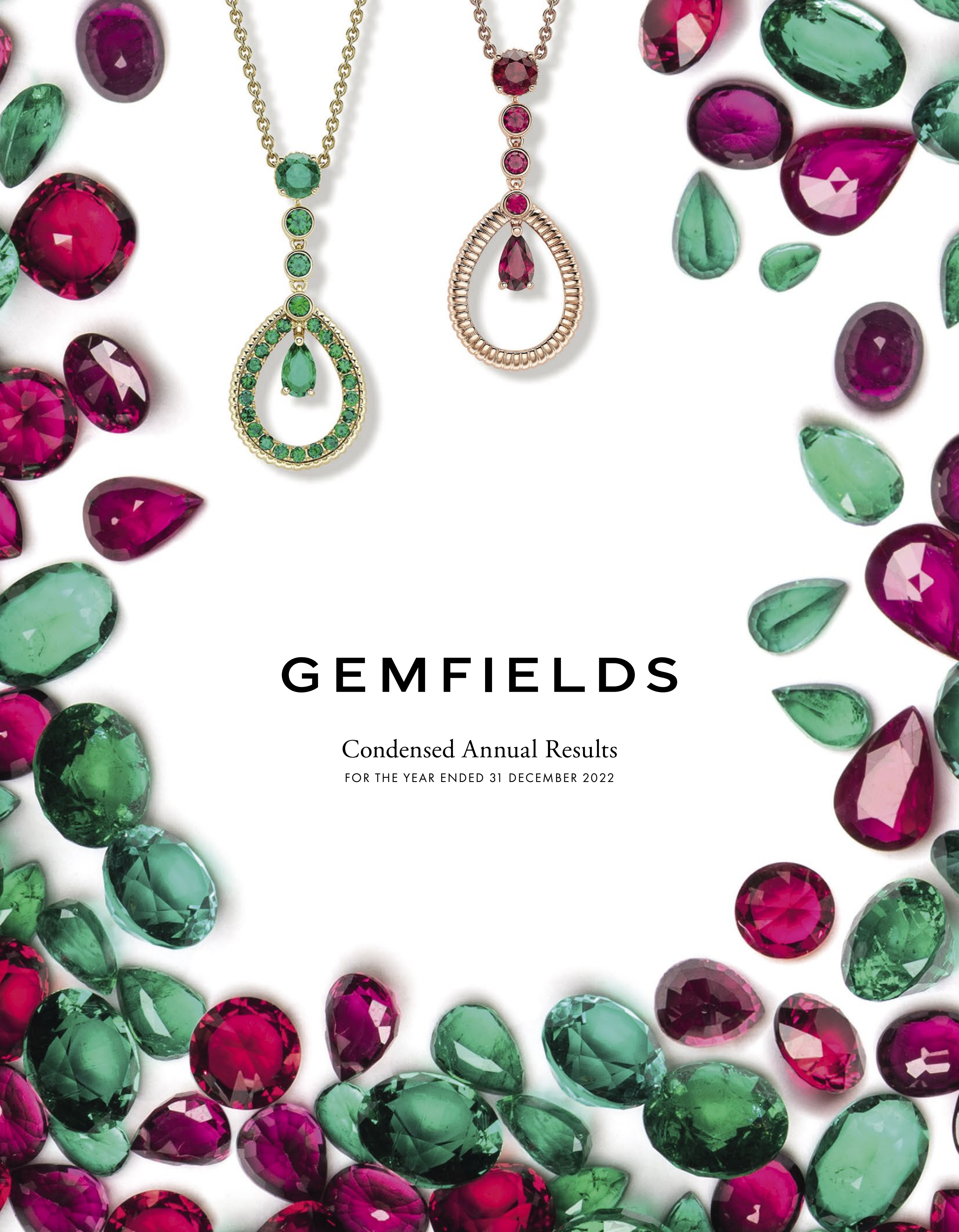

GEMFIELDS

Condensed Annual Results

FOR THE YEAR ENDED 31 DECEMBER 2022

Contents

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

IMAGE LEFT Baobab tree, Montepuez Ruby Mining, Mozambique

IMAGE Responsibly mined cut and polished Zambian emeralds and Mozambican rubies

SECTION 1

Overview

SECTION 1.1

Chair's Statement

INTRODUCTION

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

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

ESG EMBEDDED AT THE HEART OF GEMFIELDS

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

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

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

BOARD ACTIVITIES AND SHAREHOLDER ENGAGEMENT

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

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

STRONG STRATEGIC AND FINANCIAL PERFORMANCE

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

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

IMAGE Martin Tolcher, *Chairman*

DIVIDEND

To reflect the outstanding financial performance of the Group in 2022, the Board has approved a strong dividend of USD35 million, returning material capital to shareholders. This follows the USD35 million of total dividends returned during 2022. The Group has the ambition to continue returning capital to shareholders when it has the ability to, in line with Gemfields' new set of capital allocation priorities, further detailed on page 14.

OUTLOOK

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

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

Martin Tolcher
Chair of Gemfields Group Limited
24 March 2023

IMAGE Kagem emerald mine, Zambia

SECTION 1.2

Chief Executive's Statement

2022 IN REVIEW

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

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

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

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

A WORLD-LEADING RESPONSIBLE MINER AND MARKETER OF GEMSTONES

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

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

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

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

OUR APPROACH TO CORPORATE RESPONSIBILITY

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

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

OUR OPERATIONS

Kagem Mining

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

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

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

Montepuez Ruby Mining ("MRM")

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

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

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

Fabergé

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

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

OUTLOOK

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

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

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

Sean Gilbertson
Chief Executive Officer
24 March 2023

IMAGE LEFT Sean Gilbertson, *Chief Executive Officer*
IMAGE Responsibly mined rough Mozambican rubies and Zambian emeralds

SECTION 1.3

Finance Review

FINANCE REVIEW

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

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

1 – Earnings before interest, taxation, depreciation and amortisation, adjusted to exclude one-off impairments on the Group's fixed assets, fair value gains or losses on the Group's non-core equity investments and share based payments.
2 – Free cash flow is calculated as cash flow from operating activities less taxation paid, sustaining and expansionary capital expenditure and foreign exchange gains and losses and excludes all working capital movements. A full breakdown can be seen in Note 1: *Segmental Reporting* to the Consolidated Financial Statements.

OVERVIEW

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

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

REVENUE

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

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

Gemfields' innovative auction processes were fully monitored by the Ministry of Mines and Minerals Development of Zambia and the

Zambia Revenue Authority for the emerald auctions, and the Ministry of Mineral Resources and Energy and the Mozambique Tax Authority for the ruby auctions.

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

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

COSTS

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

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

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

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

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

The cost base of the Group is also impacted by fluctuations in foreign currency exchange rates in key operating locations. Net foreign exchange gains of USD1.0 million were realised in 2022 in comparison to a loss of USD0.5 million in 2021.

EBITDA / EBITDA MARGIN

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

DEPRECIATION AND AMORTISATION

Depreciation and amortisation in the year was USD37.7 million (2021: USD27.5 million). The increase was predominantly due to the amortisation of the purchase price allocation fair value uplift to the mining assets at Kagem and MRM, representing the excess purchase consideration on acquisition by GGL (formerly Pallinghurst Resources Ltd) in 2017, that is depreciated on a unit-of-production basis. The other factors were the suspension of operations in the first quarter of 2021 limiting capital expenditure in the previous year and amortisation of deferred stripping costs provided during the current year.

IMAGE LEFT David Lovett, *Chief Financial Officer*

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

IMPAIRMENT REVIEW

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

FAIR VALUE GAINS AND LOSSES

Fair value gains and losses arise on the Group's unlisted equity investment relating to its stake of 6.54% in Sedibelo Resources Limited (previously Sedibelo Platinum Mines Limited) ("Sedibelo" or "SPM"), a producer of platinum group metals ("PGMs") with interests in the Bushveld Complex in South Africa.

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

For 31 December 2022, the estimated value of the investment was determined to be USD32.0 million, a decrease of USD5.2 million from last year (31 December 2021: USD37.2 million). This decrease in fair value has predominantly resulting from the uncertainty in the market putting downward pressure on the enterprise values of Sedibelo and its peer group; Sedibelo's own performance over the last twelve months has also fallen as a result of operating challenges and the modest reduction in PGM prices. Full details can be found in Note 4: *Unlisted equity investments* to the Consolidated Financial Statements.

PROFIT/(LOSS) FROM OPERATIONS

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

FINANCE INCOME AND EXPENSES

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

IMAGE Ruby wash plant, Montepuez Ruby Mining, Mozambique

TAXATION

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

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

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

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

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

PROFIT / (LOSS) AFTER TAXATION

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

EARNINGS PER SHARE

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

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

CASH FLOWS

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

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

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

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

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

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

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

Total cash utilised in investing activities was USD41.0 million (2021: USD17.4 million), split mainly between USD34.1 million spent on capital goods (2021: USD11.7 million), USD6.5 million of cash advances made to Mwiriti, the Group's partner in Mozambique, in lieu of future dividends from MRM (2021: USD6.4 million). A dividend was declared by MRM during the year of which USD5.1 million was payable to Mwiriti. This dividend was settled against the receivable outstanding with Mwiriti in respect of prior cash advances and therefore no cash outflow arose upon its settlement.

IMAGE 'How To Buy Coloured Gemstones' marketing campaign

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

FINANCIAL POSITION

The Group's balance sheet is summarised below:

ASSETS

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

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

PPE is predominantly relating to the mining assets (evaluated mining properties and deferred stripping costs) of USD280.8 million (2021: USD300.0 million). Of the total mining assets, USD260.1 million (2021: USD277.4 million) relates to the recognition of the fair values of Kagem and MRM at the date that GGL acquired Gemfields Limited in July 2017. These assets are amortised on the unit-of-production basis over the life of the mine. Intangible assets of USD56.1 million consist of USD28.5 million (2021: USD28.5 million) representing the Fabergé trademarks and brand, USD27.3 million (2021: USD21.2 million) related to unevaluated mining assets across the Group.

The unlisted equity investment relates to the Group's 6.54% equity holding in Sedibelo. The valuation of this investment is discussed above and in Note 4 of the consolidated financial statements.

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

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

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

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

LIABILITIES

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

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

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

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

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

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

BORROWINGS AND NET CASH

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

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

GOING CONCERN

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

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

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

CAPITAL ALLOCATION PRIORITIES

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

DIVIDEND POLICY

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

DIVIDEND

The Group paid its maiden dividend of USD20 million or approximately USD cents 1.7 per share in May 2022 and interim dividend of USD15 million in November 2022. Off the back of the strong 2022 results and the future prospects, the Board have approved the payment of Gemfields' 2022 final dividend of USD35.0 million, or approximately USD cents 2.9 per share. The dividend will be distributed to shareholders on 12 May 2023.

SUMMARY

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

David Lovett
Chief Financial Officer
24 March 2023

IMAGE Proprietary grading system, Kagem Mining, Zambia

IMAGE Responsibly mined rough emeralds, Kagem Mining, Zambia

SECTION 2

Financial Statements

SECTION 2.1

Consolidated Income Statement

for the year ended 31 December 2022

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

The accompanying notes form part of these Financial Statements.

SECTION 2.2

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

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

The accompanying notes form part of these Financial Statements.

SECTION 2.3

Consolidated Statement of Financial Position

as at 31 December 2022

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

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

David Lovett
Director

Sean Gilbertson
Director

The accompanying notes form part of these Financial Statements.

SECTION 2.4

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

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

The accompanying notes form part of these Financial Statements.

SECTION 2.5

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	SHARE CAPITAL USD'000	SHARE PREMIUM USD'000	CUMULATIVE TRANSLATION RESERVE USD'000	OPTION RESERVE USD'000	RETAINED (LOSSES)/ EARNINGS USD'000	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT USD'000	NON-CONTROLLING INTEREST USD'000	TOTAL EQUITY USD'000
Balance at 1 January 2022	**11**	**488,404**	**5,235**	**7,303**	**(36,447)**	**464,506**	**79,695**	**544,201**
Profit for the year	–	–	–	–	56,779	**56,779**	17,489	**74,268**
Other comprehensive income/(loss)	–	–	(2,006)	–	–	**(2,006)**	29	**(1,977)**
Total comprehensive income	**–**	**–**	**(2,006)**	**–**	**56,779**	**54,773**	**17,518**	**72,291**
Share options recognised during the year	–	–	–	150	–	**150**	–	**150**
Share options exercised during the year	1	6,079	–	(1,194)	1,194	**6,080**	–	**6,080**
Share options lapsed/forfeited during the year	–	–	–	(1,348)	1,348	–	–	–
Dividends paid	–	–	–	–	(35,000)	**(35,000)**	(6,625)	**(41,625)**
Total contributions to owners	**1**	**6,079**	**–**	**(2,392)**	**(32,458)**	**(28,770)**	**(6,625)**	**(35,395)**
Balance at 31 December 2022	**12**	**494,483**	**3,229**	**4,911**	**(12,126)**	**490,509**	**90,588**	**581,097**

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

SECTION 2.6

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1. SEGMENTAL REPORTING

The Executive Management team, which includes the Chief Financial Officer and the Chief Executive Officer, has been determined collectively as the Chief Operating Decision Maker for the Group. The information reported to the Group's Executive Management team for the purposes of resource allocation and assessment of segment performance is split between the Group's operations based on their differing products and services, and geographical locations.

The strategy of the Group is to be the world-leading supplier of responsibly sourced gemstones through its ownership and operation of the Kagem emerald mine in Zambia, and the MRM ruby mine in Mozambique. The Group also invests in certain exploration and evaluation opportunities within Africa that have been identified by Executive Management to have the potential to further the Group's strategy and widen its asset portfolio. Additionally, the Group participates in the downstream gemstone market through its ownership of Fabergé, which provides the Group with direct access to the end customer of coloured gemstones as well as opportunities to promote and boost the perception of coloured gemstones in the market.

Accordingly, the Group's segmental reporting reflects the business focus of the Group. The Group has been organised into six operating and reportable segments:

- Kagem Mining Limited ("Kagem") – the Group's emerald and beryl mine, in Zambia, Africa;
- Montepuez Ruby Mining Limitada ("MRM") – the Group's ruby and corundum mine, in Mozambique, Africa;
- Development assets – comprising the Group's exploration and evaluation assets accounted for under IFRS 6, in respect of exploration activities in Africa, including Megaruma Mining Limitada ("MML"), Eastern Ruby Mining Limitada ("ERM"), Campos de Joia Limitada ("CDJ"), Nairoto Resources Lda ("Nairoto"), and the Group's projects in Ethiopia and Madagascar;
- Fabergé – the Group's wholesale and retail sales of jewellery and watches;
- Corporate – comprising sales of cut and polished gemstones, marketing, and technical and administrative services based in the UK; and
- Other – includes sales and marketing offices.

The reporting on these segments to Executive Management focuses on revenue, operating costs, earnings before interest, tax, depreciation and amortisation ("EBITDA"), key balance sheet lines and free cash flow (as defined further below).

1. SEGMENTAL REPORTING (CONTINUED)

Income Statement

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

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

2 – Revenues have been recognised at one point in time, when control passes to the customer. No third-party customer accounted for more than 10% of the Group's sales during 2022.

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

4 – Excluding share-based payments of USD0.2 million and write down of other assets of USD2.6 million that are not included in Group's EBITDA.

5 – Earnings before interest, taxation, depreciation and amortisation, adjusted to exclude one-off impairments made to the Group's non-current assets, inventory, fair value gains or losses on the Group's non-core equity investments, share based payments, other impairments and provisions.

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

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

1. SEGMENTAL REPORTING (CONTINUED)

Income Statement (continued)

1 JANUARY 2021 TO 31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	**TOTAL USD'000**
Rough gemstones[1]	91,830	147,367	–	–	–	3,948	**243,145**
Jewellery	–	–	–	13,753	7	–	**13,760**
Cut and polished	–	–	–	–	582	219	**801**
Revenue [2]	**91,830**	**147,367**	**–**	**13,753**	**589**	**4,167**	**257,706**
Mining and production costs[3]	(29,261)	(25,352)	(3,139)	–	–	–	**(57,752)**
Mineral royalties and production taxes	(5,569)	(14,961)	–	–	–	–	**(20,530)**
Marketing, management and auction (costs)/income	(11,479)	(16,184)	–	–	27,663	–	**–**
Change in inventory and cost of goods sold	8,074	(3,037)	–	(10,411)	(390)	(3,940)	**(9,704)**
Mining and production costs capitalised to intangible assets	–	–	3,280	–	–	–	**3,280**
Selling, general and administrative expenses[4]	(3,363)	(10,060)	(1,098)	(8,310)	(16,027)	(1,300)	**(40,158)**
Other income	39	8	–	27	–	185	**259**
EBITDA[5]	**50,271**	**77,781**	**(957)**	**(4,941)**	**11,835**	**(888)**	**133,101**
Unrealised fair value gains	–	–	–	–	7,600	–	**7,600**
Other fair value losses	–	–	–	–	(170)	(66)	**(236)**
Share-based payments	–	–	–	–	(367)	–	**(367)**
Depreciation and amortisation	(11,058)	(14,311)	(713)	(670)	(694)	(89)	**(27,535)**
Impairment charges[6]	–	(165)	(4,369)	–	–	(395)	**(4,929)**
Profit/(loss) from operations	**39,213**	**63,305**	**(6,039)**	**(5,611)**	**18,204**	**(1,438)**	**107,634**
Finance income	–	129	–	–	68	9	**206**
Finance costs	(1,966)	(924)	(18)	(319)	(169)	(21)	**(3,417)**
Taxation charge	(13,554)	(22,518)	(918)	(17)	(1,231)	(1,222)	**(39,460)**
Profit/(loss) after taxation	**23,693**	**39,992**	**(6,975)**	**(5,947)**	**16,872**	**(2,672)**	**64,963**

1 – In March and April 2021, a series of high-quality emerald and mixed-quality ruby mini auctions were held, realising revenues of USD31.2 million and USD58.9 million respectively. In November and December 2021, a second series of higher-quality emerald and mixed-quality ruby mini auctions were held, realising revenues of USD37.6 million and USD88.5 million respectively. Additionally, in August 2021, a commercial-quality emerald auction was held, realising revenues of USD23.0 million.

2 – Revenues have been recognised at one point in time, when control passes to the customer. No third-party customer accounted for more than 10% of the Group's sales during 2021.

3 – Excluding mineral royalties and production taxes, which have been presented separately.

4 – Excluding share-based payments of USD0.4 million, other fair value losses of USD0.2 million and impairment charges of USD4.9 million that are not included in Group's EBITDA.

5 – Earnings before interest, taxation, depreciation and amortisation, adjusted to exclude one-off impairments made to the Group's non-current assets and inventory, fair value gains or losses on the Group's non-core equity investments, share based payments and other impairments and provisions.

6 – Impairment charges include a USD4.8 million write-down of the carrying value of the Group's intangible assets, predominately related to the USD4.4 million impairment of the Ethiopian development project and USD0.2 million of other impairments recorded within selling, general and administrative expenses during the year.

1. SEGMENTAL REPORTING (CONTINUED)

Change in inventory and cost of goods sold

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

1 – The Group values its rough emerald and ruby inventories based on their weighted average cost of production. Therefore, direct costs of production are capitalised to inventory when incurred, with the average cost accumulated per carat released back to the income statement when the gemstones are sold.
2 – Mining and production costs capitalised to inventory exclude security costs, which are not determined to be direct costs of production.

1 JANUARY 2021 TO 31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	**TOTAL USD'000**
Change in inventory and cost of goods sold	**8,074**	**(3,037)**	**–**	**(10,411)**	**(390)**	**(3,940)**	**(9,704)**
Split between:							
Mining and production costs capitalised to inventory[1,2]	29,526	22,353	–	-	–	–	**51,879**
Depreciation capitalised[1]	3,317	6,228	–	–	–	–	**9,545**
Cost of goods sold in the period	(24,769)	(31,618)	–	(10,411)	(390)	(3,940)	**(71,128)**
	8,074	(3,037)	–	(10,411)	(390)	(3,940)	**(9,704)**

1 – The Group values its rough emerald and ruby inventories based on their weighted average cost of production. Therefore, direct costs of production are capitalised to inventory when incurred, with the average cost accumulated per carat released back to the income statement when the gemstones are sold.
2 – Mining and production costs capitalised to inventory exclude security costs, which are not determined to be direct costs of production.

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

1. SEGMENTAL REPORTING (CONTINUED)

Statement of Financial Position

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

1 – Mining asset includes evaluated mining properties and deferred stripping costs.

2 – Operating assets include inventory, current and non-current trade and other receivables, VAT receivables and current tax assets.

3 – Operating liabilities include trade and other payables, lease liabilities, provisions and current tax liabilities.

31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	**TOTAL USD'000**
Mining asset[1]	142,760	157,224	–	–	–	–	**299,984**
Property, plant and equipment, and intangibles	5,288	29,071	24,933	30,399	1,392	1,512	**92,595**
Listed and unlisted investments	–	–	–	–	37,200	–	**37,200**
Operating assets[2]	71,037	90,167	1,464	36,106	12,127	2,496	**213,397**
Cash and cash equivalents	13,157	29,326	355	2,519	41,389	10,974	**97,720**
Deferred tax asset	–	–	–	–	2,868	20	**2,888**
Segment assets	**232,242**	**305,788**	**26,752**	**69,024**	**94,976**	**15,002**	**743,784**
Borrowings	23,500	11,235	–	–	–	–	**34,735**
Operating liabilities[3]	20,118	38,858	5,540	5,344	7,939	805	**78,604**
Deferred tax liability	41,009	45,235	–	–	–	–	**86,244**
Segment liabilities	**84,627**	**95,328**	**5,540**	**5,344**	**7,939**	**805**	**199,583**
Net (debt)/cash	**(10,343)**	**18,091**	**355**	**2,519**	**41,389**	**10,974**	**62,985**

1 – Mining asset includes evaluated mining properties and deferred stripping costs.

2 – Operating assets include inventory, current and non-current trade and other receivables, VAT receivables and current tax assets.

3 – Operating liabilities include trade and other payables, lease liabilities, provisions and current tax liabilities.

1. SEGMENTAL REPORTING (CONTINUED)

Statement of Cash Flows

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

1 – Excluding share-based payments, other fair value losses and impairment charges.

2 – Includes movements relating to inventory purchases.

3 – Free cash flow is a non-IFRS performance measure used as a KPI by the Group and is calculated as cash flow from operating activities less taxation paid, sustaining and expansionary capital expenditure and foreign exchange gains and losses.

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

1. SEGMENTAL REPORTING (CONTINUED)

Statement of Cash Flows (continued)

1 JANUARY 2021 TO 31 DECEMBER 2021	KAGEM USD'000	MRM USD'000	DEVELOPMENT ASSETS USD'000	FABERGÉ USD'000	CORPORATE USD'000	OTHER USD'000	**TOTAL USD'000**
Revenue	91,830	147,367	–	13,753	589	4,167	**257,706**
Operating costs and cost of sales[1]	(30,080)	(53,402)	(957)	(18,694)	(16,417)	(5,055)	**(124,605)**
Marketing, management and auction costs	(11,479)	(16,184)	–	–	27,663	–	–
EBITDA	**50,271**	**77,781**	**(957)**	**(4,941)**	**11,835**	**(888)**	**133,101**
Add back: Change in inventory and purchases	(8,074)	3,037	–	10,411	390	3,940	**9,704**
Add back: Costs capitalised to intangible assets	–	–	(3,280)	–	–	–	**(3,280)**
Tax paid	(6,725)	(2,928)	(1)	(17)	–	(61)	**(9,732)**
Capital expenditure	(2,274)	(4,559)	(4,290)	(127)	(22)	(399)	**(11,671)**
Free cash flow before working capital movements	**33,198**	**73,331**	**(8,528)**	**5,326**	**12,203**	**2,592**	**118,122**
Working capital movements[2]	(18,418)	(19,740)	8,720	(3,333)	1,157	467	**(31,147)**
Free cash flow[3]	**14,780**	**53,591**	**192**	**1,993**	**13,360**	**3,059**	**86,975**
Cash generated from operations	**23,223**	**60,806**	**4,426**	**2,207**	**13,659**	**3,532**	**107,853**
Tax paid	(6,725)	(2,928)	(1)	(17)	–	(61)	**(9,732)**
Capital expenditure	(2,274)	(4,559)	(4,290)	(127)	(22)	(399)	**(11,671)**
Foreign exchange	556	272	57	(70)	(277)	(13)	**525**
Free cash flow	**14,780**	**53,591**	**192**	**1,993**	**13,360**	**3,059**	**86,975**

1 – Excluding share-based payments, other fair value losses and impairment charges.

2 – Includes movements relating to inventory purchases.

3 – Free cash flow is a non-IFRS performance measure used as a KPI by the Group and is calculated as cash flow from operating activities less taxation paid, sustaining and expansionary capital expenditure and foreign exchange gains and losses.

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 2021	**34,343**	**56,086**	**8,465**	**349,036**	**11,623**	**459,553**
Additions	2,357	5,303	588	95	–	**8,343**
Transfers	(21)	–	16	(97)	–	**(102)**
Disposals	(98)	(983)	(51)	(776)	–	**(1,908)**
Foreign exchange differences	**(17)**	**–**	**(116)**	**–**	**–**	**(133)**
At 31 December 2021	**36,564**	**60,406**	**8,902**	**348,258**	**11,623**	**465,753**
Additions	4,288	23,564	1,645	3,725	–	**33,222**
Disposals	(1,520)	(6,992)	–	–	–	**(8,512)**
Foreign exchange differences	(65)	–	(454)	(773)	–	**(1,292)**
At 31 December 2022	**39,267**	**76,978**	**10,093**	**351,210**	**11,623**	**489,171**
Accumulated depreciation						
At 1 January 2021	7,739	35,639	6,202	45,171	2,068	96,819
Provided during the year	3,614	10,158	1,036	12,666	–	**27,474**
Disposals	(94)	(983)	(17)	–	–	**(1,094)**
Transfers	–	–	69	–	–	**69**
Foreign exchange differences	**(17)**	**–**	**(115)**	**–**	**–**	**(132)**
At 31 December 2021	**11,242**	**44,814**	**7,175**	**57,837**	**2,068**	**123,136**
Provided during the year	3,767	10,628	965	17,439	4,722	**37,521**
Disposals	(692)	(6,992)	–	–	–	**(7,684)**
Foreign exchange differences	(64)	–	(503)	–	–	**(567)**
At 31 December 2022	**14,253**	**48,450**	**7,637**	**75,276**	**6,790**	**152,406**
Carrying value						
At 31 December 2021	25,322	15,592	1,727	290,421	9,555	**342,617**
At 31 December 2022	**25,014**	**28,528**	**2,456**	**275,934**	**4,833**	**336,765**

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

Deferred stripping costs relate to Kagem.

Included within land and buildings are right-of-use assets with a cost of USD6.2 million (2021: USD6.7 million) and associated accumulated depreciation of USD3.9 million (2021: USD3.3 million). Right-of-use assets mostly relate to property leases held in the Group's various operating locations.

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

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FY22 Impairment review of Kagem and MRM

At 31 December 2022 the Group's market capitalisation based on the share price of ZAR3.85 was USD273.9 million. This is USD321.2 million below the Group's net asset value (consistent with the previous years), which under IAS 36 represents an impairment indicator. Whilst the Gemfields Group is not considered a cash-generating unit ("CGU"), the existence of this impairment indicator implies that an impairment indicator may also exist at one or more of the Group's CGUs. As a result, an impairment review has been performed on the mining CGUs. The recoverable value models support the carrying value of mining assets at 31 December 2022, therefore no impairment charges were recorded. The recoverable value of these assets was determined using a fair value less cost of disposal (FVLCD) methodology, applying discounted cash flows techniques. The cash flows included in the fair value models were estimated in real terms.

In assessing the recoverable amount of Kagem and MRM, management has considered the strong auction results for both emeralds and rubies in 2022, which saw prices increase across a large number of grades with more customers bidding. On this basis, the Directors are confident in the strength of the market for both gemstones. With the market dynamics having improved and production levels during 2022 restabilising, with future production expected to be stable or better than pre-Covid-19 years, the impairment review performed resulted in recoverable amounts that exceed the carrying value of both assets. An assessment of 2022 auction results is provided below.

KAGEM:

- Four successful auctions during the year generated record revenues for both higher-quality and commercial-quality emeralds. Higher-quality auctions generated USD73.8 million at an average price of USD109.04 per carat, whilst the record commercial quality auction achieved USD74.9 million at USD9.19 per carat. The auctions saw a large number of companies making bids at prices within a competitive range, indicating strong market dynamics are prevalent; and

MRM:

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

In determining the recoverable amount the Group has used a discounted cash flow analysis. The calculation of the recoverable amount of the Group's CGUs at 31 December 2022 using a discounted cash flow model provided a range of outcomes as the calculation is particularly sensitive to changes in auction prices, composition of the high-quality emerald auctions, processing capacity of rubies and the discount rate used, amongst other factors. Any changes to the assumptions adopted in the calculation of the discounted cash flows, individually or in aggregate, would result in a different valuation being determined.

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

In conclusion:

- Kagem's base case recoverable amount is calculated at USD235.0 million which exceeds its carrying value of USD188.0 million. However, when the emerald prices are reduced by 30% for three years at the base case discount rate, a deficit is forecast;
- In the event that the deficit noted above for Kagem is realised, the Group would look to review the life of mine plan including auction sizing and mix, production costs and other factors that would reduce it. Management notes, however, that in the absence of any clear indicators such a pronounced price reduction for a prolonged period is unlikely; and
- MRM's base case recoverable amount is calculated at USD523.7 million, which significantly exceeds its carrying value of USD208.0 million at 31 December 2022, such that under any of the stressed assumptions there is no deficit.

2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FY22 Impairment review of Kagem and MRM (continued)

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

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

Key assumptions used in the recoverable amount calculations:

ASSUMPTION	KAGEM	MRM
Recoverable amount of reserves and resources	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.	Economically recoverable reserves and resources are based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third-party specialists.
Commodity prices	Rough emerald and beryl prices have been determined using the Group's historic achieved prices over the last six auctions, also reflecting historically supportable price increases. Rough emerald and beryl prices are not traded on a public exchange and most transactions occur in private auctions and therefore historic trends of prices and product mix are the most appropriate and reasonable basis.	Rough rubies and corundum prices have been determined using the Group's historic achieved prices over the last three auctions. Rough rubies and corundum prices are not traded on a public exchange and most transactions occur in private auctions and therefore historic trends of prices and product mix are the most appropriate and reasonable basis.
Composition of auctions	The quality of production and product mix typically dictate the composition of the high-quality auctions. The composition of the auction includes premium emeralds and emerald stones that enhance the auction parcels and schedules and is dependent on (i) production; (ii) management strategy, i.e. building inventory or cash generation; and (iii) market intelligence. Any variations in this composition are at the discretion of management and given the continued improvement in the quality of production and the market strength, it is anticipated that over the near to medium term the proportion of emerald production taken to high-quality auctions will increase.	The quantity of ruby production that is assumed to be sold at mixed quality auctions are based on available production from two months before the auction date, this allows for time taken for grading and referencing. The composition of the auction is dependent on (i) production; (ii) management strategy i.e. building inventory or cash generation; and (iii) market intelligence.
Operating costs	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.	Variable operating costs have been included in the impairment test as a function of the related production volumes. Fixed costs at the mines, washing plant and sort house are largely constant but reflect material changes in activity levels.
Discount rate	A real discount rate of 15.75% was used in the recoverable amount calculations. This represents the pre-tax rate that reflects the Group's current market assessments of the time value of money and the risks specific to the cash-generating unit.	A real discount rate of 15.50% was used in the recoverable amount calculations. This represents the pre-tax rate that reflects the Group's current market assessments of the time value of money and the risks specific to the cash-generating unit.

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

3. INTANGIBLE ASSETS

	SOFTWARE USD'000	INDEFINITE LIFE INTANGIBLE ASSETS USD'000	FINITE LIFE INTANGIBLE ASSETS USD'000	UNEVALUATED MINING PROPERTIES USD'000	TOTAL USD'000
Cost					
At 1 January 2021	671	39,942	496	22,922	**64,031**
Additions	259	–	–	2,991	**3,250**
Disposal	(159)	–	–	–	**(159)**
Transfers	(93)	–	–	93	–
Foreign exchange differences	(1)	–	–	–	**(1)**
At 31 December 2021	**677**	**39,942**	**496**	**26,006**	**67,121**
Additions	234	–	–	6,094	**6,328**
Foreign exchange differences	(1)	–	–	–	**(1)**
At 31 December 2022	**910**	**39,942**	**496**	**32,100**	**73,448**
Accumulated amortisation					
At 1 January 2021	602	11,472	496	–	**12,570**
Charge in the year	54	–	–	7	**61**
Disposals	(159)	–	–	–	**(159)**
Transfers	(75)	–	–	–	(75)
Impairment charge	–	–	–	4,764	**4,764**
Foreign exchange differences	(2)	–	–	–	(2)
At 31 December 2021	**420**	**11,472**	**496**	**4,771**	**17,159**
Charge in the year	150	–	–	–	**150**
At 31 December 2022	**570**	**11,472**	**496**	**4,771**	**17,309**
Carrying value					
At 31 December 2021	257	28,470	–	21,235	**49,962**
At 31 December 2022	**340**	**28,470**	**–**	**27,329**	**56,139**

Unevaluated mining properties

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

Unevaluated mining properties are reviewed regularly for indicators of impairment and are tested for impairment where these indicators exist, in line with the Group accounting policy. Whilst the management continuously reviews the insurgent activities in the Mozambique; there have been no adverse changes which would represent an impairment indicator at 31 December 2022. During the first quarter of 2021, the Covid-19 pandemic resulted in the Group pausing spending on non-critical operations, which included the development projects. Management did not view this as an impairment indicator, as the suspension of activity was temporary with no hindrance to the rights of access on any of the key licences.

In 2021, indicators of impairment were identified in relation to the Ethiopian development assets as a result of in-country political situation, the status of various licence applications and the cessation of any significant spend anticipated on the project in the near future. The non-current asset investment was written down to nil value at 31 December 2021, with an impairment charge of USD4.4 million recognised in the income statement.

3. INTANGIBLE ASSETS (CONTINUED)

Finite life intangible assets

Finite life intangible assets relate to the fair value assigned to the Fabergé customer list at acquisition, which were carried at their fully amortised value of USD nil at 31 December 2022.

Indefinite life intangible assets

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

Fabergé Limited cash-generating unit – valuation and impairment assessment

In accordance with IAS 36 *Impairment of assets*, the Group assesses the carrying value of its Fabergé CGU for impairment on an annual basis. The Fabergé CGU is the Group's luxury downstream retail business, whose principal activity is the retail of premium personal luxury goods ("PLGs"). The carrying value of the CGU at 31 December 2022 was USD57.3 million (31 December 2021: USD61.2 million).

The Group applies a Market Approach – Revenue Multiple method to the valuation of its recoverable amount and engages an independent expert to complete an independent valuation report, using this methodology, at each reporting date. The independent report forms the primary source in determining the fair value (based on a fair value less cost of disposal ("FVLCOD")) of Fabergé at each reporting date. The report was prepared on the same basis as that prepared in prior periods, including 31 December 2021, using a market-based approach based on enterprise value to revenue multiples ("EV/Revenue") exhibited by comparable companies ("CoCos"). The Group believes that a revenue multiple based on comparable companies remains the most appropriate method of valuing the Fabergé CGU. This approach is determined to be Level 3 in the fair value hierarchy. The key judgements, assumptions and inputs used in the valuation are summarised below.

Basis of revenue

For 31 December 2022, the following metrics were used:

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

Peer group

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

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

Taking these factors into account the report considered it reasonable to apply a discount to the peer group average multiples of 15%–20%, consistent with the discount applied in the December 2021 valuation. After deducting this, the selected EV/Revenue multiple range was 2.45x–2.95x. This is broadly in-line with the range applied at 30 June 2022 of 2.35x–2.85x, however, below the range applied at 31 December 2021 of 3.50x–4.25x, which is believed to reflect the uncertain economic environment as at 31 December 2022, which has seen inflation at record highs, interest rate rises and supply chain disruption driven by the invasion of the Ukraine by Russia.

Control premium

Multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels or shares. As such, they generally reflect a minority discount. A control premium range of 25%–35% was therefore applied to arrive at an adjusted enterprise value for the Fabergé CGU, consistent with the 31 December 2021 valuation.

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

3. INTANGIBLE ASSETS (CONTINUED)

Discount for Lack of Marketability ("DLOM")

On the basis that a revenue multiple derived from the CoCos reflects trades of liquid parcels or shares, whereas the Fabergé CGU is a private entity, the report considered it appropriate to apply a DLOM. The report applies a DLOM range of 5%–10% taking into consideration the following factors:

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

The range is consistent with the December 2021 valuation.

Illustrative costs of disposal

Consistent with December 2021, the report considered an appropriate illustrative cost of disposal of 1% of enterprise value, which is the mid-point of disposal costs of between 0.5% and 1.5% of similar transactions observed.

Surplus inventory

Within inventory of USD25.8 million at 31 December 2022 (31 December 2021: USD29.3 million), Fabergé carries a high level of "showpiece" assets which can be summarised as art-jewellery and exceptional gemstones, showcasing the highest possible level of design, craftsmanship and quality associated with the brand. These assets are not required for the operations of the CGU and can be considered as surplus assets. This surplus amount aggregates to USD17.6 million (31 December 2021: USD21.4 million) with the remainder regarded as operational inventory required to support annual sales. This surplus inventory amount is added back to the calculated enterprise value after adjustment for control premium and DLOM to arrive at the total enterprise value of the Fabergé CGU.

Valuation results

At 31 December 2022 and 31 December 2021, based on the valuation approach outlined above, the range of enterprise values calculated by the independent third party support the carrying value of the Fabergé CGU, with no further indicators of impairment being identified.
Management has assessed the valuation report for 31 December 2022, taking these factors into consideration, and has sensitised the revenue inputs in consideration of the following:

- The historical track record of Fabergé pre-Covid-19 has been one of relatively flat sales orders, with the CGU being loss-making for many years. Although Fabergé's revenues did show strong signs of recovery after the second half of 2021, improved sales could represent pent-up demand.
- Revenues also include the sales of one-off items. Whilst Fabergé does typically sell such items on a yearly basis, the value of these items can alter dramatically from period-to-period and the revenue steam is unpredictable in nature.

Taking account of these additional factors and the overall sensitivity of the valuation to the revenue, which remains uncertain at this point, management consider that the carrying value of the CGU is not materially different to the assessed fair value at the balance sheet date. Therefore, neither a further impairment nor a reversal of the existing impairment is required.

Management has also considered the potential impact the current conflict in Ukraine could have on Fabergé's revenues over the short to medium term, resulting from the potential negative market perception around a brand with a Russian heritage, despite Fabergé no longer being linked to Russia, nor having any direct points-of-sale in Russia. To date, Fabergé has not been materially impacted by the conflict, however with the current situation changing daily, the future potential impact is uncertain. Management has not factored the potential impacts of the conflict into the CGU assessment completed at this time, but continues to monitor the situation closely.
Looking forward, subject to the potential impacts of the conflict in Ukraine outlined above, the Directors believe that revenues from Fabergé should continue to improve into 2023, as the Group continues to adapt to the new market conditions. The Directors will continue to monitor these factors closely and provide an updated assessment in 2023.

4. UNLISTED EQUITY INVESTMENTS

The Group's unlisted equity investment relates to its 6.54% holding in Sedibelo Resources Limited (previously Sedibelo Platinum Mines Limited) ("Sedibelo" or "SPM"), a producer of platinum group metals ("PGMs") with interests in the Bushveld Complex in South Africa. The reconciliation of the valuation of the investment held in the current and prior year is shown in the table below.

	31 DECEMBER 2022 USD'000	31 DECEMBER 2021 USD'000
Balance at 1 January	37,200	29,600
Unrealised fair value (losses)/gains	(5,200)	7,600
Balance at 31 December	**32,000**	**37,200**

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

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

The primary source in determining the valuation of SPM at 31 December 2022 is a valuation report prepared by an independent third party. The independent valuation report includes a range of valuations from which the Directors have applied judgement to assess the value of the Group's investment. The methodology applied at 31 December 2022 is consistent with that applied at 31 December 2021. The fair value assessment completed is determined to be Level 3 in the fair value hierarchy.

Market approach – comparable companies' analysis

Consistent with the December 2021 valuations, the report concluded that the only practical market-based approach is to value the Group's investment in SPM by reference to the key market multiples exhibited by reference to the pricing of publicly listed PGM companies. The independent valuation report considered a peer group comprising Impala Platinum, Northam Platinum ("Northam"), Sibanye Stillwater, Tharisa, Royal Bafokeng Platinum ("RBP") and Anglo Platinum, concluding Tharisa, Northam and RBP to be the closest comparables to SPM with respect to their resource size and financial performance; although production and revenue at both Northam and RBP are still materially larger than SPM.

Consistent with December 2021, the report considered the most suitable measures to be Enterprise Value per (i) mineral resource ounce, (ii) mineral reserve ounce, (iii) production ounce, (iv) Last Twelve Months ("LTM") revenue, (v) Next Twelve Months ("NTM") revenue, (vi) LTM EBITDA and (vii) NTM EBITDA.

Financial and non-financial multiples

The following trading multiples were selected for application to Sedibelo:

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

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

4. UNLISTED EQUITY INVESTMENTS (CONTINUED)

Financial and non-financial multiple (continued)

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

Discount for the lack of marketability ("DLOM")

Consistent with December 2021, the valuer has applied a DLOM to the valuation of Sedibelo. DLOM of 15% is calculated using the Finnerty model, a widely used valuation discount method. The DLOM applied gives acknowledgement to the fact that SPM is a public, unlisted company, making the Group's investment more difficult to sell than if it was listed in an openly traded market. The Finnerty model assumes that Group could realise its stake in Sedibelo over the next two years.

Valuation results

After allowance of SPM's net cash of USD66.0 million, the multiples lead to a value of SPM (100% basis), on an Enterprise Value basis, of USD583.2 million, with the Group's 6.54% interest valued at USD38.1 million. Applying the 15% DLOM decreases SPM's fair value to USD595.7 million, with the Group's 6.54% interest valued at USD32.0 million. Accordingly, a USD5.2 million fair value loss has been recorded for the period, which has been recognised in other income and expenses and shown separately on the face of the financial statements.

Sensitivity analysis

For the purposes of the disclosures required by IFRS13, the Directors have performed a test of the reasonableness to the selected weightings of each multiple applied.
The following sensitivity analysis on varying alternative weightings is disclosed:

(i) If equal weightings were applied to all seven metrics, with all other indicators and evidence unchanged, the valuation would change to USD27.8 million or a reduced fair value decrease of USD9.3 million;
(ii) If no weighting was applied to the mineral resource and mineral reserve multiples, with the remaining multiples re-weighted equally, the valuation would change to USD26.6 million or a fair value decrease of USD10.5 million from the position at 31 December 2021; and
(iii) If no weighting was applied to the mineral resource, mineral reserve, NTM revenue and NTM EBITDA multiples, with the remaining multiples re-weighted equally, the valuation would change to USD30.9 million or a fair value decrease of USD6.2 million from the position at 31 December 2021.

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

Consideration of non-current assets held for sale

Group previously held its stake in SPM via an interposed vehicle named Pallinghurst Ivy Lane Capital S.à r.l ("Ivy Lane"), a company incorporated in Luxembourg, which in turn had an interest of 27.64% in SPM.

During 2021 the management of Ivy Lane completed the "unbundling" of Ivy Lane, such that Ivy Lane's 27.64% shareholding in SPM, as well as Ivy Lane's surplus net assets, have been transferred to Ivy Lane's shareholders in accordance with their respective equity holdings in Ivy Lane. Group therefore now holds its 6.54% stake in SPM directly.

4. UNLISTED EQUITY INVESTMENTS (CONTINUED)

Sensitivity analysis (continued)

In November 2020, the Group engaged a third-party broker to commence the marketing and sale of its then 23.65% equity holding in Ivy Lane. The same broker continues to manage the orderly disposal of Group's direct holding of SPM shares post the unbundling of Ivy Lane.

Although the unbundling of Ivy Lane has simplified the structure through which Group holds its SPM investment, the Directors continue to take the position that a sale of SPM within the next 12-months is not highly probable, based on the current facts and circumstances. Initial discussions with prospective buyers have occurred, however, as the timing of the sales process is uncertain and the investment is not being actively marketed at a specific price, the Group's investment in SPM does not meet all the requirements of IFRS 5 Non-current assets held for sale and discontinued operations in order for the investment to be presented as an asset held for sale on the Group's balance sheet at 31 December 2022.

Fair value hierarchy

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

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

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

5. INVENTORY

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

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

At 31 December 2022, USD1.3 million of the rough inventory was carried at net realisable value (2021: USD3.3 million) and principally relates to beryl, corundum and some specific low quality gemstones which are typically sold outside of the normal auction programme.

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

6. BORROWINGS

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

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

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

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

		CASH MOVEMENTS			NON-CASH MOVEMENTS		
	AT 1 JANUARY 2022 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 2022 USD'000
Current borrowings	24,735	15,242	(35,970)	(2,629)	10,000	2,629	**14,007**
Non–current borrowings	10,000	–	–	–	(10,000)	–	**–**
	34,735	**15,242**	**(35,970)**	**(2,629)**	**–**	**2,629**	**14,007**

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

6. BORROWINGS (CONTINUED)

ABSA Zambia

At 31 December 2021, Kagem had total debt of USD23.5 million outstanding with ABSA Zambia, with security comprising a fixed and floating charge over all of Kagem's net assets equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields Group Limited.

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

The facilities were subject to the following financial covenants:
- Senior Debt Service Cover Ratio shall not fall below 1.2 times;
- Interest Service Cover Ratio shall not fall below 2.5 times; and
- Senior Net Debt/EBITDA shall not exceed 2.5 times.

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

ABSA Mozambique

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

Banco Comercial E De Investimentos ("BCI")

In June 2016, MRM entered a USD15.0 million unsecured overdraft facility with BCI. This is a rolling facility which renews annually, provided that terms and conditions are met, and attracts interest of three-month USD SOFR plus 3.75% per annum. MRM had an outstanding balance of USD4.0 million as at 31 December 2022. The facility is secured by a blank promissory note undertaken by MRM and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group.

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

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.

Headline Earnings/(Loss) Per Share ("HEPS" or "HLPS") is similar to EPS/(LPS) except that attributable profit specifically excludes certain items, as set out in Circular 1/2021 "Headline Earnings" ("Circular 1/2021") issued by the South African Institute of Chartered Accountants.

NAV per share is based on net assets divided by the number of ordinary shares in issue at the reporting date. NAV per share is a non-IFRS performance measure used by Management to assess the performance of the Group.

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

7. PER SHARE INFORMATION (CONTINUED)

Earnings per share

The Group's EPS is as follows:

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

At 31 December 2022, the weighted average number of dilutive shares was 63,140,987 (2021: 860,018). The dilutive shares arise from the January 2018, July 2018 and March 2019 schemes, from which 11,020,552, 28,949,950 and 372,000 shares (2021: March 2019 scheme of 898,118 shares) were exercisable at exercise prices of ZAR2.97, ZAR2.30 and ZAR 1.91. The average share price for 2022 was ZAR3.40 (2021: ZAR2.08).

Headline earnings per share

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

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

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

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

7. PER SHARE INFORMATION (CONTINUED)

Tangible NAV per share

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

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

8. COMMITMENTS AND CONTINGENCIES

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

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

The Group does not have any significant contingencies.

9. BASIS OF PREPARATION

The Group's Consolidated Financial Statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), IFRS as adopted by the UK and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"). IFRS as adopted by the UK differs in certain respects from IFRS as issued by the IASB, however the differences have no impact on the Group's consolidated financial statements for the years presented. The Consolidated Financial Statements also comply with the JSE Listings Requirements, the AIM Rules for Companies and The Companies (Guernsey) Law, 2008 and show a true and fair view.

These Consolidated Financial Statements for the year ended 31 December 2022 have been extracted from the audited Annual Consolidated Financial Statements. The auditor's report on those financial statements which have been audited by the Company's auditors, Ernst & Young LLP, was not qualified and did not draw attention to any emphasis of matter. Shareholders are 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 2022.

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

10. ACCOUNTING POLICIES

The Group's accounting policies were last described in full in the Group's financial statements for the year ended 31 December 2021. Certain new and amended accounting standards and interpretations have been applied by the Group for the first time for the annual reporting period commencing on 1 January 2022, 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 2022, 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

11. GOING CONCERN

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

The Covid-19 pandemic had a significant impact on the Group in 2020, with mine operations and auctions halted for most of the year, and with only two emerald auctions being held generating USD22.3 million of auction revenues. During this period the Board and management acted quickly suspending principal operations in the early stages of the pandemic. In 2021, the continued easing of the various Covid-19 related restrictions across the globe allowed the Group to recommence operations at both mines in the first quarter of the year and hold auctions using the online bidding format for both emeralds and rubies. The recovery in the coloured gemstone market was evident, with both the emerald and ruby auctions achieving record-breaking revenues for 2021 and 2022.

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

Mining operations

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

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

The Group has also resumed the investment programme for the development assets in Mozambique (MML, ERM, CDJ and Nairoto). The planned spend on these assets is uncommitted and discretionary, except for minimum spend for security and licence retention.
Since recommencement, the mines have remained largely uninterrupted by Covid-19, with a low-level of cases reported on-site and the continuation of the vaccine rollouts at both locations. Should a Level-5-type shutdown occur at the mines (i.e. a two-month shutdown) then production would be disrupted. However, given the current stockpile levels and lower level of Covid-19 restrictions, it is highly unlikely that this would materially impact the Group's operations, or that this type of shutdown would occur.

11. GOING CONCERN (CONTINUED)

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

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

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

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

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

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

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

(i) Reduction in revenues and increase in costs scenario

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

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

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

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

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

11. GOING CONCERN (CONTINUED)

(i) Reduction in revenues and increase in costs scenario (continued)

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

(ii) Insurgency scenario

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

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

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

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

Summary

Since April 2021, the Group has rebounded and the strong operational and financial results achieved in the year support the base case forecast as being probable, with the Group having proven that its business model is capable of mitigating the risks posed by any further Covid-19 outbreaks. Further, based on information currently available, the conflict in Ukraine is not expected to have an unmanageable material adverse impact on the Group.

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

Considering the analysis above, the Directors concluded that no material uncertainties are present at the date of signing these Consolidated Financial Statements, that would cast significant doubt over the Group's ability to continue as a going concern. The Directors have therefore adopted the going concern basis within these Consolidated Financial Statements.

12. EVENTS OCCURRING AFTER THE END OF THE PERIOD

Cabo Delgado insurgency

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

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

The Group continues exploration and evaluation of the Nairoto licences which are all still valid and available to it to operate. Sustained insurgent activity could impact the carrying value of NRL and management will assess the situation at the next reporting period.

Announcement of dividend payment

Off the back of the strong 2022 results and the future prospects, the Board have approved the payment of Gemfields' 2022 final dividend of USD35.0 million, or approximately USDc 2.9 per share. The dividend will be distributed to shareholders during the first half of 2023.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Directors and authorised for issue on 23 March 2023.

IMAGE Education projects, Mozambique

SECTION 3

Administration

SECTION 3.1

Company Details

Executive Directors
Sean Gilbertson
David Lovett

Non-Executive Directors
Martin Tolcher (Chairman)
Patrick Sacco[1]
Lumkile Mondi
Kwape Mmela
Carel Malan[2]
Mary Reilly
Kieran Daly[1]

1 – Mr Daly acts as Permanent Alternate to Mr Sacco.
2 – Resigned 29 June 2022 to take effect from latest 31 December 2022. Mr Malan then rescinded his resignation in November 2022. He continues as a member of the Nomination Committee and resumed his position as Chair of the Audit Committee.

Registered Office
Gemfields Group Limited
PO Box 186
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 4HP
Channel Islands

Company Secretary
Mr Toby Hewitt
1 Cathedral Piazza
London
SW1E 5BP
United Kingdom

London Office
1 Cathedral Piazza
London
SW1E 5BP
United Kingdom

Legal Advisor (Guernsey)
Mourant
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 4HP
Channel Islands

Legal Advisor (UK)
DWF Group PLC
20 Fenchurch Street
London
EC3M 3AG
United Kingdom

Legal Advisor (South Africa)
White & Case LLP
Katherine Towers
1st Floor
1 Park Lane, Wierda Valley
Sandton, 2196
Johannesburg
South Africa

JSE Sponsor
Investec Bank Limited
100 Grayston Drive
Sandton, 2196
South Africa

AIM Nominated Advisor and Broker
finnCap Limited
1 Bartholomew Close
London
EC1A 7BL
United Kingdom

AIM Joint Broker
Liberum
25 Ropemaker Street
London
EC2Y 9LY

Registrar
Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey
GY1 1DB
Channel Islands

South African Transfer Secretary
Computershare Investor Services (Pty) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa

Financial Public Relations
Camarco
107 Cheapside
London
EC2V 6DS
United Kingdom

Auditor
Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Administration Services (Guernsey)
Mourant Governance Services (Guernsey) Limited
PO Box 186
Royal Chambers
St. Julian's Avenue
St Peter Port
Guernsey
GY1 4HP
Channel Islands

IMAGE Margery Hirschey x Gemfields 'Barcelona' jewellery collection, featuring Mozambican rubies

NOTES

IMAGE Montepuez ruby mine, Mozambique

GEMFIELDS

www.gemfieldsgroup.com