3 |
| Income tax expense | (5.0) | (10.0) |
| Profit for the Period from continuing operations | 9.4 | 18.3 |
| Non-controlling interests | (4.5) | (7.7) |
| Attributable profit from continuing operations | 4.9 | 10.6 |
| Loss from discontinued operations | (1.1) | (1.3) |
| Attributable net profit | 3.8 | 9.3 |
| Earnings per share from continuing operations (US cents) | 3.4 | 7.6 |
| Loss per share from discontinued operations (US cents) | (0.8) | (1.0) |

¹ Underlying earnings before interest, tax, depreciation and mining asset amortisation (EBITDA) as defined in Note 6 of the condensed notes to the consolidated interim financial statements.

² Including waste stripping amortisation costs but excluding depreciation and mining asset amortisation.

The Group generated an underlying EBITDA¹ of US\$20.9 million (H1 2021: US\$34.7 million). The profit attributable to shareholders from continuing operations was US\$4.9 million (H1 2021: US\$10.6 million), equating to earnings per share from continuing operations of 3.4 US cents (H1 2021: 7.6 US cents) on a weighted average number of shares in issue of 142.1 million (H1 2021: 139.8 million shares). After including the loss of US\$1.1 million from Ghaghoo, which remains classified as a discontinued operation, the Group's attributable profit was US\$3.8 million, resulting in earnings per share after discontinued operations of 2.6 US cents (H1 2021: 6.6 US cents).

Revenue

| US\$ million | H1 2022 | H1 2021 |
|-------------------------------------|--------------|---------|
| Sales – rough | 99.6 | 104.0 |
| Sales – polished margin | 0.3 | 0.2 |
| Impact of carry over rough diamonds | 0.1 | 0.3 |
| Group revenue | 100.0 | 104.5 |

GROUP FINANCIAL PERFORMANCE (CONTINUED)

The Group's revenue of US\$100.0 million was mainly generated by the sale of 55 075 carats at an average price of US\$1 745 per carat. These results do not include the sale of three greater than 100 carat diamonds that were recovered in June and sold subsequent to Period end, in July.

Costs

The Group continues to closely manage its costs and preserve cash resources to maintain strong margins and appropriate liquidity. The Russian invasion of Ukraine has contributed significantly to increasing energy and commodity prices and disrupting supply chains worldwide, which has had an impact on the Group's short term operating expenses.

OPERATING EXPENSES

The biggest impact on the Letšeng's operating expenses has been an increase in fuel prices and explosive consumables. Diesel prices have increased 87% from LSL10.87 per litre in June 2021 to LSL20.32 per litre in June 2022. Letšeng consumed an estimated 8 million litres of diesel during the Period. Electricity supply disruptions which necessitate an increase in the use of diesel-powered generators also significantly increased diesel consumption on the mine site. In addition, the price of explosives has also increased by an estimated 83% compared to H1 2021.

Total direct cash costs, including waste, increased by 4% to LSL1 076.0 million from LSL1 033.3 million in H1 2021, notwithstanding the decrease in waste tonnes mined in accordance with the mine plan. The anticipated decrease in costs due to the lower waste volumes was negated by the increase in commodity prices and inflation experienced during the Period. The impact on unit costs is tabled below:

| Letšeng Unit Cost Analysis | | | | | | |
|-----------------------------|--------------------------------|----------------------------|--|--|----------------------|--|
| Unit cost per tonne treated | Direct cash costs ¹ | Third plant operator costs | Total direct cash operating costs ¹ | Non-cash accounting charges ² | Total operating cost | Waste cash costs per waste tonne mined |
| H1 2022 (LSL) | 223.76 | 14.28 | 238.04 | 85.67 | 323.71 | 56.88 |
| H1 2021 (LSL) | 172.43 | 12.52 | 184.95 | 64.34 | 249.29 | 44.52 |
| % change | | | 29 | | 30 | 28 |
| H1 2022 (US\$) | 14.52 | 0.93 | 15.45 | 5.55 | 21.00 | 3.69 |
| H1 2021 (US\$) | 11.86 | 0.86 | 12.72 | 4.43 | 17.15 | 3.06 |
| % change | | | 21 | | 22 | 21 |

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, and the impact of adopting IFRS 16 Leases, and exclude depreciation and mining asset amortisation.

Third plant operator costs increased by 10% in local currency compared to H1 2021. The cost is a function of the revenue generated by the sales of diamonds recovered through the contractor plant. The increase is driven by a number of higher-value diamonds that were recovered during the Period.

Non-cash accounting charges comprise waste amortisation which was similar to H1 2021. The increase was mainly due to inventory movement during the Period and an increase in the volume of tonnes added to the stockpile.

CORPORATE EXPENSES

Corporate office costs are incurred to provide expertise in all areas of the business to realise maximum value from the Group's assets. These costs are incurred by the Group through its technical and administrative offices in South Africa (in South African rand) and head office in the UK (in British pounds).

General corporate costs were US\$5.0 million (H1 2021: US\$4.8 million). The increase was mainly due to an increase in travel costs after the suspension of travel restrictions and an increase in insurance premiums due to the tightening of the insurance market, set off by the weaker South African Rand and British Pound against the US Dollar.

DISCONTINUED OPERATION - GHAGHOO

The operation, currently on care and maintenance, continues to be classified as a discontinued operation per IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Care and maintenance costs reduced to US\$1.1 million (H1 2021: US\$1.3 million) and have been recognised and disclosed separately in the Interim Consolidated Statement of Profit or Loss.

GROUP FINANCIAL PERFORMANCE (CONTINUED)

Following the lapse of the sales agreement with Botswana Diamonds in May 2022 we continue to pursue potential sales opportunities while closure and other disposal alternatives are being investigated.

EXCHANGE RATE IMPACTS

While revenue is generated in US dollars, the majority of operational expenses are incurred in the relevant local currency of the operational jurisdictions. Local currency rates for the Lesotho loti (LSL) (pegged to the South African rand) and Botswana pula (BWP) weakened significantly against the US dollar (compared to H1 2021) which decreased the Group's US dollar reported costs and increased local currency cash flow generation.

| Exchange rates | H1 2022 | H1 2021 | % change |
|--------------------------------------|---------|---------|----------|
| LSL per US\$1.00 | | | |
| Average exchange rate for the Period | 15.41 | 14.54 | 6 |
| Period end exchange rate | 16.38 | 14.28 | 15 |
| BWP per US\$1.00 | | | |
| Average exchange rate for the Period | 11.79 | 10.87 | 8 |
| Period end exchange rate | 12.40 | 10.92 | 14 |
| US\$ per GBP1.00 | | | |
| Average exchange rate for the Period | 1.30 | 1.39 | (6) |
| Period end exchange rate | 1.21 | 1.38 | (12) |

FINANCIAL POSITION

The LSL closed 3% weaker against the US dollar at the end of the Period compared to 31 December 2021. This resulted in a decrease in the US dollar reported values in the Interim Consolidated Statement of Financial Position. The changes to and key drivers of selected totals of the Interim Consolidated Statement of Financial Position are detailed below.

| US\$ million | H1 2022 | FY 2021 | % variance |
|--|--------------|---------|------------|
| Non-current assets | 316.0 | 315.1 | |
| Current assets | 61.4 | 67.4 | |
| Assets associated with discontinued operation | 1.9 | 2.1 | |
| Total assets | 379.3 | 384.6 | (1) |
| Equity attributable to parent company | 154.1 | 159.8 | |
| Non-controlling interest | 85.2 | 86.8 | |
| Total equity | 239.3 | 246.6 | (3) |
| Non-current liabilities | 114.4 | 108.0 | |
| Current liabilities | 21.7 | 25.9 | |
| Liabilities associated with discontinued operation | 3.9 | 4.1 | |
| Total liabilities | 140.0 | 138.0 | (1) |

Key asset drivers

| US\$ million | H1 2022 | H1 2021 | % variance |
|--|---------|---------|------------|
| Waste cost capitalised | 26.6 | 35.7 | (25) |
| Waste stripping cost amortised | 21.9 | 23.0 | (4) |
| Depreciation and mining asset amortisation | 4.3 | 4.2 | 2 |
| Capital expenditure | 2.3 | 1.9 | 21 |

GROUP FINANCIAL PERFORMANCE (CONTINUED)

Waste cost capitalised decreased due to the lower volumes of waste tonnes mined. This decrease was set off by an increase in operating expenses, specifically diesel prices and explosive consumables. The waste stripping cost amortised decreased to US\$17.5 million. Depreciation and mining asset amortisation increased to US\$4.3 million (H1 2021: US\$4.2 million).

During the Period, the majority of capital spent related to the replacement of the PCA to the amount of US\$1.9 million. Other capital projects include the resource core drilling programme required to inform Letšeng's Resource and Reserve statement and the design work for the expansion of the Patiseng coarse tailings storage facility.

Liquidity and solvency

The Group ended the Period with cash on hand of US\$24.2 million (31 December 2021: US\$33.9 million) of which US\$19.3 million is attributable to Gem Diamonds. The Group generated cash from operating activities of US\$30.1 million (30 June 2021: US\$29.9 million).

At Period end, the Group had utilised facilities of US\$12.1 million, resulting in a net cash position of US\$12.1 million (31 December 2021: US\$20.9 million) and available facilities of US\$69.9 million, comprising US\$18.0 million at Gem Diamonds and US\$51.9 million at Letšeng.

The decrease in net cash was mainly due to the share buyback programme and the payment of dividends to Gem Diamonds' shareholders of US\$5.0 million and the Lesotho Government's portion of dividends and withholding taxes extracted from Letšeng of US\$4.3 million.

The Group has a LSL750.0 million and a US\$30.0 million revolving credit facility expiring in December 2024. Letšeng also has a LSL100.0 million general banking facility that is reviewed annually. The Group engages regularly with lenders and credit providers to ensure continued access to funding and to manage the Group's cash flow requirements.

Summary of loan facilities as at 30 June 2022:

| Company | Term/ Description/expiry | Lender | Interest rate | Amount US\$ million | Drawn down US\$ million | Available US\$ million |
|----------------------|---|-------------------------------------|--|------------------------|----------------------------|---------------------------|
| Gem Diamonds Limited | Three-year revolving credit facility (RCF) <i>Expires 22 December 2024</i> | Nedbank | Facility A: (US\$30 million) LIBOR + 5.00% | 30.0 | 12.0 | 18.0 |
| | | Standard Bank | | | | |
| | | FirstRand Bank | | | | |
| Letšeng Diamonds | Three-year revolving credit facility <i>Expires 22 December 2024</i> | Standard Lesotho Bank | Facility B (LSL450 million): Central Bank of Lesotho rate + 3.25% | 27.5 | - | 27.5 |
| | | Nedbank Lesotho | | | | |
| | | First National Bank of Lesotho | | | | |
| Letšeng Diamonds | 5.5-year project facility <i>Tranche A: expires September 2022</i> <i>Tranche B: expired March 2022</i> | Nedbank | Facility C (ZAR300 million): JIBAR + 3.05% | 18.3 | - | 18.3 |
| | | Export Credit Insurance Corporation | | | | |
| | | | | | | |
| Letšeng Diamonds | Overdraft facility <i>Annual review in March</i> | Nedbank | Tranche A (LSL35 million) JIBAR + 6.75% | 2.1 | 0.1 | - |
| | | | Tranche B (R180 million) JIBAR + 3.15% | | | |
| Letšeng Diamonds | Overdraft facility <i>Annual review in March</i> | Nedbank | South African prime rate minus 0.7% | 6.1 | - | 6.1 |
| Total | | | | 84.0 | 12.1 | 69.9 |

GROUP FINANCIAL PERFORMANCE (CONTINUED)

Dividends and share buyback programme

In line with the Group's commitment to deliver sustainable shareholder returns, the Board proposed a dividend of 2.7 US cents per share (US\$3.8 million) which was approved at the Annual General Meeting on 8 June.

In addition, the Board launched a share buyback programme on 12 April and purchased 1 520 170 shares that are held as treasury shares. The weighted average purchase price was 60.05 GB pence (78.07 US cents) per share. An amount of US\$1.2 million was spent up to 7 June, which is the date that the Board authority lapsed. At the AGM on 8 June shareholders again authorised Gem Diamonds to purchase its own shares within the permitted parameters. No further share buyback programme has commenced due to the current volatility in the current economic situation and the potential impact on the Group's cash flow.

Tax matters

The forecast effective tax rate for the full year is 35.2% and has been applied to the actual results for the Period. This rate is the result of profits generated by Letšeng being taxed at 25% and deferred tax assets not recognised on losses incurred in non-trading operations.

As disclosed in the 2021 Annual Report and Accounts, an amended tax assessment was issued to Letšeng by the Lesotho Revenue Authority (LRA), contradicting the application of certain tax treatments in the current Lesotho Income Tax Act, 1993. An objection to the amended tax assessment was lodged with the LRA in March 2020, which was supported by the opinion of senior counsel.

On 7 February 2022, Letšeng received an application from the LRA to amend its original grounds for the court application. Letšeng's counsel continues to review the LRA's proposed amendment and has opposed the new application by the LRA.

Going concern

The projections of the Group's current and expected profitability, considering reasonable possible changes in operations, key assumptions and inputs, such as the renewed facilities, indicate that the Group will be able to operate as a going concern for the foreseeable future. See the financial statements on page 10.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties, both current and emerging, that could have a material financial, operational and compliance impact on its performance and long-term growth are presented in the Annual Report and Accounts for 2021 (pages 37 to 44). The Group's principal risks as presented in the Annual Report and Accounts for 2021 remain unchanged in the medium to long term and take into consideration current market and operational conditions of the Group's operations and global markets. The Group's risk management strategy aims to manage Group risk in such a way as to minimise threats and maximise opportunities.

The assessment of emerging risks is embedded within the risk framework of the Group. Any emerging risks identified are reported to and considered by the Board.

The Group continues to monitor areas of unpredictability, in particular the immediate and evolving impact on all Group risks resulting from increased commodity prices, disruption of global supply chains and excessive inflation caused by the Russian invasion of Ukraine and related sanctions. Lesotho elections are scheduled for 7 October 2022 and the Group continues to monitor the political environment in the build-up to the elections.

All appropriate controls implemented in response to the COVID-19 pandemic, remain effective in mitigating the COVID-19 risk ensuring the safety of our workforce and the achievement of the Group's objectives. As in previous years, insurers have continued to decrease their exposure to the mining industry due to the current risk perception within the industry. The Group has adopted a risk transfer strategy to address the substantial changes in the insurance market by implementing a sustainable insurance solution for the Group in the medium to long term.

Climate change is one of the most significant risks facing organisations. The Financial Conduct Authority (FCA) has published new proposals on climate-related disclosure rules for premium listed companies to promote climate and sustainability-related financial disclosures. The aim is to provide investors and consumers with a better understanding of the impact of climate change on our operations and to ensure potential climate change-related impacts are considered in all decision making. The Group is integrating the recommendations of the TCFD into its governance and risk management structures, strategy and reporting platforms to adequately report on the financial and strategic considerations related to climate change.

The Group's strong operational and safety results demonstrate its resilience and the maturity of the risk management process to enable rapid response and flexibility in a fast-evolving and challenging operating environment.

Clifford Elphick

Chief Executive Officer

31 August 2022

HALF-YEAR FINANCIAL STATEMENTS

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RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEAR REPORT AND FINANCIAL STATEMENTS

PURSUANT TO DISCLOSURE AND TRANSPARENCY RULES (DTR) 4.2.10

The Directors confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting and that the Half-Year Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- (a) an indication of important events that have occurred during the first six months of the financial year and their impact on this condensed set of financial statements
- (b) material related-party transactions in the first six months of the year and any material changes in the related-party transactions described in the Gem Diamonds Limited Annual Report 2021.

The names and functions of the Directors of Gem Diamonds Limited are listed in the Annual Report for the year ended 31 December 2021.

For and on behalf of the Board

Michael Michael
Chief Financial Officer

31 August 2022

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022

| Notes | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 | |
|---|--|--|----------|
| CONTINUING OPERATIONS | | | |
| Revenue from contracts with customers | 4 | 99 951 | 104 525 |
| Cost of sales | | (67 430) | (57 757) |
| Gross profit | | 32 521 | 46 768 |
| Other operating expense | 5 | (93) | (340) |
| Royalties and selling costs | | (10 781) | (11 038) |
| Corporate expenses | | (5 004) | (4 813) |
| Share-based payments | 17 | (125) | (295) |
| Foreign exchange gain/(loss) | | 20 | (122) |
| Operating profit | | 16 538 | 30 160 |
| Net finance costs | | (2 098) | (1 848) |
| – Finance income | | 73 | 88 |
| – Finance costs | | (2 171) | (1 936) |
| Profit before tax for the Period from continuing operations | | 14 440 | 28 312 |
| Income tax expense | 8 | (5 075) | (9 953) |
| Profit after tax for the Period from continuing operations | | 9 365 | 18 359 |
| DISCONTINUED OPERATION | | | |
| Loss after tax for the Period from discontinued operation | 15 | (1 075) | (1 329) |
| Profit for the Period | | 8 290 | 17 030 |
| <i>Attributable to:</i> | | | |
| Equity holders of parent | | 3 755 | 9 288 |
| Non-controlling interests | | 4 535 | 7 742 |
| Earnings per share (cents) | | | |
| – Basic earnings for the Period attributable to ordinary equity holders of the parent | | 2.68 | 6.64 |
| – Diluted earnings for the Period attributable to ordinary equity holders of the parent | | 2.64 | 6.53 |
| Earnings per share (cents) for continuing operations | | | |
| – Basic earnings for the Period attributable to ordinary equity holders of the parent | | 3.44 | 7.59 |
| – Diluted earnings for the Period attributable to ordinary equity holders of the parent | | 3.40 | 7.47 |

¹ Unaudited

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|--|--|--|
| Profit for the Period | 8 290 | 17 030 |
| Other comprehensive income that will be reclassified to the Interim Consolidated Statement of Profit or Loss in subsequent periods | | |
| Exchange differences on translation of foreign operations, net of tax | (6 916) | 6 142 |
| Other comprehensive (loss)/income for the Period, net of tax | (6 916) | 6 142 |
| Total comprehensive income for the Period, net of tax | 1 374 | 23 172 |
| Attributable to: | | |
| Equity holders of parent | (938) | 13 686 |
| Non-controlling interests | 2 312 | 9 486 |

¹ Unaudited

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

| | Notes | 30 June 2022¹ US\$'000 | 31 December 2021 ² US\$'000 |
|--|-------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 289 798 | 293 627 |
| Right-of-use assets | 11 | 7 363 | 3 137 |
| Intangible assets | 12 | 11 653 | 11 962 |
| Receivables and other assets | 13 | 1 260 | 1 278 |
| Deferred tax assets | | 5 985 | 5 117 |
| | | 316 059 | 315 121 |
| Current assets | | | |
| Inventories | | 31 508 | 31 158 |
| Receivables and other assets | 13 | 5 711 | 4 095 |
| Income tax receivable | | 17 | 1 232 |
| Cash and short-term deposits | 14 | 24 145 | 30 913 |
| | | 61 381 | 67 398 |
| Asset held for sale | 15 | 1 864 | 2 097 |
| Total assets | | 379 304 | 384 616 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 16 | 1 410 | 1 406 |
| Treasury shares ³ | 16 | (1 157) | – |
| Share premium | | 885 648 | 885 648 |
| Other reserves | | (231 269) | (226 697) |
| Accumulated losses | | (500 566) | (500 550) |
| | | 154 066 | 159 807 |
| Non-controlling interests | | 85 247 | 86 843 |
| Total equity | | 239 313 | 246 650 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 18 | 11 402 | 8 340 |
| Lease liabilities | 19 | 7 122 | 3 851 |
| Trade and other payables | | 2 189 | 2 095 |
| Provisions | | 11 450 | 11 202 |
| Deferred tax liabilities | | 82 205 | 82 472 |
| | | 114 368 | 107 960 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 18 | 464 | 2 704 |
| Lease liabilities | 19 | 1 939 | 973 |
| Trade and other payables | | 18 337 | 22 188 |
| Income tax payable | | 988 | 41 |
| | | 21 728 | 25 906 |
| Liabilities directly associated with the asset held for sale | 15 | 3 895 | 4 100 |
| Total liabilities | | 139 991 | 137 966 |
| Total equity and liabilities | | 379 304 | 384 616 |

¹ Unaudited

² Audited

³ Shares repurchased by Gem Diamonds Limited. Refer Note 16, Issued capital

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Attributable to the equity holders of the parent | | | | | | | |
|--|--|------------------------------|---|--|--|-------------------|--|-----------------------------|
| | Issued capital US\$'000 | Share premium US\$'000 | Treasury shares ¹ US\$'000 | Other reserves ² US\$'000 | Accumulated (losses)/ retained earnings US\$'000 | Total US\$'000 | Non- controlling interests US\$'000 | Total equity US\$'000 |
| Balance at 1 January 2022 | 1 406 | 885 648 | – | (226 697) | (500 550) | 159 807 | 86 843 | 246 650 |
| Profit for the Period | – | – | – | – | 3 755 | 3 755 | 4 535 | 8 290 |
| Other comprehensive loss | – | – | – | (4 693) | – | (4 693) | (2 223) | (6 916) |
| Total comprehensive (loss)/ income | – | – | – | (4 693) | 3 755 | (938) | 2 312 | 1 374 |
| Share capital issued (Note 16) | 4 | – | – | (4) | – | – | – | – |
| Share buyback (Note 16) | – | – | (1 157) | – | – | (1 157) | – | (1 157) |
| Share-based payments (Note 17) | – | – | – | 125 | – | 125 | – | 125 |
| Dividends paid (Note 9, Note 22) | – | – | – | – | (3 771) | (3 771) | (3 908) | (7 679) |
| Balance at 30 June 2022³ | 1 410 | 885 648 | (1 157) | (231 269) | (500 566) | 154 066 | 85 247 | 239 313 |
| Attributable to discontinued operation | – | – | – | (53 792) | (198 409) | (252 201) | – | (252 201) |
| Balance at 1 January 2021 | 1 397 | 885 648 | – | (212 164) | (511 808) | 163 073 | 84 422 | 247 495 |
| Profit for the Period | – | – | – | – | 9 288 | 9 288 | 7 742 | 17 030 |
| Other comprehensive income | – | – | – | 4 398 | – | 4 398 | 1 744 | 6 142 |
| Total comprehensive income | – | – | – | 4 398 | 9 288 | 13 686 | 9 486 | 23 172 |
| Share capital issued (Note 16) | 8 | – | – | (8) | – | – | – | – |
| Share-based payments (Note 17) | – | – | – | 296 | – | 296 | – | 296 |
| Dividends paid (Note 9) | – | – | – | – | (3 509) | (3 509) | – | (3 509) |
| Balance at 30 June 2021³ | 1 405 | 885 648 | – | (207 478) | (506 029) | 173 546 | 93 908 | 267 454 |
| Attributable to discontinued operation (Note 15) | – | – | – | (53 027) | (193 581) | (246 608) | – | (246 608) |

¹ Being shares repurchased from the owners of Gem Diamonds Limited. Refer Note 16, Issued capital.

² Other reserves relate to Foreign currency translation reserves and Share based equity reserves.

³ Unaudited

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | Notes | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|--|-------|--|--|
| Cash flows from operating activities | | 30 095 | 29 905 |
| Cash generated by operations | 20.1 | 42 995 | 57 438 |
| Working capital adjustments | 20.2 | (9 841) | (10 501) |
| Interest received | | 73 | 88 |
| Interest paid | | (1 453) | (1 182) |
| Income tax paid | | (2 940) | (15 937) |
| Income tax received | | 1 261 | – |
| Cash flows used in investing activities | | (28 983) | (37 576) |
| Purchase of property, plant and equipment | 10 | (2 376) | (1 898) |
| Waste stripping costs capitalised | 10 | (26 607) | (35 683) |
| Proceeds from sale of property, plant and equipment | | – | 5 |
| Cash flows from financing activities | | (8 617) | (9 038) |
| Lease liabilities repaid | | (850) | (1 067) |
| Net financial liabilities raised/(repaid) | 20.3 | 600 | (1 667) |
| – Financial liabilities raised | | 4 298 | 1 000 |
| – Financial liabilities repaid | | (3 698) | (2 667) |
| Share buyback | 16 | (1 157) | – |
| Dividends paid to holders of the parent | | (3 302) | (3 509) |
| Dividends paid to non-controlling interests | | (3 908) | (2 795) |
| Net decrease in cash and cash equivalents | | (7 505) | (16 709) |
| Cash and cash equivalents at beginning of Period | | 31 057 | 49 827 |
| Foreign exchange differences | | 639 | 868 |
| Cash and cash equivalents | | 24 191 | 33 987 |
| Cash and cash equivalents at end of Period – continuing operations | 14 | 24 145 | 33 929 |
| Cash and cash equivalents held at banks | | 24 145 | 33 929 |
| Cash and cash equivalents at end of Period – discontinued operation | 15 | 46 | 58 |
| Cash and cash equivalents held at banks | | 46 | 58 |

¹ Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

1.1 Incorporation and authorisation

The holding company, Gem Diamonds Limited (the Company), was incorporated on 29 July 2005 in the British Virgin Islands (BVI). The Company's registration number is 669758.

The financial information shown in this report relating to Gem Diamonds Limited and its subsidiaries (the Group) was approved by the Board of Directors on 31 August 2022, is unaudited and does not constitute statutory financial statements. The report of the auditor on the Group's 2021 Annual Report and Accounts was unqualified.

The Group is principally engaged in operating diamond mines.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of presentation

The condensed consolidated interim financial statements for the six months ended 30 June 2022 (the Period) have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's Annual Financial Statements for the year ended 31 December 2021. The Condensed financial statements are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the year to 31 December 2021 included in this report was derived from the statutory accounts for the year ended 31 December 2021, a copy of which has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of an emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 1 to 3. The financial position of the Group, its cash flows and liquidity position are described in the Group Financial Performance on pages 4 to 8. The Group's net cash at 30 June 2022 was US\$12.1 million (31 December 2021: net cash of US\$20.9 million) and with its undrawn facilities of US\$69.9 million (31 December 2021: US\$74.3 million), its liquidity (defined as net cash and undrawn facilities) of US\$82.0 million (31 December 2021: US\$95.2 million) remains strong. The Group's Revolving Credit facilities, which total US\$75.8 million when fully unutilised, mature on 22 December 2024.

After making enquiries which include reviews of forecasts and budgets, timing of cash flows and sensitivity analyses, and considering the continued impact of the COVID-19 pandemic and the impact of the Russian invasion of Ukraine on consumable and commodity prices on both the wider macro-economic environment (including demand for the Group's products and realised prices) and the Group's operations and production levels, the Directors have a reasonable expectation that the Group and the Company have 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 this half-year report and accounts of the Group.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2021. A new policy on Treasury shares has been adopted, following a share buyback programme introduced during the Period.

Treasury shares

Own equity instruments that are reacquired are recognised at cost, including transaction costs, and deducted from equity. 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.

Minor amendments to existing standards, also became effective on 1 January 2022 and have been adopted by the Group. The adoption of these amendments has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group.

Amendments to standards

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform

The amendment addresses issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. The Group and its funders commenced a comprehensive debt refinancing programme of the Group's facilities. The refinancing programme incorporates the consideration of any risk posed to the Group by phase two of the IBOR reform, which was effective from 1 January 2021. The IBOR reform may potentially have an impact on the JIBAR and LIBOR linked interest-bearing loans and borrowings within the Group, Refer Note 18, Interest-bearing loans and borrowings for more information regarding the maturities and the related benchmark rates subject to the IBOR reform on these loans. At Period end, it is not possible to estimate the potential impact of the amendment as no alternative rates have been published by the regulatory bodies or negotiated with the funders. The Group will continue to assess the impact of the interest rate benchmark reform as the revised benchmark rates are published.

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 interim financial statements are listed in the table below. The standards, amendments and improvements have not been early adopted and it is expected that, where applicable, these standards and amendments will be adopted on each respective effective date. The impact of the adoption of these standards cannot be reasonably assessed at this stage.

| Standards, amendments, and improvements | Description | Effective date* |
|---|---|-----------------|
| IFRS 17 | Insurance contracts | 1 January 2023 |
| Amendments to IAS 37 | Onerous contracts – cost of fulfilling a contract | 1 January 2022 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 16 | Property, plant and equipment proceeds before intended use | 1 January 2022 |
| Amendments to IAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Pending |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Improvement IFRS 1 | Subsidiary as a first-time adopter | 1 January 2022 |
| Improvement IFRS 9 | Fees in the '10 per cent' test for derecognition of financial liabilities | 1 January 2022 |
| Improvement IAS 41 | Agriculture – Taxation in fair value measurements | 1 January 2022 |

* Annual periods beginning on or after.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Significant accounting matters

During the six months ended 30 June 2022, the significant accounting matters addressed by management focused on the assessment of any continued COVID-19 impacts, climate-related disclosures and the impact of the Russian invasion of Ukraine.

COVID-19 continued impact

The Group has considered the impact of COVID-19 on its significant accounting judgements and estimates. The Group's main source of estimation uncertainty is in relation to assumptions used for the assessment of impairment and impairment reversal of assets. No further significant estimates have been identified as a result of COVID-19. Although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts, the pandemic has had a reduced impact compared to previous periods.

Task Force on Climate-related Financial Disclosures (TCFD)

Management has considered the impact of climate change, particularly in the context of the phased approach strategy which the Group has adopted in implementing the TCFD requirements and the high level overview of some climate-related risks and opportunities. These considerations did not have a material impact on the financial reporting estimates and judgements, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment to August 2023. 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 to reducing combustion related fossil fuel use. Due to the uncertainty of the cost and timing of implementation of carbon-related taxes, the impact of such taxes on the Group's operations and cash flows has been excluded from the going concern and impairment review.

The Russian invasion of Ukraine

The 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. Management has considered the impact of increased costs on future cashflows, and whether these costs and inflation rates are short or long term in nature. Management has used current pricing and inflation estimates for shorter term forecasts, and normalised these to levels of the previous year for the medium to long term.

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 Board of Directors. The main geographical regions and the type of products and services from which each reporting segment derives its revenue from are:

- Lesotho (diamond mining activities);
- Belgium (sales, marketing and manufacturing of diamonds);
- BVI, RSA, UK and Cyprus (technical and administrative services); and
- Botswana (diamond mining activities), classified as a discontinued operation since 30 June 2019.

Management monitors the operating results of the geographical units separately for the purpose of making decisions about resource allocation and performance assessment.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

3. SEGMENT INFORMATION (continued)

Gem Diamonds Botswana (Ghaghoo Diamond Mine), which was classified as a discontinued operation held for sale and disclosed separately in 2019, continues to be classified as such at Period end as management remain committed to the sales process. Refer Note 15, Asset held for sale.

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 diamond manufacturing margins and Group services.

The following tables present revenue from contracts with customers, profit/(loss) for the Period, EBITDA and asset and liability information from operations regarding the Group's geographical segments:

| Six months ended 30 June 2022 ¹ | Lesotho US\$'000 | Belgium US\$'000 | BVI, RSA, UK and Cyprus ² US\$'000 | Total continuing operations US\$'000 | Discontinued operations US\$'000 | Total US\$'000 |
|--|---------------------|---------------------|--|---|--|-------------------|
| Revenue from contracts with customers | | | | | | |
| Total revenue | 98 435 | 100 037 | 3 660 | 202 132 | – | 202 132 |
| Intersegment | (98 128) | (393) | (3 660) | (102 181) | – | (102 181) |
| External customers | 307 | 99 644 | – | 99 951 | – | 99 951 |
| Segment operating profit/(loss) | 21 383 | 635 | (5 480) | 16 538 | (966) | 15 572 |
| Net finance costs | (1 506) | (4) | (588) | (2 098) | (109) | (2 207) |
| Profit/(loss) before tax | 19 877 | 631 | (6 068) | 14 440 | (1 075) | 13 365 |
| Income tax expense | (4 760) | (89) | (226) ³ | (5 075) | – | (5 075) |
| Profit/(loss) for the Period | 15 117 | 542 | (6 294) | 9 365 | (1 075) | 8 290 |
| EBITDA | 24 937 | 830 | (4 860) | 20 907 | (960) | 19 947 |

¹ Unaudited.

² No revenue was generated in BVI and Cyprus.

³ This includes the adjustment to align the forecast effective tax rate for the full year, to the actual results for the Period. Refer Note 8, Income tax expense.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

3. SEGMENT INFORMATION (continued)

| | Lesotho US\$'000 | Belgium US\$'000 | BVI, RSA, UK and Cyprus US\$'000 | Total continuing operations US\$'000 | Discontinued operations US\$'000 | Total US\$'000 |
|--|---------------------|---------------------|---|---|--|-------------------|
| Segment assets | | | | | | |
| 30 June 2022 ¹ | 360 305 | 3 463 | 7 688 | 371 456 | 1 864 | 373 320 |
| 31 December 2021 ² | 369 105 | 1 985 | 6 312 | 377 402 | 2 097 | 379 499 |
| Net cash/(debt) and short-term deposits³ | | | | | | |
| 30 June 2022 ¹ | 16 153 | 1 615 | (5 764) | 12 004 | 46 | 12 050 |
| 31 December 2021 ² | 24 175 | 1 561 | (5 014) | 20 722 | 144 | 20 866 |
| Segment liabilities | | | | | | |
| 30 June 2022 ¹ | 37 586 | 1 975 | 14 328 | 53 889 | 3 895 | 57 784 |
| 31 December 2021 ² | 39 440 | 351 | 11 603 | 51 394 | 4 100 | 55 494 |

¹ Unaudited

² Audited

³ Calculated as cash and short-term deposits less drawn down bank facilities (excluding the asset-based finance facility). Refer Note 18, Interest bearing loans and borrowings.

Included in revenue for the Period is revenue from one customer who individually contributed 10% or more to total revenue. This revenue in total amounted to US\$12.5 million (30 June 2021: US\$38.0 million from two customers) arising from the sales reported in the Belgium segment.

Segment assets and liabilities do not include deferred tax assets and liabilities of US\$6.0 million and US\$82.2 million respectively (31 December 2021: deferred tax asset US\$5.1 million, deferred tax liabilities US\$82.5 million).

Total revenue for the Period is slightly lower than that of the prior period. Although the volume of carats sold of 57 075 carats was 4% higher than the prior period (55 123 carats), the \$ per carat achieved of \$1 745 was 7% lower than the prior period (\$1 886 per carat) based on the reduced contribution from the higher grade Satellite pit.

| | Lesotho US\$'000 | Belgium US\$'000 | BVI, RSA, UK and Cyprus ² US\$'000 | Total continuing operations US\$'000 | Discontinued operations US\$'000 | Total US\$'000 |
|--|---------------------|---------------------|--|---|--|-------------------|
| Six months ended 30 June 2021¹ | | | | | | |
| Revenue from contracts with customers | | | | | | |
| Total revenue | 102 949 | 104 659 | 3 388 | 210 996 | – | 210 996 |
| Intersegment | (102 714) | (369) | (3 388) | (106 471) | – | (106 471) |
| External customers | 235 | 104 290 | – | 104 525 | – | 104 525 |
| Segment operating profit/(loss) | 35 235 | 720 | (5 795) | 30 160 | (1 216) | 28 944 |
| Net finance costs | (1 190) | (2) | (656) | (1 848) | (113) | (1 961) |
| Profit/(loss) before tax | 34 045 | 718 | (6 451) | 28 312 | (1 329) | 26 983 |
| Income tax expense | (8 237) | (94) | (1 622) ³ | (9 953) | – | (9 953) |
| Profit/(loss) for the Period | 25 808 | 624 | (8 073) | 18 359 | (1 329) | 17 030 |
| EBITDA | 38 379 | 915 | (4 616) | 34 678 | (1 184) | 33 494 |

¹ Unaudited

² No revenue was generated in BVI and Cyprus

³ This includes the adjustment to align the forecast effective tax rate for the full year, to the actual results for the Period. Refer Note 8, Income tax expense.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|--------------------------|--|--|
| Sale of goods | 99 627 | 104 277 |
| Partnership arrangements | 306 | 235 |
| Rendering of services | 18 | 13 |
| | 99 951 | 104 525 |

¹ Unaudited

The revenue from the sale of goods 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\$0.3 million (30 June 2021: US\$0.2 million) represents the additional uplift from partnership arrangements for which revenue is recognised when the significant constraints are lifted or resolved and the amount of revenue is guaranteed. At Period end 527 carats (30 June 2021: 852 carats) have significant constraints in recognising revenue relating to the additional uplift.

The revenue from the rendering of services mainly represents the sales of rough diamonds on behalf of third parties, for which revenue is recognised at the time when performance obligations are met, and services rendered on third-party diamond analysis and manufacturing, for which the revenue is recognised over time as the services are rendered.

No revenue was generated from joint operation arrangements during the current or prior periods.

5. OTHER OPERATING EXPENSES

| | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|---|--|--|
| Sundry income | – | 85 |
| Sundry expenses | – | (12) |
| Loss on disposal and scrapping of property, plant and equipment | – | (4) |
| Other operating income | – | 69 |
| COVID-19 related costs | (93) | (409) |
| Other operating expenses | (93) | (340) |

¹ Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

6. UNDERLYING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND MINING ASSET AMORTISATION (UNDERLYING EBITDA) BEFORE DISCONTINUED OPERATION

Underlying EBITDA is shown, as the Directors consider this measure to be a relevant guide to the operational performance of the Group and excludes such non-operating costs and income as listed below. The reconciliation from operating profit to underlying EBITDA is as follows:

| | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|--|--|--|
| Operating profit | 16 538 | 30 160 |
| Other operating expense ² | – | (69) |
| Foreign exchange (gain)/loss | (20) | 122 |
| Share-based payments | 125 | 295 |
| Depreciation and amortisation (excluding waste stripping cost amortised) | 4 264 | 4 170 |
| Underlying EBITDA before discontinued operation | 20 907 | 34 678 |

¹ Unaudited

² Excludes COVID-19 related costs which are considered operating costs.

7. SEASONALITY OF OPERATIONS

The Group's sales environment with regard to its diamond sales is not materially impacted by seasonal and cyclical fluctuations. The mining operations may be impacted by seasonal weather conditions. Appropriate mine planning and ore stockpile build-up ensures that operations can continue during adverse weather conditions.

8. INCOME TAX EXPENSE

| | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|---------------------------|--|--|
| Current | | |
| – Foreign | (3 940) | (4 958) |
| Withholding tax | | |
| – Foreign | (550) | (90) |
| Deferred | | |
| – Foreign | (585) | (4 905) |
| Income tax expense | (5 075) | (9 953) |

¹ Unaudited

The forecast effective tax rate for the full year from continuing operations is 35.2% (31 December 2021: 33.4%) and has been applied to the actual results from continuing operations for the Period. The asset held for sale (refer to Note 15, Asset held for sale), has been excluded from the forecast effective tax rate for the full year and taxed separately. There is no tax effect on the loss from the asset held for sale.

The effective tax rate is above the Lesotho statutory tax rate of 25% primarily as a result of deferred tax assets not recognised on losses incurred in non-trading operations.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

9. DIVIDENDS PAID

| | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|---|--|--|
| Dividends on ordinary shares declared and paid | | |
| Final ordinary dividend for 2021: 2.7 US cents per share (2020: 2.5 US cents) | (3 771) | (3 509) |

¹ Unaudited

The 2022 proposed dividend based on the 2021 full-year results was approved at the Annual General Meeting on 8 June 2022 and a final cash dividend of US\$3.8 million was paid on 21 June 2022.

The Directors intend on applying a similar dividend policy in the current year on the 2022 full year results as has been adopted previously. The dividend policy is dependent on the results of the Group's operations, its financial position, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at that time.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested US\$2.4 million (30 June 2021: US\$1.9 million) into property, plant and equipment, of which US\$2.3 million (30 June 2021: US\$1.8 million) related to Letšeng.

Letšeng's capital spend was incurred mainly on the design, planning work and commencement of construction of the primary crushing area of US\$1.9 million (30 June 2021: US\$0.2 million).

Letšeng further invested US\$26.6 million (30 June 2021: US\$35.7 million) in deferred stripping costs which were capitalised. Amortisation of the deferred stripping asset (waste stripping cost amortisation) of US\$21.9 million (30 June 2021: US\$23.0 million) was charged to the Interim Consolidated Statement of Profit or Loss during the Period. The amortisation is directly related to the areas that were mined during the Period and their associated waste to ore strip ratios.

Depreciation and amortisation of US\$3.4 million (30 June 2021: US\$3.1 million) was charged to the Interim Consolidated Statement of Profit or Loss during the Period.

In addition to the above, foreign exchange movements on translation affecting property, plant and equipment decreased the asset balances by US\$7.5 million (30 June 2021: US\$8.4 million increase).

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

11. RIGHT-OF-USE ASSETS

| | Right-of-use assets | | | |
|---|---------------------|----------------|-----------|---------|
| | Plant and equipment | Motor vehicles | Buildings | Total |
| As at 30 June 2022 ¹ | | | | |
| Cost | | | | |
| Balance at 1 January 2022 | 56 | 94 | 5 761 | 5 911 |
| Additions | 3 461 | 316 | 1 611 | 5 388 |
| Derecognition of lease | – | – | (672) | (672) |
| Foreign exchange differences | (207) | (23) | (125) | (355) |
| Balance at 30 June 2022 ¹ | 3 310 | 387 | 6 575 | 10 272 |
| Accumulated depreciation | | | | |
| Balance at 1 January 2022 | 20 | 63 | 2 691 | 2 774 |
| Charge for the year | 325 | 42 | 538 | 905 |
| Derecognition of lease | – | – | (672) | (672) |
| Foreign exchange differences | (20) | (4) | (74) | (98) |
| Balance at 30 June 2022 ¹ | 325 | 101 | 2 483 | 2 909 |
| Net book value at 30 June 2022 ¹ | 2 985 | 286 | 4 092 | 7 363 |
| As at 31 December 2021 ² | | | | |
| Cost | | | | |
| Balance at 1 January 2021 | 2 217 | 364 | 6 444 | 9 025 |
| Additions | – | – | 507 | 507 |
| Derecognition of lease | (2 141) | (260) | (768) | (3 169) |
| Foreign exchange differences | (20) | (10) | (422) | (452) |
| Balance at 31 December 2021 ² | 56 | 94 | 5 761 | 5 911 |
| Accumulated depreciation | | | | |
| Balance at 1 January 2021 | 1 737 | 255 | 2 210 | 4 202 |
| Charge for the year | 437 | 75 | 1 173 | 1 685 |
| Derecognition of lease | (2 141) | (260) | (523) | (2 924) |
| Foreign exchange differences | (13) | (7) | (169) | (189) |
| Balance at 31 December 2021 ² | 20 | 63 | 2 691 | 2 774 |
| Net book value at 31 December 2021 ² | 36 | 31 | 3 070 | 3 137 |

¹ Unaudited

² Audited

Plant and equipment mainly comprise printing equipment utilised at Gem Diamond Technical Services. Motor vehicles mainly comprise vehicles utilised by contractors at Letšeng. Buildings comprise office buildings in Maseru, Antwerp, London and Johannesburg.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

During the Period, the lease for back-up power generating equipment at Letšeng (which expired in 2021) was renewed resulting in the recognition of assets and 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. The new contracts were assessed as containing leases, which resulted in the recognition of the new associated right-of-use assets and lease liabilities. The original contracts were both cancelled and all associated assets and liabilities were derecognised. Refer Note 19, Lease Liabilities and Note 20.1, Cash generated by operations.

During the Period, the Group recognised income of US\$0.2 million (30 June 2021: US\$0.2 million) from the sub-leasing of office buildings in Maseru.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

11. RIGHT-OF-USE ASSETS (continued)

The Group expects to receive the following income from its sub-leasing activities:

| | US\$'000 |
|----------------------------|----------|
| 1 July 2022 – 30 June 2023 | 360 |
| 1 July 2023 – 30 June 2024 | 384 |
| 1 July 2024 – 30 June 2025 | 317 |
| 1 July 2025 – 30 June 2026 | 119 |

12. INTANGIBLE ASSETS

| | Intangibles US\$'000 | Goodwill ¹ US\$'000 | Total US\$'000 |
|---|-------------------------|-----------------------------------|-------------------|
| As at 30 June 2022² | | | |
| Cost | | | |
| Balance at 1 January 2022 | – | 11 962 | 11 962 |
| Foreign exchange differences | – | (309) | (309) |
| Balance as at 30 June 2022² | – | 11 653 | 11 653 |
| Accumulated amortisation | | | |
| Balance at 1 January 2022 | – | – | – |
| Amortisation for the Period | – | – | – |
| Balance as at 30 June 2022² | – | – | – |
| Net book value as at 30 June 2022² | – | 11 653 | 11 653 |
| As at 31 December 2021³ | | | |
| Cost | | | |
| Balance at 1 January 2021 | 791 | 12 997 | 13 788 |
| Foreign exchange difference | – | (1 035) | (1 035) |
| Scrapping | (791) | – | (791) |
| Balance at 31 December 2021³ | – | 11 962 | 11 962 |
| Accumulated amortisation | | | |
| Balance at 1 January 2021 | 791 | – | 791 |
| Amortisation | – | – | – |
| Scrapping | (791) | – | (791) |
| Balance at 31 December 2021³ | – | – | – |
| Net book value at 31 December 2021³ | – | 11 962 | 11 962 |

¹ Goodwill is allocated to Letseng Diamonds.

² Unaudited

³ Audited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

13. RECEIVABLES AND OTHER ASSETS

| | 30 June 2022¹ US\$'000 | 31 December 2021 ² US\$'000 |
|--------------------------|--|--|
| Non-current | | |
| Deposits | 96 | 109 |
| Insurance Asset | 1 164 | 1 169 |
| | 1 260 | 1 278 |
| Current | | |
| Trade receivables | 23 | 25 |
| Prepayments ³ | 1 918 | 975 |
| Deposits | 17 | 19 |
| Other receivables | 198 | 122 |
| VAT receivable | 3 555 | 2 954 |
| Total current | 5 711 | 4 095 |

¹ Unaudited.

² Audited.

³ Prepayments mainly comprise advance payments made by Letšeng Diamonds to suppliers for long lead items relating to the primary crushing area capital project.

Based on the nature of the Group's client base and the negligible exposure to credit risk through its client base, its insurance asset and other financial assets, the expected credit loss is insignificant and has no impact on the Group.

14. CASH AND SHORT-TERM DEPOSITS

| | 30 June 2022¹ US\$'000 | 31 December 2021 ² US\$'000 |
|--------------------------|--|--|
| Cash on hand | 2 | 3 |
| Bank balances | 20 950 | 27 673 |
| Short-term bank deposits | 3 193 | 3 237 |
| | 24 145 | 30 913 |

¹ Unaudited

² Audited

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 called 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.

Finance income relates to interest earned on cash and short-term deposits.

Finance costs include interest incurred on bank overdraft and borrowings and associated unwinding of facility credit underwriting fees, finance lease liabilities and the unwinding of rehabilitation provisions.

At 30 June 2022, the Group had US\$69.9 million (31 December 2021: US\$74.3 million) of undrawn facilities, representing the LSL750.0 million (US\$45.8 million) three-year secured revolving working capital facility and the ZAR100.0 million (US\$6.1 million) general banking facility, both at Letšeng, and US\$18.0 million from the Company's secured revolving credit facility. For further details on these facilities refer Note 18, Interest-bearing loans and borrowings.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

15. ASSET HELD FOR SALE

Since 2019, in line with the strategic objective to dispose of non-core assets, the Board of Directors and Management have remained committed to the sale of Gem Diamonds Botswana (Pty) Ltd (GDB), which owns the Ghaghoo diamond mine. In May 2022, the sales agreement which Gem Diamonds Limited had entered into with Okwa Diamonds (Pty) Ltd (Okwa Diamonds) lapsed, following the inability of Okwa Diamonds' owners to secure a funding partner for the transaction. There has been no new agreement entered into for the sale of the asset by Period end, although a number of interested parties are performing due diligence procedures. GDB continued to be disclosed as a discontinued operation held for sale at Period end.

The asset held for sale is carried at a net liability value of US\$2.0 million, which is lower than fair value less costs to sell. The fair value is based on prior unobservable market offers from potential buyers, accordingly the non-recurring fair value measurement is included in level 3 of the fair value hierarchy.

The trading results of the operation continue to be classified as a discontinued operation held for sale and are presented as follows:

| | 30 June 2022¹ US\$'000 | 30 June 2021 ² US\$'000 |
|---|--|--|
| Gross profit | – | – |
| Other costs | (966) | (1 198) |
| Inventory write-down | – | (16) |
| Share-based payments | – | (1) |
| Foreign exchange loss | – | (1) |
| Operating loss | (966) | (1 216) |
| Net finance costs | (109) | (113) |
| Loss for the Period before tax from discontinued operation | (1 075) | (1 329) |
| Income tax expense | – | – |
| Loss for the Period after tax from discontinued operation attributable to Equity holders of the parent | (1 075) | (1 329) |
| Loss per share from discontinued operation (cents) | | |
| Basic | (0.8) | (1.0) |
| Diluted | (0.8) | (0.9) |

¹ Unaudited

² Audited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

15. ASSET HELD FOR SALE (continued)

Gem Diamonds Botswana incurred rental expenses from short-term leases of US\$0.3 million (30 June 2021: US\$0.3 million) during the Period.

Gem Diamonds Botswana has estimated tax losses of US\$173.2 million (30 June 2021: US\$184.3 million), which carry no expiry date, for which no deferred tax asset has been recognised. Deferred tax assets of US\$0.3 million (31 December 2021: US\$0.3 million) were recognised to the extent of the deferred tax liabilities. These have been offset in the table below.

| | 30 June 2022¹ US\$'000 | 31 December 2021 ² US\$'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 1 350 | 1 413 |
| Current assets | | |
| Inventories | 444 | 477 |
| Receivables and other assets | 24 | 63 |
| Cash and cash short-term deposits | 46 | 144 |
| | 514 | 684 |
| Total assets | 1 864 | 2 097 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Provisions | 3 570 | 3 654 |
| Current liabilities | | |
| Trade and other payables | 325 | 446 |
| Total liabilities | 3 895 | 4 100 |
| The net cash flows attributable to the discontinued operation held for sale are as follows: | | |
| Operating cash outflows | (1 086) | (2 186) |
| Investing | – | – |
| Financing cash inflows ³ | 990 | 2 332 |
| Foreign exchange loss on translation of cash balance | (3) | (9) |
| Net cash (outflow)/inflow | (99) | 137 |

¹ Unaudited

² Audited

³ Financing provided by Gem Diamonds Limited, being Gem Diamonds Botswana's holding company, to fund care and maintenance costs.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

16. ISSUED CAPITAL

| | 30 June 2022 ¹ | | 31 December 2021 ² | |
|---|-----------------------------|--------------|-------------------------------|----------|
| | Number of shares '000 | US\$'000 | Number of shares '000 | US\$'000 |
| Authorised – ordinary shares of US\$0.01 each as at Period/Year end | 200 000 | 2 000 | 200 000 | 2 000 |
| Issued and fully paid balance at beginning of Period/Year | 140 515 | 1 406 | 139 612 | 1 397 |
| Allotments during the Period/Year | 408 | 4 | 903 | 9 |
| Subtotal | 140 923 | 1 410 | 140 515 | 1 406 |
| Share buyback during the Period/Year | (1 520) | (1 157) | – | – |
| Balance at end of Period/Year | 139 403 | 253 | 140 515 | 1 406 |

¹ Unaudited

² Audited

Share buyback

During the Period, 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 is 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 30 June 2022, 1 520 170 shares were bought back at a weighted average price of 60.05 GB pence, totalling US\$1.2 million (including transaction costs). This reduction in shares issued will be taken into account in calculating the earnings per share.

17. SHARE-BASED PAYMENTS

Long-term Incentive Plan 2017 Award (LTIP) – 4 April 2022 award

On 4 April, 165 930 nil-cost options were granted to certain key employees under the Long-term Incentive Plan 2017 of the Company. The value of the award was determined based on the Group performance for the prior 2021 financial year. The vesting of the options will be subject to the satisfaction of certain service conditions which are classified as non-market conditions. The award is subject to malus and clawback conditions in line with the Group's LTIP.

In addition, 841 168 nil-cost options were granted to certain Executive employees and the Executive Directors on the same terms as detailed above. These options were granted in line with the introduction of the Gem Diamonds Incentive Plan (GDIP) in the prior year, which integrates annual bonus awards with awards under the LTIP. These options are also subject to a two-year holding period after the vesting date.

All the options vest over a three-year period in tranches of 1/3 commencing on 4 April 2023 and ending on 4 April 2025. The options are exercisable between the respective vesting dates and 3 April 2032. If the service conditions are not met, the options lapse. The performance conditions are not reflected in the fair value of the award at grant date, and therefore the Company will assess the likelihood of these conditions being met with a relevant adjustment to the cumulative charge as required at each financial year end. The option grants are settled by issuing shares. The fair value of the nil-cost options is £0.58 (US\$0.74), representing the Company's share price on the date of the award. The expense disclosed in the Interim Consolidated Statement of Profit or Loss is made up as follows:

| | 30 June 2022 ¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|---|--|--|
| Equity-settled share-based payment transactions – charged to the Statement of Profit or Loss – continuing operations | 125 | 295 |
| Equity-settled share-based payment transactions – charged to the Statement of Profit or Loss – discontinued operation | – | 1 |
| | 125 | 296 |

¹ Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

18. INTEREST-BEARING LOANS AND BORROWINGS

On 28 February 2022, Gem Diamonds Limited provided security for both the Letšeng Diamonds and Gem Diamonds Limited RCF facilities over its bank accounts domiciled in the United Kingdom and on 15 March 2022 the security over its 70% shareholding in Letšeng Diamonds was implemented. This security had the impact of decreasing the interest rate margin on all facilities by 1.5% from 15 March 2022 and converting the facilities into secured facilities.

| | Effective interest rate | Maturity | 30 June 2022 ¹ US\$'000 | 31 December 2021 ² US\$'000 |
|---|------------------------------------|--|---------------------------------------|---|
| Non-current | | | | |
| ZAR12.8 million asset-based finance facility | South African Prime Lending Rate | 1 January 2024 (repaid on 15 July 2022) | 108 | 202 |
| LSL450.0 million and ZAR300.0 million bank loan facility Credit underwriting fees | – | 22 December 2024 | (425) | (525) |
| US\$30.0 million bank loan facility | London US\$ three-month LIBOR + 5% | 22 December 2024 | 11 719 | 8 663 |
| | | | 11 402 | 8 340 |
| Current | | | | |
| LSL7.3 million insurance premium finance | 2.35% | 1 June 2022 | – | 305 |
| ZAR3.5 million insurance premium finance | 2.5% | 1 July 2022 | 22 | 155 |
| LSL20.0 million insurance premium finance | 3.2% | 1 July 2022 | 125 | 880 |
| LSL215.0 million bank loan facility Tranche A | South African JIBAR + 6.75% | 30 September 2022 | 142 | 439 |
| Tranche B | South African JIBAR + 3.15% | 31 March 2022 | – | 752 |
| ZAR12.8 million asset-based finance facility | South African Prime Lending Rate | 1 January 2024 (repaid on 15 July 2022) | 175 | 173 |
| | | | 464 | 2 704 |

¹ Unaudited

² Audited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

LSL450.0 million and ZAR300.0 million (US\$45.8 million) bank loan facility at Letšeng Diamonds

Following the consolidated refinancing on 23 December 2021, the Group, through its subsidiary Letšeng Diamonds, has a secured LSL450.0 million and ZAR300.0 million (US\$45.8 million in total) three-year revolving credit facility jointly with Nedbank Lesotho Limited, Standard Lesotho Bank Limited, First National Bank of Lesotho Limited, Firststrand Bank Limited (acting through its Rand Merchant Bank division) and Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division).

The facility expires on 22 December 2024 and has a 24-month renewal option. The LSL450.0 million facility is subject to interest at the Central Bank of Lesotho rate plus 3.25% and the ZAR300.0 million facility is subject to South African JIBAR plus 3.05%. There were no draw downs on these facilities at Period end.

Credit underwriting fees of US\$0.4 million (31 December 2021: US\$0.5 million) relate to the balance of the amortised fees which were capitalised to the Group's consolidated interest-bearing loans and borrowings at the end of the previous year.

US\$30.0 million bank loan facility at Gem Diamonds Limited

This secured facility is a three-year RCF with Nedbank Limited (acting through its London branch), Standard Bank of South Africa Limited (acting through its Isle of Man branch) and Firststrand 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 drawdowns are made in these ratios.

The facility expires on 22 December 2024 and has a 24-month renewal option.

An additional US\$3.0 million had been drawn down during the Period, resulting in a total outstanding balance of US\$12.0 million (31 December 2021: US\$9.0 million) at Period end and a remaining undrawn balance of US\$18.0 million (31 December 2021: US\$21.0 million). The disclosure of a net US\$11.7 million (31 December 2021: US\$8.7 million) loan balance, is net of the capitalised credit underwriting fees which are amortised and accounted for as finance costs within profit or loss over the period of the facility. The balance of the credit underwriting fees at Period end was US\$0.3 million (31 December 2021: US\$0.3 million).

The US\$-based interest rate for this facility at 30 June 2022 was 7.25% (31 December 2021: 6.72%) which comprises London US\$ three-month LIBOR plus 5.0% (31 December 2021: London US\$ three-month LIBOR plus 6.5%).

Total interest for the Period on this interest-bearing RCF was US\$0.5 million (31 December 2021: US\$1.0 million).

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

ZAR12.8 million (US\$0.8 million) Asset-Based Finance facility

In January 2019, the Group, through its subsidiary, Gem Diamond Technical Services, entered into a ZAR12.8 million (US\$0.8 million) Asset Based Finance (ABF) facility with Nedbank Limited for the purchase of a coarse mobile X-Ray transmission machine (the asset). The asset serves as security for the facility and has a carrying value of ZAR1.4 million (US\$85 thousand) (31 December 2021: ZAR2.5 million (US\$0.2 million)). At Period end ZAR4.6 million (US\$0.4 million) remains outstanding (31 December 2021: ZAR6.0 million (US\$0.4 million)). Post Period end, the facility was fully repaid before maturity on 15 July 2022.

Total interest for the Period on this interest-bearing ABF was US\$13 thousand (31 December 2021: US\$34 thousand).

Insurance premium finance

At Period end, the following insurance premium finance balances were outstanding and were fully repaid post Period end on 1 July 2022:

- LSL20.0 million (US\$1.2 million) at Letšeng Diamonds for the Multi-aggregate Insurance Policy of which total interest paid for the Period on this interest-bearing loan was LSL0.4 million (US\$25 thousand).
- ZAR3.5 million (US\$0.2 million) at Gem Diamond Technical Service for the Group Umbrella liability insurance premium of which total interest paid for the Period on this interest-bearing loan was ZAR55 thousand (US\$4 thousand).

Furthermore, the LSL7.3 million (US\$0.4 million) funding agreement at Letšeng Diamonds for its Asset All Risk insurance premium was fully repaid on 1 June 2022. Total interest charge for the Period was LSL0.1 million (US\$7 thousand).

Other facilities

In addition, Letšeng Diamonds has a ZAR100.0 million (US\$6.1 million) general banking facility with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division), which is renewable annually. There was no draw down on this facility at Period end.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

19. LEASE LIABILITIES

| | 30 June 2022¹ US\$'000 | 31 December 2021 ² US\$'000 |
|--|--|--|
| Non-current | 7 122 | 3 851 |
| Current | 1 939 | 973 |
| Total lease liabilities | 9 061 | 4 824 |
| Reconciliation of movement in lease liabilities | | |
| As at 1 January | 4 824 | 6 738 |
| Additions | 5 388 | 507 |
| Interest expense | 365 | 525 |
| Lease payments | (1 215) | (2 185) |
| Derecognition of lease | – | (352) |
| Foreign exchange differences | (301) | (409) |
| As at 30 June/31 December | 9 061 | 4 824 |

¹ Unaudited

² Audited

Lease payments comprise payments in principle of US\$0.8 million (31 December 2021: US\$1.7 million) and repayments of interest of US\$0.4 million (31 December 2021: US\$0.5 million).

During the Period the Group recognised variable lease payments in the Interim Consolidated Statement of Profit or Loss, for which no lease liability can be recognised, of US\$21.3 million (30 June 2021: US\$25.9 million). These payments consist of mining activities outsourced to a mining contractor of which US\$15.5 million (30 June 2021: US\$22.0 million) has been capitalised to the Stripping Asset within Property, Plant and Equipment.

During the Period, the lease for back-up power generating equipment at Letšeng Diamonds was renewed. This lease contains residual value guarantees of US\$45 thousand (31 December 2021: Nil) which represents the cost to decommission and return the power generating equipment to the supplier at the end of the lease term. Refer Note 11, Right-of-use assets for details on new leases entered into during the Period.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

20. CASH FLOW NOTES

| | Notes | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
|--|-------|--|--|
| 20.1 Cash generated by operations | | | |
| Profit before tax for the Period – continuing operations | | 14 440 | 28 312 |
| Loss for the Period – discontinued operation | | (1 075) | (1 329) |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation excluding waste stripping | | 3 409 | 3 060 |
| Depreciation on right-of-use assets | | 905 | 1 110 |
| Waste stripping cost amortised | | 21 880 | 22 988 |
| Finance income | | (73) | (88) |
| Finance costs | | 2 280 | 2 049 |
| Unrealised foreign exchange differences | | 431 | (1 766) |
| Loss on disposal of property, plant and equipment | | – | 4 |
| Gain on derecognition of leases | | – | (92) |
| Inventory write down | | – | 16 |
| Bonus, leave and severance provisions raised | | 673 | 2 878 |
| Share-based payments | | 125 | 296 |
| | | 42 995 | 57 438 |
| 20.2 Working capital adjustment | | | |
| Increase in inventories | | (2 766) | (2 892) |
| Increase in receivables | | (2 357) | (652) |
| Decrease in trade and other payables | | (4 718) | (6 957) |
| | | (9 841) | (10 501) |
| 20.3 Cash flows from financing activities (excluding lease liabilities) | | | |
| Balance at beginning of Period | | 11 043 | 16 086 |
| Net cash raised/(used) in financing activities | | 600 | (1 667) |
| – Financial liabilities raised | | 4 298 | 1 000 |
| – Financial liabilities repaid | | (3 698) | (2 667) |
| Interest paid | | (1 084) | (896) |
| Non-cash movements | | 1 306 | 1 181 |
| – Interest accrued | | 1 084 | 896 |
| – Amortisation of capitalised facility fees | | 147 | 150 |
| – Foreign exchange differences | | 75 | 135 |
| Balance at Period end | | 11 865 | 14 704 |

¹ Unaudited

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

21. COMMITMENTS AND CONTINGENCIES

The Board has approved capital projects of US\$19.0 million (31 December 2021: US\$20.2 million), mainly relating to the new primary crushing area at Letšeng of US\$7.1 million and underground studies for pit development of US\$5.1 million (US\$4.9 million of which will only be committed if a Phase 1 analysis costing US\$0.2 million informs the continuation of further underground studies) at Letšeng. Other smaller capital expenditure, all at Letšeng, relates to the construction of a bioremediation plant of US\$1.8 million, investment in continued tailings storage extension and studies of US\$1.1 million, the construction of an employee recreation centre of US\$0.8 million linked to the successful completion of the Business Transformation target and further mineral resource and reserve studies of US\$0.8 million. This expenditure is expected to be incurred over the next 12 - 18 months.

Of the total approved capital projects, US\$10.0 million (31 December 2021: US\$0.9 million) has been contracted at 30 June 2022, the majority of which relates to the new primary crushing area at Letšeng.

The Group has conducted its operations in the ordinary course of business in accordance with its understanding and interpretation of commercial arrangements and applicable legislation in the countries where the Group has operations. In certain specific transactions, however, the relevant third party or authorities could have a different interpretation of those laws and regulations that could lead to contingencies or additional liabilities for the Group. Having consulted professional advisers, the Group has identified possible disputes approximating US\$0.2 million (31 December 2021: US\$0.2 million) mainly relating to ongoing employee-related legal costs.

The Group monitors possible tax claims within the various jurisdictions in which the Group operates. Management applies judgement in identifying uncertainties over tax treatments and concluded that there were no uncertain tax treatments during the Period. There remains a risk that further tax liabilities may potentially arise. While it is difficult to predict the ultimate outcome in some cases, the Group does not anticipate that there will be any material impact on the Group's results, financial position or liquidity.

As disclosed in the 2021 Annual Report and Accounts, an amended tax assessment was issued to Letšeng by the Lesotho Revenue Authority (LRA) in December 2019, contradicting the application of certain tax treatments in the current Lesotho Income Tax Act 1993. There has been no significant change in this matter during the Period and therefore there has been no change in the judgement applied and the accounting treatment compared to prior year. An objection to the amended tax assessment was lodged with the LRA in March 2020, which was supported by the opinion of senior counsel.

On 7 February 2022, Letšeng received an application from the LRA to amend its original grounds for the court application. Letšeng's counsel continues to review the LRA's proposed amendment and has opposed the new application by the LRA. There has been no change in the judgement applied and the accounting treatment for this matter.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

22. RELATED PARTIES

| | Relationship | |
|---|--|--|
| Jemax Management (Proprietary) Limited | Common director | |
| Government of the Kingdom of Lesotho | Non-controlling interest | |
| | 30 June 2022¹ US\$'000 | 30 June 2021 ¹ US\$'000 |
| Compensation to key management personnel (including Directors) | | |
| Share-based equity transactions | 92 | 126 |
| Short-term employee benefits | 2 808 | 2 795 |
| Post-employment benefits (including severance pay and pension) | 155 | 162 |
| Fees paid to related parties | | |
| Jemax Management (Proprietary) Limited | (44) | (47) |
| Royalties paid to related parties | | |
| Government of the Kingdom of Lesotho | (9 947) | (10 226) |
| Lease and licence payments to related parties | | |
| Government of the Kingdom of Lesotho | (96) | (54) |
| Purchases from related parties | | |
| Jemax Management (Proprietary) Limited | (2) | (2) |
| Amount included in trade payables owing to related parties | | |
| Jemax Management (Proprietary) Limited | (7) | (8) |
| Amounts owing to related party | | |
| Government of the Kingdom of Lesotho | (2 365) | (4 476) |
| Dividends paid | | |
| Government of the Kingdom of Lesotho | (3 908) | (2 795) |

¹ Unaudited

Jemax Management (Proprietary) Limited provided administrative services with regard 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 and were made on terms that prevail in arm's length transactions.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (CONTINUED)

23. EVENTS AFTER THE REPORTING PERIOD

No other fact or circumstance has taken place between the Period end and the approval of the financial statements which, in our opinion, is of significance in assessing the state of the Group's affairs.

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) 284 494 9820

Head office

2 Eaton Gate
London SW1W 9BJ
United Kingdom
T: +44 (0) 203 043 0280
F: +44 (0) 203 043 0281

Legal adviser

Linklaters
One Silk Street
London EC2Y 8HQ
United Kingdom
T: +44 (0) 20 7456 2000
F: +44 (0) 20 7456 2222

Feedback

Gem Diamonds Limited
Glenn Turner
T: +44 (0) 203 043 0280
E: IR@gemdiamonds.com

Financial adviser and sponsor

JPMorgan Cazenove Limited
25 Bank St, Canary Wharf
London E14 5 JP
United Kingdom
T: +44 (0) 20 7742 4000

Financial advisers

Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY
United Kingdom
T: +44 (0) 20 3100 2000

Panmure Gordon & Co.

One New Change
London EC4M 9AF
United Kingdom
T: +44 20 7886 2500

Auditors

Ernst & Young Incorporated
102 Rivonia Road
Sandton
2146
South Africa
T: +27 (0) 11 772 3000

Financial public relations adviser

Celicourt Communications Limited
Orion House
5 Upper St Martin's Lane
London WC2H 9EA
United Kingdom
T: +44 (0) 20 8434 2643