GEMFIELDS

Annual Report 2022

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COVER IMAGE Fabergé x Gemfields Ruby and Emerald Pendants featuring Gemfields Zambian emeralds and Mozambican rubies

IMAGE LEFT Baobab tree, Montepuez Ruby Mining, Mozambique

IMAGE Responsibly mined cut and polished Zambian emeralds and Mozambican rubies

SECTION 1

Overview

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SECTION 1.1

Gemfields at a Glance

Who we are

Gemfields is a world-leading responsible miner and marketer of coloured gemstones.

Gemfields Group Limited ("Gemfields", the "Company", "GGL" or the "Group") is the operator and 75% owner of both the Kagem emerald mine ("Kagem") in Zambia (believed to be the world's single largest producing emerald mine) and the Montepuez ruby mine ("MRM") in Mozambique (one of the most significant recently discovered ruby deposits in the world). In addition, Gemfields holds controlling interests in various other gemstone mining and prospecting licences in Zambia, Mozambique, Ethiopia and Madagascar.

Gemfields' outright ownership of Fabergé – an iconic and prestigious brand of exceptional heritage – enables Gemfields to optimise positioning, perception and consumer awareness of coloured gemstones, advancing the wider group's 'mine and market' vision.

Gemfields has developed a proprietary grading system and a pioneering auction and trading platform to provide a consistent supply of coloured gemstones to downstream markets, a key component of Gemfields' business model, and has played an important role in the growth of the global coloured gemstone sector.

Gemfields has a primary listing on the Johannesburg Stock Exchange in South Africa and is quoted on AIM in London.

Our mission

Gemfields' mission is to be the global leader in African emeralds, rubies and sapphires, promoting transparency, trust and responsible mining, while creating a positive impact for our host communities and countries.

Our strategic objective

Gemfields' strategic objective is to be <u>the</u> standard for African emeralds, rubies and sapphires.

More details on Gemfields' business, mission, strategy and values can be found on *pages 22 to 27.*

IMAGE Responsibly mined rough Mozambican rubies

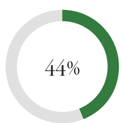
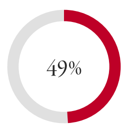
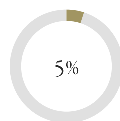
Our Business Model



	Emeralds	Rubies	Sapphires	Gemfields Assets
Exploration	ZAMBIA	MOZAMBIQUE	MADAGASCAR and other locations	
Mining	KAGEM	MRM	NONE CURRENTLY	
Grading	Proprietary grading system			There is NO industry standard to grade coloured gemstones
Auction	Innovative auction platform			
Cutting	INDIA and other locations	THAILAND and other locations		Gemfields DOES NOT cut or polish rough gemstones
Jewellery	FABERGÉ	OTHER LUXURY BRANDS		

End Customers

OPERATIONS OVERVIEW AND KEY PERFORMANCE INDICATORS (KPIs)

	KAGEM	MRM	FABERGÉ
Focus	Mining of rough emeralds	Mining of rough rubies	Luxury jewellery brand
Type of operation	Deep open-pit mining and exploration	Shallow open-pit mining and exploration	Design and sale of jewellery
Locations	Zambia	Mozambique	Worldwide, based in London
Source of revenue	Auction and direct sales	Auction and direct sales	Online, concession and wholesale
Typical auction schedule	Two higher-quality/two commercial-quality per year	Two mixed-quality per year	On occasion, via leading auction houses
Cumulative auction revenues	USD899 million	USD898 million	–
Total number of auctions	43	18	–
2022 total revenues	USD149 million	USD167 million	USD18 million
% of group revenues[1]			
EBITDA margin	49%	50%	–8%
Estimated coloured gemstone market position	~25% global supply of emeralds	~50% global supply of rubies	–
Customer profile	Emerald cutters, mainly found in India	Ruby cutters, mainly found in Thailand	Individuals, globally located, purchased as gifts and heirlooms
Gemfields ownership	75%	75%	100%

1 – Other revenue makes up the remaining 2% of total revenue in 2022

MINING METRICS – 2022

	KAGEM	MRM	FABERGÉ
Stripping ratio	52	4.1	–
Total carat produced	37,241,000	2,640,000	–
Premium carat produced	259,500	78,430	–
% revenue from premium carat	+30%	~70%	–
Rock handling cash cost (USD per tonne)	4.30	6.57	–
Current Life-of-Mine	22 years to 2044	8 years to 2030[1]	–

1 – Incorporates an expected second processing plant at MRM running at full capacity from 2026. Management is confident that through further exploration, the Life-of-Mine will be extended in future reports.

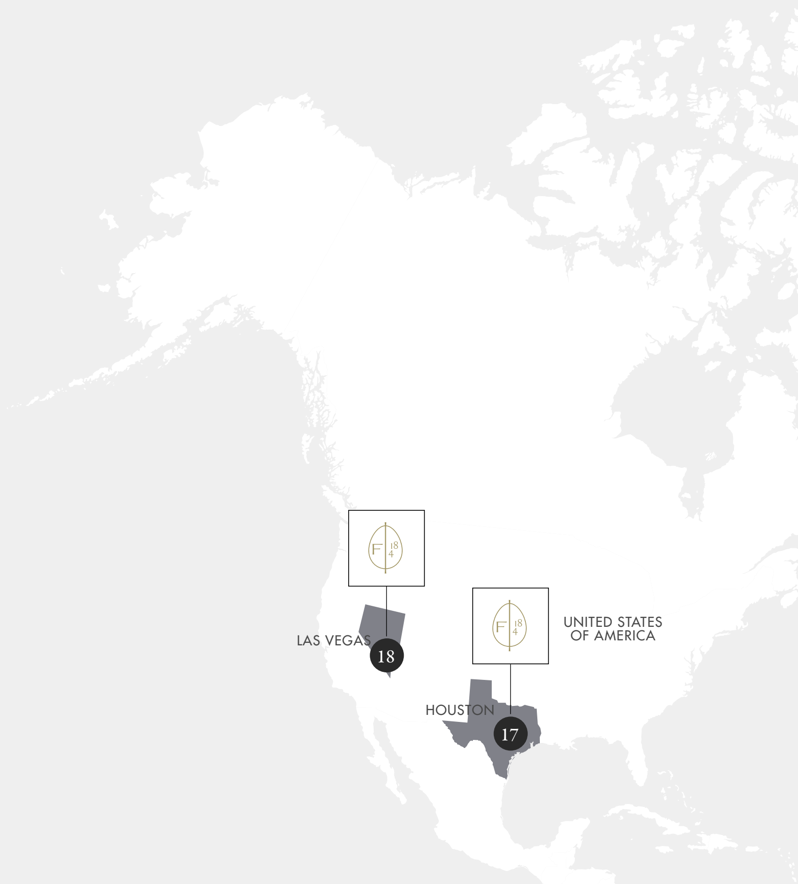
IMAGE Donna Hourani x Gemfields "The Bridge" collection, featuring Gemfields Zambian emeralds

SECTION 1.2

Map of Operations

KEY ASSETS

1. **Gemfields Group Limited**
   Guernsey, Channel Islands, Registered Office
2. **Gemfields Limited**
   London, United Kingdom, Head Office
3. **Kagem Mining Limited**
   Kitwe, Zambia, Mine (emerald)
4. **Montepuez Ruby Mining Limitada (MRM)**
   Montepuez, Mozambique, Mine (ruby)
5. **Fabergé (UK) Limited**
   London, United Kingdom, Head Office



KEY

OFFICE

RETAIL OUTLET

INVESTMENT

MINE

DEVELOPMENT ASSET

EXPLORATION ASSETS

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

OFFICES

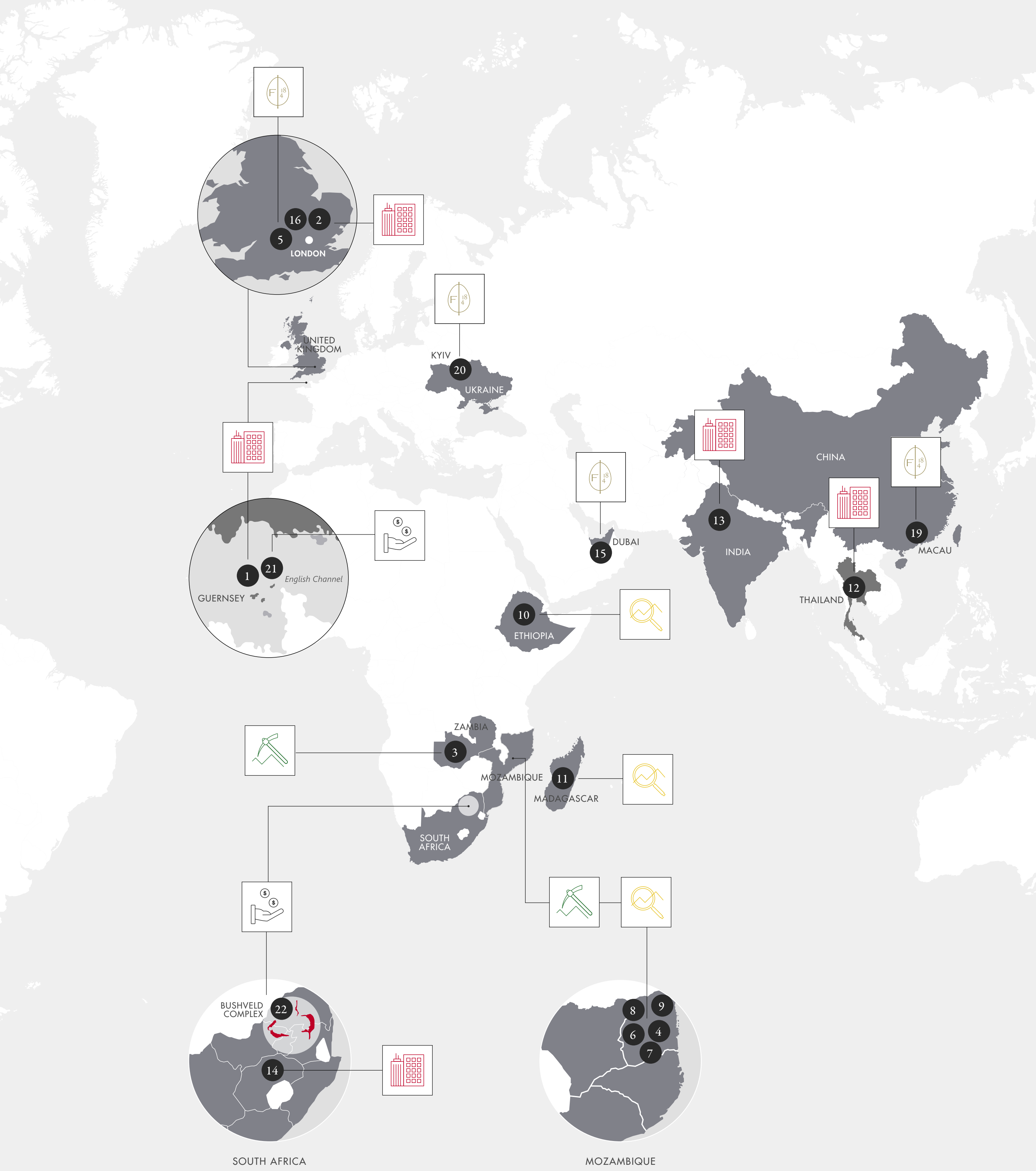
12. Gemfields Limited
    Bangkok, Thailand, Office
13. Gemfields India Pvt Limited
    Jaipur, India, Office
14. Gemfields South Africa (Pty) Limited
    Johannesburg, South Africa, Sales Office

FABERGÉ

15. Fabergé Dubai
    Dubai, United Arab Emirates, Retail Outlet
16. Fabergé Harrods
    London, United Kingdom, Retail Outlet
17. Fabergé Inc
    Houston, USA, By Appointment
18. Fabergé Inc
    Las Vegas, USA, By Appointment
19. Fabergé Inc
    Macau, China, Retail Outlet
20. Fabergé Inc
    Kyiv, Ukraine, Retail Outlet

INVESTMENTS

21. Sedibelo Resources Limited
    Guernsey, Channel Islands, Investment
22. Sedibelo Resources Limited
    Bushveld Complex, South Africa,
    Mine (platinum group metals)


16
2
5
LONDON
UNITED KINGDOM
KYIV
20
UKRAINE
1
21
English Channel
GUERNSEY
CHINA
13
INDIA
19
MACAU
12
THAILAND
DUBAI
15
10
ETHIOPIA
ZAMBIA
3
MOZAMBIQUE
11
MADAGASCAR
SOUTH AFRICA
BUSHVELD COMPLEX
22
14
8
9
6
4
7
SOUTH AFRICA
MOZAMBIQUE

SECTION 1.3

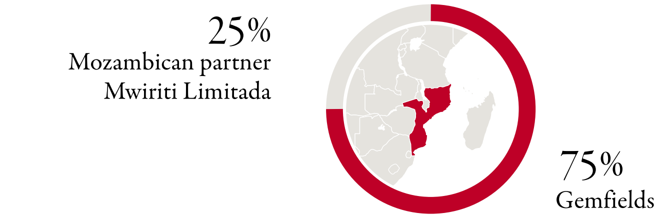
Investment Case

World-class operations

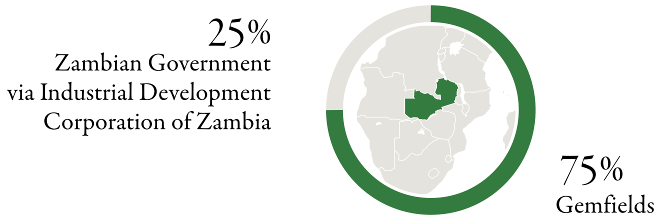
OPERATOR OF WORLD-CLASS MINES

Gemfields is the operator and 75% owner of both the Kagem emerald mine in Zambia (believed to be the world's single largest producing emerald mine) and the Montepuez ruby mine in Mozambique (one of the most significant recently discovered ruby deposits in the world).

MRM OWNERSHIP



KAGEM OWNERSHIP



EMBEDDED APPROACH TO CORPORATE RESPONSIBILITY

Corporate Responsibility and ESG is embedded within our mission, strategy and business practices. We operate in a manner that considers our people, our communities, our host countries, our environment and our industry. That means being transparent, honest and open, operating with legitimacy and acting with integrity.

1% of revenue from Kagem and MRM is ring-fenced to go towards establishing community and conservation projects

UNIQUE MARKET POSITION WITH 'MINE AND MARKET' STRATEGY

Through its outright ownership of Fabergé, an iconic and prestigious brand of exceptional heritage, Gemfields can optimise the positioning, perception and consumer awareness of coloured gemstones.

TOTAL NUMBER OF FABERGÉ PIECES SOLD

Financial strength

RECORD REVENUES IN A GROWING MARKET

Since 2009, Gemfields has held 61 auctions (43 of Zambian emeralds and 18 of Mozambican rubies), surpassing USD1.8 billion in combined auction revenue. 2022 saw record auction revenues and prices paid for both emeralds and rubies as the attractiveness and value of coloured gemstones continue to grow. Fabergé also saw record revenue and is approaching profitability as an entity.

Total auction revenues up 32% to USD 315 million in 2022

TOTAL ANNUAL REVENUES

USD MILLION	2018	2019	2020[1]	2021	2022
Kagem	60.3	79.0	22.3	91.8	148.6
MRM	127.1	121.5	–	147.4	166.7
Fabergé	13.4	10.5	7.1	13.8	17.6
Other	5.3	5.2	5.1	4.8	8.2
Total	**206**	**216**	**35**	**258**	**341**

1 – Principal mining operations at Kagem and MRM were suspended from March/April 2020 to April 2021 due to Covid-19 prevention methods.

PROFITABLE BUSINESS WITH STRONG CASH GENERATION AND FINANCIAL POSITION

Gemfields is a profitable business, with strong growth in EBITDA and profit after tax in 2022. At the end of 2022, the Group had a record-high net cash position of USD105 million, with a further USD55 million of outstanding auction receivables. The Group also owns 6.54% of Sedibelo Resources Limited, valued at USD32 million in 2022. This holding is non-core and Gemfields is looking to exit the investment.

EBITDA, HEADLINE EPS, FREE CASH FLOW, NET CASH

USD MILLION	2018[1]	2019	2020[2]	2021	2022
EBITDA[3]	58.9	80.9	(32.9)	133.1	167.8
Headline EPS (USD cents)	(3.2)	1.0	(6.3)	4.7	4.8
Free cash flow[4]	26.9	31.1	(59.0)	118.1	99.4
End of year net cash/(debt) position	9.8	25.4	(12.6)	63.0	104.5

1 – 2018's negative headline EPS was due to non-recurring impairment charges and fair value losses.
2 – Principal mining operations at Kagem and MRM were suspended from March/April 2020 to April 2021 due to Covid-19 prevention methods.
3 – 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 for 2020-2022.
4 – Before working capital movements.

CAPITAL ALLOCATION PRIORITIES WITH STRONG DIVIDEND RETURNS

Gemfields has a new set of capital allocation priorities, with a focus on maintaining debt, organic and inorganic investment, and returning capital to shareholders. In 2022, Gemfields paid its first and second ever dividends, with a total of USD35 million returned to shareholders. The Board have approved a further USD35 million dividend to be paid on 12 May 2023, representing USD cents 2.886 per share. A USD10 million share buy-back was approved by shareholders in November 2022, with no shares currently purchased.

USD
35
million
dividend announced
to be paid on
12 May 2023

GEMFIELDS GROUP LIMITED DIVIDENDS PAID TO SHAREHOLDERS

USD MILLION	MAY 2022	NOVEMBER 2022	MAY 2023[1]
Dividends paid	20	15	35

1 – Due to be paid on 12 May 2023.

IMAGE Responsibly mined cut and polished Zambian emerald.

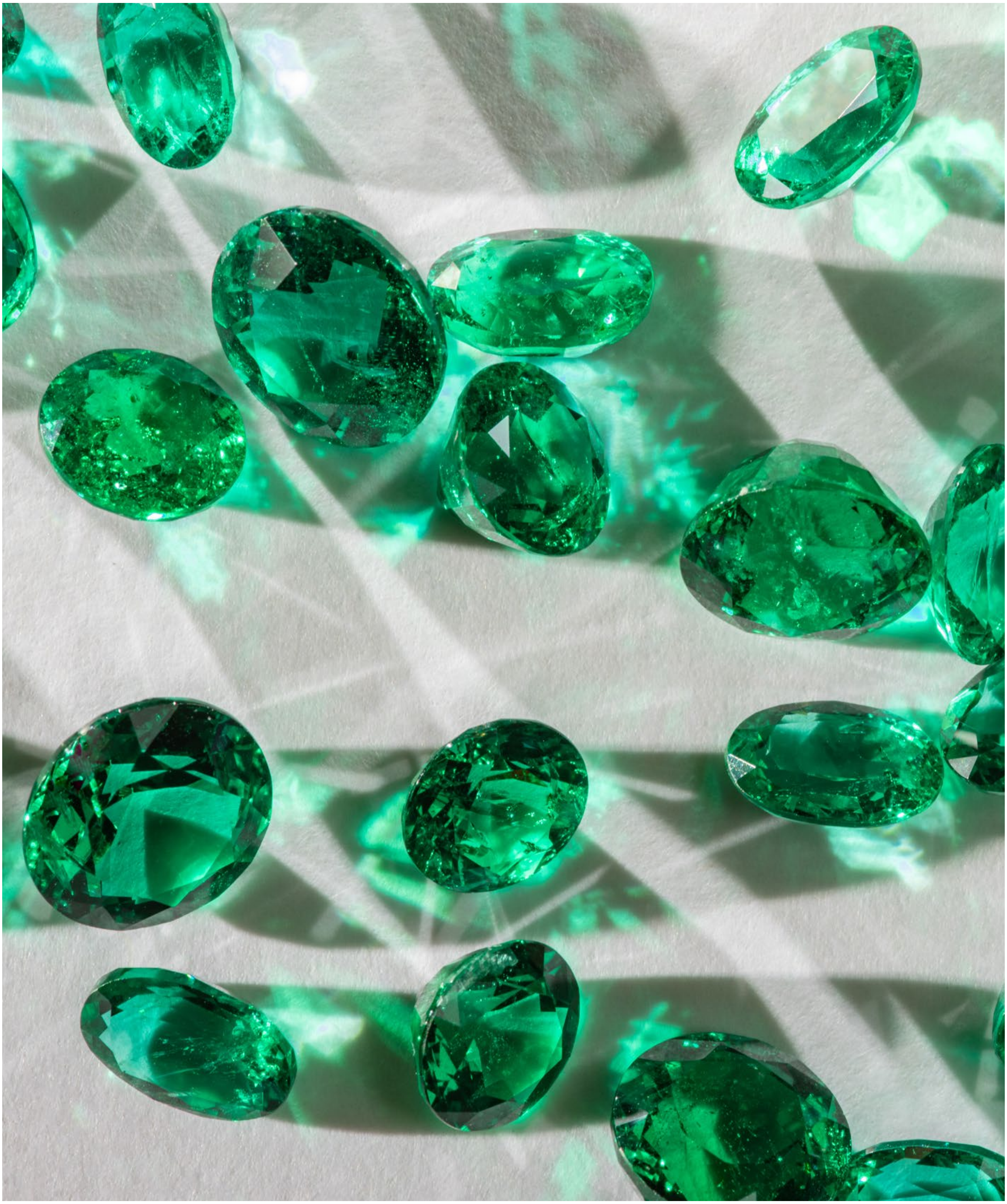


IMAGE Responsibly mined cut and polished Zambian emeralds

SECTION 1.4

Chair's Statement

INTRODUCTION

Although 2022 was a challenging year, it is very pleasing to note that it was a highly successful one for Gemfields Group Limited. The Company achieved record revenues and returned its first two dividends to shareholders. As Chair, I would particularly like to thank all colleagues within the Group for the hard work that was evident across 2022 and led to this standout year for Gemfields. This is despite rising cost of living and the ongoing insurgency making the working environment in Mozambique difficult.

This insurgency continues to cause concern and since the health and safety of employees and contractors is of the company's highest priority, the safe evacuation of Montepuez Ruby Mining ("MRM") in October and remarkable return to operations a few days later was a testament to the spirit and resilience of colleagues there on the ground.

ESG EMBEDDED AT THE HEART OF GEMFIELDS

In Mozambique, Zambia and indeed all locations Gemfields operates in, working closely with the communities is crucial. This is recognised in the newly established ESG strategy to promote transparency, trust and responsible mining while creating a positive impact for the host communities and countries. Through these commitments Gemfields aims to set the standard for African emeralds, rubies and sapphires.

It is recognised that mining finite resources by definition cannot be deemed to be 'sustainable'. However, the approach to ESG and Corporate Responsibility is taken incredibly seriously and seen as a key differentiator. Being a listed company brings a high level of accountability and transparency, which gives comfort to luxury jewellery brands, alongside an increasing number of independent audits of the Group's processes.

As the Gemfields Foundation entered its second year in 2022, it continues to develop projects that will directly improve the lives of those who work and live near the operations in Africa.

See further details on Gemfields' ESG strategy and Gemfields Foundation on pages 81 and 99.

BOARD ACTIVITIES AND SHAREHOLDER ENGAGEMENT

Often an under-considered part of ESG is the requirement for strong Governance, a key focus of the Gemfields Board. In 2022, it was beneficial to be able to return to in-person Board meetings and initiate an extensive Board Evaluation process, finalised in the first quarter of 2023. Board members Mary Reilly, Lumkile Mondi and Carel Malan were able to travel to Kagem in Zambia, seeing the operations first-hand and engaging with colleagues on site.

At an Extraordinary General Meeting in November 2022, shareholders overwhelmingly approved the Board's recommendation of a share buy-back, with over 99% support. As Gemfields' share price has remained strong since the approval was received, the hurdle rate set by management and recommended by shareholders has not been reached. If shares are not purchased by the time of the next AGM, scheduled for the end of June, the Board will review the process and consider the most suitable usage of the USD10 million capital allocated to the buy-back.

STRONG STRATEGIC AND FINANCIAL PERFORMANCE

Achieving record revenues at Kagem, MRM and Fabergé is a significant achievement given the situation for most of 2020 and the start of 2021, when both principal mines were closed. A full year of operations in 2022 and heightened prices paid at auction for rough gemstones led to this performance, and there is also the positive performance of Fabergé as it continues on its path to profitability. As a Group, revenue exceeded the USD300 million mark for the first time, with USD341 million, up 32% from 2021.

The Group's strategy to improve the attractiveness of coloured gemstones through marketing and securing consistent supply for customers is continuing to be of benefit. The strong prices paid for coloured gemstones in 2022 is further evidence that increasing supply can lead to higher demand.

IMAGE Martin Tolcher, *Chair of Gemfields Group Limited*

DIVIDEND

To reflect the outstanding financial performance of the Group in 2022, the Board has approved a strong dividend of USD35 million, returning material capital to shareholders. This follows the USD35 million of total dividends returned during 2022. The Group has the ambition to continue returning capital to shareholders when has the ability to, in line with Gemfields' new set of capital allocation priorities, further detailed on page 36.

See further details on Gemfields' financial performance and capital allocation priorities in the Finance Review from pages 30 to 36.

OUTLOOK

Looking towards the remainder of 2023, the Board remains confident that the excellent work of colleagues will continue to positively impact all stakeholders. However, a word of caution – if the prices paid for the rough gemstones reduce from levels seen in 2022 and high inflation increases costs globally, then it will be difficult for Gemfields to replicate the outstanding financial performance seen in 2022. On a more positive note, the strong rate of cash generation and healthy financial position of the Group gives the operational flexibility to deliver another strong year in 2023.

Finally, once again I should like to thank my fellow Board members and all colleagues throughout the Group for their commitment and effort in ensuring that Gemfields continues to achieve its objectives for all stakeholders.

Martin Tolcher
Chair of Gemfields Group Limited
24 March 2023

IMAGE Kagem emerald mine, Zambia

SECTION 1.5

Chief Executive's Statement

2022 IN REVIEW

2022 has been a remarkable year for Gemfields Group Limited, with a dramatic recovery as we returned to normality after the Covid-19 pandemic. I would like to take the opportunity to thank our stakeholders for the resilience shown across the past few years.

Our strategy of being a world-leading responsible miner and marketer of coloured gemstones is working and is generating considerable revenue and benefits for our host governments and the communities we operate in.

In 2022, we generated record revenues at both of our world-class mines, the Kagem emerald mine and MRM, as well as at Fabergé, the prestigious luxury brand. The payment during 2022 of our first and second ever dividends to shareholders marked a major milestone for Gemfields, with the Board now approving our third dividend, of USD35 million, due for payment on 12 May 2023. Our ambition is to provide regular returns of capital when the business' performance, market conditions and expansion opportunities allow.

See further details on Gemfields' financial performance in the Finance Review from pages 30 to 36.

The coloured gemstone market has seen strong demand after the Covid-19 pandemic, with prices paid for uncut emeralds and rubies reaching remarkable levels during the first half of 2022. With recessionary fears now felt in some corners of the global economy, and against the backdrop of an inflationary environment, delivering the same financial performance in 2023 will be difficult to achieve. Nonetheless, we will pursue with gusto our mission of being the global leader in African emeralds, rubies and sapphires while promoting transparency, trust and responsible mining practices, and creating a positive impact for our host communities and countries.

A WORLD-LEADING RESPONSIBLE MINER AND MARKETER OF GEMSTONES

It is becoming increasingly important to luxury brands and to end consumers that precious gemstone suppliers provide transparency across their businesses and processes. In 2022, we worked with a number of leading luxury houses and watchmakers to facilitate independent audits of our operations, including site visits and extensive due diligence.

We take our role as the custodian of Zambia's emeralds and Mozambique's rubies seriously and strive to be the partner of choice for coloured gemstone deposits across Africa. In early 2023, we updated our *G-Factor for Natural Resources* figures for both Kagem and MRM, showing the considerable value we are delivering to host countries as we pursue our aim of optimising the benefit that natural resources bring for host-country's citizens.

> *G-Factor for Natural Resources*
>
> A Gemfields-developed measure to promote greater transparency regarding the level of natural resource wealth shared with the governments of host countries, recognising the royalties, tax and dividends paid during the period.

In the medium to long-term, we hope that gemstone purchasers will put a higher value on 'Gemfields gemstones' due to our operating philosophy and the positive impact their purchase would make in the country and community from which the gemstone originated. We aim for Gemfields to be <u>the</u> standard for African emeralds, rubies and sapphires.

OUR APPROACH TO CORPORATE RESPONSIBILITY

We aim to conduct ourselves in a manner that considers and respects our people, our communities, our host countries, our environment and our industry. That means working hard at being transparent, honest and open, and operating with legitimacy and acting with integrity.

We continue our efforts to minimise the environmental impact of our operations, building livelihoods for the community members that live in the villages surrounding our mines and promoting lasting positive change across the coloured gemstone industry. To further this endeavour, we established an ESG Committee in 2022 and have developed a new ESG Strategy that is being rolled out across Gemfields' group companies.

See further details on Gemfields' ESG strategy and 2022 achievements on pages 81 to 85.

OUR OPERATIONS

Kagem Mining

Kagem continues to recover outstanding Zambian emeralds and has generated record auction revenues of USD149 million in 2022. The auction of the 37kg 'Kafubu Cluster' set a record as the highest single-emerald sale ever by Gemfields.

As with most mines, higher inflation levels are increasing the cost of our operations considerably. While we continue to invest in our fleet and infrastructure to seek efficiencies, higher fuel costs have been a particular bugbear. I was pleased to meet with the Zambian Government during the year and am inspired by Zambia's potential over the next several years.

The previously reported legal proceedings, brought against Kagem and Gemfields and relating to alleged personal injury and associated claims, is yet to make material progress. We have however been pleased with our launch of an operational grievance mechanism ("OGM") in Zambia which allows stakeholders to submit complaints and grievances for resolution.

Montepuez Ruby Mining ("MRM")

MRM also achieved record auction revenues, reaching USD167 million in 2022 despite operating in challenging and uncertain conditions.

The insurgency in northern Mozambique and its impact on the people and businesses of Cabo Delgado remain a serious concern. Projects like MRM represent a beacon of hope in one of the poorest provinces in one the world's poorest countries. We believe the key to combatting the insurgency is the creation of jobs, economic development and the improvement of livelihoods in the region. As the largest taxpayer in Cabo Delgado for many years, we would welcome more of our tax revenue making its way to communities living in and around the ruby region.

Despite the uncertainty surrounding insurgent activity in Cabo Delgado, MRM continues to work on plans to build a second processing plant. The design phase for the new plant has largely been completed and finalisation of the tender process is expected during the first half of 2023. The payback period on what would be a significant investment for the group is expected to be below 18 months from the point at which the plant becomes fully operational.

Fabergé

Our iconic jewellery brand allows us to have a finger on the pulse of the luxury jewellery market. Fabergé saw record revenues in 2022, with strong sales across the first nine months of the year before a rather softer end to 2022. A weaker global economy, coupled with wobbles in the banking sector, may impact the demand for luxury goods in 2023.

Fabergé has expanded its global reach via new wholesale clients in Macau (China) and in South Korea.

Fabergé continues working towards cash flow profitability, ending 2022 with its lowest ever cash draw from Gemfields.

OUTLOOK

There can be no doubt that 2022 was an outstanding year for Gemfields and the business has never been in a stronger financial position. The warning signs emanating from the global economy and the ongoing insurgency situation in Mozambique remain concerning. The management team remains focussed on returning capital to shareholders while balancing that ambition with prospective growth opportunities in Madagascar, Mozambique and Zambia.

We would like to extend our sincere thanks to all of our team members globally, and to our host governments, our business partners, our customers and our shareholders for their ongoing support.

We are confident that we can continue to grow the coloured gemstone industry via the diligent pursuit of professional governance and standards, while making a positive impact within the communities and countries that are home to our operations.

Sean Gilbertson
Chief Executive Officer
24 March 2023

IMAGE LEFT — Sean Gilbertson, *Chief Executive Officer*

IMAGE — Responsibly mined rough Mozambican rubies and Zambian emeralds

SECTION 1.6

Board of Directors

Martin Tolcher (59)

CHARTERED FCSI

Non-Executive Chair
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 (50)

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 (40)

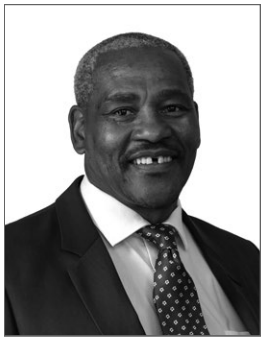
BCOM (ECONOMICS & MARKETING), ACA

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 (60)

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 (52)

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 (37)

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 currently serving a 1-year fixed term contract with Ore & Metal South Africa, a 100% subsidiary of Assore Holdings in South Africa.

Mr Malan is a South African citizen.

Mary Reilly (69)

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 the 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; Essentra plc, a global FTSE 250 company and a leading provider of essential components and solutions; and Cazoo Group Limited, a NYSE company and leading British online car retailer.

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 (45)

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.

SECTION 1.7

Strategy and Mission

Who we are

Gemfields is a world-leading responsible miner and marketer of coloured gemstones.

This statement can be broken down into three parts:

Responsible

'Responsible' – Increasingly, end customers and luxury brands are not simply asking where coloured gemstones are from, they are looking for suppliers to match their standards and principles, and work in the best interest of the communities and livelihoods involved.

More details on what 'Responsible' means to Gemfields can be found on pages 23 to 24.

Miner and Marketer

'Miner and Marketer' – We mine Zambian emeralds and Mozambican rubies at their primary formation sites, and grade and sort them before selling the rough gemstones at auction. We are able to provide a consistent supply of emeralds and rubies and, together with our marketing efforts and our luxury brand (Fabergé), work to increase the attractiveness of coloured gemstones.

More details on what 'Miner and Marketer' means to Gemfields can be found on page 25.

Coloured Gemstones

'Coloured Gemstones' – We specialise in emeralds from Zambia and rubies from Mozambique, with an ambition to find or access a sapphires deposit. Our proprietary grading system and scale of mines allows consistent supply to support a growing market.

More details on 'Coloured Gemstones' and their history can be found on pages 26 to 27.

Our mission

Gemfields' mission is to be the global leader in African emeralds, rubies and sapphires, promoting transparency, trust and responsible mining, while creating a positive impact for our host communities and countries.

Corporate responsibility is embedded within who we are as a business, our mission and our strategy.

More details on our approach and strategy for Corporate Responsibility can be found on pages 80 to 99.

Our strategy

Gemfields' strategic objective is to be the standard for African emeralds, rubies and sapphires.

Gemfields delivers value to its stakeholders through the following four areas of focus:

1

Responsible Mining

Approach to ESG
Listed company accountability
Transparent auctions

2

Consistent Supply

Scale of mines
Proprietary grading system

3

African Partner of Choice

G-Factor for Natural Resources
Partnership with governments

4

Mine and Market

Marketing of coloured gemstones
Owner of iconic luxury brand Fabergé

Responsible mining

1

Luxury brands and end customers purchasing luxury goods are increasingly demanding to understand the source and processes followed to bring products to market. This is to ensure their values match with the companies involved in the supply of the products, and often requires high levels of accountability and strong governance.

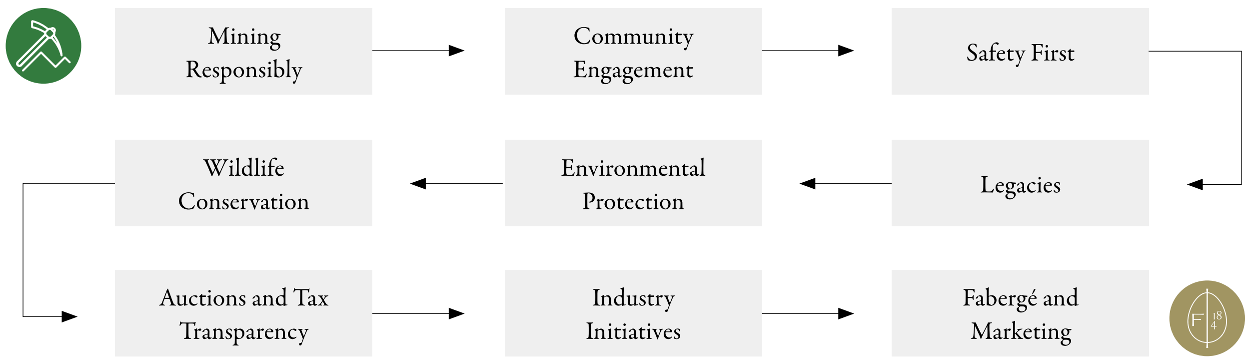
How is this a differentiating advantage for Gemfields?

Responsible mining for Gemfields means implementing industry-leading policies and practices across operations, transparency in our auction sales process, an active role in working groups to modernise the sector, projects to improve health, education and livelihoods for the communities around our mines and conservation efforts to protect Africa's great wildlife and biodiversity.

As a listed company on both the Johannesburg Stock Exchange in South Africa and quoted on AIM in the UK, Gemfields has a responsibility to its shareholders, listing venues, regulators, auditors and advisors to follow strong standards of governance. Gemfields sees membership with industry bodies such as the Initiative for Responsible Mining Assurance ("IRMA") as important milestones and is increasingly being audited or reviewed by luxury brands that use Gemfields gemstones in their products.

More details on luxury brand audits and the process for IRMA membership can be found on pages 84 and 85.

How do we go about responsible mining?



Details on each of these steps for our approach to responsible mining can be found on our website at: https://gemfields.com/sustainability/our-approach/.

2

Consistent supply

When creating jewellery, luxury brands have to balance the demand from end customers with the availability of the raw materials required. If there is no reliable supply of raw materials, luxury brands are less likely to use such materials because of the sunk costs involved in designing and marketing, as well as the lead time required to bring products to market.

The jewellery industry has no established standards for coloured gemstones, which has been exacerbated by centuries of inconsistent supply and the fact that each gemstone is completely unique - demonstrating characteristics that can have a dramatic effect on value.

How is this a differentiating advantage for Gemfields?

Gemfields solves this issue with our unique and proprietary grading system. By combining this system with our world-class mines, Kagem and MRM, which operate at scale, customers can be confident that they have access to similarly graded rough coloured gemstones consistently over time.

3

African partner of choice

Coloured gemstone or precious metal deposits are often at risk of losing the economic value of their natural resources through illicit exportation either by unorganised artisanal mining or companies with limited governmental oversight. Alongside the economic loss, this style of mining often leads to negative impacts on society and the environment.

How is this a differentiating advantage for Gemfields?

Gemfields believes it is vital to have a strong relationship with local governments and the communities it operates in. Countries of origin receive full tax payments based on the transparently reported revenues at full gemstone value, with both Kagem and MRM 25% owned by the local government or local partners.

To show this value, Gemfields have developed the '*G-Factor for Natural Resources*', a measure promoting greater transparency regarding the level of natural resource wealth shared with the governments of host countries, whether from the mining, oil, gas, timber or fishing sectors.

For future coloured gemstone discoveries, Gemfields is well positioned to support partners and governments and becoming the custodians of their precious natural resources.

4

Mine and Market

There are no vertically integrated participants in the coloured gemstone market because of the wide range of different skills required at each stage as an emerald, ruby or sapphire travels from the ground to end customers in the form of luxury jewellery or products. Whether it is exploration and mining, cutting and polishing or creating and selling jewellery, the expertise required does not lead to synergies across stages. This can lead to a disconnect between mine operators and the luxury brands that use cut coloured gemstones in their products, with lack of transparency and ability for miners to influence the value of their production.

How is this a differentiating advantage for Gemfields?

Through its outright ownership of Fabergé, an iconic and prestigious brand of exceptional heritage, Gemfields can optimise the positioning and consumer awareness of coloured gemstones. This 'finger on the pulse' of luxury brands allows Gemfields unique insight into the challenges and customer perception for emeralds, rubies and sapphires. Our marketing, as both Gemfields and Fabergé, can ultimately lead to a higher value for the rough coloured gemstones mined, with more benefit going back to all stakeholders and the local communities of our mines.

A demonstration of where Gemfields operates within the coloured gemstone industry can be found on page 5.

Our values

Transparency

In an industry famed for 'grey areas' and complexity, Gemfields strives to shine a light and transform the sector for the better.

Transparency for Gemfields means providing complete visibility across our business and processes. We do not accept secrets, corruption or distortion. We work with industry partners to standardise strong, transparent practices and hold the industry accountable, so consumers can make informed decisions when it comes to their gemstone purchase.

Our proprietary grading system has transformed the value and levels of propriety that gemstone-hosting countries in Africa may expect from their gemstone resources and from mining companies (whether foreign or domestic), to deliver the maximum benefit for as many citizens as possible. Today, more value than ever accrues to Mozambique and Zambia from their gemstone resources.

Legitimacy

We aim to go over and above accepted practices, operating in a way that not only meets international and national laws, but also challenges the sector.

We have set new benchmarks around corporate responsibility, responsible mining and creating a positive impact for stakeholders, including local communities and our international team. We have zero tolerance for corruption and bribery and uphold policies and processes to guide internal decision making.

Integrity

We are committed to embedding tangible operational actions, at our mines and beyond, as well as supporting the sales and marketing of our products.

Our internal policies help guide our moral principles and aid honest decision making. Our proprietary grading system provides our partners with trusted evaluation and declaration of treatment. Our community projects give back to our neighbours.

Coloured gemstones overview

Emeralds

Emeralds belong to the mineral family known as beryl, which also includes aquamarine, morganite and heliodor. However, the green emerald is the most prized and valuable.

- Zambian emeralds were formed over 500 million years ago.
- Zambian emeralds get their intense green colour from the presence of chromium, iron and beryllium; and they're usually lacking in vanadium, resulting in a bluish-green, lively and often eye-clean emerald.
- Zambian emeralds tend to have a higher iron content than other emeralds, which mean they are less fragile, and need fewer treatments and enhancements.
- Smaller sized, high-quality gems are possible because of the stronger structure and richness in colour. The careful process of recovering emeralds by hand at Gemfields' mine has enabled the safe recovery of some of the largest and most exceptional emeralds ever found.
- Since acquiring the Kagem mine in 2008 in partnership with the Zambian government, Gemfields has pioneered traceability technology; Gübelin's paternity test, for example, allows the traceability of emeralds to their source. Today, the mine supplies around one in four of the world's emeralds.
- Emerald is the birthstone for May.

IMAGE The Kafubu Cluster, 37,555g, Kagem Mining, Zambia

Rubies

In the hierarchy of precious materials, the ruby sits at the very top – large natural rubies frequently cost more per carat than colourless diamonds.

- Over 500 million years old, Mozambican rubies are particularly rare – far rarer than colourless diamonds.
- Rubies and sapphires belong to the mineral family corundum, one of the hardest minerals on Earth.
- Rubies and sapphires share the same characteristics, crystal structure and chemical composition (aluminium oxide). They only differ in the trace element, chromium, from which they get their colour.
- There is no industry-wide agreement on where to draw the line between rubies and pink sapphires. According to an old joke, it depends on whether you're the buyer or the seller.
- The word ruby comes from *ruber*, Latin for 'red'. Therefore, it is no surprise that rubies' primary hue must be red – the more vivid, the better.
- Rubies vary in colour more than you might expect, form purplish-red to orangey-red, with the most desirable hue being a pure vibrant red. Those found in Mozambique cover all of the known colour ranges. As with all gemstones, the colour should be evenly distributed throughout the gemstone.
- Rubies naturally fluoresce under UV light, and feature pleochroism, which is the appearance of different colours when viewing the gemstone from different angles. Pleochroism in rubies typically appears as red to purplish-red in one crystal direction and orangey-red in the other. It is the role of the gemstone cutter to map these colours in order to achieve the most vivid red hue without losing too much weight from the rough gemstone.
- Ruby is the birthstone for July and rubies are also the gift designated for 40th wedding anniversaries.

IMAGE Responsibly mined rough Mozambican rubies and Zambian emeralds

IMAGE Responsibly mined rough Mozambican ruby pair, together 61.50 carat

SECTION 2

Performance

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SECTION 2.1

Finance Review

FINANCE REVIEW

The Group's primary financial key performance indicators ("KPIs") are revenue, EBITDA, free cash flow before working capital movements and net cash. These KPIs for 2022 can be seen in the table below against the previous year.

IN THOUSANDS OF USD	2022	2021
Revenue	**341,106**	257,706
EBITDA[1]	**165,771**	133,101
Profit after tax	**74,268**	64,963
Cash generated from operating activities	**119,499**	98,121
Free cash flow[2]	**99,377**	118,122
Net cash	**104,519**	62,985

1 – Earnings before interest, taxation, depreciation and amortisation, adjusted to exclude one-off impairments on the Group's 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 achieved record revenues of USD341.1 million during 2022, predominantly from the sale of rough emeralds and rubies. There were two commercial-quality emerald auctions held in Jaipur, India, and two higher-quality emerald auctions held in Bangkok, Thailand, one of which included a 37 kg special interest piece called the "Kafubu Cluster". Rubies saw two mixed-quality auctions and one commercial-quality auction all held in Bangkok, Thailand. The Group delivered the record result for the year with the remarkable highs achieved in first half of 2022, softening in the second half but remaining at strong levels.

As a result of inflationary pressures and supply chain disruption across the globe, the Group has seen input costs rise significantly, especially fuel, labour, spares and service costs, while supply chain constraints have led to delays in securing equipment for operations in Africa. Our Zambian cost base has also been negatively impacted by the appreciation of the Kwacha and electrical grid load shedding, leading to generator sourced power requirements. Security costs have increased at MRM, due to the insurgent activity in Cabo Delgado. Nevertheless, the Group continues to implement cost optimisation measures designed to contain costs and mitigate the impact of inflation. The phenomenal results achieved in 2022 despite the slowdown of the world economy, demonstrates the strength of our business model and ability to navigate tough times. We expect continued robust gemstone market conditions during 2023.

REVENUE

IN THOUSANDS OF USD	2022	2021
Kagem	**148,638**	91,830
MRM	**166,688**	147,367
Fabergé	**17,552**	13,753
Other	**8,228**	4,756
Total	**341,106**	257,706

Total auction revenues for the year set a new annual record of USD315.3 million, up 32% from the previous record set in 2021. Individual emerald and ruby auction records also set new highs in the year. The two commercial-quality and two higher-quality rough emerald auctions made USD148.6 million, while the two mixed-quality rough ruby auctions generated USD162.4 million. Additionally, in September 2022, a commercial-quality sapphire, corundum and low-quality ruby auction was held that generated revenues of USD4.2 million. The Group's seven auctions accounted for 92% of total revenue. The "Kafubu Cluster" that was sold at November's higher-quality emerald auction also set a new record as the most expensive single emerald item ever sold by Gemfields.

Gemfields' innovative auction processes 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.

Fabergé generated revenues of USD17.6 million in the year, 28% above the USD13.8 million achieved in 2021. 2022 revenues include USD2.2 million from the sale of the Fabergé x Game of Thrones objet egg.

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

It was expected that the 2022 cost base would be higher than that prior year as operations ran at normal capacity for the full year, compared to only eight months in 2021 due to Kagem and MRM's closure during Covid-19. The longer period of operational activity, inflationary pressures and changes in the operating environment contributed to the rise in costs.

Mining and production costs (excluding mineral royalties, production taxes, inventory write-downs) for the Group increased to USD86.8 million (2021: USD57.8 million).

In addition to the inflationary pressures, revenue dependent costs such as mineral royalties and production taxes, and cost of goods sold have increased as a result of higher revenues. Mineral royalties and production taxes, which are calculated as 6% and 10% of emerald and ruby revenues, were USD9.2 million for the Kagem emerald auctions (2021: USD5.6 million) and USD16.1 million for the MRM ruby auctions (2021: USD15.0 million). The change in inventory and cost of goods sold expense for the year has increased to USD13.0 million (2021: USD9.7 million).

Mining and production costs capitalised to intangible assets in relation to the Group's development projects were USD5.5 million for the year, above the USD3.3 million capitalised in 2021 due to an increase in activities.

Selling, general and administrative expenses ("SG&A"), excluding share-based payments, impairments and write-downs, increased 39% to USD55.8 million (2021: USD40.2 million). As discussed above, this is partially due to operations being suspended in the first quarter of 2021 and the inflationary pressures leading to a rise in costs, particularly labour, marketing and advertising, legal costs, professional fees, MRM's OGM and travel costs across the Group.

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 USD1.0 million were realised in 2022 in comparison to a loss of USD0.5 million in 2021.

EBITDA / EBITDA MARGIN

EBITDA for the Group increased 25% to USD165.8 million (2021: USD133.1 million), despite the macroeconomic pressures and rising costs during the year. The Group's revenue to EBITDA margin however decreased to 49% for 2022, from 52% in 2021. Kagem and MRM have EBITDA margins of 49% and 50% respectively.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation in the year was USD37.7 million (2021: USD27.5 million). 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. The other factors were suspension of operations in the first quarter of 2021 limiting capital expenditure in the previous year and amortisation of deferred stripping costs provided during the current year.

IMAGE LEFT David Lovett, *Chief Financial Officer*

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

IMPAIRMENT REVIEW

Impairment charges recognised during the year predominantly comprise the adjustment of legacy inventory for Fabergé of USD1.0 million and slow-moving consumables at MRM of USD2.5 million recognised in cost of sales, and write down of other assets of USD2.6 million recorded within selling, general and administrative expenses. In 2021, impairment charges were USD4.9 million, comprising mainly the USD4.4 million impairment recognised against the intangible assets related to the Group's development project in Ethiopia.

FAIR VALUE GAINS AND LOSSES

Fair value gains and losses arise on the Group's unlisted equity investment relating to its stake of 6.54% in Sedibelo Resources Limited (previously Sedibelo Platinum Mines Limited) ("Sedibelo" or "SPM"), 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.

For 31 December 2022, the estimated value of the investment was determined to be USD32.0 million, a decrease of USD5.2 million from last year (31 December 2021: USD37.2 million). This decrease in fair value has predominantly resulting from the uncertainty in the market putting downward pressure on the enterprise values of Sedibelo and its peer group; Sedibelo's own performance over the last twelve months has also fallen as a result of operating challenges and the modest reduction in PGM prices. Full details can be found in Note 12: *Unlisted equity investments* to the Consolidated Financial Statements.

PROFIT/(LOSS) FROM OPERATIONS

Profit from operations in 2022 was USD116.5 million (2021: USD107.6 million). Profit from operations at Kagem and MRM were USD55.9 million and USD62.6 million respectively, Fabergé with a loss of USD3.1 million.

FINANCE INCOME AND EXPENSES

Net finance expenses for the year were USD1.9 million, compared to USD3.2 million in 2021, and mainly comprised USD2.1 million interest on bank loans and borrowings at Kagem and MRM (2021: USD2.4 million). The finance costs are partially offset by an increase on interest earned on positive cash balance and interest charged on a related party loan by MRM.

IMAGE Ruby wash plant, Montepuez Ruby Mining, Mozambique

TAXATION

IN THOUSANDS OF USD, UNLESS OTHERWISE STATED	2022	2021
Profit before taxation	**114,655**	**104,423**
Income tax charge	(40,387)	(39,460)
Effective tax rate %	35.2%	37.8%
Cash tax paid	39,772	9,732

The effective tax rate for the year of 35.2% reflects a tax charge of USD40.4 million on a profit before tax of USD114.7 million. This consisted of a current tax charge of USD52.1 million, a deferred tax credit of USD12.9 million and withholding tax of USD1.2 million on a dividend declared by MRM. In 2021, the USD39.5 million tax charge was made up of a current tax charge of USD30.3 million, a deferred tax charge of USD8.0 million and USD1.2 million withholding tax.

The effective tax rate of 35.2% principally arises from non-deductible costs at Kagem and MRM and the higher local tax rates in Mozambique (32%) and Zambia (30%). In the prior period, the effective tax rate of 37.8% principally arose from non-deductible costs (mineral royalty taxes and CSR costs) and MRM (foreign exchange movements and CSR costs), along with various losses incurred during the period but for which no benefit had been recognised.

The deferred tax credit of USD12.9 million arose mainly because of recognition of deferred tax asset of USD5.1 million on tax losses in Fabergé UK Limited as a result of turnaround into profitability of a related UK company as well as a net decrease of USD4.9 million in mining assets and inventory of Kagem and MRM due to amortisation. The balance of the deferred tax credit is due mainly to foreign exchange movements in MRM.

The increase in cash tax paid from USD9.7 million to USD39.8 million is driven by strong results of Kagem and MRM in 2021 and 2022 coupled with the timing of advance payments and settlement of final tax liabilities. These resulted in payments totalling USD16.5 million in settlement of 2021 tax liabilities and USD23.2 million on account of 2022 liabilities across the three entities. Similar levels of payments are anticipated in 2023.

PROFIT / (LOSS) AFTER TAXATION

The Group made a profit after tax of USD74.3 million in the year, up 14% (2021: USD65.0 million). The profit for the year reflects the record-breaking auction results being offset by an increased cost base.

EARNINGS PER SHARE

Basic earnings per share for the year were USD cents 4.8, compared to earnings per share of USD cents 4.3 in 2021, reflecting the profit for the year on a slightly increased weighted average number of shares in issue to 1,185,105,349 (2021: 1,168,938,030).

Headline earnings per share is similar to earnings per share except that attributable profit specifically excludes certain items, as set out in Circular 1/2021 "Headline Earnings" issued by the South African Institute of Chartered Accountants. In 2022, headline earnings per share was USD cents 4.8 (2021: USD cents 4.7).

CASH FLOWS

Cash and cash equivalents increased by USD20.8 million to USD118.5 million at 31 December 2022 as the Group generated USD119.5 million from operating activities, spending USD41.0 million on investing activities and USD55.5 million financing the business, including USD36.5 million dividends paid.

The USD119.5 million generated from operations during the year was primarily due to the record-breaking auction revenues offset by the inflated costs base. 2022 saw the payment of USD39.8 million in taxes during the year, primarily at MRM (USD25.9 million) and Kagem (USD13.3 million). Capital expenditure was USD34.1 million, as discussed below.

As a result of the factors described above, free cash flow before working capital movements was USD99.4 million in the year (2021: USD118.1 million).

IN THOUSANDS OF USD	2022	2021
EBITDA	**165,771**	**133,101**
Change in inventory and COGS[1]	13,017	9,704
Costs capitalised to intangible assets[1]	(5,549)	(3,280)
Tax paid (excluding royalties)	(39,772)	(9,732)
Capital expenditure	(34,090)	(11,671)
Free cash flow before working capital movements	**99,377**	**118,122**
Working capital movements[1]	(14,946)	(31,147)
Free cash flow	**84,431**	**86,975**

1 – 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.

Capital expenditure including intangibles for the year increased to USD34.1 million (2021: USD11.7 million). The period's expenditure consisted mainly of replacement capex at the mines and continued expansion of the development assets. MRM spent USD10.5 million on replacement heavy earth-moving machinery ("HEMM") and completion of the new office block, whilst at Kagem USD14.3 million was spent on replacement HEMM as the ageing fleet was decommissioned. At the development assets, spend was focussed at Nairoto (USD4.5 million) and MML (USD2.3 million), both of which constituted machinery, camp and security procurement.

Capital expenditure in 2023 is expected to increase as the Group will continue with plant and machinery replacement schedules and expansion plans.

Total cash utilised in investing activities was USD41.0 million (2021: USD17.4 million), split mainly between USD34.1 million spent on capital goods (2021: USD11.7 million), USD6.5 million of cash advances made to Mwiriti, the Group's partner in Mozambique, in lieu of future dividends from MRM (2021: USD6.4 million). A dividend was declared by MRM during the year of which USD5.1 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.

IMAGE 'How To Buy Coloured Gemstones' marketing campaign

The Group's financing activities saw an outflow of USD55.5 million (2021: USD25.9 million), mainly driven by the net repayment of the Group's overdraft facilities at MRM of USD7.2 million (2021: USD17.3 million), a USD13.5 million (2021: USD4.5 million) principal repayment made against the loan held by Kagem, interest paid predominantly on the Kagem loan and MRM facilities of USD2.8 million (2021: USD3.1 million), USD35.0 million of dividend paid to shareholders of the parent company together with the USD1.5 million of dividend paid to non-controlling interest in Kagem and USD1.6 million of cash payments in relation to lease liabilities.

FINANCIAL POSITION

The Group's balance sheet is summarised below:

ASSETS

IN THOUSANDS OF USD	2022	2021
Property, plant and equipment	**336,765**	342,617
Intangible assets	**56,139**	49,962
Investments	**32,000**	37,200
Inventory	**110,625**	115,852
Auction receivables	**54,919**	54,527
Cash and cash equivalents	**118,526**	97,720
Other assets, including deferred taxation	**65,151**	45,906
Total assets	**774,125**	743,784

Group's non-current assets mainly comprise property, plant and equipment ("PPE") of USD336.8 million (2021: USD342.6 million), intangibles assets of USD56.1 million (2021: USD50.0 million), unlisted equity investments of USD32.0 million (2021: USD37.2 million), deferred tax assets of USD6.3 million (2021: USD2.9 million) and other assets of USD14.1 million (2021: USD13.5 million).

PPE is predominantly relating to the mining assets (evaluated mining properties and deferred stripping costs) of USD280.8 million (2021: USD300.0 million). Of the total mining assets, USD260.1 million (2021: USD277.4 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. Intangible assets of USD56.1 million consist of USD28.5 million (2021: USD28.5 million) representing the Fabergé trademarks and brand, USD27.3 million (2021: USD21.2 million) related to unevaluated mining assets across the Group.

The unlisted equity investment relates to the Group's 6.54% equity holding in Sedibelo. The valuation of this investment is discussed above and in Note 12 of the consolidated financial statements.

Group's current assets mainly comprise of inventory of USD110.6 million (2021: USD115.9 million), trade and other receivables of USD99.6 million (2021: USD84.0 million) and cash and cash equivalents of USD118.5 million (2021: USD97.2 million). USD54.9 million of trade and other receivables arose from auction receivables (2021: USD54.5 million).

Inventory decrease by USD5.2 million from USD115.9 million to USD110.6 million is largely due to a decline in rough rubies at MRM by USD4.9 million resulting from gemstones sold at the mixed quality ruby auctions held in the year and decline in Fabergé inventory by USD3.5 million, offset materially by an increase in rough emeralds by USD2.3 million resulting from strong production levels at Kagem and an increase by USD1.0 million in spares and consumables.

The auction receivables outstanding of USD54.9 million at 31 December 2022 mainly relate to the series of auctions held across November and December 2022, with USD10.8 million outstanding from the HQ emerald auctions and USD44.1 million outstanding from the MQ ruby auctions. At the issuance date of this report, 99% of the outstanding emerald and ruby auction receivables had been collected.

Other non-current and current assets of USD65.2 million mainly comprise USD30.8 million of VAT receivables (2021: USD20.9 million), predominantly from MRM and Kagem, deferred tax assets of USD6.3 million (2021: USD2.9 million), related party receivables of USD10.1 million (2021: USD8.1 million) held with Mwiriti, the Group's partner in MRM and Nairoto, USD8.2 million of non-auction trade receivables (2021: USD7.2 million) and other assets of USD9.8 million (2021: UD6.7 million). The increase in VAT receivables by USD9.9 million is mainly due to delayed processing and repayment of claims by the relevant tax authorities.

LIABILITIES

IN THOUSANDS OF USD	2022	2021
Deferred tax liability	76,780	86,244
Trade and other payables	44,158	39,137
Current tax payable	33,351	20,987
Provisions	17,400	9,831
Lease liabilities	2,332	3,649
Borrowings	14,007	34,735
Other liabilities	5,000	5,000
Total liabilities	**193,028**	**199,583**

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 net deferred tax liability decreased in the year by USD9.5 million due principally to a net reduction of USD4.9 million in mining assets and inventory because of amortisation and a reduction of USD2.5 million in the deferred tax liability on foreign exchange movement in MRM. The balance of USD2.1 million of the decrease is due to the impact of the net increase in deferred tax assets that are netted against deferred tax liabilities.

Trade and other payables have increased by USD5.0 million to USD44.2 million at 31 December 2022. This is largely driven by higher levels of trade payables at MRM of USD3.2 million and at Fabergé of USD1.1 million, increase in accrued expenses of USD2.3 million at Fabergé and USD1.2 million at Kagem, materially offset by decreases in mineral royalties and production taxes payable comparing to prior year.

The current tax payable of USD33.4 million consists of USD15.4 million payable by MRM, USD16.1 million payable by Kagem and USD1.6 million payable in the UK. All amounts relate to the tax payments due for the 2022 financial year.

Provisions of USD17.4 million predominantly include USD2.3 million (2021: USD1.2 million) of environmental provisions for the rehabilitation and restoration of mined areas at Kagem and MRM; USD1.4 million of resettlement action plan provisions (2021: USD0.2 million) and USD13.7 million (2021: USD12.8 million) other provisions for future legal claims and fees, including MRM OGM scheme, and employee end-of-contract benefits.

BORROWINGS AND NET CASH

IN THOUSANDS OF USD	2022	2021
Cash and cash equivalents	118,526	97,720
Current borrowings	(14,007)	(24,735)
Non-current borrowings	–	(10,000)
Net cash	**104,519**	**62,985**

The increase in net cash in the year reflects the strong results from auctions held in 2022 despite the inflationary pressures on costs. At 31 December 2022, the Group held USD14.0 million in borrowings, a decline of USD20.7 million from 2021, due to the full repayment of the term loan at Kagem. At 31 December 2022, Kagem has only USD10.0 million of revolving facility with Absa Bank Zambia Plc and MRM has drawn USD4.0 million of the USD30.0 million overdraft facilities available with ABSA and Banco Comercial E De Investimentos, S.A.

GOING CONCERN

The 2022 consolidated financial statements have been prepared on the going concern basis. The Group's base case model for the period to December 2024 shows that the Group has sufficient available funds to meet its liabilities as and when they fall due.

The recovery in the coloured gemstone market since the pandemic related restrictions is clearly evident, with both the emerald and ruby auctions achieving record-breaking revenues in 2022. The strong financial performance in 2022 has significantly improved the Group's gross cash position to USD118.5 million at 31 December 2022, with USD54.9 million auctions receivables, 99% of which had been collected by March 2023. The debt balance outstanding at 31 December 2022 is USD14.0 million, putting the Group in a net cash position of USD104.5 million at 31 December 2022.

The Directors believe that any full-scale suspension of operations, akin to those seen in 2020 and 2021, is highly unlikely and expect to continue the normal six to seven auctions scheduled per year in 2023. In addition, based on information currently available, the conflict in Ukraine is not expected to have a material adverse impact on the Group.

CAPITAL ALLOCATION PRIORITIES

The Group defines its capital allocation priorities as managing debt, organic and inorganic investments and capital returns, in no specific order and assessed on an ongoing basis.

DIVIDEND POLICY

As approved by the Board on 23 March 2023, Gemfields' dividend policy aims to provide regular returns of capital when the business' performance and market conditions allow, at the Board's discretion and following assessment of Gemfields' capital allocation priorities.

DIVIDEND

The Group paid its maiden dividend of USD20 million or approximately USD cents 1.7 per share in May 2022 and interim dividend of USD15 million in November 2022. Off the back of the strong 2022 results and the future prospects, the Board have approved the payment of Gemfields' 2022 final dividend of USD35 million, or approximately USD cents 2.9 per share. The dividend will be distributed to shareholders on 12 May 2023.

SUMMARY

2022 has exceeded expectations with record-breaking revenues realised in total and for individual emerald and ruby auctions. Despite the increased input costs and supply chain constraints the Group has generated excellent cash flows. The future looks bright but there are challenges to navigate, not least the insurgent activity in Mozambique. The Group will remain vigilant in managing cash to ensure that it is protected against any unforeseen adverse circumstances or 'black swan' events. Strong production at both mines continues, giving confidence that the planned auction schedule for the 2023 will go ahead as planned.

David Lovett
Chief Financial Officer
24 March 2023

IMAGE Proprietary grading system, Kagem Mining, Zambia

SECTION 2.2.1

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 25–30% of global emerald production. Kagem holds an asset portfolio of nine mining and three exploration licences in Zambia, with the primary operations being Chama, Chibolele and Fibolele. The principal operation is in the Ndola Rural Emerald Restricted Area (“NRERA”) and lies south of Kitwe and west of Ndola, in Zambia’s Copperbelt Province. Kagem is 75% owned by Gemfields and 25% owned by the Government of Zambia through the Industrial Development Corporation (IDC). The operations comprise the following:

- Chama, an open-pit mine extending over 2.2 kilometres of strike length and supplying approximately 25% of global emerald production.
- Chibolele, an open-pit mine with a strike length of 520 metres.
- Fibolele, an open-pit mine with a 600-metre-long strike length.

ZAMBIA

Location	Copperbelt Province, Zambia
Acquisition by Gemfields	June 2008
Ownership structure	75% Gemfields 25% Government of Zambia
Gemstones	Emerald and beryl
Mining method	Open-pit
Potential mine life	22 years to 2044

KAGEM

Auction results

During the period, Kagem held two commercial-quality (“CQ”) and two higher-quality (“HQ”) auctions. Both the CQ auctions were held in Jaipur, India from 15 March to 1 April 2022. and 31 August to 19 September 2022, the HQ auctions were held in Bangkok from 9 to 26 May and 30 October to 17 November 2022. The auctions saw record-breaking results in revenues and price per carat. The auction lots were made available for in-person and private viewings by customers in Bangkok and Jaipur. Following the viewings, the auctions took place via an online auction platform specifically adapted for Gemfields, which permitted customers from multiple jurisdictions to participate in a sealed-bid process.

The first CQ auction saw 56 companies placing bids and generated all-time record revenues of USD42.1 million, with an overall average value of USD9.35 per carat, also an all-time record for Kagem commercial quality auctions whereas the second CQ auction saw 44 companies placing bids and generated revenues of USD32.8 million with an overall average sales price of USD8.99 per carat, the second-highest figure achieved at any Kagem commercial-quality auction.

The first HQ auction generated all-time record revenues of USD43.1 million with an overall average value of USD155.92 per carat, the highest average price per carat achieved at any of the 41 Kagem auctions from July 2009 to May 2022. The second HQ auction generated USD30.7 million with an overall average value of USD76.67 per carat and included the 37kg “Kafubu Cluster”, a special interest piece, which set a new record as the most expensive single emerald item ever sold by Gemfields.

Kagem’s 2022 auction revenues set a new annual record of USD148.7 million (beating the prior record, set in 2021, of USD92.3 million).

The 43 auctions of Kagem gemstones held since July 2009 have generated USD899 million in total revenues.

Mining

During 2022, Kagem continued exposing the emerald bearing zones and waste removal at three sectors of the Chama pit (F10, Chama and FF-Mboyonga) and three production areas at Chibolele pit (M1, M2 & M3). Developmental activity was started at Cut Back 2 (CB2) portion of the Chama pit. Bulk sampling commenced at the Kamakanga pit in January 2022.

The total rock handling in 2022 was 13.2 million tonnes (2021: 9.4 million tonnes). Operations were re-started only in March 2021 after closure of the operations in 2020 due to Covid-19.

Production

During 2022, Kagem achieved 37.2 million carats of production at a grade of 161 carats per tonne, with remarkable production of 259,501 carats of premium emerald, the highest since 2012.

Operations in the first half of 2022 were focused on expediting the more productive sections of the Chama pit to replenish inventory levels, and at the same time other production contacts for mining later in the year were also being worked upon. Activities focused on controlled blasting in the ore contact zones using smaller diameter blastholes, chiselling the in situ ground and manual picking the run-of-mine at contact points. This enabled the preservation of large gemstones, resulting in significant production of good quality, large premium emeralds.

Kagem's key operational parameters for the period ended 31 December 2022 are summarised in the table below.

Processing

Processing for the period to 31 December 2022 was 180,322 tonnes at 49 tonnes per hour compared to 142,437 tonnes at 49 tonnes per hour to 31 December 2021 as processing only commenced in April 2021. The tonnage processed in 2022 yielded 18,191,059 carats compared to 17,297,734 carats in 2021.

Operating costs

Cash rock handling unit costs (defined as total cash operating costs divided by total rock handled) were USD4.30 per tonne for the period (2021: USD3.48 per tonne), with total cash costs of USD56.9 million (2021: USD32.6 million). The significant increase in costs reflects inflationary pressures on input costs as being experienced across the globe, with fuel, labour, spare parts and service costs rising

KAGEM PRODUCTION SUMMARY

	12 MONTHS TO 31 DECEMBER 2022	12 MONTHS TO 31 DECEMBER 2021
Gemstone production (premium emerald) in thousand carats	259.5	230.5
Gemstone production (emerald and beryl) in million carats	37.2	32.0
Ore production (reaction zone) in thousand tonnes	231.6	167.5
Grade (emerald and beryl/reaction zone) in carats/tonnes	160.8	191.0
Waste mined in million tonnes	13.0	9.2
Total rock handling in million tonnes	13.2	9.4
Stripping ratio	52	54

IMAGE Operations, Kagem Mining, Zambia

substantially over the period. Kagem is looking at various ways to contain these costs and reduce its exposure to these pressures.

Total 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.

The total operating costs for the twelve months to 31 December 2022 were USD102.2 million (2021: USD60.7 million).

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.

Capital expenditure

During the period, Kagem spent USD14.3 million primarily on replacement of mining and ancillary equipment and infrastructure improvements to staff accommodation for the post Covid-19 era.

Infrastructure

Infrastructure development projects were focussed on improving the living conditions of the employees and mitigating the effects of Covid-19. Construction of 50 new rooms for the employees was completed. The Heavy Earth Moving Machinery ("HEMM") washing bay was also completed for improving HEMM availability.

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") published in January 2020. 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 21-year open-pit Life of Mine Plan ("LoMP"). The resource and reserves are updated on annual basis by the company's internal competent person for disclosure to the JSE and AIM as part of the Group's Annual Gemstone Resources and Gemstone Reserves Reports.

IMAGE Operations, Kagem Mining, Zambia

From January 2022, work commenced on the Kamakanga licence as a bulk sampling project to enhance Kagem's overall production profile. The exploration campaign in Kagem's licences was resumed in June 2022 to facilitate and upgrade the resource/reserve estimates.

Protection services

The primary focus of the profit protection services during the period was on improving the physical and technological surveillance within the licence area, reducing theft cases and thwarting intrusion of trespassers. Some CCTV cameras were relocated and 15 additional CCTV cameras were installed. Standard operating procedures at Gate A, Gate B and the washing plant were improved. New surveillance guard posts were also created in Chibolele, Kamakanga pit area and the washing plant areas. New security booms were created near Gate A, Chibolele and Kamakanga to monitor vehicle movement. One additional drone was procured, which helped increase the surveillance of the licence area.

Health, Safety and Environment

Our commitment to safe and responsible mining goes beyond our organisational and legal obligation. Kagem continues to champion a 'zero-harm' culture, a culture free of injury and damage to the environment in its mining operations.

A zero-harm culture is furthermore extended to our business partners (suppliers, contractors, visitors etc.) who undergo General Site Induction (GIS) prior to commencement of their work. Employees are subjected to a Behaviour Based Safety (BBS) programme, which has been implemented as a tool to reinforce safe behaviours and eliminate unsafe behaviours, with the ultimate goal of achieving zero incidents.

Kagem has achieved certification to ISO 14001:2015 (Environmental Management Systems), ISO 45001:2018 (Occupational Health and Safety Management Systems) and ISO 9001:2015 (Quality Management Systems). To enhance its environmental management, Kagem is progressively rehabilitating its waste dumps and monitoring the quality of emissions. Furthermore, a biodiversity study was successfully conducted to come up with a management plan that will help in reducing Kagem's carbon footprint.

Ten thousand trees were planted as part of a mine rehabilitation programme during 2022.

Kagem achieved 100% compliance with all legal and statutory permitting and licensing conditions associated with its mining operations.

Kagem mine recorded one lost-time injury ("LTI") in 2022.

IMAGE Kagem emerald mine, Zambia

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The sustainability and corporate responsibility activities at Kagem aim to position the company in good standing with communities, and to ensure that company policies impact positively on people and complement the Government in reducing poverty levels and suffering amongst people. Kagem's approach is community participation, in line with government policy.

Stakeholder engagement

Kagem continued the engagement and management of strategic partners and key stakeholders in the area. During the period under review, Kagem signed MOUs with two chiefs, Chief Nkana and Chief Lumpuma.

Education

Kagem continued supporting the education sector during the year. The company was able to hand over a classroom block as well as two teachers' houses at Masasa Primary School.

Kagem also started a project to construct a computer laboratory and rehabilitate the existing blocks at Kapila Primary School. Gemfields Foundation bought new computers for the Chapula Secondary School computer laboratory. Kagem also signed MOUs with the University of Zambia and Copperbelt University to sponsor and support best-performing students in the schools of Mining Engineering and Geology.

Health

Kagem continued supporting the health sector by making various donations including Covid prevention materials, a submissive pump to Nkana Health Centre as well as refurbishment of an ambulance for the District Health Administration to assist community members to have access to quality health care.

Agriculture/livelihoods

Kagem continued supporting agriculture through various cooperatives as a way of sustaining livelihoods for the community members. Through agriculture, community members are able to realise legitimate income leading to increased household incomes to sustain themselves and their families. Agriculture also contributes to the reduction in incidences of illegal mining by proving alternative income-generating activities.

During 2022 Kagem established two new cooperatives, the Lumpuma Multipurpose Cooperative Society ("LMPCS"), which is a youth-focused cooperative, and the Kafwaya Women's Multipurpose Cooperative, which focuses on livestock and comprises women.

Kagem facilitated training for all the cooperatives it is supporting during the pre-farming season to make them more efficient and effective. Kagem also provided inputs such as fertiliser to all the cooperatives.

Nature conservation and environment

Kagem made a donation to the Frankfurt Zoological Society (FZS) of the North Luangwa Conservation Programme towards the Rhino Conservation Project. These are part of the proceeds from the sale of the iconic gemstone dubbed the Chipembele.

Operational Grievance Mechanism

Kagem started the establishment of an Operational Grievance Mechanism ("OGM") in August 2022. The OGM was operationalised and subsequently launched on 11 November 2022 as part of its ongoing commitment to engage with the local community.

Kagem asked business and human rights consultants to conduct extensive stakeholder engagement in order to design an OGM which could resolve grievances in an effective and efficient manner in compliance with the United Nations Guiding Principles ("UNGPs"). An Independent Monitor will perform independent external reviews of the Kagem OGM to ensure its effectiveness under the UNGPs.

More details can be found in the ESG Report on page 84.

Human resources

As of 31 December 2022, 1,334 people (2021: 1,207) were employed by Kagem, of which 949 (2021: 810) were directly employed and 385 (2021: 397) were employed through contractors.

During 2022, 1,032 employees were trained in various fields including health, safety, environment protection, quality management, team building, stress management and trade-related refresher training programmes. These trainings were conducted by both external and in-house trainers, with 97.8% (1,009 employees) of the workforce being trained at the mine site, and 2.2% (23 employees) being trained off-site in the Zambia. Two Zambian students were engaged as intern at Kagem, one in HR-Medical department and the other in the Finance department.

Kagem fostered steps towards gender equality in the workplace by adopting new recruitment efforts, which culminated in the employment of four female HEMM operators in the year.

Staff welfare activities were focussed on improving social amenities around the workplace and camp. During 2022, a total of 94 Covid-19 cases were recorded with 100% recovery rate. The management has continued to ensure strict adherence to the Covid-19 preventive guidelines at the mine site provided by the Government of Zambia.

IMAGE Education projects, Zambia

SECTION 2.2.2

Operations Review

Mozambique

RUBY OPERATIONS IN MOZAMBIQUE COMPRISE THE FOLLOWING:

- **Montepuez Ruby Mining Limitada** ("MRM"). The Montepuez ruby deposit, which is in north-east 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 8 years to 2030 (assuming a second processing plant is fully operational by 2026 and absent of further exploration which is expected to take place in the near future).
- **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.

MOZAMBIQUE

Location	Cabo Delgado province, Mozambique
Acquisition by Gemfields	November 2011
Ownership structure	75% Gemfields 25% Mwiriti
Gemstones	Ruby and corundum
Mining method	Open-pit
Potential mine life	8 years

MRM

Auction results

During the period, MRM held two mixed-quality ("MQ") auctions and one commercial-quality ("CQ") auction. Both of the MQ auctions were held in Bangkok, Thailand from 30 May to 17 June 2022 and 21 November to 8 December 2022. The CQ auction was held from 19 September to 23 September 2022. The auctions saw record-breaking results in revenues and price per carat for MQ ruby auctions. Following the viewings, the bidding took place via a secured online auction platform specifically adapted for Gemfields which permitted customers to participate from multiple jurisdictions.

The first MQ auction saw revenues of USD95.6 million, an all-time high for any Gemfields auction, at an average price of USD246.69 per carat, a new record for any mixed quality ruby auction. The second MQ auction generated USD66.9 million of revenue, at an average price of USD154.84 per carat.

The CQ auction, made up of sapphire, corundum and low-quality ruby, saw revenues of USD4.2 million, with all 18.1 million carats offered sold at an average price of USD0.23 per carat.

MRM's 2022 auction revenues set a new annual record of USD166.7 million (beating the prior record set in 2021, of USD147.4 million).

The 18 auctions of MRM rubies held since June 2014 have generated USD898 million in total revenues.

Mining

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 processing plant while waste is backfilled into mined-out areas, thereby returning the area to its natural aesthetic.

Total rock handling during the year was 7.0 million tonnes (2021: 5.7 million tonnes), comprising 1.2 million tonnes of ore and 4.9 million tonnes of waste material at an overall stripping ratio of 4.1. The remaining 0.9 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 (95.9%) in order to extract higher-quality ruby-bearing ore, with the remainder coming from the Maninge Nice Block (2.9%) and from Glass Block (1.2%).

Production

A total of 2.6 million carats ("Mct") of ruby and corundum were produced during the year with a focus on handling high-quality and low-occurrence ore. Of the 2.6 Mct of production for the year, 1.2 Mct was recovered from Mugloto secondary ore and 1.4 Mct from other blocks. In 2021, 3.3 Mct was produced, coming in similar ratios between the individual blocks.

The overall ore grade realised during the 2022 was 2.3 carats per tonne (2021: 3.3 carats per tonne). The marginal reduction in grade was attributed to processing a higher volume than during the nine months of operations in 2021.

Processing

During the year, 1.1 million tonnes of ore was processed at the processing plant. On average the plant processed 95,610 tonnes per month, compared to 91,093 tonnes per month in the operational period in 2021.

MRM's key operational parameters for the year to 31 December 2022 are summarised in the table below.

Operating costs

Total cash operating costs for 2022 were USD46.1 million (2021: USD35.4 million), giving a unit cash rock handling cost of USD6.57 per tonne (2021: USD6.20 per tonne). The impact of the global economy and Ukrainian conflict has put inflationary pressures on fuel, labour and spare part costs.

Total 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.

The total operating costs for the twelve months to 31 December 2022 were USD96.6 million (2021: USD 80.9 million).

MRM PRODUCTION SUMMARY

	12 MONTHS TO 31 DECEMBER 2022	12 MONTHS TO 31 DECEMBER 2021
Gemstone production (premium ruby) in thousand carats	78.4	84.0
Gemstone production (ruby and corundum) in million carats	2.6	3.3
Ore mined (primary and secondary) in thousand tonnes	1,206.8	739.9
Ore processed (primary and secondary) in thousand tonnes	1,147.3	1,002.0
Grade (ruby and corundum/ore processed) in carats/tonnes	2.3	3.3
Waste mined in million tonnes	5.8	5.0
Total rock handling in million tonnes	7.0	5.7
Stripping ratio	4.1	6.0

IMAGE Cut and polished Mozambican rubies

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.

Capital expenditure

Total cash capital expenditure was USD10.5 million in 2022, comprising USD6.7 million invested in expansion and exploration, and USD3.8 million on existing mining and ancillary equipment replacements including Resettlement Action Plan ("RAP").

Infrastructure

Slime treatment plant comprising Decanter Centrifuge Technology was successfully installed and commissioned in July 2022. This eco-friendly disposal of slime cake technology has helped in reducing the load on the tailing dam and improve process water recirculation in plant circuit. Further operation capacity optimisation of this machine, test work for selection of suitable type of flocculent followed by capacity determination of flocculent dosing plant is ongoing.

Construction of the new two-storey office building in the central mining area was completed during the year, with the project management team moving into it in April 2022.

Second processing plant

Despite the uncertainty surrounding insurgent activity in Cabo Delgado, MRM continues to work on plans to build a second processing plant. The design phase for the new plant has largely been completed and finalisation of the tender process is expected during the first half of 2023. The payback period on what would be a significant investment for the group is expected to be below 18 months from the point at which the plant becomes fully operational.

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 15-year open-pit LoMP to year 2033 and that the mine is well positioned for growth in production. At 31 December 2022, an annual reserve statement was prepared by MRM's internal competent person, which indicates a 8-year LoMP to the year 2030, using the assumption of a second processing plant being fully operational by 2026. The management are confident that the LoMP will be extended, as exploration continues.

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

A total of 3,021.45 meters of diamond drilling was completed during the year 2022.

With an objective to delineate the gravel horizon in the southern part of Mugloto and Glass Block, an auger drilling programme covering an area of 23 square kilometres with 2,800 metres from 538 holes was completed during the year 2022. The areas covered were Nakete area (18 square kilometres) located to the south of Mugloto pits and the Nathepo area (5 square kilometres) located to the south-east of Glass pits.

Based on the findings of earlier auger exploration phases, two new bulk sampling pits were opened in the year, Mugloto Pit 11 (started in December 2021) and Maninge Nice Pit 6 (started in 2022), in which pit development plan is ongoing. Mugloto Pit 11 ore was processed and has produced encouraging results, and in Maninge Nice Pit 6 ore mining will take place in first quarter of the 2023 financial year.

Protection services

Illegal artisanal mining activity for 2022 saw a significant increase compared to 2021. The main contributor was the influx of displaced people into the area, in and around the MRM vicinity since the insurgent attack in Palma in March 2021 as well as the increase in insurgent activities around the mining operations in 2022. This is a clear indication of the negative impact that the insurgent activities in Cabo Delgado have on the mining and other economic operations in the district. 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 and exploitation of vulnerable groups by well-organised syndicates.

The Islamic insurgency in Cabo Delgado province remains a concern. Sporadic insurgent incidents in 2022 spread to the south and south-west into the Montepeuz, Balama and Ancuabe district areas surrounding our operations. Deployment of the Mozambican armed forces ("FADM") and supporting joint international forces increased in the these areas following the trail of incidents. Gemfields and MRM keep tracking the developments in the region and the resulting risk to the operations in the region in close coordination with the state's security agencies, third-party independent advisors and security experts.

In October 2022, an attack attributed to insurgent activity was reported at the neighbouring ruby mine belonging to Gemrock, which lies approximately 12km south-east of the operations of MRM. As a consequence, MRM initiated the process of evacuating operational employees and contractors. Security personnel and Mozambique police force remained on site, and the Mozambique military arrived on site later that day. Key operational personnel returned to MRM and basic operations resumed. Mining and processing activities were then resumed in phases, after giving due consideration to the threat perceptions in the licence area. Gemfields and MRM hold the health and safety of their employees and contractors as their highest priority. MRM remains on a state of high alert and maintains regular dialogue with government authorities.

The Protection Services Department ("PSD") works on principles of combined team mobile operations, the usage of an unmanned aerial system ("UAS"), closed circuit television ("CCTV") and force multipliers, that are maintained. Mobile patrol is carried out 24/7 in risky illegal mining areas and pits, with deployment of static guarding at key installations. The company drives the focus on continuously creating awareness on the Voluntary Principles of Human Rights in all aspects of its operations with specific focus on the communities surrounding the operations as well as public security forces at play.

Drone operations were augmented during the year with introduction of the Matrice 30 multi-rotor medium-range as well as longer-range fixed-wing drones. MRM has further focused on regulating the drone operation by successfully registering all unmanned aerial vehicles (UAVs) with the Mozambican Aviation Authority, as well as having three out of the five qualified RPL drone pilots in the country.

With the prevailing risks of illegal mining and insurgency within the area, the PSD remained focused on maintaining a high standard

IMAGE 'How To Style Coloured Gemstones' marketing campaign of service to keep MRM personnel and property safe, and to prepare for any possible external threats. Further, supportive security enhancement included the development of a 24-hour Domain Awareness Centre.

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 focused on toolbox talks, assessing risks in work environments and improving the culture associated with near-miss reporting. Two Lost Time Injuries (LTIs) occurred during the year. Of these, one was caused by an attack by illegal miners on a mine supervisor. The second one was directly attributable to operational health and safety. Prior to the second LTI, MRM had successfully achieved more than 2 million LTI-free shifts to the end of October 2022.

In the interests of reducing the frequency rate of injuries, a series of internal and external health and safety training modules were 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.

At the end of 2022, MRM installed four PurpleAir devices for air quality monitoring in the mine and the surrounding area in the concession. A third-party consultant has been engaged who will also carry out the air quality monitoring physically in and around the concession and in the nearby communities.

Good progress has been made in post-mining environmental rehabilitation, with a total of 290 locally grown saplings being replanted over an area of three hectares of backfilled land. The Integrated Management System ("IMS") implementation of ISO 9001, ISO 14001 and ISO 45001 (Quality Management System, Environmental Management System and Occupational Health and Safety Management System respectively), which was put on hold during the Covid-19 outbreak, will be resumed in the first quarter of 2023.

In December 2022, a third regulatory independent environmental audit was conducted on MRM's Environmental Impact Assessment ("EIA") and Environmental Management Plan ("EMP") compliance.

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, livelihood 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 schoolchildren; and opening the operation's sports grounds for the local schoolchildren to use over the weekends.

Since 2017, 205,017 consultations have been performed reaching 10 villages by the mobile clinics.

The Vocational Training Centre ("VTC") completed two training cycles and is now running the third cycle of electricity, plumbing and civil painting. The third training cycle began on 15 November 2022, and ended on March 15, 2023, with 70 graduates enrolled, including 15 female students.

A key focus for the Resettlement Action Plan ("RAP") was the successful RAP Village inauguration ceremony, on 25 August 2022, by the Secretary of State of the Cabo Delgado Province, followed by the provision (in November 2022) of the 2,132 books/courseware for the library of Namanhumbir Administrative Post inside the RAP Village to serve the local school. In addition, other ongoing RAP key focus areas are mainly the engagement of the contractor for construction of the drainage Phase II along the roads inside the RAP Village, construction of the water tank towers and the development of the cemetery site.

The preparation and demarcation of the 210 hectares of agricultural farmland for resettled villagers was completed. There were, however, some issues between encroachers and the resettled villagers involving part of the RAP agricultural block. There is ongoing engagement with the relevant government authorities to resolve the said issues. MRM continues to support the resettled villagers by providing seeds kits (including pesticides and fertilisers) for use in their agricultural farmlands. MRM have floated public tender for engaging an independent consultant to design and implement the Livelihood Restoration Program ("LRP") to strengthening the existing local development programmes for both the resettled villagers and the host communities.

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 determines 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, was 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 1 June 2022 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.

More details can be found in the ESG Report on pages 84 and 85.

Human resources

As at 31 December 2022, 1,421 people were employed by MRM, of whom 702 were directly employed and 719 were employed through contractors. During the year, various internal and external training programmes were attended, including training programmes on human rights, health and safety (ISO 14001:15 and ISO 45001:2018), sexual and gender-based violence ("SGBV"), finance, security and equipment handling.

IMAGE Responsibly mined cut and polished Mozambican ruby

MEGARUMA MINING LIMITADA ("MML")

MML is a venture between Gemfields, which holds 75% of the share capital, and EME Investments SA, Mozambique, which holds 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.

The trenching method was adopted to explore for detection of ruby incidences, which would potentially lead to a bulk sampling exercise. A total of 291 carats of ruby and corundum were produced during 2022. During the period in 2021, 151 carats of ruby and corundum were produced, with varying grades.

MML exploration for the period 1 January to 31 December 2022 is summarised in the table below.

To further increase the exploration and evaluation activities, manual pitting was initiated in September 2021 with a total of 48 manual pits being opened in different target locations. Altogether 29 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 grades.

The 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 were 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 2023.

NOVO MEGARUMA MINING LIMITADA ("NMML")

As previously stated, in order to comply with the new mining legislation that requires every mining licence to have a unique tax identity, mining title 7049C, originally held by MML, was transferred to a newly registered company, Novo Megaruma Mining Lda, in May 2021. This Licence shares its northern 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 local security situation preventing free access to most parts of the licence area. 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 expired in March 2021; however, this has no impact on NMML's operations as the renewal application was submitted within the requisite time frame, 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.

MML PRODUCTION SUMMARY

	12 MONTHS TO 31 DECEMBER 2022	12 MONTHS TO 31 DECEMBER 2021[1]
Gemstone production (ruby and corundum) in carats	291	151
Ore mined (secondary) in tonnes	45,33	25,304
Ore processed (secondary) in tonnes	49,324	20,943
Waste mined in tonnes	317,987	200,994
Miscellaneous rock handling in tonnes	36,483	23,004
Total rock handling in tonnes	399,803	249,302
Stripping ratio	7.0	7.9

1 – Operation was resumed in July 2021 after remaining suspended for over a year due to Covid-19

EASTERN RUBY MINING LIMITADA ("ERM")

The mining licence 8277C held by ERM, a venture between Gemfields, which 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 after exploration work was carried out during 2019.

The land rights for mining activity ("DUAT") applications were filed for five sectors in November 2019. Approval for all five DUATs has been received.

All the key HEMM equipment arrived at site during the year, in readiness to initiate the bulk sampling operation in 2023 .

Developmental works are in progress such as infrastructure establishment, road establishment, water bore wells and allied works.

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.

To date, a total of 2,500 metres were drilled in 616 boreholes on a 200 x 100 metre grid interval in a diamond pattern covering three sub-blocks during Phase 1 prior to the pandemic. A total of 399 boreholes intersected the secondary ore (GB).

A total of 67.16 tonnes of auger drilling samples were processed and 14.19 tons of concentrate transported safely to MRM old sort house for sorting. A total of four boreholes out of 490 recovered ruby & tumble ruby incidences with 0.01 and 0.14 grams respectively, and four boreholes recovered 0.31 grams of low ruby, sapphire & low sapphire, making a total of 0.46 grams.

Exploration activities were planned to be resumed in Phase 2 by inhouse auger drilling rig in Q3, 2022, which has been delayed as the arrival of auger drilling rig got delayed due to unforeseen circumstances. However, contractual auger drilling has been initiated with a total of 128.04 m and 33 boreholes being completed by close of the year in a 200 x 100 m diamond grid pattern. Four sub-blocks have been delineated to be completed in Q1 2023 and processing of auger samples is to be carried out in bushman jigs at CDJ.

The land use rights ("DUAT") application, which was filed in June 2019, has been approved at both the district and provincial level, and the application is currently under process for final approval at federal level.

CDJ is being developed as an exploration company capable of providing exploration services to other Group companies in the region on a contractual basis. Registration for operatorship under CDJ has been done and the license has been received, valid for five years until 3 October 2027 to carry out exploration activities in ERM's 8277C. Registration and operatorship license between CDJ and other Group companies will be obtained in due course.

IMAGE Sampling, Montepuez Ruby Mining, Mozambique

SECTION 2.2.3

Operations Review

Fabergé Limited

Fabergé is one of the world's most renowned names in luxury, underscored by a well-documented, rich, illustrious heritage. As a wholly owned subsidiary of Gemfields, Fabergé provides direct access to the end consumer of coloured gemstones through directly operated boutiques and international wholesale partners, and boosts the international presence and perception of coloured gemstones through its consumer-focused marketing campaigns.

POINTS OF SALE

For the twelve months to 31 December 2022, Fabergé directly operated three points of sale: a concession in the Harrods Fine Jewellery Room, London, UK, and mono-brand boutiques located in the world-famous Dubai Mall, Dubai, UAE, and in the Galleria Mall, Houston, Texas, USA.

Fabergé products were also available in Australia, Austria, Albania, Andorra, Azerbaijan, Bahrain, Belgium, Canada, Mainland China, Cyprus, Czech Republic, France, Germany, Greece, Holland, Hungary, Hong Kong, India, Indonesia, Iraq, Ireland, Italy, Japan, Jersey, Jordan, Kuwait, Macau, Malta, Moldova, New Zealand, Norway, Poland, Portugal, Qatar, Romania, Saint Martin, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Thailand, United Arab Emirates, United Kingdom, Ukraine and the USA, through its network of retail partners.

In addition, Fabergé products are listed for purchase online via Faberge.com, Net-A-Porter, Harrods.com, Saks.com and a host of other third-party online marketplaces.

The total number of Fabergé points of sale increased from 116 to 128 during the period.

FINANCIAL PERFORMANCE

In 2022, Fabergé achieved revenue of USD17.6 million (2021: USD13.8 million). The increase in revenue was driven by strong wholesale sales and the sale of the Fabergé x Game of Thrones egg objet.

During the same period, Fabergé recorded an EBITDA loss of USD1.5 million (2021: EBITDA loss of USD4.9 million), with operating expenses of USD9.2 million (2021: USD8.3 million).

PRODUCT DEVELOPMENT

For the year ending 31 December 2022, Fabergé expanded its chic, contemporary Colours of Love collection (which champions the use of Gemfields gemstones across a variety of products) to include new rainbow set, multi-coloured gemstone creations across rings, earrings, necklaces and bracelets.

In addition, Fabergé launched a series of limited-edition, floral-inspired egg objets, aptly named 'Fabergé in Bloom', as well as a fluted gold egg (featuring Gemfields set rubies) in celebration of Fabergé's 180th anniversary.

Fabergé also continued its strategic partnership with HBO on the acclaimed hit TV series, *Game of Thrones*, by launching a limited-edition, fine jewellery capsule collection featuring Gemfields rubies. In addition, Fabergé announced new partnerships with 007 (EON Productions) and Regent Seven Seas Cruises.

MARKETING AND COMMUNICATIONS

During the period, Fabergé placed a strong focus on celebrity dressing opportunities, showcasing Fabergé and coloured gemstones on the red carpet and at major events. Celebrities who have worn Fabergé include Abby Roberts, Addison Rae, Adeel Akhtar, AJ Odudu, Akiya Henry, Angelica Ross, Anjli Mohindra, Ashanti, Becky Hill, Billie Piper, Brad Pitt, Carrie Underwood, Christian Aguilera, Demmy Ladipo, Jacob Elordi, Jessica Wang, Jessica Williams, Karlie Kloss, Laura Marano, Lea Michele, Lucy Liu, Nathaniel Curtis, Raheem Sterling MBE, Raye, Taj Atwal, Victoria Yeates and Yola Carter.

Fabergé also continued to promote and sell its creations and deliver its key messaging through leading jewellery trade shows and exhibitions such as Vicenzaoro, Italy, Inhorgenta, Germany, and the Doha Jewellery & Watches Exhibition, Qatar.

For Easter 2022, Fabergé reignited its partnership with The Ritz, London. Both renowned as being the epitome of luxury, the collaboration was a perfect marriage of heritage and modernity and took place at The Ritz Hotel.

Fabergé also held its first wholesale conference since the start of the Covid pandemic, which took place in London. Spread over two days, the highlight of the event was a private 'after hours' tour of the Victoria & Albert Museum's exhibition 'Fabergé in London: Romance to Revolution'.

IMAGE Fabergé jewellery featuring Gemfields Zambian emeralds

SECTION 2.2.4

Operations Review

New Projects and Other Assets

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 in the northern part of the licence, called the Dogogo Block. 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 in an operational capacity due to ongoing security risks in the country and widespread political and ethnic unrest in the region.

The political and security situation in Ethiopia remains unsettled, although a recently signed peace deal promises to end hostilities in Tigray region and will hopefully lead to wider stability across the country. Furthermore, there was an increase in reports of unrest in Oromia, WGM's 'home' region, over the course of the year. The persisting political issues in Tigray, Oromia and other neighbouring regions may have an ongoing impact on the stability of federal politics until fully resolved. Given the prevailing political and security conditions in the region, the Return-to-Work ("RTW") plan of WGM has been delayed significantly.

In October 2022, WGM received a letter from the Federal Ministry of Mines in Ethiopia notifying the company of the termination of its exploration license in southern Oromia. The letter states, incorrectly, that no exploration work has been carried out in the nine years since the licence was issued, hence the termination. There was no acknowledgement of the extensive exploration programme the company has conducted, nor of the considerable investment made to develop the licence, nor of the 2018 licence invasion and subsequent force majeure circumstances that have prevented the company from resuming operations. The company is formally challenging the termination on the grounds that it was based on

IMAGE Mixed sapphires

inaccurate information and because due process was not followed in the cancellation of the licence.

Throughout the recent unrest, WGM 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, despite not having a functioning operation, WGM has maintained a regular community engagement programme to support the local communities and the authorities throughout the pandemic and subsequent drought conditions:

1. In April 2020, the Company distributed a shipment of essential food and medical provisions to support the most vulnerable members of the community;
2. 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;
3. In November 2021, the Company sent a large shipment of food products to Borena zone to support vulnerable community members affected by drought conditions;
4. In early April 2022, the Company supported zonal development by sponsoring a local mining and business investment forum designed to attract investment into Borena Zone;
5. In late April 2022, the Company sent another large shipment of food products to Borena zone to provide ongoing support to the community during the drought;
6. In September 2022, Gemfields held a series of direct community engagements with key stakeholders around the mine site to assess the ground conditions and suitability for a resumption of activities. A third-party social and security risk analysis consultancy carried out the engagements on WGM's behalf.

The company will continue to monitor developments regarding its licence termination challenge, and operations planned in 2023 will be entirely dependent on a successful outcome.

MADAGASCAR

Oriental Mining SARL, a 100% subsidiary of Gemfields, holds a number of concessions for a range of minerals, including emerald and sapphire. Gemfields had been planning to commence preliminary investigations with regard to several additional permits in 2020; however, developmental activities were postponed as a cost-saving measure in response to Covid-19. Gemfields plans to resume developmental activities in Madagascar in early 2023, and has already reactivated several projects that had been placed on hold during the pandemic.

The Gemfields Foundation constructed a primary school in rural Madagascar complete with biogas and water supply, set to serve 195 pupils living close to Antsahamarofoza, in Antananarivo district. Construction of a second school is now underway in the village of Antanetibe in Avaradrano district, Analamanga region. The schools will provide students with education, hot meals and a clean water supply.

NAIROTO RESOURCES LIMITADA ("NRL")

A joint venture agreement was signed between Gemfields Ltd (75%) and Mwiriti Lda (25%), the Group's existing partner in MRM, in June 2019 to manage a cluster of twelve exploration and mining licences located about 30 kilometres to the north of the MRM concession. The company, Nairoto Resources Limitada ("NRL"), became fully functional in January 2020. NRL is the beneficial owner of all twelve licences, covering an area of 1,958 square kilometres. The licences hold exploration potential for gold (both primary and secondary), ruby and allied minerals.

SRK Exploration Services Ltd ("SRK ES") was engaged to provide advisory and technical support with an initial focus on secondary gold resources, leading to the identification and evaluation of the primary source. SRK has completed this exercise for all twelve licences and the outcome is encouraging. It has led to the identification of 88 catchment areas and 38 potential targets for secondary and primary gold, respectively. SRK designed a stream sediment programme to evaluate the secondary gold potential of these catchment areas, which began in June 2021. The programme had a target to collect 3,732 samples in ten months, of which a total of 1,863 samples have been collected to date.

SRK ES conducted a data validation exercise on the 2021 exploration results to establish the accuracy and sensitivity of the dataset and to optimise the use of data in the Phase 2 targeting exercise. Secondary target areas that are located downstream from the potential primary gold-bearing areas were also assessed by panning stream sediment samples collected upstream from these sites, leading to recovery of gold, including nuggets and coarse gold grains. Targets were prioritised based on the exploration data and proximity to the existing NRL processing facility. In total, 63 prioritised targets have been generated within the NRL licence areas. A decision was made in early 2022 to prioritise regional soil sampling surveys across all the twelve licences with grid spacing selection based on the stream sample results and SRK priority areas.

Over and above the SRK recommendations and work programmes there are eight target areas ("TLs") located in the north central mining licence areas identified by Mwiriti Lda prior to the acquisition. The target areas were chosen almost solely from the presence of artisanal mining activities and were believed to be the potential areas for finding primary gold.

From July 2021 to October 2021, a trenching exercise was conducted over the TLs to test the subsurface soil for gold. 29 trenches were excavated totalling 5,050 metres in length. A total of 2,157 samples were taken from the three identified A and B soil layers (horizons), and the bottom C unit (bedrock). The A and B soil material was transported to the pilot treatment plant for processing. All three layers (horizons) were also sampled at five-metre intervals and the concentrate from composite samples were analysed at ALS Global in South Africa. Furthermore, one-metre channel samples of the C bedrock unit were also analysed to test the potential for primary gold.

A total of 16,518 samples were submitted to ALS Global in South Africa in 2022 and results have been received for just under half as follows:

- 112 soil orientation samples from TL5 taken across the main ore body collected in March 2022. Results were received in July 2022 indicating that soil surveys need to be conducted sampling the -180 micron fraction. The results also indicate that silver, arsenic and stibnite are the main pathfinder elements to the gold mineralisation.
- 164 trench composite samples from all eight TLs from the two soil layers A and B and bedrock C, dispatched to ALS in March 2022. Results were received in July 2022 indicating that TLs 1 and 5 have the highest potential to host a primary gold deposit with TLs 7 and 8 possibly hosting small alluvial deposits.
- 821 horizontal channel samples collected from the C bedrock unit of trenches from targets TL1, 3, 5 and 7, dispatched to ALS Global in March 2022. Results were received in July 2022 with TL5 having excellent grades from three of the four trenches, with the best intersection from trench 3 of 72m @ 1.20g/t including 13m @ 3.88g/t.
- 1,065 regional and infilling soil samples taken during 2018 and 2019 from targets TL1, 2, 3, 4 and 5, dispatched to ALS Global in May 2022. Results were received in July 2022 with TL1 and TL5 results suggesting that the gold in soil anomaly extends beyond the currently trenched areas.
- 1,180 regional infill soil samples collected from 9784C in November 2021, dispatched to ALS in April 2022. Results were received in July 2022 indicating small one point gold anomalies over the sampled areas. The results will be interpreted in more detail once the second phase sample results are received in Q1/2023.
- 200 vertical channel samples from the A and B layers (horizons) from the TL1 infill trench programme collected in June 2022, dispatched to ALS in July 2022. Results were received in August 2022 with high values up to 38g/t being located in the vicinity of a historical artisanal pit.
- Furthermore, the TL1 area was revisited in June 2022 where seven additional infill trenches were excavated totalling 625 metres. A total of 125 bulk samples representing 5 metres of length each were passed through the plant giving an average grade of 0.17g/t within the mineralised zone. The explored zone is estimated to contain 30,000 tonnes of secondary ore. The ALS Global results suggest that the majority of gold recovered from the plant is probably hosted in the top organic unit of soil not sampled for the laboratory.
- 848 additional TL5 infill trench samples were collected in July 2022. Results were received in November 2022 suggesting that the mineralisation extends in a southerly direction with trench 6 having 24m @ 0.59g/t including 8m @ 1.04g/t. The trench excavated to the north unfortunately returned no gold grades but may not have been extended far enough to the east. The surface expression of the current mineralisation is 240m in length.
- 638 TL5 infill soil samples with a spacing of 50m x 50m were taken in August 2022. Results were received in November 2022 extending the surface expression of the mineralisation potentially to over 1 km.
- 1,031 regional soil samples taken on 8529L in July 2022 on grids spaced 200m x 400m and 400m x 400m. Results were received in November 2022. 3 gold cluster anomalies have been identified for further follow-up infill sampling. One large pathfinder anomaly has been identified near the contact between the Nairoto Complex granites and meta-sediments.

Three of the alluvial targets identified by SRK within a two-kilometre radius of the current plant have been verified with ground truths. Initial investigations suggest that these are contained within narrow catchment areas. Pitting was conducted on an active artisanal stream extending for 650m on TL7 during November 2022. 19 pits were excavated and the gold bearing alluvial gravels were sampled and processed through the pilot plant giving an average grade of 0.54g/t. It was decided to proceed with mining of the sediments along the stream in December 2022 whereby 581 tons of material was processed giving an average grade of 0.07g/t.

Plans for the forthcoming twelve months include:

- Q1/23: 9785C regional soil sampling south of the Nairoto river.
- Q1/23: 9785C trenching of TL1 gold in soil anomalies.
- Q2/23: Completion of all the remaining regional soil sampling.
- Q2/23: Completion of infill sampling on all positive regional soil targets.
- Q2/23: Drone magnetic survey across positive soil anomaly areas.
- Q2/23: TL5 detailed trenching on soil anomalies.
- Q3/23: RC drilling TL5 target area.
- Q3/23: Trenching of new gold in soil anomalies defined from infill soil sampling.
- Q4/23: RC drilling of new targets defined from trenching.
- NRL has been operating a two-shift normal system at the 5 tonne per hour ("tph") pilot treatment plants with a total utilisation of 62.5 % achieved over 2022. A total of 12,620

tonnes of potential secondary ore collected from trenches in various TLs was processed during 2022, yielding a total gold concentration of 1,311gms. Smelting of the gold concentrate generated 932 grams of gold dore, with the estimated in situ ore grade (gpt) being 0.17g/t. The first ever gold bar weighing 1,215 grams was cast in May 2022 and it comprised all the gold dores accumulated during the previous year.

NRL is in the process of acquiring and setting up of a 50 tph alluvial gold treatment plant to support the exploration activity more effectively. It is planned to be a modular-cum-mobile treatment plant that can be moved to different exploration locations as required.

As part of its social responsibility initiative, NRL carried out the following activities:

- Financial support for Quirimbas National Park, which aims to reinforce its patrolling capacity and support internal community development plans.
- Support to Nairoto Health Centre with basic medicines, with special focus on anti-malarial drive.
- Distribution of vegetable seeds for small farmers in three NRL surrounding villages.
- Support Nairoto day festival on 1 August.
- Installation of a solar power system at the maternity centre of the Nairoto Health Centre.
- Handover of offices built for Nairoto primary school.
- Special Christmas day for orphaned children in Montepuez.
- Restoration of Nairoto's airstrip.

Operations were discontinued briefly in the project in the last week of November 2022 due to an evacuation of the camp that was triggered as a measure of ample precaution in response to an insurgent activity in the forest about 15km south of the NRL camp. The operations resumed in the first week of December.

Another evacuation took place on the 13 February 2023 due to the insurgent activity which occurred at the Nairoto Village, about 15km to the southwest of the camp. Consequently, the operations remain suspended in the project, but plans are underway to commence work as soon as possible as the camp remains occupied with a limited number of essential employees protecting it and warming up of equipment, awaiting the full resumption of work.

IMAGE Cut and polished Zambian emeralds, Mozambican rubies and sapphires

SECTION 2.3

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 Ltd, which operates the Kagem Emerald Mine ("Kagem") in Zambia, and in Montepuez Ruby Mining Limitada, which operates the Montepuez Ruby Mine ("MRM") in Mozambique.

This section is a condensed overview of GGL's Gemstone Resources and Gemstone Reserves Report 2022, which contains a comprehensive review of the Gemstone Resources and Gemstone Reserves for Kagem and MRM at 31 December 2022 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 2022 and the Competent Person's Report ("CPR") for Kagem and MRM for 2019, from which the 2022 Report was compiled, are available online at 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 the Effective Date of 31 December 2022, GGL had total attributable mineral resources of 1,331 million carats ("Mct") of combined emerald and beryl at an average value of USD5.22/ct, and 501.5 Mct of ruby and corundum at an average value of USD20.74/ct (average 2014–2022).

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:

- Murlidhar Gautam, Head of Geology, MRM, MTech (Applied Geology), MAusIMM, is the competent person responsible for reporting Gemstone Resources and Gemstone Reserves at MRM in this report. Murlidhar Gautam was Head of Production and Exploration with Kagem Mining Ltd until October 2021 before transferring to MRM. He has over 21 years' experience in Exploration and Mining of different commodities, Diamond, Emerald, Copper, Bauxite and Ruby. He has relevant experience in this style of mineralisation.

  The Competent Person's address is Montepuez Ruby Mining Lda, Avenida Eduardo Mondlane, No. 178, Edifico Cruz Vermelha, Cidade De Pemba, Cabo Delgado, Mozambique.

- Hemant Azad, Head of Geology, Kagem, PE & MSc (Geology), MAusIMM, & MAIG is the Competent Person responsible for reporting of Gemstone Resources and Gemstone Reserves at Kagem 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 Ltd, 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 CPR for Kagem and MRM and operational records for the period 1 July 2019 to 31 December 2022 and comply with the requirements of Section 12 of the JSE Rules and the SAMREC Code.

The CPs further consent to the disclosure of the 2022 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 manual intensive methods with the assistance of hydraulic excavators under close supervision 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 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 processing plant (capacity 330 ktpa ore) processes RZ material mined directly from the open pit through a simple series of comminution, screening, washing and sorting facilities.

The washing plant products, together with the high-quality product recovered directly from the mine, are essentially hand-sorted in a secure sort house facility where gemstones are upgraded 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 life-of-mine ("LoM") plan provides for plant feed of 146 thousand tonnes per annum ("ktpa") with an average feed grade of 201 ct/t through to 2044. Kagem forecasts to recover 750 Mct over the LoM.

The auctions in 2022 realised USD73.8 million from the sale of 0.68 Mct of higher-quality emeralds and USD74.9 million from the sale of 8.17 Mct commercial-grade quality emeralds.

In January of 2022, a biodiversity study within the Kagem concession was completed by a team from the Copperbelt University.

Kagem has embarked on a programme that promotes progressive rehabilitation of its waste dumps and several initiatives to improve management of domestic waste and hazardous waste.

In June 2022, Kagem was certified to ISO 14001:2015 Environmental Management Systems by Bureau Veritas. This is a demonstration that Kagem does not only aim at complying with legal requirements but goes beyond compliance by implementing the industry best practice.

Kagem obtained a financial guarantee number 061-02-0003891 for USD1,095,074.71 for the rehabilitation of land disturbed by mining (execution of decommissioning, closure, and post-closure).

For the year ended 31 December 2022, Kagem recovered 37.2 Mct from 232 thousand tonnes ("kt") of RZ ore at an average grade of 161ct/t.

The cash rock handling unit cost for 2022 of USD4.30/t ore (USD3.48/t in 2021) reflects the return to normal operating conditions relative to the Covid-19 lockdown restrictions.

KAGEM GEMSTONE RESOURCES AND GEMSTONE RESERVES

The Kagem Gemstone Resources and Gemstone Reserves estimate (75% basis) for 31 December 2022 is set out below. Gemstone Resources are reported at a bottom screen cut-off of 3 mm and are inclusive of the Gemstone Reserves.

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

Kagem Attributable Gemstone Resource and Gemstone Reserve Estimate at 31 December 2022

Gemstone resource (Attributable to GGL)	Tonnage (kt)	B+E grade (ct/t)	Contained B+E (Mct)	Gemstone reserves (Attributable to GGL)	Tonnage (kt)	B+E grade (ct/t)	Contained B+E (Mct)
Chama				**Chama**			
Measured	170	282	48	Proved	136	188	26
Indicated	3,188	270	861	Probable	2,550	227	579
Total measured + indicated	**3,357**	**269**	**909**	**Total gemstone reserve**	**2,686**	**225**	**605**
Inferred	–	–	–				
Fibolele				**Fibolele**			
Measured	–	–	–	Proved	–	–	–
Indicated	92	160	14	Probable	69	139	10
Total measured + indicated	**92**	**160**	**14**	**Total gemstone reserve**	**69**	**139**	**10**
Inferred	900	160	144				
Libwente							
Measured	–	–	–				
Indicated	–	–	–				
Total measured + indicated	**–**	**–**	**–**				
Inferred	150	46	7				
Stockpiles				**Stockpiles**			
Measured	417	139	58	Proved	417	139	58
Indicated	–	–	–	Probable	–	–	–
Total measured + indicated	**417**	**139**	**58**	**Total gemstone reserve**	**417**	**139**	**58**
Inferred	–	–	–				
Chibolele				**Chibolele**			
Measured	442	160	71	Proved	354	128	45
Indicated	259	180	47	Probable	207	160	33
Total measured + indicated	**701**	**167**	**117**	**Total gemstone reserve**	**561**	**139**	**78**
Inferred	413	200	83				
Total M+I mineral resources	**4,567**	**240**	**1,098**	**Total gemstone reserve**	**3,732**	**201**	**750**
Total inferred mineral resources	1,463	160	233				

Gemstone mineral resource Grade and value	Recovered grade in 2022 (ct/t)				2022 RoM Parcel value (USD/ct)
	Chama	Fibolele	Chibolele	Libwente	
Premium emerald	1.44	–	0.24	–	138.29
Emerald	52.21	–	30.87	–	9.68
Beryl-1	55.2	–	42.02	–	0.11
Beryl-2	58.14	–	70.61	–	0.01

Note: The 'Emerald' category is sold via three sales channels: Higher-Quality auctions, Commercial-Quality auctions and Direct Sales. This price is the weighted average of (a) auction revenue per carat for 'Emerald' lots at Higher-Quality auctions, (b) auction revenue per carat for 'Emerald' lots at Commercial-Quality auctions, and (c) Export prices per carat for Direct Sale 'Emerald' grades, whereas weighted average of Direct Sale export prices per carat for Beryl-1 (<16mm) and Beryl-1 (>16mm) & Beryl-2. Kagem assumes an allowance of three months between a stone coming out of the ground and becoming available for auction (cleaning, grading, quality control, shipping, viewing, etc.), hence we have used the auction revenue figures for the twelve-month period from October 2021 to September 2022.

The comparative Kagem Gemstone Resource and Gemstone Reserve statement attributable to GGL (75% basis) at 31 December 2022 is set out below. The key differences between the 2021 and 2022 attributable Gemstone Resource and Gemstone Reserve estimates are explained as follows:

Gemstone Resources:

- The base data used of mining and production at Chama, where RZ (405 kt) mined and produced carats (82 million carats) from July 2019 to Dec 2022, which cater confidence and reference for resource upgradation, a material value for a conservative consideration.
- The base data used was actual bulk sampling mining and production at Chibolele, where RZ (217 Kt) mined and produced carats (28 million carats) from Dec 2017 to Dec 2022, which cater confidence and reference for resource upgradation, a material value for a conservative consideration.
- Upgrade in Gemstone Resource category at Chama and Chibolele due to additional oriented drilling as recommended.
- Small increase in Measured Gemstone Resources in surface stockpiles.

Gemstone Reserves:

- Small Upgradation in Proved Gemstone Reserves at F10 sector of Chama and Chibolele due additional oriented drilling.
- Maiden declaration of Proved and Probable Gemstone Reserves at Chama and Chibolele. Drilling conducted to confirm the geological understanding and the Measured Resources converted into Proved Reserves.
- Small increase in Proved Gemstone Reserves in surface Stockpiles.

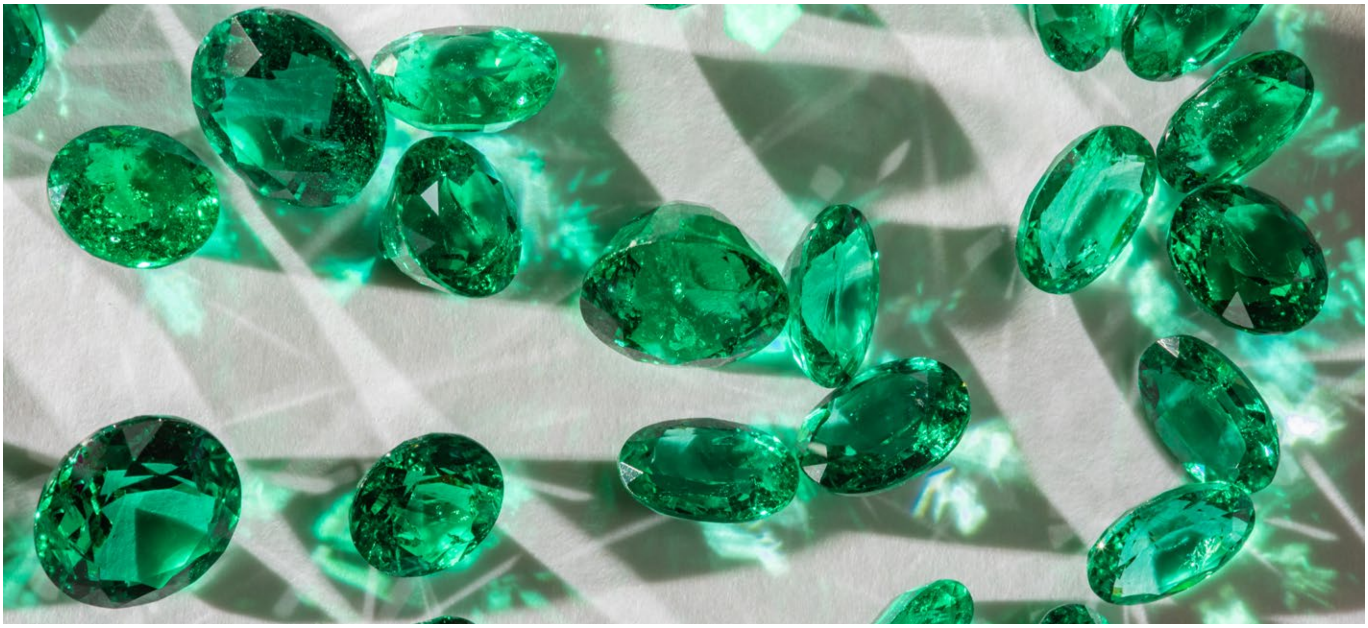


IMAGE Responsibly mined cut and polished Zambian emeralds

Kagem Attributable Gemstone Resource and Gemstone Reserve Estimate at 31 December 2021

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

Gemstone resource grade and value	Recovered grade in 2021 (ct/t)				2021 RoM Parcel value (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

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

MRM

MRM is located in Cabo Delgado province in northeastern Mozambique, approximately 170 km west of Pemba. MRM is the world's single-largest producing ruby mine. The single mining licence 4703C Ref. 1588/CM/INAMI/2015 (combining the two initial licences 4702 and 4703) covering an area of 34,996 ha was issued by the Government of Mozambique to MRM in December 2015, 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 main source of rubies and corundum is secondary mineralisation, although mining has also occurred from the primary mineralisation. The gravel bed horizon is generally less than two metres thick, with an average thickness of 0.45 metres.

The current life-of-mine ("LoM") plan production requires a ramp-up from 7.9 Mtpa total ore and waste to 16 Mtpa by 2026, with ore mining increasing to 3.3 Mtpa by 2026, and is projected to extend to 2030 (LoM of 8 years). The future LoM plan expects to achieve an overall stripping ratio of 4.3 over the LoM.

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.

A process plant including a scrubber, rated at 200 tph of RoM feed, and a dense medium separation plant ("DMS"), rated at 83 tph of washed –25 mm+1.6 mm material, was commissioned in December 2016. A new thickener was installed in 2019–20 to meet the operating capacity. The wash plant flowsheet incorporates wet scrubber screening to remove –1.6 mm solids, followed by a log washer to break up clay balls and a double deck wet screen to remove +25 mm stone fraction and –1.6 mm fines.

After washing and separation in the plant, the resulting gravity concentrate is sorted by hand in the high-security area under strict supervision incorporating automatic colour sorting machines.

MRM continues to work on plans to build a second processing plant. The design phase for the new plant has largely been completed and finalisation of the tender process is expected during the first half of 2023.

The auctions in 2022 realised USD166.6 million from the sale of 18.91 Mct of mixed- and commercial-quality rubies.

MRM holds a valid approval for its Resettlement Action Plan ("RAP"), an authorised 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.

For the year ended 31 December 2022, MRM recovered 2.3 Mct from 1,147 kt ore at an average grade of 2.3 ct/t. The cash rock handling unit cost was USD6.57/t in 2022 (2021: USD6.20/t). The high cost per tonne reflects commodity prices inflation impacted post Covid-19.

IMAGE Ruby wash plant, Montepuez Ruby Mining, Mozambique

MRM GEMSTONE RESOURCES AND GEMSTONE RESERVES

The MRM Gemstone Resources and Gemstone Reserves estimate attributable to GGL (75% basis) at 31 December 2022 is set out below. Gemstone Resource grades are quoted with a bottom cut-off stone size of 1.6 mm and are inclusive of Gemstone Reserves. The stockpile grades are derived from the reported grades for the respective source materials.

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

MRM Attributable Gemstone Resource and Gemstone Reserve Estimate at 31 December 2022

	Recovered				Recovered		
Gemstone resource (Attributable to GGL)	Tonnage (kt)	Grade (ct/t)	Contained (Mct)	Gemstone reserves (Attributable to GGL)	Tonnage (kt)	Grade (ct/t)	Contained (Mct)
Maninge Nice				**Maninge Nice**			
Indicated – primary	855	99.5	85.0	Probable – primary	843	99.5	83.8
Indicated – secondary	294	54.3	15.9	Probable – secondary	294	53.8	15.8
Total indicated	**1,148**	**87.9**	**100.9**	**Total probable reserve**	**1,137**	**87.6**	**99.7**
Inferred – primary	180	97.9	17.6				
Inferred – secondary	9,994	12.7	127.0				
Total inferred	**10,174**	**14.2**	**144.7**				
Mugloto				**Mugloto**			
Indicated – primary	–	–	–	Probable – primary	–	–	–
Indicated – secondary	7,275	2.8	20.5	Probable – secondary	7,182	2.7	19.5
Total indicated	**7,275**	**2.8**	**20.5**	**Total probable reserve**	**7,182**	**2.7**	**19.5**
Inferred – secondary	13,800	14.8	203.6				
Glass				**Glass**			
Indicated – secondary	5,093	2.4	12.2	Probable – secondary	5,087	2.2	11.2
Total indicated	**5,093**	**2.4**	**12.2**	**Total probable reserve**	**5,087**	**2.2**	**11.2**
Inferred – secondary	5,670	0.9	5.1				
Stockpiles				**Stockpiles**			
Indicated – primary	23	91.8	2.1	Indicated – primary	23	91.8	2.1
Indicated – secondary[1]	514	9.6	5.0	Indicated – secondary[1]	514	9.6	5.0
Total indicated	**537**	**13.2**	**7.1**	**Total probable reserve**	**537**	**13.2**	**7.1**
Total indicated gemstone resources	**14,054**	**10.0**	**140.8**	**Total probable gemstone reserves**	**13,944**	**9.9**	**137.5**
Nakete							
Indicated – secondary	18,167	0.3	5.3				
Nathepo							
Inferred – Secondary	3,915	0.5	2.0				
Total inferred gemstone resources	**51,726**	**7.0**	**360.7**				

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

Gemstone grade and value	Recovered grade (ct/t)			Average Parcel value (2014–2022)[1] (USD/ct)	Average Parcel value 2022 (USD/ct)
	Maninge Nice	Mugloto	Glass[1]		
Premium ruby	0.053	0.071	0.000	1,172.87	1,196.51
Ruby	0.650	0.480	0.316	51.75	60.07
Low ruby	2.395	0.176	1.319	3.56	1.26
Corundum	0.391	0.051	0.577	0.96	0.91
Sapphire	0.327	0.030	1.550	0.24	0.27
Low sapphire	4.665	0.598	8.501	0.08	0.05
−4.6 mm	–	–	–	10.55	–
Reject with some low sapphire	n/r	n/r	n/r	0.05	n/r
Weighted Average Value (USD/ct)				**20.74**	**8.81**

1– Average parcel value for 2014 to 2022 applied.

The comparative MRM Gemstone Resource and Gemstone Reserve statement attributable to GGL (75% basis) at 31 December 2022 is set out below. The key differences between the 2021 and 2022 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 mining depletion and processing more tonnage of comparatively lower grade Maninge Nice Pit 5 ore.
- A reduction in tonnage, grade and contained gemstones in Indicated Gemstone Resources at Mugloto, due to mining depletion.
- No change in tonnage, grade or contained gemstones from the Inferred Gemstone Resources of Maninge nice and Mugloto.
- A small increase in tonnage and contained carats of Glass Indicated Resources due to upgrade in inferred resource.
- Addition in tonnage and contained gemstones for combined inferred Gemstone Resources is due to the inclusion of Nakete and Nathepo areas in Gemstone Resource inventory.

Gemstone Reserves:

- Maninge Nice grade increased slightly since 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.
- A small decrease in tonnage and contained gemstones at Glass is due to the mining depletion.
- The calculation of mined ore in Stockpiles was changed to reflect the difference between total ore mined and total ore processed for the financial year, with a small addition recorded. Total contained carat of stockpile reduced despite tonnage addition, due to a changed split of primary and secondary stockpiled material.

IMAGE Responsibly mined rough Mozambican rubies

MRM Attributable Gemstone Resource and Gemstone Reserve Estimate at 31 December 2021

Gemstone resource (Attributable to GGL)	Recovered Tonnage (kt)	Recovered Grade (ct/t)	Recovered Contained (Mct)	Gemstone reserves (Attributable to GGL)	Recovered Tonnage (kt)	Recovered Grade (ct/t)	Recovered Contained (Mct)
Maninge Nice				**Maninge Nice**			
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
Total indicated	**1,175**	**86.2**	**101.0**	**Total Probable Reserve**	**1,164**	**85.7**	**99.7**
Inferred – primary	180	97.9	17.6				
Inferred – secondary	9,994	12.7	127.0				
Total inferred	**10,174**	**14.2**	**144.6**				
Mugloto				**Mugloto**			
Indicated – primary	–	–	–	Probable – primary	–	–	–
Indicated – secondary	8,143	2.7	21.7	Probable – secondary	8,050	2.6	20.7
Total indicated	**8,143**	**2.7**	**21.7**	**Total probable reserve**	**8,050**	**2.6**	**20.7**
Inferred – secondary	13,800	14.8	203.6				
Glass				**Glass**			
Indicated – secondary	5,067	2.4	12.1	Probable – secondary	5,098	2.2	11.2
Total indicated	**5,067**	**2.4**	**12.1**	**Total probable reserve**	**5,098**	**2.2**	**11.2**
Inferred – secondary	5,708	0.9	5.0				
Stockpiles				**Stockpiles**			
Indicated – primary	30	96.1	2.9	Indicated – primary	30	96.1	2.9
Indicated – secondary[1]	463	10.5	4.9	Indicated – secondary[1]	463	10.5	4.9
Total indicated	**493**	**16.9**	**7.8**	**Total probable reserve**	**493**	**16.9**	**7.8**
Total indicated gemstone resources	**14,877**	**9.6**	**142.6**	**Total probable gemstone reserve**	**14,804**	**9.4**	**139.4**
Total inferred gemstone resources	29,682	11.9	353.2				

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

Gemstone grade and value	Recovered grade (ct/t) Maninge Nice	Recovered grade (ct/t) Mugloto	Recovered grade (ct/t) Glass[1]	Average Parcel value (2014–2021)[1] (USD/ct)	Average Parcel value 2021 (USD/ct)
Premium ruby	0.048	0.090	0.026	1,167	1,175
Ruby	0.293	0.454	0.228	50.31	73.92
Low ruby	0.261	1.201	1.175	3.91	6.64
Corundum	0.166	0.182	0.072	0.98	–
Sapphire	0.042	0.130	0.063	0.21	–
Low sapphire	0.398	1.504	0.494	0.15	–
−4.6 mm	–	0.000	–	10.55	–
Reject with some low sapphire	n/r	n/r	–	0.05	–
Weighted Average Value (USD/ct)				**29.90**	**145.69**

1 – Average parcel values per 2014 to 2021 applied.

IMAGE 'How to Style Coloured Gemstones' marketing campaign

SECTION 2.4

Marketing and Communications

After an extraordinary couple of years, 2022 saw us restart a healthy pipeline of marketing and communications activations to drive demand for coloured gemstones. Much has changed in the international marketing landscape, and it certainly hasn't been a case of just dusting off unused plans or resuming old habits. A keen eye on strategy, audience and cost drove our project selection, and the result was a highly strategic, entirely focused and tonally spot-on portfolio of moments – evidenced in March's 'How to Style' and October's 'How to Buy' campaigns, amongst other activations.

Our marketing and communications approach centred on the now well-established pillars of education, leadership and visibility, enabling us to address each of these concerns. Building confidence amongst end consumers through educational drives to address 'How to Buy' and 'How to Style' concerns helped to facilitate the sales process, supporting our auction partners, and thereby serving our business interests. For this reason, we capitalised on two key campaigns to bring these topics to target international audiences, utilising digital optimisation to extend our reach within target audiences and localised adaption to improve relevance and recall.

March's 'How to Style' digital campaign spoke directly to market research that identified a hesitation from consumers in how they would coordinate their look if they were to wear coloured gemstones as opposed to colourless diamonds. The unapologetically colourful campaign demonstrated how to dress tonally, clash colours, stack jewellery and embrace the vibrant character of coloured gemstones. A colour block masterclass was delivered by a stylist, utilising brand partner jewellery pieces, and two Chinese key opinion leaders shared styling advice with their picks of jewellery pieces featuring Gemfields' gemstones to 1 million followers.

October's 'How to Buy' digital campaign demystified the buying experience for consumers by sharing top tips such as viewing gemstones in daylight, requesting reports for significant purchases and embracing inclusions; these were all given a contemporary edge with animated graphics and translated for international audiences. A China-specific campaign directly targeted 'How to Buy Rubies', complete with micro-site on Weibo and WeChat, garnering 2.9 million views. The two campaigns provided cost-effective delivery of key messages in a colourful, playful and meaningful manner, and even earned editorial coverage, serving to further extend their reach.

A focus on the potential market for coloured gemstones in China continued, with two emerald masterclasses, held in Shanghai in September and in Shenzhen in November. As per previous years, the sessions were hosted by GUILD, and broadcast nationwide to the public via livestream in order to maximise reach. Planned masterclasses in Beijing and Chengdu have been rescheduled for 2023, due to Covid-19-related restrictions in market.

Launching new jewellery brand partnerships offers a straightforward way for consumers to buy into Gemfields and act on the communications they have seen. During the course of the year, we launched five new collections across international markets. In March, Gemfields emeralds featured in Shachee Fine Jewellery's collection of handcrafted micro-mosaic pieces inspired by Japanese Hokusai art. US-based Sandy Leong's Serenity Collection featuring Zambian emeralds and freshwater pearls provided a calming and contemporary aesthetic for emerald month in May. Ruby month was adeptly celebrated with Margery Hirschey's playful Barcelona Collection, offering thoughtful asymmetry and dancing arrangements for the sultry days of July. November saw House of Meraki celebrate its love of emeralds in the J'Aime Collection, and the year was rounded off with a kaleidoscope of colour at the launch of Dubai-based Donna Hourani's The Bridge collection, where emeralds took centre stage as the representation of love, 'the bridge between you and everything', as inspired by a quote from Rumi.

International press coverage, targeted digital advertising and coordinated own-channel utilisation drove awareness of the jewellery pieces – which featured at press days in Dubai, London, NYC and LA – and resulted in product placements.

Industry-focused moments included the release of a 'global emerald and ruby supply' white paper in March, and announcement of Gemfields' support of Gemdustry in April. There were also considerable improvements to search engine optimisation and enhanced traffic drivers to Gemfields.com, which led to a marked improvement in website user numbers and session dwell times.

We celebrated exceptional gemstone finds around key sales periods, such as an extraordinary ruby pair in May and the colossal Kafubu Cluster in November. The remarkable Chipembele emerald, discovered at Kagem in 2021, broke a GUINNESS WORLD RECORDS™ title in May for 'Largest uncut emerald' for new owners Eshed-Gemstar.

A new suite of marketing images aimed at driving consumer demand were created during the period, featuring a colourful array of cut and polished gemstones. The arresting suite of images will be released in a phased approach, offering an artistic portrayal of the beauty of coloured gemstones in order to increase their visibility and desirability.

Communications efforts in Zambia and Mozambique throughout 2022 aimed to improve liaison with local communities, conveying messages such as the dangers of illegal mining practices, as well as promoting local community projects such as a new library facility in Wikhupuri and positive developments such as female truck drivers at Kagem. A variety of channels, including local press, radio stations, SMS messaging and community meetings, were deployed in these communications, and this work will continue to be developed in the year ahead.

Looking ahead to 2023, our marketing and communications strategy is evolving in line with our clearer focus on ESG goals, with the responsible sourcing status of our Mozambican rubies and Zambian emeralds our top priority. We will be looking to utilise key calendar moments such as emerald (May) and ruby (July) months to cut through and impart key messages, while maintaining the playful, meaningful and colourful aesthetic that is unequivocally Gemfields.

IMAGE LEFT Margery Hirschey x Gemfields Barcelona collection, featuring Gemfields Mozambican rubies

IMAGE RIGHT Sandy Leong x Gemfields Serenity collection, featuring Gemfields Zambian emeralds

SECTION 2.5

Risks and Uncertainties

Gemfields accepts that the sector in which it operates is one that contains a considerable variety of risks. Having a good understanding of the risks, and ensuring that 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 enterprise risk management system which has been developed over a period of time and is fully managed within the business without any external support. The following sections provide information on the risk framework and risk governance.

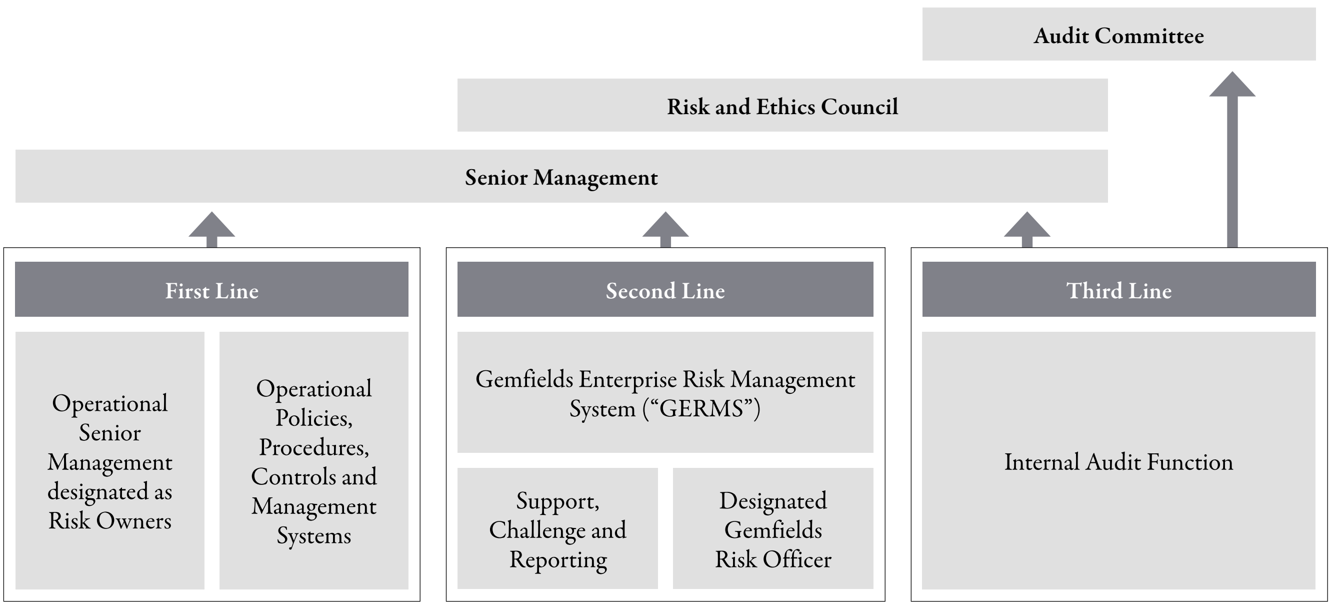
RISK MANAGEMENT FRAMEWORK

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 is outlined below.

First line: Specific risks are assigned to the Group's operational senior management who is responsible for managing the 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: The Group Head of Risk and Assurance has been designated as risk officer and facilitates the Gemfields Enterprise Risk Management System ("GERMS"). Risks are assigned to local risk owners (first line). The second line primarily supports the risk management efforts of the first line while also challenging risk ratings and mitigation measures. Corporate reporting on risks is a feature of the second line, and 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 as approved by the Board is as follows:

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

STRATEGIC RISK CATEGORY 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 strategic risk categories 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 strategic risk category and the mitigations in place. The Board's rating of each strategic risk category, considered over a forward-looking period of six months to one year, is shown as a red, amber, or 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.

STRATEGIC RISK CATEGORY	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
Communication, Reputation, Ethics	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.	• Well-established head office functions such as communications, legal, risk and assurance, HR and teams at site level; • Extensive suite of policies and standard operating procedures established for the Group and replicated at site level; • Independent systems in place to handle ethics issues including internal whistle-blowing, internal and external grievances and incident, accident and near-miss reporting; • Culture of transparency and accountability to meeting internal policies and procedures and external regulations and laws; and • Appointment of marketing and communications agencies to promote the company. • At our principal operations in Mozambique and Zambia, various industry brand partners conducted several audits and assessments, validating Gemfields' commitment and actions to champion responsibly sourced coloured gemstones.	No change
Community and Social	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 worst 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.	• Local community teams at site, specifically responsible for stakeholder relations, engagement and sustainable development projects; • Head office functions specialising in corporate responsibility, risk management, health, safety and policy; • Policies replicated with site-specific procedures that focus on community and sustainable development; • Grievance management systems to record and remedy community complaints, grievances and allegations; • Annual use of operational budget for investment in community projects; and • Emergency response and relief to community at times of crisis or weather-related disaster.	No change

STRATEGIC RISK CATEGORY	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
Environmental, Climate, Weather	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 Company can be subject to compliance fines for failing to plan and operate in accordance with prevailing environmental laws. Failure to plan strategically for changing environmental laws may increase the Group's operating costs.	• Contingency plans to respond to extreme weather emergencies; • Physical preparation and protection of site assets and mine plans in accordance with geology and effects of corrosion, groundwater and slippages; • Consideration for the use of renewable energy and fuel-efficient measures at operations to reduce operating costs and use of fossil fuels; • External reporting to be transparent in the disclosure of greenhouse gas emissions; • Safety, health and environmental teams responsible for site operational environmental compliance, management plans and execution of projects; and • Introduction of integrated safety, health and environmental management systems.	No change
Financial, Economic, Markets, Business[1]	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. 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.	• Proprietary grading system developed as a transparent and reliable system for the market to value gemstones; • Long-developed relationships with authorised auction partners; • Partnerships with luxury brands to market coloured gemstones to end consumers; • Active financial management and consideration by management of different financing options; • Ability to run sequential online mini auctions that offer an alternative sales platform to physical in situ auctions; and • Resilient financial modelling and risk processes to allow flexibility and ability to action any cash conversation or mitigate global economic woes.	↓
Health, Safety and People Protection[2]	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.	• Locally developed teams at site specifically responsible for HSE risk management and training; • Our principal operations in Mozambique and Zambia are staffed (internally and externally) by highly skilled and sophisticated Protection Services teams that provide high quality security and protection services; Development of integrated HSE management systems to meet international standards; • HSE measures, training and compliance against policies and procedures continuously reviewed and implemented with management support; • Internal system for reporting of incidents, accidents and near-misses; and • Security measures and systems are constantly reviewed and revised in order to minimise the risk.	↑

STRATEGIC RISK CATEGORY	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
Illegal Miners and Trespassers	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.	• Security measures and systems are constantly reviewed and revised in order to minimise the risk; • 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 system; • Security measures constantly reviewed and implemented in order to minimise the risk; • Engaging local authorities, communities and security and police forces in seeking to protect the Company's employees, equipment and mining assets; and • Community relations and grievance management systems in place to record and remedy community relations issues.	**No change**
IT, Digital and Data[3]	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.	• Well-established and experienced head office IT team; • Site-level IT functions responsible for implementation and management of IT risk at site level; • IT policies and standard operating procedures; • Multi-faceted IT security system that undergoes continuous assessment and improvement; and • Adoption of cyber security standards and systems.	↓

STRATEGIC RISK CATEGORY	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
Legal, Legislative, Regulatory, Governance	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. In addition, in the ordinary course of business, particularly given the industry the Group operates in, 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 number 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.	• Team highly experienced in operating in Africa; • Active and open engagement with the relevant Government bodies and ministries; • Regular reviews of commercial arrangements and regulatory requirements; • Internal controls, policies and procedures to ensure we can meet regulatory changes; and • External advice sought to supplement the skills and experience of our internal teams.	No change
Mining, Geology and Processing	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 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.	• A Group portfolio of projects and licence areas that carry a range of differing technical and commercial opportunities; • Assessment of a wide range of potential growth opportunities, from both the internal portfolio and external opportunities; • Retention of a vast body of historical data on gemstone mining to increase confidence levels in production; and • Team of highly qualified geologists and mine engineers at each site.	No change

STRATEGIC RISK CATEGORY	RISK DESCRIPTION	RISK MITIGATION	RISK RATING
Organisation, Culture, Training, Succession, Employment	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.	• Well-established head office HR function; • Site-level HR functions responsible for employment, culture, training at local level; • Use of recruitment companies to search for and engage high-quality talent; • Policies and standard operating procedures for employment contracts and protections including full unionisation where appropriate; • Employee relations and engagement with unions for negotiations of remuneration and benefits; and • Succession and retention plans for key positions.	No change
Political, Government	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.	• Team highly experienced in operating in Africa; • Active and open engagement with the relevant Government bodies and ministries; and • Internal controls, policies and procedures to ensure we can meet regulatory changes.	No change
Security, Infrastructure and Asset Protection	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.	• Security measures and systems are constantly reviewed and revised in order to minimise the risk; • Engaging local authorities, communities and security and police forces in seeking to protect the Company's equipment and mining assets; • 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 system; • Security measures constantly reviewed and implemented; and • Internal system for reporting of incidents, accidents and near-misses including security incidents.	No change

1 – Gemfields' resilience persisted into 2022, as evidenced by its remarkable achievement of record revenue levels. This outcome provides a clear indication of the positive market conditions that prevailed throughout 2022.

2 – The insurgency in Mozambique is solely responsible for driving this risk higher, which was exacerbated in 2022 when Montepuez Ruby Mining and Nairoto Resources had to be briefly evacuated. Despite subsequent mitigation measures such as a military presence at the Mozambique operations, the insurgency still poses a potential threat that could further disrupt operations in the region.

3 – During 2022, the Gemfields IT team completed extensive remedial work and closed out various recommendations from Subject Matter Expert audits. These included, inter alia, regular penetration testing, cyber awareness training, and system standardisation.

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, yet used and applied through all three lines. The system was developed by the Company and is hosted in G-TRAC (Gemfields' internal knowledgebase system), 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. GERMS aims to achieve an integrated view of all risks faced by the group, assigning, inter alia, projects, events, incidents, accidents, near-misses, grievances, trainings and press/media releases to individual risks, thereby providing a realistic view of the operational risks at any given time. These risks are deliberated during the quarterly Risk and Ethics Council meetings.

IMAGE Operations, Kagem Mining, Zambia

The diagram below is a summary of the operational risk profile of the Group, allocating the circa 500 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). By way of example, the diagram shows that at the end of the year there were 22 specific risks rated as very high (a total combined risk score of between 20 and 25), of which two have been rated as the very highest (a total combined risk score of 25). In contrast, 23 risks were rated with the lowest likelihood of occurring and lowest impact on the business (a total combined risk score of 1).

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 500 specific risks across the Group and the GERMS system therefore also represents a consolidated risk register for the Group.

High Likelihood	4	5	6	6	2
	1	5	19	26	14
	2	20	60	57	14
	4	35	59	74	8
Low Likelihood	23	18	11	15	12
	Low Impact				High Impact

IMAGE Responsibly mined rough Zambian emeralds

IMAGE Agricultural projects, Zambia

SECTION 3

Corporate Responsibility

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SECTION 3.1

ESG Report

INTRODUCTION

Gemfields aims to follow responsible practices and demonstrate its commitment to Environmental, Social and Governance ("ESG") issues by adhering to principles and standards that advance social and environmental goals, and protect human rights.

The Company believes that the gems and jewellery industry can, and should, have a positive impact on society. Consumers prefer to purchase products from companies that demonstrate and reflect their own values, with an uptick in terms of factors relating to sustainability and responsible practices. Studies indicate that there is a clear link between ESG-related claims and consumer preference. According to a recent joint study by McKinsey and Nielsen IQ, (Mckinsey.com 'Consumers care about sustainability' 6 February 2023) products that claimed to be environmentally and socially responsible averaged 28% cumulative growth over the past five years, compared to 20% for products that made no such claims.

The Company is focused on delivering positive benefits in Africa through gemstones by seeking to improve the coloured gemstone supply chain and, in doing so, return more value to the host nations it operates in, primarily Zambia and Mozambique.

To support this vision, the Company has developed an ESG Strategy Framework (see page 81 for details) that aims to provide positive impacts for its stakeholders, especially the employees and communities it works with.

In June 2022, the JSE published a Sustainability Disclosure Guidance paper ("JSE Sustainability Guidance"), which the Company has adopted as a framework for Company ESG disclosures, going forward. Further details are available in the 'ESG Disclosures' section on pages 90 to 97.

The Company has established an ESG Committee, comprised of senior management from across the Group. Toby Hewitt, Group General Counsel and Company Secretary, is Chair of the ESG Committee. Its inaugural meeting was held in May 2022, with further meetings held in June, August, October and January 2023, which will continue on a quarterly basis. A consultancy firm was engaged to conduct an ESG gap analysis and help establish the Company's new ESG Strategy Framework.

A new Corporate Responsibility Director joined the Company in April 2022, based in London with considerable travel to operations at Kagem and MRM.

IMAGE Health care projects, Mozambique

GEMFIELDS' ESG STRATEGY

Gemfields has adopted a new ESG Strategy Framework, which is set out below.

Gemfields' Mission

To be the global leader in African emeralds, rubies and sapphires, promoting transparency, trust and responsible mining, while creating a positive impact for our host communities and countries

Strategic Objective

To be the standard for African emeralds, rubies and sapphires

Strategic Pillars

- Nature Positive
- Empowered People
- Prospering Communities
- Business Integrity

IMAGE Agricultural projects, Zambia

SECTION 3.2

2022 ESG Highlights

NATURE POSITIVE

The primary source of electricity at both Kagem and MRM is from the local power supplier (ZESCO in Zambia and EDM in Mozambique). The majority of electricity supplied in both countries comes from renewable sources, principally generated from hydroelectric projects in the respective countries.

Steps have been taken at both Kagem and MRM to reduce dependence on fossil fuels used in our operations, such as diesel.

During 2022, Kagem took steps towards contracting a local Zambian solar power supplier to increase the provision of solar power at the mine which will build on the current 45.2 MWH of solar power usage for security lighting.

MRM began working with a solar power supplier for the installation of an 8.8MW capacity solar power plant which will cater for 70% of MRM's energy usage. Once implemented, the project is expected to reduce diesel-based energy generation to less than 5% (excluding mining fleet and transport vehicles) from an existing 42%. Solar powered lighting solutions for the 24 lighting towers at MRM's mining pits are also being explored and are expected to be fully implemented by 2025. Further options to reduce reliance on diesel powered vehicles, with a gradual shift to using more hybrid Light Utility Vehicles, are under consideration.

Neither mining operation is believed to be in areas of water stress, according to previous assessments. At MRM, a rainwater harvesting project has created an additional 9 million litres of water storage capacity, enabling ground water consumption to be reduced by over 80% during the current rainy season (December–March).

Land-regeneration efforts continue at both operations.

EMPOWERED PEOPLE

Women in the workplace

Encouraging greater female participation in the workplace is challenging at both mine operations. Living on site, skill requirements and the manual nature of most roles has been seen to limit the appeal,

IMAGE Vocational Training, Mozambique

but both companies have been taking steps to attract women and promote diversity and gender equality, such as offering training as part of the onboarding process.

In 2022, four women became Kagem's first female Articulated Dump Truck (ADT) operators. Recruitment of more female ADT drivers at Kagem is planned in 2023.

PROSPERING COMMUNITIES

The Company supports health, education and livelihood projects that aim to bring positive impact to families living in the communities that surround our operations. Coupled with a desire to facilitate human rights improvements, the projects form part of the Company's ongoing and growing community liaison focus, aiming to increase meaningful engagement and enable prosperity at a local level.

Health

Kagem's commitment to health provision in Lufwanyama Province continued throughout the period with support for Nkana Health Centre, which saw 21,786 outpatient appointments and 221 maternity deliveries in 2022.

In the same period, MRM's two mobile health clinics continued to serve 10 remote communities located in the vicinity of the mining operations. The programme completed 187 visits and achieved 34,795 consultations for vaccinations and maternal and child health care. Since the mobile clinics began in 2017, over 200,000 (205,017) consultations have been performed in partnership with the District Service of Health, Women and Social Affairs (SDSMAS) of Montepuez. Local health concerns presented at the clinics continue to be malaria, diarrhoea and malnutrition.

Education

In Zambia, Kagem completed the construction of a new classroom block, staff residences and bathrooms for Masasa Primary School, and the project was officially inaugurated by His Royal Highness Chief Lumpuma and other local dignitaries in November 2022.

An extensive renovation of two classroom blocks at Kapila Primary School was started by the Company in September 2022. The project, to be completed in 2023, will also include construction of a new classroom block which will contain a solar-powered computer lab funded by Gemfields Foundation, a staff room and an Early Childhood Education (preschool) classroom.

In Mozambique, a new computer lab funded by Gemfields Foundation was built at Montepuez Secondary School, equipped with thirty computers (Raspberry Pi 400 Desktop with keyboard), and was inaugurated in November 2022 by the Governor of Cabo Delgado Province. MRM funded construction of eight classrooms for local schools in Montepuez, Mararange and Cuirio, with two more expected to complete in 2023 in Nanhupo B village.

In collaboration with IFPELAC (Instituto de Formação Profissional e Estudos Laborais Alberto Cassimo), a public institution in Mozambique dedicated to professional training, MRM continued to provide funding for the Vocational Training Centre (VTC), which is expected to provide 2,100 men and women with vocational skills that enable a livelihood locally or further afield. Since 2018, the VTC has trained 521 people in electricity, plumbing and painting. A total of 216 students enrolled in 2022, including 28 women. New locksmith and machine operator courses will be offered in 2023.

Livelihoods

Two new agricultural cooperatives were started in the communities around the Kagem mine in 2022, additional to the six the company already supports. The new cooperatives, the Lumpuma Multi Purpose Cooperative Society and Kafwaya Women's Cooperative were designed to provide alternative most recent farming initiative funded by Kagem, as part of its livelihoods programme, which aims to empower local communities by providing individuals with the means by which to earn a sustainable income and give alternatives to illegal mining.

MRM supported 500 individual farmers and nine farming associations, by distributing 11,310 kgs of seeds (maize, peanuts, sesame, lettuce, cabbage and carrot, among others).

Conservation

In 2022, Kagem started a five-year commitment to support the Zambian Carnivore Programme with a focus on wildlife conservation to increase employment opportunities in Zambia's famous wildlife tourism industry, while promoting jobs in conservation for women.

MRM financially supported the Quirimbas National Park in 2022, continuing in 2023. Quirimbas National Park, 80% of which is made up of islands, was recently designated a UNESCO biosphere reserve.

MRM Resettlement Action Plan ("RAP")

On 25 August 2022, Cabo Delgado's Secretary of State officially inaugurated Wikhupuri village, previously referred to as the Resettlement Village or RAP. The village was built by MRM to house 105 families. MRM spent more than USD 10 million developing this new community, which now provides a home and essential infrastructure for families previously resident in Ntoro village, located within a prospective mining area. This project demonstrates MRM's ongoing commitment to community development.

Humanitarian support in Cabo Delgado province

Due to the ongoing insurgency activity in Cabo Delgado, many communities have been forced to flee and leave their homes and are now Internally Displaced Persons (IDPs). In 2022, estimates put the number around 100,000 people in Montepuez alone and up to 1 million in Cabo Delgado.

As per previous years, the Company continues to support IDPs with humanitarian support. Following a nearby insurgent attack in October 2022, MRM distributed a total of 5,590 kgs of maize, peanut, cowpea and sesame crops to 272 farmers in Nacoja (Ancuabe District) and 140 in Mpene (Montepuez).

BUSINESS INTEGRITY

Voluntary Principles Initiative membership

Gemfields is currently an 'engaged member' of the Voluntary Principles Initiative ("VPI"), which promotes the implementation of the Voluntary Principles on Security and Human Rights ("VPSHR"). The VPSHR outline principles for companies relating to comprehensive human rights risk assessment in their engagement with public and private security providers, to ensure human rights are respected. Gemfields is seeking to become a 'full member' and has presented to the VPI and its membership on Gemfields' overall implementation of the VPSHR and in relation to specific focus areas. In February 2023 the VPI Steering Committee voted to approve Gemfields' membership to 'full member'. This decision is subject to formal ratification at the VPI Plenary meeting in London in May 2023.

Third-Party Independent Audits of Operations

Gemfields' group companies opened their doors to extensive independent audit procedures carried out on behalf of several well-known luxury brands throughout 2022. An independent audit carried out in February to April 2022 by one of the leading audit companies, commissioned by a major luxury player in Switzerland, concluded that the ESG performance of Kagem and MRM met expectations.

Focussing specifically on human rights, audits carried out by prominent luxury brands in May, July and September 2022 identified areas that would benefit from improvements. The Company has committed to implementing these improvements within an agreed timescale, working in partnership with each brand to ensure full transparency throughout the process. The brands in question have continued to purchase gemstones originating from Gemfields' operations on receipt of their audit findings.

The improvements in question span a breadth of activity, from improvements to workers' accommodation, to the formation of a Women's Consultative Committee across the local community villages and increased regularity of VPSHR training to security teams. Gemfields has welcomed the opportunity to demonstrate willingness for continuous improvements and to make things better.

Kagem Operational Grievance Mechanism

In November 2022, Kagem established an independent operational grievance mechanism (the "Kagem OGM") as part of its ongoing commitment to engage with the local community. Kagem asked business and human rights consultants to conduct extensive stakeholder engagement in order to design an OGM which could resolve grievances in an effective and efficient manner in compliance with the United Nations Guiding Principles ("UNGPs"). An Independent Monitor will perform independent external reviews of the Kagem OGM to ensure its effectiveness under the UNGPs.

The ultimate purpose of the Kagem OGM, in line with the UNGPs, is to:

- Ensure any local community member that has had his, her or their human rights negatively impacted by Kagem's operations and/or the conduct of any of its business relations in their performance of work for Kagem are remediated in line with the principles reflected in the UNGPs;
- Provide a source of learning for Kagem so that potential, future negative human rights impacts can be prevented or mitigated; and to
- Improve community relations and help reduce the level of conflict between Kagem and the local communities, so that available resources and efforts can be focused on much needed community development instead of conflict resolution.

MRM Operational Grievance Mechanism

As set out in last year's Annual Report, MRM's independent operational grievance mechanism (the "MRM OGM") was launched in February 2021 following the conclusion of a pilot phase and a local public awareness campaign. The MRM OGM was established to further MRM's ongoing commitment to transparency and support for the local communities following the voluntary settlement agreement that ended the Leigh Day litigation.

The MRM OGM has seen a high case-load and a relatively low rate of case resolution. A workshop was held in May 2022 to discuss the various issues facing the OGM process, including the assessment of evidence in historical cases. Although progress has been made, the close-out rate remains relatively low. The OGM is currently exploring ways to unlock the current backlog, including by working with external consultants to assess how certain categories of cases can be remedied.

An Independent Monitor has been appointed to report on the efficacy of the MRM OGM and its performance against the UNGPs Effectiveness Criteria at six-monthly intervals. A summary of the Independent Monitor's report for the six months ending 1 June 2022 can be found on Gemfields' website here: https://www.gemfieldsgroup.com/assets/montepuez-ruby-mining-limitada/.

IRMA and RJC Membership

With regard to the importance of demonstrating the Company's commitment to ESG and human rights issues in gemstone mining, jewellery production and retailing, and the value of Voluntary Sustainability Initiatives ("VSI"),, the Company continues to seek certification with relevant standards to support its development in following responsible business practices. Fabergé continues as a member of the Responsible Jewellery Council ("RJC") and will seek recertification against RJC's Code of Practices in 2023.

As a gemstone miner, it was decided that Gemfields' operations would be provided a more robust accreditation in the Initiative for Responsible Mining Assurance ("IRMA") standard, as a certification developed specifically for the mining context.

A gap analysis between IRMA and RJC was conducted by an external consultant, and it was clear that RJC standards could be satisfied by attaining IRMA accreditation with the provision of a few additional disclosures. The Company is keen to support the widespread support that RJC standards have obtained throughout the industry and recognise that our downstream customers would appreciate our compliance to these standards. As such, Gemfields aims to work to satisfy both requirements.

The process of preparing for IRMA certification began in 2022 and is starting in earnest at Kagem in 2023, with an intention to continue with MRM once completed and having encompassed learnings.

IMAGE Education projects, Mozambique

SECTION 3.3

TCFD Reporting

The Task Force on Climate-related Financial Disclosures ("TCFD") aims to improve and increase reporting of climate-related financial information to allow the market to better understand the impacts of climate change.

In support of this ambition, Gemfields aims to determine targets aligned with TCFD recommendations by the end of 2023, primarily focusing on greenhouse gas emissions and a broader emissions strategy. This work will consider the physical and financial risks and direct impacts that could be experienced by the Group over time 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 with signposts to where other relevant information can be found elsewhere in the report.

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 ("Risk Council") which is a sub-committee of the Audit Committee. The Risk 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 Board is duly updated by the Chair of the Risk Council on matters of a material nature that are raised within the Risk Council. The CEO, CFO and Group General Counsel may also provide management's comments to the Board for further discussion. The Risk 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. In 2022, the Chair of the Risk Committee requested the Group's new ESG Director to provide regular updates on ESG-related risks, with human rights and climate/environment named as the key risks he will cover. The Chair also recommended the Company develops a climate/environment policy. The Risk Council will review and approve any climate or GHG related targets for Gemfields, that are due to be set in 2023. The Risk Council will then in turn monitor the progress on these targets, once defined, each quarter.
	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 Risk 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.

TCFD THEME	TCFD RECOMMENDATION	GEMFIELDS GROUP RESPONSE
GOV *(cont.)*		In 2022, Gemfields engaged a third-party consultancy to complete a gap analysis report to better align with the recommendations of the TCFD. This gap analysis is being used internally as a basis of a roadmap to improve our assessment, management and disclosure of climate related risks and opportunities.
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. Gemfields has established definitions of each time horizon, with short term being 2023-2025 (three years from previous annual reporting period), medium term 2026-2036 and long term 2037-2055. These time horizons have been established to align with international climate commitments such as the Paris Agreement and Science Based Targets initiative (SBTi). In 2023, Gemfields will complete an assessment of the risks and opportunities that the Group may face in each time horizon. The current estimated life of mines at Gemfields' principal mining sites (Kagem and MRM) will feed into this assessment. The materiality of each risk and opportunity will be assessed based on the possible financial impact on the Group. Within the 'Environmental, Climate, Weather' principal risk, as described within the Risks and Uncertainties section of this report, on page 72, a number of climate-related risks that could impact the Group have been identified, which included: · Extreme weather events (such as hurricanes or cyclones) · Unseasonal or extreme levels of rainfall · Higher than average humidity and heat These risks could be impacted by the company's operations through: · Water and waste management · Greenhouse gas emissions · Land-use changes · Biodiversity impacts
	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 2.5 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. In 2023, Gemfields aims to identify the impacts of climate-related risks and opportunities on Gemfields' businesses, strategy and financial planning. The breadth of its 'Environmental, Climate, Weather' principal risk will also be considered, with any identified impacts categorised under the following areas: · Products and services · Supply chain and/or value chain · Adaptation and mitigation activities · Investment in research and development · Operations (including types of operations and location of facilities) · Acquisitions or divestments · Access to capital

TCFD THEME	TCFD RECOMMENDATION	GEMFIELDS GROUP RESPONSE
STRATEGY *(cont.)*	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario.	Gemfields has ambitions to undertake a climate scenario analysis by identifying relevant climate-related scenarios, including one consistent with a 2 °C or lower scenario. Any analysis would incorporate how resilient Gemfields' strategy is to the different climate scenarios, and how the strategy may be adapted accordingly based on the outcomes from the analysis. Relevant sources may be used to inform the Group's strategy under 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 https://climateknowledgeportal.worldbank.org/) and the 2020 First Biennial Update report for Zambia (https://unfccc.int/documents/267111)
RISK MANAGEMENT	a) Describe the organisation's processes for identifying and assessing climate-related risks.	A description of the Group's approach to identifying and assessing all risks, including climate-related, can be found in Section 2.5, 'Risks and Uncertainties' on pages 70 to 76 of this report. 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. Under the Group's new ESG strategy framework, under the pillar 'Nature Positive', it has been described how steps have been taken at both Kagem and MRM to investigate ways to reduce our dependence on fossil fuels used in our operations, such as diesel. This is investigated because of the direct connection between fossil fuels and the negative impacts that can result from climate-change.
	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.
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. As part of Gemfields assessment on climate-related risks and opportunities planned for 2023, relevant metrics will be identified that can be tracked and measured over time.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	The Group's Greenhouse Gas (GHG) Emissions is reported under JSE disclosure clause E1.1a GHG Emissions, on page 95. In 2022, we have expanded our disclosures to assess Scope 3 GHG emissions. This Scope 3 data is not available retrospectively. For Scope 1 and 2, as 2020 was an unrepresentative year because of the Covid-19-related closure of principal mines, we have set 2022 against 2021. In 2023, three years' history will be presented with variances incorporated. Disclosures for 2020 and more historically are available in previous Gemfields Annual Reports.

TCFD THEME	TCFD RECOMMENDATION	GEMFIELDS GROUP RESPONSE
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Gemfields has an ambition to determine targets aligned with TCFD recommendations by the end of 2023, primarily focusing on greenhouse gas emissions and a broader emissions strategy. Setting targets is subject to relevant detailed studies being completed (climate change scenarios under short-, medium- and long-term time-frames, identification, assessment and management of risk in different contexts, the financial investments and implications required). For now, the GHG report provides a breakdown of the Group's contribution to climate risk via its own emissions.

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.

IMAGE Conservation projects, Zambia

SECTION 3.4

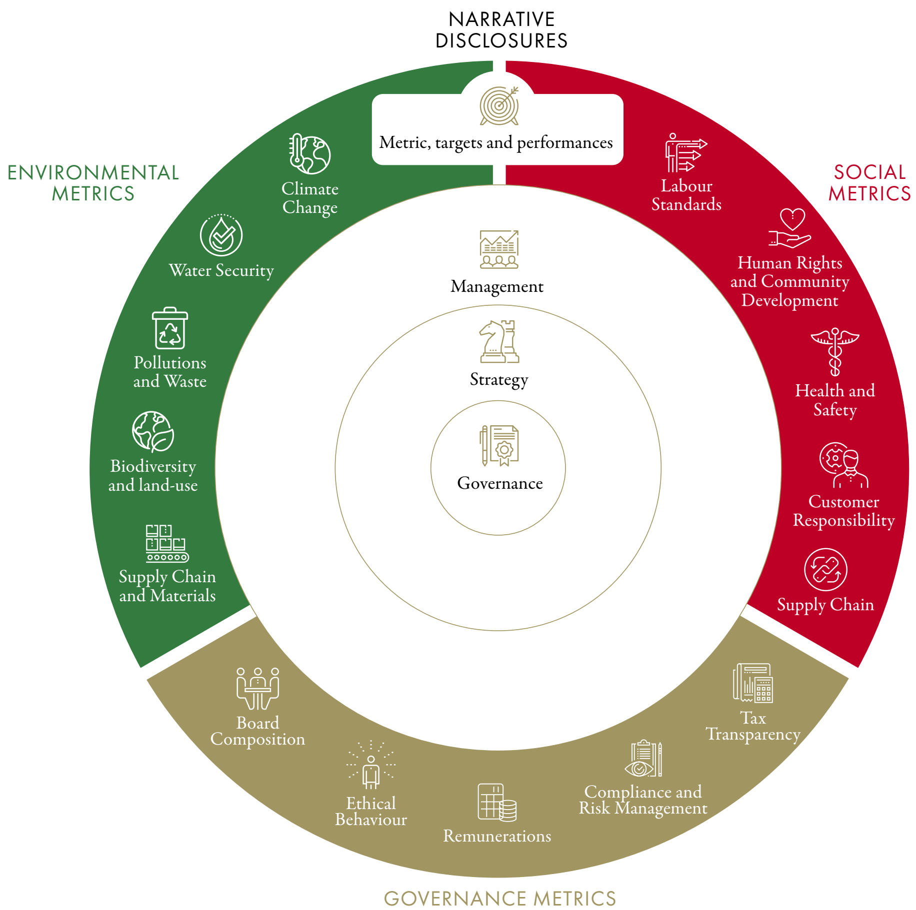
ESG Disclosures

This section sets out the Group's ESG disclosures in accordance with the JSE Sustainability Guidance.

The JSE Sustainability Guidance refers to several 'Narrative Disclosures', which represent a breakdown of the areas that make up 'E, S and G'. These are shown in the diagram below.

There are specific disclosures detailed within each of these Narrative Disclosures. The Company has carried out an analysis of those specific disclosures which are material to the Group's stakeholders and have detailed these out below.

The Company is embarking on a journey towards full compliance with the JSE Sustainability Guidance and it is the Company's intention that incremental improvements in the Group's ESG efforts and related ESG reporting are made year on year. The Company's mission is to be the global leader in African emeralds, rubies and sapphires, promoting transparency, trust and responsible mining while creating a positive impact for our host communities and countries.



GOVERNANCE DISCLOSURE METRICS

G1 – Board Composition

G1.1 – Board diversity

Composition of the board and its committees by race, and gender.

DISCLOSURE		
RACE	NO.	%
Black African	2	25
White African	3	37.5
White British	3	37.5

GENDER	NO.	%
Female	1	12.5
Male	7	87.5

Gemfields Group Limited is seeking to improve the gender balance of its Board in the event positions become available.

G1.3 – Board independence

Composition of the board regarding: executive or non-executive; independence.

DISCLOSURE		
	NO.	%
Executive	2	25
Non-executive	6	75
Independent	5	62.5

G3 – Ethical Behaviour

G3.1a – Anti-corruption

Total percentage of governance body members, employees who have received training or awareness-raising on the organisation's anti-corruption policies and procedures, broken down by employee category and region.

DISCLOSURE
Online anti-bribery and corruption training was carried out groupwide in 2021. This training will be provided again in 2023. The training was issued to all those with Gemfields email addresses via Thomson Reuters. Some governance members attended a session with the legal team in place of the Thomson Reuters online training.

BY CATEGORY	%
Gemfields Group Board	100
Governance body members (including GGL board)	89.7
Employees	100
Overall By Category	**99.2**

BY ENTITY	%
Gemfields Group Limited and associated entities (excluding Fabergé)	100
Fabergé	97.2
Overall By Entity	**99.2**

G3.1b – Anti-corruption

A description of: i) the internal and external grievance mechanisms (including whistle-blowing facilities) for reporting concerns about unethical or unlawful behaviour and lack of organisational integrity; ii) mechanisms for seeking advice about ethical and lawful behaviour and organisational integrity; and iii) the extent to which these various mechanisms have been used, and the outcomes of processes using these mechanisms.

DISCLOSURE
The Group has implemented a number of mechanisms for reporting concerns about unethical or unlawful behaviour and lack of organisational integrity. As detailed earlier in this ESG Report, the Company has established dedicated 'Operational Grievance Mechanisms' at both Kagem and MRM. Furthermore, the Company has a formal Whistleblowing Policy, as well as robust procedures in place to encourage open and anonymous reporting of alleged unethical or unlawful behaviour and lack of organisational integrity. This includes a number of different whistleblowing channels, widely advertised and available across the Group's operations and which are available to workers and other third parties. A number of reports are made every year, which are investigated thoroughly, where appropriate, and remedial action taken in order to improve the Group's operational integrity. Significant management time and resource is allocated to this. All reports are made to a select group of senior management in the Company's London office and are treated confidentially, in order to encourage a culture of transparency and integrity across the Group. The Group's Legal Team provide legal advice, where appropriate.

G4 – Compliance and Risk Management

G4.1 – Incidents

Number and nature of significant environmental, social and/or governance related incidents during the reporting period, including incidents of legal non-compliance (whether under investigation, pending finalisation, or finalised) and directives, compliance notices, warnings or investigations, and any public controversies.

DISCLOSURE
Seven environmental incidents were reported at Kagem in 2022. None of the reported environmental incidents were significant.

G4.1 – Fines and Monetary Loss

Total number and monetary value of fines, settlements, penalties, and other monetary loss suffered in relation to ESG incidents or breaches, including individual and total cost of the fines, settlements and penalties paid in relation to ESG incidents or breaches; and description of plans to address any incidents or breaches.

DISCLOSURE
In 2022, MRM identified a gap in its periodical medical examinations provided for staff at the mine site as the ones being done were generic and not specific to the mining environment and the risk areas. The compliance gap was also identified to The Mozambique General Inspectorate of Mineral Resources and Energy (IGREME) on a routine site inspection in 2022, and the solution to use a new provider was also identified and implemented in early 2023. IGREME fined MRM approx. USD16,000 (1,035,358 MZN) for the breach of the mining code.

G5 – Tax Transparency

For each tax jurisdiction: the total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes.

DISCLOSURE	
COMPANY	2022 (USD)
Gemfields Ltd	4,676,775
Fabergé UK Ltd	1,076,709
Total UK	**5,753,484**
Gemfields India (Ptv) Ltd	79,808
Gemfields Mauritius Ltd	1,230,000
Kagem Zambia	28,081,651
MRM Mozambique	44,829,013
Fabergé Inc USA	43,243
Gemfields Group TOTAL	**80,017,199**

Extent of exposure to countries and jurisdictions recognised for their corporate tax rate, tax transparency and tax haven status; estimated tax gap (gap between estimated effective tax rate and estimated statutory tax rate).

DISCLOSURE
The Company is fully compliant with all tax laws in the countries in which it operates and is substantially up to date with all tax filings and payments. Group companies do not generate income in any countries known to be tax havens. The Group's Effective Tax Rate (ETR) is comparable to Statutory Tax Rates (STR) in the countries of the operating entities and in some cases higher because of material disallowed expenses.

SOCIAL DISCLOSURE METRICS

S2 – Community Development

S2.1d – Community human rights

Number and percentage of relevant sites (typically those involved in extracting, harvesting, or developing natural resources or energy) that implement a human rights and security approach consistent with the Voluntary Principles on Security and Human Rights.

DISCLOSURE
All operations at MRM and Kagem are compliant with the Voluntary Principles on Security and Human Rights.

S2.1e – Community human righs

Number and percentage of sites at which the ownership, use of or access to land is contested, and an explanation of actions taken to address related social risks.

DISCLOSURE
MRM – 4 DUATs (Direito do Uso e Aproveitamento da Terra) which can be considered disputed. Illegal residents of Ntoro and Wikhupuri not defined as contested. Kagem - 53.308 ha being contested in Zambian courts. Area is contested by BISMA Investments Ltd. Total area contested = 1.2% of total concessions.

S2.4e – Economic contribution

Total monetary value of financial assistance received by the organisation from any government during the reporting period.

DISCLOSURE
No financial assistance, tax exemption or government subsidies was received from any government.

S3 – Health And Safety

S3.1a – Workplace health and safety

Number and rate of fatalities as a result of a work-related injury or ill-health during the reporting period across the organisation; the disclosure should include both employees and workers who are not employees, but whose work and/or workplace is controlled by the organisation.

DISCLOSURE
No fatalities due to work-related injuries or illnesses. Three fatalities of workers (including workers who are not employees, i.e. contractors) in 2022. All three of these fatalities were as a result of personal illness, not work-related injury.

S3.1b – Workplace health and safety

Number of recordable work-related injuries, and number of work-related illnesses or health conditions arising from exposure to work-related hazards during the reporting period; the disclosure should include both employees and workers who are not employees, but whose work and/or workplace is controlled by the organisation.

DISCLOSURE

LOST TIME INJURIES (LTI)	INCIDENCES 2022	INCIDENCES 2021
Kagem	1	1
MRM	2	2
Nairoto	3	4
Total	**6**	**7**

S3.1c – Workplace health and safety

An explanation of how the organisation facilitates workers' access to nonoccupational medical and healthcare services and the scope of access provided for employees and workers, and a description of any voluntary health promotion services and programmes offered to workers to address major non-work-related health risks, including the specific health risks addressed.

DISCLOSURE
Gemfields provides private medical insurance to all employees from supervisor level and above across the Group. Employees below supervisor level have unlimited usage of the hospital facility in Kitwe (for Kagem) and in Montepuez and Pemba City (for MRM), on the Company's account, under the agreement the Group has with the two hospitals in these cities. Employees from other provinces can also access the hospitals in their areas of provenance and then obtain a refund from the company or, in some special cases, the company directs them to a hospital or clinic in their area. The two principal operations, Kagem and MRM, have on-site medical facilities, ambulances and dedicated medical personnel. These clinics do not only respond during emergencies or in cases of work-related injuries, but also provide general health consultations. These on-site medical facilities serve employees, contractors, public officials and the wider community, free of charge.

S4 – Customer Responsibility

S4.1b – High risk products and services

Number and nature of any product recalls.

DISCLOSURE
None

S4.3b – Consumer data and privacy

Total number of substantiated complaints received concerning breaches of customer privacy (categorised by complaints received from outside parties and substantiated by the organisation, and complaints from regulatory bodies), and total number of identified leaks, thefts, or losses of customer data.

DISCLOSURE
No complaints regarding of customer privacy and no theft/loss of customer data.

ENVIRONMENTAL DISCLOSURE METRICS

E1 – Climate Change

E1.1a – GHG Emissions

Absolute gross greenhouse gas emissions expressed as metric tonnes of CO_2 equivalent and measured in accordance with the Greenhouse Gas Protocol for:

Scope 1, Scope 2, and Scope 3 emissions. Scope 1 and Scope 2 emissions should be disclosed separately for (i) the consolidated accounting group (the parent and its subsidiaries) and (ii) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in (i). Metric tonnes of carbon dioxide equivalent (tCO_2e)

DISCLOSURE		
GEMFIELDS LONDON	2022	2021
Scope 1 (Gas)	27	21
Scope 2 (Electricity)	22	14
Scope 3 (Business Travel)	503	N/A
Total	**551**	**35** **(*Scope 3 N/A)**
KAGEM	2022	2021
Scope 1	27,290	20,371
Scope 2	3,404	2,776
Total	**30,694**	**23,147**
MRM	2022	2021
Scope 1	14,886	11,896
Scope 2	3,657	3,592
Total	**18,542**	**15,487**
OTHER MOZAMBIQUE	2022	2021
Scope 1	1,381	548
Group Total	**51,169**	**39,217** **(*Scope 3 N/A)**

E1.1c – GHG Emissions

GHG emissions intensity for Scope 1, 2 and 3, expressed as metric tonnes of CO_2 equivalent per unit of physical or economic output.

DISCLOSURE		
INTENSITY tCO_2 E/T ROCK HANDLED	2022	2021
Kagem	0.002	0.002
MRM	0.003	0.003
Other Mozambique	290	455
Group Total	**0.002**	**0.003**

E1.2 – Energy mix

Total energy use and share of energy usage by generation type noting use of energy from renewable non-fossil sources, (namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas).

DISCLOSURE			
KAGEM (2022)	KWH	MWH	%
Solar energy consumption	45,245	45.2	1.2
Total power consumed through ZESCO	3,417,965	3,418	91.5
Total power consumed through diesel generators	272,183	272	7.3
MRM (2022)	KWH	MWH	%
Solar energy consumption	None. Solar power projected starting in 2023.	–	
Total power consumed through EDM	3,635,510	3,636	59
Total power consumed through diesel generators	2,551,866	2,552	41

Majority of grid supply from ZESCO and EDM is hydro-electric power.

E2.1a – Water Usage

Total water consumption from all areas, and from areas with water stress.

DISCLOSURE			
		2022 MEGALITRES	2021 MEGALITRES
Kagem	Surface water	46.6	41.5
MRM	Groundwater	558.6	574.9

E2.1b– Water Usage

Total water withdrawal from all areas with water stress, with a breakdown by following sources if applicable: surface water, groundwater, seawater, produced water, third-party water.

DISCLOSURE
No water stress at MRM and Kagem

E2.1c – Water Usage

Freshwater consumption intensity: total freshwater use per material unit (e.g., sales revenue, unit of production, m2 of building, or other).

DISCLOSURE		
WATER CONSUMPTION ('000 m3)/ROCK HANDLED	2022	2021
Kagem water intensity	0.004	0.004
MRM water intensity	0.080	0.101
Total water intensity	**0.030**	**0.041**

E3 – Biodiversity and Land Use

E3.1a – Biodiversity footprint (ecosystems)

Number and area of sites owned, leased, or managed in or adjacent to areas of high biodiversity value (Key Biodiversity Areas – KBAs), for operations (if applicable) and full supply chain (if material).

DISCLOSURE
No areas adjacent to KBAs

E3.1a – Biodiversity footprint (ecosystems)

Area of land used for the production of basic plant, animal or mineral commodities (e.g., the area of land used for forestry, agriculture or mining activities).

KAGEM	HECTARES
Active pit, waste dump, ore stock yard, tailings and silt yard	281
Passive pit, waste dump	88
Plantation, nursery, orchard	5

MRM	
Active pit, waste dump, ore stock yard, tailings and silt yard	588
Passive pit, waste dump	2
Plantation, nursery, orchard	6

UK STREAMLINED ENERGY AND CARBON REPORTING (SECR)

GEMFIELDS GROUP ENERGY USAGE DISCLOSURE TABLE (2020 – 2022)	UNIT	2022	2021	2020	TOTAL
Gemfields Limited (UK)					
Electricity	MWh	68	54	113	235
Natural Gas	MWh	78	98	125	301
Kagem					
Diesel	MWh	24,488	74,325	99,404	198,216
Electricity	MWh	1,925	2,787	3,418	8,130
Petrol	MWh	7.6	4.4	7.8	19.8
MRM					
Diesel	MWh	19,465	42,698	54,574	116,738
Electricity	MWh	2,205	3,607	3,673	9,485
Charcoal	MWh	589	937	877	2,403
Other Mozambique sites					
Diesel	MWh	2,008	2,148	5,281	9,437
Charcoal	MWh	–	6.7	16.7	23.4
Total (Global)	**MWh**	**50,834**	**126,666**	**167,490**	**344,989**

METHODOLOGY

In accordance with the UK Streamlined Energy and Carbon Reporting (SECR) framework, we have calculated our energy consumption for the UK and on a global basis. The reporting methodology and conversion factors used are the Greenhouse Gas Protocol and the UK Government's Greenhouse Gas reporting conversion factors for 2022.

IMAGE Agricultural projects, Mozambique

SECTION 3.5

Gemfields Foundation

Year two for the Gemfields Foundation saw us put the funds raised in our first year to good use. In Mozambique, we constructed and equipped a computer lab for use in Cabo Delgado province; and in Madagascar, we rebuilt a second primary school in order to provide an education, clean water and hot meals to children in this rural area.

Generous donations from an event hosted in 2021 by Fabergé and the Correa Family Foundation in Houston were matched by Gemfields Limited and supplemented by a private donor. This provided sufficient funding not only to build and equip the computer lab in Mozambique, but also to buy computers for the Chapula and Kapila schools in Zambia.

The newly built facility at Montepuez secondary school offers students internet access to enhance their learning and use educational software. The computer lab opened in October 2022, with more work needed to encourage students to make the most of the computers and learning platforms on offer, to aid their education. Ongoing efforts in this area will be overseen by the MRM community liaison team.

In July, the Foundation partnered again with REXMA NGO, to rebuild a primary school in rural Madagascar. The Ecole la Bénédiction is located in the village of Antanetibe, within the municipality of Ankadinandriana; it was due to be closed down by the governing body in September 2022, on the grounds that the buildings were not up to standard, even though students had achieved a 100% success rate in their exams the year before. The project to save this excellent school galvanised the community and provided an opportunity to make a real impact on education in the area.

Volunteers consisted of pupils' families and local villagers, who teamed up to complete the demolition of the old school, shape the kitchen gardens and begin laying the foundations, while awaiting funds; these were generously provided by Phillips Auctioneers, who matched the percentage of proceeds pledged by the private collector behind the Treasures from Zambia: An Exceptional Emerald Collection auction in 2021.

Assore International Holdings generously provided the Foundation with a significant donation to supplement funds from Kagem, enabling work to progress on upgrading the Kapila primary school in Zambia. The project encompasses a new three-classroom block to house a solar-powered computer lab and desktop computers and an early-learning classroom, as well as the refurbishment of one of the existing three-classroom blocks. Work began in September and November, laying the foundations, before walls were erected in December. The project is due to complete in early 2023. Computers donated by the Foundation for use at the Chapula secondary school have been purchased and are awaiting installation in early 2023.

Gemfields' brand partnership with Sandy Leong Jewelry continued, with the launch, in May, of the Serenity collection, a selection of pieces featuring Gemfields' Zambian emeralds and freshwater pearls. Once again, 10% of sales revenues were generously pledged to support children's educational projects and initiatives to empower women in the workplace. The Foundation also received support from the Jewellery and Gemstone Association of Africa, who auctioned a pendant containing Gemfields gemstones at a function for shared benefit.

Looking ahead to 2023, the Foundation trustees aim to work alongside the MRM community liaison team to encourage utilisation of the computer lab in Mozambique; complete delivery of the Kapila primary school refurbishment and new classroom block; and look ahead to new fundraising initiatives, focussing on partnerships, 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 as required.

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 2022.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

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.

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 USD35 million, equivalent to USD cents 2.886 per ordinary share.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Incorporation, Martin Tolcher and Lumkile Mondi will offer themselves for re-election at the Annual General Meeting ("AGM") to be held on 27 June 2023.

BOARD COMPOSITION

DIRECTOR	DESIGNATION	APPOINTMENT DATE
Mr Martin Tolcher	Independent Non-Executive Director – Chair	25 November 2008 (made Chair 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 Mondi	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[1]	Non-Executive Director	11 October 2021

1 – Mr Kieran Daly was appointed as an alternative director to Patrick Sacco on 12 November 2021.

DIRECTORS WHO RETIRED DURING THE YEAR

No directors retired or resigned during the 12-month period to 31 December 2022.

SHAREHOLDER MEETINGS

The Company's Annual General Meeting ("AGM") was held on 29 June 2022. All of the following resolutions were passed, except for special resolutions 1, 2 and 3 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 2021.
2. To re-elect Carel Malan, who retired by rotation, as a Director of the Company.
3. To re-elect Patrick Sacco, who retired by rotation, as a Director of the Company.
4. To re-elect Carel Malan (subject to his re-election as a Director pursuant to ordinary resolution 2), to the Company's Audit Committee.
5. To re-elect Mary Reilly to the Company's Audit Committee.
6. To re-elect Lumkile Mondi to the Company's Audit Committee.
7. To appoint Ernst & Young LLP as the Company's auditor (until the conclusion of the 2023 annual general meeting) and to authorise the Directors to fix their 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.

Further, an Extraordinary General Meeting ("EGM") of the Company was held on 30 November 2022, pursuant to which the Company sought and obtained shareholder approval for a general share buy-back programme of up to USD10 million (the "Share Buy-Back").

All of the following resolutions were passed at the EGM:

Special resolutions:

1. General authority to repurchase ordinary shares
2. General authority to cancel ordinary shares

IMAGE Fabergé Strawberry and Water Lily Egg Objet, featruing Gemfields Mozambican ruby and Zambian emerald

Ordinary resolution:

1. General authorising resolution

The Share Buy-Back commenced on 20 December 2022 on the terms contained in the notice of EGM and accompanying shareholder circular.

The Group's next AGM is scheduled for 27 June 2023. 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 (which was obtained).

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

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.

More details on Going Concern can be found in the Financial Review on page 36 and in the Notes to the Financial Statements on pages 133 to 137.

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(5) of The Companies (Guernsey) Law, 2008, and Sections 8.62(a) and 8.62(d) of the JSE Listings Requirements, and the exemption approved by JSE through 8.62(d) of the JSE Listing 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;
- Safeguarding shareholders' investments and the assets of the Group;
- The presentation of informa0tion, 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

Each of the Directors, whose names are stated below, hereby confirm that:

(a) the Consolidated Financial Statements set out on pages 126 to 195, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
(b) to the best of our knowledge and belief, 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;
(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 as executive directors with primary responsibility for implementation and execution of controls;
(e) where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls; and
(f) we are not aware of any fraud involving directors.

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 2022 were approved by the Directors on 23 March 2023 and will be presented to shareholders at the AGM on 27 June 2023. The Consolidated Financial Statements are signed on the Directors' behalf by:

David Lovett
Chief Financial Officer
24 March 2023

Sean Gilbertson
Chief Executive Officer
24 March 2023

IMAGE Operations, Kagem Mining, Zambia

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. 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 chair 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 Chair 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 Chair who should not be the Chief Executive Officer of the Company. The offices of Chair and Chief Executive Officer are separate. The Chair of GGL, Mr Tolcher, became Non-Executive Chair 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 Chair's wealth of knowledge and experience means that he is best placed to provide overall leadership to the Board.

Mr Mondi is the Company's Lead Independent Non-Executive Director ("LID") and his main responsibilities are to chair any meeting in which the Chair 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,a 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 2022.

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 2022:

	BOARD	AUDIT	REMUNERATION	NOMINATION
Mr Martin Tolcher	6/6	n/a	4/5	1/2
Mr Sean Gilbertson	6/6	n/a	n/a	n/a
Mr David Lovett	6/6	2/2	n/a	n/a
Mr Lumkile Mondi	6/6	2/2	5/5	2/2
Mr Kwape Mmela	6/6	n/a	5/5	2/2
Mr Carel Malan	6/6	2/2	n/a	1/2
Ms Mary Reilly	6/6	2/2	1/5	n/a
Mr Patrick Sacco	5/6	n/a	n/a	n/a

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

IMAGE Health projects, Mozambique

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 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. 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 ("Mourant") 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, legal and ESG 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 and updated 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 ("SENS"), the London Stock Exchange Regulatory News Service ("RNS") and via the website, 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 insourced to some degree. The Gemfields Internal Audit function, which is led by Oscar Loreti, who is head of the Company's newly established Risk and Assurance Function (in which the Internal Audit Function sits) reports functionally to the Chair of the Audit Committee, thereby ensuring its independence. The Internal Audit Function is assisted by external advisers as is necessary. 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").

IMAGE Responsibly mined rough emerald, Kagem Mining, Zambia

SECTION 4.3

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 Carel Malan.

MEETINGS

The Nomination Committee meets as often as required, but not less than once per year. Two formal meetings were held during 2022, although the Committee deliberated on matters, as necessary, on an ad hoc basis.

DUTIES CARRIED OUT IN 2022

During the year ended 31 December 2022, the Committee carried out its duties as required by King IV and its terms of reference. The Committee performed the following duties:

- Confirmed that the reappointment process that was undertaken for the Company's 2022 AGM was in line with the provisions in the Company's Articles of Incorporation;
- Reviewed the Nomination Committee Report included in the Company's previous Annual Report; and
- Oversaw completion of a Board Performance Evaluation process.

MEETINGS

The Committee is satisfied that it considered and discharged its responsibilities in accordance with its mandate and its terms of reference during 2022. Accordingly, this report was recommended by the Nomination Committee and was approved by the Board on 23 March 2023.

Lumkile Mondi
Chair of the Nomination Committee

IMAGE Responsibly mined cut and polished Mozambican rubies

SECTION 4.4

Audit Committee Report

INTRODUCTION

The Audit Committee is pleased to present its report for the year ended 31 December 2022, as recommended by King IV. The Committee is constituted by the Board, has an independent role, and is accountable to both the Board and 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 Mondi; 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. Two formal Audit Committee meetings were held during 2022.

INTERNAL AUDIT

King IV recommends that all companies implement an internal audit function that is insourced to some degree. Oscar Loreti is head of the Company's Risk and Assurance Function (in which the Internal Audit Function sits), and reports functionally to the Chair of the Audit Committee, thereby ensuring its independence. In January 2023, the Company appointed Daniel Jacobs as Group Manager - Internal Audit. Mr Jacobs has over thirty years of hands on, internal audit experience. The Internal Audit function is assisted by external advisers as is necessary.

EXTERNAL AUDIT

The Committee is satisfied that Ernst & Young LLP ("EY"), 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 EY.

Following a competitive tender process and a recommendation from the Committee, the Gemfields Board resolved to appoint EY as its statutory auditors, commencing with the financial year ending 31 December 2022, subject to ratification and approval by shareholders at the Company's 2022 AGM (which was duly obtained). The Board and the Committee took the view that this change of auditors promoted good corporate governance given the long period for which the incumbent, BDO LLP ("BDO"), had been in position.

BDO completed the Company's audit for the financial year ending 31 December 2021 and formally resigned thereafter.

The Committee was satisfied with the performance of BDO as incumbent auditor and EY, as appointed external auditor to the Company in the 12-month period to 31 December 2022.

RISK COUNCIL

A Risks and Ethics Council ("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. 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 2022 was the implementation and monitoring of the Company's Enterprise Risk Management Framework and ongoing assessment and mitigation of group-wide risks and ethics issues. Such risks and issues are detailed in the Risks and Uncertainties section above.

DUTIES CARRIED OUT IN 2022

During the year ended 31 December 2022, the Committee carried out its duties as required by King IV and its terms of reference.

The Committee performed the following statutory duties:

- Considered and recommended the Company's change in appointed external auditor, from BDO to EY;
- Considered the qualifications, independence and objectivity of EY 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;
- Approved the fees paid to EY during 2022, which were for both audit and non-audit services; and
- Ensured that the independence of EY 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 adequacy 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 2022. Accordingly, this report was recommended by the Audit Committee and was approved by the Board on 23 March 2023.

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 2022, 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 Lumkile Mondi; and
- Ms Mary Reilly.

MEETINGS

The Committee meets as often as is required, but not less than once a year. Six formal meetings were held during 2022, 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

Chair and Non-Executive Director remuneration comprises fixed cash fees for the role of Chair and Non-Executive Director and additional cash fees for the role of Senior Independent Director, chairing and membership of 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 COMMMITTEE ACTIONS IN 2022 AND EARLY 2023

The Board, with input from the Remuneration Committee, developed 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 29 June 2022. A total of 27.14% of votes were cast against endorsing the Remuneration Policy and 17.55% 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 engaged with shareholders during 2020 and 2021 in response to adverse voting on remuneration resolutions and has taken several steps, including developing its annual bonus structure, providing more information on outstanding share awards and noting points made on existing share awards. No LTIP awards were made to Executives or any other employees in 2021 or 2022. While the Committee notes that the substantial majority of votes cast at the 2021 and 2022 AGMs have supported these resolutions, the Committee is conscious that a significant minority of votes were cast against resolutions.

Following the 2022 AGM, the Committee engaged further with shareholders in accordance with the principles of King IV in respect of its existing remuneration arrangements. In its 2021 annual report, the Company explained that it was considering the structure and terms of a new LTIP plan and the Company has engaged with shareholders in respect of this new plan.

The Company held a conference call in October 2022 following similar calls in 2021 and 2020. During this call, the Company provided further information on the workings of the annual bonus, and outlined key terms of its proposed new long-term incentive plan. This plan is intended to retain, motivate and attract key individuals and align them with Company performance and shareholders, to comply with governance best practice and to reflect shareholder comments on existing long-term incentives.

Following this call, the Remuneration Committee continued to develop its thinking in relation to the new LTIP including reflecting shareholder comments. Shareholders made comments on the dilution limit, keeping the group of awardees to a small group, performance condition type and applying financial conditions in UK sterling or US dollars.

The Company held further shareholder calls in February 2023 in which it outlined changes it had made to the structure of the proposed LTIP in light of shareholder comments and gave information on its proposed approach to setting performance targets. The Company noted points made by shareholders on the setting of performance targets.

Following these calls, the Company is now proposing to implement this new LTIP and the plan will be put to shareholders for approval at the 2023 AGM. A resolution to approve the LTIP with a summary of its terms is included in the 2023 notice of AGM. A brief summary of its terms is included in the policy table later in this document. Information on awards the company intends to make to Executive Directors following the AGM are set out in the section on 2023 remuneration below.

To assist in progressing these matters, the Remuneration Committee engaged h2glenfern Remuneration Advisory, an independent remuneration consultancy with extensive experience in advising listed international resources companies. h2glenfern Remuneration Advisory is a member of the UK Remuneration Consultants Group. In early 2023, the Company commissioned h2glenfern Remuneration Advisory to prepare an Executive and Non-Executive Director benchmarking report.

Further information on the items above is set out later in this report.

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 27 June 2023.

IMAGE Operations, Montepuez Ruby Mining, Mozambique

THE REMUNERATION POLICY

	COMPONENT	OBJECTIVE	LINK TO BUSINESS STRATEGY	POLICY
Element 1: Guaranteed pay and benefits	**Base compensation** 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 competitiv eness, 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.
	Insurance benefits 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	**Annual bonus** 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.	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 2022. Performance across the various metrics is compared against previous years' performance. Outside exceptional circumstances, the maximum annual cash bonus will remain capped at 100% of base remuneration.
	New 2023 Long Term Incentive Plan Annual awards of performance shares vesting after three years subject to continued employment and meeting objective three-year performance conditions. Awards to Executive Directors subject to a two-year post-vesting holding period.	To retain, motivate and attract key individuals and align them with long-term company performance.	Aligns Executive Director interests with those of shareholders, with growth in the share price, and with key group targets reflected in performance targets. Rewards Executive Directors for delivering tangible successes.	Normal maximum annual award for Executive Directors at 150% of salary, maximum in exceptional circumstances, such as for recruitment, 300% of salary. Proposed award levels for 2023 award – 120% of salary for the CEO, 100% of salary for the CFO.
	Share options 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. The Company does not expect to make further awards of this type to Executive Directors.

EXECUTIVE DIRECTORS' CONTRACTS OF EMPLOYMENT

A new contract of employment for the CEO was entered into on 15 July 2022.

Non-Executive Directors

At the Company's 2022 AGM, shareholders approved a resolution to increase the maximum amount payable to Non-Executive Directors from USD100,000 to USD150,000. In 2022, the Chair's fee was increased from USD100,000 to USD130,000. Effective 1 January 2022, the structure of the remuneration of the Non-Executive Directors was changed to simplify it and raise it towards 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.

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 2022 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 2022.

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.

REMUNERATION IMPLEMENTATION REPORT

Fixed Compensation

Effective 1 January 2022, the salary of the CEO was USD592,250 and the salary of the CFO USD380,000.

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 2022.

Since 1 January 2021, Gemfields has applied a balanced scorecard structure. The Company reviewed the workings of annual bonus after its first year of operation in order to assess its functioning and suitability, and concluded that the structure had worked effectively.

The central methodology for this 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 2022, the Committee disregarded 2020 performance, which was severely negatively impacted by the Covid-19 pandemic, comparing 2022 performance to 2021 and the two-year period ended December 2019.

Free cash flow and total cash operating cost in 2022 were ahead of the three-year historic average and in line with performance in 2021. Across other metrics, performance was ahead of both the three-year average and 2021 and marked as good.

LONG TERM INCENTIVE PLAN ("LTIP")

There were no awards of share options to Executive Directors during 2022.

On 5 October 2022, David Lovett exercised 1,184,200 share options at an exercise price of ZAR2.97 per ordinary share of USD0.00001 each in the company ("Ordinary Share") and 7,000,000 share options at an exercise price of ZAR2.30 per Ordinary Share. Mr Lovett exercised these share options (8,184,200 in total) on a 'sell to retain' basis, meaning that Mr Lovett sold a sufficient number of Ordinary Shares to satisfy his tax liability and costs of the associated transactions such that he retained 1,400,000 Ordinary Shares pursuant to the exercise of his options. Following the above transaction, Mr Lovett owns 1,442,000 Ordinary Shares, representing 0.12 per cent of the Company.

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

LTIP	OPTIONS HELD AT 1 JANUARY 2022	ISSUED DATE	EXERCISE RICE	OPTIONS GRANTED DURIN THE YEAR	OPTIONS FORFEITED/ LAPSED DURING THE YEAR	OPTIONS EXERCISED DURING THE YEAR	OPTIONS HELD AT 31 DECEMBER 2022
Sean Gilbertson	27,890,213	September 2017	ZAR3.45	–	16,734,126	–	11,156,087
David Lovett	1,184,200	January 2018	ZAR2.97	–	-	1,184,200	–
David Lovett	7,000,000	July 2018	ZAR2.30	–	–	7,000,000	–

IMAGE Responsibly mined rough rubies, Mozambique

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 have 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.

At 31 December 2022, 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 2022	GRANTED	FORFEITED/LAPSED	EXERCISED	OUTSTANDING AT 31 DECEMBER 2022
September 2017	ZAR3.45	44,624,342	–	33,468,254	–	11,156,088
January 2018	ZAR2.97	17,071,155	–	70,288	11,020,552	5,980,315
July 2018	ZAR2.30	40,657,950	–	574,886	30,143,950	9,939,114
March 2019	ZAR1.91	1,170,103	–	480,000	372,000	318,103
Total		**103,523,550**	–	**34,593,428**	**41,536,502**	**27,393,620**

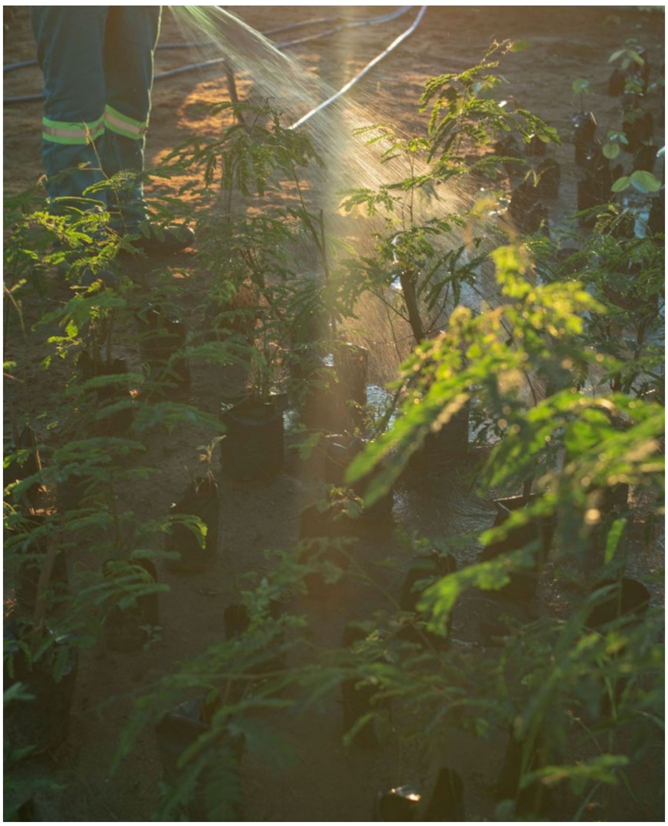

IMAGE Seedling nurseries, Kagem Mining, Zambia

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.

- As at 31 December 2022, 27,393,620 share options were outstanding, representing circa 2.26% of the Company's current shares in issue as at 31 December 2022;
- While this percentage is material, dilution may be lower given the structure of the awards (including exercise price and lapsing profile);
- 11,156,088 share options (circa 40% of the outstanding awards) have a ZAR3.45 exercise price. These options commenced lapsing from September 2022 and are fully lapsed by September 2024. These share options are 100% held by the Chief Executive Officer; and
- 41,536,502 share options were exercised by Group employees during the year ending 31 December 2022. No share options were granted to Group employees during the year ending 31 December 2022.

DIRECTORS' REMUNERATION TABLE

1 JANUARY 2022 TO 31 DECEMBER 2022	BASE COMPENSATION USD'000	BENEFITS USD'000	PENSION USD'000	BONUS USD'000	TOTAL USD'000
Sean Gilbertson	592	7	29	592	1,220
David Lovett	380	5	18	380	783
Total	**972**	**12**	**47**	**972**	**2,003**

The fees payable to Non-Executive Directors for the year ended 31 December 2022 are as follows:

1 JANUARY 2022 TO 31 DECEMBER 2022	GROUP DIRECTOR FEES USD'000	BOARD COMMITTEES USD'000	LEAD INDEPENDENT DIRECTOR USD'000	DISCRETIONARY PAYMENT USD'000	TOTAL USD'000
Martin Tolcher	130	–	–	18	148
Lumkile Mondi	50	15	10	11	86
Kwape Mmela	50	15	–	10	75
Carel Malan	50	15	–	9	74
Mary Reilly	50	15	–	2	67
Patrick Sacco	50	–	–	-	50
Total	**380**	**60**	**10**	**50**	**500**

The Company stated its intention to reimburse Non-Executive Director fees reduced in respect to the pandemic in its 2021 annual report.

Remuneration in 2023

The key change to remuneration anticipated in 2023 is the adoption of a new long-term incentive plan, to be proposed at the 2023 AGM, and the making of awards under this new plan as detailed below.

Benchmarking

The Company commissioned h2glenfern Remuneration Advisory to prepare a benchmarking report covering Executive and Non-Executive remuneration in early 2023. 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, Pan African Resources, Tharisa, Sylvanian Platinum, Lucara Diamonds, Caledonia Resources, Petra Diamonds, Merafe Resources, Shanta Gold and 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 came to an end in July 2022 and a new contract was signed on 15 July 2022.

Salaries

Effective 1 January 2023, the salary of the CEO was increased by 3% to USD610,018 and the salary of the CFO was increased by 5% to USD399,000. The Committee seeks 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 is expected to operate in 2023 in a similar manner to 2022 based on a balanced scorecard and with a normal maximum amount set at 100% of salary.

Long-term incentives

Further to the statement in last year's Annual Report and engagement with shareholders, the Company is now proposing to adopt a new LTIP. This will be proposed to shareholders at the 2023 AGM. Subject to shareholder and Johannesburg Stock Exchange approval, the Company intends to make the first awards under this plan to Executive Directors and a small number of senior employees shortly following the AGM.

The Company intends to make an award of performance shares to the CEO and CFO at 120% and 100% of salary, respectively, which will vest after three years, with 50% of the award subject to meeting an absolute total shareholder return performance target and 50% subject to an earnings per share performance target. The Committee will determine the pitching of the performance targets each year based on the Company's circumstances and outlook at the point of award having taken account of points made by shareholders during the February 2022 calls. A total of 25% of awards vests at the threshold target, increasing on a straight-line basis to full vesting at the stretch target. The awards are subject to a two-year holding period post vesting and to conventional malus and clawback provisions. Full details of awards will be announced when made and included in next year's annual report. Further terms and conditions of the LTIP are set out in the 2023 Notice of AGM.

Non-Executive Director remuneration

There will be no changes to the level of structure of Chair or Non-Executive Director remuneration for 2023. As such, the fee levels will be as disclosed earlier in this report.

Approval of the Remuneration Committee Report for 2022

All decisions undertaken in the 2022 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 23 March 2023.

Kwape Mmela
Chair of the Remuneration Committee

IMAGE Health projects, Mozambique

SECTION 4.5.1

Appendix to the Remuneration Committee Report

2022 AGM	FOR	AGAINST	ABSTAIN*
To endorse the Company's Remuneration Policy	72.86%	27.14%	0.00%
To endorse the Company's Remuneration Implementation Report	82.45%	17.55%	0.00%

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).

2022 AGM – REASONS FOR THE VOTES AGAINST

Remuneration Policy and Implementation Report:

- One proxy adviser commented on the level of compensation disclosure.
- Vesting schedule of historic options, some vesting within three years.

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's 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's 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 in 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's 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 the remuneration policy to 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 with 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 that 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 scenario was the same 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.

IMAGE Responsibly mined rough emerald, Kagem Mining, Zambia

IMAGE Responsibly mined rough emeralds, Kagem Mining, Zambia

SECTION 5

Financial Statements

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SECTION 5.1

Consolidated Income Statement

for the year ended 31 December 2022

	NOTES	2022 USD'000	2021 USD'000
Revenue	3	341,106	257,706
Cost of sales	4	(160,857)	(112,241)
Gross profit		**180,249**	**145,465**
Unrealised fair value (losses)/gains on unlisted equity instruments	12	(5,200)	7,600
Selling, general and administrative expenses	5	(58,605)	(45,690)
Other income		99	259
Profit from operations	3	**116,543**	**107,634**
Finance income	8	1,259	206
Finance costs	8	(3,147)	(3,417)
Net finance costs		**(1,888)**	**(3,211)**
Profit before taxation		**114,655**	**104,423**
Taxation	9	(40,387)	(39,460)
NET PROFIT AFTER TAXATION		**74,268**	**64,963**
Profit for the year attributable to:			
Owners of the parent		56,779	50,733
Non-controlling interest		17,489	14,230
		74,268	**64,963**
Earnings per share attributable to the parent:			
Basic – USD cents	21	**4.8**	**4.3**
Diluted – USD cents	21	**4.5**	**4.3**

The accompanying notes form part of these Financial Statements.

SECTION 5.2

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	2022 USD'000	2021 USD'000
Profit after taxation	74,268	64,963
Other comprehensive income:		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain arising on translation of foreign operations	(1,977)	747
Total other comprehensive (loss)/ income	**(1,977)**	**747**
TOTAL COMPREHENSIVE INCOME	**72,291**	**65,710**
Total comprehensive income attributable to:		
Owners of the parent	54,773	51,544
Non-controlling interest	17,518	14,166
	72,291	**65,710**

The accompanying notes form part of these Financial Statements.

SECTION 5.3

Consolidated Statement of Financial Position

as at 31 December 2022

	NOTES	2022 USD'000	2021 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	336,765	342,617
Intangible assets	11	56,139	49,962
Unlisted equity investments	12	32,000	37,200
Deferred tax assets	9	6,307	2,888
Other non-current receivables	14	14,124	13,547
Total non-current assets		**445,335**	**446,214**
Current assets			
Inventory	13	110,625	115,852
Trade and other receivables	14	99,639	83,998
Cash and cash equivalents		118,526	97,720
Total current assets		**328,790**	**297,570**
Total assets		**774,125**	**743,784**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	9	76,780	86,244
Borrowings	16	–	10,000
Lease liabilities	18	1,166	2,531
Provisions	17	6,544	5,804
Other non-current payables	15	5,000	5,000
Total non-current liabilities		**89,490**	**109,579**
Current liabilities			
Trade and other payables	15	44,158	39,137
Current tax payable		33,351	20,987
Borrowings	16	14,007	24,735
Lease liabilities	18	1,166	1,118
Provisions	17	10,856	4,027
Total current liabilities		**103,538**	**90,004**
Total liabilities		**193,028**	**199,583**
Net assets		**581,097**	**544,201**
EQUITY			
Share capital	19	12	11
Share premium	19	494,483	488,404
Cumulative translation reserve		3,229	5,235
Option reserve	20	4,911	7,303
Retained deficit		(12,126)	(36,447)
Attributable to equity holders of the parent		**490,509**	**464,506**
Non-controlling interest	22	90,588	79,695
Total equity		**581,097**	**544,201**

The Financial Statements were approved and authorised for issue by the Directors on 23 March 2023 and were signed on their behalf by:

David Lovett
Director

Sean Gilbertson
Director

The accompanying notes form part of these Financial Statements.

SECTION 5.4

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	NOTES	2022 USD'000	2021 USD'000
Cash flow from operating activities			
Profit for the year before tax		114,655	104,423
Adjustments for:			
Unrealised fair value losses/(gains)	12	5,200	(7,600)
Other fair value losses		35	236
Depreciation and amortisation	4	37,671	27,535
Impairment of intangible assets	3	–	4,929
Write down of inventory and other assets	3	6,172	–
Share-based payments	5	150	367
Net finance expenses		1,888	3,211
Net foreign exchange losses/(gains)	5	978	(525)
Change in operating assets and liabilities:			
Increase in trade and other receivables		(18,987)	(51,153)
Increase in trade and other payables		5,112	19,664
(Increase)/decrease in inventory		(278)	2,908
Increase in provisions		6,675	3,858
Cash generated from operations		**159,271**	**107,853**
Tax paid		(39,772)	(9,732)
Net cash generated from operating activities		**119,499**	**98,121**
Cash flows from investing activities			
Purchase of intangible assets		(6,322)	(3,687)
Purchase of property, plant and equipment		(27,768)	(7,984)
Interest received		481	130
Cash advances and loans made to related parties	14	(6,500)	(6,350)
Purchase of loan notes from non-equity investment		(857)	(600)
Proceeds from disposal of investments		–	1,093
Net cash utilised in investing activities		**(40,966)**	**(17,398)**
Cash flows from financing activities			
Issue of shares		6,080	110
Proceeds from borrowings	16	15,242	38,247
Repayments of borrowings	16	(35,970)	(60,017)
Cash payments of principal and interest on leases	18	(1,639)	(1,097)
Interest paid		(2,752)	(3,096)
Dividends paid to shareholders of the parent company		(35,000)	–
Dividends paid to non-controlling interest in Kagem		(1,500)	–
Net cash utilised in financing activities		**(55,539)**	**(25,853)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,994**	**54,870**
Cash and cash equivalents at the beginning of the year		97,720	43,862
Net foreign exchange loss on cash		(2,188)	(1,012)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**118,526**	**97,720**

The accompanying notes form part of these Financial Statements.

SECTION 5.5

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	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
Balance at 1 January 2022	**11**	**488,404**	**5,235**	**7,303**	**(36,447)**	**464,506**	**79,695**	**544,201**
Profit for the year	–	–	–	–	56,779	**56,779**	17,489	**74,268**
Other comprehensive income/(loss)	–	–	(2,006)	–	–	**(2,006)**	29	**(1,977)**
Total comprehensive income	**–**	**–**	**(2,006)**	**–**	**56,779**	**54,773**	**17,518**	**72,291**
Share options recognised during the year	–	–	–	150	–	**150**	–	**150**
Share options exercised during the year	1	6,079	–	(1,194)	1,194	**6,080**	–	**6,080**
Share options lapsed/forfeited during the year	–	–	–	(1,348)	1,348	**–**	–	**–**
Dividends paid	–	–	–	–	(35,000)	**(35,000)**	(6,625)	**(41,625)**
Total contributions to owners	**1**	**6,079**	**–**	**(2,392)**	**(32,458)**	**(28,770)**	**(6,625)**	**(35,395)**
Balance at 31 December 2022	**12**	**494,483**	**3,229**	**4,911**	**(12,126)**	**490,509**	**90,588**	**581,097**

The accompanying notes form part of these Financial Statements.

	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
Balance at 1 January 2021	**11**	**488,294**	**4,424**	**7,929**	**(88,085)**	**412,573**	**70,443**	**483,016**
Profit for the year	–	–	–	–	50,733	**50,733**	14,230	**64,963**
Other comprehensive income/(loss)	–	–	811	–	–	**811**	(64)	747
Total comprehensive income	**–**	**–**	**811**	**–**	**50,733**	**51,544**	**14,166**	**65,710**
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)
Total contributions to owners	**–**	**110**	**–**	**(626)**	**905**	**389**	**(4,914)**	**(4,525)**
Balance at 31 December 2021	**11**	**488,404**	**5,235**	**7,303**	**(36,447)**	**464,506**	**79,695**	**544,201**

The accompanying notes form part of these Financial Statements.

SECTION 5.6

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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 210 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 38 to 57.

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(5), sections 8.62(a) of the JSE Listings Requirements, and the exemption approved by JSE through 8.62(d) of the JSE Listing 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 2022. 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.

- Amendments to IFRS 3 Business combinations reference to the conceptual framework
- Amendments to IAS 16 Property, plant and equipment – proceeds before intended use
- Amendments to IAS 37 Provisions, contingent liabilities, contingent assets, onerous contracts – cost of fulfilling a contract
- Annual improvements 2018–2020.

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 2022, 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.

- Amendments to IAS 1 Classification of liabilities as current
- Amendments to IAS 1 Disclosure of accounting policies
- Amendments to IAS 8 Definition of accounting estimates
- Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction
- IFRS 17 Insurance contracts

Climate change

Management has considered the impact of climate change on Group's business models, cash flows, financial position and financial performance, and does not think the effect of climate-related matters is material. The Group does not have any assets or liabilities for which measurement is directly linked to climate change performance. Further information on impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning can be found within Section 2.5 of this report.

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 within Section 2.2. The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial Review on pages 30 to 36.

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, and with only two emerald auctions being held generating USD22.3 million of auction revenues. During this period the Board and management acted quickly suspending principal operations in the early stages of the pandemic. 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 was evident, with both the emerald and ruby auctions achieving record-breaking revenues for 2021 and 2022.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

1. BASIS OF PREPARATION (CONTINUED)

Going Concern (continued)

Overall, in 2022 the Group generated revenues of USD341.1 million (USD315.3 million auctions revenues, USD7.5 million India direct sales, USD17.6 million Fabergé sales and USD0.7 million cut and polished sales). The Group's gross cash position lands at USD118.5 million in December 2022 with USD54.9 million auctions receivables (emerald: USD10.8 million and ruby: USD44.1 million), 99% of which had been fully collected by the date of these financial statements. The debt balance outstanding is USD14.0 million, while the available overdraft in MRM is USD26.0 million. Further, the Directors remain confident in the current high level of market demand for gemstones.

Mining operations
With the mines back to full capacity for the full year, the cash operating costs in 2022, at individual mine level, increased to USD3.97 per tonne of rock handling (versus USD3.50 per tonne of rock handling in 2021) at Kagem and USD6.05 per tonne of rock handling (versus USD5.46 per tonne of rock handling in 2021) at MRM.

Capital expenditure programmes resumed in April 2021, however both Kagem and MRM kept their capital investment at minimum levels for the first half of 2022. Given the lower investment during 2020 and 2021, Kagem will look to invest in mining equipment during 2023 and 2024, with a steady maintenance capital spend established again from 2025. MRM will also focus on mining fleet replacements and capital repairs in 2023 as well as purchase of additional equipment for existing treatment plant, security and RAP.

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), 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
As at 31 December 2022, the Group had outstanding debt of USD14.0 million, with available facilities of USD26.0 million.

In 2022 Kagem voluntarily repaid USD13.5 million against the loan with ABSA Zambia plc and therefore the debt outstanding as of 31 December 2022 is USD10.0 million. There were no breaches of the interest cover, net debt to EBITDA and debt service coverage ratio covenants at 31 December 2022. At the date of issuance of these financial statements, the facility was converted into an overdraft of USD15.0 million with ABSA Zambia plc. Kagem has also secured a USD15.0 million overdraft facility with FNB Zambia after the reporting period. These facilities are not subject to any covenants.

1. BASIS OF PREPARATION (CONTINUED)

Going Concern (continued)

In 2016 MRM entered unsecured overdraft facilities with ABSA Mozambique S.A. (USD15.0 million) and BCI (USD15.0 million). Outstanding overdraft balance of as of 31 December 2022 was USD4.0 million. There are no covenants except that the overdrafts should be cleared to nil at least once during the renewal period. The facilities renewed annually, ABSA and BCI have provided a comfort letter confirming their intention to renew the facility in 2023, subject to normal credit checks. Nevertheless, renewal of these facilities is not necessary as Group has sufficient cash to meet its obligations under the base case.

MRM has also secured an additional USD15.0 million lease facility from BCI to finance the construction of the second treatment plant. The drawdown of this facility will match the capital expenditure for this plant. The repayment of lease facility is not subject to any covenants.

Scenario analysis – risk assessment
Under the base case MRM and Kagem continue with six to seven auctions scheduled per year in 2023 and 2024. Group revenues also include direct sales, cut and polished sales, jewellery sales and inaugural gold and ruby sales by development assets. Capital expenditures mainly comprise investments in mining equipment and infrastructural development. All existing debt facilities are available in 2023 and 2024, but are not required throughout the going concern period.

The base case forecast indicates that the Group has a significant cash headroom after settling all its liabilities as they fall due throughout the going-concern assessment period. The going concern assessment is highly dependent upon the timing and size of the ruby and emerald auctions held in 2023 and 2024, and to a lesser extent the ongoing inflationary pressures.

Several scenarios were modelled in the Directors' assessment, including, but not limited to (i) a 30% reduction in revenues at Kagem, MRM and Fabergé and increase in costs – 30% higher fuel costs and 10% increase in all other costs at Kagem and MRM across the going concern period to 31 December 2024; and (ii) insurgency scenario assuming three insurgency months May-July in each year, six months in total.

(i) Reduction in revenues and increase in costs scenario

The reduced revenue and increased costs scenario is designed to reflect the risks of:

- Changing levels of demand resulting in deferrals in the planned auction schedule;
- Any significant downside trends in the grade would have an impact on revenues. The up-to-date production profile remains robust across both mines and the mix of high quality emeralds and rubies is above budget.
- Potential implications on the Group's operations in respect of the conflict in Ukraine, in particular on the operating cash base at the mines. Trade disruptions together with soaring commodity prices have already affected our cost base across both mines with diesel price expected to increase at USD1.5 per litre in FY23 (FY22: USD1.0-1.3 per litre).

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

1. BASIS OF PREPARATION (CONTINUED)

Going Concern (continued)

In case the diesel price increases by 30%, other operating expense items increase by 10% at both mines and revenues reduce by 30% at Kagem, MRM and Fabergé, the Group is able to continue operations during the going concern period with significant levels of headroom by applying cash-saving actions, which are in management's control. The list is not exhaustive and remain dynamic:

- Reduction of budgeted investment in development assets (Madagascar, MML, ERM, CDJ and Nairoto).
- Suspension of planned investment in expansion at both Kagem and MRM.
- Reduction in budgeted advertising and marketing expenditure across the Group.
- Professional and consulting fees reduction at the corporate level.
- Fabergé costs reduction, including reduced inventory purchases.

By applying the above measure the Group would have sufficient cash savings of USD61.7 million saving in 2023 and USD61.6 million saving in 2024 and could reasonably be implemented without jeopardising production at the mines.

(ii) Insurgency scenario

Given the proximity of the insurgent activities to the MRM mine site the Directors acknowledge the risk as such have modelled an insurgency scenario that sees MRM overrun and consequently inaccessible to the Group for six months in the going concern period. In this case, the Directors have assumed the following:

- Cease operations in MRM for six months, May–July '23 and May–July '24, referred to as "insurgency months".
- MRM auction revenues reduce by 25% compared to base case in FY23 and FY24.
- Unavoidable costs in insurgency months include total labour cost, security cost, fuel and camp costs for security and some other fixed costs.
- Higher security costs – 40% increase in security costs in insurgency months and 20% increase in all other months in FY23 and FY24.
- Suspension of capital expenditures in insurgency months.

Provided the above actions are taken in the event that the Group is unable to access MRM due to the insurgency, the Group would still have sufficient cash headroom to continue its operations over the going concern assessment period.

A reverse stress-test in respect of auction revenues and costs at Kagem and MRM was also performed. In the remote event that Kagem and MRM auction revenues drop below USD136.3 million in 2023 and USD156.2 million in 2024 (which represents a decrease of 57% and 50% respectively from the actual revenue achieved in 2022), combined with a fuel cost increase of 30% and other opex items increase of 10% at both mines (compared to the base case costs), additional measures may be required, including the implementation of cost optimisation and savings without curtailing production capability and further financing.

1. BASIS OF PREPARATION (CONTINUED)

Going Concern (continued)

Summary
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.

The Board concluded that under the base case the Group is a going concern. Under the reduced revenue and increased costs scenario the Group will be able to continue operations through December 2024, by applying cash saving actions that are fully within its control. In addition, the Group has assessed the risk of the current insurgency in Mozambique and sensitised the cashflows accordingly. Under this scenario, the Group is also able to continue as going concern. Management considers the reverse test to be highly implausible considering the significant drop in revenue and positive trend seen in prices over the last year.

Considering the analysis above, the Directors concluded that no material uncertainties are present 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.

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 2022* | 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, gemstones are placed with a custody agent who is legally bound by the sale agreement to deliver the goods to the buyer once they are paid for. If the customer does not pay the auction price by the specified due date, the Group has the right to sue the customer for payment, but may also choose to sell the gems to another party. The Group 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 particular, in line with the terms and conditions of the Group's auction contracts, the Group considers the ability of the customer to prevent the Group from accessing the gemstones after the auction date and the ability of the Group to sue for payment in the event payment is not made by the due date to be the most substantive rights under the contract. The ability of the Group to sell the gemstones to another party, which arises only if payment is not made by the due date, is considered a right that primarily protects the Group's credit risk and does not give the Group ongoing control of the goods.

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. Refer to Note 3: *Segmental reporting* for further details of revenue by segments.

2.1.2 Key sources of estimation uncertainty

Estimation of cash flows included in going-concern assessment
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 prior year the modelled scenarios have included the additional uncertainties brought by the Covid-19 pandemic; however, management does not consider Covid-19 as a significant risk in current year models. 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.

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.

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 2022 are disclosed in Note 10: *Property, plant and equipment*.

2. ACCOUNTING POLICIES (CONTINUED)

Determination of ore reserves

The estimation of ore reserves primarily impacts the depreciation charge of evaluated mining assets, referred to in Note 10: *Property, plant and equipment*, which are depreciated based on the quantity of ore reserves at the respective mining operation. Reserve volumes are also used 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. This report was completed by a third party and the Competent Person's Reports can also be found at www.gemfieldsgroup.com. For 2021 and 2022, the Group completed a review of the detailed 2019 report using internal experts. The condensed version of the 2019 report, updated for 2021 and 2022 activity, can be found on page 60 of this report for Kagem and on page 64 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 2022 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.

While the Directors remain optimistic regarding the performance of the CGU during 2023, future revenues of the CGU remain uncertain. This therefore directly impacts the estimation uncertainty surrounding the valuation of the Fabergé CGU at 31 December 2022.

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 2022.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

2. ACCOUNTING POLICIES (CONTINUED)

Assessment of fair value of the Group's unlisted equity investments
The Group holds a material unlisted equity investment in Sedibelo Resources Limited (previously Sedibelo Platinum Mines Limited) ("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 2022 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; 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 2022.

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. Refer to Note 13: *Inventory* for further details.

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.

Due to the range of uncertainties described above, the Directors have made their best efforts to estimate the financial effect of potential additional tax liabilities, if any, together with any associated penalties and charges, for which the Group may be liable, but cannot include every eventuality.

2. ACCOUNTING POLICIES (CONTINUED)

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 number 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*.

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 Company 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 Group's 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.

	2022		2021	
	SPOT	AVERAGE	SPOT	AVERAGE
Mozambican metical (MZN)	63.20	63.20	63.20	65.07
Zambian kwacha (ZMW)	18.05	17.01	16.60	19.65
UK pound sterling (GBP)	0.83	0.81	0.74	0.73
South African rand (ZAR)	16.97	16.35	15.93	14.92

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | 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:

i) 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.
ii) 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.
iii) 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

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 assets/(liabilities) are recovered/(settled) and taking account of the expected manner of recovery/(settlement) of the associated asset/(liability).

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 2022* | 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 that 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 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 2022* | 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 Group. 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 cash flows 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.

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 2022* | 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 it 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 2022* | 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 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 assets accounted for under IFRS 6, in respect of exploration 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)

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 2022 TO 31 DECEMBER 2022	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	**TOTAL USD'000**
Rough gemstones[1]	148,638	166,688	–	–	–	7,533	**322,859**
Jewellery	–	–	–	17,552	–	–	**17,552**
Cut and polished	–	–	–	–	234	461	**695**
Revenue[2]	**148,638**	**166,688**	–	**17,552**	**234**	**7,994**	**341,106**
Mining and production costs[3]	(46,100)	(35,251)	(5,487)	–	–	–	**(86,838)**
Mineral royalties and production taxes	(9,199)	(16,140)	–	–	–	–	**(25,339)**
Marketing, management and auction (costs)/income	(18,580)	(16,666)	–	–	35,246	–	**–**
Change in inventory and cost of goods sold	9,489	(4,901)	–	(9,876)	(189)	(7,540)	**(13,017)**
Mining and production costs capitalised to intangible assets	–	–	5,549	–	–	–	**5,549**
Selling, general and administrative expenses[4]	(10,816)	(10,875)	(1,505)	(9,154)	(20,919)	(2,520)	**(55,789)**
Other income	13	3	1	–	40	42	**99**
EBITDA[5]	**73,445**	**82,858**	**(1,442)**	**(1,478)**	**14,412**	**(2,024)**	**165,771**
Unrealised fair value losses	–	–	–	–	(5,200)	–	**(5,200)**
Other fair value losses	–	–	–	–	–	(35)	**(35)**
Share-based payments	–	–	–	–	(150)	–	**(150)**
Depreciation and amortisation	(17,529)	(17,712)	(938)	(565)	(748)	(179)	**(37,671)**
Impairment charges[6]	–	(2,503)	–	(1,038)	–	(2,631)	**(6,172)**
Profit/(loss) from operations	**55,916**	**62,643**	**(2,380)**	**(3,081)**	**8,314**	**(4,869)**	**116,543**
Finance income	–	956	–	–	159	144	**1,259**
Finance costs	(2,116)	(543)	(240)	(248)	–	–	**(3,147)**
Taxation (charge)/income	(19,972)	(20,921)	(2)	5,117	(3,356)	(1,253)	**(40,387)**
Profit/(loss) after taxation	**33,828**	**42,135**	**(2,622)**	**1,788**	**5,117**	**(5,978)**	**74,268**

1 – In June and December 2022, two mixed-quality rough ruby auctions were held generating USD162.5 million. In April and September 2022, two commercial-quality rough emerald auctions, in May and November 2022, two higher-quality rough emerald auctions were held, generating USD148.6 million for the year. Additionally, in September 2022, a commercial-quality sapphire, corundum and low-quality ruby auction was held that generated revenues of USD4.2 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 2022.

3 – Excluding mineral royalties and production taxes, which have been presented separately, and inventory provisions, which are not included in Group's EBITDA.

4 – Excluding share-based payments of USD0.2 million and write down of other assets of USD2.6 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, inventory, fair value gains or losses on the Group's non-core equity investments, share based payments, other impairments and provisions.

6 – Impairment charges include a USD2.5 million adjustment to slow-moving consumable inventory at MRM, USD1.0 million inventory impairment at Fabergé recorded within cost of sales and USD2.6 million of other asset write downs recorded within selling, general and administrative expenses during the year.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

3. SEGMENTAL REPORTING (CONTINUED)

Income Statement

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**
Rough gemstones[1]	91,830	147,367	–	–	–	3,948	**243,145**
Jewellery	–	–	–	13,753	7	–	**13,760**
Cut and polished	–	–	–	–	582	219	**801**
Revenue [2]	**91,830**	**147,367**	**–**	**13,753**	**589**	**4,167**	**257,706**
Mining and production costs[3]	(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[4]	(3,363)	(10,060)	(1,098)	(8,310)	(16,027)	(1,300)	**(40,158)**
Other income	39	8	–	27	–	185	**259**
EBITDA[5]	**50,271**	**77,781**	**(957)**	**(4,941)**	**11,835**	**(888)**	**133,101**
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[6]	–	(165)	(4,369)	–	–	(395)	**(4,929)**
Profit/(loss) from operations	**39,213**	**63,305**	**(6,039)**	**(5,611)**	**18,204**	**(1,438)**	**107,634**
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)**
Profit/(loss) after taxation	**23,693**	**39,992**	**(6,975)**	**(5,947)**	**16,872**	**(2,672)**	**64,963**

1 – In March and April 2021, a series of high-quality emerald and mixed-quality 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 higher-quality emerald and mixed-quality ruby mini auctions were held, realising revenues of USD37.6 million and USD88.5 million respectively. Additionally, in August 2021, a commercial-quality 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.

3. SEGMENTAL REPORTING (CONTINUED)

Change in inventory and cost of goods sold

1 JANUARY 2022 TO 31 DECEMBER 2022	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	TOTAL USD'000
Change in inventory and cost of goods sold	**9,489**	**(4,901)**	**–**	**(9,876)**	**(189)**	**(7,540)**	**(13,017)**
Split between:							
Mining and production costs capitalised to inventory[1,2]	49,908	36,922	–	–	–	–	**86,830**
Depreciation capitalised[1]	9,044	8,913	–	–	–	–	**17,957**
Cost of goods sold in the period	(49,463)	(50,736)	–	(9,876)	(189)	(7,540)	**(117,804)**
	9,489	(4,901)	–	(9,876)	(189)	(7,540)	**(13,017)**

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 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
Change in inventory and cost of goods sold	**8,074**	**(3,037)**	**–**	**(10,411)**	**(390)**	**(3,940)**	**(9,704)**
Split between:							
Mining and production costs capitalised to inventory[1,2]	29,526	22,353	–	-	–	–	**51,879**
Depreciation capitalised[1]	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.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

3. SEGMENTAL REPORTING (CONTINUED)

Statement of Financial Position

31 DECEMBER 2022	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	TOTAL USD'000
Mining asset[1]	130,681	150,086	–	–	–	–	**280,767**
Property, plant and equipment, and intangibles	13,742	34,156	31,887	29,281	1,497	1,574	**112,137**
Unlisted equity investments	–	–	–	–	32,000	–	**32,000**
Operating assets[2]	74,506	99,780	3,211	34,529	9,573	2,789	**224,388**
Cash and cash equivalents	27,822	23,132	1,263	2,221	47,549	16,539	**118,526**
Deferred tax asset	–	–	–	5,401	882	24	**6,307**
Segment assets	**246,751**	**307,154**	**36,361**	**71,432**	**91,501**	**20,926**	**774,125**
Borrowings	10,000	4,007	–	–	–	–	**14,007**
Operating liabilities[3]	32,145	47,563	6,155	6,307	9,412	659	**102,241**
Deferred tax liability	37,366	39,311	–	101	2	–	**76,780**
Segment liabilities	**79,511**	**90,881**	**6,155**	**6,408**	**9,414**	**659**	**193,028**
Net cash/(debt)	**17,822**	**19,125**	**1,263**	**2,221**	**47,549**	**16,539**	**104,519**

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.

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
Mining asset[1]	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**
Listed and unlisted investments	–	–	–	–	37,200	–	**37,200**
Operating assets[2]	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**
Segment assets	**232,242**	**305,788**	**26,752**	**69,024**	**94,976**	**15,002**	**743,784**
Borrowings	23,500	11,235	–	–	–	–	**34,735**
Operating liabilities[3]	20,118	38,858	5,540	5,344	7,939	805	**78,604**
Deferred tax liability	41,009	45,235	–	–	–	–	**86,244**
Segment liabilities	**84,627**	**95,328**	**5,540**	**5,344**	**7,939**	**805**	**199,583**
Net (debt)/cash	**(10,343)**	**18,091**	**355**	**2,519**	**41,389**	**10,974**	**62,985**

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.

3. SEGMENTAL REPORTING (CONTINUED)

Statement of Cash Flows

1 JANUARY 2022 TO 31 DECEMBER 2022	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	**TOTAL USD'000**
Revenue	148,638	166,688	–	17,552	234	7,994	**341,106**
Operating costs and cost of sales[1]	(56,613)	(67,164)	(1,442)	(19,030)	(21,068)	(10,018)	**(175,335)**
Marketing, management and auction costs	(18,580)	(16,666)	–	–	35,246	–	–
EBITDA	**73,445**	**82,858**	**(1,442)**	**(1,478)**	**14,412**	**(2,024)**	**165,771**
Add back: Change in inventory and purchases	(9,489)	4,901	–	9,876	189	7,540	**13,017**
Add back: Costs capitalised to intangible assets	–	–	(5,549)	–	–	–	**(5,549)**
Tax paid	(13,302)	(25,850)	2	–	(603)	(19)	**(39,772)**
Capital expenditure	(14,290)	(10,501)	(8,796)	(279)	(45)	(179)	**(34,090)**
Free cash flow before working capital movements	**36,364**	**51,408**	**(15,785)**	**8,119**	**13,953**	**5,318**	**99,377**
Working capital movements[2]	(5,267)	(10,467)	8,344	(6,903)	87	(740)	**(14,946)**
Free cash flow[3]	**31,097**	**40,941**	**(7,441)**	**1,216**	**14,040**	**4,578**	**84,431**
Cash generated from operations	**59,371**	**78,149**	**1,353**	**596**	**14,880**	**4,922**	**159,271**
Tax paid	(13,302)	(25,850)	2	–	(603)	(19)	**(39,772)**
Capital expenditure	(14,290)	(10,501)	(8,796)	(279)	(45)	(179)	**(34,090)**
Foreign exchange	(682)	(857)	–	899	(192)	(146)	**(978)**
Free cash flow	**31,097**	**40,941**	**(7,441)**	**1,216**	**14,040**	**4,578**	**84,431**

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 2022* | continued

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[1]	(30,080)	(53,402)	(957)	(18,694)	(16,417)	(5,055)	**(124,605)**
Marketing, management and auction costs	(11,479)	(16,184)	–	–	27,663	–	–
EBITDA	**50,271**	**77,781**	**(957)**	**(4,941)**	**11,835**	**(888)**	**133,101**
Add back: Change in inventory and purchases	(8,074)	3,037	–	10,411	390	3,940	**9,704**
Add back: 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)**
Free cash flow before working capital movements	**33,198**	**73,331**	**(8,528)**	**5,326**	**12,203**	**2,592**	**118,122**
Working capital movements[2]	(18,418)	(19,740)	8,720	(3,333)	1,157	467	**(31,147)**
Free cash flow[3]	**14,780**	**53,591**	**192**	**1,993**	**13,360**	**3,059**	**86,975**
Cash generated from operations	**23,223**	**60,806**	**4,426**	**2,207**	**13,659**	**3,532**	**107,853**
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**
Free cash flow	**14,780**	**53,591**	**192**	**1,993**	**13,360**	**3,059**	**86,975**

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

	2022 USD'000	2021 USD'000
Mining and production costs		
Labour and related costs	30,004	24,298
Mineral royalties and production taxes	25,339	20,530
Fuel costs	20,119	9,908
Repairs and maintenance costs	15,387	9,724
Security costs	7,135	5,435
Camp costs	6,015	4,006
Blasting costs	2,608	1,314
Other mining and production costs[1]	9,111	3,067
Total mining and production costs[2]	**115,718**	**78,282**
Change in inventory and cost of goods sold[3]	13,017	9,704
Mining and production costs capitalised to intangible assets[4]	(5,549)	(3,280)
Depreciation and amortisation	37,671	27,535
	160,857	**112,241**

1 – In 2022, other mining and production costs included inventory impairment provisions of USD1.0 million related to Fabergé legacy inventory. and USD2.5 million on MRM slow-moving consumables. No inventory impairments were recorded in 2021.

2 – Includes unavoidable mining and production costs incurred during the temporary suspension of operations from January 2021 to 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

	2022 USD'000	2021 USD'000
Labour and related costs	19,510	16,286
Selling, marketing and advertising	9,549	6,246
Professional, legal and other expenses	7,808	3,264
Rent and rates	1,242	1,467
Travel and accommodation	2,061	1,004
Auditor's remuneration	1,004	853
Share-based payments	150	367
Impairment of intangible assets	-	4,764
Net foreign exchange losses/(gains)	978	(525)
Other selling, general and administrative expenses[1]	16,303	11,964
	58,605	**45,690**

1 – Included within other selling, general and administrative expenses are write down of other assets of USD2.6 million (2021: USD0.2 million).

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

6. AUDITOR'S REMUNERATION

	2022 USD'000	2021 USD'000
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	675	421
Fees payable to the Company's auditor for other services:		
Review of the Interim Financial Statements	90	93
Audit of the UK statutory entities	62	58
Statutory audit work completed for the overseas entities	177	274
Other services	–	7
	1,004	**853**

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 112 to 113).

7. EMPLOYEES AND DIRECTORS

The average number of employees during the year was:

	2022	2021
Directors	8	8
Administration staff	338	262
Fabergé staff	39	34
Mining staff	2,639	2,544
	3,024	**2,848**

8. FINANCE INCOME AND COSTS

	2022 USD'000	2021 USD'000
Interest received	1,259	206
Finance income	**1,259**	**206**
Interest on bank loans and borrowings	(2,129)	(2,382)
Interest charge on lease liabilities	(290)	(321)
Other finance costs	(728)	(714)
Finance costs	**(3,147)**	**(3,417)**
Net finance costs	**(1,888)**	**(3,211)**

9. TAXATION

The Group's tax expense is as follows:

	2022 USD'000	2021 USD'000
Current tax		
Taxation charge for the year	53,274	31,480
Deferred tax		
Origination and reversal of temporary differences	(12,887)	7,980
Total taxation charge	**40,387**	**39,460**

The Company is incorporated in Guernsey, but qualified as a United Kingdom tax resident. Therefore, the United Kingdom corporation tax of 19% (2021: 19%) is used in the tax reconciliation for the Group.

The reconciliation of the effective tax rate is explained below:

	2022 USD'000	2021 USD'000
Profit on ordinary activities before taxation	114,655	104,423
Tax at the United Kingdom tax rate of 19% (2021: 19%)	21,784	19,840
Effects of:		
Different tax rates applied in overseas jurisdictions	11,062	12,653
Expenses not deductible for tax purposes	11,698	6,174
Adjustment in respect of prior periods	(96)	(2,246)
Previously unrecognised tax losses used to reduce deferred tax expense	(5,001)	–
Tax losses not recognised as a deferred tax asset	940	3,039
Total taxation charge	**40,387**	**39,460**

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 35.2% (2021: 37.8%) predominately arises because of the different tax rates applied in overseas jurisdictions but is also impacted by non-deductible expenses and tax losses recognised as well as application of rate increase in the United Kingdom from 19% to 25% for deferred tax purposes.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | 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.

In the spring budget 2021, the United Kingdom Government announced that from 1 April 2023, the corporation tax rate would increase to 25% (rather than remaining at 19% as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred tax at the reporting date have been measured using this enacted tax rate and reflected in these consolidated financial statements.

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:

	2022 USD'000	2021 USD'000
Recognised deferred tax assets		
Tax losses	6,190	2,819
Property, plant and equipment	4,310	3,846
Other temporary differences	5,138	3,482
Total deferred tax assets	**15,638**	**10,147**
Deferred tax assets netted against deferred tax liabilities	(9,331)	(7,259)
Net deferred tax assets	**6,307**	**2,888**

	2022 USD'000	2021 USD'000
Recognised deferred tax liabilities		
Evaluated mining property – Kagem and MRM	(80,749)	(86,106)
Inventory valuation – Kagem and MRM	(5,362)	(4,863)
Foreign exchange movement	–	(2,534)
Total deferred tax liabilities	**(86,111)**	**(93,503)**
Deferred tax assets netted against deferred tax liabilities	9,331	7,259
Net deferred tax liabilities	**(76,780)**	**(86,244)**

Deferred tax assets and deferred tax liabilities relating to the same tax authorities have been disclosed as a net asset or liability.

9. TAXATION (CONTINUED)

Deferred tax (continued)

The movement on the deferred tax account is provided below.

	2022 USD'000	2021 USD'000
At 1 January	**(83,356)**	**(76,207)**
Adjusted for:		
Recognition/(utilisation) of tax losses	3,371	(8,769)
Property, plant and equipment	465	808
Evaluated mining property – Kagem and MRM	5,361	3,873
Inventory valuation – Kagem and MRM	(499)	39
Unrealised foreign exchange movements	2,843	(4,089)
Other temporary differences	1,346	158
Recognised in the Consolidated Income Statement	12,887	(7,980)
Realised foreign exchange movement	(4)	831
At 31 December	**(70,473)**	**(83,356)**

The net deferred tax liability decreased in the year by USD9.5 million due principally to a net reduction of USD4.9 million in mining assets and inventory because of amortisation and a reduction of USD2.5 million in the deferred tax liability on foreign exchange because of significant non-deductible unrealised foreign exchange losses in MRM. The balance of USD2.1 million of the decrease is due to the impact of the net increase in deferred tax assets that are netted against deferred tax liabilities.

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 Limited 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 USD4.9 million reduction to the liability recognised in 2022.

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 2022, most of which arises in UK tax resident entities in which tax losses have been recognised in recent years. The asset recognised is based on the value of the taxable profit which is reasonably expected to be generated over the next four 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 USD61.8 million (2021: USD81.7 million).

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

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**
Cost						
At 1 January 2021	**34,343**	**56,086**	**8,465**	**349,036**	**11,623**	**459,553**
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)**
At 31 December 2021	**36,564**	**60,406**	**8,902**	**348,258**	**11,623**	**465,753**
Additions	4,288	23,564	1,645	3,725	–	**33,222**
Disposals	(1,520)	(6,992)	–	–	–	**(8,512)**
Foreign exchange differences	(65)	–	(454)	(773)	–	**(1,292)**
At 31 December 2022	**39,267**	**76,978**	**10,093**	**351,210**	**11,623**	**489,171**
Accumulated depreciation						
At 1 January 2021	7,739	35,639	6,202	45,171	2,068	**96,819**
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)**
At 31 December 2021	**11,242**	**44,814**	**7,175**	**57,837**	**2,068**	**123,136**
Provided during the year	3,767	10,628	965	17,439	4,722	**37,521**
Disposals	(692)	(6,992)	–	–	–	**(7,684)**
Foreign exchange differences	(64)	–	(503)	–	–	**(567)**
At 31 December 2022	**14,253**	**48,450**	**7,637**	**75,276**	**6,790**	**152,406**
Carrying value						
At 31 December 2021	25,322	15,592	1,727	290,421	9,555	**342,617**
At 31 December 2022	**25,014**	**28,528**	**2,456**	**275,934**	**4,833**	**336,765**

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 USD6.2 million (2021: USD6.7 million) and associated accumulated depreciation of USD3.9 million (2021: USD3.3 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.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FY22 Impairment review of Kagem and MRM

At 31 December 2022 the Group's market capitalisation based on the share price of ZAR3.85 was USD273.9 million. This is USD321.2 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 or more of the Group's CGUs. As a result, an impairment review has been performed on the mining CGUs. The recoverable value models support the carrying value of mining assets at 31 December 2022, therefore no impairment charges were recorded. The recoverable value of these assets was determined using a fair value less cost of disposal (FVLCD) methodology, applying discounted cash flows techniques. The cash flows included in the fair value models were estimated in real terms.

In assessing the recoverable amount of Kagem and MRM, management has considered the strong auction results for both emeralds and rubies in 2022, which saw prices increase across a large number of grades with more customers bidding. On this basis, the Directors are confident in the strength of the market for both gemstones. With the market dynamics having improved and production levels during 2022 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. An assessment of 2022 auction results is provided below.

KAGEM:

- Four successful auctions during the year generated record revenues for both higher-quality and commercial-quality emeralds. Higher-quality auctions generated USD73.8 million at an average price of USD109.04 per carat, whilst the record commercial quality auction achieved USD74.9 million at USD9.19 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

MRM:

- A successful series of mixed-quality mini auctions during the year generated USD162.5 million at an average price of USD198.3 per carat with June 2022 auction generating USD95.6 million, an unprecedented, all time high auction revenue for any Group auctions;
- A commercial-quality auction generated USD4.2 million at an average price of USD0.23 per carat.

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 2022 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 discounted cash flows, individually or in aggregate, would result in a different valuation being determined.

The Islamic insurgency in Cabo Delgado province remains a concern. Although a direct threat from the insurgents is currently deemed unlikely, MRM is conscious of the possibility of opportunists mounting an attack on MRM's assets. MRM and Gemfields are working in close coordination with relevant government and third-party agencies to track the developments in the region, including in relation to intelligence assessments which are being kept continually updated. An evacuation plan is in place in case a worst-case scenario should arise. Furthermore, a number of measures are in place to curb the risk of an attack. At present, we have not identified an impairment.

In conclusion:

- Kagem's base case recoverable amount is calculated at USD235.0 million which exceeds its carrying value of USD188.0 million. However, when the emerald prices are reduced by 30% for three 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 a pronounced price reduction for a prolonged period is unlikely; and
- MRM's base case recoverable amount is calculated at USD523.7 million, which significantly exceeds its carrying value of USD208.0 million at 31 December 2022, such that under any of the stressed assumptions there is no deficit.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FY22 Impairment review of Kagem and MRM (continued)

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 USD188.0 million with no headroom to carrying value when a price reduction of 23.9% is applied for a period of three years (at a 15.75% base case discount rate) or when a discount rate of 18.97% is applied to the base case cashflows; and
- MRM's headroom is reduced to nil with a recoverable amount of USD208.0 million when a price reduction of 68.10% is applied for a period of five years (at a 15.50% base case discount rate) or when a discount rate of 36.64% is applied to the base case cash flows.

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 the past six 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.	Rough rubies and corundum prices have been determined using the Group's historic achieved prices over the past three auctions. 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 available production from two months before the auction date; this allows for time taken for grading and referencing. The composition of the auction is dependent on (i) production; (ii) management strategy i.e. building inventory or cash generation; and (iii) market intelligence.
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.
Discount rate	A real discount rate of 15.75% 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.	A real discount rate of 15.50% 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.

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
Cost					
At 1 January 2021	671	39,942	496	22,922	**64,031**
Additions	259	–	–	2,991	**3,250**
Disposal	(159)	–	–	–	**(159)**
Transfers	(93)	–	–	93	**–**
Foreign exchange differences	(1)	–	–	–	**(1)**
At 31 December 2021	**677**	**39,942**	**496**	**26,006**	**67,121**
Additions	234	–	–	6,094	**6,328**
Foreign exchange differences	(1)	–	–	–	**(1)**
At 31 December 2022	**910**	**39,942**	**496**	**32,100**	**73,448**
Accumulated amortisation					
At 1 January 2021	602	11,472	496	–	**12,570**
Charge in the year	54	–	–	7	**61**
Disposals	(159)	–	–	–	**(159)**
Transfers	(75)	–	–	–	**(75)**
Impairment charge	–	–	–	4,764	**4,764**
Foreign exchange differences	(2)	–	–	–	**(2)**
At 31 December 2021	**420**	**11,472**	**496**	**4,771**	**17,159**
Charge in the year	150	–	–	–	**150**
At 31 December 2022	**570**	**11,472**	**496**	**4,771**	**17,309**
Carrying value					
At 31 December 2021	257	28,470	–	21,235	**49,962**
At 31 December 2022	**340**	**28,470**	**–**	**27,329**	**56,139**

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

11. INTANGIBLE ASSETS (CONTINUED)

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*.

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. Whilst the management continuously reviews the insurgent activities in Mozambique, there have been no adverse changes which would represent an impairment indicator at 31 December 2022. During the first quarter of 2021, the Covid-19 pandemic resulted in the Group pausing spending on non-critical operations, which included the development projects. Management did not view this as an impairment indicator, as the suspension of activity was temporary with no hindrance to the rights of access on any of the key licences.

In 2021, indicators of impairment were identified in relation to the Ethiopian development assets as a result of 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. The non-current asset investment was 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 54 to 57 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 2022.

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 2022 was USD57.3 million (31 December 2021: USD61.2 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 ("FVLCOD")) of Fabergé at each reporting date. The report was prepared on the same basis as that prepared in prior periods, including 31 December 2021, using a market-based approach based on enterprise value to revenue multiples ("EV/Revenue") exhibited by comparable companies ("CoCos"). 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.

11. INTANGIBLE ASSETS (CONTINUED)

Basis of revenue

For 31 December 2022, the following metrics were used:

- Agreed sales over the past 12 months to December 2022;
- A forward-looking approach using management's latest Board-approved budgeted sales for 2023.

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 2021 valuation. After deducting this, the selected EV/Revenue multiple range was 2.45x–2.95x. This is broadly in line with the range applied at 30 June 2022 of 2.35x–2.85x, however, below the range applied at 31 December 2021 of 3.50x–4.25x, which is believed to reflect the uncertain economic environment as at 31 December 2022, which has seen inflation at record highs, interest rate rises and supply chain disruption driven by the invasion of Ukraine by Russia.

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 2021 valuation.

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.

The range is consistent with the December 2021 valuation.

Illustrative costs of disposal

Consistent with December 2021, 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.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

11. INTANGIBLE ASSETS (CONTINUED)

Surplus inventory

Within inventory of USD25.8 million at 31 December 2022 (31 December 2021: USD29.3 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 USD17.6 million (31 December 2021: USD21.4 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 31 December 2022 and 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.

Management has assessed the valuation report for 31 December 2022, 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 after the second half of 2021, improved sales could represent pent-up demand.
- 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 steam is unpredictable in nature.

Taking account of these additional factors and the overall sensitivity of the valuation to the revenue, which remains uncertain at this point, management considers that the carrying value of the CGU is not materially different from 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 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 2023, 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 2023.

12. UNLISTED EQUITY INVESTMENTS

The Group's unlisted equity investment relates to its 6.54% holding in Sedibelo Resources Limited (previously 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 2022 USD'000	31 DECEMBER 2021 USD'000
Balance at 1 January	37,200	29,600
Unrealised fair value (losses)/gains	(5,200)	7,600
Balance at 31 December	**32,000**	**37,200**

The Group applies a market approach to the valuation of Sedibelo. Based on this approach the value of SPM at 31 December 2022 was estimated at USD490.0 million; the Group's 6.54% interest has therefore been valued at USD32.0 million.

The decrease in the fair value in the current period has most notably arisen from reduced public market valuations for comparable PGM companies, which were generally down approximately 15% between 31 December 2021 and 31 December 2022, and the reduced operating and financial results for Sedibelo over the past twelve months ended 31 December 2022 due to operating challenges, a modest pullback in PGM and rhodium prices.

The primary source in determining the valuation of SPM at 31 December 2022 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 2022 is consistent with that applied at 31 December 2021. 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 2022* | continued

12. UNLISTED EQUITY INVESTMENTS (CONTINUED)

Market approach – comparable companies' analysis

Consistent with the December 2021 valuations, 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 at SPM.

Consistent with December 2021, 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.

Financial and non-financial multiples

The following trading multiples were selected for application to Sedibelo:

	31 DECEMBER 2022	31 DECEMBER 2021
EV/mineral resource ounces	USD25/oz	USD9/oz
EV/mineral reserve ounces	USD69/oz	USD101/oz
EV/LTM production ounce	5,000/oz	4,500/oz
EV/LTM revenue	1.9x	1.7x
EV/NTM revenue	1.5x	1.6x
EV/LTM EBITDA	4.8x	3.5x
EV/NTM EBITDA	3.3x	3.5x

The report has applied weightings to each multiple which give consideration to an array of factors, including; (a) the availability of 2023 cash flow and production projections, (b) the unplanned production disruptions over the past twelve months, arising from safety incidents, community unrest, excessive rainfall and the concentrator shutdown, thereby limiting the usefulness of LTM results as a predictor for its go-forward financial results, (c) the start of production from the East Pit in the second half of 2022, which also limits the usefulness of LTM results, (d) Sedibelo's materially longer reserve life relative to the peer group, which limits the utility of reserve and resource multiples.

Discount for the lack of marketability ("DLOM")

Consistent with December 2021, the valuer has applied a DLOM to the valuation of Sedibelo. DLOM of 15% 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 Group could realise its stake in Sedibelo over the next two years.

12. UNLISTED EQUITY INVESTMENTS (CONTINUED)

Valuation results

After allowance of SPM's net cash of USD66.0 million, the multiples lead to a value of SPM (100% basis), on an Enterprise Value basis, of USD583.2 million, with the Group's 6.54% interest valued at USD38.1 million. Applying the 15% DLOM decreases SPM's fair value to USD595.7 million, with the Group's 6.54% interest valued at USD32.0 million. Accordingly, a USD5.2 million fair value loss 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, with all other indicators and evidence unchanged, the valuation would change to USD27.8 million or a reduced fair value decrease of USD9.3 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 USD26.6 million or a fair value decrease of USD10.5 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 USD30.9 million or a fair value decrease of USD6.2 million from the position at 31 December 2021.

In all scenarios a fair value loss would be recorded at 31 December 2022, based on the 31 December 2021 valuation of USD37.2 million.

Consideration of non-current assets held for sale

Group 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. Group 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 its then 23.65% equity holding in Ivy Lane. The same broker continues to manage the orderly disposal of Group's direct holding of SPM shares post the unbundling of Ivy Lane.

Although the unbundling of Ivy Lane has simplified the structure through which Group 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 2022.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

12. UNLISTED EQUITY INVESTMENTS (CONTINUED)

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

	2022 USD'000	2021 USD'000
Rough inventory – emeralds and beryl	45,908	43,582
Rough inventory – rubies and corundum	23,702	28,603
Fabergé inventory	25,884	29,330
Cut and polished gemstones	5,242	5,406
Spares and consumables	9,889	8,931
	110,625	**115,852**

In 2022, USD1.0 million provision was recorded in relation to Fabergé legacy inventory (2021: Nil) and USD2.5 million provision was recorded in relation to MRM's slow-moving consumables (2021: USD0.4 million). The total provision held against inventory at 31 December 2022 was USD12.5 million (2021: USD8.6 million).

At 31 December 2022, USD1.3 million of the rough inventory was carried at net realisable value (2021: USD3.3 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

	2022			2021		
	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000
Trade receivables	63,154	–	**63,154**	61,757	–	**61,757**
Related-party receivables	7,095	3,000	**10,095**	5,099	3,000	**8,099**
Loan receivable	–	–	–	700	–	**700**
Other receivables	2,695	46	**2,741**	969	46	**1,015**
Financial assets held at amortised cost	**72,944**	**3,046**	**75,990**	**68,525**	**3,046**	**71,571**
VAT receivable[1]	21,730	9,100	**30,830**	11,330	9,576	**20,906**
Prepayments	4,666	–	**4,666**	4,023	–	**4,023**
Loan notes from non-equity investment	–	1,389	**1,389**	–	538	**538**
Other receivables	299	589	**888**	120	387	**507**
Total trade and other receivables	**99,639**	**14,124**	**113,763**	**83,998**	**13,547**	**97,545**

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.

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade Receivables

Trade receivables of USD63.2 million at 31 December 2022 (2021: USD61.8 million) primarily relate to Kagem auction receivables of USD10.8 million and MRM auction receivables of USD44.1 million outstanding from the higher-quality emerald and mixed-quality ruby auctions held in November and December 2022. Additionally, amounts were due to Fabergé at 31 December 2022 of USD8.0 million (2021: USD6.8 million). At the date of issuance of these financial statements, 99% of auction receivables had been fully collected.

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 2022.

The majority of the Group's non-auction receivables are held by Fabergé. Fabergé's business is based on long-standing relationships with a selection of key wholesale and retail customers, with whom emphasis is placed on building partnerships. There is no 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. Based on the detailed assessment completed, despite the low credit risk of these customers, USD0.2 million provision was recorded against Fabergé's trade receivables at 31 December 2022.

Refer to Note 23: *Financial instruments* for further discussion on credit risk.

Related party receivable

At 31 December 2022, the Group had a USD10.1 million (2021: USD8.1 million) related party receivable due from Mwiriti Ltda ("Mwiriti"), the Group's partner in MRM and Nairoto.

Of the total amount, USD7.1 million (2021: USD5.1 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 USD5.1 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 loan agreements with Mwriti in relation to the next expected future dividend payments. Under the terms of the agreements, MRM made up to USD6.5 million available to Mwriti, representing an advance payment of future dividends to be declared by MRM. The loan was fully drawn at 31 December 2022. The advanced amount bears interest at a rate of three-month SOFR plus 4%. At 31 December 2022, USD0.6 million of accrued interest was outstanding on the advance. It is expected that MRM will announce its next dividend in the first half of 2023, and that this dividend will fully offset the USD7.1 million outstanding at 31 December 2022.

The remaining balance of USD3.0 million (2021: 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 (2021: USD5.0 million) to Mwiriti in respect of the Nairoto project at 31 December 2022. As such, the Group's credit exposure to Mwiriti at 31 December 2022 in relation to Nairoto was determined to be immaterial.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Loan and other receivables

Other receivables have low credit risk associated to them. No loss allowance has therefore been recorded against this balance in the year. 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.

15. TRADE AND OTHER PAYABLES

	2022			2021		
	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000	CURRENT USD'000	NON-CURRENT USD'000	TOTAL USD'000
Trade payables	10,368	–	**10,368**	6,324	–	**6,324**
Accrued expenses	11,159	–	**11,159**	6,006	–	**6,006**
Payroll and employee-related payables	7,069	–	**7,069**	7,847	–	**7,847**
Related party payables	–	5,000	**5,000**	158	5,000	**5,158**
Other taxes, including mineral royalty and production taxes	6,419	–	**6,419**	12,171	–	**12,171**
Other payables	9,143	–	**9,143**	6,631	–	**6,631**
Total trade and other payables	**44,158**	**5,000**	**49,158**	**39,137**	**5,000**	**44,137**

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

		INTEREST RATE	MATURITY	2022 USD'000	2021 USD'000
Non-current interest-bearing loans and borrowings					
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2024	–	10,000
				–	**10,000**

		INTEREST RATE	MATURITY	2022 USD'000	2021 USD'000
Current interest-bearing loans and borrowings					
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2022	–	3,500
ABSA Zambia	USD10 million revolving credit facility	USD SOFR + 6.50%	2023	10,000	10,000
ABSA Mozambique	USD15 million overdraft facility	USD LIBOR + 4.00%	2022	–	11,235
BCI[1]	USD15 million overdraft facility	USD SOFR + 3.75%	2023	4,007	–
				14,007	**24,735**
Total current and non-current borrowings				**14,007**	**34,735**

1 – BCI – Banco Comercial E De Investimentos, S.A.

16. BORROWINGS (CONTINUED)

Cash and non-cash movements in borrowings are shown below:

	AT 1 JANUARY 2022 USD'000	CASH MOVEMENTS: CASH INFLOWS USD'000	CASH MOVEMENTS: REPAYMENT OF BORROWINGS USD'000	CASH MOVEMENTS: INTEREST PAID USD'000	NON-CASH MOVEMENTS: MOVEMENT BETWEEN CURRENT AND NON-CURRENT USD'000	NON-CASH MOVEMENTS: INTEREST CHARGE USD'000	AT 31 DECEMBER 2022 USD'000
Current borrowings	24,735	15,242	(35,970)	(2,629)	10,000	2,629	**14,007**
Non–current borrowings	10,000	–	–	–	(10,000)	–	–
	34,735	**15,242**	**(35,970)**	**(2,629)**	–	**2,629**	**14,007**

	AT 1 JANUARY 2021 USD'000	CASH MOVEMENTS: CASH INFLOWS USD'000	CASH MOVEMENTS: REPAYMENT OF BORROWINGS USD'000	CASH MOVEMENTS: INTEREST PAID USD'000	NON-CASH MOVEMENTS: MOVEMENT BETWEEN CURRENT AND NON-CURRENT USD'000	NON-CASH MOVEMENTS: INTEREST CHARGE USD'000	AT 31 DECEMBER 2021 USD'000
Current borrowings	33,005	38,247	(60,017)	(2,382)	13,500	2,382	**24,735**
Non–current borrowings	23,500	–	–	–	(13,500)	–	**10,000**
	56,505	**38,247**	**(60,017)**	**(2,382)**	–	**2,382**	**34,735**

ABSA Zambia

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.

In 2022 Kagem voluntarily repaid USD13.5 million against the loan and therefore the debt outstanding as of 31 December 2022 is USD10.0 million. At 31 December 2022 the facility was converted into a revolving credit facility of USD10.0 million with ABSA Zambia Plc.

The facilities were subject to the following financial covenants:

- 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.

There were no breaches of the interest cover, net debt to EBITDA and debt service coverage ratio covenants at 31 December 2022. Negotiations are underway with ABSA to convert it into an overdraft facility with no covenants.

ABSA Mozambique

In April 2016, MRM entered a USD15.0 million unsecured overdraft facility with ABSA Mozambique S.A (formerly Barclays Bank Mozambique S.A.). The facility has an interest rate of three-month US LIBOR plus 4% per annum. There was no outstanding balance as at 31 December 2022. Gemfields Limited issued a corporate guarantee for the facility.

Banco Comercial E De Investimentos ("BCI")

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 SOFR plus 3.75% per annum. MRM had an outstanding balance of USD4.0 million as at 31 December 2022. 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.

In addition to this, MRM has agreed terms with BCI for an additional USD15.0 million lease facility which was not utilised as at 31 December 2022.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

17. PROVISIONS

	ENVIRONMENTAL RESTORATION PROVISION USD'000	RESETTLEMENT PLAN USD'000	OTHER PROVISIONS USD'000	TOTAL USD'000
At 1 January 2021	**1,976**	**1,154**	**4,501**	**7,631**
Additions during the year	45	–	829	874
Utilised during the year	–	(926)	(1,415)	(2,341)
Change in estimates	(776)	–	–	3,667
At 31 December 2021	**1,245**	**228**	**8,358**	**9,831**
Additions during the year	193	1,641	4,689	6,523
Utilised during the year	–	(460)	(3,100)	(3,560)
Change in estimates	846	–	3,760	4,606
At 31 December 2022	**2,284**	**1,409**	**13,707**	**17,400**
Of which:				
Non-current	2,284	–	4,260	**6,544**
Current	–	1,409	9,447	**10,856**

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 ("RAP")

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 has been completed and was inaugurated in August 2022. The additional provision as at 31 December 2022 following the inauguration relates to ancillary required payments at this date.

17. PROVISIONS (CONTINUED)

Other provisions

Other provisions primarily consist of future legal claims and related legal expenses, 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 was 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. Following the scheme's launch a significant number of cases were filed, which 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 Mozambique, makes the estimate inherently difficult to value. Nevertheless, the OGM is now closed for claims where the allegations date from 2012 to 2018, reducing uncertainty relating to the total number of cases going forward.

Management considered three key criteria in valuing the total potential pay-out at 31 December 2022. 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 judgement 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 2022 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.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

18. LEASES

The balance sheet contains the following amounts related to leases:

18.1 Right-of-use assets

	2022 USD'000	2021 USD'000
At 1 January		
Cost	6,681	5,618
Accumulated depreciation	(3,347)	(2,262)
Carrying value at 1 January	**3,334**	**3,356**
Additions	1,085	1,161
Disposal of assets – cost	(1,520)	(98)
Depreciation	(1,288)	(1,178)
Disposals of assets – accumulated depreciation	692	94
Foreign exchange movements	–	(1)
Closing net book amount	2,303	3,334
At 31 December		
Cost	6,246	6,681
Accumulated depreciation	(3,943)	(3,347)
Carrying value at 31 December	**2,303**	**3,334**

Right-of-use assets held at 31 December 2022 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

	2022 USD'000	2021 USD'000
At 1 January	**3,649**	**3,745**
Additions	1,085	1,082
Disposals	(1,053)	(5)
Cash payments of principal and interest	(1,639)	(1,097)
Non-cash payments of principal	–	(397)
Interest charged to finance costs	290	321
At 31 December	**2,332**	**3,649**
Of which:		
Current	1,166	1,118
Non-current	1,166	2,531
	2,332	**3,649**

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
Management Shares (unlisted)		
Management Shares of USD1 each		
Balance at 31 December 2022 and 31 December 2021	**2**	**2**

	NUMBER OF SHARES	SHARE CAPITAL USD'000	SHARE PREMIUM USD'000
Ordinary Shares (listed)			
Ordinary Shares of USD0.00001 each			
Balance at 1 January 2021	*1,168,756,030*	11	488,294
Share options exercised in the period	722,000	–	110
Balance at 31 December 2021	***1,169,478,030***	**11**	**488,404**
Share options exercised in the period	41,536,502	1	6,079
Balance at 31 December 2022	**1,211,014,532**	**12**	**494,483**

On 20 December 2022, the Company announced commencement of a share buy-back programme to purchase up to USD10.0 million worth of Ordinary Shares ("Share Buy-Back"), after receiving approval from shareholders on 30 November 2022 at an Extraordinary General Meeting. As at 31 December 2022, no shares had been bought back through the Share Buy-Back programme.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

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, 97,689,138 share options were ungranted at 31 December 2022.

At 31 December 2022, the following share options had been granted and were outstanding in respect of the Ordinary Shares:

		NUMBER OF OPTIONS				
ISSUE DATE	EXERCISE PRICE	OUTSTANDING AT 1 JANUARY 2022	FORFEITED/LAPSED	EXERCISED	OUTSTANDING AT 31 DECEMBER 2022	FINAL VESTING DATE
September 2017	ZAR3.45	44,624,342	(33,468,254)	–	11,156,088	September 2021
January 2018	ZAR2.97	17,071,155	(70,288)	(11,020,552)	5,980,315	January 2022
July 2018	ZAR2.30	40,657,950	(574,886)	(30,143,950)	9,939,114	July 2022
March 2019	ZAR1.90	1,170,103	(480,000)	(372,000)	318,103	March 2023
Total		**103,523,550**	**(34,593,428)**	**(41,536,502)**	**27,393,620**	

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, 27,369,657 options were exercisable at 31 December 2022 (2021: 92,439,996). During the year 41,536,502 share options were exercised at an average exercise price of ZAR3.40. In 2021, 722,000 share options were exercised at an average exercise price of ZAR2.78.

No share options were granted in 2022 or 2021. A total of 34,593,428 (2021: 13,363,453) share options lapsed during the year that had a weighted average share price of ZAR3.41, resulting in a USD1.4 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 USD0.1 million (2021: USD0.4 million). The total option reserve in equity at 31 December 2022 was US4.9 million (2021: USD7.3 million).

The weighted average exercise price for outstanding and exercisable options at 31 December 2022 was ZAR2.91 (2021: ZAR2.90) and ZAR2.91 (2021: ZAR2.95) respectively. The Parent Company's mid-market closing share price at 31 December 2022 was ZAR3.85 (2021: ZAR3.04). The lowest and highest mid-market closing price during the year was ZAR2.60 (2021: ZAR1.24) and ZAR3.97 (2021: ZAR3.50), respectively.

The weighted average remaining contractual life for the share options outstanding at 31 December 2022 that had not vested was 0.21 years (2021: 0.41 years).

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[1]	1–4 years[1]	1–4 years[1]
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.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

21. PER SHARE INFORMATION (CONTINUED)

Earnings per share

The Group's EPS is as follows:

	2022	2021
Profit for the year attributable to owners of the parent – USD'000	56,779	50,733
Weighted average number of shares in issue	1,185,105,349	1,168,938,030
Earnings per share – USD cents	**4.8**	**4.3**
Weighted average number of dilutive shares	63,140,987	860,018
Weighted average number of shares in issue after dilutive shares	1,248,246,336	1,169,798,048
Diluted earnings per share – USD cents	**4.5**	**4.3**

At 31 December 2022, the weighted average number of dilutive shares was 63,140,987 (2021: 860,018). The dilutive shares arise from the January 2018, July 2018 and March 2019 schemes, from which 11,020,552, 28,949,950 and 372,000 shares (2021: March 2019 scheme of 898,118 shares) were exercisable at exercise prices of ZAR2.97, ZAR2.30 and ZAR1.91. The average share price for 2022 was ZAR3.40 (2021: ZAR2.08).

Headline earnings per share

The Group's HEPS is as follows:

	2022	2021
Profit for the year attributable to owners of the parent – USD'000	56,779	50,733
Adjusted for:		
Impairment charges related to intangible assets, attributable to owners of the parent	–	3,890
Tax impact	–	–
	56,779	54,623
Weighted average number of shares in issue	1,185,105,349	1,168,938,030
Headline earnings per share – USD cents	**4.8**	**4.7**

NAV per share

The Group's USD NAV per share is as follows:

	2022	2021
Net assets attributable to equity holders of the Company – USD'000	490,509	464,506
Number of shares in issue	1,211,014,532	1,169,478,030
NAV per share – USD cents	**40.5**	**39.7**

Tangible NAV per share

The Group's USD tangible NAV per share is as follows:

	2022	2021
Net assets attributable to equity holders of the Company – USD'000	490,509	464,506
Adjusted for:		
Intangible assets attributable to equity holders of the Company	(47,387)	(44,992)
	443,122	419,514
Number of shares in issue	1,211,014,532	1,169,478,030
Tangible NAV per share – USD cents	**36.6**	**35.9**

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.

	2022 KAGEM USD'000	2022 MRM USD'000	2022 DEVELOPMENT ASSETS USD'000	2022 OTHER USD'000	2022 TOTAL USD'000
Amount attributable to all shareholders					
Profit/(loss) after tax	33,828	42,135	(2,622)	(3,346)	**69,995**
Cash generated from operations	59,371	78,149	1,353	–	**138,873**
Non-current assets	144,423	184,242	31,887	14	**360,566**
Current assets	102,328	122,912	4,474	2	**229,716**
Total assets	**246,751**	**307,154**	**36,361**	**16**	**590,282**
Non-current liabilities	(38,448)	(45,347)	(5,000)	–	**(88,795)**
Current liabilities	(41,063)	(45,534)	(1,155)	(20)	**(87,712)**
Total liabilities	**(79,511)**	**(90,881)**	**(6,155)**	**(20)**	**(176,567)**
Net assets	**167,240**	**216,273**	**30,206**	**(4)**	**413,715**
Amounts attributable to non-controlling interest					
Profit/(loss) after tax	7,898	10,534	(764)	(179)	**17,489**
Dividends declared[1, 2]	(1,500)	(5,125)	–	–	**(6,625)**
Net assets	22,194	73,094	(2,928)	(1,772)	90,588

1 – In 2022, Kagem delivered a dividend to shareholders, being USD1.5 million to the Government of Zambia through the Industrial Development Corporation ("IDC"), as holders of a 25% stake in Kagem.

2 – During 2022 MRM declared a dividend, of which USD5.1 million (2021: USD5.0 million) was due to the Group's non-controlling interest in MRM, Mwiriti. This dividend was settled against the receivable outstanding with Mwiriti in respect of prior cash advances.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

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
Amount attributable to all shareholders					
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**
Total assets	**232,242**	**305,788**	**26,752**	**729**	**565,511**
Non-current liabilities	(52,612)	(49,698)	(5,000)	–	**(107,310)**
Current liabilities	(32,015)	(45,629)	(540)	(17)	**(78,201)**
Total liabilities	**(84,627)**	**(95,327)**	**(5,540)**	**(17)**	**(185,511)**
Net assets	**147,615**	**210,461**	**21,212**	**712**	**380,000**
Amounts attributable to non-controlling interest					
Profit/(loss) after tax	5,875	9,751	(1,354)	(42)	**14,230**
Dividends declared[1]	–	(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.

23. FINANCIAL INSTRUMENTS

The principal financial instruments used by the Group are as follows:

Financial assets

	2022 USD'000	2021 USD'000
Financial assets measured at fair value through profit and loss:		
Unlisted equity investments – Sedibelo	**32,000**	37,200
Loan notes from non-equity investments	**1,389**	538
Total financial assets at fair value through profit and loss	**33,389**	**37,738**
Financial assets measured at amortised cost:		
Trade and other receivables[1]	**75,990**	71,571
Cash and cash equivalents	**118,526**	97,720
Total financial assets measured at amortised cost	**194,516**	**169,291**
Total financial assets	**227,905**	207,029

1 – Trade and other receivables excludes prepayments and VAT.

The Sedibelo investment is classified as Level 3 in the fair value hierarchy (2021: Level 3), the inputs for which are not based on observable market data. Refer to Note 12: *Unlisted equity investments* for further information.

23. FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

	2022 USD'000	2021 USD'000
Financial liabilities measured at amortised cost:		
Trade and other payables	**49,158**	44,137
Borrowings	**14,007**	34,735
Lease liabilities	**2,332**	3,649
Total financial liabilities	**65,497**	82,521

Fair value of financial assets and liabilities

At 31 December 2022 and 2021, the carrying value of the Group's financial assets and financial liabilities 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 2022.

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 2022.

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.

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.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

23. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

The Group's exposure to counterparty risk at 31 December 2022 is set out below:

COUNTERPARTY	LOCATION	CREDIT RATING (FITCH)	2022 USD'000	2021 USD'000
Barclays	United Kingdom	A plus	35,879	31,722
ABSA	Zambia	BB minus	27,465	12,916
ABSA	Mozambique	BB minus	14,285	16,104
ABSA	Mauritius	BB minus	14,721	8,883
Investec	United Kingdom	BB minus	13,260	10,418
BIM(*)	Mozambique	n/r	6,162	–
BCI	Mozambique	n/r	3,613	13,365
Axis bank	India	BB plus	498	1,420
Citibank	Zambia	n/r	420	310
Nedbank	South Africa	BB minus	383	358
HSBC	United Kingdom	AA minus	233	1,698
Other counterparties	Various	n/a	1,607	526
Total			**118,526**	**97,720**

(*) Millennium bim of Banco Internacional de Moçambique

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 invitation, considering financial position, past experience and other factors. 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 99% of auction receivables that was outstanding at 31 December 2022.

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:

	2022 USD'000	2021 USD'000
Group 1 – direct customers, predominantly retail and web sales from Fabergé	2,463	1,231
Group 2 – new counterparties, with a less than six-month relationship with the Group	52	2,121
Group 3 – existing counterparties, no past history of default	59,763	58,077
Group 4 – existing counterparties, past default but all amounts have been recovered	876	328
Total trade receivables	**63,154**	**61,757**

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, USD0.2 million provision was recorded against trade receivables at 31 December 2022 (31 December 2021: Nil).

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 2022, the Group held a provision of USD2.1 million (2021: 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 2022.

23. FINANCIAL INSTRUMENTS (CONTINUED)

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 2022	REPAYABLE WITHIN ONE MONTH USD'000	REPAYABLE WITHIN ONE TO SIX MONTHS USD'000	REPAYABLE WITHIN SIX TO TWELVE 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 2022 USD'000
Trade and other payables	19,422	12,961	1,936	14,839	–	**49,158**	**49,158**
Leases	20	711	739	1,036	491	**2,997**	**2,332**
Borrowings and interest	–	4,007	11,012	–	–	**15,019**	**14,007**
Total	**19,442**	**17,679**	**13,687**	**15,875**	**491**	**67,174**	**65,497**

31 DECEMBER 2021	REPAYABLE WITHIN ONE MONTH USD'000	REPAYABLE WITHIN ONE TO SIX MONTHS USD'000	REPAYABLE WITHIN SIX TO TWELVE 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**
Total	**17,232**	**15,111**	**34,717**	**17,293**	**1,210**	**85,563**	**82,521**

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.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

23. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

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 2022	USD USD'000	GBP USD'000	ZMW USD'000	MZN USD'000	OTHER USD'000	**TOTAL USD'000**
Equity investments	32,000	–	–	–	–	**32,000**
Cash and cash equivalents	95,997	3,266	414	11,270	7,579	**118,526**
Trade and other receivables	70,534	824	107	737	3,788	**75,990**
Loan notes from non-equity investments	1,389	–	–	–	–	**1,389**
Borrowings	(14,007)	–	–	–	–	**(14,007)**
Trade and other payables	(24,162)	(8,586)	(1,126)	(12,857)	(2,427)	**(49,158)**
Lease liabilities	(716)	(799)	(265)	(5)	(547)	**(2,332)**
Net financial assets/(liabilities)	**161,035**	**(5,295)**	**(870)**	**(855)**	**8,393**	**162,408**
Sensitivity analysis						
Impact on the Income Statement, assuming a 10% movement against the USD	**n/a**	**(530)**	**(87)**	**(86)**	**839**	**136**

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	66,248	646	–	677	4,000	**71,571**
Loan notes from non-equity investments	538	–	–	–	–	538
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)**
Net financial assets/(liabilities)	**123,474**	**(5,651)**	**(1,217)**	**1,338**	**6,564**	**124,508**
Sensitivity analysis						
Impact on the Income Statement, assuming a 10% movement against the USD	**n/a**	**(565)**	**(122)**	**134**	**656**	**103**

23. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

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 2022 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 (2021: 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 2022	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	118,526	–	–	–	**118,526**
Borrowings	–	(4,007)	(10,000)	–	**(14,007)**
Net financial assets/(liabilities) subject to interest rate risk	**118,526**	**(4,007)**	**(10,000)**	**–**	**104,519**
Sensitivity analysis					
Impact on profit or loss, assuming a 1.0% movement in interest rate	**1,185**	**(40)**	**(100)**	**–**	**1,045**

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)**
Net financial assets/(liabilities) subject to interest rate risk	**97,720**	**–**	**(24,735)**	**(10,000)**	**62,985**
Sensitivity analysis					
Impact on profit or loss, assuming a 1.0% movement in interest rate	**977**	**–**	**(247)**	**(100)**	**630**

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:

	2022		2021	
	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	32,000	**8,000**	37,200	**9,300**
Total	32,000	**8,000**	37,200	**9,300**

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

23. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

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 2022 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

At 31 December 2022, the Group had the following capital commitments:

- USD7.0 million (31 December 2021: USD2.8 million) mainly for the purchase of mining equipment and the construction of new staff buildings at the mine site at MRM.
- USD1.2 million at Kagem for the purchase of mining equipment and the construction of new staff buildings at the mine site (31 December 2021: USD0.7 million).
- USD1.5 million (31 December 2021: Nil) for the purchase of mining equipment at ERM.

The Group does not have any significant contingencies.

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 2022	GROUP % INTEREST AT 31 DECEMBER 2021
Almizan Development Limited[1]	British Virgin Islands	–	100%
Campos de Joia, Limitada	Mozambique	98.75%	98.75%
Clearwater Resources (Private) Limited[2]	Zimbabwe	100%	–
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	United Arab Emirates	100%	100%
Florescer Farming S.A.	Mozambique	97.90%	97.90%
Forest HoldCo Limited	United Kingdom	100%	100%
Gemdustry Limited	United Kingdom	100%	100%
Gemfields BVI Limited	British Virgin Islands	100%	100%
Gemfields Canada Inc.	Canada	100%	100%
Gemfields CdJ Mauritius	Mauritius	100%	100%
Gemfields DMCC[3]	United Arab Emirates	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%
Gemfields Singapore Pte Limited	Singapore	100%	100%
Gemfields South Africa (Pty) Limited	South Africa	100%	100%
Gemfields USA, Inc.[4]	United States of America	–	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	United Kingdom	100%	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 Mining 01, Limitada[5]	Mozambique	75%	–
Nairoto Mining 02, Limitada[5]	Mozambique	75%	–

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

25. SUBSIDIARIES (CONTINUED)

NAME	COUNTRY OF INCORPORATION	GROUP % INTEREST AT 31 DECEMBER 2022	GROUP % INTEREST AT 31 DECEMBER 2021
Nairoto Mining 03, Limitada[5]	Mozambique	75%	–
Nairoto Mining 04, Limitada[5]	Mozambique	75%	–
Nairoto Mining 05, Limitada[5]	Mozambique	75%	–
Nairoto Mining 06, Limitada[5]	Mozambique	75%	–
Nairoto Mining 07, Limitada[5]	Mozambique	75%	–
Nairoto Mining 08, Limitada[5]	Mozambique	75%	–
Nairoto Mining 09, Limitada[5]	Mozambique	75%	–
Nairoto Mining 11, Limitada[5]	Mozambique	75%	–
Nairoto Mining 16, Limitada[5]	Mozambique	75%	–
Nairoto Mining 18, Limitada[5]	Mozambique	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[6]	Cayman Islands	–	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	100%	100%
Web Gemstone Mining plc	Ethiopia	75%	75%

1 – The company was dissolved on 20 June 2022.

2 – The company was incorporated on 6 June 2022.

3 – The company was incorporated on 8 December 2021.

4 – The company was dissolved on 20 April 2022.

5 – These companies were transferred to the Group during 2022 in connection with the gold projects in Mozambique.

6 – The company was dissolved on 12 December 2022.

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 USD10.1 million and a related party payable of USD5.0 million with Mwiriti Ltda, the Group's partner in MRM and Nairoto. 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 USD9,493 (2021: USD5,695). All purchases were made in accordance with the Group's employee purchase policy. At 31 December 2022, USD2,093 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. 2021 saw the official launch of the charity. During 2022 the Group made donations of USD25,000 (2021: USD86,463). At 31 December 2022, no amount was due to the Foundation from Gemfields Limited (31 December 2021: USD7,150).

The Directors are the Key Management Personnel of the Group. The amounts paid to the Executive Directors for services during 2022 are set out below:

1 JANUARY 2022 TO 31 DECEMBER 2022	BASE COMPENSATION USD'000	BENEFITS USD'000	BONUS USD'000	SHARE OPTIONS[1, 2] USD'000	PENSION USD'000	TOTAL USD'000	EMPLOYER'S NATIONAL INSURANCE USD'000	TOTAL INCLUDING EMPLOYER'S NATIONAL INSURANCE USD'000
Sean Gilbertson	592	7	592	–	29	1,220	154	1,374
David Lovett	380	5	380	–	18	783	192	975
Total	**972**	**12**	**972**	**–**	**47**	**2,003**	**346**	**2,349**

1 – On 5 October 2022, David Lovett exercised 1,184,200 share options at an exercise price of ZAR2.97 per ordinary share of USD0.00001 each in the company ("Ordinary Share") and 7,000,000 share options at an exercise price of ZAR2.30 per Ordinary Share. Mr Lovett exercised these share options (8,184,200 in total) on a 'sell to retain' basis, meaning that Mr Lovett sold a sufficient number of Ordinary Shares to satisfy his tax liability and costs of the associated transactions such that he retained 1,400,000 Ordinary Shares pursuant to the exercise of his options. Following the above transaction, Mr Lovett owns 1,442,000 Ordinary Shares, representing 0.12 per cent of the Company.
2 – During the year a share-based expense of USD35k was recognised in relation to the share options issued to Sean Gilbertson in September 2017 and USD10k 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.

1 JANUARY 2021 TO 31 DECEMBER 2021	BASE COMPENSATION USD'000	BENEFITS USD'000	BONUS USD'000	SHARE OPTIONS[1] 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
Total	**885**	**10**	**912**	**–**	**40**	**1,847**	**238**	**2,085**

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.

Notes to the Consolidated Financial Statements *for the year ended 31 December 2022* | continued

26. RELATED PARTY TRANSACTIONS (CONTINUED)

The amounts paid to the Non-Executive Directors for services during 2022 and 2021 are set out below:

1 JANUARY 2022 TO 31 DECEMBER 2022	GROUP DIRECTOR FEES USD'000	BOARD COMMITTEES USD'000	LEAD INDEPENDENT DIRECTOR USD'000	DISCRETIONARY PAYMENT USD'000	TOTAL USD'000
Martin Tolcher	130	–	–	18	**148**
Lumkile Mondi	50	15	10	11	**86**
Kwape Mmela	50	15	–	10	**75**
Carel Malan	50	15	–	9	**74**
Mary Reilly	50	15	–	2	**67**
Patrick Sacco	50	–	–	–	**50**
Total	**380**	**60**	**10**	**50**	**500**

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[1]	28	–	–	28
Lumkile Mondi	38	16	3	57
Kwape Mmela	38	12	–	50
Carel Malan	38	7	–	45
Mary Reilly	38	5	–	43
Patrick Sacco[2]	9	–	–	9
Total	**284**	**40**	**3**	**327**

1 – Resigned 23 September 2021.
2 – Appointed 11 October 2021.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

The interests in the Parent Company equity shares held by the Directors are set out below:

	2022		2021	
	NUMBER OF SHARES	INTEREST	NUMBER OF SHARES	INTEREST
Patrick Sacco[1]	326,569,660	28.09%	311,540,560	26.64%
Sean Gilbertson[2, 3]	11,970,285	0.99%	10,454,959	0.89%
Kwape Mmela	8,325,334	0.69%	8,325,334	0.71%
David Lovett	1,442,000	0.12%	42,000	0.00%
Total	**348,307,279**	**29.89%**	**330,362,853**	**28.24%**

1 – Patrick Sacco is the managing director of, and holds a beneficial interest in, Assore International Holdings Limited which in turn holds 326,569,660 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 – 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.

The Company had 1,211,014,532 shares in issue at 31 December 2022 (2021: 1,169,478,030).

27. EVENTS OCCURRING AFTER THE END OF THE PERIOD

Cabo Delgado insurgency

On Sunday 12 February 2023, an attack attributed to insurgents took place in the village of Nairoto in the Cabo Delgado province of Mozambique. The village of Nairoto lies: (i) approximately 15km south west of the exploration camp of Nairoto Resources Limitada ("NRL"), in which Group owns 75%; and (ii) approximately 83km north of MRM, in which Group also owns 75%. As a consequence, NRL has initiated the process of evacuating operational employees and contractors, and therefore operations at the site have ceased. There is no present impact on operations at MRM.

Gemfields, MRM and NRL hold the health and safety of their employees and contractors as their highest priority and remain in regular contact with government authorities.

The Group continues exploration and evaluation of the Nairoto licences which are all still valid and available to it to operate. Sustained insurgent activity could impact the carrying value of NRL and management will assess the situation at the next reporting period.

Announcement of dividend payment

Off the back of the strong 2022 results and the future prospects, the Board have approved the payment of Gemfields' 2022 final dividend of USD35.0 million, or approximately USDc 2.9 per share. The dividend will be distributed to shareholders during the first half of 2023.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Directors and authorised for issue on 23 March 2023.

SECTION 5.7

Independent Auditor's Report

to the members of Gemfields Group Limited

OPINION

We have audited the financial statements of Gemfields Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2022 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 the related Notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board, UK Adopted International Accounting Standards, and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, UK Adopted International Accounting Standards, and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

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 are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of the process to assess the Group's and Company's ability to continue as a going concern, including management's paper that summarises their assessment and the cash flow forecasts and covenant calculations covering the going concern period and management's severe but plausible downside scenarios and assessed whether the scenarios are sufficient and suitable to allow management to form their view on going concern. As part of this procedure, we have assessed the potential impacts on cash flow forecasts and covenant calculations in respect of the insurgency in Mozambique.

CONCLUSIONS RELATING TO GOING CONCERN (CONTINUED)

- We challenged the appropriateness of key assumptions by agreeing them to supporting evidence and searched for contradictory evidence, using our understanding of the Group's business, other evidence gained during the audit and our industry knowledge.
- We challenged the appropriateness of forecasts by assessing market conditions, historical forecasting accuracy, the reasonableness of assumptions by reference to recent performance, post year-end performance and other evidence obtained through the audit or from external sources.
- We assessed and challenged management's consideration of downside scenario analysis and applied further sensitivities where appropriate to stress test the impact on forecast available cash.
- We assessed the impact of not including future renewals of overdraft facilities held by MRM and Kagem in the going concern scenarios. We tested the financial covenants at Kagem. We did not identify any potential covenant breaches or liquidity shortfalls as both operations have sufficient headroom.
- We assessed the reasonableness of mitigating actions through evaluating whether these are within management's control and consistent with our understanding of the business. We also considered the presence of any contrary evidence.
- We have evaluated management's reverse stress testing, noting that management have sufficient mitigating actions available in the remote case of a scenario where both a significant decrease in sale prices and higher costs take place at the same time.
- We considered events beyond the period of assessment and whether such events should be considered by management in their going concern assessment, including their impact on conclusions reached.
- We reviewed the disclosures in the Annual Report and Accounts in relation to going concern with a view to assessing whether they appropriately disclose the risks, the impact on the Group's operations and results and the availability of mitigating actions to be taken.
- 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 and Company's ability to continue as a going concern for the period to 31 December 2024.
- Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

OVERVIEW OF OUR AUDIT APPROACH

AUDIT SCOPE	• We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further five components. • The components where we performed full or specific audit procedures accounted for 97% of profit before tax, 96% of revenue and 92% of total assets.
KEY AUDIT MATTERS	• Risk of improper revenue recognition due to cut-off • Risk of impairment of mining assets
MATERIALITY	• Overall Group materiality of USD5.7 million which represents 5% of profit before tax.

Independent Auditor's Report *to the members of Gemfields Group Limited* | continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group, changes in the business environment, the potential impact of climate change and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

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, of the 53 reporting components of the Group, we selected seven components covering entities within Mozambique, Zambia and the UK, which represent the principal business units within the Group.

Of the seven components selected, we performed an audit of the complete financial information of two components ("full scope components") which were selected based on their size or risk characteristics. For the remaining five components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 97% of the Group's profit before tax, 96% of the Group's revenue and 92% of the Group's total assets. For the current year, the full scope components contributed 126% of the Group's profit before tax, 92% of the Group's revenue and 72% the Group's total assets. The specific scope components were net negative to the Group's profit before tax, by 29%, and represented 4% of the Group's revenue and 20% of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed six locations to perform specified procedures over cash and bank balances, revenue and inventory.

Of the remaining 40 components, which were net negative to the Group's profit before tax by 2%, none are individually greater than 1% of the Group's profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The table below illustrates the coverage obtained from the work performed by our audit teams.

	REPORTING COMPONENTS WHERE WE PERFORMED AUDIT PROCEDURES	FULL SCOPE	SPECIFIC SCOPE	OTHER PROCEDURES
Revenue	96%	92%	4%	4%
Profit before tax	97%	126%	(29%)	3%
Total assets	92%	72%	20%	8%

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. For the two full scope components, audit procedures were performed directly by the component audit team. Of the five specific scope components, audit procedures were performed on two of them directly by the primary team. For the three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team follows a programme of planned visits that has been designed to ensure that the Auditor visits the key operating locations: Zambia and Mozambique on an annual basis, where possible. During the current year's audit cycle, a visit was undertaken by the primary audit team to the component team in Zambia. This visit involved discussion and oversight of the component team audit approach, consideration of significant accounting and auditing issues arising from their work, and meetings with management. Considering the ongoing risk of insurgency in Mozambique, the primary audit team was unable to visit this location. The primary team interacted regularly with the component teams during various stages of the audit, in particular with the component team in Mozambique, in order to mitigate the fact that a site visit was not considered advisable due to the insurgency risk. The primary team also reviewed relevant working papers across all full and specific scope components and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

CLIMATE CHANGE

Stakeholders are increasingly interested in how climate change will impact Gemfields Group Limited. The Group has explained its assessment of climate change on page 72 in the Risk and Uncertainties section, and on pages 86 to 89 in the TCFD Reporting section of the Annual Report. All of these disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Basis of Preparation note how it has reflected the impact of climate change in the financial statements. Considering the timing of operations, we understand that all the potential impacts that climate change could have on the operations are not yet known or cannot be estimated with certainty. Therefore, certain sensitivities have been included in relevant areas such as impairment, where disclosures on prices and discount rate could reflect potential indirect impacts of climate change.

Our audit effort in considering the impact of climate change on the financial statements was focused on the adequacy of the Group's disclosures in the financial statements and its conclusion that no significant issues have been identified that would materially impact the valuation of non-current assets and liabilities. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter.

Independent Auditor's Report *to the members of Gemfields Group Limited* | continued

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. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>RISK</th><th>OUR RESPONSE TO THE RISK</th><th>KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE</th></tr>
<tr>
<td rowspan="2">Risk of improper revenue recognition due to cut-off

Total revenue as of 31 December 2022 is USD341.1 million (2021: USD257.7 million).

Refer to Accounting policies (page 142); and Note 3 of the Consolidated Financial Statements (page 150)

One of the key areas of IFRS 15 relates to the assessment of when performance obligations are met. We note that 95% of the revenue recognised at 31 December 2022 relates to revenue from sales of rough gemstones at auctions.

Gemfields' accounting policy determines that revenue is recognised when the auction is awarded, on the basis that management believes that at this point control is transferred from the Group to the customer.

The risk is that revenue, including auctions and sales of jewellery, may be recognised before the control has passed to the customer.</td>
<td>Our procedures in respect of revenue recognition included:

• We obtained an understanding of the revenue process, and as part of our walkthrough procedures, we attended the mixed quality ruby auction held in Bangkok.
• We obtained and reviewed management's paper on revenue recognition. We challenged management's policy in respect of the timing of revenue recognition, considering the clauses included in the terms and conditions ("T&Cs") and its compliance with IFRS.
• We read the T&Cs for both emerald and ruby auctions, ensuring that both are consistent and assessed key considerations on transfer of control, as a key milestone to record revenue.
• On a sample basis, we tested auction invoices and agreed key inputs.
• We searched for unusual revenue journals to corroborate that revenue was recorded in accordance with the entity's accounting policy and IFRS.
• We performed cut-off procedures at the period-end date and assessed the recoverability of outstanding auction receivables and searched for evidence that would suggest that revenue should not have been recognised.

We reviewed the updated disclosures included in both the annual report and financial statements.</td>
<td rowspan="2">Based on our procedures performed, we concluded that revenue is appropriately recorded at 31 December 2022.

We note that management has enhanced the disclosure of the accounting policy on auction revenue to clarify the judgment in respect of the timing of revenue recognition in light of the terms and conditions applied to auction sales. We conclude that disclosures included in the financial statements are appropriate.</td>
</tr>
<tr><td>We performed full and specific scope audit procedures over this risk area in three locations, and specified procedures in three additional locations, which covered 100% of the risk amount.</td></tr>
</table>

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Risk of impairment of mining assets At 31 December 2022, the Group PP&E balance is USD336.8 million (2021: USD342.6 million). *Refer to Accounting policies (page 144); and Note 10 of the Consolidated Financial Statements (page 162)* The impairment assessment of mining assets is a forecast-based estimate. The risk is that potential impairments are not identified on a timely basis. Auditing impairment of mining assets is subjective due to the significant amount of judgement involved in estimating the future cash flows included in the models. In performing our audit, we were mindful of the risk of management override in assessing whether or not impairment indicators exist.	Our procedures in respect of the risk of impairment of mining assets included: • We considered management's assessment of impairment triggers. We note that there is a recurrent indicator due to the fact that the Group market capitalisation is lower than the Group net assets. In December, the Group Audit Partner and Senior Manager visited Kagem's operations. We noted no indicators of potential operational issues which would represent an impairment trigger. However, the risk of insurgency in Mozambique and increase in discount rates also increase the overall risk of impairment. Therefore, we performed audit procedures on the Kagem and MRM impairment models, as follows: » We obtained an understanding of the methodology behind the models and we verified their mathematical accuracy and completeness. » With assistance from our EY Valuation specialists, we assessed the methodology used by management to estimate the recoverable value of mining assets to ensure that this is consistent with accounting standards. » We challenged the appropriateness of the extent to which the cashflows have been risked and considered the sensitivity of the impairment assessment to further risking. We note that inferred resources are not included in management's models. » We evaluated corroborative and contrary evidence to assess whether the risk adjusted cashflows are within a range of reasonably possible outcomes. » We agreed the related production profiles to the current mine plans for each mine and considered their consistency with our understanding of future plans at the mines obtained through discussions with both operating and senior management. » We assessed key inputs of the models, including revenue, forecast prices, operating and capital costs, assessing consistency with current revenue, operating costs and forecast mine production. We considered the possible effect of climate change on cost estimates. » Assisted by our EY Valuation specialists, we assessed and challenged management's assessment of discount rates used in the impairment models. » We assessed the competence, independence and objectivity of management's specialists involved in the estimation of key inputs such as discount rates and reserves and resources. » We evaluated the appropriateness of disclosures (including sensitivities) made in the annual report and accounts. We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount.	Based on the procedures performed, we concluded that the impairment models support the carrying value of the mining assets at 31 December 2022. We also conclude that disclosures, including sensitivities, made in the financial statements are appropriate.

Independent Auditor's Report *to the members of Gemfields Group Limited* | continued

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be USD5.7 million, which is 5% of profit before tax. We believe that profit before tax is an important performance metric and aligned with industry earning measures.

During the course of our audit, we reassessed initial materiality which resulted in a reduction from USD7.2 million to USD5.7 million driven by the changes in interim estimation of annual profit before tax versus actual year-end figures.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely USD2.9 million. We have set performance materiality at this percentage based on our expectations of identifying material misstatements and considering that this is our first year auditing the Group. Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was USD450 thousand to USD1.7 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of USD285 thousand, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 123 and 208 to 211, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 104, 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 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 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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, The Companies (Guernsey) Law, 2008, The King IV Report for Corporate Governance for South Africa 2016), the relevant tax regulations in the jurisdictions where the Group operates, Health & Safety Regulations and the Bribery Act;
- We understood how Gemfields Group Limited is complying with those frameworks through enquiries of management, including Finance team and Legal, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instance of non-compliance to those charged with governance. We corroborated our enquiries through our review of board minutes and papers provided to the board and the Audit Committee, as well as considerations of our audit procedures across the Group to either corroborate or provide contrary evidence which was then followed up;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included test of manual journals.
- With the assistance of our forensic specialists and considering our understanding of the Group, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of Group management and those charged with governance, head of legal and external legal advisors, and internal audit; journal entry testing, with a focus on manual journals and those indicating large or unusual journals based on our understanding of the business, our enquiries of management, external specialists (where appropriate), and review of internal and external reports; and challenging the assumptions and judgements made by management in respect of significant accounting estimates. Where observations are raised about management's process or controls surrounding compliance with laws and regulations by us or others, we consider the potential effect of those observations.
- If any instances of non-compliance with laws and regulations were identified, these were communicated to the relevant local EY teams, and, supported by forensic specialists, both the primary and component teams performed sufficient and appropriate audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephney Dallmann
for and on behalf of Ernst & Young LLP
London
30 March 2023

IMAGE Responsibly mined rough ruby, Montepuez Ruby Mining, Mozambique

IMAGE Education projects, Mozambique

SECTION 6

Administration

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SECTION 6.1

Shareholder Information

as at 31 December 2022

SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1–1,000 shares	2,476	57.54	351,272	0.03
1,001–10,000 shares	946	21.98	4,227,899	0.35
10,001–100,000 shares	641	14.90	21,670,475	1.79
100,001–1,000,000 shares	163	3.79	50,127,218	4.14
1,000,001–10,000,000 shares	57	1.32	166,532,181	13.75
10,000,001 shares and over	20	0.46	968,105,487	79.94
	4,303	**100**	**1,211,014,532**	**100**
Distribution of shareholders				
Banks/Brokers	166	3.86	763,128,060	63.02
Close Corporations	25	0.58	1,568,404	0.13
Endowment Funds	2	0.05	921,437	0.08
Individuals	3,841	89.26	79,692,172	6.58
Investment Companies	2	0.05	327,417	0.03
Mutual Funds	16	0.37	111,959,413	9.25
Nominees and Trusts	41	0.95	1,528,772	0.13
Other Corporations	25	0.58	15,404,131	1.27
Own Holdings	1	0.02	10,000	0.00
Private Companies	73	1.70	148,311,114	12.25
Public Companies	11	0.26	37,394,916	3.09
Retirement Funds	12	0.28	43,163,794	3.56
Trusts	88	2.05	7,604,902	0.63
	4,303	**100**	**1,211,014,532**	**100**
Public/non-public shareholders				
Public shareholders	4,291	99.72	858,017,454	70.85
Non-public shareholders	12	0.28	352,997,078	29.15
Strategic Holdings[1]	1	0.02	326,569,660	26.97
Holdings of Directors[2]	7	0.16	24,793,553	2.05
Prescribed Officers[3]	3	0.07	1,623,865	0.13
Own Holdings	1	0.02	10,000	0.00
	4,303	**100**	**1,211,014,532**	**100**

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.

SHAREHOLDER HOLDING 5% OR MORE	NUMBER OF SHARES	%
Assore International Holdings Ltd	326,569,660	26.97
Rational Expectations (Pty) Ltd.[1]	123,166,164	10.17
Ophorst Van Marwijk Kooy Vermogensbeheer NV	114,715,375	9.47
Oasis Group Holdings (Pty) Ltd.[2]	94,212,365	7.78
FIL Limited	71,330,067	5.89
Ninety One Group	67,978,188	5.61
Solway Finance Ltd.	67,386,056	5.56
	1,211,014,532	**100**

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

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

INVESTOR CALENDAR

DATES	EVENT
31 January 2023	Release of Operational Market Update – 31 December 2022
24 March 2023	Release of Gemfields' Annual Results for the year ended 31 December 2022
24 March 2023	Investor and analyst conference call – 8am UK time / 10am South African time
27 March 2023	Results of Gemfields' March emerald auction
31 March 2023	Release of Gemfields' Audited Annual Results for the year ended 31 December 2022
31 March 2023	Release of Gemfields' Annual Report for the year ended 31 December 2022
27 June 2023	Gemfields Group Limited Annual General Meeting
31 July 2023	Release of Operational Market Update – 30 June 2023
September 2023	Release of Gemfields' Interim Results for the six months ended 30 June 2023

IMAGE Conservation projects, Zambia

SECTION 6.2

Company Details

Gemfields Group Limited
Incorporated in Guernsey. Guernsey registration number: 47656
South African external company registration number: 2009/012636/10
Share codes: JSE: GML / AIM: GEM
ISIN: GG00BG0KTL52

Executive Directors
Sean Gilbertson
David Lovett

Non-Executive Directors
Martin Tolcher (Chairman)
Patrick Sacco[1]
Lumkile Mondi
Kwape Mmela
Carel Malan[2]
Mary Reilly
Kieran Daly[1]

1 – Mr Daly acts as Permanent Alternate to Mr Sacco.
2 – Resigned 29 June 2022 to take effect from latest 31 December 2022. Mr Malan then rescinded his resignation in November 2022. He continues as a member of the Nomination Committee and resumed his position as Chair of the Audit Committee.

Registered Office
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St Peter Port
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GY1 4HP
Channel Islands

Company Secretary
Mr Toby Hewitt
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SW1E 5BP
United Kingdom

London Office
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London
SW1E 5BP
United Kingdom

Legal Advisor (Guernsey)
Mourant
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St Peter Port
Guernsey
GY1 4HP
Channel Islands

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United Kingdom

Legal Advisor (South Africa)
White & Case LLP
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Sandton, 2196
Johannesburg
South Africa

JSE Sponsor
Investec Bank Limited
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Sandton, 2196
South Africa

AIM Nominated Advisor and Broker
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United Kingdom

AIM Joint Broker
Liberum
25 Ropemaker Street
London
EC2Y 9LY

Registrar
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Channel Islands

South African Transfer Secretary
Computershare Investor Services (Pty) Limited
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IMAGE Livelihoods projects, Mozambique

NOTES

IMAGE Operations, Kagem Mining, Zambia

GEMFIELDS

www.gemfieldsgroup.com