

STORM MOUNTAIN DIAMONDS



Sustainability Report 2022

CONTENTS

CEO's Foreword	3
Our Sustainability highlights	4
Chapter One: Our Sustainability Governance	6
Sustainability Starts at the Top	8
Stakeholder Engagement	9
Materiality Matters	11
Our process	11
The Results	11
Chapter Two: Social and Economic Development	12
Taxes and payments to local and national governments	12
Employment and training	13
Supply chain purchases	13
Contributions to local community development	14
Our Grievance Mechanism	14
Addressing Community Grievances and Concerns	14
There are 9 steps to our grievance mechanism	15
Chapter Three: Our People	18
A Safe and Healthy Workforce	19
Building an Inclusive Health and Safety Culture	19
A Focus on Physical and Mental Health	19
Occupational Health	19
Our Performance	20
Employment and Training	21
Labour Relations	21
Diversity and Inclusion	21
Chapter Four Environmental Stewardship	22
Our Approach to Environmental Management	23
Environmental Incidents Reporting and Management	23
Energy and Emissions	24
Our Carbon Footprint	24
Responsible Water Stewards	26
Managing water quantity	26
Managing water quality	26
Waste Management	27
Tailings Management	28



About SMD and This Report

We are pleased to produce our first-ever Sustainability Report. For us, sustainability is not a tick-box exercise but a fundamental part of our business. We operate the Kao mine in the District of Botha-Bothe in Lesotho and are jointly owned by Namakwa Diamonds and the Lesotho Government which hold 25%. Our kimberlite pipe is the largest in Lesotho and the fourth-largest in Southern Africa. The main kimberlite pipe is 19.8 hectares, and the satellite pipe is 3.2 hectares. Positioned at approximately 2 500m above sea level, Kao mine is an open pit mine and the largest undeveloped diamondiferous pipe in Lesotho.

Scope and Boundary of the Report

This report sets out our policies, management approach to sustainability, and performance data for our most material sustainability aspects for the financial year 2022 (1 September 2021 - 31 August 2022). This report has been prepared to align with the requirements of the Responsible Jewellery Council (RJC), the Sustainability Accounting Standards Board (SASB), and in accordance with the GRI Standards 'core' option.

Unless otherwise stated, the data contained in this report refers to our sole operation - the Kao Diamond Mine in Lesotho, and the currency amounts in the report are expressed in LSL (Lesotho loti).

CEO'S FOREWORD

It is with great pleasure that I share with you Storm Mountain Diamonds' 2022 Sustainability Report, our first and inaugural review of our company's environmental, social, economic and governance impacts. 2022 was a year for restoration and growth for Storm Mountain Diamonds; after two years of disruptions and uncertainties during the global COVID-19 pandemic, Storm Mountain Diamonds and other businesses have been regaining their operational momentum. However, in 2022 the world was once again shaken by the war between Russia and Ukraine. As a company funded by Ukrainian investors, this has had a direct impact on our business continuity. I would like to commend our strong workforce and management team, all of whom have kept the ship afloat amidst the challenges the mine has faced.



Restoring and developing positive community relations

While popular culture tells us that Diamonds are forever, the supply is exhaustible and the entire mining sector does fundamentally have a time-limit. The entire Storm Mountain Diamonds team is aware of this. Such knowledge drives our thinking with regards to our role in our local community, and means we work hard to ensure that first the communities of the Botha-Bothe are where the Kao Diamond is situated and wider Lesotho benefit from our presence, and that we leave a positive, sustainable socio-economic and environmental legacy for future generations.

When we acquired Kao mine in 2010, we were met with a number of unresolved community grievances, and the relationship between the mine and the local community was strained. Restoring damaged relationships is never an easy task, and for the last decade our team has worked to proactively and transparently engage with the community, to seek resolution to these historic grievances, while also developing and delivering on commitments that serve the future. Some of the work undertaken includes a formal community needs analyses to understand the most critical needs of the community, and the establishment of a memorandum of understanding (MOU) to guide the terms of engagement. We have also implemented a Corporate Social Responsibility Policy, and most importantly we have delivered on the commitments we have made.

Safe operations

Over the past 12 months, our board of directors has signed off and approved our Life of Mine (LOM) closure plan which will help us towards leaving behind an economically-independent community and restoring - as far as practically possible - the natural environment. Our operation undertook the NOSA integrated 5-star system audit which is based on a risk-driven approach. The audit, which assesses a business against the best principles of occupational risk management, awarded us a 5-star rating as a symbol of occupational risk management excellence. This demonstrates that our health, safety and environmental systems and processes are effective, and this is reflected by a 0.087 lost time injury frequency rate recorded for the past year. We have also recorded zero major environmental incidents for over five years. However, we do not rest on our laurels and health, safety, and environment all remain priority areas.

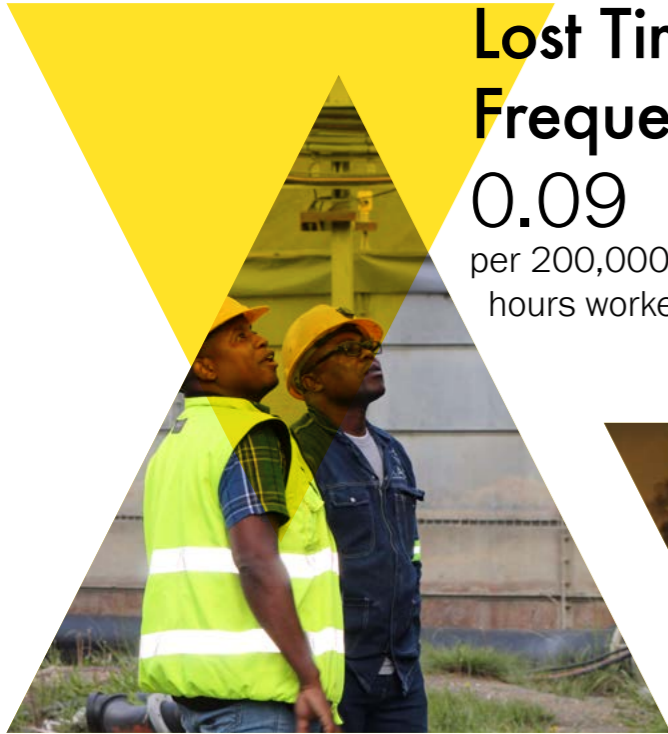
Responsible Jewellery Council Membership

I am also pleased to announce that Storm Mountain Diamonds is now a member of the Responsible Jewellery Council. As much as this is a great achievement, there remains work to do as we track towards attaining accreditation, and we are committed to continuous improvement, environmental protection, safe operations, and delivering benefits to all our stakeholders.

Mr Mohale Ralihariki, CEO

OUR SUSTAINABILITY HIGHLIGHTS

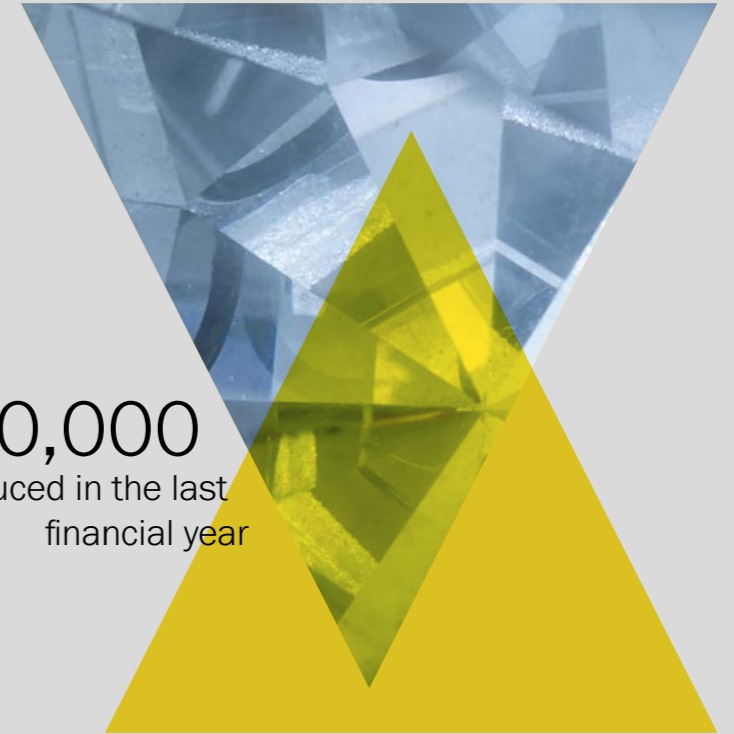
**Lost Time Injury
Frequency Rate**
0.09
per 200,000
hours worked



**Water reused
and recycled**
0.991
m³/Carat produced



200,000
carats produced in the last
financial year



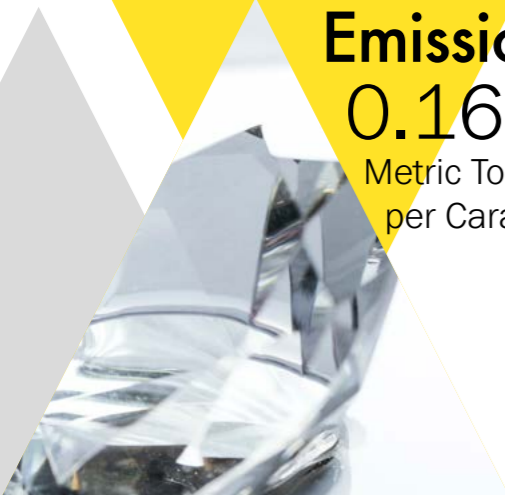
Emissions
32,276.08
Metric Tonnes of CO₂-e
(carbon dioxide equivalents)



Over LSL 2.4 million
spent on employee training



Emissions intensity
0.16
Metric Tonnes of CO₂-e
per Carat produced



LSL 499 million
(+70%) total procurement spend
with National Suppliers



Energy intensity
0.06 GJ
Tonnes of ore mined





1 OUR SUSTAINABILITY GOVERNANCE

Mining responsibly and with sustainability in mind are fundamental values for Storm Mountain Diamonds. The bedrock of our approach to sustainability governance is a set of policies related to sustainability which have been drafted to meet or exceed the requirements of the laws of Lesotho, including the Mine Safety Act 4 of 1981, National Occupational Health and Safety Policy 2019, Lesotho Labour Code 24 of 1992, Water Act 10 of 2008 and the Environment Act 10 of 2008.

Our primary sustainability policies are:

▲ **Ethics policy:** This sets out our approach to good governance and ethical behaviour. It details the standards and principles to which we hold all employees and suppliers and ourselves accountable. It includes a best practice approach to managing conflict of interest, trade secrets, intellectual property, confidential information, gifts, and entertainment including donations from political groups, managing company assets, and managing relationships with others. The policy is taught to all staff, suppliers, contractors, and visitors to the site as part of induction training. Contravention can lead to disciplinary action, termination of employment, or revocation of a contract of the supply agreement.

- ▲ **Health, Safety, and Environment (HSE) Policy:** The HSE policy compels us to recognise, evaluate and control hazards arising in or from the workplace that could impair the health and wellbeing of our workers and the surrounding communities, and the general environment. The policy is supplemented by site-environmental and safety plans and management systems that are specifically tailored to the unique environmental and social challenges and permitting restrictions of each site. Site-specific plans are aligned to the requirements of international standards including ISO14001, and ISO45001.
- ▲ **Community Social Responsibility (CSR) Policy:** We understand that our operations are a driver of socio-economic development both nationally and regionally. This is why our approach to CSR considers and seeks to support education, local businesses, health, environmental projects as well as infrastructure development within the communities we operate in.
- ▲ **Human Rights Policy:** Our Human Rights Policy sets out our approach towards human rights management on site and within our supply chain. Our policy commits us to respect and uphold the rights of people impacted and affected by our operations. The policy includes zero tolerance for any form of exploitative, forced, or compulsory labour, and sets out a commitment to support:
 - △ The Universal Declaration of Human Rights (UNHDR).
 - △ The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work (the ILO Core Conventions).
 - △ The United Nations Global Compact (UNGC) and Business Leaders Initiative on Human Rights.
 - △ The Voluntary Principles on Security and Human Rights.
 - △ The Constitution of Lesotho.
- ▲ **Whistle-blower Policy:** This policy forms part of the conditions of employment for all our employees and encourages employees to speak up when they suspect that there has been a breach of applicable laws or regulations. It provides avenues for our employees to raise those concerns and receive feedback on any action taken. The policy also ensures that our employees receive responses to their concerns and are aware of how to pursue them if they are not satisfied. It further reassures employees that they are protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith. The whistle-blowing policy covers major concerns that fall outside the scope of other procedures available at our operation. These include health and safety risks, risks to the public as well as other employees; damage to the environment; unauthorised use of company funds including possible fraud and corruption; and other unethical or unlawful conduct.
- ▲ **Anti-bribery and corruption policy:** This policy explains the systems and procedures we have in place to maintain high ethical standards and to protect our reputation against allegations of bribery, corruption and money laundering. It compels us to take the following steps to prevent bribery, corruption and money laundering: Risk assessments, verification of the origin of any large sums of money, undertake due diligence on clients and business partners and, to follow a risk-based approach to ensure compliance with all applicable anti-bribery and anti-corruption laws.

During 2022, we rolled out a whistleblowing platform. The platform aligns with our policy to set out procedures available for formal and informal reporting and disclosure which is confidential.

All our employees, contractors, agents, and consultants are expected to meet and comply with the requirements of our policies. This report details how our policies, and procedures are implemented, monitored, and managed, as well as our performance against any associated KPIs. Our key sustainability policies are available on-site in English, and the [HSE](#) and [CSR](#) policies are summarised on our website.

Sustainability starts at the top

For Storm Mountain Diamonds, accountability for the implementation of policies and our performance against them and any associated key performance indicators (KPIs) resides with our Board of Directors.

The Board is supported in this regard by Sustainability Steering Committee which meets quarterly, and permanent members include:

Mr Mohale Ralihariki,
CEO

Mr Morne Maree,
Company Secretary

**Ms Malehlohonolo
Mojaki,**
Sustainability Manager

These meetings are supported by the Executive Committee (EXCO). At a management level, our EXCO and Management Committee (MANCO) monitor the application of policies and procedures and ensure compliance with our standards down to the operational site.

At the mine, we have dedicated environmental, health, and safety and community teams and managers, all of whom drive the management and delivery of all environmental, safety, and community initiatives and performance on the ground.

As a mining operation, we have a wide range of stakeholders beyond our mining boundaries and maintaining our social license to operate requires us to build relationships based on trust, mutual respect, and shared benefit with our host communities. How we engage with our stakeholders is guided by our Stakeholder Engagement Procedure (SEP), which outlines the objectives, principles, and requirements of the engagement. Some of the main objectives of the SEP are:

- ▲ Identify key stakeholders that are affected by, or can influence, the mine and its activities;
- ▲ Assess their strengths, weaknesses, tactics, and sphere of influence;
- ▲ Establish the most effective methods which can be used to disseminate information to the stakeholders, and to ensure regular, accessible, transparent, and appropriate consultations; and,
- ▲ Implement a formal grievance management process and ensure that complaints are resolved within a month.

Stakeholder Engagement

Our stakeholders are central to our business and whether they are shareholders and investors in Ukraine or the Basotho elders of the villages in the Kao area who live at our doorstep, we value their opinion. We have identified seven priority stakeholder groups we engage with regularly; these are:

- ▲ Local Community/Community Liaison Committee and Local Chiefs
- ▲ National and Local Government
- ▲ Civil Society Organisations
- ▲ Business Sector/Suppliers
- ▲ Employees
- ▲ Media
- ▲ Investors

To ensure the views of these groups are heard we have a Stakeholder Engagement Plan (SEP) and implementation matrix. Together these documents detail the areas of influence, appropriate approaches to engagement for each stakeholder group, as well as the frequency of engagement. They also set out our desired outcome and assigns the responsible person. The way we engage with different stakeholder groups varies and is specifically tailored to the needs, interests, and resources of that group. It also evolves over time with the relationship. In line with our SEP, 22 community engagements were held during the year.



Stakeholder group	Means of Engagement
Local Community/ Community Liaison Committee and Local Chiefs	<ul style="list-style-type: none"> ▲ Public meetings ▲ One-on-one meetings ▲ Correspondences ▲ Focus group meetings ▲ Formal meetings ▲ Training workshops
National and Local Government	<ul style="list-style-type: none"> ▲ Formal meetings ▲ Focus group meetings ▲ Correspondences ▲ Mine Leaflets ▲ One-on-one meetings ▲ Social media pages and the mine website
Civil Society Organisations	<ul style="list-style-type: none"> ▲ Formal meetings ▲ Correspondences ▲ Mine Leaflets ▲ One-on-one meetings
Business Sector/Suppliers	<ul style="list-style-type: none"> ▲ Correspondences ▲ Mine Leaflets ▲ Mine Leaflets ▲ Training workshops
Employees	<ul style="list-style-type: none"> ▲ Formal meetings ▲ Correspondences ▲ Mine Leaflets ▲ One-on-one meetings ▲ Social media pages and the mine website
Media	<ul style="list-style-type: none"> ▲ Correspondences ▲ Mine Leaflets ▲ One-on-one meetings ▲ Focus group meetings ▲ Social media pages and the mine website
Investors	<ul style="list-style-type: none"> ▲ Formal meetings ▲ Correspondences

Materiality Matters

To better understand the sustainability priorities of our stakeholders and our business, in line with the requirements of the GRI Standards, and as part of our sustainability report compilation process, we undertook a materiality assessment.

Our process

During July and August of 2022, with the help of external consultants, we compiled a list of sustainability issues related to mining. These issues were pulled into an online survey which was sent to a range of internal stakeholders, including; Members of the Board, The Executive Committee, Senior Management, Site level Departmental Managers, and Supervisors. The survey asked these stakeholders to rank each issue from 1 (very low significance) to 4 (very high significance) in terms of our impact of that issue on our business. The results of the survey were then analysed according to an internally developed scoring system. A total of 41 identified topics were included in the survey.

The results

The process identified a total of 14 aspects were identified as material for our business. These are classified as either highest priority or high priority. Our five highest priority topics are: respect for human rights; zero harm (ensuring occupational health and safety); water stewardship (responsible water use and reducing risk of water pollution); environmental compliance; and, transparent payments to government.

While our seven high priority topics are: positive stakeholder engagement; preventing fraud, bribery and corruption; economic performance and profitability; security practices; mine closure planning and rehabilitation; contributing to community development; environmental management; labour rights and relations; and, employee well-being.

The results of the materiality assessment have been used to guide the content of this report and will also be used to help inform our sustainability strategy and management for the year ahead.

We are committed to continuous improvement and aim to include our external stakeholders in the next materiality survey and include these results in our next report.



Figure 1: Materiality Assessment Results

2 SOCIAL AND ECONOMIC DEVELOPMENT



13 scholarships provided to local students during the 2022 financial year



LSL 709 million total procurement spend on local and international vendors



28 security personnel trained on Voluntary Principles on Security and Human Rights

Building positive community relations and contributing to the development in our local communities is vital to the success of our business and a fundamental part of approach to sustainability management. We know and have seen that the presence of a responsibly-operated mine can be a catalyst for positive social and economic development for both its host community and country. Through the development and implementation of our CSR policy, we strive to be a good corporate citizen and to ensure our mine contributes to the social and economic development of the communities of our local Botha-Bothe community and Lesotho more broadly. We do this through:

Taxes and payments to local and national governments

In Lesotho, the mining sector contributes approximately 10% of the GDP. The tax we pay makes a significant contribution to the Lesotho Treasury. Our approach to taxation is to comply in a responsible manner with the tax laws and practices of Lesotho. We deal with the authorities openly and with integrity, and we transparently report all payments we make to the government.

DIRECT LESOTHO CONTRIBUTIONS						
Period	Payroll	WHT	Royalties	Mining Lease	PAYE	Total
2022 (Jan - Aug)	127 611 133	29 963 871	70 000 934	Due in Dec 22	29 106 984	256 682 922
2021(Jan-Dec)	130 337 248	29 041 906	148 225 189	2 557 781	30 077 373	340 239 497
2020(Jan-Dec)	110 099 573	13 239 311	8 600 525	2 230 391	21 958 897	156 128 697
2019(Jan-Dec)	126 961 503	35 480 950	46 931 557	2 024 301	28 807 816	240 206 127
2018(Jan-Dec)	115 436 451	34 486 010	29 630 377	1 979 671	26 630 495	208 163 004
2017(Jan-Dec)	97 774 159	28 051 705	43 433 766	1 619 699	20 651 995	191 531 325
2016(Jan-Dec)	83 691 694	24 894 954	36 399 023	1 701 655	19 275 967	165 963 293
2015(Jan-Dec)	76 814 126	16 919 595	48 978 396	1 741 701	17 460 510	161 914 328
2014(Jan-Dec)	66 061 966	19 353 817	58 077 935	1 550 556	16 391 783	161 436 058
2013(Jan-Dec)	46 328 256	15 275 948	42 185 229	898 684	10 561 110	115 249 228
Project to Date	981 116 110	246 708 067	532 462 932	16 304 439	220 922 930	1 997 514 478

Figure 2: Our Contributions to the Lesotho Fiscus

Employment and training

Opportunities for employment and skilled jobs in the Lesotho highlands are scarce. Our mine provides valuable employment and training opportunities for the local community. Our approach to recruitment is to the extent practicable to employ people from the communities nearest to the Kao Mine, before looking elsewhere in-country or to expats. We currently have a workforce of 752 employees and contractors, of which 95% are Lesotho nationals and 33% of the nationals are locals from our surrounding community and Kao villages. We give first preference to Basotho suppliers and provide entrepreneurial skills training to local communities focusing on programs that empower the community to run sustainable businesses and projects. As part of our commitment to local employment, we also work to provide training and skills development opportunities for all employees.

Supply chain purchases

Alongside the direct employment opportunities we provide, our supply chain has enormous potential to create jobs and deliver economic benefits for the local community and country. We prioritise procurement from local and in-country suppliers. During the reporting period, we purchased LSL 499 million (more than 70% of our procurement expenditure) in goods and services from local and national vendors. We currently have 63 national suppliers who are part of our supply chain from whom we procure goods and services.

We expect all our suppliers and contractors to act with integrity, to respect human rights and to comply with the laws and regulations of Lesotho. Compliance with our policies is explicitly required as part of the general terms and conditions of the contract for supply of goods and services.

Contributions to local community development

Our local communities are crucial partners for the viability of our operations. They provide us with the labour our operations need to continue and help deliver a secure environment for us to operate in. However, the remoteness of the area means that access to healthcare and education can be limited, infrastructure tired, and local economic opportunities scarce.

To counter these challenges and deepen our relationship with the community we contribute to and invest in a range of community initiatives, under the following priority themes:

- ▲ Education
- ▲ Supporting local businesses;
- ▲ Health;
- ▲ Environmental projects; and
- ▲ Infrastructure.

To implement our CSR policy, we set aside an annual CSR program budget (LSL 4,618,865 for reporting period), and work with the community to identify projects for funding and assess applications for support. The budget for CSR projects is determined upfront, and a mix of projects including education, vocation, training, infrastructure, and facilities, are selected by the Steering Committee. Once selected projects are approved, we regularly monitor the progress of the approved CSR activities and submit CSR reports to the Board. We have developed a detailed action plan for the next three years.

Beyond this we also work to maintain and upgrade of local infrastructure. This includes maintaining more than 30km of gravel road that connects Kao with the A1 principal road at Tlaeng, which we also constructed.

Case Study

Restoring Positive Community Relations – Our Social License to Operate

Our nearby communities are some of our most important stakeholders and we have a mutually respectful and positive relationship with them. However, it hasn't always been that way. When we acquired the Kao mine from the previous operator, we also acquired some legacy issues and a history of poor relations between the mine and the community. This initially created a tense community relationship and threatened our social license to operate.

Since taking ownership we have worked hard to build a positive relationship with the community, steps we have taken include:

- ▲ Prioritising open, honest and meaningful engagement with the local community.
- ▲ Addressing and working to resolve outstanding legacy grievances pertaining to the previous owners, and
- ▲ Implementing a formal community grievance mechanism and process.

We have also undertaken a community needs analysis to help us better understand the needs of the community and ensure we provide meaningful and wanted support and contribute to community development.



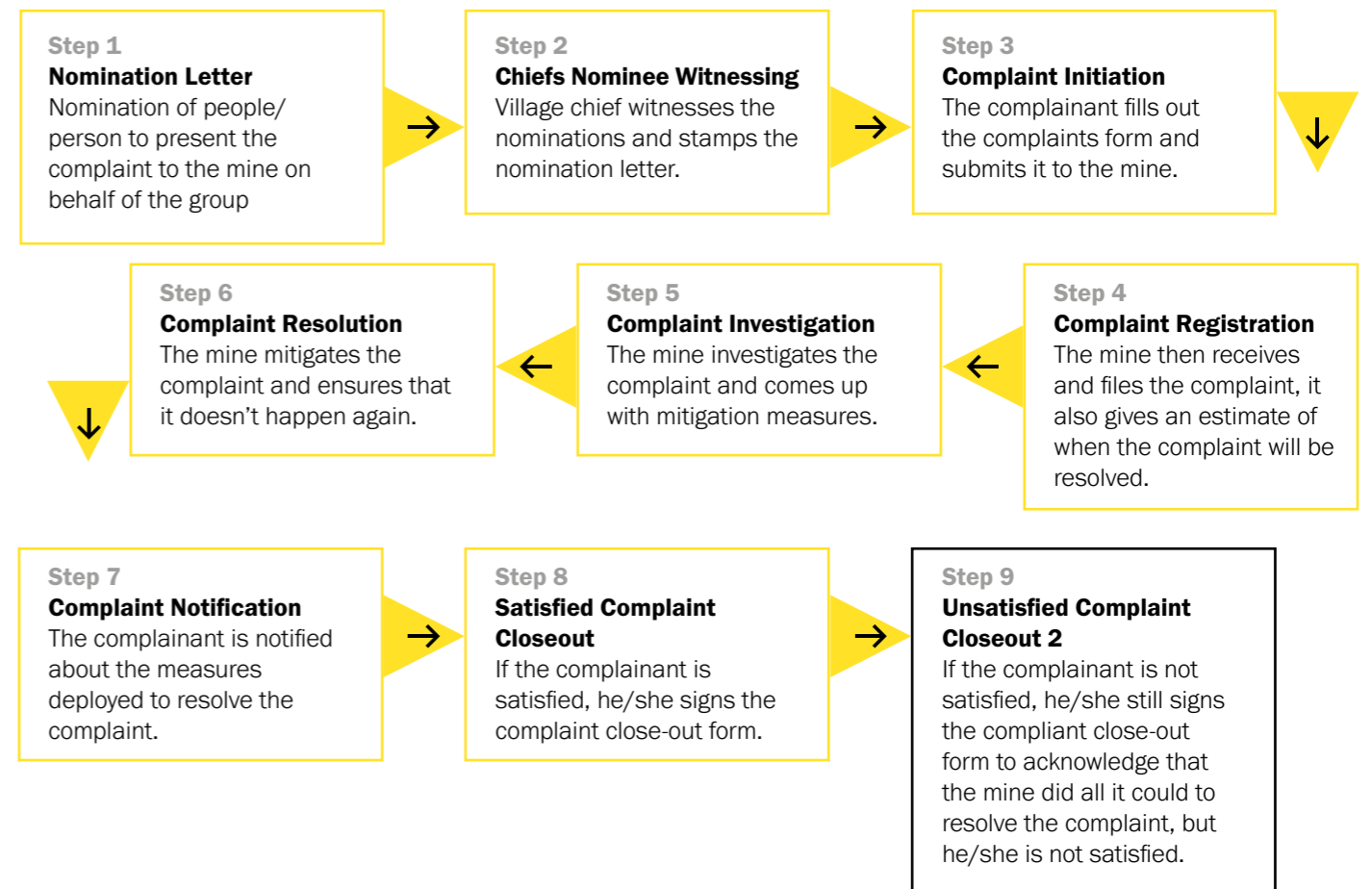
Our Grievance Mechanism

Our Community Liaison Officer together with our Sustainability Manager are responsible for our grievance mechanism. The procedure allows for group and individual grievances to be lodged and clearly sets out the steps to be followed from lodging the complaint to its closeout.

Addressing Community Grievances and Concerns

During the year, a total of ten grievances were received, eight of which have successfully been closed out; the majority of these related to cracked walls of houses in the village adjacent to the mine as a result of blasting on site. Following receipt of these concerns, we appointed a structural engineer to determine whether the damages were related to our activities. The results of the assessment could not attribute all the damages to our blasting activities, but in line with our commitment to being a responsible operation, we repaired over 84 houses to date across the different neighbouring villages in our host community, and continue to do so.

There are 9 steps to our grievance mechanism



We aim to resolve all grievances received through the grievance mechanism within a month of receipt.

Case Study

Turning promises into dignity – Tipping Village Resettlement

To safely access a resource or deposit sometimes means crops or fields need to be relocated or households and communities resettled. This can be one of the most challenging tasks a mining company can face. If not carefully undertaken and managed, a mining company can harm community relations, threaten its social license to operate, and even result in government action.

Prior to 2009, the previous owners of the Kao Diamond Mine, took the decision to resettle residents of Tipping Village which is located to the east of the mine. As an initial step, five families were temporarily moved to Lihloahloeng village, with the understanding that they would be permanently moved later to Sekiring village. However, the previous owners took financial strain and the company was liquidated before the resettlement was complete. Since we acquired the mine, we have reviewed the resettlement process and procedures. In 2016, began work to build a new village and complete the resettlement. The actual construction of the relocation village in Sekiring began in 2019 and was completed in 2020 with 15 households resettled and more than 15 houses constructed for former Tipping Village residents.

During the construction phase, we worked to ensure residents have been provided with homes that exceeded the quality of their previous homes. The newly constructed homes have been fitted with solar panels to provide access to electricity, as well as communal water standpipes to provide reliable access to potable water, and each house has its own pit latrine. This is an improvement compared to the houses at the former village, which – with the exception of one house – had no toilet facilities. Alongside the improvements to housing, we have also worked to improve nearby roading infrastructure to provide safe access to each plot.



Case Study

Building Blocks Towards Better Teaching and Learning

During the needs assessment we undertook when we acquired the Kao Diamond Mine, we identified education as a key need for our local community. Noting that at the nearby Shishila Primary School the classrooms were overcrowded, the buildings were in need of maintenance, and there were no toilet and water facilities, we have been working to support Shishila school since 2017.

This includes building and furnishing three new classrooms. The expanded facilities have helped to reduce the average class size from more than 100 to 40 children per class. We have also built toilet blocks for students and teachers, and improved access to water. We have also built a staff room and Principal's office to ensure the staff have a space to work away from the classroom.

Beyond infrastructure, we have also provided fruit trees, a vegetable plot and a piggery at the school. These are cared for by staff and the students and the produce is sold to the mine and local community to provide the school with on-going income.



Case Study

Our Business Forum

On the 30th of June 2022, we held a business forum at Moroeroe Lodge in Botha-Bothe for businesses around the Kao area. The objective of the forum was to provide guidance and skills to help local small villages succeed and grow

The forum featured presentations and input from the Ministry of Trade and Industry, Small Business Development, Cooperatives and Marketing, as well as the Central Bank of Lesotho, and the Basotho Enterprises Development Corporation (BEDCO), and covered topics such as market growth and investment.

The programme was over-subscribed with more than 75 entrepreneurs drawn from our eight local villages that are surrounding the operations of the mine attending.





3 OUR PEOPLE

 **0.09 Lost Time Injury Frequency Rate**
(LTIFR) per 200,000 hours worked

 **2.38 All Injury Frequency Rate (AIFR)**
per 200,000 hours worked

 **0** fatalities

 **44% of our Senior Leadership**
positions are held by women

 **3%** staff turnover

 **NOSA 5-star** rating.

A Safe and Healthy Workforce

Our people are our real diamonds and keeping them safe and healthy is a core value for us. Our Health, Safety, and Environment policy has been developed to align with international best practice management systems, including ISO 45001 and ISO 14001. Driven by our commitment to ensuring Zero harm to our employees, the environment, and the local communities as a result of our mining activities, our policies are reviewed and updated regularly.

We invest in our workforce to create an environment where every person is proud to be part of our family. We believe that health and safety are everyone's responsibility, and we drive a culture of accountability ensuring Zero Harm to our workforce. Our safety culture holds each person accountable for their own safety and those around them ensuring that we all get home to our loved ones safe and healthy after every shift.

Our approach is set out in our **Health Safety and Environmental policy**, which compels us to:

- ▲ recognise, evaluate and control hazards arising in or from the workplace that could impair the health and wellbeing of workers;
- ▲ take into consideration the possible impact on the surrounding communities and the general environment;
- ▲ ensure Zero harm to employees, the environment, and local communities as a result of mining activities; and,
- ▲ strive to deliver results with excellence while maintaining maximum safety for all.

Building an Inclusive Health and Safety Culture

We believe that management systems and policies are only as good as the end user and this is driven on the ground by a robust safety culture. To embed our safety culture, we:

- ▲ Hold toolbox talks, and safety campaigns to discuss key safety themes or discuss any incident that may occur
- ▲ Encourage daily risk identification with a particular focus on high risk activities
- ▲ Promote a stop work authority which gives our people the right not to undertake any activity they don't think safe

Alongside the above actions, we are currently developing an incident reporting mobile application that will provide real-time incident reports and follow-up actions needed from safety representatives or supervisors.

A Focus on Physical and Mental Health

Mental health and managing stress and fatigue are also a key part of our approach to health and safety. We have an on-site clinic that is operated by qualified and trained nurses, which offers primary health care services as well as counselling services to our workforce and their immediate families.

Occupational Health

The mining sector has inherent occupational health risks that range from noise and vibrations from blasting, hazardous chemicals, and dust inhalation. For us to ensure the health of our employees and early detection of potential exposure, we conduct occupational health assessments annually. These are carried out to identify whether:

- ▲ Employees are exposed to existing workplace hazards;
- ▲ The control measures we put in place are effective; and
- ▲ A worker is showing any biological or clinical changes that could impair their working abilities as a result of damaging exposure.

Every person who enters our mine undergoes compulsory safety induction training before gaining access and starting work. We have safety signages across the mine to further raise awareness of potential risks and guide people on the PPE required for site activities and emergency contact numbers.

Our Performance

To monitor our performance, we track a range of key indicators, including; Lost Time Injury Frequency Rate, All Injury Frequency Rate and Medically Treated Injury frequency rate. All incidents and injuries are investigated to identify the root cause, and develop any necessary corrective actions to reduce the likelihood of recurrence. Learnings from investigations and corrective actions are shared through our regular toolbox talks and at management meetings.

No significant health and safety incidents or injuries occurred during the reporting period.

Health and Safety Indicators	Year to Date Performance
Fatalities	0
Lost Time Injury Frequency Rate (LTIFR)	0.09
All Injuries Frequency Rate (AIFR)	2.38
Medically Treated Injury Frequency Rate (MTIFR)	0.51

Case Study

Preparation is Better than Reaction

The Kao Diamond Mine is uniquely positioned on mountainous terrain, and we have communities on our doorstep. This creates significant risks that we continuously monitor and manage. We also recognise that no matter how vigorous our management systems we must be to be prepared for the worst.

We have developed a robust emergency preparedness plan and well-trained personnel in place to safeguard our employees, and community, and our business.

The team are trained in, amongst others; Advanced High-angle Rope Rescue, Hazchem Emergency Response and Management, Respiratory Care Assess and Treat (RCAT) Incident investigations and Fall Protection Plan development.

To make sure all our employees know what to do in cases of emergencies we conduct monthly safety drills. Due to the close proximity of communities surrounding our operation, we regularly communicate our emergency response plans and procedure throughout the local communities and provide them with our blasting schedules to reduce potential risks.



Employment and Training

We have a total workforce (including our contractors' employees) of 752, of which 95% are Lesotho nationals, with 33% from our surrounding community and local Kao villages.

However, our remote location and a small pool of local talent means that the retention and development of skills is a priority for our operation. We strive to identify and appoint highly skilled and high potential individuals and to provide first-class training and skills needed to operate a world-class mine.

The training and development we offer our workforce includes a wide range of safety and technical training and competencies, aligned with the needs of the operation. Every worker has a individual development plan (IDP), which is developed in conjunction with them and their line manager. The IDP identifies areas for growth and training to be undertaken during the coming year.

Labour Relations

We strive to ensure positive and productive relations with our staff and comply with the requirements of the Lesotho Labour Code 24 of 1992. We also respect the right of freedom of association and do not prevent our people from joining employee unions. During 2021 and 2022 there were no strikes or lock outs at the Kao Diamond mine, and we retained a low staff turnover of about 3%.

Diversity and Inclusion

We are committed to the principles of diversity and inclusion. We know diversity provides the wide range of thinking and problem-solving skills necessary to run a mining operation. It also provides us with a deeper talent pool to select from. We work to promote diversity and to appoint the best person for the job regardless of race, gender, disability, sexuality, ethnicity or religious belief.

We also work to provide a safe and supportive working environment for all our people. We have a zero-tolerance stance on harassment and encourage employees to speak out should they see any behaviour that contradicts our values. More than 44% of the members of our leadership team are women.

Leadership Gender Diversity

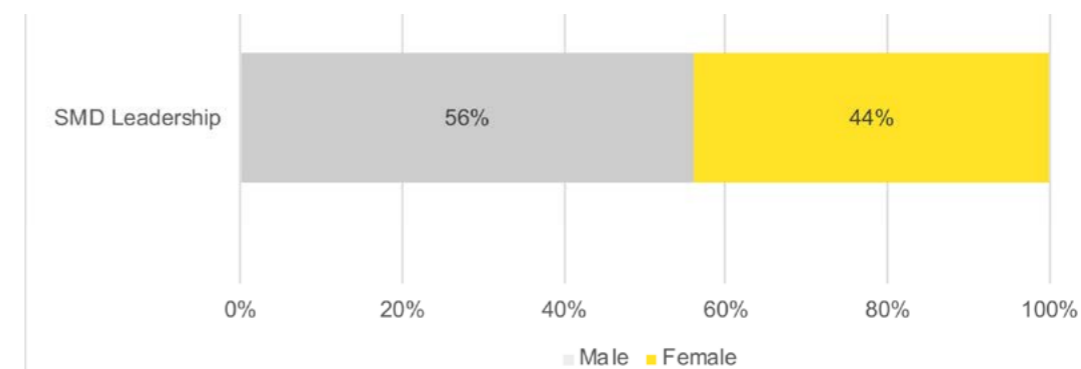





Figure 3: Leadership Gender Diversity



4 ENVIRONMENTAL STEWARDSHIP

 **45%** of water reused and recycled.

 **Zero** reportable environmental incidents

 **99%** of electricity consumed is sourced from the national grid.

32 thousand tonnes CO₂-e emitted during the reporting period

0.16 Metric Tonnes of CO₂-e per Carat produced

384,000 GJ energy consumed





1.94 GJ per Carat produced



Our Approach to Environmental Management

We believe acting as responsible stewards of the environment is a fundamental requirement of any modern company. We also know that the fundamental nature of mining means that we are going to have a negative impact on the environment. We are committed to managing, mitigating and minimising our negative impacts to the extent practicable, and to making and enhancing positive impacts where we can.

Our consolidated Health, Safety and Environment Policy complies with the requirements of the Lesotho Environment Act 10 of 2008 and aligns with the international best practice ISO 14001 standard. The policy commits us to:




-  Conduct our business with respect and care to people and to protect the environment
-  Conserve natural resources
-  Reduce, reuse and recycle the waste we generate and the water we use to minimise environmental impacts
-  Monitor and manage our greenhouse gas emissions.

Environmental Incidents Reporting and Management

One way we track our environmental performance is by monitoring our environmental incidents. We classify our environmental incidents according to a three-level matrix (low, medium, and high), and undertake investigations and root cause assessments to understand what happened, and why, and to identify any additional measures that may need to be implemented to prevent recurrence in the future.

Our aim is for zero severe and disastrous environmental incidents or reportable environmental incidents, and to reduce the number of minor incidents each year. At the same time, we view lower-level incidents as an early warning system which can help prevent more serious incidents from occurring and encourage all incidents to be promptly reported.

During the reporting year, we recorded a total of 269 incidents, of which none were high significance incidents.

Level of Classification of Incident	Number of Incidents Reported
 Low	223
 Medium	35
 High	0

The majority of incidents recorded relate to housekeeping and contained hydrocarbon spills. Some of these impacted on the natural environment and surrounding water bodies or communities, however, they were local and contained.

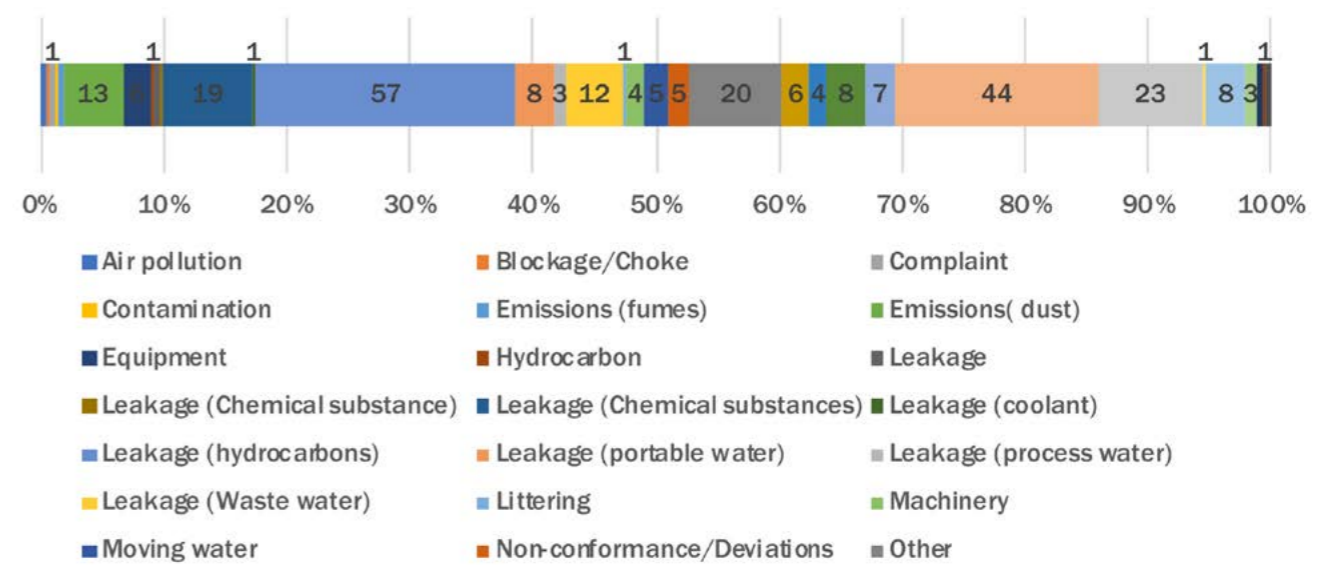


Figure4: Incidents by type

Energy and Emissions

We recognise that effects of climate change such as shifts in temperature, precipitation, and more frequent severe weather events could impact the mining industry. We also recognise that our operations generate greenhouse gases, and we are committed to monitoring, managing and ultimately reducing the emissions that occur as a result of our activities.

While diamond mining is relatively less energy intensive than other mining commodities, the bulk of the emissions we generate flow from the energy we use. Almost all the electricity we use is drawn from the Lesotho national grid, and between 70-80% of the electricity we use is for the processing plant. We also have onsite diesel generators available if there are any outages with the grid.

Our total electricity use for the reporting period was 27 million kWh, with 99% of the electricity we used coming from the national grid. Electricity generated by diesel accounts for less than 1% of our total electricity consumption. In total, we consumed 384 thousand GJ of energy during the reporting year equating to approximately 1.94 GJ per carat of diamond produced.

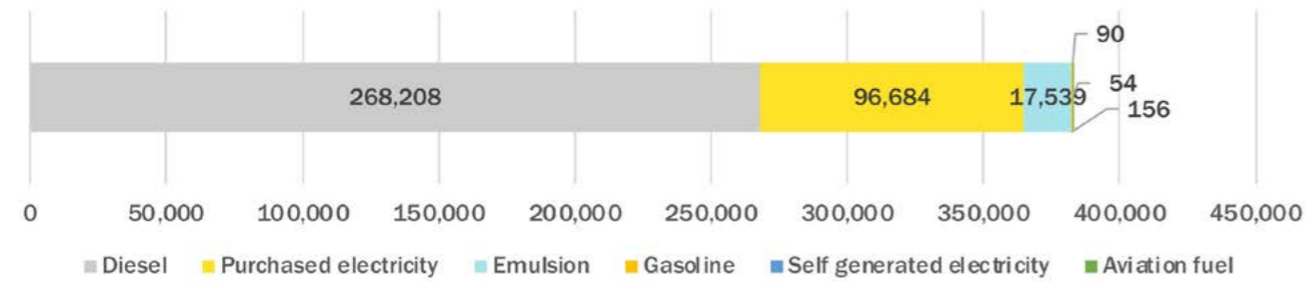


Figure 5: Energy Use by Source

Our Carbon Footprint

Our total greenhouse gas emissions for the year were 32,000 tonnes of CO₂-e. Our direct emissions (scope 1 emissions) contribute 61% of our emissions footprint. Indirect emissions (scope 2 emissions), which include emissions from purchased electricity, contributed 39% of our total emissions. Our emissions intensity was 0.16 and 0.01 tonnes CO₂-e per carats produced and tonnes mined, respectively.

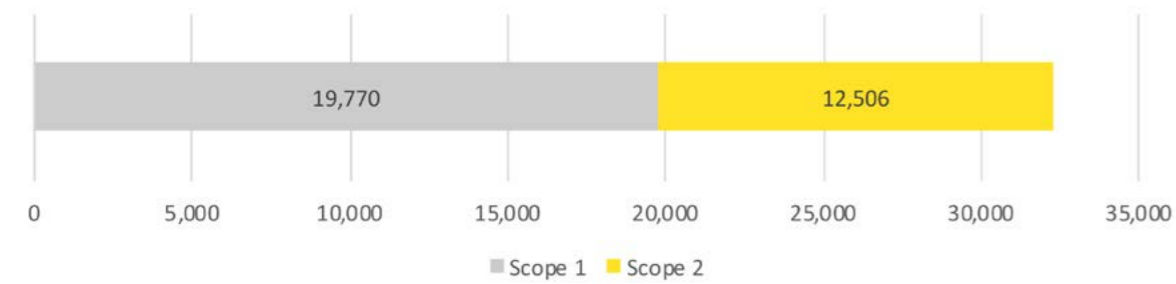


Figure 6: Our Scope 1 & 2 Emissions (Location based) (T/Co₂-e)

Our calculated emissions for this reporting year will be our greenhouse gas emissions baseline. We plan to set robust emission reduction targets going forward. Energy and electricity use not only contribute significantly to our emissions, but they are also a significant operating cost, and we constantly look for measures to reduce our energy use and ultimately our emissions.

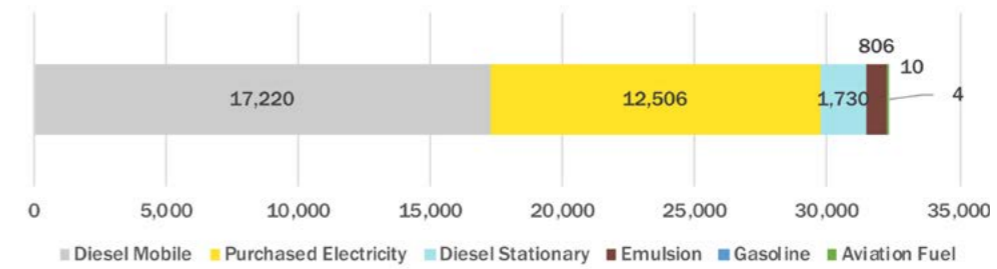


Figure 7: Our Emissions by Source

Some energy consumption and emission reduction initiatives undertaken to date include:

- ▲ Replacing all onsite light bulbs with LED bulbs.
- ▲ Installed technology to monitor the efficiency of on-site equipment.
- ▲ Replacing some of the older on-site generators with new more efficient generators.



Responsible Water Stewards

Water is a vital input into our operations. It is a scarce resource and accessing clean water is a basic human right. The Kao mine is located in a large catchment that feeds the surrounding communities and villages.

Our approach to water management is to ensure we have sufficient water to effectively run our mine, while also working to protect and avoid negative impacts to the quality and quantity of water available to the local community. Our commitment to responsible water use is reflected in our HSE policy, which compels us to conserve natural resources.

Managing water quantity

The majority of the water we use is abstracted from the nearby Sugar Bowl Dam. To minimise the amount of water we abstract, we focus on reuse and recycling water as far as practicable across site.

Approximately 45% of the process water we use on site is either reused or recycled. During the year we abstracted a total 185,430 m3 of water, or a water use intensity of 1.4 m3 cubic meters per carat produced.

To minimise our impact on access to water for local communities, we also supply treated water to one village and we have built infrastructure to provide other villages near to our operations with potable water.

Changes to water quality both within and outside our mine can impact surrounding communities, ecosystems and the environment. We work to understand the baseline conditions and potential sources of impact and use treatment systems to ensure the water we discharge back into the environment complies with Lesotho legal requirements and international best practice standards.

Managing water quality

We have a number of water treatment plants on site, to treat both process and domestic water, wherever practicable water is returned to the process for reuse rather than discharged. All water discharged from site complies with national regulations, and is tested for traces of chemicals or pollutants prior to discharge. We also have monitoring points in nearby water ways to test for pollutants. One of our biggest challenges with regards to water management relates not to the water we use on site, but to contact water from snow melt or rainfall which runs through our site. The nature of the ore and soil means this contact water picks up nitrates as it becomes run off and can pollute local water ways. We also have to manage this excess water on to our site very carefully. There are times that we have had to get discharge additional water, especially on the fine Tailings Storage Facility (TSF) in the West Valley. This is done to protect the integrity of the infrastructure (a TSF is not a water storage facility and is prone to wall liquification if too much water is stored on it). Before we do this we obtain consent and a dewatering permit from the Lesotho Department of Environment to release water in a controlled way from the TSF. At the same time we released water from the TSF, we also released additional water from the Sugar Bowl dam to further dilute the nitrates. Our water monitoring protocol showed the effects of such releases were negligible.

We have also updated our Stormwater Management Plan. Actions taken as a result of this update include expanding our storm water and diversion trenches, and building additional settlement dams, so we can treat and safely discharge this water.

Beyond the above actions, since 2016 we have worked with the University of the Free State to identify and develop options to treat the nitrates that occur in some of our water. These efforts have led to the development of a pilot plant onsite to reduce nitrates in water to levels safe for domestic use. The plant which became fully operational at the end of 2021 reduces nitrate levels by approximately 96%. It cost M 800 000, treats approximately 20,000 litres of water every day.



Waste Management

The process of extracting valuable minerals or gems from ore inevitably generates significant volumes of waste, both hazardous and non-hazardous. Ensuring we deal with the waste we generate in a responsible manner is critical to the health of the environment, local communities and by extension the health of our business. This ensures all waste associated with our activities is managed to the highest standard is a key part of our approach to environmental management.

At the bed rock of our approach to waste management is a six-step waste management hierarchy. This compels us to:

- ▲ Prevent the generation of waste to the extent practicably possible
- ▲ Reduce waste at the source
- ▲ Reuse the waste materials we can
- ▲ Recycle as much waste as possible
- ▲ Dispose safely of all remaining waste

Of the waste generated on site, 79% is classified as non-hazardous waste, comprising recycled scrap metals as well as domestic waste such as paper and plastic. We recycle up to 51% of non-hazardous waste at our mine. The bulk of the hazardous waste we generate is composed of used oils. These are stored in sealed containers for recycling or safe disposal. Approximately 76,000 litres of hazardous used oil on site was recycled during the year. The remaining non-recyclable hazardous waste is disposed of in South Africa at suitable facilities.



Waste	Value (Metric Tonnes)
Hazardous Waste Produced	27.69
Non-hazardous Waste Produced	101.42
Total Waste Generated	129.11

Figure 8: Waste Management Hierarchy

Tailings Management

Tailings are a by-product of mining. After ore containing diamonds is mined, the diamonds are extracted through a processing plant. About 12% of the resulting remnant ore or rock material becomes a slurry known as fine tailings. Fine tailings are one of the most significant waste streams generated by the mining process and require careful disposal.

Our fine tailings are disposed of in a specially designed and engineered tailings repository or dam known as a tailings storage facility or TSF. TSF's need to be carefully monitored and maintained to ensure the stability of the dam walls and to prevent seepage of contaminants into the local environment. We have developed a standard operating procedure (SOP) that is in line with industry good practice. The SOP details the operation, monitoring, maintenance, construction, closure, and rehabilitation guidelines for the facility; a clear definition of responsibility for key personnel; and what to do in case of an incident or emergency.

Our tailings dam is not lined and has been constructed on top of bedrock. Its design and management are done in accordance with international tailings dam construction standards. The operation of the TSF is managed by a dedicated team who conduct daily performance monitoring including visual inspections to confirm the operational and structural integrity of the facility. The overall management of the TSF and seepage is carried out by an external engineering company, Construction and Mining Services (CMS), which specialises in maintenance, filtration, construction, design, and static installations.

Our waste slurry is treated before it is thickened prior to being sent to the TSF. The TSF is surveyed weekly to monitor for movement of dam walls. We have trenches around the dam to divert storm water away from the dams which is critical for maintaining stability during the rainy season. Our onsite engineering team continuously monitors the stability of the banks, beaching formation, free-board length, and the density of the slurry (which is monitored hourly). Our current beach length target is 75m.



HAND HELD 



KAO