A world-leading supplier of responsibly sourced coloured gemstones

GEMFIELDS

GEMFIELDS GROUP LIMITED

INTERIM REPORT 2018

CONTENTS

CHAIRMAN'S STATEMENT

Brian Gilbertson
Chairman

This is our first Interim Report as the newly formed Gemfields Group Limited ("GGL" or "the Company"). Our new name marks the start of a new chapter in our history as an operating mining and marketing group focused on supplying precious coloured gemstones to global markets.

The year to 31 December 2017 was transformational for our strategy, interests and assets. The acquisition of the balance of Gemfields Limited (formerly Gemfields plc) by GGL (formerly Pallinghurst Resources Limited) was the culmination of a long relationship during which Gemfields Ltd rose to world leadership in supplying responsibly sourced emeralds and rubies to world markets.

Following that acquisition and Gemfields Ltd's subsequent delisting from AIM in July 2017, expensive international expansion ambitions were curtailed in order to focus on our principal mining operations, the emerald mine of Kagem Mining Limited ("Kagem") and the ruby operations of Montepuez Ruby Mining Limitada ("MRM"), and on addressing our high corporate cost base.

Operations in Colombia and Sri Lanka were terminated and significant cost reductions and operational efficiencies pursued throughout GGL. Whilst only a short period has passed, and it is too early to declare success, encouraging results are emerging with significantly higher 'premium emerald' production at Kagem, the highest ever auction revenues achieved at MRM's ruby auction in June 2018 and record revenues at Fabergé.

The next major step was GGL's decision to support the IPO of Jupiter Mines Limited ("Jupiter") in its April 2018 Australian Securities Exchange ("ASX") relisting and in the process, to dispose of approximately 60% of GGL's stake in Jupiter. That decision made it clear that Pallinghurst Resources Limited's former strategy of developing as a diversified mining group should be ended and that it should instead focus on and develop as a "pure-play" precious coloured gemstone producer, culminating in the change of name from Pallinghurst Resources Limited to Gemfields Group Limited on 26 June 2018.

Today, GGL retains small minority stakes of approximately 7.4% and 6.5% in Jupiter and Sedibelo Platinum Mines Limited ("Sedibelo") respectively. Neither are core holdings and, if attractive opportunities were to arise, they would be sold in an orderly manner.

Within today's GGL, the Kagem emerald and MRM ruby mines provide the bedrock for the vision of becoming "the De Beers of coloured gemstones". The mines are supported in that vision by a unique and industry-leading auction platform, by developments in proof-of-origin technology and by active marketing campaigns to drive demand for coloured gemstones. The two mines have enjoyed good production during the period with two emerald auctions and one ruby auction being held.

Kagem and MRM generated revenues of US$21.1 million and US$71.8 million respectively in what was a contrasting period for the markets for the two gemstones. The emerald market suffered from the tightening of liquidity and regulatory oversight in India following the reaction to the Nirav Modi scandal and a deflating property market in Jaipur, whilst the ruby auction resulted in a second year of record results. Overall, GGL generated EBITDA of US$30.7 million and recognised negative Free Cash Flow (as defined in Note 2) of US$1.7 million. Revenues were used to fund expansionary capex at MRM, update an ageing fleet at Kagem and fund the development of the new projects in Ethiopia and Zambia. During the period, GGL paid US$9.2 million and US$8.4 million of corporation tax and mineral royalties respectively. At 30 June 2018, GGL was in a net cash position of US$31.6 million (31 December 2017: net debt of US$25.7 million) following the receipt of approximately US$64 million from the Jupiter IPO and the repayment of Fabergé's Gordon Brothers loan facility during the period.

GGL is now in a strong position to support the planned growth of the underlying mining operations in Zambia and Mozambique, to further develop Fabergé and to progress bulk-sampling in Ethiopia should the situation in Ethiopia stabilise.

Bringing our "mine and market" vision to life, Fabergé recorded revenues of US$7.0 million for the period, an all-time high against historic, like-for-like periods. The operating sales margin for the period also improved significantly and an increasing emphasis on e-commerce has been rewarded by triple-digit growth in online sales. Operating costs were rigorously reduced, including by Fabergé's decision to withdraw from the

Baselworld fair. As such, Fabergé's operating loss also showed significant improvement.

Our platinum group metals ("PGM") investment, a 6.5% stake in Sedibelo, has seen that operation enter its tenth year of production. The PGM industry remains in testing times, highlighted by the challenges experienced by Sedibelo's high profile competitors. Sedibelo is not immune to the challenges facing the industry and remains focussed on minimising production costs, cash preservation and on optimising operating efficiencies. The weakening of the South African Rand against the United States Dollar has relieved some pressure on all South African PGM producers as their operating costs are denominated in Rands and revenues are received in US Dollars. With Sedibelo's unique PGM open pit mine and exceptional safety record, it is well placed to recover should market conditions improve. Should suitably attractive opportunities arise, GGL would pursue an orderly disposal of its interest in Sedibelo given it is non-core for GGL.

Jupiter, which owns 49.9% of Tshipi, has through its successful partnership with Ntsimbintle built Tshipi into a large, long-life and low-cost operator of an industry-leading manganese mine. Supported by a strong and sustained manganese price throughout the first six months of 2018 and continued tight control over operating costs, Tshipi continues to see record performance. For its financial year to 28 February 2018, Tshipi produced 3.6 million tonnes and sold 3.3 million tonnes of manganese ore. Due to strong prices, Tshipi enjoyed its strongest financial performance to date. During 2018, GGL received buy-back distributions of approximately US$7.7 million in addition to the US$15 million received during the 2017 financial year. In April 2018, Jupiter relisted on the ASX with GGL supporting Jupiter in this initiative by selling approximately 60% of GGL's Jupiter shares at AUD0.40 per share (a higher value per share than our valuation of Jupiter shares at 31 December 2017) and resulting in AUD83.1 million of net proceeds for GGL.

GGL will seek the orderly disposal of its remaining interest in Jupiter at an appropriate time, subject to voluntary escrow arrangements. Until then, GGL will continue to benefit from the ongoing strong performance signalled by Jupiter. The Tshipi distributions appear set to continue with Jupiter announcing that the Tshipi board has resolved to distribute a further ZAR 2.0 billion to its shareholders for its half year ending August 2018. With Jupiter now relisted on the ASX, valuation of GGL's shareholding is less subjective given we now have a listed share price to refer to.

As a result of the above changes in strategic direction, senior executive management positions were revisited. After 11 years as Chief Executive, Arne H. Frandsen has stepped down and been replaced by Gemfields Limited's Chief Executive Officer Sean Gilbertson. Andrew Willis, after 11 years as Finance Director, has stepped down and been replaced by David Lovett, who takes over as Chief Financial Officer of GGL. I pay tribute to and thank Arne and Andrew for their 11 years of leadership as its founding Chief Executive and Finance Director respectively.
I elected to transition from Executive Chairman to Non-Executive Chairman with effect from 1 January 2018 (and in line with the guidelines of the King IV report). This change, along with an extensive review of executive remuneration, has seen significant reductions in overall board level remuneration when compared with those originally approved by shareholders at our General Meeting held on 26 June 2017. As more than 25% (29.6%) of the votes at the Company's 2018 AGM voted against the Company's 2017 Remuneration Policy, the Company is in the process of consulting with its shareholders to further align the incentivisation of its executives with the expectations of shareholders.

Despite the progress achieved in the period, assorted matters will challenge management in the months ahead.

In June 2018 our emerald bulk-sampling operations in Ethiopia were overrun by a mob (estimated to have been between 300 and 500 persons) with property, equipment and gemstone inventory being stolen. Our employees, contractors and service providers were safely evacuated with two of our employees sustaining minor injuries. We are continuing our dialogue with the relevant authorities in the hope of recommencing the bulk-sampling work once we again have access to the licence area.

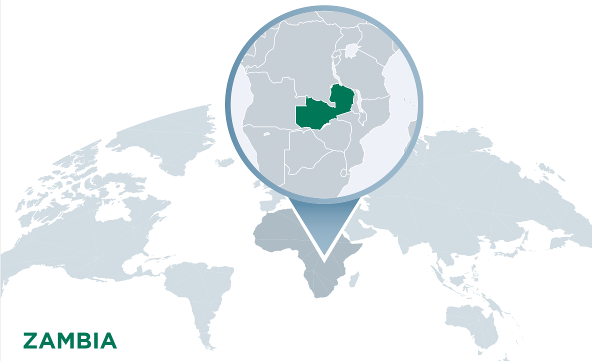
The legal case brought against Gemfields Ltd in relation to alleged human rights abuses in the Montepuez area of northern Mozambique continued, with the parties agreeing to a stay of the proceedings until 17 December 2018.

In concluding, I thank my fellow Directors and our hard-working teams for their substantial contributions during the past six months. We are on a clear strategic path and I look forward to the next chapter of GGL's evolution as "the De Beers of coloured gemstones".

Brian Gilbertson
Chairman
27 September 2018

OPERATIONAL REVIEW

ZAMBIA



ZAMBIA

Location	*Copperbelt Province, Zambia*
Acquisition by Gemfields	*November 2007*
Ownership structure	*75% Gemfields* *25% Government of Zambia*
Gemstones	*Emerald and beryl*
Mining method	*Open pit*
Potential mine life	*27 years*

OPERATIONS IN ZAMBIA COMPRISE THE FOLLOWING:

- **Kagem,** the world's single-largest producing emerald mine. The 41 square kilometre licence area is in the Ndola Rural Emerald Restricted Area and lies south of Kitwe and west of Ndola, in Zambia's Copperbelt Province. It is 75% owned by GGL and 25% owned by the Government of the Republic of Zambia. The mine comprises, amongst others, the following open pits:
  - » Chama, a 2.2-kilometre open pit mine, supplying approximately 25% of global emerald production.
  - » Fibolele, a 600-metre-long open pit in bulk sampling phase.
- **Gemfields Mining Limited** ("Mbuva-Chibolele"), located on the prolific Fwaya-Fwaya – Pirala Belt in the Kafubu Emerald Restricted Area, on the southern banks of the Kafubu River. This lies adjacent to the Kagem licence area, to the south-west. Operations ceased in 2007 to allow focus on Kagem and resumed in late 2017.

KAGEM

The following operational review represents the six-month period from 1 January 2018 to 30 June 2018, covering the period post acquisition of Gemfields Ltd, and its subsidiaries, by the Company. Please note that any comparative figures quoted below are based on the pre-acquisition figures for the 12 months to 30 June 2017.

AUCTION RESULTS

Kagem held a commercial quality auction in Jaipur, India in February 2018 which generated US$10.8 million and a higher-quality auction in Lusaka, Zambia, in May 2018 which realised revenues of US$10.3 million. The higher quality auction in May 2018 saw the second-highest average price ever achieved of US$66.21 per carat.

At the May 2018 higher-quality auction, 9 lots of the 17 lots on offer featured the new "Provenance Proof" nanoparticle technology developed by the renowned Swiss gem laboratory, Gübelin. The nanoparticles tag the emeralds as having been mined at Kagem and allow identification of the mine of origin for decades to come, providing unparalleled traceability for the gem sector. The auction offered the smallest quantity of higher quality emeralds of any auctions to date with only a little over half of the gemstones being sold. The bulk of Kagem's emerald customers operate in India, where the gemstone and jewellery sectors are suffering from the fallout of the Nirav Modi fraud, in which Indian banks suffered significant losses. Consequently, access to traditional sources of finance has been restricted for many companies in the Indian gemstone and jewellery industry. With reduced funding available, customers had to be much more selective about the auction lots they wished to secure. Given the confidence in the value and high quality of the gemstones offered, auction lots that did not meet our reserve prices were held back to aid market stability during the present period of turbulence.

Post the period end, a predominantly commercial quality auction was held in Lusaka in July 2018, generating revenues of US$10.9 million. The auction results provide confidence over the continuing demand for emeralds. The auction takes Kagem's total auction revenue since July 2009 to US$527 million.

MINING

The Chama open pit mine is supported by a SAMREC-compliant Resources and Reserve Statement produced by SRK Consulting (UK) Limited ("SRK"), published in April 2018, which confirmed a 27-year open pit Life of Mine Plan ("LoMP"). There have been no material changes to the ore reserves and mineral resources as disclosed in the Annual Report 2017.

During the period, Kagem progressed its programme of over-burden removal at the Chama pit, clearing material that sits above emerald formation, facilitating bigger fleet usage, enabling more efficient – and therefore more cost-effective – operations. In addition, having increased the strike length during the course of the year, process efficiency continues to improve with better space utilisation and productivity, and with additional exposure of the emerald and beryl mineralisation.

In-house mining and rock handling was 5.15 million tonnes for the period despite the longer haulages distances and harder rock being mined in the deeper part of the mine, as continued monitoring of the fleet and allocation of heavy earth moving machinery using a GPS-aided fleet monitoring system improved efficiencies. Further efficiencies were gained in the adoption and roll-out of several best practice techniques in blasting and machinery usage.

PRODUCTION

The completion of the Chama pit extension led to an improvement in ore volumes as new areas were opened, creating greater working spaces for the operation of a larger fleet. A new production strategy was adopted, principally focussing on emerald recovery rather than TMS mining, usage of jack-hammer drilling and blasting at production contact points to retain crystal quality and size, chiselling the in-situ ground for recovery of emeralds and manually treating the ore at contact point to enable quality production. Implementation of this strategy necessitated an increased number of chisel men, technique improvements and enhanced security and ultimately has seen an increase in the quantity and quality of emeralds being produced.

Gemstone production for the period was 17.3 million carats of emerald and beryl, with 130,705 carats of premium emerald, an increase in premium production of more than 200% over the 12 months to 30 June 2017. Of the total production, the Chama pit contributed 16.3 million carats and the bulk sampling project Fibolele contributed 1.0 million carats. The Production Linked Incentive Scheme (PLIS) threshold was triggered in all the months of the review period (6 consecutive months), thus creating an all-time record since the inception of the incentive scheme in 2008.

Kagem's key operational parameters for the six-month period to 30 June 2018 are summarised in the table below.

PROCESSING

Improvements at the wash plant continued during the period, with implementation of specific control measures resulting in a lower spillage across the various picking belts. In addition, the team's picking abilities have been improved by slowing the plant feed rate from 72 tonnes per hour ("tph") to 44 tph, and adjusting the feed split to make greater use of the newer facilities.

OPERATING COSTS

Total operating costs for the period were US$20.0 million, with a unit cash operating cost of US$1.01 per carat, representing a 40% improvement on the per carat cost for the 12 months to June 2017. Cash rock handling unit costs (defined as total cash operating costs divided by total rock handled) were US$3.39 per tonne for the period (US$2.81 per tonne in the 12 months to 30 June 2017) as the focus continued on emerald recovery, rather than total rock moved.

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

CAPITAL EXPENDITURE

During the period, US$2.4 million was invested in mining and ancillary equipment and infrastructure improvements as Kagem sought to replenish its ageing fleet (US$1.9 million spent in the 12 months to 30 June 2017).

Kagem's key operational parameters

	6 months to 30 June 2018	12 months to 30 June 2017
Gemstone production (premium emerald) in thousand carats	130.7	37.8
Gemstone production (emerald and beryl) in million carats	17.3	19.1
Ore production (reaction zone) in thousand tonnes	96.9	120.7
Grade (emerald and beryl/reaction zone) in carats/tonne	179	158
Waste mined in million tonnes	5.1	11.0
Total rock handling in million tonnes	5.2	11.1
Stripping ratio	52	91

OPERATIONAL REVIEW

ZAMBIA/CONT.

SECURITY

The implementation of high-resolution digital surveillance CCTV (20 mobile CCTV cameras and 8 PTZ cameras with recording capability) and radio communication to aid effective and efficient management of the security systems, with permanent patrol teams being stationed in and around all the dump sites to provide robust protection and surveillance over the mining licence area. To further enhance the sort house security system, the electric fence and the intruder alarm system are now serviced by a new third-party provider, with weekly tests performed to ensure reliability.

HEALTH, SAFETY AND ENVIRONMENT

Kagem continues to pride itself in, and endeavours to maintain its ability to conduct mining in a responsible, transparent and safe manner with minimal impact on the natural environment. With a vision of attaining a zero-harm (injury-free) culture where health and safety are not only considered critical to the operation, but also ultimately the responsibility of each individual employee, training of employees in various safe work practices continues to be rolled out. A number of strategies aimed at improving the near miss and incident reporting culture among employees have also been introduced with the aim of drilling down to actual root causes and eliminating them to ensure a safer work place.

A culture of common responsibility for safety stewardship continues to be encouraged, with a safety theme for each month that dwells on a particular safety topic being discussed at pre-shift safety talks that continue to be rolled out.

Kagem recorded three lost-time injuries during the period January to June 2018, with two resulting from the same incident.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility ("CSR") and employee welfare were a key focus during the period and several committees were formed to improve overall life outside the work areas. Kagem's Community Sustainability Development ("CSD") is directly in line with the Group's sustainability strategy to support health, education and agricultural projects in the two areas ruled by local chiefs. This strategy enables Kagem to have a more transparent, equitable and interactive relationship with all local stakeholders and is already leading to improvements with the local community.

The CSR department has completed projects focussed on education, health, agriculture, infrastructure development. Further, it has continued to engage the key stakeholders in meeting its strategic objectives. In the current year, it has planned to help communities in Lumpuma and Nkana.

More details on the CSR projects can be found in the dedicated CSR section of the 2017 Annual Report.

HUMAN RESOURCES

For the period ending 30 June 2018, a total of 49 new employees were added to the workforce, filling both new and replacement posts, taking the total number of people directly employed by Kagem to 723. The total number of contractor employees as at 30 June 2018 was 232.

Kagem successfully concluded negotiations with the Trade Union over improved conditions of service and salaries for employees. The Collective Agreement covers the period 1 April 2018 to 31 December 2019 with a 10% increase this year, and a further 10% increase next year to all unionised workers.

A total of 308 staff members were trained in various fields, including safety, health, environment and quality, medical, HR, management development/team building, engineering, finance, IT and mining. In addition, a total of 16 Zambian students completed their internships at Kagem in various departments such as finance, HR, engineering and mining.

Kagem continued with the scholarships programmes for students in the schools of engineering and mining at the University of Zambia and Copperbelt University to develop more coloured gemstone industry-oriented graduates that are up to date with technical and practical knowledge of gemstone mining.

OTHER

In August 2018, the Zambian Revenue Authority ("ZRA") issued two search warrants in respect of Kagem and Limpopo Polygraphs CC ("LPCC") a South African company conducting periodic polygraph testing at Kagem. The search warrants authorise ZRA to take wide-ranging documents and files including those allegedly "used by the two parties to evade the payment of Value Added Tax, income tax, withholding tax and other taxes". GGL understands that the aggregate value of all work conducted to date by LPCC for Kagem is less than US$7,500. The outcome of the investigation remains pending.

GEMFIELDS MINING

MBUVA-CHIBOLELE

The Mbuva-Chibolele property is located on the Fwaya-Fwaya – Pirala Belt in the Kafubu Emerald Restricted Area, on the southern banks of the Kafubu River. This lies along the west-southwest strike from the nearby Fwaya-Fwaya emerald mining zone adjacent to the Kagem licence area. This pit was under care and maintenance since 2007, when operations ceased to focus on operations at Kagem, until late 2017 when operations were resumed.

EXPLORATION AND BULK SAMPLING

Having been dormant for a considerable period, the preparation and dewatering of the pit were an essential activity before exposing the ore. The dewatering of the pit, bridge construction between Kagem and Mbuva-Chibolele, and initial waste mining and pit rehabilitation was performed by a contractor, with ore mining expected to be done in-house. The contractor completed the initial waste mining phase in June 2018, having moved 400,957 billion cubic metres of waste. Bulk sampling commenced in August 2017 and continues to yield positive results.

The operation has a dedicated mining and geology team, along with a fleet of two excavator and three dump trucks. Appropriate security arrangements have been put in place to ensure safety and security of product and premises.

PRODUCTION AND PROCESSING

During the period, approximately 1,105 thousand tonnes of total rock handling was done, of which approximately 803 thousand tonnes of waste were mined by the contractor and approximately 253 thousand tonnes was mined by the in-house crew, resulting in a total of 23,700 tonnes of ore, of which 17,126 tonnes havw been processed to date. The production from Mbuva-Chibolele was 469,925 carats of emerald, an encouraging sign for future operations.

OPERATIONAL REVIEW

MOZAMBIQUE

Location	*Cabo Delgado Province, Mozambique*
Acquisition by Gemfields	*November 2011*
Ownership structure	*75% Gemfields* *25% Mwiriti*
Gemstones	*Ruby and corundum*
Mining method	*Open pit*
Potential mine life	*38 years*

OPERATIONS IN MOZAMBIQUE COMPRISE THE FOLLOWING:

- **MRM,** located in the northeast of Mozambique within the Cabo Delgado Province, believed to be the most significant recently discovered ruby deposit in the world, with the mining title covering an area of 34,966 hectares. MRM is 75% owned by GGL and 25% owned by local Mozambican minority partner, Mwriti Limitada.
- **Megaruma Mining Limitada ("MML")**, a company registered in Mozambique with GGL holding 75% interest in two mining licences located in the Montepuez district of Mozambique and each sharing a boundary with the existing MRM deposit, covering approximately 19,000 hectares and 15,000 hectares of area, respectively.
- **Eastern Ruby Mining Limitada ("ERM")**, a company registered in Mozambique with GGL holding 75% interest, covering an area of approximately 11,600 hectares and sharing its western boundary with the southern licence of MML.
- **Campos de Joia Limitada ("CDJ")**, a GGL holding company in Mozambique which holds one mining title and has three exploration licences under application at present, totalling an area of approximately 45,200 hectares.

MONTEPUEZ RUBY MINING ("MRM")

The following operational review represents the six-month period from 1 January 2018 to 30 June 2018 covering the period post acquisition of Gemfields Ltd, and its subsidiaries, by the Company. Please note that any comparative figures quoted below are based on the pre-acquisition figures for the 12 months to 30 June 2017.

AUCTION RESULTS

MRM held a mixed-quality auction during the period in Singapore in June 2018, achieving record revenues of US$71.8 million, the highest figure attained at any GGL auction, with an average price per carat of US$122.

MINING

The Montepuez ruby deposit is supported by a SAMREC-compliant Resources Summary produced by SRK Consulting (UK) Limited ("SRK") expected to be published in the third quarter of 2018, which confirms a 38-year open pit Life of Mine Plan ("LoMP") and is well positioned for growth in production.

The Mineral Resources and Mineral Reserves Report Summary for MRM, as included in the 31 December 2017 Annual Report, was extracted from the CPR, which is subject to final approval by the Johanneburg Stock Exchange ("JSE") and may require amendment before formal approval is granted. The Probable Reserves are derived from Indicated Resources, the validity of which has been questioned by the JSE. Should all or part of the Indicated Resources be downgraded to an Inferred Resource, this will be disclosed by the Group. Should this materialise, the Group will be required to make a Stock Exchange News Service ("SENS") announcement detailing the updated Mineral Resources and Mineral Reserves statement, together with a link to the final approved CPR on the Group's website.

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

No new blocks were opened during the period. However, intensive mining continued in the additional pits of Mugloto, with limited mining in the Maninge Nice block. Overall, the results have been encouraging. Optimising mining operations by balancing the requirement of primary (low quality and high incidence) and secondary deposits (high quality and low incidence) will continue to be the strategy moving forward.

Total rock handling during the period equated to 2.30 million tonnes, comprising 0.32 million tonnes of ore, 1.75 million tonnes of waste material and 0.23 million tonnes resulting from slimes handling and road maintenance. The overall production stripping ratio was 5.4. Excavation was primarily focussed on the Mugloto Block (79%) to extract higher-quality ruby-bearing ore. Remaining excavation took place in the Maninge Nice/Glass A Block (11%), and others (10%).

PRODUCTION

A total of 1.68 million carats of ruby and corundum was produced during the period, with a focus on high-quality, low-incidence deposits, which provide premium rubies.

Out of 1.68 million carats of production for this period, 0.72 million carats were recovered from Maninge Nice secondary ore, 0.41 million carats from Mugloto secondary ore, 0.54 million carats from the fines (<4.6 mm material) classified in Jaipur India, and 0.01 million carats from other test pits.

MRM's key operational parameters for the six-month period to 30 June 2018 are summarised in the table below.

PROCESSING

Ore processed at the treatment plant totalled 416,221 tonnes (12 months to June 2017: 554,000 tonnes). This increase was partly facilitated by a second de-grit unit, which was added to the circuit of the treatment plant in November 2017, resulting in de-bottlenecking, and partly by increased preserving of ore. The overall throughput rate stood at 129 tonnes per hour during the period.

During the period in review, all conveyors in the wash plant were fitted with belt scrapers, minimalising spillage.

A change in production strategy to focus on the processing of a greater proportion of lower-incidence but higher-quality ore was reflected in the overall ore grade realised during the period, at four carats per tonne, compared with the year to June 2017 of 16 carats per tonne.

OPERATING COSTS

Total operating costs for the period were US$15.7 million whilst total cash operating costs were US$12.1 million, with total rock handling unit cost of US$5.25 per carat (12 months to June 2017: US$4.91 per carat).

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

CAPITAL EXPENDITURE

Total capital additions for the period amounted to US$11.5 million (12 months to 30 June 2017: US$19.2 million), including US$9.5 million invested in the new sort house, and US$0.2 million of cost associated with the Resettlement Action Plan ("RAP").

The RAP costs arise as MRM has an obligation to compensate the households and other land users who are physically or economically displaced by the proposed mining in its concession area, in accordance with the local legislative requirements. A provision is recognised for the present value of such costs, based on management's best estimate of the obligations incurred, and is depreciated based on the ratio of ore mined during the period to the total volume of ore expected to be mined in the future, based on the estimated reserves.

Enhancement of the production facilities continued, with the ongoing construction of the new sort house. The US$12 million facility will greatly enhance operational capacity and is expected to be commissioned by the end of 2018.

Montepuez operational parameters

	6 months to 30 June 2018	12 months to 30 June 2017
Gemstone production (premium ruby) in thousand carats	51.1	104.4
Gemstone production (ruby and corundum) in million carats	1.7	8.8
Ore mined (primary and secondary) in thousand tonnes	323.4	743.2
Ore processed (primary and secondary) in thousand tonnes	416.2	553.9
Grade (ruby and corundum/ore processed) in carats/tonne	4	16
Waste mined in thousand tonnes	1,749.1	3,514.4
Miscellaneous rock handling	231.7	141.0
Total rock handling in thousand tonnes	2,304.1	4,398.6
Stripping ratio[1]	5.4	4.7

1 Miscellaneous rock handling is not included in the calculation of the stripping ratio.

OPERATIONAL REVIEW

MOZAMBIQUE/CONT.

GEOLOGY AND EXPLORATION

Exploration undertaken during the period mainly consisted of diamond-core drilling intended to explore primary rubies from the amphibolitic source at Maninge Nice, which are typically high-incidence (large volume) but lower quality. A total of 4,292 metres of core drilling was completed during the period under review (12 months to June 2017: 8,335 metres).

A new, 10 tph capacity exploration jig was acquired during the period, which will assist in exploration and the initial processing of newly opened pits.

Diamond-core drilling was focused on high-magnetic lineaments towards the north of the Mugloto block during the period under review, previously identified by aerial geophysical maps. Various ruby-bearing lineaments were successfully delineated. Mugloto Pit nine has continued to provide high-quality rubies since bulk sampling commenced during the last review period. Furthermore, a new bulk sampling pit was opened and designated "Maninge Nice Pit five" with initial bulk sampling and processing producing promising results to date.

It should be noted that the Glass B and Maninge Nice East Blocks were not included in the 2015 SRK Mineral Resources and Mineral Reserves Statement due to paucity of exploration input. These blocks have now been incorporated in the resource review process that is being carried out by SRK, with the final report due in the fourth quarter of 2018.

SECURITY

Security operations continue to make good progress, registering a significant decline in illegal mining within and around the concession area, with a new Head of Security being appointed in January 2018. During the period, MRM continued to enhance the surveillance capacity with 23 CCTV cameras at the stock yard, five wireless cameras installed on high masts at various gates and important dump sites across the mine providing improved visibility over critical areas. In addition, to enhance the monitoring and to extend the reach and quality of the security patrols on the MRM concession, patrol teams continued to make use of body cameras, with 20 new body cameras purchased.

The way information is reported and used in the areas of security has been deemed as a critical path at MRM. To further this area, a security firm has rolled out predictive intelligence and risk software that uses internal data and information to enable users to map and display issues, incidents, and areas which may require attention identifying the individual factors which are shaping the threats to the mine operations.

MRM also continues with training in the United Nations Voluntary Principles on security and human rights, social media, awareness, conflict resolution, and juveniles in illegal mining delivered by reputable trainers for their personnel, contractors and the National Resource Protection Force (N.R.P.F).

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

Health and safety policies and procedures have been developed and incorporated into all aspects of the business with the intention of creating a safer and healthier working environment. MRM was issued a category A environmental licence. MRM's HSE management plans were also approved by the Department of Health, Safety and Environment ("MIREM").

Only one lost-time injury, one medical treatment injury and two first-aid injuries occurred at the mine site during the six-month period. From the perspective of reducing the frequency rate of injuries, a series of internal and external health and safety training modules were incorporated in the HSE programme and provided for all employees, with a focus on first aid, fire-fighting and safe driving.

MRM made good progress in post-mining environmental rehabilitation, with a total of 287,000 square metres of land reclaimed since inception in 2012, of which 53,412 square metres has already been rehabilitated. The saplings used for rehabilitation of mined area were grown in the in-house nursery. Environmental air quality, ambient noise level and water extraction were continuously monitored during the period and results were below the threshold limits.

Regarding MRM's Resettlement Action Plan (RAP), the Provincial (Cabo Delgado) governor conducted a ground-breaking ceremony and official Moratorium Disclosure on 3 April 2018 at an official ceremony to start the RAP implementation. MRM's RAP has also been published in the official Mozambique Gazette (*Bolentim da República*) on 1 May 2018. Furthermore, a Technical Committee (Provincial & District) on Resettlement Supervision and Monitoring has been announced by the District Administrator on 1 June 2018. On 7 June 2018, the technical Committee on resettlement supervision and monitoring (*CTASR in Portuguese abbreviation*) held the first visit to the MRM's RAP implementing activities after the RAP approval. A bush clearing permit/licence for the RAP host area was issued on 20 June 2018, to safeguard the Mozambican Environmental Law compliance. A consulting firm was awarded the bush clearing for the village construction in the RAP host area and bush clearing in the second half of the year.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

In line with our philosophy of creating a sustainable community development programme, various Corporate Social Responsibility ("CSR") initiatives in the areas of education, agriculture and health continued during the period.

MRM's CSR activities are aligned with the policies of the government of Mozambique and supplement the government's efforts in improving the quality of life of the community. The local community programme, which includes developing community engagement and investment projects, is driven by a local community engagement team, led by experienced professionals. MRM has ongoing and extensive programmes and partnerships with all communities in and around the concession area. This strategy has helped improve MRM's relationship with the community, providing local stakeholders with more opportunities for engagement.

More details on the CSR projects can be found in the dedicated CSR section of the 2017 Annual Report.

LEGAL

In April 2018, Gemfields Ltd was served with a claim coordinated by a UK-based law firm (the 'Firm') in the English High Court alleging human rights abuses at MRM and seizure of land without due process. The Firm represents 112 claimants from the vicinity of MRM's mining concession near Montepuez, northern Mozambique. Gemfields Ltd is working with its advisers in England and Mozambique to ensure the claim is fully investigated, and such investigations are now at an advanced stage. Gemfields Ltd and the Firm have agreed a stay of the proceedings until 17th December 2018, after which Gemfields Ltd will be required to serve its defence to the claim. At this stage, Gemfields Ltd intends robustly to defend itself against the claim.

HUMAN RESOURCES

As at 30 June 2018, a total of 1,161 people were employed by MRM, of which 444 were directly employed and 717 were through various contractors. During the review period, various internal and external training programmes were attended, including human rights, managerial skills, health and safety, finance, security and specialised software programmes. Local students also took part in internships at the operations during the period.

MEGARUMA MINING LIMITADA ("MML")

MML holds two ruby mining titles, 7049C and 7057C, located in the Montepuez district of Mozambique. These titles each share a boundary with the existing MRM deposit and cover approximately 19,000 hectares and 15,000 hectares, respectively. Exploration activities such as high-resolution aeromagnetic surveys, geological mapping, and core drilling totalling 572 metres in 10 holes had been completed. Based on the findings of these exploration efforts a total of 3,281 metres auger drilling in 553 holes was carried out in selected zones covering both the licences in November and December 2017. The gravel bed samples recovered from auger drilling were washed and sorted for rubies. A prospective area has been identified in the western licence (7057C) for carrying out bulk sampling, which commenced in July 2018.

An environmental licence (Category B certificate) for 7057C was obtained in May 2018 and the licence boundary demarcation of both the licences (7049C & 7057C) was completed in the same month. Survey and ground control points were established in 7057C along with the identification and delineation of locations for the camp, wash plant, stock yard and dump site. The camp and wash plant erection are expected to be completed in the second half of the year.

EIA studies of 7049C are in process, and the project was classified as "Level 2" during May 2018, which incorporates bulk sampling, pitting, trenching, auger and core drilling activities.

EASTERN RUBY MINING ("ERM")

The mining licence 8277C held by ERM, a joint venture company registered in Mozambique with GGL holding a 75% interest, was issued in November 2016 and is valid for 25 years. The licence covers an area of 11,600 hectares and shares its western boundary with the southern licence of MML (7049C). Exploration activities are expected to commence in 2019.

CAMPOS DE JOIA ("CDJ")

CDJ, a GGL holding company in Mozambique, holds a mining title (7427C) located to the north of the MRM concession. Another set of three exploration licences 6114L, 9059L and 9060L are in an advanced stage of processing at the ministry. The total area covered by these four licences is approximately 45,200 hectares.

OPERATIONAL REVIEW

NEW PROJECTS AND OTHER ASSETS

ETHIOPIA

GGL owns 75% of Web Gemstone Mining plc ("WGM"), a company that holds a 200-square-kilometre emerald exploration licence in southern Ethiopia. Exploration activity began in June 2015 in an area to the north of the licence, called Dogogo South Block. The area was selected based on favourable geological settings and evidence of past artisanal activity.

GEO-POLITICAL AND COMMUNITY RELATIONS

Ethiopia has undergone a period of significant political unrest over the last two years that resulted in a nationwide state of emergency following multiple deadly protests, culminating in the resignation of Prime Minister Hailemariam Desalegn in February 2018. Mr Desalegn was replaced by Prime Minister Abiy Ahmed in April 2018, a concession aimed at calming restive state of Oromia, WGM's home state.

The unrest in the country coupled with certain local issues related to the Web village (including possible third-party provocations), resulted in the complete stoppage of operations at WGM for 30 days between mid-February and mid-March 2018. In an effort to reset relations with the local community and authorities, WGM upgraded a 16km stretch of public road that serves as the main route out of the licence area for the entire local community. Operations resumed simultaneously with the start of the road upgrade and ran smoothly for several months until late June 2018.

A consultant from the social risk consultancy firm, Trubshaw Cumberlege, visited the project site for 16 days in March 2018 to conduct a social risk assessment and a human terrain survey of the surrounding area. The data generated from these surveys was planned to be used to create a Stakeholder Engagement Plan and a Community Development Plan, which were intended to counter any third-party provocation and community friction, however the project was overrun before the plans could be implemented. A full-time Community Engagement Manager was recruited in June, and a Community Steering Committee had been formed to coordinate these projects.

On 29 June 2018, a protest organised by local youth groups at the Dogogo South bulk sampling block escalated into a violent mob of circa 500 people that attacked company staff and assets and overran the operations area, offices and campsites, resulting in the complete evacuation of the project area. WGM has not been able to access the licence area since, however, the company has received reports that it is still occupied by a large number of people, including sensitive areas such as the ore stockpile, the sort house and the bulk sampling pit. All emerald, beryl, ore, geological samples and data produced over the course of the project were stored at these locations and are at risk. On 31 July 2018 an armed mob breached the sort house and strong room and looted all stock stored on site, subsequently ransacked the campsites, offices and operations areas, destroying all remaining property on site.

As a result of the aggression against WGM, the team has been reduced to a skeleton crew whilst WGM and GGL engage with local authorities and communities in an effort to resume operations, however such efforts are anticipated to take a number of months to conclude.

BULK SAMPLING EXERCISE

A bulk sampling exercise was initiated in August 2017 in the Dogogo South Block to further advance the understanding of the ore grade and value and to determine the economic viability of the deposit. During the period under review, excavation was focussed in and around the central part of the pit, which covers 160 metres of strike length, measuring 100 metres wide and includes the old artisanal pits. The average depth of pit at the footwall is approximately 15 metres. Following resumption of the operation in March, daily operational hours were increased from 8 to 12 hours per day to maximise on daylight to make up for the lost time and to accelerate the accumulation of data required for the prefeasibility study.

Total rock handling up to 28th June is 529,238 tonnes, including 27,955 tonnes of potential ore, and 41,349 tonnes of non-mining activity (road construction). The stripping ratio at this stage of the operation is 1:16. As at 25 June 2018, 25,550 metres of blast hole drilling was carried out using three drilling machines (1 x wagon drill and 2 x jack hammers), resulting in 96,320 cubic meters of rock being blasted since the first blast took place in October 2017.

The results obtained so far are encouraging, but the data gathered thus far is still inadequate for resource estimation and to determine the economic viability of the project.

GEOLOGY AND SURVEY

Floor and wall mapping of the excavated area and x-ray fluorescence analysis of the mine face are constantly carried out. Productive reaction zones have been exposed in several places at contacts between pegmatite and talc-mica-schist (TMS), yielding gemmy-quality emerald and beryl. Chromium values at the reaction zones and production areas are consistent with the ranges encountered during the core drilling programme that was completed in December 2016, therefore the bulk sampling exercise further confirms the findings of the core drilling programme.

A topographic survey of the Dogogo South Block, including the existing drill hole collars, trenches, stockpile and surrounding areas has been completed. This data is considered final and will be used in all future planning and reporting.

OPERATIONAL DEVELOPMENTS

A 30 x 30 metre area has been designated as a makeshift wash plant area, which presently comprises a platform for a vibrating table, a ramp for offloading ore material on to the table, a sprinkler system, an underground water reservoir, an overhead water tank and a sorting/wet sieving table. The vibrating table was commissioned in January 2018 and has been undergoing trials and refinement. A feeder ramp and a new wet sieving table were commissioned in late 2017. Procurement of a crusher, double-deck screen and conveyors are underway to increase throughput to 20 tonnes per hour (tph). Commissioning of a fully mechanised wash plant with 40 tph capacity has been postponed until the mining phase.

As of the 28th June 2018, the pilot wash plant has processed a total of 367 tonnes of ore, an average of 8 tonnes per day following the table upgrade. It has produced 800 carats of emerald, 11,670 carats of beryl-1 and 39,130 carats of beryl-2.

Incremental upgrades to the sort house have occurred throughout the period under review to improve security, including erection of an outer wall to reinforce the vault room. The majority of production is occurring directly from the bulk sampling pit. As of the 28 June 2018, the bulk sampling pit has produced 10,390 carats of emerald, 62,990 carats of beryl-1 and 158,555 carats of beryl-2.

Total production as of the 28 June 2018 stands at 283,535 carats out of which 11,190 carats are of emerald category.

STAKEHOLDER DEVELOPMENTS

A delegation from the Zone Authorities visited the project on a fact-finding mission in March 2018 in response to the stoppage of operations. In a related development, the company was informed about a joint site visit by Federal and State Authorities to review operations and to reconcile differences in understanding about jurisdictional disputes between the Federal and State Governments (another contributing factor to the disruption). The visit was originally proposed for 15 June 2018, and was postponed by the authorities to 22 June 2018, and then further postponed until July 2018, and has since been unable to proceed due to the present unrest.

MADAGASCAR

Oriental Mining SARL, a 100% subsidiary of GGL, holds a number of concessions for a range of minerals, including emerald and sapphire, and has been in compliance with all statutory and regulatory obligations. GGL is planning to commence preliminary investigation on several permits in the next financial year.

OPERATIONAL REVIEW

FABERGÉ

Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented and globally respected heritage. As a wholly owned subsidiary of GGL, Fabergé provides access to the end-consumer of coloured gemstones through directly operated boutiques, its own e-commerce platform www.faberge.com, international wholesale partners and its direct client relationship management programme. Fabergé boosts the international presence and perception of coloured gemstones through its consumer-focussed marketing campaigns.

The following operational review represents the six-month period from 1 January 2018 to 30 June 2018 covering the period post acquisition of Gemfields Ltd, and its subsidiaries, by the Company. Please note that any comparative figures quoted below are based on the pre-acquisition, unaudited figures for the 12 months to 30 June 2017.

POINTS OF SALE

Fabergé directly operates two mono-brand boutiques – in Grafton Street, Mayfair, London, and within the Galleria Mall, Houston, Texas. In addition, Fabergé operates a concession within the prestigious Harrods department store in London.

Fabergé also boasts a further two partner-operated mono-brand boutiques in Kiev, Ukraine and the Dubai Mall, UAE. In addition to these points of sale, Fabergé's products are also showcased and available for purchase at a further 57 partner-operated retail boutiques across Abu Dhabi, Australia, Andorra, Azerbaijan, Bahrain, Canada, Czech Republic, France, Germany, Hong Kong, Italy, Ireland, Jordan, Japan, Kuwait, Malta, Macau Qatar, Romania, Saudi Arabia, South Africa, Switzerland, Thailand, U.K., Ukraine and the USA.

FINANCIAL PERFORMANCE

Fabergé recorded revenues of US$7.1 million for the period which is an all-time high against historic, like-for-like periods. Operating sales margin for the period also improved to 39%.

Operating costs were US$5.2 million for the period as Fabergé took the decision to pull out of the Baselworld trade fair and focus remained on controlling expenditure.

During the same period, Fabergé recorded an operating loss of US$ 3.2 million which represents significant improvement over the same period in 2017.

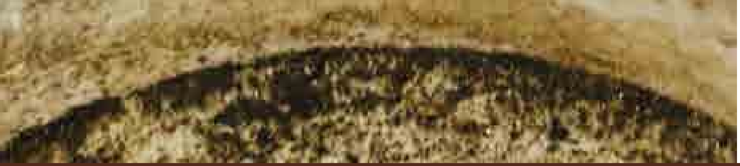
MARKETING AND COMMUNICATIONS

As an important part of the GGL Group, Fabergé continues to strive towards being the market leader in precious coloured gemstones, promoting its vibrant gem-set pendants and rings within its Imperial, Emotion and Three Colours of Love collections.

Another key product focus incorporates Fabergé's best-selling and most iconic pieces, collectively labelled Fabergé Favourites, which is an offering of modern-day interpretations of the renowned Imperial Easter Eggs, boasting features which are distinctive to Fabergé, such as guilloché enamel and the element of surprise.

Following the industry success of the Lady Compliquée and Visionnaire collections and with two Grand Prix d'Horlogerie awards and a new revolutionary chronograph movement, Fabergé continues to focus on the strong story-telling opportunities of its High Complication timepieces.

INTERIM FINANCIAL STATEMENTS AND ADMINISTRATION



CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2018

	Notes	1 January 2018 to 30 June 2018 US$'000 (reviewed)	1 January 2017 to 30 June 2017 US$'000 (reviewed)
Revenue	2	102,131	–
Cost of sales	3	(60,210)	–
Gross profit		**41,921**	**–**
Unrealised fair value gains/(losses)	10	3,955	(79,378)
Other gains	4	12,065	5,559
Selling, general and administrative expenses	6	(25,464)	(7,379)
Profit/(loss) from operations		**32,477**	**(81,198)**
Finance income	7	373	21
Finance costs	7	(6,242)	(5)
Net finance (costs)/income		**(5,869)**	**16**
Profit/(loss) before taxation		**26,608**	**(81,182)**
Taxation	8	(10,618)	(3)
NET PROFIT/(LOSS) AFTER TAXATION		**15,990**	**(81,185)**
Profit/(loss) for the year attributable to:			
Owners of the parent		12,343	(81,185)
Non-controlling interest		3,647	–
		15,990	**(81,185)**
Earnings/(losses) per share attributable to the parent:	14		
Basic – US$		**0.01**	(0.11)
Diluted – US$		**0.01**	(0.11)

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

	1 January 2018 to 30 June 2018 US$'000 (reviewed)	1 January 2017 to 30 June 2017 US$'000 (reviewed)
Profit/(loss) after taxation	15,990	(81,185)
Other comprehensive loss:		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange loss arising on translation of foreign operations	(1,083)	–
Total other comprehensive loss	**(1,083)**	**–**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**14,907**	**(81,185)**
Total comprehensive income/(loss) attributable to:		
Owners of the parent	11,260	(81,185)
Non-controlling interest	3,647	–
	14,907	**(81,185)**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	30 June 2018 US$'000 (reviewed)	31 December 2017 US$'000 (audited)	30 June 2017 US$'000 (reviewed)
ASSETS				
Non-current assets				
Property, plant and equipment		386,864	378,021	–
Intangible assets		51,306	49,312	–
Unlisted equity investments	10	98,064	196,164	173,675
Listed equity investments	10	41,611	–	179,390
Other investments		1,473	1,319	1,267
Deferred tax assets	8	3,502	6,775	–
Other non-current assets		6,392	8,025	–
Total non-current assets		**589,212**	**639,616**	**354,332**
Current assets				
Inventory	11	104,868	118,813	–
Other investments		3	6	14
Trade and other receivables	12	46,818	27,498	1,253
Cash and cash equivalents		80,800	37,784	12,935
Total current assets		**232,489**	**184,101**	**14,202**
Total assets		**821,701**	**823,717**	**368,534**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	8	95,948	102,347	–
Borrowings	13	35,000	59,292	–
Provisions		3,691	7,958	–
Total non-current liabilities		**134,639**	**169,597**	**–**
Current liabilities				
Provisions		9,221	4,619	–
Current tax payable		11,078	7,041	–
Borrowings	13	14,226	4,178	–
Trade and other payables		26,251	21,171	5,470
Total current liabilities		**60,776**	**37,009**	**5,470**
Total liabilities		**195,415**	**206,606**	**5,470**
Net assets		**626,286**	**617,111**	**363,064**
EQUITY				
Share capital		14	14	12
Share premium		531,607	531,607	475,896
Treasury shares		(5,345)	(654)	–
Reserve for own shares		(23,319)	(23,319)	(23,319)
Cumulative translation reserve		(2,252)	(1,169)	–
Option reserve		4,151	2,692	–
Retained earnings/(losses)		41,895	29,552	(89,525)
Attributable to equity holders of the parent		546,751	538,723	363,064
Non-controlling interest		79,535	78,388	–
Total equity		**626,286**	**617,111**	**363,064**

The Financial Statements were approved and authorised for issue by the Directors on 27 September 2018 and were signed on their behalf by:

David Lovett
Director
27 September 2018

Sean Gilbertson
Director
27 September 2018

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

	Notes	1 January 2018 to 30 June 2018 US$'000 (reviewed)	1 January 2017 to 30 June 2017 US$'000 (reviewed)
Cash flow from operating activities			
Profit/(loss) before taxation		**26,608**	**(81,182)**
Adjustments for			
Loan interest income		–	(222)
Unrealised fair value (gains)/losses	10	(3,955)	79,378
Realised fair value gains	4	(11,679)	(5,337)
Depreciation and amortisation	3	13,795	–
Share-based payments	6	1,459	–
Other		1	(4)
Finance income	7	(373)	(21)
Finance expense	7	6,242	5
Increase in trade and other receivables		(18,238)	(78)
Decrease in inventory		5,763	–
(Decrease)/increase in trade and other payables		(1,552)	4,035
Cash generated from/(utilised in) operations		**18,071**	**(3,426)**
Tax paid (including withholding tax)		(9,788)	–
Net cash generated from/(utilised in) operating activities		**8,283**	**(3,426)**
Cash flows from investing activities			
Purchase of intangible assets		(2,209)	–
Purchase of property, plant and equipment		(8,563)	–
Loans repaid by investments		–	5,000
Interest received		172	188
Proceeds from Jupiter Initial Public Offering		64,397	–
Proceeds from disposal of Jupiter shares		7,726	10,105
Investments acquired		(101)	–
Net cash generated from investing activities		**61,422**	**15,293**
Cash flows from financing activities			
Dividends paid to non-controlling interest in Montepuez Ruby Mining		(4,000)	–
Cash paid for treasury shares		(4,691)	–
Transaction costs		–	(147)
Proceeds from borrowings		14,165	–
Repayment of borrowings		(29,959)	–
Interest paid		(3,251)	(5)
Release of previously restricted cash		1,027	–
Net cash utilised in financing activities		**(26,709)**	**(152)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**42,996**	**11,715**
Cash and cash equivalents at the beginning of the period		37,784	1,218
Net foreign exchange gain on cash		20	2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**80,800**	**12,935**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

	Share capital US$'000	Share premium US$'000	Reserve for own shares US$'000	Treasury shares US$'000	Cumulative translation reserve US$'000	Option reserve US$'000	Retained earnings/ (losses) US$'000	Total attributable to equity holders of the parent US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2018 (audited)	14	531,607	(23,319)	(654)	(1,169)	2,692	29,552	**538,723**	78,388	**617,111**
Profit for the period	–	–	–	–	–	–	12,343	**12,343**	3,647	**15,990**
Other comprehensive loss	–	–	–	–	(1,083)	–	–	**(1,083)**	–	**(1,083)**
Total comprehensive income	–	–	–	–	(1,083)	–	12,343	**(11,260)**	3,647	**14,907**
Shares bought back during the year, net of transaction costs	–	–	–	(4,691)	–	–	–	**(4,691)**	–	**(4,691)**
Share options recognised during the year	–	–	–	–	–	2,539	–	**2,539**	–	**2,539**
Share options forfeited during the year	–	–	–	–	–	(1,080)	–	**(1,080)**	–	**(1,080)**
Dividends declared to non–controlling interest of Montepuez Ruby Mining	–	–	–	–	–	–	–	–	(2,500)	**(2,500)**
Balance at 30 June 2018 (reviewed)	**14**	**531,607**	**(23,319)**	**(5,345)**	**(2,252)**	**4,151**	**41,895**	**546,751**	**79,535**	**626,286**
Balance at 1 January 2017 (audited)	8	375,227	–	–	–	–	(8,340)	**366,895**	–	**366,895**
Loss for the period	–	–	–	–	–	–	(81,185)	**(81,185)**	–	**(81,185)**
Other comprehensive loss	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	(81,185)	**(81,185)**	–	**(81,185)**
Gemfields Acquisition – shares issued in exchange for Gemfields shares	4	102,042	–	–	–	–	–	**102,046**	–	**102,046**
Gemfields Acquisition – share issue costs	–	(1,373)	–	–	–	–	–	**(1,373)**	–	**(1,373)**
Gemfields Acquisition – own shares acquired	–	–	(23,319)	–	–	–	–	**(23,319)**	–	**(23,319)**
Balance at 30 June 2017 (reviewed)	**12**	**475,896**	**(23,319)**	**–**	**–**	**–**	**(89,525)**	**363,064**	**–**	**363,064**

The accompanying notes form part of these Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2018

1. ACCOUNTING POLICIES

The consolidated financial statements within the Interim Report are for the period from 1 January 2018 to 30 June 2018 (the "Interim Financial Statements"). The financial information for the year ended 31 December 2017 that has been included in these Interim Financial Statements does not constitute full statutory financial statements as defined in the Companies (Guernsey) Law, 2008.

The information included in this document for the comparative year was derived from the Annual Report and Financial Statements for the year ended 31 December 2017 (the "Annual Financial Statements"), a copy of which has been delivered to the Guernsey Financial Services Commission, the Johannesburg Stock Exchange ("JSE") and the Bermuda Stock Exchange ("BSX"). The auditor's report on the Annual Financial Statements was unqualified and stated that the Annual Financial Statements gave a true and fair view, were in accordance with International Financial Reporting Standards ("IFRS") and complied with the Companies (Guernsey) Law, 2008.

The Company is incorporated in Guernsey under the Companies (Guernsey) Law, 2008. The Company's registered office address changed effective 28 August 2018 to PO Box 186, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 4HP. The Company's address was previously 11 New Street, St Peter Port, Guernsey, GY1 2PF, Channel Islands.

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

Statement of Compliance

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

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

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2018. Below is a list of the new standards which impacted the Group; where appropriate these new standards have been incorporated into the Interim Financial Statements:

IFRS 9 *Financial Instruments* ("IFRS 9")

IFRS 9 replaced IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") and addresses the following three key areas for accounting periods beginning on 1 January 2018:

- *Classification and measurement* establishes a single, principles-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held.
- *Impairment* introduces a new "expected loss" impairment model, requiring expected credit losses to be recognised from when financial instruments are first recognised.
- *Hedge accounting* aligns the accounting treatment with risk management practices of an entity.

On 1 January 2018, the Group adopted IFRS 9; the new standard has been applied retrospectively but did not result in a restatement of prior period financial assets and liabilities. The standard also outlines a new 'expected credit loss' model, used to estimate the risk to the Group's financial assets measured at amortised cost. The impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39. This has not resulted in a change to the impairment provision at 1 January 2018, but may impact the reported numbers going forward.

IFRS 15 *Revenue from contracts with customers* ("IFRS 15")

IFRS 15 introduced a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The new standard is mandatory for annual reporting periods beginning on or after 1 January 2018.

On 1 January 2018, the Group adopted IFRS 15; the new standard has been applied retrospectively but did not result in a change to the Group's accounting policies or a restatement of prior period financial assets and liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the six months ended 30 June 2018

1. ACCOUNTING POLICIES/CONTINUED

New and amended standards which are not yet effective for these Interim Financial Statements

There are a number of new standards, amendments to standards and interpretations that are not mandatory for 30 June 2018 reporting periods and have not been early-adopted by the Group. These will be adopted in the period that they become mandatory, unless otherwise indicated. Information on the new standards which could impact the Group is presented below:

IFRS 16 *Leases* ("IFRS 16")

The new standard was issued in January 2016, replacing the previous leases standard, IAS 17 *Leases* ("IAS 17"), and related interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ("lessee") and the supplier ("lessor"). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value, or the lease term is 12 months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019 and does not apply to leases for the exploration or use of natural resources. The Group is assessing the full impact of the standard on its financial position and reporting of performance.

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

Basis of preparation

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

Basis of consolidation

The consolidated Interim Financial Statements incorporate the financial statements of the Company and entities controlled by the Group as at and for the six months ended 30 June 2018. The results of subsidiaries acquired or disposed during the period are included in profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other Group entities.

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

Basis of accounting

The principal accounting policies applied are consistent with those adopted and disclosed in the Annual Financial Statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018. New standards impacting the Group which have given rise to changes in the Group's accounting policies are:

- IFRS 9 *Financial Instruments*

Details of the impact of this standard have been given above. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The Interim Financial Statements have been prepared on the historical cost basis, except for the valuation of certain investments which have been measured at fair value, not historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Other than information contained within the Consolidated Statement of Cash Flows, the Interim Financial Statements have been prepared on the accruals basis.

The Company was an investment entity for the period 1 January to 31 July 2017

Prior to the acquisition of Gemfields Ltd (formerly Gemfields plc), the Company met the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* ("IFRS 10"); the Directors accounted for investments in joint ventures, associates and certain controlled entities at fair value through profit or loss.

1. ACCOUNTING POLICIES/CONTINUED

The Directors have determined that the Company met the following criteria which define an investment entity for the period until the acquisition of Gemfields Ltd:

- The Company invests solely to provide returns from capital appreciation, investment income or both.
- The Company obtains funds from a large number of shareholders and invests through the advice of the Investment Manager.
- The Company measures the performance of substantially all its investments on a fair value basis.
- The Company does not plan to hold its investments indefinitely and has an exit strategy for each investment.

In consequence, it has been necessary to assess the nature of the Company's holdings in subsidiaries to determine the impact of adoption of the Investment Entities Amendments. The Group previously did not hold any subsidiaries which formed part of the Investment Portfolio. While the Company was an investment entity, it held investments in certain subsidiaries which provided investment-related services; the accounting treatment did not change for these entities, which were consolidated in line with the previous accounting treatment.

As an investment entity, the Group held certain investments in associates that were investment holding entities and did not form part of the Investment Portfolio. These investments in associates were accounted for at fair value.

Critical accounting judgements, estimates and assumptions

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

The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

New standards impacting the Group which have resulted in additional accounting judgements are:
- IFRS 15 *Revenue from contracts with customers*

As a result of this new standard, additional judgement has been applied in identifying the performance obligations arising on contracts with customers:

(i) Gemstones – revenue from the sale of gemstones is recognised when the performance obligation(s) are met. For rough gemstones sold at auction, which are considered as bill-and-hold arrangements, the performance obligation is to supply/make a distinct good or distinct bundle of goods available to the customer and is determined to have been satisfied at the point of invoicing. For cut and polished gemstones, the performance obligation is the supply of goods (and transfer of ownership of said goods) to the customer and is determined to have been satisfied at the point of delivery.

(ii) Retail, wholesale and web sales - the performance obligation is the supply of goods (and transfer of ownership of said goods) to the customer and is determined to have been satisfied at the point of delivery.

In preparing these condensed consolidated interim financial statements, significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty used were consistent, in all material respects, as those applied to the Group's consolidated financial statements for the year ended 31 December 2017.

2. SEGMENTAL REPORTING

With effect from 1 August 2017, the Chief Operating Decision Maker ("CODM") is the Executive Management, who measure the performance of each operating segment on a regular basis in order to allocate resources.

The Group's segmental reporting was previously based around its three Investment Platforms: PGMs, Steel-Making Materials, and Coloured Gemstones, each of which was categorised as an operating segment. Each investment was assessed on this basis, and, as such, each of the Group's operating segments may have included multiple mines and other assets. Mr Brian Gilbertson, Non-Executive Chairman (as of 1 January 2018), undertook the role of CODM up to 31 July 2017.

Subsequent to the 100% acquisition of Gemfields Ltd in July 2017, the Group has revised its operating segments to reflect the new business focus. The Group has been organised into geographic units and business units based on the products and services and has five reportable segments as follows:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the six months ended 30 June 2018

2. SEGMENTAL REPORTING/CONTINUED

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

The reporting on these investments to management focuses on revenue, operating costs and key balance sheet lines comprising non-current and total assets and liabilities. These figures are presented after intercompany adjustments have been accounted for.

1 January 2018 to 30 June 2018	Zambia US$'000	Mozambique US$'000	PGMs US$'000	Steel-Making Materials US$'000	Corporate US$'000	Fabergé US$'000	Other US$'000	Total US$'000
Revenues	21,097	71,834	–	–	785	7,039	1,376	**102,131**
Other income	84	11	–	11,680	174	1	115	**12,065**
Unrealised fair value gains/(losses)	–	–	–	3,955	–	–	–	**3,955**
Depreciation and amortisation	(6,119)	(6,752)	–	–	(162)	(722)	(40)	**(13,795)**
Operating profit/(loss)	(14,879)	50,882	–	15,635	(14,747)	(3,184)	(1,230)	**32,477**
Finance income	–	211	–	–	161	–	1	**373**
Finance expenses	(1,556)	(664)	–	–	(357)	(3,427)	(238)	**(6,242)**
Profit/(loss) after tax	(10,970)	36,005	–	15,635	(17,551)	(6,596)	(533)	**15,990**
30 June 2017								
Total non-current assets	173,535	216,408	98,064	41,611	7,941	41,964	9,689	**589,212**
Total non-current liabilities	78,337	55,800	–	–	–	376	126	**134,639**
Total assets	223,002	281,220	98,064	41,611	64,067	80,407	33,330	**821,701**
Total liabilities	85,653	98,732	–	–	5,620	3,020	2,390	**195,415**

The CODM, in addition to the above, also monitors Free Cash Flow, which shows the amount of cash available from the operations and is calculated as cashflows from operations less corporation tax paid less capital expenditure. In the 6 months to 30 June 2018, the Group's Free Cash Flow was a negative US$1.7 million (2017: negative US$3.4 million).

The segmental information for the period 1 January 2017 to 30 June 2017 is as follows:

1 January 2017 to 30 June 2017	PGMs US$'000	Steel-Making Materials US$'000	Coloured Gemstones US$'000	Unallocated US$'000	Total US$'000
Income statement					
Unrealised fair value gains	–	918	–	–	918
Unrealised fair value losses	(16,344)	–	(63,952)	–	(80,296)
Realised gains	–	5,337	–	–	5,337
Loan interest income	–	–	222	–	222
Net segmental (expense)/income	(16,344)	6,255	(63,730)	–	(73,819)
Other income				–	–
Net losses on investments and income from operations					(73,819)
Expenses, net finance income, fair value gain/(loss) of associates and taxation				(7,366)	(7,366)
Net segmental (loss)/profit	**(16,344)**	**6,255**	**(63,730)**	**(7,366)**	**(81,185)**
Balance Sheet					
Net Asset Value	**98,064**	**75,611**	**179,390**	**9,999**	**363,064**

3. COST OF SALES

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Mining and production costs		
Labour and related costs	10,280	–
Mineral royalties and production taxes	8,432	–
Fuel costs	5,099	–
Repairs and maintenance costs	4,311	–
Security costs	2,813	–
Camp costs	1,522	–
Blasting costs	891	–
Other mining and processing costs	3,103	–
Total mining and production costs	**36,451**	**–**
Change in inventory and purchases	9,964	–
Depreciation and amortisation	13,795	–
	60,210	**–**

4. OTHER GAINS

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Realised fair value gain on Jupiter share buy-backs	2,026	5,337
Realised fair value gain on Jupiter IPO	9,653	–
Other income	386	222
	12,065	**5,559**

See Note 5 for more detail on the Jupiter share buy-back and IPO.

5. REALISED GAINS ON SHARE BUY-BACKS AND JUPITER'S RELISTING ON THE ASX

March 2018 Jupiter buy-back

On 22 January 2018, Jupiter announced the details of an off-market equal access share buy-back to return up to US$42 million to its shareholders. All Jupiter shareholders were made an equal offer to buy back 5.81% of their shares in Jupiter, at a set price of US$0.35 per share.

The Group, as an 18.40% shareholder in Jupiter, had the right to have 5.81% of its 379,948,385 Jupiter shares bought back. The Group accepted the buy-back by Jupiter, resulting in the sale of 22,075,001 shares in Jupiter for US$0.35 per share. The transaction was completed on 19 March 2018, with the Group receiving US$7.7 million. At 19 March 2018, the Directors' most recent estimate of the fair value of the Jupiter shares was US$0.26 per share, being the valuation as at 31 December 2017.

The buy-back price per share was underpinned by Jupiter's long-term manganese price assumptions, which are higher than the long-term manganese price of US$3.60 used by the Directors in the valuation of Jupiter at 31 December 2017.

The realised gain on the March 2018 Jupiter buy-back was as follows:

	Number of shares	Price per share US$	Total price US$'000
Fair value of Jupiter shares at date of receipt (19 March 2018)	22,075,001	0.26	(5,700)
Buy-back price of the 5.81% of Jupiter shares (19 March 2018)	22,075,001	0.35	7,726
			2,026

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the six months ended 30 June 2018

5. REALISED GAINS ON SHARE BUY-BACKS AND JUPITER'S RELISTING ON THE ASX/CONTINUED

April 2018 Jupiter IPO/Relisting on the ASX

On March 2018, Jupiter announced its intention to relist on the Australian Securities Exchange ("ASX") in order to provide liquidity for its shareholders. This was expected to be achieved via a placing of up to 600 million existing Jupiter shares with new investors at AUD 0.40 per share, thereby raising up to AUD 240 million and putting a value on Jupiter of approximately AUD 780 million.

On 12 April 2018, Jupiter announced the full allocation of the IPO shares, yielding AUD 240 million. The Group had previously committed to making available for sale up to 212,028,012 of its Jupiter shares at the placing price of AUD 0.40 per share (equivalent to US$0.31 per share on the date of receipt, 18 April 2018).

On 18 April 2018, Jupiter was successfully relisted on the ASX. The Group received, net of associated sale costs, AUD 83.1 million from the Jupiter IPO process.

The realised gain on the April 2018 IPO was as follows:

	Number of shares	Price per share US$	Total price US$'000
Fair value of Jupiter shares at date of receipt (18 April 2018)	212,028,012	0.26	(54,744)
IPO price per share sold by GGL (18 April 2018)	212,028,012	0.31	64,397
			9,653

GGL's remaining holding of Jupiter shares is 145,845,372 shares.

6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Labour and related costs	8,753	96
Selling, marking and advertising	5,699	–
Professional and other services	3,201	4,401
Rent and rates	2,380	–
Share-based payments	1,459	–
Travel and accommodation	918	–
Administration costs	369	189
Amounts paid to Auditor	75	26
Investment Manager's benefit	–	2,422
Other selling, general and administrative expenses	2,610	225
	25,464	**7,379**

7. FINANCE INCOME AND COSTS

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Interest received	172	21
Foreign exchange gains	201	–
Finance income	**373**	**21**
Interest on bank loans, finance charges and bank charges	(5,542)	(5)
Foreign exchange losses	(700)	–
Finance costs	**(6,242)**	**(5)**
Net finance (costs)/income	**(5,869)**	**16**

8. TAXATION

The Group's tax expense is as follows:

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Current tax		
Taxation charge for the year	13,743	3
Deferred tax		
Origination and reversal of temporary differences	(4,372)	–
Under-provision in prior year	1,247	–
	10,618	3

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

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Profit on ordinary activities before taxation	26,608	(81,182)
Taxation on ordinary activities at the standard rate of corporation tax in Guernsey of 0% (2017: 0%)	–	–
Effects of:		
Expenses not deductible for tax purposes	512	–
Withholding tax on dividends	600	
Under-provision in prior year	1,247	
Tax losses not recognised as deferred tax asset	1,839	
Different tax rates applied in overseas jurisdictions	6,420	–
Total taxation charge	**10,618**	**3**

In Guernsey, the main rate of corporation tax for the year was 0%.

"Expenses not deductible for tax purposes" include camp costs incurred by Kagem and legal fees expensed by Gemfields Ltd.

"Different tax rates applied in overseas jurisdictions" reflects the different tax rates applicable in the various jurisdictions in which the Group operates. The main rates of corporation tax in Zambia, Mozambique and the United Kingdom for the year were 30%, 32% and 19% respectively.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

8. TAXATION/CONTINUED

Deferred tax

Details of the deferred tax liabilities and assets, amounts recognised in the Consolidated Income Statement and amounts recognised in other comprehensive income are as follows:

	30 June 2018 US$'000	31 December 2017 US$'000	30 June 2017 US$'000
Recognised deferred tax assets			
Other temporary differences	2,054	1,761	–
Tax losses	8,881	6,771	–
Property, plant and equipment	922	538	–
Total deferred tax assets	**11,857**	**9,070**	–
Deferred tax assets netted against deferred tax liabilities	(8,355)	(2,295)	–
Total deferred tax assets	**3,502**	**6,775**	–

	30 June 2018 US$'000	31 December 2017 US$'000	30 June 2017 US$'000
Recognised deferred tax liabilities			
Evaluated mining property – Kagem and Montepuez	(98,748)	(98,453)	–
Inventory valuation – Kagem and Montepuez	(4,740)	(5,811)	–
Intangibles – Fabergé	(350)	(378)	–
Other	(465)	–	–
Total deferred tax liabilities	**(104,303)**	**(104,642)**	–
Deferred tax assets netted against deferred tax liabilities	8,355	2,295	–
Total deferred tax liabilities	**(95,948)**	**(102,347)**	–

The movement on the deferred tax account is provided below:

	2018 US$'000	2017 US$'000
At 1 January (audited)	**(95,572)**	–
Property, plant and equipment	32	–
Other temporary differences	180	–
Evaluated mining property – Kagem and Montepuez	(295)	–
Inventory valuation – Kagem and Montepuez	1,071	–
Intangibles – Fabergé	28	–
Tax losses	2,110	–
Recognised in the Consolidated Income Statement	3,126	–
At 30 June	**(92,446)**	–

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

Therefore, as there is uncertainty over the above, no deferred tax has been recognised in relation to unused tax losses in the amount of US$98.4 million (31 December 2017: US$89.0 million), of which US$82.7 million was acquired through business combinations during the year ended 31 December 2017.

9. ACQUISITION OF THE GEMFIELDS GROUP OF COMPANIES

For the purposes of this note, Gemfields Group Limited has been referred to as either the "Company" or "PRL", being the abbreviated name of the bidding Company at the time of the acquisition. The Company's name changed from Pallinghurst Resources Limited to Gemfields Group Limited effective 26 June 2018. Gemfields Ltd (previously Gemfields plc) has been referred to as "Gemfields", being the name of the target company at the time of the acquisition.

Gemfields is a leading supplier of coloured gemstones and owns emerald assets in Zambia and Ethiopia, ruby assets in Mozambique and amethyst assets in Zambia. In 2008, the Company and the Pallinghurst Co-Investors became the majority shareholders of Gemfields by contributing the Kagem emerald mine to Gemfields, its core operating asset, for shares. Subsequently, in 2013, the Company and the Pallinghurst Co-Investors contributed Fabergé Ltd to Gemfields. The Gemfields investment formed a core component of the Company's value proposition and therefore unlocking Gemfields' full value potential is of paramount importance to the Company.

Despite many positive developments, the share price of Gemfields did not reflect its inherent value. Accordingly, on 19 May 2017, the Company announced the terms of an offer to acquire the entire issued and to be issued share capital of Gemfields, other than the Gemfields shares already held by the Company (the "Offer").

On 28 July 2017, Gemfields delisted from AIM and the non-PRL related board members of Gemfields resigned and were replaced with PRL nominees, and therefore this is the date on which PRL took board and management control. The key component of being an investment entity which changed as a result of the Gemfields acquisition is the fair value condition. PRL could only influence Gemfields' operational performance upon taking board control of Gemfields, which occurred on 28 July 2017. PRL was only able to measure Gemfields' performance prior to this date on the fair value basis i.e. its listed share price. Upon taking board control of Gemfields, PRL's performance measurement of Gemfields changed to operational metrics. Accordingly, 28 July 2017, is the effective date that PRL ceased to be an investment entity. The deemed acquisition date of Gemfields upon PRL ceasing to be an investment entity is the start of the subsequent month, 1 August 2017.

During the period 26 June 2017 to 19 September 2017, the Company acquired 301,024,558 additional Gemfields shares (in return for 1.91 PRL shares for each Gemfields share) for total consideration of US$135 million (between ZAR2.64–ZAR3.18 per PRL share). At the acquisition date the Company had acquired 282,171,346 additional Gemfields shares for total consideration of US$127 million. The acquisition cost of these additional Gemfields shares is based on the PRL share price (on the day of each tranche of acceptances) converted at the 1.91 Offer ratio and the daily US$/ZAR exchange rate.

PRL valued its 96.63% interest in Gemfields as at 31 July 2017 (the day preceding the acquisition date) at the Gemfields share price on the date that Gemfields delisted from AIM (28 July 2017). IFRS13 *Fair Value Measurement* ("IFRS13") required that PRL derecognised its interest in Gemfields at this price as there was a Level 1 (IFRS13 fair value hierarchy) listed share price available in an active market at the delisting date, a few days before the acquisition date. PRL's 96.63% interest in Gemfields is valued at the 28 July 2017 closing price of GBP0.3200 per share, translated at the closing rate on 31 July 2017 of US$1/GBP0.7604. PRL's interest of 96.63% in Gemfields was valued at US$228 million on 31 July 2017.

On 1 August 2017, the Company's total shareholding had reached 96.99% of the entire issued share capital of Gemfields. As the level of Gemfields share acceptances surpassed 90% of the shares to which the Offer related, the Company commenced the compulsory acquisition process of the remaining Gemfields shares under Sections 979–982 of the Companies Act 2006.

A bargain purchase of US$96.4 million was recognised at the acquisition date, as the fair value of Gemfields' net assets acquired exceeded the fair value of the total consideration at the acquisition date. On 20 June 2017, Chinese conglomerate firm, Fosun Gold Holdings Limited ("Fosun") made a firm intention, by way of a Rule 2.7 Announcement, to acquire the entire issued and to be issued ordinary share capital of Gemfields at GBP0.4500 per share, which converted at the closing rate on 31 July 2017 of US$1/GBP0.7604 implied a valuation of Gemfields (on a 100% basis) of US$331 million. The Fosun offer was a cash-based offer. Fosun stated that the consideration to be made payable by Fosun as part of the intended offer would have been funded from their existing cash reserves, which had been fully confirmed in accordance with the requirements of the Takeover Code. An assessment was made of the fair values of the acquired assets and liabilities on the date of acquisition. The assessment resulted in a valuation of the total net assets acquired being equivalent to the value of the Fosun offer. The fair values of the assets and liabilities are inherently judgemental but the Fosun offer is believed to be representative of the 'price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' as required by IFRS13 despite the offer not being accepted due to the Offer becoming wholly unconditional (due to the number of acceptances received, as well as PRL shareholders voting in favour of the Offer on 26 June 2017).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the six months ended 30 June 2018

9. ACQUISITION OF THE GEMFIELDS GROUP OF COMPANIES/CONTINUED

Details of the initial and provisional fair value of identifiable assets and liabilities acquired, purchase consideration and resulting bargain purchase, included in the Annual Report for the year ended 31 December 2018, are as follows:

	Carrying value US$'000	Adjustment US$'000	Provisional fair value[1] US$'000
Property, plant and equipment	225,753	164,710	390,463
Fabergé trademark	40,474	–	40,474
Other intangible assets	7,236	–	7,236
Deferred tax assets	5,372	–	5,372
Other non-current assets	8,075	–	8,075
Inventories	90,551	18,581	109,132
Trade and other receivables	29,540	–	29,540
Cash and cash equivalents	33,367	–	33,367
Total assets	440,368	183,291	623,659
Trade and other payables	(25,678)	–	(25,678)
Borrowings	(66,023)	–	(66,023)
Other liabilities	(17,265)	–	(17,265)
Deferred tax liability	(48,307)	(58,797)	(107,104)
Total liabilities	(157,273)	(58,797)	(216,070)
Total net assets	**283,095**	**124,494**	**407,589**
Non-controlling interest			(83,480)
Bargain purchase			(96,406)
Total consideration at 1 August 2017			**227,703**
Non-controlling interest acquired[2]			7,254
Total consideration at 19 September 2017			**234,957**

1 There have been no changes to the provisional fair values since the year end.
2 Non-controlling interest was calculated on the fair value of the identifiable assets and liabilities acquired.

10. INVESTMENTS

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

The reconciliation of the Investment valuations from 1 January 2018 to 30 June 2018 is as follows:

	Balance at 1 January 2018 US$'000	Transfer from unlisted US$'000	Unrealised fair value gains US$'000	Unrealised fair value losses US$'000	Realised gains US$'000	Disposals US$'000	Transfer to listed investments US$'000	Balance at 30 June 2018 US$'000
Listed equity investments								
Jupiter[1]	–	37,656	3,955	–	–	–	–	41,611
	–	37,656	3,955	–	–	–	–	41,611
Unlisted equity investments								
Jupiter[1]	98,100	–	–	–	11,680	(72,124)	(37,656)	–
Sedibelo Platinum Mines	98,064	–	–	–	–	–	–	98,064
	196,164	–	–	–	11,680	(72,124)	(37,656)	98,064
Total	196,164	37,656	3,955	–	11,680	(72,124)	(37,656)	139,675

1 The unrealised fair value gain on Jupiter of US$3.955 million includes an unrealised foreign exchange loss of US$1.912 million. The realised gain on Jupiter of US$11.680 million does not include any foreign exchange, as the cash receipts were denominated in US$. The cash receipt from the Jupiter IPO of AUD 83.1 million, net of associated selling costs, was converted to US$ on the same day resulting in no foreign exchange gain/(losses) being realised. The Company disposed of 5.81% of its shares to Jupiter at US$0.35 per share in the March 2018 Jupiter buy-back, with the company receiving US$7.7 million. The Company disposed of 212,028,012 of its shares to Jupiter at a price of AUD 0.40 per share or US$0.31 per share converted at the foreign exchange rate on 18 April 2018, the date the Jupiter IPO completed, with the Company receiving US$64.4 million. See Note 5 for more detail on the Jupiter share buy-back and IPO.

10. INVESTMENTS/CONTINUED

The reconciliation of the Investment valuations from 1 January 2017 to 30 June 2017 is as follows:

	Balance at 1 January 2017 US$'000	Unrealised fair value gains US$'000	Unrealised fair value losses US$'000	Realised gains US$'000	Additions US$'000	Disposals US$'000	Balance at 30 June 2017 US$'000
Listed equity investments							
Gemfields Ltd[1]	164,615	–	(63,952)	–	78,727	–	179,390
	164,615	–	(63,952)	–	78,727	–	179,390
Unlisted equity investments							
Jupiter[2]	79,461	918	–	5,337	–	(10,105)	75,611
Sedibelo Platinum Mines[3]	114,408	–	(16,344)	–	–	–	98,064
	193,869	918	(16,344)	5,337	–	(10,105)	173,675
Total	358,484	918	(80,296)	5,337	78,727	(10,105)	353,065

1 *The unrealised fair value loss on Gemfields Ltd of US$63.952 million includes an unrealised foreign exchange loss of US$10.297 million. The Group acquired an additional US$78.727 million interest in Gemfields Ltd as part of the Gemfields Acquisition during June 2017. The additional interest acquired was valued at the GGL share price (on the day of each tranche of acceptances) converted at the 1.91 Offer ratio and the daily US$/ZAR exchange rate.*

2 *The unrealised fair value gain on Jupiter of US$0.918 million does not include any foreign exchange as the valuation is denominated in US$. The realised gain on Jupiter of US$5.337 million does not include any foreign exchange as the cash receipt was denominated in US$. The Company disposed of 6% of its shares to Jupiter at a price of US$0.40 per share. The transaction completed on 13 March 2017 with the Company receiving US$10.1 million.*

3 *The unrealised fair value loss on SPM of US$16.344 million does not include any foreign exchange as the valuation is denominated in US$.*

Jupiter Mines Limited ("Jupiter") – equity

Nature of investment	The Group holds an equity interest in Jupiter. Jupiter is based in Perth, Western Australia, and its main asset is a 49.9% interest in the Tshipi manganese joint venture in South Africa.
Date of valuation	30 June 2018.
Fair value methodology	Market Approach – Listed Share Price. The Group's interest in Jupiter is valued at the 30 June 2018 mid-price of AUD 0.385 per share, translated at the closing rate of US$1/AUD 1.350. No secondary valuation methodologies have been considered for the Company's investment in Jupiter as it is a listed equity in an active market.

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

Nature of investment	The Group holds an equity interest in SPM, a producer of Platinum Group Metals ("PGMs") with interests in the Bushveld Complex in South Africa.
Date of valuation	30 June 2018.
Fair value methodology	Income Approach – Discounted Cash Flow applying Directors' estimate. The Directors have estimated that the value of SPM is US$1.5 billion; the Group's indirect 6.54% interest has therefore been valued at US$98 million. The Directors have considered a range of sources in determining the valuation of SPM. The primary source used by the Directors in their valuation is a valuation report prepared by an independent third party as at 31 December 2017 (the "Valuation Report"). The Valuation Report is an update of the valuation section of a competent person's report (the "CPR") prepared by the same independent third party. The CPR has an effective date of 31 December 2016. The Valuation Report is the latest available report used by the Directors in their valuation of SPM at 30 June 2018.

10. INVESTMENTS/CONTINUED

Sedibelo Platinum Mines Limited – equity/continued

Fair value methodology

The purpose of the Valuation Report was to update key inputs of the CPR's discounted cash flow ("DCF") model, which was used to value SPM's key assets. The key updates to the DCF analysis include changes to the life-of-mine model, adjustments to the start dates of development projects, an update to the mineral ounces outside of the mine plan, as well as an update to the certain key variables, PGM price assumptions, forecasted exchange rates and the Weighted Average Cost of Capital ("WACC").

The preferred valuation of SPM given by the Valuation Report is US$2.4 billion; the Group's indirect 6.54% interest on this basis would be valued at US$155 million.

The DCF analysis is based on a number of predictions and uncertainties, including forecast PGM prices, production levels, costs, exchange rates and the consolidated mine plan. Changing any of these assumptions may materially affect the implied valuation. The Directors note that the valuation of SPM is sensitive to various key inputs, in particular the platinum price, the palladium price, the discount rate and the long-term exchange rate.

The Directors note that the higher political risk associated with South Africa including the release of the revised draft of the Mining Charter III during the period. The release of the first draft of Mining Charter III contributed to credit rating agencies downgrading South Africa's credit rating during 2017. This implies that a higher WACC should be used in the DCF model, which further implies a reduction in the valuation given by the Valuation Report. The post-tax USD real WACC used in the Valuation Report for the DCF valuations of SPM's key assets is 8.10%. Given the political uncertainty, the Directors believe that a higher USD WACC could be justified and have applied a WACC of 9%.

The Directors further note that the long-term US$/ZAR exchange rate used in the DCF model of US$1/ZAR14.50 differs from the Directors' long-term view of US$1/ZAR13.25.

Whilst the sensitivity tables in the Valuation Report do not include these exact values, the independent third party has confirmed (via an executive at SPM) that using these assumptions (i.e. a long-term exchange rate of US$1/ZAR13.25 and a post-tax USD real WACC of 9%) in the model that underpins the Valuation Report, results in a value of approximately US$1.7 billion; the Group's indirect 6.54% interest on this basis would be valued at US$111 million.

The Valuation Report used information from a range of sources to forecast PGM prices. The platinum price was forecast to be within a range of US$1,000 to US$1,350 and the palladium price was forecast to be within a range of US$973 to US$1,030 over SPM's life-of-mine. Using a range of broker forecasts at 30 June 2018, the platinum price is forecast to be within a range of US$974 to US$1,144 and the palladium price is now forecast to be within a range of US$1,006 to US$1,034 over SPM's life-of-mine. Platinum, the key PGM produced by SPM, has traded below its forecast price for the first six months of 2018 and long-term forecasts for platinum and palladium are approximately 16% and 1% lower respectively than those used in the Valuation Report. The Directors note that a discount to the valuation given by the Valuation Report is implied, with a decrease to the long-term platinum and palladium price and are comfortable that applying a discount of approximately 13% (to the US$1.7 billion valuation) to reach the US$1.5 billion is not unreasonable.

All these factors imply that a significant discount could be applied to the Valuation Report's preferred valuation of US$2.4 billion. Accordingly, whilst the Directors note that any adjustment made to the Valuation Report is subjective, they have valued SPM at US$1.5 billion, approximately a 37% discount to the Valuation Report's preferred valuation.

The Group's valuation of SPM has been determined taking into account a consensus of recent analyst reports for forecast PGM prices for 2018 and beyond. For the purposes of the disclosures required by IFRS13 *Fair Value Measurement* ("IFRS13"), and using sensitivity analysis included within the Valuation Report, if the forecasted PGM prices were 10% lower than the current consensus for forecast PGM prices, presuming all other indicators and evidence were unchanged, the valuation of SPM included in the balance sheet would decrease from US$98 million to US$79 million. The related fair value decrease of US$19 million would be recognised in profit and loss. The Directors consider this movement in PGM prices to not be unreasonable.

10. INVESTMENTS/CONTINUED

Sedibelo Platinum Mines Limited – equity/continued

Fair value methodology	If the forecasted long-term exchange rate was 9% lower than the Directors' long-term view of US$1/ZAR13.25, presuming all other indicators and evidence were unchanged, the valuation of SPM included in the balance sheet would decrease from US$98 million to approximately US$90 million. The related fair value decrease of US$8 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the long-term exchange rate. Alternatively, if the post-tax real USD WACC used in the CPR was 10% compared with the Directors' estimated post-tax real USD WACC of 9% (i.e. 11% higher), presuming all other indicators and evidence were unchanged, the valuation of SPM included in the balance sheet would decrease from US$98 million to approximately US$86 million. The related fair value decrease of US$12 million would be recognised in profit and loss. The Directors consider this to be a realistic potential movement in the WACC in the current environment. Production is also an important factor in determining the valuations. An adjustment to production levels would also have consequent effects on variable costs, thereby reducing the impact on fair value versus the pricing analysis. The CPR does not provide such sensitivity analysis for changes in production.
Other considerations	Directors have also considered a market comparable analysis comparing the Enterprise Values of SPM's peer group with their total mineral reserves and resources base. The implied valuation given by SPM's mineral reserves and resources (price per 4E ounce) data supports the Directors' valuation of US$1.5 billion.

11. INVENTORY

	30 June 2018 US$'000	31 December 2017 US$'000	30 June 2017 US$'000
Rough and cut and polished gemstones	64,445	78,622	–
Fabergé inventory	34,778	35,482	–
Fuel and consumables	5,645	4,709	–
	104,868	118,813	–

The total provision made against inventory as at 30 June 2018 is US$3.2 million (31 December 2017: US$3.3 million, 30 June 2017: US$Nil).

12. TRADE AND OTHER RECEIVABLES

	30 June 2018 US$'000	31 December 2017 US$'000	30 June 2017 US$'000
Trade receivables	27,964	5,948	–
VAT receivable	12,593	11,227	–
Other receivables	6,261	10,323	1,253
	46,818	27,498	1,253

Trade receivables of US$27.9 million at 30 June 2018 (31 December 2017: US$5.9 million, 30 June 2017: US$Nil) primarily relate to auction receivables from the MRM auction held in June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the six months ended 30 June 2018

13. BORROWINGS

		Interest rate	Maturity	30 June 2018 US$'000	31 December 2017 US$'000	30 June 2017 US$'000
Non-current interest-bearing loans and borrowings						
Barclays Zambia	US$20 million revolving credit facility	US$ LIBOR + 5.50%	2020	20,000	20,000	–
Barclays Mauritius	US$15 million revolving credit facility	US$ LIBOR + 5.50%	2020	15,000	15,000	–
Gordon Brothers	US$20 million loan facility	US$ LIBOR + 6.10%	2020	–	17,127	–
BCI[1]	US$15 million finance leasing facility	US$ LIBOR + 3.75%	2019	–	7,165	–
Total non-current borrowings				**35,000**	59,292	–

		Interest rate	Maturity	30 June 2018 US$'000	31 December 2017 US$'000	30 June 2017 US$'000
Current interest-bearing loans and borrowings						
BCI[1]	US$15 million overdraft facility	US$ LIBOR + 3.75%	2019	14,226	–	–
BCI[1]	US$15 million finance leasing facility	US$ LIBOR + 3.75%	2018	–	3,328	–
Gordon Brothers	US$20 million loan facility	US$ LIBOR + 6.10%	2020	–	850	–
Total current borrowings				**14,226**	4,178	–

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

Barclays Zambia

In August 2014, Kagem Mining Limited entered into a US$20 million revolving credit facility with Barclays Bank Zambia plc. The facility bears interest at a rate of three-month US LIBOR plus 4.50%. The facility is due for repayment 36 months after the date of the first drawdown of facility. In February 2017, the facility was renewed for a further three years, expiring in 2020, with an interest rate of three months US$ LIBOR plus 5.50% per annum. The revolving facility has no required monthly repayments but is repayable in full at the end of 36 months from the first drawdown date. As at 30 June 2018, US$20 million was fully drawn.

The loan facility was subject to four financial covenants, which were tested half yearly. As at 30 June 2018, Barclays Bank Zambia has waived the covenant testing period as discussions over the re-financing of these facilities were ongoing.

Barclays Mauritius

In February 2017, Kagem Mining Limited entered into a US$15 million facility with Barclays Bank Mauritius Limited. The facility attracts interest at US$ LIBOR plus 5.50% and is repayable in full at the end of 36 months from the first drawdown date. As at 30 June 2018, US$15 million was fully drawn.

The loan facility was subject to four financial covenants, which were tested half yearly. As at 30 June 2018, Barclays Bank Mauritius has waived the covenant testing period as discussions over the re-financing of these facilities were ongoing.

Security for the facilities comprises 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 Ltd.

BCI

(i) In June 2016, Montepuez entered into a US$15 million unsecured overdraft facility, with **Banco Comercial E De Investimentos, S.A**. This is a rolling facility which renews annually provided that terms and conditions are met, attracting interest of three-month US$ LIBOR plus 3.75% per annum. At 30 June 2018, US$14.2 million was outstanding. The facility is secured by a blank promissory note undertaken by Montepuez and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group.

(ii) In June 2016, Montepuez entered into a US$15 million financing leasing facility, with BCI. This is a renewable facility with a drawdown period of 18 months and the amounts drawn down were repayable over a maximum period of 48 months. The facility had an interest rate of three-month US$ LIBOR plus 3.75% per annum. During the period the loan was repaid in full, and at 30 June 2018, US$Nil million was outstanding.

13. BORROWINGS/CONTINUED

Barclays Mozambique

In April 2016, Montepuez entered into a US$15 million unsecured overdraft facility, with Barclays Bank Mozambique S.A. The facility has an interest rate of three-month US LIBOR plus 4% per annum. The outstanding balance as at 30 June 2018 was US$Nil. Gemfields Ltd issued a corporate guarantee for the facility. The full facility was available at 30 June 2018.

The proceeds of the facilities from Barclays Bank Mozambique S.A. and BCI will enable Montepuez to finance its capital expenditure requirements for the Montepuez ruby deposit in Mozambique and provide additional working capital.

Gordon Brothers

In May 2017, Fabergé UK Limited entered into a US$25 million loan facility with Gordon Brothers Finance Company and GB Europe Management Services Limited jointly. During the year to 31 December 2017, Fabergé UK Limited made the decision to lower the facility to US$20 million. The facility attracted interest at a rate of three-month US$ LIBOR plus 6.1%, with a LIBOR floor of 1.25%, and was secured against the value of the Fabergé brand and intellectual property as well as gemstones, jewellery, and watch inventory. During the period, the loan was fully repaid.

14. PER SHARE INFORMATION

NAV per share and Earnings/(Loss) Per Share ("EPS" or "LPS") are key performance measures for the Group. NAV per share is based on net assets divided by the number of ordinary shares in issue at 30 June 2018. 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 4/2018 "Headline earnings" ("Circular 4/2018") issued by the South African Institute of Chartered Accountants ("SAICA") during the period. For the six months ending 30 June 2018 and the comparative period HEPS is the same as EPS, so has not been disclosed separately.

Earnings per share

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

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Profit for the year attributable to owners of the parent – US$'000	12,343	(81,185)
Weighted average number of shares in issue[1]	*1,318,856,096*	*768,936,425*
Earnings per share – US$	**0.01**	**(0.11)**

1 At 30 June 2018 the Company had a see-through interest in itself of 117,342,899 shares or 8.20%. These shares have been removed in the calculation of weighted average number of shares in issue.

Diluted earnings per share

The Group's Diluted EPS is as follows:

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Profit for the year attributable to owners of the parent – US$'000	12,343	(81,185)
Diluted weighted average number of shares in issue	*1,318,856,096*	*768,936,425*
Diluted earnings per share – US$	**0.01**	**(0.11)**

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

NAV per share

The Group's US$ NAV per share is as follows:

	1 January 2018 to 30 June 2018 US$'000	1 January 2017 to 30 June 2017 US$'000
Net assets – US$'000	626,286	363,064
Number of shares in issue[1]	*1,314,342,654*	*1,086,000,929*
NAV per share – US$	**0.48**	**0.33**

1 At 30 June 2018 the Company had a see-through interest in itself of 117,342,899 shares or 8.20%. These shares have been removed in the calculation of shares in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS/CONT.

for the six months ended 30 June 2018

15. COMMITMENTS AND CONTINGENCIES

Potential legal liability

In April 2018, Gemfields Ltd was served with a claim coordinated by a UK-based law firm (the 'Firm') in the English High Court alleging human rights abuses at MRM and seizure of land without due process. The Firm represents 112 claimants from the vicinity of MRM's mining concession near Montepuez, northern Mozambique. Gemfields Ltd is working with its advisers in England and Mozambique to ensure the claim is fully investigated, and such investigations are now at an advanced stage. Gemfields Ltd and the Firm have agreed a stay of the proceedings until 17th December 2018, after which Gemfields Ltd will be required to serve its defence to the claim. At this stage, Gemfields Ltd intends to robustly defend itself against the claim.

16. EVENTS OCCURING AFTER THE END OF THE PERIOD

Emerald Auction held in Lusaka, Zambia from 30 July to 2 August 2018

Post the period end, a predominantly commercial quality auction was held in Lusaka in July 2018. Revenues of US$10.9 million were achieved which went further to evidence the continuing demand for emeralds. The auction takes Kagem's total auction revenue since July 2009 to US$527 million.

Granting of share options

On 20 July 2018, 44,790,000[1] share options were granted to employees across the Group under the Share Option Plan approved by shareholders on 26 June 2017. The share options were awarded at a ZAR2.30 strike price, being the 1 day-Volume Weighted Average Price on 19 July 2018. One-fifth of the options granted vested immediately and the balance vest annually on 20 July over the following four years, during which the grantee must remain in employment.

1 *Out of the 44,790,000 options granted, 7,000,000 options have been granted to Mr David Lovett. The options granted to David Lovett have not yet been accepted.*

Jupiter dividend

On 17 September 2018, Jupiter announced the details of an interim dividend to return approximately AUD98 million to its shareholders. All Jupiter shareholders are entitled to an 'unfranked' dividend of AUD0.05 per share.

The Group, as an 7.44% shareholder in Jupiter, has the right to a dividend of AUD7.3 million or US$5.3 million, translated at the US$/AUD 1.3835 exchange rate on 27 September 2018. The Group accepted its right to the dividend and is due payment on 10 October 2018.

Resignation and appointment of new Company Secretary

Vistra Fund Services (Guernsey) Limited resigned as the Company Secretary and Administrator of GGL effective 28 August 2018. Mourant Governance Services (Guernsey) Limited have been engaged by the Company to provide Guernsey corporate administration services from 28 August 2018 and Mr Toby Hewitt has been appointed as new Company Secretary from 27 September 2018.

Change in Registered Office

The registered office of GGL changed effective 28 August 2018 to PO Box 186, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey, GY1 4HP.

Approval of Interim Conslidated Financial Statements

The Interim Consolidated Financial Statements were approved by the Directors and authorised for issue on 27 September 2018.

INDEPENDENT REVIEW REPORT

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated income statement and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes.

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

Directors' responsibilities

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

Our responsibility

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

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as issued by the IASB, and the Johannesburg Stock Exchange Listings Requirements.

BDO LLP
Chartered Accountants
55 Baker Street
London W1U 7EU
United Kingdom
27 September 2018

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

COMPANY DETAILS

Executive Directors
Sean Gilbertson[1]
David Lovett[2]

Non-Executive Directors
Brian Gilbertson[3]
Dr Christo Wiese
Martin Tolcher
Lumkile Mondi
Kwape Mmela
Erich Clarke

The following persons were Directors during the period
Arne H. Frandsen[4]
Andrew Willis[4]

1 *Sean Gilbertson became Chief Executive Office effective 31 March 2018.*
2 *David Lovett appointed Chief Financial Officer effective 31 March 2018.*
3 *Brian Gilbertson became Non-Executive Chairman effective 1 January 2018.*
4 *Resigned 31 March 2018.*

Registered Office [5]
Gemfields Group Limited
PO Box 186
Royal Chambers
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Channel Islands

5 *Changed effective 28 August 2018.*

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JSE Sponsor
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South Africa

South African Transfer Secretary
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Company Secretary [6]
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United Kingdom

6 *Previously Vistra Fund Services (Guernsey) Limited.*

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7 *Previously Pallinghurst Resources UK Limited.*

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BSX Sponsor
Clarien Investments Limited
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Bermuda

Registrar and Bermuda Transfer Secretary
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Channel Islands

8 *Previously Vistra Fund Services (Guernsey) Limited.*

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