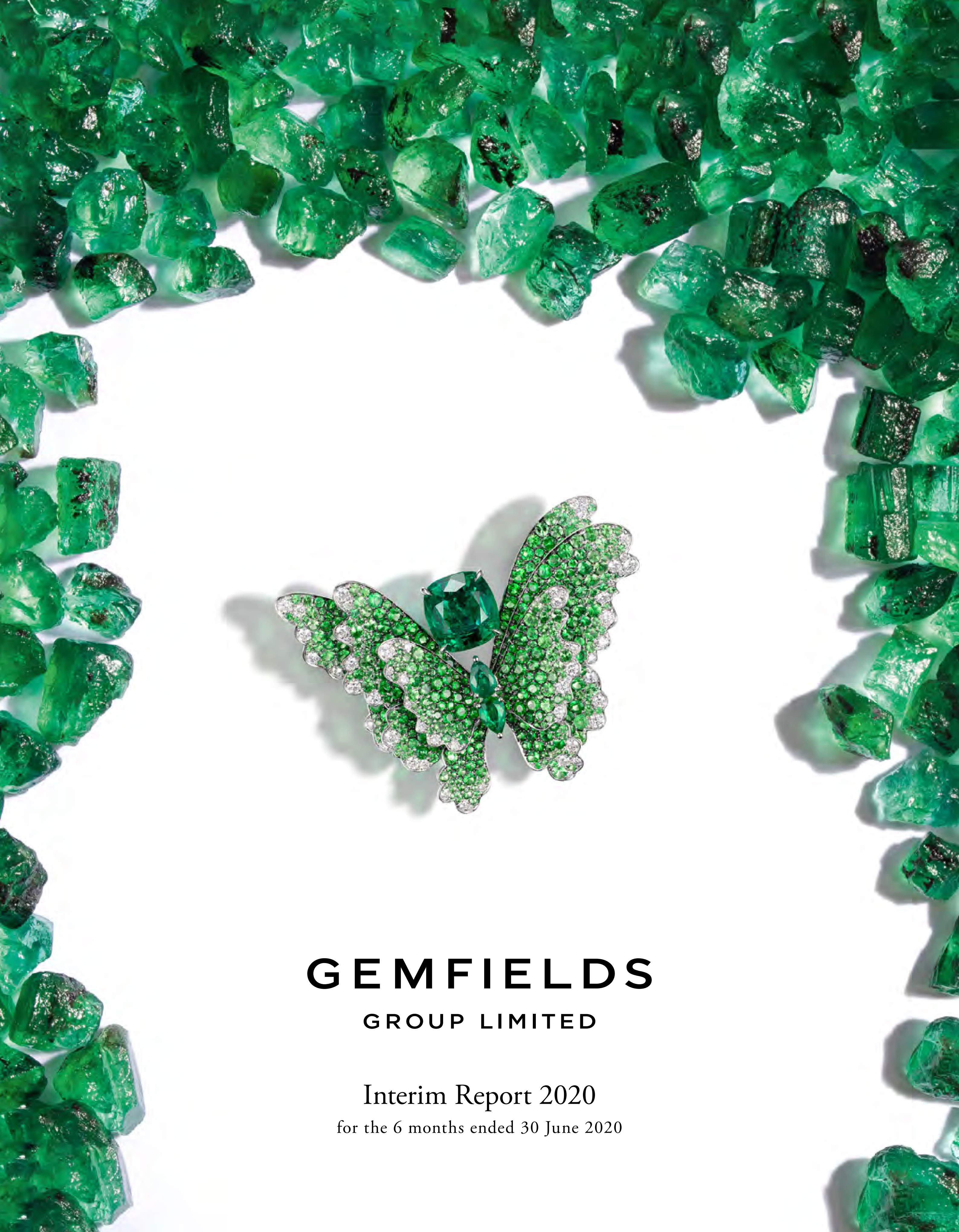

GEMFIELDS

GROUP LIMITED

Interim Report 2020

for the 6 months ended 30 June 2020

Cover: Gemfields Zambian emeralds surround Fabergé x James Ganh White Gold, Emerald, Tsavorite and Diamond Butterfly Necklace

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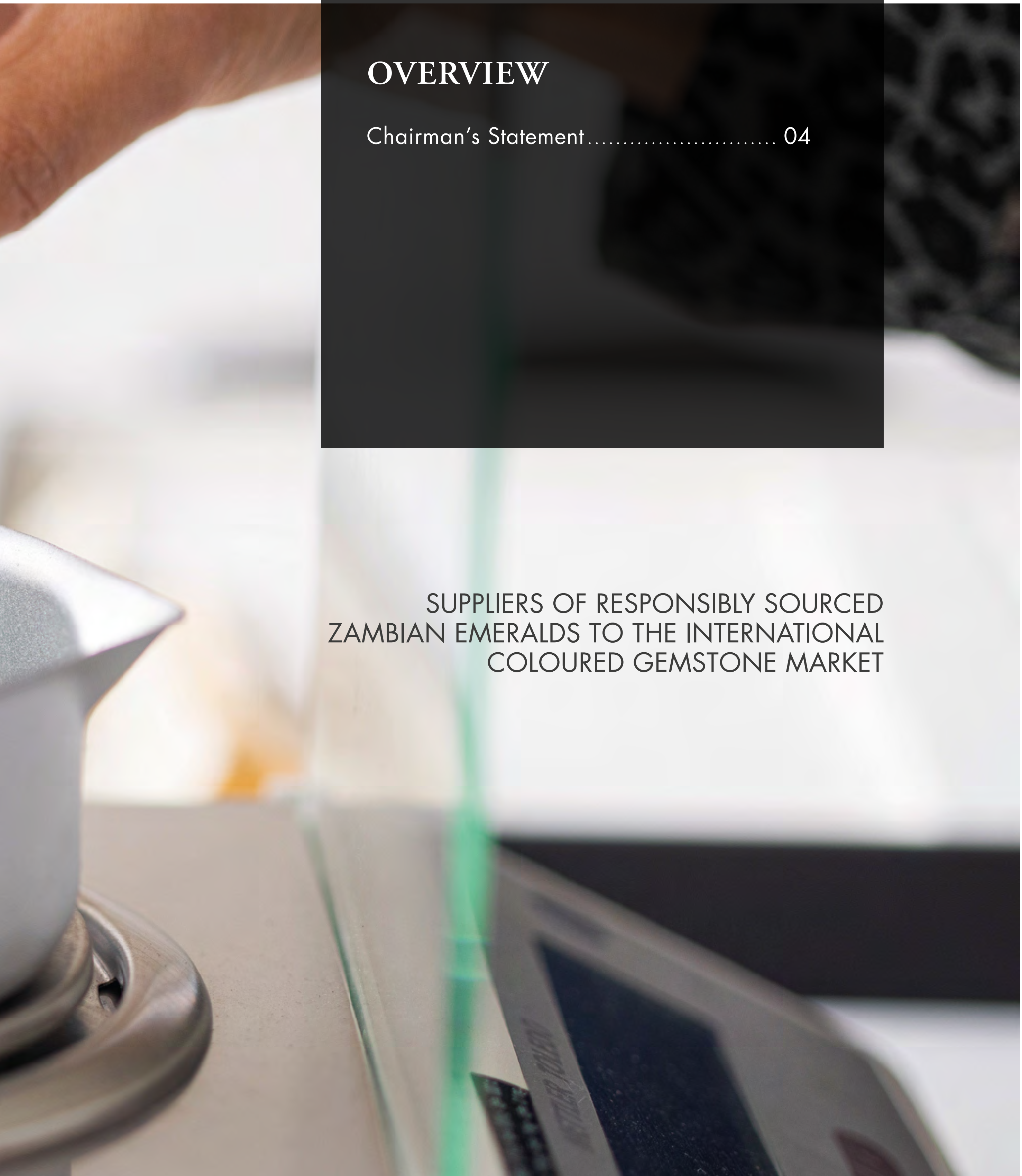


OVERVIEW

SUPPLIERS OF RESPONSIBLY SOURCED ZAMBIAN EMERALDS TO THE INTERNATIONAL COLOURED GEMSTONE MARKET

Martin Tolcher
Chairman

Chairman's Statement

The Covid-19 pandemic has resulted in significant disruption for Gemfields Group Limited ("Gemfields", the "Company", "GGL" or "the Group") – as well as the wider gemstone sector – and has unquestionably been the biggest challenge Gemfields has faced to date. As a result, Gemfields has continually been adapting its approach, policies and controls to navigate the changing circumstances and uncertainty brought about by Covid-19. From the outset, the focus has been the wellbeing of employees, host communities and customers whilst ensuring business continuity and the protection of shareholder value.

The first half of 2020 comprised two contrasting quarterly trading periods. Gemfields started the year positively, with the listing on the Alternative Investment Market ("AIM") of the London Stock Exchange ("LSE") on 14 February 2020, an important milestone for the Company. The first quarter also saw the Zambian operations recover an exceptional quantity of premium grade emeralds, setting up the Group well for the year ahead. The second quarter saw the immediate challenges of Covid-19 being faced, with office closures, travel bans, the suspension of mining operations and the general disruption caused to team members operating in nine countries.

GGL's flagship operations in Mozambique and Zambia have both been impacted severely by measures put in place to contain the Covid-19 pandemic, most significantly the restrictions on travel and the movement of goods, which have impeded both the mining operations and the overall market for the Group's products. Gemfields has only been able to host one auction in 2020, yielding revenues of USD11.4 million from the sale of commercial quality emeralds in February 2020. The bulk of these revenues have yet to be received given that delivery of the emeralds cannot be made to the clients as a result of Covid-19 restrictions in India. Montepuez Ruby Mining Limitada ("MRM") was unable to hold its usual June mixed quality ruby auction as a result of the various Covid-19 restrictions and consequently, MRM has generated no revenue for the period. During the same period in 2019, the Mozambican and Zambian operations generated revenues of USD50.0 million and USD33.2 million, respectively.

All but critical operations at MRM were suspended from 22 April 2020 and are expected to remain suspended until such time as a successful auction is held. Production in the premium ruby category was 28,650 carats in the first six months of 2020 (compared with 34,500 premium carats during the same period in 2019). MRM presently has sufficient inventory to support one mixed quality ruby auction. All significant capital expenditure projects, including the second ore treatment plant, remain suspended for the foreseeable future. MRM confirmed 10 cases of Covid-19 in on-site employees on 12 July 2020 following routine testing. The majority of the cases were asymptomatic and all of the affected employees were placed in self-isolation under medical supervision. Social distancing measures remain in place at MRM.

Principal operations at Kagem Mining Limited ("Kagem") were suspended from 30 March 2020, putting a hold on the excellent run of premium emerald production during Q1 2020. Production in the premium emerald category was 133,900 carats in the first six months of 2020 (compared with 80,900 premium carats during the same period in 2019). As a result of the excellent recovery in Q1 2020, Kagem presently has sufficient inventory to support one higher quality and one commercial quality emerald auction. As a consequence of Covid-19, all significant capital expenditure projects at Kagem remain suspended for the foreseeable future. Principal operations at Kagem are expected to remain suspended until such time that a successful auction is held.

As the Group must now carefully preserve cash while the Covid-19 storm passes, the principal operations at the Nairoto Resources Limitada ("Nairoto") gold project were temporarily suspended on 7 May 2020. In addition, GGL's other exploration projects in both Ethiopia and Madagascar have been postponed until further notice.

Fabergé Ltd ("Fabergé") achieved revenues of USD2.5 million in the period (USD3.8 million for the comparative period) at a sales margin of 53% (45% for the comparative period) and a loss after tax of USD12.7 million (loss after tax of USD3.3 million for the comparative period). Gemfields has recognised a USD11.5 million impairment charge against Fabergé's intangible asset for the period. The fair value of the Fabergé intangible asset was assessed by an independent expert who applied a market revenue multiple valuation based on peer group companies. The impairment was driven by lower expected revenues for Fabergé amid the general downturn in the market, leading to lower multiples. Fabergé continues to seek to mitigate the impact of the ongoing Covid-19 restrictions on its physical retail outlets by increasing its digital presence, with a greater focus on social media platforms given the reach, adaptability and measurability offered by these channels.

Overall, Gemfields generated group-wide revenues of USD15.0 million with an EBITDA loss of USD22.5 million. During the same period in 2019, group-wide revenue was USD89.0 million implying a drop of some 83% in the first half of 2020. Capital expenditure of USD5.2 million was primarily made up of previously committed spend in Mozambique on mining and ancillary equipment. The Group has suspended all major capital expenditure to preserve cash in light of the Covid-19 pandemic.

At 30 June 2020, the Group was in a net cash position of USD9.3 million (31 December 2019: net cash of USD25.4 million) and held a cash balance of USD53.6 million. In addition to the cash balance at 30 June 2020, Gemfields carried an "auction receivables" balance of USD8.4 million relating to the February 2020 commercial quality emerald auction (at 31 December 2019 the "auction receivables" balance was USD56.7 million). Financial efforts to combat the challenges presented by Covid-19 have been focussed on cash preservation across the Group. Monthly cash operating expenditure has dropped from approximately USD12.1 million per month (the monthly average during the year to 31 December 2019) to less than USD5.0 million for the month of June 2020. Kagem's cost-saving measures during the crisis have resulted in cash operating expenditure being reduced from approximately USD3.4 million per month (the monthly average for the three months to 30 June 2019) to approximately USD1.3 million per month (the monthly average for the three months to 30 June 2020). MRM's cost-saving measures during the crisis have resulted in cash operating expenditure being reduced from approximately USD2.6 million per month (the monthly average for the three months to 30 June 2019) to circa USD1.8 million per month (the monthly average for the three months to 30 June 2020). In August 2020, conditional approval was received for an additional USD15.0 million financing leasing facility with MRM from a local bank. The facility will help relieve the Mozambican cash flow difficulties through these challenging times. Corporate savings include a significant reduction in marketing spend and professional fees. From 1 May 2020, all UK staff members, as well as the Board of Directors, switched to a 20% remuneration reduction with UK employees being placed on a four-day working week. It is expected that these cost-saving measures will remain in place until there is an improvement in the global movement of coloured gemstones and an appreciable lifting of international travel restrictions.

The Group's platinum group metal ("PGM") investment, Sedibelo Platinum Mines Ltd ("Sedibelo") remains unlisted with no market price readily available to value the Group's 6.5% indirect stake. At 31 December 2019, the decision was made to engage an independent third party to assess the Group's carrying value of Sedibelo on the balance sheet. The same independent third party has been used to update the valuation of Sedibelo at 30 June 2020. Using the results of the independent valuation report, the GGL Board has applied a USD12.5 million fair value decrease for the period, bringing the value for the Group's 6.5% stake in Sedibelo to USD45 million as at 30 June 2020. The investment in Sedibelo remains a non-core asset for the Group and an orderly disposal continues to be sought.

At the AGM on 24 June 2020, the non-binding shareholder resolutions in respect of GGL's Remuneration Policy and Remuneration Implementation Report saw more than 25% of voting shareholders vote against the resolutions. As a result, on 16 July 2020, interested shareholders were invited to attend a conference call to further discuss remuneration matters. Several of Gemfields' shareholders attended the call and provided the Remuneration Committee with feedback, which is presently undergoing further review.

As a result of the AIM listing, Gemfields has improved broker coverage from finnCap and Liberum (who are appointed as joint brokers) and which strengthens the Group's public profile and reach to UK, European and international investors. In addition, the redundant Bermudan listing was relinquished at the end of the period.

In GGL's operational update on 29 July 2020, it was noted that, should it become clear that hosting gemstone auctions by the end of December 2020 remains unviable, additional cash maintenance measures would be implemented and that the Group was reviewing – in case it becomes necessary – the requisite workstreams to prepare fundraising options, including a possible rights issue. Clearly, such an outcome is to be avoided if at all possible, and Gemfields has several cash-augmenting initiatives being progressed. These include, for example, additional debt, a sale of Sedibelo and modified approaches to achieving gemstone sales, whether by "shuttle viewings" or increased direct sales.

The Gemfields' Board is confident that, by managing costs and maintaining readiness to return to operational excellence, the Group is well-positioned to navigate the challenging months that lie ahead.

I should like to thank my fellow directors and the spirited Gemfields teams for their hard work and substantial contributions during this unprecedented and demanding period. I really do look forward to the business returning as the global markets reopen, and to continuing Gemfields' vision of being the global leader in African emeralds, rubies and sapphires, and promoting transparency, trust and responsible mining practices.

Martin Tolcher
Chairman
17 September 2020

PERFORMANCE

MOZAMBICAN RUBIES DISCOVERED
AT THE MONTEPUEZ RUBY MINE

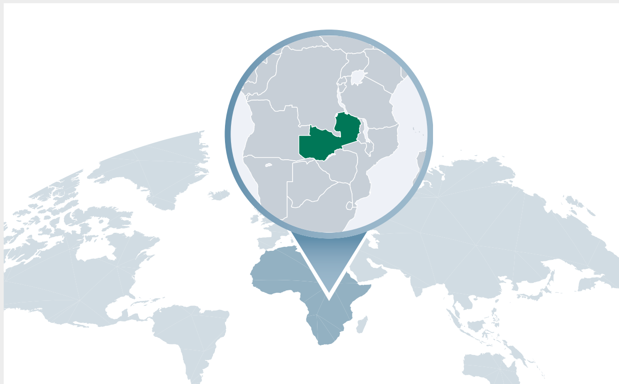
Operational Review

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. The 42.37 square kilometre licence area 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.
- Fibolele, another open-pit mine, with a 600-metre-long strike length.
- Chibolele, a brownfield open-pit operation restarted towards the end of 2017 and now a full-grown mine with a strike length of about 400 meters.



ZAMBIA

Location	Copperbelt Province, Zambia
Acquisition by Gemfields	November 2007
Ownership structure	75% Gemfields 25% Government of Zambia
Gemstones	Emerald and beryl
Mining method	Open-pit
Potential mine life	23 years (CPR 2020)

KAGEM

Merger of Gemfields licences into Kagem

On 17 September 2018, Kagem and Gemfields Ltd entered into a Licence Transfer Agreement whereby a collection of Zambian gemstone licences, ultimately controlled by Gemfields Ltd, would be transferred to Kagem. The licences to be transferred included the well-known Kamakanga and Chibolele, the only licences currently producing.

The licence transfer was completed by the Cadastre Department, Ministry of Mines and Mineral Development on 14 February 2020.

Covid-19 effect on Kagem operations

Principal operations at the Kagem emerald mine were suspended from 30 March 2020, putting on hold a good run of premium emerald production. The sort house was partially re-opened in June 2020 to clear a backlog of sorting, grading and referencing of emeralds. Given prevailing circumstances, principal operations are presently expected to remain suspended until such time that a successful auction is held.

Employees not involved in the ongoing delivery of critical services have been placed on reduced remuneration since May 2020, under available provisions in Zambia’s New Employment Code Act. The same applies to Kagem’s Board of Directors. Operationally critical employees have remained on full pay throughout the pandemic. These measures have reduced the overall wage bill at Kagem by approximately 20%.

Zambia experienced an exponential rise in the number of Covid-19 cases in July 2020 and a fourfold increase in the number of related deaths. Zambia’s Copperbelt Province (Kitwe, Ndola, Luanshya, Lufwanyama, Kalulushi and Chingola) – where most of Kagem’s employees reside – remains severely impacted. In August 2020, two asymptomatic people at the mine tested positive whom, after two weeks of quarantine, have both now tested negative. Social distancing measures remain in place at Kagem.

Management engaged with the Ministry of Mines, the Ministry of Labour and the Unions, before and during the suspension of principal operations, ensuring ongoing dialogue and transparency that has led to good public and industrial relations.

Auction results

In February 2020, Kagem conducted a commercial-quality ("CQ") auction in Lusaka, Zambia, generating USD11.4 million revenue at an average of USD4.01 per carat. The Covid-19 pandemic and the resultant restrictions on the movement of people and goods have led to the cancellation of two additional auctions planned for 2020. In addition, the travel restrictions have temporarily prevented the shipment of the auction parcels from the February auction to the winning customers, resulting in USD8.4 million of the total USD11.4 million auction proceeds not being received by 30 June 2020. Regular dialogue with the various customers has been kept during the period, and payment is expected as soon as the Group can ship the goods, anticipated to be in late September or October 2020.

In the first half of 2019, Kagem held a CQ auction realising USD10.8 million at an average of USD4.39 per carat and a higher-quality auction generating USD22.4 million at a record average value of USD71.85 per carat.

With the February 2020 auction, Kagem's total auction revenue since March 2009 rose to USD646.1 million.

Mining

The Chama open-pit mine is supported by a JORC-compliant Resources and Reserves Statement produced by SRK Consulting (UK) Limited ("SRK") as at 31 July 2019. The Competent Person's Report ("CPR") supports the reporting of Mineral Resource and Ore Reserve estimates in accordance with the 2012 edition of JORC. The present CPR formed part of the requirements of the Group for a dual-listing on the AIM market of the LSE and confirmed a 22-year open-pit Life of Mine Plan ("LoMP") indicating that the mine is well-positioned for growth in production.

Mining operations were well on track during the first quarter of the year until the full impact of Covid-19 led to the suspension of principal operations from 30 March 2020. The suspension continues to date and is expected to continue until Kagem can hold a successful emerald auction.

The mining operations at Kagem comprise a number of historically mined open pits, as well as the current open-pit operations situated mainly in the Chama-FF pit, Fibolele and the bulk sampling operations in Chibolele. The mining method comprises conventional open-pit operations: drill and blast, excavate, and load and haul to in-pit backfill, waste rock dump locations and the various ex-pit stockpiles, and a stockpile at the wash plant. The top 20 to 30 metres of weathered material is free dig, with the remainder of the waste rock requiring drilling and blasting.

During this period, Kagem continued to open the pit exposing emerald formation for mining in three sectors of the Chama-FF pit (F10, Chama and FF-Mboyonga), Fibolele and Chibolele. In addition, certain sections of the pit were further cleared and de-ramped, which allowed a consistent production profile at the Chama-FF pit. The efficiencies achieved from redesigning the pit have continued, with a larger, more efficient fleet being deployed in the pit, leading to higher rock handling and fleet efficiencies. Fibolele continued to provide additional sources of production, delivering 15.6 million carats since its inception in 2012, with 2.0 million carats being recovered in 2019.

With the unexpected enforced break in mining operations, total rock handling has been impacted severely and fell to 2.3 million tonnes for the first half of the year compared to 6.3 million tonnes during the first half of 2019.

Production

Kagem's achieved production in 2018 (35.5 million carats) and 2019 (36.3 million carats) was above expectations and unprecedented, especially for premium emerald production. The premium emerald production in 2018 and 2019 was 224,415 carats and 204,630 carats, respectively. The first quarter of 2020 was a continuation of that trend with an upward trajectory. All the production points were highly fertile and were in active production when the principal operations were suspended.

The main pit extension in Chama, Fwaya-Fwaya and F10 sectors led to the opening of new areas and greater space in which to operate more efficiently, resulting in the continued improvement in ore volumes. Focusing on controlled blasting in ore zones using small diameter drill holes, chiselling the in-situ ground, and manual picking of the run of mine at contact points has enabled the preservation of gemstone size resulting in a significantly good quality production.

During the period, gemstone production was 9.38 million carats at grade of 202 carats per tonne including 133,862 carats of premium emerald. These 133,862 carats of premium emerald represent a 65% increase over the same period of production in 2019 and equate to almost 100% of the total 2020 annual business plan target. Of the total production, Chama pit contributed 7.88 million carats, Chibolele contributed 1.38 million carats and Fibolele provided 0.12 million carats.

Processing

Until the impact of Covid-19 was realised, 2020 continued to see the benefits of the technological advancements introduced at the wash plant and sort house during 2019. In particular, the mounting of anti-rollback rollers on two of the conveyor belts has resulted in reduced spillages, and the commissioning of an automatic lubrication system on all critical equipment at the wash plant has reduced the time it takes to repair machines and has also increased the mean

Kagem's (Chama, Fibolele and Chibolele) key operational parameters for the period ended 30 June 2020 are summarised below:

Kagem production summary

	30 June 2020	30 June 2019
Gemstone production (premium emerald) in thousand carats	133.9	80.9
Gemstone production (emerald and beryl) in million carats	9.4	15.6
Ore production (reaction zone) in thousand tonnes	46.4	72.9
Grade (emerald and beryl/reaction zone) in carats/tonnes	202.0	214.0
Waste mined in million tonnes	2.3	6.2
Total rock handling in million tonnes	2.3	6.3
Stripping ratio	49.0	84.0

time between failures. Due to the continued high-grade ore feed to the plant, it was operated at a reduced capacity of 47 tonnes per hour ("tph") against design capacity of 75 tph. Total processing for the period was 42,425 tonnes compared to 82,435 tonnes in 2019 because operations were suspended at the end of March 2020.

In addition, the installation of recess lights has improved the illumination in the wash plant and has led to enhanced picking and better production.

Operating costs

The total operating cost for the six months to June 2020 was USD16.6 million compared to USD22.6 million in the previous period. The unit operating cost was USD7.10 per tonne for the six months ended 30 June 2020. Cash rock handling unit costs (defined as total cash operating costs divided by total rock handled) were USD5.82 per tonne for the period compared to USD3.07 in the previous period, with total cash costs of USD13.6 million (six months June 2019: USD19 million). The unit cost per tonne has increased substantially as the Covid-19 enforced suspension of operations saw unavoidable costs which were incurred post-March despite zero tonnes being handled.

Total operating costs include mining and production costs, selling, general and administrative expenses, and depreciation and amortisation, but exclude capitalised costs and mineral royalties. Cash operating costs include mining and production costs, capitalised costs, and selling, general and administrative expenses, but exclude property, plant and equipment capital expenditure, depreciation, amortisation, and mineral royalties.

Tax regime

With effect from 1 January 2020, the Government of Zambia made a change to the country's tax regime with regards to export duty. The change relates to the removal of the 15% export duty on revenue that was in place in 2019.

Capital expenditure

During the period, Kagem spent USD0.4 million on replacement mining and ancillary equipment as well as in infrastructure improvements. The planned capital investment for 2020 has been curtailed in light of the Covid-19 impact.

Geology and exploration

The understanding of the ore body and mineralisation was further advanced during the period, using the latest CPR produced by SRK in January 2020. Frequent review of the geological modelling continues with the addition of updated drill hole, geophysics and geochemistry data. This allowed for the revision of the geological model that now includes detailed block modelling. With this updated block model, geologists and miners have more focused data to increase the efficiency of production.

The Fibolele sector is a 600-metre-long, open-pit bulk sampling operation which yielded improved production in the last two years and the same trend is expected to continue in the future. Continued assessment of the exploration data obtained to date has led to the extension of the pit which is expected to increase the strike length by another 100 metres, opening an additional two production points.

During the period, the Chibolele pit was expanded with a 50 meter cut in the eastern side of the pit to expose the ore body and additional production points.

Infrastructure

This year started with a plan to complete as well as expedite ongoing and new infrastructure developmental projects, which includes, senior staff mess refurbishment, junior staff accommodation construction (total 20 rooms), upgrading the existing football pitch and the other staff quarters.

Protection services

The protection services team continued to prioritise the upgrade of the security systems through procurement of additional high-resolution night vision capability CCTV cameras. In May 2020, Kagem commenced using high-resolution drones for 24-hour aerial surveillance. They provide full surveillance capabilities even at night. An additional CCTV tower with night vision capability was erected at the main Chama pit which has significantly improved night monitoring of all the active production points within the pit.

Protection services have continued towards achieving 100% compliance with the Group's Human Rights Policy by supporting the requirements of the Voluntary Principles on Security and Human Rights ("VPSHR"). With the help of international consultants, Kagem undertook additional training on human rights, conflict of interest, first aid, and improved techniques of field patrols.

Health, safety and environment

Kagem continues to mine in a responsible, transparent and safe manner whilst sticking to the tenets of legitimacy, transparency, and integrity as an essential part of health, safety and environment ("HSE") and its commitment to mining safety and environmental conservation. We aim at a zero-harm (injury-free) culture and our efforts can never be over-emphasised as the health and safety of our employees is not only considered critical to the operation but is also ultimately the responsibility of each individual.

The strategy of rolling out a combined, all-inclusive General Site Induction ("GSI") which all employees and long-term contractors are expected to undergo, to inculcate health and safety values and norms in everyone working within the Kagem mine site continued yielding positive results at the beginning of the year.

Managers continue to lead by example by conducting and taking part in safety talks to increase and enhance the communication between employees and management. In addition to this, managers continue to carry out night shift visits to the mining operations to appreciate the challenges under which the night crew members have to operate and consequently they play a leading role in overcoming and finding solutions to the night-time safety challenges.

During the first half of 2020, Kagem recorded zero lost-time injuries ("LTIs") compared to one such injury in 2019.

Sustainability and corporate responsibility

The sustainability and corporate responsibility activity at Kagem aim to position the Company in good standing with local communities and, to ensure the Company policies impact positively on people and complement government in reducing poverty levels and suffering amongst the people. Our approach is community participation in line with government policy.

Covid-19 has severely hampered Kagem's planned community activities resulting in projects (construction of a three-classroom block, two houses for teaching staff and two toilets at Masasa Primary School) being suspended.

However, Kagem did assist the local communities and various organisations to deal with the Covid-19 pandemic. This included donating clinical, health and sanitation materials to different organisations including Lufwanyama District Hospital and the Nkana Health Centre in the Lufwanyama district. These donations were received by the Honorable Minister of Mines in Zambia. In addition, the Company also donated reusable facemasks to all the students and staff at Masasa Primary School, Chapula Secondary School and Kapila Primary School. Five hand-washing stations were also donated to each of these three schools.

GEOLOGISTS SURVEY THE KAGEM EMERALD MINE IN ZAMBIA

Human resources

As of 30 June 2020, 1,034 people were employed by Kagem, of which 783 were directly employed and 251 were employed through contractors. As explained above, all direct employees remain employed and are on reduced salaries in accordance with the Zambian labour laws.

In the first half of 2020, employees were trained in various fields, including health, safety, environment protection, quality management, human team building, stress management and trade-related refresher training programmes. These training initiatives were conducted by both external and in-house trainers, with 99.6% of the workforce being trained at the mine site and 0.4% being trained off-site in Zambia. A total of four Zambian students completed their internships at Kagem in various departments.

Staff welfare activities were focused on improving social amenities around the workplace and camp.

Operational Review

MOZAMBIQUE

OPERATIONS IN MOZAMBIQUE COMPRISE THE FOLLOWING:

- **Montepuez Ruby Mining Limitada** (“MRM”). The Montepuez ruby deposit, which is located in the northeast of Mozambique within the Cabo Delgado Province, is believed to be the most significant recently discovered ruby deposit in the world and covers an area of 349 square kilometres. MRM is 75% owned by Gemfields and 25% owned by local Mozambican partner, Mwiriti Limitada.
- **Megaruma Mining Limitada** (“MML”). MML holds two ruby-mining titles located in the Montepuez District of Mozambique. Each shares a boundary with the existing MRM deposit and covers approximately 190 and 150 square kilometres of area, respectively. MML is 75% owned by Gemfields.
- **Eastern Ruby Mining Limitada** (“ERM”). The company is registered in Mozambique, with Gemfields holding a 75% interest. The mining area covers 116 square kilometres and shares its western boundary with the southern licence of MML.
- **Campos de Joia Limitada** (“CDJ”). CDJ is a Gemfields holding company in Mozambique which has four licences at present, totalling an area of 452 square kilometres.
- **Nairoto Resources Lda** (“NRL”). A company registered in Mozambique, with Gemfields holding a 75% interest and 25% owned by local Mozambican partner, Mwiriti Limitada. NRL is the beneficial owner of six exploration and six mining concessions in northern Mozambique within Cabo Delgado Province. Spread over an area of 1,958 square kilometres, the conjoined concessions are located 30 kilometres north of the MRM concession and hold exploration potential for gold, ruby and allied minerals.

MONTEPUEZ RUBY MINING (“MRM”)

All but critical operations at MRM were suspended from 22 April 2020 and are presently expected to remain suspended until a successful ruby auction can be held. Security, maintenance, and other essential services continue to ensure that MRM is properly secured and well placed to resume normal operations as soon as it is both safe and practicable to do so.

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	15 years (CPR 2020)

Employees not required for ongoing critical services have been placed on suspended contracts under prevailing Mozambican law and will, for the time being, receive reduced remuneration (subject always to minimum wage considerations). The same applies to MRM’s Board of Directors. These measures have reduced the overall wage bill at MRM by approximately 25%.

MRM confirmed 10 cases of Covid-19 in on-site employees on 12 July 2020 following routine testing. The bulk of the cases were asymptomatic and all of the affected employees were placed in self-isolation under medical supervision. All those who might have come into direct contact with these employees and those who are vulnerable either due to their age or underlying medical conditions have also been self-isolated. Social distancing measures remain in place at MRM. No further cases have been identified to date.

All significant capital expenditure projects, including the second ore treatment plant, remain suspended for the foreseeable future.

Auction results

During the period MRM did not hold its usual June mixed-quality ruby auction as a result of the global restrictions in place to deal with the Covid-19 pandemic, consequently, there is no revenue. In the prior period, MRM generated revenues of USD50.0 million, with an average price per carat of USD51.99 from its one mixed-quality auction held in Singapore.

Mining

The Montepuez ruby deposit is supported by a JORC-compliant Resources and Reserves Statement produced by SRK as at 1 July 2019. The CPR supports the reporting of Mineral Resource and Ore Reserve estimates in accordance with the 2012 edition of JORC. The present CPR formed part of the requirements of the Group for a dual-listing on the AIM market of the LSE and confirmed a 15-year open-pit Life of Mine Plan ("LoMP") indicating that the mine is well-positioned for growth in production.

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

Total rock handling for the first half of the year was 1.8 million tonnes, a significant drop from the 2.9 million tonnes in the prior year as the principal mining operations were suspended in April 2020, and are presently expected to remain suspended until at least 30 September 2020. This 1.8 million tonnes of rock handling includes 0.2 million tonnes of ore and 1.4 million tonnes of waste material at an overall stripping ratio of 6.3. In addition, 0.11 million tonnes of other material handled, which included mostly slimes and minor amounts, were moved for road improvements. As with the previous year, production was primarily focused on the Mugloto Block (66%) to extract higher-quality ruby-bearing ore, with the remainder coming from the Maninge Nice Block (34%).

Starting in 2019, the mining capacity was augmented by increasing the fleet size in the night shift operation. This has helped in taking up additional exploration pits in the Mugloto Block which have produced encouraging results. Furthermore, to improve the product mix output, the strategy designed to optimise mining operations will see the balancing of primary (low quality and high incidence) and secondary ores (high quality and low incidence) being continued.

Production

A total of 1.3 million carats of ruby and corundum were produced during the first half of the year, with a focus on high-quality, low-occurrence deposits which provide premium rubies. During the same period in 2019, 1.1 million carats of ruby and corundum were produced, with the varying grade of the deposit being the reason for variations in recovery.

Of the 1.3 million carats of production for the year, 1.2 million carats were recovered from Mugloto secondary ore and 0.03 million carats from others.

MRM's key operational parameters for the six-month period to 30 June 2020 are summarised in the table below.

Processing

During the period, 229,600 tonnes of ore were mined, primarily from two different blocks, namely Mugloto and Maninge Nice, with 346,400 tonnes processed compared to 401,800 tonnes for the same period in 2019. Of the total ore processed, 345,800 tonnes were washed by the main processing plant and 600 tonnes by the exploration processing plant. The treatment plant has seen an increase in throughput after the commissioning of a higher capacity thickener in the first quarter of the year. The throughput rate, currently stands at 150 tonnes per hour for the first six months of 2020, compared to 130 in the same period of 2019.

A similar production strategy – to focus on the processing of a greater proportion of lower incidence and higher-quality secondary ore – was reflected in the overall ore grade realised during the period,

Montepuez production summary

	30 June 2020	30 June 2019
Gemstone production (premium ruby) in thousand carats	28.7	34.5
Gemstone production (ruby and corundum) in million carats	1.2	1.1
Ore mined (primary and secondary) in thousand tonnes	229.6	435.0
Ore processed (primary and secondary) in thousand tonnes	346.4	401.8
Grade (ruby and corundum/ore processed) in carats/tonnes	3.7	2.8
Waste mined in thousand tonnes	1,432.8	2,288.1
Miscellaneous rock handling	114.5	147.1
Total rock handling in thousand tonnes	1,776.9	2,870.2
Stripping ratio	6.3	5.3


INDUSTRY-LEADING WASH AND SORT FACILITIES AT THE MONTEPUEZ RUBY MINE IN MOZAMBIQUE

at 3.7 carats per tonne, compared with the year to June 2019 at 2.8 carats per tonne.

Operating costs

Total cash operating costs were USD12.9 million, USD2.3 million lower than the USD15.2 million in the first half of 2019, giving a unit cash rock handling cost of USD7.26 per tonne compared to USD5.30 per tonne in the prior period (mining operations stopped early in April 2020 due to Covid-19). The total operating costs for the period ending 30 June 2020, inclusive of depreciation, were USD17.9 million compared to USD19.6 million in the prior period with unit operating costs of USD10.09 per tonne. The overall reduction in costs reflects the suspension of operations for the last two months of the period.

Cash operating costs include mining and production costs plus general and administrative costs during the year but exclude depreciation, amortisation, mineral royalties, management fees and auction fees.

Capital expenditure

Total cash capital expenditure for the period was USD3.4 million, comprising USD1.2 million invested in expansion and exploration and USD2.2 million on existing mining and ancillary equipment replacements including the Resettlement Action Plan ("RAP"). In respect of the RAP, the construction work was completed on schedule. The regulatory inspection and approval process is ongoing, albeit at a slower than expected pace due to the national emergency in the country that has been in place since April 2020 due to the pandemic.

Geology and exploration

The Montepuez 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.

Rubies from Montepuez differ geologically from many of the Asian rubies available on the international market as the primary host rock is amphibole related, rather than marble or basalt related. The rubies around Montepuez are found in two types of deposits: primary mineralisation hosted within amphibolite or secondary placer type found in gravel beds.

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

Exploration was focused in the Mugloto Block during the period and consisted mainly of diamond-core drilling. Exploration drilling continues north of the Northern Shear to explore the source of Mugloto premium rubies. The block was identified based on previous inclined/vertical drilling, airborne geophysics and interpretation of secondary deposits. The drilling north of Northern Shear is along section with a 200 x 100 metre grid spacing. A total of 1,128 metres of core drilling was completed by the end of June 2020 (6 months to June 2019: 5,077 metres).

A total of 100 geochemical samples were selected from different geographical locations drilled in the Mugloto Block to date, to be analysed by inductively coupled plasma mass spectrometry (“ICPMS”) for the rare earth elements (“REE”) in the second phase. The samples were half-cut prepared and received the necessary approvals from the concerned government department for onward dispatch to an accredited Intertek laboratory.

Infrastructure

Enhancement of the production facilities is continuing with the construction of a new thickener which was commissioned in December 2019, a continuous feeding system and a slime treatment (centrifuge) facility. The commissioning of the apron feeder was expected to be completed by the end of March 2020, however, the completion has been delayed as a result of the Covid-19 pandemic and the current State of Emergency in Mozambique.

The Namanhumbir residential site has undergone various improvements over the last two years which have significantly improved the quality of life and living conditions at the camp. The camp now has a clinic, a modern gymnasium, and various recreational and outdoor sports facilities.

Protection services

A new operational concept has been adopted at MRM with the implementation of an aerial surveillance capability. This will reduce the number of guards on the ground and focus on goal-oriented security actions that will result in better control and minimisation of possible risks related to corruption and human rights violations. The focus will be on ways to contain and restrict the movement of artisanal miners. Continued usage of body cameras by the patrol teams has resulted in improved monitoring of the MRM concession and adherence to the United Nation's Voluntary Principles on Security and Human Rights (“VPSHR”). Training sessions on the VPSHR, social media, awareness, conflict resolution and juveniles in artisanal mining were delivered by reputable trainers to MRM employees. The Security Department remained focused on maintaining a high standard of service to keep our personnel safe and to prepare for any possible threats. Because of a dynamic environment, the Security Department will create solutions to fit the challenge and to stay within the boundaries of proper and professional conduct.

In the early part of the year, MRM saw an increase in illegal mining activity on the concession and aggressive behaviour of the intruders with attacks on MRM’s protection teams. The situation was further intensified following the release of prisoners in the town of Montepuez, including approximately 150 illegal miners, as part of the government’s Covid-19 action relating to prison inmates. In response, MRM introduced additional security measures and increased the size of the security team. This has had a noticeable impact on the number of illegal miners in the licence area which has decreased considerably.

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. Health, safety and environment (“HSE”) training has focused on toolbox talks, risk assessment in work environments, improving the culture associated with near-miss reporting and Covid-19 prevention. HSE activities have remained centred on Covid-19 management since the outbreak of the pandemic and the declaration of the State of Emergency in the country on 30 March 2020.

Seven lost-time injuries (“LTIs”) occurred at the mine site during the period compared to one in the previous period, the majority of LTIs were injuries sustained by the Protection Services Team due to attacks by illegal miners. To reduce the frequency rate of these injuries, a series of internal and external health and safety training modules have been incorporated into the HSE programme and are given to employees. The focus of the training is on first aid, firefighting and safe driving.

MRM continued with the good practice of back-filling and post-mining environmental rehabilitation by replanting the locally grown saplings. The operation continued to find solutions to its management of slime resulting from the wash plant process. The current solution is deemed to be in compliance whilst a more effective solution is found.

The first phase of the implementation of the Integrated Management System (“IMS”) incorporating ISO 9001 (Quality), ISO 14001 (Environmental) and ISO 45001 (Occupational Health and Safety) has been completed.

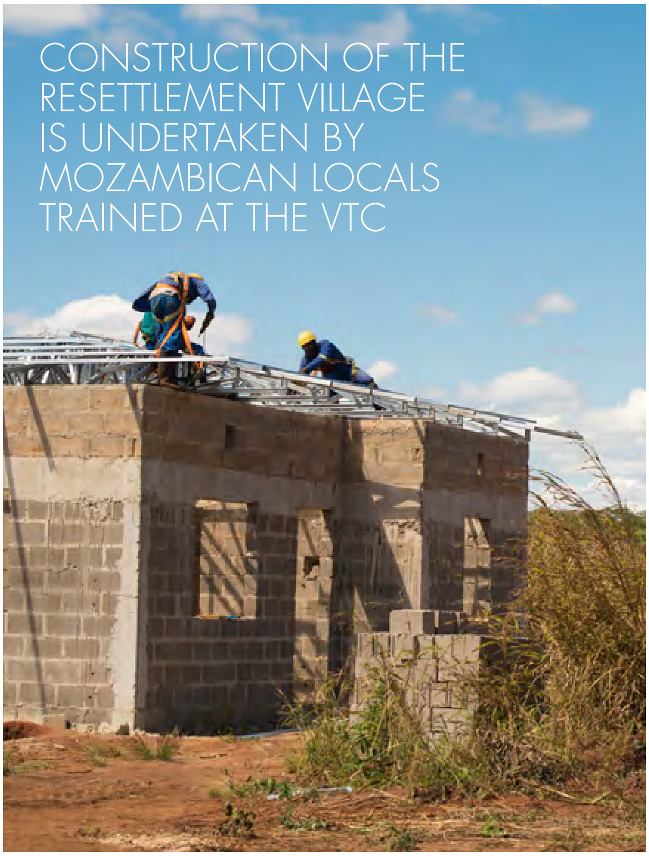
Sustainability and corporate responsibility

In line with our philosophy of creating a sustainable community development programme, various sustainability and corporate responsibility (“SCR”) initiatives in the areas of education, agriculture and health continued apace during the period.

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. A key focus for the team has been to increase the number of farmers benefiting from training and the roll-out of conservation farming programmes which have helped farmers increase their yields. MRM also established and continues to support four chicken farm associations, producing 5,200 chickens during the period. In addition, MRM continues to support the health development of the local communities with the total number of patient visits by our mobile clinics reaching 10,000 for the period.

MRM is supporting the provincial health authorities with the supply of Personal Protective Equipment ("PPE")to assist in the fight against Covid-19. MRM initiated a Covid-19 community campaign consisting of the manufacturing and distribution of locally made face masks, awareness campaigns and other measures to prevent the spread of the pandemic into the communities.

The Resettlement Action Plan ("RAP") project consisting of the construction of 105 houses, public infrastructure, and water and power reticulation is now complete pending final approvals by government oversight committees. Relocation of government institutions and the resettlement of the new homeowners is scheduled to be finalised in August 2020.



Legal

As stated in the 2017 Annual Report, in February 2018 a UK-based law firm, Leigh Day LLP ("Leigh Day"), filed a claim against Gemfields in the English High Court on behalf of individuals living in the vicinity of the MRM mining concession, alleging human rights abuses by employees and contractors of MRM and state security forces.

Following a mediation between the parties in December 2018, Gemfields agreed, on a no-admission-of-liability basis, a settlement of all claims brought by Leigh Day in relation to the alleged abuses. The settlement figure was GBP5.8 million (USD7.4 million), comprising the sum for distribution to the claimants by Leigh Day and their legal expenses.

Gemfields maintains that it is not liable for any of the alleged abuses set out in the claims, but has taken the view that the agreed settlement best balances the interests of the various stakeholders and avoids tainting MRM's relationship with sections of the local community by engaging in protracted and expensive litigation against the claimants. Had Gemfields prevailed at trial (which it fully expected to do), none of its own, and likely very substantial, legal costs would have been recoverable from the claimants or Leigh Day.

To further its ongoing commitment to transparency and support for the local community, MRM will also establish a new and independent operational grievance mechanism ("OGM") in keeping with the Constitution of Mozambique, industry best practice and as advocated by the United Nations Guiding Principles on Business and Human Rights. An independent panel will consider grievances submitted to the OGM and, should a grievance meet an appropriate evidential threshold, the panel will determine any compensation payable with reference to Mozambican law or other remedy. The Group has engaged a third-party specialist to assist MRM with the design and implementation of the OGM.

Following a period of protracted engagement with relevant Mozambican Government authorities, the OGM is now confident of government backing to proceed with implementation. Unfortunately, the restrictions engendered by the current Covid-19 situation have further delayed the "going live" of the OGM. However, the team is focused on delivering the OGM in the coming weeks/months, as soon as the Covid-19 conditions allow.

Under the terms of the settlement, and provided that MRM fulfils the commitment to establish the OGM, Leigh Day will not bring, or support, any future claims in relation to MRM where they arise before the date of the settlement agreement.

Gemfields had also set aside a GBP0.5 million fund with a view to providing a long-term sustainable agricultural livelihood programme for the Ntoro/Namucho community. The fund was additional to the settlement amount and would have sat alongside Gemfields' existing direct investment in, and establishment of, collaborative community projects in the area. Unfortunately, as was required by the settlement agreement, the proposed agricultural livelihoods programme did not achieve the support of the relevant section of the community and therefore the fund was paid out to Leigh Day for onward distribution to their clients from the Ntoro/Namucho community.

Human resources

As at 30 June 2020, 1,411 people were employed by MRM, of which 638 were directly employed and 773 were employed through contractors. During the period, various internal and external training programmes were attended, including training programmes on pandemic time/stress management, human rights, managerial skills, health and safety, finance, security, and specialised software. Local students also took part in internships at the operations during the period.

MEGARUMA MINING LIMITADA ("MML")

MML holds two ruby mining licences, 7057C and 7049C. Mining licence 7057C located in the Montepuez District, in Cabo Delgado Province of Mozambique, covers an area of 150 square kilometres. Mining Licence 7049C located within the districts of Montepuez, Chiure and Ancuabe in Cabo Delgado Province of Mozambique, covers an area of 190 square kilometres. These two licences share their boundaries with the west and southern boundary of the existing Montepuez Ruby Mining (MRM) licence.

Based on the findings of auger drilling done in 7057C, during 2017 and 2018, eight bulk sampling targets have been completed with a total of 113,000 tonnes of rock handled during the period (771,200 tonnes since commencement in July 2018), including 12,400 tonnes of ore (71,000 tonnes since October 2018).

A total of 10,100 tonnes of ore has been treated in the wash plant (54,500 tonnes since commencement in October 2018) at the rate 30 tph, with a recovery of 625 carats of ruby ranging in quality from Tumble Ruby to Low Sapphire (699.20 carats since 2018).

The land usage title ("DUAT") covering an area of 9,889 ha was issued for Mining Licence 7057C by the National Director, Ministry of Land and Environment, Maputo, in February 2020 and is valid until November 2039.

Bulk sampling operations were placed on care and maintenance with effect from 23 April 2020, as a precautionary measure to curb the spread of COVID-19.

With regards to Concession 7049C, exploration activities were deferred due to force majeure conditions on account of hostile community behaviour. Necessary updates on the ground situation are being provided to the office of the National Mining Institute ("INAMI"). The Environmental Licence (Category B) was obtained successfully in March 2019 to initiate the developmental activities in the licence area, which were deferred due to the force majeure conditions.

EASTERN RUBY MINING LIMITADA ("ERM")

ERM is a joint venture company registered in Mozambique, with Gemfields holding a 75% interest and Taibo Mucobora (25%). The exploration licence 5061L held by ERM was converted into mining licence 8277C in November 2016 by the Ministry of Mines and is valid for 25 years. The licence covers an area of 116 square kilometres and shares its western boundary with the southern licence of MML (7049C).

The Environmental Licence (Category B) certificate was awarded by the Provincial Directorate of Land, Environment and Rural Development ("DPTADER") in favour of ERM in December 2019 and is valid for five years until December 2024.

The DUAT application has progressed to the next stage with the public consultations and boundary demarcation completed. The necessary technical reports were submitted to the authorities of Ancuabe and Chiuri districts for processing before forwarding to the Provincial Directorate of Mineral Resources ("DPRME") and the Governor.

A bush clearing licence covering an area of 390 ha was applied for to start the bulk sampling operations. Inspection by the government authorities has been delayed due to the pandemic.

The licence area has been connected to the MRM operational area by laying a 20 kilometre gravel road. Construction of the modular camp and delivery of the heavy earth moving machinery ("HEMM") were stalled due to the pandemic situation.

The Natural Resources Protection Force was deployed in ERM in December 2019. The deployment of the private security contractor is on hold due to the Covid-19 pandemic.

CAMPOS DE JOIA ("CDJ")

CDJ is a Gemfields holding company in Mozambique and has four licences at present (7427C, 6114L, 9059L and 9060L) totalling an area of 452 square kilometres.

The Environmental Licence (Category B) certificate was awarded on 9 July 2019 in favour of 7427C allowing the commencement of exploration activities and, in due course, followed by bulk sampling. The licence is valid for five years to 9 July 2024. The exploration camp with minimum facilities and infrastructure was commissioned and has been operational since August 2019.

An exploration auger drilling campaign was initiated and a total of 2,500 metres from 616 boreholes was drilled on a 200 x 100 metre grid interval in a diamond pattern covering three sub-blocks. The secondary ore samples intersected during the auger drilling were processed in two Bushman jigs. Six boreholes recovered ruby and tumble incidences with 0.010 and 0.14 g whereas three boreholes recovered sapphire with 0.14 g.

A private security contractor was deployed in September 2019. The DUAT process was initiated and the application filed in June 2019.

NAIROTO RESOURCES LDA ("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 12 exploration and mining licences located about 30 kilometres to the north of the MRM concession. The JV company, Nairoto Resources Lda ("NRL"), became fully functional in January 2020. Currently, NRL is the beneficial owner of all 12 licences, covering an area of 1,958 square kilometres. The licences hold exploration potential for gold (both primary and secondary), ruby and allied minerals.

The management and operational team were based in a newly established tented camp in the northern part of the licence area, close to some of the initial exploration targets delineated in the area. The camp can be accessed using an all-weather 70 kilometre gravel road connecting Montepuez to Nairoto.

Panning of stream samples collected from across the licence area confirms the presence of visible, secondary gold. Geological mapping and exploratory pitting exercises are in progress. Two small 5 tph pilot treatment plants, complete with concentration tables, are in operation supporting the exploration efforts.

SRK has been engaged to provide advisory and technical support with an initial focus on secondary gold resources which would lead to the identification and evaluation of the primary source. SRK will also assist in the design and selection of the treatment plant for the bulk sampling phase.

A request for quotations has been issued to various vendors inviting technical and commercial bids for a 150 tph treatment plant. Three samples were also collected for beneficiation test work of the secondary ore.

In view of Covid-19 outbreak, the principal operations at the project were suspended from 7 May 2020 with only essential services still ongoing.

Operational Review

FABERGÉ LIMITED

Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented, rich and 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, as well as boosting the international presence and perception of coloured gemstones through its consumer-focused marketing campaigns.

POINTS OF SALE

For the six months to 30 June 2020, Fabergé directly operated two points of sale: a concession in the Harrods Fine Jewellery Room, London; and a mono-brand boutique located in The Galleria Mall, Houston, Texas, USA – the state's premier retail destination. At 30 June 2020, Fabergé products were available in Australia, Andorra, Azerbaijan, Bahrain, Belgium, Canada, China, Czech Republic, Finland, France, Germany, Greece, India, Italy, Jordan, Japan, Kuwait, Malta, Moldova, Norway, Holland, Qatar, Romania, Saudi Arabia, South Africa, Spain, Switzerland, Thailand, UAE, UK, Ukraine and the USA. The total number of Fabergé outlets increased from 75 to 80 during the period.

FINANCIAL PERFORMANCE

Fabergé achieved revenue of USD2.5 million in the six months to 30 June 2020 compared to USD3.8 million in the comparative period. The decline in revenue is due to the impact of Covid-19 on Fabergé's ability to deliver sales during various national lockdowns which adversely affected operations at all their outlets.

During the same period, Fabergé recorded an EBITDA (earnings before interest, tax, depreciation and amortisation) loss of USD2.7 million compared to an EBITDA loss of USD2.9 million in 2019, with average monthly operating expenses of USD0.7 million and a sales margin of 53% (six months to 30 June 2019: 45%). The loss for the period after tax increased to USD12.7 million from USD3.3 million in 2019 following the USD11.5 million impairment loss recognised in 2020.


FINISHING TOUCHES PERFECT THE FABERGÉ PALAIS TSARSKOYE SELO TURQUOISE LOCKET WITH HEART SURPRISE

CELEBRATING FABERGÉ'S RICH HERITAGE WITH 'THEN AND NOW' IN HARRODS' LEGENDARY WINDOWS

The fall in revenue and the overall decline in market conditions resulting from the impact of Covid-19 has meant that the fair value of Fabergé, measured by an external valuation expert on a revenue multiple basis using comparable companies, has decreased. Consequently, an impairment loss has been recognised of USD11.5 million against the intangibles.

PRODUCT DEVELOPMENT

Fabergé's best-selling lockets and jewellery lines were further expanded during the period to include new multi-coloured and rainbow set fluted rings, and new Heritage Collection guilloche enamel colourways and surprise combinations further building the customer offering based around the iconic Fabergé egg motif and coloured gemstones.

MARKETING AND COMMUNICATIONS

Throughout the period, Fabergé maintained a blend of digital marketing and print advertising to focus on fine-jewellery collections featuring coloured gemstones, guilloche enamel, and high complication timepieces. The level of marketing and the various planned campaigns have been curtailed due to Covid-19.

THE YEAR AHEAD

Fabergé will seek to mitigate the risk of further coronavirus "second-wave" related lockdowns to its physical retail outlets by increasing its digital presence with a greater focus on social media platforms given the reach, adaptability and measurability offered by that medium. Coloured gemstones set in fine jewellery collections will remain at the heart of the campaign, allowing Fabergé to seek and utilise synergies with Gemfields' marketing and to continue to promote the brand's tagline: *A Life in Colour*.

Operational Review

NEW PROJECTS AND OTHER ASSETS

ETHIOPIA

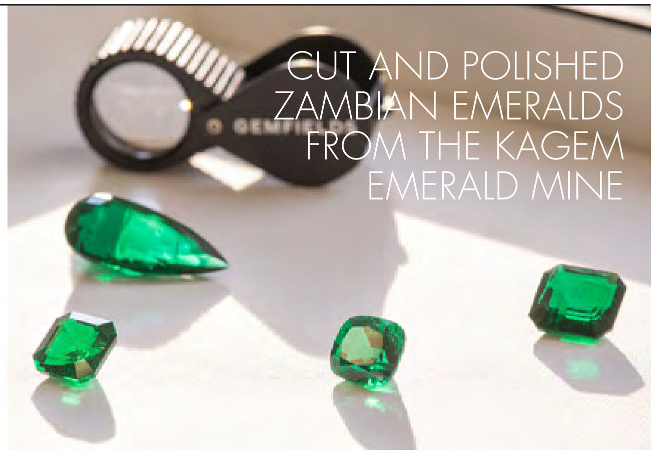
Gemfields owns 75% of Web Gemstone Mining plc ("WGM"), a company that holds a 148.6 square kilometre emerald exploration licence in southern Ethiopia. Exploration activity began in June 2015 in an area in the northern part of the licence, called the Dogogo Block. The area was selected based on favourable geological settings and evidence of past artisanal activity.

The political and security situation in Ethiopia remains very unsettled. The elections originally scheduled for May 2020 were delayed until August 2020 and have since been delayed until 2021 following the Covid-19 pandemic. Given the prevailing security conditions in the region and the pandemic situation, it is inevitable that there will be an adverse knock-on effect on the Return To Work ("RTW") plan of WGM.

At the time of writing, Ethiopia had 2,336 confirmed cases of coronavirus, with 32 confirmed deaths. The Government of Ethiopia declared a five-month state of emergency to control the virus. Although the move fell short of a full lockdown, there are severe restrictions in place. The virus seems to have been slow to take hold in Ethiopia, but in recent weeks, the rate of transmission has been growing exponentially. Given the impact of Covid-19 on business across the Group, significant efforts have been made to reduce spending as much as possible on non-core and developmental projects, including WGM. All operations (including RTW) have been postponed at least until 2021.

WGM received a request for support during the Covid-19 pandemic from the local communities living in the vicinity of the licence area. Working in conjunction with the zonal administration, a shipment of essential food and medical supplies was delivered directly to the Web Village Administration on 2 June 2020, with instructions to distribute to the most vulnerable and needy members of the community.

WGM has not had access to the licence area in an operational capacity since the licence invasion but has regularly engaged with key stakeholders and members of the community as part of its RTW strategy. The licence area was occupied by up to 1,000 people at the time of the licence invasion in June 2018, predominantly at the ore stockpile and at the bulk sampling pit where they were actively mining for emerald. The number has since fallen significantly to fewer than 10.



CUT AND POLISHED ZAMBIAN EMERALDS FROM THE KAGEM EMERALD MINE

WGM's exploration licence was renewed by the Ministry of Mines for a further year in January 2020 without relinquishment of any licence area on force majeure grounds.

Gemfields' long-running applications for two new exploration licences have finally been accepted by the Ministry of Mines for sapphire in Chila, Tigray region (in the north of the country), and emerald in Shakiso, Oromia region (in the south of the country). There are no immediate plans to develop either licence until ground conditions and the prevailing global pandemic disruption have normalised.

MADAGASCAR

Oriental Mining SARL, a 100% subsidiary of Gemfields, holds a number of concessions for a range of minerals, including emerald and sapphire, which comply with all statutory and regulatory obligations. Gemfields was planning to commence preliminary investigations with regard to several permits in 2020, however, the global travel restrictions and the cost-saving measures implemented across the Group in response to Covid-19 mean that developmental activities in Madagascar have been postponed until further notice.

David Lovett
Chief Financial Officer

Financial Review

A summary of the key financial indicators of the Group for the six months ended 30 June 2020 are shown below:

in thousands of USD	2020	2019
Revenue	15,000	88,960
EBITDA[1]	(22,466)	33,144
(Loss)/profit after tax	(56,737)	12,443
Cash (utilised in)/generated from operating activities	(4,555)	24,289
Free cash flow[2] before working capital movements	(39,932)	7,542
Free cash flow[2]	(9,760)	9,695
Net cash	9,281	35,468

1 Earnings before interest, taxation, depreciation and amortisation.
2 Free cash flow is calculated as cash flow from operating activities less capital expenditure.

The Group's primary financial Key Performance Indictors ("KPIs") are revenue, free cash flow before working capital movements and net cash/(debt).

The Group's results and financial performance have been severely impacted by the Covid-19 pandemic which has restricted both the mining operations and the overall market for the Group's products. With the focus being on the wellbeing of our team, the principal operations at Kagem were suspended on 30 March 2020 and MRM on 22 April 2020. In addition, the various jurisdictional restrictions on the movements of goods and people have prevented our customers from selling down their inventory at the world's prestigious gem and jewellery shows, thereby restricting their ability to purchase any further inventory from the Group. With the liquidity crunch this has caused, and the global travel restrictions, the Group has been unable to hold any auctions since the commercial quality emerald auction held in February 2020.

Revenue

in thousands of USD	30 June 2020	30 June 2019
Kagem	11,446	33,194
MRM	–	50,026
Fabergé	2,471	3,796
Other	1,083	1,944
Total	**15,000**	88,960

In the first half of 2019, the Group achieved revenues of USD89.0 million, primarily from two rough emerald auctions (one commercial-quality ("CQ") and one higher-quality ("HQ")) and one mixed quality rough ruby and corundum auction. In 2020, only one auction has been held, a CQ emerald auction in February 2020. The scheduled May HQ emerald auction and June mixed quality ruby auction were cancelled due to the impact of Covid-19.

The February 2020 CQ emerald auction was held by Kagem in Lusaka, Zambia, generating total revenues of USD11.4 million, with an overall average value of USD4.01 per carat. In 2019, Kagem's two emerald auctions generated total revenues of USD33.2 million at average prices per carat for the HQ and CQ emerald auctions at USD71.85 and USD4.39 respectively.

The 35 auctions of Kagem gemstones held since July 2009 have generated USD646.4 million in total revenues.

No auctions were held by MRM in the period as Covid-19 necessitated travel restrictions around the globe. In 2019, MRM achieved revenue of USD50.0 million from the mixed-quality auction in June at an average price of USD51.99 per carat.

Fabergé generated revenues of USD2.5 million in the period, which is below the USD3.8 million achieved in the first half of 2019. This was primarily due to Covid-19 and the lockdowns imposed across the globe.

Other revenues represent the sales of low-grade emerald products and long-held inventories of cut and polished stones.

COSTS

As discussed in the various operations reviews, all but critical operations at the Kagem and MRM were suspended in March and April respectively. Principal operations at both mines are expected to remain suspended until successful emerald and ruby auctions are held. At a Corporate level, the Group has instigated measures which progressively reduce costs as the anticipated impact of the pandemic protracts. On 1 May 2020, all UK staff members, including the Company's Board of Directors, received a 20% remuneration reduction, with UK employees being placed on a 4-day working week. These cost-saving measures are presently expected to remain in place until at least 31 December 2020 with market and Covid-19 developments being closely monitored. In addition, all significant marketing travel and other discretionary spend has been suspended or significantly curtailed.

As a result of the above measures, the total operating costs for the Group have been reduced from USD74.4 million to USD51.0 million in the six months to 30 June 2020, with the cost savings noted above coming into effect.

Total mining and production costs (excluding mineral royalties and production taxes, export duty and impairments) saw a fall to USD33.4 million over the first half of 2020 as key cost lines such as fuel, labour and blasting were drastically reduced in the second quarter following the suspension of critical operations. In the period from when the mines were placed on temporary suspension until 30 June 2020, all unavoidable mining and production costs were expensed directly and not capitalised to inventory.

During 2019, mining and production costs were impacted by the increased operations with larger headcount and machinery fleets and inflationary pressures particularly on labour, fuel and spare parts. The Group's operations also implemented cost optimisation programmes to combat inflationary pressures in Mozambique and Zambia and further improve efficiencies.

Mineral royalties and production taxes were USD0.7 million for the period, compared to USD7.0 million in 2019, due to lower revenues in the period. There has been no change in the 6% mineral royalty in Zambia and the 10% production tax in Mozambique.

In the first half of 2019, Kagem was subject to a 15% export duty which cost USD5.0 million. The export duty was suspended in 2020 and therefore no equivalent charge has arisen for the current period.

Depreciation and amortisation are USD3.7 million lower as the cessation of mining during the period led to a lower amortisation on a unit of production basis. In 2020, of the total depreciation and amortisation of USD12.9 million, USD3.6 million (compared to USD7.5 million in 2019) is 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 Gemfields.

Selling, general and administrative expenses, excluding impairment charges ("SG&A"), were USD16.9 million compared to USD22.8 million in the first half of 2019, a decline of 26%. The fall in SG&A over the prior period is primarily driven by a USD1.6 million fall in marketing and advertising, USD0.43 million reduction in professional fees, USD2.1 million drop in rent and rates and USD0.6 million lower other SG&A.

The cost base of the Group in the current year has also been impacted by fluctuations in foreign currency exchange rates in our key operating locations. The US dollar ("USD") average rate over the period has strengthened by 37% against the Zambian kwacha ("ZMW"); 7% against the Mozambican metical ("MZN") and 3% against pound sterling ("GBP").

Total operating costs at Fabergé were reasonably consistent period-on-period, at USD4.0 million for the first half of 2020 compared to USD4.6 million for the comparative period.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")

EBITDA for the six months to 30 June 2020 is a loss of USD22.5 million, compared to a profit of USD33.1 million in the prior period as the Group's revenues were significantly reduced from USD89.0 million in 2019 to USD15.0 million in the current period.

IMPAIRMENT CHARGES

Covid-19 has resulted in a significant reduction in revenues at Fabergé, as well as a less positive outlook on the global luxury goods and retail sectors. The Group determined these events to be indicators of impairment, as prescribed under IAS 36 'Impairment of assets', resulting in an impairment review being performed on the Fabergé cash generating unit ("CGU") at 30 June 2020. The impairment review, which was based on the same methodology as that performed at 31 December 2019, is a market approach using comparable company revenue multiples. The result of the review completed was the recognition of a USD11.5 million impairment loss against the Fabergé CGU at 30 June 2020, resulting from the fall in revenues across both Fabergé and its assessed comparable companies long with the current depressed market conditions.

FAIR VALUE AND OTHER GAINS AND LOSSES

In the period to 30 June 2020, a USD12.5 million fair value loss arose from the revaluation of the Group's investment in Sedibelo Platinum Mines Limited ("Sedibelo"). Sedibelo is a producer of platinum group metals ("PGMs") with interests in the Bushveld Complex in South Africa.

In considering the valuation of the Sedibelo stake, the Directors consider the most appropriate valuation methodology to be a market comparable analysis based on the Enterprise Values of Sedibelo's peer group. This method values Sedibelo based on its mineral resources (price per 4E ounce) and production metrics, against the mineral resources and production metrics of its peer group of listed comparable companies.

The USD12.5million fair value loss in the period arose as a result of a reduction in the estimated value of the investment, based on an independent third-party report, from USD57.5 million at 31 December 2019 to USD45.0 million at 30 June 2020.

In 2019, fair value and other gains and losses also included transactions with the Group's then investment in Jupiter Mines Limited, an Australian-listed company whose main asset is a 49.9% interest in the Tshipi é Ntle manganese mine. In the period to June 2019, the Group received a dividend of USD2.6 million from Jupiter and realised a loss of USD2.4 million on the sale of 50% of its remaining holding in Jupiter, valued at the date of disposal, 3 June 2019. The Group recognised a net USD7.6 million unrealised mark-to-market gain following a rise in the Jupiter share price throughout the first half of 2019 that included a USD2.1 million unrealised loss in the form of a derivative, which compared the fair market value of the Jupiter shares at the balance sheet date against the agreed sale price of the remaining 50% of the Group's holding in Jupiter. In April 2019, the Group accepted an offer for its entire shareholding in Jupiter. The total sale's proceeds of AUD44 million (approximately USD31 million) was split into two tranches with USD15.5 million received in June 2019 and the balance in November 2019. The derivative related to the second tranche which was realised in November 2019. In total, the Group received USD18.1 million in cash receipts from Jupiter during the comparative period.

FINANCE INCOME, EXPENSES AND FOREIGN EXCHANGE DIFFERENCES

The net finance expenses (exclusive of exchange differences) during the period were USD1.3 million compared to USD1.5 million in the prior period. The interest costs now principally comprise interest on the Kagem ABSA facility (previously Barclays), and the overdraft facilities at MRM which were offset by interest earned on cash balances across the Group.

The net foreign exchange loss of USD2.2 million compared to USD1.0 million in 2019 reflects the movement of the USD against the GBP, the MZN and the ZMW. In the current period, the USD average rate strengthened by 37% against the ZMW; 7% against the MZN and 3% against the GBP, leading to losses on the net foreign currency assets at Kagem, MRM and Fabergé.

TAXATION

in thousands of USD, unless otherwise stated	**30 June 2020**	30 June 2019
(Loss)/profit before taxation	**(66,064)**	21,185
Income tax (credit)/charge	**(9,327)**	8,742
Effective tax rate %	**14%**	41%
Cash tax paid	**9,085**	3,747

The tax credit for the period was USD9.3 million (2019: USD8.7 million tax charge), calculated on a loss before tax of USD66.1 million (2019: profit of USD21.2 million) resulting in an effective tax rate of 14% (2019: 41%). The tax credit for the year consisted of a current tax charge of USD2.4 million and a deferred tax credit of USD11.7 million (2019: USD8.9 million and USD0.1 million respectively).

The effective tax rate of 14% principally arises from non-deductible costs at Kagem and various losses incurred during the period but for which no benefit has been recognised.

The current income tax charge primarily consists of a Mozambique dividend withholding tax charge of USD1.5 million, and a USD0.9 million current tax charge at Kagem.

The deferred tax credit principally originates from the tax effect of mining assets and inventory recognised on the acquisition of Gemfields, various tax losses (including 'revalued' UK tax losses, see below), and property, plant and equipment.

A change to the main UK corporation tax rate, announced in the budget on 11 March 2020, was substantively enacted for IFRS purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The effect of this change is a deferred tax credit of USD0.8 million relating to UK tax losses which are now recognised at 19% rather than 17%. Statutory corporate tax rates in other major operational countries remained broadly similar in the period.

NET LOSS AFTER TAXATION

The Group incurred a net loss after tax of USD56.7 million in the period, compared to a profit after tax of USD12.4 million in the first half of 2019. The loss in the current period resulted from the impact of Covid-19 on operations, which caused severely reduced revenues which fell significantly more than the cost savings initiated by the Group at the start of the second quarter of 2020. The Covid-19 pandemic and its impact on global markets also resulted in the Group recognising a fair value loss of USD12.5 million on the revaluation of the Sedibelo investment and USD11.5 million impairment of the Fabergé CGU.

Earnings per share for the six months ended 30 June 2020 were a loss of USD0.04 compared with earnings of USD0.01 in the prior period, reflecting the loss for the period and a lower weighted average number of shares in issue.

Headline earnings per share for the period stood at a loss of USD0.03 compared to a profit of USD0.01 in 2019.

CAPITAL EXPENDITURE

Capital expenditure, including intangibles, in the period, was USD5.2 million (2019: USD14.6 million) as the Group ceased all discretionary non-committed spend in light of Covid-19. The majority, that is, USD4.3 million, was spent in Mozambique with USD3.4 million spent at MRM and USD0.9 million spent at Megaruma, principally on mining and ancillary equipment. At Kagem, USD0.4 million was invested in replacement mining and ancillary equipment and infrastructure improvements.

CASH FLOWS

Cash and cash equivalents decreased by USD24.6 million to USD53.6 million during the period.

The Group generated USD4.5 million from operations during the current period, as the period benefitted from cash received in 2020 from the November and December 2019 auctions, and the Group sought to cut costs off the back of Covid-19. From this, USD9.1 million was paid in taxes, primarily at MRM and Kagem such that net cash outflow from operating activities was USD4.6 million.

Capital expenditure of USD5.2 million was significantly lower than in 2019, as the Group suspended all major capex spend to preserve cash in light of Covid-19. In 2019, higher capital expenditure resulted from MRM and MML increasing their heavy equipment and machinery and plant improvements.

Free cash flow before working capital movements was an outflow of USD39.9 million compared with an inflow of USD7.5 million in 2019 as the Group only held one auction in the period and suspended all principal operations at all major assets. Working capital movements in 2020 of USD30.1 million largely relate to high auction receivables following the November and December 2019 auctions that were settled in that period.

in thousands of USD	**30 June 2020**	30 June 2019
EBITDA	**(22,466)**	33,144
Change in inventory	**(3,176)**	(7,261)
Tax paid (excluding royalties)	**(9,085)**	(3,747)
Capital expenditure	**(5,205)**	(14,594)
Free cash flow before working capital movements	**(39,932)**	7,542
Working capital movements	**30,172**	2,153
Free cash flow	**(9,760)**	**9,695**

During the period to 30 June 2020, the total cash utilised in investing activities was USD5.4 million, primarily cash spend on capital goods. In 2019, the cash generated from investing activities of USD6.2 million arose from proceeds of USD15.5 million from the sale of the first tranche of the Jupiter shares, USD2.6 million from Jupiter dividends, the receipt of USD2.3 million from the sale of Kariba Minerals Limited which were offset by capital expenditure of USD14.2 million.

Cash utilised in financing activities of USD14.7 million represents the net repayment of the MRM overdraft facilities of USD8.5 million, USD4.1 million dividends and advance payment to our partner in Mozambique and USD1.6 million interest and finance cost payments. 2019 saw the USD5.0 million repayment of the Kagem Barclays loan, net repayment of the MRM overdraft facilities of USD8.4 million, a USD2.5 million advance payment to our partner in Mozambique and USD1.9 million interest and finance cost payments.

FINANCIAL POSITION

The Group's balance sheet is summarised below:

in thousands of USD	30 June 2020	31 December 2019
Non-current assets	478,836	507,397
Current assets	203,858	276,756
Total assets	**682,694**	**784,153**
Non-current liabilities	(123,733)	(130,059)
Current liabilities	(43,365)	(75,151)
Total liabilities	**(167,098)**	**(205,210)**
Net assets	**515,596**	**578,943**

Assets

in thousands of USD	30 June 2020	31 December 2019
Mining assets	302,748	306,967
Property, plant and equipment, and intangibles[1]	108,410	125,146
Listed, unlisted and other investments	46,454	58,955
Inventory	116,474	110,694
Auction receivables	8,356	56,654
Cash and cash equivalents	53,643	78,218
Other assets, including deferred taxation	46,609	47,519
Total assets	**682,694**	784,153

1 *Includes USD11.5 million impairment loss recognised against the Fabergé intangible assets discussed earlier.*

MINING ASSETS

The mining asset primarily relates to the recognition of the fair values of Kagem and MRM at the date that GGL acquired Gemfields in July 2017 and represents the allocation of the value of the consideration paid. These assets are amortised on the unit-of-production basis over the life of mine. At 30 June 2020, these are USD141.2 million at Kagem and USD149.7 million at MRM. MML and other exploration assets make up the remainder of the USD302.7 million.

LISTED AND UNLISTED INVESTMENTS

Following the disposal of the Group's holding in Jupiter Mines Limited, there are no listed investments. At 30 June 2019, the investment was valued at the mid-price of AUD0.345 per share, translated at the closing rate of USD1/AUD1.4227.

The Group holds an unlisted equity interest in Sedibelo Platinum Mines ("Sedibelo"), which was valued at USD45.0 million at 30 June 2020, following a fair value loss of USD12.5 million being recorded in the period, as detailed earlier in this report.

INVENTORY

in thousands of USD	30 June 2020	31 December 2019
Rough emeralds and beryl	41,704	45,525
Rough rubies and corundum	29,550	22,259
Fabergé jewellery and watches	30,937	30,743
Cut and polished product	5,616	5,409
Spares and consumables	8,667	6,758
Total	**116,474**	**110,694**

Inventory increased by USD5.8 million to USD116.5 million. The rise in inventory represents a build-up of rough ruby and corundum inventory at MRM, as no ruby auctions were held in the period due to Covid-19. This build-up was however slowed by the suspension of production at MRM from April 2020. Rough emerald and beryl inventories reduced in the period following the February 2020 auction and the suspension of operations in April 2020. Production at both sites remained suspended at the reporting date. Refer to the operations review for additional discussion.

AUCTION RECEIVABLES

At 31 December 2019, USD28.5 million was outstanding from the December 2019 ruby auction and November emerald auctions. These amounts were substantially received in 2020, with the exception of one ruby receivable discussed below. At 30 June 2020, the USD8.4 million represents the receivables from the February 2020 CQ auction. These remain outstanding as Kagem is currently unable to ship the goods to the customers as a result of Covid-19 travel restrictions which have prevented any high-value cargo flights from Singapore to India. The Directors have been in constant discussions with all customers during this period and fully believe that once the travel restrictions are lifted, the goods will be shipped and all cash received within the contractual terms.

At 30 June 2020, the Group wrote off the USD2.6 million debt owed by a ruby auction customer following the December 2019 auction. In accordance with the contractual terms and conditions, the inventory has been returned to MRM. This default is the first-ever for all of Gemfields auctions and did not involve any of the usual longstanding ruby customers.

NET DEBT

in thousands of USD	**30 June 2020**	31 December 2019
Cash and cash equivalents	**53,643**	78,218
Current borrowings	**(16,362)**	(24,827)
Non-current borrowings	**(28,000)**	(28,000)
Net cash	**9,281**	**25,391**

Cash and cash equivalents of USD53.6 million have fallen from the previous period as the Group had only one auction during the period.

The financing facilities used to support the working capital and other funding requirements of the Group, and to sustain its planned growth and expansion, are discussed below.

During the second half of 2019, Kagem renegotiated its facilities with ABSA Zambia, formerly Barclays Zambia, for a five-year period. The facility consists of a USD20.0 million five-year term loan and a USD10.0 million revolving credit facility which has an initial three-year term but is extendable for an additional two years upon agreement by both parties. Both facilities bear interest at three-month US LIBOR plus 5.5% per annum. The facility was fully drawn at 31 December 2019 at USD30.0 million with USD2.0 million payable in December 2020.

Kagem have received a waiver of all financial covenants contained within the ABSA Zambia loan agreements. The waiver is conditional upon Kagem making the scheduled December 2020 principal payment of USD2 million.

MRM has the following facilities:

- A USD15 million unsecured overdraft facility entered into with ABSA Mozambique (formerly Barclays Bank Mozambique S.A.), in April 2016. The facility has an interest rate of three-month US LIBOR plus 4.0% per annum. At 30 June 2020, USD5.2 million (31 December 2019: USD12.9 million) was drawn.
- A USD15 million overdraft facility entered into with Banco Commercial E De Investimentos, S.A. ("BCI") in June 2016. This facility is valid for 18 months and is renewable. The facility has an interest rate of three-month US LIBOR plus 3.75% per annum. At 30 June 2020, USD9.2 million (31 December 2019: USD9.9 million) was drawn.
- In August 2020, BCI approved a USD15 million financing leasing facility with MRM. This is repayable over a maximum period of 48 months and carries interest of three-month US LIBOR plus 3.75% per annum. The agreement is still subject to final contracts which are expected to be completed imminently.

For analysis of the outstanding facility liabilities at 30 June 2020, please see Note 15 of the Interim Financial Statements.

COVID-19 AND GOING CONCERN

Like many businesses, the potential financial impact of Covid-19 has been given significant consideration when assessing the going concern assumption. The situation unfolding across the globe is changing daily. It is clear that the pandemic has had, and will continue in the near future to have, an adverse impact on the Group's operations, customers and suppliers. The Group's production, revenue and cash position have been affected and will continue to be while the pandemic continues to restrict the global economy.

The critical assumption for the Group is the timing of cash inflows from its emerald and ruby auctions and continued support from the Group's lenders. If the Group can host four to six auctions in 2021 and achieve sufficient revenues along with continued support from lenders, the Group will be able to continue as a going concern. The Group's expectation is that if needed it will draw down on all existing facilities and that all of its existing debt facilities will remain in place throughout the forecast period. In addition, the Group expects to receive USD15 million in respect of a new asset-backed facility.

However, as disclosed in Note 1 of the Financial Statements, there is a risk that the auctions planned fetch lower than expected revenues or lenders withdraw their support. In this case, the Group would require additional funding, and will seek to secure additional bank lending, pursue an asset sale programme of non-core assets and consider, should it become necessary, fund raising through a potential rights issue. The timing and quantum of the auctions along with the ongoing support from lenders therefore creates a material uncertainty. Despite this, it remains appropriate to present the financial statements on a going concern basis.

David Lovett
Chief Financial Officer
17 September 2020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FINANCIAL STATEMENTS
AND ADMINISTRATION

Administration

MINING FOR MOZAMBICAN RUBIES AT THE MONTEPUEZ RUBY MINE

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2020

	Notes	**2020 USD'000**	2019 USD'000
Revenue	3	15,000	88,960
Cost of sales	4	(34,107)	(51,680)
Gross (loss)/profit		**(19,107)**	**37,280**
Unrealised fair value (loss)/gains	5	(12,500)	7,562
Other gains and income	6	82	1,424
Selling, general and administrative expenses	7	(16,885)	(22,769)
Impairment charges	10, 14	(14,081)	–
(Loss)/profit from operations		**(62,491)**	**23,497**
Finance income	8	223	559
Finance costs	8	(3,796)	(2,871)
Net finance costs		**(3,573)**	**(2,312)**
(Loss)/profit before taxation		**(66,064)**	**21,185**
Taxation credit/(charge)	9	9,327	(8,742)
NET (LOSS)/PROFIT AFTER TAXATION		**(56,737)**	**12,443**
(Loss)/profit for the year attributable to:			
Owners of the parent		(51,173)	10,148
Non-controlling interest		(5,564)	2,295
		(56,737)	**12,443**
(Loss)/earnings per share attributable to the parent:	16		
Basic – USD		**(0.04)**	**0.01**
Diluted – USD		**(0.04)**	**0.01**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

	2020 USD'000	2019 USD'000
(Loss)/profit after taxation	(56,737)	12,443
Other comprehensive (loss)/income:		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain arising on translation of foreign operations	(703)	776
Total other comprehensive (loss)/income	**(703)**	**776**
TOTAL COMPREHENSIVE (LOSS)/INCOME	**(57,440)**	**13,219**
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(51,876)	10,924
Non-controlling interest	(5,564)	2,295
	(57,440)	**13,219**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Notes	30 June 2020 USD'000	31 December 2019 USD'000	30 June 2019 USD'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	366,881	376,913	367,178
Intangible assets	10	44,277	55,200	53,418
Unlisted equity investments	12	45,000	57,500	50,447
Other investments		1,452	1,453	1,492
Deferred tax assets	9	12,776	7,227	6,302
Other non-current assets		8,450	9,104	8,277
Total non-current assets		**478,836**	**507,397**	**487,114**
Current assets				
Inventory	13	116,474	110,694	109,535
Listed equity investments	12	–	–	17,649
Other investments		2	2	2
Trade and other receivables	14	33,739	87,842	51,727
Cash and cash equivalents		53,643	78,218	75,254
Total current assets		**203,858**	**276,756**	**254,167**
Total assets		**682,694**	**784,153**	**741,281**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	9	86,170	92,177	87,608
Borrowings	15	28,000	28,000	–
Lease liabilities	15	3,013	3,570	3,803
Provisions		6,550	6,312	5,531
Total non-current liabilities		**123,733**	**130,059**	**96,942**
Current liabilities				
Provisions		1,875	3,111	5,613
Current tax payable		5,904	16,282	6,625
Borrowings	15	16,362	24,827	39,786
Lease liabilities	15	864	1,081	840
Trade and other payables		18,360	29,850	27,289
Total current liabilities		**43,365**	**75,151**	**80,153**
Total liabilities		**167,098**	**205,210**	**177,095**
Net assets		**515,596**	**578,943**	**564,186**
EQUITY				
Share capital		11	12	14
Share premium		488,294	511,833	526,262
Treasury shares		–	(10)	(87)
Reserve for own shares		–	(23,319)	(23,319)
Cumulative translation reserve		782	1,485	(184)
Option reserve		7,526	6,985	6,286
Retained (deficit)/earnings		(53,885)	(2,725)	(21,001)
Attributable to equity holders of the parent		**442,728**	**494,261**	**487,971**
Non-controlling interest		72,868	84,682	76,215
Total equity		**515,596**	**578,943**	**564,186**

The Financial Statements were approved and authorised for issue by the Directors on 17 September 2020 and were signed on their behalf by:

David Lovett (Director)
17 September 2020

Sean Gilbertson (Director)
17 September 2020

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

	Notes	2020 USD'000	2019 USD'000
Cash flow from operating activities			
(Loss)/profit before taxation		**(66,064)**	**21,185**
Adjustments for			
Unrealised fair value losses/(gains)	5	12,500	(7,562)
Realised fair value losses		–	2,246
Dividend income	6	–	(2,582)
Depreciation and amortisation	4	12,891	16,606
Impairment charges		14,081	–
Share-based payments	7	553	939
Other		–	(19)
Finance income	8	(223)	(559)
Finance expense	8	3,796	2,871
Decrease/(increase) in non-current assets		578	(91)
Increase/(decrease) in non-current liabilities		231	(307)
Decrease in trade and other receivables		46,871	7,690
Increase in inventory		(5,780)	(10,298)
Decrease in trade and other payables		(14,904)	(2,083)
Cash generated from operations		**4,530**	**28,036**
Tax paid		(9,085)	(3,747)
Net cash (utilised)/generated from operating activities		**(4,555)**	**24,289**
Cash flows from investing activities			
Purchase of intangible assets		(927)	(434)
Purchases of property, plant and equipment		(4,278)	(14,160)
Interest received		223	351
Dividends received from Jupiter		–	2,582
Cash received from disposal of subsidiary (Jupiter)		–	15,526
Advance to partner		(386)	(2,500)
Proceeds from disposal of investment – Kariba Minerals Limited		–	2,300
Net cash (utilised)/generated from investing activities		**(5,368)**	**3,665**
Cash flows from financing activities			
Dividends paid to non-controlling interest of MRM		(3,750)	–
Cash paid for treasury shares		(213)	(87)
Proceeds from borrowings		14,365	8,731
Repayment of borrowings		(22,827)	(22,116)
Principal elements of lease payments		(663)	(316)
Interest paid		(1,560)	(1,881)
Net cash utilised in financing activities		**(14,648)**	**(15,669)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(24,571)	**12,285**
Cash and cash equivalents at the beginning of the period		78,218	62,988
Net foreign exchange loss on cash		(4)	(19)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**53,643**	**75,254**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

	Share capital USD'000	Share premium USD'000	Treasury shares USD'000	Reserve for own shares USD'000	Cumulative translation reserve USD'000	Option reserve USD'000	Retained (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 2020	**12**	**511,833**	**(10)**	**(23,319)**	**1,485**	**6,985**	**(2,725)**	**494,261**	**84,682**	**578,943**
Loss for the period	–	–	–	–	–	–	(51,173)	**(51,173)**	(5,564)	**(56,737)**
Other comprehensive loss	–	–	–	–	(703)	–	–	**(703)**	–	**(703)**
Total comprehensive loss					(703)		(51,173)	**(51,876)**	(5,564)	**(57,440)**
Shares bought back during the period, net of transaction costs	–	–	(213)	–	–	–	–	**(213)**	–	**(213)**
Shares cancelled during the period	(1)	(23,539)	223	23,319	–	–	–	**2**	–	**2**
Share options recognised during the period	–	–	–	–	–	554	–	**554**	–	**554**
Share options lapsed/ forfeited during the period	–	–	–	–	–	(13)	13	**–**	–	**–**
Dividends declared to non-controlling interest of MRM	–	–	–	–	–	–	–	**–**	(6,250)	**(6,250)**
Balance at 30 June 2020	**11**	**488,294**	**–**	**–**	**782**	**7,526**	**(53,885)**	**442,728**	**72,868**	**515,596**

	Share capital USD'000	Share premium USD'000	Treasury shares USD'000	Reserve for own shares[1] USD'000	Cumulative translation reserve USD'000	Option reserve USD'000	Retained earnings/ (losses) 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 2019	**14**	**531,607**	**(5,345)**	**(23,319)**	**(960)**	**5,474**	**(31,276)**	**476,195**	**73,920**	**550,115**
Profit for the period	–	–	–	–	–	–	10,148	**10,148**	2,295	**12,443**
Other comprehensive income	–	–	–	–	776	–	–	**776**	–	**776**
Total comprehensive income	–	–	–	–	776	–	10,148	**10,924**	2,295	**13,219**
Shares bought back during the period, net of transaction costs	–	–	(87)	–	–	–	–	**(87)**	–	**(87)**
Shares cancelled during the period	–	(5,345)	5,345	–	–	–	–	**–**	–	**–**
Share options recognised during the period	–	–	–	–	–	939	–	**939**	–	**939**
Share options lapsed/ forfeited during the period	–	–	–	–	–	(127)	127	**–**	–	**–**
Balance at 30 June 2019	**14**	**526,262**	**(87)**	**(23,319)**	**(184)**	**6,286**	**(21,001)**	**487,971**	**76,215**	**564,186**

1 *During the period the Company cancelled and de-listed from trading 96,276,146 Ordinary Shares held by the Company in itself, through a wholly-owned subsidiary. As a result of the cancelling of these shares the Company's Reserve for own shares has decreased from USD23.3 million as at 1 January 2020 to Nil.*

The accompanying notes form part of these Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2020

1. ACCOUNTING POLICIES

The condensed consolidated financial statements within the Interim Report are for the period from 1 January 2020 to 30 June 2020 (the "Interim Financial Statements"). The financial information for the year ended 31 December 2019 that has been included in these Interim Financial Statements does not constitute full statutory financial statements as defined in the Companies (Guernsey) Law, 2008.

The information included in this document for the comparative year was derived from the Annual Report and Financial Statements for the year ended 31 December 2019 (the "Annual Financial Statements"), a copy of which has been delivered and held at the Registered Office of the Company, the Johannesburg Stock Exchange ("JSE"), the Alternative Investment Market ("AIM") of the London Stock Exchange and the Bermuda Stock Exchange ("BSX"). The Company delisted from the BSX effective 1 July 2020. The auditor's report on the Annual Financial Statements was not qualified but included a material uncertainty over the going concern assumption and a reference to the Directors' disclosures on going concern. The auditor's report stated that the Annual Financial Statements gave a true and fair view, were in accordance with International Financial Reporting Standards ("IFRS") and complied with the Companies (Guernsey) Law, 2008.

The Company is incorporated in Guernsey under the Companies (Guernsey) Law, 2008. The Company's registered office address is stated on the final page of the Interim Report entitled "Company Details".

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

Statement of compliance

These Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") and applicable legal requirements of the Companies (Guernsey) Law, 2008. They do not include all of the information required for full financial statements and are to be read in conjunction with the Annual Financial Statements. The Annual Financial Statements were prepared under IFRS as issued by the International Accounting Standards Board ("IASB"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"). The Annual Financial Statements also comply with the JSE Listings Requirements, the AIM Rules for Companies and the BSX Listing Regulations.

New and amended standards which are effective for these Interim Financial Statements

There are no new standards for accounting periods beginning on or after 1 January 2020.

There are however amendments on several standards which are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

These standards include: Definition of Material in IAS 1 *Presentation of Financial Statements*; Definition of Material in IAS 8 *Accounting Policies*, *Changes in Accounting Estimates and Errors*; Definition of Business in IFRS 3 *Business Combinations*; and Interest Rate Benchmark Reform in IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosure*.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Basis of preparation

The consolidated Interim Financial Statements are presented in United States dollars ("USD"), the Group's functional currency, which means that they can be compared with those of other similar companies. Amounts have been rounded to the nearest thousand (or million), as appropriate, for ease of presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

for the six months ended 30 June 2020

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated Interim Financial Statements incorporate the financial statements of the Company and entities controlled by the Group as at, and for the six months ended, 30 June 2020. The results of subsidiaries acquired or disposed during the period 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 into line with those used by other Group entities.

All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Basis of accounting

The principal accounting policies applied are consistent with those adopted and disclosed in the Annual Financial Statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2020. The Interim Financial Statements have been prepared on the historical cost basis, except for the valuation of certain investments which have been measured at fair value, not historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated Interim Financial Statements, all significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty used were consistent, in all material respects, as those applied to the Group's Consolidated Financial Statements for the year ended 31 December 2019, apart from those updates as included in Note 2: *Going concern*, Note 10: *Impairment review of the Fabergé cash generating unit ("CGU"),* Note 11: *Impairment indicator review of mining cash generating units ("CGUs")* and Note 12: *Investments* – the carrying value of Sedibelo.

2. GOING CONCERN

The Group's business activities, together with the factors likely to impact its future growth and operating performance, are set out in the Operational Review on pages 8 to 21. The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial Review on pages 22 to 27.

The Group manages liquidity risk by seeking adequate committed borrowing facilities and conserving working capital. 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, taking into account the volatility in gemstone mining and prices, as well as the current macroeconomic conditions.

At 30 June 2020, the Group maintained a net cash position of USD9.3 million, and as at 11 September 2020 had a net debt position of USD3.2 million.

To counteract the fall in revenue following the onset of the Covid-19 pandemic, discretionary spend has been minimised and principal operations at the Kagem and MRM mines have been suspended since March and April 2020 respectively. The Covid-19 pandemic has had a material adverse impact on the Group's operations, customers and suppliers. Following the commercial quality emerald auction held in February 2020, the one remaining emerald and all ruby auctions for 2020 have been cancelled.

Following consultations with the Group's emerald and ruby customers from India, Thailand, China, Hong Kong and the USA, a majority of customers expected a reasonable recovery in the fourth quarter of 2020. However, with the influential September Hong Kong Jewellery & Gem World show (initially delayed to November 2020) being cancelled in favour of an all-digital format and the pandemic situation worsening considerably in India, these expectations have been pushed back to 2021, along with the Group's previously planned remaining 2020 auctions. Consequently, the Group will now seek to hold a series of sequential mini-emerald auctions to supplement its direct sales programme before the end of the year. 2021 is expected to see a schedule of four to six emerald and ruby auctions taking place. The intended sales plan reflects the need to maintain market prices by accommodating sufficient recovery.

Given the ongoing uncertainty, the Board has reviewed various forecast scenarios with the resulting projections being analysed against the ability of the Group to continue as a going concern. These scenarios include no additional rough emerald or ruby revenue in 2020 with lower revenues from the 2021 auctions and a stress test scenario of no gemstone sales in 2020 and 2021. The scenarios also included sales opportunities outside of the traditional auction system, extending the mines' suspensions and cancelling all non-committed and discretionary expenditure across the Group.

The Board has also considered how long the business could operate without an auction (essentially a stress test).

On the basis that the Group maintains its existing debt facilities, including a non-binding agreement for a further USD15 million asset-backed facility in MRM, and the renewal of existing overdraft facilities in MRM, if the Group was not able to hold any auctions in 2020 or 2021 the Group forecasts it would require further funding in Q3 2021. In order to achieve this the Group would further reduce costs including extending the mine suspensions.

The two key factors driving the Group's going concern considerations are the ability to generate cash from gemstone sales without negatively impacting long-term prices and the support of the Group's lenders.

Due to the persistent uncertainty, Gemfields remains unable to provide reliable guidance as to when it might next be able to host gemstone auctions or generate meaningful revenue from gemstone sales. It is however presently expected that a schedule of four to six auctions could recommence in 2021. The Board believes that this represents a reasonable timetable that would also allow the Group to optimise revenues while preserving reasonable pricing levels.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

2. GOING CONCERN (CONTINUED)

The resulting expectations for 2020 will therefore see the Group generating a fraction of the revenues achieved in 2019. In order to mitigate this fall in revenue, the Group has implemented cost-cutting measures which include, but are not limited to:

- Suspending all but critical operations at the mines for as long as necessary;
- Suspending construction of the second wash plant and other capital expenditure at MRM;
- Suspending capital expenditure at Kagem;
- Suspending the Group's share buy-back programme;
- Reducing costs relating to exploration and development assets;
- Reducing head office labour costs;
- Reducing advertising and marketing costs; and
- Reducing consultancy and professional fees.

As disclosed in Note 15, the Group has a number of debt arrangements and debt facilities. The Group's expectation is that if needed it will draw down on all existing facilities and that all of its existing debt facilities will remain in place throughout the forecast period. In addition, the Group expects to receive USD15 million in respect of a new asset-backed facility. These debt arrangements and facilities are subject to a number of uncertainties as described below.

MRM is reliant on overdraft facilities of USD15 million with Banco Commercial E De Investimentos, S.A. ("BCI") and USD15 million with ABSA Mozambique. The facilities are due for renewal in September and December 2020 respectively by way of bank approval. Also, in accordance with the agreements, the facilities could be recalled at any time at the option of the lender, however both banks have confirmed that as far as they are aware the facilities are expected to be renewed subject to credit approval. The facilities have been automatically renewed in the past without issue and BCI has recently approved – subject to a legally binding agreement – an additional finance lease facility of USD15 million for MRM, which the Board considers highlights the continued support and the strength of the relationships in place. The overdraft agreements contain undefined "material adverse change" clauses under which the bank could cease funding and seek payment of a sum to be determined at that point. At present, the Group has not been informed that the current suspension of principal operations at MRM since April 2020 is considered to represent a material adverse change, however this has not been positively confirmed.

The Group would seek to resolve any renewal issues by way of discussion with its lenders, it being noted that such resolution may not be achievable. To date the facilities have not been deemed to be in default and are expected to be renewed subject to credit approval.

Kagem has received a waiver from their lenders in respect of the annual covenant assessment as at 31 December 2020. The lender has agreed to waive all covenants which are assessed as at 31 December 2020, and the waiver is conditional upon Kagem paying the USD2 million principal repayment which was scheduled for 31 December 2020. The waiver also clarifies that the suspension of operations due to Covid-19 is not an event of default or a material adverse change. Consequently, as the USD2 million repayment has been included in all forecast scenarios, the facility agreements remain in full force and effect.

Extending the suspension of principal operations at Kagem and MRM would further conserve cash albeit at the expense of generating additional on-hand inventory in the short term. The Group already holds sufficient inventory for one high quality and one commercial quality emerald auction and one mixed quality ruby auction. Furthermore, both Kagem and MRM have considerable ore stockpiles that can be processed in advance of the mines returning to full operational activity. Generating cash is therefore not, in the short term, reliant upon the resumption of mining operations.

In the event, that the Group requires additional funding, either because of delays in respect of revenue generation or because of withdrawal of existing debt facilities, it will seek to secure additional bank lending, pursue an asset sale programme of non-core assets and consider, should it become necessary, fund raising through a potential rights issue.

2. GOING CONCERN (CONTINUED)

As a result of the above analysis, the Board believes that the Group has sufficient cash facilities to meet its obligations. Consequently, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

However, the prevailing market and economic conditions, primarily attributable to the Covid-19 pandemic, indicate the existence of material uncertainties with regards to revenue, and to whether certain facilities will be renewed as expected, and not recalled by the bank, that may cast considerable doubt upon the Group's ability to continue as a going concern and the Group may therefore be unable to realise its assets and discharge its liabilities in the ordinary course of business.

These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Covid-19-related restrictions are at varying stages of fluidity in each of the jurisdictions that are key to the Group. As such, the scenarios considered represent what the Board believes to be a reasonable range of likely outcomes given the facts and circumstances available at this time. As changes arise, the Group will react and respond accordingly.

3. SEGMENTAL REPORTING

The Chief Operating Decision Maker ("CODM") is the Executive Management team, which measures the performance of each operating segment on a regular basis in order to allocate resources.

The Group has been organised into geographic units and business units based on the products and services and has six reportable segments as follows:

- Zambia (emerald- and beryl-mining activities);
- Mozambique (ruby- and corundum-mining activities);
- PGMs (the Group's investment in Sedibelo Platinum Mines Limited);
- Corporate (sales of cut and polished gemstones, marketing, and technical and administrative services);
- Fabergé (wholesale and retail sales of jewellery and watches); and
- Other (new projects, traded auctions, and sales and marketing offices).

Prior period included:

- Steel Making Materials (the Group's investment in Jupiter Mines Limited).

The reporting on these segments to management focusses on revenue, operating costs, EBITDA, key balance sheet lines and Free Cash Flow (as defined further below). These figures are presented after intercompany adjustments have been accounted for.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

3. SEGMENTAL REPORTING/CONTINUED

Income Statement

1 January 2020 to 30 June 2020	Zambia USD'000	Mozambique USD'000	PGMs USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Total USD'000
Rough gemstones[1]	11,446	–	–	–		943	**12,389**
Jewellery	–	–	–	–	2,471	–	**2,471**
Cut and polished	–	–	–	65	–	75	**140**
Revenue[2]	11,446	–	–	65	2,471	1,018	**15,000**
Mineral royalties and production taxes	(687)	–	–	–	–	–	**(687)**
Marketing, management and auction costs	(1,431)	–	–	1,431	–	–	**–**
Change in inventory and cost of sales	(2,926)	8,273	–	(65)	(1,152)	(954)	**3,176**
Mining and production costs[3]	(11,667)	(11,516)	–	–	–	(522)	**(23,705)**
Selling, general and administrative costs[4]	(1,975)	(2,526)	–	(7,604)	(3,988)	(239)	**(16,332)**
Other income	70	6	–	2	–	4	**82**
EBITDA	**(7,170)**	**(5,763)**	**–**	**(6,171)**	**(2,669)**	**(693)**	**(22,466)**
Unrealised fair value losses[5]	–	–	(12,500)	–	–	–	**(12,500)**
Depreciation and amortisation	(4,857)	(7,100)	–	(368)	(535)	(31)	**(12,891)**
Share-based payments	–	–	–	(553)	–	–	**(553)**
Impairment charges and write-offs	–	(2,581)	–	–	(11,500)	–	**(14,081)**
Operating (loss)	**(12,027)**	**(15,444)**	**(12,500)**	**(7,092)**	**(14,704)**	**(724)**	**(62,491)**
Net finance cost	(2,283)	(572)	–	(652)	86	(152)	**(3,573)**
Taxation	2,913	4,813	–	1,184	1,922	(1,505)	**9,327**
(Loss) after tax	**(11,397)**	**(11,203)**	**(12,500)**	**(6,560)**	**(12,696)**	**(2,381)**	**(56,737)**

1 *Kagem held one commercial-quality emerald auction in the period, in Lusaka in Zambia, in February 2020, generating revenues of USD11.4 million.*

In the prior year Kagem held one commercial-quality and one higher-quality emerald auctions in the period: one in Lusaka, Zambia, in February 2019 and one in Singapore in May 2019, generating revenues of USD10.8 million and USD22.4 million, respectively. MRM held one mixed-quality auction in the period, in Singapore in June, generating USD50.0 million.

2 *Revenues have been recognised at one point in time, as control passes to the customer on the date at which they are awarded at auction.*
3 *Excluding mineral royalties and production taxes, export duty and inventory impairments.*
4 *Excluding share-based payments and any impairments.*
5 *Including in unrealised fair value gains is the recognition of a derivative loss on Jupiter of USD2.1 million; see Note 6 on Jupiter disposal and dividend income for further details.*

3. SEGMENTAL REPORTING/CONTINUED

Income Statement

1 January 2019 to 30 June 2019	Zambia USD'000	Mozambique USD'000	Steel Making Materials USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Total USD'000
Rough gemstones[1]	33,194	50,026	–	–		1,025	**84,245**
Jewellery	–	–	–	4	3,796	–	**3,800**
Cut and polished	–	–	–	538	–	377	**915**
Revenue[2]	33,194	50,026	–	542	3,796	1,402	**88,960**
Mineral royalties and production taxes	(1,992)	(4,962)	–	–	–	–	**(6,954)**
Export duty on Zambian emeralds	(4,979)	–	–	–	–	–	**(4,979)**
Marketing, management and auction costs	(4,149)	(6,253)	–	10,402	–	–	**–**
Change in inventory and cost of sales	6,929	3,928	–	(378)	(2,091)	(1,127)	**7,261**
Mining and production costs[3]	(17,718)	(12,151)	–	–	–	46	**(29,823)**
Selling, general and administrative costs[4]	(2,448)	(3,540)	–	(11,001)	(4,614)	(806)	**(22,409)**
Other income	88	238	–	257	–	505	**1,088**
EBITDA	**8,925**	**27,286**	**–**	**(178)**	**(2,909)**	**20**	**33,144**
Dividend income	–	–	2,582	–	–	–	**2,582**
Realised fair value (losses)/gains	–	–	(2,367)	121	–	–	**(2,246)**
Unrealised fair value gains	–	–	7,562		–	–	**7,562**
Depreciation and amortisation	(6,863)	(8,712)	–	(172)	(852)	(7)	**(16,606)**
Share-based payments	–	–	–	(939)	–	–	**(939)**
Operating profit/(loss)	**2,062**	**18,574**	**7,777**	**(1,168)**	**(3,761)**	**13**	**23,497**
Net finance cost	(1,780)	(855)	–	305	34	(16)	**(2,312)**
Taxation	(2,971)	(5,556)	–	(135)	435	(515)	**(8,742)**
(Loss)/profit after tax	**(2,689)**	**12,163**	**7,777**	**(998)**	**(3,292)**	**(518)**	**12,443**

1 Kagem held one commercial-quality emerald auction in the period, in Lusaka in Zambia, in February 2020, generating revenues of USD11.4 million.

In the prior year Kagem held one commercial-quality and one higher-quality emerald auctions in the period: one in Lusaka, Zambia, in February 2019 and one in Singapore in May 2019, generating revenues of USD10.8 million and USD22.4 million, respectively. MRM held one mixed-quality auction in the period, in Singapore in June, generating USD50.0 million.

2 Revenues have been recognised at one point in time, as control passes to the customer on the date at which they are awarded at auction.
3 Excluding mineral royalties and production taxes, export duty and inventory impairments.
4 Excluding share-based payments and any impairments.
5 Including in unrealised fair value gains is the recognition of a derivative loss on Jupiter of USD2.1 million; see note 6 on Jupiter disposal and dividend income for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

for the six months ended 30 June 2020

3. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

30 June 2020	Zambia USD'000	Mozambique USD'000	PGMs USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Total USD'000
Mining asset	139,570	163,178	–	–	–	–	302,748
Property, plant and equipment, and intangibles	20,172	49,860	–	2,427	30,114	5,837	108,410
Listed and unlisted investments	–	–	45,000	1,454	–	–	46,454
Operating assets	53,937	48,753	–	9,679	35,921	1,923	150,213
Cash and cash equivalents	1,801	2,755	–	46,952	646	1,489	53,643
Segment assets	**215,480**	**264,546**	**45,000**	**60,512**	**66,681**	**9,249**	**661,468**
Deferred tax asset	–	–	–	–	–	–	12,776
Other	–	–	–	–	–	–	8,450
Total assets							**682,694**
Borrowings	30,000	14,362	–	–	–	–	44,362
Operating liabilities	9,427	16,936	–	5,673	4,468	62	36,566
Segment liabilities	**39,427**	**31,298**	**–**	**5,673**	**4,468**	**62**	**80,928**
Deferred tax liability	–	–	–	–	–	–	86,170
Total liabilities							**167,098**
Net (debt)/cash	**(28,199)**	**(11,607)**	**–**	**46,952**	**646**	**1,489**	**9,281**

3. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

31 December 2019	Zambia USD'000	Mozambique USD'000	PGMs USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Total USD'000
Mining asset	141,909	165,058	–	–	–	–	306,967
Property, plant and equipment, and intangibles	22,289	52,132	–	2,782	42,070	5,873	125,146
Listed and unlisted investments	–	–	57,500	1,455	–	–	58,955
Operating assets	60,404	89,112	–	10,450	35,775	2,795	198,536
Cash and cash equivalents	4,925	22,272	–	49,100	758	1,163	78,218
Segment assets	**229,527**	**328,574**	**57,500**	**63,787**	**78,603**	**9,831**	**767,822**
Deferred tax asset	–	–	–	–	–	–	7,227
Other	–	–	–	–	–	–	9,104
Total assets							**784,153**
Borrowings	30,000	22,827	–	–	–	–	52,827
Operating liabilities	11,645	33,378	–	8,424	5,546	1,213	60,206
Segment liabilities	**41,645**	**56,205**	**–**	**8,424**	**5,546**	**1,213**	**113,033**
Deferred tax liability	–	–	–	–	–	–	92,177
Total liabilities							**205,210**
Net (debt)/cash	**(25,075)**	**(555)**	**–**	**49,100**	**758**	**1,163**	**25,391**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

3. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

30 June 2019	Zambia USD'000	Mozambique USD'000	PGMs USD'000	Steel Making Materials USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Total USD'000
Mining asset	124,129	171,236	–	–	–	–	–	295,365
Property, plant and equipment, and intangibles	23,163	50,099	–	–	3,272	42,769	5,928	125,231
Listed and unlisted investments	–	–	50,447	17,649	1,492	–	–	69,588
Operating assets	49,842	58,371	–	–	11,271	39,512	2,268	161,264
Cash and cash equivalents	5,587	1,220	–	–	58,983	1,346	8,118	75,254
Segment assets	**202,721**	**280,926**	**50,447**	**17,649**	**75,018**	**83,627**	**16,314**	**726,702**
Deferred tax asset	–	–	–	–	–	–	–	6,302
Other	–	–	–	–	–	–	–	8,277
Total assets								**741,281**
Borrowings	30,000	9,786	–	–	–	–	–	39,786
Operating liabilities	10,811	25,302	–	–	5,852	3,724	1,881	47,570
Segment liabilities	**40,811**	**35,088**	**–**	**–**	**5,852**	**3,724**	**1,881**	**87,356**
Deferred tax liability	–	–	–	–	–	–	–	87,608
Other	–	–	–	2,131	–	–	–	2,131
Total liabilities				**2,131**				**177,095**
Net (debt)/cash	**(24,413)**	**(8,566)**	**–**	**–**	**58,983**	**1,346**	**8,118**	**35,468**

3. SEGMENTAL REPORTING/CONTINUED

Statement of Cash Flows

1 January 2020 to 30 June 2020	Zambia USD'000	Mozambique USD'000	PGMs USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Total USD'000
Revenue	11,446	–	–	65	2,471	1,018	**15,000**
Operating costs and cost of sales[1]	(17,185)	(5,763)	–	(7,667)	(5,140)	(1,711)	**(37,466)**
Marketing, management and auction costs	(1,431)	–	–	1,431	–	–	**–**
EBITDA	**(7,170)**	**(5,763)**	**–**	**(6,171)**	**(2,669)**	**(693)**	(22,466)
Add back: Change in inventory	2,926	(8,273)	–	65	1,152	954	(3,176)
Tax (paid)/received	(1,331)	(7,762)	–	11	(3)	–	(9,085)
Capital expenditure	(387)	(4,692)	–	(15)	(111)	–	(5,205)
Free cash flow before working capital movements	**(5,962)**	(26,490)	**–**	(6,110)	(1,631)	**261**	(39,932)
Working capital movements[2]	(73)	21,593	–	4,854	(2,858)	6,656	**30,172**
Free cash flow	**(6,035)**	(4,897)	**–**	(1,256)	(4,489)	**6,917**	(9,760)
Cash generated from operations	(4,317)	7,557	–	(1,252)	(4,375)	6,971	**4,530**
Tax (paid)/received (excluding WHT)	(1,331)	(7,762)	–	11	(3)	–	**(9,085)**
Capital expenditure	(387)	(4,692)	–	(15)	(111)	–	**(5,205)**
Free cash flow	**(6,035)**	(4,897)	**–**	(1,256)	(4,489)	**6,917**	(9,760)

1 *Excluding share–based payments and inventory impairments.*
2 *Includes movements relating to inventory purchases and excludes VAT refunds.*

1 January 2019 to 30 June 2019	Zambia USD'000	Mozambique USD'000	PGMs USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Total USD'000
Revenue	33,194	50,026	–	542	3,796	1,402	**88,960**
Operating costs and cost of sales[1]	(20,120)	(16,487)	–	(11,122)	(6,705)	(1,382)	**(55,816)**
Marketing, management and auction costs	(4,149)	(6,253)	–	11,402	–	–	**–**
EBITDA	**8,925**	**27,286**	**–**	(178)	(2,909)	**20**	33,144
Add back: Change in inventory	(6,929)	(3,928)	–	378	2,091	1,127	(7,261)
Tax paid (excluding WHT)	(3)	(3,744)	–	–	–	–	(3,747)
Capital expenditure	(2,115)	(12,508)	–	(400)	(102)	531	(14,594)
Free cash flow before working capital movements	**(122)**	7,106	**–**	(200)	(920)	**1,678**	7,542
Working capital movements[2]	3,014	6,155	–	(5,611)	(1,887)	482	**2,153**
Free cash flow	**2,892**	13,261	**–**	(5,811)	(2,807)	**2,160**	9,695
Cash generated from operations	5,010	29,513	–	(5,411)	(2,705)	1,629	**28,036**
Tax paid (excluding WHT)	(3)	(3,744)	–	–	–	–	**(3,747)**
Capital expenditure	(2,115)	(12,508)	–	(400)	(102)	531	**(14,594)**
Free cash flow	**2,892**	13,261	**–**	(5,811)	(2,807)	**2,160**	9,695

1 *Excludes share–based payments and inventory impairments.*
2 *Includes movements relating to inventory purchases and excludes VAT refunds.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

4. COST OF SALES

	2020 USD'000	2019 USD'000
Mining and production costs		
Labour and related costs	11,155	12,067
Mineral royalties and production taxes	687	6,954
Export duty on Zambian emeralds	–	4,979
Fuel costs	3,500	6,297
Repairs and maintenance costs	3,588	5,059
Security costs	2,656	2,835
Camp costs	1,553	1,794
Blasting costs	367	1,109
Other mining and production costs	886	1,241
Total mining and production costs[1]	**24,392**	**42,335**
Change in inventory and purchases	(3,176)	(7,261)
Depreciation and amortisation	12,891	16,606
	34,107	**51,680**

1 *Includes unavoidable mining and production costs incurred during the temporary suspension of operations which have not been capitalised to inventory; i.e. these have been expensed as incurred.*

5. UNREALISED FAIR VALUE (LOSSES)/GAINS

	2020 USD'000	2019 USD'000
Unrealised fair value gain on Jupiter investment	–	9,693
Recognition of derivative loss on Jupiter	–	(2,131)
Unrealised fair value loss on Sedibelo investment	(12,500)	–
	(12,500)	**7,562**

6. OTHER GAINS AND LOSSES

	2020 USD'000	2019 USD'000
Realised fair value loss on Jupiter disposal	–	(2,246)
Dividend income from Jupiter	–	2,582
Other income	82	1,088
	82	**1,424**

7. SELLING, GENERAL AND ADMINISTRATIVE COSTS

	2020 USD'000	2019 USD'000
Labour and related costs	7,654	7,817
Selling, marketing and advertising	2,873	4,509
Professional, legal and other expenses	1,906	2,192
Rent and rates	420	2,517
Share-based payments	553	939
Travel and accommodation	420	946
Administration costs	–	146
Other selling, general and administrative expenses	3,059	3,703
	16,885	**22,769**

8. FINANCE INCOME AND COSTS

	2020 USD'000	2019 USD'000
Interest received	223	351
Foreign exchange gains	–	208
Finance income	**223**	**559**
Interest on bank loans, finance charges and bank charges	(1,387)	(1,791)
Interest charge on lease liabilities	(173)	(90)
Foreign exchange losses	(2,236)	(990)
Finance costs	**(3,796)**	**(2,871)**
Net finance costs	**(3,573)**	**(2,312)**

9. TAXATION

The Group's tax expense is as follows:

	2020 USD'000	2019 USD'000
Current tax		
Taxation charge for the year	2,400	8,860
Deferred tax		
Origination and reversal of temporary differences	(12,628)	(201)
Under-provision in prior year	901	83
Total taxation (credit)charge	**(9,327)**	**8,742**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

9. TAXATION/CONTINUED

The reasons for the difference between the actual taxation charge for the period and the standard rate of corporation tax in Guernsey applied to profits for the period are as follows:

	2020 USD'000	2019 USD'000
(Loss)/profit on ordinary activities before taxation	(66,064)	21,185
Taxation on ordinary activities at the standard rate of corporation tax in Guernsey of 0% (2019: 0%)	–	–
Taxation on ordinary activities at the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	(12,552)	2,472
Effects of:		
Expenses not deductible for tax purposes	5,351	988
Under-provision from previous period	901	83
Tax losses not recognised as deferred tax asset	1,190	852
Different tax rates applied in overseas jurisdictions	(4,217)	4,347
Total taxation (credit)/charge	**(9,327)**	**8,742**

On 22 March 2019, central management and control of Gemfields Group Limited relocated to the United Kingdom ("UK"). As a result, Gemfields Group Limited is subject to UK corporation tax from the date of relocation. In Guernsey, the main rate of corporation tax for the year was 0%; the main rate of corporation tax in the UK was 19%.

The Group's effective tax rate of 14.1% (2019: 41.2%) predominately arises as a result of non-deductible expenses, including the unrealised fair value loss on the Sedibelo investment and the impairment of the Fabergé CGU recognised in the period, and tax losses not recognised.

In the prior year, expenses not deductible for tax purposes included the Zambian Mineral Royalty Tax, which became non-deductible due to a change in the tax law effective 1 January 2019 to 31 December 2019.

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.

Deferred tax assets and liabilities must be 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.

9. TAXATION/CONTINUED

Deferred tax

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:

	June 2020 USD'000	December 2019 USD'000	June 2019 USD'000
Recognised deferred tax assets			
Other temporary differences	2,421	3,290	2,073
Tax losses	15,211	6,052	7,636
Property, plant and equipment	2,418	1,886	1,285
Foreign exchange movements	–	155	–
Total deferred tax assets	**20,050**	**11,383**	**10,994**
Deferred tax assets netted against deferred tax liabilities	(7,274)	(4,156)	(4,692)
Total deferred tax assets	**12,776**	**7,227**	**6,302**

	June 2020 USD'000	December 2019 USD'000	June 2019 USD'000
Recognised deferred tax liabilities			
Evaluated mining property – Kagem and MRM	(85,684)	(91,110)	(87,266)
Inventory valuation – Kagem and MRM	(8,050)	(4,957)	(4,687)
Intangibles – Fabergé	(266)	(266)	(294)
Other	–	–	(53)
Foreign exchange movements	556	–	–
Total deferred tax liabilities	**(93,444)**	**(96,333)**	**(92,300)**
Deferred tax assets netted against deferred tax liabilities	7,274	4,156	4,692
Total deferred tax liabilities	**(86,170)**	**(92,177)**	**(87,608)**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

9. TAXATION/CONTINUED

The movement on the deferred tax account is provided below.

	2020 USD'000	2019 USD'000
At 1 January	**(84,950)**	**(84,424)**
Adjusted for:		
Property, plant and equipment	532	603
Other temporary differences	(869)	(580)
Evaluated mining property – Kagem and MRM	5,426	(25)
Inventory valuation – Kagem and MRM	(3,093)	2,354
Intangibles – Fabergé	–	28
Tax losses	9,159	(2,262)
Foreign exchange movements	401	–
Recognised in the Consolidated Income Statement	11,556	118
At 30 June	**(73,394)**	**(81,306)**

Deferred tax assets are only recognised in relation to tax losses and other temporary differences which would give rise to deferred tax assets where it is considered probable that the losses will be utilised in the foreseeable future, and therefore the asset is recoverable.

Therefore, as there is uncertainty over the above, no deferred tax has been recognised in relation to unused tax losses in the amount of USD92.7 million (31 December 2019: USD98.0 million).

10. IMPAIRMENT REVIEW OF THE FABERGÉ CASH GENERATING UNIT ("CGU")

At 31 December 2019, the Group applied a Market Approach – Revenue Multiple method for the valuation of Fabergé, a retailer of premium personal luxury goods ("PLGs"), which supported the carrying value of the CGU despite the reduction of sales revenue from USD13.4 million in 2018 to USD10.5 million in 2019 and considering the typical method of valuing luxury goods businesses. The primary source in determining the valuation of Fabergé at 31 December 2019 was an independent valuation report, prepared by an independent third party as at 31 December 2019.

As at 30 June 2020, the expert valuation was updated on the same basis as that prepared in 2019. The report includes a Fair Value less Cost of Disposal valuation ("FVLCD") using the revenue multiple method and includes a range of valuations. The report concluded that the only practical market-based approach to value Fabergé is by reference to enterprise value to revenue multiples ("EV/Revenue") exhibited by comparable companies ("CoCos"). Different to the valuation performed at 31 December 2019, the comparable transactions ("CoTrans") multiple approach was not considered as it was not possible to identify any suitably comparable CoTrans which completed since the start of the Covid-19 pandemic, and the CoTrans which were identified in the Group's December Report are all pre-Covid-19 and are therefore not expected to reflect current market conditions and investor expectations. As a result, only the CoCos multiple approach has been adopted. For this approach the valuation report considered a peer group of well-established, globally recognised PLG companies with a focus on those operating jewellery or timepieces brands.

The Group believes that a revenue multiple based on comparable companies remains the most appropriate method of valuing the Fabergé CGU.

The key judgements, assumptions and inputs are discussed in more detail below.

10. IMPAIRMENT REVIEW OF THE FABERGÉ CASH GENERATING UNIT ("CGU")/CONTINUED

Basis of revenue

The independent valuation report used the following Fabergé revenue metrics of:

1. Agreed sales over the last twelve months to January 2020 of USD12.5 million (with January 2020 considered to be the last month in which sales are likely to have not been significantly impacted by Covid-19); and
2. Average annual agreed sales based on the last 36 months from January 2020 of USD12.3 million.

Based on the Fabergé business, the last 36 month average annual agreed sales metric of USD12.3 million is considered to be the most reliable basis of the revenue multiple for FVLCD since this spans the largest time period, is within a narrow range of revenue bases under review, yet still presents a more representative estimate of future sales. This is consistent with the valuation performed at 31 December 2019.

Peer group

The peer group of globally recognised, luxury personal goods 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 last fiscal year revenue and EBITDA margin growth, which is negative.

Taking these factors into account, the report considers it reasonable to apply a discount to the peer group average multiples and selected an EV/Revenue multiple range of 2.5x–3.00x (mid-point: 2.75x).

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. The report has therefore applied a control premium range of 25%–35% in order to arrive at an adjusted enterprise value for the Fabergé CGU, consistent with the December 2019 valuation report.

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, consistent with the December 2019 valuation report.

The report applies a DLOM range of 5%–10% taking into consideration the following factors:

- Gemfields Group Limited ("GGL") has received several offers for Fabergé;
- Given the well-established and globally recognised heritage of the Fabergé brand, it may be considered a "trophy asset" by potential investors; and
- Quantitative analysis using the Ghaidarov Average-Strike Put Option model.

Illustrative costs of disposal

Given the number of acquisition offers received by GGL for Fabergé since it was acquired in 2013 and the high-profile nature of the Fabergé brand, the independent third party considered it likely that any potential sale of the business would involve relatively minimal marketing and related costs. As such, the report considered an appropriate illustrative cost of disposal of 1% of enterprise value, which is the mid-point of disposal costs of between 0.5% and 1.5% for similar transactions observed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

10. IMPAIRMENT REVIEW OF THE FABERGÉ CASH GENERATING UNIT ("CGU")/CONTINUED

Surplus inventory

Within inventory of USD31.4 million at 30 June 2020 (2019: USD30.7 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 USD23.7 million (2019: USD23.4 million) with the remainder regarded as operational inventory, required to support annual sales.

This surplus inventory amount is added back to the calculated enterprise value after adjustment for control premium and DLOM to arrive at the total enterprise value of the Fabergé CGU.

Valuation results

Using the revenue multiple of average annual agreed sales over the last 36 months to January 2020 and an average of the CoCos EV/Revenue valuation results, the Directors concluded the Fabergé CGU's recoverable amount to be USD63.8 million at 30 June 2020, which is less than its carrying value by USD11.5 million. As such, an impairment charge has been recognised at 30 June 2020.

As the inventory at Fabergé is already carried at NRV, the full impairment charge has been recognised against the related intangible assets.

Summary of results – mid-point values	USD million
FVLCD (at an EV level, incl. surplus inventory)	
CoCos EV/Rev – LTM January 2020 (sales agreed)	65.0
CoCos EV/Rev – average of 36 months from January 2020 – average sales agreed	63.8
Average	64.4
Headroom/(impairment)	
CoCos EV/Rev – LTM January 2020 (sales agreed)	(9.9)
CoCos EV/Rev – average of 36 months from January 2020 – average sales agreed	(11.5)
Average	(10.9)

11. IMPAIRMENT INDICATOR REVIEW OF MINING CASH GENERATING UNITS ("CGUs")

The Directors review the carrying value of the Group's assets to determine whether there are any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment has arisen can require considerable judgement taking account of future operational and financial plans, commodity prices, sales demand and the competitive environment. Where such indicators exist, the carrying value of the assets of a cash generating unit is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use, which is determined on the basis of discounted future cash flows. This involves management estimates of rough emerald and beryl; and ruby and corundum prices, market demand and supply, the development of operating costs, economic and regulatory climates, capital expenditure requirements, long-term mine plans and other factors. Any subsequent changes to cash flows due to changes in the above-mentioned factors could impact the carrying value of the assets. The Group's asset review has considered the results of the optimisation programme to date, and the potential for future savings, when assessing the future economic outlook for assets.

The Covid-19 pandemic has led the Group to temporarily suspend principal activities at Kagem and MRM with only critical operations still being undertaken (refer to Note 2). The current operational status at these two sites is summarised below.

11. IMPAIRMENT INDICATOR REVIEW OF MINING CASH GENERATING UNITS ("CGUs")/CONTINUED

MRM:

- All but critical operations at MRM in Mozambique were suspended from 22 April 2020 and are presently expected to remain suspended until such time that a successful ruby auction is held.
- Security, maintenance and other essential services continue in order to ensure that MRM is properly secured and well placed to resume normal operations as soon as it is both safe and practicable to do so.
- The sort house continues to grade and sort stones in preparation for auction.
- All significant capital expenditure projects, including the second ore treatment plant, remain suspended for the foreseeable future.
- MRM presently has sufficient inventory to support one mixed-quality ruby auction.

KAGEM:

- Principal operations at Kagem in Zambia were suspended from 30 March 2020, putting on hold a good run of premium emerald production. The sort house was partially reopened in June 2020 to clear a backlog of sorting, grading and referencing of emeralds. Given prevailing circumstances, principal operations are presently expected to remain suspended until such time that a successful emerald auction is held.
- Kagem presently has sufficient inventory to support one higher-quality and one commercial-quality emerald auction.
- All significant capital expenditure projects, including the second ore treatment plant, remain suspended for the foreseeable future.

Due to the persistent uncertainty, Gemfields is unable to provide reliable guidance as to when it might next be able to host gemstone auctions. Gemfields has however advised its customers of the intention to host both an emerald (higher-quality) and a ruby (mixed-quality) auction in December 2020. These auctions would come after the approval of the Interim Results and hence a clear determination of the impact of the Covid-19 pandemic on the auctions prices cannot be made at this time. It is possible, however, that near-term rough gemstone prices may be lower than recently achieved prices as customers have been unable to sell down their inventory. Consequently, management has performed a sensitivity analysis to assess the impact of reasonably plausible price and discount rate changes on the recoverable amount of each CGU. Notwithstanding this sensitivity analysis, the Group does not believe that any impairment indicators exist at the Interim Report date.

The calculation of "value-in-use" of the Group's CGUs for this review at 30 June 2020 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 changes. Any changes to the assumptions adopted in the calculation of the value-in-use to sell, individually or in aggregate, would result in a different valuation being determined.

The key assumption and estimates are tabulated below; however, the most critical judgement applied has been to sensitise the auction prices achieved by reducing the realised prices by 30% for a period of three and five years. Following a review of historic auction trends:

- The price per carat of emeralds has never fallen materially and, where prices have fallen, the depressed price did not last for more than one subsequent auction (approximately six months). This assessment includes the period during the liquidity crunch in India, following the fall out of demonetisation and the Nirav Modi scandal in 2017/2018. Consequently, 30% would represent an unlikely price reduction.
- The price per carat of rubies fluctuates more than that of emeralds as a result of the product mix and relative immature market. Over the period since the first ruby auction, overall ruby revenues have increased substantially; however, there are some variations whereby higher prices per carat are realised as more premium-category rubies may be offered on an auction-by-auction basis. The specific auction mix and quality composition of the lots offered at each auction vary in characteristics such as size, colour and clarity on account of variations in mined production and market demand. Therefore, the results of each auction are not always directly comparable. On an average quality-for-quality basis, however, the per-carat prices demonstrate continuing strong demand and price growth, with the largest fall in per-carat prices being 35% between the December 2018 and June 2019 auction. Subsequently, auction prices saw a rise again.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

11. IMPAIRMENT INDICATOR REVIEW OF MINING CASH GENERATING UNITS ("CGUs")/CONTINUED

Overall, the impact of the Covid-19 pandemic on the Group is not expected to be long-term. Management believe that the longest period over which prices could be depressed, based on history, is less than a year; however, given the wider ranging reach of the pandemic it has been assessed that a period of three years could be reasonably plausible. Notwithstanding this, a period of five years has also been modelled to further stress test the recoverable amounts of the CGUs.

After applying the above sensitivities, the following conclusions were reached:

- Kagem's base case recoverable amount is calculated at USD255.6 million which exceeds its carrying value of USD197.1 million. However, when the discount rate is sensitised and the fall in prices is extended for five years the headroom is reduced.

Price assumption	Discount rate	Headroom/(Deficit) USD million
Base case		58.5
30% decrease, 3 years	Base	19.8
30% decrease, 3 years	Risk Adjusted	(2.4)
30% decrease, 5 years	Base	(5.7)
30% decrease, 5 years	Risk Adjusted	(26.7)

- In the event that the deficits noted above for Kagem are 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 however note, in the absence of any clear indicators such a pronounced price reduction for a prolonged period is unlikely.
- MRM's base case recoverable amount is calculated at USD357.8 million, which significantly exceeds its carrying value of USD233.7 million at 30 June 2020 such that under any of the stressed assumptions there is no deficit.

Additional key assumptions used in the recoverable amount calculations are:

Assumption	Kagem	MRM
Recoverable amount of reserves and resources	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.
Commodity prices	Rough emerald and beryl prices have been determined using the Group's historic achieved prices over a period of 10 years and 30 auctions. Rough emerald and beryl prices are not traded on a public exchange; 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 a period of six years and 13 auctions. Rough rubies and corundum prices are not traded on a public exchange; most transactions occur in private auctions, and therefore historic trends of prices and product mix are the most appropriate and reasonable basis.

11. IMPAIRMENT INDICATOR REVIEW OF MINING CASH GENERATING UNITS ("CGUs")/CONTINUED

Assumption	Kagem	MRM
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 emerald and emerald stones that enhance the auction parcels and schedules, is dependent on (i) production; (ii) management strategy i.e. building inventory or cash generation; and (iii) market intelligence. Any variations in this composition are at the discretion of management and, given the continued improvement in the quality of production and the market strength, it is anticipated that over the near-to-medium term the proportion of emerald production taken to high-quality auctions will increase.	The quantity of ruby production that is assumed to be sold at mixed-quality auctions is based on 50% of current year's production (three months delay before each auction) and 50% of previous year's production.
Operating costs	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.
Discount rate	A real discount rate of 12.1% (nominal 14.1%) was used in the recoverable amount calculations, which represents the pre-tax rate that reflects the Group's current market assessments of the time value of money and the risks specific to the cash generating unit. Sensitised real discount rate of 13.3% (nominal 15.3%).	A real discount rate of 15.3% (nominal 17.3%) was used in the recoverable amount calculations, which represents the pre-tax rate that reflects the Group's current market assessments of the time value of money and the risks specific to the cash generating unit. Sensitised real discount rate of 16.3% (nominal 18.4%).
Timing of capital expenditure	Management have estimated the timing of capital expenditure on the development projects based on the Group's current and future financing plans and the results of technical studies completed to date.	Management have estimated the timing of capital expenditure on the development projects based on the Group's current and future financing plans and the results of technical studies completed to date. The largest cash investment is in the second treatment plant (washing plant) of USD29.2 million. The spend on the second washing plant was spread over two years; USD23.5 million in 2021 and USD5.7 million in 2022, with 2022 being the first full year of operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

12. INVESTMENTS

Information on each of the Group's investments is provided below. This disclosure is intended to ensure that users of the Financial Statements understand how each investment has been valued, and the risks associated with each investment valuation. In addition, the disclosure meets certain requirements related to the Group's JSE listing.

The reconciliation of the investment valuations from 1 January 2020 to 30 June 2020 is as follows:

	Balance at 1 January 2020 USD'000	Unrealised fair value losses USD'000	Realised losses USD'000	Disposals USD'000	Balance at 30 June 2020 USD'000
Unlisted equity investments					
Sedibelo Platinum Mines[1]	57,500	(12,500)	–	–	45,000
Total	57,500	(12,500)	–	–	45,000

1 *The unrealised fair value loss on Sedibelo of USD12.5 million does not include any foreign exchange as the valuation is denominated in USD.*

The reconciliation of the investment valuations from 1 January 2019 to 30 June 2019 is as follows:

	Balance at 1 January 2019 USD'000	Unrealised fair value gains USD'000	Realised losses USD'000	Disposals USD'000	Balance at 30 June 2019 USD'000
Listed equity investments					
Jupiter[1]	25,714	9,693	(2,367)	(15,391)	17,649
	25,714	9,693	(2,367)	(15,391)	17,649
Unlisted equity investments					
Sedibelo Platinum Mines	50,447	–	–	–	50,447
	50,447	–	–	–	50,447
Total	76,161	9,693	(2,367)	(15,391)	68,096

1 *The unrealised fair value gain on Jupiter of USD9.69 million included an unrealised foreign exchange loss of USD0.39 million. The realised loss on Jupiter of USD2.37 million did not include any foreign exchange, as the cash receipts were denominated in USD.*

12. INVESTMENTS/CONTINUED

Sedibelo Platinum Mines Limited ("Sedibelo Platinum Mines" or "Sedibelo" or "SPM") – equity

Nature of investment	The Group holds an equity interest in SPM, a producer of Platinum Group Metals ("PGMs") with interests in the Bushveld Complex in South Africa.
Date of valuation	30 June 2020
Fair value methodology	Market Comparables applying Directors' estimate.

The Directors have, based on the approach below, estimated that the value of SPM is USD688 million; the Group's indirect 6.54% interest has therefore been valued at USD45.0 million.

As at 31 December 2019, as disclosed in the 2019 Financial Statements, the Directors considered that a valuation of the Group's 6.54% interest in SPM of USD57.5 million, based on a Market Approach, was most appropriate. The Directors have again applied the Market Approach for their valuation of SPM at 30 June 2020. The reduction arises from a general reduction in the value attributed by the market to PGM production assets including the impact of the coronavirus issues on the PGM production industry.

The primary source in determining the valuation of SPM at 30 June 2020 is an independent valuation report, prepared by an independent third party as at 30 June 2020. The independent valuation report contains a valuation using the Market Approach and includes a range of valuations.

The independent valuation 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 Anglo Platinum, Impala Platinum, Northam Platinum and Royal Bafokeng Platinum. The independent third party deemed that Royal Bafokeng is the closest comparable to Sedibelo with respect to the resource size, although it still has materially larger annual production and revenue than Sedibelo and reports substantially better profitability at prevailing metal prices. When comparing the valuation of SPM's peer group, the independent valuation report considered the most suitable measures to be Enterprise Value per resource ounce and production per ounce. Secondary measures of Enterprise Value per reserve ounce and revenue were also considered.

The independent third party used the available information reported by SPM in its March 2020 MD&A reporting and from SPM's most recent mineral resources and reserves report (as at December 2016), and determined that the attributable PGM resource of SPM at 30 June 2020 would most likely be c.87 million ounces. The independent valuation report worked on the assumption that production at SPM will remain in the 120–140k ounces per annum range in the near term but note that operations at SPM have the flexibility to increase these levels should PGM prices demonstrate a sustained price improvement.

The average multiple of enterprise values across SPM's peer group over their (i) mineral resources and (ii) production, suggests respective averages of USD19 per 4E ounce and USD3,622 per 4E ounce. Each multiple arrives at an implied valuation of SPM within a range of USD471 million and USD1,653 million, with a mid-point of USD1,062 million. The Group's indirect 6.54% interest would be valued in a range of USD31 million and USD108 million, with a mid-point of USD69 million, on this basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

for the six months ended 30 June 2020

12. INVESTMENTS/CONTINUED

Sedibelo Platinum Mines Limited ("Sedibelo Platinum Mines" or "Sedibelo" or "SPM") – equity

Fair value methodology

The independent third party concluded that the majority of the PGM peer group is significantly larger on all operational and performance metrics than SPM. The independent third party reviewed African gold companies to assess how smaller operators are valued in the market relative to their larger peer group. This being in their opinion the best market guide to how PGM companies would rate if the population in the sample were higher, and therefore provides an indication as to a suitable market based discount to apply to the large PGM peer multiples for the purposes of valuing SPM.

The independent third party selected two peer groups of African gold companies. The peer group of "large" gold companies consisted of AngloGold Ashanti, Endeavour Mining and Perseus whilst the peer group of "junior" gold companies consisted of Golden Star, Roxgold, Hummingbird, Shanta Gold and Caledonia Mining. The independent third party excluded outliers AngloGold and Roxgold, which have specific characteristics which influence their rating. The independent third party concluded that junior gold companies presently trade at between c.51–67% discount on mineral resources and production basis compared to the peer group of large gold companies.

The independent valuation report concluded that it is reasonable to use the following multiples to value SPM; USD8–10 per 4E ounce for mineral resources and USD1,600–1,800 per 4E ounce for production. The multiples lead to a range of values for SPM (100% basis) on an enterprise value basis of USD690 million to USD870 million on a mineral resource basis and USD190 million to USD250 million on a production basis.

This assessment is based upon the ranges exhibited by the independent third party's selected sample group with a weighting towards those of Royal Bafokeng and allowance for grade and general quality of the operations. The independent third party also included within this assessment the discount which they believe the market would apply to Sedibelo relative to its peers if it were a listed company.

After allowance of SPM's net cash of approximately USD13 million at 31 March 2020, the independent valuation report arrived at a value range of SPM (100% basis) to be in a range of USD550 million to USD850 million. The independent valuation report assessed the value of the Group's 6.54% investment being in the range of USD35 million to USD55 million, with a mid-point valuation of USD45 million. The Directors concur with the independent third-party mid-point valuation of SPM at 30 June 2020.

The Directors note that SPM's most recent published Net Asset Value at 31 March 2020 is USD783 million, not too dissimilar to the figure derived from the Directors' market comparables approach.

The Directors note that the Group's Sedibelo investment remains a non-core asset and that its GGL's desire to seek an orderly disposal of its minority holding at an appropriate time. Given the financial impact that the Covid-19 pandemic has had on the Group's cash flows, the Board notes that, if an opportunity arose for the Group to realise its stake in Sedibelo at a value lower than the carrying fair value, it may become necessary for the Group to accept such an offer.

12. INVESTMENTS/CONTINUED

Sedibelo Platinum Mines Limited ("Sedibelo Platinum Mines" or "Sedibelo" or "SPM") – equity (continued)

Fair value methodology	For the purposes of the disclosures required by IFRS 13, if SPM's mineral resources decreased by 25% (i.e. from c.87 million ounces to c.64–65 million ounces), with all other indicators and evidence unchanged, the independent valuation report's assessment of the valuation would to be in the range of USD26–40 million, with a mid-point of USD33 million. The related fair value decrease of USD12 million would be recognised in profit and loss. If SPM's mineral resources increased by 25% (i.e. from c.87 million ounces to c.108–109 million ounces), with all other indicators and evidence unchanged, the independent valuation report's assessment of the valuation would be in the range of USD46–60 million, with a mid-point of USD53 million. The related fair value increase of USD8 million would be recognised in profit and loss.

Jupiter Mines Limited ("Jupiter") – equity

Nature of investment	The Group held an equity interest in Jupiter up to 28 November 2019. Jupiter is based in Perth, Western Australia, and its main asset is a 49.9% interest in the Tshipi manganese joint venture in South Africa. The Group completed its transaction to sell its remaining stake in Jupiter to a third party at an agreed price of AUD0.21 per share on 28 November 2019.
	The Group owned a see-through interest of 3.72% in Jupiter at 30 June 2019, valued at USD17.65 million.
Date of valuation	30 June 2019, for comparative period. The Group disposed of its remaining interest in Jupiter on 28 November 2019, and therefore no investment was held at 30 June 2020.
Fair value methodology	Market Approach – Listed Share Price
	The Group's interest in Jupiter was valued at the 30 June 2019 mid-price of AUD 0.345 per share, translated at the closing rate of USD1/AUD1.4227.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

13. INVENTORY

	30 June 2020 USD'000	31 December 2019 USD'000	30 June 2019 USD'000
Rough and cut and polished gemstones	76,870	73,211	67,225
Fabergé inventory	30,937	30,743	36,173
Spares and consumables	8,667	6,740	6,137
	116,474	110,694	109,535

The total provision made against inventory as at 30 June 2020 is USD4.8 million (31 December 2019: USD5.1 million, 30 June 2019: USD2.1 million).

14. TRADE AND OTHER RECEIVABLES

	30 June 2020 USD'000	31 December 2019 USD'000	30 June 2019 USD'000
Trade receivables	13,719	62,544	32,955
VAT receivables	10,068	13,313	8,691
Related-party receivable[1]	3,965	6,100	2,500
Other receivables	5,987	5,885	7,581
	33,739	87,842	51,727

1 *At 30 June 2020 the Group is owed USD3.9 million from Mwiriti Limitada, (31 December 2019: USD6.1 million; 30 June 2019: USD2.5 million), the Group's partner in MRM, which will be recovered from future dividends from MRM and the Nairoto gold operations.*

Trade receivables of USD13.7 million at 30 June 2020 primarily relate to auction receivables of USD8.4 million from the Kagem emerald auction held in February 2020 and amounts due to Fabergé of USD4.8 million. The carrying amounts approximate their fair value.

The Group's IFRS 9 accounting policy has historically been to write-off trade receivables when there is no reasonable expectation of recovery, which includes, amongst other specified criteria, failure to make contractual payments for a period of 120 days past due.

The Covid-19 pandemic has caused a global economic shutdown, including the free movement of people and goods. This in turn has resulted in the goods from the February emerald auction held in Lusaka being unable to be sent to the customers, as the goods have become stuck in Singapore following the grounding of all high-value cargo flights. All auction contracts require payment before the goods are shipped; however, as Kagem is unable to fulfil its delivery, under the contractual terms a "force majeure" event has effectively been triggered. Consequently, following discussions with all customers, it is expected that as soon as the goods can be shipped by Kagem, payment will be received in accordance with normal business conditions. This is currently anticipated to be late September 2020. The Directors have remained in close contact with all customers during this time, and fully believe that once the travel restrictions are lifted all cash will be received and the goods will be delivered within the contractual terms. Any credit loss resulting from the current situation has been assessed as immaterial at 30 June 2020.

In early 2020, one of the December 2019 ruby auction customers defaulted on their payment resulting in a breach of contract, with the goods being returned to MRM and the outstanding receivable balance of USD2.6 million being written off. This is the first time in the Group's history that a customer has defaulted on payment, and management believes this event to be a one-off. The total amount defaulted represented 1.3% of 2019 auction revenues.

14. TRADE AND OTHER RECEIVABLES/CONTINUED

Management assessed the impact of this default on the Group's expected credit loss rate over a look-back period of 36 months and determined it to be immaterial to the Group Interim accounts. As such, no impairment provision has been recorded against trade receivables at 30 June 2020.

All other carrying amounts of trade and other receivables approximate their fair value.

There are no material expected credit losses.

15. BORROWINGS

		Interest rate	Maturity	30 June 2020 USD'000	30 Dec 2019 USD'000	30 June 2019 USD'000
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2024	18,000	18,000	–
ABSA Mauritius	USD10 million revolving credit facility	USD LIBOR + 5.50%	2022	10,000	10,000	–
				28,000	28,000	–

		Interest rate	Maturity	30 June 2020 USD'000	30 Dec 2019 USD'000	30 June 2019 USD'000
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2020	2,000	2,000	–
ABSA Zambia	USD30 million revolving credit facility	USD LIBOR + 5.50%	2020	–	–	30,000
ABSA Mozambique	USD15 million overdraft facility	USD LIBOR + 4.00%	2020	4,489	12,875	540
BCI[1]	USD15 million overdraft facility	USD LIBOR + 3.75%	2020	9,873	9,952	9,246
				16,362	24,827	39,786
				44,362	**52,827**	**39,786**

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

Cash and non-cash movements in Borrowings and Leases are shown below:

	Leases 30 June 2020 USD'000	Leases 30 Dec 2019 USD'000	Leases 30 June 2019 USD'000	Borrowings 30 June 2020 USD'000	Borrowings 30 Dec 2019 USD'000	Borrowings 30 June 2019 USD'000
IFRS 16 Adjustment	–	2,627	2,208	–	–	–
At 1 January	4,651	–	–	52,827	53,171	53,171
Additions to leases	–	2,764	2,661	–	–	–
Cash flows						
Cash flows in	–	–	–	14,365	52,826	8,731
Cash flows out	(836)	(998)	(316)	(22,827)	(53,170)	(22,116)
Non-cash flows						
Finance costs	173	302	90	–	–	–
Exchange differences	(111)	(44)	–	(3)	–	–
At 30 June / 31 Dec / 30 June	**3,877**	**4,651**	**4,643**	**44,362**	**52,827**	**39,786**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

for the six months ended 30 June 2020

15. BORROWINGS/CONTINUED

ABSA Zambia

In August 2019, Kagem entered into a USD20 million term loan facility with ABSA Zambia (formerly Barclays Bank Zambia plc.). The facility bears interest at a rate of three-month USD LIBOR plus 5.50%. The facility is repayable over 60 months after the date of the first drawdown of the facility. At 31 December 2019, USD20 million was fully drawn, with USD2.0 million being repayable in December 2020. The facility replaced the previous USD20 million revolving credit facility which was due to expire in February 2020.

Kagem also entered into a USD10 million revolving credit facility with ABSA which bears interest at a rate of three-month USD LIBOR plus 5.50% and is repayable after 36 months after the date of the first drawdown of the facility (there is an option to extend the facility for a further 24 months upon agreement by both parties). At 31 December 2019, USD10 million was fully drawn.

At 30 June 2020, Kagem had USD30 million outstanding with ABSA, 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 Ltd. The facilities are subject to the following financial covenants for which the first measurement period is 31 December 2020:

- Senior Debt Service Cover Ratio shall not fall below 1.2 times.
- Interest Service Cover Ratio shall not fall below 2.5 times.
- Senior Net Debt/EBITDA shall not exceed 2.5 times.

Kagem have received a waiver of all financial covenants contained within the ABSA Zambia loan agreements, such that the facilities remain in full force and effect at 30 June 2020. The waiver is conditional upon Kagem making the scheduled December 2020 principal payment of USD2 million.

ABSA Mozambique

In April 2016, MRM entered into a USD15 million unsecured overdraft facility with ABSA Mozambique (formerly Barclays Bank Mozambique S.A.). The facility has an interest rate of three-month USD LIBOR plus 4% per annum. The outstanding balance as at 30 June 2020 was USD4.5 million (31 December 2019: USD12.9 million and 30 June 2019: USD9.2 million). Gemfields Ltd issued a corporate guarantee for the facility. The bank has confirmed that it expects the facility to be renewed in the normal course of business subject to annual credit approval.

Banco Comercial E De Investimentos ("BCI")

In June 2016, MRM entered into a USD15 million unsecured overdraft facility with BCI. This is a rolling facility which renews annually, provided that terms and conditions are met, and attracts interest of three-month USD LIBOR plus 3.75% per annum. At 30 June 2020, USD9.9 million (31 December 2019: USD9.9 million and 30 June 2019: USD9.2 million) was outstanding. The facility is secured by a blank promissory note undertaken by MRM and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group. The bank has confirmed that it expects the facility to be renewed in the normal course of business subject to annual credit approval.

16. PER SHARE INFORMATION

Earnings/(Loss) Per Share ("EPS" or "LPS") and Net Asset Value Per Share ("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. NAV per share is based on net assets divided by the number of ordinary shares in issue at 30 June 2020.

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 1/2019 "Headline Earnings" ("Circular 1/2019") issued by the South African Institute of Chartered Accountants ("SAICA") during the period.

Earnings per share

The Group's EPS is as follows:

	2020	2019
(Loss)/profit for the period attributable to owners of the parent – USD'000	(51,173)	10,148
Weighted average number of shares in issue[1]	*1,169,526,939*	*1,314,277,424*
(Loss)/earnings per share – USD	**(0.04)**	**0.01**

1 *At 30 June 2020 the Company had a see-through interest in itself of nil shares (30 June 2019: 97,058,912) or 0% (6.88%). These shares have been removed in the calculation of weighted average number of shares in issue. At 30 June 2019, the Company's see-through interest comprised of: (i) 96,276,146 Ordinary Shares held by the Company in itself, through a wholly-owned subsidiary; and (ii) 782,766 Ordinary Shares repurchased on-market by the Company under the Company's share buy-back programme. At 30 June 2020, the Company had cancelled and de-listed from trading all shares that it had previously held in itself.*

There are no dilutive shares, as the average share price during the period was below the strike price of all exercisable share options. Therefore, EPS is equal to Diluted EPS.

Headline earnings per share

The Group's HEPS is as follows:

	2020	2019
(Loss)/profit for the period attributable to owners of the parent – USD'000	(51,173)	10,148
Impairment of intangibles	11,500	–
Adjusted (loss)/profit for the period attributable to owners of the parent – adjusted USD'000	(39,673)	10,148
Weighted average number of shares in issue[1]	*1,169,526,939*	*1,314,277,424*
Headline (loss)/earnings per share – USD	**(0.03)**	**0.01**

1 *At 30 June 2020, the Company had a see-through interest in itself of nil shares (30 June 2019: 97,058,912) or 0% (6.88%). These shares have been removed in the calculation of weighted average number of shares in issue.*

NAV per share

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

	2020	2019
Net assets – USD'000	442,728	487,971
Number of shares in issue[1]	*1,168,756,030*	*1,313,559,888*
NAV per share – USD	**0.38**	**0.37**

1 *At 30 June 2020, the Company had a see-through interest in itself of nil shares (30 June 2019: 97,058,912) or 0% (8.20%). These shares have been removed in the calculation of shares in issue.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2020

16. PER SHARE INFORMATION/CONTINUED

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

	2020	2019
Net assets – USD'000	442,728	487,971
Adjusted for:		
Intangible assets	(38,019)	(46,202)
	404,709	441,769
Number of shares in issue[1]	*1,168,756,030*	*1,313,559,888*
Tangible NAV per share – USD	**0.35**	**0.34**

1 *At 30 June 2020, the Company had a see-through interest in itself of nil shares (30 June 2019: 97,058,912) or nil % (6.88%). These shares have been removed in the calculation of shares in issue.*

17. COMMITMENTS AND CONTINGENCIES

At 30 June 2020, the Group had the following capital commitments:

(i) USD2.9 million (2019: USD2.7 million) for the purchase of mining equipment, offices and Resettlement Action Plan at Nthoro, Montepuez.
(ii) USD1.5 million (2019: USD0.4 million) for mining equipment in Kagem.

There were no material contingencies as at 30 June 2020.

18. RELATED-PARTY TRANSACTIONS

The Directors are the Key Management Personnel for the Company.

Base salaries paid to the Executive Directors in the six-month period to 30 June was USD425,000 (2019: USD457,000).

The amounts paid to the Non-Executive Directors for services (Director fees) for the period 1 January 2020 to 30 June 2020 was USD140,000 (2019: USD177,000).

In addition to the above, the Group also paid dividends of USD3.8 million and made advances of USD0.4 million to Mwiriti Limitada, the MRM partner. At 30 June 2020, the Group was owed USD4.0 million. (2019: USD2.5 million).

19. EVENTS OCCURRING AFTER THE END OF THE PERIOD

In August 2020, BCI approved a USD15 million financing leasing facility with MRM. This is repayable over a maximum period of 48 months and carries interest of three-month USD LIBOR plus 3.75% per annum. The facility is still subject to final legal contracts which are expected imminently.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Directors and authorised for issue on 17 September 2020.

INDEPENDENT REVIEW REPORT
to Gemfields Group Limited

INTRODUCTION

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated income statement and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the rules of the Johannesburg Stock Exchange and the London Stock Exchange for companies trading securities on AIM. As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the IASB, the Johannesburg Stock Exchange Listings Requirements and the London Stock Exchange for companies trading securities on AIM.

OUR RESPONSIBILITY

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Group in meeting its responsibilities in respect of half-yearly financial reporting in accordance with International Accounting Standard 34, as issued by the IASB, the Johannesburg Stock Exchange Listings Requirements and the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the International Auditing and Assurance Standards Board.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT/**CONTINUED**

MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN

We draw attention to Note 1 to the Interim Report and Condensed Consolidated Financial Statements which sets out the Directors' consideration of the impact of the Covid-19 outbreak as part of the Group's going concern assessment.

Due to the uncertainty relating to the Covid-19 outbreak, there is a risk that the Group will require additional funding due to delays in respect of revenue generation or because of withdrawal of existing debt facilities. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as issued by the IASB, the Johannesburg Stock Exchange Listings Requirements and the London Stock Exchange for companies trading securities on AIM.

USE OF OUR REPORT

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of the Johannesburg Stock Exchange Listings Requirements and the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
55 Baker Street
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17 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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GEMFIELDS

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