Report on payments to governments
for the year ended 31 December 2015
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Introduction
This report provides an overview of the payments made to governments by Gem Diamonds Limited and its subsidiaries (the Group) for the 31 December 2015 financial year, as required under the United Kingdom’s (UK) Report on Payments to Governments Regulations 2014 (as amended in December 2015). These UK Regulations enact domestic rules in line with Directive 2013/34/EU (the EU Accounting Directive (2013)) and apply to companies that are involved in extractive activities.

This report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

Basis for preparation
Reporting entities
This report includes payments to governments made by subsidiaries in the Group which are engaged in extractive activities. During the 2015 financial reporting period, extractive activities were conducted in Lesotho and Botswana. Extractive activities conducted through a subsidiary in Australia, which was disposed of in 2012, resulted in a payment to government during 2015 following the conclusion of a land tax which was under dispute.

Extractive activities
Extractive activities relate to the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials. Gem Diamonds Limited, through its subsidiaries, is engaged in diamond mining activities.

Scope of payments
The report discloses only those significant payments made to governments arising from extractive activities.

Government
Government includes any national, regional or local authority of a country. It includes a department, agency or undertaking (i.e. corporation) controlled by that authority.

Payment types disclosed at legal entity level
■ Production entitlements
There were no reportable payments of this nature for the year ended 31 December 2015.

■ Taxes
These are payments on the Group’s income, production or profits, excluding taxes levied on consumption such as value-added taxes, personal income taxes or sales taxes in line with in-country legislation.

■ Royalties
These are payments for the right to extract diamonds and are determined on percentage of sales in terms of in-country legislation and mining lease agreements.

■ Dividends
These are dividend payments, other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of production entitlements or royalties. There were no reportable dividend payments to governments for the year ended 31 December 2015.

■ Signature, discovery and production bonuses
There were no reportable payments of this nature to the government for the year ended 31 December 2015.

■ Licence fees
These are fees paid for acquisition of leases and licences, including annual renewal fees, in order to obtain and maintain access to the areas in which extractive activities are performed. These payments were not above the reportable threshold and have therefore not been reported.

■ Payments for infrastructure improvements
There were no reportable payments of this nature to the government for the year ended 31 December 2015.

■ Other
In December 2015, Gem Diamonds Limited settled a land tax (stamp duty) liability relating to its Australian subsidiary which was disposed of in 2012. The settlement of this tax remained within the Company due to it being under dispute with the Office of State Revenue in Australia.
Report on payments to governments continued
for the year ended 31 December 2015

Materiality level
In line with the guidance provided in the Report on Payments to Governments Regulations, payments made as a single payment, or as a series of related payments, that are equal to or exceed US$132 000 (£86 000) are disclosed in this report, all payments below this threshold have been excluded.

Reporting currency
The payments to government have been reported in US dollars.

Payments made in currencies other than US dollars were translated at the relevant annual average rate for the year ended 31 December 2015.

Summary report

<table>
<thead>
<tr>
<th>Operation</th>
<th>Country</th>
<th>Taxes US$’000</th>
<th>Royalties US$’000</th>
<th>Other US$’000</th>
<th>Total US$’000</th>
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<tr>
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<td>Lesotho</td>
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<tr>
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Lesotho

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<th>Country</th>
<th>Taxes US$’000</th>
<th>Royalties US$’000</th>
<th>Other US$’000</th>
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Botswana

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<th>Royalties US$’000</th>
<th>Other US$’000</th>
<th>Total US$’000</th>
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</thead>
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Australia

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<th>Royalties US$’000</th>
<th>Other US$’000</th>
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<tbody>
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