GEMFIELDS

INTERIM REPORT 2019

FOR THE 6 MONTHS ENDED 30 JUNE 2019

Cover image: Fabergé Colours of Love Fluted Rings featuring Gemfields emeralds, Gemfields rubies and sapphires, surrounded by rough Mozambican rubies from Montepuez Ruby Mining.
Image below: Zambian emeralds discovered at Kagem mine.

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Image: MRM's industry-leading state-of-the-art ruby sort house.

OVERVIEW

"Now that we have completed the reshaping of the Company, our team has been focussing on what Gemfields does best: supplying precious coloured gemstones from Africa to global markets."

Brian Gilbertson
Chairman

CHAIRMAN'S STATEMENT

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Chairman

Now given that we have put to bed the myriad of administrative matters necessary for completing the reshaping of the Company, our team has been focussing on what Gemfields does best: supplying precious coloured gemstones from Africa to global markets.

The first six months of 2019 have seen Gemfields Group Limited ("GGL") deliver profitable but varied performance. When compared with the first half of 2018, total rock handling has increased by some 20%, but the recovery of emeralds and rubies in the premium category has fallen by approximately 37% as we navigate areas yielding lower premium carat grades, particularly in respect of rubies.

Our flagship operations in Mozambique and Zambia generated revenues of US$50.0 million and US$33.2 million, respectively, in contrasting market circumstances. The clients of our emerald auctions, predominantly in Jaipur, India, continued to experience difficulties in accessing finance in their home market. In addition, we have seen our competitors selling their Zambian emeralds in the market at artificially low prices, whereas we have retained auction lots that we believe deserve higher prices than those presently offered by the market. There are, however, encouraging signs of recovery and new customers have appeared at our emerald auctions, among them one of our well-established ruby customers, Chatree Gems of Thailand, which successfully participated in its first Gemfields emerald auction in Singapore in May. We continue to experience strong demand for our Mozambican rubies, with one lot at the June auction setting a new, all-time price-per-carat record for any Gemfields auction.

Kagem Mining Limited ("Kagem") continues its robust run of emerald recovery – albeit at somewhat lower levels than in the first half of 2018 – with production in the premium emerald category reaching 80,900 carats and overall production amounting to 15.6 million carats in the first six months of 2019. Progress continues to be made on the amalgamation of Mbuva-Chibolele ("Chibolele") and other wholly owned Zambian licences into our 75%-owned Kagem operation in order to create a larger company with greater economies of scale that is better equipped to smooth out volatile qualities and grades by having a larger number of operating pits. Production at Chibolele for the period was 3.0 million carats, thus supporting the encouraging signs observed to date at that operation.

Montepuez Ruby Mining Limitada ("MRM") production during the same period was largely unaffected by cyclones Idai and Kenneth, delivering 1.1 million carats, of which just 34,500 carats were in the premium ruby category. Due to the nature of coloured-gemstone geology, it is common to experience considerable volatility of both grade and quality and our team remains confident that premium grade ruby production will improve from the muted levels experienced during the first half of the year.

Kagem's most significant challenge at present is the 15% Zambian export duty imposed on emeralds since 1 January 2019. When combined with the pre-existing 6% mineral royalty tax, Zambian emerald exporters must now pay an effective 21% turnover tax on their revenues. By contrast, the world's second and third largest emerald exporters, Colombia and Brazil, have no export duty whatsoever and levy mineral royalties of just 2.5% and 2.0%, respectively. Not only does the 15% export duty shut the door on foreign investment in the Zambian emerald sector, but the financial impact is being acutely felt by incumbent producers like Kagem. We continue to liaise with the key government departments in seeking a solution and remain hopeful that one will be found.

Fabergé Ltd ("Fabergé") achieved revenues of US$3.8 million in the period at a sales margin of 45% (39% for the comparative period) and a loss after tax of US$3.4 million (loss after tax of US$6.6 million for the comparative period). Fabergé's concession at Harrods, the London department store, has seen a 67% increase in sales after the lease on Fabergé's stand-alone store in Mayfair came to an end. The London-based "By Appointment" sales team has seen sales increase by a little over 10%. Operating costs have improved by approximately 3%.

Overall, the Company generated EBITDA of US$33.1 million and recognised Free Cash Flows (as defined in the Financial Review) of US$9.7 million. Capital expenditure of US$14.6 million was primarily made up of spend at MRM (US$9.9 million), Kagem (US$2.1 million) and Megaruma Mining Limitada ("MML") (US$1.9 million), with the remainder incurred across the other exploration and development assets. During the period, the Group paid US$8.7 million and US$7.0 million in corporation tax and mineral royalties, respectively, as well as US$1.9 million toward Zambia's new export duty. At 30 June 2019, the Company was in a net cash position of US$35.5 million (31 December 2019: net cash of US$9.8 million), with US$18.1 million of this relating to receipts from our Jupiter Mines Limited ("Jupiter") investment during the period.

We took the decision to fully realise our investment in Jupiter during the period, with the cash proceeds from the first phase of the transaction received in June 2019. The sale of our minority stake in Jupiter was consistent with our strategy of focussing on African coloured gemstones. The sale is structured in two phases, with the first phase occurring in June and the second phase scheduled for November 2019. Accounting standards have meant that we continue to carry the second phase's 3.72% stake on the balance sheet at 30 June 2019 with a derivative highlighting the expected profit or loss on the transaction. Our sales price was based on the 30-day VWAP of the Jupiter share price at the time of agreement in April 2019. During May 2019, the Company received a further dividend from Jupiter of US$2.6 million. Since March 2017, the Company has received over US$30 million in combined Jupiter dividends and share buy-back proceeds.

With the influx of cash receipts from the sale of our long-term holding in Jupiter, the Company announced in April that it would distribute these funds to shareholders. Our distribution pool of approximately US$24.7 million was originally intended to be paid out as a dividend, but, given the ensuing weakness of our share price (which we believe is significantly below its intrinsic value) we opted to switch to a share buy-back, with the balance of the distribution pool remaining earmarked as a special dividend on completion of the buy-back. As has already been disclosed, I purchased an additional 1.2 million shares in the Company in my personal capacity during the period. We remain committed to our ambition of distributing returns to shareholders from consistent positive operating cash flows in future periods.

Our platinum group metals ("PGM") investment, a 6.5% stake in Sedibelo Platinum Mines Ltd ("Sedibelo"), has entered its eleventh year of production. At 31 December 2018, we changed our valuation methodology to a market-multiple approach. During the period, the USD-based PGM basket price has experienced an upward tick in value, mainly attributable to a change in the fortunes of two of the basket's components: palladium and rhodium. The South African rand-based PGM basket price has seen a higher increase due to the weakening of the South African rand against the US dollar during the period. This has somewhat reinvigorated the PGM market, with some of the major PGM producers seeing their listed market prices increasing significantly over the period. However, the financial performance of Sedibelo has not seen the same improvement: the company produced an EBITDA loss of US$5.1 million during the first half of 2019. GGL's Board has agreed to maintain the same valuation of Sedibelo as we had at 31 December 2018, being US$50.4 million (implying a valuation of 100% of Sedibelo at US$772 million).

During the period, we entered into a joint venture agreement with Mwiriti Limitada ("Mwiriti"), our existing partner in MRM, in order to progress opportunities in the gold exploration sector via 12 greenfield licences presently held by Mwiriti. The transaction is expected to complete in the fourth quarter once all conditions precedent have been met. Although Gemfields remains focussed on emeralds, rubies and sapphires mined in Africa, given the proximity of the licences to our MRM operation as well as our long-standing relationship with Mwiriti, we have decided to investigate the potential upside of these licences in the interests of our shareholders. We also completed the disposal of our 50% interest in Kariba Minerals Limited, the amethyst mine in Zambia. Our operations in Ethiopia remain on hold until the prevailing political and social conditions permit a resumption of our work there.

Despite the great strides made by the Company in reducing overall Board remuneration over the past 24 months, the non-binding shareholder resolution on our Remuneration Policy once again failed to pass by the required margin at our 2019 Annual General Meeting. It is clear that the proxy advisory services that advise some of our shareholders follow box-ticking practices rather than reviewing the apposite detail. Nevertheless, the Company's Remuneration Committee will carry out a further consultation on executive remuneration.

The Company remains intent on listing on the Alternative Investment Market ("AIM") in London during the second half of 2019. We will maintain our primary listing in Johannesburg and will look to relinquish our Bermuda listing, seeking to bring those shareholders listed on our Bermudan register over to AIM. We believe that bringing the Gemfields brand back to the London market will help to improve the liquidity of our stock as well as reach a wider pool of international investors. The potential to increase our public profile and broker coverage should give a wider audience a deeper understanding of the Company's operations and prospects.

Our 2018 financial statements were negatively impacted by a number of exceptional items and associated costs. As we move forward without the influence of those items, and as we continue to focus on our core business, we expect to be better positioned to deliver consistent returns to our shareholders, particularly if the matter of the 15% export duty in Zambia can be resolved.

I thank my fellow Directors and the tireless Gemfields teams for their hard work and substantial contributions for the period and look forward to furthering our vision of becoming "the De Beers of coloured gemstones".

Brian Gilbertson (Chairman)
19 September 2019

Image: Recovering Zambian emeralds at Kagem mine.

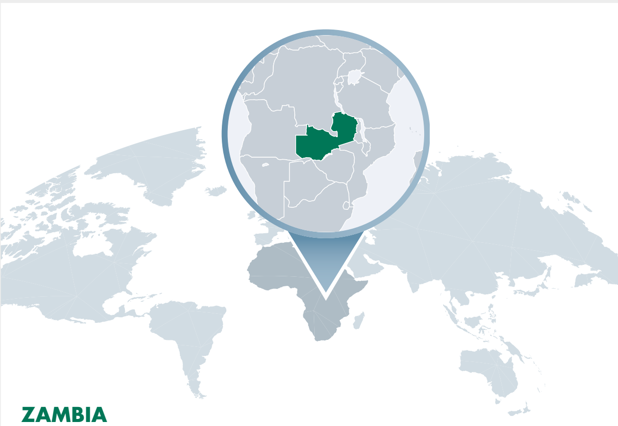
PERFORMANCE

"While production of premium rubies has declined considerably during the period, volatility of both grade and quality is characteristic of coloured gemstone deposits."

Sean Gilbertson
Chief Executive Officer

OPERATIONAL REVIEW

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 Mining Limited** (**"Kagem"**), the world's single-largest producing emerald mining company, accounts for approximately 25% of global emerald production. The 42.37-square-kilometre licence area is located in the Ndola Rural Emerald Restricted Area ("NRERA") and lies south of Kitwe and west of Ndola, in Zambia's Copperbelt Province. It is 75% owned by Gemfields and 25% owned by the Industrial Development Corporation of Zambia. Kagem operations comprise three open pits:
  - » Chama, an open-pit mine extending over 2.2 kilometres of strike length and supplying approximately 25% of global emerald production;
  - » Fibolele, another open-pit mine with a 600-metre-long strike length; and
  - » Libwente, a smaller pit in the exploration phase.
- **Gemfields Mining Limited** (**"Mbuva-Chibolele"**), located on the prolific Fwaya-Fwaya–Pirala Belt in the NRERA within the Kafubu area of the Copperbelt Province of Zambia adjacent to the Kagem licence area, to the southwest. Operations ceased in 2007 to allow the focus to shift to Kagem but resumed in November 2017 and have continued ever since.

KAGEM

Auction results

Kagem held one commercial-quality and one higher-quality auction in the period: one in Lusaka, Zambia, in February 2019 and another in Singapore in May 2019, together generating US$33.2 million. The commercial-quality auction realised US$10.8 million at an average of US$4.39 per carat, with the higher-quality auction generating US$22.4 million at a record average value of US$71.85 per carat.

In August 2019, Kagem held a commercial-quality auction in Lusaka, Zambia, which generated US$18.6 million.

The three auctions held since the beginning of 2019 took Kagem's total auction revenue since March 2009 to US$608 million.

Mining

The Chama open-pit mine is supported by a SAMREC-compliant Resources and Reserves Statement produced by SRK Consulting (UK) Limited ("SRK") as at 31 December 2017, published in April 2018, which confirmed a 27-year open-pit Life of Mine Plan ("LoMP") and that the mine is well positioned for growth in production.

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

During the period, Kagem continued to remove overburden to expose emerald formation for mining three sectors of the Chama Pit (F10, Chama and FF-Mboyonga), which, along with the clearing and de-ramping, allowed a consistent production profile at Chama. The efficiencies achieved from redesigning the pit have continued, with a larger, more efficient fleet being deployed in the pit, leading to higher rock handling and fleet efficiencies.

Fibolele continued to provide additional sources of production, delivering 14.5 million carats since inception, with 2.0 million carats being recovered in the 2019 year so far.

Total rock handling in respect of all pits increased to 6.3 million tonnes, from the 5.1 million tonnes in the first half of 2018, as the changes discussed above compensated for the challenges of longer hauling distances and working with hard rock in deeper parts of the mine. The fleet-monitoring system was upgraded with GPS geofencing (virtual software providing real-time information), allowing more sophisticated monitoring of the movement and allocation of heavy earth-moving machinery to facilitate efficiency improvements. Further efficiencies were achieved in the adoption and roll-out of several best-practice techniques in drilling, blasting and machinery usage.

To assist management with real-time data to identify inefficiencies and remedy these, Centric Mining System (an ERP-based data-capturing and warehousing system) has been deployed across mining and geology departments to provide a reliable "source of truth" from which to measure any or all activity in the operations. Centric provides data from tracking the movement of ore to generating reconciliation reports allowing greater understanding and use of key data to facilitate operational improvements at the mine. Centric has also been implemented at MRM.

Production

The Chama pit extension, which led to the opening of new areas and greater space in which to operate a larger fleet, resulted in improvements in ore volumes. The production strategy adopted in 2017 continued throughout 2018 and 2019, focussing on controlled blasting, ore mining, and chiselling the in-situ ground, manually picking the run of mine at contact points to facilitate more focussed mining, thereby leading to enhanced quality of production. Implementation of this strategy has necessitated an increased number of chisel operators and technique improvements, with a demonstrable improvement in the size, quantity and quality of emeralds being produced.

Kagem's key operational parameters for the period ended 30 June 2019 are summarised in the table below.

In the first half of 2019, gemstone production was 15.6 million carats of emerald and beryl, a fall from the 17.3 million carats in 2018 (80,875 carats of premium emerald), with the lower production a function of the areas being mined, as already exposed reaction zones were mined whilst additional sections of the pit were exposed for the second half of the year. Of the total production, the Chama Pit contributed 13.6 million carats and Fibolele contributed 2.0 million carats. Despite considerable technological advances, predicting the distribution of emerald mineralisation in terms of quality and quantity is still a matter of research.

Processing

Improvements at the wash plant continued during the year, with the installation of a conveyor belt together with new chutes and zoom scrappers contributing significantly to control spillage. Total processing is 1,800 tonnes compared with 1,717 tonnes in the first half of 2018, with the plant running at 44 tonnes per hour in both periods. Continuing with the overall strategy of improving efficiencies and optimising the operations, optical sorting and other automated processing options are currently being researched with a view to improving the wash-plant capabilities.

Operating costs

Total operating costs for the six months to June 2019 were US$22.6 million compared with US$20.0 million, as a larger workforce, longer haulage distances and inflationary pressures offset any cost-optimisation efficiencies and savings. The unit operating cost was US$3.65 per tonne for the six months ended 30 June 2019. Cash rock handling unit costs (defined as total cash operating costs divided by total rock handled) were US$3.07 per tonne for the period compared with US$3.39 in the previous period, with total cash costs of US$19.0 million (six months to June 2018: US$17.4 million).

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

Kagem production summary

	30 June 2019	30 June 2018
Gemstone production (premium emerald) in thousand carats	80.9	130.7
Gemstone production (emerald and beryl) in million carats	15.6	17.3
Ore production (reaction zone) in thousand tonnes	72.9	96.9
Grade (emerald and beryl/reaction zone) in carats/tonnes	214	179
Waste mined in million tonnes	6.2	5.1
Total rock handling in million tonnes	6.3	5.2
Stripping ratio	84	52

OPERATIONAL REVIEW

ZAMBIA/CONTINUED

Tax regime

With effect from 1 January 2019, the Government of Zambia made a number of changes to the country's tax regime. These changes included the introduction of a 15% export levy on gemstones and the removal of the tax deductibility in respect of the 6% mineral royalty tax.

The implementation of the 15% export levy adversely impacts the outlook for Kagem, with its cash generation and profitability being drastically reduced. As a result, an impairment charge of US$22.6 million was recognised at 31 December 2018, reducing the value of the asset to the Group.

The total export duty levied in the period to June 2019 amounted to US$5.0 million, which continues to hamper Kagem's cash flow and ability to invest in expanding its licence footprint and production levels. Dialogue continues with the Government of Zambia to seek a solution that is beneficial to Zambia and Kagem.

Capital expenditure

During the period, Kagem spent US$2.1 million on replacement mining and ancillary equipment as well as in infrastructure improvements.

Geology and exploration

The geological understanding of the ore body and mineralisation continued during the period based on the 2017 Resources and Reserves Statement and the LoMP produced by SRK. Continuous review of the geological modelling was supported by face mapping, geophysics and geochemistry data, allowing the creation of an updated geological model now including detailed block modelling. The updated block model allows the geologists and miners to improve production and mining, as they now have more focussed information.

The Fibolele sector is a 600-metre-long, open-pit, bulk sampling operation which yielded 2.0 million carats of emerald for the year.

Continued assessment of the bulk sampling projects in the Libwente sector involved desktop evaluation to support a better understanding of the geology and to determine the viability of development into a larger-scale mine. Exploration efforts are being made to develop both the Fibolele and Libwente sectors in order to gain further high-level geological understanding. However, given the imposition of the 15% export duty, the level of activity in these exploratory areas has not been as desired due to the lack of funds available for investment in expansion.

Infrastructure

The overall infrastructure of the mine continued to improve, with a focus on safety, efficiency, and quality of life for employees at the mine. During the first half of 2019, Kagem improved the haulage roads and ramps, engineering workshops and stability of benches, and increased in-pit dumping.

Staff welfare remained a priority during the period, with the addition of a new 61-seater bus for staff transportation and the construction of new, improved accommodation, along with improvements aimed at the general quality of life at the mine, such as landscaping of the camp area, new walkways, etc.

Other infrastructure changes included the installation of a new, automatic voltage stabiliser at the main camp and the extension of the materials warehouse.

Security

The security team continued to support the operations with 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. This along with high-resolution digital surveillance CCTV cameras with recording capability and upgraded radio communication sets installed in 2018 saw improvements in the overall security operations at the mine site. The sort house security system was further enhanced with the construction of an electrical fence and improved maintenance of the intruder alarm system.

Security has continued to be a high priority, with new, stringent security measures to help curb theft of emeralds being implemented.

Kagem aims to take a leading role in modernising the coloured-gemstone sector in Zambia through technology by introducing body and baggage scanners to enhance searching techniques and has applied to the Radiation Protection Authority of Zambia for the necessary licences.

Throughout 2019, Kagem has maintained a focus on improvements to the realisation of Gemfields' Human Rights Policy, appointing an international consultant to train all staff and assist with implementation. Kagem is working towards being formally recognised as having met the requirements in order to join as a

Image: Operations at Kagem emerald mine in Zambia.

corporate member of the Voluntary Principles on Security and Human Rights ("VPSHR"), undertaking additional training initiatives as well as committing to continuous learning and awareness raising concerning the issues related to security and human rights.

Health, safety and environment ("HSE")

Kagem has upheld its flagship-bearer status in the gemstone industry through continued responsible, transparent and safe mining in a manner that has minimal impact on the natural environment. In our continued effort to aim at a zero-harm (injury-free) culture, the health and safety of our employees are not only considered critical to the operation, but is also ultimately the responsibility of each individual employee, and this point keeps being emphasised to all.

The main strategy employed so far this year, has been the roll-out of a combined, all-inclusive General Site Induction ("GSI"), which all employees and long-term contractors are expected to undergo, in order to deeply enshrine the health and safety values and norms among everyone working within the Kagem mine site.

Managers have also been leading by visiting various workplaces and taking part in safety talks to increase and enhance the communication between employees and management and bridge the once-existing gap between the two groups. In addition to this, managers have also embarked on conducting night-shift visits to the mining operations to appreciate the challenges under which the night-crew members have to operate, and, consequently, play a leading role in overcoming, and finding solutions to, those safety challenges.

During the first half of 2019, Kagem recorded one lost-time injury (2018: 3).

Sustainability and corporate responsibility

Due to the reduced cash generation, the amounts available for community projects, sustainability and corporate responsibility ("SCR") were unavoidably scaled back during the period. Kagem's Community Development Strategy ("CDS") maintained engagement within the two chiefdom areas, but actual expenditure on community projects was limited. During the six months to June 2019, the rehabilitation of the Kandole–Kafwaya Road was completed at an estimated cost of US$80,000.

Human resources

As at 30 June 2019, 974 people were employed by Kagem, of which 773 were directly employed and 201 were employed through contractors.

In 2019, employees were trained in various fields, including safety, health, environment and quality, medical, human resources ("HR"), management development/team building, engineering, finance, information technology ("IT"), and mining. Training was conducted by both external and in-house trainers, with 98% of the workforce being trained at the mine site and 2% being trained off-site in Zambia. A total of 11 Zambian students completed their internships at Kagem in various departments such as finance, materials, engineering, mining, PPE and MIS.

Staff welfare activities have focussed on improving social amenities around the workplace and camp. Several social soccer games with teams from corporate entities were played at various outside venues. These events provided an atmosphere for social interaction among the workforce and beyond.

Kagem pledged scholarships for students in the Schools of Engineering and Mining at the University of Zambia ("UNZA") and Copperbelt University in order to develop more coloured-gemstone, industry-oriented graduates that are abreast of technical

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and practical knowledge of gemstone mining. During the period, two sponsored students from the Copperbelt University commenced their attachment, in April 2019, at the mine. Kagem is proud to have seen the first graduation of our UNZA-sponsored student in geology, who has since joined Kagem.

MBUVA-CHIBOLELE

The Mbuva-Chibolele licence is located on the Fwaya-Fwaya–Pirala Belt in the NRERA within the Kafubu area of the Copperbelt Province of Zambia, on the southern banks of the Kafubu River. It lies along the west-southwest strike from the nearby Fwaya-Fwaya emerald mining zone adjacent to the Kagem licence area. This pit was kept under care and maintenance from 2007 onwards so as to focus on operations at Kagem. However, following Pallinghurst's acquisition of Gemfields, a decision was made to expand the Group's emerald footprint and, accordingly, operations at Mbuva-Chibolele were resumed in late 2017.

Licence ownership

Kagem and Gemfields Ltd ("Gemfields") entered into a licence transfer agreement whereby a collection of 13 Zambian gemstone licences ultimately controlled by Gemfields would be transferred to Kagem. The licences to be transferred include the well-known Kamakanga and Mbuva-Chibolele licences. The latter licence has been brought back into production.

It is envisioned that enhancements and improvements will be made to the resource base, with operational synergies and economies of scale boosting production levels and revenues. In addition, as Kagem's minority shareholder, the proposal will provide the Industrial Development Corporation Zambia with the same 25% exposure across an expanded base of emerald assets.

In August 2019, Kagem received all relevant approvals for the transfer of three of the 13 licences, and completion is expected by the end of the year. The remaining licences are subject to further due diligence by the Ministry of Mines and Mineral Development.

Exploration and bulk sampling

Bulk sampling started in August 2017 and continues today with mechanised mining within existing pit boundaries. The operation has dedicated mining and geology teams, along with a fleet of two excavators and four dump trucks. Appropriate security arrangements have been put in place to ensure safety and security of product and premises.

Geology

With knowledge and experience from past operations in the area, there is a good understanding of the nature and overall geometry of the host rock and mineralisation. The currently defined beryl and emerald deposit can be described (from bottom to top) in terms of footwall mica schist, overlain by talc-magnetite schist ("TMS"), amphibolite and quartz-mica schist. Emerald mineralisation in the Kafubu area, including the Mbuva-Chibolele deposit, belongs to a group referred to as "schist-hosted emeralds" resulting from the interaction of beryl-bearing fluids related to pegmatoid dykes or granitic rocks, with chromium-rich mafic and ultramafic schists.

Mining

During the six months to June 2019, 594,038 tonnes of rock were handled, of which 564,654 tonnes of waste and 29,384 tonnes of ore were mined out. The total production from recommissioned (from 2017) operations at Mbuva-Chibolele was 8.6 million carats of emerald and beryl, with 2,685 carats of premium emerald and 1.49 million carats of emerald, an encouraging sign for the pit, which was still under rehabilitation up to March 2019.

Production

Chibolele production summary

	30 June 2019	30 June 2018
Gemstone production (premium emerald) in thousand carats	1.4	0.1
Gemstone production (emerald and beryl) in million carats	3.0	2.3
Ore production (reaction zone) in thousand tonnes	29.3	23.7
Grade (emerald and beryl/reaction zone) in carats/tonnes	103	98
Waste mined in million tonnes	0.6	1.1
Total rock handling in million tonnes	0.6	1.1
Stripping ratio	19	47

OPERATIONAL REVIEW

MOZAMBIQUE

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	*16 years*

Operations in Mozambique comprise the following:

- **Montepuez Ruby Mining Limitada** ("MRM"). The Montepuez ruby deposit, which is located in the northeast of Mozambique within the Cabo Delgado Province, is believed to be the most significant, recently discovered ruby deposit in the world and covers an area of 349 square kilometres. MRM is 75% owned by Gemfields and 25% owned by local Mozambican minority partner, Mwiriti Limitada.
- **Megaruma Mining Limitada** ("MML"). MML holds two ruby-mining titles located in the Montepuez District of Mozambique, with each sharing a boundary with the existing MRM deposit and covering approximately 190 and 150 square kilometres, respectively. MML is 75% owned by Gemfields.
- **Eastern Ruby Mining Limitada** ("ERM"). The company is registered in Mozambique, with Gemfields holding a 75% interest. The mining area covers 116 square kilometres and shares its western boundary with the southern licence of MML.
- **Campos de Joia Limitada** ("CDJ"). CDJ is a Gemfields holding company in Mozambique which has four licences at present, totalling 452 square kilometres.

MONTEPUEZ RUBY MINING ("MRM")

Auction results

In June 2019, MRM held one mixed-quality auction in Singapore, achieving revenues of US$50.0 million, with an average price per carat of US$51.99.

Mining

The Montepuez ruby deposit is supported by a SAMREC-compliant Resources and Reserves Statement produced by SRK Consulting (UK) Limited ("SRK") as at 31 August 2018, and issued in January 2019, which confirmed a 16-year open-pit MRM Life of Mine Plan ("LoMP") and that the mine is well positioned for growth in production.

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

Total rock handling for the six months to June 2019 averaged 478,000 tonnes per month (the first six months of 2018 averaged 384,000 tonnes per month), despite no new blocks being opened as mining increased with the larger fleet. Intensive mining in the additional pits of Mugloto Block produced encouraging results, with the view of expanding the number of pits in operation. Furthermore, in an effort to improve the product mix output, the strategy designed to optimise mining operations will see the balancing of primary (low quality and high incidence) and secondary ores (high quality and low incidence) being continued.

Total rock handling for the first half of the year equated to 2.9 million tonnes (compared with 2.3 million tonnes for the same period in 2018), comprising 0.4 million tonnes of ore and 2.3 million tonnes of waste material at an overall stripping ratio of 5.3. In addition, 0.1 million tonnes of other material handled, which included mostly slimes and minor amounts for road improvements, were moved. As with the previous year, production was primarily focused on the Mugloto Block (74%) in order to

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MOZAMBIQUE/CONTINUED

extract higher-quality ruby-bearing ore, with the remainder coming from the Maninge Nice Block (23%) and Glass Block (3%).

Production

A total of 1.1 million carats of ruby and corundum was produced during the first half of the year, with a focus on high-quality, low-occurrence deposits which provide premium rubies. During the same period in 2018, 1.7 million carats of ruby and corundum were produced, with the varying grade of the deposit the reason for variations in recovery.

Of the 1.1 million carats of production for the year, 0.3 million carats were recovered from Mugloto secondary ore, 0.2 million carats from Maninge Nice secondary ore, and 0.6 million carats from the fines (–4.6 mm material).

MRM's key operational parameters for the six-month period to 30 June 2019 are summarised in the table below.

Processing

During the period, the 435,000 tonnes of ore were primarily mined from three different blocks, namely Mugloto, Maninge Nice and Glass, with 406,600 tonnes processed compared with 413,700 tonnes for the same period in 2018. Of this total processed, 405,100 tonnes were washed by the main processing plant and 1,500 tonnes by the exploration processing plant. Processing is expected to improve after the commissioning of a new, larger

Image: *Mozambican ruby at Montepuez ruby mine.*

Montepuez production summary

	30 June 2019	30 June 2018
Gemstone production (premium ruby) in thousand carats	34.5	51.1
Gemstone production (ruby and corundum) in million carats	1.1	1.7
Ore mined (primary and secondary) in thousand tonnes	435.0	323.4
Ore processed (primary and secondary) in thousand tonnes	406.6	413.7
Grade (ruby and corundum/ore processed) in carats/tonne	2.8	4.1
Waste mined in thousand tonnes	2,288.1	1,749.1
Miscellaneous rock handling	147.1	231.7
Total rock handling in thousand tonnes	2,870.2	2,304.1
Stripping ratio	5.3	5.4

thickener in the fourth quarter of the year. The throughput rate currently stands at 130 tonnes per hour for the first six months of 2019, compared with 128 in the same period of 2018.

A similar production strategy in order to focus on the processing of a greater proportion of lower-incidence and higher-quality secondary ore was reflected in the overall ore grade realised during the period, at 2.8 carats per tonne, compared with the year to June 2018 at 4.05 carats per tonne.

Operating costs

Total cash operating costs were US$15.2 million, up from the US$12.1 million in the first half of 2018, giving a unit cash rock handling cost of US$5.30 per tonne compared with US$5.26 per tonne in the prior period. The total operating costs for the period ending 30 June 2019, inclusive of depreciation, were US$19.6 million compared with US$15.7 million in the prior period, with unit operating costs of US$6.82 per tonne. The higher cost base at the operation reflects the larger labour force and fleet as MRM gears up to increase its production.

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

Capital expenditure

Total cash capital expenditure for the period was US$9.8 million, comprising US$8.8 million invested in expansion and exploration and US$0.8 million in existing mining and ancillary equipment replacements. MRM also spent US$0.2 million on new management information and mining software.

Geology and exploration

The Montepuez Concession is located within the wedge-shaped Montepuez Complex, a junction between the north–south trending Mozambique Belt and the east–west trending Zambezi Belt. Both belts are known to be "treasure-bearing" and date from the Neoproterozoic Pan-African tectonic event.

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

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

Exploration was focussed in the Mugloto Block during the period and consisted mainly of diamond-core drilling. The exploration drilling continues north of the northern shear and is mainly focussed on exploring the source of Mugloto premium rubies. The block was identified based on previous inclined/vertical drilling, airborne geophysics, and interpretation of secondary deposit. The drilling continued to the north of northern shear along a section with 200 × 100 m grid spacing. A total of 5,077 metres of core drilling was completed by the end of June 2019 (six months to June 2018: 3,832 metres).

A total of 100 Geo-chemical samples was selected from different geographical locations drilled thus far in the Mugloto Block in order to analyse for ICPMS and REE in the second phase. The samples were half-cut prepared and received the necessary approvals from the government department concerned for onward dispatch to the accredited Intertek laboratory.

A total of 1,582 tonnes of ore from Maninge Nice East Pit-1 and Mugloto Pit-3 and Pit-9 was processed for testing purposes and resulted in premium grades of 0.02 carat/tonne ("ct/t"), and tumble ruby grades of 0.05 ct/t in the Maninge Nice East Pit, and for the rest of the consignment result awaited from the sort house.

Infrastructure

Enhancement of the production facilities is continuing with the construction of a new, larger thickener. This is on track to be commissioned in the fourth quarter of 2019.

The Namanhumbir residential site has undergone various improvements during the first half of 2019. The site now also has a clinic, a gymnasium, recreational facilities, and various outdoor sports facilities, which include volleyball, tennis, futsal and badminton courts and a soccer/cricket field, providing improved living conditions at the camp.

Security

Security operations continue to make good progress in registering a significant decline in artisanal mining activity within and around the concession area. A new concept of operation has been adopted at MRM with the implementation of an aerial surveillance capability that will reduce the guards on the ground and focus on goal-oriented security actions which will result in better control and minimisation of possible risks related to corruption and human rights violations. The focus will be on ways which contain

OPERATIONAL REVIEW

MOZAMBIQUE/CONTINUED

and restrict the movement of artisanal miners. Continued usage of body cameras by the patrol teams has resulted in improved monitoring of the MRM concession and adherence to the Voluntary Principles on Security and Human Rights ("VPSHR"). Training in the United Nations VPSHR, social media, awareness, conflict resolution, and juveniles in artisanal mining was delivered by reputable trainers to MRM employees. The Security Department's focus will always be on maintaining a high standard of service in order to keep our personnel safe and to prepare for any possible threat. Because of a dynamic environment, the Security Department will create solutions to fit the challenge and to stay within the boundaries of proper and professional conduct.

Health, safety and environment ("HSE")

Health and safety policies and procedures continue to evolve and improve across the operation in order to create a safer and healthier work environment at MRM. During the period, a number of positive Department of Health, Safety and Environment ("MIREM") visits were hosted, and MRM has developed associated environmental management plans to meet regulatory requirements. HSE training has focussed on toolbox talks, risk-assessing work environments, and improving the culture associated with near-miss reporting.

One lost-time injury occurred at the mine site during the period. From the perspective of reducing the frequency rate of injuries, a series of internal and external health and safety training modules has been incorporated in the HSE programme and given to employees, with the focus being on first aid, firefighting and safe driving.

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

Sustainability and corporate responsibility

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

MRM's community engagement and project activities are aligned with the policies of the Government of Mozambique and supplement the government's efforts in improving the quality of life of the community. A key focus for the team has been to increase the number of farmers benefiting from training, as well as the roll-out of conservation farming programmes, which have helped farmers increase yields. MRM has also established, and continually supports, four chicken farm associations, which produced 4,858 chickens during the period. MRM continues to support the health development of the local communities, with the total number of patient visits recorded by our mobile clinics reaching nearly 25,000 for the period.

Work on the Resettlement Action Plan ("RAP") for the construction of 105 houses has progressed very well and is on course for completion on time.

Legal

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

Following a mediation between the parties in December 2018, Gemfields agreed, on a no-admission-of-liability basis, on a settlement of all claims brought by Leigh Day in relation to the alleged abuses. The settlement figure was GBP5.8 million (US$7.4 million), comprising the sum for distribution to be distributed to the claimants by Leigh Day and their legal expenses.

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

In order to further its ongoing commitment to transparency and to support for the local community, MRM will also establish a new and independent operational grievance mechanism ("OGM") in keeping with industry best practice and as advocated by the United Nations ("UN") Guiding Principles on Business and

Human Rights. An independent panel will consider evidence accompanying grievances submitted to the OGM and, in the event that a grievance meets an appropriate evidential threshold, will determine any compensation payable with reference to Mozambican law or other remedy. The Group has engaged a third-party specialist to assist MRM with the design and implementation of the OGM.

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

Gemfields has also set aside a GBP500,000 fund with a view to providing a long-term sustainable livelihood programme for the Ntoro/Namucho community. The fund will be additional to the settlement amount and will sit alongside Gemfields' existing direct investment in, and establishment of, collaborative community projects in the area.

Human resources

As at 30 June 2019, 1,358 people were employed by MRM, of which 554 were directly employed and 804 were employed through contractors. During the period, various internal and external training programmes were attended, including training programmes on human rights, managerial skills, health and safety, finance, security, and specialised software. Local students also took part in internships at the operations during the period.

***Image:** Gemfields Mozambican ruby at Montepuez Ruby Mining.*

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 an area of approximately 190 square kilometres and 150 square kilometres, respectively.

Based on the findings of auger drilling done in 7057C, during 2017 and 2018, 20 potential bulk sampling locations were identified for exploration, and four of them have been completed as of now. A total of 142,700 tonnes of rock was handled during the period (259,700 tonnes since 2018), including 15,600 tonnes of ore (31,600 tonnes since 2018).

With regard to Concession 7049C, exploration activities were deferred due to force majeure conditions. All possible efforts are being made to complete the statutory requirements in respect of 7049C, that is, licence boundary demarcation, fixing of control points, and the Environmental Licence (Category B).

EASTERN MINING LIMITADA ("ERM")

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

The contract to initiate the Environmental Licence (Category B) in order to commence the exploration activities, has been awarded. The first official visit by government was undertaken in the ERM area; the application is in the process of categorisation of the Environmental Licence (Category B) and is expected to be completed later in 2019.

CAMPOS DE JOIA ("CDJ")

CDJ is a Gemfields holding company in Mozambique and has four licences at present, 6114L, 7427C, 9059L and 9060L, totalling an area of 452 square kilometres. The latter two licences have yet to be issued by the Ministry of Mines.

The Environmental Licence Category B Certificate was awarded on 9 July 2019 in favour of 7427C, allowing the commencement of exploration activities, and, in due course, followed by bulk sampling. The licence is valid for five years to 9 July 2024. In preparation, work has begun on the exploration camp and is expected to be completed in the second half of 2019.

OPERATIONAL REVIEW

FABERGÉ LIMITED

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 Gemfields, Fabergé provides direct access to the end consumer of coloured gemstones through directly operated boutiques and international wholesale partners, as well as boosting the international presence and perception of coloured gemstones through its consumer-focussed marketing campaigns.

POINTS OF SALE

For the six months to 30 June 2019, Fabergé directly operated two points of sale: a concession in the Harrods Fine Jewellery Room, London; and a mono-brand boutique located in The Galleria Mall, Houston, Texas, USA, the state's premier retail destination.

At 30 June 2019, Fabergé products were available in Australia, Abu Dhabi, Andorra, Azerbaijan, Bahrain, Belgium, Canada, the Czech Republic, Dubai, France, Germany, Italy, Jordan, Japan, Kuwait, Malta, Moldova, the Netherlands, Qatar, Romania, Saudi Arabia, South Africa, Switzerland, Thailand, the UK, Ukraine, and the USA. The total number of Fabergé outlets increased from 65 to 72 during the period.

FINANCIAL PERFORMANCE

Fabergé achieved revenue of US$3.8 million in the six months to 30 June 2019, compared with US$7.0 million in the previous period. The decline in revenue is due to the timing of high-jewellery sales, with a number of such sales expected to be completed in the remaining six months of the year.

During the same period, Fabergé recorded an EBITDA (earnings before interest, tax, depreciation and amortisation) loss of US$2.9 million, compared with US$2.5 million in 2018, with average monthly operating expenses of US$0.8 million and a sales margin of 45% (six months to 30 June 2018: 40%).

Image: Fabergé Fluted Bands featuring Gemfields' Mozambican rubies, sapphires, diamonds, tsavorites and multicoloured gemstones.

PRODUCT DEVELOPMENTS

Fabergé's best-selling lockets and fluted jewellery lines were expanded during the period to include polished Surprise lockets, earrings and a new ring series, further building the customer offering based around the iconic Fabergé egg motif and coloured gemstones.

MARKETING AND COMMUNICATIONS

Throughout the period, Fabergé maintained a blend of digital marketing and print advertising in order to focus on fine-jewellery collections featuring coloured gemstones, guilloche enamel, and high-complication timepieces.

THE YEAR AHEAD

In the final six months of 2019, Fabergé will continue to increase its digital presence, with a greater focus on social media platforms given the reach, adaptability and measurability offered by that medium. Coloured gemstone-set, fine-jewellery collections will remain at the heart of the campaign, allowing Fabergé to seek and utilise synergies with Gemfields' marketing and to continue to promote the brand's tagline: A Life in Colour.

In addition, Fabergé will continue to expand its global retail footprint, with further multi-brand retail openings in the USA, Europe, the Middle East and South-East Asia.

OPERATIONAL REVIEW

NEW PROJECTS AND OTHER ASSETS

ETHIOPIA

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

Since August 2016, Ethiopia has undergone a period of significant political unrest, 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 the restive state of Oromia, WGM's home state.

Prime Minister Abiy's administration has continued its attempts to entrench itself whilst pushing through widespread reforms aimed at liberalising the economy, which have resulted in changes across the country. This agenda has experienced significant resistance from the former "Old Guard" administration and various ethnic nationalist/populist factions vying for power under the new administration, resulting in pockets of violence erupting sporadically across the country. The ongoing unrest has resulted in a steep decline in mining revenues. The federal government is therefore extremely keen to reverse the trend and has taken steps to address the situation. The success of these measures is questionable though, for regular reports of violent unrest continue to come out of the country (including from the project area) and are expected to persist until after the general elections scheduled for May 2020. The Borona Zone Authorities have been less optimistic and have informed the Company that it should continue to hold off resuming the project until the unrest subsides, when it will notify the Company to return.

The Ministry of Mines has conducted several briefing sessions for mining companies since January 2019 aimed at kick-starting the mining sector through specific measures such as introducing an online cadastral system and the creation of three separate task forces to manage and expedite the licence-application procedures. The Ministry appears to have made concessions to populist demands in the wake of unrest by increasing the CSR requirements of companies engaged in exploration and mining activities. The Government has also proposed several new legislative measures aimed at giving greater control over resources to the regional governments and at increased governance of mineral trading. However, these have not yet been passed in to law.

WGM has not had meaningful access to the licence area since the licence invasion in June 2018; therefore, operations remain fully suspended. However, the Company continues to liaise with the authorities on all levels on a regular basis. A round of community engagement was planned for May 2019 but has been postponed several times due to the ongoing unrest and is now expected to be rescheduled for later in the year.

MADAGASCAR

Oriental Mining SARL, a 100% subsidiary of Gemfields, holds a number of concessions for a range of minerals, including emerald and sapphire, which have been in compliance with all statutory and regulatory obligations. Gemfields is planning to commence preliminary investigations with regard to several permits later in 2019.

Image: *Exploration for Mozambican rubies.*

FINANCIAL REVIEW

David Lovett
Chief Financial Officer

The Group achieved revenues of US$89.0 million (compared with US$102.1 million in the same period of 2018), primarily from two rough emerald auctions (one commercial-quality ("CQ") and one higher-quality ("HQ")) and one higher- and commercial-quality ("mixed") rough ruby and corundum auctions.

Kagem's two emerald auctions generated US$33.2 million, a 57% increase over the prior period as a result of a larger quantity of HQ emeralds sold in May 2019 compared with May 2018. Average prices per carat for the HQ and CQ emerald auctions were higher at US$71.85 and US$4.39, compared with US$59.55 per carat and US$3.05, respectively, demonstrating some green shoots of recovery in the Indian market following the recent downturn related to the Nirav Modi fraud fallout and the property market slump. The HQ auction held in Singapore in May 2018 realised the highest price per carat in Kagem's history.

MRM achieved revenue of US$50.0 million from the mixed-quality auction in June, at an average price of US$51.99 per carat. The product mix offered in June 2019 comprised significantly higher quantities of lower-quality ruby and corundum when compared with June 2018, when the average price achieved was US$122.03 per carat.

On a quality-for-quality basis, however, the per carat prices demonstrated continuing strong demand and overall price growth.

For both emerald and rubies, the specific auction mix and quality composition of the lots offered at each auction vary in characteristics such as size, colour and clarity on account of variations in mined production and market demand. Therefore, the results of each auction are not always directly comparable.

Wholly-owned Fabergé generated revenues of US$3.9 million, which is below the US$7.0 million achieved in the first half of 2018. This was primarily due to the timing of high-jewellery sales.

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

A summary of the key financial indicators of the Group for the six months ended 30 June 2019 are shown below.

in thousands of US$	**2019**	2018
Revenue	**88,960**	102,131
EBITDA[1]	**33,144**	32,147
Profit after tax	**12,443**	15,990
Cash flow from operating activities	**24,289**	8,283
Free Cash Flow[2] before working capital movements	**7,542**	22,151
Free Cash Flow[2]	**9,695**	(1,889)
Net cash	**35,468**	31,574

The Group's primary financial KPIs are revenue, Free Cash Flow and net cash/(debt).

Revenue

in thousands of US$	**2019**	2018
Kagem	**33,194**	21,097
MRM	**50,026**	71,834
Fabergé	**3,796**	7,039
Other	**1,944**	2,161
Total	**88,960**	**102,131**

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

COSTS

With a focus on increasing production and efficiencies across the operations, along with general inflationary pressures in all the Group's jurisdictions, total mining and production costs (excluding mineral royalties and production taxes, export duty and impairments) saw a 9% rise to US$30.4 million compared with the first half of 2018. The increase reflects higher labour, fuel, and repairs and maintenance costs across the mines, being partially offset by lower mining contactor costs at Mbuva-Chibolele as mining moved in-house. Across the mines, the labour costs of US$12.1 million were impacted by an increase in headcount and inflationary pressures in Mozambique and Zambia. To facilitate the continued expansion of the Mozambican operations, including MRM and MML, the size of the fleet increased, resulting in more fuel being consumed, while, at Kagem, longer haulages distances also led to a higher consumption of fuel. The fuel costs were also impacted by local price inflation, which, with the increased consumption, led to a 24% rise in fuel costs to US$6.3 million. Repairs and maintenance costs of US$5.1 million were 18% higher than in the first half of 2018, as scheduled maintenance and breakdown repairs were also impacted by higher cost of materials and spares. The Group's operations have implemented cost-optimisation programmes to combat inflationary pressures in Mozambique and Zambia and further improve efficiencies.

Mineral royalties and production taxes were US$7.0 million, down on the first half of 2018 due to the lower revenues in the period. There has been no change in the 6% mineral royalty in Zambia and the 10% production tax in Mozambique.

Following the implementation of the 15% export duty, Kagem has incurred a US$5.0 million charge for the six months. With the export duty, Kagem is due to pay 21% of its revenues to the tax authorities, including the non-deductible 6% mineral royalty tax. The 15 export duty in Zambia has negatively impacted the outlook for Kagem's cash generation, such that no significant capital investment has been undertaken in 2019 and an impairment charge of US$22.4 million was recognised against the value of Kagem at 31 December 2018 by Gemfields Group Limited ("GGL").

Depreciation and amortisation is 19% higher than 2018 at US$13.8 million, reflecting the larger asset base at both mines and increased production which impacts the life-of-mine amortisation. In 2019, of the total depreciation and amortisation of US$16.6 million, US$7.5 million is the amortisation of the purchase price allocation fair value uplift to the mining assets at Kagem and MRM, representing the excess purchase consideration on acquisition by Gemfields.

Selling, general and administrative expenses ("SG&A"), excluding impairment charges, were US$22.8 million compared with US$25.5 million in the first half of 2018, a decrease of 11% (US$2.7 million). The decrease in SG&A over the prior period was primarily driven by a US$1.0 million decrease in labour costs, a reduction of US$1.2 million in marketing and advertising following a more streamlined market strategy, with the larger costs expected in the second half of the year, and US$1.1 million lower professional and consultancy fees. The Group's strategy for growing demand through the enhancement of knowledge and understanding of coloured gemstones continues to necessitate spend on marketing and advertising costs.

Image: *Faberge Emotion Charmeuse Ring featuring an oval Gemfields' Zambian emerald centre gemstone and over 300 round, pavé-set emeralds, surrounded by rough Zambian emeralds from Kagem mine.*

The cost base of the Group in the current year has also been impacted by fluctuations in foreign currency exchange rates in our key operating locations. The US dollar ("US$") average rate over the period strengthened by 26% against the Zambian kwacha ("ZMW"), 3% against the Mozambican metical ("MZN") and 6% against pound sterling ("GBP").

Total operating costs at Fabergé were US$4.6 million, fairly consistent with the first half of 2018, reflecting the continued benefit of the cost optimisation and efficiencies implemented.

FINANCIAL REVIEW CONTINUED

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

EBITDA for the six months to June 2019 was consistent with the prior period at US$33.1 million.

FAIR VALUE AND OTHER GAINS AND LOSSES

Fair value and other gains and losses arise from the transactions in respect of the Group's investment in Jupiter Mines Limited, an Australian-listed company whose main asset is a 49.9% interest in the Tshipi é Ntle manganese mine, and Sedibelo Platinum Mines Limited, a South African platinum mine.

In the period to June 2019, the Group received a dividend of US$2.6 million from Jupiter and realised a loss of US$2.4 million on the sale of 50% of its remaining holding in Jupiter, valued at the date of disposal, 3 June 2019. The Group recognised a net US$7.6 million unrealised mark-to-market gain following a rise in the Jupiter share price throughout the period which includes a US$2.1 million unrealised loss in the form of a derivative which compares the fair market value of the Jupiter shares at the balance sheet date against the agreed sale price of the remaining 50% of the Group's holding in Jupiter. In April 2019, the Group accepted an offer for its entire shareholding in Jupiter. The total sales proceeds of AUD44 million (approximately US$31 million) would be split into two tranches with US$15.5 million received in June 2019 and the remaining AUD22 million (approximately US$15.5 million at the closing rate on 30 June 2019) receivable in November 2019. The derivative relates to the second tranche being realised in November 2019. In total, the Group received US$18.1 million in cash receipts from Jupiter during the period.

The Sedibelo valuation as at 30 June 2019 of US$50.4 million is after a fair value loss of US$47.6 million was recognised at 31 December 2018. In considering the valuation of the Sedibelo stake, the Directors have taken into account the impact of GGL's desire to seek an orderly disposal of its minority holding and have adopted a market-multiple valuation approach to Sedibelo's reserves and resources.

FINANCE INCOME, EXPENSES AND FOREIGN EXCHANGE DIFFERENCES

The net finance expenses (exclusive of exchange differences) during the period were US$1.5 million compared with US$5.4 million following the repayment of the Gordon Brothers loan at Fabergé in June 2018. The interest costs now principally comprise interest on the Kagem Barclays facility and the overdraft facilities at MRM, which were offset by interest earned on cash balances across the Group.

The net foreign exchange loss of US$0.7 million compared with US$0.5 million in 2018 reflects the movement of the USD against the GBP, MZN and ZMW.

Taxation

in thousands of US$, unless otherwise stated	2019	2018
Profit before taxation	21,185	26,608
Income tax expense	8,742	10,618
Effective tax rate %	**41%**	**40%**
Cash tax paid	3,747	**9,188**

Image: Operations at Montepuez Ruby Mining in Mozambique.

The tax charge for the period was US$8.7 million (2018: US$10.6 million), calculated on a profit before tax of US$21.2 million (2018: profit of US$26.6 million), resulting in an effective tax rate of 41% (2018: 40%). The tax charge for the year consisted of a current tax charge of US$8.8 million and a deferred tax credit of US$0.01 million (2018: US$13.7 million and US$3.1 million, respectively).

The effective tax rate of 41% principally arises from non-deductible camp costs at Kagem and the introduction of new legislation in Zambia rendering mineral royalty tax non-deductible from 1 January 2019.

The current income tax charge primarily consists of the MRM tax charge of US$6.8 million and a US$2.0 million current tax charge at Kagem.

The deferred tax credit principally originates from the tax effect of mining assets and inventory recognised on the acquisition of Gemfields, various tax losses, and property, plant and equipment.

Statutory corporate tax rates in other major operational countries remained broadly similar in the year.

NET PROFIT AFTER TAXATION

The Group made a profit after tax for the period of US$12.4 million, US$3.6 million lower than in the first half of 2018, as the prior period benefited from US$16.0 million in gains on the Jupiter investments.

Earnings per share for the six months ended 30 June 2019 were US$0.01 and consistent with the prior period, reflecting the lower profit for the period and a slightly lower weighted average number of shares in issue.

Headline earnings per share for both periods stood at US$0.01.

CAPITAL EXPENDITURE

Capital expenditure, including intangibles, in the period amounted to US$14.6 million (2018: US$10.8 million). The majority, that is, US$12.4 million, was spent in Mozambique, with US$9.9 million at MRM and US$2.5 million at Megaruma, principally on mining and ancillary equipment. At Kagem, US$2.1 million was invested in replacement mining and ancillary equipment, particularly yellow goods and infrastructure improvements.

CASH FLOWS

Net cash and cash equivalents increased by US$12.3 million to US$75.3 million during the period.

The Group generated US$28.0 million from operations during the current period, as the period benefitted from cash received in 2019 from the November 2018 auction. From this, US$3.7 million was paid in taxes, primarily at MRM, such that net cash flow from operating activities was US$24.3 million.

Capital expenditure of US$14.6 million was higher than in 2018, as MRM and MML increased their heavy equipment and machinery as well as plant improvements. In 2018, the majority of the spend was at MRM, as it invested in the new sort house and the RAP.

Free Cash Flow before working capital movements was US$7.5 million, compared with US$23.9 million in 2018. Working capital movements in 2018 of US$25.8 million largely related to higher auction receivables following the November and December auctions.

in thousands of US$	**2019**	2018
EBITDA	**33,144**	32,148
Change in inventory	**(7,261)**	9,964
Taxation (excluding royalties)	**(3,747)**	(9,188)
Capital expenditure	**(14,594)**	(10,772)
VAT refunds	**–**	1,734
Free Cash Flow before working capital movements	**7,542**	**23,886**
Working capital movements	**2,153**	(25,772)
Free Cash Flow	**9,695**	**(1,889)**

During the period to 30 June 2019, the total cash generated from investing activities was US$6.2 million, as the proceeds of the US$15.5 million from the sale of the First Tranche of the Jupiter shares and the US$2.6 million from Jupiter dividends, the receipt of US$2.3 million from the sale of Kariba Minerals Limited offset the capital expenditure of US$14.6 million (as discussed above). In the prior period to 30 June 2018, the Group benefitted in the amount of US$64.5 million from the Jupiter IPO and US$7.8 million from the Jupiter share buy-backs, which more than offset the capital expenditure, resulting in a cash inflow from investing activities of US$61.4 million.

Cash utilised in financing activities of US$18.2 million primarily reflects the US$5.0 million repayment of the Kagem Barclays loan, the net repayment of the MRM overdraft facilities of US$8.4 million, the US$2.5 million advance payment to our partner in Mozambique, and the US$1.9 million interest and finance cost payments.

In the six months to 30 June 2018, the Group's financing activities saw the repayment of the Gordon Brothers loan of US$18.0 million and the MRM lease facilities of US$10.5 million plus financing

FINANCIAL REVIEW CONTINUED

costs, the payment of a US$5.9 million dividend to our partner at MRM (including withholding tax), the buy-back of GGL shares in the early part of the year of US$4.7 million, and interest and finance costs paid of US$5.0 million. In addition, MRM utilised US$14.2 million of its overdraft as at 31 December 2018.

FINANCIAL POSITION

The Group's balance sheet is summarised below:

in thousands of US$	2019	2018
Non-current assets	487,114	509,699
Current assets	254,167	224,369
Total assets	**741,281**	**734,068**
Non-current liabilities	(96,642)	(123,377)
Current liabilities	(80,153)	(60,576)
Total liabilities	**(177,095)**	**(183,953)**
Net assets	**564,186**	**550,115**

Assets

in thousands of US$	2019	2018
Mining asset	295,365	303,315
Property, plant and equipment, and intangibles	125,231	114,027
Listed, unlisted and other investments	69,588	77,637
Inventory	109,535	99,237
Auction receivables	28,498	41,137
Cash and cash equivalents	75,254	62,988
Other assets, including deferred taxation	37,810	35,727
Total assets	**741,281**	**734,068**

MINING ASSETS

The mining asset primarily relates to the recognition of the fair values of Kagem and MRM at the date that GGL acquired Gemfields in July 2017 and represents the allocation of the value of the consideration paid to Gemfields shareholders. These assets are amortised on the unit-of-production basis over the life of mine. At 30 June 2019, these are US$123.9 million at Kagem and US$156.5 million at MRM, with the Kagem asset having been reduced following the US$22.6 million impairment charge recognised at 31 December 2018. MML and other exploration assets make up the remainder of the US$295.4 million.

LISTED AND UNLISTED INVESTMENTS

The Group's listed investment represents the 3.72% holding in Jupiter Mines Limited and is valued at its share price at the balance sheet date. The Group's interest in Jupiter is valued at the 30 June 2019 mid-price of AUD 0.345 per share, translated at the closing rate of US$1/AUD1.4227.

In February 2019, Jupiter announced the details of a final unfranked dividend of AUD0.025 per share. The Group as a then 7.44% shareholder received AUD3.6 million (US$2.6 million) during May 2019.

In April 2019, the Group accepted an offer for its entire shareholding in Jupiter. The total sales proceeds of AUD44 million (approximately US$31 million) would be split into two tranches, with US$15.5 million being received in June 2019 and the remaining AUD22 million (approximately US$15.5 million at the closing rate on 30 June 2019) receivable in November 2019.

The Group holds an equity interest in Sedibelo Platinum Mines ("Sedibelo"), a producer of platinum group metals ("PGMs") with interests in the Bushveld Complex in South Africa.

The Sedibelo valuation as at 30 June 2019 of US$50.4 million is after a significant fair value loss of US$47.6 million was recognised at 31 December 2018. In considering the valuation of the Sedibelo stake, the Directors have taken into account the impact of GGL's desire to seek an orderly disposal of its minority holding.

Consequently, the most appropriate valuation methodology to apply is a market comparables analysis comparing the enterprise values of Sedibelo's peer group with their total average mineral reserves and resources base, and then applying this to Sedibelo's estimated reserves and resources (price per 4E ounce) in order to arrive at an estimated valuation of Sedibelo.

The Directors have considered the liquidity of the Group's interest in Sedibelo and have applied a 45% discount to the market comparables valuation.

Image: Gemfields' propriatory grading system for emeralds at Kagem mine in Zambia.

Inventory

in thousands of US$	2019	2018
Rough emeralds and beryl	**42,570**	36,273
Rough rubies and corundum	**18,913**	15,877
Fabergé jewellery and watches	**36,173**	35,030
Cut and polished product	**5,723**	5,916
Spares and consumables	**6,155**	6,141
Total	**109,535**	**99,237**

Inventory increased by US$10.3 million to US$109.5 million. The rise in inventory comprised US$6.3 million in higher rough emerald and beryl and US$3.0 million rough ruby and corundum inventory at MRM as production exceeded sales for the period. Inventory of jewellery at Fabergé increased by US$1.1 million, whilst cut and polished inventory across the Group fell due to sales.

Net debt

in thousands of US$	2019	2018
Cash and cash equivalents	75,254	62,988
Current borrowings	(39,786)	(23,171)
Non-current borrowings	–	(30,000)
Net cash	35,468	**9,817**

Cash and cash equivalents of US$75.3 million have increased by US$12.3 million, as higher cash flows from operations, proceeds from the disposal of Jupiter were partially offset by capital expenditure and repayment of debt across the Group.

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

Following a US$5.0 million repayment to Barclays in March 2019, Kagem's revolving credit facility reduced from US$35 million to US$30 million, which bears interest at three-month US LIBOR plus 5.5% per annum and is payable in February 2020. The facility was fully drawn at 31 December 2018. The loan facility was subject to four financial covenants, which are tested half-yearly. As at 30 June 2019, Barclays Bank Zambia had waived the covenants, as discussions on the refinancing of these facilities were ongoing.

Kagem is in advanced stages of re-financing its US$30 million revolving credit facility with Barclays Bank Zambia plc. The revolving credit facility is expected to be replaced by a US$20 million term loan and a US$10 million revolving facility, both attracting interest at three-month US$ LIBOR plus 5.50%. The term loan will have a 60-month term and a set repayment profile, and the US$10 million revolving credit facility will haves a 36-month term which would be renewable for two more years. The loan covenants will be tested annually. The re-financing is expected to complete by the end of September 2019.

In May 2017, Fabergé (UK) Limited finalised a US$25 million, three-year extendable facility with Gordon Brothers Finance Company. The loan was an asset-based facility with security over the inventory at Fabergé Inc., Fabergé (UK) Limited, Gemfields Ltd and Gemfields USA Inc., and a debenture over Fabergé, including the brand. The facility attracted interest at three-month US LIBOR plus 6.1%, renewable for two further years, taking the tenure of the loan to a potential five years. The outstanding amounts were repaid in June 2018 and the facility ceased.

MRM has the following facilities:

- A US$15 million unsecured overdraft facility entered into with Barclays Bank Mozambique S.A. in April 2016. The facility has an interest rate of three-month US LIBOR plus 4.0% per annum. At 30 June 2019, US$0.5 million (31 December 2018: US$14.5 million) was drawn.
- A US$15 million overdraft facility entered into with Banco Comercial E De Investimentos, S.A. ("BCI") in June 2016. This facility is valid for 18 months and is renewable. The facility has an interest rate of three-month US LIBOR plus 3.75% per annum. At 30 June 2019, US$9.2 million (31 December 2018: US$3.7 million) was drawn.
- A US$15 million finance leasing facility entered into by MRM with BCI in June 2016. This is a renewable facility with a drawdown period of 18 months, and the amounts drawn down are repayable over a maximum period of 48 months. The facility has an interest rate of three-month US LIBOR plus 3.75% per annum. At 30 June 2019, the outstanding balance was US$Nil.

For an analysis of the outstanding facility liabilities at year-end, see note 12 of the Condensed Consolidated Financial Statements.

David Lovett
Chief Financial Officer
19 September 2019

Image: Operations at Kagem emerald mine in Zambia.

FINANCIAL STATEMENTS AND ADMINISTRATION

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2019

	Notes	**2019 US$'000**	2018 US$'000
Revenue	2	88,960	102,131
Cost of sales	3	(51,680)	(60,210)
Gross profit		**37,280**	**41,921**
Unrealised fair value gains	4	7,562	3,955
Other gains and income	5	1,424	12,065
Selling, general and administrative expenses	7	(22,769)	(25,464)
Profit from operations		**23,497**	**32,477**
Finance income	8	559	373
Finance costs	8	(2,871)	(6,242)
Net finance costs		**(2,312)**	**(5,869)**
Profit before taxation		**21,185**	**26,608**
Taxation	9	(8,742)	(10,618)
NET PROFIT AFTER TAXATION		12,443	15,990
Profit for the year attributable to:			
Owners of the parent		10,148	12,343
Non-controlling interest		2,295	3,647
		12,443	**15,990**
Earnings per share attributable to the parent:	14		
Basic – US$		**0.01**	0.01
Diluted – US$		**0.01**	0.01

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2019

	2019 US$'000	2018 US$'000
Profit after taxation	12,443	15,990
Other comprehensive income/(loss):		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange gain/(loss) arising on translation of foreign operations	776	(1,083)
Total other comprehensive income/(loss)	**776**	**(1,083)**
TOTAL COMPREHENSIVE INCOME	**13,219**	**14,907**
Total comprehensive income attributable to:		
Owners of the parent	10,924	11,260
Non-controlling interest	2,295	3,647
	13,219	**14,907**

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	**30 June 2019 US$'000**	31 December 2018 US$'000	30 June 2018 US$'000
ASSETS				
Non-current assets				
Property, plant and equipment		362,570	365,014	386,864
Right-of-use assets – leases		4,608	–	–
Intangible assets		53,418	52,328	51,306
Unlisted equity investments	10	50,447	50,447	98,064
Listed equity investments	10	–	25,714	41,611
Other investments		1,492	1,473	1,473
Deferred tax assets	9	6,302	6,381	3,502
Other non-current assets		8,277	8,342	6,392
Total non-current assets		**487,114**	**509,699**	**589,212**
Current assets				
Inventory	11	109,535	99,237	104,868
Listed equity investments	10	17,649	–	–
Other investments		2	2	3
Trade and other receivables	12	51,727	62,142	46,818
Cash and cash equivalents		75,254	62,988	80,800
Total current assets		**254,167**	**224,369**	**232,489**
Total assets		**741,281**	**734,068**	**821,701**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	9	87,608	87,805	95,948
Borrowings	13	–	30,000	35,000
Lease liabilities		3,803	–	–
Provisions		5,531	5,572	3,691
Total non-current liabilities		**96,942**	**123,377**	**134,639**
Current liabilities				
Provisions		5,613	7,877	9,221
Current tax payable		6,625	1,370	11,078
Borrowings	13	39,786	23,171	14,226
Lease liabilities		840	–	–
Trade and other payables		27,289	28,158	26,251
Total current liabilities		**80,153**	**60,576**	**60,776**
Total liabilities		**177,095**	**183,953**	**195,415**
Net assets		**564,186**	**550,115**	**626,286**
EQUITY				
Share capital		14	14	14
Share premium		526,262	531,607	531,607
Treasury shares		(87)	(5,345)	(5,345)
Reserve for own shares		(23,319)	(23,319)	(23,319)
Cumulative translation reserve		(184)	(960)	(2,252)
Option reserve		6,286	5,474	4,151
Retained earnings		(21,001)	(31,276)	41,895
Attributable to equity holders of the parent		**487,971**	**476,195**	**546,751**
Non-controlling interest		76,215	73,920	79,535
Total equity		**564,186**	**550,115**	**626,286**

The Financial Statements were approved and authorised for issue by the Directors on 19 September 2019 and were signed on their behalf by:

David Lovett (Director)
19 September 2019

Sean Gilbertson (Director)
19 September 2019

The accompanying notes form part of these Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

	Notes	2019 US$'000	2019 US$'000
Cash flow from operating activities			
Profit before taxation		**21,185**	**26,608**
Adjustments for			
Unrealised fair value gains	4	(7,562)	(3,955)
Realised fair value losses/(gains)	5	2,246	(11,679)
Dividend income	5	(2,582)	–
Depreciation and amortisation	4	16,606	13,795
Share-based payments	7	939	1,459
Other		(19)	1
Finance income	8	(559)	(373)
Finance expense	8	2,871	6,242
Increase in non-current assets		(91)	–
Decrease in non-current liabilities		(307)	–
Decrease/(increase) in trade and other receivables		7,690	(18,238)
(Increase)/decrease in inventory		(10,298)	5,763
Decrease in trade and other payables		(2,083)	(1,552)
Cash generated from operations		**28,036**	**18,071**
Tax paid (including withholding tax)		(3,747)	(9,788)
Net cash generated from operating activities		**24,289**	**8,283**
Cash flows from investing activities			
Purchase of intangible assets		(434)	(2,209)
Purchases of property, plant and equipment		(14,160)	(8,563)
Interest received		351	172
Proceeds from Jupiter Initial Public Offering (IPO)		–	64,397
Dividends received from Jupiter		2,582	–
Cash received from disposal of subsidiary (Jupiter)		15,526	–
Proceeds from disposal of investment – Kariba Minerals Limited		2,300	–
Proceeds from Jupiter shares buy-backs		–	7,726
Investments acquired		–	(101)
Net cash generated from investing activities		**6,165**	**61,422**
Cash flows from financing activities			
Dividends paid to non-controlling interest of MRM		–	(4,000)
Advance to partner		(2,500)	–
Cash paid for treasury shares		(87)	(4,691)
Proceeds from borrowings		8,731	14,165
Repayment of borrowings		(22,116)	(29,959)
Principal elements of lease payments		(316)	–
Interest paid		(1,881)	(3,251)
Release of previously restricted cash at Fabergé		–	1,027
Net cash utilised in financing activities		**(18,169)**	**(26,709)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,285	42,996
Cash and cash equivalents at the beginning of the period		62,988	37,784
Net foreign exchange gain on cash		(19)	20
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		75,254	80,800

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019

	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 2019	**14**	**531,607**	**(23,319)**	**(5,345)**	**(960)**	**5,474**	**(31,276)**	**476,195**	**73,920**	**550,115**
Profit for the period	–	–	–	–	–	–	10,148	**10,148**	2,295	**12,443**
Other comprehensive income	–	–	–	–	776	–	–	**776**	–	**776**
Total comprehensive income	14	531,607	(23,319)	(5,345)	(184)	5,474	(21,128)	**487,119**	76,215	**563,334**
Shares bought back during the period, net of transaction costs	–	–	–	(87)	–	–	–	**(87)**	–	**(87)**
Shares cancelled during the period	–	(5,345)	–	5,345	–	–	–	**–**	–	**–**
Share options recognised during the period	–	–	–	–	–	939	–	**939**	–	**939**
Share options lapsed/ forfeited during the period	–	–	–	–	–	(127)	127	**–**	–	**–**
Balance at 30 June 2019	**14**	**526,262**	**(23,319)**	**(87)**	**(184)**	**6,286**	**(21,001)**	**487,971**	**76,215**	**564,186**

	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	**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 period, net of transaction costs	–	–	–	(4,691)	–	–	–	**(4,691)**	–	**(4,691)**
Share options recognised during the period	–	–	–	–	–	2,539	–	**2,539**	–	**2,539**
Share options lapsed/ forfeited during the period	–	–	–	–	–	(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	**14**	**531,607**	**(23,319)**	**(5,345)**	**(2,252)**	**4,151**	**41,895**	**546,751**	**79,535**	**626,286**

The accompanying notes form part of these Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2019

1. ACCOUNTING POLICIES

The condensed consolidated financial statements within the Interim Report are for the period from 1 January 2019 to 30 June 2019 (the "Interim Financial Statements"). The financial information for the year ended 31 December 2018 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 2018 (the "Annual Financial Statements"), a copy of which has been delivered and held at the Registered Office of the Company, the Johannesburg Stock Exchange ("JSE") 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 is stated on the final page of the Interim Report entitled "Company Details".

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

Statement of compliance

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

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

IFRS 16 *Leases* ("IFRS 16")

The new standard was issued in January 2016, replacing the previous leases standard, IAS 17 *Leases*, 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's first-time adoption of the standard has resulted in the recognition of a right-of-use asset of US$2.2 million and a corresponding lease liability of US$2.2 million on transition at 1 January 2019 and further leases were entered into during the period so that the right-of-use asset and lease liability at 30 June 2019 was US$4.6 million.

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$") as the functional currency, which means that they can be compared with those of other similar companies. Amounts have been rounded to the nearest thousand (or million), as appropriate, for ease of presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

1. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated Interim Financial Statements incorporate the financial statements of the Company and entities controlled by the Group as at, and for the six months ended, 30 June 2018. The results of subsidiaries acquired or disposed of 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 intercompany 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 2019. New standards impacting the Group which have given rise to changes in the Group's accounting policies are:

IFRS 16 *Leases*

The Group has adopted IFRS16 from 1 January 2019 using the modified retrospective approach. Accordingly, the information for 2018 is not restated and it remains as previously reported under IAS 17 and related interpretations. On initial application, the Group elected to record right-of-use assets based on the corresponding lease liability. A right-of-use asset and lease obligation of US$2.2 million were recorded as of 1 January 2019, with no net impact on retained earnings. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.83%.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and hence these are expensed.
- The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment under IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Until the 2018 financial year, leases of property were operating leases and payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1. ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets are properties within the Group and are measured at cost, comprising the following:

- The amount of the initial measurement of the lease liability discounted by the incremental borrowing rate.
- Any lease payment made at or before the commencement date, less any lease incentives received.
- Any initial direct costs.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Interim Financial Statements have been prepared on the historical-cost basis, except for the valuation of certain investments which have been measured at fair value, not historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Critical accounting judgements, estimates and assumptions

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

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

In preparing these condensed consolidated Interim Financial Statements, all significant judgements made by the Directors in applying the Group's accounting policies, as well as the key sources of estimation uncertainty used, were consistent, in all material respects, with those applied to the Group's Consolidated Financial Statements for the year ended 31 December 2018.

2. SEGMENTAL REPORTING

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

The Group has been organised into geographic units and business units based on the products and services and has the following seven reportable segments:

- Zambia (emerald- and beryl-mining activities);
- Mozambique (ruby- and corundum-mining activities);
- 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, and technical and administrative services);
- Fabergé (wholesale and retail sales of jewellery and watches); and
- Other (new projects, traded auctions, and sales and marketing offices).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

2. SEGMENTAL REPORTING/CONTINUED

Income Statement

1 January 2019 to 30 June 2019	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
Rough gemstones[1]	33,194	50,026	–	–	–		1,025	**84,245**
Jewellery	–	–	–	–	4	3,796	–	**3,800**
Cut and polished	–	–	–	–	538	–	377	**915**
Revenue[2]	33,194	50,026	–	–	542	3,796	1,402	**88,960**
Mineral royalties and production taxes	(1,992)	(4,962)	–	–	–	–	–	**(6,954)**
Export duty on Zambian emeralds	(4,979)	–	–	–	–	–	–	**(4,979)**
Change in inventory and cost of sales	6,929	3,928	–	–	(378)	(2,091)	(1,127)	**7,261**
Mining and production costs[3]	(17,718)	(12,151)	–	–	(579)	–	46	**(30,402)**
Selling, general and administrative costs[4]	(2,448)	(3,540)	–	–	(10,422)	(4,614)	(806)	**(21,830)**
Other income	88	238	–	–	257	–	505	**1,088**
EBITDA	**13,074**	**33,539**	**–**	**–**	**(10,580)**	**(2,909)**	**20**	**33,144**
Dividend income	–	–	–	2,582	–	–	–	**2,582**
Realised fair value (losses)/gains	–	–	–	(2,367)	121	–	–	**(2,246)**
Unrealised fair value gains[5]	–	–	–	7,562		–	–	**7,562**
Depreciation and amortisation	(6,863)	(8,712)	–	–	(172)	(852)	(7)	**(16,606)**
Share-based payments	–	–	–	–	(939)	–	–	**(939)**
Impairment charges and write-offs	–	–	–	–	–	–	–	**–**
Operating profit/(loss)	**6,211**	**24,827**	**–**	7,777	**(11,570)**	**(3,761)**	**13**	**23,497**
Net finance cost	(1,780)	(855)	–	–	305	34	(16)	**(2,312)**
Taxation	(2,971)	(5,556)	–	–	(135)	435	(515)	**(8,742)**
Profit/(loss) after tax	**1,460**	**18,416**	**–**	7,777	**(11,400)**	**(3,292)**	**(518)**	**12,443**

1 Kagem held one commercial-quality and one higher-quality emerald auction in the period: one in Lusaka, Zambia, in February 2019 and one in Singapore in May 2019, generating revenues of US$10.8 million and US$22.4 million, respectively. MRM held one mixed-quality auction in the period, in Singapore in June, generating US$50.0 million.

In the prior year, Kagem held one commercial-quality auction in Jaipur, India, in February 2018, generating revenue of US$10.8 million, and one higher-quality auction in Lusaka, Zambia, in May 2018, which realised revenue of US$10.3 million. MRM held one mixed-quality auction in the period, in Singapore in June 2018, generating US$71.8 million.

2 Revenues have been recognised at one point in time, i.e. as control passes to the customer at the auction date.
3 Excluding mineral royalties and production taxes, export duty and inventory impairments.
4 Excluding share-based payments and any impairments.
5 Included in unrealised fair value gains is the recognition of a derivative loss on Jupiter of US$2.1 million – see Note 6 on Jupiter disposal and dividend income for further details.

2. SEGMENTAL REPORTING/CONTINUED

Income Statement

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
Rough gemstones[1]	21,097	71,834	–	–	–	–	1,153	94,084
Jewellery	–	–	–	–	–	7,039	–	7,039
Cut and polished	–	–	–	–	785	–	223	1,008
Revenue[2]	21,097	71,834	–	–	785	7,039	1,376	**102,131**
Mineral royalties and production taxes	(1,410)	(7,022)	–	–	–	–	–	(8,432)
Change in inventory and cost of sales	(7,509)	3,718	–	–	(868)	(4,311)	(994)	(9,964)
Mining and production costs[3]	(18,177)	(9,707)	–	–	(127)	(7)	(1)	(28,019)
Selling, general and administrative costs[4]	(2,196)	(2,605)	–	–	(13,068)	(5,192)	(893)	(23,954)
Other income	84	11	–	–	174	–	117	386
EBITDA	**(8,111)**	**56,229**	**–**	**–**	**(13,104)**	**(2,471)**	**(395)**	**32,148**
Realised fair value gains	–	–	–	11,679	–	–	–	11,679
Unrealised fair value gains	–	–	–	3,955	–	–	–	3,955
Depreciation and amortisation	(6,119)	(6,752)	–	–	(162)	(722)	(40)	(13,795)
Share-based payments	–	–	–	–	(1,459)	–	–	(1,459)
Impairment charges and write-offs	–	(51)	–	–	–		–	(51)
Operating (loss)/profit	**(14,230)**	**49,426**	**–**	**15,634**	**(14,725)**	**(3,193)**	**(435)**	**32,477**
Net finance (cost)/income	(1,556)	(453)	–	–	(196)	(3,427)	(237)	(5,869)
Taxation	4,816	(12,968)	–	–	(2,030)	24	(460)	(10,618)
(Loss)/Profit after tax	**(10,970)**	**36,005**	**–**	**15,634**	**(16,951)**	**(6,596)**	**(1,132)**	**15,990**

1 *Kagem held one commercial-quality and one higher-quality emerald auction in the period: one in Lusaka, Zambia, in February 2019 and one in Singapore in May 2019, generating revenues of US$10.8 million and US$22.4 million, respectively. MRM held one mixed-quality auction in the period, in Singapore in June, generating US$50.0 million.*

In the prior year, Kagem held one commercial-quality auction in Jaipur, India, in February 2018, generating revenue of US$10.8 million, and one higher-quality auction in Lusaka, Zambia, in May 2018, which realised revenue of US$10.3 million. MRM held one mixed-quality auction in the period, in Singapore in June 2018, generating US$71.8 million.

2 *Revenues have been recognised at one point in time, i.e. as control passes to the customer at the auction date.*
3 *Excluding mineral royalties and production taxes, export duty and inventory impairments.*
4 *Excluding share-based payments and any impairments.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

2. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

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

2. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

31 December 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
Mining asset	127,395	175,920	–	–	–	–	–	303,315
Property, plant and equipment, and intangibles	24,319	41,885	–	–	760	41,308	5,755	114,027
Listed and unlisted investments	–	–	50,447	25,714	1,473	–	–	77,634
Operating assets	47,665	58,697	–	–	9,595	39,276	6,148	161,381
Cash and cash equivalents	13,065	6,518	–	–	41,653	857	895	62,988
Segment assets	**212,444**	**283,020**	**50,447**	**25,714**	**53,481**	**81,441**	**12,798**	**719,345**
Deferred tax asset	–	–	–	–	–	–	–	6,381
Other	–	–	–	–	–	–	–	8,342
Total assets								**734,068**
Borrowings	35,000	18,171	–	–	–	–	–	53,171
Operating liabilities	5,377	26,387	–	–	6,765	2,378	2,070	42,977
Segment liabilities	**40,377**	**44,558**	**–**	**–**	**6,765**	**2,378**	**2,070**	**96,148**
Deferred tax liability	–	–	–	–	–	–	–	87,805
Total liabilities								**183,953**
Net (debt)/cash	**(21,935)**	**(11,653)**	**–**	**–**	**41,653**	**857**	**895**	**9,817**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

2. SEGMENTAL REPORTING/CONTINUED

Statement of Financial Position

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
Mining asset	154,239	180,107	–	–	–	–	–	334,346
Property, plant and equipment, and intangibles	19,085	36,301	–	–	884	41,883	5,671	103,824
Listed and unlisted investments	–	–	98,064	41,611	1,473	–	–	141,148
Operating assets	48,138	50,973	–	–	7,584	36,456	8,535	151,686
Cash and cash equivalents	1,329	13,839	–	–	48,543	1,988	15,101	80,800
Segment assets	**222,791**	**281,220**	**98,064**	**41,611**	**58,484**	**80,327**	**29,307**	**811,804**
Deferred tax asset	–	–	–	–	–	–	–	3,502
Other	–	–	–	–	–	–	–	6,395
Total assets								**821,701**
Borrowings	35,000	14,226	–	–	–	–	–	49,226
Operating liabilities	8,519	31,035	–	–	5,620	2,670	2,397	50,241
Segment liabilities	**43,519**	**45,261**	**–**	**–**	**5,620**	**2,670**	**2,397**	**99,467**
Deferred tax liability	–	–	–	–	–	–	–	95,948
Total liabilities								**195,415**
Net (debt)/cash	**(33,671)**	**(387)**	**–**	**–**	**48,453**	**1,988**	**15,101**	**31,574**

2. SEGMENTAL REPORTING/CONTINUED

Statement of Cash Flows

1 January 2019 to 30 June 2019	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
Revenue	33,194	50,026	–	–	542	3,796	1,402	**88,960**
Operating costs and cost of sales[1]	(20,120)	(16,487)	–	–	(9,874)	(6,705)	(2,630)	**(55,816)**
EBITDA	**13,074**	**33,539**	**–**	**–**	**(9,332)**	**(2,909)**	**(1,228)**	**33,144**
Add back: Change in inventory	(6,929)	(3,928)	–	–	378	2,091	1,127	**(7,261)**
Tax paid (excluding WHT)	(3)	(3,744)	–	–	–	–	–	**(3,747)**
Capital expenditure	(2,115)	(12,508)	–	–	(400)	(102)	531	**(14,594)**
Free Cash Flow before working capital movements	**4,027**	**13,359**	**–**	**–**	**(9,354)**	**(920)**	**430**	**7,542**
Working capital movements[2]	(1,135)	(98)	–	–	3,543	(1,887)	1,730	**2,153**
Free Cash Flow	**2,892**	**13,261**	**–**	**–**	**(5,811)**	**(2,807)**	**2,160**	**9,695**
Cash generated from operations	5,010	29,513	–	–	(5,411)	(2,705)	1,629	**28,036**
Tax paid (excluding WHT)	(3)	(3,744)	–	–	–	–	–	**(3,747)**
Capital expenditure	(2,115)	(12,508)	–	–	(400)	(102)	531	**(14,594)**
Free Cash Flow	**2,892**	**13,261**	**–**	**–**	**(5,811)**	**(2,807)**	**2,160**	**9,695**

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

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
Revenue	21,097	71,834	–	–	785	7,039	1,376	**102,131**
Operating costs and cost of sales[1]	(29,208)	(15,605)	–	–	(13,889)	(9,510)	(1,771)	**(69,983)**
EBITDA	**(8,111)**	**56,229**	**–**	**–**	**(13,104)**	**(2,471)**	**(395)**	**32,148**
Add back: Change in inventory	7,509	(3,718)	–	–	868	4,311	994	**9,964**
Tax paid (excluding WHT)	(590)	(8,410)	–	–	–	–	(188)	**(9,188)**
Capital expenditure	(1,946)	(6,913)	–	–	(74)	142	(1,981)	**(10,772)**
VAT refunds	1,734	–	–	–	–	–	–	**1,734**
Free Cash Flow before working capital movements	**(1,404)**	**37,188**	**–**	**–**	**(12,310)**	**1,982**	**(1,570)**	**23,886**
Working capital movements[2]	(6,891)	(11,072)	–	–	(2,296)	(4,927)	(589)	**(25,775)**
Free Cash Flow	**(8,295)**	**26,116**	**–**	**–**	**(14,606)**	**(2,945)**	**(2,159)**	**(1,889)**
Cash generated from operations	(5,759)	41,439	–	–	(14,532)	(3,087)	10	**18,071**
Tax paid (excluding WHT)	(590)	(8,410)	–	–	–	–	(188)	**(9,188)**
Capital expenditure	(1,946)	(6,913)	–	–	(74)	142	(1,981)	**(10,772)**
Free Cash Flow	**(8,295)**	**26,116**	**–**	**–**	**(14,606)**	**(2,945)**	**(2,159)**	**(1,889)**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

3. COST OF SALES

	2019 US$'000	2018 US$'000
Mining and production costs		
Labour and related costs	12,067	10,280
Mineral royalties and production taxes	6,954	8,432
Export duty on Zambian emeralds	4,979	–
Fuel costs	6,297	5,099
Repairs and maintenance costs	5,059	4,311
Security costs	2,835	2,813
Camp costs	1,794	1,522
Blasting costs	1,109	891
Other mining and production costs	1,241	3,103
Total mining and production costs	**42,335**	**36,451**
Change in inventory and purchases	(7,261)	9,964
Depreciation and amortisation	16,606	13,795
	51,680	**60,210**

4. UNREALISED FAIR VALUE GAINS

	2019 US$'000	2018 US$'000
Unrealised fair value gain on Jupiter investment	9,693	3,955
Recognition of derivative loss on Jupiter	(2,131)	–
	7,562	**3,955**

5. OTHER GAINS AND INCOME

	2019 US$'000	2018 US$'000
Realised fair value gain on Jupiter share buy-backs	–	2,026
Realised fair value gain on Jupiter IPO	–	9,653
Realised fair value loss on Jupiter disposal	(2,246)	–
Dividend income from Jupiter	2,582	–
Other income	1,088	386
	1,424	**12,065**

See Note 6 for more detail on the Jupiter disposal and dividend.

6. JUPITER DISPOSAL AND DIVIDEND INCOME

April 2019 conditional sale of Jupiter shares

On 15 April 2019, the Group announced that it had entered into a conditional sale and purchase agreement with AMCI Euro Holdings B.V. ("AMCI"), pursuant to which Gemfields (through its wholly owned subsidiary, Pallinghurst Consolidated (Cayman) Ltd ("PCCL")) agreed to sell, and AMCI agreed to purchase, the 145,845,372 ordinary shares (the "Transaction") in ASX-listed Jupiter, constituting GGL's entire remaining holding in Jupiter following its participation in Jupiter's IPO last year.

The Group would receive a total amount of AUD44.2 million in cash as consideration for the Jupiter shares. As part of the Transaction, the Group retained its right to payment of the AUD0.025 per share dividend declared by Jupiter on 19 February 2019, which was paid on 21 May 2019. Any further dividend declared by Jupiter between 21 May 2019 and final completion of the Transaction shall be passed on to AMCI from PCCL.

Completion of the Transaction would take place in two stages, as follows:

1. On 3 June 2019, 72,922,686 of the Jupiter shares would be sold for AUD22,120,469 ("First Tranche Sales Proceeds"); and
2. On 1 November 2019, the remaining 72,922,686 of the Jupiter shares would be sold for a further AUD22,120,469 ("Second Tranche Sales Proceeds").

The Transaction is conditional upon the expiry of certain IPO-related lock-in restrictions to which PCCL is currently subject in respect of the Jupiter shares under an escrow deed dated 29 June 2018 and entered into between PCCL and Jupiter.

Realised loss on First Tranche Sales Proceeds

On 3 June 2019, the Group's 72,922,686 Jupiter shares that it had agreed to sell to AMCI had a fair market value of AUD0.350 per share, translated at the closing rate of US$/AUD1.4369 on 3 June 2019. The Group's realised loss is calculated as the difference between the agreed sale price of AUD0.303 per share and the market value of Jupiter shares on 3 June 2019, AUD0.350 per share, both translated at the US$/AUD foreign exchange rate on 3 June 2019.

The realised loss on the First Tranche Sales Proceeds is as follows:

	Number of shares	Price per share in US$	US$'000
Realised loss on First Tranche Sales Proceeds			
Agreed sale price of First Tranche of Jupiter shares	*72,922,686*	0.21	15,391
Fair value of First Tranche of Jupiter shares (3 June 2019)	*72,922,686*	0.24	(17,758)
Realised fair value loss on Jupiter exchange contract		–	**(2,367)**

The Group entered into a foreign exchange contract to hedge the foreign exchange risk up to the day of receipt of the First Tranche Sales Proceeds, 3 June 2019. The gain on this contract was as follows:

	AUD'000	US$'000
Realised foreign exchange gain on forward contract on First Tranche		
Fair value of foreign exchange contract at date of commitment (2 May 2019)	22,120	15,512
Fair value of foreign exchange contract at date of completion (3 June 2019)	(22,120)	(15,391)
Realised gain on Jupiter exchange contract	**–**	**121**
Realised fair value loss on Jupiter exchange contract		(2,367)
Realised fair value loss on Jupiter disposal (First Tranche)		**(2,246)**

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

for the six months ended 30 June 2019

6. JUPITER DISPOSAL AND DIVIDEND INCOME/CONTINUED

Unrealised loss on the Second Tranche Sales Proceeds

At 30 June 2019, the Group's 3.72% remaining stake in Jupiter was valued at the 30 June 2019 mid-price of AUD0.345 per share, translated at the closing rate of US$/AUD1.4227 on 30 June 2019. The Group's unrealised loss is calculated as the difference between the agreed sale price of AUD0.303 per share and the market value of Jupiter shares on 30 June 2019, AUD0.345 per share, both translated at the US$/AUD foreign exchange rate on 30 June 2019. At the final date of disposal, expected to be during November 2019, a loss is envisaged. This unrealised loss has been recognised as a derivative liability at 30 June 2019.

Unrealised loss on the Second Tranche Sales Proceeds is as follows:

	Number of shares	Price per share in US$	US$'000
Unrealised loss on Second Tranche Sales Proceeds			
Agreed sale price of Second Tranche of Jupiter shares	*72,922,686*	0.21	15,518
Fair value of Second Tranche of Jupiter shares (30 June 2019)	*72,922,686*	0.24	(17,649)
Unrealised fair value loss on Jupiter disposal (Second Tranche)		–	**(2,131)**

May 2019 Jupiter dividend

On 19 February 2019, Jupiter announced the details of a final unfranked dividend of AUD0.025 per share. The Group, as a 7.44% shareholder in Jupiter at the time, received a dividend of AUD3.6 million on 21 May 2019. The Group entered into a foreign exchange contract to hedge the foreign exchange risk up to the day the dividend was received. The gain on this contract was as follows:

	AUD'000	US$'000
Realised foreign exchange gain on forward contract of dividend payment		
Fair value of foreign exchange contract at date of commitment (4 March 2019)	3,646	2,582
Fair value of foreign exchange contract at date of completion (21 May 2019)	(3,646)	(2,510)
Realised gain on Jupiter exchange contract	–	**72**

GGL's remaining holding of Jupiter shares is 72,922,686 or 3.72% of Jupiter's shares in issue.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2019 US$'000	2018 US$'000
Labour and related costs	7,817	8,753
Selling, marketing and advertising	4,509	5,699
Professional, legal and other expenses	2,112	3,201
Rent and rates	2,517	2,380
Share-based payments	939	1,459
Travel and accommodation	946	918
Administration costs	146	369
Auditor remuneration/fees	80	75
Other selling, general and administrative expenses	3,703	2,610
	22,769	**25,464**

8. FINANCE INCOME AND COSTS

	2019 US$'000	2018 US$'000
Interest received	351	172
Foreign exchange gains	208	201
Finance income	**559**	**373**
Interest on bank loans, finance charges and bank charges	(1,881)	(5,542)
Foreign exchange losses	(990)	(700)
Finance costs	**(2,871)**	**(6,242)**
Net finance costs	**(2,312)**	**(5,869)**

9. TAXATION

The Group's tax expense is as follows:

	2019 US$'000	2018 US$'000
Current tax		
Taxation charge for the year	8,860	13,743
Deferred tax		
Origination and reversal of temporary differences	(201)	(4,372)
Under-provision in prior year	83	1,247
Total taxation charge	**8,742**	**10,618**

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

	2019 US$'000	2018 US$'000
Profit on ordinary activities before taxation	21,185	26,608
Taxation on ordinary activities at the standard rate of corporation tax in Guernsey of 0% (2018: 0%)	–	–
Taxation on ordinary activities at the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%)	2,472	–
Effects of:		
Expenses not deductible for tax purposes	988	512
Withholding tax on dividends	–	600
Under-provision from previous period	83	1,247
Tax losses not recognised as deferred tax asset	852	1,839
Different tax rates applied in overseas jurisdictions	4,347	6,420
Total taxation charge	**8,742**	**10,618**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

9. TAXATION/CONTINUED

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

The Group's effective tax rate of 41.2% (2018: 39.9%) arises as a result of non-deductible expenses incurred by Kagem and tax losses not recognised.

Expenses not deductible for tax purposes include Zambian Mineral Royalty Tax, which is no longer deductible due to a change in the tax law with effect from 1 January 2019, and Kagem camp costs.

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

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

Deferred tax

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

	June 2019 US$'000	December 2018 US$'000	June 2018 US$'000
Recognised deferred tax assets			
Other temporary differences	2,073	2,653	2,054
Tax losses	7,636	9,898	8,881
Property, plant and equipment	1,285	629	922
Total deferred tax assets	**10,994**	**13,180**	**11,857**
Deferred tax assets netted against deferred tax liabilities	(4,692)	(6,799)	(8,355)
Total deferred tax assets	**6,302**	**6,381**	**3,502**

	June 2019 US$'000	December 2018 US$'000	June 2018 US$'000
Recognised deferred tax liabilities			
Evaluated mining property – Kagem and Montepuez	(87,266)	(89,620)	(98,748)
Inventory valuation – Kagem and Montepuez	(4,687)	(4,662)	(4,740)
Intangibles – Fabergé	(294)	(322)	(350)
Other	(53)	–	(465)
Total deferred tax liabilities	**(92,300)**	**(94,604)**	**(104,303)**
Deferred tax assets netted against deferred tax liabilities	4,692	6,799	8,355
Total deferred tax liabilities	**(87,608)**	**(87,805)**	**(95,948)**

9. TAXATION/CONTINUED

The movement on the deferred tax account is provided below.

	2019 US$'000	2018 US$'000
At 1 January	**(81,424)**	**(95,572)**
Property, plant and equipment	603	32
Other temporary differences	(580)	180
Evaluated mining property – Kagem and Montepuez	(25)	(295)
Inventory valuation – Kagem and Montepuez	2,354	1,071
Intangibles – Fabergé	28	28
Tax losses	(2,262)	2,110
Recognised in the Consolidated Income Statement	118	3,126
At 30 June	**(81,306)**	**(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$92.7 million (31 December 2018: US$89.2 million).

10. INVESTMENTS

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

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

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

1 *The unrealised fair value gain on Jupiter of US$9.69 million includes an unrealised foreign exchange loss of US$0.39 million. The realised loss on Jupiter of US$2.37 million does not include any foreign exchange, as the cash receipts were denominated in US$.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

10. INVESTMENTS/CONTINUED

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 losses US$'000	Realised gains US$'000	Additions US$'000	Disposals US$'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 loss on Jupiter of US$4.0 million includes an unrealised foreign exchange loss of US$1.9 million. The realised gain on Jupiter of US$11.7 million does not include any foreign exchange, as the cash receipts were denominated in US$. The cash receipt from the Jupiter IPO of AUD83.1 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 AUD0.40 per share or US$0.31 per share converted at the foreign exchange rate on 18 April 2018, the date the Jupiter IPO was completed, with the Company receiving US$64.4 million.*

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. The Group owns a see-through interest of 3.72% in Jupiter at 30 June 2019, valued at US$17.65 million. The Group has agreed to sell its remaining stake in Jupiter to a third party at an agreed price of AUD0.21 per share. The transaction is conditional upon the expiry of certain Jupiter IPO-related lock-in restrictions. It is expected that the Group will complete the transaction on 1 November 2019.
Date of valuation	30 June 2019
Fair value methodology	Market approach – listed share price The Group's interest in Jupiter was valued at the 30 June 2019 mid-price of AUD0.345 per share, translated at the closing rate of US$1/AUD1.4227. No secondary valuation methodologies have been considered for the Company's investment in Jupiter, as it is a listed equity in an active market.

10. INVESTMENTS/CONTINUED

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

Nature of investment:	The Group holds an equity interest in SPM, a producer of platinum group metals ("PGMs") with interests in the Bushveld Complex in South Africa.
Date of valuation:	30 June 2019
Fair value methodology:	Market approach – market comparables applying Directors' estimate

The Directors have, based on the approach below, estimated that the value of SPM is U$772 million; the Group's indirect 6.54% interest has therefore been valued at US$50.4 million.

As at 31 December 2018, as disclosed in the 2018 Financial Statements, the Directors considered that a valuation of SPM based on a market approach was most appropriate. The Directors have again applied the Market Approach for their valuation of SPM at 30 June 2019.

The Directors considered that the most appropriate valuation methodology is a market comparables analysis comparing the Enterprise Values of SPM's peer group with their respective mineral reserves and resources and then applying the average multiple to SPM's estimated reserves and resources (price per 4E ounce). The Directors then make an assessment of additional discount factors applicable specifically to SPM.

The Directors have considered the lack of liquidity of the Company's interest in SPM as a factor necessitating a discount to the listed peer group. The Directors note that, given findings from restricted stock studies, the following determinants have been considered: the liquidity of assets owned by the firm, the financial health and cash flows of the firm, the possibility of going public in the future, the size of the firm and the Group's minority interest.

SPM's attributable resources and reserves, as per the most recent mineral resources and reserves report (as at 31 December 2016), total c.95 million ounces with 32.2 million ounces falling in the measured and indicated category, including 16.3 million ounces of probable mineral reserves, and 62.8 million ounces in the inferred category. The Directors have reduced these ounces in line with SPM's production figures for 2017, 2018 and up to 30 June 2019 of 0.35 million ounces.

The Directors considered a peer group comprising Anglo Platinum, Impala Platinum, Northam Platinum and Royal Bafokeng Platinum. When comparing the valuation of SPM's peer group, the Directors believe that Enterprise Value is the most suitable measure. The average multiple of Enterprise Values across SPM's peer group over their (i) mineral reserves, (ii) mineral resources and (iii) mineral reserves and resources suggests respective averages of US$91 per 4E ounce, US$16 per 4E ounce and US$13 per 4E ounce. Each multiple arrives at an implied valuation of SPM within 2% of the others (US$1,458 million – US$1,484 million) and therefore the Directors believe that taking an average is appropriate, yielding a valuation (100% basis) of US$1,470 million (2018 – US$1,102 million) for SPM. The Group's indirect 6.54% interest would be valued at US$96 million (2018 – US$72 million) on this basis, prior to the application of discount factors specific to SPM.

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

for the six months ended 30 June 2019

7. INVESTMENTS/CONTINUED

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

The reasons behind the increases in market capitalisations and associated EVs of SPM's peer group can be party attributed to the rise in the PGM basket price, in particular the rise in the price of palladium and rhodium which have increased in value by 15% and 36% during the period respectively, platinum has increased in value by 5%, all in US$ terms. With the increased scrutiny over the ever-tightening of emission controls, Europe and China are continuing to migrate to smaller and more efficient gasoline cars which hold greater amounts of both palladium and rhodium.

The Directors have considered the financial results which are currently available to them of both SPM and SPM's peer group for the six months to 30 June 2019. The financial performance of Sedibelo has not seen the same improvement as the peer companies, implying that applying a higher discount than what was applied at 31 December 2018 is appropriate.

Accordingly, the Directors have reviewed the discount factors described above and have determined and applied a discount of 45% (2018 – 30%) to market comparables, resulting in the Group's investment in SPM being valued at US$ 52.8 million. Whilst the Directors note that the discount factors specific to SPM are subjective, the best estimate of SPM's value is materially similar to the Group's valuation of SPM at 31 December 2018. Consequently, the Directors have maintained the same valuation of the Group's interest in SPM as at 31 December 2018 of US$50.4 million.

For the purposes of the disclosures required by IFRS 13, if SPM's mineral reserves and resources decreased by 25% (i.e. from 95 million ounces to 71 million ounces), with all other indicators and evidence unchanged, the valuation of SPM included in the balance sheet would decrease from US$50 million to US$44 million. The related fair value decrease of US$6 million would be recognised in profit and loss. Alternatively, if SPM's comparable peer group's EVs/mineral reserves and resources per ounce increase by 20%, with all other indicators and evidence unchanged, the valuation of SPM included in the balance sheet would increase from US$50 million to US$60 million. The related fair value increase of US$10 million would be recognised in profit and loss. Furthermore, if the discount applied by the Directors decreased by 20% (i.e. from 45% to 25%), with all other indicators and evidence unchanged, the valuation of SPM included in the balance sheet would increase from US$50 million to US$72 million. The related fair value increase of US$22 million would be recognised in profit and loss. An adjustment to both forecasted PGM prices and production levels would also have an impact on the valuation as well as the EVs of the peer companies. Due to the consequent effects of these two variables, the Directors do not have the resources available in order to accurately determine the impact such changes would have on the valuation.

11. INVENTORY

	30 June 2019 US$'000	31 December 2018 US$'000	30 June 2018 US$'000
Rough and cut and polished gemstones	67,225	58,066	64,445
Fabergé inventory	36,173	35,030	34,778
Spares and consumables	6,137	6,141	5,645
	109,535	99,237	104,868

The total provision made against inventory as at 30 June 2019 is US$2.1 million (31 December 2018: US$4.5 million; 30 June 2018: US$3.2 million).

12. TRADE AND OTHER RECEIVABLES

	30 June 2019 US$'000	31 December 2018 US$'000	30 June 2018 US$'000
Trade receivables	32,955	46,648	27,964
VAT receivables	8,691	7,548	12,593
Related-party receivable[1,2]	2,500	2,300	–
Other receivables	7,581	5,646	6,261
	51,727	62,142	46,818

1 *Kariba Minerals Limited was a joint venture in which the Group held a 50% shareholding.*

As at 30 June 2019, the Group had received the full US$2.3 million for the sale of its holding. At 31 December 2018, US$2.3 million was still receivable.

At 30 June 2018, the Group had a non-current receivable from Kariba Minerals Limited of US$2.7 million. In November 2018, the Group agreed to sell the entirety of its holding to the joint venture partner for a consideration of US$2.5 million. Therefore, the receivable was written down to US$2.3 million (representing fair value less costs to sell), and, as this sale was expected to be completed before 31 December 2018, the receivable was reclassified as current.

2 *During the period Group made an advance payment in respect of dividends to Mwiriti Ltda, our partner in MRM.*

Trade receivables of US$32.9 million at 30 June 2019 primarily relate to auction receivables from the Montepuez ruby auction held in June 2019. The carrying amounts approximate their fair value.

There are no material expected credit losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

13. BORROWINGS

		Interest rate	Maturity	30 June 2019 US$'000	30 Dec 2018 US$'000	30 June 2018 US$'000
Non-current interest-bearing loans and borrowings						
Barclays Zambia	US$30 million revolving credit facility	US$ LIBOR + 5.50%	2020	–	20,000	20,000
Barclays Mauritius	US$15 million revolving credit facility	US$ LIBOR + 5.50%	2020	–	10,000	15,000
				–	30,000	35,000

		Interest rate	Maturity	30 June 2019 US$'000	30 Dec 2018 US$'000	30 June 2018 US$'000
Current interest-bearing loans and borrowings						
Barclays Zambia	US$30 million revolving credit facility	US$ LIBOR + 5.50%	2020	30,000	–	–
Barclays Mozambique	US$15 million overdraft facility	US$ LIBOR + 4.00%	2019	540	14,459	–
Barclays Mauritius	US$15 million revolving credit facility	US$ LIBOR + 5.50%	2020	–	5,000	–
BCI[1]	US$15 million overdraft facility	US$ LIBOR + 3.75%	2019	9,246	3,712	14,226
				39,786	23,171	14,226
				39,786	53,171	49,226

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

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

	30 June 2019 US$'000	30 Dec 2018 US$'000	30 June 2018 US$'000
At 1 January	53,171	63,470	63,470
Cash flows	(13,385)	(11,849)	(15,794)
Non-cash flows			
Settled with restricted cash	–	(600)	(600)
Finance costs accruing during year	–	2,150	2,150
At 30 June	**39,786**	**53,171**	**49,226**

Barclays Zambia

In August 2014, Kagem Mining Limited entered into a US$20 million revolving credit facility with Barclays Bank Zambia plc. The facility bears interest at a rate of three-month US LIBOR plus 4.50%. The facility is due for repayment 36 months after the date of the first drawdown of the facility. In February 2017, the facility was renewed for a further three years, expiring in 2020, with an interest rate of three-month US$ LIBOR plus 5.50% per annum. In March 2019, following the repayment of US$5.0 million of the Barclays Bank Mauritius loan by Kagem, Barclays Zambia plc took on the full outstanding loan amount of US$30.0 million. 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 2019, US$30 million was fully drawn. Kagem is expected to complete refinancing this facility by the end of 2019.

The loan facility was subject to four financial covenants, which were tested half-yearly. As at 30 June 2019, Barclays Bank Zambia had waived the covenants, as discussions on the refinancing of these facilities were ongoing.

13. BORROWINGS/CONTINUED

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. In March 2019, Kagem paid US$5.0 million of this facility and the remainder was assumed by Barclays Bank Zambia plc, such that Kagem no longer has any borrowings with Barclays Mauritius. As at 30 June 2019, US$ Nil was outstanding.

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 Group Ltd.

Barclays Mozambique
In April 2016, MRM 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 2019 was US$0.5 million. Gemfields Ltd issued a corporate guarantee for the facility.

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

Banco Comercial E De Investimentos ("BCI")
(i) In June 2016, MRM entered into a US$15 million unsecured overdraft facility with BCI. This is a rolling facility which renews annually, provided that terms and conditions are met, and attracts interest of three-month US$ LIBOR plus 3.75% per annum. At 30 June 2019, US$9.2 million was outstanding. The facility is secured by a blank promissory note undertaken by MRM and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of the Group.

(ii) In June 2016, MRM entered into a US$15 million finance leasing facility with BCI. This is a renewable facility with a drawdown period of 18 months, and the amounts drawn down were repayable over a maximum period of 48 months. The facility had an interest rate of three-month US$ LIBOR plus 3.75% per annum. At 30 June 2019, US$ Nil million was outstanding.

14. PER SHARE INFORMATION

Earnings/(Loss) Per Share ("EPS" or "LPS") and NAV per share are key performance measures for the Group. EPS/(LPS) is based on profit/(loss) for the year divided by the weighted average number of ordinary shares in issue during the year. NAV per share is based on net assets divided by the number of ordinary shares in issue at 30 June 2019.

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.

Earnings per share
The Group's EPS is as follows:

	2019	2018
Profit for the period attributable to owners of the parent – US$'000	10,148	12,343
Weighted average number of shares in issue[1]	*1,314,277,424*	*1,318,856,096*
Earnings per share – US$	**0.01**	**0.01**

1 *At 30 June 2019, the Company had a see-through interest in itself of 97,058,912 shares (30 June 2018: 117,342,899) or 6.88%. These shares have been removed in the calculation of weighted average number of shares in issue.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 June 2019

14. PER SHARE INFORMATION/CONTINUED

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

Headline earnings per share
The Group's HEPS is as follows:

	2019	2018
Profit for the period attributable to owners of the parent – US$'000	10,148	12,343
Weighted average number of shares in issue[1]	*1,314,277,424*	*1,318,856,09*
Headline earnings per share – US$	**0.01**	**0.01**

1 *At 30 June 2019, the Company had a see-through interest in itself of 97,058,912 shares (30 June 2018: 117,342,899) or 6.88%. These shares have been removed in the calculation of weighted average number of shares in issue.*

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

	2019	2018
Net assets – US$'000	564,186	626,286
Number of shares in issue[1]	1,313,559,888	1,314,342,654
NAV per share – US$	**0.43**	**0.48**

1 *At 30 June 2019, the Company had a see-through interest in itself of 97,058,912 shares (30 June 2018: 117,342,899) or 8.20%. These shares have been removed in the calculation of shares in issue.*

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

	2019	2018
Net assets – US$'000	564,186	626,286
Adjusted for:		
Intangible assets	(53,418)	(51,306)
	510,481	574,980
Number of shares in issue[1]	*1,313,559,888*	*1,314,342,654*
Tangible NAV per share – US$	**0.39**	**0.44**

1 *At 30 June 2019, the Company had a see-through interest in itself of 97,058,912 shares (30 June 2018: 117,342,899) or 6.88%. These shares have been removed in the calculation of shares in issue.*

15. COMMITMENTS AND CONTINGENCIES

At 30 June 2019, the Group had the following capital commitments:

(i) US$2.7 million (2018: Nil) for the purchase of mining equipment and for the Resettlement Action Plan at Nthoro in Montepuez.
(ii) US$0.4 million (2018: Nil) for mining equipment at Kagem.

There were no material contingencies as at 30 June 2019.

As disclosed in the 2108 Annual Report and Accounts, during the course of internal control and governance processes led by the Group in 2018, indications of small value payments seemingly not made in accordance with the Group's policies and procedures were identified in one of the Group's subsidiaries, Gemfields India.

The Board regards payments made outside of the Group's policies as a principal risk and takes breaches of the policies seriously. As a result, the Company appointed an experienced UK-based legal firm to undertake an investigation of the payment practices in Gemfields India. As part of this investigation, a number of lower value payments (typically a few hundred US dollars) were identified as falling outside of Group policy. The payments were made over a period of time and, even in aggregate, represent an immaterial amount from a group materiality perspective. Given ongoing work by the Group and its advisors, it is not possible at this time to be sufficiently certain of the prospect or quantum of any liability that may or may not arise in relation to this matter in respect of any breach in legislation. Therefore, no provision has been made in the financial statements. However, having taken detailed legal advice, the Directors believe that any such liability may be below the materiality threshold.

Following identification of this matter, the Board has implemented a number of measures to further enhance its controls and processes. These include appointing a Head of Internal Audit, refreshing relevant training across the Group, restructuring management in the affected entity and re-emphasising and reviewing relevant policies and procedures, including reporting and whistle-blowing facilities.

16. EVENTS OCCURRING AFTER THE END OF THE YEAR

Emerald auction held in Lusaka, Zambia, from 19 to 22 August 2019

Post the year-end, a predominantly commercial-quality auction was held in Lusaka in July/August 2019. Revenues of US$18.6 million were achieved, which were further evidence of the continuing demand for emeralds. The auction takes Kagem's total auction revenue since July 2009 to US$607.7 million.

Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Directors and authorised for issue on 19 September 2019.

INDEPENDENT REVIEW REPORT
to Gemfields Group Limited

INTRODUCTION

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 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 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 2019 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

19 September 2019

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

COMPANY DETAILS

Executive Directors
Sean Gilbertson
David Lovett

Non-Executive Directors
Brian Gilbertson
Dr Christo Wiese
Martin Tolcher
Lumkile Mondi
Kwape Mmela
Carel Malan[1]

The following persons were Directors during the period:

Erich Clarke[2]

1 Appointed 9 January 2019.
2 Resigned 7 January 2019.

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3 Address changed effective 22 June 2019

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