GEM DIAMONDS

HALF-YEAR REPORT 2024

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INTERIM BUSINESS REVIEW

OVERVIEW

The Group presents its results for the six months ended 30 June 2024 (the Period), achieving an underlying EBITDA of US$19.1 million (H1 2023: US$8.4 million) and an attributable profit of US$2.1 million (H1 2023: attributable loss of US$1.0 million).

The global economy remains subdued with the International Monetary Fund currently forecasting a 3.2% and 3.3% growth for 2024 and 2025, respectively. International conflicts, geopolitical tensions and national elections in major economies taking place in 2024 have created significant uncertainty which is curbing a return to improved sustainable growth. The risk of higher inflation has increased, which in turn raises the risk of higher interest rates for longer periods, exacerbating the cost of living crisis.

The troubled global economy may however be positively influenced by certain factors, including China managing through its property crisis and tightening controls around its shadow banking industry; and the US Federal Reserve potentially implementing an interest rate cut in September, with other central banks expected to follow suit. Another positive indication is that other economies, such as the UK, Canada, Sweden and Switzerland, have recently implemented modest interest rate cuts.

The global diamond market remains under significant pressure primarily due to the challenging global economic environment. In addition, Russian diamonds are reported to be entering the market despite imposed sanctions, therefore still adding to the overall rough diamond supply. The manufacturing of lab-grown diamonds continues to increase despite the steady decrease in prices, impacting the smaller, commercial rough diamond market. These factors have cumulatively placed severe pressure on rough and polished diamond prices during the Period. In response, De Beers recently cut its 2024 production guidance by 10% and Petra Diamonds has postponed its August/September tender to support steps taken by major producers to restrict supply in this weaker market.

Revenue for the Group increased by 9% to US$78.0 million compared to US$71.8 million in H1 2023, resulting in an average price of US$1 366 per carat (H1 2023: US$1 373 per carat) from the sale of 56 994 carats (H1 2023: 52 163 carats). Although similar overall prices were achieved in H1 2023, an increase in both the number of larger than 100 carat diamonds and overall diamond recoveries aided in offsetting the market impact on prices in the Period.

The Group ended the Period with a cash balance of US$30.0 million (31 December 2023: US$16.5 million) and drawn down facilities of US$38.4 million (31 December 2023: US$37.8 million), resulting in a net debt position of US$8.4 million (31 December 2023: US$21.3 million) and unutilised available facilities of US$54.9 million (31 December 2023: US$45.9 million).

Focused cost and operational efficiency initiatives taken at Letšeng were reported in the Group's Annual Report and Accounts 2023 published in March. These initiatives included a change in leadership, a right-sizing programme, the insourcing of its mining and certain other activities and the interrogation of all contracts and operational and capital expenditure. The Group is pleased to report that there have been no operational disruptions following the insourcing and that the positive outcomes of this and other initiatives have come to fruition, and are reflected in the operational and financial results for the Period.

Waste tonnes mined during the Period were 3.2 million tonnes (H1 2023: 4.8 million), in accordance with the 2024 mine plan. Ore tonnes treated were 2.5 million tonnes (H1 2023: 2.5 million), and 55 873 carats were recovered (H1 2023: 50 601). Eight greater than 100 carat diamonds were recovered and six were sold during the Period.

The safety of our workforce remains a top priority. The critical control management strategy that commenced in 2021 to drive further improvement in the maturity of the organisational safety culture at Letšeng has been fully implemented and our safety performance during the Period remained solid with an all injury frequency rate (AIFR) of 0.60.

We remain focused on achieving our decarbonisation target of reducing our 2021 Scope 1 and 2 carbon emissions by 30% by 2030. The Group achieved a 3.4% reduction in carbon emissions compared to H1 2023, the details of which are briefly discussed in the Operations Review.

LOOKING AHEAD

The key focus areas for the remainder of 2024 are:

- extension of the Group's revolving credit facilities that expire in December 2024;
- further reducing mining costs and optimising activities following the insourcing at the end of 2023;
- reducing treatment costs through contract review and/or insourcing; and
- reviewing Letšeng's long term mine plan to reduce waste mining.

OPERATIONS REVIEW

H1 2024 IN REVIEW

- Zero fatalities and three lost time injuries (LTIs)
- Zero significant or major environmental or social incidents
- Recovered eight diamonds greater than 100 carats (H1 2023: two)
- Achieved an average price of US$1 366 per carat (H1 2023: US$1 373 per carat)
- The highest price achieved was US$41 007 per carat for a 62.78 carat white diamond

SUSTAINABILITY

Health, safety and environment

We remain committed to prioritising health and safety throughout the organisation, with a zero harm and zero tolerance policy. Our focus on thoughtful, caring yet firm practices with leadership committed to proactive safety-focused initiatives has resulted in significant safety improvements. The Group maintained its high standard of safety achieving an AIFR of 0.60 in the Period. We acknowledge however, that we recorded three LTIs in the Period, with minor consequences. Each of these LTIs were fully investigated and corrective actions to prevent repeat occurrences were implemented.

Safety performance	Unit	H1 2024	2023	2022	2021	2020
Fatalities	Number	**0**	0	0	0	0
LTIs	Number	**3**	2	3	6	1
LTIFR	200 000 man hours	**0.36**	0.10	0.13	0.24	0.04
AIFR	200 000 man hours	**0.60**	0.67	0.70	0.93	0.76

No major or significant environmental incidents occurred at any of the Group's operations during the Period.

Corporate social responsibility investment (CSRI)

In H1 2024 focus was maintained on executing our CSRI strategy and initiatives to support our communities, our social licence to operate and our commitment to our adopted UN Sustainable Development Goals. Our 2022 to 2026 five-year CSRI strategy remains on track, aligning to our community needs and Group objectives. No major or significant stakeholder complaints were received during the Period.

Carbon emissions

We are working towards our decarbonisation target of reducing our 2021 Scope 1 and 2 carbon emissions by 30% by 2030. Improving energy-use efficiency and reducing the consumption of diesel and electricity remain our immediate and top priorities, while appropriate alternative low-carbon and renewable energy sources are being considered.

Carbon

In H1 2024, the Group's total carbon footprint (Scope 1, 2 and 3) was 52 283 tCO_2e, a 3.4% reduction compared to H1 2023 which was 54 138 tCO_2e. Although the aggregate Scope 1 and 2 emissions for H1 2024 was on par with H1 2023, the individual emissions for Scope 1 and Scope 2 inversely fluctuated due to reduced load shedding by Eskom. In H1 2024, Letšeng experienced 331 hours of load shedding, a reduction of 73.5% compared to 1 249 hours in H1 2023. This led to increased grid availability and use (Scope 2) and a decrease in diesel consumption due to reduced generator usage (Scope1).

Carbon emissions	Unit	H1 2024	H1 2023	% change
Scope 1 (direct)	tCO_2e	**17 601**	23 960	(27)
Scope 2 (indirect)	tCO_2e	**29 270**	22 913	28
Total Scope 1 and 2	tCO_2e	**46 871**	46 873	–
Scope 3 (indirect)	tCO_2e	**5 412**	7 265	(26)
Total Scope 1, 2 and 3	tCO_2e	**52 283**	54 138	(3)

Residue storage facility (RSF) management

The Group has implemented its Group Residue Storage Facility (RSF) management policy and standard, which is aligned to the Global Industry Standard on Tailings Management (GISTM). The Group has established appropriate governance structures at both operational and Group levels to provide oversight and assurance of safe and responsible management of our RSFs at the operating sites. The RSFs at Letšeng remain in good condition and are well maintained with a focused RSF operations management strategy being executed.

PRODUCTION OVERVIEW

	Unit	H1 2024	H1 2023	% change
Waste mined	tonnes	**3 163 476**	4 846 680	(35)
Ore mined	tonnes	**2 588 583**	2 787 124	(7)
Ore treated	tonnes	**2 542 114**	2 467 250	3
Carats recovered	carats	**55 873**	50 601	10
Recovered grade	cpht[1]	**2.20**	2.05	7

[1] Carats per hundred tonnes.

Waste mining decreased by 35% to 3.2 million tonnes from 4.8 million tonnes in H1 2023, in accordance with the 2024 mine plan. 2.5 million ore tonnes were treated in H1 2024, an increase of 0.1 million tonnes compared to H1 2023.

Letšeng recovered 55 873 carats (H1 2023: 50 601 carats). The increase in ore tonnes treated and volume of carats recovered during the Period is primarily due to the operational decision to slow throughput in the processing plant that was implemented in H2 2023 and to focus on improving overall plant utilisation at a more stable and consistent rate. This has resulted in improved plant stability, increased overall plant utilisation and carats recovered, including a marked improvement in large diamond recoveries.

The overall grade for H1 2024 was 2.20 cpht (H1 2023: 2.05 cpht), representing an increase of 7% despite a lower contribution of higher-grade Satellite Pipe material, which accounted for 44% of material treated during the Period (H1 2023: 51%).

Frequency of large diamond recoveries

Number of diamonds	H1 2024	H1 2023	FY average 2008 – 2023
>100 carats	**8**	2	8
60 – 100 carats	**3**	4	18
30 – 60 carats	**47**	28	76
20 – 30 carats	**58**	58	114
10 – 20 carats	**261**	226	449
Total diamonds > 10 carats	**377**	318	665

DIAMOND SALES

The average price achieved during the Period was US$1 366 per carat (H1 2023: US$1 373 per carat). 56 994 carats were sold during the Period, generating rough diamond revenue of US$77.9 million (H1 2023: 52 163 carats at a value of US$71.7 million). The higher revenue is mainly attributed to the higher volume of overall recoveries and the recovery and sale of six diamonds greater than 100 carats during the Period which offset the negative impact of lower prices experienced during the Period on the overall dollar per carat achieved.

The highest price achieved was US$41 007 per carat for a 62.78 carat white diamond. 11 diamonds sold for more than US$1.0 million each, generating revenue of US$29.5 million (H1 2023: 12 diamonds sold for more than US$1.0 million each, generating revenue of US$21.0 million).

ENHANCING OPERATIONAL EFFICIENCIES

Letšeng continually reviews its entire operation to ensure it operates optimally and with effective cost management to secure its sustainability, especially considering the impact of market pressure on its ability to generate revenue.

The insourcing of Letšeng's mining activities at the end of 2023 has delivered both operational efficiencies and cost savings with the fleet and execution of its mine plan now directly under management's control. This has provided flexibility and synergies in the optimal utilisation of the fleet and eliminated additional expenses for ad hoc mining and operational requirements, including activities related to concurrent rehabilitation and other necessary “day works”.

Right-sizing to align the workforce to operational requirements has continued on a smaller scale in 2024 following the mine-wide programme that was completed in June 2023.

All operational contracts are being reviewed to ensure efficiencies and effective cost management.

GHAGHOO

The Ghaghoo Diamond Mine in Botswana remains on care and maintenance and Gem Diamonds is implementing an appropriate rehabilitation plan, including the demobilisation and removal of the processing plant from site. On completion, should an option to sell the mine not present itself, the mining license will be relinquished to the Botswana Department of Mines.

GROUP FINANCIAL PERFORMANCE

H1 2024 IN REVIEW

- Revenue achieved of US$78.0 million (H1 2023: US$71.8 million)
- Underlying EBITDA[2] of US$19.1 million (H1 2023: US$8.4 million)
- Attributable profit of US$2.0 million (H1 2023: loss of US$1.0 million)

PROFITABILITY AND LIQUIDITY

US$ million	H1 2024	H1 2023
Revenue	**78.0**	71.8
Royalties and selling costs	**(8.4)**	(7.5)
Cost of sales[1]	**(46.5)**	(50.7)
Corporate expenses	**(4.0)**	(5.2)
Underlying EBITDA[2]	**19.1**	8.4
Depreciation and mining asset amortisation	**(6.0)**	(3.3)
Share-based payments	**(0.4)**	(0.2)
Other operating expenses	**(0.4)**	(0.8)
Foreign exchange gain	**1.1**	2.1
Net finance costs	**(3.5)**	(2.2)
Profit before tax for the Period	**9.9**	4.0
Income tax expense	**(4.4)**	(2.5)
Profit after tax for the Period	**5.5**	1.5
Non-controlling interests	**(3.5)**	(2.5)
Attributable profit/(loss) for the Period	**2.0**	(1.0)
Earnings/(loss) per share (US cents)	**1.5**	(0.7)

[1] Including waste stripping amortisation costs but excluding depreciation and mining asset amortisation.
[2] As defined in Note 6, Underlying earnings before interest, tax, depreciation and mining asset amortisation (underlying EBITDA) of the condensed notes to the consolidated interim financial statements.

The Group generated an underlying EBITDA[2] of US$19.1 million (H1 2023: US$8.4 million). The profit attributable to shareholders was US$2.0 million (H1 2023: loss of US$1.0 million), equating to a profit per share of 1.5 US cents (H1 2023: loss per share of 0.7 US cents) on a weighted average number of shares in issue of 142.9 million (H1 2023: 141.6 million shares).

Revenue

US$ million	H1 2024	H1 2023
Sales – rough	**77.9**	71.7
Sales – polished margin	**0.6**	0.1
Impact of carrying over rough diamonds	**(0.5)**	–
Group revenue	**78.0**	71.8

The Group's revenue of US$78.0 million was mainly generated by the sale of 56 994 carats at an average price of US$1 366 per carat. Additional revenue is generated through an arrangement with two diamond manufacturing customers to supply polished diamonds to some of the world's most premium luxury brands, and other partnership arrangements. These agreements allow the Group to share in the margin uplift on the sale of polished diamonds. In H1 2024, additional revenue of US$0.6 million was generated from these arrangements.

Costs

The Group closely manages its costs and preserves cash resources to maintain appropriate liquidity. Operating expenses were negatively impacted by the volatile global economic environment and the resultant inflationary pressures. The reduction in grid electricity interruptions in South Africa experienced during the Period has resulted in some cost savings from the reduced volumes of diesel required to operate generators.

OPERATING EXPENSES

Total direct cash costs at Letšeng, including waste costs, decreased 22% to LSL809.5 million from LSL1 040.8 million in H1 2023. This is due to the 35% decrease in waste tonnes mined, significant cost savings following the insourcing of mining activities at the end of 2023 and the review of all aspects of its business from a cost perspective. Reduced load shedding has led to significantly lower volumes of diesel consumption, resulting in a material cost reduction. In addition, H1 2023 included once-off costs such as severance packages and consulting fees relating to the right-sizing programme. As a result direct cash costs decreased by 18% to LSL243.84 per tonne treated in H1 2024 compared to LSL296.54 in H1 2023.

Non-cash accounting charges comprise waste capitalisation and inventory and stockpile movement. The lower cost per tonne treated in H1 2023 were driven by the significant increase in the ore stockpile tonnes during that period. In the current Period, similar stockpile levels were maintained.

Letšeng unit cost analysis

Unit cost per tonne treated	Direct cash costs[1]	Non-cash accounting charges[2]	Total operating costs	Waste cash costs per waste tonne mined
H1 2024 (LSL)	**243.84**	**100.22**	**344.06**	**59.94**
H1 2023 (LSL)	296.54	78.24	374.78	63.80
% change	(18)	28	(8)	(6)
H1 2024 (US$)	**13.01**	**5.35**	**18.36**	**3.20**
H1 2023 (US$)	16.28	4.29	20.57	3.50
% change	(20)	25	(11)	(9)

[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.

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 are closely managed and ongoing rationalisation has resulted in costs decreasing to US$4.0 million (H1 2023: US$5.2 million).

GHAGHOO

The Ghaghoo Diamond Mine in Botswana remains on care and maintenance and Gem Diamonds is discussing various alternatives with affected stakeholders, including the potential closure of the mine and relinquishment of the mining license to the Government of Botswana. The care and maintenance costs of US$0.5 million (H1 2023: US$0.8 million) are included in other operating expenses and are net of income of US$0.2 million from the sale of scrap material and previously impaired vehicles and equipment. The decrease in cash costs is due to ongoing initiatives to reduce costs, such as the installation of a solar power plant which eliminated the need for generator rentals, diesel usage and transport.

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 slightly against the US dollar compared to H1 2023, which decreased the Group's US dollar reported costs and increased local currency cash flow generation.

Exchange rates	H1 2024	H1 2023	% change
LSL per US$1.00			
Average exchange rate	**18.73**	18.21	3
Period end exchange rate	**18.26**	18.89	(3)
BWP per US$1.00			
Average exchange rate	**13.66**	13.20	3
Period end exchange rate	**13.61**	13.52	1
GBP per US$1.00			
Average exchange rate	**0.93**	0.81	15
Period end exchange rate	**0.93**	0.79	18

FINANCIAL POSITION

The LSL closed at similar levels to the US dollar at the end of the Period compared to 31 December 2023 and therefore had little to no impact on the US dollar reported values in the Interim Consolidated Statement of Financial Position. Selected totals of the Interim Consolidated Statement of Financial Position and key asset drivers are tabled below.

US$ million	H1 2024	FY 2023	% change
Non-current assets	**311.5**	322.3	
Current assets	**71.5**	62.4	
Total assets	**383.0**	384.7	—
Equity attributable to parent company	**141.1**	138.9	
Non-controlling interest	**82.7**	79.3	
Total equity	**223.8**	218.2	3
Non-current liabilities	**113.4**	106.7	
Current liabilities	**45.8**	59.8	
Total liabilities	**159.2**	166.5	(4)

Key asset drivers

US$ million	H1 2024	H1 2023	% change
Waste cost capitalised	**12.3**	19.8	(38)
Waste stripping cost amortised	**17.8**	17.8	–
Depreciation and mining asset amortisation	**6.0**	3.3	82
Capital expenditure	**1.4**	4.6	(70)

Waste cost capitalised decreased due to the lower volumes of waste tonnes mined. The waste stripping cost amortised remained unchanged at US$17.8 million (H1 2023: US$17.8 million). Depreciation and mining asset amortisation increased to US$6.0 million (H1 2023: US$3.3 million) mainly due to the depreciation charge on the mining fleet which was acquired at the end of 2023.

During the Period, the majority of capital spent related to the completion of the 2024 Mineral Resource and Reserve Statement and NI 43-101 Technical Report published in March 2024 (US$0.4 million) and certain enhancements to Plant 1 and 2 (US$0.4 million).

Liquidity and solvency

The Group ended the Period with cash on hand of US$30.0 million (31 December 2023: US$16.5 million), of which US$21.6 million is attributable to Gem Diamonds. The Group generated cash from operating activities of US$28.8 million (H1 2023: US$20.1 million).

On 15 May 2024, Letšeng entered into a secured five-year term loan facility of LSL200.0 million (US$7.2 million) jointly with Standard Lesotho Bank and Nedbank Lesotho. The loan is secured by a special notarial bond over the mining fleet and equipment acquired as part of the insourcing of the mining activities at the end of 2023. The loan is repayable in equal monthly instalments which commenced in May 2024, and expires on 30 April 2029.

At Period end, the Group had utilised facilities of US$38.4 million, resulting in a net debt position of US$8.4 million (31 December 2023: US$21.3 million) and available facilities of US$54.9 million, comprising US$22.0 million at Gem Diamonds and US$32.9 million at Letšeng.

The decrease in net debt was mainly due to the higher revenue generated from rough diamond sales, cost savings following the insourcing of Letšeng's mining activities, the reduction of waste tonnes mined and the absence of significant once-off severance packages and consulting fees in H1 2023 which related to the right-sizing programme.

The Group-wide revolving credit facilities at Letšeng (LSL450.0 million and ZAR300.0 million) and Gem Diamonds (US$30.0 million), which were concluded in December 2021 are due to expire in December 2024. The process to extend these facilities for a 24-month period has commenced.

Letšeng has a LSL100.0 million general banking facility that is reviewed annually. The Group engages regularly with lenders and credit providers to ensure access to funding and to manage the Group’s cash flow requirements.

Summary of loan facilities as at 30 June 2024:

Company	Term/ description/ expiry	Lender	Interest rate	Amount US$ million	Drawn down/ Balance due US$ million	Available US$ million
Gem Diamonds Limited	Three-year revolving credit facility Expires 22 December 2024	Nedbank Standard Bank Firstrand Bank	Facility A (US$30 million): Term SOFR + 5.26% Term SOFR + 5.21%[1]	**30.0**	**8.0**	**22.0**
Letšeng Diamonds	Three-year revolving credit facility Expires 22 December 2024	Standard Lesotho Bank Nedbank Lesotho First National Bank of Lesotho Firstrand Bank	Facility B (LSL450 million): Central Bank of Lesotho rate + 3.25%	**24.6**	**8.2**	**16.4**
		Nedbank	Facility C (ZAR300 million): South African JIBAR + 3.00%[1]	**16.4**	**5.4**	**11.0**
Letšeng Diamonds	Four-and-a-half-year project facility Expires 31 May 2027	Nedbank Export Credit Insurance Corporation	ZAR132 million South African JIBAR + 2.50%	**7.2**	**6.2**	**–**
Letšeng Diamonds	General banking facility Annual review in March	Nedbank	ZAR100 million South African Prime Lending Rate minus 0.70%	**5.5**	**–**	**5.5**
Letšeng Diamonds	Five-year term loan facility Expires 30 April 2029	Standard Lesotho Bank Nedbank Lesotho	LSL200 million Lesotho prime rate minus 1.50%.	**11.0**	**10.6**	**–**
Total				**94.7**	**38.4**	**54.9**

[1] A reduction of 0.05% on the margin of the Nedbank portion of the revolving credit facilities was effective from 1 January 2024 as the KPIs relating to the Sustainability Linked Loans were met as at the 31 December 2023 measurement date.

Taxation

The forecast effective tax rate for the full year is 44.2% (31 December 2023: 72.0%) and has been applied to the actual results. 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 and the impact of certain non-deductible expenses for tax purposes. The decrease in the tax rate compared to 2023 is due to the higher profits generated by Letšeng.

There has been no change to the amended tax assessment that was issued to Letšeng by the Revenue Services Lesotho (RSL) in December 2019, contradicting the application of certain tax treatments in the current Lesotho Income Tax Act, 1993. There has therefore been no change in the judgement applied and the accounting treatment compared to that disclosed in the 2023 Annual Report and Accounts.

Going concern

The projections of the Group's current and expected profitability, considering reasonable possible changes in operations, key assumptions and inputs, indicate that the Group will be able to operate as a going concern for the foreseeable future. Refer to the financial statements on page 9.

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 2023 (pages 21 to 26). The Group's principal risks as presented in the Annual Report and Accounts for 2023 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 Group monitors and manages areas of unpredictability, in particular the prevailing rough diamond market conditions.

Clifford Elphick

Chief Executive Officer

28 August 2024

HALF-YEAR FINANCIAL STATEMENTS CONTENTS

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; and

(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 2023.

The names and functions of the Directors of Gem Diamonds Limited are listed in the Annual Report for the year ended 31 December 2023.

For and on behalf of the Board

Michael Michael

Chief Financial Officer

28 August 2024

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	30 June 2024[1] US$'000	30 June 2023[1] US$'000
Revenue from contracts with customers	4	**78 039**	71 763
Cost of sales		**(52 540)**	(53 997)
Gross profit		**25 499**	17 766
Other operating expense	5	**(441)**	(766)
Royalties and selling costs		**(8 388)**	(7 476)
Corporate expenses		**(3 966)**	(5 239)
Share-based payments	15	**(374)**	(241)
Foreign exchange gain		**1 104**	2 148
Operating profit		**13 434**	6 192
Net finance costs		**(3 506)**	(2 246)
– Finance income		**417**	187
– Finance costs		**(3 923)**	(2 433)
Profit before tax for the Period		**9 928**	3 946
Income tax expense	8	**(4 392)**	(2 458)
Profit for the Period		**5 536**	1 488
Attributable to:			
Equity holders of parent		**2 056**	(991)
Non-controlling interests		**3 480**	2 479
Earnings/(loss) per share (cents)			
– Basic earnings/(loss) for the year attributable to ordinary equity holders of the parent		**1.47**	(0.71)
– Diluted earnings/(loss) for the year attributable to ordinary equity holders of the parent		**1.44**	(0.70)

[1] *Unaudited*

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	30 June 2024[1] US$'000	30 June 2023[1] US$'000
Profit for the Period	**5 536**	1 488
Other comprehensive income/(loss) 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	**(227)**	(23 525)
Other comprehensive loss for the Period, net of tax	**(227)**	(23 525)
Total comprehensive income/(loss) for the Period	**5 309**	(22 037)
Attributable to:		
Equity holders of parent	**1 898**	(17 611)
Non-controlling interests	**3 411**	(4 426)

[1] *Unaudited*

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	30 June 2024[1] US$'000	31 December 2023[2] US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**286 806**	295 830
Right-of-use assets	10	**4 120**	4 746
Intangible assets	11	**10 456**	10 440
Receivables and other assets	12	**4 855**	4 487
Deferred tax assets		**5 270**	6 814
		311 507	322 317
Current assets			
Inventories		**37 006**	37 633
Receivables and other assets	12	**4 452**	3 631
Income tax receivable		**–**	4 631
Cash and short-term deposits	13	**30 049**	16 503
		71 507	62 398
Total assets		**383 014**	384 715
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	14	**1 413**	1 413
Treasury shares	14	**(1 157)**	(1 157)
Share premium		**885 648**	885 648
Other reserves		**(250 581)**	(250 797)
Accumulated losses		**(494 182)**	(496 238)
		141 141	138 869
Non-controlling interests		**82 666**	79 255
Total equity		**223 807**	218 124
Non-current liabilities			
Interest-bearing loans and borrowings	16	**12 893**	5 156
Lease liabilities	17	**2 707**	3 786
Trade and other payables	18	**1 610**	1 494
Provisions		**14 877**	14 170
Deferred tax liabilities		**81 326**	82 136
		113 413	106 742
Current liabilities			
Interest-bearing loans and borrowings	16	**25 452**	33 411
Lease liabilities	17	**2 446**	2 164
Trade and other payables	18	**13 278**	23 356
Income tax payable		**4 618**	918
		45 794	59 849
Total liabilities		**159 207**	166 591
Total equity and liabilities		**383 014**	384 715

[1] *Unaudited*
[2] *Audited*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to the equity holders of the parent							
	Issued capital	Share premium	Treasury shares	Other reserves[1]	Accumulated (losses)/ retained earnings	Total	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2024	**1 413**	**885 648**	**(1 157)**	**(250 797)**	**(496 238)**	**138 869**	**79 255**	**218 124**
Total comprehensive loss	**–**	**–**	**–**	**(158)**	**2 056**	**1 898**	**3 411**	**5 309**
Profit for the period	**–**	**–**	**–**	**–**	**2 056**	**2 056**	**3 480**	**5 536**
Other comprehensive loss	**–**	**–**	**–**	**(158)**	**–**	**(158)**	**(69)**	**(227)**
Share-based payments (Note 15)	**–**	**–**	**–**	**374**	**–**	**374**	**–**	**374**
As at 30 June 2024	**1 413**	**885 648**	**(1 157)**	**(250 581)**	**(494 182)**	**141 141**	**82 666**	**223 807**
As at 1 January 2023	1 410	885 648	(1 157)	(239 169)	(494 113)	152 619	80 428	233 047
Total comprehensive loss	–	–	–	(16 620)	(991)	(17 611)	(4 426)	(22 037)
Profit for the period	–	–	–	–	(991)	(991)	2 479	1 488
Other comprehensive loss	–	–	–	(16 620)	–	(16 620)	(6 905)	(23 525)
Share capital issued	1	–	–	(1)	–	–	–	–
Share-based payments (Note 15)	–	–	–	241	–	241	–	241
As at 30 June 2023	1 411	885 648	(1 157)	(255 549)	(495 104)	135 249	76 002	211 251

[1] *Other reserves relate to Foreign currency translation reserves and Share-based equity reserves. Refer Note 14, Issued share capital and reserves for further detail.*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	30 June 2024[1] US$'000	30 June 2023[1] US$'000
Cash flows from operating activities		**28 762**	20 076
Cash generated by operations	19.1	**39 737**	28 867
Working capital adjustments	19.2	**(12 504)**	(7 346)
Interest received		**209**	125
Interest paid		**(3 074)**	(1 547)
Income tax paid		**(129)**	(23)
Income tax received		**4 523**	–
Cash flows used in investing activities		**(13 518)**	(24 309)
Purchase of property, plant and equipment	9	**(1 357)**	(4 555)
Waste stripping costs capitalised	9	**(12 316)**	(19 835)
Proceeds from sale of property, plant and equipment		**155**	81
Cash flows (used in)/from financing activities		**(1 523)**	2 514
Lease liabilities repaid	17	**(1 179)**	(950)
Net financial liabilities (repaid)/raised	19.3	**(344)**	3 464
– Financial liabilities raised		**33 874**	23 600
– Financial liabilities repaid		**(34 218)**	(20 136)
Net increase/(decrease) in cash and cash equivalents		**13 721**	(1 719)
Cash and cash equivalents at beginning of Period		**16 503**	8 721
Foreign exchange differences		**(175)**	321
Cash and cash equivalents at end of Period	13	**30 049**	7 323

[1] *Unaudited*

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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) and is domiciled in the United Kingdom (UK). 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 28 August 2024, is not audited or reviewed by the auditor and does not constitute statutory financial statements. The report of the auditor on the Group's 2023 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 preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2024 (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 2023. The condensed consolidated interim 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 2023 included in this report was derived from the statutory accounts for the year ended 31 December 2023, 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 7. The Group's net debt at 30 June 2024 was US$8.4 million (31 December 2023: US$21.3 million). The Group's available undrawn facilities at 30 June 2024 amounted to US$54.9 million (31 December 2023: US$45.9 million), resulting in liquidity (defined as net debt/cash and available undrawn facilities) of US$46.5 million (31 December 2023: US$24.6 million). The gross liquidity position of the Group (defined as gross cash and available undrawn facilities) as at 30 June 2024 is US$84.9 million (31 December 2023: US$62.4 million). The Group's Revolving Credit Facilities (RCF), which total US$71.1 million when fully unutilised, mature on 22 December 2024. In addition, there is a US$5.5 million general banking facility with no set expiry date, which is reviewed annually (Refer Note 16, Interest-bearing loans and borrowings).

The impact of the current diamond market conditions, the ongoing Russian invasion on Ukraine and the conflict in Gaza were considered in assessing future cash flows. The Group's RCFs expire on 22 December 2024. The existing facility agreement includes an option to extend the facilities for a period of 24 months (subject to lender approval). The Group exercised this option post Period end and is awaiting lender approval to extend the facility maturity date to 21 December 2026. These facilities have been in place since 2011 and have been renewed on three previous occasions through expanding the lender group and increasing the overall facility amount. The Directors believe that in considering the future cash flows, the long-standing relationships with the wider lender group and the history of the successful renewals of the facilities, it is expected that the facilities will be successfully extended during 2024 and be in existence for the going concern period of the next 12 months. In the unlikely event that the RCFs are not extended, the Directors believe that various mitigation actions such as the deferment or further optimisation of waste stripping activities could be implemented in the short term.

After making inquiries which include reviews of forecasts and budgets, timing of cash flows and sensitivity analyses, the Group's operations and production levels, the various cost reduction initiatives and considering the likely successful extension of the Group's RCFs, the Directors have a reasonable expectation that the Group has adequate financial resources without the use of mitigating actions to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing this half-year report of the Group. These financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Material 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 2023.

New accounting pronouncements which became effective on 1 January 2024 are detailed below and will be adopted in the 2024 Annual Report and Accounts. The amendments to IAS 1 will be assessed in line with the Group's existing facility arrangements and RCFs which are currently being extended. The adoption of the remaining amendments is anticipated to not have an impact on the accounting policies, methods of computation or presentation applied by the Group.

New and amended standards and interpretations

Amendments and improvements	Description
IFRS 16	Lease Liability in a Sale and Leaseback
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
IAS 7 and IFRS 17	Supplier Finance Arrangements

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.

New standards, amendments, and improvements	Description	Effective date*
IAS 21	Lack of exchangeability	1 January 2025
IFRS 19	Subsidiaries without public accountability	1 January 2027
IFRS 18	Presentation and disclosure in financial statements	1 January 2027

** Annual periods beginning on or after.*

2.3 Critical accounting estimates and judgements

The estimates and judgements adopted in the preparation of the condensed consolidated interim financial statements are largely consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2023. The current diamond market, ongoing global conflicts, interest rates and inflationary impact on costs were considered during the Period. The outcome of this review required no material changes to the assumptions used in the judgements and estimates which were applied for the year ended 31 December 2023.

Further details on estimates and judgements applied during the Period are detailed in the Going concern section on page 16, Note 11, Intangible assets and Note 15 Share-based payments.

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, currently on care and maintenance)

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

Segment performance is evaluated based on operating profit or loss. Intersegment transactions are entered into under normal arm's length terms in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transactions between segments. Those transactions are eliminated on consolidation.

Segment revenue is derived from mining activities, polished diamond manufacturing margins and diamond analysis and manufacturing services.

3. SEGMENT INFORMATION (continued)

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 2024[1]	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus[3] US$'000	Botswana US$'000	Total US$'000
Revenue from contracts with customers					
Total revenue	76 877	77 737	3 382	–	157 996
Intersegment	(76 264)	(311)	(3 382)	–	(79 957)
External customers	613	77 426	–	–	78 039
Segment operating profit/(loss)	17 943	430	(4 418)	(521)	13 434
Net finance costs	(2 736)	(11)	(680)	(79)	(3 506)
Profit/(loss) before tax	15 207	419	(5 098)	(600)	9 928
Income tax expense	(3 608)	(16)	(768)[4]	–	(4 392)
Profit/(loss) for the Period	11 599	403	(5 866)	(600)	5 536
EBITDA	22 410	544	(3 870)	–	19 084

	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus[3] US$'000	Botswana US$'000	Total US$'000
Segment assets					
30 June 2024[1]	373 065	2 226	1 684	769	377 744
31 December 2023[2]	371 056	2 770	3 280	795	377 901
Net cash/(debt) and short-term deposits[5]					
30 June 2024[1]	(2 222)	775	(7 057)	77	(8 427)
31 December 2023[2]	(17 908)	642	(4 082)	1	(21 347)
Segment liabilities					
30 June 2024[1]	63 179	1 446	10 301	2 955	77 881
31 December 2023[2]	72 193	1 503	7 725	3 034	84 455

[1] Unaudited
[2] Audited
[3] No revenue was generated in BVI and Cyprus.
[4] 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.
[5] Calculated as cash and short-term deposits less drawn down bank facilities (excluding insurance premium financing and credit underwriting fees). Refer Note 16, Interest-bearing loans and borrowings.

Included in revenue for the Period is revenue from two customers who individually contributed 10% or more to total revenue. This revenue in total amounted to US$43.2 million (30 June 2023: US$10.3 million from one customer) arising from the sales reported in the Belgium segment.

Segment assets and liabilities do not include deferred tax assets and liabilities of US$5.3 million and US$81.3 million respectively (31 December 2023: deferred tax asset US$6.8 million, deferred tax liabilities US$82.1 million).

Total revenue for the Period is higher than that of the prior period. Although the dollar per carat achieved of US$1 366 was only marginally lower than the prior period of US$1 373 per carat, the volume of carats sold of 56 994 carats was 9% higher than the prior period of 52 163 carats. There was an improvement in the number of diamonds greater than 10.8 carats recovered during the Period, however the downturn in the rough diamond market continues to negatively impact rough diamond prices.

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2023[1]	Lesotho US$'000	Belgium US$'000	BVI, RSA, UK and Cyprus2 US$'000	Botswana US$'000	Total US$'000
Revenue from contracts with customers					
Total revenue	70 688	72 045	3 478	–	146 211
Intersegment	(70 564)	(406)	(3 478)	–	(74 448)
External customers	124	71 639	–	–	71 763
Segment operating profit/(loss)	12 360	330	(5 672)	(826)	6 192
Net finance costs	(1 734)	(12)	(412)	(88)	(2 246)
Profit/(loss) before tax	10 626	318	(6 084)	(914)	3 946
Income tax expense	(2 361)	4	(101)[3]	–	(2 458)
Profit/(loss) for the Period	8 265	322	(6 185)	(914)	1 488
EBITDA	13 099	413	(5 156)	–	8 356

[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 prior period. Refer Note 8, Income tax expense.*

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	30 June 2024[1] US$'000	30 June 2023[1] US$'000
Sale of goods	**77 426**	71 638
Partnership arrangements	**613**	125
	78 039	71 763

[1] *Unaudited*

The revenue from the sale of goods mainly represents the sale of rough diamonds, for which revenue is recognised at the point in time at which control transfers.

The revenue from partnership arrangements of US$0.6 million (30 June 2023: US$0.1 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 1 881 carats (30 June 2023: 2 082 carats) have significant constraints in recognising revenue relating to the additional uplift.

5. OTHER OPERATING EXPENSE

	30 June 2024[1] US$'000	30 June 2023[1] US$'000
Sundry income	**113**	61
Ghaghoo care and maintenance costs	**(709)**	(906)
Profit on disposal and scrapping of property, plant and equipment	**155**	79
	(441)	(766)

[1] *Unaudited*

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

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

	30 June 2024[1] US$'000	30 June 2023[1] US$'000
Operating profit	**13 434**	6 192
Other operating expenses	**441**	764
Foreign exchange gain	**(1 104)**	(2 148)
Share-based payments	**374**	241
Depreciation and amortisation (excluding waste stripping cost amortised)	**5 939**	3 307
Underlying EBITDA	**19 084**	8 356

[1] *Unaudited*

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 2024[1] US$'000	30 June 2023[1] US$'000
Current		
– Foreign	**(3 735)**	(978)
Withholding tax		
– Foreign	**(2)**	596[2]
Deferred		
– Foreign	**(655)**	(2 076)
	(4 392)	(2 458)

[1] *Unaudited*

[2] *This relates to withholding tax previously overpaid by Gem Diamonds Limited to the Revenue Services Lesotho (RSL). This overpayment was refunded in full in September 2023 and disclosed in the 2023 Annual Report.*

The forecast effective tax rate for the full year is 44.2% (31 December 2023: 72.0%) and has been applied to the actual results.

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 and the impact of certain non-deductible expenses for tax purposes. The decrease in the tax rate compared to 2023 is due to the higher profits generated by Letšeng.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group invested US$1.4 million (30 June 2023: US$4.6 million) into property, plant and equipment, of which US$1.3 million (30 June 2023: US$4.5 million) related to Letšeng.

Letšeng's capital spend was incurred mainly on the completion of the 2024 Mineral Resource and Reserve Statement and NI 43-101 Technical Report published in March 2024 of US$0.4 million and certain enhancements to Plant 1 and 2 of US$0.4 million.

Letšeng further invested US$12.3 million (30 June 2023: US$19.8 million) in deferred stripping costs which were capitalised. Amortisation of the deferred stripping asset (waste stripping cost amortisation) of US$17.8 million (30 June 2023: US$17.8 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$5.0 million (30 June 2023: US$2.4 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 increased the asset balances by US$0.1 million (30 June 2023: US$27.9 million decrease).

10. RIGHT-OF-USE ASSETS

	Right-of-use assets Plant and equipment US$'000	Motor vehicles US$'000	Buildings US$'000	Total US$'000
As at 30 June 2024[1]				
Cost				
Balance at 1 January 2024	**3 379**	**363**	**6 008**	**9 750**
Additions	**321**	**–**	**133**	**454**
Derecognition of lease	**–**	**(63)**	**(122)**	**(185)**
Foreign exchange differences	**13**	**(1)**	**6**	**18**
Balance at 30 June 2024[1]	**3 713**	**299**	**6 025**	**10 037**
Accumulated depreciation				
As at 1 January 2024	**1 450**	**103**	**3 451**	**5 004**
Charge for the year	**500**	**32**	**475**	**1 007**
Derecognition of lease	**–**	**–**	**(122)**	**(122)**
Foreign exchange differences	**15**	**1**	**12**	**28**
Balance at 30 June 2024[1]	**1 965**	**136**	**3 816**	**5 917**
Net book value at 30 June 2024[1]	**1 748**	**163**	**2 209**	**4 120**
As at 31 December 2023[2]				
Cost				
Balance at 1 January 2023	3 190	421	6 430	10 041
Additions	502	508	122	1 132
Derecognition of lease	(94)	(536)	(225)	(855)
Foreign exchange differences	(219)	(30)	(319)	(568)
Balance at 31 December 2023[2]	3 379	363	6 008	9 750
Accumulated depreciation				
As at 1 January 2023	688	115	2 898	3 701
Charge for the year	845	96	951	1 892
Derecognition of lease	(42)	(100)	(225)	(367)
Foreign exchange differences	(41)	(8)	(173)	(222)
Balance at 31 December 2023[2]	1 450	103	3 451	5 004
Net book value at 31 December 2023[2]	1 929	260	2 557	4 746

[1] *Unaudited*
[2] *Audited*

Plant and equipment mainly comprise back-up power generating equipment utilised at Letšeng. Motor vehicles mainly comprise vehicles utilised by contractors at Letšeng. Buildings comprise office buildings in Maseru, Antwerp, London, Gaborone and Johannesburg.

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

Movements within right-of-use assets mainly relates to the lease contract for earth moving equipment at Letšeng being renegotiated during the Period.

During the Period the Group recognised income of US$0.2 million (30 June 2023: US$0.2 million) from the sub-leasing of office buildings in Maseru. The Group expects to receive the following lease payments from the operating sub-leasing in the following years:

	US$ '000
1 July 2024 - 30 June 2025	**339**
1 July 2025 - 30 June 2026	**68**

11. INTANGIBLE ASSETS

	Goodwill[1] US$'000
As at 30 June 2024[2]	
Cost	
Balance at 1 January 2024	**10 440**
Foreign exchange translation difference	**16**
Balance at 30 June 2024[2]	**10 456**
Accumulated amortisation	
Balance at 1 January 2024	**–**
Amortisation	**–**
Balance at 30 June 2024[2]	**–**
Net book value at 30 June 2024[2]	**10 456**
As at 31 December 2023[3]	
Cost	
Balance at 1 January 2023	11 221
Foreign exchange translation difference	(781)
Balance at 31 December 2023[3]	10 440
Accumulated amortisation	
Balance at 1 January 2023	–
Amortisation	–
Balance at 31 December 2023[3]	–
Net book value at 31 December 2023[3]	10 440

[1] *Goodwill allocated to Letšeng Diamonds.*
[2] *Unaudited*
[3] *Audited*

The current diamond prices achieved, interest rates, exchange rates and financial and operational performance were considered for assessment of indicators of impairment of Goodwill associated to Letšeng. There were no material changes required to the assumptions applied to the value in use model for the year ended 31 December 2023 and therefore no impairment was necessary.

12. RECEIVABLES AND OTHER ASSETS

	30 June 2024[1] US$'000	31 December 2023[2] US$'000
Non-current		
Deposits[3]	**773**	90
Insurance asset	**4 082**	4 397
	4 855	4 487
Current		
Trade receivables	**19**	23
Prepayments	**743**	1 249
Deposits	**60**	24
Other receivables	**415**	374
Vat receivable	**3 215**	1 961
	4 452	3 631
The carrying amounts above approximate their fair value due to the nature of the instruments.		
Analysis of trade receivables based on their terms and conditions		
Neither past due nor impaired	**–**	2
Past due but not impaired:		
> 120 days	**19**	21
	19	23

[1] *Unaudited*
[2] *Audited*
[3] *Deposits include an amount of US$0.7 million at Letšeng relating to the sale of diesel on hand at the commencement of the new three-year diesel contract which was concluded during the Period. The deposit will be utilised to offset the final diesel payment to the contractor at the end of the contract.*

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

13. CASH AND SHORT-TERM DEPOSITS

	30 June 2024[1] US$'000	31 December 2023[2] US$'000
Cash on hand	**2**	3
Bank balances	**19 874**	5 101
Short term bank deposits	**10 173**	11 399
	30 049	16 503

[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 call deposit accounts and earn interest at the respective short-term deposit rates.

The Group's cash surpluses are deposited with major financial institutions of high-quality credit standing predominantly within Lesotho and the United Kingdom.

At 30 June 2024, the Group had US$54.9 million (31 December 2023: US$45.9 million) of undrawn facilities, representing the LSL300.0 million (US$16.4 million) (31 December 2023: LSL180.0 million (US$9.8 million)) and ZAR200.0 million (US$11.0 million) (31 December 2023: ZAR120.0 million (US$6.6 million)) of the three-year secured revolving working capital facility at Letšeng, ZAR100.0 million (US$5.5 million) (31 December 2023: ZAR100.0 million (US$5.5 million)) of the Letšeng general banking facility, and US$22.0 million (31 December 2023: US$24.0 million) of the Company's three-year secured revolving credit facility. For further details on these facilities, refer Note 16, Interest-bearing loans and borrowings.

14. ISSUED SHARE CAPITAL AND RESERVES

	30 June 2024[1]		31 December 2023[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	**141 210**	**1 413**	140 923	1 410
Allotments during the Period/Year	**–**	**–**	287	3
Number of ordinary shares outstanding at end of Period/Year	**141 210**	**1 413**	141 210	1 413
Treasury shares[3]	**(1 520)**	**(1 157)**	(1 520)	(1 157)
Balance at end of Period/Year	**139 690**	**256**	139 690	256

[1] *Unaudited*
[2] *Audited*
[3] *Represents share repurchased by Gem Diamonds.*

15. SHARE-BASED PAYMENTS

Employee Share Option Plan 2017 Award (ESOP) – 17 April 2024 award

On 17 April 2024, 261 950 nil-cost options were granted to certain key employees under the ESOP of the Company. The value of the award was determined based on the Group performance for the prior 2023 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 ESOP.

In addition, 1 734 097 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 adopted Gem Diamonds Incentive Plan (GDIP) in 2021, which integrated annual bonus awards with awards under the ESOP. 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 17 April 2025 and ending on 17 April 2027. The options are exercisable between the respective vesting dates and 17 April 2034. If the service conditions are not met, unvested options lapse. The fair value of the award is based on the observable Gem Diamonds Limited share price on the date of the award with no adjustments made to the price. The Company's share price on the date of the award was £0.09 (US$0.11). The option grants are settled by issuing shares.

The timing of the vesting of the options was revisited during the Period which resulted in an accelerated cost in the current Period of US$0.2 million relating to previously awarded options. The expense disclosed in the Interim Consolidated Statement of Profit or Loss is made up as follows:

	30 June 2024[1] US$'000	30 June 2023[1] US$'000
The expense recognised for employee services received during the Period is shown in the following table:		
Equity-settled share-based payment transactions charged to the statement of profit or loss	**374**	241

[1] *Unaudited*

16. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate	**Maturity**	**30 June 2024[1] US$'000**	31 December 2023[2] US$'000
Non-current				
ZAR132.0 million project debt facility	South African JIBAR + 2.50%	31 May 2027	**4 131**	5 156
LSL200.0 million term loan facility	Lesotho prime rate minus 1.50%	30 April 2029	**8 762**	–
			12 893	5 156
Current				
ZAR2.5 million insurance premium finance	4.30 %	1 April 2024	**–**	55
LSL30.0 million insurance premium finance	4.20 %	1 April 2024	**–**	671
LSL12.4 million insurance premium finance	4.20 %	1 April 2024	**–**	278
ZAR132 million project debt facility	South African JIBAR + 2.50%	31 May 2027	**2 066**	2 062
LSL450.0 million and ZAR300.0 million bank loan facility	Central Bank of Lesotho rate + 3.25% and South African JIBAR + 3.00%[3]	22 December 2024	**13 692**	24 632
Credit underwriting fees			**(75)**	(175)
US$30.0 million bank loan facility	Facility A (US$30 million): Term SOFR + 5.26% Term SOFR + 5.21%[3]	22 December 2024	**8 000**	6 000
Credit Underwriting Fees			**(56)**	(112)
LSL200.0 million term loan facility	Lesotho prime rate minus 1.50%	30 April 2029	**1 825**	–
			25 452	33 411

[1] *Unaudited*

[2] *Audited*

[3] *A reduction of 0.05% on the margin of the Nedbank portion of the revolving credit facility was effective from 1 January 2024 as the KPIs relating to the Sustainability Linked Loans were met as at the 31 December 2023 measurement date.*

ZAR132.0 million (US$7.2 million) unsecured project debt facility at Letšeng Diamonds

This loan is an unsecured project debt facility with Nedbank and underwritten by the Export Credit Insurance Corporation (ECIC) which was entered into on 29 November 2022 to fund the replacement of the primary crushing area (PCA) at Letšeng. The loan is repayable in equal quarterly payments which commenced in March 2024. The outstanding balance at Period end was ZAR113.1 million (US$6.2 million) (31 December 2023: ZAR132.0 million (US$7.2 million)). This loan expires on 27 May 2027.

The South African rand-based interest rate for the facility at 30 June 2024 was 11.00% which comprises South Africa JIBAR plus 2.50%.

Total interest for the Period on this interest-bearing loan was US$0.4 million (31 December 2023: US$0.7 million). This interest has been capitalised as part of the PCA asset included within the plant and equipment class within Note 9, Property, plant and equipment.

LSL200.0 million (US$11.0 million) secured term loan facility at Letšeng Diamonds

This loan is a five-year secured term loan facility signed jointly with Standard Lesotho Bank and Nedbank Lesotho on 15 May 2024. The loan is secured by a special notarial bond over the fleet and equipment acquired as part of the insourcing of the mining activities at the end of 2023.

The loan is repayable in equal monthly instalments which commenced in May 2024. The outstanding balance at the end of the Period was LSL193.3 million (US$10.6 million). This loan expires on 30 April 2029.

The interest rate on the loan is 9.75%, representing the Central Bank of Lesotho prime rate minus 1.50%.

Total interest for the Period on this interest-bearing loan was US$0.1 million.

LSL450.0 million and ZAR300.0 million (US$41.1 million) secured bank loan facility at Letšeng Diamonds

The Group, through its subsidiary Letšeng Diamonds, has a LSL450.0 million and ZAR300.0 million (US$41.1 million) three-year revolving credit facility jointly with Nedbank Lesotho Limited, Standard Lesotho Bank Limited, First National Bank of Lesotho Limited, Firstrand Bank Limited (acting through its Rand Merchant Bank division) and Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division).

The facility is secured and expires on 22 December 2024, and has therefore been recorded as a current liability. The facility has a 24-month extension option which can be exercised at any time up to 21 September 2024, being three months before expiry, and is subject to credit approval by the lenders at the extension date. Post Period end, the Company has engaged the lenders to discuss the extension of the facilities.

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 3.00% (31 December 2023: South African JIBAR plus 3.05%). At Period end LSL150.0 million (US$8.2 million) and ZAR100.0 million (US$5.4 million) had been drawn down resulting in LSL300.0 million (US$16.4 million) and ZAR200.0 million (US$11.0 million) remaining available.

The remaining balance of the credit underwriting fees capitalised is US$0.1 million (31 December 2023: US$0.2 million). The capitalised fees are amortised and accounted for as finance costs within profit or loss over the term of the facility.

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

This facility is a secured three-year revolving credit facility jointly with Nedbank Limited (acting through its London branch), Standard Bank of South Africa Limited (acting through its Isle of Man branch) and Firstrand Bank Limited (acting through its Rand Merchant Bank division) for US$13.5 million, US$9.0 million and US$7.5 million, respectively. All draw downs are made in these ratios.

The facility expires on 22 December 2024, and has therefore been recorded as a current liability. The facility has a 24-month extension option which can be exercised at any time up to 21 September 2024, being three months before expiry, and is subject to credit approval by the lenders at the extension date. Post Period end, the Company has engaged the lenders to discuss the extension of this facility.

At Period end, US$8.0 million (31 December 2023: US$6.0 million) had been drawn down resulting in US$22.0 million (31 December 2023: US$24.0 million) being available for draw down. The remaining balance of the previously capitalised credit underwriting fees is US$0.1 million (31 December 2023: US$0.1 million) at Period end. The capitalised fees are amortised and accounted for as finance costs within profit or loss over the period of the facility.

The US$-based interest rate for this facility at 30 June 2024 was 10.54% (31 December 2023: 10.65%) which comprises term SOFR plus a 0.26% credit adjustment spread and 5.00% margin. The interest rate on any outstanding amount on the Nedbank portion of the RCF accrues interest at term SOFR plus a 0.26% credit adjustment spread and 4.95% margin. The 5bps decrease in the margin was effective from 1 January 2024 upon meeting the KPIs relating to the sustainability-linked loans.

Total interest for the Period on this interest-bearing RCF was US$0.6 million (31 December 2023: US$0.9 million).

The facility includes an additional US$20.0 million accordion option for Gem Diamonds, the utilisation of which is subject to all necessary credit and other approvals from the lenders. There was no utilisation of this facility in the current or prior periods.

Insurance premium finance for Multi-Aggregate and Asset All Risk Insurance policies

During the Period, all outstanding insurance premium finance balances were fully repaid. The total interest paid during the Period relating to these liabilities was US$18.3 thousand (31 December 2023: US$0.1 million).

Other facilities

Letšeng Diamonds has a ZAR100.0 million (US$5.5 million) general banking facility with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) which is reviewed annually. During the Period the facility was utilised from time to time based on cash flow requirements, but repaid in full at Period end.

17. LEASE LIABILITIES

	30 June 2024[1] US$'000	31 December 2023[2] US$'000
Non-current	**2 707**	3 786
Current	**2 446**	2 164
Total lease liabilities	**5 153**	5 950
Reconciliation of movement in lease liabilities		
As at 1 January	**5 950**	7 898
Additions	**391**	1 132
Interest expense	**207**	497
Lease payments	**(1 386)**	(2 589)
Derecognition of lease	**–**	(519)
Foreign exchange differences	**(9)**	(469)
As at 30 June/31 December	**5 153**	5 950

[1] *Unaudited*
[2] *Audited*

Lease payments comprise payments in principle of US$1.2 million (31 December 2023: US$2.1 million) and repayments of interest of US$0.2 million (31 December 2023: US$0.5 million).

There were no variable lease payments recognised by the Group during the Period. During the prior period the Group recognised variable lease payments of US$16.5 million in the Interim Consolidated Statement of Profit or Loss, which consisted of mining activities outsourced to a mining contractor, prior to the transition to insourcing of mining activities which was effective from 1 December 2023.

18. TRADE AND OTHER PAYABLES

	30 June 2024[1] US$'000	31 December 2023[2] US$'000
Non-current		
Severance pay benefits	**1 610**	1 494
Current		
Trade payables[3]	**5 700**	15 761
Accrued expenses	**4 893**	4 066
Leave benefits	**654**	498
Royalties	**1 839**	2 679
Withholding taxes	**69**	224
Other	**123**	128
	13 278	23 356

[1] *Unaudited*
[2] *Audited*
[3] *US$9.7 million included in the 31 December 2023 balance, related to the remaining portion of the purchase price for the mining fleet and support equipment purchased in terms of the insourcing of the mining activities, was settled during the current Period.*

19. CASH FLOW NOTES

	Notes	30 June 2024[1] US$'000	30 June 2023[1] US$'000
19.1 Cash generated by operations			
Profit before tax for the Period		**9 928**	3 946
Adjustments for:			
Depreciation and amortisation excluding waste stripping	9	**4 978**	2 447
Depreciation on right-of-use assets	10	**1 007**	866
Waste stripping cost amortised	9	**17 835**	17 787
Finance income		**(417)**	(187)
Finance costs		**3 923**	2 433
Unrealised foreign exchange differences		**587**	(620)
Profit on disposal and scrapping of property, plant and equipment	5	**(155)**	(79)
Gain on derecognition of leases		**–**	(23)
Bonus, leave and severance provisions raised		**1 677**	2 056
Share-based payments	15	**374**	241
		39 737	28 867
19.2 Working capital adjustment			
Decrease/(increase) in inventory		**258**	(5 086)
(Increase)/decrease in receivables		**(1 073)**	509
Decrease in payables		**(11 689)**	(2 769)
		(12 504)	(7 346)
19.3 Cash flows from financing activities (excluding lease liabilities)			
Balance at beginning of Period		**38 568**	5 944
Net cash (used in)/from financing activities		**(344)**	3 464
– Financial liabilities raised		**33 874**	23 600
– Financial liabilities repaid		**(34 218)**	(20 136)
Interest paid		**(2 730)**	(1 285)
Non-cash movements		**2 852**	786
– Interest accrued		**2 730**	1 285
– Amortisation of credit underwriting fees		**131**	133
– Foreign exchange differences		**(9)**	(632)
Balance at Period end		**38 346**	8 909

[1] *Unaudited*

20. COMMITMENTS AND CONTINGENCIES

The Board has approved capital projects of US$4.2 million (31 December 2023: US$4.3 million) at Letšeng, mainly relating to plant upgrades and improvements in the recovery and sorthouse areas of US$2.5 million.

Of the total approved capital projects, US$2.6 million has been contracted at 30 June 2024, the majority of which relates to a new XRT sorting machine for the recovery and sorthouse improvement.

Post Period end, the dismantling and transportation offsite of the Ghaghoo processing plant commenced, which is expected to cost approximately US$1.8 million. This expenditure will be incurred over the next six months.

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$0.6 million (31 December 2023: US$0.5 million).

The Group monitors possible tax claims within the various jurisdictions in which it operates. It is noted that tax legislation is highly complex and subject to interpretation of the application of the law. Due to the complexity of the legislation, significant judgement is required to determine any effects of uncertainties in accounting for and disclosure of income taxes. There have been no further uncertain tax positions that arose during the Period and therefore there has been no change in judgement applied and the accounting treatment compared to that disclosed in the 2023 Annual Report and Accounts.

Furthermore, there has been no change to the amended tax assessment that was issued to Letšeng by the Revenue Services Lesotho (RSL) in December 2019.

21. RELATED PARTIES

Related party	Relationship
Jemax Management (Proprietary) Limited	Common director
Government of the Kingdom of Lesotho	Non-controlling interest

	30 June 2024[1] US$'000	30 June 2023[1] US$'000
Compensation to key management personnel (including Directors)		
Share-based equity transactions	**342**	110
Short-term employee benefits	**1 497**	2 126
Post-employment benefits (including severance pay and pension)	**148**	160
	1 987	2 396
Fees paid to related parties		
Jemax Management (Proprietary) Limited	**(37)**	(38)
Royalties paid to related parties		
Government of the Kingdom of Lesotho	**(7 440)**	(6 737)
Purchases from related parties		
Jemax Management (Proprietary) Limited	**(2)**	(2)
Amount included in trade payables owing to related parties		
Jemax Management (Proprietary) Limited	**(7)**	(6)
Amounts owing to related party		
Government of the Kingdom of Lesotho	**(1 902)**	(1 244)

[1] *Unaudited*

Jemax Management (Proprietary) Limited provided administrative services with regards to the mining activities undertaken by the Group. A controlling interest is held by an Executive Director of the Company.

The above transactions were made on terms agreed between the parties. The amounts included in trade payables are non-interest bearing and have no repayment terms.

22. EVENTS AFTER THE REPORTING PERIOD

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

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