GEMFIELDS

Condensed Annual Results

FOR THE YEAR ENDED 31 DECEMBER 2020

COVER: *Gemfields Mozambican rubies and Zambian emeralds surround Fabergé Colours of Love Cosmic Curve Rings*
BELOW: *Operations, Montepuez Ruby Mining, Mozambique*

Our strategy remains focussed on consolidating our position as a world-leading supplier of responsibly sourced African emeralds, rubies and sapphires, with our ownership of the iconic Fabergé brand enhancing the positioning and perception of coloured gemstones in the minds of consumers.

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Responsibly sourced rough rubies, Montepuez Ruby Mining, Mozambique

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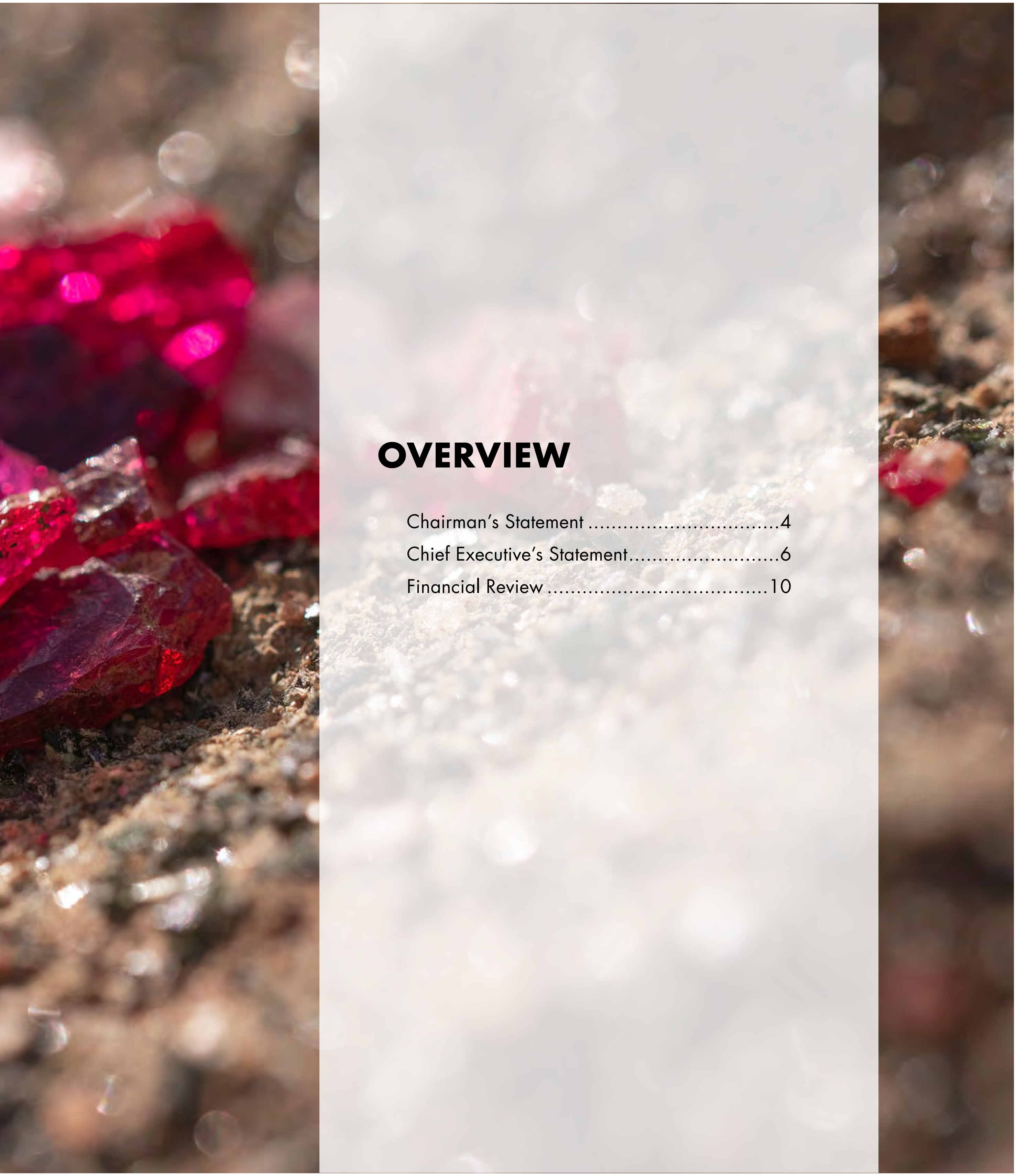


OVERVIEW

Chairman's Statement

Martin Tolcher
Chairman

The past year will undoubtedly be remembered as a real "annus horribilis" of recent times. Very few companies have been spared the mass disruption created by the COVID-19 pandemic and Gemfields Group Limited ("Gemfields", the "Company", "GGL" or "the Group") is no different. The COVID-19 pandemic unquestionably has been the toughest challenge Gemfields has faced to date.

As a result, Gemfields has spent the year adapting its approach, policies and controls in order to best navigate the changing circumstances and uncertainty brought about by COVID-19. From the outset, the focus has been the well-being of employees, host communities and customers, whilst ensuring business continuity and the protection of shareholder value. The Board is encouraged that, with the current rollout of the global vaccination programme, the world is learning gradually how to live and work with COVID-19.

Gemfields started 2020 positively, with the listing on the Alternative Investment Market ("AIM") of the London Stock Exchange on 14 February 2020, an important milestone for the Company. GGL's share price initially reacted well to its AIM listing, rising by some 16% from the start of the period up to the listing date. However, as the impact of COVID-19 kicked in during March 2020, the GGL share price has suffered and struggled to gain momentum since. The first quarter also saw the Zambian operations produce an exceptional quantity of premium-grade emeralds, setting the Group up well for the year ahead. Unfortunately, the Group then encountered the challenges posed by COVID-19, with office closures, travel bans, the suspension of mining operations and general disruption caused to team members operating in nine countries.

The Group's flagship operations in Mozambique and Zambia have both been impacted severely by the various 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' 2020 auction schedule was also affected negatively by the many travel, quarantine and congregating restrictions put in place internationally to mitigate COVID-19 contagion. Gemfields' typical auction schedule consists of five to six auctions per year – two of mixed-quality rubies and three or four of emeralds (split between higher quality and commercial-quality). Gemfields was able to host only one regular-format auction in 2020, yielding USD11.4 million from the sale of commercial quality emeralds in February 2020 in Lusaka. The Group has therefore had to find alternative and innovative ways of holding auctions despite challenging market conditions, introducing its inaugural series of five small online emerald auctions that took place between November and mid-December of 2020. Gemfields achieved revenues of USD10.9 million from the mini-auction series, resulting in Kagem Mining Limited ("Kagem") generating total auction revenues for 2020 of USD22.3 million. There was no ruby revenue in 2020. During the same period in 2019, the Mozambican and Zambian operations generated revenues of USD121.5 million and USD79.0 million, respectively. With the disruptions caused by COVID-19 running well into 2021, the Group is pleased that this new online auction platform provides an additional string to GGL's bow in facing the inevitable challenges ahead.

All but critical operations at Montepuez Ruby Mining Ltda ("MRM") were suspended from 22 April 2020 and remained suspended for the rest of the year. Production at MRM during those first four months was well within expectations. With no ruby auctions taking place during the year, MRM presently has sufficient inventory to support one mixed-quality ruby auction. All significant capital expenditure projects, including the second ore treatment plant at MRM, remain suspended until business conditions improve. Operations at MRM restarted during March 2021 in a phased manner, initially with MRM's treatment plant and sorting house, with production expected to ramp back up to full-scale by the end of April 2021.

Principal operations at Kagem were suspended from 30 March 2020, halting the excellent run of premium emerald production during the first quarter of 2020. Production in the premium emerald category, for the first three months of the year, surpassed 50% of the prior full year's premium emerald production. As a result of this excellent recovery in the first quarter, Kagem presently has sufficient inventory to support one higher-quality and one commercial-quality emerald auction. All significant capital expenditure projects at Kagem remain suspended for the foreseeable future. Principal operations at Kagem recommenced during March 2021 in a phased manner, with full production capacity expected by the end of April 2021.

Fabergé Ltd ("Fabergé") recorded revenues of USD7.1 million in 2020 (USD10.5 million for the comparative period) at a sales margin of 54% (31% for the previous year) and an EBITDA loss of USD3.4 million (USD6.5 million for the previous year). Fabergé continues to seek to mitigate the impact of 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. The Group's focus remains on removing the cash dependency on the Group by pursuing operating profitability at Fabergé.

In November 2020, GGL announced that it had commenced a sales process for its 6.54% indirect stake in Sedibelo Platinum Mines Ltd ("Sedibelo"). Initial discussions with prospective buyers soon commenced. However, due to the complexities of the Sedibelo ownership structure, the process remains ongoing. Sedibelo continues to be unlisted with no market price readily available to value the Group's 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. An independent third party was again used to update the valuation of Sedibelo at 31 December 2020, as required by accounting standards. Using the results of the independent valuation report, the Gemfields Board has approved a USD27.9 million fair value decrease for the year, bringing the value for the Group's 6.54% stake in Sedibelo to USD29.6 million as at 31 December 2020.

At the Company's Annual General Meeting ("AGM") on 24 June 2020, more than 25% of voting shareholders voted against the non-binding shareholder resolutions in respect of GGL's Remuneration Policy and Remuneration Implementation Report. As a result, interested shareholders were invited to attend a conference call on 16 July 2020 to discuss remuneration matters and provide feedback on the Company's remuneration policy and measures that the Remuneration Committee had been considering. Following this call, the Company's Remuneration Committee examined shareholder concerns further and deployed the services of a remuneration consultancy to provide independent advice regarding market practice and its application to shareholders' concerns. Revised remuneration arrangements were formalised and circulated to shareholders. Another shareholder conference call took place on 14 December 2020, and the Company's revised Remuneration Policy will be put forward for shareholder approval at the Company's 2021 AGM.

As a result of the AIM listing, Gemfields has improved broker coverage through finnCap and Liberum (who were appointed as joint brokers during the year), strengthening the Group's public profile and reach to UK, European and international investors. In addition, the redundant Bermudan listing was relinquished in July 2020. In order to better align the refreshed Gemfields with appropriate market practice and further improve the corporate governance framework, the Company's Articles of Incorporation ("Articles") have been reviewed, taking into account shareholder views, AIM and JSE practices and a peer group comparison including large, diversified miners. The proposed revisions to the Articles will be put to shareholders for approval at this year's AGM.

The past year has also seen the Company face increased scrutiny from, and engagement by, an activist shareholder group. Transparency is a key Gemfields tenet and, to that end, GGL has made copies of the successive rounds of correspondence available to all shareholders via the Company's website. Although Gemfields does not always concur with the opinions of that group and dealing with the issues raised has involved significant management time, the engagement has been deemed useful and the Company has addressed certain matters pursued by this shareholder group, notably in relation to the Company's Articles and executive remuneration.

The Group was on track to distribute its maiden dividend to shareholders during the second quarter of 2020. However, given the emergence of the COVID-19 pandemic, the planned distribution was postponed for an indefinite period in order to preserve cash resources. It remains a key ambition of the Board and management team to distribute dividends on a consistent and sustainable basis once the impact of the pandemic has passed and the Company's operations return to sustained normality.

I welcome the appointment of the Company's new independent non-executive director, Ms Mary Reilly, to the GGL Board. Mary brings deep experience in UK-listed companies, as well as financial and risk management expertise at this crucial time in the Company's history.

I would like to thank my fellow directors and the spirited Gemfields teams for their hard work and substantial contributions during this unprecedented and demanding period. GGL takes comfort in the worldwide COVID-19 vaccination rollout and I expect the Company's business to recover in 2021 as global markets reopen. I look forward to progressing Gemfields' vision of being the global leader in African emeralds, rubies and sapphires, promoting transparency, trust and responsible mining practices.

Martin Tolcher
Chairman
29 March 2021

Chief Executive's Statement

Sean Gilbertson
Chief Executive Officer

The year brought unprecedented challenges as a result of COVID-19 and our full year results reflect the immense impact caused by the pandemic. Our traditional gemstone auctions were immobilised by the widespread quarantine, travel and congregating restrictions, meaning our clients were severely impeded in carrying out physical inspections of our gemstones, a critical step in purchasing coloured gems. As such, and when combined with the marked stagnation in coloured gemstone trading activity for much of 2020, our auction revenues fell by almost 89% from 2019's record high of USD200.5 million to just USD22.3 million in 2020.

We are grateful to the Gemfields team worldwide for their ongoing dedication and thank them for the sacrifices that many have had to make to safeguard our business. I am confident that Gemfields has now successfully negotiated the worst of the COVID-19 storm and will enjoy smoother sailing in the post-pandemic world.

Our strategy remains focussed on consolidating our position as a world-leading supplier of responsibly sourced African emeralds, rubies and sapphires, with our ownership of the iconic Fabergé brand enhancing the positioning and perception of coloured gemstones in the minds of consumers.

MOZAMBIQUE

Principal operations at MRM were suspended on 22 April 2020 and remained suspended until March 2021. As a result of running the mine for just four months in 2020, MRM's production figures for the year were severely impacted. However, we take some comfort from the 1.3 million carats of ruby and corundum that were recovered during 2020 (versus 2.2 million carats in 2019). Our production of "premium ruby", the driving force behind our revenue, was 28,700 carats in 2020 (versus 81,300 premium carats in 2019). Long experience has taught us that coloured gemstone mining characteristically displays considerable volatility of both gemstone quality and ore grade. Total rock handling at MRM for 2020 was 1.9 million tonnes, down from the 7.2 million tonnes during 2019.

MRM held no ruby auctions during 2020 due to the far-reaching fallout arising from COVID-19. In 2019, MRM generated USD121.5 million in auction revenues from two auctions. All significant capital expenditure, including the second ore treatment plant, was postponed as a result. The timing of capital expenditure will be reviewed as we gain better insight into sales during 2021. Total capital expenditure during 2020 was USD3.9 million versus USD20.5 million in 2019. The 2020 capital expenditure was made up of USD1.3 million invested in expansion and exploration projects and USD2.6 million invested in existing mining and ancillary equipment replacements, including the completion of the Resettlement Action Plan ("RAP"). The RAP represents an important social project for the mine and its local communities and MRM was pleased to be able to continue its work on the RAP despite COVID-related restrictions. The RAP project entailed the construction of 105 houses (plus public infrastructure, a school, church, mosque and trading market) for the 105 families which were resettled from a village within MRM's concession at the end of 2020.

Since the suspension of principal operations, MRM has continued with security, maintenance and other essential services in order to ensure that MRM is well placed to resume normal operations. Those employees at MRM not required for the ongoing critical services were placed on suspended contracts under prevailing Mozambican law and received reduced remuneration (subject always to minimum wage considerations) with the same applying to MRM's board of directors. These measures reduced the overall wage bill at MRM by approximately 25%. The cost savings implemented during the crisis have resulted in cash operating expenditure being reduced from approximately USD2.9 million per month (the monthly average for the eight months to 31 December 2019) to circa USD1.4 million per month (the monthly average for the eight months to 31 December 2020).

In the interests of improving health and well-being, MRM introduced a COVID-19 control programme using PCR testing for employees residing at MRM. The implementation of the COVID-19 control programme contributed significantly to the reduction of cases in MRM's residential areas and in mitigating the risk of community transmission.

In recent months, the disturbing developments surrounding the insurgency in the north of Cabo Delgado province have garnered increased media exposure. While at this stage the insurgency is not regarded as an imminent risk to MRM's operational continuity, we continue to monitor the situation closely. We have observed an increase in displaced persons arriving in our district, with a consequent rise in illegal mining activity and incidents linked to the collapse of informally excavated pits. The Group has appropriate strategies in place, relating to site safety and the protection of MRM's workforce, in the event the risk level heightens. Our thoughts are with the estimated 700,000 displaced persons who have been affected by these appalling events.

ZAMBIA

Principal operations at Kagem in Zambia were suspended from 30 March 2020 and remained suspended until March 2021. Thanks to the sterling efforts of our team in Zambia, Kagem achieved remarkable production of "premium emeralds" during the only operating quarter of the year. Production in the premium emerald category was 133,900 carats (versus 204,600 premium carats during the whole of 2019). Overall production for 2020 amounted to 9.4 million carats (versus 36.3 million carats in 2019). Total rock handling at Kagem was 2.3 million tonnes in 2020, down from 12.6 million tonnes during 2019.

Kagem was able to host only one regular-format auction in 2020, in Lusaka in February, yielding USD11.4 million from the sale of commercial-quality emeralds. As a direct consequence of the COVID-19 pandemic, no further regular-format emerald auctions were held during the year. Kagem adapted to the new environment by holding a series of five small emerald auctions during November and December 2020. Selected lots were made available for in-person and private viewings by customers in Tel Aviv, Singapore and Jaipur, with the auctions taking place via our new, specifically adapted, online bidding platform. These auctions saw 46 companies placing bids and generated total revenues of USD10.9 million. Our new online bidding platform provides important flexibility and back-up for 2021 whilst we continue to navigate the months ahead. Kagem was able to supplement its 2020 revenues by expanding its direct sales programme for lower-quality gemstones, bringing in approximately USD4.7 million of additional revenue through Gemfields India.

During 2020, and as a result of the suspension of principal operations and the focus on cash preservation, just USD0.9 million was invested in replacing mining and ancillary equipment as well as in infrastructure improvements at Kagem. This capital expenditure was significantly below the USD4.3 million invested in 2019. Those Kagem employees not involved in the ongoing delivery of critical services were placed on reduced remuneration from May 2020, under Zambia's New Employment Code Act. Reductions were also applied to Kagem's board of directors. These measures reduced the overall wage bill at Kagem by approximately 20%. Kagem's cost-saving measures during the crisis resulted in

Responsibly sourced rough emeralds, Kagem Mining, Zambia

cash operating expenditure being reduced from approximately USD3.6 million per month (the monthly average for the nine months to 31 December 2019) to circa USD1.3 million per month (the monthly average for the nine months to 31 December 2020).

As a result of the protocols laid down by the Government of the Republic of Zambia ("GRZ") and the World Health Organization ("WHO"), which Kagem strictly adhered to, the mine reported no onsite case of COVID-19 during 2020.

FABERGÉ

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

Fabergé's revenues were severely impacted in 2020 due to the extended periods of closure of directly operated and partner-operated boutiques during the various national lockdowns. Many of Fabergé's planned events and exhibitions were cancelled due to COVID-19.

Kagem emerald mine, Zambia

During 2020, Fabergé generated revenues of USD7.1 million (USD10.5 million in 2019) and recorded an EBITDA loss of USD3.4 million (versus a loss of USD6.5 million in 2019). Encouragingly, operating costs reduced by more than 20% from the prior year, with average monthly operating expenses of USD0.6 million during 2020 (versus USD0.8 million in 2019). Due to the overall decline in market conditions resulting from the lingering impact of COVID-19, the Group is recognising an impairment loss of USD11.5 million, as assessed by an external independent valuation expert, against Fabergé's intangible assets.

OTHER PROJECTS

Due to the pandemic, principal operations at Nairoto Resources Limitada ("NRL"), our gold exploration joint venture project with Mwiriti Limitada (Gemfields' partner at MRM), were suspended on 7 May 2020. The passing of control for this project, including all operating management for the twelve licences, was treated as an asset acquisition in the current year. The timing and scale of activities at NRL will be tailored to align with the extent of our group-wide recovery in the year ahead.

In Ethiopia, the operations of Web Gemstone Mining ("WGM"), in which Gemfields own a 75% stake, remain suspended given the current uncertainty created by the COVID-19 pandemic and the ongoing instability in the country.

Gemfields also owns 100% of Oriental Mining SARL, a company which holds assorted licences in Madagascar, including for emeralds and sapphires. We will seek to continue preliminary work on identified prospects in Madagascar as and when circumstances permit.

INVESTMENTS

Sedibelo Platinum Mines Ltd ("Sedibelo"), in which the Group currently has an indirect 6.54% shareholding on a see-through basis, has focussed on optimising its revenue stream as precious metal prices increase whilst minimising production costs and optimising operating efficiencies. Sedibelo's safety record remains unsurpassed in the industry, with over 6.0 million fatality-free shifts over more than a decade of operations.

Sedibelo dispatched 87,000 4E PGM ounces during the nine months to September 2020, down 9% on the comparative period in 2019. An increase in the US dollar-denominated 4E PGM basket price and the weakening of the South African rand against the US dollar helped revenues increase by 37% to USD179 million for the nine months to September 2020 and further enhanced operating margins. As a result of the upsurge in the value of palladium and rhodium, the US dollar 4E PGM basket price increased to USD1,886 for the first nine months of 2020 (versus USD1,219 for the comparative period). The most recent independent valuation report has reduced the levels of subjectivity involved in our assessment of the value of Sedibelo.

During the year, we engaged advisors to market and sell the Group's 23.65% equity holding in Pallinghurst Ivy Lane Capital S.à r.l. ("Ivy Lane"), the Luxembourg holding company through which Gemfields holds its stake in Sedibelo. The sales process is ongoing and we remain hopeful that we will be able to achieve an orderly sale of our indirect interest in Sedibelo in order to focus on our core business of coloured gemstones. Encouragingly, the management of Ivy Lane has indicated an intention to "unbundle" Ivy Lane, such that its shareholders would come to hold their stakes in Sedibelo directly. This development would simplify Gemfields' sales process.

With the lack of appetite so far in our sales process, as well as the inclusion of additional financial multiples in the independent third party's valuation methodology, a fair value write-down has been recognised against the Group's Sedibelo investment during the year.

RESULTS

Overall, the Company generated an EBITDA loss of USD30.0 million and recognised negative Free Cash Flow (as defined in the Financial Review) of USD56.1 million, before working capital movements. As at 31 December 2020, the Company was in a net debt position of USD12.6 million before auction receivables of USD8.9 million (31 December 2019: net cash of USD25.4 million before auction receivables of USD56.7 million). Gemfields was fortunate to enter the pandemic with a strong balance sheet and has applied measures to progressively reduce costs as the pandemic endured.

Gemfields generated Group revenues during the year of just USD34.6 million (2019: USD216.2 million), predominantly derived from our emerald auction revenue and the direct sales of our lower-quality emeralds and beryl in India. Wholly owned jewellery brand Fabergé contributed USD7.1 million of revenues during the year.

Gemfields' focus during 2020 was centred on cash preservation given the pandemic's impact on the Group's ability to generate revenue. On 1 May 2020, all UK staff members accepted a 20% remuneration reduction linked to a four-day working week. Remuneration payable to the Board of Directors of the Company was also reduced by 20%. Similar measures were also extended to Gemfields' mining operations. Overall, the Group's monthly operating costs dropped from approximately USD12.1 million per month (the monthly average during the year to 31 December 2019) to an average of below USD5.0 million per month in the three months ending 31 December 2020, a remarkable achievement by the team.

Our Sedibelo investment recognised an unrealised fair value loss of USD27.9 million during the year, driven by the findings from our independent third-party valuation report.

The Group recognised a taxation credit for the year of USD6.0 million (versus a USD28.2 million taxation charge in 2019), consisting of a current tax charge of USD2.4 million, offset by a deferred tax credit of USD8.4 million.

Normalised earnings for the year, after removing impairment charges and fair value movements on Sedibelo, equate to a loss of USD53.8 million (versus earnings of USD25.5 million in 2019).

OUTLOOK

2020 was a year unlike any that Gemfields has had to face to date. COVID-19 had a sudden and severe impact on the Group's 2020 financial results as well as on many of our downstream clients and end customers. However, the recent success of our multi-city mini-auctions, deploying a new online bidding platform, combined with a gradual easing of travel restrictions, provide the Group with more flexibility for 2021. We will continue to use this modified auction format to run mini-auctions of both emeralds and rubies over the coming months. We have been able to continue paying our employees and suppliers, limiting redundancies throughout the Group and continuing our significant contributions to the host country economies in which we operate. I believe that the decisions we have taken in 2020 best position the Group, and our sales of emeralds and rubies, for a recovery in 2021. Despite this, as Gemfields is highly dependent on revenue from gemstone auctions, any further complications to our 2021 auction programme would put severe strain on the Group's finances. In addition, the Group's financial position remains sensitive to a number of material uncertainties surrounding the Group, including the global condition of the gemstone market, the ability of the Group's mining operations to continue uninterrupted and the continuation of the Group's debt facilities (as disclosed in Note 10: *Going Concern* of the Condensed Consolidated Financial Statements).

We look forward to firing up all the mining engines during the course of March and April 2021 and in steering the recovery of the Group, delivering an optimal 2021 on behalf of all of our stakeholders.

We take some comfort from the fact that well-bought gemstones have for centuries been regarded as a store of value and a guard against turbulent times. This was also evidenced in the 2008 financial crisis where gemstone pricing indices proved remarkably resilient.

I would like to thank all my colleagues across the Group, our stakeholders, partners, shareholders, host countries and the Board of Directors for their support during these extraordinary times.

Sean Gilbertson
Chief Executive
29 March 2021

Financial Review

A summary of the key financial indicators of the Group for the year ended 31 December 2020 is shown in the table below.

in thousands of USD	2020	2019
Revenue	34,567	216,233
EBITDA[1]	(30,042)	80,892
(Loss)/profit after tax	(93,227)	39,131
Net cash flow (utilised in)/ generated from operating activities	(20,166)	36,688
Free cash flow[2]	(56,101)	31,100
Net (debt)/cash	(12,643)	25,391

1 *Earnings before interest, taxation, depreciation and amortisation.*
2 *Free cash flow is calculated as cash flow from operating activities less sustaining and expansionary capital expenditure excluding any working capital movements. A full breakdown can be seen in Note 1: Segmental Reporting to the Condensed Consolidated Financial Statements.*

The Group's primary financial Key Performance Indictors ("KPIs") are revenue, free cash flow (before working capital movements) and net (debt)/cash. For a reconciliation of the above KPIs, see Note 1 to the Condensed Consolidated Financial Statements.

The Group's results and financial performance have been severely impacted by the COVID-19 pandemic. The principal operations at Kagem were suspended on 30 March 2020 and MRM's operations were suspended on 22 April 2020. In addition, the various jurisdictional restrictions on the movements of goods and people have prevented our customers from selling their inventory at the world's prestigious gem and jewellery shows, thereby reducing their desire to purchase any further inventory from the Group. This liquidity crunch, along with the global travel restrictions, has meant that the Group has been unable to hold any traditional auctions since the commercial-quality emerald auction held in February 2020. In November and December 2020, however, a series of sequential emerald mini-auctions were held, whereby bids were placed online after multi-city, in-person viewings of the gemstones by customers, generating total revenues of USD10.9 million. Based on the success of the mini-auction process and the robust prices achieved, the Group's emerald revenues for 2021 are expected to be reasonable even if the traditional auction process remains impossible.

No ruby auctions took place during 2020. However, a series of auctions, similar to those held for emeralds in late 2020, commenced in March 2021 and are expected to complete in early April 2021.

Revenue

in thousands of USD	2020	2019
Kagem	22,300	78,965
MRM	–	121,524
Fabergé	7,144	10,517
Other	5,123	5,227
Total	**34,567**	216,233

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 meant that no further traditional auctions were held in 2020. The travel restrictions, quarantine periods and congregation limits also crippled the traditional gemstone shows, limiting the downstream sales.

With the aim of testing the market and achieving revenue by the end of December 2020, a series of five small emerald auctions took place between November and mid-December 2020. Selected lots were made available for in-person and private viewings by customers in Jaipur, Singapore and Tel Aviv. Each mini-auction consisted of several schedules and took place over a five-day period, with bids being accepted via Gemfields' new online auction platform or by email.

This is the first time customers have been able to bid for rough Zambian emeralds via an online bidding platform. This demonstrates Kagem's ability to innovate during a time when traditional auctions are not possible. With Gemfields' core values being transparency, integrity and legitimacy, the auctions were fully monitored by the Zambian Ministry of Mines and the Zambia Revenue Authority via video conferences.

The auction saw 46 companies placing bids and generated total revenues of USD10.9 million, with an overall average value of USD59.84 per carat. These auctions saw a good turnout with only four out of 28 schedules being held back as the bid prices were

David Lovett
Chief Financial Officer

below the acceptable reserve prices. This indicates that rough emerald prices and demand have held up well. Winning bids were in line with and, in some cases, higher than, pre-COVID prices and the number of bids per schedule increased which demonstrates good demand. The product mix with these auctions was considerably different to a typical high-quality auction with only one premium grade being offered (as Kagem tested the market). The price per carat achieved therefore does not reflect that of a typical high-quality auction which has large quantities of premium emeralds.

In 2019, Kagem's four emerald auctions generated total revenues of USD79.0 million at average prices per carat for the HQ and CQ emerald auctions of USD78.63 and USD4.61, respectively.

From a total of 36 auctions of emeralds and beryl mined at Kagem since July 2009, revenue of USD657.4 million has been generated.

No auctions were held by MRM in the period as COVID-19 necessitated travel restrictions around the globe. In 2019, MRM recognised auction revenues of USD121.5 million for the year from two mixed-quality auctions held in Singapore in June 2019 and December 2019, which generated USD50.0 million and USD71.5 million at average realised prices of USD51.99 and USD77.12 per carat, respectively.

Fabergé generated revenues of USD7.1 million in the period, below the USD10.5 million achieved in 2019, as a result of the lockdowns imposed across the globe to combat COVID-19.

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

COSTS

All but critical operations at Kagem and MRM were suspended in March and April 2020, respectively. Operations recommenced in early 2021, with MRM's wash plant and sort house starting in mid-February and those at Kagem from mid-March 2021. Full-scale mining operations are anticipated to start at the beginning of April 2021, with full capacity expected to be achieved by the end of the month. At the corporate level, all UK staff members, including the Company's Board of Directors, received a 20% remuneration reduction from 1 May 2020. 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 mining and production costs, and selling, general and administrative costs for the Group reduced from USD155.9 million in 2019 to USD70.2 million during 2020.

Total mining and production costs (excluding mineral royalties, production taxes, export duty and impairment charges and reversals) of USD37.7 million represent a 41% fall from the USD63.4 million incurred in 2019. The lower costs reflect the suspension of all but critical operations at Kagem and MRM in early 2020.

Mineral royalties and production tax, which are calculated as 10% on all ruby revenues in Mozambique and 6% on all emerald sales in Zambia (including intercompany transfers), were USD1.7 million for the Kagem auctions (2019: USD17.1 million). In 2019, Kagem was subject to a 15% export duty which cost USD12.4 million. The export duty was suspended in 2020 and therefore no equivalent charge has arisen in the current year.

On the acquisition of Gemfields plc (now Gemfields Ltd) in 2017, the purchase price allocation resulted in an uplift to the mining assets at Kagem and MRM, representing the excess purchase consideration. The mining assets are amortised on the unit of production basis, resulting in an amortisation charge of USD3.9 million (2019: USD17.4 million). The reduction is a result of the cessation of mining, and therefore amortisation, since March 2020. Depreciation on property, plant and equipment during the year, excluding the mine assets, was USD17.1 million (2019: USD17.5 million).

Selling, general and administrative expenses of USD29.7 million were significantly below the USD56.8 million in the prior year. As discussed above, suspension of all but critical operations resulted in significant drops in labour, marketing and advertising, professional fees and travel costs.

Total operating costs at Fabergé were USD7.3 million for 2020 compared to USD9.7 million for the prior year, reflecting cost savings implemented to deal with the impact of COVID-19 on the market.

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 average rate over the year strengthened by 43% against the Zambian kwacha ("ZMW"); 12% against the Mozambican metical ("MZN") and depreciated by 1% against pound sterling ("GBP").

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

The EBITDA loss incurred in 2020 of USD30.0 million is primarily due to the significantly lower gemstone auction revenues as a result of COVID-19. The year 2019 saw EBITDA of USD80.9 million, reflecting record-breaking revenues of USD216.2 million.

IMPAIRMENT CHARGES AND WRITE-OFFS

The impairment charges recognised during the year amount to USD13.5 million (2019: a reversal of USD13.2 million), comprising mainly the impairment of the Fabergé intangibles along with impairments recognised against Fabergé's slow-moving inventory.

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* and accordingly, an impairment review was performed on the Fabergé cash generating unit ("CGU"). The impairment review at 31 December 2020, which was based on the same methodology as that performed at 31 December 2019 and at 30 June 2020, 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, resulting from the fall in revenues across both Fabergé and its assessed comparable companies, along with the current depressed market conditions. Full details can be found in Note 3: *Intangible assets* to the Condensed Consolidated Financial Statements.

In December 2019, the Government of Zambia enacted into law an indefinite suspension of the 15% export duty effective from 1 January 2020. Given this suspension, the recoverable amount of Kagem was reassessed at 31 December 2019 to USD335.8 million, which was well in excess of the carrying value, resulting in an impairment reversal of USD21.6 million.

FAIR VALUE AND OTHER GAINS AND LOSSES

The USD27.9 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 with interests in the Bushveld Complex in South Africa. In November 2020, the Group engaged a third-party broker to commence the marketing and sale of this stake. Initial discussions with prospective buyers have commenced. The Group's Sedibelo holding structure, via a Luxembourg holding entity, adds further complications to the sales process, which remains ongoing.

In considering the valuation of the Group's investment in Sedibelo at 31 December 2020, 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 various financial and non-financial multiples, including mineral resources (per 4E ounce), mineral reserves (per 4E ounce), production (per ounce), revenue and EBITDA of its peer group of listed comparable companies. A discount for the lack of marketability ("DLOM"), which takes into account that SPM is an unlisted company, has also been applied to the valuation. In arriving at the valuation, the Directors have also considered the impact of the Group's desire to seek an orderly disposal of its minority holding in Sedibelo.

The USD27.9 million fair value loss in the year 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 USD29.6 million at 31 December 2020.

As the timing of the sales process is uncertain and the investment is not being actively marketed at a specific price, the Group's investment in Sedibelo does not meet all the requirements of IFRS 5 *Non-current assets held for sale and discontinued operations*, in order for the investment to be presented as an asset held for sale on the Group's balance sheet at 31 December 2020.

In 2019, fair value and other gains and losses also included transactions with the Group's then investment in Jupiter Mines Limited ("Jupiter"), an Australian-listed company whose main asset is a 49.9% interest in the Tshipi é Ntle manganese mine. The fair value gains in 2019 relating to Jupiter amounted to USD4.6 million and arose on the remeasurement at disposal driven by exchange rate movements between the AUD/USD and share price movements.

FINANCE INCOME, EXPENSES AND FOREIGN EXCHANGE DIFFERENCES

Net finance expenses (exclusive of exchange differences) were USD2.9 million compared to USD3.3 million in 2019, representing interest on the USD28.0 million Kagem ABSA facilities, the overdraft facilities at MRM and the computed interest of lease liabilities under IFRS16 *Leases*, which were offset by interest earned on cash balances across the Group. The facilities' interest rates remain consistent with previous periods, with the balances fluctuation giving rise to the movement.

The net foreign exchange loss of USD2.9 million (2019: USD1.2 million) reflects the movement of the USD against the GBP, the MZN and the ZMW. In the current year, the USD average rate strengthened by 43% against the ZMW, 12% against the MZN and weakened 1% against the GBP, leading to losses on the net foreign currency assets at Kagem, MRM and Fabergé.

TAXATION

The tax credit for the year was USD6.0 million (2019: charge of USD28.2 million), calculated on a loss before tax of USD99.2 million (2019: profit of USD67.4 million), resulting in an effective tax rate of 6.0% (2019: 41.9%). The tax credit for the year consisted of a current tax charge of USD2.4 million and a deferred tax credit of USD8.4 million. The overall credit arises as deferred tax assets recognised on losses, primarily at Kagem and MRM, were offset by non-deductible impairment and fair value losses realised in the UK entities and withholding taxes on dividends paid within the Group.

In the prior year, the 41.9% effective tax rate reflects the non-deductible mineral royalty tax at Kagem and the non-recognition of tax losses, including those incurred in Zambia and at Fabergé. These factors all applied upward pressure on the tax rate.

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 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 year.

in thousands of USD, unless otherwise stated	2020	2019
(Loss)/profit before taxation	(99,202)	67,373
Income tax credit/(charge)	5,975	(28,242)
Effective tax rate %	(6%)	42%
Cash tax paid	15,003	9,692

The tax paid of USD15.0 million is higher than the USD2.4 million charge for the year largely due to the timing of tax advance payments and the settlement of final payments on 2019 liabilities at Kagem of USD1.3 million and at MRM of USD13.6 million.

NET (LOSS)/PROFIT AFTER TAXATION

The Group made a loss after tax of USD93.2 million compared to a profit of USD39.1 million in the prior year. The loss in the current year is due to the impact of COVID-19 on the Group's activities, primarily on its ability to hold traditional auctions which resulted in severely reduced revenues. The cost savings initiated by the Group at the start of the second quarter of 2020 could not offset the fall in revenue.

The COVID-19 pandemic and its impact on global markets also resulted in the Group recognising a USD11.5 million impairment of the Fabergé CGU and inventory provisions of USD1.1 million. In addition, the Group recorded a USD27.9 million fair value loss on the revaluation of its Sedibelo investment as a result of a change in the valuation approach and the lack of appetite achieved so far in the Sedibelo sales process. During 2019, the Group recognised an impairment reversal of USD21.6 million against Kagem, fair value gains of USD7.1 million and inventory provisions of USD7.4 million.

Losses per share for the year ended 31 December 2020 were USD0.07 compared with earnings of USD0.02 in 2019, reflecting the COVID-19 induced losses on a stable weighted average number of shares in issue.

Headline losses per share were USD0.06 compared with headline earnings per share in 2019 of USD0.01.

CAPITAL EXPENDITURE

In a year that saw reduced operations and significant cash-saving measures being implemented as a result of the COVID-19 pandemic, capital expenditure was USD8.6 million, significantly lower than the USD30.8 million spent in 2019. Of the USD8.6 million, USD3.9 million was spent at MRM primarily on improvements to the IT infrastructure and the existing wash plant, with USD2.3 million spent at Nairoto on infrastructure and equipment, USD1.5 million spent on the development of the MML licence in Mozambique and USD0.9 million at Kagem, primarily on final payments on mining equipment and machinery.

Operations, Kagem Mining, Zambia

In 2019, USD20.5 million was spent at MRM, comprising USD13.2 million invested in expansion and exploration, as well as improvements to the existing wash plant, USD2.7 million in existing mining and ancillary equipment replacements, and USD4.6 million associated with the RAP. At Kagem, USD4.3 million was invested in replacement mining and ancillary equipment, particularly heavy earth-moving equipment and infrastructure improvements. The remainder of USD6.0 million was spent on development projects, mainly in Ethiopia and Mozambique.

CASH FLOWS

Cash and cash equivalents fell by USD34.4 million during the year to USD43.9 million, as COVID-19 took its toll on the Group's cash reserves.

Free cash flows

in thousands of USD	**2020**	2019
EBITDA[1]	**(30,042)**	80,892
Add back: Change in inventory	**(2,421)**	(9,255)
Taxation paid (excluding mineral royalties and export duty)	**(15,003)**	(9,692)
Capital expenditure	**(8,635)**	(30,845)
Free cash flow before working capital movements[2]	**(56,101)**	31,100

1 *Earnings before interest, taxation, depreciation and amortisation.*

2 *Free cash flow is calculated as cash flow from operating activities less sustaining and expansionary capital expenditure excluding any working capital movements. A full breakdown can be seen in Note 1: Segmental Reporting in the Condensed Consolidated Financial Statements.*

The Group utilised USD5.2 million in operations during the current financial year, as the impact of COVID-19 on revenues was only partially offset by the significant cost-cutting measures. Despite the lower revenues and losses made, the Group was still obligated to pay USD15.0 million in taxes, mainly USD13.6 million at MRM and USD1.3 million at Kagem, primarily related to the prior period's tax liabilities and advance payments required in Mozambique.

Capital expenditure was USD8.6 million, as discussed above.

As a consequence of the drastically reduced EBITDA, free cash flow before working capital movements fell to a cash outflow of USD56.1 million compared to a cash inflow of USD31.1 million in 2019. Working capital movements are an inflow of USD27.3 million and largely relate to high auction receivables following the November 2019 emerald and December 2019 ruby auctions.

Other cash flows

During the year, the Group utilised USD13.2 million in investing activities with capital expenditure of USD8.6 million and advances

Gemfields' Propriety Grading System, Kagem Mining, Zambia

made to Mwiriti, the Group's partner in Mozambique, being partially offset by interest received.

The Group's financing activities saw an outflow of USD1.1 million, driven by the USD2.0 million principal repayment of the loan held by Kagem, along with utilisation of its overdraft facilities at MRM, principal lease payments and USD3.0 million interest paid.

FINANCIAL POSITION

The Group's balance sheet is summarised below:

in thousands of USD	2020	2019
Non-current assets	**457,927**	507,399
Current assets	**198,783**	276,754
Total assets	**656,710**	784,153
Non-current liabilities	**(114,185)**	(130,059)
Current liabilities	**(59,509)**	(75,151)
Total liabilities	**(173,694)**	(205,210)
Net assets	**483,016**	578,943

Assets

in thousands of USD	2020	2019
Property, plant and equipment	**362,734**	376,913
Intangible assets	**51,461**	55,200
Unlisted investments	**29,600**	57,500
Inventory	**117,839**	110,694
Auction receivables	**8,910**	56,654
Cash and cash equivalents	**43,862**	78,218
Other assets, including deferred taxation	**42,304**	48,974
Total assets	**656,710**	784,153

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment primarily relates to the mining assets – evaluated mining properties and deferred stripping costs of USD313.4 million, with the remainder being land, buildings, plant and machinery. The USD303.9 million of evaluated mining properties relates to the recognition of the fair values of Kagem and MRM at the date that GGL acquired Gemfields Limited in July 2017. These assets are amortised on the unit-of-production basis over the life of the mine. At 31 December 2020, the carrying values of the assets were USD140.7 million at Kagem and USD163.2 million at MRM, with amortisation having ceased when production was temporarily suspended in early 2020. At 31 December 2019, the assets had carrying values of USD141.9 million and USD151.5 million, respectively.

The remaining land, buildings, plant and machinery of USD49.3 million includes mine buildings such camps, treatment plants and the sort houses, along with the heavy earth-moving machinery machinery at each operation.

INTANGIBLE ASSETS

Intangible assets of USD51.5 million consist of USD28.5 million representing the Fabergé trademarks and brand, USD22.9 million related to unevaluated mining assets across the Group and USD0.1 million of software.

In June 2020, the Group recognised a USD11.5 million impairment against the Fabergé long-lived intangibles, following an independent third-party valuation to determine fair value less costs to sell of the CGU based on a market approach using comparable company revenue multiples. See the impairment section above for further details. At 31 December 2019, the Fabergé-related intangibles were carried at USD39.9 million.


Operations, Kagem Mining, Zambia

Other intangibles consist of unevaluated mining assets of USD22.9 million being spent on the exploration and evaluation assets in Ethiopia and Mozambique (MML, ERM and Nairoto). The balance increased in the year from USD15.0 million in 2019, as work continued at MML, ERM and Nairoto until April 2020, when all operations were suspended because of COVID-19.

LISTED AND UNLISTED INVESTMENTS

The Group holds an equity interest in Sedibelo, a producer of platinum group metals with interests in the Bushveld Complex in South Africa. The Sedibelo valuation as at 31 December 2020 of USD29.6 million is after a fair value loss of USD27.9 million, discussed in detail earlier in this report.

In 2019, the Group's listed investment represented the 7.44% holding in Jupiter, which was sold for USD30.4 million.

INVENTORY

in thousands of USD	2020	2019
Rough emeralds and beryl	**39,290**	45,525
Rough rubies and corundum	**31,639**	22,277
Fabergé jewellery and watches	**33,413**	30,743
Cut and polished product	**5,616**	5,409
Spares and consumables	**7,881**	6,740
Total	**117,839**	110,694

The USD7.1 million increase in inventory primarily reflects higher inventory levels at MRM and Fabergé being offset by a fall in inventory at Kagem. At MRM, with no auctions being held throughout 2020, the increase of USD9.4 million represents production until operations were suspended in April 2020. Fabergé inventory reflects current purchases that have yet to be sold and is after an impairment loss of USD1.1 million, which primarily arose on slow-moving stock items written down to their net realisable value at 31 December 2020. At Kagem, the inventory sold at the February 2020 CQ and mini-auctions during the year exceeded production from the first three months of the year before operations were suspended resulting in a reduction of USD6.2 million.

The value of rough gemstone inventory held at net realisable value of USD0.8 million principally relates to by-products and direct sale material that is not sold at auction.

AUCTION RECEIVABLES

The auction receivables outstanding of USD8.9 million at 31 December 2020 principally relate to the emerald virtual auctions held in November and December 2020. The full outstanding amounts were received by 22 March 2021. The USD56.7 million at 31 December 2019 related to the December 2019 ruby auction and November 2019 emerald auction and was all received during 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. 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. In December 2020, the Group sold the goods from this defaulted auction package to a different customer for the same price. At 31 December 2020, a receivable of USD1.0 million remained outstanding in relation to this sale and as at the date of these financial statements, the full balance had been paid.

OTHER ASSETS

Other assets of USD42.3 million (2019: USD49.0 million) consist of USD13.7 million of VAT receivables across the Group, deferred tax assets of USD3.0 million related to losses incurred at Kagem and MRM during 2020, related party receivables of USD6.7 million, trade receivables at Fabergé of USD4.1 million, other receivables including prepayments of USD10.6 million and a current tax receivable of USD4.2 million at MRM. The major movements in the year come from the fall in VAT receivables as amounts were set off against other taxes at Kagem, whilst MRM received some cash refunds. The related party receivable from Mwiriti also reduced during the year. Offsetting these changes was the recognition of the USD4.2 million tax receivable at MRM relating to advance payments for 2020, which can only be offset against other taxes once approval is granted – MRM are looking to obtain the necessary permissions.

Liabilities

in thousands of USD	2020	2019
Deferred tax liabilities	**79,236**	92,177
Borrowings	**56,505**	52,827
Provisions	**7,631**	9,423
Trade and other payables	**17,303**	29,850
Current tax payable	**4,274**	16,282
Other liabilities, including lease liabilities	**8,745**	4,651
Total liabilities	**173,694**	205,210

DEFERRED TAX LIABILITIES

The deferred tax liabilities arise from the evaluated mining property and inventory at Kagem and MRM recognised on the IFRS 3 *Business combinations* fair value uplift on acquisition of Gemfields Limited by the former Pallinghurst Resources Limited (now Gemfields Group Limited) in 2017.

PROVISIONS

Provisions include USD2.0 million of environmental provisions for the rehabilitation and restoration of mined areas at Kagem and MRM; the Resettlement Action Plan ("RAP") provision at MRM of USD1.1 million and USD4.5 million other provisions for future legal claims and employee end-of-contract benefits. The RAP provision relates to MRM's obligation to compensate the households and other land users who are physically or economically displaced by the proposed mining in its concession area, in accordance with local legislative requirements. As the RAP was almost complete at 31 December 2020, the balance owing for the construction reduced. End-of-contract benefits are payable in more than one year's time for some of the Group's employees who are on fixed-term contracts and are calculated based on their legal and contractual benefits.

TRADE AND OTHER PAYABLES

Trade and other payables have fallen, reflecting the suspension of principal operations and limited activity in 2020 compared to 2019.

CURRENT TAX PAYABLE

The current tax payable of USD4.3 million consists of USD2.3 million payable by MRM and USD2.0 million payable by Kagem. Both amounts relate to the final tax payments for the 2019 year end that remained outstanding as the Group negotiated COVID-19. In respect of MRM, advance payments on account for 2020 were made of USD4.2 million. These cannot be offset against outstanding tax liabilities without authorisation. MRM are looking to obtain the relevant approvals to offset these amounts.

OTHER LIABILITIES

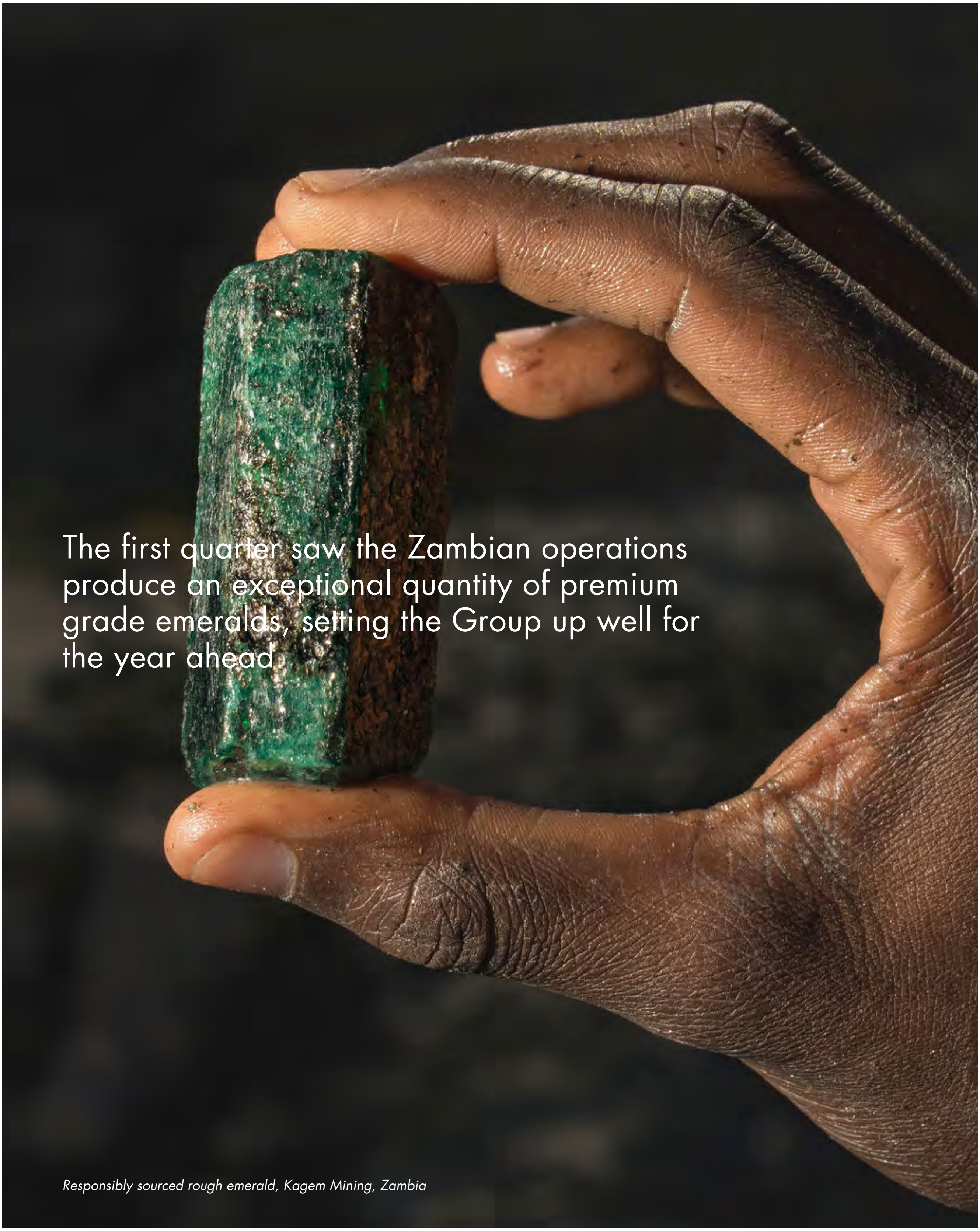
Other liabilities include USD3.7 million of lease liabilities related to property leases held at various entities across the Group. The balance also includes a USD5.0 million payable due to the Group's partner in Nairoto, Mwiriti Ltda, in relation to operating and capital expenses incurred on behalf of Nairoto before control of the 12 mining licences passed to the Group.

BORROWINGS AND NET DEBT

in thousands of USD	2020	2019
Cash and cash equivalents	**43,862**	78,218
Current borrowings	**(33,005)**	(24,827)
Non-current borrowings	**(23,500)**	(28,000)
Net/(debt) cash	**(12,643)**	25,391

The fall in cash and cash equivalents to USD43.9 million reflects the significant reduction in revenues resulting from the impacts of COVID-19.

At 31 December 2020, the Group held USD56.5 million in borrowings, a slight increase from 2019 of USD3.7 million. These financing facilities are used to support the working capital and other



Responsibly sourced rough emerald, Kagem Mining, Zambia funding requirements of the Group, and to sustain its operations, as well as any planned growth and expansion.

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 that has an initial three-year term but is extendable for an additional two years upon agreement by both parties. Both facilities bear interest at three-month USD LIBOR plus 5.5% per annum. Following the repayment of USD2.0 million in December 2020, the facility stood at USD28.0 million at 31 December 2020 with USD4.5 million being payable in December 2021.

Kagem has received a waiver of all financial covenants contained within the ABSA Zambia loan agreements for the 31 December 2020 measurement date. Based on the current period forecasts, as discussed in the Going Concern section, in the event that the revenue targets are achieved, it is expected that there will be no breach of the covenants that are to be measured in December 2021.

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 USD LIBOR plus 4.0% per annum. At 31 December 2020, USD14.2 million (31 December 2019: USD12.9 million) was drawn. The facility is renewed annually with the next renewal expected in December 2021.
- 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 USD LIBOR plus 3.75% per annum. At 31 December 2020, USD14.3 million (31 December 2019: USD10.0 million) was drawn. The facility is renewed annually with the next renewal expected in September 2021.
- In March 2021, BCI granted a new USD8.9 million facility to MRM on similar interest rates to the USD15 million overdraft facility discussed above. Under the new facility USD8.9 million can be drawn immediately but must be paid back by the next auction or within six months of drawdown, whichever is the earliest. Upon repayment, MRM, with agreement from the bank, will then have access to a four-year facility of USD15 million to use for working capital purposes.

For an analysis of the outstanding facility liabilities at year-end, see Note 6: *Borrowings* in the Condensed Consolidated Financial Statements.

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 to have, an adverse impact on the Group's operations, customers and suppliers.

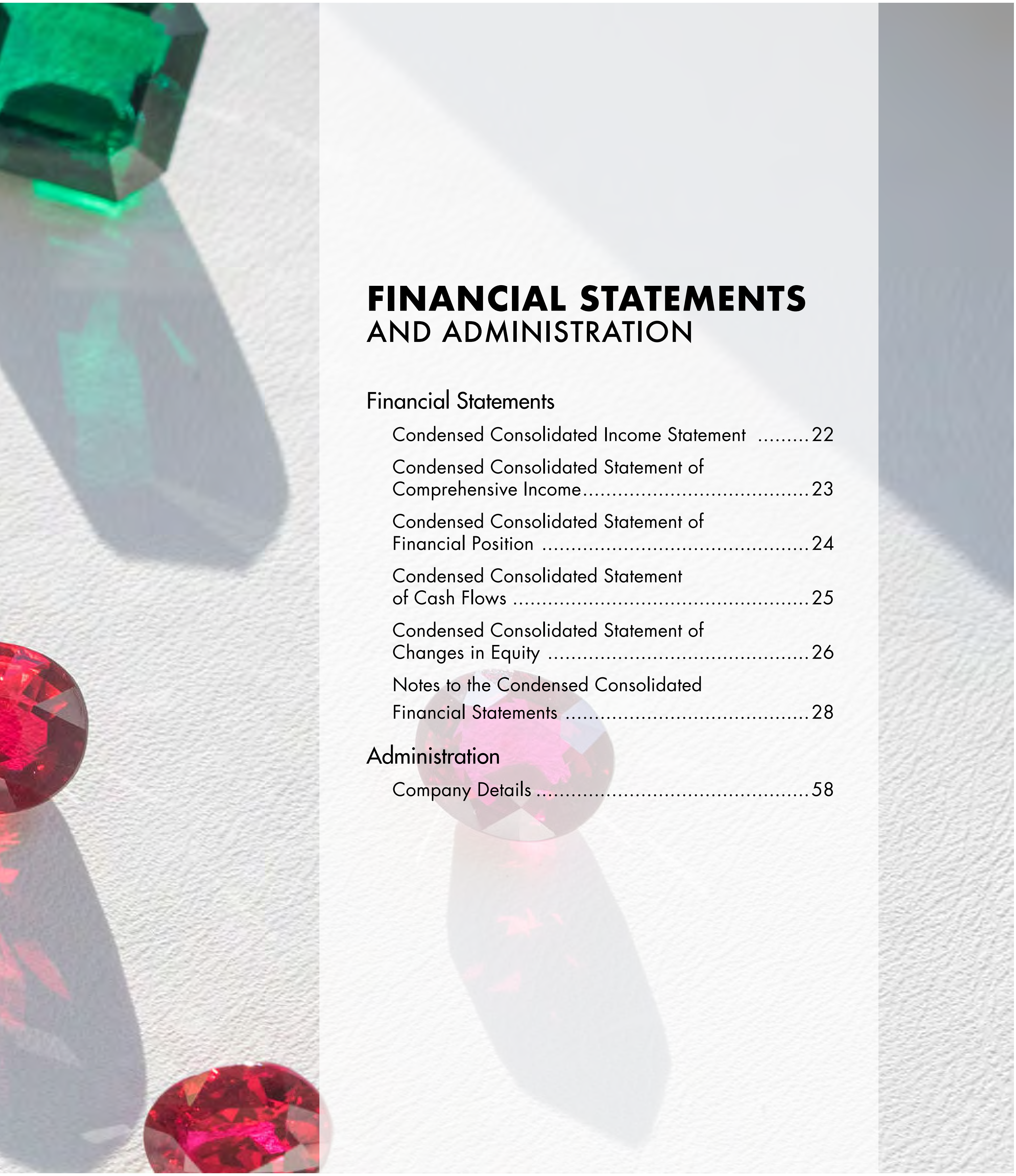
The critical assumption for the Group is the timing of cash inflows from its emerald and ruby auctions and continued support from the Group's lenders. Subject to continued support from the Group's lenders and also achieving the anticipated level of revenues from online or traditional auctions, the Group is expected to be able to continue to meet its obligations as they fall due for a period of at least twelve months from the date of this report. The Group's expectation is that, if needed, it will draw down on all existing borrowing facilities and that all of its existing debt facilities will remain in place throughout the forecast period.

However, as disclosed in Note 10: *Going Concern* of the Condensed Consolidated Financial Statements, there is a risk that the planned auctions fetch lower than expected revenues or that lenders withdraw their support. In this case, the Group would would seek to initiate various cost-saving initiatives and will seek to secure continued funding from current lenders, 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 Condensed Consolidated Financial Statements on a going-concern basis.

David Lovett
Chief Financial Officer
29 March 2021

Responsibly sourced cut and polished Zambian emeralds and Mozambican rubies

Gemfields' focus during 2020 was centred on cash preservation given the pandemic's impact on the Group's ability to generate revenue.



FINANCIAL STATEMENTS AND ADMINISTRATION

Financial Statements

Administration

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

	Notes	**2020 USD'000**	2019 USD'000
Revenue	1	34,567	216,233
Cost of sales		(59,064)	(124,683)
Gross (loss)/profit		**(24,497)**	**91,550**
Unrealised fair value (losses)/gains	4	(27,900)	7,053
Other gains and income		198	8,464
Selling, general and administrative expenses		(29,706)	(56,773)
Impairment (charges)/reversal	2,3	(11,500)	21,559
(Loss)/profit from operations		**(93,405)**	**71,853**
Finance income		419	787
Finance costs		(6,216)	(5,267)
Net finance costs		**(5,797)**	**(4,480)**
(Loss)/profit before taxation		**(99,202)**	**67,373**
Taxation		5,975	(28,242)
NET (LOSS)/PROFIT AFTER TAXATION		**(93,227)**	**39,131**
(Loss)/profit for the year attributable to:			
Owners of the parent		(85,282)	28,369
Non-controlling interest		(7,945)	10,762
		(93,227)	**39,131**
(Loss)/earnings per share attributable to the parent:			
Basic – USD	7	**(0.07)**	**0.02**
Diluted – USD	7	**(0.07)**	**0.02**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020 USD'000	2019 USD'000
(Loss)/profit after taxation	(93,227)	39,131
Other comprehensive income:		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange gain arising on translation of foreign operations	2,905	2,445
Total other comprehensive income	**2,905**	**2,445**
TOTAL COMPREHENSIVE (LOSS)/INCOME	**(90,322)**	**41,576**
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(82,343)	30,814
Non-controlling interest	(7,979)	10,762
	(90,322)	**41,576**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	Notes	2020 USD'000	2019 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	362,734	376,913
Intangible assets	3	51,461	55,200
Unlisted equity investments	4	29,600	57,500
Deferred tax assets		3,029	7,227
Other non-current assets		11,103	10,559
Total non-current assets		**457,927**	**507,399**
Current assets			
Inventory	5	117,839	110,694
Current tax receivable		4,175	–
Trade and other receivables		32,907	87,842
Cash and cash equivalents		43,862	78,218
Total current assets		**198,783**	**276,754**
Total assets		**656,710**	**784,153**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		79,236	92,177
Borrowings	6	23,500	28,000
Lease liabilities		2,836	3,570
Provisions		3,613	6,312
Other non-current liabilities		5,000	–
Total non-current liabilities		**114,185**	**130,059**
Current liabilities			
Trade and other payables		17,303	29,850
Current tax payable		4,274	16,282
Borrowings	6	33,005	24,827
Lease liabilities		909	1,081
Provisions		4,018	3,111
Total current liabilities		**59,509**	**75,151**
Total liabilities		**173,694**	**205,210**
Net assets		**483,016**	**578,943**
EQUITY			
Share capital		11	12
Share premium		488,294	511,833
Treasury shares		–	(10)
Reserve for own shares		–	(23,319)
Cumulative translation reserve		4,424	1,485
Option reserve		7,929	6,985
Retained (deficit)		(88,085)	(2,725)
Attributable to equity holders of the parent		**412,573**	**494,261**
Non-controlling interest		70,443	84,682
Total equity		**483,016**	**578,943**

The Condensed Consolidated Financial Statements were approved and authorised for issue by the Directors on 29 March 2021 and were signed on their behalf by:

David Lovett
Director

Sean Gilbertson
Director

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020 USD'000	2019 USD'000
Cash flow from operating activities		
(Loss)/profit before taxation	(99,202)	67,373
Adjustments for		
Unrealised fair value losses/(gains)	27,900	(7,137)
Realised fair value gains	–	(4,645)
Dividend income	–	(2,582)
Depreciation and amortisation	21,023	34,827
Impairment charges/(reversals) and other provisions	13,511	(19,411)
Share-based payments	944	1,693
Other	(15)	(19)
Finance income	(419)	(787)
Finance expense	6,216	5,267
(Decrease)/increase in trade and other payables	(18,162)	7,583
Decrease/(increase) in trade and other receivables	49,829	(24,748)
Increase in inventory	(6,192)	(11,457)
(Decrease)/increase in provisions	(596)	423
Cash (utilised in)/generated from operations	**(5,163)**	**46,380**
Tax paid	(15,003)	(9,692)
Net cash (utilised in)/generated from operating activities	**(20,166)**	**36,688**
Cash flows from investing activities		
Purchase of intangible assets	(3,058)	(3,065)
Purchases of property, plant and equipment	(5,577)	(27,780)
Interest received	419	787
Dividends received from Jupiter	–	2,582
Proceeds from Jupiter disposal	–	30,359
Investments in subsidiary entities	(107)	–
Cash advances and loans made to related parties	(5,036)	(7,079)
Proceeds from disposal of investments	163	2,300
Net cash utilised in investing activities	**(13,196)**	**(1,896)**
Cash flows from financing activities		
Cash paid in Group share buy-back programme	(213)	(14,439)
Proceeds from borrowings	41,229	52,826
Repayment of borrowings	(37,548)	(53,170)
Principal elements of lease payments	(1,511)	(696)
Interest paid	(3,037)	(4,084)
Net cash utilised in financing activities	**(1,080)**	**(19,563)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(34,442)	15,229
Cash and cash equivalents at the beginning of the year	78,218	62,988
Net foreign exchange gain on cash	86	1
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43,862	78,218

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 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 (deficit)/ 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 year	–	–	–	–	–	–	(85,282)	**(85,282)**	(7,945)	**(93,227)**
Other comprehensive income/(loss)	–	–	–	–	2,939	–	–	**2,939**	(34)	**2,905**
Total comprehensive income/(loss)	–	–	–	–	2,939	–	(85,282)	**(82,343)**	(7,979)	**(90,322)**
Shares bought back during the year, net of transaction costs	–	–	(213)	–	–	–	–	**(213)**	–	**(213)**
Shares cancelled during the year	(1)	(23,539)	223	23,319	–	–	–	**2**	–	**2**
Share options recognised during the year	–	–	–	–	–	944	–	**944**	–	**944**
Dividends declared to non-controlling interest of Montepuez Ruby Mining	–	–	–	–	–	–	–	**–**	(6,250)	**(6,250)**
Increase in shareholding of Eastern Ruby Mining Limitada	–	–	–	–	–	–	(78)	**(78)**	(10)	**(88)**
Total contributions by and distributions to owners	(1)	(23,539)	10	23,319	–	944	(78)	**655**	(6,260)	(5,605)
Balance at 31 December 2020	**11**	**488,294**	**–**	**–**	**4,424**	**7,929**	**(88,085)**	**412,573**	**70,443**	**483,016**

The accompanying notes form part of these Financial Statements.

	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 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 year	–	–	–	–	–	–	28,369	**28,369**	10,762	**39,131**
Other comprehensive income	–	–	–	–	2,445	–	–	**2,445**	–	**2,445**
Total comprehensive income	–	–	–	–	2,445	–	28,369	**30,814**	10,762	**41,576**
Shares bought back during the year, net of transaction costs	–	–	(14,439)	–	–	–	–	**(14,439)**	–	**(14,439)**
Shares cancelled during the year	(2)	(19,774)	19,774	–	–	–	–	**(2)**	–	**(2)**
Share options recognised during the year	–	–	–	–	–	1,693	–	**1,693**	–	**1,693**
Share options lapsed/ forfeited during the year	–	–	–	–	–	(182)	182	**–**	–	**–**
Total contributions by and distributions to owners	(2)	(19,774)	5,335	–	–	1,511	182	**(12,748)**	–	(12,748)
Balance at 31 December 2019	**12**	**511,833**	**(10)**	**(23,319)**	**1,485**	**6,985**	**(2,725)**	**494,261**	**84,682**	**578,943**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. SEGMENTAL REPORTING

The chief operating decision maker for the Group has been determined to be Executive Management, who measures the performance of each operating segment on a regular basis in order to allocate resources efficiently.

The Group's segmental reporting reflects the business focus of the Group. The Group has been organised into geographic and business units based on its products and services and has five operating and reportable segments:

- Zambia (emerald and beryl mining activities);
- Mozambique (ruby and corundum and gold mining activities);
- 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, sales and marketing offices).

Prior period included:

- Steel Making Materials (the Group's investment in Jupiter Mines Limited, which was sold in 2019).

The reporting on these assets to management focuses on revenue, operating costs, EBITDA, key balance sheet lines and free cash flow (as defined further below).

1. SEGMENTAL REPORTING/CONTINUED

Income Statement

1 January 2020 to 31 December 2020	Zambia USD'000	Mozambique USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs[7] USD'000	**Total USD'000**
Rough gemstones[1]	22,300	–	2	–	4,685	–	**26,987**
Jewellery	–	–	–	7,144	–	–	**7,144**
Cut and polished	–	–	109	–	327	–	**436**
Revenue[2]	**22,300**	**–**	**111**	**7,144**	**5,012**	**–**	**34,567**
Mineral royalties and production taxes	(1,665)	–	–	–	–	–	**(1,665)**
Marketing, management and auction costs	(2,788)	–	2,788	–	–	–	**–**
Change in inventory and cost of sales	(2,024)	12,269	(93)	(3,269)	(4,462)	–	**2,421**
Mining and production costs[3]	(18,370)	(19,350)	–	–	–	–	**(37,720)**
Selling, general and administrative costs[4]	(3,384)	(3,880)	(11,846)	(7,289)	(1,429)	–	**(27,828)**
Other income[5]	95	6	14	–	68	–	**183**
EBITDA	**(5,836)**	**(10,955)**	**(9,026)**	**(3,414)**	**(811)**	**–**	**(30,042)**
Unrealised fair value gains/(losses)	–	–	15	–	–	(27,900)	**(27,885)**
Depreciation and amortisation	(7,117)	(12,457)	(731)	(662)	(56)	–	**(21,023)**
Share-based payments	–	–	(944)	–	–	–	**(944)**
Impairment charges[6]	–	(76)	(757)	(12,578)	(100)	–	**(13,511)**
(Loss) from operations	**(12,953)**	**(23,488)**	**(11,443)**	**(16,654)**	**(967)**	**(27,900)**	**(93,405)**
Finance income	–	296	109	–	14	–	**419**
Finance costs	(3,271)	(1,976)	(424)	(536)	(9)	–	**(6,216)**
Taxation credit/(charge)	3,045	8,829	(158)	(4,130)	(1,611)	–	**5,975**
(Loss) after taxation	**(13,179)**	**(16,339)**	**(11,916)**	**(21,320)**	**(2,573)**	**(27,900)**	**(93,227)**

1 *During 2020, Kagem held one commercial-quality emerald auction, in Lusaka, Zambia, in February, realising revenues of USD11.4 million. Additionally, in November and December 2020, Kagem held a series of mini-auctions, which realised total revenues of USD10.9 million. MRM held no auctions during 2020.*
2 *Revenues have been recognised at one point in time, as control passes to the customer. No third-party customer accounted for more than 10% of sales during 2020.*
3 *Excluding mineral royalties and production taxes and inventory impairments.*
4 *Excluding share-based payments and other provisions.*
5 *Excludes other unrealised fair value gains on other equity investments.*
6 *Including inventory and other impairments and provisions recorded in the year.*
7 *Other – PGMs includes the Group's investment in Sedibelo. The investment does not meet the definition of a reportable segment in accordance with IFRS 8 Operating Segments as the Group does not earn revenues from this equity holding. Going forward, Executive Management will include Sedibelo within the Other operating segment, with the disclosures in this note updated accordingly.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. SEGMENTAL REPORTING/CONTINUED

Income Statement

1 January 2019 to 31 December 2019	Zambia USD'000	Mozambique USD'000	Steel Making Materials USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs[6] USD'000	**Total USD'000**
Rough gemstones[1]	78,965	121,524	–	–	–	3,595	–	**204,084**
Jewellery	–	–	–	4	10,517	–	–	**10,521**
Cut and polished	–	–	–	811	–	817	–	**1,628**
Revenue[2]	78,965	121,524	–	815	10,517	4,412	–	**216,233**
Mineral royalties and production taxes	(4,982)	(12,123)	–	–	–	–	–	**(17,105)**
Export duty on Zambian emeralds	(12,440)	–	–	–	–	–	–	**(12,440)**
Marketing, management and auction costs	(9,870)	(15,069)	–	24,939	–	–	–	**–**
Change in inventory and cost of sales	8,437	8,957	–	(1,018)	(7,307)	186	–	**9,255**
Mining and production costs[3]	(35,850)	(27,271)	–	(780)	(29)	574	–	**(63,356)**
Selling, general and administrative costs[4]	(5,949)	(9,580)	–	(27,632)	(9,655)	(116)	–	**(52,932)**
Other income	163	253	–	258	1	562	–	**1,237**
EBITDA	**18,474**	**66,691**	**–**	**(3,418)**	**(6,473)**	**5,618**	**–**	**80,892**
Dividend income	–	–	2,582	–	–	–	–	**2,582**
Realised fair value gains	–	–	4,645	–	–	–	–	**4,645**
Unrealised fair value gains	–	–	–	–	–	–	7,053	**7,053**
Depreciation and amortisation	(13,440)	(19,077)	–	(597)	(1,657)	(56)	–	**(34,827)**
Share-based payments	–	–	–	(1,693)	–	–	–	**(1,693)**
Impairment reversal/(charges)[5]	20,824	(250)	–	–	(6,210)	(1,163)	–	**13,201**
Profit/(loss) from operations	**25,858**	**47,364**	**7,227**	**(5,708)**	**(14,340)**	**4,399**	**7,053**	**71,853**
Finance income	–	32	–	1,193	–	(438)	–	**787**
Finance costs	(4,135)	(1,169)	–	–	2,486	(2,449)	–	**(5,267)**
Taxation (charge)/credit	(13,305)	(15,551)	–	(473)	1,538	(451)	–	**(28,242)**
Profit/(loss) after taxation	**8,418**	**30,676**	**7,227**	**(4,988)**	**(10,316)**	**1,061**	**7,053**	**39,131**

1 *In 2019, Kagem held two higher-quality emerald auctions in Singapore in May and November, generating revenues of USD22.4 million and USD27.2 million, respectively. Kagem also held two commercial-quality emerald auctions in Lusaka, Zambia, in February and August 2019, realising total revenue of USD29.4 million. MRM held two mixed-quality auctions in 2019, in Singapore in June and December, generating USD121.5 million.*
2 *Revenues have been recognised at one point in time, as control passes to the customer. No third-party customer accounted for more than 10% of sales during 2019.*
3 *Excluding mineral royalties and production taxes, export duty on Zambian emeralds, and inventory impairments.*
4 *Excluding share-based payments.*
5 *Including inventory and other impairments and provisions recorded in the year.*
6 *Other – PGMs includes the Group's investment in Sedibelo. The investment does not meet the definition of a reportable segment in accordance with IFRS 8 Operating Segments as the Group does not earn revenues from this equity holding. Going forward, Executive Management will include Sedibelo within the Other operating segment, with the disclosures in this note updated accordingly.*

1. SEGMENTAL REPORTING/CONTINUED

Change in inventory and cost of sales

1 January 2020 to 31 December 2020	Zambia USD'000	Mozambique USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs USD'000	**Total USD'000**
Change in inventory and cost of sales	**(2,024)**	**12,269**	**(93)**	**(3,269)**	**(4,462)**	**–**	**2,421**
Split between:							
Mining and production costs capitalised[1]	6,973	8,500	–	–	–	–	**15,473**
Depreciation capitalised	1,892	3,769	–	–	–	–	**5,661**
Cost of goods sold	(10,889)	–	(93)	(3,269)	(4,462)	–	**(18,713)**
	(2,024)	**12,269**	**(93)**	**(3,269)**	**(4,462)**	**–**	**2,421**

1 *Mining and production costs capitalised to inventory exclude security costs, which are not determined to be direct costs of production.*

1 January 2019 to 31 December 2019	Zambia USD'000	Mozambique USD'000	Steel Making Materials USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs USD'000	**Total USD'000**
Change in inventory and cost of sales	**8,437**	**8,957**	**–**	**(1,018)**	**(7,307)**	**186**	**–**	**9,255**
Split between:								
Mining and production costs capitalised[1]	31,176	23,180	–	–	–	–	–	**54,356**
Depreciation capitalised	5,574	11,819	–	–	–	–	–	**17,393**
Cost of goods sold	(28,313)	(26,042)	–	(1,018)	(7,307)	186	–	**(62,494)**
	8,437	**8,957**	**–**	**(1,018)**	**(7,307)**	**186**	**–**	**9,255**

1 *Mining and production costs capitalised to inventory exclude security costs, which are not determined to be direct costs of production.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

1. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

31 December 2020	Zambia USD'000	Mozambique USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs[3] USD'000	**Total USD'000**
Mining asset	140,695	163,178	–	–	–	–	**303,873**
Property, plant and equipment, and intangibles	17,400	47,099	4,998	30,167	10,658	–	**110,322**
Listed and unlisted investments	–	–	1,309	–	–	29,600	**30,909**
Operating assets[1]	48,177	61,371	12,420	38,059	4,688	–	**164,715**
Cash and cash equivalents	6,025	745	34,452	1,183	1,457	–	**43,862**
Segment assets	**212,297**	**272,393**	**53,179**	**69,409**	**16,803**	**29,600**	**653,681**
Deferred tax asset							**3,029**
Total assets							**656,710**
Borrowings	28,000	28,505	–	–	–	–	**56,505**
Operating liabilities[2]	8,452	19,435	4,515	4,360	1,191	–	**37,953**
Segment liabilities	**36,452**	**47,940**	**4,515**	**4,360**	**1,191**	**–**	**94,458**
Deferred tax liability							**79,236**
Total liabilities							**173,694**
Net (debt)/cash	**(21,975)**	**(27,760)**	**34,452**	**1,183**	**1,457**	**–**	**(12,643)**

1 *Operating assets include inventory, current and non-current trade and other receivables and current tax assets.*

2 *Operating liabilities include trade and other payables, lease liabilities, provisions and current tax liabilities.*

3 *Other – PGMs includes the Group's investment in Sedibelo. The investment does not meet the definition of a reportable segment in accordance with IFRS 8* Operating Segments *as the Group does not earn revenues from this equity holding. Going forward, Executive Management will include Sedibelo within the Other operating segment, with the disclosures in this note updated accordingly.*

1. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

31 December 2019	Zambia USD'000	Mozambique USD'000	Steel Making Materials USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs[3] 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	–	–	–	1,455	–	–	57,500	**58,955**
Operating assets[1]	60,404	89,112	–	10,450	35,775	2,795	–	**198,536**
Other assets	–	5,323	–	3,000	81	700	–	**9,104**
Cash and cash equivalents	4,925	22,272	–	49,100	758	1,163	–	**78,218**
Segment assets	**229,527**	**333,897**	**–**	**66,787**	**78,684**	**10,531**	**57,500**	776,926
Deferred tax asset								7,227
Total assets								**784,153**
Borrowings	30,000	22,827	–	–	–	–	–	**52,827**
Operating liabilities[2]	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**

1 *Operating assets include inventory and current and non-current trade and other receivables.*

2 *Operating liabilities include trade and other payables, lease liabilities, provisions and current tax liabilities.*

3 *Other – PGMs includes the Group's investment in Sedibelo. The investment does not meet the definition of a reportable segment in accordance with IFRS 8* Operating Segments *as the Group does not earn revenues from this equity holding. Going forward, Executive Management will include Sedibelo within the Other operating segment, with the disclosures in this note updated accordingly.*

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

for the year ended 31 December 2020

1. SEGMENTAL REPORTING/CONTINUED

Statement of Cash Flows

1 January 2020 to 31 December 2020	Zambia USD'000	Mozambique USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs USD'000	**Total USD'000**
Revenue	22,300	–	111	7,144	5,012	–	**34,567**
Operating costs and cost of sales[1]	(25,348)	(10,955)	(11,925)	(10,558)	(5,823)	–	**(64,609)**
Marketing, management and auction costs	(2,788)	–	2,788	–	–	–	**–**
EBITDA	**(5,836)**	**(10,955)**	**(9,026)**	**(3,414)**	**(811)**	**–**	(30,042)
Add back: Change in inventory	2,024	(12,269)	93	3,269	4,462	–	(2,421)
Tax paid	(1,333)	(13,642)	–	–	(28)	–	(15,003)
Capital expenditure	(899)	(7,605)	(10)	(121)	–	–	(8,635)
Free cash flow before working capital movements	**(6,044)**	**(44,471)**	**(8,943)**	**(266)**	**3,623**	**–**	(56,101)
Working capital movements[2]	11,105	25,546	1,851	(4,787)	(6,415)	–	27,300
Free cash flow	**5,061**	(18,925)	(7,092)	(5,053)	(2,792)	**–**	(28,801)
Cash generated from/(utilised in) operations	7,293	2,322	(7,082)	(4,932)	(2,764)	–	(5,163)
Tax paid	(1,333)	(13,642)	–	–	(28)	–	(15,003)
Capital expenditure	(899)	(7,605)	(10)	(121)	–	–	(8,635)
Free cash flow	**5,061**	(18,925)	(7,092)	(5,053)	(2,792)	**–**	(28,801)

1 *Excluding share-based payments, inventory impairments and other provisions.*
2 *Includes movements relating to inventory purchases and excludes VAT refunds.*

1. SEGMENTAL REPORTING/CONTINUED

Statement of Cash Flows

1 January 2019 to 31 December 2019	Zambia USD'000	Mozambique USD'000	Steel Making Materials USD'000	Corporate USD'000	Fabergé USD'000	Other USD'000	Other – PGMs USD'000	**Total USD'000**
Revenue	78,965	121,524	–	815	10,517	4,412	–	**216,233**
Operating costs and cost of sales[1]	(50,621)	(39,764)	–	(29,172)	(16,990)	1,206	–	**(135,341)**
Marketing, management and auction costs	(9,870)	(15,069)	–	24,939	–	–	–	**–**
EBITDA	**18,474**	**66,691**	**–**	**(3,418)**	**(6,473)**	**5,618**	**–**	**80,892**
Add back: Change in inventory	(8,437)	(8,957)	–	1,018	7,307	(186)	–	**(9,255)**
Tax paid	(1,939)	(7,753)	–	–	–	–	–	**(9,692)**
Capital expenditure	(4,330)	(25,411)	–	–	–	(1,104)	–	**(30,845)**
Free cash flow before working capital movements	**3,768**	**24,570**	**–**	**(2,400)**	**834**	**4,328**	**–**	**31,100**
Working capital movements[2]	361	(10,698)	–	(6,140)	(4,271)	(4,509)	–	**(25,257)**
Free cash flow	**4,129**	**13,872**	**–**	**(8,540)**	**(3,437)**	**(181)**	**–**	**5,843**
Cash generated from operations	10,398	47,036	–	(8,540)	(3,437)	923	–	**46,380**
Tax paid	(1,939)	(7,753)	–	–	–	–	–	**(9,692)**
Capital expenditure	(4,330)	(25,411)	–	–	–	(1,104)	–	**(30,845)**
Free cash flow	**4,129**	**13,872**	**–**	**(8,540)**	**(3,437)**	**(181)**	**–**	**5,843**

1 *Excluding 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 year ended 31 December 2020

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings USD'000	Plant, machinery and vehicles USD'000	Fixtures, fittings and office equipment USD'000	Evaluated mining properties USD'000	Deferred stripping costs USD'000	Total USD'000
Cost						
At 1 January 2019	24,621	36,755	5,875	349,278	11,623	428,152
Additions	8,132	16,999	869	–	–	26,000
Disposals	–	(1,250)	–	(860)	–	(2,110)
Foreign exchange differences	18	–	162	–	–	180
At 31 December 2019	32,771	52,504	6,906	348,418	11,623	452,222
Additions	1,525	3,612	1,236	618	–	**6,991**
Disposals	–	(30)	(1)	–	–	**(31)**
Foreign exchange differences	47	–	324	–	–	**371**
At 31 December 2020	**34,343**	**56,086**	**8,465**	**349,036**	**11,623**	**459,553**
Accumulated depreciation						
At 1 January 2019	1,116	11,501	2,956	45,963	1,602	63,138
Provided during the year	2,987	12,664	1,633	17,038	312	34,634
Disposals	–	(1,120)	–	–	–	(1,120)
Impairment reversals	–	–	–	(21,559)	–	(21,559)
Foreign exchange differences	18	–	198	–	–	216
At 31 December 2019	4,121	23,045	4,787	41,442	1,914	75,309
Provided during the year	3,571	12,618	1,088	3,729	154	**21,160**
Disposals	–	(24)	–	–	–	**(24)**
Foreign exchange differences	47	–	327	–	–	**374**
At 31 December 2020	**7,739**	**35,639**	**6,202**	**45,171**	**2,068**	**96,819**
Carrying value						
At 31 December 2019	28,650	29,459	2,119	306,976	9,709	376,913
At 31 December 2020	**26,604**	**20,447**	**2,263**	**303,865**	**9,555**	**362,734**

2. PROPERTY, PLANT AND EQUIPMENT/CONTINUED

Evaluated mining properties relate to mining licences held mainly at Kagem and MRM and the Group fair value adjustments from the 2017 acquisition.

Deferred stripping costs relate to Kagem.

Included within land and buildings are right-of-use assets with a cost of USD5.6 million (2019: USD5.4 million) and associated accumulated depreciation of USD2.3 million (2019: USD1.0 million). Right-of-use assets mostly relate to property leases held in the Group's various operating locations.

On 13 December 2019, the Government of the Republic of Zambia enacted into law the indefinite suspension of the 15% export duty effective prospectively from 1 January 2020. As a result, the recoverable amount of the Kagem CGU was recalculated, leading to a USD21.6 million reversal of the previously recognised impairment at 31 December 2019.

FY20 Impairment review of Kagem and MRM

At 31 December 2020, the Group's market capitalisation based on the share price of ZAR1.35 was USD107.7 million. This is USD375.3 million below the Group's net asset value (consistent with the previous years), which under IAS 36 represents an impairment indicator. Whilst the Gemfields Group is not considered a cash-generating unit, the existence of this impairment indicator implies that an impairment indicator may also exist at one of the Group's CGUs. As a result, an impairment review has been performed on the mining CGUs at 31 December 2020.

A primary factor when considering impairment is the impact of COVID-19 on both assets.

MRM:

- All but critical operations at MRM were suspended from 22 April 2020 until March 2021, when the wash plant and sort house operations restarted, processing existing stockpiles. Full-scale mining operations are expected to begin in early April 2021.
- MRM presently has sufficient inventory to support one mixed-quality ruby auction. A series of smaller auctions using this inventory is taking place in March and April 2021.
- All significant capital expenditure projects, including the second ore treatment plant, remain postponed for the foreseeable future.

KAGEM:

- Principal operations at Kagem were suspended from 30 March 2020, putting on hold a period of excellent premium emerald production. Given prevailing circumstances, principal operations were suspended until the wash plant restarted on 17 March 2021, with full-scale mining expected to start on 1 April 2021.
- Kagem presently has sufficient inventory to support one higher-quality and one commercial-quality emerald auction.
- All significant capital expenditure projects remain postponed for the foreseeable future.

A significant consideration was the impact of COVID-19 on the wider gemstone market and whether this would have had an impact on gemstone prices. A fall in emerald or ruby market prices would have a material impact on the recoverable values of the respective assets. In respect of emeralds, the market has been tested and demand generally remains strong. The robust prices achieved at Kagem's mini-auctions held in November and December 2020, along with feedback on competitor auctions held in February 2021, provide confidence in the downstream market. The results of the Kagem emerald mini-auction saw price increases for almost every grade with only four auction lots being held back, despite the size and nature of the auctions not necessarily being representative of an auction that would have taken place under normal market conditions. Kagem's next series of mini-auctions commenced in March 2021 and will run through to 17 April 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

2. PROPERTY, PLANT AND EQUIPMENT/CONTINUED

MRM is also running their inaugural series of mini-auctions from 15 March to 8 April 2021. With no significant quantity of rubies being offered to the market since the last MRM auction in December 2019, the Group is confident that these auctions will be a success. However, whilst significant market information is not available, there is a potential risk of short-term negative pricing for rough rubies.

To determine the recoverable amount of the CGUs at 31 December 2020, the Group has used a discounted cash flow analysis. The calculation of the recoverable amount is particularly sensitive to gemstone prices, composition of the high-quality emerald auctions, processing capacity at MRM and the discount rate used. Any changes to the assumptions adopted in the calculation of the recoverable amount, individually or in aggregate, would result in a different valuation being determined. The key assumptions and estimates are tabulated below.

Given the current market conditions, a sensitivity analysis was also performed to assess the impact of reasonably plausible changes in the critical judgements. The 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 average 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 fallout of demonetisation and the Nirav Modi scandal in 2017/2018, following which prices subsequently rose. Furthermore, the mini-auctions in November and December 2020 saw strong demand and robust pricing with 24 out of 28 lots sold.

- The average price per carat of rubies fluctuates more than for emeralds as a result of the product mix and a relatively short auction history. Since the first 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 directly comparable. On an average quality-for-quality basis, however, the per carat prices demonstrate continuing strong demand and robust pricing.

The impact of the COVID-19 pandemic on the Group is not expected to be long-term. The Directors 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 plausible. Notwithstanding this, a period of five years has also been modelled to further stress-test the recoverable amounts of the CGUs.

The price sensitivities reflect the fact that the Group is no more confident over the market than it was in June 2020 when the last review was performed. As such, the 30% sensitivity applied remains reasonable as nothing has happened that would imply the assumptions made in June 2020 were unreasonable or had changed. When the Kagem impairment reversal was recognised in December 2019, no price sensitivities were deemed necessary, which was supported by historic pricing trends. The valuations are also highly sensitive to the discount rates used; consequently, these have also been risk-adjusted to reflect increased country risk that may be plausible.

Price assumptions	Discount rate	Kagem Headroom/(deficit) USD millions	MRM Headroom/(deficit) USD millions
Base case		**74.3**	**170.9**
30% price decrease, 3 years	Base	40.3	93.4
30% price decrease, 3 years	Risk-adjusted	14.8	73.0
30% price decrease, 5 years	Base	14.3	51.9
30% price decrease, 5 years	Risk-adjusted	(10.3)	32.7

2. PROPERTY, PLANT AND EQUIPMENT/CONTINUED

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

- Kagem's base case recoverable amount is calculated at USD270.3 million which exceeds its carrying value of USD196.0 million. However, when the discount rate is sensitised and the fall in prices is extended for five years the headroom is reduced and a deficiency is forecast.
- In the event that the deficit noted above for Kagem is realised, the Group would look to review the life of mine plan including auction sizing and mix, production costs and other factors that would reduce it. Management notes, however, that in the absence of any clear indicators such a pronounced price reduction for a prolonged period is unlikely.
- MRM's base case recoverable amount is calculated at USD413.0 million, which significantly exceeds its carrying value of USD242.1 million at 31 December 2020, such that under any of the stressed assumptions there is no deficit.

As required by IAS 36, the amount by which the value assigned to a key assumption must change for headroom to be reduced to nil must also be identified:

- Kagem's headroom is reduced to nil with a recoverable amount of USD196.0 million when a price reduction of 31% is applied for a period of five years, or when a discount rate of 16.63% is applied to the base case cash flows.
- MRM's headroom is reduced to nil when a price reduction of 43% is applied for a period of five years, or when a discount rate of 26.52% is applied to the base case cash flows.

Additional key assumptions used in the recoverable amount calculations:

ASSUMPTION	KAGEM	MRM
Recoverable amount of reserves and resources	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.
Commodity prices	Rough emerald and beryl prices have been determined using the Group's historic achieved prices over a period of ten years and 30 auctions also reflecting historically supportable price increases. Rough emerald and beryl prices are not traded on a public exchange and most transactions occur in private auctions and therefore historic trends of prices and product mix are the most appropriate and reasonable basis.	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 and most transactions occur in private auctions and therefore historic trends of prices and product mix are the most appropriate and reasonable basis.

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

for the year ended 31 December 2020

2. PROPERTY, PLANT AND EQUIPMENT/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 emeralds and emerald stones that enhance the auction parcels and schedules, and is dependent on (i) production; (ii) management strategy, i.e. building inventory or cash generation; and (iii) market intelligence. Any variations in this composition are at the discretion of management and, given the continued improvement in the quality of production and the market strength, it is anticipated that over the near to medium term the proportion of emerald production taken to high-quality auctions will increase.	The quantity of ruby production that is assumed to be sold at mixed-quality auctions is based on 50% of the current year's production (three-month delay before each auction) and 50% of the previous year's production.
Operating costs	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.
Discount rate	A real discount rate of 12.5% (nominal 14.3%) 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 13.7% (nominal 15.5%).	A real discount rate of 15.2% (nominal 17.0%) 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 18.1%).

3. INTANGIBLE ASSETS

	Software USD'000	Indefinite life intangible assets USD'000	Finite life intangible assets[1] USD'000	Unevaluated mining properties USD'000	Total USD'000
Cost					
At 1 January 2019	293	39,942	496	12,221	52,952
Additions	265	–	–	2,800	3,065
At 31 December 2019	558	39,942	496	15,021	56,017
Additions	125	–	–	7,901	**8,026**
Foreign exchange differences	(12)	–	–	–	**(12)**
At 31 December 2020	**671**	**39,942**	**496**	**22,922**	**64,031**
Accumulated amortisation					
At 1 January 2019	156	–	468	–	624
Charge in the year	193	–	–	–	193
At 31 December 2019	349	–	468	–	817
Charge in the year	241	–	28	–	**269**
Impairment charge	–	11,500	–	–	**11,500**
Foreign exchange differences	12	(28)	–	–	**(16)**
At 31 December 2020	**602**	**11,472**	**496**	**–**	**12,570**
Carrying value					
At 31 December 2019	209	39,942	28	15,021	55,200
At 31 December 2020	**69**	**28,470**	**–**	**22,922**	**51,461**

1 *Finite life intangible assets relate to the fair value assigned to the Fabergé customer list at acquisition, which had a carrying value of USD Nil at 31 December 2020.*

Unevaluated mining properties

Unevaluated mining properties consist of intangibles relating to the mining and prospecting licences (evaluation and exploration assets) held in the new projects, mainly in Mozambique and Ethiopia. Assets are capitalised to unevaluated mining properties in accordance with the Group's exploration and evaluation accounting policy.

During 2020, control passed to Nairoto Resources Limitada over 12 gold-mining and prospecting licences in Northern Mozambique, where the objective is to conduct exploration and evaluation activities in these areas, alongside the company's partner, Mwiriti Ltda., in the coming years. The passing of control for these licences to Nairoto was treated as an asset acquisition, with an opening addition to unevaluated mining properties in the year of USD4.9 million.

Unevaluated mining properties are reviewed regularly for indicators of impairment and are tested for impairment where these indicators exist, in line with the Group accounting policy. During 2020, the COVID-19 pandemic resulted in the Group pausing spending on non-critical operations, which includes development projects. The Group does not view this as an impairment indicator, however, as the suspension of activity is temporary, with activity at the projects planned to resume as soon as it is viable to do so.

Indefinite life intangible assets

Indefinite life intangible assets consist of intangibles relating to the Fabergé brand and trademarks.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

3. INTANGIBLE ASSETS/CONTINUED

Fabergé Limited cash-generating unit – valuation and impairment assessment

In accordance with IAS 38 *Intangible assets*, the Group assesses the carrying value of its Fabergé CGU for impairment on an annual basis. Fabergé is a retailer of premium personal luxury goods ("PLGs") and the Group applies a Market Approach–Revenue Multiple method to the valuation of its recoverable amount. The Group engages an independent expert to complete an independent valuation report, using this methodology, at each reporting date. The independent report forms the primary source in determining the fair value (based on a fair value less cost of disposal ("FVLCTD") of Fabergé.

In the first half of 2020, the impact of the COVID-19 pandemic was felt across the global economy. The impact of the pandemic, specifically on the PLG market, indicated that the Fabergé CGU could be impaired in line with IAS 36 *Impairment* guidance. Accordingly, at 30 June 2020, management engaged the independent experts to update their valuation of the CGU.

The report was prepared on the same basis as that prepared at 31 December 2019; however it concluded that the only practical market-based approach to value Fabergé at 30 June 2020 was 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 suitable comparable transactions that had completed since the start of the COVID-19 pandemic and that would reflect current market conditions and investor expectations. As a result, only the CoCos multiple approach was adopted in 2020. 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 timepiece brands.

At 31 December 2020, the expert valuation was again updated with the applied assumptions being consistent with those described for the June 2020 report above. 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. The fair value assessment completed of the Fabergé CGU is determined to be Level 3 in the fair value hierarchy (see Note 4: *Investments*).

Basis of revenue

For the 31 December 2020 report, the following metrics were used:

1. Agreed sales over the last 12 months to December 2020 of USD8.9 million, which is determined to represent mostly post-COVID-19 impacted revenues; and
2. A forward-looking approach using management's latest Board-approved budgeted sales for 2021 of USD12.1 million.

For the 30 June 2020 report, the impacts of COVID-19 were not fully known; therefore, the average annual agreed sales, based on the last 36 months from January 2020 of USD12.3 million, were considered to be the most reliable basis of the revenue multiple for FVLCD. Consistent with 2019, this metric was considered to span the largest period, be within a narrow range of revenue bases under review, yet still present a more representative estimate of future sales.

3. INTANGIBLE ASSETS/CONTINUED

Peer group

The peer group of globally recognised PLG companies selected to establish a comparable EV/Revenue multiple range considered the following:

- Fabergé's greater heritage and premium brand perception compared to many brands within the peer group;
- Fabergé's comparatively small size and less diversified brand and product portfolio;
- Fabergé's higher growth potential compared to the larger and more mature companies in the peer group; and
- Fabergé's last fiscal year revenue and EBITDA margin growth, which is negative.

Taking these factors into account, the June 2020 report considered 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).

For December 2020, a general recovery in multiples was observed, reflective of the market view of being past the peak impact of COVID-19. In the December report, therefore, the selected EV/Revenue multiple range was 3.0x–4.5x.

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. Both 2020 reports therefore applied a control premium range of 25%–35% in order to arrive at an adjusted enterprise value for the Fabergé CGU.

Discount for Lack of Marketability ("DLOM")

On the basis that a revenue multiple derived from the CoCos reflects trades of liquid parcels or shares, whereas the Fabergé CGU is a private entity, the report considered it appropriate to apply a DLOM.

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

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

Illustrative costs of disposal

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

Surplus inventory

Within inventory of USD33.4 million at 31 December 2020 (30 June 2020: USD31.4 million; 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 USD23.4 million (30 June 2020: 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.

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

for the year ended 31 December 2020

3. INTANGIBLE ASSETS/CONTINUED

Valuation results

At 30 June 2020, based on the average annual agreed sales over the last 36-month revenue metric and taking an average of the CoCos EV/Revenue valuation results, the Directors concluded the FVLCTD of the Fabergé CGU to be USD63.8 million. This determined recoverable amount was lower that the carrying value of the CGU by USD11.5 million. As such, an impairment charge was recognised at 30 June 2020.

As the inventory at Fabergé is supported by its NRV, the full impairment charge was recognised against the related intangible assets.

At 31 December 2020, the results of the revenue multiple approach using the scenarios outlined above and the average of the CoCos EV/Revenue valuation results concluded an average recoverable amount for the Fabergé CGU of USD69.9 million. The updated valuation implies a headroom above the current carrying value of the asset of USD9.8 million. A summary of the results at 31 December 2020 is shown in the table below.

The Directors considered whether, on the basis of the results of the assessment completed at 31 December 2020, a portion of the impairment made at 30 June 2020 should be reversed. It was concluded, however, that whilst high uncertainties exist around the impact of COVID-19 on future revenues from the CGU, the criteria for the reversal of an impairment are not met.

Looking forward, revenues from Fabergé should continue to improve into 2021 as the COVID-19 restrictions ease and become more predictable, and as the Group adapts to these new market conditions. If these factors translate into a sustained or increased assessment of the fair value of the CGU, then an impairment reversal will be duly considered.

Summary of results – mid-point values

	31 December 2020 USD millions
FVLCD (at an EV level, including surplus inventory)	
CoCos EV/Rev – LTM December 2020 (sales agreed)	69.1
CoCos EV/Rev – FY21 latest revenue budget	70.7
Average	**69.9**
Headroom/(impairment)	
CoCos EV/Rev – LTM December 2020 (sales agreed)	**9.0**
CoCos EV/Rev – FY21 latest revenue budget	**10.6**
Average	**9.8**

4. 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 31 December 2020 is as follows:

	Balance at 1 January 2020 USD'000	Unrealised fair value losses USD'000	Realised fair value gains USD'000	Disposals USD'000	Balance at 31 December 2020 USD'000
Unlisted equity investments					
Sedibelo Platinum Mines[1]	**57,500**	**(27,900)**	**–**	**–**	**29,600**
Total	**57,500**	**(27,900)**	**–**	**–**	**29,600**

1 The unrealised fair value loss on Sedibelo of USD27.9 million did not include any foreign exchange, as the valuation is denominated in USD.

The reconciliation of the investment valuations from 1 January 2019 to 31 December 2019 is as follows:

	Balance at 1 January 2019 USD'000	Unrealised fair value gains USD'000	Realised fair value gains USD'000	Disposals USD'000	Balance at 31 December 2019 USD'000
Listed equity investments					
Jupiter[1]	25,714	–	4,645	(30,359)	–
	25,714	–	4,645	(30,359)	–
Unlisted equity investments					
Sedibelo Platinum Mines[2]	50,447	7,053	–	–	57,500
	50,447	7,053	–	–	57,500
Total	**76,161**	**7,053**	**4,645**	**(30,359)**	**57,500**

1 The net realised fair value gain of USD4.6 million comprised a realised fair value gain on Jupiter of USD4.9 million (inclusive of a realised foreign exchange loss of USD1.0 million) and a realised loss on disposal of USD0.23 million. The Group received a total amount of AUD44.2 million (or USD30.4 million) in cash as consideration for the Jupiter shares it owned.

2 The unrealised fair value gain on Sedibelo of USD7.1 million did not include any foreign exchange, as the valuation is denominated in USD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

4. INVESTMENTS/CONTINUED

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

Nature of investment	The Group holds a 6.54% equity interest in SPM, a producer of Platinum Group Metals ("PGMs") with interests in the Bushveld Complex in South Africa.
Date of valuation	31 December 2020
Fair value methodology	Market Comparables applying Directors' estimate.

The Directors have, based on the approach below, estimated that the value of SPM is USD453.0 million at 31 December 2020; the Group's indirect 6.54% interest has therefore been valued at USD29.6 million.

The Directors have applied a Market Approach to the valuation of SPM. The reduction in fair value arises most notably from judgement applied to the discount for lack of marketability and from the inclusion of financial related metrics that have been considered to be appropriate this year.

The primary source in determining the valuation of SPM at 31 December 2020 is a valuation report, prepared by an independent third party. The independent valuation report includes a range of valuations from which the Directors have applied judgement to assess the value accounted.

The report concluded that the only practical market-based approach is to value the Group's investment in SPM by reference to the key market multiples exhibited by reference to the pricing of publicly listed PGM companies. The report considered a peer group comprising Anglo Platinum, Impala Platinum, Tharisa, Sibanye Stillwater, Northam Platinum ("Northam") and Royal Bafokeng Platinum ("RBP"). The valuer deemed that RBP, Northam and Tharisa are the closest comparables to SPM with respect to their resource size and financial performance, although all three companies report better profitability at prevailing metal prices. Furthermore, production and revenue at both RBP and Northam are materially higher than at SPM. When comparing the valuation of SPM's peer group, the report considered the most suitable measures to be Enterprise Value per (i) mineral resource ounce, (ii) mineral reserve ounce, (iii) production ounce, (iv) Last Twelve Months ("LTM") revenue, (v) Next Twelve Months ("NTM") revenue, (vi) LTM EBITDA and (vii) NTM EBITDA.

SPM's strategy over recent years has been on optimising operating efficiencies, minimising production costs and cash preservation. SPM's financial multiples had previously been disregarded by the Group's valuer in their valuation estimates, at both 31 December 2019 and 30 June 2020, as the financial numbers published by SPM were not considered suitable for various reasons including, for example, that SPM's operating and net incomes were negative. The independent valuer assessed SPM's current disclosed financial performance which demonstrates that it now lies in an appropriate range to SPM's peer group for financial multiples to be included as part of the valuation approach.

The valuer used the available information reported by SPM in its September 2020 MD&A reporting and from SPM's most recent mineral resources and reserves report (December 2016), and determined that the attributable PGM resource of SPM at 31 December 2020 would most likely be c.87 million ounces and the attributable PGM reserve of SPM would most likely be c.14 million ounces, at the same date. The independent valuation report worked on the assumption that production at SPM will remain in the 120k ounces per annum range in the near term. The report further worked on the assumption that (i) SPM's 2020 revenue and EBITDA would be in the USD231 million and USD50 million range, respectively, and (ii) that SPM's 2021 revenue and EBITDA would be in the USD333 million and USD112 million range, respectively.

4. INVESTMENTS/CONTINUED

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

Fair value methodology

The report concluded that the average multiple of Enterprise Values across SPM's peer group over their: (i) mineral resource ounce, (ii) mineral reserve ounce, (iii) production ounce, (iv) LTM revenue, (v) NTM revenue, (vi) LTM EBITDA and (vii) NTM EBITDA, suggest respective multiples of (i) USD10/oz, (ii) USD75/oz, (iii) USD4,500/oz, (iv) 2.5x, (v) 1.5x, (vi) 8.5x and (vii) 3.5x. Each multiple arrives at an implied valuation of SPM within a range of USD391 million–USD1,020 million, with a mid-point of USD706 million. The report has applied weightings to each multiple which give consideration to an array of factors, including but not limited to the following (a) the degree of COVID-19-related disruption on LTM production, revenue and EBITDA, (b) the increase in spot platinum and rhodium prices and attendant impact on SPM relative to its peer group, (c) the lack of specific forward guidance provided by SPM, and (d) SPM's materially longer reserve life relative to its peer group. The valuer concluded that factors (c) and (d) support lower weightings assigned to the values derived from the NTM revenue, NTM EBITDA, reserve ounce and resource ounce multiples. After applying each weighting to each multiple valuation, an overall implied valuation of SPM of USD559 million was calculated. The Group's indirect 6.54% interest would be valued at USD36.5 million on this basis.

The report acknowledged that SPM is a public, unlisted company and that it would be more difficult for the Group to sell its effective 6.54% interest in SPM, than if SPM were a public listed company which traded in an established market. Furthermore, the Group's interest in SPM is held via a Luxembourg holding entity, Pallinghurst Ivy Lane Capital S.àr.l. which creates further complications in realising the asset. The valuer has therefore applied a discount for the lack of marketability ("DLOM") by using the Finnerty model, a widely used valuation discount method. The Finnerty model uses key inputs and assumptions such as the expected holding period of the asset, the trading volatility of the asset's peer group and the expected dividends from the asset. The Finnerty model arrived at a DLOM of 20% to be applied to the valuation.

After allowance of SPM's net cash of USD8.2 million, the multiples lead to a value of SPM (100% basis), on an Enterprise Value basis, of USD567 million, with the Group's 6.54% interest valued at USD37.1 million. After applying a 20% DLOM discount, SPM's fair value decreases to USD453 million with the Group's 6.54% interest valued at USD29.6 million, resulting in a USD27.9 million fair value loss for the year.

For the purposes of a direct comparison, if the same valuation methodology that was applied by the independent third party at 31 December 2019 (as disclosed in the 2019 Annual Report), was updated as at 31 December 2020, the implied valuation of Sedibelo (100% basis) would be in a range of USD800 million–USD1,100 million. The Group's 6.54% interest would be valued in the range of USD52 million–USD72 million, with a mid-point valuation of USD62 million, on the same basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

4. INVESTMENTS/CONTINUED

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

Fair value methodology	For the purposes of the disclosures required by IFRS 13, the Directors have performed a test of the reasonableness to the selected weightings of each multiple applied. The following sensitivity analysis on varying alternative weightings is disclosed: (i) If equal weightings were applied to all seven metrics (i.e. a 14.3% weighting per multiple), with all other indicators and evidence unchanged, the independent valuation report's assessment of the valuation would change from USD29.6 million to USD32.7 million. The related fair value increase of USD3.1 million would be recognised in profit and loss. (ii) If no weighting was applied to the mineral resource and mineral reserve multiples, with the remaining multiples re-weighted equally, the independent valuation report's assessment of the valuation would change from USD29.6 million to USD25.9 million. The related fair value decrease of USD3.7 million would be recognised in profit and loss. (iii) If no weighting was applied to the mineral resource, mineral reserve, NTM revenue and NTM EBITDA multiples, with the remaining multiples re-weighted equally, the independent valuation report's assessment of the valuation would change from USD29.6 million to USD27.3 million. The related fair value decrease of USD2.3 million would be recognised in profit and loss.

Jupiter Mines Limited ("Jupiter") – equity (up to 28 November 2019)

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 held a balance of nil Jupiter shares at 31 December 2019 and 31 December 2020.
Last date of valuation	28 November 2019
Fair value methodology	Market Approach – Listed Share Price. The Group's interest in Jupiter was last valued on 28 November 2019 at the mid-price of AUD0.26 per share, translated at the closing rate of USD/AUD1.4780 on 28 November 2019.

Fair value hierarchy

IFRS 13 requires disclosure of fair value measurements under the following hierarchy:

Level	Fair value input description
Level 1	Listed prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than listed prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The investment in Jupiter up to the Group's divestment on 28 November 2019 was deemed to be Level 1 under the fair value hierarchy.

The investment in Sedibelo, measured at fair value through profit or loss, has been deemed to be Level 3 under the fair value hierarchy, based on the valuation method used.

5. INVENTORY

	2020 USD'000	2019 USD'000
Rough inventory – emeralds and beryl	39,290	45,525
Rough inventory – rubies and corundum	31,639	22,277
Cut and polished gemstones	5,616	5,409
Fabergé inventory	33,413	30,743
Spares and consumables	7,881	6,740
	117,839	**110,694**

The total provision made against inventory at 31 December 2020 was USD8.6 million (2019: USD5.1 million).

At 31 December 2020, USD0.8 million of the rough inventory was carried at net realisable value (2019: USD1.3 million).

6. BORROWINGS

		Interest rate	Maturity	2020 USD'000	2019 USD'000
Non-current interest-bearing loans and borrowings					
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2024	13,500	18,000
ABSA Zambia	USD10 million revolving credit facility	USD LIBOR + 5.50%	2022	10,000	10,000
				23,500	**28,000**

		Interest rate	Maturity	2020 USD'000	2019 USD'000
Current interest-bearing loans and borrowings					
ABSA Zambia	USD20 million term loan	USD LIBOR + 5.50%	2021	4,500	2,000
ABSA Mozambique	USD15 million overdraft facility	USD LIBOR + 4.00%	2021	14,184	12,875
BCI[1]	USD15 million overdraft facility	USD LIBOR + 3.75%	2021	14,321	9,952
				33,005	**24,827**
Total current and non-current borrowings				**56,505**	**52,827**

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

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

		Cash movements			Non-cash movements		
	At 1 January 2020 USD'000	Cash inflows USD'000	Repayment of borrowings USD'000	Interest paid USD'000	Movement between current and non-current USD'000	Interest charge USD'000	At 31 December 2020 USD'000
Current borrowings	24,827	41,226	(37,548)	(2,680)	4,500	2,680	**33,005**
Non-current borrowings	28,000	–	–	–	(4,500)	–	**23,500**
	52,827	**41,226**	**(37,548)**	**(2,680)**	**–**	**2,680**	**56,505**

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

for the year ended 31 December 2020

6. 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, with the first repayment of USD2.0 million being made during 2020. At 31 December 2020, USD18.0 million was fully drawn, with USD4.5 million being repayable in December 2021.

In 2019, Kagem also entered into a USD10 million revolving credit facility with ABSA Zambia which bears interest at a rate of three-month USD LIBOR plus 5.50% and is repayable after 36 months from the date of the first drawdown of the facility (there is an option to extend the facility for a further 24 months upon agreement by both parties). At 31 December 2020, USD10 million was fully drawn.

At 31 December 2020, Kagem had USD28.0 million outstanding with ABSA Zambia, with security comprising a fixed and floating charge over all of Kagem's net assets, equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields Group Limited.

The facilities are subject to the following financial covenants, for which the next measurement period is 31 December 2021:

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

Kagem received a waiver of all financial covenants contained within the ABSA Zambia loan agreements for the 31 December 2020 measurement period, such that the facilities remained in full force and effect at 31 December 2020.

ABSA Mozambique

In April 2016, MRM entered into a USD15.0 million unsecured overdraft facility with ABSA Mozambique S.A. (formerly Barclays Bank Mozambique S.A.). This is a rolling facility which renews annually each December, provided that terms and conditions are met, and attracts interest of three-month USD LIBOR plus 4% per annum. The outstanding balance as at 31 December 2020 was USD14.2 million (2019: USD12.9 million). Gemfields Limited issued a corporate guarantee for the facility.

Banco Comercial E De Investimentos ("BCI")

In June 2016, MRM entered into a USD15.0 million unsecured overdraft facility with BCI. This is a rolling facility which renews annually each September, provided that terms and conditions are met, and attracts interest of three-month USD LIBOR plus 3.75% per annum. At 31 December 2020, USD14.3 million (2019: USD10.0 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 proceeds of the facilities from ABSA Mozambique S.A. and BCI facilitate MRM in financing its capital expenditure requirements for the Montepuez ruby deposit in Mozambique and provide additional working capital.

7. PER SHARE INFORMATION

Earnings/(Loss) Per Share ("EPS" or "LPS") and Net Asset Value ("NAV") are key performance measures for the Group. EPS/(LPS) is based on profit/(loss) for the year divided by the weighted average number of ordinary shares in issue during the year. NAV per share is based on net assets divided by the number of ordinary shares in issue at 31 December 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 during the period.

Earnings per share
The Group's (LPS)/EPS is as follows:

	2020	2019
(Loss)/profit for the year attributable to owners of the parent – USD'000	(85,282)	28,369
Weighted average number of shares in issue[1]	1,169,141,485	1,264,903,398
(Loss)/earnings per share – USD	**(0.07)**	**0.02**

1 *At 31 December 2019, the Company had a see-through interest in itself of 96,375,146 shares or 7.60% of the then shares in issue. The Company's own shares held were removed in the calculation of weighted average number of shares in issue during 2019.*
At 31 December 2020, the Company had a see-through interest in itself of nil shares as it had disposed of its see-through interest shares during 2020. The Company's own shares held were removed in the calculation of weighted average number of shares in issue during 2020 for the applicable period before the shares were cancelled.

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 for both the current and comparative period.

Headline earnings per share

The Group's HEPS/(HLPS) is as follows:

	2020	2019
(Loss)/profit for the year attributable to owners of the parent – USD'000	(85,282)	28,369
Adjusted for:		
Impairment charges/(reversals)	11,500	(21,559)
Tax impact	–	6,468
	(73,782)	13,278
Weighted average number of shares in issue[1]	*1,169,141,485*	*1,264,903,398*
Headline (loss)/earnings per share – USD	**(0.06)**	**0.01**

1 *At 31 December 2019, the Company had a see-through interest in itself of 96,375,146 shares or 7.60% of the then shares in issue. The Company's own shares held were removed in the calculation of weighted average number of shares in issue during 2019.*
At 31 December 2020, the Company had a see-through interest in itself of nil shares as it had disposed of its see-through interest shares during 2020. The Company's own shares held were removed in the calculation of weighted average number of shares in issue during 2020 for the applicable period before the shares were cancelled.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

7. PER SHARE INFORMATION/CONTINUED

NAV per share

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

	2020	2019
Net assets attributable to equity holders of the Company – USD'000	412,573	494,261
Number of shares in issue[1]	1,168,756,030	1,171,075,099
NAV per share – USD	**0.35**	**0.42**

1 At 31 December 2020, the Company had a see-through interest in itself of nil shares (31 December 2019: 96,375,146, or 7.60%). These shares have been removed in the calculation of the number of shares in issue.

Tangible NAV per share

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

	2020	2019
Net assets – USD'000	412,573	494,261
Adjusted for:		
Intangible assets	(47,382)	(52,974)
	365,191	441,287
Number of shares in issue[1]	1,168,756,030	1,171,075,099
Tangible NAV per share – USD	**0.31**	**0.38**

1 At 31 December 2020, the Company had a see-through interest in itself of nil shares (31 December 2019: 96,375,146, or 7.60%). These shares have been removed in the calculation of the number of shares in issue.

8. BASIS OF PREPARATION

The Group's Consolidated Financial Statements for the year ending 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("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 Consolidated Financial Statements also comply with the JSE Listings Requirements, the AIM Rules for Companies and The Companies (Guernsey) Law, 2008 and show a true and fair view. The Consolidated Financial Statements have been audited by the Company's auditors, BDO LLP; the auditor's report on those 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 audit opinion is available for inspection at the Company's registered office: PO Box 186, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 4HP. The Financial Statements will be mailed to shareholders during April 2021 and made available on the Company's website, www.gemfieldsgroup.com.

This preliminary announcement includes condensed consolidated financial statements (the "Condensed Financial Statements"). The Condensed Financial Statements have been prepared in accordance with IAS34 *Interim Financial Reporting* and do not contain sufficient information to fully comply with IFRS. The Condensed Financial Statements comply with the SAICA Reporting Guides and the FRSC Pronouncements, the JSE Listings Requirements and the AIM Rules for Companies and show a true and fair view.

8. BASIS OF PREPARATION/CONTINUED

These Condensed Consolidated Financial Statements for the year ended 31 December 2020 have been extracted from the audited Annual Consolidated Financial Statements but are not themselves audited. The audit report does not necessarily cover all the information included in this announcement. The auditor's report on those 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. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office. The Directors take full responsibility for the preparation of these condensed audited consolidated results and confirm that the financial information has been correctly extracted from the underlying audited results for the year ended 31 December 2020.

9. ACCOUNTING POLICIES

The Group's accounting policies were last described in full in the Group's financial statements for the year ended 31 December 2019.

Certain new and amended accounting standards and interpretations have been applied by the Group for the first time for the annual reporting period commencing on 1 January 2020, which have not had any material impact on the disclosures or on the amounts reported in these financial statements, nor are they expected to significantly affect future periods.

Certain new and amended accounting standards and interpretations have been published that are not mandatory for the period ended 31 December 2020, nor have they been adopted early by the Group. These standards and interpretations are not expected to have a material impact on the Group's Consolidated Financial Statements in the current or future reporting periods.

10. GOING CONCERN

The financial performance and position of the Group, its cash flows and available debt facilities are described in the Financial Review on pages 10 to 19.

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

In 2020, Group-wide revenue landed at USD34.6 million. During the same period in 2019, Group-wide revenue was USD216.2 million, a drop of USD181.6 million or 84% in 2020. In 2019, 93% of the Group's revenue was derived from the six gemstone auctions held during that year. In 2020, the COVID-19 pandemic meant that Gemfields was only able to host one traditional auction of commercial-quality emeralds in February 2020, which yielded USD11.4 million and a series of smaller emerald auctions in November and December 2020, which yielded USD10.9 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

10. GOING CONCERN/CONTINUED

Throughout the pandemic the Board has taken significant decisions to enable the Group to navigate through these unprecedented conditions. To compensate for the reduced revenues, the Group reduced all non-committed and discretionary spend in the following areas:

- Kagem and MRM reduced to critical operations until March 2021;
- Significant reduction in capital expenditure at both Kagem and MRM;
- Significant reduction in advertising and marketing expenditure across the Group;
- 20% salary cut in head office and no bonuses paid for the FY 2020;
- Significant reduction in consultancy and professional fees at the corporate level;
- Cost reductions at Fabergé, including reduced inventory purchase; and
- Short-term suspension of investment plans at MML, ERM, CDJ and Nairoto in Mozambique.

These actions, along with the utilisation of available facilities and the series of mini-auctions of emeralds held in late 2020, allowed the Group to partially mitigate the reduced revenues and end the year with a gross cash balance of USD43.9 million, a USD8.9 million auctions receivables balance that had been collected by March 2021, and an available undrawn overdraft capacity of USD1.5 million.

Debt facilities

The Group's outstanding borrowings at 31 December 2020 is USD56.5 million, comprised of USD28.0 million held at Kagem with ABSA Zambia and USD28.5 million held at MRM via overdraft facilities held with ABSA Mozambique and Banco Comercial E De Investimentos, S.A. ("BCI").

The USD28.0 million Kagem debt outstanding is secured against a fixed and floating charge over all Kagem's net assets, equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields Group Limited.

The Kagem debt facilities are subject to the following financial covenants for which the next measurement period is 31 December 2021:

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

Kagem received a waiver in respect of all financial covenants contained within the ABSA Zambia loan agreements for the 31 December 2020 measurement period, such that the facilities remain in full effect at 31 December 2020. Based on the December 2021 Board-approved base case model, the covenants are not expected to be breached at the next measurement date, being 31 December 2021. The Group's base case model includes the mandatory repayment of USD4.5 million in December 2021 and USD3.5 million in December 2022.

In April 2016, MRM entered a USD15.0 million unsecured overdraft facility with ABSA Mozambique. The facility attracts an interest rate of three-month USD LIBOR plus 4% per annum. Gemfields Limited issued a corporate guarantee for the facility. The facility is renewed annually with the next renewal expected in December 2021; there are no covenants except that the overdraft should be cleared to nil at least once during the renewal period.

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

10. GOING CONCERN/CONTINUED

Debt facilities (continued)

In March 2021, BCI granted an additional USD8.9 million facility to MRM on similar interest rates and other terms as the existing facility. Under the new facility, USD8.9 million can be drawn immediately but must be paid back by the next auction or within six months of drawdown, whichever is the earliest. Upon repayment, MRM will, with agreement from the bank, have access to a USD15 million facility which is repayable over four years and bears interest of USD three-month USD LIBOR plus 3.75% and can be used for working capital purposes.

A material assumption in the going concern assessment is that all financing facilities remain in place throughout the measurement period to 31 December 2022, i.e. that existing MRM facilities are renewed by lenders in September 2021 and December 2021, and any potential covenant breaches that may arise (which would only exist in downside scenarios) are waived or mitigated. Whilst the Group has an expectation that such facilities remain in place, the availability of such facilities and the ability to waive covenant requirements are outside of management control and hence form part of the material uncertainty in respect of going concern.

Gemstone market

Conditions remain challenging for Gemfields and for the wider gemstone sector; however, there are signs of recovery in the emerald market with the success of the Kagem series of mini-auctions held in November and December 2020 and the February 2021 auction held by another Zambian emerald producer. Notwithstanding this, the effect of travel restrictions, quarantine periods and prohibitions on large gatherings, combined with high COVID-19 infection rates in the key markets for rough gemstones continue to mean that the situation will remain fluid during 2021. March 2021 will see the first ruby auctions in over a year, so the market is yet to be tested.

Despite these factors and following wide-ranging consultation with the Group's customers hailing from India, Thailand, China, Hong Kong and USA, the Board believe that the planned auction schedule is reasonable and there is a reasonable confidence over demand. The planned auction schedule will see a series of smaller, mixed-quality ruby auctions in March and April 2021, running simultaneously with a series of emerald mini-auctions.

The remainder of the year's planned auction schedule will include a commercial-quality emerald auction, a high-quality emerald auction and two mixed-quality and one commercial-quality ruby auctions. The normal six auction a year schedule is expected to recommence in 2022.

Mining operations

With the view of generating sufficient production for auction schedules throughout 2021, Kagem and MRM restarted operations in March 2021 and full-scale mining is expected to begin by the end of April 2021. The processing plants have sufficient stockpiled ore to commence before full-scale mining restarts. There are no strict government regulations in either Zambia or Mozambique regarding restarting mining operations. Consequently, the Group does not expect there to be any obstacles to the planned start-up with the respective COVID-19 protocols in place, including social distancing and on-site testing at both mines. Operations are free to commence without any significant upfront capital being required. The Board believes that the auction schedule and recommencement of operations represent a reasonable timetable that would allow the Group to maximise revenues.

There remains a risk that localised COVID-19 outbreaks may result in temporary reclosure of the Group's mining operations. Any prolonged closure may limit the Group's ability to generate the required inventory for auctions scheduled in the latter part of the assessment period. This uncertainty is considered in the downside scenario below.

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

for the year ended 31 December 2020

10. GOING CONCERN/CONTINUED

Scenario analysis

Our base case forecast indicates that, subject to continued access to the Group's currently available financing facilities, the Group has sufficient cash to meet its liabilities as they fall due throughout the going-concern assessment period.

As outlined above, uncertainty exists over the Group's ability to hold emerald and ruby auctions and to generate revenue without negatively impacting long-term prices. Revenue may be negatively impacted by any of the following:

- Changing levels of demand resulting in deferrals in the planned auction schedule;
- Pricing being suppressed as a result of the ongoing impact of the COVID-19 pandemic on the global economy; and/or
- Unanticipated closures of the Group's mining facilities arising from localised COVID-19 outbreaks resulting in reduced inventory to take to auctions.

Although the Group has confidence in the base case given the customer feedback outlined above and given measures at the mine to ensure COVID-secure working conditions, a downside scenario has been modelled factoring a reduction in revenues to reflect the uncertainty. In this scenario, additional cash maintenance measures (which are in the control of management) would need to be implemented otherwise the Group would face a cash deficit in March 2022.

In the first instance, the below measures would represent sufficient cash savings from the base case and could reasonably be implemented without jeopardising production at the mines. The list is not exhaustive and remains dynamic:

- Suspension of budgeted investment in development assets (MML, ERM, CDJ and Nairoto);
- Further reduction in budgeted advertising and marketing costs across the Group;
- Extension of 20% salary cut in head office and bonus reduction for the year 2021;
- Consulting fees, travel costs and office expenses reduction in Corporate;
- Delay development of the second wash plant and operating costs reduction at MRM; and
- Further cost reductions at Fabergé, including inventory purchases.

Under the scenario modelled, which the Directors consider to be a reverse stress-test in respect of revenue, in the event that revenue was to fall to below USD120 million in the period to 31 December 2021 then certain covenants could be breached, and additional measures may be required, including waivers of covenants, further financing, equity fundraising or more fundamental operational curtailments.

As discussed above, a key assumption under the downside scenario is that external funding would not be suspended or called. The peak debt exposure of USD73.0 million (Base case: USD67.0 million) is expected in September 2021 when MRM's available USD30.0 million overdraft facilities are fully utilised, the new BCI facility of USD15.0 million is fully drawn down and Kagem holds USD28.0 million of borrowings outstanding.

In the event that Kagem generates lower revenues than expected, as considered in the downside scenario, the debt service cover ratio covenant will be breached. In this case, mediation is afforded to Kagem to the extent that sufficient cash can be placed in a reserve account to ensure that the December principal payments can be honoured. In addition to this, Kagem could realistically take the following actions without significantly impacting production:

- Suspension of the expansionary capital expenditure;
- Significant reduction of the sustaining capital expenditure; and
- 15% reduction in operating costs.

10. GOING CONCERN/CONTINUED

Scenario analysis (continued)

These cash preservation options will not involve any significant curtailment of operations at MRM and Kagem and therefore are not considered to impair the mines' ability to continue producing in the near term and will not jeopardise the 2021 and 2022 auctions.

Kagem has historically been able to operate with less than USD2.0 million of capital expenditure and most of its budgeted expansionary spend is planned in the second half of 2021, providing flexibility to the Group to respond in the event of lower auction results. Nevertheless, the Directors will assess to what extent the additional actions required jeopardise the production and ultimately the ability of Kagem to generate revenues in 2022 and will decide what is the best course of action.

In the event that the MRM facilities are no longer available, the Group would look to remedy any potential deficit through either obtaining additional loan funding, raising equity or through even more fundamental operational curtailments and would seek to resolve any covenant breaches and overdraft renewals through negotiation with the lenders. However, the impact of COVID-19 on the global economy is such that there is uncertainty over the ability to arrange this additional financing and around the ability to renegotiate any future potential covenant breaches.

Summary

The conditions and events discussed above indicate the existence of material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and the Group may therefore be unable to realise their assets and discharge their liabilities in the ordinary course of business.

These Condensed Consolidated Financial Statements do not include the adjustments that would result if the Group were unable to continue as a going concern. The situation is at varying stages of fluidity in each key jurisdiction such that the scenarios disclosed represent what the Board believes to be the most likely outcomes given the facts and circumstances at this time. Should changes arise, the Group will react and respond accordingly.

11. EVENTS OCCURRING AFTER THE END OF THE PERIOD

Kagem

In March 2021, the wash plant and sort house recommenced operations, making use of existing stockpiles. Full-scale mining operations are expected to begin in early April 2021, once all necessary COVID-19 protocols are met. Kagem presently has sufficient inventory to support the March and April 2021 high-quality auction and a commercial-quality auction expected to take place in June. On 15 March 2021, Kagem began another series of online auctions, which will be significantly larger than those held in November and December 2020. Viewings are expected in Dubai, Jaipur and Tel Aviv, with results to be announced at the end of April 2021.

MRM

In March 2021, the treatment plant and sort house operations commenced, making use of existing stockpiles. Full-scale mining operations are expected to begin in early April 2021. MRM presently has sufficient inventory to support one mixed-quality ruby auction. On 15 March 2021, the first ever series of virtual ruby auctions commenced (similar to those held by Kagem in November and December 2020), with viewings expected in Dubai, Jaipur and Bangkok over a period of six weeks and online bidding concluding on 8 April 2021.

BCI facility

In March 2021, BCI granted a new USD8.9 million facility to MRM on similar interest rates to the USD15 million overdraft facility discussed above. Under the new facility, USD8.9 million can be drawn immediately but must be paid back by the next auction or within six months of drawdown, whichever is the earliest. Upon repayment, MRM, with agreement from the bank, will then have access to a new four-year facility of USD15 million to use for working capital purposes.

Approval of Condensed Consolidated Financial Statements

The Condensed Consolidated Financial Statements were approved by the Directors and authorised for issue on 29 March 2021.

COMPANY DETAILS

Executive Directors
Sean Gilbertson
David Lovett

Non-Executive Directors
Martin Tolcher (Chairman)
Dr Christo Wiese
Lumkile Mondi
Kwape Mmela
Carel Malan
Mary Reilly[1]

1 Appointed 4 December 2020.

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GEMFIELDS

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