



# GEMFIELDS

Annual Report 2021

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IMAGE Responsibly sourced rough emeralds, Kagem Mining, Zambia



SECTION 1




# Overview

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SECTION 1.1

# Map of Operations

KEY

				
OFFICE	RETAIL OUTLET	INVESTMENT	MINE	DEVELOPMENT ASSET

**GEMFIELDS GROUP LIMITED**

- 1 Gemfields Group Limited  
Guernsey, Channel Islands, Registered Office
- 2 Gemfields Services Limited  
London, United Kingdom, London Office

**GEMFIELDS LIMITED**

- 3 Gemfields Limited  
London, United Kingdom, Head Office
- 4 Kagem Mining Limited  
Kitwe, Zambia, Mine (emerald)
- 5 Montepuez Ruby Mining Limitada (MRM)  
Montepuez, Mozambique, Mine (ruby)
- 6 Megaruma Mining Limitada (MML)  
Montepuez, Mozambique, Development Asset (ruby)

**7 Eastern Ruby Mining Limitada (ERM)**

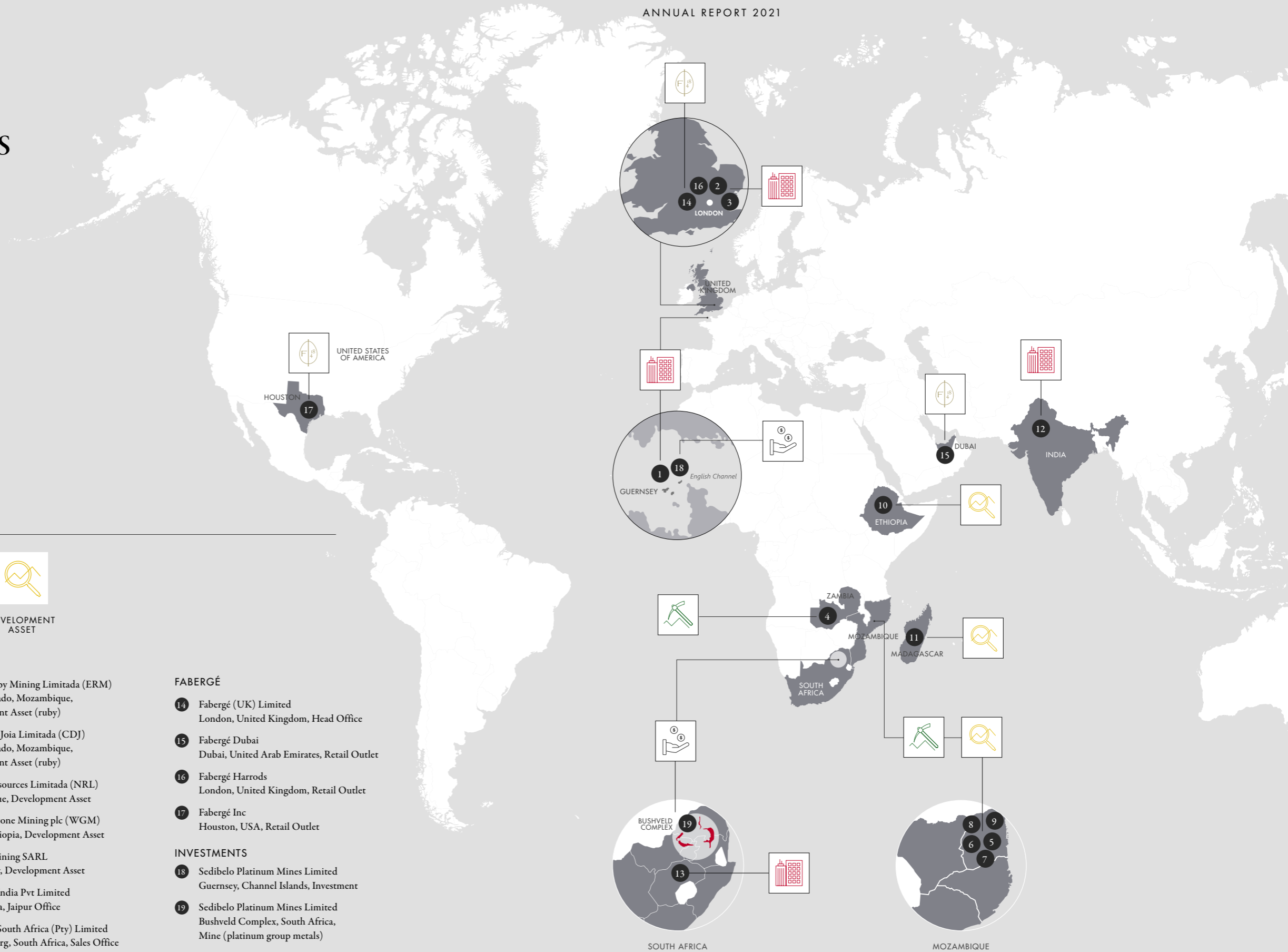
- Cabo Delgado, Mozambique, Development Asset (ruby)
- 8 Campos de Joia Limitada (CDJ)  
Cabo Delgado, Mozambique, Development Asset (ruby)
- 9 Nairoto Resources Limitada (NRL)  
Mozambique, Development Asset
- 10 Web Gemstone Mining plc (WGM)  
Yabelo, Ethiopia, Development Asset
- 11 Oriental Mining SARL  
Madagascar, Development Asset
- 12 Gemfields India Pvt Limited  
Jaipur, India, Jaipur Office
- 13 Gemfields South Africa (Pty) Limited  
Johannesburg, South Africa, Sales Office

**FABERGÉ**

- 14 Fabergé (UK) Limited  
London, United Kingdom, Head Office
- 15 Fabergé Dubai  
Dubai, United Arab Emirates, Retail Outlet
- 16 Fabergé Harrods  
London, United Kingdom, Retail Outlet
- 17 Fabergé Inc  
Houston, USA, Retail Outlet

**INVESTMENTS**

- 18 Sedibelo Platinum Mines Limited  
Guernsey, Channel Islands, Investment
- 19 Sedibelo Platinum Mines Limited  
Bushveld Complex, South Africa, Mine (platinum group metals)



## SECTION 1.2

# Chairman's Statement



The past year has seen Gemfields Group Limited (“Gemfields”, the “Company”, “GGL” or the “Group”) bounce back strongly from the diverse Covid-19 challenges it has faced. 2021 saw record-breaking auction revenues at both Kagem Mining Limited (“Kagem”) and Montepuez Ruby Mining Limitada (“MRM”). When combined with strong revenues at Fabergé Ltd (“Fabergé”), this resulted in a record USD257.7 million of Group-wide revenue being achieved.

No praise can be high enough for the Group's employees. Gemfields' teams across the globe have deftly navigated the Group through the most difficult period in the Company's history, making notable sacrifices along the way. The Group has emerged from the Covid-19 crisis with a more flexible business model and robust balance sheet, leaving it well-positioned to deliver both further growth and shareholder returns over the coming years.

The Group's operational teams restarted the Group's mining operations after almost a year of suspended activities, doing so without any major glitches – a considerable achievement, especially given the excellent production levels they were able to deliver in a shortened operating period.

A combination of the buoyant coloured gemstone market and the significant contributions of the Gemfields Group teams have enabled the Board to announce the Group's maiden dividend to shareholders. The dividend of USD20 million, or approximately USDc1.7 per share, will be distributed to shareholders during the first half of 2022. This represents a significant milestone for the Company and provides encouragement that the Group can distribute dividends on a consistent and sustainable basis going forward.

## ONLINE BIDDING PLATFORM PROVIDES VALUABLE OPTIONALITY

The new online bidding platform deployed by the Group for its gemstone auctions provides important flexibility in a world still hampered by Covid-19-related difficulties. In addition, Fabergé has continued to increase its digital presence and online sales, providing greater reach in promoting coloured gemstones to end consumers.

## GEMFIELDS' SUSTAINABLE AGENDA

Climate change is a significant issue and the transition to a low-carbon economy will create both opportunities and risks for all businesses. Gemfields continues to map its understanding of the impact of climate change in its countries of operation as part of its journey to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). Gemfields is aware that TCFD recommendations are primarily aimed at premium-listed companies. Nonetheless, the Board is setting the Group on the path of pursuing compliance with TCFD as soon as is reasonably practicable.

Gemfields' key tenet of transparency saw the Company launch the “G-Factor for Natural Resources” during the year, a new transparency initiative to assess the level of resource-wealth sharing by extractive industries within deposit-hosting countries. The Group continues to invite collaboration, input and support from other companies and host countries in propagating this simple yet powerful initiative.

Gemfields is delighted with the progress that the Gemfields Foundation (“the Foundation”) has made since its soft launch in January 2021. The Foundation completed its first school project in Madagascar as well as distributing 4,000 solar lamps to displaced persons arriving within MRM's district from the unrest which occurred in north-eastern Mozambique.

## SHAREHOLDER ENGAGEMENT

At its Virtual Annual General Meeting on 24 June 2021, Gemfields fell just short of the 75% approval threshold required for the non-binding Remuneration Policy resolution – a significant improvement on the prior year's voting of 46%. In October 2021, the Company's Remuneration Committee hosted a virtual conference, inviting views on the Remuneration Policy. Those shareholders who attended were focussed primarily on the reform and components of the Company's Short-Term Incentive Plan and were largely ambivalent about the Company's Employee Share Option Plan, recognising the difficulties

IMAGE Martin Tolcher, *Chairman*

associated with reducing the number of options in issue. The Company's shareholders also voted against the proposed resolution to provide authority to Directors to issue new shares (up to 5% of the existing shares in issue) for cash, at a minimum price of ZAR3.00 per share. This outcome highlighted shareholder views of the intrinsic value in GGL's share price.

## GOVERNANCE AND INTERNATIONAL PROFILE

Following a competitive tender process and a recommendation from GGL's Audit Committee, the Board resolved to appoint Ernst & Young LLP as its statutory auditor, commencing with the 2022 financial year, subject of course to ratification by shareholders at the Company's 2022 AGM. It is the Board's view that this change of auditor promotes good corporate governance given the long period that the incumbent auditor has been in place.

With Gemfields returning to London via an AIM listing of the Company in February 2020, it was important for the Group to increase its broker coverage and market presence in order to strengthen its profile and reach a wider field of UK, European and other international investors. Gemfields is now supported by regular independent reporting through both of its house brokers and Panmure Gordon. All recent research reports point towards the gap between the Group's net asset value and the Company's current market capitalisation. This value gap has remained even after the Company's excellent share price performance during 2021, trading at highs of ZAR3.50 per share and yielding a 125% increase in value during the year.

## GEMFIELDS WELCOME A NEW ANCHOR SHAREHOLDER

The past year has also seen Gemfields welcome Assore International Holdings Limited (“Assore”) as the Group's largest anchor shareholder. Assore is a South African group of good standing and repute and with extensive mining experience. The Group welcomes Assore's representative, Patrick Sacco, to the Board of GGL as a non-executive director. Patrick brings significant experience and knowledge to Gemfields, most notably in African mining and international marketing, at a crucial time in the Group's history. After over eight years on the Board, Dr Christo Wiese stepped down on 24 September 2021. On behalf of all my Board colleagues, I would like to thank Dr Wiese for the valuable contribution he made during his tenure.

## OUTLOOK

Looking ahead to the remainder of 2022, Gemfields' teams are already hosting and welcoming a notable increase in supply chain assessments and audits as jewellers and downstream customers strive to better understand and document their supply chains. The coloured gemstone sector has long been opaque and Gemfields' focus on



transparency means that it is uniquely positioned as the industry rightly shifts to a “mine-of-origin” model and away from “country-of-origin”. The shift to greater transparency and supply chain certification will ultimately improve and strengthen the evolution of the sector.

Like the majority of the rest of the world, the Gemfields Board is aghast and saddened by the atrocities accompanying Russia's large-scale military invasion of Ukraine. While the unrest and sanctions imposed on Russia will impact the Group's short-term energy and fuel costs in the jurisdictions in which it operates, the overall risk and exposure to Gemfields is considered presently to be low. Our thoughts are with the people of Ukraine and those who have been affected by these appalling events.

Challenges will always present themselves, but the Group's experienced, flexible and innovative workforce put Gemfields in a favourable position to benefit from the step change observed last year in market demand and prices within the coloured gemstone market.

The Gemfields team maintains its focus on being the global leader in African emeralds, rubies and sapphires, promoting transparency, trust and responsible mining practices.

Finally, once again I should like to place on record my gratitude to colleagues on the Gemfields Board of Directors for their huge efforts and support over this last financial year.

**Martin Tolcher**  
Chairman  
24 March 2022

IMAGE Responsibly sourced cut and polished emerald, Kagem Mining, Zambia

## SECTION 1.3

# Chief Executive's Statement



2021 was an “annus mirabilis” for the Gemfields Group, with the Company robustly putting the challenges of 2020 well behind us. It has been a privilege to see how the global Gemfields team has pulled together to manage the assorted challenges posed by Covid-19, going from strength to strength in such unpredictable times and finishing the year with record-breaking auction revenues.

## RECORD RESULTS REINFORCE STATUS AS WORLD'S LEADING COLOURED GEMSTONE SUPPLIER

With the Group's operations now firing on all cylinders again, complemented by the buoyant conditions in the coloured gemstone market, we are well-positioned as the world's leading supplier of responsibly sourced coloured gemstones.

Gemfields generated group-wide revenues of USD257.7 million with EBITDA of USD133.1 million (2020: USD34.6 million in revenues and USD32.9 million EBITDA loss; 2019: USD216.2 million in revenues and USD80.9 million EBITDA). Revenues were predominately derived from stronger than expected emerald and ruby auction revenues plus direct sales of Gemfields' lower-quality emeralds and beryl in India. Fabergé contributed a record USD13.8 million of revenues during the year.

The Group generated a record USD118.1 million in Free Cash Flow (as defined in the Finance Review), which was bolstered by lower-than-average operating costs in the first quarter of the year due to the suspension of the Group's mining operations and the temporary cutback in corporate costs.

Given Covid-19's impact on Gemfields' ability to generate auction revenues, our focus during the pandemic was on cash preservation. Following the resumption of mining operations, all UK staff members, including the Board of Directors, returned to their contractual salaries from 1 April 2021, having endured a 20% reduction in remuneration for almost a year while principal operations at Kagem and MRM were suspended. We expect corporate and operating costs to return to pre-pandemic levels now that our operations have returned to normal. Like many other companies, we are seeing the impact of rising

inflation and this may contribute to higher operating costs in 2022 and beyond.

Normalised earnings for the year, after removing fair value movements on Sedibelo and impairment charges, equate to a profit of USD61.3 million (2020: USD53.8 million loss; 2019: USD25.5 million profit).

At 31 December 2021, the Group was in a net cash position of USD63.0 million (2020: net debt of USD12.6 million; 2019: net cash of USD25.4 million) and held a gross cash balance of USD97.7 million.

## KAGEM MINING LIMITED, ZAMBIA

Principal operations at Kagem Mining Limited (“Kagem”) saw a phased resumption from March 2021, with operations reaching normal capacity by the end of May 2021, having been suspended in March 2020 due to Covid-19. Thanks to the sterling efforts of our team in Zambia, Kagem's excellent production run of premium emeralds has continued, growing quickly to above the levels seen pre-pandemic. Production in the premium emerald category at Kagem was 230,500 carats for the year (2020: 133,900 carats; 2019: 204,600 carats), an average of more than 25,000 premium carats per month during the reduced period of operation in 2021 and the highest annual total since 2011. Overall production at Kagem for the year amounted to 32.0 million carats (2020: 9.4 million carats; 2019: 36.3 million carats) with 9.4 million tonnes of rock handled (2020: 2.3 million tonnes; 2019: 12.6 million tonnes). During 2021, we invested a modest USD2.3 million on replacement mining and ancillary equipment and infrastructure improvements to ensure the mine is Covid-19 compliant and our employees remain protected. We expect in 2022 to increase our capital expenditure at Kagem to pre-pandemic levels, with a primary focus on replacement machinery and enhancing processing plant capacity.

Shortly before the pandemic we amalgamated Mbuva-Chibolele (“Chibolele”) and 10 other licences previously wholly owned by

IMAGE Sean Gilbertson, Chief Executive Officer



Gemfields into Kagem. We are pleased with the contributions achieved by Chibolele to Kagem's overall output, with 3.9 million carats produced from the Chibolele pit during the year. Furthermore, after an internal assessment of the gemstone resources and reserves at Chibolele, carried out by an internal “Competent Person”, a notable upgrade has been applied to Chibolele's “measured and indicated” gemstone resources and “probable” gemstone reserves.

We welcome a change in taxation policy by the Zambian Government whereby, from 1 January 2022, the mineral royalty of 6% of revenue, previously not deductible for corporation tax purposes, will now again be deductible. This is a positive supplement to Kagem's future margins.

Kagem generated USD91.8 million of revenues during the year (2020: USD22.3 million; 2019: USD79.0 million), the best calendar year performance since we acquired the mine more than a decade ago. We continued with our successful “multi-city viewing with online bidding” auction format throughout the year by hosting three such auctions in 2021. Our end-of-year emerald auction was one of the most hotly contested we have run to date, setting new records for both the highest revenue and highest average price per carat achieved at any Kagem auction. This auction also saw Kagem's striking 7,525 carat “rhino emerald” successfully sold. Kagem was able to supplement its 2021 revenues by expanding its direct sales programme for lower-quality gemstones through Gemfields India.

Given Kagem's strong cash flows and balance sheet, a USD6.0 million dividend has been declared at the Kagem level, with USD1.5 million payable to our 25% partner, the IDC of Zambia. This represents Kagem's first dividend since 2016, a testament to Kagem's recent performance.

IMAGE Operations, Kagem Mining, Zambia

Post year-end, on 3 March 2022, GGL, Gemfields Limited and Kagem received a letter of claim in respect of a case in the English High Court on behalf of 11 individuals for personal injury and associated claims. None of the defendants have however, to date, been served. Gemfields and Kagem take allegations of this nature very seriously and have instructed external legal counsel in order to robustly defend the case should they be served.

## MONTEPUEZ RUBY MINING LIMITADA, MOZAMBIQUE

Operations at Montepuez Ruby Mining Limitada (“MRM”) saw a phased resumption from March 2021, reaching normal capacity by the end of May 2021, following the suspension in March 2020 of principal operations due to Covid-19. Production in the premium ruby category at MRM was 84,000 carats for the year (2020: 28,700 carats; 2019: 81,300 carats), with the second half of the year averaging over 10,000 premium carats per month. Overall production at MRM for the year was 3.3 million carats (2020: 1.3 million carats; 2019: 2.2 million carats) with 5.7 million tonnes of rock handled (2020: 1.9 million tonnes; 2019: 7.2 million tonnes) notwithstanding the reduced number of operating months during both 2021 and 2020. Total capital expenditure for the year was just USD4.6 million, comprising USD3.7 million on replacement mining and ancillary equipment and USD0.9 million spent on the ancillary aspects of the resettlement village constructed near Namanhumbir, thereby successfully completing the first stage of rehousing all 105 censused families. MRM's capital expenditure is expected to increase significantly across 2022 and 2023 to facilitate a 200% capacity upgrade to the processing plant facility, a transformational development for MRM and its future revenue potential.

MRM's independent operational grievance mechanism (“OGM”) was officially launched in February 2021 following the conclusion of a pilot phase and a local public awareness campaign. The OGM



has been set up by MRM to further its ongoing commitment to transparency and support for the local communities following the voluntary settlement agreement that ended the Leigh Day litigation. An Independent Monitor, Synergy Consulting, has been appointed to report on the efficacy of the OGM and its performance against the United Nations Guiding Principles (“UNGPs”) Effectiveness Criteria at six-monthly intervals. A summary of the Independent Monitor’s report for the six months ending 30 November 2021 can be found on Gemfields’ website here: [www.gemfieldsgroup.com/assets/montepuez-ruby-mining-limitada/](http://www.gemfieldsgroup.com/assets/montepuez-ruby-mining-limitada/). The Independent Monitor has highlighted a number of risks in connection with the implementation of the OGM, including the high case-load and the low rate of case resolution, and has made a number of recommendations for the OGM parties to consider. MRM accepts those recommendations and will continue to seek the resolution of the identified issues through dialogue with the other OGM players. There is still much work to be done, and MRM will continue with its good faith efforts to make the OGM a success.

MRM actively monitors the insurgency situation in Cabo Delgado province. At present, the risk to MRM’s operational continuity is perceived to be low. The Group has emergency planning in place to optimise site safety and the protection of MRM’s workforce should the insurgency situation deteriorate. Illegal mining continues to present significant challenges due to the nature of the deposit, poor immigration controls, an imperfect legal framework for the export of rubies, the scale of MRM’s 340 square kilometre licence area and the levels of poverty widely suffered in northern Mozambique. MRM, a much-needed driver of economic growth by way of the provision of jobs and as the province’s leading taxpayer, continues to raise awareness and liaise with the Mozambican authorities to encourage greater action against the financiers, facilitators and syndicates behind the illegal trade of Mozambican rubies. As end-consumers

and jewellers increasingly and rightly demand greater supply-chain transparency, it is imperative that the coloured gemstone sector moves to a “mine-of-origin” rather than a “country-of-origin” model.

MRM generated USD147.4 million in revenues during the year (2020: Nil; 2019: USD121.5 million), a record-breaking year for MRM. MRM achieved USD58.9 million from its series of seven sequential mixed-quality ruby mini auctions held during March and April 2021. This was MRM’s first auction revenue since December 2019. The year ended with the strongest auction in Gemfields’ history: USD88.5 million was achieved from MRM’s series of seven sequential mixed-quality ruby mini auctions held during November and December 2021.

#### FABERGÉ

Our outright ownership of Fabergé Limited (“Fabergé”) – an iconic and prestigious brand of exceptional heritage – enables us to augment consumer awareness of coloured gemstones and advance our “mine and market” vision.

Fabergé generated record revenues of USD13.8 million (2020: USD7.1 million; 2019: USD10.5 million), the increase in revenue being largely due to improved direct-to-consumer, wholesale and online sales.

Fabergé recorded a gross profit of USD3.3 million (2020: USD3.9 million; 2019: USD3.2 million), with an EBITDA loss of USD4.9 million (2020: USD3.4 million EBITDA loss; 2019: USD6.5 million EBITDA loss).

Fabergé continues to diversify its revenue streams by driving its digital presence and online sales given the prevailing market conditions.

#### OTHER PROJECTS

In April 2021, operations recommenced at 75%-held Nairoto Resources Limitada (“Nairoto”, or “NRL”), which holds a circa 2,000 square kilometre licence package and lies to the north of MRM. Both gold and corundum mineralisation have been identified to date. SRK, an independent consultant, was engaged to identify and evaluate Nairoto’s primary gold resource targets. Initial findings from the assessment have resulted in a number of secondary and primary targets for gold being identified. Further exploration work is underway on several parts of the extensive Nairoto licence package.

In Ethiopia, the operations at Web Gemstone Mining plc remain suspended given the ongoing in-country challenges. Activity at the Group’s Madagascan emerald and sapphire prospects, held in Oriental Mining SARL, remain on hold due to current Covid-19 conditions.

#### INVESTMENTS

The Group’s platinum group metals (“PGM”) investment, now a direct stake of 6.54% in Sedibelo Platinum Mines Ltd (“Sedibelo”), remains unlisted with no market price readily available to value the holding. Sedibelo has a significant resource base making it one of the world’s largest PGM deposits. Sedibelo’s safety record remains a key highlight, with over 6.38 million fatality-free shifts over more than 11 years of operations.

Sedibelo dispatched 68,800 4E PGM ounces during the nine months to September 2021 (nine months to 30 September 2020: 87,000 4E PGM ounces). Both the current and comparative periods experienced approximately 40 lost operational days due to unscheduled repairs and maintenance and national lockdowns respectively. A significant increase in the 4E PGM basket price helped drive a 12% increase in revenues to USD199.3 million for the nine months to 30 September 2021, with improved profit margins.

The interposed vehicle through which Gemfields previously held its stake in Sedibelo, Pallinghurst Ivy Lane Capital S.à.r.l. (“Ivy Lane”), was successfully unbundled towards the end of the year such that Ivy Lane’s 27.64% shareholding in Sedibelo, as well as Ivy Lane’s surplus net assets, were transferred to Ivy Lane’s shareholders in accordance with their respective equity holdings in Ivy Lane. Gemfields therefore now holds its 6.54% stake in Sedibelo directly. Gemfields wishes to exit its Sedibelo holding in an orderly manner and Sedibelo’s proposed 2022 IPO may provide an additional opportunity to realise a portion of the Company’s holding.

The same independent party who assessed the Group’s carrying value for Sedibelo at 31 December 2020 has updated its valuation at 31 December 2021 to reflect prevailing market conditions. Based on the results of the independent valuation, a USD7.6 million fair

value uplift for the year has been applied, bringing the carrying value for the Group’s 6.54% stake in Sedibelo to USD37.2 million.

#### ESG REMAINS A KEY OBJECTIVE AT GEMFIELDS

A well-balanced approach to environment, social and corporate governance (“ESG”) remains a key priority for Gemfields. We strive to balance the interests of our many stakeholders by working on optimising operational efficiency, minimising the environmental impact of our operations, building lasting livelihoods for the communities that surround our mines, delivering lasting and positive change in the coloured gemstone industry. We are not only investors in our projects but see ourselves as the custodians of our host country’s gemstones with the duty of returning economic and social good to our local, regional and national partners. Whether at the mine level, or via the Gemfields Foundation, we continued to work on health, education and livelihoods projects for our local communities in order to deliver long-term benefits as well as working with each host country to benefit conservation.

#### OUTLOOK

The Group’s results for 2021 underscore the positive step-change in both market demand for coloured gemstones and in the prices bid by our clients, aided by the disruptions to gemstone supply caused by Covid-19. The success of our multi-city auctions, combined with the new online bidding platform, has provided greater flexibility for the Group in the ever-changing circumstances we encounter. Gemfields’ teams worldwide have made notable sacrifices to safeguard the business through these unprecedented times. Thanks to their contributions and our stronger-than-expected earnings for the year, we are very pleased to have been able to allocate USD20.0 million to our maiden dividend. We are very conscious that it has been a long journey for many of our shareholders and, as we mark this long-awaited and significant achievement for the Group, we thank our shareholders for their loyalty and patience.

We extend sincere thanks to our 2,500 team members worldwide, to our host Governments in Mozambique and Zambia, to our business partners, our customers and our shareholders for their ongoing support. We look forward immensely to harnessing the opportunities and navigating the challenges in the year ahead.

**Sean Gilbertson**  
Chief Executive Officer  
24 March 2022

IMAGE Responsibly sourced rough emeralds, Kagem Mining, Zambia



January 2021  
marked the *launch*  
of *Gemfields Foundation*

The charitable arm of Gemfields, the Foundation, was established to scale up community activations in sub-Saharan Africa, harnessing the knowledge acquired over a decade of operations and ensuring that the value of coloured gemstones comes back to benefit people in Africa.

The highlight of the year was re-building a primary school in rural Madagascar to educate 195 children, as well as providing them with hot food and clean water. The Foundation was also able to come to the aid of displaced Mozambicans living in makeshift camps in the Cabo Delgado area, by providing 4,000 solar lamps.



## SECTION 1.4

# Board of Directors



## Martin Tolcher (58)

CHARTERED FCSI

*Non-Executive Chairman*

*Member of the Remuneration and Nomination Committees*

Martin Tolcher has been involved in the fund administration industry in Guernsey for over 30 years. Mr Tolcher has worked at senior levels for three Guernsey subsidiaries of Bermudan and Canadian international banks, gaining considerable experience in a wide variety of offshore fund and private equity structures.

Mr Tolcher joined Legis Fund Services Limited in 2005 and was appointed Managing Director at the beginning of 2007, a position he held until the end of 2010. He remained a director of that company until September 2011. Since November 2011, Mr Tolcher has been self-employed as an independent Non-Executive Director and holds directorships within a number of other fund structures domiciled in Guernsey, including a number listed on the London Stock Exchange and the International Stock Exchange. Mr Tolcher is a Chartered Fellow of the Chartered Institute for Securities and Investment.

Mr Tolcher is a British citizen and is a resident of Guernsey.



## Sean Gilbertson (49)

BSC (MINING ENGINEERING)

*Chief Executive Officer – Executive Director*

Sean Gilbertson graduated as a mining engineer from Wits University in South Africa, having spent time in the country's deep-level gold and platinum mines. Mr Gilbertson worked as a project financier for Deutsche Bank in Frankfurt and London, specialising in independent power projects and public-private partnerships.

In 1998 Mr Gilbertson co-founded globalCOAL, a company that played a central role in the commoditisation of the thermal coal industry, and was appointed Chief Executive Officer ("CEO") in 2001 when the business was acquired by industry players, including Anglo American plc, BHP Billiton plc, Glencore International AG and Rio Tinto plc. He was also co-founder of the pioneering Spectron eMetals trading platform for category I and II members of the London Metals Exchange.

Mr Gilbertson was a co-founder of the Pallinghurst Group in 2005 and bore responsibility for Pallinghurst's coloured gemstone strategy from 2006 to 2017. After the unbundling of the Pallinghurst Group in 2017/2018, Mr Gilbertson was appointed CEO of Gemfields Group Limited on 31 March 2018 and remains CEO of Gemfields Limited, Fabergé Limited and Kagem Mining Limited, on whose boards he has served for more than a decade.

Mr Gilbertson is a British and South African citizen.



## David Lovett (39)

BCOM (ECONOMICS & MARKETING), ACA

*Chief Financial Officer – Executive Director*

David Lovett graduated from Birmingham University's Business School in 2005 with a Bachelor of Commerce focussed on Economics and Marketing. He then joined Grant Thornton in the UK, working across advisory and tax services and becoming a chartered accountant with the Institute of Chartered Accountants in England and Wales ("ICAEW").

Mr Lovett joined Gemfields' finance team in 2008. He has acted as a senior financial manager across a number of Gemfields' operating subsidiaries during his 13-year tenure and has a thorough understanding of the Group's activities, including Fabergé. Mr Lovett is a director of Gemfields and Fabergé, as well as various related companies.

Mr Lovett is a British citizen.



## Lumkile Mondi (59)

BCOM (HONS) IN ECONOMICS, MA (ECONOMICS)

*Lead Independent Non-Executive Director*

*Chair of the Nomination Committee*

*Member of the Audit and Remuneration Committees*

Lumkile Mondi is a senior lecturer at the School of Economics and Business Science of the University of the Witwatersrand in Johannesburg, South Africa. Mr Mondi is a strategist, an economist and a leader. He has worked extensively on the African continent, undertaking his responsibilities at the Industrial Development Corporation ("IDC"), where he was an executive for 11 years. He is also the chairman of Thelo Rolling Stock Leasing and a non-executive director of Sedibelo Platinum Mines Limited. He previously served on the board of ArcelorMittal South Africa.

Mr Mondi has more than 20 years of postgraduate experience and over eight years working in financial markets in interest rate derivatives and asset and liability management. Mr Mondi is also involved in the Brazil, Russia, India, China, South Africa ("BRICS") think tanks on institutional strengthening and coordination. He has presented at and participated in various conferences worldwide, including the United Nations, the World Bank, the Brazilian Development Bank and the Organisation for Economic Co-operation and Development ("OECD"). Mr Mondi has travelled extensively throughout the world, bringing innovation to his work for a better world for all.

Mr Mondi is a South African citizen.



## Kwape Mmela (51)

LLB, MPHIL (BUSINESS RESEARCH)

*Independent Non-Executive Director*  
*Chair of the Remuneration Committee*  
*Member of the Nomination Committee*

Kwape Mmela is the founder and chairman of ShepherdTree Holdings Ltd and Hlamogolo Capital (Pty) Ltd, which are his family investment vehicles.

He has more than 20 years' experience in both public and private sectors in South Africa, including stints with the Constitutional Assembly during the drafting of South Africa's post-apartheid Constitution and with the Land Claims Commission to address past land dispossessions. He served as a director of Sedibelo Platinum Mines Limited for almost ten years. In 2005 Mr Mmela established the Moepi Group (Pty) Ltd, which eventually became the Black Economic Empowerment partner of Sedibelo Platinum Mines.

Mr Mmela is a South African citizen.



## Carel Malan (36)

CHARTERED ACCOUNTANT (SOUTH AFRICA)

*Independent Non-Executive Director*  
*Chair of the Audit Committee*

Carel Malan started his career at Ernst & Young where he received his first exposure to the mining industry. After three years with the firm in Gauteng, he requested a transfer to Bermuda, where he spent a further year.

Mr Malan joined Tshipi in January 2012 and was appointed Chief Financial Officer ("CFO") in May 2014. In October 2015, Mr Malan resigned from Tshipi to pursue other interests. However, his interest in mining and his in-depth knowledge and experience of Tshipi's business model brought him back to the company, where he was reappointed as CFO. He was part of the executive team growing the Tshipi asset to become the largest exporter of manganese ore from South Africa. In 2018, he was part of the team that listed Jupiter Mines on the Australian Securities Exchange ("ASX") in what was flagged as the biggest IPO in the last decade on the ASX.

Mr Malan is a chartered accountant and a South African citizen.



## Mary Reilly (68)

BA (HISTORY), ACA, FCA

*Independent Non-Executive Director*  
*Member of the Audit Committee*  
*Chair of the Risk Council*

Mary Reilly has over 30 years' international experience as a chartered accountant and was a partner in Deloitte, working across various sectors and disciplines including luxury retail, manufacturing, business services, financial services, corporate governance and public sector. Since retiring from Deloitte, Ms Reilly has had a varied and interesting portfolio of non-executive directorships where she has chaired Audit and Risk Committees. Her current roles are at Travelzoo, a NASDAQ listed global internet media company; Mitie plc, a prominent facilities management and professional services company; and Essentra plc, a global FTSE 250 company and a leading provider of essential components and solutions.

Among her charitable interests, Ms Reilly is also a Trustee of the Institute of Imagination, the Invictus Games Foundation and the PDSA.

Ms Reilly's past appointments include chairing the London Development Agency, the CBI London Regional Council and the Finance and Audit Committee of London 2012, the organisation which brought the Olympics to London.

Ms Reilly is a British citizen.



## Patrick Sacco (44)

BA (INDUS PSYCH), MA (MARKETING)

*Non-Executive Director*

Patrick Sacco joined the Assore group in 2003 after completing a master's degree at the University of Colorado (USA). He was appointed as a Director of Ore & Metal, the selling and marketing agent for all of Assmang Ltd's products in 2007, and is currently its Chairman, as well as the Group Marketing Director for Assore Limited. In addition, from 1 January 2019, Mr Sacco was appointed as the Deputy CEO for Assore Holdings.

Mr Sacco was appointed director of Assmang Ltd in 2008 and Assore in 2016, and is on the board of Oresteel Proprietary Limited, the ultimate holding company of Assore Holdings. In 2016, Mr Sacco was appointed Chairman of Cato Ridge Alloys Ltd, a 50% owned subsidiary of Assmang Ltd, producing Medium Carbon Ferro Manganese. On 1 July 2020, Mr Sacco was appointed as the Managing Director of Assore International Holdings, based in Winchester, United Kingdom. From January 2021, Mr Sacco was appointed as the Chairman of MARA, the REACH Manganese Consortium, and has been Chairman of the International Manganese Institute since July 2020.

Mr Sacco is a South African citizen.

Mr Sacco was appointed non-independent Non-Executive Director of Gemfields on 11 October 2021.

IMAGE Responsibly sourced cut and polished Zambian emeralds and Mozambican rubies



SECTION 2

# Performance

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SECTION 2.1

# Marketing and Communications

*In 2021, we completed Gemfields’ trilogy of educational books on the ‘Big Three’ gemstones and promoted visibility of coloured gemstone jewellery through brand partnerships in the USA and masterclasses in China. Our new website and a focus on digital communications enabled an increased reach for activations, while maintaining the high level of flexibility and cost control demanded by changing conditions.*

In our last annual report, we declared that our goals for 2021 were to expand our brand partnerships and digital and virtual activations, as well as to direct our attention towards developing more active social media communications and captivating methods to impart education, lead the sector and amplify visibility of coloured gemstones, in order to drive consumer demand.

To this end, and without the resumption of our usual auction schedule, our challenge throughout 2021 was to achieve our aims while contributing to the Group’s cash conservation efforts. The result was a sharp focus on achieving these strategic objectives and maximising the outcomes, particularly within our priority markets of China and the USA.

Through our brand partnership with Sandy Leong Jewelry, we launched the Sol Collection, an array of jewellery pieces featuring Gemfields’ responsibly sourced Zambian emeralds, 18 karat recycled yellow gold and conflict-free white diamonds. Sandy Leong, who generously pledged a 10% donation from each sale to the newly formed Gemfields Foundation, presented the emerald collection in the USA at a gallery exhibition and cocktail reception in the Hamptons in May. She added a further collection of ruby pieces at a pop-up store located in the Four Seasons New York Downtown in November and December 2021.

Through our partnership with Phillips, a leading global platform for buying and selling 20th and 21st century art and design, we promoted the largest collection of Zambian emeralds ever to be offered at auction. *Treasures from Zambia: An Exceptional Emerald Collection* comprised over 45 lots and included 993 carats of breathtaking fine

Zambian emeralds, with a generous donation pledged to benefit the Gemfields Foundation. Representatives of the media attended our emerald masterclass – hosted by the Guild Institute of Gemology (“Guild”) – and viewed the auction pieces in person in Beijing, joined virtually by members of the press from Shanghai, Guangzhou and Shenzhen, securing coverage with average value equivalent (“AVE”) of USD155,000. In July, Gemfields partnered with Guild to deliver a ruby masterclass in Shanghai, increasing viewership in other major cities courtesy of virtual access, and securing coverage with AVE of USD97,000 as a result.

Our digital presence was vastly improved by the unveiling of our new website in May, which early statistics indicate has considerably improved dwell time and reduced bounce rate. The new format provides an improved platform for sharing information in a timely manner and responding promptly to topics that are of interest to consumers. The development of the website will remain ongoing in pursuit of continuous improvement, with a focus on improving search engine optimisation in 2022.

Our education, leadership and visibility pillars all came together to deliver our biggest achievement of the year: the launch of *Sapphire*, a coffee-table book that completes our trilogy of titles devoted to the ‘Big Three’ coloured gemstones. This project provided an opportunity to draw attention, once again, to both emeralds and rubies, and to Gemfields’ leadership position in the coloured gemstone sector. In order to increase visibility of the new title, the launch took place in September – the month for which sapphire is the birthstone – and was accompanied by the unveiling of a pendant shaped like Africa, containing all three coloured gemstones within it. With this



additional angle, the resulting publicity graced jewellery, news, book, culture and fashion pages internationally. Both the book and pendant were presented to the press in person at press days in Los Angeles and New York, with Dubai to follow in early 2022. An accompanying influencer campaign reached 15 million followers; advertisements in international publications had a circulation of 6.7 million; celebrity gifting activity reached 18 million followers; the paid social media campaign delivered 44 million impressions and 93,600 link clicks; and our social media reached 24.9 million on Instagram and 39 million on Facebook. Traffic was driven to purchase the books and the pendant, and to learn more about Gemfields’ approach on our website. Our Gemfields.com statistics concluded the activation to be the most popular campaign of the year.

For our Weibo audience we adopted a second stream to our influencer campaign. Following the outcomes of our 2020 market research into consumer perspectives on coloured gemstones in China, we enlisted KOL @yan.janice.s to share ‘how to style’ advice to her Weibo and Instagram followers.

At the end of the year, we offered an industry first, presenting a non-fungible token (“NFT”) series – the Chipembele Crash – in honour of Kagem’s latest discovery, a magnificent 7,525 carat Gemfields emerald. With ‘Chipembele’ meaning ‘rhino’ in Bemba, the celebratory avatars were inspired by the personalities of six real black rhinos in the North Luangwa National Park in Zambia. Created in partnership with Provenance Proof, the auction of these NFTs on the OpenSea NFT marketplace raised funds for the North Luangwa Conservation Programme, while enhancing transparency



and trust in charitable donations through the Proof of Donation initiative.

Looking ahead to 2022, our marketing activity will need to enhance the responsible sourcing status of Mozambican rubies, in addition to improving community communications around our mining operations. Brand partnerships and social media communications remain a focus, along with developing educational communications that improve consumer understanding of coloured gemstones and increase confidence in purchasing, styling and appreciating coloured gems.

IMAGE ABOVE Jewel of Africa x Gemfields Pendant benefitting Gemfields Foundation and celebrating the big three trilogy books

IMAGE BELOW Gemfields Chipembele Crash NFT series benefitting the North Luangwa Conservation Programme

SECTION 2.2

# Gemfields Foundation

*The Gemfields Foundation launched in January 2021 and got straight to work, delivering 4,000 solar lamps to families displaced by violence north of the Cabo Delgado province in Mozambique, and re-building a primary school in rural Madagascar. Successful fundraising campaigns took place in partnership with Sandy Leong Jewelry, Phillips and Fabergé, raising funds for further activities to take place into 2022.*



Following a soft launch in January 2021, the Foundation trustees met in March and selected the first projects for the charity to undertake. In July, 4,000 solar lamps were delivered to families who have fled their homes following terrorist attacks in northern Mozambique, and who are now residing in camps in the Cabo Delgado province. Distributed with the help of our team at Montepuez Ruby Mining

IMAGE Solar lamps project for displaced families, Mozambique

(“MRM”), in alignment with the Government, the initiative follows on from MRM’s multiple donations of food and other essential items to the camps.

In July, the Foundation partnered with REXMA NGO to re-build a primary school in rural Madagascar. Volunteers from the school pupils’ families and lo7021, the Antsahamarofoza primary school serves 195 pupils living within a three kilometre radius, providing

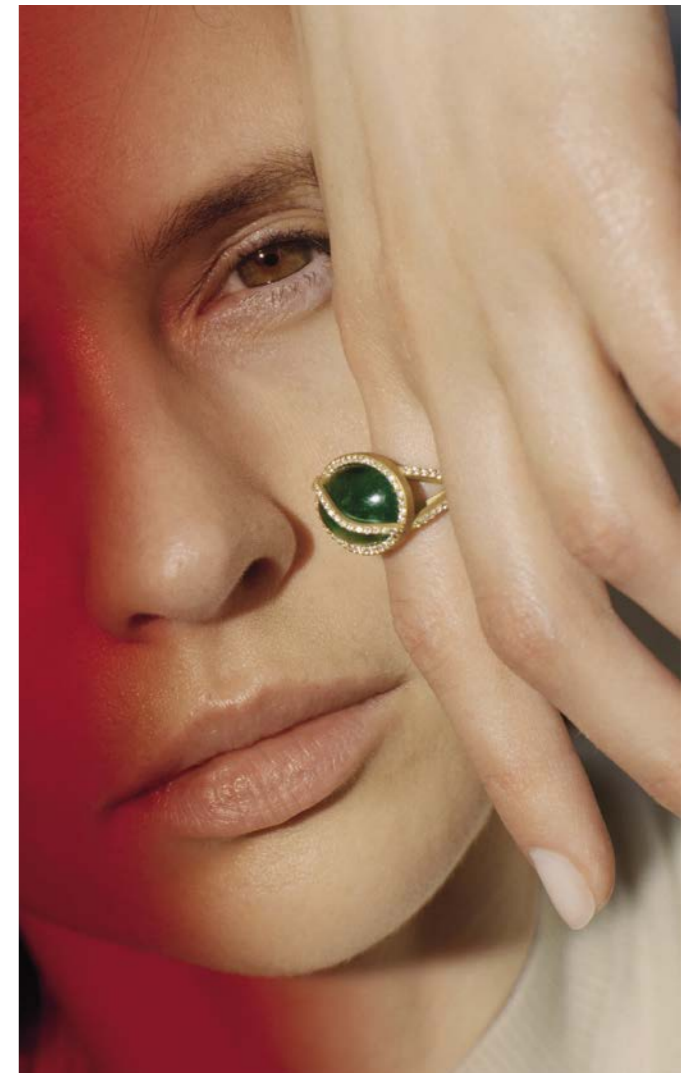


them with an education, hot midday meals and a clean water supply. The smart new school features biogas, piped water from two new boreholes, and classrooms decorated by the pupils themselves.

Fundraising activity throughout the year centred on partnerships, with Sandy Leong Jewelry generously pledging 10% of sales revenue from the Sol Collection – a selection of pieces featuring Gemfields’ Zambian emeralds and Mozambican rubies – towards children’s educational projects and initiatives that enable women’s contributions to the economy.

Gemfields Foundation was also a beneficiary of the largest collection of cut and polished Zambian emeralds ever to be presented at auction, entitled *Treasures from Zambia: An Exceptional Emerald Collection*, offered by a private collector and sold by Phillips. A percentage of the proceeds from the sale were pledged to the Foundation, with Phillips generously matching this donation, which is set to benefit Zambia (the activation is still to be defined).

Fabergé’s Houston team partnered with the Correa Family Foundation to raise funds for the development of an educational computer laboratory for families in Mozambique. The project is to be overseen by the team at MRM and will be completed in 2022. Its progress was further aided by a private donation kindly offered directly to the Foundation. Gemfields Limited also offered support to the Foundation by way of marketing activations: for example, in pledging to make a donation to the Foundation for the sale of each pendant from the Africa pendant series, as part of a wider marketing campaign.



Looking ahead to 2022, the Foundation trustees hope to complete the computer laboratory in Mozambique as well as a fish farming initiative in Zambia that will aid unemployed youths. Further, the trustees intend to ramp up fundraising initiatives in order to bring greater benefit to communities and conservation efforts in sub-Saharan Africa.

The Foundation submits a separate annual report to the UK Charity Commission and will have its accounts independently reviewed in line with the Statement of Recommended Practice “Accounting and Reporting by Charities” (SORP 2019) and the Companies Act 2006.

IMAGE LEFT School project, Madagascar

IMAGE RIGHT Sandy Leong x Gemfields Emerald Cage Ring with Diamond Pavé, featuring a Gemfields Zambian emerald

## SECTION 2.3.1

# Operations Review

## Zambia

## OPERATIONS IN ZAMBIA COMPRISE THE FOLLOWING:

Kagem Mining Limited (“Kagem”), the world’s single-largest producing emerald mining company, accounts for approximately 25% of global emerald production. The licence area, covering 42.4 square kilometres, is located in the Ndola Rural Emerald Restricted Area (“NRERA”) and lies south of Kitwe and west of Ndola in Zambia’s Copperbelt Province. Kagem holds an asset portfolio of nine mining and three exploration licences in Zambia, with the primary operations being Chama, Fibolele and Chibolele. Kagem is 75% owned by Gemfields and 25% owned by Government of Zambia through the Industrial Development Corporation of Zambia (“IDC”). The operations comprise the following:

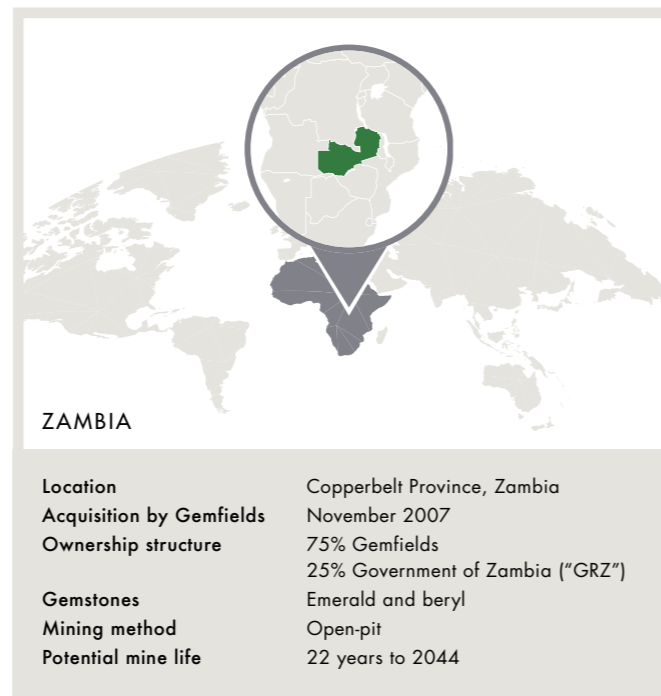
- **Chama**, our flagship operation, an open-pit mine extending over 2.2 kilometres of strike length that contributes between 75% and 80% of our gemstone production;
- **Fibolele**, an open-pit mine with a 600-metre-long strike length; and
- **Chibolele**, an open-pit mine with a strike length of 450 metres.

## KAGEM

### Covid-19 and Kagem’s operations

Principal mining operations were suspended due to the Covid-19 pandemic from 30 March 2020 to April 2021. Sadly, during this time one of our employees passed away from the disease. Following the resumption of operations, Kagem continues to respond assertively by ensuring total compliance to Government regulations and World Health Organisation (“WHO”) guidelines that facilitate management and control of Covid-19.

In total, Zambia has recorded 3,866 coronavirus deaths, with the percentage of deaths over the total registered cases standing at 1.3%. At 31 December 2021, Kagem had recorded 197 cases of Covid-19, with all individuals infected having since recovered, apart from the one case noted above.



Routine Covid-19 screening is carried out on all employees arriving at the mine site, along with targeted testing of at-risk employees, with any cases being managed in accordance with the Ministry of Health treatment guidelines. To avoid further spread, contact tracing is also being conducted in accordance with Covid-19 guidelines.

Kagem successfully pioneered the launch of the voluntary employee vaccination campaign working in conjunction with the Ministry of Health (provincial health team) and have fully vaccinated 85% of employees (918 employees and contractors), with 96% having received the first dose (1,091 employees and contractors).

### Auction results

The 2021 auction results achieved the best ever calendar year revenues for Kagem, with a number of records being set. During each series of

the mini auctions, increasing numbers of customers bid for the lots at competitive prices, indicating that demand was robust.

The auctions were mostly multi-city, with selected lots made available for in-person and private viewings in Tel Aviv, Dubai and Jaipur. Following the viewings, the auctions took place via an online auction platform specifically adapted for Gemfields which permits customers from multiple jurisdictions to participate in the auction. The following auction series were held in 2021:

- A higher quality (“HQ”) emerald auction comprising a series of five sequential mini auctions was held during the period 15 March to 17 April 2021. The auctions generated revenues of USD31.4 million at an average of USD115.59 per carat.
- An auction of commercial quality (“CQ”) emeralds was held from 28 July to 11 August 2021. Multiple new records were set for this auction category including the highest ever auction revenue of USD23.0 million, the highest ever average price per carat achieved at USD6.61 per carat (from 97% of the lots) and the highest number of companies participating in the bidding.
- An auction of HQ emeralds, that also included a selection of special pieces, took place from 1 November to 6 December 2021. Total auction revenues of USD37.6 million were generated, with all lots sold, at an average price of USD150.65 per carat, an all-time record for Kagem auctions.

Gemfields’ 39 auctions of emeralds and beryl from Kagem, held since July 2009, have generated USD749.7 million in total revenues.

### Mining

Kagem’s (Chama, Fibolele and Chibolele) key operational parameters for the year ended 31 December 2021 are summarised in the table below. Chibolele is included within the Kagem parameters following its transfer to Kagem, effective 14 February 2020.

The mining operations at Kagem comprise a number of historically mined open-pits, as well as the current open-pit operations situated mainly in the Chama pit area and the bulk sampling operations in

the Chibolele and Fibolele areas. The mining method comprises conventional open-pit operations: drill and blast, excavate and load, and haul to in-pit backfill, waste rock dump locations and the various ex-pit stockpiles, and a stockpile at the wash plant facility. The upper 20 to 30 metres of weathered material is free dig, with the remainder of the waste rock requiring drilling and blasting.

In 2020, all principal activities including mining were suspended from 30 March, so the prior year production metrics represent just three months of activity.

During 2021, mining operations resumed for the first time since the suspension of principal operations in March 2020. A phased start-up of operations commenced in March 2021, with the sort house and treatment plant starting first and mining ramping up to normal operating capacity by May 2021.

Therefore, the current year includes only nine months of production activity. While the numbers are not directly comparable, in 2021 production returned to 2019 levels in just nine months. This is very encouraging and bodes well for the future.

Mining and overburden removal continued in Chama and Chibolele pits with the focus being on generating good quality stones whilst also clearing other contact points for continuous mining. This resulted in 9.4 million tonnes of total rock handling in the last nine months of the year, compared to 2.3 million tonnes for three months of operations in 2020 and 12.6 million tonnes in the 12-month period to 31 December 2019, highlighting the achievement in 2021 and instilling confidence in the team and the mine.

### Production

Pre-Covid production at Kagem was well above expectation and unprecedented, with 2019 seeing 204,630 carats of premium emeralds being produced from a total production of 36.3 million carats. The Covid-19 pandemic had a significant impact on total production, which reduced to 9.4 million carats in 2020, as principal operations were suspended from 30 March 2020. In the three months of 2020

## KAGEM PRODUCTION SUMMARY

	12 MONTHS TO 31 DECEMBER 2021	12 MONTHS TO 31 DECEMBER 2020	12 MONTHS TO 31 DECEMBER 2019
Gemstone production (premium emerald) in thousand carats	230.5	133.9	204.6
Gemstone production (emerald and beryl) in million carats	32.0	9.4	36.3
Ore production (reaction zone) in thousand tonnes	167.5	46.4	159.0
Grade (emerald and beryl/reaction zone) in carats/tonnes	191.0	202.0	228.0
Waste mined in million tonnes	9.2	2.3	12.5
Total rock handling in million tonnes	9.4	2.3	12.6
Stripping ratio	54.0	49.0	77.0

when Kagem was operating, premium emerald production remained strong at 133,862 carats.

In the post-Covid-19 recovery nine-month period to 31 December 2021, gemstone production was 32.0 million carats of emerald and beryl, with 230,545 carats of premium emerald (which is the highest premium production since 2011). Chama pit leads the production and quality; however, Chibolele significantly contributed to improved qualities this year with premium emeralds from the M1 and M2 sectors. Total production from Chama pit contributed 28.3 million carats, with Chibolele contributing the remaining 3.7 million carats of 2021 production. Fibolele did not contribute this year but will resume production in the second quarter of 2022.

Despite considerable technological advances and continuous monitoring of geological signatures, the difficulty in predicting the distribution of minerals necessary for emerald formation remains.

#### *Processing*

In the nine months of operations in 2021, the treatment plant processed a total of 142,437 tonnes of ore at a feed rate of 49 tonnes per hour (“tph”), generating 17.3 million carats of emerald and beryl for grading and referencing. This compares with 40,794 tonnes of ore feed at 46tph processed in the three months to March 2020 generating 4.5 million carats of emerald and beryl and 170,467

tonnes of ore processed at 46tph generating 21.8 million carats in 2019, which was a full year of operations.

The strong processing results for 2021 also followed a Covid-19 induced two-week shut down and shift reduction of the treatment plant, demonstrating the success of the improvements and enhancements made to increase efficiency of the plant.

#### *Operating costs*

Total operating costs, as defined below, for the year were USD60.7 million (December 2020: USD33.4 million), with a unit operating costs of USD5.29 per tonne of rock handled compared to USD14.52 per tonne in 2020. The more pertinent cash rock-handling unit cost (defined as total cash operating costs divided by total rock handled) was USD3.47 per tonne for the year, with a total cash cost of USD32.6 million. This compared to USD22.6 million and USD9.83 per tonne in 2020, which resulted from the operations being suspended from 30 March 2020, leading to lower production in the year.

Total operating costs includes mining and production costs, mineral royalties, intercompany marketing, management and auction fees, selling, general and administrative expenses, and depreciation and amortisation, but excludes the change in inventory (see Note 3 to the Consolidated Financial Statements). Cash operating costs include mining and production costs and selling, general and administrative

expenses, but exclude intercompany auction, marketing and management fees, depreciation and amortisation, and mineral royalties.

#### *Tax regime*

There was no major change to the key tax regime affecting Kagem in 2021. However, from 1 January 2022 the mineral royalty tax will be deductible for tax purposes, returning to a more transparent tax regime.

#### *Capital expenditure*

During the year, USD2.3 million was invested in the replacement of mining and ancillary equipment as well as in infrastructure improvements. The capital investment was higher when compared to 2020 where only USD0.9 million was spent. Given the success of Kagem during 2021, catch-up spend on capex is anticipated in 2022, primarily on replacement machinery.

#### *Infrastructure*

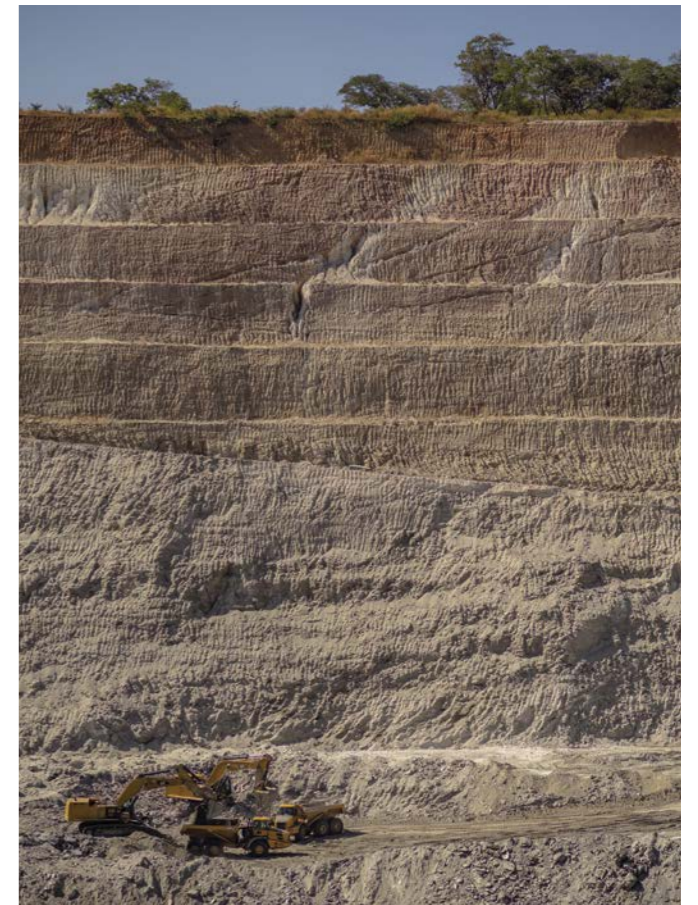
Infrastructure development projects focussed on improving living conditions and fighting Covid-19, including the refurbishment of the senior staff mess and approximately 100 rooms of the existing junior and senior quarters, as well as upgrading the football pitch, both of which were completed this year. In a bid to improve machine availability, the construction of a HEMM washing bay has commenced.

#### *Geology and exploration*

The Chama open-pit mine is supported by a JORC-compliant Resources and Reserves Statement produced by SRK Consulting (UK) Limited (“SRK”) at 31 July 2019. The Competent Person’s Report (“CPR”) supports the reporting of mineral resource and ore reserve estimates in accordance with the 2012 edition of JORC and confirmed a 22-year open-pit Life of Mine Plan (“LoMP”). The Resource and Reserve Statements are updated annually by the company’s internal competent person for disclosure to the JSE and AIM (refer to page 55).

The emphasis during the year was to establish geological continuity to support the expansion of the F10 section of the Chama pit, with drilling probes planned to gather subsurface geological information and cross check with the existing exploration data.

Exploration efforts are being made to develop both the Fibolele and Libwente sectors in order to gain further high-level geological understanding. Continued assessment of the bulk sampling projects in the Libwente sector involved desktop evaluation to support gaining a better understanding of the geology and to determine the viability of development into a larger-scale mine.





Along with these software and hardware improvements, modifications to the CCTV procedures were also implemented which are expected to lead to improved reporting and co-ordination of information, allowing for transparent and effective review and audit of the security operations and responses.

The drone operations continue to serve as a deterrent to intruders and allow for enhanced surveillance.

With the improved surveillance technology capabilities, Kagem has seen an 8% reduction in intrusions onto the licences during the year.

#### *Health, Safety and Environment*

The health and safety of employees is not only considered critical to the operation but is also ultimately the responsibility of everyone at Kagem. The mine continues to operate in a responsible, transparent, and safe manner while sticking to the tenets of legitimacy, transparency, and integrity as an essential part of health, safety, and the environment (“HSE”) policies and Kagem’s commitment to mining safety and

environmental conservation. A zero-harm (injury-free) culture is the aim and efforts can never be overemphasized.

During 2021, Kagem recorded one lost-time injury (“LTI”) compared to none in 2020 and one LTI in 2019.

Kagem has adopted a proactive approach to enhance HSE awareness, including hazard identification and risk assessments, training, emergency drills, inspections and a roll-out of monthly safety themes, that have been incorporated in the day-to-day operations of the mine. During the year, Kagem rolled out a series of safety, health, environment and quality (“SHEQ”) training sessions, totalling 888 hours throughout the year, where individuals were trained on the Integrated Management System (“IMS”), and also firefighting.

For a number of years Kagem has been working towards full IMS implementation. During December 2021 an audit was conducted which concluded that Kagem has complied with all facets of the implementation of the IMS to the extent that the requirements of ISO 9001 Quality Management System, ISO 45001 Occupational Health & Safety Management and ISO 14001 Environmental Management System have been met. The final certification audit is expected to be conducted in March 2022.

#### *Sustainability and Corporate Responsibility (“SCR”)*

The sustainability and corporate responsibility activities aim to position Kagem in good standing with local communities, as well as to ensure that its policies impact positively on people and complement Government efforts in reducing poverty levels and suffering among the people. Kagem’s approach to community engagement and participation is consistent with Government policy.

Kagem resumed its principal operations in April 2021 after having temporarily suspended all but principal operations from March 2020. During this period of suspension, Kagem looked to preserve cash and consequently the more significant projects were postponed, with the focus being to support the local community in the fight against Covid-19.

During 2021, the following projects were completed in respect of the key facets of education, health and agriculture:

- **Education:** Kagem built three classrooms, two toilets and two staff houses at the Masasa Primary School, provided drums for waste disposal to the Chapula Secondary School and donated hand sanitising containers to three local schools. In addition, Kagem participated in the water sanitation, health, and environment (“WASHE”) programmes for the schools, making donations of various materials. Contributions included donating washing buckets, hand sanitisers and face masks to the District



Education Board Secretary’s (“DEBS”) office for distribution among schools in the Lufwanyama District that are further away from Kagem.

- **Health:** Kagem supported the Lufwanyama District Hospital, Nkana Health Centre and District Education with clinical, health and hygiene items totalling approximately USD15,000. All items were received by the Lufwanyama District Commissioner.
- **Agriculture:** Kagem supported four farming cooperatives of Kapila Green Farms, Blessings, Twasanta and Tweende by continuing to provide a market for their farm produce and engaging with partners such as Kickstart International, an organisation that trains small-scale farmers in quality crop management and production.

#### *Human resources*

Staff welfare activities were focussed on protecting employees from Covid-19 and improving social amenities around the workplace and employee housing.

During the year staff members were trained in various fields, including SHEQ, medical, human resources, management development and team building, engineering, finance, IT and mining. Training sessions were conducted by both external and in-house trainers, with 86.6% of the workforce being trained at the mine site, and 13.4% being trained off-site in Zambia. One Zambian student completed an internship in the HR and medical departments.

Kagem pledged scholarships for students in the Schools of Engineering and Mining at the University of Zambia and Copperbelt University (“CBU”) to develop more coloured gemstone industry-oriented graduates with good technical and practical knowledge. Kagem also witnessed the graduation of one of its CBU sponsored students who has since joined Kagem as per the memorandum of understanding.

The process of re-opening Kagem’s principal operations was successfully achieved through the engagement of the Minister of Mines, Labour Commissioner, National Unions and Branch Unions with effective communication with the entire workforce and contractors.



## SECTION 2.3.2

# Operations Review

## Mozambique

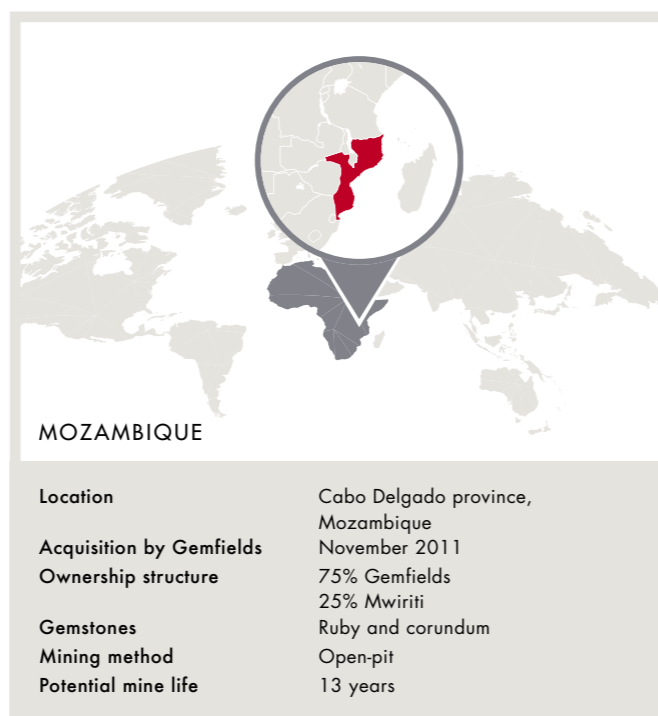
RUBY OPERATIONS IN MOZAMBIQUE COMPRISE THE FOLLOWING:

- **Montepuez Ruby Mining Limitada** (“MRM”). The Montepuez ruby deposit, which is in the northeast of Mozambique within the Cabo Delgado province, is believed to be the most significant recently discovered ruby deposit in the world and covers an area of 349 square kilometres. MRM is 75% owned by Gemfields and 25% owned by local Mozambican minority partner, Mwiriti Limitada. MRM, acquired by Gemfields in November 2011, is an open-pit mine and has a life of mine of 13 years to 2034.
- **Megaruma Mining Limitada** (“MML”) is registered in Mozambique. Gemfields holds a 75% interest in the licence area, which is located in the Montepuez district, sharing its eastern boundary with the existing MRM deposit and covering approximately 155 square kilometres of area.
- **Novo Megaruma Mining Limitada** (“NMML”) is registered in Mozambique. Gemfields holds a 75% interest in the licence area, which is located in the Montepuez district, sharing the northern boundary with the existing MRM deposit and covering approximately 190 square kilometres of area.
- **Eastern Ruby Mining Limitada** (“ERM”) is registered in Mozambique, with Gemfields holding an 80% interest. The mining area covers 116 square kilometres and shares its western boundary with the licence of NMML.
- **Campos de Joia Limitada** (“CDJ”) is a Gemfields holding company in Mozambique which has four licences at present, totalling an area of 452 square kilometres.

### MONTEPUEZ RUBY MINING LIMITADA (“MRM”)

#### *Covid-19 and MRM’s operations*

All but critical operations at MRM were suspended from 22 April 2020 until February 2021. Security, maintenance and other essential services remained active to ensure prompt resumption of operation at short notice.



Operations resumed in a phased manner, starting with treatment plant operations in March 2021, and followed by mining operations in April 2021 after putting in place measures to mitigate the risk of spreading Covid-19 and applying already established protocols for handling of positive cases.

Proactive Covid-19 testing has been part of MRM’s Covid-19 strategy since July 2020, utilising RT PCR testing, rapid antibody testing and rapid antigen testing. MRM benefitted from Government Covid-19 vaccination programmes, with Government medical teams carrying out vaccinations within the mine premises during the campaigns. To date, 98% of direct MRM employees have had the first vaccination dose, with 61% being fully vaccinated. 53% of indirect employees (labour hire providers and private security providers) have had the first vaccination dose, with only 8% being fully vaccinated. Upcoming

Government vaccination campaigns will be focussing on the indirect employees.

#### *Auction results*

To counter the travel restrictions that prevented MRM holding auctions in 2020, a new mini auction system has been devised that enables the movement of goods instead of people. The auctions are multi-city with selected lots made available for in-person and private viewings in Bangkok, Dubai and Jaipur. Following the viewings, the auctions take place via an online auction platform specifically adapted for Gemfields, which permits customers from multiple jurisdictions to participate in the auction by placing their bids through the online auction platform.

The first series of seven sequential ruby mini auctions held from 15 March to 8 April 2021 generated revenues of USD58.9 million, with an average price of USD171.33 per carat. A second series of auctions, held from 8 November to 9 December 2021, delivered an all-time high for MRM ruby auctions, generating USD88.5 million of revenues and contained a selection of grades that are typically offered at a mixed quality auction. In total, 97% of the lots offered were sold at an average price of USD132.47 per carat.

In 2021, MRM generated a record USD147.4 million of auction revenues, bringing the total revenue achieved since incorporation to USD731.4 million.

During 2020, MRM did not generate any revenue as no auctions could be held due to the Covid-19 pandemic.

#### *Mining*

MRM’s key operational parameters for the year to 31 December 2021 are summarised in the table below.

#### MRM PRODUCTION SUMMARY

	12 MONTHS TO 31 DECEMBER 2021	12 MONTHS TO 31 DECEMBER 2020	12 MONTHS TO 31 DECEMBER 2019
Gemstone production (premium ruby) in thousand carats	84.0	28.7	81.3
Gemstone production (ruby and corundum) in million carats	3.3	1.3	2.2
Ore mined (primary and secondary) in thousand tonnes	739.9	229.6	1,071.6
Ore processed (primary and secondary) in thousand tonnes	1,002.0	346.4	845.7
Grade (ruby and corundum/ore processed) in carats/tonnes	3.3	3.6	2.6
Waste mined in million tonnes	5.0	1.7	6.1
Total rock handling in million tonnes	5.7	1.9	7.2
Stripping ratio	6.0	6.2	4.9

The mining operations at MRM comprise several shallow, opencast pits split between three main operating areas: the Mugloto Block, the Maninge Nice Block and the Glass Block. Mining is carried out as a mechanised open-pit operation utilising excavators, loaders, articulated dump trucks and associated ancillary equipment. Loaded trucks haul ore to stockpiles adjacent to the treatment plant while waste is backfilled into mined-out areas, thereby returning the area to its natural aesthetic.

Total rock handling during the year was 5.7 million tonnes (2020: 1.9 million tonnes and 2019: 7.2 million tonnes), comprising 0.7 million tonnes of ore and 4.4 million tonnes of waste material at an overall stripping ratio of 6.0. The remaining 0.6 million tonnes handled related to other materials, including slimes handling, waste dump rehandling and road improvements.

As with the previous year, efforts were primarily focussed on the Mugloto Block (79.2%) in order to extract higher-quality ruby-bearing ore, with the remainder coming from the Maninge Nice Block (16.1%) and from Glass Block (4.7%). This split was consistent with 2019.

#### *Production*

A total of 3.3 million carats (“Mct”) of ruby and corundum were produced during the year with a focus on producing high-quality, low-occurrence ore. Of the 3.3 Mct of production for the year, 3.1 Mct was recovered from Mugloto secondary ore and 0.2 Mct from other blocks. In 2020 and 2019, 1.3 Mct and 2.2 Mct were produced respectively, again coming in similar ration between the individual blocks.

The overall ore grade realised during the 2021 was 3.3 carats per tonne, compared with 3.6 carats per tonne for the four months of production during 2020, and 2.6 carats per tonne in 2019. The marginal reduction in grade compared to 2020 was attributed to processing a of higher volume during the nine months of operations in 2021.

### Processing

During the year, 1.0 million tonnes of ore was processed at the treatment plant, a significant improvement over 2020 and 2019. On average the plant processed 91,093 tonnes per month, compared to 86,605 tonnes in the four-month operation period in 2020 and 70,475 tonnes in 2019. Processing improvements made in 2019 and the commissioning of the apron feeder project earlier in the year have achieved the desired impact of enhancing the throughput to 200 tonnes per hour (142 tonnes per hour in 2019), thereby increasing total processing for 2021, despite the plant only resuming operations from March.

### Operating costs

Total cash operating costs, as defined below, were USD35.4 million (2020: USD20.7 million and 2019: USD32.8 million) with unit operating costs of USD5.45 per tonne of total rock handled (2020: USD10.8 per tonne and 2019: USD5.90 per tonne). Total cash costs have increased over 2020 as operations were active for nine months of the year compared to four in the previous year.

Total operating costs were USD80.9 million (2020: USD32.5 million and 2019: USD69.6 million). The higher costs are attributable to a longer period of full operations in 2021 when compared to 2020.

Total operating costs includes mining and production costs, mineral royalties, intercompany marketing, management and auction fees, selling, general and administrative expenses, and depreciation and amortisation, but excludes the change in inventory. Cash operating costs include mining and production costs and selling, general and administrative expenses, but exclude intercompany marketing, management and auction fees, depreciation and amortisation, and mineral royalty and production taxes.

### Capital expenditure

Total capital expenditure for the year was USD4.6 million, comprising USD2.1 million invested in expansion and exploration and USD2.5 million in existing mining and ancillary equipment replacements and the Resettlement Action Plan (“RAP”). The 2021 expenditure compares to USD3.7 million and USD20.5 million in 2020 and 2019 respectively.

The RAP costs were covered by the provision previously set up for this purpose. The spend on the RAP has now largely been incurred with only a small number of incidental items remaining.

### Geology and exploration

The MRM concession is located within the wedge-shaped Montepuez Complex, a junction between the north–south trending Mozambique Belt and the east–west trending Zambezi Belt. Both belts are known to be treasure-bearing and date from the Neoproterozoic Pan-African tectonic event.

The Montepuez ruby deposit was reviewed, with all technical information updated, as of 1 July 2019 to support a dual listing on the AIM market of the London Stock Exchange. As a result, a Resources and Reserves Statement (full Competent Persons Report (“CPR”)) was produced by SRK at 31 December 2019, which confirmed a 14-year open-pit LoMP and that the mine is well positioned for growth in production. At 31 December 2021, an annual reserve statement was prepared by MRM’s internal competent person, (see page 58) which indicates a 13-year LoMP.

The rubies around Montepuez are found in two types of deposits: primary mineralisation hosted within amphibolite or secondary placer type found in gravel beds.

Primary rubies from the amphibolitic source (and also secondary rubies in the associated overlying gravel bed) at Maninge Nice are typically tabular and hexagonal crystals, with strong basal planes. These gemstones are highly fractured with specific inclusions. Typically, the production from primary mineralisation is a lighter-pink colour and is often classified as sapphires. These sources provide a relatively large volume of stones and are therefore considered a high incidence but lower-quality deposit. In contrast, the production from secondary gravel bed deposits at the Mugloto, Maninge Nice and Glass pits is tumbled, deep red in colour, more transparent and contains fewer inclusions. As these secondary deposits provide fewer gemstones than the primary deposit, they are considered as low incidence but high-quality deposits.

Drilling operations, which resumed in June 2021 following the Covid-19 induced suspension from April 2020, focussed on the north-western part of Mugloto Block and, along with previous drilling results and airborne geophysics, confirmed sufficient continuity of the primary ruby mineralisation. This is a positive result given the quality of rubies currently being mined from the block.

A total of 2,498 metres of core drilling was completed during 2021 (1,128 metres in 2020 and 11,418 in 2019). Since inception a total of 60,081 metres of core drilling and 21,215 metres of auger drilling has been completed.

Based on exploration findings, stripping and mining activities commenced at two new bulk sampling pits, Glass B Pit-3 and Mugloto Pit-11, in August and December 2021 respectively.

In the period since Glass B Pit-3 commenced mining a total of 9,782 tonnes of ore have been processed. The quality of the rubies recovered from this pit is similar to other Glass block pits, potentially adding another significant source of high-quality rubies.

Mugloto Pit-2 expansion started in June 2021, with ore mining taking place from December 2021.

### Infrastructure

Enhancement of the production facilities continued with the commissioning of the apron feeder in the treatment plant circuit in May 2021, which has allowed for continuous feeding. The concrete foundation work of the slime treatment plant (centrifuge decanter) project is now complete and commissioned. Both improvements have led to a much higher processing rate.

Construction of a new two-storey office building in the central mining area resumed during the year, with the objective of bringing the project management closer to the operational site. Completion of this project, which had been delayed due to the pandemic, is expected in the second quarter of 2022.

In 2020, while the Covid-19 pandemic was ongoing, all capital projects were reviewed and delayed where possible as cash preservation was of paramount importance.

### Protection services

In addressing artisanal mining, which remains a significant challenge given the size of the concession and the high incidence of Internally Displaced People (“IDP”), a key consideration is the protection and safety of the artisanal miners, security personnel and MRM protection team members. IDPs are a direct result of the insurgency, which has led to over 700,000 such people taking refuge in areas near MRM and who pose an added threat to the operations, due to the risk that they could join the illegal miners.

The Protection Services Department (“PSD”) continued with the incorporation of supportive security enhancement equipment, including better quality body cameras, lighting towers, drones and wireless cameras, which have improved surveillance across the site. The main objective is to minimise the level of artisanal activity within and around the concessions, but also to enable earlier invasion identification and facilitate a speedy and safe evacuation of the artisanal miners. Patrol teams continue to use body cameras, which, along with drones has resulted in improved monitoring of the MRM



IMAGE Montepuez ruby mine, Mozambique

concession and adherence to the Voluntary Principles on Security and Human Rights (“VPSHR”). Training delivered by reputable third-party trainers to MRM employees about VPSHR, social media awareness, conflict resolution and juveniles in artisanal mining has also continued.

The PSD has successfully incorporated drones on site to monitor artisanal mining and assist patrol teams in locating such activities. In December 2021, the drone deployment included two short range drones as well as two medium range drones that covered the mining area on a 24-hour basis. In addition, two long range drones have been acquired and once on site will significantly increase MRM’s drone surveillance capabilities.

With the ongoing pressures within the area, the PSD remained focussed on maintaining a high standard of service to keep MRM personnel and property safe, and to prepare for any possible external threats. Further, supportive security enhancement equipment, including vehicle dash cameras and vehicle tracking, has improved surveillance of personnel movement across the site and ensures focus is kept on covering all patrol areas.

The Islamic insurgency in the northern part of the Cabo Delgado province (about 200 kilometres northeast of MRM) remains a concern, although it has been observed that the deployment of the Rwanda Defence Force and South African National Defence Force in the province has had a significant impact on controlling the insurgency. Sporadic insurgent incidents are recorded regularly but due to the run over of the insurgent strongholds by Government and supporting joint international forces, the incidents are limited to the northern Macomia district and Niassa province, to name but a few.

Using third-party advisors and security experts, both MRM’s PSD and the Group’s senior management regularly track developments in the region and the likely resulting risks posed to the site’s assets and its people. Although a direct threat from the insurgents is currently deemed unlikely, management is conscious of the possibility of opportunists mounting an attack on MRM’s assets in the province and/or the spread of insurgency.

Further information about risk mitigations relating to site safety and asset protection can be found in the *Risk and Uncertainties* section of this report.

MRM continues to work closely with Mozambican authorities to raise awareness among local communities of the dangers of artisanal mining and to assist in tackling ruby smuggling to reduce the risk to and exploitation of vulnerable groups by well-organised syndicates. The impact of the IDP on illegal artisanal mining was presented to

the British High Commissioner in August 2021 by MRM and other important mining houses for assistance with raising the matter with the Government.

#### *Health, safety and environment*

Health and safety policies and procedures continue to evolve and improve across the operation to create a safer and healthier working environment at MRM. Safety training has focussed on toolbox talks, assessing risks in work environments and improving the culture associated with near-miss reporting. Two LTIs occurred during the year. Of these, one was caused because of an attack by illegal miners on a mine supervisor. The second one was directly attributable to operational health and safety. In the interests of reducing the frequency rate of injuries, a series of internal and external health and safety training modules was incorporated into the health, safety, and environment programme. The focus of this series was risk management framework design and implementation, fostering job hazards analysis and first aid, firefighting, and safe driving.

MRM successfully achieved one million LTI free shifts at the end of October 2021. The Government recognised MRM’s efforts to prioritise the health and safety of its employees, the communities and the environment, presenting the company with the runner-up award for Best HSE Practices in the Mining Sector. The Prime Minister of Mozambique presented the award at a national event held in Maputo in May 2021.

Good progress has been made in post-mining environmental rehabilitation, with a total of 806 locally grown saplings being replanted over an area of three hectares of backfilled land. The IMS implementation of ISO9001, ISO14001, and ISO45001 (respectively, the Quality Management System, Environmental Management System and Occupational Health and Safety Management System) is ongoing. All concerned parties and process owners have completed the IMS certified training for interpretation and implementation. This training was delivered by external consultants and includes training the senior management of MRM. It is expected that the IMS will be certificated in the next reporting period. MRM also made progress regarding its mitigation of biodiversity impacts by conducting a second biodiversity assessment in 2021 across the concession and the findings and subsequent action plan are currently pending.

In December 2021, a second regulatory independent environmental compliance audit was conducted on MRM’s EIA and EMP compliance. The initial findings indicate that MRM is largely in compliance, with a few minor recommendations made that the team are looking to remedy in 2022.



#### *Sustainability and corporate responsibility*

MRM’s community engagement and project activities are aligned with the policies of the Government of Mozambique and supplement the Government’s efforts in improving the quality of life of the community. Through its community engagement process, the key focus for the community team during the year has been the continuation of existing health and livelihoods and basic education projects, as well as the implementation of several new projects. These new projects include egg production trials together with chicken-farming cooperatives; improvements and scaling up of community conservation farming; the provision of sports equipment and kit to local school children; and opening the operation’s sports grounds for the local school children to use over the weekends.

The Vocational Training Centre enrolled 156 students, of which 130 graduated. The students comprised 47 qualifying in electrical installation, and 83 in plumbing and civil construction. The painting course was cancelled due to the low adherence and attendance.

A key focus for the team has been the ongoing completion of the RAP. The preparation and demarcation of the 210 hectares of agricultural farmland block for resettled villagers was completed on schedule despite sabotage carried out by the encroachers. The District Government requested support from MRM to bear the cost of replacement agricultural farmland for the encroachers to vacate the RAP block. Because of the absence of farmland for the resettled villagers, MRM paid monthly basic basket allowances for 105 villagers from January 2021 to June 2021. MRM signed a Memorandum of Understanding (MoU) with the District Administrator and CIAM for the preparation of replacement agricultural farmland for the encroachers. The works are ongoing and had been affected by the start of the rainy season. From a total of 155 encroachers, 110 have already been allocated new agricultural farmland and were given agricultural kits composed of seeds, pesticides and fertilizers for them to vacate the RAP farmland.

The inauguration of the RAP project has not yet been scheduled, mainly due to the lingering agricultural farmland issue.

### Operational Grievance Mechanism

To further its ongoing commitment to transparency and support for the local community, and under the voluntary settlement agreement that ended the Leigh Day litigation, MRM has established an independent operational grievance mechanism (“OGM”) designed in keeping with the laws of Mozambique, the UN Guiding Principles on Business and Human Rights (“UNGPs”), and industry best practices. An Independent Panel determine the outcome of the grievances submitted to the OGM, following investigation by an independent Fact-Finding Team.

The OGM was formally launched on 4 February 2021, following the completion of a pilot phase and a local public awareness campaign. An independent monitor, Synergy Consulting, has been appointed to report on the efficacy of the OGM and its performance against the UNGPs Effectiveness Criteria at six-monthly intervals. A summary of the Independent Monitor’s report for the six-month period ending 30 November 2021, can be found on Gemfields’ website here: <https://www.gemfieldsgroup.com/assets/montepuez-ruby-mining-limitada/>. The Independent Monitor has highlighted a number of risks in connection with the implementation of the OGM, including the high case-load, and has made a number of recommendations for the OGM parties to consider. MRM accepts those recommendations and will continue to seek the resolution of the identified issues through dialogue with the other OGM players.

### Human resources

As at 31 December 2021, 1,322 people were employed by MRM, of whom 615 were directly employed and 707 were employed through contractors. During the year, various internal and external training programmes were attended, including training programmes on human rights, health and safety (ISO14001:15 and ISO45001:2018), finance, security and equipment handling.

### Events after the balance sheet date

Following the formal approval for a 400 tph second treatment plant by the respective Boards of Directors of MRM and Gemfields, engineering design and procurement processes for the treatment plant have commenced. Upon successful completion of this project in the second half of 2022, MRM’s processing capacity will increase three-fold to 600 tph.

### MEGARUMA MINING LIMITADA (“MML”)

MML is a venture between Gemfields, who hold 75% of the share capital, and EME Investments SA, Mozambique, who hold 25% of the share capital. MML ruby-mining licence 7057C is located in the Montepuez District of Mozambique, sharing a boundary with the



existing MRM licence and covering approximately 155 square kilometres. MML previously held two licences, 7057C and 7049C, however, in complying with changes in legislation, 7049C has been transferred to another company under the same shareholding structure. The new mining legislation requires each licence be ring-fenced with a unique tax number and the only way to achieve this is by housing the licences in separate companies.

Operations at MML resumed in July 2021, following the Covid-19 related suspension since April 2020, primarily with start-up maintenance of the treatment plant and processing of stockpiled ore. Work also began on trenching smaller pits to allow for more areas to be assessed to expedite the testing and assessment of the ore, resulting in a total of 10 trenches being opened and 249,302 tonnes of rock handled, including 25,304 tonnes of ore. Of this 20,943 tonnes were treated in the plant, resulting in the recovery of a moderate quantity of low-quality ruby of varying grade. With the continued efforts to improve the production throughput, more encouraging results are expected to be seen over time.

To further increase the exploration and evaluation activities, manual pitting was initiated from September 2021 with a total of 30 manual pits being opened in different target locations. Altogether 18.4 tonnes of ore were collected and processed using bushman jigs at the treatment plant, resulting in a modest recovery of low-quality ruby of varying grade.

The Protection Services Department (“PSD”) has continued to manage the security of the licence area with a view to achieving the scale and sophistication of the MRM PSD over time. Following an assessment of the licence, a number of areas were identified as having been illegally mined resulting in 95 illegal pits being safely closed. A total of 3.8 tonnes of confiscated ore was recovered and processed at bushman jigs at the treatment plant, with some low-quality rubies being recovered.

MML will continue its exploration and evaluation operations in 2022 and into 2023.

### NOVO MEGARUMA MINING LIMITADA (“NMML”)

As discussed above, in order to comply with the new mining legislation that requires every mining licence to have a unique tax identity, this title, originally held by MML, was transferred to a newly registered company, Novo Megaruma Mining Lda, in May 2021. Licence 7049C shares a boundary with the MRM licence and covers approximately 190 square kilometres.

Exploration activities on concession 7049C were deferred due to force majeure conditions resulting from the Covid-19 suspension. However, NMML has put measures and processes in place to ensure that local statutory requirements are complied with in the intervening period.

As a result of the continued prevalence of the force majeure conditions, the application for the renewal of the Environmental Licence (Category B), lodged in December 2020, remains pending with the Provincial Directorate of Land, Environment and Rural Development (“DPTADER”). The current licence expires in March 2021, however this has no impact on NMML’s operations as the renewal application was submitted within the requisite timeframe, and the delay is attributed to the impact of Covid-19 on the relevant Government departments and the existing force majeure situation. All necessary communications regarding the ongoing situation on the ground continue with the office of the National Mining Institute (“INAMI”). NMML expects that the requisite environmental licence will be granted in due course.

Despite the ongoing application for the Category B licence, NMML’s right of access and ability to continue operating with licence 7049C remains valid until November 2039.

### EASTERN RUBY MINING LIMITADA (“ERM”)

The mining licence 8277C held by ERM, a venture between Gemfields, who holds an 80% interest and Taibo Mucobora, with a 20% interest, is valid for 25 years. The licence covers an area of

116 square kilometres and shares its western boundary with the licence of NMML (7049C).

The Environmental Licence (Category B Certificate) was awarded by the Ministry of Land, Environment and Rural Development (“DPTADER”) for the period to December 2024. The licence permits ERM to commence exploration and bulk sampling activities in the demarcated boundary areas that were established from work carried out during 2019.

The land rights for mining activity (“DUAT”) application was filed for five sectors in November 2019. Out of the five, two DUAT certificates were approved covering 10,190 hectares, accounting for a major part of the total DUAT area, meaning that ERM has the right to operate on the majority of the licence area. The remaining three DUATs covering an area of 93 hectares are still pending and are expected to be issued at the provisional level, as opposed to national level, given the very limited area they cover.

During 2020, the construction of the camp and the procurement of heavy earth-moving machinery were postponed shortly after commencement due to the Covid-19 pandemic. The key start-up activities recommenced in 2021 and ERM is expected to start bulk sampling and other key exploration and evaluation activities in the third quarter of 2022.

### CAMPOS DE JOIA LIMITADA (“CDJ”)

CDJ is a Gemfields holding company registered in Mozambique that, until May 2021, held four licences – 7427C, 6114L, 9059L and 9060L – totalling an area of 456 square kilometres. 7427C is a mining title and is located 10 kilometres to the north-west of MRM. The remaining three are contiguous exploration licences and are located immediately to the south of the NMML concession.

To align with the new mining legislation in Mozambique, which requires a unique tax identity for each licence, the three exploration licences were transferred in May 2021 to three newly registered companies: Novo Campos De Joia 1 (“NCDJ1”), Novo Campos De Joia 2 (“NCDJ2”) and Novo Campos De Joia 3 (“NCDJ3”).

The Environmental Licence (Category B) for 7427C is valid until 9 July 2024, allowing for the immediate commencement of exploration activities and bulk sampling in due course.

No significant work occurred on all four licences during 2021, as the Group preserved cash because of the impact of Covid-19. All significant exploration and evaluation activity is expected to resume in 2022.

## SECTION 2.3.3

# Operations Review

*Fabergé Limited*

Fabergé Limited (“Fabergé”) is one of the world’s most recognised luxury brand names, underscored by a well-documented and globally respected heritage. As a wholly owned subsidiary of Gemfields, Fabergé provides direct access to the end consumer of coloured gemstones through directly operated boutiques, international wholesale partners, faberge.com and other online marketplaces, as well as boosting the international presence and perception of coloured gemstones through its consumer-focussed marketing campaigns.

## FINANCIAL PERFORMANCE

Fabergé achieved record revenues of USD13.8 million in the year to 31 December 2021, compared to USD7.1 million in 2020 and USD10.5 million in 2019.

During the same period, Fabergé recorded a gross profit (calculated as revenue less change in inventory and cost of goods sold) of USD3.3 million (compared to USD3.9 million in 2020), and an EBITDA loss of USD4.9 million (compared to a loss of USD3.7 million in 2020). Operating expenses in the year were USD8.3 million (USD7.6 million in 2020).



## POINTS OF SALE

For the year to 31 December 2021, Fabergé directly operated three points of sale: a concession in the Harrods Fine Jewellery Room, London, a mono-brand boutique located in The Galleria Mall, Houston, Texas, USA, which is the state’s premier retail destination, and a mono-brand boutique located in the world-famous Dubai Mall, Dubai, UAE.

Fabergé products were also available throughout partner-operated multi-brand boutiques in Albania, Andorra, Australia, Austria, Azerbaijan, Bahrain, Belgium, Canada, China, Czech Republic, Finland, France, Germany, Greece, India, Italy, Jordan, Japan, Kuwait, Malta, Moldova, New Zealand, Norway, Holland, Qatar, Romania, Saudi Arabia, Sint Maarten, South Africa, Spain, Switzerland, Portugal, Thailand, UAE, UK, Ukraine and the USA. The total number of Fabergé outlets increased from 81 to 116 during the year.

In addition, Fabergé products are also available for purchase online via Faberge.com, and a host of other third-party online marketplaces including Net-A-Porter, Saks, JD.com and TMall.com. In 2021, Fabergé has focussed on growing the number of third-party online marketplaces it sells through, which now significantly surpasses the pre-pandemic level.

IMAGE The Fabergé x Game of Thrones Egg, featuring a Gemfields Mozambican ruby



## PRODUCT DEVELOPMENTS

To commemorate 100 years since Peter Carl Fabergé passed away, Fabergé crafted an extraordinary, one-of-a-kind egg object. Handcrafted in 18k yellow gold, and weighing an astonishing 10 kg, this unique object took inspiration from the first-ever Imperial egg, the 1885 Hen Egg, as well as the 1887 Third Imperial Egg. The Centenary Egg, set to be a future heirloom, features gold fluting, a technique for which Peter Carl Fabergé was renowned and which featured heavily in his early works of art. The egg is also set with spectacular Gemfields Mozambican rubies and Zambian emeralds, giving it a contemporary and colourful twist and complementing the white diamonds which line its circumference.

Fabergé also introduced the latest addition to its Visionnaire timepiece collection, the DTZ Dynamist – a new creation fusing the energy of movement with surprise. Featuring an award-winning movement developed exclusively for Fabergé, this timepiece elegantly merges modern technology with Fabergé’s culture and heritage. The

IMAGE Rachel Zegler wearing Fabergé featuring Gemfields Colours of Love Rings, featuring Gemfields Zambian emeralds, courtesy of Getty Images

design features a case comprising ceramic and titanium, complemented by a classic black fascia which, when coupled with the yellow gold elements, makes for a strong, contemporary, bold colour combination.

During the year Fabergé also expanded upon its chic, contemporary, *Colours of Love* collection to include new multi-coloured, fluted rings containing an array of vibrant coloured gemstone combinations.

## MARKETING AND COMMUNICATIONS

In April 2021, in keeping with Fabergé’s iconic legacy of creating exquisite objets d’art, Fabergé announced to the world’s press the commission of its next Imperial class objet egg, through a unique collaboration with Warner Bros. to commemorate the extraordinary story of HBO’s award-winning television series *Game of Thrones*. This surprise collaboration fused Fabergé’s superior craftsmanship and artistic ingenuity with one of the 21st century’s most popular shows. This exquisite creation was unveiled for the first time at a star-studded event in Los Angeles in December 2021.

In addition to the Fabergé x *Game of Thrones* Egg, a number of other extraordinary objets were also revealed in 2021. In February, the release of the Fabergé x Craft Irish Whiskey Co. partnership set a world record for the world’s most expensive whiskey set. This set included a Fabergé Celtic Egg and Fabergé Altruist Timepiece. In May, the Fabergé Centenary Egg was revealed. This is a unique egg object crafted from 10kg of yellow gold, commemorating 100 years since Peter Carl Fabergé passed away. In October, the Fabergé Majesty Clutch Bag was unveiled, marking the first time Fabergé has made a bag since 1917.

Fabergé had a strong year for celebrity dressing, working with the likes of Dua Lipa, Carrie Underwood, Olivia Culpo, Rachel Zegler, Rita Ora, Kim Petras, Abby Roberts, Julia Michaels, Indya Moore, Saweetie and Nathaniel Curtis, to name just a few.

A new jewellery collection, titled ‘Fabergé 1842’, was announced in May. This collection of 18k yellow gold fine jewellery celebrates the Fabergé hallmark, and was designed to be versatile for everyday wear and mixed-and-matched with other Fabergé creations to create a unique look.

Charitable endeavours were also a core focus for Fabergé in 2021, including partnerships with the Trans Wellness Centre, and the Gemfields Foundation.

Throughout 2021, Fabergé also maintained a blend of digitally focussed marketing to support online sales.

## SECTION 2.3.4

# Operations Review

## *Other Development Assets*

### MOZAMBIQUE

Nairoto Resources Limitada (“Nairoto”, or “NRL”) is a venture registered in Mozambique, with Gemfields Limited holding a 75% interest and Mwiriti Limitada carrying the remaining 25%. The venture was set-up to manage and develop a cluster of twelve exploration and mining licences, and became functional in January 2020. The licences are located about 30 kilometres to the north of the MRM concession and hold exploration potential for gold (both primary and secondary), ruby and allied minerals.

Soon after acquisition by Gemfields, SRK was engaged to provide advisory and technical support with an initial focus on secondary gold resources, with the aim of identifying and evaluating the primary source. Accordingly, SRK completed this exercise for all twelve licences based on the available airborne geophysical data and satellite imagery and the outcome of this exercise was encouraging. It led to the identification of 88 catchment areas and 38 potential targets for secondary gold and primary gold, respectively. SRK designed a stream sediment sampling programme to evaluate the secondary gold potential of these catchment areas, which began in June 2021. The programme has a target of collecting some 3,732 samples, out of which a total of 2,253 samples (60%) were collected by the end of 2021. Of these, 942 samples (41.8%) were found to contain visible gold grains after panning.

Out of the 88 target catchment areas identified for stream sediment sampling, 62 were sampled by NRL in 2021. Gold was successfully identified in 43 of these catchment areas (68%).

Augur sampling was initiated to collect soil samples with the help of a handheld augers. The use of manual augers is not only easier to operate in NRL’s challenging landscape, but it makes the sampling process quicker and was found to be effective in guiding the trenching operations.

Of the samples washed and panned, concentrates from 3,004 soil samples, 1,641 pit samples and 1,844 stream samples were analysed onsite using a handheld XRF analyser. The XRF analysis of soil

samples aids in detecting pathfinder elements (such as gold, arsenic, copper, lead and zinc) on a regional scale and, based on these pathfinders and their geographical commonality, certain anomalous areas have been chosen for further close-space soil sampling and pitting.

Subsequently, an exploratory trenching programme commenced in July 2021 deploying an excavator, four tipper trucks and associated ancillary equipment. A total of 22 trenches were excavated over the different target locations (“TLs”). Operations were paused in December 2021 with a total trench length of 4,069 metres and a total sample weight of 16,456 tonnes collected. The potential ore produced from these trenches was processed in the pilot treatment plants to recover the contained gold and evaluate the ore grade. This exercise will continue until all of the potential ore produced thus far has been processed. A total of 164 composite samples of trench-wall concentrate have been prepared and for sending to the ALS Chemex laboratory in South Africa to verify the grade data achieved by the pilot treatment plant.

Post the pandemic, the pilot plants resumed operations in the last week of May 2021 and a double shift operation started from July 2021. For the year 2021, the pilot plants processed 7,661 tonnes of ore from the different trenches of the TLs, demonstrating the presence of anomalous gold concentrations. Treatment of potential ore from different layers of soil has furthered the understanding of their respective treatment plant response as well as the indicative feed grade for this stage of the exploration programme.

NRL has also commenced smelting of accumulated gold concentrates and, by the end of 2021, a total of 942 grams of gold “dore” was produced.

Evidence of primary gold was noted during the excavation of Trench 03 in TL05, in which a set of three auriferous smoky quartz veins (each ~5cm in width) was uncovered, intruding into micaceous schist, one of which was traced along strike into the adjoining Trench 02. Visible grains of gold were noticed in the concentrate recovered from the sample collected from the veins. Additional samples of all veins and surrounding material are being prepared for sending to the



in-house XRF analyser, except for some including gold and silver which requires, for example, a minimum of 4ppm of gold and 2ppm of silver for optimal use.

That said, and although the sample size is too small to be conclusive, there is a high level of correlation between the laboratory results for some of the key pathfinder elements (arsenic, copper, lead and zinc) and the corresponding XRF analysis data obtained where results are above the minimum detection levels required for XRF use. There is also a strong correlation for the gold results received from ALS Chemex and the “gold factor” data recorded onsite by NRL. This provides a reasonable basis for the ongoing use of the in-house XRF analyser for carrying out trace element analysis on future soil sampling programs during the 2022 exploration campaign.

NRL is planning to commission a higher capacity mobile modular plant to strengthen the exploration activities.

SRK is in the process of completing their desktop review of NRL’s 2021 exploration results. In a communique, SRK noted that the ‘gold factor’ data from NRL’s sampling campaigns has been used to produce an empirical model for primary gold prospectivity across a network of catchment basins extracted from the available hydrological data. Principal component analysis has been performed on the XRF dataset in order to identify multi-element correlations between metals associated with hydrothermal gold mineralisation. This analysis has identified correlations between arsenic, copper, silver and bismuth and which provides a tool for licence-scale mineralisation targeting.

As part of the desktop review, SRK is also evaluating the results of the 2021 stream and soil sampling campaigns with respect to established regional targeting criteria for gold mineralisation. Targeting criteria will be refined based on the new dataset and will be used to recommend follow-up sampling locations over areas of the licence that have not yet been explored.



ALS Chemex laboratory in South Africa for analysis. Some 350 channel samples of 1 metre length taken from the bedrock will be submitted from the TL5 area. These samples will be analysed for gold and multi-elements.

The results of trace element analysis from 50 stream-sediment samples collected in 2017 have recently been received from the ALS Chemex laboratory in South Africa. These samples were originally collected by Mwiriti prior to Gemfields’ acquisition of 75% of NRL and were sent to the laboratory by NRL after operations resumed in 2021. A large proportion of the pathfinder results received from ALS Chemex are above the detection levels which can be measured by the

While activity is at an extremely early stage and conclusions cannot yet be sensibly drawn, the exploration exercises carried out to date have produced approximately one kilogram of gold dore from in situ grades varying from 0.1 to 0.7 grams per tonne (“gpt”) with an average-to-date of 0.2 gpt in the soil samples collected from the trenches and using a cut-off grade of 0.1 gpt. These grades have been assessed on site by processing the soil samples in the small onsite pilot plants. Once the channel sample results have been returned from ALS Chemex, further correlations between the “gold factor” values and the laboratory results will be used to identify higher grade stockpile material at the plant for priority processing.

The southern part of the NRL licence area is also host to ruby-bearing formations which may turn out to be the northern extension of the ruby-bearing formations on the MRM concession located about

20 kilometres to the south. Ruby grains associated with amphibolite have been seen in a small pit excavated by artisanal miners on the NRL licence. Further exploration is required to establish viability.

NRL continued to support local authorities during the year in combating the pandemic by donating face masks and sanitisation supplies to the local communities. NRL also assisted local communities in restoring some of their pre-existing but non-functional hand pumps for access to water.

As part of the Group's commitment to conservation and protection of wildlife, NRL signed a Memorandum of Understanding with the neighbouring Quirimbas National Park ("QNP") to support its operations.

#### MADAGASCAR

Oriental Mining SARL, a 100% subsidiary of Gemfields, holds a number of concessions for a range of minerals, including emerald and sapphire, which comply with all statutory and regulatory obligations. Gemfields was planning to commence preliminary investigations with regard to several permits in 2020, however, the global travel restrictions and cost-saving measures implemented across the Group in response to the Covid-19 pandemic resulted in strategic deferment of the developmental activities in Madagascar. Continued efforts were made to engage with the local stakeholders through contacts and consultants within the country. Gemfields Foundation constructed a primary school in rural Madagascar, complete with biogas and a water supply, which now serves 195 pupils living close to Antsahamarofoza, in Antananarivo district. The school will provide students with an education, hot meals and a clean water supply.

It is hoped that preliminary exploratory activities will commence in the latter half of 2022.

#### ETHIOPIA

Gemfields owns 75% of Web Gemstone Mining plc ("WGM"), a company that holds a 148.6 square kilometre emerald exploration licence in southern Ethiopia. Exploration activity began in June 2015 in an area called the Dogogo Block in the northern part of the licence. The area was selected based on conducive geological settings and evidence of past artisanal activity. The licence area was evacuated in June 2018 after the operational and residential areas of the project were invaded by an armed mob. Gemfields has not yet returned to the licence area due to ongoing security risks and widespread political and ethnic unrest in the region.

The political and security situation in Ethiopia remains unsettled. The national elections, originally scheduled for May 2020, were finally held in June 2021, after delays brought about by the Covid-19

pandemic. As was widely anticipated, Prime Minister Abiy's Prosperity Party won. It is hoped that the election result will help to settle the recent political unrest. The recent instability in Tigray region looks to be settling. However, it is possible that it will have an ongoing impact on the stability of federal politics until fully resolved. Given the prevailing security conditions in the region and the pandemic situation, it is highly likely that there will be an adverse knock-on effect on WGM's return to work ("RTW") plan.

Throughout the period of unrest, WGM has maintained regular contact with local, regional, and federal Government authorities, including regular letters and interactions with key stakeholder groups and authorities at every level. Furthermore, and despite not having a functioning operation, the Company has maintained a regular programme of community support to show its continued commitment to the project and the local communities. In April 2020, it distributed a shipment of essential food and medical provisions to support the most vulnerable members of the community through the pandemic. In September 2021, the Company made a significant contribution towards an initiative by the Oromia Mineral Development Agency for the creation of a mineral development committee to support investment and community dialogue for the development of Oromia's abundant natural resources. In November 2021, the Company sent a shipment of food products to Borona zone authorities to support vulnerable community members affected by the drought conditions the region is currently experiencing.

WGM's exploration licence was renewed by the Ministry of Mines for a further year in January 2021 without relinquishment of any licence area on force majeure grounds. A renewal application for 2022 was submitted to the Ministry of Mines in November 2021.

Given the impact of Covid-19 on the Group during 2020, significant efforts were made to reduce spending, where possible, on non-core and developmental projects, including WGM. All operations (including RTW) were postponed until at least 2022, with the exception of critical business functions, regulatory obligations and essential community engagement.

Given the political situation, the status of various licence applications and cessation of any significant spend anticipated in the near future, an impairment review of WGM has been performed in accordance with the relevant accounting standards. The timing of and uncertainty surrounding the RTW and spending whilst the political turmoil exists suggest that the carrying amount of the assets held in WGM may not be recovered. As such, the USD4.4 million carrying value of the assets was written down to Nil value at 31 December 2021.

WGM hopes to initiate baseline community engagement activities during 2022 to prepare the ground for RTW, should the operating environment show signs of stabilisation.

## SECTION 2.4

# Finance Review



A summary of the key financial indicators of the Group for the year ended 31 December 2021 is shown in the table below.

IN THOUSANDS OF USD	2021	2020
Revenue	257,706	34,567
EBITDA <sup>1</sup>	133,101	(32,909)
Profit/(loss) after tax	64,963	(93,227)
Cash generated from/(utilised in) operating activities	98,121	(20,166)
Free cash flow <sup>2</sup>	118,122	(58,968)
Net cash/(debt)	62,985	(12,643)

1 – Earnings before interest, taxation, depreciation and amortisation, adjusted to exclude one-off impairments on the Groups fixed assets, fair value gains or losses on the Group's non-core equity investments and share based payments.

2 – Free cash flow is calculated as cash flow from operating activities less taxation paid, sustaining and expansionary capital expenditure and foreign exchange gains and losses and excludes all working capital movements. A full breakdown can be seen in Note 3: *Segmental Reporting* to the Consolidated Financial Statements.

#### OVERVIEW

The Group's primary financial key performance indicators ("KPIs") are revenue, EBITDA, free cash flow before working capital movements and net cash/(debt). For a reconciliation of the above KPIs, see Note 3 to the Consolidated Financial Statements.

The Group achieved record revenues of USD257.7 million during 2021, predominantly from the five sets of mini auctions held during the year. The record revenues achieved in 2021 are 19% higher than the USD216.2 million revenues realised in 2019, the last record-breaking and also pre-Covid-19 year for the Group.

These outstanding revenues were made possible by the remarkable work carried out by teams across the Group, managing logistics, new auction viewing locations and auction partner expectations. The online bidding platform for rough gemstones introduced by the Group at the end of 2020, which permits customers located in multiple jurisdictions to participate in a sealed-bid sales process, was also essential in achieving the record-breaking auction revenues.

Thanks to these factors, the Group is now in a position to hold rough gemstones auctions whilst navigating the various Covid-19 restrictions in place across the globe and has a more robust sales platform to manage further challenges should they come our way in the future.

The Group also recommenced its mining operations at MRM and Kagem during the year, with both mines back to normal capacity by May 2021. Since May 2021, the production of both emeralds and rubies has been encouraging, with operations at the mines remaining largely uninterrupted by Covid-19.

The exceptional revenues achieved, alongside the slightly reduced cost base for the year that reflects only eight months of normal-capacity mining operations, reduced corporate operating costs and minimal capital expenditure, has resulted in EBITDA of USD133.1 million and free cash flow of USD118.1 million. These excellent results led to the Group ending the year with net cash of USD63.0 million. Please note, however, that these margins are unlikely to be repeated in future periods because of the abnormal cost base in the year.

The phenomenal results achieved by the Group in 2021 come off the back of the worst year in the Group's history, where the Group's operating and financial performance was severely impacted by the Covid-19 pandemic. As operations have moved back to "business-as-usual" during 2021 and with positive emerald and ruby production coming through, Gemfields has reason to look forward with optimism.

#### REVENUE

IN THOUSANDS OF USD	2021	2020
Kagem	91,830	22,300
MRM	147,367	–
Fabergé	13,753	7,144
Other	4,756	5,123
<b>Total</b>	<b>257,706</b>	<b>34,567</b>

IMAGE David Lovett, Chief Financial Officer

During 2020, the Covid-19 pandemic had a significant impact on the Group, with total revenues for the year falling to USD34.6 million, a substantial 84% reduction on the total revenues of USD216.2 million achieved in 2019. This significant reduction resulted from the Group only being able to hold two emerald auctions in 2020. A CQ auction in Lusaka, Zambia, in February 2020, generating revenues of USD11.4 million at an average of USD4.01 per carat, and a series of HQ mini auctions in November and December 2020 that achieved total revenues of USD10.9 million, with an overall average value of USD59.84 per carat. No ruby auctions were held in 2020.

The series of mini auctions for HQ emeralds held in November and December 2020 were the first of the innovative multi-city online auctions to be held by the Group. The second series of mini auctions using the online bidding platform was held between 15 March 2021 to 17 April 2021 for both HQ emerald and MQ ruby. Total revenues generated from these auctions were USD90.1 million, indicating strong market demand and robust pricing.

A further series of mini auctions for HQ emerald and MQ ruby was held across November and December 2021, generating USD126.1 million in revenue. Additionally, in August 2021 a CQ emerald auction was held that generated revenues of USD23.0 million. As championed by Gemfields over the last decade, the auctions were fully monitored by the Ministry of Mines and Minerals Development of Zambia and the Zambia Revenue Authority for the emerald auctions, and the Ministry of Mineral Resources and Energy and the Mozambique Tax Authority for the ruby auctions, all via video conference. We thank the Governments of both Zambia and Mozambique for working with us to keep the alternative auction process as transparent as possible.

Total revenues of USD91.8 million generated from emeralds in 2021 is a record calendar year for Kagem. Average per carat prices achieved in 2021, of USD115.59 and USD150.65 for the HQ mini auctions and USD6.61 for CQ mini auctions, also set new records for the Group, and were well above the average per carat prices of USD78.63 for HQ and USD4.61 for CQ achieved in 2019. Further, for the

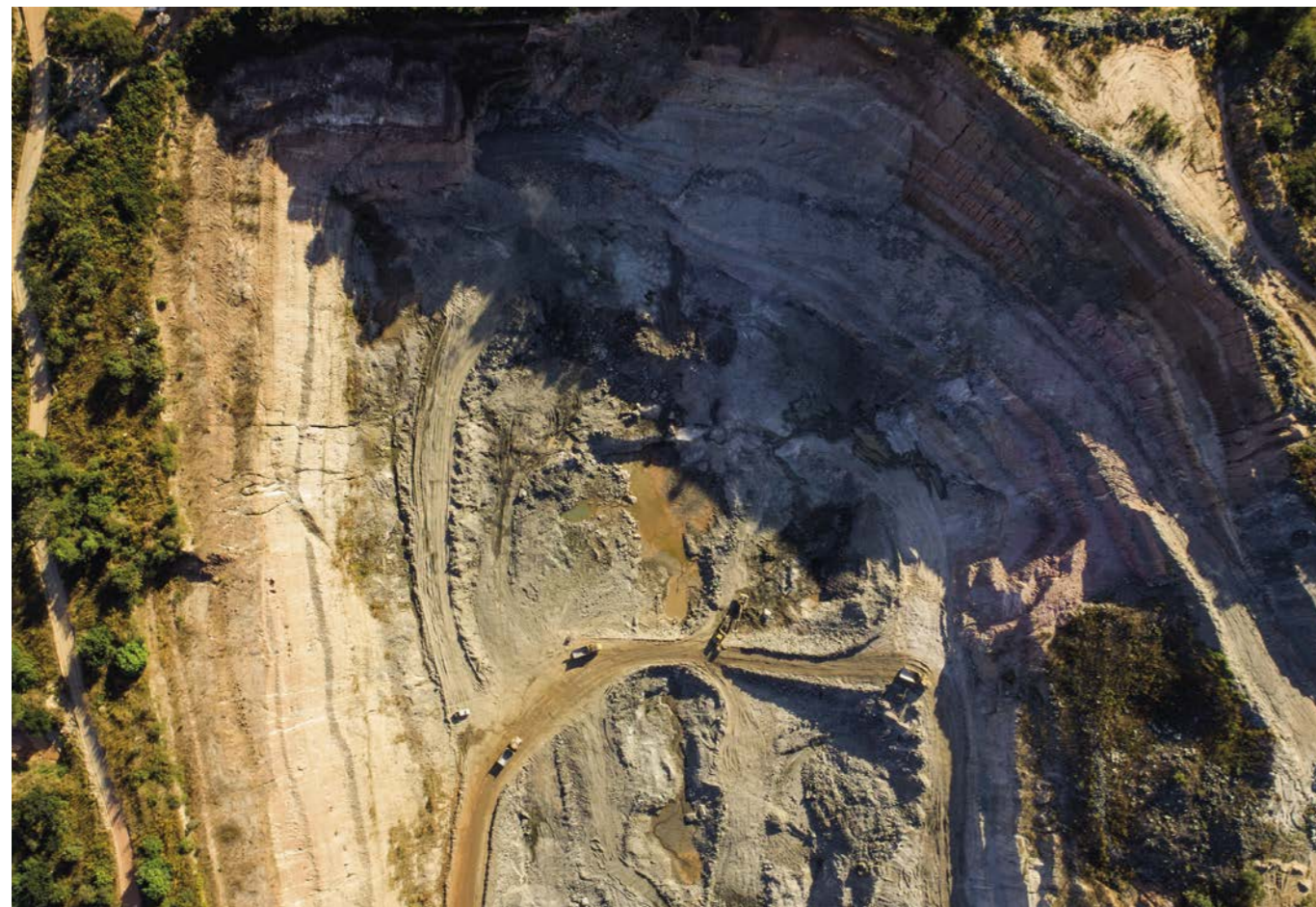


IMAGE Kagem emerald mine, Zambia



HQ auctions the average number of customers participating in the online bidding was 58.5, with an average of 19 bids made per lot. These participation rates far exceed 2019, where the Group saw an average number of customers participating in bidding of 46.5, with an average of 8.5 bids per lot. This strong and wide-reaching demand demonstrates that rough emerald prices and demand are strong despite the impacts of the Covid-19 pandemic. It is noted however, that while the 2021 auctions saw record overall revenues and pricing, each auction has a slightly different composition in terms of the product-mix and should not be directly compared.

Total revenues of USD147.4 million for rubies realised for the year were also record-breaking for the Group. Average per carat prices achieved in 2021 of USD171.33 and USD132.47 for the two MQ mini auctions again set new records and were well above the average per carat prices achieved in 2019 of USD51.99 and USD77.12. The auctions saw an average of 50.5 companies placing bids, with over 95% of lots sold at each auction series. Like emeralds, this indicates that rough ruby prices and demand remain robust despite the impacts of the Covid-19 pandemic. Whilst 2021 was the first-time ruby auctions had been held by the Group since December 2019, meaning that built-up demand over this period could have contributed to these results, those achieved indicate that market dynamics also remain

strong. As with emeralds, it should be noted that the specific auction mix and quality composition of the lots offered vary in characteristics and therefore, the results of each auction are not directly comparable.

Overall, the persistent demand for both emeralds and rubies has been reflected in the robust prices achieved in all mini auction series held in 2021. Additionally, the Group saw an increase in the number of competitive bids per schedule compared to pre-Covid-19 levels, further demonstrating that the wider market demand is strong. Although the Group may revert to more traditional in-person auctions once the pandemic-related travel restrictions allow, the huge success of the mini auction format provides confidence that an alternative route to market is available. The Group plans to return to its established six-auction schedule for 2022.

Fabergé generated revenues of USD13.8 million in the year, 94% above the USD7.1 million achieved in 2020, and 31% above the USD10.5 million achieved in 2019. Consumer confidence continued to improve throughout 2021 as Covid-19 restrictions were eased, translating into increased sales. Direct-to-customer and web sales both saw strong performance in the year as Fabergé continued to focus on diversifying its revenue streams.

Other revenue represents the direct sales of low-quality emeralds and beryl in India and the sale of historically purchased cut and polished gemstone inventory in the UK and South Africa.

#### COSTS

In response to the Covid-19 pandemic all but critical operations at Kagem and MRM were suspended in March and April 2020, respectively. Operations recommenced in early 2021, with MRM's treatment plant and sort house starting in mid-February and those at Kagem from mid-March 2021. Mining operations recommenced from April 2021, with both mines operating back at normal capacity by May 2021. At the corporate level, all UK staff members, including the Gemfields Group Limited ("GGL") Board of Directors, received a 20% salary reduction from 1 May 2020, with all significant marketing, travel and other discretionary spend suspended or significantly curtailed. Following the success of the mini auctions held in March and April 2021, salaries were increased back to 100% from April, however, marketing, travel and other discretionary spend remained curtailed for most of the year.

Total mining and production costs (excluding mineral royalties and production taxes) were USD57.8 million in 2021, an increase of USD19.0 million on the prior year, reflecting the recommencement of mining operations from April 2021. Operations at both Kagem and MRM reached normal capacity from May 2021 with minimal disruptions encountered for the remainder of the year. The 2021 cost base however remains 30% below the 2019 costs of USD82.0 million,

IMAGE Responsibly sourced rough rubies, Montepuez Ruby Mining, Mozambique



predominantly due to the reduced period of operations at both mines when compared to the full year of operation in 2019. For 2022, mining and production costs will likely increase to at least pre-pandemic levels.

Mineral royalties and production taxes, which are calculated as 10% and 6% of ruby and emerald revenues, were USD5.5 million for the Kagem emerald auctions (2020: USD1.7 million) and USD15.0 million for the MRM ruby auctions (2020: Nil).

The change in inventory and cost of goods sold expense for the year has increased from USD0.5 million in 2020, to USD9.7 million in the current year. In other words, sales across the Group were above the volume of carats mined at Kagem and MRM. The Group values its rough emerald and ruby inventories based on their weighted average cost of production. This means that direct costs of production are capitalised to the balance sheet when incurred, with the average cost accumulated per carat then released back to the income statement when the gemstones are sold. For sales of jewellery and cut and polished gemstones, the original inventory purchases are directly capitalised to inventory, hence there are no offsetting movements in the change in inventory line of the Consolidated Income Statement.

In 2021, the larger quantities sold at the mini auctions held in the year caused cost of goods sold ("COGS") to increase by USD52.4 million in comparison to 2020. This has been largely offset by the increase in mining and production costs capitalised to inventory, following the recommencement of mining operations from April 2021. For MRM, a net expense of USD3.0 million was realised, in line with expectation, as operations and hence cost capitalisation only recommenced in April 2021, meaning more carats were sold than produced. At Kagem however, robust production since operations recommenced has meant that cost capitalised were higher than the COGS for Kagem by USD8.1 million in the year.

The net add-back in the income statement across the key mining operations has been offset by the COGS arising from the sales of jewellery and cut and polished gemstones across the remainder of the Group. Most notably, the cost of goods sold for Fabergé increased by USD7.1 million in 2021 to give a total cost for the year of USD10.4 million, reflective of the increase in revenues realised by the entity in the year.

In the period from when the mines were placed on temporary suspension in 2020 until 31 March 2021 all unavoidable mining and production costs were expensed directly and not capitalised to inventory.

Mining and production costs capitalised to intangible assets in relation to the Group's development projects were USD3.3 million for the year, slightly above the USD2.9 million capitalised in 2020.



Depreciation and amortisation in the year is USD6.5 million higher than 2020. The increase was predominantly due to the amortisation of the purchase price allocation fair value uplift to the mining assets at Kagem and MRM, representing the excess purchase consideration on acquisition by GGL (formerly Pallinghurst Resources Ltd) in 2017, that is depreciated on a unit of production basis. In 2021, USD12.4 million of the USD27.5 million total depreciation and amortisation related to the mining assets, compared to USD3.9 million in 2020, reflecting the mining operations being suspended over a longer period in 2020. The remaining depreciation and amortisation of USD15.1 million fell slightly compared to the comparative 2020 charge of USD17.1 million as a result of the Group minimising its capital expenditure since the Covid-19 pandemic began.

Selling, general and administrative expenses ("SG&A"), excluding impairment of non-current assets, of USD40.9 million were USD8.3 million above the USD32.6 million spend in 2020. The 25% increase in cost in comparison to 2020 is reflective of the Group moving back towards business-as-usual activities, including the restoration of full salaries across the Group from 1 April 2021, higher insurance premiums, increases in travel expenses as some business travel has opened back up with the easing of Covid-19 restrictions, reinstatement of bonuses, changes in the operational grievance mechanism ("OGM") provision and increases in CSR accrued costs at MRM and Kagem that are linked to revenue generation.

In comparison to 2019, the 2021 SG&A cost remained USD13.7 million below the total 2019 cost incurred of USD54.6 million. Looking forward to 2022, the Group expects SG&A costs to continue to rise to at least their pre-Covid-19 levels, as the Group's

IMAGE Responsibly sourced rough emerald, Kagem Mining, Zambia

marketing and advertising campaigns recommence (2019 spend of USD13.7 million, 54% above the USD6.2 million spent in 2021), global travel opens up and inflationary pressures take hold.

The cost base of the Group is also impacted by fluctuations in foreign currency exchange rates in key operating locations. Net foreign exchange gains of USD0.5 million were realised in 2021 in comparison to a loss of USD2.9 million in 2020. The key foreign exchange fluctuations arose predominantly from the Mozambican Metical ("MZN") average rate strengthening by 6% against the US Dollar ("USD") and the Zambian Kwacha ("ZMW") weakening by 6% compared to the USD. During the year, the USD average rate has also devalued by 6% against the Pound Sterling ("GBP"). The strengthening of the GBP led to a foreign exchange loss in the Corporate segment due to the high volume of operating costs denominated in local currency.

In the prior year, net foreign exchange losses of USD2.9 million arose as the USD average rate strengthened significantly, by 43% against the ZMW and 12% against the MZN and weakened by 1% against GBP, leading to losses on the net foreign currency assets at Kagem, MRM and Fabergé.

#### IMPAIRMENT REVIEW

Impairment charges recognised during the year total USD4.9 million and mostly comprise the USD4.4 million impairment recognised against the intangible assets related to the Group's development project in Ethiopia. For 2020, total impairment charges of USD13.5 million were comprised mainly of the USD11.5 million impairment made against the intangible assets related to the Fabergé brand and trademarks.

For 2021, several indicators of impairment were identified in relation to the development assets held in respect of the Ethiopian development project, resulting in an impairment review of the associated cash generating unit ("CGU") being completed. The review concluded that whilst the ongoing political turmoil exists, high uncertainty surrounding the timing of the return-to-work plan and future spending at the project suggests that the carrying amount of the assets may not be recovered. As such, the Ethiopia development assets were written down to nil value at 31 December 2021, with an impairment charge of USD4.4 million recorded in the income statement.

The USD11.5 million impairment of the Fabergé intangibles in 2020 arose due to the Covid-19 pandemic causing a significant reduction in revenues at Fabergé as well as a less positive outlook on the global luxury goods and retail sectors. The Group determined these events to be indicators of impairment, as prescribed under IAS 36 *Impairment of assets*, resulting in an impairment review being performed on the Fabergé CGU in the prior year. The impairment

review was based on a market approach using comparable company revenue multiples. The result of the review completed was the recognition of a USD11.5 million impairment charge against the Fabergé CGU at 30 June 2020.

The Group reassessed the fair value of the Fabergé CGU at 31 December 2021, based on the same methodology as that used for the 30 June 2020 and 31 December 2020 assessments. The results of the review completed support the carrying value of the Fabergé CGU at 31 December 2021, with no further indicators of impairment being identified.

#### FAIR VALUE GAINS AND LOSSES

Fair value gains and losses arise on the Group's unlisted equity investment in Sedibelo Platinum Mines Limited ("Sedibelo"), a producer of platinum group metals ("PGMs") with interests in the Bushveld Complex in South Africa.

The Directors consider the most appropriate valuation methodology for Sedibelo to be a market comparable analysis based on the enterprise values of Sedibelo's peer group. This method values Sedibelo based on various financial and non-financial multiples including mineral resources (per 4E ounce), mineral reserves (per 4E ounce), production (per ounce), revenue and EBITDA. A discount for the lack of marketability, which takes into account that Sedibelo is an unlisted company, is also applied to the valuation.

In 2020, a USD27.9 million fair value loss arose from the revaluation of this investment, predominantly resulting from the uncertainty in the market caused by the Covid-19 pandemic that was putting downward pressure on the enterprise values of Sedibelo and its peer group.

For 2021, the estimated value of the investment was determined at USD37.2 million, an increase of USD7.6 million over the value determined at 31 December 2020. This increase in fair value has most notably arisen from an increase in the enterprise values of Sedibelo's peer group and from the increase in the net cash held on Sedibelo's balance sheet. These improvements have been driven by the robust PGM spot price environment which has continued to strengthen as the impacts of Covid-19 on the PGM sector have reduced. Accordingly, the USD7.6 million fair value gain has been recorded in the year. Full details can be found in Note 12: *Unlisted equity investments* to the Consolidated Financial Statements.

#### FINANCE INCOME AND EXPENSES

Net finance expenses for the year were USD3.2 million compared to USD2.9 million in 2020, and mainly comprised USD2.4 million (2020: USD2.7 million) of interest on the USD23.5 million Kagem ABSA facilities and the overdraft facilities at MRM. The remaining



balance comprises USD0.3 million (2020: USD0.3 million) interest on right-of-use assets and USD0.7 million of other finance costs.

#### TAXATION

IN THOUSANDS OF USD, UNLESS OTHERWISE STATED

	2021	2020
Profit/(loss) before taxation	104,423	(99,202)
Income tax (charge)/credit	(39,460)	5,975
Effective tax rate %	37.8%	6%
Cash tax paid	9,732	15,003

The effective tax rate for the year of 37.8% reflects a tax charge of USD39.5 million on a profit before tax of USD104.4 million. The charge consisted of a current tax charge of USD30.3 million, a deferred tax charge of USD8.0 million and withholding tax of USD1.2 million on a dividend declared by MRM. In 2020, the USD6.0 million tax credit was made up of a current tax charge of USD0.9 million, a deferred tax credit of USD8.4 million and USD1.5 million withholding tax.

The effective tax rate of 37.8% principally arises from non-deductible costs at Kagem (mineral royalty taxes and CSR costs) and MRM

(foreign currency movements and CSR costs) and the higher local tax rates in Mozambique (32%) and Zambia (30%).

In the prior year, the effective tax rate of 6% principally arose from non-deductible costs at Kagem and within the Corporate segment, and various losses incurred during the year but for which no benefit had been recognised.

The deferred tax charge of USD8.0 million arises as Kagem and MRM utilised their 2020 losses after returning to profitability in the current year and from foreign exchange movements that have resulted in a net USD3.3 million deferred tax charge. The foreign exchange movements resulted from the appreciation of the MZN against the USD in the current year as the tax balances at MRM are held in the local currency.

The cash tax paid of USD9.7 million is lower than the USD15.0 million paid in the prior year due to the timing of the tax advance payments and the settlement of final payments of 2019 tax liabilities during 2020, totalling USD1.3 million at Kagem and USD13.6 million at MRM. Due to the strong results realised by both Kagem and MRM in 2021, it is expected that the cash taxes paid in 2022 will increase to reflect the final payments of 2021 current tax liabilities during the coming year.

#### NET PROFIT/(LOSS) AFTER TAXATION

The Group made a profit after tax of USD65.0 million in the year, compared to a loss after tax of USD93.2 million in 2020. The profit for the year reflects the record-breaking auction results achieved combined with the impact of the cost saving initiatives introduced in 2020. The cost-saving initiatives remained in place throughout the first quarter of 2021 and although the Group began to ease the initiatives in April 2021, with the mines at Kagem and MRM both operating at normal capacity from May 2021, the Group remains focussed on cost management. The 2021 profit also includes a USD7.6 million fair value gain on the Group's equity investment in Sedibelo.

The success of the Group's 2021 rough gemstone mini auctions has given the Directors increased confidence that the major impacts of the Covid-19 pandemic on the Group have passed. The Group has successfully navigated the challenges presented whilst strengthening its business model with the introduction of the new online bidding platform for rough gemstone auctions. As such, the remaining curtailments on expenditure are expected to be lifted in 2022, with the Group re-starting its major marketing and advertising campaigns and business travel once again resuming. Consequently, profit margins going forward are not expected to remain at the high levels achieved in 2021.

Earnings per share for the year were USD0.04, compared to a loss per share of USD0.07 in 2020, reflecting the profit for the year on a stable weighted average number of shares in issue.

#### CAPITAL EXPENDITURE

The Group's reduced operations in the first quarter of 2021, combined with the continued cash-saving measures, saw capital expenditure for the year remain relatively low at USD11.7 million (2020: USD8.6 million) and significantly below the USD30.8 million spent in 2019. The majority of the expenditure was incurred in Mozambique, where USD4.6 million was spent at MRM (2020: USD3.7 million) on replacement mining and ancillary equipment (USD3.7 million) and the Resettlement Action Plan (USD0.9 million). USD4.3 million was spent on exploration and evaluation works at the Group's development projects, predominantly MML (USD1.2 million) and Nairoto (USD2.3 million). At Kagem, USD2.3 million (2020: USD0.9 million) was invested in replacement mining and ancillary equipment as well as infrastructure improvements.

Capital expenditure in 2022 is expected to increase significantly as the Group recommences its plant and machinery replacement schedules and as the construction of the second treatment plant at MRM begins.

#### CASH FLOWS

Cash and cash equivalents increased by USD54.8 million to USD97.7 million at 31 December 2021 as the Group generated USD98.1 million from operating activities, spending USD17.4 million on investing activities and USD25.9 million financing the business.

The USD98.1 million generated from operations during the year was primarily due to the strong revenues and lower costs base. Due to the timing of the final emerald and ruby auctions held from November to December 2021, USD54.5 million of auction receivables remained outstanding at 31 December 2021, reducing the total cash inflow for the year. The year, however, did benefit from collection of the final USD8.9 million receivables from the emerald HQ mini auctions held in November and December 2020. The larger auction receivables for 2021 were compounded by a USD5.6 million increase in other receivables and an overall USD3.5 million rise in inventory. Trade and other payables also rose in the year by USD23.5 million, resulting from the Group's operations recommencing and returning to normal capacity.

The cash inflows from operations were offset by the payment of USD9.7 million in taxes during the year, primarily at MRM (USD2.9 million) and Kagem (USD6.7 million). Capital expenditure was USD11.7 million, as discussed above.

As a result of the factors described above, free cash flow before working capital movements was USD118.1 million in the year, compared to an outflow of USD59.0 million in 2020.

IN THOUSANDS OF USD	2021	2020
EBITDA	133,101	(32,909)
Change in inventory and COGS <sup>1</sup>	9,704	486
Costs capitalised to intangible assets <sup>1</sup>	(3,280)	(2,907)
Tax paid (excluding royalties)	(9,732)	(15,003)
Capital expenditure	(11,671)	(8,635)
<b>Free cash flow before working capital movements</b>	<b>118,122</b>	<b>(58,968)</b>
Working capital movements <sup>1</sup>	(31,147)	27,285
<b>Free cash flow</b>	<b>86,975</b>	<b>(31,683)</b>

<sup>1</sup> – Change in inventory and cost of goods sold ("COGS") and costs capitalised to intangible assets are added back to EBITDA to calculate free cash flow before working capital movements, and subsequently included within working capital movements in the calculation of free cash flow.

#### OTHER CASH FLOWS

Total cash utilised in investing activities was USD17.4 million (2020: USD13.2 million), split between USD11.7 million (2020:

USD8.6 million) spent on capital goods (discussed above), USD6.4 million (2020: USD5.0 million) of cash advances made to Mwiriti, the Group's partner in Mozambique, in lieu of future dividends from MRM, offset by a USD0.7 million inflow from other financing activities. A dividend was declared by MRM during the year of which USD5.0 million was payable to Mwiriti. This dividend was settled against the receivable outstanding with Mwiriti in respect of prior cash advances and therefore no cash outflow arose upon its settlement.

The Group's financing activities saw an outflow of USD25.9 million (2020: USD1.1 million), driven by the net repayment of the Group's overdraft facilities at MRM of USD17.3 million (2020: USD8.4 million), a USD4.5 million (2020: USD3.5 million) principal repayment made against the loan held by Kagem and interest paid predominantly on the Kagem loan and MRM facilities of USD3.1 million (2020: USD3.0 million).

#### FINANCIAL POSITION

The Group's balance sheet is summarised below:

IN THOUSANDS OF USD	2021	2020
Non-current assets	446,214	457,927
Current assets	297,570	198,783
<b>Total assets</b>	<b>743,784</b>	<b>656,710</b>
Non-current liabilities	(109,579)	(114,185)
Current liabilities	(90,004)	(59,509)
<b>Total liabilities</b>	<b>(199,583)</b>	<b>(173,694)</b>
<b>Net assets</b>	<b>544,201</b>	<b>483,016</b>

#### Assets

IN THOUSANDS OF USD	2021	2020
Property, plant and equipment	342,617	362,734
Intangible assets	49,962	51,461
Unlisted equity investments	37,200	29,600
Inventory	115,852	117,839
Auction receivables	54,527	8,910
Cash and cash equivalents	97,720	43,862
Other assets, including deferred taxation	45,906	42,304
<b>Total assets</b>	<b>743,784</b>	<b>656,710</b>

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("PPE") primarily relates to the mining assets (evaluated mining properties and deferred stripping costs) of USD300.0 million (2020: USD313.4 million), with the

remainder being land, buildings, plant and machinery. Of the total mining assets, USD277.4 million (2020: USD303.9 million) relates to the recognition of the fair values of Kagem and MRM at the date that GGL acquired Gemfields Limited in July 2017. These assets are amortised on the unit-of-production basis over the life of the mine. Amortisation of the assets ceased when production was temporarily suspended in early 2020, but has resumed in 2021 in line with the recommencement of mining operations at both mine sites. At 31 December 2021, the carrying values of these assets were USD133.5 million at Kagem (2020: USD140.7 million) and USD143.9 million at MRM (2020: USD163.2 million).

The USD20.1 million reduction in the total PPE balance in the year resulted from the depreciation charge for the year of USD27.5 million that has been offset by USD8.3 million of additions. The additions in the year consisted mainly of USD5.3 million replacement plant and machinery at Kagem and MRM and USD1.2 million for new building lease contracts entered by various Group entities.

#### INTANGIBLE ASSETS

Intangible assets of USD50.0 million consist of USD28.5 million (2020: USD28.5 million) representing the Fabergé trademarks and brand, USD21.2 million (2020: USD22.9 million) related to unevaluated mining assets across the Group and USD0.3 million (2020: USD0.1 million) of software.

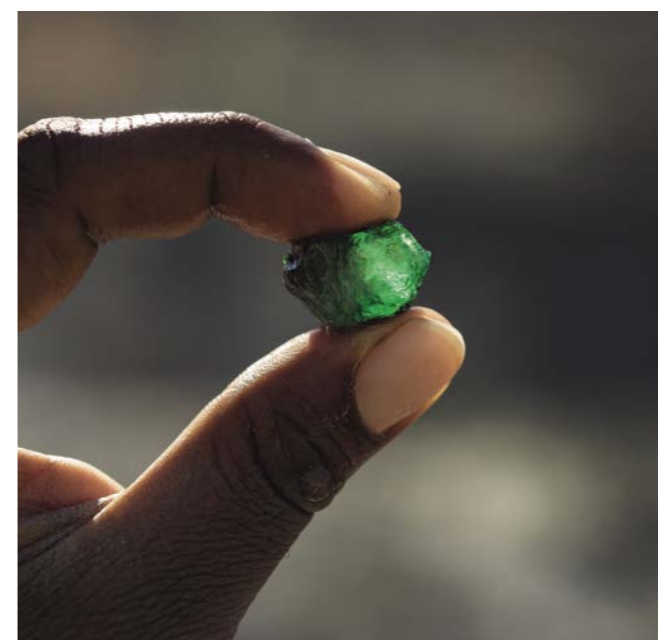
The USD1.5 million reduction in the total intangible asset arises from USD4.8 million of impairment charges recorded in the year, mostly comprising the USD4.4 million recorded against the carrying value of the Ethiopian development assets (see earlier discussion). These impairment charges have been offset by exploration and evaluation spend of USD3.3 million, predominantly arising at MML (USD1.2 million) and Nairoto (USD1.9 million) during the year.

#### UNLISTED EQUITY INVESTMENTS

The unlisted equity investment relates to the Group's equity holding in Sedibelo. The valuation of this investment is discussed earlier.

#### INVENTORY

IN THOUSANDS OF USD	2021	2020
Rough emeralds and beryl	43,582	39,290
Rough rubies and corundum	28,603	31,639
Fabergé jewellery and watches	29,330	33,413
Cut and polished product	5,406	5,616
Spares and consumables	8,931	7,881
<b>Total</b>	<b>115,852</b>	<b>117,839</b>



Inventory decreased by USD2.0 million to USD115.9 million at 31 December 2021. The fall is largely due to a USD3.0 million decline in rough rubies at MRM, resulting from gemstones sold at the ruby mini auctions held in the year not having been fully replaced by production since the mine restarted in April 2021. Conversely, at Kagem, inventory has increased by USD4.3 million, resulting from strong production levels at Kagem since the mining operations recommenced, which has meant that production has more than replaced the inventory which was sold in the mini auctions.

Inventory at Fabergé also declined by USD4.1 million in the year, resulting from the strong sales in 2021. In 2020, a USD1.1 million impairment was recorded against Fabergé legacy inventory. No additional provisions have been recorded in 2021.

#### AUCTION RECEIVABLES

The auction receivables outstanding of USD54.5 million at 31 December 2021 relate to the series of mini auctions held across November and December 2021, with USD20.1 million outstanding from the HQ emerald auctions and USD34.4 million outstanding from the MQ ruby auctions. The outstanding amount from both the emerald and ruby auctions had been fully collected by March 2022.

At 31 December 2020, the auction receivable outstanding was USD8.9 million and principally related to the emerald mini auctions held in November and December 2020. The full amounts outstanding were received by 22 March 2021.

IMAGE Responsibly sourced rough emerald, Kagem Mining, Zambia

#### OTHER ASSETS

Other assets of USD45.9 million (2020: USD42.3 million) consist of USD20.9 million (2020: USD13.7 million) of VAT receivables across the Group, deferred tax assets of USD2.9 million (2020: USD3.0 million) related to prior period losses incurred in the Corporate segment, trade receivables at Fabergé of USD6.8 million (2020: USD4.1 million), related party receivables of USD8.1 million (2020: USD6.7 million) held with Mwiriti, the Group's partner in MRM and Nairoto and other receivables, including prepayments, of USD7.2 million (2020: USD14.8 million).

The major movements in the year come from the increase in VAT receivables that was caused by the Covid-19 pandemic slowing the processing of VAT refunds in some local jurisdictions, as well as the appreciation of the MZN causing a USD1.8 million increase in the USD receivable at MRM due to the fact that the VAT receivable is held in local currency in Mozambique. During the year, MRM received USD0.7 million in cash refunds with an improvement in reimbursement rates expected in 2022. At Kagem, USD1.0 million of refunds were received and were offset against other (mainly payroll) taxes. With the fiscal changes expected in Zambia for 2022, it is expected that the rate of refund will increase over the coming year. The related party receivable from Mwiriti also increased by USD1.4 million during the year, due to an increase in the advance payments made in relation to future dividends in 2021. The total advance at 31 December 2021 was USD5.1 million, and is expected to be fully recovered in the first half of 2022. Offsetting these changes was the release of the USD4.2 million tax receivable at MRM recognised at 31 December 2020, relating to advance payments for 2020 that could only be offset against other taxes once approval was granted in 2021.

#### LIABILITIES

IN THOUSANDS OF USD	2021	2020
Deferred tax liability	86,244	79,236
Trade and other payables	39,137	17,303
Current tax payable	20,987	4,274
Provisions	9,831	7,631
Lease liabilities	3,649	3,745
Borrowings	34,735	56,505
Other liabilities	5,000	5,000
<b>Total liabilities</b>	<b>199,583</b>	<b>173,694</b>

#### DEFERRED TAX LIABILITIES

The deferred tax liabilities arise from the evaluated mining property and inventory at Kagem and MRM recognised on the IFRS 3 *Business combinations* fair value uplift on acquisition of Gemfields Limited by

the former Pallinghurst Resources Limited (now Gemfields Group Limited) in 2017.

The deferred tax liability increased in the year by USD7.0 million, primarily due to a reduction in tax losses that resulted as Kagem and MRM were able to utilise their accumulated losses against their taxable profits made during the year. Additionally, the appreciation of the MZN against the USD in the current year resulted in a USD3.5 million foreign currency impact on the Mozambique deferred tax balances.

#### TRADE AND OTHER PAYABLES

Trade and other payables have increased by USD21.8 million to USD39.1 million at 31 December 2021, reflecting the recommencement of principal operations at the mines during 2021. A large driver of the 31 December 2021 balance is USD12.2 million (2020: 1.3 million) related to WHT at MRM and mineral royalties and production taxes payable by MRM and Kagem in relation to the November and December 2021 mini auctions.

#### CURRENT TAX PAYABLE

The current tax payable of USD21.0 million consists of USD12.3 million payable by MRM, USD7.2 million payable by Kagem and USD1.5 million payable in the UK. All amounts relate to the tax payments due for the 2021 financial year.

#### PROVISIONS

Provisions of USD9.8 million include USD1.2 million (2020: USD2.0 million) of environmental provisions for the rehabilitation and restoration of mined areas at Kagem and MRM; USD0.2 million (2020: USD1.1 million) for the Resettlement Action Plan (“RAP”) provision at MRM and USD8.4 million (2020: USD4.5 million) other provisions for future legal claims, including the OGM and employee end-of-contract benefits.

The RAP provision relates to MRM’s obligation to compensate the households and other land users who are physically or economically displaced by the proposed mining in its concession area, in accordance with local legislative requirements. The RAP village was completed by the end of 2021, with the remaining balance at 31 December 2021 relating to remaining ancillary payments.

The independent OGM officially launched in February 2021. The OGM has been set-up by MRM to further its ongoing commitment to transparency and support for the local community, and under the voluntary settlement agreement that ended the Leigh Day litigation. The independent OGM formally launched on 4 February 2021, following the completion of a pilot phase and a local public awareness

campaign. The OGM has been designed in keeping with the laws of Mozambique, the UNGP’s and industry best practices. An Independent Panel determine the outcome of the grievances submitted to the OGM, following investigation by an independent Fact-Finding Team.

In the three-months following the scheme’s launch, a significant number of cases were filed, which led to an increase in the Group’s initial estimate of the total potential pay-out under the scheme. To date, only a small number of cases have been ruled on by the independent panel, which, combined with the fact that the OGM is unprecedented in-country, makes the estimate inherently difficult to value. The provision recorded at 31 December 2021 reflects management’s best estimate of the potential liability at the balance sheet date. In valuing the provision at 31 December 2021, management has calculated a range of outcomes, and it is noted that the high end of the range is not materially different from the best estimate which has been included within the Consolidated Financial Statements. The Group continues to monitor the scheme closely and will provide an update once more data is available.

#### BORROWINGS AND NET DEBT

IN THOUSANDS OF USD	2021	2020
Cash and cash equivalents	97,720	43,862
Current borrowings	(24,735)	(33,005)
Non-current borrowings	(10,000)	(23,500)
<b>Net cash/(debt)</b>	<b>62,985</b>	<b>(12,643)</b>

The increase in net cash in the year reflects the strong results from the mini auctions held in 2021, combined with the cost saving initiatives that have been in place across the Group to continue to keep cash spend low whilst the Group navigated Covid-19.

At 31 December 2021, the Group held USD34.7 million in borrowings, a decline of USD21.8 million from 2020. These financing facilities are used to support the working capital and other funding requirements of the Group and to sustain its operations, as well as any planned growth and expansion.

The facility in place at Kagem is held with ABSA Zambia and consists of a USD20.0 million five-year-term loan and a USD10.0 million revolving credit facility that has an initial three-year term but is extendable for an additional two years upon agreement by both parties. Both facilities bear interest at three-month USD LIBOR plus 5.5% per annum. The total facility drawn is currently USD23.5 million, with USD13.5 million being payable in December 2022. The USD10.0 million revolving credit facility was renewed for an additional 12 months in the first quarter of 2022.

MRM has the following facilities:

- A USD15.0 million unsecured overdraft facility entered into with ABSA Mozambique in April 2016. The facility has an interest rate of three-month USD LIBOR plus 4.0% per annum. At 31 December 2021, USD11.2 million was drawn (31 December 2020: USD14.2 million). The facility is renewed annually with the next renewal expected in December 2022.
- A USD15.0 million overdraft facility entered into with Banco Commercial E De Investimentos, S.A. (“BCI”) in June 2016. The facility has an interest rate of three-month USD LIBOR plus 3.75% per annum. At 31 December 2021, the facility had been fully paid down (31 December 2020: USD14.3 million was drawn). The facility is renewed annually with the next renewal expected in September 2022.
- In addition to this, MRM has agreed an additional USD15.0 million lease facility from BCI. The agreement is expected to be signed and completed by the end of March 2022, following which MRM will consider drawing this down.

#### COVID-19 AND GOING CONCERN

Like many businesses, the potential financial impact of Covid-19 on the Group has been given significant consideration when assessing the going concern assumption. In 2021, the continued easing of the various Covid-19 related restrictions across the globe allowed the Group to recommence operations at both mines in the first quarter of 2021 and hold auctions using the online bidding format for both emeralds and rubies. The recovery in the coloured gemstone market is evident, with both the emerald and ruby auctions achieving record-breaking revenues for 2021.

The success of the Group in 2021 has significantly improved the Group’s gross cash position to USD97.7 million at 31 December 2021, with USD54.5 million of auctions receivables that had been fully collected by the the date of signing these these financial statements.

The critical assumptions for the Group in assessing going concern are the timing of cash inflows from its emerald and ruby auctions and continued support from the Group’s lenders. If the Group can meet its planned auction schedule in 2022, the Group will be able to continue as a going concern. The Group’s expectation is that, if needed, it would draw down on all existing facilities and that all of its existing debt facilities will remain in place throughout the forecast period.

With confidence continuing to grow that the world is reaching the pandemic endgame and following the all-time record auction results of 2021, the Directors believe that any full-scale suspension of operations, akin to those seen in 2020 and 2021, is highly unlikely, and expect to return to the normal yearly auction schedule from 2022

onwards. Further, the Directors remain confident in the current high-level of market demand for gemstones.

As disclosed in Note 1 of the Consolidated Financial Statements, given these circumstances and the strong relationships with our lenders, and in the absence of any unforeseen circumstances, the Directors do not believe there to be any material uncertainties present that would cast significant doubt over the Group’s ability to continue as a going concern.

In addition, the ongoing conflict in Ukraine provides some uncertainty in the global economy. However, the Group does not believe this to be a significant risk to operations. The potential increases in fuel and other input prices in the jurisdictions in which the Group operates are not deemed to be a long-term risk, as any upward pressures are able to be largely absorbed and it is also likely that any such rises will be offset by currency movements. In fact, recent publications show that commodity prices are seeing significant gains across the African countries in which Gemfields operates. As such, it is likely that improvements will in fact be seen in these economies. The Directors will continue to monitor developments but remain confident that with no direct impact on our gemstone prices the overall cost implications and risk exposure to the Group will remain low.

#### SUMMARY

The second half of 2021 has provided grounds for optimism at Gemfields. Exceptional auction results alongside the reduced cost base have yielded excellent financial KPIs. Strong production since restarting the mining operations should also give confidence that the planned auction schedule for 2022 will go ahead as planned. It should however be noted that following the mines’ reopening and the associated cost increases, the current multiples for EBITDA and free cash flow are unlikely to be repeated in 2022.

Off the back of the strong 2021 results and the future prospects, the Board have approved the payment of Gemfields’ maiden dividend of USD20.0 million, or approximately USDc1.7 per share. The dividend will be distributed to shareholders during the first half of 2022.

**David Lovett**  
Chief Financial Officer  
24 March 2022

## SECTION 2.5

# Gemstone Resources and Gemstone Reserves Summary

Gemfields Group Limited (“GGL”), through its wholly-owned subsidiary, Gemfields Ltd (“Gemfields”), holds 75% attributable interests in Kagem Mining Limited (“Kagem”) in Zambia and in Montepuez Ruby Mining (“MRM”) in Mozambique.

This section is a condensed overview of GGL’s Gemstone Resources and Gemstone Reserves Report 2021, which contains a comprehensive review of the Gemstone Resources and Gemstone Reserves for Kagem and MRM at 31 December 2021 and details the location, geology, mining, processing, and operational statistics at Kagem and MRM. The complete Gemstone Resources and Gemstone Reserves Report effective at 31 December 2021 and the Competent Person’s Report (“CPR”) for Kagem and MRM for 2019, from which the 2021 Report was compiled, are available online at [www.gemfieldsgroup.com](http://www.gemfieldsgroup.com).

GGL’s attributable Gemstone Resources and Gemstone Reserves are reported according to, and in compliance with, the SAMREC Code (2016 edition), with special reference to sections 60 to 72 of SAMREC related to the reporting of results for diamond and other gemstone properties.

Operations at Kagem were suspended in March 2020 and saw a phased resumption from March 2021, reaching normal capacity by the end of May 2021. Operations at MRM were suspended in April 2020 and saw a phased resumption from March 2021, reaching normal capacity by the end of May 2021. The suspension in operations at both MRM and Kagem was due to Covid-19.

At 31 December 2021, GGL had total attributable mineral resources of 1,087 million carats (“Mct”) of combined emerald and beryl at an average value of USD5.10/ct, and 498 Mct of ruby and corundum at an average value of USD29.90/ct (average 2014–2021).

All Gemstone Resources are inclusive of the Gemstone Reserves.

## COMPETENT PERSONS AND CONSENT

The Competent Persons (“CPs”) in terms of SAMREC who take responsibility for the reporting of Gemstone Resources and Gemstone Reserves for Kagem and MRM in this report are, respectively:

- Anirudh Krishna Sharma, MSc (Geology) MAusIMM, Acting Deputy General Manager with Kagem Mining Limited, a Chartered Professional (CP Geology) member of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and is the Competent Person responsible for the reporting of the Gemstone Resources and Gemstone Reserves at Kagem in this report. Anirudh has more than five years’ relevant experience in this style of mineralisation.

The Competent Person’s address is Kagem Mining Limited, PO Box 21657, Plot 6374, Corner Dr. Aggrey and Kariba Roads, Light Industrial Area, Kitwe, Zambia.

- Hemant Azad, MSc (Applied Geology), MAusIMM, is the Competent Person responsible for reporting of Gemstone Resources and Gemstone Reserves at MRM in this report. Hemant was Head of Geology with Montepuez Ruby Mining Limitada until October 2021 before transferring to Kagem. He has more than five years’ relevant experience in this style of mineralisation.

The Competent Person’s address is Kagem Mining Limited, PO Box 21657, Plot 6374, Corner Dr. Aggrey and Kariba Roads, Light Industrial Area, Kitwe, Zambia.

The address of the Australasian Institute of Mining and Metallurgy is Ground/204 Lygon St, Carlton VIC 3053, Australia.

The CPs have confirmed to GGL in writing that the contents of this report are consistent with the 2019 CPR for Kagem and MRM and operational records for the period 1 July 2019 to 31 December 2021, and comply with the requirements of Section 12 of the JSE Listings Requirements and the SAMREC Code.

The CPs further consent to the disclosure of the 2021 Gemstone Resource and Gemstone Reserve Statement in the form and context in which it is presented.

This report contains statements of a forward-looking nature which involve various uncertainties that may cause the actual results to differ materially from those presented.

Rounding-off of figures in this report may result in minor computational discrepancies. Where these occur, the CPs do not consider them to be material.

## ABRIDGED REVIEW PER OPERATION

### *Kagem*

Kagem is located in the Ndola Rural Emerald Restricted Area (“NRERA”) within the Kafubu area of the Zambian Copperbelt Province. Kagem operates in terms of a large-scale gemstone licence 14105HQ LSGL over an area of 42.4 square kilometres issued on 27 April 2010. The licence was renewed on 10 December 2019 for a further 25 years and is now valid until 26 April 2045. A large-scale mining licence 8749HQ LML for the Chibolele mine was renewed on 30 August 2019 for 25 years and transferred to Kagem on 1 October 2019.

The emerald deposits are hosted by talc-magnetite schists (“TMS”) of the Muva Supergroup. The Gemstone Resources are reported within an optimised pit shell using the same input parameters as those in the mining study but with a 30% mark-up on the anticipated prices to reflect an optimistic view. All grades quoted reflect beryl and emerald, expressed as carats per tonne.

Conventional open-pit mining using drill-blast-load-haul methods is done with Kagem-owned in-house fleet and contractor provided labour.

The steeply dipping reaction zones (“RZs”) are mined using manually intensive methods with the assistance of hydraulic excavators under close supervision, but only during daylight hours. All large and high-quality coloured gemstones are hand-sorted at the mining face and are placed in a drop safe-type container that is numbered, tagged and closed with security-controlled locks. The remaining RZ material is loaded into trucks and transported directly to the processing facility.

Open-pit optimisations determined the economic pit shells which were used for mine design and production scheduling. The practical pit design for the Chama pit uses five sequential cutbacks which aim to provide flexibility in mining locations and balance high strip ratio – higher confidence ore with lower strip ratio – lower confidence ore.

The processing plant processes RZ material mined directly from the open-pit through a simple series of comminution, screening, washing

and sorting facilities. All product is essentially hand-sorted in a secure sort-house facility where gemstones are graded using manual methods to produce emerald (subdivided into premium emerald and emerald) and beryl (subdivided into beryl-1, beryl-2, specimen and fines categories). The auctions in 2021 realised USD91.8 million from the sale of 4.02 Mct of high- and commercial-grade quality emeralds.

The current life-of-mine (“LoM”) plan provides for plant feed of 146 thousand tonnes per annum (“ktpa”) projected to extend to 2044. With an average feed grade of 197 ct/t, Kagem projects to recover 715 Mct over the LoM.

Kagem has obtained the necessary environmental licences in terms of the Environmental Management Regulations (SI 112 of 2013). The annual update of the environmental management plan (“EMP”) includes a section on closure cost, which is required as part of the audit to assess the annual cash contribution Kagem needs to pay to the Environmental Protection Fund (“EPF”), per the Mines and Minerals Act.

The authorities conducted an EPF audit of the mine in January 2020 and revised the closure cost and guarantee value. Kagem lodged an appeal against the audit findings in February 2020. With the mining operations suspended in March 2020 due to Covid-19, all communication and counter response was delayed until operations resumed in March 2021.

The Director of Mines Safety confirmed on 30 July 2021 that Kagem’s EPF appeal was successful and the closure cost of approximately USD1.1 million from the 2019 EPF audit would remain. On the same date the Director of Mines Safety confirmed that the closure cost for the Mbuva-Chibolele property would remain at USD51,177. As Kagem is deemed to be compliant with its obligations, it only has to contribute 5% of the closure cost to the EPF in any one year. Kagem currently has a Payment Guarantee (No. 339020015174) with Standard Chartered Bank for USD349,238 based on the 2015 EPF audit as per liability assessment no. MSD/20/1/17.

Kagem is in the process of implementing ISO 14001:2015 Environmental Management System. The stage one Certification Audit was conducted at Kagem across 6 and 7 December 2021 by Bureau Veritas, who concluded that the management system demonstrated overall conformance with the requirements of the audit standard.

For the year ended 31 December 2021, Kagem recovered 32 Mct from 168 thousand tonnes (“kt”) of RZ ore at an average grade of 191ct/t. The unit operating cost for 2021 of USD3.47/t (against a budget of USD3.39/t; 2020 actual of USD9.83/t) reflects the benefit from the resumption of normal operating conditions, following the suspension of mining operations due to Covid-19 restrictions from March 2020 to April 2021.

## KAGEM GEMSTONE RESOURCES AND GEMSTONE RESERVES

The Kagem Gemstone Resources and Gemstone Reserves Statement attributable to GGL (75% basis) at 31 December 2021 is set out in the table below. Gemstone Resources are reported at a bottom screen cut-off of 3mm and are inclusive of the Gemstone Reserves.

No Inferred Resources are included in the LoM plans, which support the Gemstone Reserve declaration.

*Kagem Attributable Mineral Resource and Ore Reserve Statement at 31 December 2021:*

Mineral resource (Attributable to GGL)	Tonnage (kt)	B+E grade (ct/t)	Contained B+E (Mct)	Ore reserves (Attributable to GGL)	Tonnage (kt)	B+E grade (ct/t)	Contained B+E (Mct)
<b>Chama</b>				<b>Chama</b>			
Measured	183	282	52	Proved	113	187	21
Indicated	2,783	270	746	Probable	2,130	218	465
<b>Total measured + indicated</b>	<b>2,966</b>	<b>269</b>	<b>797</b>	<b>Total gemstone reserve</b>	<b>2,243</b>	<b>217</b>	<b>486</b>
Inferred	–	–	–				
<b>Fibolele</b>				<b>Fibolele</b>			
Measured	–	–	–	Proved	–	–	–
Indicated	92	160	14	Probable	69	139	10
<b>Total measured + indicated</b>	<b>92</b>	<b>160</b>	<b>14</b>	<b>Total gemstone reserve</b>	<b>69</b>	<b>139</b>	<b>10</b>
Inferred	900	160	144				
<b>Libwente</b>							
Measured	–	–	–				
Indicated	–	–	–				
<b>Total measured + indicated</b>	<b>–</b>	<b>–</b>	<b>–</b>				
Inferred	150	46	7				
<b>Stockpiles</b>				<b>Stockpiles</b>			
Measured	245	138	34	Proved	245	138	34
Indicated	–	–	–	Probable	–	–	–
<b>Total measured + indicated</b>	<b>245</b>	<b>138</b>	<b>34</b>	<b>Total gemstone reserve</b>	<b>245</b>	<b>138</b>	<b>34</b>
Inferred	–	–	–				
<b>Chibolele</b>				<b>Chibolele</b>			
Measured	223	160	35	Proved	–	–	–
Indicated	133	180	24	Probable	177	160	29
<b>Total measured + indicated</b>	<b>356</b>	<b>166</b>	<b>59</b>	<b>Total gemstone reserve</b>	<b>177</b>	<b>160</b>	<b>29</b>
Inferred	156	200	32				
<b>Total M+I mineral resources</b>	<b>3,657</b>	<b>247</b>	<b>905</b>	<b>Total gemstone reserve</b>	<b>2,733</b>	<b>204</b>	<b>558</b>
Total inferred mineral resources	1,206	151	182				

Gemstone mineral resource Grade and value	Recovered grade (ct/t)				2021 Parcel value <sup>1</sup> (USD/ct)
	Chama	Fibolele	Chibolele	Libwente	
Premium emerald	1.7	–	0.1	–	59.84
Emerald	62.4	–	17.2	–	4.01
Beryl-1	74.6	–	25.4	–	0.11
Beryl-2	79.0	–	56.7	–	0.01

1 – Sales for 2021 were skewed as only three auctions (two high-quality and one commercial-quality) were held, instead of the usual four auctions, due to the Group's focus on sales recovery. One lot of low-quality goods was not offered for auction. Therefore, the average parcel values from 2020 have been retained for reporting purposes.

The comparative Kagem Gemstone Resource and Gemstone Reserve statement attributable to GGL (75% basis) at 31 December 2020 is set out below. The key differences between the 2021 and 2020 Gemstone Resource and Gemstone Reserve estimates are explained as follows:

- **Gemstone Resources:**

- » Upgrading of the Chibolele Inferred Gemstone Resources to Measured and Indicated categories, with no change in total tonnage but reduced grade and contained gemstones. The bulk sampling operation for the period December 2017 to December 2021, with production of 156 kt tonnes of ore and 19 Mct of gemstones, is considered as the reference base for resource upgrading;

- **Gemstone Reserves:**

- » Reduction in Measured Gemstone Resources at Chama due to mining depletion; and
- » Small increase in Measured Gemstone Resources in surface stockpiles.
- » Small reduction in Proved Gemstone Reserves at Chama due to mining depletion;
- » Maiden declaration of Probable Gemstone Reserves at Chibolele. Drilling ahead of the pit face is required to confirm the geological understanding before the Measured Resources can be converted into Proved Reserves; and
- » Small increase in Proved Gemstone Reserves in surface Stockpiles.

*Kagem Attributable Mineral Resource and Ore Reserve Statement at 31 December 2020:*

Mineral resource (Attributable to GGL)	Tonnage (kt)	B+E grade (ct/t)	Contained B+E (Mct)	Ore reserves (Attributable to GGL)	Tonnage (kt)	B+E grade (ct/t)	Contained B+E (Mct)
<b>Chama</b>				<b>Chama</b>			
Measured	281	260	73	Proved	210	202	42
Indicated	2,783	270	746	Probable	2,130	218	465
<b>Total measured + indicated</b>	<b>3,063</b>	<b>267</b>	<b>818</b>	<b>Total gemstone reserve</b>	<b>2,340</b>	<b>217</b>	<b>507</b>
Inferred	–	–	–				
<b>Fibolele</b>				<b>Fibolele</b>			
Measured	–	–	–	Proved	–	–	–
Indicated	92	160	14	Probable	69	139	10
<b>Total measured + indicated</b>	<b>92</b>	<b>160</b>	<b>14</b>	<b>Total gemstone reserve</b>	<b>69</b>	<b>139</b>	<b>10</b>
Inferred	900	160	144				
<b>Libwente</b>							
Measured	–	–	–				
Indicated	–	–	–				
<b>Total measured + indicated</b>	<b>–</b>	<b>–</b>	<b>–</b>				
Inferred	150	46	7				
<b>Stockpiles</b>				<b>Stockpiles</b>			
Measured	226	139	32	Proved	226	139	32
Indicated	–	–	–	Probable	–	–	–
<b>Total measured + indicated</b>	<b>226</b>	<b>139</b>	<b>32</b>	<b>Total gemstone reserve</b>	<b>226</b>	<b>139</b>	<b>32</b>
Inferred	–	–	–				
<b>Chibolele</b>							
Measured	–	–	–				
Indicated	–	–	–				
<b>Total measured + indicated</b>	<b>–</b>	<b>–</b>	<b>–</b>				
Inferred	512	200	102				
<b>Total M+I mineral resources</b>	<b>3,380</b>	<b>260</b>	<b>864</b>	<b>Total gemstone reserves</b>	<b>2,665</b>	<b>208</b>	<b>548</b>
Total inferred mineral resources	1,562	162	253				

Gemstone mineral resource Grade and value	Recovered grade (ct/t)				2020 Parcel value (USD/ct)
	Chama	Fibolele	Chibolele	Libwente	
Premium emerald	3.8	0.0	0.38	–	59.84
Emerald	76.9	6.3	41.50	–	4.01
Beryl-1	74.4	10.0	58.00	–	0.11
Beryl-2	74.5	14.1	72.75	–	0.01

## MRM

MRM is located in Cabo Delgado province in north-eastern Mozambique, approximately 170 kilometres west of Pemba. The single mining licence 4703C Ref. 1588/CM/INAMI/2015 covers an area of 34,996 hectares and is valid until 11 November 2036.

The Montepuez ruby deposit is hosted by the Montepuez Complex, a strongly ductile-deformed, wedge-shaped, metamorphic terrane. Ruby and corundum mineralisation is found in two styles: primary amphibolite; and a secondary gravel bed. The latter is the main source of rubies and corundum mineralisation. The gravel bed horizon is generally less than two metres thick, with an average thickness of 0.45 metres.

The current LoM production plan requires a ramp-up from 4.4 Mtpa total ore and waste to 7.5 Mtpa by 2023, with ore mining increasing to 1.5 Mtpa by 2023 and is projected to extend to 2034 (with an LoM of 13 years). The expected average stripping ratio for the LoM is 4.0 tonne per tonne (“t/t”).

An owner-operated fleet undertakes all material movement. Grade control is constrained to visual inspection and mining of the mineralised zones is only undertaken during daylight hours.

All run of mine (“RoM”) ore is stockpiled at the wash plant and a RoM stockpile with a minimum capacity of six months of processing plant feed is kept at all times.

An upgraded processing plant, including a scrubber, rated at 200 tonnes per hour (“tph”) of RoM feed, and a dense medium separation plant (“DMS”), rated at 83 tph of washed –25mm+1.6mm material, was commissioned in December 2016. The wash plant flowsheet incorporates wet scrubber screening to remove –1.6mm solids, followed by a log washer to break up clay balls and a double-deck, wet screen to remove +25mm stone fraction and –1.6mm fines.

After washing and separation in the plant, the resulting gravity concentrate is sorted by hand in the high-security area under strict supervision. MRM commissioned a new recovery house in February 2019 incorporating automatic colour sorting machines. After removal

of fines the remaining gemstones are then subdivided into five broad quality categories. MRM is currently looking into increasing the capacity of the processing plant, with design phase expected to complete in the first half of 2022.

The auctions in 2021 realised USD147.4 million from the sale of 1.01 Mct of higher-, medium- and commercial-quality rubies. No auctions were held during 2020.

MRM holds a valid approval for its Resettlement Action Plan (“RAP”), an authorized land use permit (“DUAT”) valid until 2036 and a Category “A” Environmental Licence for the mine site and an industrial park in Maputo valid until August 2024 and April 2023 respectively.

The costs of ongoing rehabilitation for mined-out areas are included in the financial-model projections for MRM. The additional cost of removal of equipment from site, rehabilitation of remaining disturbed areas and staff retrenchment costs has been reassessed and the closure provision is now USD8 million.

For the year ended 31 December 2021, MRM recovered 3.3 Mct from 1,002 kt ore at an average grade of 3.3 ct/t. The unit cash operating cost per total rock handled was USD6.43/t in 2021 (compared to budget of USD4.69/t and 2020 actual of USD10.83/t) and reflects the resumption of operations from March 2021, following the Covid-19 restrictions which halted all operations MRM between April 2020 and March 2021.

## MRM GEMSTONE RESOURCES AND GEMSTONE RESERVES

The MRM Gemstone Resources and Gemstone Reserves estimate attributable to GGL (75% basis) at 31 December 2021 is set out below. Gemstone Resource grades are quoted with a bottom cut-off stone size of 1.6mm and are inclusive of Gemstone Reserves. The stockpile grades are derived from the reported grades for the respective source materials.

No Inferred Resources are included in the LoM plans, which support the Gemstone Reserve declaration.

## MRM Attributable Gemstone Resource and Gemstone Reserve Statement at 31 December 2021:

Gemstone resource (Attributable to GGL)	Recovered			Gemstone reserves (Attributable to GGL)	Recovered		
	Tonnage (kt)	Grade (ct/t)	Contained (Mct)		Tonnage (kt)	Grade (ct/t)	Contained (Mct)
<b>Maninge Nice</b>				<b>Maninge Nice</b>			
Indicated – primary	855	99.5	85.0	Probable – primary	843	99.5	83.8
Indicated – secondary	320	49.9	16.0	Probable – secondary	321	49.4	15.9
<b>Total indicated</b>	<b>1,175</b>	<b>86.2</b>	<b>101.0</b>	<b>Total probable reserve</b>	<b>1,164</b>	<b>85.7</b>	<b>99.7</b>
Inferred – primary	180	97.9	17.6				
Inferred – secondary	9,994	12.7	127.0				
<b>Total inferred</b>	<b>13,800</b>	<b>14.8</b>	<b>203.6</b>				
<b>Mugloto</b>				<b>Mugloto</b>			
Indicated – primary	–	–	–	Probable – primary	–	–	–
Indicated – secondary	8,143	2.7	21.7	Probable – secondary	8,050	2.6	20.7
<b>Total indicated</b>	<b>8,143</b>	<b>2.7</b>	<b>21.7</b>	<b>Total probable reserve</b>	<b>8,050</b>	<b>2.6</b>	<b>20.7</b>
Inferred – secondary	13,800	14.8	203.6				
<b>Glass</b>				<b>Glass</b>			
Indicated – secondary	5,067	2.4	12.1	Probable – secondary	5,098	2.2	11.2
<b>Total indicated</b>	<b>5,067</b>	<b>2.4</b>	<b>12.1</b>	<b>Total probable reserve</b>	<b>5,098</b>	<b>2.2</b>	<b>11.2</b>
Inferred – secondary	5,708	0.9	5.0				
<b>Stockpiles</b>				<b>Stockpiles</b>			
Indicated – primary	30	96.1	2.9	Indicated – primary	30	96.1	2.9
Indicated – secondary <sup>1</sup>	463	10.5	4.9	Indicated – secondary <sup>1</sup>	463	10.5	4.9
<b>Total indicated</b>	<b>493</b>	<b>16.9</b>	<b>7.8</b>	<b>Total probable reserve</b>	<b>493</b>	<b>16.9</b>	<b>7.8</b>
<b>Total indicated gemstone resources</b>	<b>14,877</b>	<b>9.6</b>	<b>142.6</b>	<b>Total gemstone reserves</b>	<b>14,804</b>	<b>9.4</b>	<b>139.4</b>
<b>Total inferred gemstone resources</b>	<b>29,682</b>	<b>11.9</b>	<b>353.2</b>				

1 – Combination of material from Maninge Nice, Mugloto and Glass.

Gemstone grade and value	Recovered grade (ct/t)			Average Parcel value (2014–2021) (USD/ct)	Average Parcel value 2021 (USD/ct)
	Maninge Nice	Mugloto	Glass		
Premium ruby	0.048	0.090	0.026	1,167	1,175
Low premium ruby + ruby	0.293	0.454	0.228	50.3	73.9
Low ruby	0.261	1.201	1.175	3.9	6.6
Corundum	0.166	0.182	0.072	1.0	–
Sapphire	0.042	0.130	0.063	0.2	–
Low sapphire	0.398	1.504	0.494	0.1	–
–4.6 mm	–	0.000	–	10.6	–
Reject with some low sapphire	n/r	n/r	–	0.05	–
<b>Weighted Average Value (USD/ct)</b>				<b>29.9</b>	<b>145.7</b>

The comparative MRM Gemstone Resource and Gemstone Reserve statement attributable to GGL (75% basis) at 31 December 2020 is set out below. The key differences between the 2021 and 2020 Gemstone Resource and Gemstone Reserve estimates are explained as follows:

- **Gemstone Resources:**

- » The Maninge Nice primary material is unchanged, whereas the secondary material tonnes decreased but grade increased, due to processing more tonnage of comparatively lower grade of Maninge Nice Pit 5 ore;
- » A reduction in tonnage, grade and contained gemstones in Indicated Gemstone Resources at Mugloto, due to mining depletion;
- » A 490 kt reduction in the Glass Inferred Resource and corresponding increase in Indicated Resource arises from a new bulk sampling pit at Glass B-pit3, offset by mining depletion;
- » The calculation of mined ore in Stockpiles was changed to reflect the difference between total ore mined and total ore processed since inception, with a small reduction recorded; and

- » A small reduction in tonnage and contained gemstones for the combined Inferred Gemstone Resources is due to the upgrade of 490 kt at Glass.

- **Gemstone Reserves:**

- » The Maninge Nice primary material is unchanged, whereas the secondary material tonnage decreased, primarily from mining depletion. The average grade for the total declared Gemstone Reserves at Maninge Nice increased as only secondary material at lower grade was mined;
- » A reduction in tonnage and contained gemstones in Probable Gemstone Reserves at Mugloto, due to mining depletion mainly from secondary material;
- » The increase in tonnage and contained gemstones at Glass is due to the upgrade of 490 kt from Inferred to Indicated Resource categories, offset by mining depletion; and
- » The calculation of mined ore in Stockpiles was changed to reflect the difference between total ore mined and total ore processed since inception, with a small reduction recorded.



IMAGE Ruby wash plant, Montepuez Ruby Mining, Mozambique

*MRM Attributable Gemstone Resource and Ore Reserve Statement at 31 December 2020:*

Gemstone resource (Attributable to GGL)	Recovered			Gemstone reserves (Attributable to GGL)	Recovered		
	Tonnage (kt)	Grade (ct/t)	Contained (Mct)		Tonnage (kt)	Grade (ct/t)	Contained (Mct)
<b>Maninge Nice</b>				<b>Maninge Nice</b>			
Indicated – primary	855	96.1	82.1	Probable – primary	843	97.7	82.3
Indicated – secondary	354	50.3	17.8	Probable – secondary	373	50.1	18.7
<b>Total indicated</b>	<b>1,209</b>	<b>82.7</b>	<b>99.9</b>	<b>Total probable reserve</b>	<b>1,215</b>	<b>83.1</b>	<b>101.0</b>
Inferred – primary	180	97.8	17.6				
Inferred – secondary	10,050	12.7	127.8				
<b>Total inferred</b>	<b>10,230</b>	<b>14.2</b>	<b>145.4</b>				
<b>Mugloto</b>				<b>Mugloto</b>			
Indicated – primary	0	0	0	Probable – primary	0	0	0
Indicated – secondary	9,193	3.0	27.3	Probable – secondary	9,100	2.8	25.6
<b>Total indicated</b>	<b>9,193</b>	<b>3.0</b>	<b>27.3</b>	<b>Total probable reserve</b>	<b>9,100</b>	<b>2.8</b>	<b>25.6</b>
Inferred – secondary	13,800	14.8	203.6				
<b>Glass</b>				<b>Glass</b>			
Indicated – secondary	4,725	2.4	11.3	Probable – secondary	4,756	2.2	10.5
<b>Total indicated</b>	<b>4,725</b>	<b>2.4</b>	<b>11.3</b>	<b>Total probable reserve</b>	<b>4,756</b>	<b>2.2</b>	<b>10.5</b>
Inferred – secondary	6,075	0.9	5.4				
<b>Stockpiles</b>				<b>Stockpiles</b>			
Indicated – primary	30	96.1	2.9	Indicated – primary	30	96.1	2.9
Indicated – secondary <sup>1</sup>	656	8.4	5.5	Indicated – secondary <sup>1</sup>	656	8.4	5.5
<b>Total indicated</b>	<b>686</b>	<b>12.2</b>	<b>8.4</b>	<b>Total probable reserve</b>	<b>686</b>	<b>12.2</b>	<b>8.4</b>
<b>Total indicated gemstone resources</b>	<b>15,202</b>	<b>9.4</b>	<b>142.8</b>	<b>Total gemstone reserves</b>	<b>15,758</b>	<b>9.2</b>	<b>145.5</b>
<b>Total inferred gemstone resources</b>	<b>30,105</b>	<b>11.8</b>	<b>354.5</b>				

1 – Combination of material from Maninge Nice, Mugloto and Glass.

Gemstone grade and value	Recovered grade (ct/t)			Average Parcel value 2019 (USD/ct)	Average Parcel value 2020 <sup>3</sup> (USD/ct)
	Maninge Nice <sup>2</sup>	Mugloto	Glass <sup>2</sup>		
Premium ruby	–	0.035	–	1,387.4	
Low premium ruby + ruby	–	0.181	–	74.1	
Low ruby	–	0.310	–	2.4	No sales occurred
Corundum	–	0.136	–	2.2	
Sapphire	–	0.083	–	–	
Low sapphire	–	0.807	–	–	
–4.6 mm	–	0.000	–	–	
Reject with some low sapphire	–	–	–	–	
<b>Weighted Average Value (USD/ct)</b>				<b>64.32</b>	<b>–</b>

2 – No production from Glass and Maninge Nice during 2020.

3 – Parcel values per 2019 auctions still apply.



IMAGE Seedling nurseries, Kagem Mining, Zambia



SECTION 3

# Environmental and Social

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## SECTION 3.1

# About the Group

## STRUCTURE

Gemfields Group Limited (“Gemfields”, the “Company” or “GGL”) is incorporated in Guernsey under company registration number 47656 and is subject to the Companies (Guernsey) Law, 2008. The Company changed its name from Pallinghurst Resources Limited by Special Resolution effective 26 June 2018. The Group is Gemfields Group Limited, all entities controlled by the Company (its subsidiaries), and any associates or joint ventures. Gemfields’ primary listing is on the JSE, and its secondary listing is on the AIM market of the London Stock Exchange (“LSE”). The Company de-listed from trading on the Bermuda Stock Exchange (“BSX”) effective from 1 July 2020. The Group’s main objective is to carry on the business of an operating mining group.

## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

This Annual Report (the “Annual Report”) is for the year ended 31 December 2021 and covers the Group. The Consolidated Financial Statements contained within the Annual Report also cover the Group and are for the year ended 31 December 2021 (the “Financial Statements”).

## SHAREHOLDERS

Gemfields has no single controlling shareholder. The largest shareholder is Assore International Holdings Limited, which holds an interest of 26.64%. Gemfields’ shareholder base, as at 31 December 2021, is set out in the table below.



IMAGE Post environmental rehabilitation, Montepuez Ruby Mining, Mozambique

Shareholder	Percentage holding
Directors of the Company <sup>1,2</sup>	4.24%
Assore International Holdings Limited <sup>2</sup>	26.64%
Rational Expectations <sup>3</sup>	9.03%
Oasis <sup>4</sup>	8.10%
Ophorst Van Marwijk Kooy Vermogensbeheer N.V.	7.76%
Fidelity International Limited	5.92%
Ninety One Group	5.84%
Solway Finance Limited	5.76%
Other shareholders	26.71%

1 – The Directors and management category includes shareholdings of Executive Directors and Non-Executive Directors and their family cross holdings as prescribed by the amended JSE Listings Requirements.

2 – Patrick Sacco is the managing director of, and holds a beneficial interest in, Assore International Holdings Limited which in turn holds 311,540,560 ordinary shares in the Company.

3 – The Rational Expectations shareholding includes interests held by Rational Expectations and its related entities.

4 – The Oasis shareholding includes interests held by Oasis Asset Management and Oasis Crescent Capital.

## RECENT CORPORATE CHANGES

Dr Christo Wiese resigned as a Non-Executive Director of the Company on 23 September 2021, following the sale of his entire shareholding in the Company to Assore International Holdings Limited. Patrick Sacco was then appointed as a Non-Executive Director of the Company on 11 October 2021 and Kieran Daly was appointed as an alternate director to Patrick Sacco on 12 November 2021.

Following the exercise and sale of certain employee share options in the 12 month period to 31 December 2021, the Company issued and allotted new ordinary shares that, as such, were admitted to trading on the JSE and AIM. The resulting issued share capital of the Company at 31 December 2021 was 1,169,478,030 ordinary shares, compared to 1,168,756,030 ordinary shares at 31 December 2020.

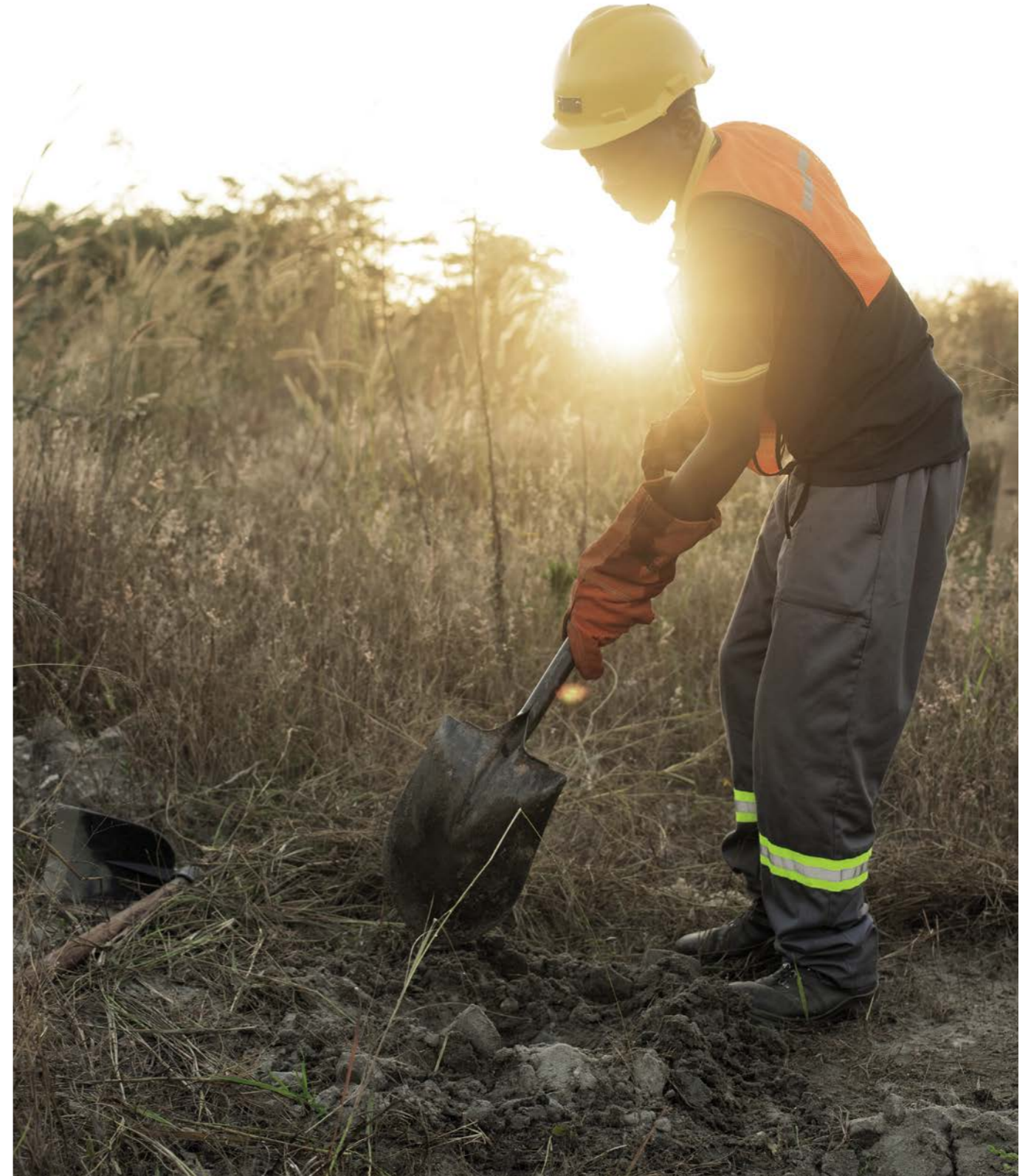


IMAGE Post environmental rehabilitation, Kagem Mining, Zambia

## SECTION 3.2

# Environmental and Social Management

The strategic approach to environmental and social management aspects of ESG, and the operational implementation of subsequent environmental, social and corporate responsibility projects remains largely unchanged, with the Group setting strategy and providing oversight to locally employed teams who implement budgeted programmes and projects. The combined strategic and operational efforts are still focussed on addressing the most material social, environmental, health and safety impacts at the Group's mining operations. The broad programme of project work restarted this period in line with the resumption of mining operations, which were suspended in 2020 due to the impact of Covid-19 on the business. Focus continued to be on staffing and labour, community, conservation, environmental management, health, safety and wellbeing.

## OUR VALUES

As the world's leading coloured gemstone producer, Gemfields has a role to play in championing continuous internal improvements and

continuing to act as a champion and leader to the downstream coloured gemstone supply chain, supporting efforts to communicate with consumers of jewellery and other luxury products that use our gemstones. Our values are as follows:

**Legitimacy:** *We strive to go over and above accepted practices*

We strive to operate in a way that not only meets international and national laws, but that also challenges the sector by setting new benchmarks around sustainability.

**Transparency:** *To lead we must be transparent*

As well as leading with our own standards and initiatives through our downstream supply chain, we are working with partners to standardise strong, transparent practices across the industry.

**Integrity:** *We are committed to embedding tangible operational actions*

We take this approach from the mines onwards, to support sales and marketing of our product. Our proprietary grading system

provides our partners with trusted evaluation and declaration of treatment.

These three values feature heavily in our outward facing communications.

## STAKEHOLDER ENGAGEMENT

Fundamental to our approach to environmental and social management is stakeholder engagement at different levels of the organisation, whether directly with communities at local operations or with the head office. For a mining company, securing social licence to operate in each country of operation relies on ongoing good stakeholder relations, particularly with the community.

At the Group level, engagement is conducted with a range of stakeholders, including investors, media, business partners, NGOs and Government representatives. In addition to ad-hoc engagement, we seek ways to keep informed of our stakeholders' views about the company by providing opportunities to visit our operations, and giving access to information when requested. At the operational level, local teams engage a range of directly affected stakeholders including, but not limited to, local community members; local leadership; women's, youth and other minority groups; and informal business associations and co-operatives. This feedback is essential to providing the operations with information on any perceived or actual grievances experienced directly or indirectly by the community that may be caused by the Company.

Mitigation of risk to community tensions facilitates the safe-guarding of the operations to continue in the longer term. The exact nature of the localised community engagement process at each of our operations differs depending on the proximity of the affected community, the size of the operation, and the immediate community risks that have been assessed. Local team members record the types of community engagement, the feedback or grievances raised. An ongoing log is kept of these in order to determine if and how to respond.

## SUSTAINABLE DEVELOPMENT

Our aim is to create long-term and sustainable community livelihood opportunities so that, throughout the mining life cycle and beyond, local communities can benefit from the value created by the Company. In particular, we work with the relevant authorities in our countries of operation, to ensure that we comply with the necessary social and environmental risk assessments and to ensure that we continue to meet the appropriate licence conditions. This includes community mapping and engaging with communities in our operational plans. We recognise that we will only be able to operate for the full life of the mine by securing a social licence to operate and that this means maintaining open, accessible and positive community relations. To

guide us, and to contribute to global sustainable development, we have aligned our approach to the broader strategic aims of the United Nations ("UN") Sustainable Development Goals ("SDGs"). Our alignment to the SDGs, together with brief examples of how we contribute to global sustainable development, is outlined in the table on the next page.

At each operation, locally developed community engagement and project strategies reflect the overall Gemfields approach to management of environmental and social issues. We take a demand- and engagement-led approach through collaboration with the community and assorted stakeholders. We recognise customary, cultural and traditional contexts, local laws and regulations, and understand that there can be expectations from the community about what the Company could and should provide. Therefore, managing our relationship with communities in a free, open and inclusive way is a priority and directs how any community development expenditure is used. We engage the local community continuously, not merely to listen to their concerns or grievances, but also to canvass and seek their involvement on community development projects. We have dedicated health, safety, environment and community teams. These teams liaise and cooperate with the local communities who assist in the selection and successful implementation of community projects. Each localised community strategy follows this consistent approach so as to share the benefits of our business.



IMAGE Back-filling and post environmental rehabilitation, Montepuez Ruby Mining, Mozambique

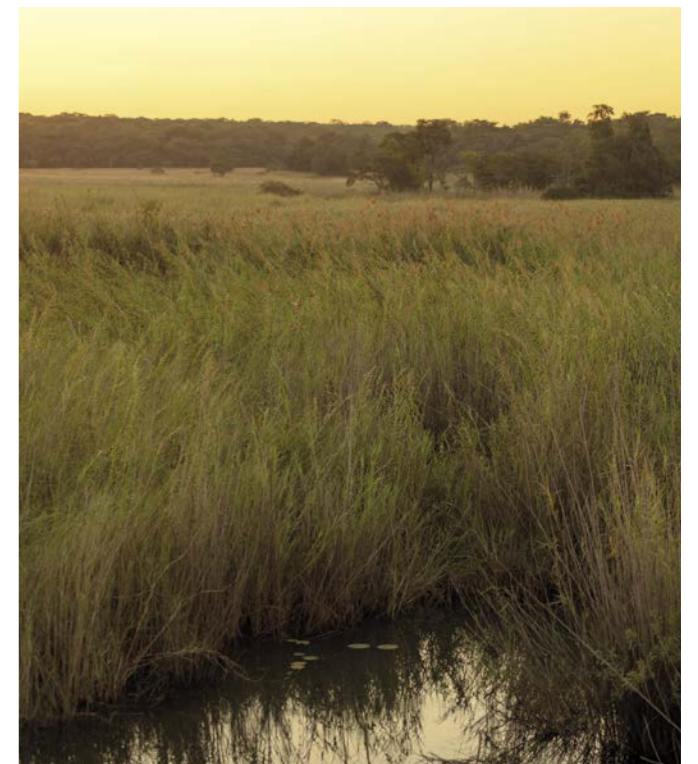


IMAGE Ndola Rural Emerald Restricted Area, Zambia

# SUSTAINABLE DEVELOPMENT GOALS

SDG	EXAMPLES OF HOW WE CONTRIBUTE TO THE SDGS AND THEIR TARGETS
 	<p>Recognising that as an employer and major tax-payer in the countries of operations we can contribute to job creation, economic development and offer opportunities for uplifting people out of poverty through sustainable development projects. Recognising that we have a role to play in assisting local communities to address food security issues, we can contribute to training and development for more resilient agricultural production around our concessions:</p> <ul style="list-style-type: none"> <li>• Job opportunities for the local community where possible and providing the inputs of time, finances, logistics and infrastructure where necessary to improve poverty and reduce hunger;</li> <li>• Initiation of demand-led community projects focussed on livelihoods including agricultural projects; and</li> <li>• Humanitarian assistance, including responding to natural disasters, pandemics and internally displaced people.</li> </ul>
	<p>Recognising that, through our health projects, we can contribute to reducing mortality and infant deaths and can provide awareness regarding sexual health and preventable diseases:</p> <ul style="list-style-type: none"> <li>• Initiation of demand-led community livelihood projects focussed on health such as clinics (mobile and fixed location);</li> <li>• Input of time, finances, logistics and infrastructure; and</li> <li>• Humanitarian assistance (assistance to those affected by health issues such as pandemics and malaria).</li> </ul>
	<p>Recognising that we operate in areas with very low literacy and numeracy levels, we can contribute to improving educational access and address gender disparities by opening access to both boys and girls:</p> <ul style="list-style-type: none"> <li>• Initiation of demand-led community livelihood projects focussed on education and learning, particularly for primary and secondary school children; and</li> <li>• Provision of access to learning for adults through access to educational programmes and skills development.</li> </ul>
	<p>Recognising that women and girls play an important role in our community and our own organisation and that we can contribute to their empowerment through employment and active participation in collaborative projects:</p> <ul style="list-style-type: none"> <li>• Seeking ways to increase the percentage of women in the Company, particularly at operational level; and</li> <li>• Input of time, finances, logistics and infrastructure specifically aimed at women-centric community projects.</li> </ul>
	<p>Recognising that our local communities in remote parts of the developing world can face challenges accessing clean water and sanitation and that we can contribute to an improvement in their lives and health through infrastructure projects:</p> <ul style="list-style-type: none"> <li>• Humanitarian assistance to provide access to clean drinking water to communities from borewells; and</li> <li>• Demand-led community livelihood projects to provide public sanitation in communities and local schools.</li> </ul>
	<p>Recognising that as an employer and major tax-payer in the countries of operations we can contribute to job creation, economic development and offer opportunities not just directly but indirectly to local communities and nation-building:</p> <ul style="list-style-type: none"> <li>• Promote learning opportunities to assist with routes towards job creation, entrepreneurship and skills development;</li> <li>• Job opportunities with our operating companies to nationals both within and outside of our district or province; and</li> <li>• Undertaking supplier due-diligence to contribute to tackling modern slavery, trafficking and child labour.</li> </ul>

SDG	EXAMPLES OF HOW WE CONTRIBUTE TO THE SDGS AND THEIR TARGETS
	<p>Recognising that as the majority of the Group's operations and revenues are generated from, and repatriated back to, the countries of our operations, we can contribute to activity that helps the longer-term reduction of inequalities:</p> <ul style="list-style-type: none"> <li>• Seeking ways to be as inclusive as possible for our diverse workforce;</li> <li>• Introducing progressive policies and procedures towards achieving greater equality; and</li> <li>• Diversity of representation across the workforce, particularly in decision-making positions.</li> </ul>
	<p>Recognising that our operations produce waste, and consume materials; and that we have a duty of care to be mindful of the life-cycle of products, and seek ways to minimise unnecessary consumption, while increasing efficiencies of use:</p> <ul style="list-style-type: none"> <li>• The responsible management of chemicals, waste and emissions to air, land and water; and</li> <li>• Prioritising an approach to waste management focussing on prevention, reduction, recycling and reuse.</li> </ul>
	<p>Recognising that through our business operations we create and emit, either directly or indirectly, greenhouse gas emissions which contribute to man-made climate change, and that we must take steps to reduce emissions as well as develop strategies to adapt to the short, medium and long-term impacts of climate change:</p> <ul style="list-style-type: none"> <li>• Undertaking strategic reviews to introduce cost-effective greenhouse gas reduction technologies and projects at sites; and</li> <li>• Carrying out physical and financial resilience studies under different short-, medium- and long-term impact scenarios.</li> </ul>
	<p>Recognising that our principal operations at mining sites are an exhaustive process which cause land-use changes, with impacts on flora, fauna and loss of habitats and that we can also partner with other organisations to restore and protect ecosystems and halt biodiversity loss:</p> <ul style="list-style-type: none"> <li>• Taking actions to reduce the degradation of natural habitats, preventing the loss of biodiversity and protecting species threatened with extinction at our operational sites; and</li> <li>• Partnering with conservation organisations to protect biodiversity, end poaching and trafficking of protected species of flora and fauna.</li> </ul>
	<p>Recognising that in our countries of operation we have a wide-range of partners and stakeholders and that we can play an important role in championing good governance, the rule of law and promoting transparency:</p> <ul style="list-style-type: none"> <li>• Co-operating through multi-stakeholder partnerships that seek to develop and strengthen corporate, national government and institutional capacity, governance and transparency; and</li> <li>• Seeking ways to expose and address bribery and corruption in all forms.</li> </ul>
	<p>Recognising that we can partner with organisations to promote the transfer and sharing of knowledge, innovation and solutions both inward and outward, and that collectively with other organisations we can leverage our joint resources:</p> <ul style="list-style-type: none"> <li>• Contributing to the strengthening of domestic resource mobilisation, including supporting our countries of operation with transparent capacities for tax and other revenue collection; and</li> <li>• Promoting our partnerships with public sector and civil-society organisations.</li> </ul>

## SECTION 3.3

# ESG data disclosures

The following table is a summary of the Group's ESG data, covering safety and wellbeing, employment, social, environmental and greenhouse gas information. Country-level data has been disclosed where relevant.

KPI	UNIT	FY 2021	FY 2020	FY 2019
<b>Incident, Accident and Near Miss ("IANM") reporting</b>				
Total reported IANMs	Number	2,473	2,091	1,425
<b>Safety and wellbeing</b>				
Total operational fatalities	Number	–	–	–
Total operational injuries	Number	52	42	55
Total Lost Time Injuries ("LTI") <sup>1</sup>	Number	3	7	7
Total Lost Time Injury Frequency Rate ("LTIFR") <sup>1</sup>	LTI/1 million hrs	0.53	1.48	1.55
LTIFR Mozambique	LTI/1 million hrs	0.62	2.90	1.39
LTIFR Zambia	LTI/1 million hrs	0.42	–	1.70
Total near misses	Number	57	23	33
<b>Employment</b>				
Total staff employed	Number	2,907	2,801	2,822
Direct hires	Number	1,594	1,539	1,568
Contractors	Number	1,313	1,262	1,254
Nationals (operations only)	Percentage	94%	94%	94%
Expatriates (operations only)	Percentage	6%	6%	6%
<b>Social<sup>1</sup></b>				
Community agricultural production (Mozambique)	Average t/ha	1,752	1,655	1,370
Community agricultural production (Zambia)	Average t/ha	106	96	93
Total average incomes, agricultural projects (Mozambique)	USD	2,294	2,154	1,053
Total average incomes, agricultural projects (Zambia)	USD	598	476	521
Health clinics, community patient visits	Number	50,624	56,962	60,631
Engagements with communities	Number	301	291	85
Social project expenditure	Million USD	0.6	0.4	0.9
<b>Environmental<sup>1</sup></b>				
Environmental non-compliances	Number	2	–	2
Hazardous waste generated	Tonnes	185	63	83
Total water use	Thousand m <sup>3</sup>	587	273	794

Environmental <sup>1</sup>	UNIT	FY 2021	FY 2020	FY 2019
Trees planted for land-use rehabilitation	Number	8,436	530	2,817
Spatial area of tree-planting activity	Hectares	5.7	5.3	5.5
On-site species conservation status (Critically Endangered ("CR")) <sup>2</sup>	Number	–	–	1
On-site species conservation status (Endangered ("EN")) <sup>3</sup>	Number	–	–	2
Conservation and biodiversity NGO partnership expenditure	Million USD	0.1	0.1	0.1
<b>Greenhouse Gases ("GHG")</b>				
Group total GHG absolute emissions	tCO <sub>2</sub> -e	40,692	16,963	46,471
Group total GHG intensity	tCO <sub>2</sub> -e/t rock handled	0.003	0.004	0.002

1 – These sections relate to Kagem and MRM only, where the vast majority of these activities took place.

2 – 2021: Biodiversity studies are underway; 2019: Oreochromis mortimeri, the Kariba Talapia (Mozambique).

3 – 2021: Biodiversity studies are underway; 2019: Circaetus fasciolatus, the Southern Banded Snake Eagle (Mozambique), Mertensophryne cf anotis, the Mashonaland Toad (Mozambique).

## SAFETY AND WELLBEING DATA DISCLOSURE (BY ENTITY, 2021)

The Group's centralised reporting system for incidents, accidents and near-misses ("IANMs") has now been fully operational for three years and is functioning well. The IANMs reported at the entity-level are consolidated at the Group level in the table above and provided in more detail below by each entity.

KPI	UNIT	TOTAL	KAGEM	MRM	MML	ERM	CDJ	NRL	OTHERS
Total IANMs	Number	2,473	1,097	1,336	13	–	–	22	5
Total operational fatalities	Number	–	–	–	–	–	–	–	–
Total operational injuries	Number	52	8	40	3	–	–	1	–
LTI	Number	3	1	2	–	–	–	–	–
Near misses	Number	57	8	45	–	–	–	2	2



IMAGE Post environmental rehabilitation, Montepuez Ruby Mining, Mozambique

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES AND GREENHOUSE GAS REPORTING

We support the Taskforce on Climate-Related Financial Disclosures (“TCFD”)¹. Climate change risk in our countries of operations may result in higher temperatures, increased risk of extreme weather events, the increased use of energy to cool operational sites and the impact of climate within our supply chain that could result in delays, increased costs or restrictions in other ways. A greenhouse gas (“GHG”) recommendation report, produced by the Internal Audit team, was presented to the Board in 2020, and it contained comments on the gradual alignment to the TCFD’s recommendations. We are aware that TCFD recommendations are primarily aimed at large UK-incorporated companies, however, we are setting the Group on the path towards compliance with TCFD as soon as reasonably possible. This will include greater consideration of the physical and financial risks and impacts that could be experienced by the Group over time, as well as the direct impacts by the Group and the ways that the Group might mitigate its GHG emissions.

In respect of the TCFD’s key recommendations, the table below outlines an updated response for this period to each aspect.

TCFD THEME	TCFD RECOMMENDATION	GEMFIELDS GROUP RESPONSE
GOVERNANCE	a) Describe the Board’s oversight of climate related risks and opportunities.	Climate change risk and opportunity is delegated from the Gemfields Board to the Risk and Ethics Council (“R&E” Council) which is a sub-committee of the Audit Committee. In 2020 an Internal Audit team carried out a review of the TCFD requirements which were reported to the Board’s Audit Committee and from there the R&E Council was determined to be the governance group best placed to discuss climate risk. The R&E Council is chaired by an Independent Non-Executive Director. The CEO and CFO are permanent members of this Council, together with other senior management. The R&E Council meets on a quarterly basis with a set agenda on which discussions about environmental risk may occur, including discussions about the impact of climate change on the Company’s resilience. Aside from the disclosure of Gemfields Greenhouse Gas Emissions Report and TCFD alignment in the Annual Report, the R&E Council may from time to time call for more detailed discussions or interrogation of key environmental risks. The Board will therefore be duly updated by the Chair of the R&E Council. The CEO, CFO and Group General Counsel may also provide management’s comments to the Board for further discussion.
	b) Describe management’s role in assessing and managing climate related risks and opportunities.	Management takes a role in assessing climate related risks by reviewing the operational risk register scores for environmental and climate risks. These risks are assigned to relevant risk owners and, as part of the Gemfields Enterprise Risk Management System (“GERMS”), are monitored on a periodic basis, within the R&E Council cycle, in particular. Management is tasked with considering the types of projects that contribute to the Group’s own GHG emissions mitigation activities, as well as carrying out assessments of the physical resilience of the Group’s presence in countries that can be affected by climate-related risk (such as the increased likelihood of extreme weather events). Management may need to commission third-party assessments of the physical risk (short, medium and long-term); financial risk; reputational risk; legal risk; and climate change opportunities under different climate change scenarios.
STRATEGY	a) Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term.	The Group has not yet undertaken scenario-planning based on short-, medium- and long-term risks related to climate change at this stage. Subject to approval, a more in-depth risk identification exercise will need to be commissioned to provide the necessary analysis under different scenarios, to help the Group assess the viability of reducing its own GHG emissions, and understand the possible investments to mitigate impacts on the Group.

TCFD THEME	TCFD RECOMMENDATION	GEMFIELDS GROUP RESPONSE
STRATEGY	b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	Climate change is referenced in the Group’s risk appetite statement and is recorded together with environmental risk as one of the Group’s principal risks (see section 4.3 Risks and Uncertainties for full details of the Group’s principal risks). However, the Group’s Board of Directors currently rate environmental and climate-related risk as a low risk to the Group, primarily due to the time-frame that the Board is considering the status of these principal risks (between six months to one year). The Group recognises that, increasingly, investors and other stakeholders are interested in the Group’s longer-term approach to climate risk and the impact that it might have on the Group’s physical and financial resilience. In-depth resilience studies will need to be carried out into the various climate change scenarios and their impact on the countries of operation, markets, supply chain and access to raw and natural resources, to provide investors with a risk-based analysis of the possible implications for the Group.
	c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	As described above, a strategic resilience analysis has not yet been carried out. Such an analysis will need to be performed to inform this part of the TCFD alignment. However, when such work is carried out, relevant sources may be used to inform the Group’s strategy regarding different climate-related scenarios, including: the IPCC Assessment Report 5 (IPCC, 2014)¹, the 2011 World Bank Climate Change Scenario report for Mozambique (obtained from the World Bank Climate Change Knowledge Portal <a href="https://climateknowledgeportal.worldbank.org/">https://climateknowledgeportal.worldbank.org/</a> ) and the 2020 First Biennial Update report for Zambia ( <a href="https://unfccc.int/documents/267111">https://unfccc.int/documents/267111</a> ).
RISK MANAGEMENT	a) Describe the organisation’s processes for identifying and assessing climate related risks.	As described, the Group’s Board and management have identified and assessed climate risk at the strategic and operational level. It is recognised that further assessment of climate risk at a more granular level will be needed, especially in the context of a range of other risk factors (both short- and long-term), such as physical risk; financial risk; reputational risk; legal risk; and also climate change opportunities.
	b) Describe the organisation’s processes for managing climate related risks.	The Group will develop adaptation plans pursuant to the results of further in-depth analysis of the Group’s resilience. Due to the physical nature and location of the mining operations there are relatively few options available (other than off-sets) to manage or strategically adapt to climate change, save for more minor work-environment related actions. However, once such analysis is complete, further information will be shared about the processes that the Group undertakes to manage climate risks.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	Climate change is one of the master operational risks assessed by the relevant operational risk owners on a periodic basis within the GERMS. Climate risk is reviewed over the same time-horizon as other operational risks for the purposes of operational risk management. It is recognised that the time-frame is most likely too short to provide a meaningful risk-based assessment of identification or consideration of risks due to the long-term, chronic implications of the different climate change scenarios.

1 — <https://www.fsb-tcfd.org/>

1 — IPCC, 2014: Summary for policymakers. In: Climate Change 2014: Impacts, Adaptation, and Vulnerability. Part A: Global and Sectoral Aspects. Contribution of Working Group II to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Field, C.B., V.R. Barros, D.J. Dokken, K.J. Mach, M.D. Mastrandrea, T.E. Bilir, M. Chatterjee, K.L. Ebi, Y.O. Estrada, R.C. Genova, B. Girma, E.S. Kissel, A.N. Levy, S. MacCracken, P.R. Mastrandrea, and L.L. White (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, pp. 1–32.



TCFD THEME	TCFD RECOMMENDATION	GEMFIELDS GROUP RESPONSE
METRICS AND TARGETS	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	The Group captures and reports GHG data on an absolute and intensity basis and these are reported within this Annual Report. In addition, the Group reports GHG emissions by different entity and source.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	The Group's Greenhouse Gas Emissions Disclosure table is reported in the table on page 76.
	c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	Once any relevant detailed studies have been completed (climate change scenarios under short- and long-term time-frames, identification, assessment and management of risk in different contexts, the financial investments and implications required) target setting thereafter should be possible. For now, the GHG report provides a breakdown of the Group's contribution to climate risk via its own emissions.

During the period, the Group undertook its third full exercise to account for and self-disclose its GHG footprint in accordance with prevailing best practice. This methodology was internally audited in full in 2019, and verified for consistency in calculation in 2020. In 2021, no further internal audit or third-party verification has been performed on the methodology or the data itself. However, we are aware that to comply with some existing disclosure frameworks, such a third-party assurance may be required.

GHG BASELINE AND BOUNDARY

The Group follows the World Resources Institute<sup>2</sup> guidance on GHG baseline and boundary-setting, using the commonly referred to “three scope” elements of a corporate GHG footprint. These are: Scope 1: emissions arising directly as a result of fuel combustion by a company; Scope 2: emissions arising indirectly as a result of grid electricity consumption and Scope 3: emissions arising indirectly through consumption of goods, use of services and other supply chain activities.

The Greenhouse Gas Protocol<sup>3</sup> (“GHG-P”) framework is the reference point for the Group to self-set the boundary and scope measurements according to level of operational influence, the materiality of where and how emissions arise, as well as the availability and reliability of data. Therefore, the Group's footprint boundary scope is limited to Scope 1 and 2 and by entity, to the Group's operational sites and the London office only. In this period, we undertook to increase the boundary scope to capture and report Scope 1 and 2 data for the smaller operational sites in Mozambique. This was in accordance with the 2020 Internal Audit GHG recommendations report to the Audit Committee and this data is disclosed in the table below.

The following boundary and scope elements are excluded from the calculation due to materiality, availability and reliability of data:

- Subsidiary offices and retail sites (e.g. the Fabergé boutiques in Houston or Dubai and Gemfields office in Jaipur, India);
- Combustion of site incinerator waste and emissions from septic tanks due to lack of ability to measure these emissions; and
- Supply chain, business travel and hotel usage due to the poor quality of data provided from those sources.

GHG CALCULATION METHODOLOGY, EMISSIONS FACTORS AND DATA TABLES

The methodology followed the prescribed and established approach to corporate GHG calculation and disclosures, set out by the GHG-P. Emissions factors used were a combination of standardised factors (2017 GHG-P)<sup>4</sup> and country-specific factors for Scope 2 in Zambia and Mozambique from the Institute for Global Environmental Strategies (“IGES”) list of grid emissions factors.<sup>5</sup> The table below details GHG emissions since 2019. At this stage we are not making any like-for-like variance calculations due to the impact of Covid-19 on the business, and the resultant reduction in operational activity over the last two periods.

<sup>2</sup> <https://www.wri.org/resources/charts-graphs/operational-boundaries-ghg-emissions>

<sup>3</sup> <https://ghgprotocol.org/>

<sup>4</sup> [https://ghgprotocol.org/sites/default/files/Emission\\_Factors\\_from\\_Cross\\_Sector\\_Tools\\_March\\_2017.xlsx](https://ghgprotocol.org/sites/default/files/Emission_Factors_from_Cross_Sector_Tools_March_2017.xlsx)

<sup>5</sup> <https://www.iges.or.jp/en/pub/list-grid-emission-factor/en>

GEMFIELDS GROUP GREENHOUSE GAS EMISSIONS DISCLOSURE TABLE (2019–2021)			
	2021	2020	2019
<b>Gemfields Limited (UK), absolute (tCO<sub>2</sub>-e)</b>	<b>35</b>	<b>34</b>	<b>41</b>
<i>Scope 1 by source</i>			
Natural Gas	21	17	21
<i>Scope 2 by source</i>			
Electricity	14	17	20
<b>Kagem, absolute (tCO<sub>2</sub>-e)</b>	<b>23,147</b>	<b>8,649</b>	<b>28,842</b>
<i>Scope 1 by source</i>			
Diesel	18,667	6,150	24,056
HCFC-22/R22	49	–	–
HFC-134a	1,459	525	1,848
HFC-134ap	3	1	1
R404A	107	53	107
R410A	85	–	–
Petrol	1	2	7
<i>Scope 2 by source</i>			
Electricity	2,776	1,917	2,823
<b>Kagem intensity (tCO<sub>2</sub>-e / t rock handled)</b>	<b>0.002</b>	<b>0.004</b>	<b>0.002</b>
<b>MRM, absolute (tCO<sub>2</sub>-e)</b>	<b>16,962</b>	<b>7,776</b>	<b>16,237</b>
<i>Scope 1 by source</i>			
Charcoal	371	233	380
Diesel	12,199	4,889	11,693
HCFC-22/R22	418	222	295
HFC-134a	331	194	292
HFC-134ap	3	1	9
LPG	49	40	43
Petrol			0.5
<i>Scope 2 by source</i>			
Electricity	3,592	2,196	3,524
<b>MRM intensity (tCO<sub>2</sub>-e / t rock handled)</b>	<b>0.003</b>	<b>0.004</b>	<b>0.002</b>
<b>Other Mozambique sites, absolute (tCO<sub>2</sub>-e)</b>	<b>548</b>	<b>504</b>	<b>1,351</b>
<i>Scope 1 by source (absolute, tCO<sub>2</sub>-e)</i>			
Charcoal	3	–	–
Diesel	539	504	1,351
LPG	6	–	–
<i>Scope 2 by source</i>			
Electricity	–	–	–
<b>Other Mozambique sites, intensity (tCO<sub>2</sub>-e / t rock handled)</b>	<b>455</b>	<b>224</b>	<b>400</b>
<b>Group Total GHG emissions</b>	<b>40,692</b>	<b>16,963</b>	<b>46,471</b>
<b>Group (intensity, tCO<sub>2</sub>-e/t rock handled)</b>	<b>0.003</b>	<b>0.004</b>	<b>0.002</b>



IMAGE Conservation projects, Mozambique



IMAGE Education projects, Zambia



SECTION 4

# Governance

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## SECTION 4.1

# Directors' Report

The Directors are pleased to present the Group's Annual Report and Consolidated Financial Statements for the year ended 31 December 2021.

## NATURE OF BUSINESS

Gemfields was incorporated in Guernsey on 7 September 2007 and was listed on the BSX on 26 September 2007. The Group subsequently listed on the JSE (as a primary listing) on 20 August 2008, followed by a dual listing on AIM (as a secondary listing) on 14 February 2020. The Company changed its name from Pallinghurst Resources Limited to Gemfields Group Limited on 26 June 2018. The Company de-listed from trading on the BSX effective from 1 July 2020.

The Group is an operating mining group and has prepared its financial statements as an operating mining group. The Company is listed on the Mining sector of both the JSE Main Board and the London AIM market.

The Directors, and their respective designations and appointment dates, are detailed in the table below.

## BOARD COMPOSITION

DIRECTOR	DESIGNATION	APPOINTMENT DATE
Mr Martin Tolcher	Independent Non-Executive Director – Chairman	25 November 2008 (made Chairman on 25 November 2019)
Mr Sean Gilbertson	Executive Director – Chief Executive Officer	17 July 2017 (made CEO on 31 March 2018)
Mr David Lovett	Executive Director – Chief Financial Officer	31 March 2018
Mr Lumkile Mondli	Lead Independent Non-Executive Director	29 October 2015
Mr Kwape Mmela	Independent Non-Executive Director	31 July 2017
Mr Carel Malan	Independent Non-Executive Director	9 January 2019
Ms Mary Reilly	Independent Non-Executive Director	4 December 2020
Mr Patrick Sacco <sup>1</sup>	Non-Executive Director	11 October 2021

<sup>1</sup> Mr Kieran Daly was appointed as an alternative director to Patrick Sacco on 12 November 2021.

## CORPORATE GOVERNANCE

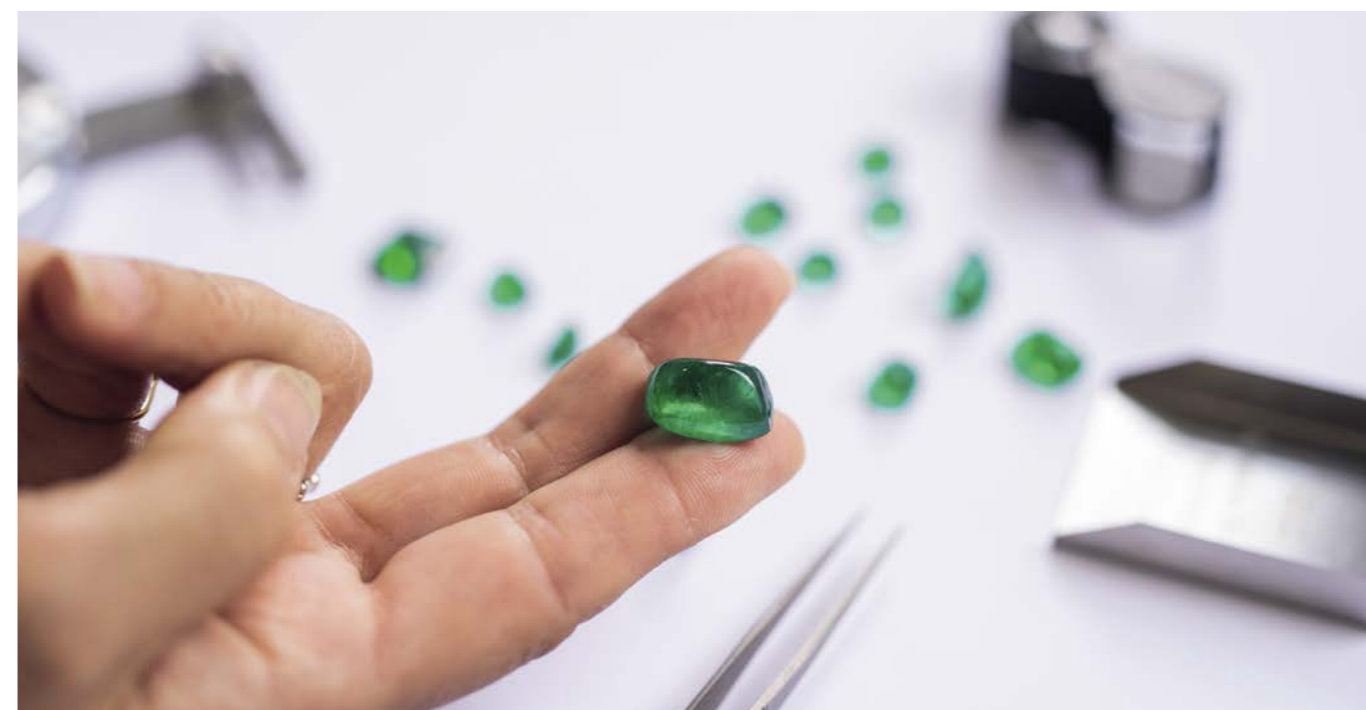
The Group subscribes to the King Code of Governance Principles and the King Report on Governance (“King IV”). The Company publishes an annual statement on its compliance with King IV on an apply-and-explain basis. The Directors carried out an assessment of the principles and recommendations of King IV during the year and fully support its implementation across the Group.

## FINANCIAL RESULTS

The results for the year are shown in the Consolidated Statement of Comprehensive Income. The Directors recommend the payment of a final dividend in the amount of USD20,000,000, equivalent to USDc1.7 per ordinary share.

## RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Incorporation, Carel Malan and Patrick Sacco will offer themselves for re-election at the Annual General Meeting (“AGM”) to be held on 29 June 2022.



## DIRECTORS WHO RETIRED DURING THE YEAR

Dr Christo Wiese – Non Executive Director – Resigned on 23 September 2021.

## SHAREHOLDER MEETINGS

A Virtual AGM (“VAGM”) was held on 24 June 2021. All of the following resolutions were passed, except for special resolution 1 and non-binding advisory vote 1:

### Special resolutions:

1. General authority to issue ordinary shares for cash
2. General authority to acquire (repurchase) ordinary shares
3. General authority to cancel shares
4. To amend the Company's articles of incorporation

### Ordinary resolutions:

1. The adoption of the Company's Annual Report and Consolidated Financial Statements for the year ended 31 December 2020.
2. To re-elect Mary Reilly, who retired by rotation, as a Director of the Company.
3. To re-elect Kwape Mmela, who retired by rotation, as a Director of the Company.

4. To elect each of Carel Malan, Mary Reilly (subject to her re-election as a Director pursuant to Ordinary Resolution 2) and Lumkile Mondli to the Company's Audit Committee.
5. To reappoint BDO LLP (“BDO”) as the Company's auditor (until the conclusion of the 2022 Annual General Meeting) and to authorise the Directors to fix BDO's remuneration.

### Non-binding advisory votes:

1. To endorse the Company's Remuneration Policy (as set out within the Remuneration Committee Report).
2. To endorse the Company's Remuneration Implementation Report (as set out within the Remuneration Committee Report).

As more than 25% of shareholders voted against non-binding advisory vote 1, said resolution did not pass and the Company engaged with available shareholders in accordance with the principles of King IV.

The Group's next AGM is scheduled for 29 June 2022. Full details will be set out in the Notice of Annual General Meeting and will be distributed to shareholders accordingly. The Directors consider that passing the resolutions to be proposed at the AGM will be in the best interests of the Company and shareholders as a whole, and unanimously recommend that shareholders vote in favour of each of them, as they intend to do in respect of their own holdings.

## INDEPENDENT AUDITOR

Following a competitive tender process and a recommendation from the Audit Committee, on 2 December 2021 the Company resolved to appoint Ernst & Young LLP ("EY") as its statutory auditors, commencing with the half year ending 30 June 2022, subject to ratification by shareholders in the Company's 2022 AGM. The Board and the Audit Committee took the view that this change of auditors promotes good corporate governance given the long period that the incumbents, BDO, have been in position. BDO completed the Company's audit for the financial year ending 31 December 2021 as external auditors to the Company, and a transition to EY will take place in due course. BDO's work will continue for a limited period beyond the date of these financial statements, in relation to certain Group subsidiaries.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company holds Directors' and Officers' liability insurance. The level of cover and cost of the insurance are reviewed on an annual basis.

## GOING CONCERN

The impact and potential future impact of the recent Covid-19 outbreak has been considered as part of the assessment made. The most important factor behind the Group's successful survival over the period of uncertainty with Covid-19 is the ability to hold successful emerald and ruby auctions and generate revenue without negatively impacting long-term prices, along with continued support from its lenders.

As a result of the assessment made, the Directors believe that the Group has sufficient cash to meet its obligations as they fall due and, consequently, the Consolidated Financial Statements have been prepared on the going-concern basis.

## OMISSION OF COMPANY-ONLY FINANCIAL INFORMATION FROM THE CONSOLIDATED FINANCIAL STATEMENTS

The Financial Statements are presented on a consolidated basis as required by the International Financial Reporting Standards ("IFRS"). The Directors believe that the Group's results as presented provide all material and relevant information for users of the Consolidated Financial Statements and are satisfied that the provision of Company-only financial information would not contain any significant additional information which would be of interest. Accordingly, Company-only financial information has been omitted from the Consolidated Financial Statements, as permitted by Section 244 of the Companies (Guernsey) Law, 2008, and Sections 8.62(a) and 8.62(d) of the JSE Listings Requirements.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation, fair presentation and integrity of the Annual Report and Consolidated Financial Statements, in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), UK Adopted International Accounting Standards, and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"), the JSE Listings Requirements, the AIM Rules for Companies and the Companies (Guernsey) Law, 2008.

The Directors are responsible for the following:

- Maintaining adequate accounting records and an effective system of risk management;
- The consistent selection and application of appropriate accounting policies;
- Making reasonable accounting judgements and estimates;
- Safe-guarding shareholders' investments and the assets of the Group;
- The presentation of information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- The provision of additional disclosures when compliance with the specific requirements of the IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Preparing the Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Audit Report is set out in the Consolidated Financial Statements section of this document. The auditors have unrestricted access to all accounting records and to the Audit Committee.

Having considered the Group's current financial position, risks and opportunities, the Directors consider it appropriate that the Consolidated Financial Statements be prepared on a going-concern basis.

## JSE-REQUIRED ATTESTATION STATEMENT

The Directors, whose names are stated below, hereby confirm that:

- (a) the Consolidated Financial Statements set out on pages 110 to 181, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

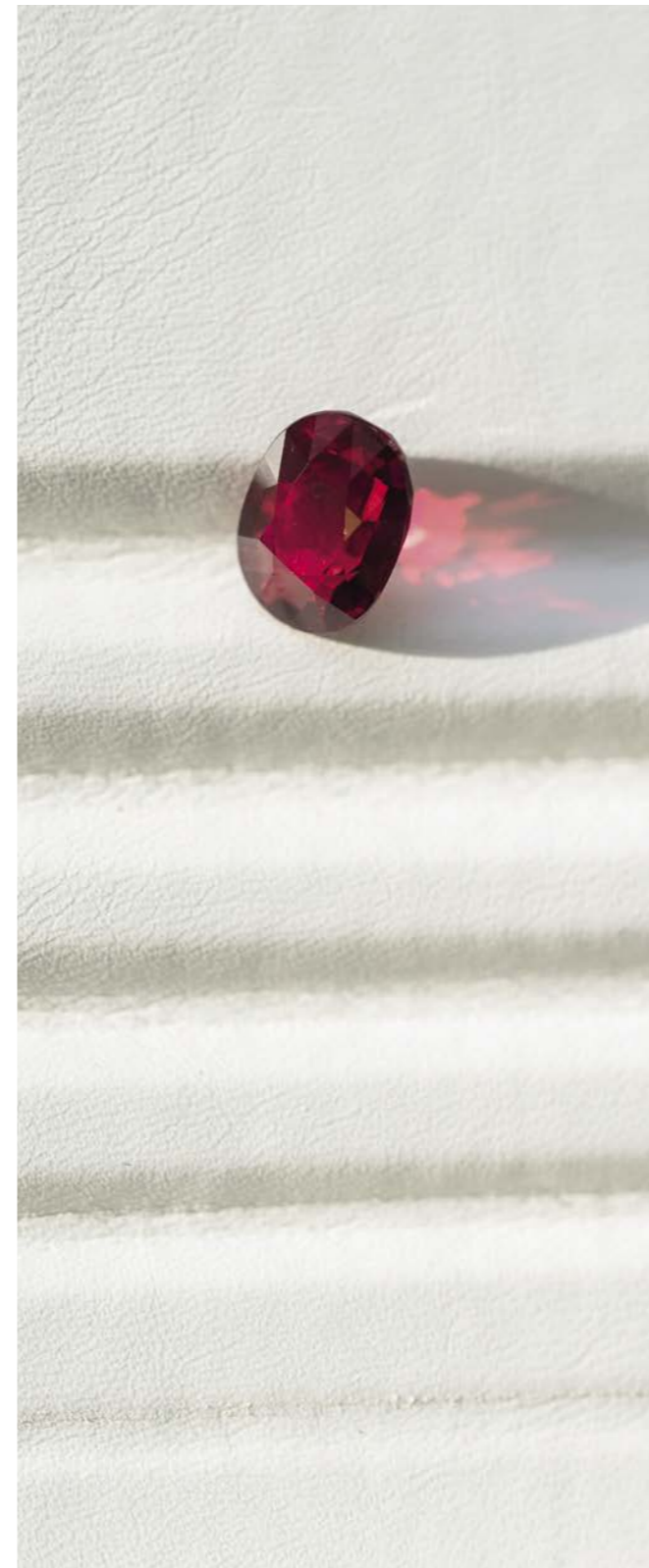


IMAGE Responsibly sourced cut and polished ruby, Montepuez Ruby Mining, Mozambique

- (b) no facts have been omitted or untrue statements made that would make the Consolidated Financial Statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the Consolidated Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves Directors, and have taken the necessary remedial action.

## AUDITOR CONFIRMATION

Each of the Directors, at the date of approval of the Consolidated Financial Statements, confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
2. Each Director has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law 2008.

## APPROVAL OF ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual Report and Consolidated Financial Statements for the year ended 31 December 2021 were approved by the Directors on 24 March 2022 and will be presented to shareholders at the AGM on 29 June 2022. The Consolidated Financial Statements are signed on the Directors' behalf by:

**David Lovett**  
*Chief Financial Officer*  
24 March 2022

**Sean Gilbertson**  
*Chief Executive Officer*  
24 March 2022

## SECTION 4.2

# Corporate Governance Report

## APPROACH TO CORPORATE GOVERNANCE

The Board is the focal point of the Group's corporate governance and is ultimately accountable and responsible for the affairs of the Group. The JSE Listings Requirements and the AIM Rules for Companies include certain mandatory requirements relating to corporate governance. This Corporate Governance Report explains how the Group adheres to these requirements. In addition, the Group adheres to the principles of King IV on an apply-and-explain basis. A register of how the Group complies with the principles of King IV (the King IV Register) is maintained on the Company's website, [www.gemfieldsgroup.com](http://www.gemfieldsgroup.com). This details how compliance with each separate principle has been achieved. The Board is satisfied that the Group predominantly complies with the principles and recommendations of King IV.

## BOARD RESPONSIBILITIES

The Board's responsibilities include providing strategic direction and overseeing the performance of the Group. This includes reviewing the performance of the Group and evaluating potential acquisitions and divestments. The Board is also responsible for determining policies and processes which seek to ensure the integrity of the Group's risk management and internal controls, for implementing and maintaining the Group's communication strategy, and for ensuring the integrity and effectiveness of the Group's governance processes.

## BOARD COMPOSITION

King IV recommends that a Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. There are eight Directors on the Board, of whom six are Non-Executive Directors. Five of the Non-Executive Directors are independent. Mr Tolcher has served on the Board for a tenure of more than nine years and, as per the recommendations of King IV, the Board is required to review his independence. As Mr Tolcher has no significant interests in the Group and his remuneration is reasonable and in line with the market level of remuneration for a

non-executive chairman for a company such as Gemfields, the Board has concluded that his independent classification should remain for the foreseeable future. A further review of the independence of the Non-Executive Directors will be undertaken each year by the Board. Mr Sacco is not considered independent in the context of King IV as a result of his shareholding in the Company (through his ownership of Assore International Holdings).

The roles of the Chairman and the Chief Executive Officer are formalised, separate and clearly defined. This creates a balance of power and authority and means that no individual is able to exercise unrestricted power. King IV recommends that the Board should be led by an independent Non-Executive Chairman who should not be the Chief Executive Officer of the Company. The offices of Chairman and Chief Executive Officer are separate. The Chairman of GGL, Mr Tolcher, became Non-Executive Chairman effective 25 November 2019 in order to further align the Company with the principles of King IV.

The other members of the Board believe that the Chairman's wealth of knowledge and experience means that he is best placed to provide overall leadership to the Board.

Mr Mondri is the Company's Lead Independent Non-Executive Director ("LID") and his main responsibilities are to chair any meeting in which the Chairman has a conflict of interest and to give stakeholders a point of contact separate from the Executive Directors.

## DIVERSITY POLICY

When considering the balance of the Board or the nomination of new members or the appointment of senior executives, the range of skills, knowledge, experience and diversity of existing incumbents is taken into account, including gender and race. The Company seeks to promote diversity at Board level, although it does not set targets in respect of race, age, sexual orientation or gender when making appointments to the Board. The key factors considered are those which will result in the appointment of the best-qualified individuals who can best serve the interests of all the stakeholders of the Company.

The Nomination Committee seeks to ensure that the Board has the right balance necessary to carry out its responsibilities in keeping with robust standards of governance.

## EXECUTIVE DIRECTORS

The Executive Directors, Mr Sean Gilbertson (CEO) and Mr David Lovett (CFO), are responsible for the Group's strategic direction and everyday management. The Executive Directors often act as Directors of the Group's subsidiaries. For example, Mr Gilbertson and Mr Lovett are Executive Directors of Gemfields and Fabergé and a number of other subsidiaries in the Group. The Executive Directors attend each of the Company's Board meetings.

## BOARD MEETINGS

Board meetings are scheduled on a quarterly basis each year in order to consider the Group's strategy, performance, operations and other issues. Additional Board meetings may be convened on an ad hoc basis. Directors endeavour to be present at Board meetings and to participate fully, frankly and constructively. Matters are decided at Board meetings by a majority of votes. In the case of an equality of votes, the Chair does not have a second or casting vote. Four quarterly Board meetings and two ad hoc Board calls were held during 2021.

## ATTENDANCE AT BOARD MEETINGS

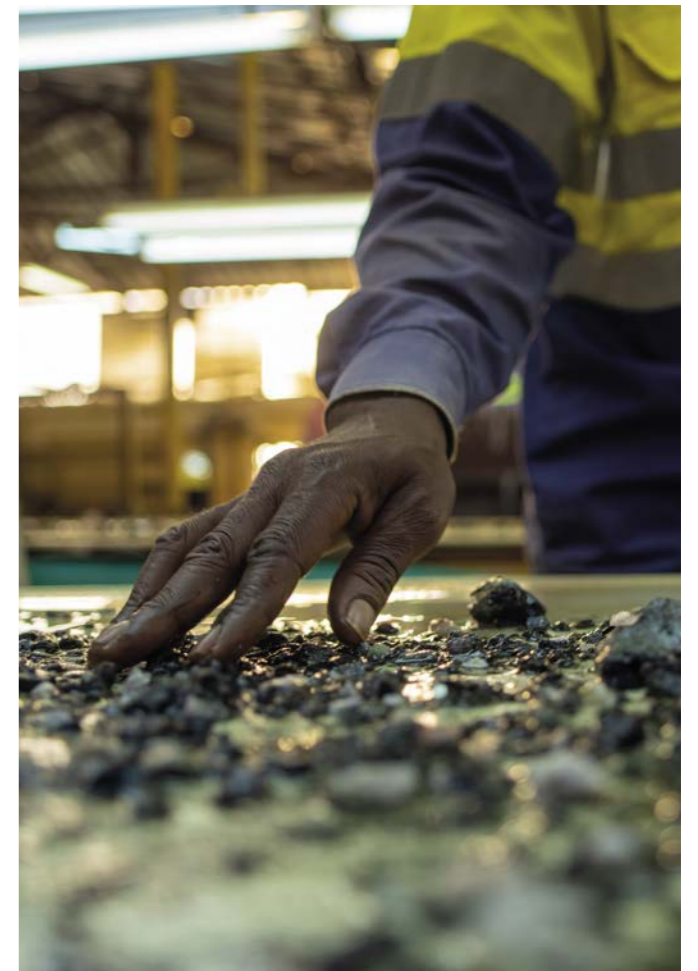
Below is a list of the Directors and their attendance record in respect of the scheduled meetings of the Board and, where they were members thereof, its committees during 2021:

	BOARD	AUDIT	REMUNERATION	NOMINATION
Mr Martin Tolcher	4/4	2/3	5/6	2/2
Mr Sean Gilbertson	4/4	n/a	n/a	n/a
Mr David Lovett	4/4	2/3	n/a	n/a
Dr Christo Wiese <sup>1</sup>	1/2	n/a	n/a	n/a
Mr Lumkile Mondri	4/4	3/3	6/6	2/2
Mr Kwape Mmela	4/4	n/a	6/6	2/2
Mr Carel Malan	4/4	3/3	n/a	n/a
Ms Mary Reilly	4/4	2/3	n/a	n/a
Mr Patrick Sacco <sup>2</sup>	2/2	n/a	n/a	n/a

<sup>1</sup> – Resigned from the Board on 23 September 2021

<sup>2</sup> – Appointed to the Board on 11 October 2021

Attendances set out above include attendance in person or by telephone.



## BOARD COMMITTEES

The Board has established certain committees to assist in discharging its responsibilities. Reports from the Audit Committee, Remuneration Committee and Nomination Committee are included in this Annual Report. The Company does not currently have a Social and Ethics Committee as historically the nature and size of the Company has made such a committee unnecessary but instead has established the Risks and Ethics Council (Risk Council), which is chaired by Ms Mary Reilly. Its principal purpose is to monitor current and emerging strategic, operations and ethics risks and challenges facing the Group. It has its own terms of reference, and its members are made up of a cross-section of senior employees across the head office in London. The Risk Council aims to meet quarterly, and its recommendations are reported to the Audit Committee in advance of its own committee meetings. When the Audit Committee does not meet, the Risk Council reports to the Board before its meetings. Ethics and Risk are standing agenda items at the quarterly Board meetings.



#### CHIEF INFORMATION OFFICER

King IV recommends that the Board should govern technology in a way that supports the Company in setting and achieving its strategic objectives. The Board is collectively responsible for information technology (“IT”) governance. Mr Dewald Blom is the Group’s Chief Information Officer, having been appointed on 6 December 2018.

#### ROTATION OF DIRECTORS

The Company’s Articles of Incorporation specify that one-third of the Non-Executive Directors shall retire from office at each AGM, by rotation. Any Director appointed since the previous AGM also retires from their office. However, a retiring Director can be re-elected at the same AGM and, if re-elected, is deemed not to have vacated their office.

#### COMPANY SECRETARY

Following Board approval, Mr Toby Hewitt, Group General Counsel, was appointed as Company Secretary on 27 September 2018. Mr Hewitt is supported by Mourant Governance Services (Guernsey) Limited and the Company’s in-house legal and Company secretarial team. The Company Secretary and the Board also engage external legal counsel and other advisors as necessary.

The Company Secretary presents the Board with a governance update at each scheduled meeting. The update usually includes corporate and legal issues, such as compliance with the UK Bribery Act, the JSE

Listings Requirements and the AIM Rules for Companies. Other issues are raised as appropriate. The Company Secretary also considers non-binding codes, rules and standards, assesses the impact thereof, and recommends a suitable course of action to the Board. The Board takes responsibility for deciding whether to follow the recommendations of the Company Secretary and for ensuring compliance with applicable laws.

The Board is required to consider and satisfy itself on an annual basis of the competence, qualifications and experience of the Company Secretary (as a consequence of the Company’s JSE listing). The Board believes that it is best served by employing Mr Toby Hewitt as Company Secretary, who has access to support from Mourant and external legal counsel and other advisors, as necessary. The Board is satisfied that the Company Secretary has the requisite competence, qualifications and experience to carry out the required responsibilities.

#### RISK MANAGEMENT

The Directors are responsible for the Group’s system of internal controls, which is designed to provide reasonable assurance against material misstatement and loss. The Group’s system of internal controls is also designed to provide assurance on the maintenance of proper accounting records, and on the completeness and accuracy of financial information used by the Board for decision-making and provision to shareholders. The internal control system includes the following elements:

- Risk Registers which are monitored on an ongoing basis;
- An organisational structure and division of responsibilities; and
- Policies, procedures and systems for monitoring controls.



A Risk Council was established in December 2019 as a subcommittee of the Audit Committee. Further details of the Risk Council can be found above in the ‘Board Committee’ section and in the Audit Committee Report.

#### INVESTMENT VALUATIONS

The Directors are collectively responsible for the estimation of the fair value of the Group’s investments in each reporting period. The valuation of each investment as determined by the Directors has been prepared using a methodology and approach which is reasonable and compliant with the concept of fair value under IFRS.

#### SUSTAINABILITY REPORTING

The Directors recognise the importance of sustainable development. The Company has integrated sustainability and corporate responsibility strategy and initiatives across the Group. Where possible, the Board also uses its influence on the Group’s subsidiaries to ensure that independent assurance is provided on their sustainability reporting. However, a wholly separate public sustainability report is not produced by the Group or by the Group’s subsidiaries.

#### SHAREHOLDER COMMUNICATION WITH THE BOARD

Shareholders are able to communicate with the Board either by attending the AGM in person or by submitting proxy voting forms. The Directors regularly meet with analysts, shareholders and

the media. Gemfields also communicates with its shareholders regarding the Group’s financial performance and strategy through the Stock Exchange News Service (“ENS”), the London Stock Exchange Regulatory News Service (“RNS”) and via the website, [www.gemfieldsgroup.com](http://www.gemfieldsgroup.com). The Board communicates with other stakeholders as appropriate. The Company ensures communication with smaller shareholders located in South Africa who lack access to electronic media by way of publishing financial results in a main South African daily newspaper.

#### INTERNAL AUDIT

King IV recommends that all companies implement an internal audit function that is in-sourced to some degree. Mr Robin Griffiths, an ex-senior Group finance employee, was appointed Director of Internal Audit in January 2019 and operated Internal Audit as a co-sourced function with a third-party supplier throughout 2019. From January 2020, the internal function added another employee and was run entirely in-house up to 31 July 2021. In the period from 1 August to 31 December 2021, Mr Griffiths was seconded to another area of the business and therefore no substantial internal audit activities were performed. Mr Griffiths’ employment with the Company ended on 31 December 2021 and he has been replaced by another member of the Gemfields team, who will be assisted by external advisers as is necessary. The Gemfields Internal Audit function reports functionally to the Chairman of the Audit Committee, thereby ensuring its independence. The Audit Committee is satisfied that the Group’s internal financial controls and the arrangements for internal audit were working effectively during the period and were predominantly adequate and fit for purpose.

#### DEALING IN SECURITIES

GGL has a defined policy for the conduct of Directors and employees in relation to dealing in the Company’s shares. The JSE Listings Requirements and the UK Market Abuse Regime (“MAR”) define closed periods, which are around the time of the annual results or interim results, or around the release of any other major announcements, or during price-sensitive negotiations, acquisitions or disposals, or pending the release of any other price-sensitive information. Directors (and their close family members), as well as employees who are classified as insiders, are prohibited from trading in the Company’s shares during these prohibited periods. Directors and employees can trade in the Company’s shares outside of these periods after first obtaining the necessary approval in writing in accordance with the Company’s share dealing policy. Any dealings in the Company’s shares by Directors, persons discharging managerial responsibilities (“PDMRs”) or their closely associated persons are announced via SENS and RNS, published on the Company’s website and notified to the UK’s Financial Conduct Authority (“FCA”).

SECTION 4.3

# Risks and Uncertainties

This section reviews the risk management aspect of ESG. Gemfields accepts that the sector in which it operates is one that contains a considerable variety of risks. Having a good understanding of the principal risks, and ensuring we have sufficient levels of operational control in place to manage or capitalise from these risks, is critical to our continued growth and success. We have a well-established and functioning risk management system which has been developed over a period of time and is now fully managed within the business without any external support. The following sections provide information on the risk framework and risk governance.

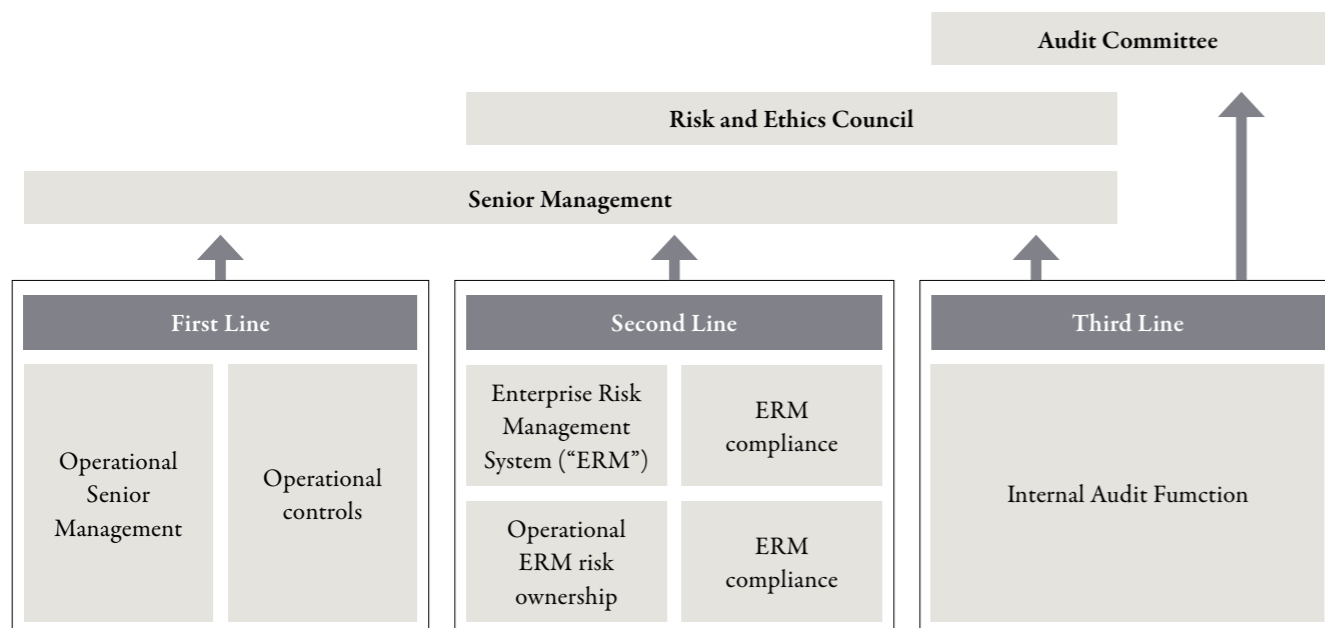
RISK MANAGEMENT FRAMEWORK

The Gemfields Board is the ultimate body responsible for the oversight of risk across the Group. This oversight is primarily provided at the strategic level. Risk management is operationalised through the management line using a ‘three lines’ model and as such a variety of assigned roles is provided to management and the business units to manage risks arising in each area of the Group. Information and considerations of risk flow between the three lines as outlined below.

**First line:** The Group’s operational senior management is responsible for managing risks through the introduction and maintenance of a range of operational controls, policies, procedures and management systems, within operational sites and functional areas.

**Second line:** A senior manager has been designated as risk officer and they facilitate the Gemfields Enterprise Risk Management System (“GERMS”). Risks are assigned to local risk owners. Reporting on risks and the introduction of mitigation measures are all features of the second line. The Group’s Risk and Ethics Council sits within the second line.

**Third line:** A Group-level internal audit function provides independent assurance on the effectiveness of governance, risk management and internal controls, including the first two lines of defence. The internal audit function is independent and reports functionally to the Chair of the Audit Committee. The diagram below demonstrates how the three lines interact with the relevant governance structures within the Company.



RISK APPETITE STATEMENT

The Gemfields Risk Appetite Statement was reviewed, amended and approved by the Board in this period:

*Gemfields operates in a sector and locations that are inherently high-risk. In particular we are exposed to key macro-level risks such as the global economic outlook and political instability. More directly, risks such as geology, financing the expansion of operations and exploration sites, social licence to operate, safety, climate change, environmental compliance, security, and the demand for rough gemstones and jewellery are important factors affecting the Group’s operations. We aim to balance a high inherent risk appetite against a low appetite for risks which will materially impact the business such as bribery, corruption or human rights risk. We will support this inherently high-risk appetite with a pragmatic level of investment, and policies and controls that are suitable for a business of our size. These policies and controls will*

*facilitate growth, decision-making, support the entrepreneurial culture we value and help us drive an acceptable return on investment.*


PRINCIPAL RISK PROFILE

The performance of the Group’s investments, primarily the extraction and sale of coloured gemstones, is fundamental to the Group’s long-term commercial prospects. Before investing in the Group, prospective investors should consider the Group’s principal risks which are described below. These have been considered by the Board as those most significant to the Group’s strategy and long-term performance. The table below provides a description of each principal risk and the mitigations in place. The Board’s rating of each principal risk, considered over a forward-looking period of six months to one year, is shown as a red, amber, green rating to signify whether the risk is considered high, medium or low respectively. The movement of the Board’s view of risk compared to the Board’s view of the same principal risk in the previous period is also shown.

PRINCIPAL RISK	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
<b>Communication, Reputation, Ethics</b>	Gemfields is publicly listed and has a distinctive and well-known brand identity. It is a high-profile operator in the industry both as a mining company and as owner of the jewellery brand Fabergé. The Company must uphold this identity while actively championing and communicating responsibly sourced coloured gemstones, low-impact mining and supply chain transparency in line with the Company’s values. The Group’s exposure to unethical practices such as bribery, corruption and security-related risk is high in its countries of operation. The Group’s failure to be aware of such risks and manage these could erode reputation or contribute to legal or financial penalties, even if entirely unfounded and unproven.	<ul style="list-style-type: none"> <li>Well established head office functions such as communications, legal, policy and risk, HR and teams at site level;</li> <li>Extensive suite of policies and standard operating procedures established for the Group and replicated at site level;</li> <li>Independent systems in place to handle ethics issues including internal whistle-blowing, external grievances and incident reporting;</li> <li>Culture of transparency and accountability to meeting internal policies and procedures and external regulations and laws; and</li> <li>Appointment of marketing and communications agencies to promote the company.</li> </ul>	<b>No change</b>
<b>Community and Social</b>	The Group’s operating mining sites in Africa require the continuous management of stakeholder relations to maintain a social licence to operate. Acceptance and support of a wide range of local community stakeholders most significantly includes the communities in and around operations. Failure to engage with stakeholders and create opportunities for long-term sustainable development around our operations may contribute to or exacerbate negative sentiment, tensions or at worse lead to strikes, disruptions or incursions to our operations. Long-term, these failures may undermine our ability to operate unhindered, regardless of the legal rights we may have.	<ul style="list-style-type: none"> <li>Local community teams at site, specifically responsible for stakeholder relations, engagement and sustainable development projects;</li> <li>Head office function specialising in sustainability, health, safety and policy;</li> <li>Policies replicated with site-specific procedures that focus on community and sustainable development;</li> <li>Grievance management systems to record and remedy community complaints, grievances and allegations;</li> <li>Annual use of operational budget for investment in community projects; and</li> <li>Emergency response and relief to community at times of crisis or weather-related disaster.</li> </ul>	<b>No change</b>

PRINCIPAL RISK	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
<b>Environmental, Climate, Weather</b>	The Group's operations cause impacts to, and are impacted by, the environment. Environmental, climate and weather-related risks arise in different ways both outside and inside the Group's control. Risks affecting the company include climate-related extreme weather events (such as hurricanes or cyclones), unseasonal or extreme levels of rainfall and higher than average humidity and heat. Risks caused by the company's operation include water and waste management, greenhouse gas emissions, land-use changes and biodiversity impacts. The risks can directly affect our workforce from working in rising temperatures or coping with extreme weather events. The company can also be subject to compliance fines for failing to plan and operate in accordance with prevailing environmental laws. Failure to plan strategically for more extreme operating environment or changing environmental laws may increase the Group's operating costs.	<ul style="list-style-type: none"> <li>Contingency plans to respond to extreme weather emergencies;</li> <li>Physical preparation and protection of site assets and mine plans in accordance with geology and effects of corrosion, ground-water and slippages;</li> <li>Consideration for the use of renewable energy and fuel efficient measures at operations to reduce operating costs and use of fossil fuels;</li> <li>External reporting to be transparent in the disclosure of greenhouse gas emissions;</li> <li>Safety, health and environmental teams responsible for site operational environmental compliance, management plans and execution of projects; and</li> <li>Introduction of integrated safety, health and environmental management systems.</li> </ul>	No change
<b>Financial, Economic, Markets, Business<sup>1</sup></b>	<p>The demand for gemstones may fall during times of economic uncertainty or hardship. Changes in the macro-economic environment may also result in creditors delaying or failing to pay the Company on time. Reduced sales resulting from an economic downturn can have an adverse effect on the profitability and cash flow of the business as experienced during the pandemic. The Company may need to go to the market to raise capital funds, which may not be available on favourable terms. Failure to address falls in revenue or to stem the costs of production will result in the Group experiencing significant losses and the Group may be forced to curtail or suspend some or all of its capital projects and/or operations.</p> <p>The ongoing conflict with Russia and Ukraine may have the undesired impact of increasing input costs like fuel and spares and may also have an adverse impact on the prices of our goods.</p>	<ul style="list-style-type: none"> <li>Proprietary grading system developed as a transparent and reliable system for the market to value gemstones;</li> <li>Long-developed relationships with authorised auction partners;</li> <li>Partnerships with luxury brands to market coloured gemstones to end consumers;</li> <li>Active financial management and consideration by management of different financing options; and</li> <li>Introduction of sequential on-line mini auctions that offer an alternative sales platform to physical in-situ auctions.</li> <li>Resilient financial modelling and risk processes to allow flexibility and ability to action any cash conversation or mitigate global economic woes.</li> </ul>	↓
<b>Health, Safety and People Protection<sup>2</sup></b>	A company operating in the resource extraction sector is exposed to a range of health and safety risks, and the protection of employees is an inherent feature of the mining industry. Employees are operating in often hazardous operational environments and at development sites that are more remote. They are also exposed to other safety and security risks. Failure to maintain adequate health, safety and security standards may result in a significant incident, a deterioration in safety performance and at worst the injury or death of employees. Lost time disruption to the mining operations can affect the ability of the Company to continue to produce efficiently.	<ul style="list-style-type: none"> <li>Locally developed teams at site specifically responsible for HSE risk management and training;</li> <li>Development of integrated HSE management systems to meet international standards;</li> <li>HSE measures, training and compliance against policies and procedures continuously reviewed and implemented with management support;</li> <li>Internal system for reporting of incidents, accidents and near-misses; and</li> <li>Security measures and systems are constantly reviewed and revised in order to minimise the risk.</li> </ul>	↓

PRINCIPAL RISK	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
<b>Illegal Miners and Trespassers</b>	Theft, as a result of both internal collusion and illegal mining, is an inherent risk factor in the gemstone industry. Organised criminals can exploit situations of poverty creating indebted servitude. Artisanal miners can gain easy access to sites where physical barriers on large concessions are not viable and they operate without licences to illegally extract gemstones which would otherwise be retrieved and sold by the Company. This situation presents the opportunity for gemstones finding their way out of the country illegitimately and onto the black-market. Failure to protect the site from this loss of gemstones from the licence area consequently impacts the profitability of the Company. Furthermore, the presence of illegal miners and security forces who protect the assets can contribute to security risks arising from the conflict of interest between illegal miners and the Company.	<ul style="list-style-type: none"> <li>Security measures and systems are constantly reviewed and revised in order to minimise the risk;</li> <li>Multi-layered security approach across our operations with a mix of internal and external providers working with the local police and security forces in each geography, technology and systems;</li> <li>Security measures constantly reviewed and implemented in order to minimise the risk;</li> <li>Engaging local authorities, communities and security and police forces in seeking to protect the Company's employees, equipment and mining assets; and</li> <li>Community relations and grievance management systems in place to record and remedy community relations issues.</li> </ul>	No change
<b>IT, Digital and Data</b>	The Group has complex communications infrastructure and IT systems between head office and the sites. Due to the locations in which the Group operates, these systems can be subject to attempted breaches, deliberate damage, outages and delays. The Group also has a proprietary database and IT system that is used as a combination of customer relationship management, online sales, inventory management, incident reporting system, employee data management and a depository for key company documents. Failure to protect the company from breaches of the security and communications systems can result in the loss of data and communications or simply weaken the security system requiring improvements to be made.	<ul style="list-style-type: none"> <li>Well established and experienced head office IT team;</li> <li>Site-level IT functions responsible for implementation and management of IT risk at site-level;</li> <li>IT policies and standard operating procedures;</li> <li>Multi-faceted IT security system that undergoes continuous assessment and improvement; and</li> <li>Adoption of cyber security standards and systems.</li> </ul>	No change
<b>Legal, Legislative, Regulatory, Governance<sup>3</sup></b>	Emerging markets are generally subject to greater risk and may be affected by legal and legislative changes. These may result in changes in legal requirements, mineral royalty rates, taxation policies or restrictions on the export of currency or gemstones, which may have a material adverse impact on the Company's operations or future development. Failure to prepare for renewal or continuance of appropriate surface and/or subsurface use contracts, licences, permits, regulatory approvals or consents may result in delays to the Group's operations, or in extreme circumstances, may require withdrawal.	<ul style="list-style-type: none"> <li>Team highly experienced in operating in Africa;</li> <li>Active and open engagement with the relevant Government bodies and ministries;</li> <li>Regular reviews of commercial arrangements and regulatory requirements;</li> <li>Internal controls, policies and procedures to ensure we can meet regulatory changes; and</li> <li>External advice sought to supplement the skills and experience of our internal teams.</li> </ul> <p>...continued</p>	↑

PRINCIPAL RISK	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
<b>Legal, Legislative, Regulatory, Governance<sup>3</sup></b>	In addition, in ordinary course business, particularly given the industry the Group operates, it will always be susceptible to legal actions and complaints on a wide range of issues. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse matters relating to potential claims and litigation, the Group believes its defences to such claims to be meritorious in both law and on the facts, and that a robust defence would be made in such events.		
<b>Mining, Geology and Processing</b>	The Group's exploration and mining operations are dependent upon the grant, renewal or continuance in force of appropriate surface and/or subsurface use contracts, licences, permits, regulatory approvals and consents, which may only be valid for a defined time period and may be subject to limitations. Geology of gemstone occurrences is relatively more complex, rendering it less predictable. It is not possible, for example, to predict the quality and quantity of gems in the host rock. Processing of ore can therefore be significantly affected, and the production of high-value gemstones can fluctuate, which has an effect on what can be sold at auction and therefore on revenue. Failure to retain data, knowledge and expertise regarding gemstone geology or adequately extract and process the ore will affect the Group's success.	<ul style="list-style-type: none"> <li>• A Group portfolio of projects and licence areas that carry a range of differing technical and commercial opportunities;</li> <li>• Assessment of a wide range of potential growth opportunities, both from the internal portfolio and external opportunities;</li> <li>• Retention of a vast body of historical data on gemstone mining to increase confidence levels in production; and</li> <li>• Team of highly qualified geologists and mine engineers at each site.</li> </ul>	No change
<b>Organisation, Culture, Training, Succession, Employment</b>	The Group's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Group must retain employees and attract additional highly qualified management and technical personnel. In addition, it must continue to put in place practices and systems for managing its people to encourage retention and lower employee turnover. Embedding a consistent culture across the Group ensures that all employees in the Company contribute to long-term success. Failure to continuously monitor and communicate with its people and improve the practices and systems in place for its people may result in loss of key personnel and knowledge for the Company.	<ul style="list-style-type: none"> <li>• Well established head office HR function;</li> <li>• Site-level HR functions responsible for employment, culture, training at local level;</li> <li>• Use of recruitment companies to search for and engage high quality talent;</li> <li>• Policies and standard operating procedures for employment contracts and protections including full unionisation where appropriate;</li> <li>• Employee relations and engagement with unions for negotiations of remuneration and benefits; and</li> <li>• Succession and retention plans for key positions.</li> </ul>	No change

PRINCIPAL RISK	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
<b>Political, Government</b>	Political instability, including changes in Government, may also result in a major disruption to the functions at state- provincial- or district-level Government. This can directly affect the Group's operations but also can result in civil unrest, labour disputes or the withdrawal or variation of existing agreements, mining licences and permits as resource management can be politicised. Resource nationalisation is a possibility in our countries of operation and pressure to hand back licences or parts of licences to the state is a risk that is monitored. Failure to engage with relevant Government departments can affect the Company's prospects in a range of ways and directly adversely affect operations.	<ul style="list-style-type: none"> <li>• Team highly experienced in operating in Africa;</li> <li>• Active and open engagement with the relevant Government bodies and ministries; and</li> <li>• Internal controls, policies and procedures to ensure we can meet regulatory changes.</li> </ul>	No change
<b>Security, Infrastructure and Asset Protection</b>	Resource and asset protection is a significant challenge in remote areas. Protecting the Company is a constant activity for internal security with the support of third-party contractors and the police who investigate acts committed against the Company by both external and internal parties. Plant, equipment and consumables are all easily stolen or at risk of loss. Infrastructure may be deliberately damaged and sites can attract trespassers who enter the licence area. Failure to protect the site internally and externally with measures to protect assets or people can result in increased costs associated with replacement and repairs.	<ul style="list-style-type: none"> <li>• Security measures and systems are constantly reviewed and revised in order to minimise the risk;</li> <li>• Engaging local authorities, communities and security and police forces in seeking to protect the Company's equipment and mining assets;</li> <li>• Multi-layered security approach across our operations with a mix of internal and external providers working with the local police and security forces in each geography, technology and systems;</li> <li>• Security measures constantly reviewed and implemented; and</li> <li>• Internal system for reporting of incidents, accidents and near-misses including security incidents.</li> </ul>	No change

## NOTES

1 – Risk and Ethics Committee recommendation, subsequently approved by the Board is that post-pandemic, the business has demonstrated resilience through the successful introduction of sequential on-line mini auctions that offer an alternative sales platform to physical in-situ auctions.

2 – Risk and Ethics Committee recommendation, subsequently approved by the Board is that there is now greater systemisation and management control over safety. New specialist hires are in place and international standard management systems are being finalised.

3 – Risk and Ethics Committee view, subsequently approved by the Board, is that the legal risk needs to increase due to the potential likelihood and impact of any prospective legal action taken against the Group.





OPERATIONAL RISK PROFILE OF THE GROUP

The Gemfields Enterprise Risk Management System (“GERMS”) is the operational level management system for risk that sits within the second line. The system was developed by the Company and is hosted on an internal database, granting access to those participating in the process, as well as any other staff member. Risk owners are assigned risks in the GERMS and are responsible for continuously reviewing and updating their risks, controls and actions on a continuous basis as the risk landscape changes. These risks are reviewed by their line managers and local-entity Board members for their review and approval. The GERMS provides a live view of the operational risks at any given time and these risks are discussed at the quarterly Risk and Ethics Committee meetings.

In total there are 67 risk types within GERMS, under the twelve strategic risk categories. These 67 risk types can then be applied to any of the Gemfields Group companies to create specific risks particular to those companies. The risk likelihood and impact scores of specific risks are reviewed by each risk owner on a continuous basis. By the end of the period, there were circa 550 specific risks across the Group and the GERMS system therefore also represents a consolidated risk register for the Group.

The diagram below is a summary of the full operational risk profile of the Group, allocating the circa 550 specific risk ratings according to the combined likelihood and impact scores (which are rated 1–5 in ascending order of likelihood and impact, and then multiplied together). By way of example, the diagram shows that at the end of the year there were 19 specific risks rated as very high (a total combined risk score of between 20–25), of which two have been rated as the very highest (a total combined risk score of 25). In contrast, 24 risks were rated with the lowest likelihood of occurring and lowest impact on the business (a total combined risk score of 1).

High Likelihood	5	4	7	9	2
	1	5	16	25	8
	3	20	51	59	20
	4	35	59	72	13
Low Likelihood	24	18	13	17	11
	Low Impact		High Impact		

IMAGE Education projects, Zambia

SECTION 4.4

# Audit Committee Report

INTRODUCTION

The Audit Committee is pleased to present its report for the year ended 31 December 2021, as recommended by King IV. The Committee is constituted by the Board, has an independent role, and is accountable both to the Board and to shareholders.

The Committee’s mandate is set out in its terms of reference and includes the following responsibilities:

- Monitoring the accuracy and integrity of the Group’s financial and other reporting;
- Monitoring the effectiveness of risk management processes and internal controls;
- Recommending the appointment of external auditors to shareholders on an annual basis;
- Reviewing the independence of the external auditor;
- Reviewing the scope, results and cost-effectiveness of independent accounting and valuation services; and
- Reviewing the expertise and experience of the Chief Financial Officer.

COMPOSITION

The Committee comprises the following Independent Non-Executive Directors who have the requisite skills and experience to fulfil the Committee’s duties:

- Mr Carel Malan (Chair);
- Mr Lumkile Mondli; and
- Ms Mary Reilly.

The performance of the members of the Audit Committee is evaluated on an annual basis by the Board.

MEETINGS

In addition to the Committee members, the CFO may attend meetings by invitation. The Chair of the Committee usually meets

separately with both the CFO and the external auditor before Committee meetings. The Committee may meet with the external auditor either formally or informally throughout the year; the audit partner has access to the Committee via the Chair. The Chair of the Committee decides whether to convene any ad-hoc meetings and who should be invited to such meetings. Three formal Audit Committee meetings were held during 2021.

INTERNAL AUDIT

King IV recommends that all companies implement an internal audit function that is in-sourced to some degree. In the period from 1 August to 31 December 2021, Mr Robin Griffiths, the Group’s Director Internal Audit, was seconded to another area of the business and therefore no substantial internal audit activities were performed. Mr Robin Griffiths’ employment with the Company ended on 31 December 2021. Mr Oscar Loreti, who deputised for Mr Griffiths, is now running the Company’s in-house internal audit function, whilst supplementary external support is being considered. The Gemfields Internal Audit function reports functionally to the Chairman of the Audit Committee, thereby ensuring its independence. The Audit Committee is satisfied that the Group’s internal financial controls and the arrangements for internal audit were working effectively during the period, and were predominantly adequate and fit for purpose.

EXTERNAL AUDIT

The Committee is satisfied that BDO, as external auditor to the Company, is entirely independent of the Group. The Committee is satisfied with the policies and controls in place which address the provision of non-audit services received from BDO. BDO has been appointed as external auditor to the Company since 8 January 2018 (and prior to that were the auditors of Gemfields plc since 2004), with the current audit partner rotating on to the audit from the 2018 year-end for a five-year mandatory period. The Committee was satisfied with the performance of BDO as external auditor to the Company in the 12-month period to 31 December 2021.

Following a competitive tender process and a recommendation from the Audit Committee, on 2 December 2021, the Company resolved to appoint Ernst and Young LLP (“EY”) as its statutory auditors, commencing with the half year ending 30 June, subject to ratification by shareholders in the Company’s 2022 Annual General Meeting. The Board and the Audit Committee took the view that this change of auditors promotes good corporate governance given the long period that the incumbents, BDO, have been in position. BDO have completed the Company’s audit for the financial year ending 31 December 2021 and will formally resign in due course enabling EY to confirm their appointment and commence their work. BDO’s work will continue for a limited period beyond the completion of the Company’s audit until such time that the audits of certain Group subsidiaries is completed.

#### RISK COUNCIL

A Risk Council was established in December 2019 as a subcommittee of the Audit Committee. Its principal purpose is to monitor current and emerging strategic operations and ethics risks and challenges facing the Group. It has its own terms of reference. Its members are made up of a cross-section of senior employees across the head office in London and it is chaired by Mary Reilly (who replaced Martin Tolcher as Chairperson on 17 March 2021). The Risk Council meets quarterly and its recommendations are reported to the Audit Committee in advance of its own committee meetings. When the Audit Committee does not meet, the Risk Council reports to the Board before its meetings. The Risk Council’s primary focus in 2021 was the establishment of a new Enterprise Risk Management Framework and assessment of group-wide risks. Such risks and issues are detailed in the Risks and Uncertainties section above.

#### DUTIES CARRIED OUT IN 2021

During the year ended 31 December 2021, the Committee carried out its duties as required by King IV and its terms of reference.

The Committee performed the following statutory duties:

- Considered the qualifications, independence and objectivity of BDO and approved its terms of engagement;
- Reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- Considered the appropriateness of the Group’s going-concern assessment – particularly in light of the Covid-19 pandemic;
- Following a competitive tender process, recommended the change of Company auditor from BDO to Ernst and Young, to the Board;
- Approved the fees paid to BDO during 2021, which were for both audit and non-audit services; and

- Ensured that the independence of BDO has not been compromised for any reason.

In addition, the Committee performed the following duties in line with its mandate:

- Reviewed the Group annual and interim Consolidated financial statements for compliance with the IFRS, the JSE Listings Requirements and the Companies (Guernsey) Law, 2008;
- Reviewed significant judgements and unadjusted differences resulting from the audit and interim review;
- Reviewed and recommended to the Board for approval the valuation of the Group’s investments;
- Ensured that the Group’s accounting policies are suitable and considered the adoption of new and amended accounting standards;
- Considered the performance of the Group’s accounting function;
- Considered paragraph 3.84(k) of the JSE Listing Requirements, which require the CEO and CFO to prepare a responsibility statement. In particular, the requirement for the Executive Directors to confirm the adequacies of internal financial controls, disclose any deficiencies in design and operational effectiveness of the Audit Committee and confirm that the annual Consolidated Financial Statements fairly present in all material respects the financial position, financial performance and cash flows of the Company in terms of IFRS;
- Reviewed the performance of the CFO, and was satisfied that the CFO continues to possess the appropriate expertise and experience to carry out his responsibilities as CFO; and
- Reviewed the Audit Committee Report included in the Company’s previous Annual Report.

#### ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

The Committee has reviewed this Annual Report and the Consolidated Financial Statements and has concluded that they comply in all material respects with the IFRS, the JSE Listings Requirements, the AIM Rules for Companies and the Companies (Guernsey) Law, 2008. The Committee has therefore recommended the approval of the Annual Report to the Board.

#### CONCLUSION

The Committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and its terms of reference during 2020. Accordingly, this report was recommended by the Audit Committee and was approved by the Board on 24 March 2022.

**Carel Malan**  
*Chair of the Audit Committee*

#### SECTION 4.5

# Remuneration Committee Report

#### INTRODUCTION

The Remuneration Committee is pleased to present its report for the year ended 31 December 2021, as recommended by the King IV Corporate Governance Code. The Committee is constituted by the Board, has an independent role, and is accountable both to the Board and to shareholders. The Committee’s mandate is set out in its terms of reference and includes the following responsibilities:

- Determining levels of remuneration for each member of the Board;
- Determining levels of remuneration for senior members of management or staff; and
- Monitoring and maintaining the Company’s Remuneration Policy.

#### COMPOSITION

The Committee comprises the following Independent Non-Executive Directors, who have the requisite skills and experience to fulfil the Committee’s duties:

- Mr Kwape Mmela (Chair);
- Mr Martin Tolcher; and
- Mr Lumkile Mondli.

#### MEETINGS

The Committee meets as often as is required, but not less than once a year. Six formal meetings were held during 2021, although the Committee deliberated on matters, as necessary, on an ad hoc basis. Members of the Remuneration Committee do not participate when the level of their personal remuneration is considered.

#### GEMFIELDS GROUP LIMITED REMUNERATION POLICY

##### *Elements of Executive Director remuneration*

Executive Director remuneration is broken down into two key elements: fixed compensation and performance-related awards. The fixed remunerative elements comprise the base remuneration and

employee benefits. The performance-related awards include short- and long-term incentives.

##### *Elements of Non-Executive Director remuneration*

Chairman and Non-Executive Director remuneration comprises fixed cash fees for the role of Chairman and Non-Executive Director and additional cash fees for the role of Senior Independent Director, membership and chairing sub-committees of the Board.

Further detail on the Company’s remuneration policy is set out later in this report.

#### AGM VOTING, SHAREHOLDER ENGAGEMENT AND COMMITTEE ACTIONS IN 2021 AND EARLY 2022

The Board, with input from the Remuneration Committee, created a Remuneration Policy (the “Remuneration Policy”) and a Remuneration Implementation Report (the “Implementation Report”), which were put to shareholders, as non-binding advisory votes, at the Company’s AGM on 24 June 2021. 25.19% of votes were cast against endorsing the Remuneration Policy and 15.42% of votes were cast against endorsing the Implementation Report. As more than 25% of shareholders voted against endorsing the Remuneration Policy, this non-binding advisory resolution did not pass. The non-binding advisory vote to endorse the Company’s Remuneration Implementation Report was carried.

The Committee noted that these votes amounted to a significant increase in support from our 2020 AGM when 54.5% of votes were cast against endorsing the Remuneration Policy and 47.8% of votes were cast against endorsing the Implementation Report. The Committee believes this increase reflects the changes to remuneration effected in respect of 2021 remuneration. The Committee is conscious that a significant minority of votes were cast against the resolutions.

The key steps the Committee took in response to shareholder concerns expressed during 2020 were to change substantially the workings of its annual bonus to operate a balanced scorecard, and to

disclose in detail the prevailing dilution position in respect of outstanding share option awards. No LTIP awards were made to Executives or any other employees in 2021.

Following the 2021 AGM, the Committee engaged further with shareholders in accordance with the principles of King IV, including holding a conference call in October 2021 following similar calls in 2020. Points raised by shareholders in relation to annual bonus included whether the definition of Free Cash Flow should be before or after working capital movement, that bonus was subject to discretion which could open up the opportunity for subjective bonus determination, and that bonus should be based on specified forward targets. In relation to share option awards, shareholders stated they would like the terms of options reviewed and changed to strengthen the lapsing provisions for leavers, that the Company consider using US dollar or UK Sterling exercise prices for future option grants, being the reporting currency and the currency in which shares are traded in London's AIM Market, and that the Company consider applying performance targets and a minimum three-year vesting period for future LTIP grants. Shareholders also stated they would like to see more regular disclosures of benchmarking and, in general, would like to see a rebalancing of remuneration towards variable remuneration linked to performance.

To assist in considering these matters, the Remuneration Committee engaged h2glenfern Remuneration Advisory, an independent remuneration consultancy with extensive experience advising listed international resources companies. h2glenfern Remuneration Advisory is a member of the UK Remuneration Consultants Group. At the end of 2021, the Company commissioned h2glenfern Remuneration Advisory to prepare an Executive and Non-Executive Director benchmarking report.

In relation to the points made by shareholders on annual bonus, the Committee sees that the new balanced scorecard work has worked effectively and fairly in incentivising and rewarding near term performance. The Company sees it is appropriate to use Free Cash Flow before working capital movements as a bonus criteria, to reflect optimally the underlying position and avoid anomalies and distortions. The Committee believes that bonus needs to be subject to discretion, primarily to protect the position of the Company against anomalous outcomes from bonus workings. The Committee has an overriding discretion to adjust bonus payments from formulaic outcomes in light of the Committee's overall assessment of (1) overall performance and (2) HSEC matters. The Committee continues to believe that the approach of comparing performance against prior performance is more effective and appropriate than setting forward targets for a number of reasons, including that a number of central KPIs, such as carat production and rock handling, and so Free Cash Flow, revenue and cash costs, are outside the scope of management

control and that the setting and measuring of targets involves a significant degree of judgement and subjectivity and can create perverse incentives. The Committee sees that annual bonus worked effectively during 2021 and will operate annual bonus in a similar way in 2022.

No LTIP awards were made during 2021. The Company has again reviewed the position in respect of leavers. There is no scope to terminate historic options unilaterally. As at 31 December 2021, there were 103.5m options outstanding, representing 8.8% of the shares in issue, of which circa 16.374m are held by people who have left the Company. Where option awards vest in tranches over time, it is standard practice that good leavers retain vested awards on departure. The Company recognises the merits of applying either a US dollar or UK Sterling exercise price for future option awards and will consider this as and when new awards with a market value exercise price are made. There will be no further awards of share options to the Executive Directors under the Company's existing Long-Term Incentive Plan ("LTIP").

In view of the expiry of the majority of executive LTIP awards within the next twelve months, shareholder comments in respect of performance and vesting conditions for LTIP awards and the benchmarking exercise referred to above, the Remuneration Committee has commenced considering the structure and terms of a new LTIP plan. In considering the terms of this plan, the Committee will ensure leaver provisions are robust in the light of shareholder comments referred to above. It will consult with shareholders on this new plan in advance of proposing it formally at an Annual General Meeting.

Executive salaries had been frozen since 2018 and were reduced for eleven months to 1 May 2021 in response to the Covid-19 pandemic. Unlike the Group's other employees, Executive Directors were not reimbursed for the salary reduction. Executive salaries have been increased effective 1 January 2022 as detailed below.

No changes to Non-Executive Director remuneration have been made since 2017. The benchmarking report demonstrated that this remuneration had fallen well behind non-executive remuneration at peer companies and, as such, levels have been increased effective 1 January 2022. Information is set out later in this report.

Further information on the items above is set out later in this report and, in particular, in the section covering Remuneration in 2022.

The Committee is committed to implementing a Remuneration Policy that is robust and delivers for the Company and for shareholders, and will continue to engage with shareholders to implement the best possible policy.

The Remuneration Policy and Remuneration Implementation Report will be put to shareholders, again as non-binding advisory votes, at the Company's next AGM to be held on or around 29 June 2022.

#### THE REMUNERATION POLICY

	COMPONENT	OBJECTIVE	LINK TO BUSINESS STRATEGY	POLICY
Element 1: Guaranteed pay and benefits	<b>Base compensation</b> Akin to a salary, base compensation is received monthly, based on an annual figure decided by the Remuneration Committee.	To engage the best talent at Executive Director level.	Ensures market competitiveness, helps to attract and retain key talent, and provides fair reward for individuals.	Executive Director base compensation was initially determined by former holders of the equivalent office within Gemfields plc, and at prevailing market rates.  Future reviews will be based on skill, experience, responsibilities and market rates, with particular emphasis on shareholder engagement.
	<b>Insurance benefits</b> Executive Directors receive life insurance, medical and dental insurance and travel insurance policies for themselves and their families.	The benefits package is comparable with others on the market, the aim being to attract and retain the best talent.	The Company recognises the need for a holistic approach to an Executive Director's guaranteed pay package.	Insurances are comparable with those offered to the wider employee base within the Group, and are reviewed annually.
Element 2: Short- and long-term incentives	<b>Annual bonus</b> At the end of each calendar year, Executive Directors may receive a cash bonus dependent on the success of their work over the previous year, based on the value of their base compensation.  Outside exceptional circumstances, the maximum annual cash bonus will remain capped at 100% of base remuneration.	To encourage performance over each one-year operating cycle.	Rewards Executive Directors for a measurable contribution to the Company.	A balanced scorecard approach has been adopted from 1 January 2021.  Performance across the various metrics is compared against previous years' performance.
	<b>Share options</b> At instatement, Executive Directors were granted share options, which they can exercise at set dates over the subsequent four years.	The incentive is twofold: retention of key talent, and incentivising delivery of excellent performance in the long term.	Aligns Executive Director interests with those of shareholders, and with growth in the share price year-on-year.  Motivates long-term performance.  Rewards Executive Directors for their tangible successes.	Share options are exercisable in set tranches per year, and at a predetermined date.

## EXECUTIVE DIRECTORS' CONTRACTS OF EMPLOYMENT

A new contract of employment for the CFO was signed in 2021 in accordance with best practice. The CEO's contract of employment is coming to an end in July 2022. The Remuneration Committee has resolved to enter into a new contract with the current CEO subject to agreement on terms and conditions of such employment.

*Non-Executive Directors*

At the Company's EGM held on 26 June 2017, shareholders resolved that the maximum amount payable as Non-Executive Director fees be increased to USD100,000 per Director per annum. With effect from 14 September 2017, the fee payable for each Non-Executive Director increased from USD35,000 per annum to USD40,000 per annum. There was no change to this in 2018, 2019, 2020 and 2021. An additional fee of USD5,000 is payable for each member of the Audit, Nomination and Remuneration Committees with a further USD2,500 for the Chairman of each Committee and USD2,500 for the Lead Independent Director.

Non-Executive Director fees are to be increased for 2022 as detailed later in this report.

## EVALUATION OF WHETHER THE REMUNERATION POLICY MEETS ITS OBJECTIVES

When developing the Remuneration Policy, the Remuneration Committee focussed on three key areas.

1. The elements of Director remuneration are a good foundation for both the short- and long-term success of the Company;
2. The fixed remunerative elements (base compensation, benefits and Non-Executive Director fees) are competitively set to both attract and retain the key talent required by the Company; and
3. The performance-related elements of variable remuneration (annual bonuses and share options) ensure that the interests of the shareholders are at the forefront of the minds of Executive Directors, all of whom would stand to benefit by short- and long-term growth of the Company's business and the share price.

*Shareholder engagement*

Shareholder engagement has been key to developing and revising the Remuneration Policy and applying it to Executive Director remuneration. Shareholder advisory votes are a key means of shareholder feedback from which the Committee can tailor both practical remuneration and the Remuneration Policy. Consequently, the Company commits to engaging shareholders about remuneration each financial year. The two votes held during 2021 were important for the Committee to collate shareholder feedback.

Should any shareholder advisory vote conclude in a result of less than 75% in favour of the remuneration matter under vote, the Committee will re-examine the matter. Where possible, the Committee will engage in direct discussion with shareholders in order to understand the motivation behind such a vote, that is, to better understand their concerns. However, a number of shares are held anonymously, thus creating an obstacle to shareholder engagement. The Committee will also consider communicating with shareholders individually, also via the Company's website and via SENS and RNS, encouraging shareholders to come forward should they believe their view is yet to be represented. This is what occurred during 2021.

*King IV standard*

The Committee is satisfied that the Remuneration Policy complies with the King IV Code and that the robust principles of governance encouraged by King IV have been implemented.

*Remuneration Policy availability*

A link to the GGL Remuneration Policy is available online at [www.gemfieldsgroup.com](http://www.gemfieldsgroup.com).

## REMUNERATION IMPLEMENTATION REPORT

*Fixed Compensation*

In response to the Covid-19 crisis, all Executive and Non- Executive Directors agreed to a 20% reduction in base remuneration, effective from 1 May 2020. This reduction, which was also applied more broadly across the Company's employees including the entire UK workforce, continued until 1 April 2021 when it was lifted as the Group's financial position improved. Amounts of reduced salaries were reimbursed to employees during 2021. The reduced salaries of the Executive Directors were not reimbursed. The reduced fees of the Non-Executive Directors are intended to be reimbursed during 2022.

## PERFORMANCE-RELATED AWARDS

*Annual Cash Bonus*

In accordance with the workings of annual bonus under the Remuneration Policy and reflecting strong performance during the year as detailed earlier in this Annual Report, bonuses equal to 100% of salaries will be paid to the Executive Directors in respect of 2021.

With effect from 1 January 2021, Gemfields terminated the pre-existing share price based annual cash bonus structure and adopted a balanced scorecard structure. The central methodology for this new structure is an assessment of performance improvement across 11 Key Performance Indicators ("KPIs") against performance in the

previous year and performance over the previous three years. These KPIs are, in order of weighting:

1. Free Cash Flow – 17.5%;
2. Revenue – 15%;
3. Total Cash Operating Cost – 15%;
4. HSEC (Health, Safety, Environment, Community) – 12.5%;
5. Total Premium Carats Produced – 12.5%;
6. Total Rock Handling – 7.5%;
7. Fabergé Cash Consumption from the Gemfields Group – 5%;
8. Balance Sheet (net cash/net debt, treasury, financing, tax) – 5%;
9. Strategy/Business Development/Development Projects/Organic Growth – 5%;
10. Leadership/Organisational/People Development/Staff Turnover – 2.5%;
- and 11. Financial and Shareholder Reporting/Auditors/Accounting/Controls – 2.5%.

Performance against each KPI was scored in a matrix against previous performance, including negative scoring, which the Committee then assessed. All bonus payments are at the discretion of the Remuneration Committee. Under the structure, the Committee has an overriding discretion to adjust bonus payments from formulaic outcomes in light of the Committee's overall assessment of (1) overall performance and (2) HSEC matters.

In determining bonus payments in respect of 2021, the Committee disregarded 2020 performance, which was severely negatively impacted by the Covid-19 pandemic, comparing 2021 performance to 2019 and the three year period ended December 2019.

2021 performance against average performance for the three years to December 2021 was strongly positive across all metrics, other than Total Rock Handling where volumes were moderately down.

The Company reviewed the workings of annual bonus after its first year of operation in order to assess its functioning and suitability.

LTIP	OPTIONS HELD AT 1 JANUARY 2021	ISSUED DATE	EXERCISE PRICE	OPTIONS GRANTED DURING THE YEAR	OPTIONS FORFEITED DURING THE YEAR	OPTIONS EXERCISED DURING THE YEAR	OPTIONS HELD AT 31 DECEMBER 2021
Sean Gilbertson	27,890,213	September 2017	ZAR3.45	–	–	–	27,890,213
David Lovett	1,184,200	January 2018	ZAR2.97	–	–	–	1,184,200
David Lovett	7,000,000	July 2018	ZAR2.30	–	–	–	7,000,000

At 31 December 2021, the following share options had been granted, including to Executive Directors, and were outstanding in respect of the ordinary shares:

ISSUE DATE	EXERCISE PRICE	OUTSTANDING AT 1 JANUARY 2021	GRANTED	FORFEITED/LAPSED	EXERCISED	OUTSTANDING AT 31 DECEMBER 2021
September 2017	ZAR3.45	55,780,428	–	(11,156,086)	–	44,624,342
January 2018	ZAR2.97	17,380,575	–	(309,420)	–	17,071,155
July 2018	ZAR2.30	43,868,000	–	(1,518,050)	(692,000)	40,657,950
March 2019	ZAR1.91	1,580,000	–	(379,897)	(30,000)	1,170,103
<b>Total</b>		<b>117,609,003</b>	<b>–</b>	<b>(13,363,453)</b>	<b>(722,000)</b>	<b>103,523,550</b>

It concluded that the structure had worked effectively. Information on how bonus will work for 2022 is set out later in this report.

## LTIP

There were no awards of share options to Executive Directors during 2021 and no Executive Director share options were exercised.

The table below illustrates the number of options issued and forfeited during the year in respect of the Executive Directors.

The Company's Share Option Plan was approved by shareholders on 26 June 2017. Under the terms of the plan, the Company can issue a maximum of 167,341,278 options.

All share options vest over a four-year period in tranches of 20%. One-fifth of the options granted vest immediately, with the remaining 80% vesting equally annually on the grant date over the following four years, during which the grantee has to remain in employment. Three fifths of awards lapse on the fifth anniversary of grant with the balance lapsing in equal tranches on the sixth and seventh anniversaries of tranche and so having a three year exercise window before lapsing.

*Share options for employees of the wider Group*

In 2018, the Group established a share option programme for the employees of the wider Group within the parameters of the scheme approved by shareholders on 26 June 2017. In the same manner that the Company has used share options as a long-term incentive for its Executive Directors, the Board extended this benefit to a wider number of its employees. Awards are granted in five equal tranches, with the first tranche of share options vesting immediately and thereafter on an annual basis.

To provide information to shareholders in relation to the level of dilution arising from the existing awards, the Company sets out the following summary points.

- 103.5 million awards are outstanding, representing circa 8.9% of the Company's current shares in issue;
- While this percentage is significant, dilution may be lower given the structure of the awards (including exercise price and lapsing profile);
- 44.6 million awards (43% of the outstanding awards) have a ZAR3.45 exercise price. These options commence lapsing from September 2022 and are fully lapsed by September 2024. Of these 44.6 million awards, 38% are held by leavers and the balance (27.9 million/or 2.4% of the Company's issued shares)

are held by the Chief Executive Officer. Of the current total outstanding awards, approximately 43% lapse by December 2022 and 55% lapse by December 2023; and

- Total awards with exercise prices between ZAR1.91 and ZAR2.97 amount to 68.9 million, representing 5% of the Company's issued shares. The weighted average exercise price of the outstanding options is ZAR2.90 (GBP0.135). Should an Executive Director cease to be employed by the Company, then the manner of their departure and the date any options were granted to them would determine how those options are treated.

722,000 share options were exercised by Group employees during the year ending 31 December 2021. No share options were granted to Group employees during the year ending 31 December 2021.

#### DIRECTORS' REMUNERATION TABLE

1 JANUARY 2021 TO 31 DECEMBER 2021	BASE COMPENSATION USD'000	BENEFITS USD'000	PENSION USD'000	BONUS USD'000	TOTAL USD'000
Sean Gilbertson	558	6	24	575	1,163
David Lovett	327	4	16	337	684
<b>Total</b>	<b>885</b>	<b>10</b>	<b>40</b>	<b>912</b>	<b>1,847</b>

The fees payable to Non-Executive Directors for the year ended 31 December 2021 are as follows:

1 JANUARY 2020 TO 31 DECEMBER 2021	GROUP DIRECTOR FEES USD'000	BOARD COMMITTEES USD'000	LEAD INDEPENDENT DIRECTOR USD'000	TOTAL USD'000
Martin Tolcher	95	–	–	95
Dr Christo Wiese <sup>1</sup>	28	–	–	28
Lumkile Mondli	38	16	3	57
Kwape Mmela	38	12	–	50
Carel Malan	38	7	–	45
Mary Reilly	38	5	–	43
Patrick Sacco <sup>2</sup>	9	–	–	9
<b>Total</b>	<b>284</b>	<b>40</b>	<b>3</b>	<b>327</b>

1 – Resigned on 23 September 2021.

2 – Appointed on 11 October 2021.

In light of the impact of the Covid-19 pandemic, on 1 May 2020, all UK staff members, including the Executive Directors, agreed to a 20% remuneration reduction. On 1 April 2021, Executive Director remuneration returned to contractual levels.

#### Remuneration in 2022

During 2021 and early 2022, the Committee considered and took decisions in relation to a number of matters as outlined earlier in this report.

#### Benchmarking

The Company commissioned h2glenfern Remuneration Advisory to prepare a benchmarking report covering Executive and Non-Executive remuneration in late 2021. This report was delivered in early 2022. The comparator companies comprised international resources-orientated companies of a broadly similar profile and size by equity value, revenue, earnings and assets, to Gemfields. In response to shareholder feedback, they include companies based in South Africa and quoted on the Johannesburg Stock Exchange as well as companies

quoted on the London and Toronto Stock Exchanges. They comprise Alphamin Resources, DRD Gold, Kenmare Resources, Afrimat, Tharisa, Pan African Resources, Sylvanian Platinum, Lucara Diamonds, Petra Diamonds, Merafe Resources, Caledonia Resources, Shanta Gold, Gem Diamonds. Executive salary levels at Gemfields were found to be from around the median to the upper quartile of the comparator group companies. Annual bonus was found to be in line with market levels. The long-term incentive structure used by the majority of comparator group companies is an annual award of performance shares at a specified percentage of salary vesting after three years subject to meeting objective performance targets.

#### New CEO contract

The CEO's contract of employment is coming to an end in July 2022. The Remuneration Committee has resolved to enter into a new contract with the current CEO subject to agreement on terms and conditions of such employment. An announcement to this effect will be made in due course.

#### Salaries

Effective 1 January 2022, the salary of the CEO was increased by 3% to USD592,250 and the salary of the CFO was increased by 11.8% to USD380,000. The Committee sought to set salary levels for these Executives at between the median and the Upper Quartile in view of its assessment of their experience, skills and performance.

#### Annual bonus

Annual bonus will operate in 2022 in a similar manner to 2021 based on a balanced scorecard and with a normal maximum amount set at 100% of salary.

#### Long term incentives

There will be no further awards of share options to the Executive Directors under the Company's existing Long Term Incentive Plan.

The Committee believes that it is important to make competitive, effective and fair long term incentive awards to retain and incentivise Executive Directors and other employees and to align them with long term company performance and shareholders. In view of the lapsing of the majority of executive LTIP awards within the next twelve months, shareholder comments in respect of performance and vesting conditions for LTIP awards and the benchmarking exercise referred to above, the Committee has commenced considering the structure and terms of a new LTIP plan. It will consult with shareholders on this new plan in advance of proposing it formally at general meeting.

#### Non-Executive Director remuneration

No changes to Non-Executive Director remuneration have been made since 2017. The benchmarking report demonstrated that this remuneration had fallen well behind non-executive remuneration at peer companies and, as such, levels have been increased effective 1 January 2022.

At the Company's 2017 AGM, shareholders resolved the maximum amount payable as Non-Executive Directors be increased to USD100,000 per Director per annum.

Subject to approval of a resolution to increase this limit to USD150,000 at the 2022 AGM, the Chairman's fee will be increased from USD100,000 to USD130,000. Effective 1 January 2022, the structure of the remuneration of the Non-Executive Directors has been changed to simplify it and raise it towards levels more competitive levels. Non-Executive directors without any committee memberships and who do not chair committees or councils will receive a fee of USD50,000. Non-Executive Directors who sit on up to two committees or council memberships, and one chair of a committee/council will receive USD65,000 per annum. The Lead Independent Director role is equivalent to one committee membership. Non-Executives with additional roles beyond this will receive an additional USD7,500 per annum per additional chair of a committee or council and USD5,000 per annum per additional committee or council membership. With this structure, the overall remuneration of Non-Executive Directors will remain below median levels as evidenced by the Benchmarking Report.

#### Approval of the Remuneration Committee Report for 2021

All decisions undertaken in the 2021 financial year were compliant with the Remuneration Policy as determined by the Committee. Accordingly, this report was recommended by the Committee and was approved by the Board on 24 March 2022.

#### Kwape Mmela

Chair of the Remuneration Committee

## SECTION 4.5.1

# Appendix to the Remuneration Committee Report

2021 AGM	FOR	AGAINST	ABSTAIN *
To endorse the Company's Remuneration Policy	74.81%	25.19%	4.02%
To endorse the Company's Remuneration Implementation Report	84.58%	15.42%	4.02%

2020 AGM	FOR	AGAINST	ABSTAIN *
To endorse the Company's Remuneration Policy	46.26%	53.74%	0.07%
To endorse the Company's Remuneration Implementation Report	52.16%	47.84%	0.06%

2019 AGM	FOR	AGAINST	ABSTAIN *
To endorse the Company's Remuneration Policy	69.07%	30.93%	5.46%
To endorse the Company's Remuneration Implementation Report	63.39%	36.61%	5.46%

2018 AGM	FOR	AGAINST	ABSTAIN *
To endorse the Company's Remuneration Policy	70.36%	29.64%	2.18%
To endorse the Company's Remuneration Implementation Report	83.67%	16.33%	2.18%

\* Abstentions were represented as a percentage of total issued number of ordinary shares (with voting rights).

## 2021 AGM – REASONS FOR THE VOTES AGAINST

### Remuneration policy and implementation report:

- The total share usage limit under the Share Plan of 11.69% of the Company's then issued share capital exceeded ISS' recommended maximum of 5%.

## 2020 AGM – REASONS FOR THE VOTES AGAINST

### Remuneration policy and implementation report:

- Discretionary bonuses awarded to Executives – lack of clarity within the Annual Report on how the awards were derived; and
- The total share usage limit under the Share Plan of 11.69% of the Company's then issued share capital exceeded ISS' recommended maximum of 5%.

### Shareholder engagement – post the 2020 AGM voting results

- The Remuneration Committee met (via telephone conference) with shareholders in July and December 2020. Topics discussed included salaries, annual bonuses and long-term incentive awards;
- The Committee also engaged the services of h2glenfern Remuneration Advisory, an independent remuneration consultancy with extensive experience advising international resources companies; and
- A 'balanced scorecard' approach was developed in relation to annual bonuses. In general, shareholders were supportive of this change.



## 2019 AGM – REASONS FOR THE VOTES AGAINST

### Remuneration Policy:

- The total share usage limit under the Share Plan of 11.69% of the Company's then issued share capital exceeded ISS' recommended maximum of 5%;
- It was noted that the remuneration policy lacked clarification whether the awards under the Share Plan would vest subject to the achievement of performance conditions. It was noted that investors generally expect that the remuneration policy must specify the performance conditions attached to long-term incentive awards granted to Executive Directors. In addition, it was understood that these performance conditions should be aligned to overall company performance; and
- Feedback was given that the vesting period of the share options were not in line with local market standards, which expect long-term incentive awards to vest no earlier than three years from the date of grant.

### Remuneration Implementation Report:

- It was noted that former Executive Directors of Pallinghurst Resources Limited received termination payments which

appeared to be excessive when reviewed against the termination payments provisions in their service contract. The former Executives stood down following the restructuring of the Company. As such, they were eligible under their service agreements to receive termination payments amounting to one year's salary plus bonus (if ever they are eligible to receive such during the year of retirement). In 2017, they were not eligible to receive any bonus payments considering that the target performance was not met, the same scenario in 2018 (where they were able to serve during the first quarter of the year); and

- It was also noted that it was unclear whether the options granted during the year would vest subject to the achievement of any performance conditions.

### Shareholder engagement – post the 2019 AGM voting results

After the disappointing turnout to the conference call arranged by the Board in August 2018, the Remuneration Committee and the Board took the decision to engage with dissenting shareholders by way of direct discussion in order to better understand their concerns. However, a number of these shares are held anonymously and via nominee accounts, thus creating an obstacle to shareholder engagement. The Board encourages shareholders to approach the Company with their feedback.

## SECTION 4.6

# Nomination Committee Report

## ROLE OF THE NOMINATION COMMITTEE

The Nomination Committee assists the Board in setting and administering the Company's Nominations and Succession Policy. The Committee is constituted by the Board and is accountable both to the Board and to shareholders. The Committee assists the Board in its oversight of the following areas:

- Reviewing the structure, size and composition of the Board on an ongoing basis, with the recommendation of any changes to the Board as necessary;
- Considering diversity, including gender and race, when assessing suitable candidates for appointment to the Board;
- Identifying suitable candidates for appointment to the Board;
- Overseeing the reappointment process in respect of all Directors at the point of their retirement by rotation in accordance with provisions in the Company's Articles of Incorporation; and
- Reviewing the succession planning for Directors, including the identification, mentorship and development of future candidates.

## COMPOSITION

The Committee comprises the following Independent Non-Executive Directors, who have the requisite skills and experience to fulfil the Committee's duties:

- Mr Lumkile Mondi (Chair);
- Mr Kwape Mmela; and
- Mr Martin Tolcher.

## MEETINGS

The Nomination Committee meets as often as required, but not less than once per year. Two formal meetings were held during 2021, although the Committee deliberated on matters, as necessary, on an ad hoc basis.

## DUTIES CARRIED OUT IN 2021

During the year ended 31 December 2021, the Committee carried out its duties as required by King IV and its terms of reference. The Committee performed the following duties:

- Considered and recommended the appointment of Patrick Sacco as a Non-Executive Director;
- Confirmed that the reappointment process that was undertaken for the Company's 2021 AGM was in line with the provisions in the Company's Articles of Incorporation;
- Carried out interim succession planning for the CEO and CFO roles;
- Reviewed the Nomination Committee Report included in the Company's previous Annual Report; and
- Approved a Board Performance Evaluation Policy in compliance with the requirements of King IV.

## MEETINGS

The Committee is satisfied that it considered and discharged its responsibilities in accordance with its mandate and its terms of reference during 2021. Accordingly, this report was recommended by the Nomination Committee and was approved by the Board on 24 March 2022.

**Lumkile Mondi**

*Chair of the Nomination Committee*

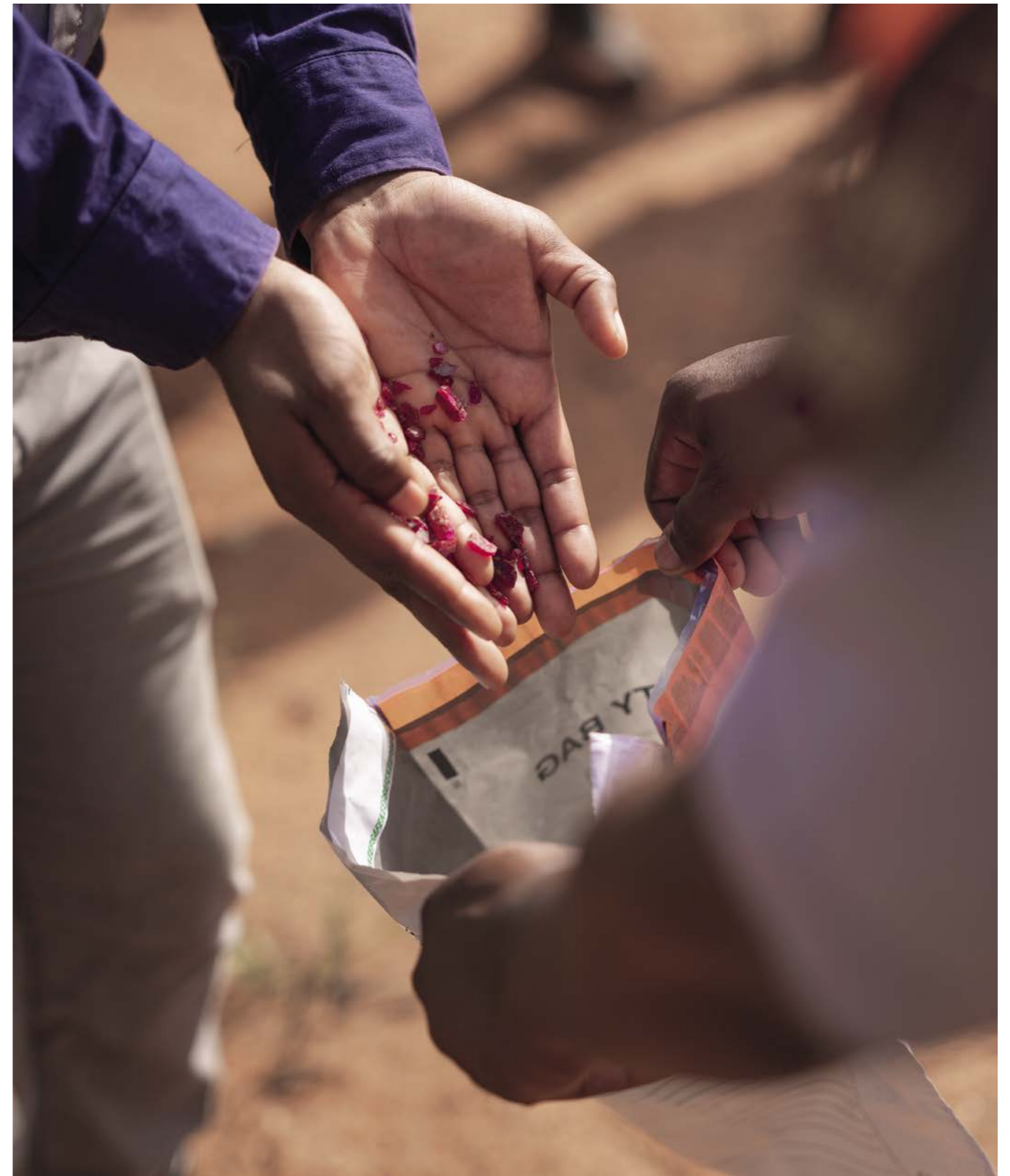


IMAGE Gemfields proprietary grading system, Montepuez Ruby Mining, Mozambique



SECTION 5

# Financial Statements

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## SECTION 5.1

# Consolidated Income Statement

for the year ended 31 December 2021

	NOTES	2021 USD'000	2020 USD'000
Revenue	3	257,706	34,567
Cost of sales	4	(112,241)	(59,064)
<b>Gross profit/(loss)</b>		<b>145,465</b>	<b>(24,497)</b>
Unrealised fair value gains/(losses)	12	7,600	(27,900)
Selling, general and administrative expenses	5	(45,690)	(32,588)
Impairment of non-current assets	5, 11	–	(11,500)
Other income		259	198
<b>Profit/(loss) from operations</b>		<b>107,634</b>	<b>(96,287)</b>
Finance income	8	206	419
Finance costs	8	(3,417)	(3,334)
<b>Net finance costs</b>		<b>(3,211)</b>	<b>(2,915)</b>
<b>Profit/(loss) before taxation</b>		<b>104,423</b>	<b>(99,202)</b>
Taxation	9	(39,460)	5,975
<b>NET PROFIT/(LOSS) AFTER TAXATION</b>		<b>64,963</b>	<b>(93,227)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the parent		50,733	(85,282)
Non-controlling interest		14,230	(7,945)
		<b>64,963</b>	<b>(93,227)</b>
<b>Earnings/(loss) per share attributable to the parent:</b>			
Basic – USD	21	<b>0.04</b>	<b>(0.07)</b>
Diluted – USD	21	<b>0.04</b>	<b>(0.07)</b>

The accompanying notes form part of these Financial Statements.

## SECTION 5.2

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	2021 USD'000	2020 USD'000
<b>Profit/(loss) after taxation</b>	<b>64,963</b>	<b>(93,227)</b>
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain arising on translation of foreign operations	747	2,905
<b>Total other comprehensive income</b>	<b>747</b>	<b>2,905</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>65,710</b>	<b>(90,322)</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the parent	51,544	(82,343)
Non-controlling interest	14,166	(7,979)
	<b>65,710</b>	<b>(90,322)</b>

The accompanying notes form part of these Financial Statements.

## SECTION 5.3

# Consolidated Statement of Financial Position

as at 31 December 2021

	NOTES	2021 USD '000	2020 USD '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	342,617	362,734
Intangible assets	11	49,962	51,461
Unlisted equity investments	12	37,200	29,600
Deferred tax assets	9	2,888	3,029
Other non-current receivables	14	13,547	11,103
<b>Total non-current assets</b>		<b>446,214</b>	<b>457,927</b>
<b>Current assets</b>			
Inventory	13	115,852	117,839
Current tax receivable		–	4,175
Trade and other receivables	14	83,998	32,907
Cash and cash equivalents		97,720	43,862
<b>Total current assets</b>		<b>297,570</b>	<b>198,783</b>
<b>Total assets</b>		<b>743,784</b>	<b>656,710</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	86,244	79,236
Borrowings	16	10,000	23,500
Lease liabilities	18	2,531	2,836
Provisions	17	5,804	3,613
Other non-current payables	15	5,000	5,000
<b>Total non-current liabilities</b>		<b>109,579</b>	<b>114,185</b>
<b>Current liabilities</b>			
Trade and other payables	15	39,137	17,303
Current tax payable		20,987	4,274
Borrowings	16	24,735	33,005
Lease liabilities	18	1,118	909
Provisions	17	4,027	4,018
<b>Total current liabilities</b>		<b>90,004</b>	<b>59,509</b>
<b>Total liabilities</b>		<b>199,583</b>	<b>173,694</b>
<b>Net assets</b>		<b>544,201</b>	<b>483,016</b>
<b>EQUITY</b>			
Share capital	19	11	11
Share premium	19	488,404	488,294
Cumulative translation reserve		5,235	4,424
Option reserve	20	7,303	7,929
Retained (deficit)		(36,447)	(88,085)
<b>Attributable to equity holders of the parent</b>		<b>464,506</b>	<b>412,573</b>
Non-controlling interest	22	79,695	70,443
<b>Total equity</b>		<b>544,201</b>	<b>483,016</b>

The Financial Statements were approved and authorised for issue by the Directors on 24 March 2022 and were signed on their behalf by:

David Lovett      Sean Gilbertson  
Director            Director

The accompanying notes form part of these Financial Statements.

## SECTION 5.4

# Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	NOTES	2021 USD '000	2020 USD '000
<b>Cash flow from operating activities</b>			
Profit/(loss) before taxation		104,423	(99,202)
<i>Adjustments for:</i>			
Unrealised fair value (gains)/losses		(7,600)	27,900
Other fair value losses		236	–
Depreciation and amortisation	4	27,535	21,023
Impairment charges	3	4,929	13,511
Share-based payments	5	367	944
Net finance expenses		3,211	2,915
Unrealised foreign exchange (gains)/losses	5	(525)	2,882
<i>Change in operating assets and liabilities:</i>			
(Increase)/decrease in trade and other receivables		(51,153)	49,814
Increase/(decrease) in trade and other payables		19,664	(18,162)
Decrease/(increase) in inventory		2,908	(6,192)
Increase/(decrease) in provisions		3,858	(596)
<b>Cash generated from/(utilised in) operations</b>		<b>107,853</b>	<b>(5,163)</b>
Tax paid		(9,732)	(15,003)
<b>Net cash generated from/(utilised in) operating activities</b>		<b>98,121</b>	<b>(20,166)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(3,687)	(3,058)
Purchases of property, plant and equipment		(7,984)	(5,577)
Interest received		130	419
Investments in subsidiary entities		–	(107)
Cash advances and loans made to related parties	26	(6,350)	(5,036)
Purchase of loan notes from non-equity investment		(600)	–
Proceeds from disposal of investments		1,093	163
<b>Net cash utilised in investing activities</b>		<b>(17,398)</b>	<b>(13,196)</b>
<b>Cash flows from financing activities</b>			
Cash paid in Group share buy-back programme		–	(213)
Issue of shares		110	–
Proceeds from borrowings		38,247	41,229
Repayment of borrowings		(60,017)	(37,548)
Principal elements of lease payments		(1,097)	(1,511)
Interest paid		(3,096)	(3,037)
<b>Net cash utilised in financing activities</b>		<b>(25,853)</b>	<b>(1,080)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>		<b>54,870</b>	<b>(34,442)</b>
Cash and cash equivalents at the beginning of the year		43,862	78,218
Net foreign exchange (loss)/gain on cash		(1,012)	86
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>97,720</b>	<b>43,862</b>

The accompanying notes form part of these Financial Statements.

## SECTION 5.5

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	SHARE CAPITAL USD'000	SHARE PREMIUM USD'000	CUMULATIVE TRANSLATION RESERVE USD'000	OPTION RESERVE USD'000	RETAINED (LOSSES)/ EARNINGS USD'000	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT USD'000	NON- CONTROLLING INTEREST USD'000	TOTAL EQUITY USD'000
<b>Balance at 1 January 2021</b>	<b>11</b>	<b>488,294</b>	<b>4,424</b>	<b>7,929</b>	<b>(88,085)</b>	<b>412,573</b>	<b>70,443</b>	<b>483,016</b>
Profit for the year	-	-	-	-	50,733	50,733	14,230	64,963
Other comprehensive income/(loss)	-	-	811	-	-	811	(64)	747
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>811</b>	<b>-</b>	<b>50,733</b>	<b>51,544</b>	<b>14,166</b>	<b>65,710</b>
Share options recognised during the year	-	-	-	367	-	367	-	367
Share options lapsed/forfeited during the year	-	-	-	(954)	954	-	-	-
Share options exercised during the year	-	110	-	(39)	39	110	-	110
Dividends declared to non-controlling interest of Montepuez Ruby Mining	-	-	-	-	-	-	(5,000)	(5,000)
Increase in shareholding of subsidiary investment	-	-	-	-	(88)	(88)	86	(2)
<b>Total contributions to owners</b>	<b>-</b>	<b>110</b>	<b>-</b>	<b>(626)</b>	<b>905</b>	<b>389</b>	<b>(4,914)</b>	<b>(4,525)</b>
<b>Balance at 31 December 2021</b>	<b>11</b>	<b>488,404</b>	<b>5,235</b>	<b>7,303</b>	<b>(36,447)</b>	<b>464,506</b>	<b>79,695</b>	<b>544,201</b>

	SHARE CAPITAL USD'000	SHARE PREMIUM USD'000	TREASURY SHARES USD'000	RESERVE FOR OWN SHARES USD'000	CUMULATIVE TRANSLATION RESERVE USD'000	OPTION RESERVE USD'000	RETAINED DEFICIT USD'000	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT USD'000	NON- CONTROLLING INTEREST USD'000	TOTAL EQUITY USD'000
<b>Balance at 1 January 2020</b>	<b>12</b>	<b>511,833</b>	<b>(10)</b>	<b>(23,319)</b>	<b>1,485</b>	<b>6,985</b>	<b>(2,725)</b>	<b>494,261</b>	<b>84,682</b>	<b>578,943</b>
Loss for the year	-	-	-	-	-	-	(85,282)	(85,282)	(7,945)	(93,227)
Other comprehensive income/(loss)	-	-	-	-	2,939	-	-	2,939	(34)	2,905
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,939</b>	<b>-</b>	<b>(85,282)</b>	<b>(82,343)</b>	<b>(7,979)</b>	<b>(90,322)</b>
Shares brought back during the year, net of transaction costs	-	-	(213)	-	-	-	-	(213)	-	(213)
Shares cancelled during the year	(1)	(23,539)	223	23,319	-	-	-	2	-	2
Share options recognised during the year	-	-	-	-	-	944	-	944	-	944
Dividends declared to non-controlling interest of Montepuez Ruby Mining	-	-	-	-	-	-	-	-	(6,250)	(6,250)
Increase in shareholding of Eastern Ruby Mining Limitada	-	-	-	-	-	-	(78)	(78)	(10)	(88)
<b>Total contributions to owners</b>	<b>(1)</b>	<b>(23,539)</b>	<b>(10)</b>	<b>23,319</b>	<b>-</b>	<b>944</b>	<b>(78)</b>	<b>655</b>	<b>(6,260)</b>	<b>(5,605)</b>
<b>Balance at 31 December 2020</b>	<b>11</b>	<b>488,294</b>	<b>-</b>	<b>-</b>	<b>4,424</b>	<b>7,929</b>	<b>(88,085)</b>	<b>412,573</b>	<b>70,443</b>	<b>483,016</b>

## SECTION 5.6

# Notes to the Consolidated Financial Statements

*for the year ended 31 December 2021*

## 1. BASIS OF PREPARATION

Gemfields Group Limited (or “GGL” or “the Company” or “the Parent”) is incorporated in Guernsey under the Companies (Guernsey) Law, 2008. The Company’s registered office address is stated on page 194 of the Annual Report within section 6.2, “Company Details”. The nature of the operations and principal activities of the Company and its subsidiaries (together “the Group”) are set out in the Operations Review on pages 24 to 42.

The Company’s accounting policies are the same as those of the Group. Company-only financial information has been omitted from these Consolidated Financial Statements, as permitted by the Companies (Guernsey) Law, 2008, Section 244, and sections 8.62(a) and 8.62(d) of the JSE Listings Requirements.

### *Statement of compliance*

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), UK Adopted International Accounting Standards, and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the “FRSC Pronouncements”). IFRS as adopted by the UK differs in certain respects from IFRS as issued by the IASB, however the differences have no impact on the Group’s Consolidated Financial Statements for the years presented. The Consolidated Financial Statements also comply with the JSE Listings Requirements, the AIM Rules for Companies and the Companies (Guernsey) Law, 2008 and show a true and fair view.

The significant accounting policies applied in preparing these Consolidated Financial Statements are set out in Note 2: *Accounting Policies*. These policies have been consistently applied throughout the period.

The Consolidated Financial Statements have been prepared under the historical cost convention except as where stated.

### *Foreign currency*

The Consolidated Financial Statements are presented in United States Dollars (“USD”), rounded to the nearest thousand (USD’000), except where otherwise indicated. This means that these financial statements can be compared with those of similar companies.

### *Basis of consolidation*

The Consolidated Financial Statements incorporate the financial information of Gemfields Group Limited as well as its subsidiary undertakings made up to 31 December each year. The results of subsidiaries acquired or disposed during the year are included in profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other Group entities and within these Consolidated Financial Statements.

All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

## 1. BASIS OF PREPARATION (CONTINUED)

### *New and amended standards which are effective for these Consolidated Financial Statements*

Certain new and amended accounting standards and interpretations have been applied by the Group for the first time for the annual reporting period commencing on 1 January 2021. These have not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements, nor are they expected to significantly affect future periods.

### *New and amended standards which are not yet effective for these Consolidated Financial Statements*

The following new and amended accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021, nor have they been adopted early by the Group. There are no other standards, amendments or interpretations in issue but not yet adopted that the Directors anticipate will have a material impact on the Group’s Consolidated Financial Statements in the current or future reporting periods.

- *Interest rate benchmark reforms – Phase II:* Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 were issued by the IASB in August 2020 to provide practical expedients and reliefs in relation to modifications of financial instruments and leases, which arise from the transition from Interbank Offered Rates (“IBORs”) to alternative risk-free rates (“RFRs”). The amendments have been endorsed by the UK and by the EU. The Group is currently in the process of assessing the impact of the transition on its contracts and arrangements that are linked to existing interest rate benchmarks, including borrowings. However it is anticipated that the impact on the Group will not be material.

### *Going Concern*

The Group’s business activities, together with the factors likely to impact its future growth and operating performance, are set out in the Operational Review on pages 24 to 42. The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial Review on pages 43 to 53.

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group’s financial position, cash flows and future capital commitments. The Group adopts a prudent approach in managing its liquidity risk, reflecting the volatility in gemstone mining and prices.

The Covid-19 pandemic had a significant impact on the Group in 2020, with mine operations and auctions halted for most of the year. Kagem held a commercial quality (“CQ”) emerald auction in Zambia in February 2020, before lockdowns had started, generating revenue of USD11.4 million. No further auctions were held until November 2020, at which point the Group held a series of emerald mini auctions that yielded another USD10.9 million. The new mini auction format has provided the Group with an alternative to its traditional in-person auctions, introducing an online bidding platform that permits customers from multiple jurisdictions to participate in a sealed bid process. Selected lots are made available for in-person and private viewings by customers in selected jurisdictions, following which a series of online auctions commences. This new auction format has allowed the Group to continue to hold rough gemstones auctions, whilst navigating the various and differing Covid-19 restrictions across the globe.

To counterbalance the inability to generate adequate cash to sustain business-as-usual operations in 2020, the Board and management acted quickly to suspend principal operations in the early stages of the pandemic. This, along with reduced wages, a lower marketing spend and the suspension of non-committed capital expenditure, enabled the Group to navigate through these unprecedented conditions. The Group ended 2020 with a gross cash balance of USD43.9 million, auction receivables of USD7.9 million that were fully collected by March 2021, and an available overdraft of USD1.5 million. The debt balance outstanding was USD56.5 million.

In 2021, the continued easing of the various Covid-19 related restrictions across the globe allowed the Group to recommence operations at both mines in the first quarter of the year and hold auctions using the online bidding format for both emeralds and rubies. The recovery in the coloured gemstone market is evident, with both the emerald and ruby auctions achieving record-breaking revenues for 2021.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 1. BASIS OF PREPARATION (CONTINUED)

#### *Going Concern (continued)*

The auctions of high-quality (“HQ”) emeralds and mixed-quality (“MQ”) rubies held in March and April 2021 generated revenue of USD90.1 million, with a further USD126.1 million realised from the second series of HQ emerald and MQ ruby auctions held in November and December 2021. Additionally, the CQ emerald auction held in August 2021 generated a further USD23.0 million. Total Group revenues for 2021 were USD257.7 million. The success of the Group in the year has significantly improved the Group’s gross cash position to USD97.7 million at 31 December 2021, with USD54.5 million of auction receivables that had been fully collected by the date of these financial statements. The debt balance outstanding is USD34.7 million, putting the Group in a net cash position of USD63.0 million.

#### **Gemstone market**

The start of 2022 saw the peak of the Covid-19 Omicron wave, however this new wave was short-lived, with most economies successfully navigating it without initiating full-scale lockdowns. As the world moves further into 2022, the global economy now faces the notion of living with the virus, with vaccination roll-outs continuing and restrictions starting to be removed in a number of countries.

With confidence continuing to grow that the world is reaching the pandemic endgame, and following the all-time record auction results of 2021, the Directors believe that any full-scale suspension of operations, akin to those seen in 2020 and 2021, is highly unlikely and expect to return to the normal yearly auction schedule from 2022 onwards.

Further, the Directors remain confident in the current high-level of market demand for gemstones. For the auctions held in 2021, the Group saw an increase in both the number of customers participating in the online bidding and the number of bids per schedule, compared to pre-2020 levels, with bids being received from a wide range of customers, demonstrating that market demand is strong. Whilst 2021 was the first time ruby auctions had been held by the Group since December 2019, the strong results achieved in the second series of mini auctions held across November and December 2021 indicate that the market dynamics also remain robust.

In addition, based on information currently available, the conflict in Ukraine is not expected to have an unmanageable material adverse impact on the Group.

Given the above, the Directors believe that there are no indicators that the current levels of gemstone pricing will not be achieved in 2022 and beyond. Although a price sensitivity has been considered as part of the Board’s discussions on the Group’s going concern assumption (see below), this scenario was concluded to be unlikely.

#### **Mining operations**

Operations in both Mozambique and Zambia resumed in the first quarter of 2021, reaching full capacity by the end of April 2021, and have remained uninterrupted thereafter. Since the resumption of operations, production of rubies at MRM is stable and the Directors are confident that sufficient quality inventory will be available for all forthcoming 2022 and 2023 auctions. At Kagem, production is also stable with emerald production exceeding expectation for the full year. Consequently, the risk of the availability of gemstones for auction is very low.

With the mines now back to full capacity, the cash operating costs are expected to increase back to at least pre-Covid-19 levels. However, the Group expects to continue to generate profits over the period to 31 December 2023.

Capital expenditure programmes also resumed in April 2021. However both Kagem and MRM kept their capital investment at minimum levels during the year in anticipation of the December auction results. Given the lower investment during 2020 and 2021, Kagem will look to catch-up on capital repairs and mining equipment replacement during 2022, with a steady maintenance capital spend established again from 2023. MRM will focus on capacity enhancement in 2022, by finalising the optimisation of the existing treatment plant and investing in the second treatment plant, with commissioning expected in the first quarter of 2023.

### 1. BASIS OF PREPARATION (CONTINUED)

#### *Going Concern (continued)*

The Group has also resumed the investment programme for the development assets in Mozambique (MML, ERM, CDJ and Nairoto). The planned spend on these assets is uncommitted and discretionary, except for minimum spend for security and licence retention.

Since recommencement, the mines have remained largely uninterrupted by Covid-19, with a low-level of cases reported on-site and the continuation of the vaccine rollouts at both locations. Should a Level-5-type shutdown occur at the mines (i.e. a two-month shutdown) during 2022 then production would be disrupted. However, given the current stockpile levels and lower level of Covid-19 restrictions, it is highly unlikely that this would materially impact the Group’s operations, or that this type of shutdown would occur.

#### **Debt facilities**

On 31 December 2021, Kagem had USD23.5 million debt outstanding with ABSA Zambia plc, with security comprising a fixed and floating charge over Kagem’s net assets. The security is equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields Group Ltd.

The facilities are subject to the following financial covenants:

- Senior Debt Service Cover Ratio (“DSCR”) shall not fall below 1.2 times;
- Interest Service Cover Ratio shall not fall below 2.5 times; and
- Senior Net Debt/EBITDA shall not exceed 2.5 times.

The covenants were not breached at the measurement date of 31 December 2021. Under the base case scenario, Kagem is fully compliant at the next measurement date of 31 December 2022. The assessment considers the mandatory repayment of USD3.5 million in December 2022 (of which, a voluntary prepayment of USD1.2 million was made in January 2022) and USD5.0 million in December 2023. As a result, there are no expectations that loan restructuring negotiations would be needed.

In April 2016 MRM entered a USD15.0 million unsecured overdraft facility with ABSA Mozambique S.A. The rolling facility attracts an interest rate of three-month USD LIBOR plus 4% per annum. The outstanding balance as of 31 December 2021 is USD11.2 million. Gemfields Limited issued a corporate guarantee for the facility. There are no covenants except that the overdraft should be cleared to nil at least once during the renewal period. The facility is renewed annually and was recently renewed in December 2021.

In June 2016 MRM entered a USD15.0 million unsecured overdraft facility with BCI. This is a rolling facility which renews annually, provided that terms and conditions are met, and attracts interest of three-month USD LIBOR plus 3.75% per annum. MRM had fully repaid the facility on 31 December 2021. The facility is secured by a blank promissory note undertaken by MRM and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group. The facility is renewed annually and it was renewed in September 2021.

In addition, MRM is at the final stages of agreement for an additional USD15.0 million lease facility from BCI. Approval for the release of the new lease facility is expected in March 2022, following which MRM will consider drawing this down.

Under the Group’s base case forecast it has sufficient cash to survive for the next 24 months without the renewal of the overdraft facilities at MRM. The Directors however expect that all facilities will remain in place throughout the measurement period to 31 December 2023 and that there will be no covenant breaches. Consequently the availability of such financing facilities no longer represents a material uncertainty in respect of going concern.

#### **Scenario analysis – Risk assessment**

The base case forecast indicates that the Group has sufficient cash to meet its liabilities as they fall due throughout the going-concern assessment period.

However, as outlined above, the going concern assessment is highly dependent upon the timing and size of the ruby and emerald auctions held in 2022 and 2023, and to a lesser extent the conflict in Ukraine.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 1. BASIS OF PREPARATION (CONTINUED)

#### *Going Concern (continued)*

As such, several scenarios were modelled in the Directors' assessment, including, but not limited to (i) a 30% reduction in auction revenues; and (ii) a 27% increase in operating costs at the mines, where fuel costs double and all other costs increase by 10% across the going concern period to 31 December 2023.

The auction revenue reduction scenario is designed to reflect the risks of:

- Changing levels of demand resulting in deferrals in the planned auction schedule;
- Unanticipated closures of the Group's mining facilities arising from localised Covid-19 outbreaks or other unforeseen circumstances, resulting in reduced inventory to take to auctions. Although the Group has confidence in the base case given the strong production in 2021, any suspension of operations would have a timing impact on the quantum of revenues achieved.

The second scenario that considers the increase in operating costs is designed to reflect any potential implications on the Group's operations in respect of the conflict in Ukraine, in particular on the operating cash base at the mines.

Under the reduced revenue scenario, additional cash maintenance measures (which are in the control of management) would need to be implemented by the Group. In the first instance, the below measures would represent sufficient cash savings from the base case and could reasonably be implemented without jeopardising production at the mines. The list is not exhaustive and remains dynamic:

- Suspension of budgeted investment in the development assets (MML, ERM, CDJ and Nairoto).
- Delay of the mining equipment replacement and reduction of the planned investment in expansion at both Kagem and MRM.
- Reduction in budgeted advertising and marketing expenditure across the Group.
- Consulting fees, travel costs and office expenses reduction at the corporate level.
- Fabergé costs reduction, including reduced inventory purchases.

In the increased cost scenario, if the Group maintains the projected base case revenues, it will have sufficient cash resources throughout the going concern period, with no need for any cash preservation measures.

In the event that both scenarios were to occur, an event that the Directors believe to be remote, the Group would have a cash deficit in May 2023, after taking into account the available cash preservation measures. However, should such a situation look possible, more drastic steps would be taken, such as procuring the lower capacity (200 tph) second treatment plant at MRM instead of the higher capacity plant (400 tph), which on its own would cover the shortfall in cash. Furthermore, if necessary, production could be curtailed in order to reduce the related costs.

A reverse stress-test in respect of revenue was also performed. In the event that revenue was to fall to below USD152.0 million in the period to 31 December 2022, then certain covenants could be breached, and additional measures may be required, including waivers of covenants, further financing, equity fundraising or more fundamental operational curtailments. The Directors, however, believe such a scenario to be remote given the facts discussed above.

In the unlikely event that Kagem is not able to run the planned auctions in 2022, the debt service cover ratio covenant will be breached. Under this case, mediation is afforded to Kagem to the extent that sufficient cash can be placed in a reserve account to ensure that the December principal payments can be honoured. In addition to this, Kagem could realistically suspend the majority of its planned capital expenditure in 2022, as well as implement cost-optimisation and savings without curtailing production capability.

In the event that the MRM facilities are no longer available, the Group would look to remedy any potential deficit either through obtaining additional loan funding, raising equity or through even more fundamental operational curtailments and would seek to renew the overdrafts renewals through negotiation with the lenders. Given the Group's relationship with the banks and the financial performance expected, the Directors consider the non-renewal of MRM's facilities to be remote.

### 1. BASIS OF PREPARATION (CONTINUED)

#### *Going Concern (continued)*

#### **Summary**

Over the period from March 2020 to April 2021, the Group faced genuine uncertainty over whether it would generate sufficient revenue to continue as a going concern given the impact of Covid-19 on the Group's ability to hold gemstone auctions and operate its mines at Kagem and MRM. These conditions, along with the expectation of continued lender support, were deemed to indicate the existence of a material uncertainty that may cast doubt upon the Group's ability to continue as a going concern.

Since April 2021, the Group has rebounded and the strong operational and financial results achieved in the year support the base case forecast as being probable, with the Group having proven that its business model is capable of mitigating the risks posed by any further Covid-19 outbreaks. Further, based on information currently available, the conflict in Ukraine is not expected to have an unmanageable material adverse impact on the Group.

Given these circumstances and the strong relationships with the Group's lenders, and in the absence of any unforeseen circumstances, the Directors do not believe there to be any material uncertainties present at 31 December 2021, or at the date of signing these Consolidated Financial Statements, that would cast significant doubt over the Group's ability to continue as a going concern. The Directors have therefore adopted the going concern basis within these Consolidated Financial Statements.

### 2. ACCOUNTING POLICIES

#### *2.1 Critical accounting judgements, estimates and assumptions*

In preparing these Consolidated Financial Statements in conformity with IFRS, the Directors are required to make necessary judgements, estimates and assumptions about the carrying amounts of assets and liabilities where information is not readily apparent from other sources. Judgements are based on the Directors' best knowledge of the relevant facts and circumstances, having regard to prior experience. Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may, however, differ from these judgements and estimates.

The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgements, key assumptions and sources of estimation uncertainty concerning the future that arise mainly from the nature of the Group's mining operations and which the Directors believe are likely to have the greatest effect on the amounts recognised in the Consolidated Financial Statements. The qualitative disclosures regarding these sources of estimation uncertainty are presented because the Directors consider these to be relevant and useful in understanding the Financial Statements of the Group.

No additional critical judgements or sources of estimation uncertainty have been identified during the current and prior years as a result of the Covid-19 pandemic. However, this event has had an impact on some of the items disclosed below. Details of the impact of the pandemic on certain of the critical judgements or sources of estimation uncertainty have been disclosed against the relevant captions below.

These disclosures go beyond the minimum requirements of IAS 1 *Presentation of Financial Statements*, which only requires disclosure of estimation uncertainty where changes in estimates, within a reasonably possible range, could have a significant risk of a material effect within the next 12 months on the amounts recognised in the Consolidated Financial Statements.

#### **2.1.1 Critical accounting judgements**

##### *Revenue recognition*

The critical accounting judgement surrounding revenue recognition relates to the identification of the specific performance obligations arising on sales of rough gemstones, from which the Group's revenue is predominantly derived. Revenue is recognised at the point at which such specified performance obligations are determined to have been met.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 2. ACCOUNTING POLICIES (CONTINUED)

#### *Revenue recognition (continued)*

Rough gemstone sales are transacted through a competitive auction process and the performance obligation is determined to be satisfied at the point at which an auction is awarded to a buyer.

Each individual customer enters into a sale agreement with the Group once a winning bid is awarded. The transaction price is determined as the winning bid price per parcel sold. Once the sales contract has been agreed by both parties, the Group retains no further rights to the gemstones as it is legally bound by the sale agreement to deliver the goods to the buyer. The Group therefore determines control to have passed to a buyer at the point at which an auction is awarded and goods have been invoiced at an amount agreed between the parties, in line with the terms and conditions of the Group's auction contracts.

The group also generates revenues from the sales of cut and polished gemstones and retail, wholesale and web sales, the accounting policies for which are detailed in the Significant Accounting Policies section below.

#### *Determination of whether indicators of impairment exist at the balance sheet date*

The Directors review the carrying value of the Group's non-current assets to determine whether there are any indicators of impairment present at the balance sheet date, such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment or reversal thereof has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices, market demand and the competitive environment. Where an indicator of impairment is identified in the reporting period, the Company will complete a full impairment review in line with the requirements of IFRS 36 *Impairment of Assets*.

During 2020, the Covid-19 pandemic led the Group to suspend all but critical operations at its core operating cash-generating units ("CGUs"), Kagem and MRM. The operations remained suspended until early 2021, however, both mines had been ramped back up to normal capacity by May 2021. Since reaching normal capacity, the production of both emeralds and rubies has been stable, with operations at the mines remaining largely uninterrupted by Covid-19.

Despite this, at 31 December 2021 the deficit between the Group's market capitalisation and net assets represented an impairment indicator, and as such an impairment review was performed on the CGUs. As part of these reviews, management performed a sensitivity analysis to assess the impact of reasonably plausible price and discount rate changes on the recoverable amount of each CGU. See Note 10: *Property, plant and equipment* for full details.

#### 2.1.2 Key sources of estimation uncertainty

##### *Going-concern basis of accounting*

In forming its opinion on going concern the Board prepares a working capital forecast based upon its assumptions related to the future trading performance of the Group, as well as taking into account available borrowing facilities in line with the capital management policies referred to in Note 16: *Borrowings*. The Board also prepares a number of alternative scenarios modelling the business variables and key risks and uncertainties. In the current and prior year the modelled scenarios have included the additional uncertainties brought by the Covid-19 pandemic. Full details of the going-concern assessment are set out in Note 1.

##### *Determination of the recoverable value of the Group's cash-generating units*

Recoverable value is determined as the higher of fair value less costs to sell and value-in-use of a CGU, which is calculated on the basis of discounted future cash flows. The determination of recoverable value therefore requires management to make estimates and assumptions about a number of key factors that are subject to risk and uncertainty, including: expected production and sales volumes, gemstone prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs, the life of mine, future capital expenditure, economic and regulatory climates, and the applicable discount rate.

### 2. ACCOUNTING POLICIES (CONTINUED)

#### *Determination of the recoverable value of the Group's cash-generating units (continued)*

The Directors consider the critical estimates in determining these recoverable values to be the future estimates of the rough emerald and beryl prices and ruby and corundum prices, as well as the discount rate applied to the calculations. Any changes to the assumptions adopted in the calculation of the recoverable amount, individually or in aggregate, would result in a different valuation being determined.

There is inherent judgement in the estimation of rough emerald and rough ruby prices as they are not traded on a public exchange, with most transactions occurring in private auctions. The Group therefore determines future prices based on the historic price and product mix trends for each commodity. The Directors do not believe that the Covid-19 pandemic has adversely impacted either the emerald or ruby price, with the strong results from the mini auctions held in 2021 supporting this judgement.

Further details on the key estimates relating to the valuation of the Group's CGUs and details of the impairment assessment completed at 31 December 2021 are disclosed in Note 10: *Property, plant and equipment*.

#### *Determination of ore reserves*

The estimation of ore reserves primarily impacts the depreciation charge of evaluated mining assets, which are depreciated based on the quantity of ore reserves at the respective mining operation. Reserve volumes are also used to assess fair value in business combinations and in calculating whether an impairment charge should be recorded where an impairment indicator exists.

The Group estimates its ore reserves and mineral resources based on information, compiled by appropriately qualified persons, relating to geological and technical data on the size, depth, shape and grade of the ore body and related to suitable production techniques and recovery rates. The estimate of recoverable reserves is based on factors such as gemstone prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

There are numerous uncertainties inherent in estimating ore reserves and mineral resources. Consequently, assumptions that are valid at the time of estimation may change significantly if or when new information becomes available.

The Gemstone Resources and Gemstone Reserves Report 2019, which contains a thorough review of the gemstone resources and gemstone reserves at 31 December 2019, and details the location, geology, mining, processing, operating statistics, and changes at the applicable mining operations and projects, is available online at [www.gemfieldsgroup.com](http://www.gemfieldsgroup.com). This report was completed by a third party and the Competent Person's Reports can also be found at [www.gemfieldsgroup.com](http://www.gemfieldsgroup.com). For 2020 and 2021, the Group completed a review of the detailed 2019 report using internal experts. The condensed version of the 2019 report, updated for 2020 and 2021 activity, can be found on page 55 of this report for Kagem and on page 58 for MRM.

#### *Valuation of the Fabergé cash-generating unit, including the Fabergé trademarks and brand*

The Fabergé trademarks and brand are a significant asset in the Consolidated Statement of Financial Position. The Directors have determined that the asset has an indefinite useful life, as it is probable that the future economic benefits that are attributable to the asset will flow to the entity indefinitely, and therefore, in accordance with IAS 36 *Impairment of Assets*, the asset is considered for impairment on an annual basis.

Trademarks are inherently complex to value, with several alternative valuation methodologies considered under IAS 36 *Impairment of Assets*. For the year ended 31 December 2021 and consistent with the prior year, the Directors applied a Market Approach – Revenue Multiple method to the valuation of the Fabergé CGU. The key estimate applied in the valuation is the basis of the determined future revenues for the CGU. The estimate considers historic realised sales data over a 12-month look-back period, management's forecast revenues based on the latest Board-approved budget and IFRS revenues over a three-year look back period.

The revenue estimate is particularly sensitive to a number of factors including, but not limited to, the impact of the Covid-19 pandemic on Fabergé's revenue generation and the potential impacts the conflict in Ukraine could have on the business. Fabergé was significantly impacted by the Covid-19 pandemic in 2020, with the impacts continuing to be felt into 2021. Although Fabergé's revenues did show strong signs of recovery in the second half of 2021, with an upturn in sales from retail, management is of the belief that this six-month trend is not over a sufficiently long enough period to give confidence that it represents a longer-term improvement in revenues at Fabergé. While the Directors remain optimistic regarding the performance of the CGU during 2022, future revenues of the CGU remain uncertain. This therefore directly impacts the estimation uncertainty surrounding the valuation of the Fabergé CGU at 31 December 2021.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 2. ACCOUNTING POLICIES (CONTINUED)

#### *Valuation of the Fabergé cash-generating unit, including the Fabergé trademarks (continued)*

Changes to the assumptions adopted in the calculation of the fair value of the CGU, individually or in aggregate, could result in a different valuation being determined. Refer to Note 11: *Intangible assets* for further details of the key estimates relating to the valuation and details of the impairment assessment completed at 31 December 2021.

#### *Assessment of fair value of the Group's unlisted equity investments*

The Group holds a material unlisted equity investment in Sedibelo Platinum Mines ("Sedibelo" or "SPM"). As the investment in Sedibelo is unlisted, it falls under Level 3 of the fair value hierarchy prescribed by IFRS 13 *Fair Value Measurement*, meaning that the valuation cannot be based on observable market data. Fair value valuations for assets falling under Level 3 of the hierarchy are inherently complex due to the judgements, estimates and assumptions applied by the Directors across a range of key factors.

For the year ended 31 December 2021 and consistent with the prior year, the Directors applied a Market Approach – Trading Multiples methodology to the valuation of Sedibelo. Through this a number of different financial and non-financial metrics were considered, with a different weighting applied to each in determining the final fair value of the investment. Key sources of estimation uncertainty applied to the valuation included: future revenue and EBITDA estimates; mineral reserve, mineral resource and production estimates; assessment of the impact of Covid-19; the weighting applied to each of the financial and non-financial metrics; and the level of discount applied for lack of marketability.

Changes to the assumptions adopted in the calculation of the fair value of Sedibelo, individually or in aggregate, could result in a different valuation being determined. Refer to Note 12: *Unlisted equity investments* for further details of the key estimates relating to the valuation and details of the fair value assessment completed at 31 December 2021.

#### *Inventory valuation*

The Group reviews the net realisable value of, and demand for, its inventory on a bi-annual basis in order to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include competitor actions and economic trends. The Directors use their experience, market data and trend analysis when undertaking these reviews. The Directors do not believe that the Covid-19 pandemic has adversely impacted either emerald or ruby prices, with the strong results from the rough emerald and ruby mini auctions held in the year supporting this judgement.

#### *Inherent uncertainties in interpreting tax legislation*

The Group is subject to uncertainties relating to the determination of its tax liabilities and the timing of the recovery of tax refunds. Mozambican and Zambian tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. The Directors' interpretation of tax legislation as applied to the transactions and activities of the Group may not coincide with that of the tax authorities. As a result, the tax authorities may challenge transactions and the Group may be assessed with additional taxes, penalties and fines or be refused refunds, which could have a material, adverse effect on the Group's financial performance or position.

Historical tax years relating to various companies within the Group remain open for inspection during a future tax audit. Consequently, the tax figures recorded in the Consolidated Financial Statements for these years may be subject to change.

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in all the jurisdictions in which it operates, and with any contractual terms entered into that relate to tax which affect its operations, and that, consequently, no additional, material tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a different position with regard to the interpretation of contractual provisions or tax law (inclusive of corporate income taxes, value-added tax and subsoil-use legislation). The resulting effect of any positions taken by the tax authorities that differ from those of the Directors is that additional tax liabilities may arise, or that the timing of refunds due may take longer than expected or may be refused.

### 2. ACCOUNTING POLICIES (CONTINUED)

#### *Inherent uncertainties in interpreting tax legislation (continued)*

Due to the range of uncertainties described above, it is not practical for the Directors to estimate the financial effect of any potential additional tax liabilities, if any, together with any associated penalties and charges, for which the Group may be liable.

#### *Inherent uncertainties in respect of any potential and ongoing claims and litigation*

While it is not possible to be certain of the outcome of any particular case, or of the amount of any possible adverse matters relating to potential claims and litigation, the Group believes its defences to such claims to be meritorious in both law and on the facts, and that when such events occur, a robust defence would be made.

Despite the quality of defences available to the Group, it is possible that the Group's operational results or cash flows in particular annual periods could be materially affected by potential claims and litigation, or by the final outcome of any particular litigation. Having regard to all these matters, the Group (i) does not consider it appropriate to make any provision in respect of any pending litigation unless it is probable that the likely outcome of the case would result in an outflow of resources from the Group; and (ii) does not believe that the ultimate outcome of any ongoing litigation at the date of this report will significantly impair the Group's financial condition.

Further details of potential future legal claims that the Group are aware of at the balance sheet date are disclosed in Note 17: *Provisions*. Details of any potential contingencies are disclosed in Note 24: *Commitments and contingencies*.

#### 2.2 *Significant accounting policies*

##### **Foreign currencies**

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the Group's Consolidated Financial Statements, the results and financial position of each Group company are expressed in USD, which is the functional currency of the Group and the presentational currency for the Consolidated Financial Statements.

Transactions entered into by Group companies are recorded in their functional currencies at the exchange rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised in the Income Statement. On consolidation all assets and liabilities of overseas operations are translated into USD at the rate ruling at the reporting date.

Where the functional currency of a subsidiary is not USD, the exchange differences that arise on translating i) the closing net assets at the closing rate at the balance sheet date, and ii) the income statement results at average exchange rates (unless these average rates are not reasonable approximations of the cumulative effect of the prevailing rate transaction dates, in which case actual rates are used), are recognised directly in equity in the cumulative translation reserve.

Exchange differences recognised in the Income Statement of the Groups' subsidiaries separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned, are reclassified to the cumulative translation reserve on consolidation.

The key exchange rates impacting these Consolidated Financial Statements are detailed in the table below.

	2021		2020	
	SPOT	AVERAGE	SPOT	AVERAGE
Mozambican metical (MZN)	63.20	65.07	75.64	69.36
Zambian kwacha (ZMW)	16.60	19.65	21.11	18.57
UK pound sterling (GBP)	0.74	0.73	0.74	0.78
South African rand (ZAR)	15.93	14.92	14.66	16.49



## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Subsidiaries

The Group is deemed to control an investee if it has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the Group's returns.

If these three criteria are not met, then the investee is determined to not be a subsidiary of the Group and its results will not be consolidated into these financial statements.

Subsidiaries are consolidated into the Group's financial statements on a line-by-line basis. They are deconsolidated from the date on which control ceases.

#### Non-controlling interests

IFRS 3 *Business combinations* gives the choice, on a transaction-by-transaction basis, to initially recognise any non-controlling interest in the acquiree that is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value.

The total comprehensive income of non-wholly-owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

#### Revenue

The Group recognises revenue at the point at which performance obligations related to the sale are determined to have been met.

The Group recognises revenue under the following categories:

- Rough gemstones – the performance obligation is met at the point at which the auction is awarded to the customer. Refer to the *Critical Accounting Judgements* section above for further details.
- Cut and polished gemstones – the performance obligation is met through the supply of goods to the customer and control is determined to have passed at the point of delivery.
- Retail, wholesale and web sales – the performance obligation is met through the supply of goods to the customer and control is determined to have passed at the point of delivery.

The transaction price is determined as per the individual contracts or agreements, including final winning bids. There is no variable consideration included in the Group's contracts and payment terms within the Group are usually less than 120 days.

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Investment income and expenses

*Unrealised fair value gains and losses* – these amounts are movements in the carrying value of investments during the period. Foreign exchange gains and losses on investments are included within these fair value gains and losses.

*Realised gains and losses* – these amounts may arise on divestments, acquisitions, equity-for-equity swaps, loan conversions and similar transactions. The gains/losses usually represent the difference between the fair value of the consideration received and the fair value of the assets disposed of as part of the transaction. Realised is used to describe gains or losses on transactions where assets are either realised in return for cash or cash equivalents, or for other assets such as new equity interests or similar.

#### Mineral royalties and production taxes

The Group recognises mineral royalties and production taxes following the sale of rough gemstones at auction. Mineral royalties and production taxes are based on the fixed percentage of the final sales price achieved at auction applicable at the time.

#### Taxation

Taxation for the year comprises current and deferred tax. Current and deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case the taxation effect is recognised in equity.

#### Current taxation

The current tax expense or credit is the amount of taxes estimated to be payable or recoverable in respect of the taxable profit or loss for a period, as well as adjustments to estimates in respect of previous periods. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date in countries where the Group operates and generates taxable income.

#### Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the temporary differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group companies which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Evaluated mining properties are amortised on the basis of ore mined in the year set against the total probable ore reserves, as detailed in the section below. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives and is recognised within cost of sales. It is applied at the following rates:

Tangible asset	Useful economic life
Buildings	5% per annum straight-line
Plant, machinery and motor vehicles	20–25% per annum straight-line
Fixtures, fittings and equipment	20–33% per annum straight-line
Evaluated mining properties	Unit of production based on the estimated reserves

Useful lives are based on management's estimates of the period over which an asset is expected to be available for use by the Group, or the amount of production expected to be obtained from the asset by the Group. The useful lives and residual values (where applicable) of the tangible assets are reviewed annually.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Any reversal of the impairment is determined using the depreciated historic cost of the specific asset.

#### *Mining assets – evaluated mining properties*

Following the determination of the commercial and technical viability of a mining project the relevant expenditure, including licence acquisition costs, is transferred from unevaluated mining properties within intangible assets to evaluated mining properties within property, plant and equipment. Exploration expenditure transferred to property, plant and equipment is subsequently depreciated using a unit-of-production method. The Group calculates depreciation based on the ratio of ore mined during the period to the total brought-forward ore reserve, based on the proven and probable estimated reserves. Expenditure deemed to be unsuccessful is written off to the Consolidated Income Statement.

#### *Deferred stripping costs*

Stripping costs incurred in the development of a mine or pit before production commences are capitalised as part of the cost of constructing the mine or pit and subsequently amortised over the life of the mine on a unit-of-production basis.

Production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to the ore to be mined in the future are capitalised as a separate asset (deferred stripping asset) within property, plant and equipment.

Deferred stripping assets are amortised over the identified component of the ore body that becomes more accessible as a result of the stripping activity. Specifically, the calculation of amortisation for deferred stripping costs is the ratio of ore mined within the reaction zone (the ore body that becomes more accessible as a result of the stripping activity) to the total ore estimated and identified within the reaction zone exposed by the stripping activity. The judgements made are supported by technical data.

Where stripping is undertaken alongside ongoing, continuous mining, the related costs are expensed to the Consolidated Income Statement as mining and production costs during the period in which the costs have been incurred.

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic life. Amortisation is recognised within cost of sales.

Trademarks, which have an indefinite useful economic life, are initially recognised at fair value and reviewed for impairment annually. An intangible asset is deemed to have an indefinite life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. The amounts attributed to such intangibles are arrived at using appropriate valuation techniques.

The useful economic lives of significant intangibles recognised by the Group are as follows:

Intangible asset	Useful economic life
Trademarks and Fabergé brand	Indefinite
Software	3 years
Fabergé customer list	6 years

The useful lives and residual values (where applicable) of the intangible assets are reviewed annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### *Unevaluated mining properties*

The Group follows an accounting policy for exploration and appraisal assets that is based on the successful-efforts accounting method.

Initial exploration and evaluation expenditure incurred in relation to project areas to which the Group's licences and rights relate are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses, but not general overheads. Where a licence is relinquished or a project is abandoned, or it is considered to be of no further commercial value to the Group, the related costs are written off to the Consolidated Income Statement.

If a mining development project is successful, the related expenditures are transferred to property, plant and equipment, at which point they are assessed for impairment. Subsequently, costs are amortised over the estimated life of the commercial ore reserves using a unit-of-production method. The calculation is based on proved and probable ore reserves attributable to the specific asset.

#### Impairment

Impairment tests on intangible assets with indefinite useful economic lives are undertaken on an annual basis.

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may be different from their recoverable amount. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value-in-use and fair value less costs to sell), the asset is written down. Where the carrying value of an asset is below its recoverable amount, any historic impairment charged in respect of the asset is reversed accordingly.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Investments

If an equity interest held by the Group is under 20%, it is recognised in the Statement of Financial Position as an investment and accounted for at fair value in accordance with IFRS 13 through the provisions under IFRS 9.

All equity investments with a holding of less than 20% are initially recognised at their fair value, with any subsequent changes in the assessed fair value being recognised in the Income Statement as unrealised fair value gains or losses.

Dividends are recognised when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognised in other income in the Income Statement.

#### *Unlisted equity investments*

A number of different valuation methods can be used when assessing the fair value of the Group's unlisted equity investments. Appropriate methods include the discounted cash flow or earnings of the underlying investment, a market-based approach applying comparable company valuation multiples or valuing the investment in line with the price of a recent third party, arm's-length transaction. Discounts for illiquidity may be applied to valuations where appropriate, in accordance with the relevant accounting standards. The Group engages the services of independent third-party valuation experts to assist with the valuation of its unlisted equity investments where the valuations are particularly complicated or subjective.

#### Inventory

Inventory relating to rough gemstones has been valued at the lower of cost, determined on the weighted-average basis, and net realisable value. Cost includes direct production costs, depreciation of mining equipment and amortisation of the mining asset, and deferred stripping costs. Net realisable value of rough gemstones is the estimated market value, split by grade and based on past auctions, less estimated costs to sell. Due to the nature of the Group's operations, in the event that mining operations become temporarily suspended for a prolonged period of time, certain direct production costs will still be incurred by the Group. In such an event, production costs are not capitalised to inventory during the period of non-operation but are expensed directly to the Consolidated Income Statement as and when incurred.

During the process of extracting emeralds and rubies, beryl and corundum are also produced. This production is treated as a by-product and is measured at net realisable value. The net realisable value is accounted for as a contribution to the costs of producing emeralds and rubies in the equivalent period. Upon sale of the by-products, the sale is recognised as revenue, with any profit over its previous carrying value being recognised within gross profit in the period of sale.

Cut and polished gemstones, retail inventory and Fabergé inventory are initially recognised at cost, and, subsequently, at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on expected sales price, less estimated costs to sell.

#### *Consignment inventory*

The terms of agreement with customers who request the Group to onward-sell their cut and polished gemstones normally note that no legal title to the cut and polished gemstones passes to Gemfields. For each particular arrangement, an analysis of whether all significant risks and rewards of ownership of cut and polished gemstones have passed to the Group is undertaken in order to determine if it is to be recognised as the Group's inventory. If no significant risks and rewards have passed to the Group such gemstones are considered to be consignment goods and are not recorded as part of the Group's inventory.

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### *Provision for decommissioning and restoration*

A provision for decommissioning and restoration costs is recognised at the commencement of mining. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements and based on management's best estimate of the future potential costs. The estimated future cashflows are then discounted to their present value using a risk-free discount rate, which is based on the Group's current market assessment of the time value of money relevant to the country of operation of the associated cash-generating unit.

A corresponding evaluated mining property asset is also recorded within property, plant and equipment at an amount equivalent to the provision and is subsequently depreciated as part of the associated evaluated mining property. Any change in the present value of the estimated future expenditure is reflected and adjusted against the provision and evaluated mining property, unless the asset to which the provision relates has been impaired, in which case the reversal of the provision is taken through the Consolidated Income Statement.

#### Share-based payments

The Company may issue equity-settled share-based payments in the form of share options to certain Directors. Equity-settled share-based payments are measured at fair value at the date of grant, using a Black-Scholes valuation model. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest, with the corresponding credit being recorded in the option reserve.

At the end of each reporting period the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to the option reserve.

#### Own shares

Own shares are recognised at cost as a deduction from shareholders' funds in equity and held as treasury shares until they are cancelled. Subsequent consideration received for the sale of such shares is also recognised in equity with any difference between the sale proceeds and the weighted average cost being recorded in retained earnings. No gain or loss is recognised in the Financial Statements on transactions in own shares. When treasury shares are cancelled, the excess over the nominal value of the shares is debited to share premium.

#### Financial instruments

##### Financial assets

Financial assets are initially recognised at fair value, usually being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification. The group classifies its financial assets in the following categories:

- financial assets measured at amortised cost; and
- financial assets measured at fair value through profit and loss.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. The Group's policy with regard to credit risk management is set out in Note 23: *Financial instruments*.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Financial Instruments (continued)

##### Measurement

##### i) *Financial assets measured at amortised cost*

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

##### ii) *Financial assets measured at fair value through profit and loss*

Financial assets are recognised in this category when the asset does not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income. Such assets are carried on the balance sheet at fair value with gains or losses recognised in the income statement. This classification is only relevant for the Group's investments, as discussed in the Investments section above.

##### Impairment

Credit risk arises from the Group's financial assets which are carried at amortised cost, including cash and cash equivalents and outstanding receivables with auction and retail customers. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired based on the credit loss model set out in IFRS 9 *Financial Instruments*.

##### i) *Impairment – trade receivables*

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default in order to determine the lifetime expected credit loss for the trade receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses are presented as net impairment losses within operating profit/(loss).

##### ii) *Impairment – loans and other receivables*

Impairment provisions for other receivables and loans are recognised based on the IFRS 9 credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. Credit risk is assessed on an asset-by-asset basis. A key indicator that there has been a significant increase in credit risk is a failure to make contractual payments for a period of greater than 120 days past due. For financial assets where credit risk has not increased significantly since initial recognition, 12-month expected credit losses ("ECLs") along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime ECLs along with the gross interest income are recognised.

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Financial Instruments (continued)

##### iii) *Impairment – related party receivables*

The Group also applies the IFRS 9 credit loss model to its related party loans. Both the 12-month ECL model and the lifetime ECL model require the Group to assess the probability of counterparty default and the expected loss given default.

The expected loss rates are based on management's assessment and understanding of the credit risk attached to the related party receivable and the expected repayment profile of that receivable, including the terms of any underlying loan contracts in place and management's assessment as to the sufficiency of the cash and liquid assets of the related party to repay the receivable when it falls due. The expected loss is multiplied by the assessed probability of non-payment to determine the expected credit loss.

Related party receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of the related party to make contractual payments under the terms of the loan agreement, or a significant change in the operations of the related party.

##### *Trade and other receivables*

The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less any provision for impairment. Trade receivables are measured at their transaction price, i.e. the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. All amounts due from trade receivables have expected terms of less than six months and are therefore classified as current.

Prepayments for goods or services are not financial assets because they are associated with the receipt of goods or services and do not give rise to a present right to receive cash or any other financial asset.

##### *Cash and cash equivalents*

Cash and cash equivalents represent cash balances held at bank and on-demand deposits. Cash and cash equivalents are measured at amortised cost.

##### Financial liabilities

Financial liabilities include the following items:

##### *Trade and other payables*

Trade payables and other short-term monetary liabilities are initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method.

The initial measurement of a trade payable will be discounted to present value where the time value of money is deemed to be significant. Generally, on initial recognition, the transaction price giving rise to the liability to be settled in cash is regarded as the fair value.

##### *Borrowings*

Interest-bearing borrowings are financial liabilities with fixed or determinable payments. Interest-bearing borrowings are initially recognised at fair value, net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

##### *Derecognition of financial assets and financial liabilities*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Leases

On inception of a contract the Group assesses whether it contains a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an identified asset is determined based on whether the Group has the right to obtain all of the economic benefits from the use of the asset throughout the period of use and if the group has the right to direct the use of the asset.

Lease obligations are recognised as a liability with a corresponding right-of-use asset at the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

The corresponding right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs required to remove or restore the underlying asset, less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term, on a straight-line basis.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets with an annual cost of USD5,000 or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3. SEGMENTAL REPORTING

The Executive Management team, which includes the Chief Financial Officer and the Chief Executive Officer, has been determined collectively as the Chief Operating Decision Maker for the Group. The information reported to the Group's Executive Management team for the purposes of resource allocation and assessment of segment performance is split between the Group's operations based on their differing products and services, and geographical locations.

The strategy of the Group is to be the world-leading supplier of responsibly sourced gemstones through its ownership and operation of the Kagem emerald mine in Zambia, and the MRM ruby mine in Mozambique. The Group also invests in certain exploration and evaluation opportunities within Africa that have been identified by Executive Management to have the potential to further the Group's strategy and widen its asset portfolio. Additionally, the Group participates in the downstream gemstone market through its ownership of Fabergé, which provides the Group with direct access to the end customer of coloured gemstones as well as opportunities to promote and boost the perception of coloured gemstones in the market.

Accordingly, the Group's segmental reporting reflects the business focus of the Group. The Group has been organised into six operating and reportable segments:

- Kagem Mining Limited ("Kagem") – the Group's emerald and beryl mine, in Zambia, Africa;
- Montepuez Ruby Mining Limitada ("MRM") – the Group's ruby and corundum mine, in Mozambique, Africa;
- Development assets – comprising the Group's exploration and evaluation activities in Africa, including Megaruma Mining Limitada ("MML"), Eastern Ruby Mining Limitada ("ERM"), Campos de Joia Limitada ("CDJ"), Nairoto Resources Lda ("Nairoto"), and the Group's projects in Ethiopia and Madagascar;
- Fabergé – the Group's wholesale and retail sales of jewellery and watches;
- Corporate – comprising sales of cut and polished gemstones, marketing, and technical and administrative services based in the UK; and
- Other – includes sales and marketing offices.

### 3. SEGMENTAL REPORTING (CONTINUED)

In 2021 the Group redefined its segments to better reflect how the Executive Management team receives and reviews information on the business. As such, the 2020 comparatives have been restated in the period to match the updated definition.

The reporting on these segments to Executive Management focuses on revenue, operating costs, earnings before interest, tax, depreciation and amortisation ("EBITDA"), key balance sheet lines and free cash flow (as defined further below).

#### Income Statement

1 JANUARY 2021 TO 31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE <sup>7</sup> USD'000	OTHER USD'000	TOTAL USD'000
Rough gemstones <sup>1</sup>	91,830	147,367	–	–	–	3,948	243,145
Jewellery	–	–	–	13,753	7	–	13,760
Cut and polished	–	–	–	–	582	219	801
<b>Revenue<sup>2</sup></b>	<b>91,830</b>	<b>147,367</b>	<b>–</b>	<b>13,753</b>	<b>589</b>	<b>4,167</b>	<b>257,706</b>
Mining and production costs <sup>3</sup>	(29,261)	(25,352)	(3,139)	–	–	–	(57,752)
Mineral royalties and production taxes	(5,569)	(14,961)	–	–	–	–	(20,530)
Marketing, management and auction (costs)/income	(11,479)	(16,184)	–	–	27,663	–	–
Change in inventory and cost of goods sold	8,074	(3,037)	–	(10,411)	(390)	(3,940)	(9,704)
Mining and production costs capitalised to intangible assets	–	–	3,280	–	–	–	3,280
Selling, general and administrative expenses <sup>4</sup>	(3,363)	(10,060)	(1,098)	(8,310)	(16,027)	(1,300)	(40,158)
Other income	39	8	–	27	–	185	259
<b>EBITDA<sup>5</sup></b>	<b>50,271</b>	<b>77,781</b>	<b>(957)</b>	<b>(4,941)</b>	<b>11,835</b>	<b>(888)</b>	<b>133,101</b>
Unrealised fair value gains	–	–	–	–	7,600	–	7,600
Other fair value losses	–	–	–	–	(170)	(66)	(236)
Share-based payments	–	–	–	–	(367)	–	(367)
Depreciation and amortisation	(11,058)	(14,311)	(713)	(670)	(694)	(89)	(27,535)
Impairment charges <sup>6</sup>	–	(165)	(4,369)	–	–	(395)	(4,929)
<b>Profit/(loss) from operations</b>	<b>39,213</b>	<b>63,305</b>	<b>(6,039)</b>	<b>(5,611)</b>	<b>18,204</b>	<b>(1,438)</b>	<b>107,634</b>
Finance income	–	129	–	–	68	9	206
Finance costs	(1,966)	(924)	(18)	(319)	(169)	(21)	(3,417)
Taxation charge	(13,554)	(22,518)	(918)	(17)	(1,231)	(1,222)	(39,460)
<b>Profit/(loss) after taxation</b>	<b>23,693</b>	<b>39,992</b>	<b>(6,975)</b>	<b>(5,947)</b>	<b>16,872</b>	<b>(2,672)</b>	<b>64,963</b>

1 – In March and April 2021, a series of HQ emerald and MQ ruby mini auctions were held, realising revenues of USD31.2 million and USD58.9 million respectively. In November and December 2021, a second series of HQ emerald and MQ ruby mini auctions were held, realising revenues of USD37.6 million and USD88.5 million respectively. Additionally, in August 2021, a CQ emerald auction was held, realising revenues of USD23.0 million.

2 – Revenues have been recognised at one point in time, when control passes to the customer. No third-party customer accounted for more than 10% of the Group's sales during 2021.

3 – Excluding mineral royalties and production taxes, which have been presented separately.

4 – Excluding share-based payments of USD0.4 million, other fair value losses of USD0.2 million and impairment charges of USD4.9 million (see Note 5) that are not included in Group's EBITDA.

5 – Earnings before interest, taxation, depreciation and amortisation, adjusted to exclude one-off impairments made to the Group's non-current assets and inventory, fair value gains or losses on the Group's non-core equity investments, share based payments and other impairments and provisions.

6 – Impairment charges include a USD4.8 million write-down of the carrying value of the Group's intangible assets, predominately related to the USD4.4 million impairment of the Ethiopian development project (see Note 11) and USD0.2 million of other impairments recorded within selling, general and administrative expenses during the year.

7 – Corporate includes the Group's investment in Sedibelo, which was presented within the segment "Other – PGMs" in the prior year.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

## 3. SEGMENTAL REPORTING (CONTINUED)

*Income Statement*

1 JANUARY 2020 TO 31 DECEMBER 2020	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE <sup>7</sup> USD'000	OTHER USD'000	TOTAL USD'000
Rough gemstones <sup>1</sup>	22,300	–	–	–	2	4,685	26,987
Jewellery	–	–	–	7,144	–	–	7,144
Cut and polished	–	–	–	–	109	327	436
<b>Revenue<sup>2</sup></b>	<b>22,300</b>	<b>–</b>	<b>–</b>	<b>7,144</b>	<b>111</b>	<b>5,012</b>	<b>34,567</b>
Mining and production costs <sup>3</sup>	(18,370)	(16,658)	(2,692)	–	–	–	(37,720)
Mineral royalties and production taxes	(1,665)	–	–	–	–	–	(1,665)
Marketing, management and auction (costs)/income	(2,788)	–	–	–	2,788	–	–
Change in inventory and cost of goods sold	(2,024)	9,362	–	(3,269)	(93)	(4,462)	(486)
Mining and production costs capitalised to intangible assets	–	–	2,907	–	–	–	2,907
Selling, general and administrative expenses <sup>4</sup>	(4,203)	(4,063)	(1,024)	(7,603)	(12,082)	(1,735)	(30,710)
Other income <sup>5</sup>	95	6	–	–	29	68	198
<b>EBITDA<sup>5</sup></b>	<b>(6,655)</b>	<b>(11,353)</b>	<b>(809)</b>	<b>(3,728)</b>	<b>(9,247)</b>	<b>(1,117)</b>	<b>(32,909)</b>
Unrealised fair value losses	–	–	–	–	(27,900)	–	(27,900)
Share-based payments	–	–	–	–	(944)	–	(944)
Depreciation and amortisation	(7,102)	(11,734)	(731)	(662)	(731)	(63)	(21,023)
Impairment charges and other provisions <sup>6</sup>	–	(76)	–	(12,578)	(757)	(100)	(13,511)
<b>Loss from operations</b>	<b>(13,757)</b>	<b>(23,163)</b>	<b>(1,540)</b>	<b>(16,968)</b>	<b>(39,579)</b>	<b>(1,280)</b>	<b>(96,287)</b>
Finance income	–	296	–	–	109	14	419
Finance costs	(2,041)	(847)	(16)	(222)	(188)	(20)	(3,334)
Taxation credit/(charge)	3,045	8,215	614	(4,130)	(158)	(1,611)	5,975
<b>Loss after taxation</b>	<b>(12,753)</b>	<b>(15,499)</b>	<b>(942)</b>	<b>(21,320)</b>	<b>(39,816)</b>	<b>(2,897)</b>	<b>(93,227)</b>

1 – During 2020 Kagem held one CQ emerald auction in Lusaka, Zambia, in February, realising revenues of USD11.4 million. Additionally, in November and December 2020, Kagem held a series of mini auctions, which realised total revenues of USD10.9 million. MRM held no auctions during 2020.

2 – Revenues have been recognised at one point in time, when control passes to the customer. No third-party customer accounted for more than 10% of sales during 2020.

3 – Excluding mineral royalties and production taxes, which have been presented separately, and a USD1.1 million inventory impairment related to Fabergé legacy inventory that is not included in Group's EBITDA.

4 – Excluding share-based payments of USD0.9 million, and provisions of USD0.9 million, which are not included in Group's EBITDA.

5 – Earnings before interest, taxation, depreciation and amortisation, adjusted to exclude one-off impairments made to the Group's non-current assets and inventory, fair value gains or losses on the Group's non-core equity investments, share based payments and other impairments and provisions.

6 – Impairment charges and write-offs include the USD11.5 million write-down of the carrying value of the Fabergé CGU (see Note 11) and a USD1.1 million inventory impairment related to Fabergé legacy inventory (see Note 4). Additionally, USD0.9 million of provisions have been adjusted out of EBITDA from the selling, general and administrative expenses and presented here.

7 – Corporate includes the Group's investment in Sedibelo, which was presented within the segment "Other – PGMs" in the prior year financial statements.

## 3. SEGMENTAL REPORTING (CONTINUED)

*Change in inventory and cost of goods sold*

1 JANUARY 2021 TO 31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	TOTAL USD'000
<b>Change in inventory and cost of goods sold</b>	<b>8,074</b>	<b>(3,037)</b>	<b>–</b>	<b>(10,411)</b>	<b>(390)</b>	<b>(3,940)</b>	<b>(9,704)</b>
<i>Split between:</i>							
Mining and production costs capitalised to inventory <sup>1,2</sup>	29,526	22,353	–	–	–	–	51,879
Depreciation capitalised <sup>1</sup>	3,317	6,228	–	–	–	–	9,545
Cost of goods sold in the period	(24,769)	(31,618)	–	(10,411)	(390)	(3,940)	(71,128)
	8,074	(3,037)	–	(10,411)	(390)	(3,940)	(9,704)

1 – The Group values its rough emerald and ruby inventories based on their weighted average cost of production. Therefore, direct costs of production are capitalised to inventory when incurred, with the average cost accumulated per carat released back to the income statement when the gemstones are sold. See Note 2: *Accounting Policies* for further detail.

2 – Mining and production costs capitalised to inventory exclude security costs, which are not determined to be direct costs of production.

1 JANUARY 2020 TO 31 DECEMBER 2020	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	TOTAL USD'000
<b>Change in inventory and cost of goods sold</b>	<b>(2,024)</b>	<b>9,362</b>	<b>–</b>	<b>(3,269)</b>	<b>(93)</b>	<b>(4,462)</b>	<b>(486)</b>
<i>Split between:</i>							
Mining and production costs capitalised to inventory <sup>1,2</sup>	6,973	6,325	–	–	–	–	13,298
Depreciation capitalised <sup>1</sup>	1,892	3,037	–	–	–	–	4,929
Cost of goods sold in the period	(10,889)	–	–	(3,269)	(93)	(4,462)	(18,713)
	(2,024)	9,362	–	(3,269)	(93)	(4,462)	(486)

1 – The Group values its rough emerald and ruby inventories based on their weighted average cost of production. Therefore, direct costs of production are capitalised to inventory when incurred, with the average cost accumulated per carat released back to the income statement when the gemstones are sold. See Note 2: *Accounting Policies* for further detail.

2 – Mining and production costs capitalised to inventory exclude security costs, which are not determined to be direct costs of production.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2021 | continued

### 3. SEGMENTAL REPORTING (CONTINUED)

#### Statement of Financial Position

31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE <sup>4</sup> USD'000	OTHER USD'000	TOTAL USD'000
Mining asset <sup>1</sup>	142,760	157,224	–	–	–	–	299,984
Property, plant and equipment, and intangibles	5,288	29,071	24,933	30,399	1,392	1,512	92,595
Unlisted equity investments	–	–	–	–	37,200	–	37,200
Operating assets <sup>2</sup>	71,037	90,167	1,464	36,106	12,127	2,496	213,397
Cash and cash equivalents	13,157	29,326	355	2,519	41,389	10,974	97,720
Deferred tax asset	–	–	–	–	2,868	20	2,888
<b>Segment assets</b>	<b>232,242</b>	<b>305,788</b>	<b>26,752</b>	<b>69,024</b>	<b>94,976</b>	<b>15,002</b>	<b>743,784</b>
Borrowings	23,500	11,235	–	–	–	–	34,735
Operating liabilities <sup>3</sup>	20,118	38,858	5,540	5,344	7,939	805	78,604
Deferred tax liability	41,009	45,235	–	–	–	–	86,244
<b>Segment liabilities</b>	<b>84,627</b>	<b>95,328</b>	<b>5,540</b>	<b>5,344</b>	<b>7,939</b>	<b>805</b>	<b>199,583</b>
<b>Net (debt)/cash</b>	<b>(10,343)</b>	<b>18,091</b>	<b>355</b>	<b>2,519</b>	<b>41,389</b>	<b>10,974</b>	<b>62,985</b>

1 – Mining asset includes evaluated mining properties and deferred stripping costs.

2 – Operating assets include inventory, current and non-current trade and other receivables, VAT receivables and current tax assets.

3 – Operating liabilities include trade and other payables, lease liabilities, provisions and current tax liabilities.

4 – Corporate includes the Group's investment in Sedibelo, which was presented within the segment "Other – PGMs" in the prior year.

31 DECEMBER 2020	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE <sup>5</sup> USD'000	OTHER USD'000	TOTAL USD'000
Mining asset <sup>1</sup>	150,249	163,178	–	–	–	–	313,427
Property, plant and equipment, and intangibles	7,299	30,800	26,189	30,167	4,998	1,315	100,768
Listed and unlisted investments <sup>2</sup>	–	–	–	–	30,909	–	30,909
Operating assets <sup>3</sup>	47,847	60,149	1,333	38,059	12,420	4,907	164,715
Cash and cash equivalents	5,938	537	236	1,183	34,452	1,516	43,862
Deferred tax asset	–	–	918	–	2,091	20	3,029
<b>Segment assets</b>	<b>211,333</b>	<b>254,664</b>	<b>28,676</b>	<b>69,409</b>	<b>84,870</b>	<b>7,758</b>	<b>656,710</b>
Borrowings	28,000	28,505	–	–	–	–	56,505
Operating liabilities <sup>4</sup>	8,259	13,090	6,388	4,360	4,515	1,341	37,953
Deferred tax liability	39,361	39,875	–	–	–	–	79,236
<b>Segment liabilities</b>	<b>75,620</b>	<b>81,470</b>	<b>6,388</b>	<b>4,360</b>	<b>4,515</b>	<b>1,341</b>	<b>173,694</b>
<b>Net (debt)/cash</b>	<b>(22,062)</b>	<b>(27,968)</b>	<b>236</b>	<b>1,183</b>	<b>34,452</b>	<b>1,516</b>	<b>(12,643)</b>

1 – Mining asset includes evaluated mining properties and deferred stripping costs.

2 – Listed and unlisted equity investments held in the Corporate segment include the USD29.6 million unlisted equity investment held in Sedibelo, and USD1.3 million of other equity investments that are included in other non-current receivables in the Statement of Financial Position.

3 – Operating assets include inventory, current and non-current trade and other receivables, VAT receivable and current tax assets.

4 – Operating liabilities include trade and other payables, lease liabilities, provisions and current tax liabilities.

5 – Corporate includes the Group's investment in Sedibelo, which was presented within the segment "Other – PGMs" in the prior year financial statements.

### 3. SEGMENTAL REPORTING (CONTINUED)

#### Statement of Cash Flows

1 JANUARY 2021 TO 31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	TOTAL USD'000
Revenue	91,830	147,367	–	13,753	589	4,167	257,706
Operating costs and cost of sales <sup>1</sup>	(30,080)	(53,402)	(957)	(18,694)	(16,417)	(5,055)	(124,605)
Marketing, management and auction costs	(11,479)	(16,184)	–	–	27,663	–	–
<b>EBITDA</b>	<b>50,271</b>	<b>77,781</b>	<b>(957)</b>	<b>(4,941)</b>	<b>11,835</b>	<b>(888)</b>	<b>133,101</b>
<i>Add back:</i> Change in inventory and cost of goods sold	(8,074)	3,037	–	10,411	390	3,940	9,704
<i>Add back:</i> Costs capitalised to intangible assets	–	–	(3,280)	–	–	–	(3,280)
Tax paid	(6,725)	(2,928)	(1)	(17)	–	(61)	(9,732)
Capital expenditure	(2,274)	(4,559)	(4,290)	(127)	(22)	(399)	(11,671)
<b>Free cash flow before working capital movements</b>	<b>33,198</b>	<b>73,331</b>	<b>(8,528)</b>	<b>5,326</b>	<b>12,203</b>	<b>2,592</b>	<b>118,122</b>
Working capital movements <sup>2</sup>	(18,418)	(19,740)	8,720	(3,333)	1,157	467	(31,147)
<b>Free cash flow<sup>3</sup></b>	<b>14,780</b>	<b>53,591</b>	<b>192</b>	<b>1,993</b>	<b>13,360</b>	<b>3,059</b>	<b>86,975</b>
<b>Cash generated from operations</b>	<b>23,223</b>	<b>60,806</b>	<b>4,426</b>	<b>2,207</b>	<b>13,659</b>	<b>3,532</b>	<b>107,853</b>
Tax paid	(6,725)	(2,928)	(1)	(17)	–	(61)	(9,732)
Capital expenditure	(2,274)	(4,559)	(4,290)	(127)	(22)	(399)	(11,671)
Foreign exchange	556	272	57	(70)	(277)	(13)	525
<b>Free cash flow</b>	<b>14,780</b>	<b>53,591</b>	<b>192</b>	<b>1,993</b>	<b>13,360</b>	<b>3,059</b>	<b>86,975</b>

1 – Excluding share-based payments, other fair value losses and impairment charges.

2 – Includes movements relating to inventory purchases.

3 – Free cash flow is a non-IFRS performance measure used as a KPI by the Group and is calculated as cash flow from operating activities less taxation paid, sustaining and expansionary capital expenditure and foreign exchange gains and losses.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2021 | continued

## 3. SEGMENTAL REPORTING (CONTINUED)

## Statement of Cash Flows

1 JANUARY 2020 TO 31 DECEMBER 2020	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	TOTAL USD'000
Revenue	22,300	–	–	7,144	111	5,012	34,567
Operating costs and cost of sales <sup>1</sup>	(26,167)	(11,353)	(809)	(10,872)	(12,146)	(6,129)	(67,476)
Marketing, management and auction costs	(2,788)	–	–	–	2,788	–	–
<b>EBITDA</b>	<b>(6,655)</b>	<b>(11,353)</b>	<b>(809)</b>	<b>(3,728)</b>	<b>(9,247)</b>	<b>(1,117)</b>	<b>(32,909)</b>
Add back: Change in inventory and cost of goods sold	2,024	(9,362)	–	3,269	93	4,462	486
Add back: Costs capitalised to intangible assets	–	–	(2,907)	–	–	–	(2,907)
Tax paid	(1,333)	(13,641)	(1)	–	–	(28)	(15,003)
Capital expenditure	(899)	(3,669)	(3,935)	(121)	(11)	–	(8,635)
<b>Free cash flow before working capital movements</b>	<b>(6,863)</b>	<b>(38,025)</b>	<b>(7,652)</b>	<b>(580)</b>	<b>(9,165)</b>	<b>3,317</b>	<b>(58,968)</b>
Working capital movements <sup>2</sup>	10,607	16,951	7,191	(4,708)	1,468	(4,224)	27,285
<b>Free cash flow<sup>3</sup></b>	<b>3,744</b>	<b>(21,074)</b>	<b>(461)</b>	<b>(5,288)</b>	<b>(7,697)</b>	<b>(907)</b>	<b>(31,683)</b>
<b>Cash generated from/(utilised in) operations</b>	<b>7,201</b>	<b>(2,893)</b>	<b>3,716</b>	<b>(4,853)</b>	<b>(7,450)</b>	<b>(884)</b>	<b>(5,163)</b>
Tax paid	(1,333)	(13,641)	(1)	–	–	(28)	(15,003)
Capital expenditure	(899)	(3,669)	(3,935)	(121)	(11)	–	(8,635)
Foreign exchange	(1,225)	(871)	(241)	(314)	(236)	5	(2,882)
<b>Free cash flow</b>	<b>3,744</b>	<b>(21,074)</b>	<b>(461)</b>	<b>(5,288)</b>	<b>(7,697)</b>	<b>(907)</b>	<b>(31,683)</b>

1 – Excluding share-based payments, other fair value losses, impairment charges and other provisions.

2 – Includes movements relating to inventory purchases.

3 – Free cash flow is a non-IFRS performance measure used as a KPI by the Group and is calculated as cash flow from operating activities less taxation paid, sustaining and expansionary capital expenditure and foreign exchange gains and losses.

## 4. COST OF SALES

	2021 USD'000	2020 USD'000
<b>Mining and production costs</b>		
Labour and related costs	24,298	18,453
Mineral royalties and production taxes	20,530	1,665
Fuel costs	9,908	4,207
Repairs and maintenance costs	9,724	4,794
Security costs	5,435	5,687
Camp costs	4,006	2,346
Blasting costs	1,314	534
Other mining and production costs <sup>1</sup>	3,067	2,776
<b>Total mining and production costs<sup>2</sup></b>	<b>78,282</b>	<b>40,462</b>
Change in inventory and cost of goods sold <sup>3</sup>	9,704	486
Mining and production costs capitalised to intangible assets <sup>4</sup>	(3,280)	(2,907)
Depreciation and amortisation	27,535	21,023
	<b>112,241</b>	<b>59,064</b>

1 – In 2020, other mining and production costs included inventory impairment provisions of USD1.1 million related to Fabergé legacy inventory. No further inventory impairments have been recorded in 2021.

2 – Includes unavoidable mining and production costs incurred during the temporary suspension of operations from March 2020 until April 2021 that have not been capitalised to inventory.

3 – Refer to Note 3: *Change in inventory and cost of goods sold* for the split of this balance at year end.

4 – Mining and production costs incurred at the Group's development projects are capitalised to unevaluated mining properties in intangible assets in line with the Group's IFRS 6 *Exploration for and evaluation of mineral properties* accounting policy.

## 5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2021 USD'000	2020 USD'000
Labour and related costs	16,286	12,799
Selling, marketing and advertising	6,246	4,987
Professional, legal and other expenses	3,264	2,405
Rent and rates	1,467	1,598
Travel and accommodation	1,004	658
Auditor's remuneration	853	825
Share-based payments	367	944
Impairment of intangible assets	4,764	–
Other impairments and write-offs	165	933
Net foreign exchange (gains)/losses	(525)	2,882
Other selling, general and administrative expenses	11,799	4,557
	<b>45,690</b>	<b>32,588</b>
<i>Material items shown separately on the face of the Consolidated Income Statement:</i>		
Impairment of intangible assets	–	11,500
Total selling, general and administrative expenses	<b>45,690</b>	<b>44,088</b>



Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

## 6. AUDITOR'S REMUNERATION

	2021 USD'000	2020 USD'000
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	421	411
<i>Fees payable to the Company's auditor for other services:</i>		
Review of the Interim Financial Statements	93	94
Audit of the UK statutory entities	58	60
Statutory audit work completed for the overseas entities	274	210
Advisory fees in respect to the Company's AIM listing	–	43
Other services	7	7
	<b>853</b>	<b>825</b>

The Group has a policy in place for the award of non-audit work to the auditor which requires audit committee approval (refer to the Audit Committee Report on pages 95–96).

## 7. EMPLOYEES AND DIRECTORS

	2021	2020
Directors	8	7
Administration staff	262	141
Fabergé staff	34	39
Mining staff	2,544	2,377
	<b>2,848</b>	<b>2,564</b>

## 8. FINANCE INCOME AND COSTS

	2021 USD'000	2020 USD'000
Interest received	206	419
<b>Finance income</b>	<b>206</b>	<b>419</b>
Interest on bank loans and borrowings	(2,382)	(2,680)
Interest charge on lease liabilities	(321)	(311)
Other finance costs	(714)	(343)
<b>Finance costs</b>	<b>(3,417)</b>	<b>(3,334)</b>
<b>Net finance costs</b>	<b>(3,211)</b>	<b>(2,915)</b>

## 9. TAXATION

The Group's tax expense is as follows:

	2021 USD'000	2020 USD'000
<b>Current tax</b>		
Taxation charge for the year	31,480	2,447
<b>Deferred tax</b>		
Origination and reversal of temporary differences	7,980	(8,422)
<b>Total taxation charge/(credit)</b>	<b>39,460</b>	<b>(5,975)</b>

The reasons for the difference between the actual taxation charge for the year and the standard rates of corporation tax in Guernsey and the United Kingdom applied to profits for the year are as follows:

	2021 USD'000	2020 USD'000
Profit/(loss) on ordinary activities before taxation	104,423	(99,202)
Taxation on ordinary activities at the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%)	19,840	(18,848)
<i>Effects of:</i>		
Different tax rates applied in overseas jurisdictions	12,653	(14,277)
Expenses not deductible for tax purposes	6,174	15,078
(Over)/under provision from previous periods	(2,246)	888
Tax losses not recognised as a deferred tax asset	3,039	11,184
<b>Total taxation charge/(credit)</b>	<b>39,460</b>	<b>(5,975)</b>

In Guernsey, the main rate of corporation tax for the year was 0%. The main rate of corporation tax in the United Kingdom was 19%.

Different tax rates applied in overseas jurisdictions reflect the different tax rates applicable in the various jurisdictions in which the Group operates. The main rates of corporation tax in Zambia and Mozambique for the year were 30% and 32%, respectively.

The Group's effective tax rate of 37.8% (2020: 6.0%) predominately arises because of the different tax rates applied in overseas jurisdictions but is also impacted by non-deductible expenses and tax losses not recognised.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 9. TAXATION (CONTINUED)

#### Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Details of the deferred tax liabilities and assets, amounts recognised in the Consolidated Income Statement and amounts recognised in other comprehensive income, are as follows:

	2021 USD'000	2020 USD'000
<b>Recognised deferred tax assets</b>		
Tax losses	2,819	11,144
Property, plant and equipment	3,846	2,773
Other temporary differences	3,482	3,224
<b>Total deferred tax assets</b>	<b>10,147</b>	<b>17,141</b>
Deferred tax assets netted against deferred tax liabilities	(7,259)	(14,112)
<b>Total deferred tax assets</b>	<b>2,888</b>	<b>3,029</b>
	2021 USD'000	2020 USD'000
<b>Recognised deferred tax liabilities</b>		
Evaluated mining property – Kagem and MRM	(86,106)	(89,979)
Inventory valuation – Kagem and MRM	(4,863)	(4,902)
Foreign exchange movement	(2,534)	1,533
<b>Total deferred tax liabilities</b>	<b>(93,503)</b>	<b>(93,348)</b>
Deferred tax assets netted against deferred tax liabilities	7,259	14,112
<b>Total deferred tax liabilities</b>	<b>(86,244)</b>	<b>(79,236)</b>

Deferred tax assets and deferred tax liabilities relating to the same tax authorities have been disclosed as a net asset or liability.

The movement on the deferred tax account is provided below.

	2021 USD'000	2020 USD'000
<b>At 1 January</b>	<b>(76,207)</b>	<b>(84,950)</b>
<b>Adjusted for:</b>		
(Utilisation)/recognition of tax losses	(8,769)	4,766
Property, plant and equipment	808	887
Evaluated mining property – Kagem and MRM	3,873	1,131
Inventory valuation – Kagem and MRM	39	55
Intangibles – Fabergé	–	266
Unrealised foreign exchange movements	(4,089)	1,383
Other temporary differences	158	(66)
Recognised in the Consolidated Income Statement	(7,980)	8,422
Realised foreign exchange movement	831	321
<b>At 31 December</b>	<b>(83,356)</b>	<b>(76,207)</b>

### 9. TAXATION (CONTINUED)

The net deferred tax liability increased in the period by USD7.1 million, primarily due to a USD8.8 million reduction in tax losses resulting mostly from Kagem and MRM utilising their accumulated losses against their taxable profits for the year. Additionally, foreign exchange movements have had a net USD3.3 million impact on deferred tax. This mostly resulted from the appreciation of the MZN against the USD in the current period as the tax balances at MRM are held in the local currency.

The deferred tax liability in relation to evaluated mining property and inventory arose on the IFRS 3 *Business combinations* fair value uplift on acquisition of Gemfields by the former Pallinghurst Resources Limited (now Gemfields Group Limited) in 2017. The liability recognised will be unwound over the production profile of the mining assets, with a USD3.9 million reduction to the liability recognised in 2021.

Deferred tax assets are only recognised in relation to tax losses and other temporary differences that would give rise to deferred tax assets, where it is considered probable that the losses will be utilised in the foreseeable future and therefore that the asset is recoverable.

Management has reviewed the financial projections of the Group's operating entities and determined that there is evidence to support the recognition of the deferred tax asset at 31 December 2021. The asset recognised is based on the value of the taxable profit which is reasonably expected to be generated over the next three years.

Due to uncertainty over the timing of the future utilisation of certain of the taxation losses, no deferred tax has been recognised in relation to unused tax losses in the amount of USD81.7 million (2020: USD154.5 million).

### 10. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS USD'000	PLANT, MACHINERY AND VEHICLES USD'000	FIXTURES, FITTINGS AND OFFICE EQUIPMENT USD'000	EVALUATED MINING PROPERTIES USD'000	DEFERRED STRIPPING COSTS USD'000	TOTAL USD'000
<b>Cost</b>						
<b>At 1 January 2020</b>	<b>32,771</b>	<b>52,504</b>	<b>6,906</b>	<b>348,418</b>	<b>11,623</b>	<b>452,222</b>
Additions	1,525	3,612	1,236	618	–	6,991
Disposals	–	(30)	(1)	–	–	(31)
Foreign exchange differences	47	–	324	–	–	371
<b>At 31 December 2020</b>	<b>34,343</b>	<b>56,086</b>	<b>8,465</b>	<b>349,036</b>	<b>11,623</b>	<b>459,553</b>
Additions	2,357	5,303	588	95	–	8,343
Transfers	(21)	–	16	(97)	–	(102)
Disposals	(98)	(983)	(51)	(776)	–	(1,908)
Foreign exchange differences	(17)	–	(116)	–	–	(133)
<b>At 31 December 2021</b>	<b>36,564</b>	<b>60,406</b>	<b>8,902</b>	<b>348,258</b>	<b>11,623</b>	<b>465,753</b>
<b>Accumulated depreciation</b>						
<b>At 1 January 2020</b>	<b>4,121</b>	<b>23,045</b>	<b>4,787</b>	<b>41,442</b>	<b>1,914</b>	<b>75,309</b>
Provided during the year	3,571	12,618	1,088	3,729	154	21,160
Disposals	–	(24)	–	–	–	(24)
Foreign exchange differences	47	–	327	–	–	374
<b>At 31 December 2020</b>	<b>7,739</b>	<b>35,639</b>	<b>6,202</b>	<b>45,171</b>	<b>2,068</b>	<b>96,819</b>
Provided during the year	3,614	10,158	1,036	12,666	–	27,474
Disposals	(94)	(983)	(17)	–	–	(1,094)
Transfers	–	–	69	–	–	69
Foreign exchange differences	(17)	–	(115)	–	–	(132)
<b>At 31 December 2021</b>	<b>11,242</b>	<b>44,814</b>	<b>7,175</b>	<b>57,837</b>	<b>2,068</b>	<b>123,136</b>
<b>Carrying value</b>						
At 31 December 2020	26,604	20,447	2,263	303,865	9,555	362,734
At 31 December 2021	25,322	15,592	1,727	290,421	9,555	342,617

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Evaluated mining properties relate to mining licences held mainly at Kagem and MRM and the Group fair value adjustments from the 2017 acquisition.

Deferred stripping costs relate to Kagem.

Included within land and buildings are right-of-use assets with a cost of USD6.7 million (2020: USD5.6 million) and associated accumulated depreciation of USD3.3 million (2020: USD2.3 million). Right-of-use assets mostly relate to property leases held in the Group's various operating locations. Refer to Note 18: *Leases* for further details.

#### *FY21 Impairment review of Kagem and MRM*

At 31 December 2021 the Group's market capitalisation based on the share price of ZAR3.04 was USD223.2 million. This is USD321.0 million below the Group's net asset value (consistent with the previous years), which under IAS 36 represents an impairment indicator. Whilst the Gemfields Group is not considered a cash-generating unit ("CGU"), the existence of this impairment indicator implies that an impairment indicator may also exist at one of the Group's CGUs. As a result an impairment review has been performed on the mining CGUs at 31 December 2021.

#### **KAGEM:**

- Kagem's principal operations recommenced in March 2021, reaching full capacity by April 2021. Production is at levels on par with pre-Covid-19, especially in the higher quality emeralds;
- A series of mini auctions during the year generated record revenues for both HQ and CQ emeralds. HQ auctions generated USD68.8 million at an average price of USD132.5 per carat, whilst the record commercial quality auction achieved USD23.0 million at USD6.59 per carat. The auctions saw a large number of companies making bids at prices within a competitive range, indicating strong market dynamics are prevalent; and
- Despite a two-week suspension of the wash plant and sort house due to a Covid-19 outbreak, there is still sufficient inventory to hold the auctions planned for 2022.

#### **MRM:**

- Operations resumed in March 2021, reaching 100% capacity in June 2021 following the suspension of critical operations since 22 April 2020. Production has continued uninterrupted since and is set to achieve pre-Covid-19 levels;
- A successful series of mini auctions during the year generated USD147.4 million at an average price of USD145.62 per carat;
- Significant capital expenditure projects, including the second ore treatment plant, are planned for 2022 onwards, as the Group is now confident over the strength of the market and customer demand dynamics; and
- Mozambique as a country remains high risk due to financial instability, the impact of Covid-19 and also the terrorist risk in the north of the country.

A significant consideration for the impairment reviews is the continued impact of Covid-19 on the wider gemstone market and whether this would have had an impact on gemstone prices that ultimately determine the recoverable values of the two assets. Given the strong auction results for both emeralds and rubies in 2021, which saw prices increase across a large number of grades with more customers bidding, the Directors are confident in the strength of the market for both gemstones. With the market dynamics having improved and production levels during 2021 restabilising, with future production expected to be stable or better than pre-Covid-19 years, the impairment review performed resulted in recoverable amounts that exceed the carrying value of both assets.

### 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### *FY21 Impairment review of Kagem and MRM (continued)*

In determining the recoverable amount the Group has used a discounted cash flow analysis. The calculation of the recoverable amount of the Group's CGUs at 31 December 2021 using a discounted cash flow model provided a range of outcomes as the calculation is particularly sensitive to changes in auction prices, composition of the high-quality emerald auctions, processing capacity of rubies and the discount rate used, amongst other factors. Any changes to the assumptions adopted in the calculation of the value-in-use, individually or in aggregate, would result in a different valuation being determined.

Overall, the impact of the Covid-19 pandemic on the Group has significantly reduced compared to prior year, with the markets strengthening and operations continuing without any further curtailment. These impacts are expected to continue to reduce. The Directors believe that the longest period over which prices could be depressed, based on history, is less than a year and with the recent price trends from the 2021 auctions, prices are expected to be stable, if not increase.

In conclusion:

- Kagem's base case recoverable amount is calculated at USD249.4 million which exceeds its carrying value of USD189.1 million. However, when the discount rate is sensitised and prices are reduced by 30% for three years, or in the case that prices are reduced by 30% for five years at the base case discount rate, a deficit is forecast;
- In the event that the deficit noted above for Kagem is realised, the Group would look to review the life of mine plan including auction sizing and mix, production costs and other factors that would reduce it. Management notes, however, that in the absence of any clear indicators such as a pronounced price reduction for a prolonged period is unlikely; and
- MRM's base case recoverable amount is calculated at USD459.1 million, which significantly exceeds its carrying value of USD212.3 million at 31 December 2021, such that under any of the stressed assumptions there is no deficit.

As required by IAS 36, the amount by which the value assigned to a key assumption must change for headroom to be reduced to nil must also be identified:

- Kagem's recoverable amount would be USD189.1 million with no headroom to carrying value when a price reduction of 26.6% is applied for a period of five years or when a discount rate of 17.2% is applied to the base case cashflows; and
- MRM's headroom is reduced to nil with a recoverable amount of USD212.3 million, when a price reduction of 67.4% is applied for a period of five years (at a 11.7% base case discount rate) or when a discount rate of 26.1% is applied to the base case cashflows.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2021 | continued

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Key assumptions used in the recoverable amount calculations:

ASSUMPTION	KAGEM	MRM
Recoverable amount of reserves and resources	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.
Commodity prices	Rough emerald and beryl prices have been determined using the Group's historic achieved prices over a period of ten years and 30 auctions, also reflecting historically supportable price increases. Rough emerald and beryl prices are not traded on a public exchange and most transactions occur in private auctions and therefore historic trends of prices and product mix are the most appropriate and reasonable basis.  The Group has seen above-inflation price increases for HQ emeralds over prior years, therefore the rough HQ emerald prices used in the model are inflated from 2023 to 2026 and then kept flat for the life of mine.	Rough rubies and corundum prices have been determined using the Group's historic achieved prices over a period of six years. Rough rubies and corundum prices are not traded on a public exchange and most transactions occur in private auctions and therefore historic trends of prices and product mix are the most appropriate and reasonable basis.
Composition of auctions	The quality of production and product mix typically dictate the composition of the high-quality auctions. The composition of the auction includes premium emeralds and emerald stones that enhance the auction parcels and schedules and is dependent on (i) production; (ii) management strategy, i.e. building inventory or cash generation; and (iii) market intelligence. Any variations in this composition are at the discretion of management and given the continued improvement in the quality of production and the market strength, it is anticipated that over the near to medium term the proportion of emerald production taken to high-quality auctions will increase.	The quantity of ruby production that is assumed to be sold at mixed-quality auctions is based on 50% of the current year's production (three-month delay before each auction) and 50% of the previous year's production.
Operating costs	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.
Timing of capital expenditure	The Directors have estimated the timing of capital expenditure at Kagem based on the Group's current and future financing plans and the results of technical studies completed to date.	The Directors have estimated the timing of capital expenditure at MRM based on the Group's current and future financing plans and the results of technical studies completed to date. Included in the MRM cashflows is the capital investment in second treatment plant. Whilst the mine plan and life of mine have not been updated as feasibility continues, it is expected that the new plant will accelerate production and generate additional revenues.

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Key assumptions used in the recoverable amount calculations: (continued)

ASSUMPTION	KAGEM	MRM
Discount rate	A real discount rate of 13.6% (nominal 16.3%) was used in the recoverable amount calculations. This represents the pre-tax rate that reflects the Group's current market assessments of the time value of money and the risks specific to the cash-generating unit.  Sensitised real discount rate of 15.1% (nominal 17.8%).	A real discount rate of 11.7% (nominal 15.6%) was used in the recoverable amount calculations. This represents the pre-tax rate that reflects the Group's current market assessments of the time value of money and the risks specific to the cash-generating unit.  Sensitised real discount rate of 13.2% (nominal 15.6%).

## 11. INTANGIBLE ASSETS

	SOFTWARE USD'000	INDEFINITE LIFE INTANGIBLE ASSETS USD'000	FINITE LIFE INTANGIBLE ASSETS USD'000	UNEVALUATED MINING PROPERTIES USD'000	TOTAL USD'000
<b>Cost</b>					
At 1 January 2020	558	39,942	496	15,021	56,017
Additions	125	–	–	7,901	8,026
Foreign exchange differences	(12)	–	–	–	(12)
<b>At 31 December 2020</b>	<b>671</b>	<b>39,942</b>	<b>496</b>	<b>22,922</b>	<b>64,031</b>
Additions	259	–	–	2,991	3,250
Disposals	(159)	–	–	–	(159)
Transfers	(93)	–	–	93	–
Foreign exchange differences	(1)	–	–	–	(1)
<b>At 31 December 2021</b>	<b>677</b>	<b>39,942</b>	<b>496</b>	<b>26,006</b>	<b>67,121</b>
<b>Accumulated amortisation</b>					
At 1 January 2020	349	–	468	–	817
Charge in the year	241	–	28	–	269
Impairment charge	–	11,500	–	–	11,500
Foreign exchange differences	12	(28)	–	–	(16)
<b>At 31 December 2020</b>	<b>602</b>	<b>11,472</b>	<b>496</b>	<b>–</b>	<b>12,570</b>
Charge in the year	54	–	–	7	61
Disposals	(159)	–	–	–	(159)
Transfers	(75)	–	–	–	(75)
Impairment charge	–	–	–	4,764	4,764
Foreign exchange differences	(2)	–	–	–	(2)
<b>At 31 December 2021</b>	<b>420</b>	<b>11,472</b>	<b>496</b>	<b>4,771</b>	<b>17,159</b>
<b>Carrying value</b>					
At 31 December 2020	69	28,470	–	22,922	51,461
<b>At 31 December 2021</b>	<b>257</b>	<b>28,470</b>	<b>–</b>	<b>21,235</b>	<b>49,962</b>

## Unevaluated mining properties

Unevaluated mining properties consist of intangibles relating to the mining and prospecting licences (evaluation and exploration assets) held in the development projects, mainly in Mozambique. Assets are capitalised to unevaluated mining properties in accordance with the Group's exploration and evaluation accounting policy, which is disclosed in Note 2: Accounting policies.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 11. INTANGIBLE ASSETS (CONTINUED)

#### *Unevaluated mining properties (continued)*

During 2020, control passed to Nairoto Resources Limitada over 12 gold-mining and prospecting licences in Northern Mozambique, where the objective is to conduct exploration and evaluation activities in these areas alongside the company's partner, Mwiriti Ltda., in the coming years. The passing of control for these licences to Nairoto was treated as an asset acquisition with an opening addition to unevaluated mining properties of USD4.9 million.

Unevaluated mining properties are reviewed regularly for indicators of impairment and are tested for impairment where these indicators exist, in line with the Group accounting policy. During 2020 and 2021, the Covid-19 pandemic resulted in the Group pausing spending on non-critical operations, which included the development projects. Works recommenced at Nairoto in May 2021 and at MML in July 2021, however spending on the remaining projects remained curtailed for the duration of the year. Management does not view this as an impairment indicator however, as the suspension of activity is temporary, with activity at the remaining projects planned to resume in 2022 with no hindrance to the rights of access on any of the key licences.

For 2021, indicators of impairment were identified in relation to the Ethiopian development assets. The indicators included the in-country political situation, the status of various licence applications and the cessation of any significant spend anticipated on the project in the near future. Accordingly, an impairment review of the associated CGU was completed. The review concluded that whilst the political turmoil exists, high uncertainty surrounding the timing of the return-to-work plan and future spending at the project suggests that the carrying amount of the assets held in Ethiopia may not be recovered. As such, the non-current asset investment has been written down to Nil value at 31 December 2021, with an impairment charge of USD4.4 million recognised in the income statement.

A full review of the Group's development projects can be found on pages 40–42 in the Operational Review.

#### *Finite life intangible assets*

Finite life intangible assets relate to the fair value assigned to the Fabergé customer list at acquisition, which were carried at their fully amortised value of USD Nil at 31 December 2021.

#### *Indefinite life intangible assets*

Indefinite life intangible assets consist of intangibles relating to the Fabergé brand and trademarks.

#### *Fabergé Limited cash-generating unit – valuation and impairment assessment*

In accordance with IAS 36 *Impairment of assets*, the Group assesses the carrying value of its Fabergé CGU for impairment on an annual basis. The Fabergé CGU is the Group's luxury downstream retail business, whose principal activity is the retail of premium personal luxury goods ("PLGs"). The carrying value of the CGU at 31 December 2021 was USD61.2 million (31 December 2020: USD63.4 million).

The Group applies a Market Approach – Revenue Multiple method to the valuation of its recoverable amount and engages an independent expert to complete an independent valuation report, using this methodology, at each reporting date. The independent report forms the primary source in determining the fair value (based on a fair value less cost of disposal ("FVLCTD")) of Fabergé at each reporting date.

In the first half of 2020, the impact of the Covid-19 pandemic across the global economy, and specifically on the PLG market, indicated that the Fabergé CGU could be impaired in line with IAS 36 *Impairment* guidance. Management engaged the independent experts to update their valuation of the CGU at 30 June 2020, and the result of this assessment indicated that the carrying value of the CGU was above its determined fair value. Consequently, an impairment charge of USD11.5 million was recorded against the value of the intangible assets relating to the Fabergé trademarks and brand in the prior year.

### 11. INTANGIBLE ASSETS (CONTINUED)

#### *Fabergé Limited cash-generating unit – valuation and impairment assessment (continued)*

At 31 December 2021, although the global restrictions on the movement of people and goods are lifting with a more positive outlook for the next 12-months, the impacts of the pandemic on the PLG market are still being felt, particularly on the wholesale market. Uncertainty remains over the future impacts the virus will have on the global economy, particularly as the full impacts of the pandemic are yet to be identified, including inflation rises which will alter individual disposable income and also post-pandemic customer spending habits.

For 2021, management again engaged the independent experts to update their valuation of the CGU at 31 December 2021. The report was prepared on the same basis as that prepared in prior periods, including 31 December 2020, using a market-based approach based on enterprise value to revenue multiples ("EV/Revenue") exhibited by comparable companies ("CoCos"). The comparable transactions ("CoTrans") multiple approach was not considered as only one CoTrans has occurred since the start of the Covid-19 pandemic that would reflect current market conditions and investor expectations.

The Group believes that a revenue multiple based on comparable companies remains the most appropriate method of valuing the Fabergé CGU. This approach is determined to be Level 3 in the fair value hierarchy. The key judgements, assumptions and inputs used in the valuation are summarised below.

#### *Basis of revenue*

For 31 December 2021, the following metrics were used:

1. Agreed sales over the last 12 months to December 2021;
2. An average of the last three years' IFRS revenue; and
3. A forward-looking approach using management's latest Board-approved budgeted sales for 2022.

#### *Peer group*

The peer group of globally recognised PLG companies selected to establish a comparable EV/Revenue multiple range considered the following:

- Fabergé's greater heritage and premium brand perception compared to many brands within the peer group;
- Fabergé's comparatively small size and less diversified brand and product portfolio;
- Fabergé's higher growth potential compared to the larger and more mature companies in the peer group; and
- Fabergé's EBITDA margin, which has historically been negative.

Taking these factors into account the report considered it reasonable to apply a discount to the peer group average multiples of 15%–20%, consistent with the discount applied in the December 2020 valuation. After deducting this, the selected EV/Revenue multiple range was 3.50x–4.25x. This is broadly in-line with the range applied at 31 December 2020 of 3.00x–4.50x, however, is an improvement over the range applied at 30 June 2020 of 2.50x–3.00x.

#### *Control premium*

Multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels or shares. As such, they generally reflect a minority discount. A control premium range of 25%–35% was therefore applied to arrive at an adjusted enterprise value for the Fabergé CGU, consistent with the 31 December 2020 valuation.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 11. INTANGIBLE ASSETS (CONTINUED)

#### *Discount for Lack of Marketability (“DLOM”)*

On the basis that a revenue multiple derived from the CoCos reflects trades of liquid parcels or shares, whereas the Fabergé CGU is a private entity, the report considered it appropriate to apply a DLOM. The report applies a DLOM range of 5%–10% taking into consideration the following factors:

- The Group has received several purchase offers for Fabergé;
- Given the well-established and globally recognised heritage of the Fabergé brand, it may be considered a “trophy asset” by potential investors; and
- Quantitative analysis using the Ghaidarov Average-Strike Put Option model.

#### *Illustrative costs of disposal*

Given the number of acquisition offers received by the Group for Fabergé since it was acquired in 2013 and the high-profile nature of the Fabergé brand, the independent third party considers it likely that any potential sale of the business would involve relatively minimal marketing and related costs. As such, the report considered an appropriate illustrative cost of disposal of 1% of enterprise value, which is the mid-point of disposal costs of between 0.5% and 1.5% of similar transactions observed.

#### *Surplus inventory*

Within inventory of USD29.3 million at 31 December 2021 (2020: USD33.4 million), Fabergé carries a high level of “showpiece” assets which can be summarised as art-jewellery and exceptional gemstones, showcasing the highest possible level of design, craftsmanship and quality associated with the brand. These assets are not required for the operations of the CGU and can be considered as surplus assets. This surplus amount aggregates to USD21.4 million (30 June 2021: USD24.4 million; 2020: USD23.4 million) with the remainder regarded as operational inventory required to support annual sales.

This surplus inventory amount is added back to the calculated enterprise value after adjustment for control premium and DLOM to arrive at the total enterprise value of the Fabergé CGU.

#### *Valuation results*

At 30 June 2020, the Directors concluded the FVLCTD of the Fabergé CGU to be USD63.8 million. This was lower than the carrying value of the CGU by USD11.5 million and therefore an impairment charge was recognised at 30 June 2020. As the inventory at Fabergé is supported by its NRV, the full impairment charge was recognised against the related intangible assets, being the trademark and brand.

At 31 December 2021, based on the valuation approach outlined above, the range of enterprise values calculated by the independent third party support the carrying value of the Fabergé CGU, with no further indicators of impairment being identified.

The CGU valuation is prepared by the independent valuer to provide a FVLCTD for the Fabergé business, not the intangible assets in isolation, and is particularly sensitive to Fabergé’s revenues and the revenue multiples applied to the overall FV assessment. Management has assessed the valuation report for 31 December 2021, taking these factors into consideration, and has sensitised the revenue inputs in consideration of the following:

- The historical track record of Fabergé pre-Covid-19 has been one of relatively flat sales orders, with the CGU being loss-making for many years. Although Fabergé’s revenues did show strong signs of recovery in the second half of 2021, with an upturn in sales from retail, management is of the belief that this six-month trend is not over a sufficiently long enough period to give confidence that it represents a longer-term improvement in revenues at Fabergé. Further, improved sales could represent pent-up demand.

### 11. INTANGIBLE ASSETS (CONTINUED)

#### *Valuation results (continued)*

- Revenues also include the sales of one-off items. Whilst Fabergé does typically sell such items on a yearly basis, the value of these items can alter dramatically from period-to-period and the revenue stream is unpredictable in nature.
- Fabergé’s largest revenue streams are still being impacted by the pandemic and have not yet returned to near-normal levels.
- The improvement in the multiples applied to the valuation (when compared to June 2020), are the result of market factors that are more relevant to businesses with a wider range of distribution channels than Fabergé.

Taking account of these additional factors and the overall sensitivity of the valuation to the revenue, which remains uncertain at this point, management consider that the carrying value of the CGU is not materially different to the assessed fair value at the balance sheet date. Therefore, neither a further impairment nor a reversal of the existing impairment is required.

Management has also considered the potential impact the current conflict in Ukraine could have on Fabergé’s revenues over the short to medium term, resulting from the potential negative market perception around a brand with a Russian heritage, despite Fabergé no longer being linked to Russia, nor having any direct points-of-sale in Russia. To date, Fabergé has not been materially impacted by the conflict, however with the current situation changing daily, the future potential impact is highly uncertain. Management has not factored the potential impacts of the conflict into the CGU assessment completed at this time, but continues to monitor the situation closely.

Looking forward, subject to the potential impacts of the conflict in Ukraine outlined above, the Directors believe that revenues from Fabergé should continue to improve into 2022, as Covid-19 restrictions continue to ease and become more predictable and as the Group continues to adapt to the new market conditions. The Directors will continue to monitor these factors closely and provide an updated assessment in 2022.

### 12. UNLISTED EQUITY INVESTMENTS

The Group’s unlisted equity investment relates to its 6.54% holding in Sedibelo Platinum Mines Limited (“Sedibelo”, or “SPM”), a producer of platinum group metals (“PGMs”) with interests in the Bushveld Complex in South Africa. The reconciliation of the valuation of the investment held in the current and prior year is shown in the table below.

	31 DECEMBER 2021 USD’000	31 DECEMBER 2020 USD’000
Balance at 1 January	29,600	57,500
Unrealised fair value gains/(losses)	7,600	(27,900)
<b>Balance at 31 December</b>	<b>37,200</b>	<b>29,600</b>

The Group applies a market approach to the valuation of Sedibelo. Based on this approach the value of SPM at 31 December 2021 was estimated at USD569.0 million; the Group’s 6.54% interest has therefore been valued at USD37.2 million.

The increase in fair value in the current year has most notably arisen from an increase in the Enterprise Values of SPM’s peer group and from the increase in the net cash held on SPM’s balance sheet. These improvements have been driven by the robust PGM spot price environment which has continued to strengthen as the impacts of Covid-19 on the PGM sector have reduced.

The primary source in determining the valuation of SPM at 31 December 2021 is a valuation report prepared by an independent third party. The independent valuation report includes a range of valuations from which the Directors have applied judgement to assess the value of the Group’s investment. The methodology applied at 31 December 2021 is consistent with that applied at 31 December 2020. For the 31 December 2020 valuation, the methodology applied was modified to include financial related metrics and a discount for lack of marketability. The key judgements, assumptions and inputs used in the valuation are summarised below. The fair value assessment completed is determined to be Level 3 in the fair value hierarchy.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 12. UNLISTED EQUITY INVESTMENTS (CONTINUED)

#### *Market approach – comparable companies' analysis*

Consistent with the December 2020 valuation, the report concluded that the only practical market-based approach is to value the Group's investment in SPM by reference to the key market multiples exhibited by reference to the pricing of publicly listed PGM companies. The independent valuation report considered a peer group comprising Impala Platinum, Northam Platinum ("Northam"), Sibanye Stillwater, Tharisa, Royal Bafokeng Platinum ("RBP") and Anglo Platinum, concluding Tharisa, Northam and RBP to be the closest comparables to SPM with respect to their resource size and financial performance, although production and revenue at both Northam and RBP are still materially larger than SPM.

Consistent with December 2020, the report considered the most suitable measures to be Enterprise Value per (i) mineral resource ounce, (ii) mineral reserve ounce, (iii) production ounce, (iv) Last Twelve Months ("LTM") revenue, (v) Next Twelve Months ("NTM") revenue, (vi) LTM EBITDA and (vii) NTM EBITDA.

The December 2020 report considered, for the first time, financial multiples. These had previously been disregarded by the Group's valuer as the financial numbers published by SPM were not considered suitable for various reasons including, for example, that SPM's operating and net incomes were negative at the time. The recovery of PGM prices, coupled with the strengthening of SPM's balance sheet, has allowed SPM's approach to shift to optimising revenue whilst keeping a control over costs. As such, SPM's disclosed financial performance now lies within an appropriate range to SPM's peer group for financial multiples to be included as part of the valuation. This continues to be the case for the 31 December 2021 valuation.

The valuer based its assessment on the available information reported by SPM in its September 2021 MD&A reporting and from SPM's most recent mineral resources and reserves report (December 2019).

#### *Financial and non-financial multiples*

The following trading multiples were selected for application to Sedibelo:

	31 DECEMBER 2021	31 DECEMBER 2020
EV/mineral resource ounces	USD9/oz	USD10/oz
EV/mineral reserve ounces	USD101 oz	USD75/oz
EV/LTM production ounce	4,500/oz	4,500/oz
EV/LTM revenue	1.7x	2.5x
EV/NTM revenue	1.6x	1.5x
EV/LTM EBITDA	3.5x	8.5x
EV/NTM EBITDA	3.5x	3.5x

The report has applied weightings to each multiple which give consideration to an array of factors, including; (a) the increase in spot platinum and rhodium prices and attendant impact on SPM relative to its peer group, (b) the lack of forward guidance provided by Sedibelo for NTM revenue and EBITDA, and (c) Sedibelo's materially longer reserve life relative to the peer group.

### 12. UNLISTED EQUITY INVESTMENTS (CONTINUED)

#### *Discount for the lack of marketability ("DLOM")*

Consistent with the December 2020 report, the valuer has applied a DLOM to the valuation of Sedibelo of 20%. The DLOM is calculated using the Finnerty model, a widely used valuation discount method.

The DLOM applied gives acknowledgement to the fact that SPM is a public, unlisted company, making the Group's investment more difficult to sell than if it was listed in an openly traded market. The Finnerty model assumes that Gemfields could realise its stake in Sedibelo over the next two years.

#### *Valuation results*

After allowance of SPM's net cash of USD129.3 million, the multiples lead to a value of SPM (100% basis), on an Enterprise Value basis, of USD710.4 million, with the Group's 6.54% interest valued at USD46.4 million. Applying the 20% DLOM decreases SPM's fair value to USD569.0 million, with the Group's 6.54% interest valued at USD37.2 million. Accordingly, a USD7.6 million fair value gain has been recorded for the period, which has been recognised in other income and expenses and shown separately on the face of the financial statements.

#### *Sensitivity analysis*

For the purposes of the disclosures required by IFRS13, the Directors have performed a test of the reasonableness to the selected weightings of each multiple applied. The following sensitivity analysis on varying alternative weightings is disclosed:

- (i) If equal weightings were applied to all seven metrics (i.e. a 14.3% weighting per multiple), with all other indicators and evidence unchanged, the valuation would change to USD40.3 million or an additional fair value increase of USD3.1 million;
- (ii) If no weighting was applied to the mineral resource and mineral reserve multiples, with the remaining multiples re-weighted equally, the valuation would change to USD32.1 million or a fair value decrease of USD5.1 million from the position at 31 December 2021; and
- (iii) If no weighting was applied to the mineral resource, mineral reserve, NTM revenue and NTM EBITDA multiples, with the remaining multiples re-weighted equally, the valuation would change to USD34.7 million or a fair value decrease of USD2.5 million from the position at 31 December 2021.

In all scenarios a fair value gain would be recorded at 31 December 2021, based on the 31 December 2020 valuation of USD29.6 million.

#### *Consideration of non-current assets held for sale*

Gemfields previously held its stake in SPM via an interposed vehicle named Pallinghurst Ivy Lane Capital S.à r.l ("Ivy Lane"), a company incorporated in Luxembourg, which in turn had an interest of 27.64% in SPM.

During 2021 the management of Ivy Lane completed the "unbundling" of Ivy Lane, such that Ivy Lane's 27.64% shareholding in SPM, as well as Ivy Lane's surplus net assets, have been transferred to Ivy Lane's shareholders in accordance with their respective equity holdings in Ivy Lane. Gemfields therefore now holds its 6.54% stake in SPM directly.

In November 2020, the Group engaged a third-party broker to commence the marketing and sale of Gemfields' then 23.65% equity holding in Ivy Lane. The same broker continues to manage the orderly disposal of Gemfields' direct holding of SPM shares post the unbundling of Ivy Lane.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 12. UNLISTED EQUITY INVESTMENTS (CONTINUED)

#### *Consideration of non-current assets held for sale (continued)*

Although the unbundling of Ivy Lane has simplified the structure through which Gemfields holds its SPM investment, the Directors continue to take the position that a sale of SPM within the next 12-months is not highly probable, based on the current facts and circumstances. Initial discussions with prospective buyers have occurred, however, as the timing of the sales process is uncertain and the investment is not being actively marketed at a specific price, the Group's investment in SPM does not meet all the requirements of IFRS 5 *Non-current assets held for sale and discontinued operations* in order for the investment to be presented as an asset held for sale on the Group's balance sheet at 31 December 2021.

#### *Fair value hierarchy*

IFRS 13 requires disclosure of fair value measurements under the following hierarchy:

Level	Fair value input description
Level 1	Listed prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than listed prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The investment in Sedibelo, measured at fair value through profit or loss, has been deemed to be Level 3 under the fair value hierarchy, based on the valuation method used.

### 13. INVENTORY

	2021 USD'000	2020 USD'000
Rough inventory – emeralds and beryl	43,582	39,290
Rough inventory – rubies and corundum	28,603	31,639
Fabergé inventory	29,330	33,413
Cut and polished gemstones	5,406	5,616
Spares and consumables	8,931	7,881
	<b>115,852</b>	<b>117,839</b>

In 2020, a USD1.1 million inventory impairment was recorded in relation to Fabergé legacy inventory. No further provisions have been recorded in relation to Fabergé inventory in the current year. The total provision held against inventory at 31 December 2021 was USD8.6 million (2020: USD8.6 million).

At 31 December 2021, USD3.3 million of the rough inventory was carried at net realisable value (2020: USD0.8 million) and principally relates to beryl, corundum and some specific low quality gemstones which are typically sold outside of the normal auction programme.

### 14. TRADE AND OTHER RECEIVABLES

	2021			2020		
	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000
Equity investments	–	–	–	–	1,309	1,309
<b>Financial assets held at fair value through profit and loss</b>	–	–	–	–	1,309	1,309
Trade receivables	61,757	–	61,757	13,549	–	13,549
Related-party receivables	5,099	3,000	8,099	3,674	3,000	6,674
Loan receivable	700	538	1,238	700	–	700
Other receivables	969	46	1,015	742	–	742
<b>Financial assets held at amortised cost</b>	<b>68,525</b>	<b>3,584</b>	<b>72,109</b>	<b>18,665</b>	<b>3,000</b>	<b>21,665</b>
VAT receivable <sup>1</sup>	11,330	9,576	20,906	7,391	6,356	13,747
Prepayments	4,023	–	4,023	6,445	–	6,445
Other receivables	120	387	507	406	438	844
<b>Total trade and other receivables</b>	<b>83,998</b>	<b>13,547</b>	<b>97,545</b>	<b>32,907</b>	<b>11,103</b>	<b>44,010</b>

1 – The non-current VAT receivable relates to amounts owed to MRM, whose collection is expected more than 12 months from the balance sheet date.

#### *Financial assets held at amortised cost*

#### **Trade Receivables**

Trade receivables of USD61.8 million at 31 December 2021 (2020: USD13.5 million) primarily relate to Kagem auction receivables of USD20.1 million and MRM auction receivables of USD34.5 million outstanding from the HQ emerald and MQ ruby auctions held in November and December 2021. Additionally, amounts were due to Fabergé at 31 December 2021 of USD6.8 million (2020: USD4.1 million). At the date of these financial statements, all auction receivables outstanding had been received.

The Group assesses the recoverability of its auction receivables based on the simplified approach within IFRS 9, which uses a provision matrix to determine the lifetime expected credit losses. Auction receivables are written off where there is no reasonable expectation of recovery, which includes, amongst other specified criteria, a failure to make contractual payments for a period of greater than 120 days past due. No impairment provision was recorded against auction receivables at 31 December 2021.

The majority of the Group's non-auction receivables are held by Fabergé. Fabergé's business is based on longstanding relationships with a selection of key wholesale and retail customers, with whom emphasis is placed on building partnerships. There is no past history of default with these customers. These receivables are assessed for impairment under IFRS 9 on a customer-by-customer basis, taking into consideration the customer's past payment history, Fabergé's relationship with the customer and any other customer-specific factors determined to be appropriate to the assessment. For 2021, the impact of Covid-19 during both the current year and 2020 has also been considered. Based on the detailed assessment completed, management determined the credit risk of these customers to be low, with the expected credit loss concluded to be immaterial to the Consolidated Financial Statements. As such, no impairment provision was recorded against Fabergé's trade receivables at 31 December 2021.

Refer to Note 23: *Financial instruments* for further discussion on credit risk.



## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

#### Related party receivable

At 31 December 2021, the Group had a USD8.1 million (2020: USD6.7 million) related party receivable due from Mwiriti Ltda (“Mwiriti”), the Group’s partner in MRM and Nairoto.

Of the total amount, USD5.1 million (2020: USD3.7 million) of the current receivable relates to MRM and will be recovered from future dividends paid out by MRM. During the year, a dividend was declared by MRM of which USD5.0 million was payable to Mwiriti. This dividend was settled against the receivable outstanding with Mwiriti in respect of prior cash advances and therefore no cash outflow arose upon its settlement. Subsequent to the payment of the 2021 dividend, MRM entered into a loan agreement with Mwiriti in relation to the next expected future dividend payments. Under the terms of the agreement, MRM will make up to USD5.0 million available to Mwiriti, representing an advance payment of future dividends to be declared by MRM. The loan was fully drawn at 31 December 2021. The advanced amount will bear interest at a rate of three-month LIBOR plus 4%. At 31 December 2021, USD0.1 million of accrued interest was outstanding on the advance. It is expected that MRM will announce its next dividend in the first half of 2022, and that this dividend will fully offset the USD5.1 million outstanding at 31 December 2021.

The remaining balance of USD3.0 million (2020: USD3.0 million) relates to Nairoto. Nairoto has been set up with the objective of developing 12 gold-mining licences in Northern Mozambique. The balance represents an advance made to Mwiriti which has no fixed terms of repayment. It is expected that this receivable will be recovered through future dividends paid out by Nairoto once the viability of the project has been confirmed or from the proceeds of any future sale of the mining and exploration licences. There have been no significant changes to the assessed expected credit losses (“ECL”) associated with the advance payment in the year. The Group also holds an outstanding non-current payable of USD5.0 million (2020: USD5.0 million) to Mwiriti in respect of the Nairoto project at 31 December 2021. As such, the Group’s credit exposure to Mwiriti at 31 December 2021 in relation to Nairoto was determined to be immaterial.

#### Loan and other receivables

The current loan receivable of USD0.7 million held at 31 December 2021 is shown net of a provision of USD1.4 million (2020: USD1.4 million). The provision made wrote the receivable down to its fair value based on contractual agreements in place. There have been no significant changes to the assessed ECL since the initial provision was recognised. The Group expects the full receivable to be settled in 2022.

Other receivables are short-term in nature and have low credit risk associated to them. No loss allowance has therefore been recorded against this balance in the year.

#### Other receivables

VAT receivables, prepayments and other receivables are not financial assets. If collection of amounts is expected in one year or less, they are classified as current assets.

All carrying amounts of other receivables approximate their fair value.

### 15. TRADE AND OTHER PAYABLES

	2021			2020		
	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000
Trade payables	6,324	–	6,324	4,172	–	4,172
Accrued expenses	6,006	–	6,006	5,695	–	5,695
Payroll and employee-related payables	7,847	–	7,847	1,413	–	1,413
Related party payables	158	5,000	5,158	–	5,000	5,000
Other taxes, including mineral royalty and production taxes	12,171	–	12,171	1,314	–	1,314
Other payables	6,631	–	6,631	4,709	–	4,709
<b>Total trade and other payables</b>	<b>39,137</b>	<b>5,000</b>	<b>44,137</b>	<b>17,303</b>	<b>5,000</b>	<b>22,303</b>

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

The non-current related party payable is due to the Group’s partner in Nairoto, Mwiriti Ltda, in relation to operating and capital expenses incurred on behalf of Nairoto before control of the 12 mining licences passed to the Group.

### 16. BORROWINGS

				2021 USD'000	2020 USD'000
		INTEREST RATE	MATURITY		
<b>Non-current interest-bearing loans and borrowings</b>					
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2024	10,000	13,500
ABSA Zambia	USD10 million revolving credit facility	USD LIBOR + 5.50%	2022	–	10,000
				<b>10,000</b>	<b>23,500</b>
		INTEREST RATE	MATURITY	2021 USD'000	2020 USD'000
<b>Current interest-bearing loans and borrowings</b>					
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2022	3,500	4,500
ABSA Zambia	USD10 million revolving credit facility	USD LIBOR + 5.50%	2022	10,000	–
ABSA Mozambique	USD15 million overdraft facility	USD LIBOR + 4.00%	2022	11,235	14,184
BCI <sup>1</sup>	USD15 million overdraft facility	USD LIBOR + 3.75%	2022	–	14,321
				<b>24,735</b>	<b>33,005</b>
<b>Total current and non-current borrowings</b>				<b>34,735</b>	<b>56,505</b>

1 – BCI – Banco Comercial E De Investimentos, S.A.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 16. BORROWINGS (CONTINUED)

Cash and non-cash movements in borrowings are shown below:

	CASH MOVEMENTS			NON-CASH MOVEMENTS		AT 31 DECEMBER 2021 USD'000	
	AT 1 JANUARY 2021 USD'000	CASH INFLOWS USD'000	REPAYMENT OF BORROWINGS USD'000	INTEREST PAID USD'000	MOVEMENT BETWEEN CURRENT AND NON-CURRENT USD'000		INTEREST CHARGE USD'000
Current borrowings	33,005	38,247	(60,017)	(2,382)	13,500	2,382	<b>24,735</b>
Non-current borrowings	23,500	–	–	–	(13,500)	–	<b>10,000</b>
	<b>56,505</b>	<b>38,247</b>	<b>(60,017)</b>	<b>(2,382)</b>	<b>–</b>	<b>2,382</b>	<b>34,735</b>

#### *ABSA Zambia*

In August 2019, Kagem entered into a USD20.0 million term loan facility with ABSA Zambia (formerly Barclays Bank Zambia plc). The facility bears interest at a rate of three-month USD LIBOR plus 5.50%. The facility is repayable over 60 months after the date of the first drawdown on the facility, with the first repayment of USD2.0 million being made during 2020. A further payment of USD4.5 million was made during 2021. At 31 December 2021, USD13.5 million was fully drawn with USD3.5 million being repayable in December 2022.

In 2019, Kagem also entered into a USD10.0 million revolving credit facility with ABSA Zambia, which bears interest at a rate of three-month USD LIBOR plus 5.50% and is repayable after 36 months from the date of the first drawdown of the facility (there is an option to extend the facility for a further 24 months upon agreement by both parties). At 31 December 2021, USD10.0 million was fully drawn and repayable in August 2022. In the first quarter of 2022 however, the facility was renewed for a further 12 months.

At 31 December 2021, Kagem had total debt of USD23.5 million outstanding with ABSA Zambia, with security comprising a fixed and floating charge over all of Kagem's net assets equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields Group Limited.

The facilities are subject to the following financial covenants, for which the next measurement period is 31 December 2022:

- Senior Debt Service Cover Ratio shall not fall below 1.2 times;
- Interest Service Cover Ratio shall not fall below 2.5 times; and
- Senior Net Debt/EBITDA shall not exceed 2.5 times.

#### *ABSA Mozambique*

In April 2016, MRM entered into a USD15.0 million unsecured overdraft facility with ABSA Mozambique S.A. (formerly Barclays Bank Mozambique S.A.). This is a rolling facility which renews annually each December, provided that terms and conditions are met, and attracts interest of three-month USD LIBOR plus 4% per annum. The outstanding balance as at 31 December 2021 was USD11.2 million (2020: USD14.2 million). Gemfields Limited issued a corporate guarantee for the facility.

#### *Banco Comercial E De Investimentos ("BCI")*

In June 2016, MRM entered into a USD15.0 million unsecured overdraft facility with BCI. This is a rolling facility which renews annually each September, provided that terms and conditions are met, and attracts interest of three-month USD LIBOR plus 3.75% per annum. At 31 December 2021 the overdraft facility had been fully repaid (2020: USD14.3 million outstanding). The facility is secured by a blank promissory note undertaken by MRM and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group.

### 16. BORROWINGS (CONTINUED)

#### *Banco Comercial E De Investimentos ("BCI") (continued)*

In addition to this, MRM has agreed terms with BCI for an additional USD15.0 million lease facility. The contracts are currently being reviewed with signing expected to complete by the end of March 2022, following which MRM will consider drawing this down.

The drawdowns made from the overdraft facilities held with ABSA Mozambique S.A. and BCI facilitate MRM in financing its capital expenditure requirements for the Montepuez ruby deposit in Mozambique and provide additional working capital. During the year, USD38.2 million was drawn under the facilities, with USD60.0 million having been repaid.

### 17. PROVISIONS

	ENVIRONMENTAL RESTORATION PROVISION USD'000	RESETTLEMENT ACTION PLAN USD'000	OTHER PROVISIONS USD'000	TOTAL USD'000
At 1 January 2020	<b>1,370</b>	<b>2,956</b>	<b>5,097</b>	<b>9,423</b>
Additions during the year	606	–	563	1,169
Utilised during the year	–	(1,802)	(847)	(2,649)
Change in estimates	–	–	(312)	(312)
<b>At 31 December 2020</b>	<b>1,976</b>	<b>1,154</b>	<b>4,501</b>	<b>7,631</b>
Additions during the year	45	–	829	874
Utilised during the year	–	(926)	(1,415)	(2,341)
Change in estimates	(776)	–	4,443	3,667
<b>At 31 December 2021</b>	<b>1,245</b>	<b>228</b>	<b>8,358</b>	<b>9,831</b>
<i>Of which:</i>				
Non-current	1,245	–	4,559	<b>5,804</b>
Current	–	228	3,799	<b>4,027</b>

#### *Environmental restoration*

The Group has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations incurred. These estimates reflect industry best practice and currently applicable legislation. Significant changes in legislation could result in changes in provisions recognised. It is anticipated that the majority of these costs will be incurred over a period of 20 years from the balance sheet date.

#### *Resettlement Action Plan*

The Group has an obligation to compensate the households and other land users who are physically or economically displaced by the proposed mining in its concession area, in accordance with local legislative requirements. A provision is recognised for the present value of such costs based on management's best estimate of the obligations incurred. The RAP is currently in its final stages and the remaining balance at 31 December 2021 relates to remaining ancillary payments at this date.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 17. PROVISIONS

#### *Other provisions*

Other provisions primarily consist of future legal claims including the operational grievance mechanism (“OGM”) and end-of-contract gratuity benefits for mining staff. End-of contract benefits are payable in more than one year’s time for some of the Group’s employees who are on fixed-term contracts and are calculated based on the legal and contractual benefits. Provisions for future legal claims relate to the estimated costs that the Group expects to incur relating to past events and are recorded where it has been determined that it is probable that an outflow of resources will be required to settle the claim, or where it is uncertain whether any action by a third party would be successful. Provisions are assessed on a case-by-case basis. All amounts classified as non-current are expected to be settled within five-years from the balance sheet date.

In February 2021, the independent OGM officially launched. The OGM has been set up by MRM to further its ongoing commitment to transparency and support for the local communities, and under the voluntary settlement agreement arising from the Leigh Day litigation. In the three months following the scheme’s launch a significant number of cases were filed, which has consequently led to an increase in the Group’s initial estimate of the total potential pay-out under the scheme. To date, only a small number of cases have been ruled on by the independent panel, which, combined with the fact that the OGM is unprecedented in the country, makes the estimate inherently difficult to value.

Management considered three key criteria in valuing the total potential pay-out at 31 December 2021. The number of claims received by the OGM since it was launched has been used to inform the potential total population of claims the Group expects to receive; and the outcomes from the cases that have been ruled on by the independent panel since its inception have been used to inform the likely success rate of future claims and the expected pay-out per claim. Applying judgment to the analysis of this information, management has arrived at what it considers to be a range of reasonable outcomes for the estimate of the future economic outflow. The provision recorded at 31 December 2021 reflects management’s best estimate of the potential liability at the balance sheet date, which is within this sensitised range. It is noted that the high end of the sensitised range is not materially different from the best estimate which has been included within these financial statements. No amounts have been recorded for the high-end eventualities as the base case provision represents the best estimate of the likely economic outflow and the variance is not material. The sensitivities calculated do not necessarily cover all possible eventualities. It is expected that the liability will be settled within two years from the balance sheet date. The Group continues to monitor the scheme closely.

### 18. LEASES

The balance sheet contains the following amounts related to leases:

#### *18.1 Right-of-use assets*

	RIGHT-OF-USE ASSETS USD'000
<b>At 1 January 2021</b>	
Cost	5,618
Accumulated depreciation	(2,262)
<b>Carrying value at 1 January</b>	<b>3,356</b>
<b>Year ended 31 December 2021</b>	
Additions	1,161
Disposal of assets - cost	(98)
Depreciation	(1,178)
Disposals of assets – accumulated depreciation	94
Foreign exchange movements	(1)
Closing net book amount	3,334
<b>At 31 December 2021</b>	
Cost	6,681
Accumulated depreciation	(3,347)
<b>Carrying value at 31 December</b>	<b>3,334</b>

Right-of-use assets held at 31 December 2021 predominantly related to property leases in the Group’s various operating locations and are presented within the land and buildings asset category in property, plant and equipment. Refer to Note 10.

#### *18.2 Lease liabilities*

	2021 USD'000	2020 USD'000
<b>At 1 January</b>	<b>3,745</b>	<b>4,651</b>
Additions	1,082	222
Disposals	(5)	–
Cash payments of principle	(1,097)	(1,511)
Non-cash payments of principle	(397)	–
Interest charged to finance costs	321	311
Foreign exchange movements	–	72
<b>At 31 December</b>	<b>3,649</b>	<b>3,745</b>
<b>Of which:</b>		
Current	1,118	909
Non-current	2,531	2,836
	<b>3,649</b>	<b>3,745</b>

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 19. SHARE CAPITAL

Shares issued are recognised at the fair value of consideration received, with the excess over the nominal value of the shares credited to share premium. Costs directly attributable to a share issue are deducted from share premium rather than being included in profit or loss. When shares are cancelled, the excess over the nominal value of the shares is debited to share premium.

The Company has issued Ordinary Shares and Management Shares. Ordinary Shares entitle the holder to a vote in shareholder meetings and to receive dividends. In the event of the Company's wind-up, Management Shares carry the right to receive notice of, attend and vote at any general meeting of the Company, provided that no Ordinary Shares are in issue at such date. Holders of the Management Shares will only receive their nominal value once the holders of the Ordinary Shares have received the fair value of their shares. Accordingly, the holders of Management Shares do not have the right to receive or participate in any distributions of the Company, including dividends.

As per the Company's Memorandum of Incorporation and subject to the JSE Listings Requirements and the AIM Rules for Companies, for the Company to issue additional shares for cash, the Company must obtain shareholder approval via a Special Resolution. As at the balance sheet date, the Company does not have the authority to issue additional shares for cash and therefore the Company's authorised share capital is displayed below.

Issued and fully paid share capital:

	NUMBER OF SHARES	SHARE CAPITAL USD	SHARE PREMIUM USD		
<b>Management Shares (unlisted)</b>					
Management Shares of USD1 each					
<b>Balance at 31 December 2021 and 31 December 2020</b>	<b>2</b>	<b>2</b>	<b>-</b>		
	NUMBER OF SHARES	SHARE CAPITAL USD'000	SHARE PREMIUM USD'000	TREASURY SHARES USD'000	RESERVE FOR OWN SHARES USD'000
<b>Ordinary Shares (listed)</b>					
Ordinary Shares of USD0.00001 each					
Balance at 1 January 2020	1,267,450,245	12	511,833	(10)	(23,319)
Share buy-backs	-	-	-	(213)	-
Shares cancelled	(98,694,215)	(1)	(23,539)	223	23,319
<b>Balance at 31 December 2020</b>	<b>1,168,756,030</b>	<b>11</b>	<b>488,294</b>	<b>-</b>	<b>-</b>
Shares cancelled	-	-	-	-	-
Share options exercised in the period	722,000	0	110	-	-
<b>Balance at 31 December 2021</b>	<b>1,169,478,030</b>	<b>11</b>	<b>488,404</b>	<b>-</b>	<b>-</b>

In 2020 the Company continued its buy-back programme that it had commenced during 2019, repurchasing a further 2,319,069 Ordinary Shares for a consideration of USD213k at an average price of ZAR1.65 per share.

Additionally, the Company cancelled and de-listed from trading 2,418,069 Ordinary Shares that it had repurchased on-market comprising: (i) 2,319,069 Ordinary Shares repurchased during 2020; and (ii) 99,000 Ordinary Shares repurchased during 2019.

### 19. SHARE CAPITAL (CONTINUED)

Furthermore, on 4 March 2020, the Company announced that it had completed the cancellation and de-listing from trading of 96,276,146 Ordinary Shares held by the Company in itself through a wholly-owned subsidiary. As a result of the cancelling of these shares the Company's Reserve for own shares decreased from USD23.3 million as at 1 January 2020 to Nil as at 31 December 2020.

At 31 December 2020, the Company had no shares that it had bought back but had not yet cancelled. The buy-back programme was reapproved by shareholders at the Company's Annual General Meeting on 24 June 2020. No further share buy-back schemes were initiated in 2021.

### 20. SHARE-BASED PAYMENTS

#### Share Option Plan

The Group's Share Option Plan was approved by shareholders on 26 June 2017. Under the terms of the plan the Parent Company can issue a maximum of 167,341,278 options. Of the 167,341,278 share options available for granting, 63,095,710 share options were ungranted at 31 December 2021.

At 31 December 2021, the following share options had been granted and were outstanding in respect of the Ordinary Shares:

ISSUE DATE	EXERCISE PRICE	NUMBER OF OPTIONS				OUTSTANDING AT 31 DECEMBER 2021	FINAL VESTING DATE
		OUTSTANDING AT 1 JANUARY 2021	GRANTED	FORFEITED/LAPSED	EXERCISED		
September 2017	ZAR3.45	55,780,428	-	(11,156,086)	-	44,624,342	September 2021
January 2018	ZAR2.97	17,380,575	-	(309,420)	-	17,071,155	January 2022
July 2018	ZAR2.30	42,868,000	-	(1,518,050)	(692,000)	40,657,950	July 2022
March 2019	ZAR1.90	1,580,000	-	(379,897)	(30,000)	1,170,103	March 2023
<b>Total</b>		<b>117,609,003</b>	<b>-</b>	<b>(13,363,453)</b>	<b>(722,000)</b>	<b>103,523,550</b>	

All share options vest over a four-year period in tranches of 20%. One-fifth of the options granted vest immediately with the remaining 80% vesting annually on the grant date over the following four years, during which time the grantee has to remain in employment.

Of the options granted to date, 92,439,996 options were exercisable at 31 December 2021 (2020: 87,913,463). During the year 722,000 share options were exercised at an average exercise price of ZAR2.78. No options were exercised during 2020.

No share options were granted in 2020 or 2021. A total of 13,363,453 (2020: 391,680) share options lapsed during the year that had a weighted average share price of ZAR3.26, resulting in a USD1.0 million transfer from the option reserve to retained earnings in 2021.

The total expense recognised during the year arising from the vesting of equity-settled share-based payment transactions was USD0.4 million (2020: USD0.9 million). The total option reserve in equity at 31 December 2021 was USD7.3 million (2020: USD7.9 million).

The weighted average exercise price for outstanding and exercisable options at 31 December 2021 was ZAR2.90 (2020: ZAR2.94) and ZAR2.95 (2020: ZAR3.04) respectively. The Parent Company's mid-market closing share price at 31 December 2021 was ZAR3.04 (2020: ZAR1.35). The lowest and highest mid-market closing price during the year was ZAR1.24 (2020: ZAR1.10) and ZAR3.50 (2020: ZAR2.14), respectively.

The weighted average remaining contractual life for the share options outstanding at 31 December 2021 that had not vested was 0.41 years (2020: 0.88 years).

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 20. SHARE-BASED PAYMENTS (CONTINUED)

#### Share Option Plan

The fair values of the options are calculated using the Black–Scholes method. The assumptions applied to each share option scheme are detailed in the table below:

	ISSUE DATE SEPTEMBER 2017	ISSUE DATE JANUARY 2018	ISSUE DATE JULY 2018	ISSUE DATE MARCH 2019
Exercise price	ZAR3.45	ZAR2.97	ZAR2.3	ZAR1.90
Share price at date of grant	ZAR2.91	ZAR3.00	ZAR2.38	ZAR1.85
Expected volatility	39.70%	45.83%	47.54%	50.75%
Option life	4.5 years	1–4 years <sup>1</sup>	1–4 years <sup>1</sup>	1–4 years <sup>1</sup>
Expected dividends	Nil	Nil	Nil	Nil
Risk-free interest rate	7.73%	6.67–7.65%	6.82–7.95%	6.69%–7.57%
Fair value of options	ZAR1.12	ZAR0.64–1.37	ZAR0.55–1.14	ZAR0.40–0.87

1 – As the first option tranche vests immediately and the gain to the employee is low, the valuation assumes the options are held for one year prior to exercise.

The risk-free interest rates for the options granted have been based on the yields offered from South African government bonds with maturities that range from one to four years as per the vesting profile of the options. South African government bonds are considered an appropriate risk-free rate as these are assumed to be the lowest risk investment underpinning the market. In addition, as the Parent Company has a primary listing on the JSE where securities are quoted in South African Rand, the Directors believe that a local currency-based risk-free rate is the most appropriate input when valuing options with the Black–Scholes model.

The expected volatility was based on the historic volatility data of the Parent Company's shares.

### 21. PER SHARE INFORMATION

Earnings/(Loss) Per Share (“EPS” or “LPS”) and Net Asset Value (“NAV”) are key performance measures for the Group. EPS/(LPS) is based on profit/(loss) for the year divided by the weighted average number of ordinary shares in issue during the year.

Headline Earnings/(Loss) Per Share (“HEPS” or “HLPS”) is similar to EPS/(LPS) except that attributable profit specifically excludes certain items, as set out in Circular 1/2021 “Headline Earnings” (“Circular 1/2021”) issued by the South African Institute of Chartered Accountants.

NAV per share is based on net assets divided by the number of ordinary shares in issue at the reporting date. NAV per share is a non-IFRS performance measure used by Management to assess the performance of the Group.

### 21. PER SHARE INFORMATION (CONTINUED)

#### Earnings per share

The Group's EPS/(LPS) is as follows:

	2021	2020
Profit/(loss) for the year attributable to owners of the parent – USD'000	50,733	(85,282)
Weighted average number of shares in issue <sup>1</sup>	1,168,938,030	1,169,141,485
<b>Earnings/(loss) per share – USD</b>	<b>0.04</b>	<b>(0.07)</b>
Weighted average number of dilutive shares	860,018	–
<b>Diluted earnings/(loss) per share – USD</b>	<b>0.04</b>	<b>(0.07)</b>

1 – At 31 December 2020 and 31 December 2021, the Company had a see-through interest in itself of nil shares as it had disposed of its see-through interest shares during 2020. The Company's own shares held were removed in the calculation of weighted average number of shares in issue during 2020 for the applicable period before the shares were cancelled.

At 31 December 2021, the weighted average number of dilutive shares was 860,018 (2020: Nil). The dilutive shares all arise from the March 2019 share option scheme, from which 898,118 (2020: Nil) shares were exercisable at year end at an exercise price of ZAR1.90. The average share price for 2021 was ZAR2.08 (2020: ZAR1.55). None of the other share option schemes had a dilutive impact for the purposes of calculating the 2021 EPS.

#### Headline earnings per share

The Group's HEPS/(HLPS) is as follows:

	2021	2020
Profit/(loss) for the year attributable to owners of the parent – USD'000	50,733	(85,282)
Adjusted for:		
Impairment charges related to intangible assets, attributable to owners of the parent	3,890	11,500
Tax impact	–	–
	54,623	(73,782)
Weighted average number of shares in issue <sup>1</sup>	1,168,938,030	1,169,141,485
<b>Headline (loss)/earnings per share – USD</b>	<b>0.05</b>	<b>(0.06)</b>

1 – At 31 December 2020 and 31 December 2021, the Company had a see-through interest in itself of nil shares as it had disposed of its see-through interest shares during 2020. The Company's own shares held were removed in the calculation of weighted average number of shares in issue during 2020 for the applicable period before the shares were cancelled.

#### NAV per share

The Group's USD NAV per share is as follows:

	2021	2020
Net assets attributable to equity holders of the Company – USD'000	464,506	412,573
Number of shares in issue <sup>1</sup>	1,169,478,030	1,168,756,030
<b>NAV per share – USD</b>	<b>0.40</b>	<b>0.35</b>

1 – At 31 December 2020 and 31 December 2021, the Company had a see-through interest in itself of nil shares.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 21. PER SHARE INFORMATION (CONTINUED)

#### Tangible NAV per share

The Group's USD tangible NAV per share is as follows:

	2021	2020
Net assets attributable to equity holders of the Company – USD'000	464,506	412,573
<i>Adjusted for:</i>		
Intangible assets attributable to equity holders of the Company	(44,992)	(47,382)
	419,514	365,191
<i>Number of shares in issue</i> <sup>1</sup>	1,169,478,030	1,168,756,030
<b>Tangible NAV per share – USD</b>	<b>0.36</b>	<b>0.31</b>

1 – At 31 December 2020 and 31 December 2021, the Company had a see-through interest in itself of nil shares.

### 22. NON-CONTROLLING INTERESTS

Non-controlling interests in the Group that are material relate to the following subsidiaries:

- Kagem, a company incorporated in Zambia whose principal operation is rough-emerald mining, exploration and processing. The Government of the Republic of Zambia (through the Industrial Development Corporation) holds a 25% non-controlling interest;
- MRM, a company incorporated in Mozambique whose principal operation is rough-ruby mining, exploration and processing. Mwiriti Limitada, a private company incorporated in Mozambique, holds a 25% non-controlling interest;
- Development assets, comprising the Group's exploration and evaluation activities in Africa, including Megaruma Mining Limitada ("MML"), Eastern Ruby Mining Limitada ("ERM"), Campos de Joia Limitada ("CDJ"), Nairoto Resources Lda ("Nairoto"), and the Group's development project in Ethiopia, Web Gemstone Mining Plc. The non-controlling interests of these entities are listed in Note 25: *Subsidiaries*; and
- Other, includes all the other subsidiaries with non-controlling interests which are listed in Note 25: *Subsidiaries* and which are not material.

### 22. NON-CONTROLLING INTERESTS (CONTINUED)

	2021 KAGEM USD'000	2021 MRM USD'000	2021 DEVELOPMENT ASSETS USD'000	2021 OTHER USD'000	2021 TOTAL USD'000
<b>Amount attributable to all shareholders</b>					
Profit/(loss) after tax	23,693	39,992	(6,975)	(555)	56,155
Cash generated from operations	23,223	60,806	4,426	–	88,455
Non-current assets	148,048	195,870	24,933	714	369,565
Current assets	84,194	109,918	1,819	15	195,946
<b>Total assets</b>	<b>232,242</b>	<b>305,788</b>	<b>26,752</b>	<b>729</b>	<b>565,511</b>
Non-current liabilities	(52,612)	(49,698)	(5,000)	–	(107,310)
Current liabilities	(32,015)	(45,629)	(540)	(17)	(78,201)
<b>Total liabilities</b>	<b>(84,627)</b>	<b>(95,327)</b>	<b>(5,540)</b>	<b>(17)</b>	<b>(185,511)</b>
<b>Net assets</b>	<b>147,615</b>	<b>210,461</b>	<b>21,212</b>	<b>712</b>	<b>380,000</b>
<b>Amounts attributable to non-controlling interest</b>					
Profit/(loss) after tax	5,875	9,751	(1,354)	(42)	14,230
Dividends declared <sup>1</sup>	–	(5,000)	–	–	(5,000)
Net assets	15,796	67,685	(2,193)	(1,593)	79,695

1 – During 2021 MRM declared a dividend, of which USD5.0 million (2020: USD6.3 million) was due to the Group's non-controlling interest in MRM, Mwiriti. The declared dividend was settled through advanced dividend payments made to Mwiriti during 2020 of USD3.7 million and an additional USD1.3 million payment made in the first half of 2021.

	2020 KAGEM USD'000	2020 MRM USD'000	2020 DEVELOPMENT ASSETS USD'000	2020 OTHER USD'000	2020 TOTAL USD'000
<b>Amount attributable to all shareholders</b>					
(Loss) after tax	(13,156)	(17,630)	(1,088)	(21)	(31,895)
Cash (used in)/generated from operations	(1,205)	(16,511)	2,542	–	(15,174)
Non-current assets	164,707	210,689	20,335	714	396,445
Current assets	56,838	56,009	1,567	1,368	115,782
<b>Total assets</b>	<b>221,545</b>	<b>266,698</b>	<b>21,902</b>	<b>2,082</b>	<b>512,227</b>
Non-current liabilities	(69,962)	(51,931)	(5,000)	–	(126,893)
Current liabilities	(33,307)	(56,645)	(19,928)	(8,016)	(117,896)
<b>Total liabilities</b>	<b>(103,269)</b>	<b>(108,576)</b>	<b>(24,928)</b>	<b>(8,016)</b>	<b>(244,789)</b>
<b>Net assets</b>	<b>118,276</b>	<b>158,122</b>	<b>(3,026)</b>	<b>(5,934)</b>	<b>267,438</b>
<b>Amounts attributable to non-controlling interest</b>					
(Loss) after tax	(3,289)	(4,407)	(241)	(8)	(7,945)
Dividends declared <sup>1</sup>	–	(6,250)	–	–	(6,250)
Net assets	9,921	62,935	(862)	(1,551)	70,443

1 – During 2020 MRM declared a dividend, of which USD6.3 million was due to the Group's non-controlling interest in MRM, Mwiriti. The declared dividend was settled through advanced dividend payments made to Mwiriti during 2019 of USD5.1 million and an additional USD1.2 million payment made in the first half of 2020.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2021 | continued

### 23. FINANCIAL INSTRUMENTS

The principal financial instruments used by the Group are as follows:

#### Financial assets

	2021 USD'000	2020 USD'000
<b>Financial assets measured at fair value through profit and loss:</b>		
Unlisted equity investments – Sedibelo	37,200	29,600
Other equity investments	–	1,309
<b>Total financial assets at fair value through profit and loss</b>	<b>37,200</b>	<b>30,909</b>
<b>Financial assets measured at amortised cost:</b>		
Trade and other receivables <sup>1</sup>	72,109	21,665
Cash and cash equivalents	97,720	43,862
<b>Total financial assets measured at amortised cost</b>	<b>169,829</b>	<b>65,527</b>
<b>Total financial assets</b>	<b>207,029</b>	<b>96,436</b>

1 – Trade and other receivables excludes prepayments and VAT.

The Sedibelo investment is classified as Level 3 in the fair value hierarchy (2019: Level 3), the inputs for which are not based on observable market data. Refer to Note 12: *Unlisted equity investments* for further information.

#### Financial liabilities

	2021 USD'000	2020 USD'000
<b>Financial liabilities measured at amortised cost:</b>		
Trade and other payables	44,137	22,303
Borrowings	34,735	56,505
Lease liabilities	3,649	3,745
<b>Total financial liabilities</b>	<b>82,521</b>	<b>82,553</b>

#### Fair value of financial assets and liabilities

At 31 December 2021 and 2020, the carrying value of the Group's financial assets carried at amortised cost approximated their fair values. Refer to Note 14: *Trade and other receivables* for detailed disclosure of the impairment assessment completed on the Group's financial assets measured at amortised cost at 31 December 2021.

#### Capital structure

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to provide sustainable returns for shareholders.

The Group's capital consists of equity shares. There are also two management shares. The Directors monitor the Group's gearing ratio on an ongoing basis. No dividends have been paid out to shareholders since incorporation. No changes were made to the Group's capital management objectives, policies or procedures during 2021.

An analysis of the carrying value of Group's financial liabilities carried at amortised cost compared to their contractual cashflows is detailed in the liquidity section of this note.

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

#### Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and contractual cash flows of debt investments (loans) carried at amortised cost. The Group is also exposed to credit risk related to its customers and outstanding receivables with them. Credit risk arises when a failure by a counterparty to discharge their obligations could reduce the amount of future cash inflows from the related financial asset on hand at the reporting date.

#### (i) Risk management

Credit risk is managed on a Group basis.

The Group holds materially all of its cash balances with four counterparties: Barclays Bank plc ("Barclays"), ABSA Bank (formerly Barclays in Mozambique and Zambia), Investec Bank plc ("Investec") and Banco Comercial E De Investimentos S.A. ("BCI"). Bankruptcy or insolvency of any of these counterparties could have a significant adverse impact on the Group. The Group's subsidiaries may also hold immaterial cash balances with various other banks. The failure of one of these counterparties would be unlikely to have a significant impact on the Group. The Directors monitor the Group's range of counterparties to ensure that the Group's credit/counterparty risk is at an appropriate level.

The Group's exposure to counterparty risk at 31 December 2021 is set out below:

COUNTERPARTY	LOCATION	CREDIT RATING (FITCH)	2021 USD'000	2020 USD'000
Barclays	United Kingdom	A minus	31,722	23,432
ABSA	Mozambique	A minus	16,104	–
BCI	Mozambique	n/r	13,365	599
Investec	United Kingdom	BBB minus	10,418	10,632
ABSA	Zambia	BB minus	12,916	4,829
ABSA	Mozambique	BB minus	–	44
ABSA	Mauritius	BB minus	8,883	–
HSBC	United Kingdom	AA minus	1,698	1,868
Axis bank	India	BBB minus	1,420	550
Nedbank	South Africa	BBB minus	358	467
Standard Chartered	Zambia	BBB plus	310	601
Other counterparties	Various	n/a	526	840
<b>Total</b>			<b>97,720</b>	<b>43,862</b>

The Group's trade receivables are predominantly derived from auction customers who are specifically invited to each auction and the credit quality of whom is thoroughly assessed prior to invite, considering financial position, past experience and other factors. Risk is further mitigated by the fact that sales are required to be settled by cash transfer within a short time period. No stock is transferred to the auction customers until full payment for the good has been received. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. At the date of these financial statements, the Group had collected the full USD54.6 million auction receivable that was outstanding at 31 December 2021.

The credit quality of the Group's trade receivables can be assessed by reference to external credit ratings (where available) or to historical information about default rates. The trade receivables balance outstanding at the balance sheet date by counterparty credit risk is assessed as shown in the table below:

	2021 USD'000	2020 USD'000
Group 1 – direct customers, predominantly retail and web sales from Fabergé	1,231	758
Group 2 – new counterparties, with a less than six-month relationship with the Group	2,121	177
Group 3 – existing counterparties, no past history of default	58,077	12,269
Group 4 – existing counterparties, past default but all amounts have been recovered	328	345
<b>Total trade receivables</b>	<b>61,757</b>	<b>13,549</b>

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

#### (ii) Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring credit losses for trade receivables, using a lifetime expected credit loss provision. Based on the assessment completed, no impairment provision was recorded against trade receivables at 31 December 2021 or 31 December 2020.

The Group's other receivables primarily relate to third-party and related-party loans. These financial assets have been assessed for credit loss individually, considering financial position, past experience and other factors. At 31 December 2021, the Group held a provision of USD1.4 million (2020: USD1.4 million) against its loans and other receivables. There are no other financial assets that are impaired and, accordingly, no additional analysis has been provided.

Refer to Note 14: *Trade and other receivables* for details of the IFRS 9 assessment completed at 31 December 2021.

#### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It represents the risk that the Group will encounter difficulty in meeting its financial obligations.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim the Group seeks to maintain cash balances and agreed bank facilities at levels considered appropriate to meet ongoing obligations.

The Group maintains an integrated business performance and cash flow forecasting model, incorporating financial position information, which is updated monthly.

The Group performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Directors receive rolling 12-month cash flow projections monthly, as well as information regarding cash balances and Group performance against budget. At the reporting date these projections indicated that the Group expected to have sufficient liquidity to meet its obligations in all reasonably expected circumstances.

The following table illustrates the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross, based, where relevant, on interest rates and exchange rates prevailing at the reporting date.

31 DECEMBER 2021	REPAYABLE WITHIN ONE MONTH USD'000	REPAYABLE WITHIN ONE TO SIX MONTHS USD'000	REPAYABLE WITHIN SIX TO 12 MONTHS USD'000	REPAYABLE WITHIN ONE TO FIVE YEARS USD'000	REPAYABLE AFTER FIVE YEARS USD'000	TOTAL CONTRACTUAL CASH FLOWS USD'000	CARRYING VALUE AT 31 DECEMBER 2021 USD'000
Trade and other payables	17,149	13,604	8,384	5,000	–	44,137	44,137
Leases	44	640	690	1,437	1,210	4,021	3,649
Borrowings and interest	39	867	25,643	10,856	–	37,405	34,735
<b>Total</b>	<b>17,232</b>	<b>15,111</b>	<b>34,717</b>	<b>17,293</b>	<b>1,210</b>	<b>85,563</b>	<b>82,521</b>

31 DECEMBER 2020	REPAYABLE WITHIN ONE MONTH USD'000	REPAYABLE WITHIN ONE TO SIX MONTHS USD'000	REPAYABLE WITHIN SIX TO 12 MONTHS USD'000	REPAYABLE WITHIN ONE TO FIVE YEARS USD'000	REPAYABLE AFTER FIVE YEARS USD'000	TOTAL CONTRACTUAL CASH FLOWS USD'000	CARRYING VALUE AT 31 DECEMBER 2020 USD'000
Trade and other payables	1,875	6,628	8,800	5,000	–	22,303	22,303
Leases	74	170	759	3,506	–	4,509	3,745
Borrowings and interest	98	29,797	5,302	25,710	–	60,907	56,505
<b>Total</b>	<b>2,047</b>	<b>36,595</b>	<b>14,861</b>	<b>34,216</b>	<b>–</b>	<b>87,719</b>	<b>82,553</b>

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

#### Market risk

The significant market risks affecting the Group are currency risk, interest rate risk, price risk and commodity risk. These risks relate to the Group's underlying mining operations and its investment in Sedibelo, which is held at fair value.

#### Currency risk

The Group's operations are exposed to currency risk on foreign currency sales, purchases and expenses. As the majority of revenues are denominated in USD and the USD plays a dominant role in the Group's business, funds borrowed and held in USD provide a natural hedge against currency fluctuations. Operating costs and costs of locally sourced equipment are influenced by fluctuations in local currencies, primarily the Zambian kwacha ("ZMW") and Mozambican metical ("MZN").

A key tenet of the Group's treasury policy is that materially all of the Group's cash is held in USD, other than amounts allocated for a specific foreign currency investment or for specific material expenses which are usually held in the relevant currency. The Group's cash balance is therefore not subject to material foreign exchange risk in most circumstances.

Cash balances are translated into a currency other than the USD only when an outflow of cash is imminent or if required for legal or similar reasons. The Group may occasionally hold balances in currencies other than the USD for a material investment which is considered likely but is not yet certain. This gives rise to potential foreign exchange risk if the investment does not occur and the balance is translated back into USD at a different exchange rate. Alternatively, for specific material cash outflows, the Group may choose to enter into an appropriate hedging strategy, such as a forward contract or option, to minimise the Group's foreign exchange exposure. The Group did not enter into any hedging strategies during the current or prior year.

The Group also undertakes transactions and holds assets and liabilities in currencies other than the USD. The Group may enter into equity or loan investments in currencies other than the USD including GBP and ZAR. These balances are translated at the end of each reporting period and the related foreign exchange gain or loss is included in the Consolidated Statement of Comprehensive Income. The Directors consider the denomination of each investment as part of the initial decision as to whether to invest in an asset.

Sensitivity analysis has been performed based on the sensitivity of the Group's net financial assets to movements in foreign exchange rates, assuming a movement of 10% against the USD.

AT 31 DECEMBER 2021	USD USD'000	GBP USD'000	ZMW USD'000	MZN USD'000	OTHER USD'000	TOTAL USD'000
Equity investments	37,200	–	–	–	–	37,200
Cash and cash equivalents	77,922	1,003	319	13,881	4,595	97,720
Trade and other receivables	66,786	646	–	677	4,000	72,109
Borrowings	(34,735)	–	–	–	–	(34,735)
Trade and other payables	(22,492)	(5,742)	(1,536)	(13,175)	(1,192)	(44,137)
Lease liabilities	(1,207)	(1,558)	–	(45)	(839)	(3,649)
<b>Net financial assets/(liabilities)</b>	<b>123,474</b>	<b>(5,651)</b>	<b>(1,217)</b>	<b>1,338</b>	<b>6,564</b>	<b>124,508</b>
<i>Sensitivity analysis</i>						
<b>Impact on the Income Statement, assuming a 10% movement against the USD</b>	<b>n/a</b>	<b>(565)</b>	<b>(122)</b>	<b>134</b>	<b>656</b>	<b>103</b>



Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

## 23. FINANCIAL INSTRUMENTS (CONTINUED)

AT 31 DECEMBER 2020	USD USD'000	GBP USD'000	ZMW USD'000	MZN USD'000	OTHER USD'000	TOTAL USD'000
Equity investments	30,909	–	–	–	–	30,909
Cash and cash equivalents	38,509	633	103	529	4,088	43,862
Trade and other receivables	20,675	(643)	207	367	1,059	21,665
Borrowings	(56,505)	–	–	–	–	(56,505)
Trade and other payables	(13,457)	(4,263)	(210)	(3,173)	(1,200)	(22,303)
Lease liabilities	(1,275)	(2,233)	–	(117)	(120)	(3,745)
<b>Net financial assets/(liabilities)</b>	<b>18,856</b>	<b>(6,506)</b>	<b>100</b>	<b>(2,394)</b>	<b>3,827</b>	<b>13,883</b>

*Sensitivity analysis*

Impact on the Income Statement, assuming a 10% movement against the USD	n/a	(651)	10	(239)	383	(497)
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**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its cash balances. The Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments which are for a maximum of one year but are usually for shorter time periods. This maintains the Group's liquidity levels whilst also securing a return for shareholders on uninvested cash. During 2020 and 2021 all uninvested cash was accessible either on-demand, or shortly afterwards. In addition, the Group may make interest-bearing loans to its investments.

An analysis of the expected maturity of the Group's financial assets and liabilities exposed to variable interest rates at the balance sheet date is shown below. Expected maturities are usually based on contractual maturities. The sensitivity analysis completed has considered a 1.0% increase or decrease (2020: 1.0% increase or decrease) in interest rates to be reasonably possible based on the current interest rate environment. The Directors consider the impact of changes in interest rates on the Group to be immaterial.

31 DECEMBER 2021	REPAYABLE WITHIN ONE MONTH USD'000	REPAYABLE WITHIN ONE TO SIX MONTHS USD'000	REPAYABLE WITHIN SIX TO 12 MONTHS USD'000	REPAYABLE WITHIN 12 TO 36 MONTHS USD'000	TOTAL USD'000
Cash and cash equivalents	97,720	–	–	–	97,720
Borrowings	–	–	(24,735)	(10,000)	(34,735)
<b>Net financial assets/(liabilities) subject to interest rate risk</b>	<b>97,720</b>	<b>–</b>	<b>(24,735)</b>	<b>(10,000)</b>	<b>62,985</b>

*Sensitivity analysis*

Impact on profit or loss, assuming a 1.0% movement in interest rate	977	–	(247)	(10)	630
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31 DECEMBER 2020	REPAYABLE WITHIN ONE MONTH USD'000	REPAYABLE WITHIN ONE TO SIX MONTHS USD'000	REPAYABLE WITHIN SIX TO 12 MONTHS USD'000	REPAYABLE WITHIN 12 TO 36 MONTHS USD'000	TOTAL USD'000
Cash and cash equivalents	43,862	–	–	–	43,862
Borrowings	–	(28,505)	(4,500)	(23,500)	(56,505)
<b>Net financial assets/(liabilities) subject to interest rate risk</b>	<b>43,862</b>	<b>(28,505)</b>	<b>(4,500)</b>	<b>(23,500)</b>	<b>(12,643)</b>

*Sensitivity analysis*

Impact on profit or loss, assuming a 1.0% movement in interest rate	439	(285)	(45)	(235)	(126)
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## 23. FINANCIAL INSTRUMENTS (CONTINUED)

**Price risk**

Price risk is the risk that the price for equity investments fluctuates with a corresponding impact on the Consolidated Income Statement. The Directors believe that disclosure of a 25% decrease or increase in the fair values of the Group's investments is reasonably possible and presents relevant information to shareholders. The Executive Directors usually participate in management of each investment and monitor the associated risks on an ongoing basis, reporting to the Board as necessary. A 25% change in the fair value of investments would have the following impact on the Consolidated Income Statement:

	2021		2020	
	CARRYING VALUE USD'000	IMPACT OF A 25% CHANGE IN FAIR VALUE USD'000	CARRYING VALUE USD'000	IMPACT OF A 25% CHANGE IN FAIR VALUE USD'000
Unlisted equity investment – Sedibelo	37,200	9,300	29,600	7,400
Other equity investments	–	–	1,309	327
<b>Total</b>	<b>37,200</b>	<b>9,300</b>	<b>30,909</b>	<b>7,727</b>

**Commodity risk**

The Group holds coloured gemstones on its balance sheet in the form of inventory. A decrease in the price of coloured gemstones, specifically rubies and emeralds, may have a material impact on the Company's profitability. For the Group's other major investment, Sedibelo, commodity prices can have a significant impact on the fair value valuation of the investment and can impact upon the viability of the assets that the Group has invested in or may invest in. The commodities of most relevance to the Group currently are coloured gemstones and PGMs.

*Sensitivity analyses representative of the position throughout the year*

The sensitivity analyses presented above are based on the financial instruments held at year-end. The sensitivity analyses presented for 31 December 2021 are considered likely to be representative of the financial instruments held and of risks to the balance sheet in the immediate future. Furthermore, if the Group divested of an investment, its exposure to market risks would change. As there is uncertainty as to how the Group's risk profile will change in the future, no further representative sensitivity analyses have been disclosed, as the Directors do not believe that this would be useful. Users of the Consolidated Financial Statements should refer to the Risk and Uncertainties section of this Annual Report for further information on the risks that the enlarged Group is exposed to.

## 24. COMMITMENTS AND CONTINGENCIES

24.1 *Capital commitments*

At 31 December 2021, the Group had the following capital commitments:

- USD2.8 million (2020: USD2.8 million) at MRM for the construction of the Decanter Centrifuge, a compressor upgrade for the Sort House, the installation of a new power supply to the on-site office, the purchase of replacement mining equipment, and the remaining ancillary payments in respect of the RAP project.
- USD0.7 million at Kagem for the purchase of mining equipment and the construction of new staff buildings at the mine site (2020: No material commitments were held).

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### 24.2 Legal contingencies

In the ordinary course of business, the Group is subject to legal actions and complaints. Post year-end, on 3 March 2022, Gemfields Group Limited, Gemfields Limited and Kagem Mining Limited received a letter of claim in respect of a case in the English High Court on behalf of 11 individuals for personal injury and associated claims. None of the defendants have however, to date, been served. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse matters relating to potential claims and litigation, the Group will give careful consideration to all such cases, whilst taking appropriate legal advice, in order to best protect the Group's position in all circumstances. The Group has made use of the exemption as provided by IAS 37: *Provisions, contingent liabilities and contingent assets*, paragraph 92.

At the balance sheet date in the aggregate, and despite the quality of any defences available to the Group, it is possible that the Group's operational results or cash flows in particular annual reporting periods could be materially affected by potential claims and litigation, or by the final outcome of any particular litigation. Having regard to all these matters, the Group (i) does not consider it appropriate to make any provision in respect of any pending litigation unless it is probable that the likely outcome of the case would result in an outflow of resources from the Group; and (ii) does not believe that the ultimate outcome of any ongoing litigation at the date of this report will significantly impair the Group's financial condition.

### 25. SUBSIDIARIES

The Group's subsidiaries are set out below. All interests are held directly or indirectly by the Group and are consolidated within these Consolidated Financial Statements.

NAME	COUNTRY OF INCORPORATION	GROUP % INTEREST AT 31 DECEMBER 2021	GROUP % INTEREST AT 31 DECEMBER 2020
Almizan Development Limited	British Virgin Islands	100%	100%
Campos de Joia, Limitada	Mozambique	98.75%	98.75%
Eastern Ruby Mining Limitada	Mozambique	80%	80%
Fabergé (UK) Limited	United Kingdom	100%	100%
Fabergé Hospitality Limited	British Virgin Islands	100%	100%
Fabergé Inc.	United States of America	100%	100%
Fabergé Limited	Cayman Islands	100%	100%
Fabergé Suisse SA	Switzerland	100%	100%
F1842 Fine Jewellery Trading LLC <sup>1</sup>	United Arab Emirates	100%	–
Florescer Farming S.A.	Mozambique	97.90%	97.90%
Forest HoldCo Limited	United Kingdom	100%	100%
Gemdustry Limited <sup>2</sup>	United Kingdom	100%	–
Gemfields BVI Limited	British Virgin Islands	100%	100%
Gemfields Canada Inc.	Canada	100%	100%
Gemfields CdJ Mauritius	Mauritius	100%	100%
Gemfields Holdings Zambia Limited	Zambia	100%	100%
Gemfields India Pvt Limited	India	100%	100%
Gemfields Mauritius Limited	Mauritius	100%	100%
Gemfields Mining Limited	Zambia	100%	100%
Gemfields Limited	United Kingdom	100%	100%

1 – The company was incorporated on 2 March 2021.

2 – The company was incorporated on 5 August 2021.

### 25. SUBSIDIARIES (CONTINUED)

NAME	COUNTRY OF INCORPORATION	GROUP % INTEREST AT 31 DECEMBER 2021	GROUP % INTEREST AT 31 DECEMBER 2020
Gemfields Singapore Pte Limited	Singapore	100%	100%
Gemfields South Africa (Pty) Limited	South Africa	100%	100%
Gemholds Limited <sup>3</sup>	United Kingdom	–	100%
Gemfields USA, Inc.	United States of America	100%	100%
Gemholds Brazil Limited <sup>3</sup>	United Kingdom	–	100%
Gemholds Colombia Limited	United Kingdom	100%	100%
Gemholds Ethiopia Limited	United Kingdom	100%	100%
Gemhouse Mining Zambia Limited	Zambia	100%	100%
Graphon Investments (Pvt) Limited	Sri Lanka	75%	75%
Graphon Mining Resources (Pvt) Limited	Sri Lanka	75%	75%
G-Trac Knowledgebase Systems Limited <sup>4</sup>	United Kingdom	100%	–
Hagura Mining Limited	United Kingdom	100%	100%
Island HoldCo Limited	United Kingdom	100%	100%
Kagem Mining Limited	Zambia	75%	75%
Megaruma Mining Limitada	Mozambique	75%	75%
Montepuez Ruby Mining Limitada	Mozambique	75%	75%
Nairoto Resources Holdings Limited	Mauritius	100%	100%
Nairoto Resources Limitada	Mozambique	75%	75%
Novo Campo DE Joia 1, Ltda	Mozambique	100%	100%
Novo Campo DE Joia 2, Ltda	Mozambique	100%	100%
Novo Campo DE Joia 3, Ltda	Mozambique	100%	100%
Novo Megaruma Ltda	Mozambique	100%	100%
Oriental Mining SARL	Madagascar	100%	100%
Pallinghurst Consolidated (Cayman) Limited	Cayman Islands	100%	100%
Gemfields Resources (Guernsey) GP Ltd	Guernsey	100%	100%
Gemfields Services Limited	United Kingdom	100%	100%
Peninsula HoldCo Limited	United Kingdom	100%	100%
Ratnapura Lanka Gemstones (Pvt) Limited	Sri Lanka	75%	75%
Shakgem Gemstone Mining Plc	Ethiopia	90%	90%
Singha Heavy Equipment (Pvt) Limited	Sri Lanka	75%	75%
Singha Industrial Investments (Pvt) Limited	Sri Lanka	75%	75%
The Gemfields Resources Fund L.P.	Cayman Islands	99.99%	99.99%
Web Gemstone Mining plc	Ethiopia	75%	75%

3 – These companies were dissolved on 25 May 2021.

4 – The company was incorporated on 22 January 2021.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 26. RELATED PARTY TRANSACTIONS

The Group's subsidiaries, as set out in Note 25: *Subsidiaries*, are determined to be related parties of the Group.

The Group also holds both a related party receivable of USD8.1 million and a related party payable of USD5.2 million with Mwiriti Ltda, the Group's partner in MRM and Nairobi. These transactions are detailed in Note 14: *Trade and other receivables* and Note 15: *Trade and other payables*.

During the year a number of the Group's Directors made purchases of jewellery and watches from Fabergé amounting to USD5,695 (2020: USD9,311). All purchases were made in accordance with the Group's employee purchase policy. At 31 December 2021, USD2,387 remained outstanding and is included within related party trade receivables at the balance sheet date.

In 2018 the Group established Gemfields Foundation (the "Foundation"), a UK registered charitable company whose purpose is to address poverty in developing countries and support conservation projects. The Foundation is determined to be independent of the Group and does not meet the definition of a subsidiary outlined in the Group's accounting policies. Therefore, its results are not consolidated into these Consolidated Financial Statements.

The Foundation is part-funded by Gemfields Limited and accepts donations from external bodies or individuals, with the funds received used to invest in community and conservation projects in Africa. In 2020, the focus was on completing the set-up of the charity and consequently no donations were made to the Foundation by the Group during the year. 2021 saw the official launch of the charity and during the year the Group made donations of USD86,463. At 31 December 2021, a payable of USD7,150 was due to the Foundation from Gemfields Limited. At 31 December 2020, a receivable of USD3,000 was due to the Group from the Foundation, and was fully settled during 2021.

The Directors are the Key Management Personnel of the Group. The amounts paid to the Executive Directors for services during 2021 are set out below:

1 JANUARY 2021 TO 31 DECEMBER 2021	BASE COMPENSATION USD'000	BENEFITS USD'000	BONUS USD'000	SHARE OPTIONS <sup>1</sup> USD'000	PENSION USD'000	TOTAL USD'000	EMPLOYER'S NATIONAL INSURANCE USD'000	TOTAL INCLUDING EMPLOYER'S NATIONAL INSURANCE USD'000
Sean Gilbertson	558	6	575	–	24	1,163	151	1,314
David Lovett	327	4	337	–	16	684	87	771
<b>Total</b>	<b>885</b>	<b>10</b>	<b>912</b>	<b>–</b>	<b>40</b>	<b>1,847</b>	<b>238</b>	<b>2,085</b>

1 – During the year a share-based expense of USD82k was recognised in relation to the share options issued to Sean Gilbertson in September 2017 and USD55k recognised in relation to the share options issued to David Lovett in January 2018 and July 2018. The share options vest in five tranches over a four-year period and the expense is recognised over the vesting period. No options were exercised during the year.

1 JANUARY 2020 TO 31 DECEMBER 2020	BASE COMPENSATION USD'000	BENEFITS USD'000	BONUS USD'000	SHARE OPTIONS <sup>1</sup> USD'000	PENSION USD'000	TOTAL USD'000	EMPLOYER'S NATIONAL INSURANCE USD'000	TOTAL INCLUDING EMPLOYER'S NATIONAL INSURANCE USD'000
Sean Gilbertson	488	5	–	–	–	493	58	551
David Lovett	286	2	–	–	14	302	36	338
<b>Total</b>	<b>774</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>795</b>	<b>94</b>	<b>889</b>

1 – During the year a share-based expense of USD224k was recognised in relation to the share options issued to Sean Gilbertson in September 2017 and USD101k recognised in relation to the share options issued to David Lovett in January 2018 and July 2018. The share options vest in five tranches over a four-year period and the expense is recognised over the vesting period. No options were exercised during the year.

### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

The amounts paid to the Non-Executive Directors for services during 2021 are set out below:

1 JANUARY 2021 TO 31 DECEMBER 2021	GROUP DIRECTOR FEES USD'000	BOARD COMMITTEES USD'000	LEAD INDEPENDENT DIRECTOR USD'000	TOTAL USD'000
Martin Tolcher	95	–	–	95
Dr Christo Wiese <sup>1</sup>	28	–	–	28
Lumkile Mondli	38	16	3	57
Kwape Mmela	38	12	–	50
Carel Malan	38	7	–	45
Mary Reilly	38	5	–	43
Patrick Sacco <sup>2</sup>	9	–	–	9
<b>Total</b>	<b>284</b>	<b>40</b>	<b>3</b>	<b>327</b>

1 – Resigned 23 September 2021.

2 – Appointed 11 October 2021.

In light of the impact of the Covid-19 pandemic, on 1 May 2020 all UK staff members, including the Board of Directors, agreed to a 20% remuneration reduction. On 1 April 2021, Director fees returned to contractual levels.

The amounts paid to the Non-Executive Directors for services during 2020 are set out below:

1 JANUARY 2020 TO 31 DECEMBER 2020	GROUP DIRECTOR FEES USD'000	BOARD COMMITTEES USD'000	LEAD INDEPENDENT DIRECTOR USD'000	TOTAL USD'000
Martin Tolcher	87	–	–	87
Dr Christo Wiese	35	–	–	35
Lumkile Mondli	35	15	2	52
Kwape Mmela	35	10	–	45
Carel Malan	35	6	–	41
Mary Reilly <sup>1</sup>	3	–	–	3
<b>Total</b>	<b>230</b>	<b>31</b>	<b>2</b>	<b>263</b>

1 – Appointed 4 December 2020.

## Notes to the Consolidated Financial Statements *for the year ended 31 December 2021* | continued

### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

The interests in the Parent Company equity shares held by the Directors are set out below:

	2021		2020	
	NUMBER OF SHARES	INTEREST	NUMBER OF SHARES	INTEREST
Patrick Sacco <sup>1</sup>	311,540,560	26.64%	–	–
Sean Gilbertson <sup>2,3,4</sup>	10,454,959	0.89%	10,454,959	0.89%
Kwape Mmela	8,325,334	0.71%	8,325,334	0.71%
David Lovett	42,000	0.00%	42,000	0.00%
Dr Christo Wiese <sup>5</sup>	–	–	160,388,407	13.72%
<b>Total</b>	<b>330,362,853</b>	<b>28.25%</b>	<b>179,210,700</b>	<b>15.33%</b>

1 – Patrick Sacco is the managing director of, and holds a beneficial interest in, Assore International Holdings Limited which in turn holds 311,540,560 ordinary shares in the Company.

2 – Sean Gilbertson has an interest in Ordinary Shares, not included in the tabulated figure, by virtue of being a beneficiary of the Brian Patrick Gilbertson Discretionary Settlement, a family trust which: (i) holds directly 27,659,667 Ordinary Shares and (ii) owns Autumn Holdings Asset Inc., which, in turn, holds a further 1,887,230 Ordinary Shares.

3 – The tabulated figure does not include an entitlement previously held by Pallinghurst Resources Management L.P., arising from the compulsory acquisition of Gemfields plc in 2017, to 3,030,652 Ordinary Shares. Pallinghurst Resources Management L.P. was a limited partnership in which Sean Gilbertson held a 50% interest and therefore an interest in 1,515,326 Ordinary Shares. These shares are due to be transferred into Mr Gilbertson's name.

4 – GigaJoule Ltd, a company wholly owned by Sean Gilbertson, may become entitled to 103,147 Ordinary Shares if a loan granted to a third party by GigaJoule Ltd is not repaid.

5 – Dr Christo Wiese resigned 23 September 2021.

The Company had 1,169,478,030 shares in issue at 31 December 2021 (2020: 1,168,756,030). There have been no changes to these shareholdings up to the date of publication of the Annual Report.

### 27. EVENTS OCCURRING AFTER THE END OF THE PERIOD

#### *Announcement of Gemfields' maiden dividend*

Off the back of the strong 2021, results and the future prospects of the Group, the Board have approved the payment of Gemfields' maiden dividend of USD20 million, or approximately USDc1.7 per share. The dividend will be distributed to shareholders in the first half of 2022.

#### *Consideration of the unfolding conflict in the Ukraine*

Following the invasion of Ukraine by Russia, instigated at the start of March 2022, management has considered whether the ongoing conflict presents any immediate material risks to the Group that would prevent it from continuing to operate as a going concern. Management however does not believe this to be a significant risk to operations and notes the following:

- None of the Group's rough gemstone customers are based in Russia, nor are of Russian origin.
- To date, none of the Group's customers have raised any concerns regarding the conflict, and the scheduled CQ auction commenced on 15 March 2022.
- With regard to Fabergé, the entity has no points of sale or business in Russia, and it is not anticipated that the entity will be directly impacted by any sanctions. Overall, it is estimated that the conflict could have a 20%–40% impact on Fabergé's sales during the conflict period, however this would not materially impact the Group. To mitigate this, Fabergé could reduce inventory purchases to maximise cash retention and it has already taken steps to lower its marketing and advertising spend.
- To date, there have not been any significant increases in fuel costs directly related to the conflict in the local jurisdictions in which the Group operates. However, there is a significant risk that the conflict will place upward pressure on the price of fuel and machinery spare parts (two of the largest operating costs at the mines). Management believes that any such cost increases would be manageable, with the Group able to absorb these. Additionally, recent pronouncements have demonstrated significant increases in Africa's main commodity prices, that, along with currency movements being realised, are likely to partially offset any cost pressures.

#### *Approval of Consolidated Financial Statements*

The Consolidated Financial Statements were approved by the Directors and authorised for issue on 24 March 2022.

## SECTION 5.7

# Independent Auditor's Report

*to the members of Gemfields Group Limited*

## OPINION ON THE FINANCIAL STATEMENTS

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been prepared in accordance with UK adopted International Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the Financial Statements of Gemfields Group Limited (the "Parent Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Financial Statements is the applicable law and UK adopted International Accounting Standards.

## SEPARATE OPINION IN RELATION TO THE FINANCIAL REPORTING PRONOUNCEMENTS ISSUED BY THE FINANCIAL REPORTING STANDARDS COUNCIL OF SOUTH AFRICA

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply with UK adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (FRSC Pronouncements).

In our opinion the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB and the FRSC Pronouncements.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENCE

We remain independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We considered going concern to be a key audit matter because of the judgements made by the Directors and the significance of this matter and its impact on our overall audit strategy.

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting and response to the key audit matter is included in the "Key Audit Matters" section below.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## OVERVIEW

Coverage	96.5% (2020: 91%) of Group total assets 99% (2020: 100%) of Group revenue		
		2021	2020
Key Audit Matters ("KAM")	Going concern	•	•
	Carrying value of mining assets <sup>1</sup>		•
	Valuation of investment in Sedibelo <sup>2</sup>		•
	Valuation of the Fabergé CGU and NRV of inventory <sup>3</sup>		•
<p>1 – In 2020 the shortfall in the Group's market capitalisation against the Group's net asset value was considered to represent an impairment indicator. As the Gemfields Group is not in itself considered a cash-generating unit ("CGU"), therefore an impairment review was performed by management and the Board on the mining CGUs. Whilst a shortfall persists in 2021, we note that the gap has decreased, and the improved trading of the Group is indicative of no deterioration of key inputs to forecasts and hence the risk was not identified as a key audit matter.</p> <p>2 – We did not consider the valuation of investment in Sedibelo to represent a KAM in the current year as the valuation methodology remained unchanged and therefore there were no significant changes to the approach to key judgements and estimates used in determining the recoverable value.</p> <p>3 – We did not consider the Valuation of the Fabergé CGU and NRV of inventory to represent a KAM in the current year as the valuation methodology remained unchanged and therefore there were no significant changes to the approach to key judgements and estimates used in determining the recoverable values.</p>			
Materiality	USD7.4 million (2020: USD6.5 million) based on 1% of total assets (2020: 1% of total assets)		

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, our Group audit scope focused on the Group's principal operating locations being Zambia (Kagem Mining Limited, "Kagem"), Mozambique (Montepuez Ruby Mining Limitada "MRM") the United Kingdom (Gemfields Limited and the Faberge sub-group, "Faberge") and Guernsey (Gemfields Group Limited, "Head-Co").

## Independent Auditor's Report *to the members of Gemfields Group Limited* | continued

### AN OVERVIEW OF THE SCOPE OF OUR AUDIT (CONTINUED)

Kagem and MRM were regarded as being significant components of the Group which were selected based on their size and risk characteristics and were subject to full scope audits.

For the Gemfields Limited, Fabergé and Head-Co components, the Group audit team performed specified audit procedures on specific accounts within those components that we considered had the potential for the greatest impact in the financial statements either because of the size of these accounts or their risk profile.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas where applicable to that component.

The audits of each of the components were principally performed in the United Kingdom, Zambia and Mozambique. All of the audits were conducted by either by the Group auditor or BDO network member firms with Kagem and MRM being audited by BDO Zambia and BDO Mozambique respectively.

#### *Our involvement with component auditors*

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditors, which included significant areas to be covered by the audits and set out the information to be reported to the Group audit team.
- The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- Although no site visits to Mozambique or Zambia were performed, the Group audit team followed a programme of planned virtual meetings, and had regular team interactions with the component teams during various stages of the audit. The Group audit team also reviewed key working papers and attended the closing meetings with the management of Kagem and MRM, through videoconferencing. Although no in-person visit occurred for the current year audit, members of the current Group audit team have the benefit and experience of having attended Kagem and MRM in-person in prior periods.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### *Key audit matters (continued)*

Key Audit Matter		How the scope of our audit addressed the Key Audit Matter
<p><b>Going concern (Note 1)</b></p>	<p>The Directors have adopted the going concern basis in preparing the financial statements.</p> <p>We note that following the outbreak of the Coronavirus pandemic, the Group experienced significant adverse impacts on its cash-flows resulting in a material uncertainty in respect of going concern in the previous reporting period. Although the Group has returned to revenue generation in the year, judgement remains over the Group's ability to meet its liabilities as they fall due and therefore going concern and covenant compliance has been identified as a key audit matter.</p> <p>Given the forward-looking nature of the forecasts used in the going concern assessment, appropriate disclosure of the assumptions involved in the base case and downside modelling is important to the understanding of the financial statements and therefore adequacy of disclosure is also considered a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We critically reviewed the latest board approved cash flow forecasts for the Group, which covered a period of at least 12 months from the date of approval of these financial statements. We challenged the assumptions in respect of level of production, mix and number of premium quality/commercial quality auctions, gemstone prices, operating costs and capital expenditure. In doing so, we considered factors such as empirical operational performance and market appetite and pricing.</li> <li>• We recalculated forecast covenant compliance calculations and assessed the consistency of such calculations with the ratios stated in the relevant lender agreements.</li> <li>• We assessed the sensitivity analysis performed in respect of key assumptions underpinning the forecasts by challenging the scenarios modelled in the context of our understanding of the Group including its financing arrangements and the industry sectors in which it operates.</li> <li>• As summarised in Note 1: Basis of Preparation, the Group have modelled downside scenarios including incorporating a reduction in revenue and mitigating activities such as a reduction in discretionary spend. We assessed the completeness of management's range of scenarios assessed as reasonably possible to impact the Group, including achievability of forecast revenue and the ability of operations to generate inventory to take to market. We also challenged the potential impacts from the Insurgency risk in Mozambique and the War in Ukraine on the Group's forecast, in particular exposure to Russian customers and input cost implications due to commodity prices.</li> <li>• We challenged the extent of the sensitivity analysis performed in the downside scenarios by reference to historical downsides including observed historic price variances and considering reductions in the number of auctions being held per annum.</li> </ul>

## Independent Auditor's Report *to the members of Gemfields Group Limited* | continued

### Key audit matters (continued)

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
<p><b>Going concern (Note 1)</b></p>	<ul style="list-style-type: none"> <li>We considered the nature of mitigating actions identified in the assessment and the quantum ascribed to these mitigating actions in particular, considering whether reduced capital spend could be taken (committed versus uncommitted capital expenditure) and whether lack of capital spend would have a fundamental impact on short term operational success.</li> <li>The downside scenario modelled include a reverse stress test to analyse how long the business could operate with reduced auction revenues. We have challenged the assessment on the Group's ability to meet the financing requirements, through consideration of the forecast monthly cash burn rate against historic outturn, should auction revenues be reduced beyond the 'worse-case' point modelled.</li> <li>We challenged the Board's assessment of the facilities available to the Group over the forecast period and the scenarios that may put those at risk. We challenged this assumption through consideration of historic trends on renewals and covenant waivers and review of any correspondence with financing institutions.</li> <li>We reviewed the disclosures in the financial statements in respect of going concern for consistency with the forecasts provided by management.</li> </ul> <p><b>Key observations</b> Key observations in respect of going concern are set out in the Conclusions relating to going concern section above.</p>

### OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Consolidated Financial Statements	
	2021	2020
<b>Materiality</b>	<b>USD7.4 million</b>	<b>USD6.5 million</b>
<b>Basis for determining materiality</b>	<b>1% of total assets</b>	<b>1% of total assets</b>
<b>Rationale for the benchmark applied</b>	<p>We consider total assets to be the most significant determinant of the Group's financial performance for users of the financial statements.</p> <p>The Group has invested significant sums on its production and non-production mining assets and these are considered to be the key value driver for the Group as its assets are an indicator of future value to shareholders.</p>	<p>We consider total assets to be the most significant determinant of the Group's financial performance for users of the financial statements.</p> <p>The Group has invested significant sums on its production and non-production mining assets and these are considered to be the key value driver for the Group as its assets are an indicator of future value to shareholders.</p>
<b>Performance materiality</b>	<b>USD5.6 million</b>	<b>USD4.8 million</b>
<b>Basis for determining performance materiality</b>	<p>75% of Group materiality</p> <p>The level of performance materiality was set after considering a number of factors including the expected value of known and likely misstatements and managements attitude towards proposed misstatements.</p>	<p>75% of Group materiality</p>

### Component materiality

We set materiality for each component of the Group based on a percentage of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from USD 4.5 million to USD5.2 million (2020: USD3.9 million to USD4.5 million). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of USD0.3 million (2020: USD0.3 million). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Independent Auditor's Report *to the members of Gemfields Group Limited* | continued

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### OTHER COMPANIES (GUERNSEY) LAW, 2008 REPORTING

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities for financial reporting, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We have ensured that our identified risks of irregularities, including fraud and non-compliance with laws and regulations, have been communicated to all team members including component auditors and these have been considered by team members throughout the conduct of the audit

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### *Extent to which the audit was capable of detecting irregularities, including fraud (continued)*

- Holding discussions with Management and the Audit Committee to understand the laws and regulations relevant to the Group and Parent Company. These included elements of financial reporting framework, AIM rules, tax legislation and environmental regulations. In addition to our component auditors, in-country expertise was used to support the audit assessment of compliance with Companies (Guernsey) Law, 2008 and JSE filing requirements.
- Holding discussions with Management, the Audit Committee, internal audit director, the Group's general counsel and considering any known or suspected instances of non-compliance with laws and regulations or fraud;
- Testing the appropriateness of journal entries made throughout the year by applying specific criteria to select journals which may be indicative of possible irregularities or fraud;
- Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount;
- For significant and unusual transactions, investigating the possibility of related parties. Where related party transactions were identified, we challenged management on the business rationale for such transactions. We enquired of the Directors and management of their process for ensuring that such transactions had appropriate business rationale;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements. This included extending inquiries to individuals outside of Management and the accounting department to corroborate Management's ability and intent to carry out plans that are relevant to the estimate; and
- Reviewing minutes from board meetings of those charged with governance and all relevant board committee minutes to identify any instances of non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's opinion is Scott McNaughton.

### USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scott McNaughton

For and on behalf of BDO LLP, Recognised Auditor

London, United Kingdom

24 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



IMAGE Education projects, Mozambique

SECTION 6

# Administration

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## SECTION 6.1

# Shareholder Information

as at 31 December 2021

SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1–1,000 shares	1,813	50.40	284,800	0.02
1,001–10,000 shares	897	24.94	4,060,113	0.35
10,001–100,000 shares	629	17.49	20,282,985	1.73
100,001–1,000,000 shares	172	4.78	54,924,092	4.70
1,000,001–10,000,000 shares	66	1.83	186,946,383	15.99
10,000,001 shares and over	20	0.56	902,979,657	77.21
	<b>3,597</b>	<b>100</b>	<b>1,169,478,030</b>	<b>100</b>
<b>Distribution of shareholders</b>				
Banks/Brokers	161	4.47	731,968,904	62.59
Close corporations	24	0.67	1,379,109	0.12
Endowment funds	2	0.06	921,437	0.08
Individuals	3,176	88.29	84,867,778	7.25
Investment companies	1	0.03	226,705	0.02
Mutual funds	17	0.47	109,583,428	9.37
Nominees and trusts	18	0.50	1,000,886	0.09
Other corporations	19	0.53	13,534,796	1.16
Private companies	55	1.53	134,713,729	11.52
Public companies	13	0.36	36,274,367	3.10
Retirement funds	11	0.31	45,050,142	3.85
Trusts	100	2.78	9,956,749	0.85
	<b>3,597</b>	<b>100</b>	<b>1,169,478,030</b>	<b>100</b>
<b>Public/non-public shareholders</b>				
<b>Public shareholders</b>	<b>3,584</b>	<b>99.64</b>	<b>808,207,242</b>	<b>69.11</b>
<b>Non-public shareholders</b>	<b>13</b>	<b>0.36</b>	<b>361,270,788</b>	<b>30.89</b>
Strategic Holdings <sup>1</sup>	1	0.03	311,540,560	26.63
Holdings of Directors <sup>2</sup>	8	0.22	49,537,894	4.24
Prescribed Officers <sup>3</sup>	4	0.11	192,334	0.02
	<b>3,597</b>	<b>100</b>	<b>1,169,478,030</b>	<b>100</b>

1 – Assore International Holdings Limited is categorised as a Strategic Holder rather than as Holdings of Directors.

2 – The “Holdings of Directors” also include the extended family members of the directors as prescribed by the amended JSE Listings Requirements.

3 – Prescribed Officers or Key Management are now included in the Non-Public Shareholders in respect to the amended JSE Listings Requirements.

SHAREHOLDERS HOLDING 5% OR MORE	NUMBER OF SHARES	%
Assore International Holdings Ltd	311,540,560	26.64
Rational Expectations (Pty) Ltd <sup>4</sup>	105,628,407	9.03
Oasis Group Holdings (Pty) Ltd <sup>5</sup>	94,785,218	8.10
Ophorst Van Marwijk Kooy Vermogensbeheer NV	90,797,899	7.76
FIL Limited	69,241,878	5.92
Ninety One Group	68,255,891	5.84
Solway Finance Ltd	67,386,056	5.76

4 – The Rational Expectations shareholding includes interests held by Rational Expectations and its related entities.

5 – The Oasis Group shareholding includes interests held by Oasis Asset Management and Oasis Crescent Capital.

## SECTION 6.2

# Company Details

**Executive Directors**

Sean Gilbertson  
David Lovett

**Non-Executive Directors**

Martin Tolcher (Chairman)  
Patrick Sacco<sup>1,2</sup>  
Lumkile Mondli  
Kwape Mmela  
Carel Malan  
Mary Reilly  
Kieran Daly<sup>2</sup>

**The following persons were Directors during the period**

Dr Christo Wiese<sup>3</sup>

*1 – Appointed 11 October 2021.*

*2 – Mr Daly acts as Permanent Alternate to Mr Sacco.*

*3 – Resigned 23 September 2021.*

**Registered Office**

Gemfields Group Limited  
PO Box 186  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 4HP  
Channel Islands

**Company Secretary**

Mr Toby Hewitt  
1 Cathedral Piazza  
London  
SW1E 5BP  
United Kingdom

**London Office**

1 Cathedral Piazza  
London  
SW1E 5BP  
United Kingdom

**Legal Advisor (Guernsey)**

Mourant  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 4HP  
Channel Islands

**Legal Advisor (UK)**

Howard Kennedy LLP  
No.1 London Bridge  
London  
SE1 9BG  
United Kingdom

**Legal Advisor (South Africa)**

White & Case LLP  
Katherine Towers  
1st Floor  
1 Park Lane, Wierda Valley  
Sandton, 2196  
Johannesburg  
South Africa

**JSE Sponsor**

Investec Bank Limited  
100 Grayston Drive  
Sandton, 2196  
South Africa

**AIM Nominated Advisor and Broker**

finnCap Limited  
1 Bartholomew Close  
London  
EC1A 7BL  
United Kingdom

**Joint broker (AIM)**

Liberum  
25 Ropemaker Street  
London  
EC2Y 9LY

**Registrar**

Computershare Investor Services  
(Guernsey) Limited  
1st Floor  
Tudor House  
Le Bordage  
St Peter Port  
Guernsey  
GY1 1DB  
Channel Islands

**South African Transfer Secretary**

Computershare Investor  
Services (Pty) Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
South Africa

**Financial Public Relations**

Camarco  
107 Cheapside  
London  
EC2V 6DS  
United Kingdom

**Auditor<sup>4</sup>**

BDO LLP  
55 Baker Street  
London  
W1U 7EU  
United Kingdom

**Administration Services (Guernsey)**

Mourant Governance Services  
(Guernsey) Limited  
PO Box 186  
Royal Chambers  
St. Julian's Avenue  
St Peter Port  
Guernsey  
GY1 4HP  
Channel Islands

*4 – On 2 December 2021, the Company resolved to appoint Ernst & Young LLP (“EY”) as its statutory auditors, commencing with the financial year ending 31 December 2022, subject to ratification by shareholders in the Company's 2022 Annual General Meeting. BDO completed the Company's audit for the financial year ending 31 December 2021 as external auditors to the Company and a transition to EY will take place in due course. BDO's work will continue for a limited period beyond the date of these financial statements, in relation to certain Group subsidiaries.*



**GEMFIELDS**

[www.gemfieldsgroup.com](http://www.gemfieldsgroup.com)