Report on Payments to Governments for the year ended 31 December 2018

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 2018 financial year, as required under the United Kingdom’s (UK) Report on Payments to Governments Regulations 2014 (as amended 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 2018 financial reporting period, extractive activities were conducted in Lesotho while the operation in Botswana was under care and maintenance. All payments made in relation to the Botswana entity were under the materiality level and therefore not reported.

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 payments of this nature for the year ended 31 December 2018.

Taxes

These are payments on the entity’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/or 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 dividend payments of this nature to governments for the year ended 31 December 2018.

Signature, discovery and production bonuses

There were no payments of this nature to governments for the year ended 31 December 2018.

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 at entity level and have therefore not been reported.

Payments for infrastructure improvements

There were no payments of this nature to governments for the year ended 31 December 2018.

Cash flow basis

Payments reported are on a cash flow basis and may differ to amounts reported in the Gem Diamonds Limited 2018 Annual Report and Accounts which are prepared on an accrual basis.
**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$115,000 (£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 dollar.

Payments made in currencies other than US dollar were translated at the relevant annual average rate for the year ended 31 December 2018.

**Summary report**

<table>
<thead>
<tr>
<th>Operation</th>
<th>Country</th>
<th>Taxes US$'000</th>
<th>Royalties US$'000</th>
<th>Total US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letšeng Diamonds (Proprietary) Limited</td>
<td>Lesotho</td>
<td>6 163</td>
<td>18 387</td>
<td>24 550</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6 163</strong></td>
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**Lesotho**

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</thead>
<tbody>
<tr>
<td>Lesotho Revenue Authority</td>
<td></td>
<td>6 163</td>
<td>–</td>
<td>6 163</td>
</tr>
<tr>
<td>Government of Kingdom of Lesotho</td>
<td></td>
<td>–</td>
<td>18 387</td>
<td>18 387</td>
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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

In accordance with DTR 4.3A.10 a copy of this Report will be submitted to the National Storage Mechanism website and will be available for inspection at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).

**FOR FURTHER INFORMATION:**

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This announcement has been released by Gem Diamonds Investor Relations.
The Gem Diamonds Limited LEI number is 213800RC2PGGMZQG8L67.

ABOUT GEM DIAMONDS:

Gem Diamonds is a leading global diamond producer of high value diamonds. The Company owns 70% of the Letšeng mine in Lesotho and 100% of the Ghaghoo mine in Botswana. The Letšeng mine is famous for the production of large, top colour, exceptional white diamonds, making it the highest dollar per carat kimberlite diamond mine in the world.

www.gemdiamonds.com