

GEMFIELDS

SUMMARY:

2019 EXECUTIVE DIRECTOR REMUNERATION

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1. INTRODUCTION

The purpose of this document is to provide shareholders in Gemfields Group Limited (“**GGL**”, formerly known as Pallinghurst Resources Ltd) with background information relating to remuneration paid to the two incumbent executive directors on the GGL Board (the “**Executive Directors**”) in respect of the 2019 financial year ending 31 December 2019 (“**ED Remuneration**”).

Under the prevailing bonus scheme, the Executive Directors receive pre-defined bonuses to the extent that the GGL share price increases from one year to the next (subject to the GGL Board being able to exercise its discretion where no share-price-driven bonus is payable). In respect of 2019, the GGL Board determined that it would exercise its discretion under the prevailing bonus scheme in order to award discretionary bonuses to the Executive Directors.

The last three years have seen GGL outperform on a number of KPIs, including both production levels and revenue. GGL has also outperformed a number of its peers during that period. However, the operational performance and progress made has not been reflected in GGL’s share price. This may in part be due to negative investor sentiment in relation to the diamond sector and to increased difficulty generally in attracting investors to mining companies given various macro-economic and external factors outside the GGL Board’s control. Accordingly, and noting that no bonus was paid in the two preceding years, the Board decided to exercise its discretion in order to recognise the operational and corporate progress made by granting bonuses to the CEO and CFO (at levels which were lower than those historically paid to prior Gemfields executive directors).

The GGL Board recognises the expectation of shareholders that all short-term incentives paid to the Executive Directors should be aligned to GGL’s overall performance. This document therefore outlines the principal performance considerations taken into account in awarding discretionary bonuses to the Executive Directors in respect of 2019.

Pertinent background dates include:

- a. May 2017: Pallinghurst Resources Ltd (“**PRL**”), then listed only on the JSE, announces a take-over offer for Gemfields plc (which was listed on AIM).
- b. July 2017: Gemfields plc is de-listed from AIM after PRL acquires control. Sean Gilbertson replaces Ian Harebottle as CEO of Gemfields plc. David Lovett replaces Janet Boyce as CFO of Gemfields plc.
- c. August 2017: PRL converts from a closed-ended investment fund to an evergreen operating company.
- d. September 2017: PRL ceases paying management fees to its investment manager and commences paying its directors directly.
- e. March 2018: The PRL board announces its decision to change the strategic focus of the business in order to focus on precious coloured gemstones. PRL appoints Sean Gilbertson and David Lovett as CEO and CFO of PRL respectively.
- f. June 2018: PRL’s shareholders approve a change of name to Gemfields Group Ltd.
- g. February 2020: GGL adds a listing on AIM to its long-standing JSE listing.
- h. 18 March 2020: GGL’s RemCom meet to consider 2019 performance and ED Remuneration.

2. THE PREVAILING GGL BONUS SCHEME FOR EXECUTIVE DIRECTORS

The prevailing GGL bonus scheme for the CEO and CFO (set out in Appendix I) is primarily linked to GGL's share price performance. The bonus scheme was approved by shareholders as part of the wide-ranging changes in the structure of PRL at the EGM in June 2017 and has been in place since (it being noted that the bonus scheme was part and parcel of the overall package of changes and could not be voted on separately). Under the bonus scheme, the more the GGL share price increases from one year to the next, the greater the bonus payable, as is tabulated below:

Share Price Performance	Bonus as % of Basic Salary
Declines	0%
Increases 0-10%	0%
Increases 10-15%	25%
Increases 20-25%	75%
Increases >25%	100%

The scheme also provides that the Board has the right (but no obligation) to award discretionary bonuses to the Executive Directors should a bonus not otherwise be payable under the scheme.

For the purposes of the bonus scheme, the relevant share price benchmarks (being the VWAP determined over the last 30 trading days of the relevant calendar year plus aggregate dividends paid) were:

	31 December 2017	31 December 2018	31 December 2019
GGL's Share Price (ZAR)	2.53*	1.87	1.62
% Change	n/a	-26%	-13%

* The bonus scheme stipulated ZAR 3.45 per share as the benchmark for bonus determination in respect of 2017.

In considering the then prevailing circumstances, milestones and the operational and financial performance of the wider group, the following bonus determinations were made:

Bonuses to CEO & CFO (% of Basic Salary)	2017	2018	2019
(1) Bonus from Share Price Metric	0%	0%	0%
OR: (2) Discretionary Bonus (if no share-price related bonus is payable)	0%	0%	35%

Given the corporate, operational and financial progress and performance delivered in 2019, and recognising that no bonuses were paid to the Executive Directors in 2017 or 2018 (despite improved performance), the GGL Board considered it appropriate to recommend discretionary bonuses to the Executive Directors equivalent to 35% of their annual basic salaries.

3. EXECUTIVE DIRECTOR SHARE OPTIONS

The following table summarises the number, maturity and strike prices of the GGL share options in issue to the Executive Directors:

CEO Share Options Granted	Date of Grant	Strike Price	No. of Vested Share Options	No. of Exercised Share Options
27,890,213	September 2017	ZAR 3.45	16,734,128	Nil

CFO Share Options Granted	Date of Grant	Strike Price	No. of Vested Share Options	No. of Exercised Share Options
1,184,200	January 2018	ZAR 2.97	710,520	Nil
7,000,000	July 2018	ZAR 2.30	2,800,000	Nil
8,184,200			3,510,520	Nil

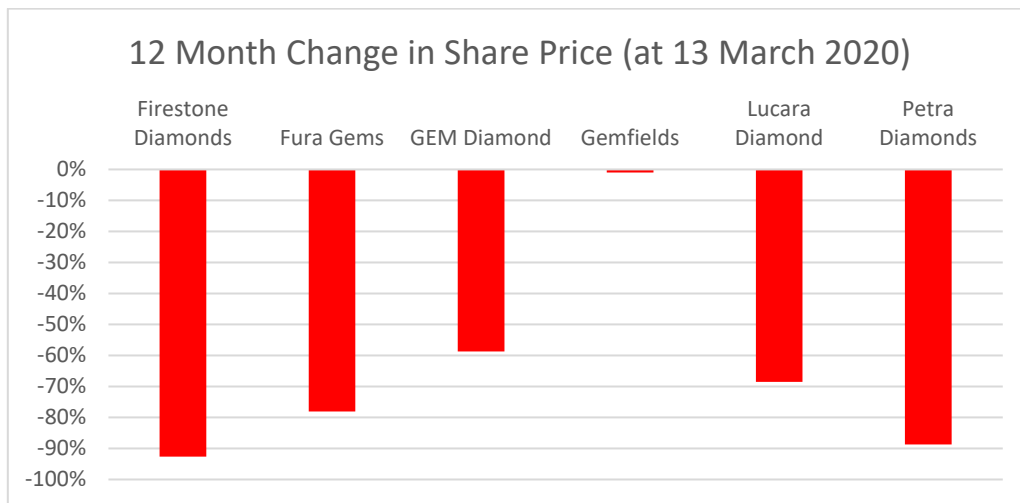
The share options awarded to the CEO was approved as part of the PRL EGM in June 2017.

4. 2019 IN REVIEW

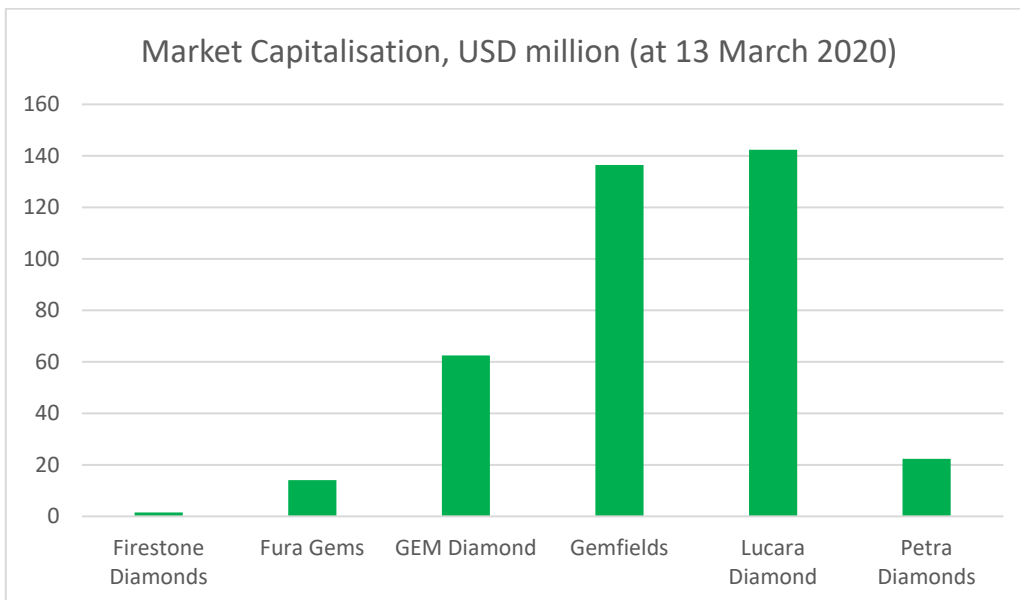
The year ending 31 December 2019 was particularly busy for GGL with a number of notable achievements considered by RemCom and the GGL Board. Key highlights are tabulated below:

GROUP COMPANY	2019 HIGHLIGHTS
GROUP	<ol style="list-style-type: none"> 1. Best ever annual revenue performance (USD 216 million). 2. Highest auction revenues ever, passing USD 200 million for the first time. 3. Free cash flow generation of USD 31 million. 4. Share buy-back of 10% of GGL at just ZAR 1.51 per share. 5. Completed the sale of 7.5% of Jupiter Mines Limited for AUD 32.5 cents per share (vs. share price of AUD 23 cents per share at March 2020). 6. Completed the sale of 50% of Kariba Minerals Limited (Zambian amethyst mine) 7. Entered 75:25 Nairoto gold JV with Mwiriti in Mozambique. 8. AIM-listing progressed to “ready-to-go” status by year end (listing occurred on Valentine’s Day, 14 February 2020). 9. Corporate office move saving nearly USD 1 million per annum.
KAGEM	<ol style="list-style-type: none"> 1. Best ever blended operational performance. 2. Suspension of 15% export duty on gemstones after some 14 months of lobbying. 3. Second highest calendar-year revenues ever. 4. First successful Chinese customer at auction. 5. Confirmation in December 2019 of the renewal of Kagem’s licence for 25 years.
MRM	<ol style="list-style-type: none"> 1. Opening of state-of-the-art sorthouse in February 2019. 2. Best Performing Company in KPMG Mozambique’s “Top 100 Companies” 3. Opening of new Vocational Training Centre (VTC). 4. Second-highest calendar year revenues to date.
FABERGÉ	<p>Performance to 31 January 2020:</p> <ol style="list-style-type: none"> 1. 12-month rolling sales (on an agreed order basis) at a 12-month high 2. Houston boutique had its 10th consecutive month of revenue growth (on a rolling 12-month, agreed order basis) 3. Harrods had its 7th consecutive month of revenue growth (on a rolling 12-month, agreed order basis) 4. Faberge.com 12-month rolling sales at an all-time high 5. Operating loss at an all-time low on a 12-month rolling basis 6. Operating costs at an all-time low on a 12-month rolling basis 7. Unit sales at an all-time high on a 12-month rolling basis 8. Number of sales transactions at an all-time high on a 12-month rolling basis

5. SHARE PRICE PERFORMANCE VS. LISTED GEMSTONE PEERS



6. MARKET CAPITALISATION VS. LISTED GEMSTONE PEERS

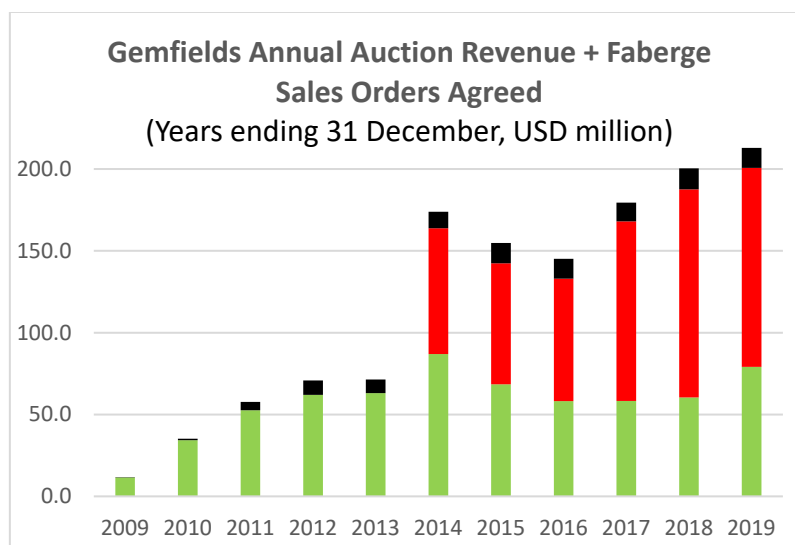


7. GGL VS. AIM RESOURCES COMPANIES

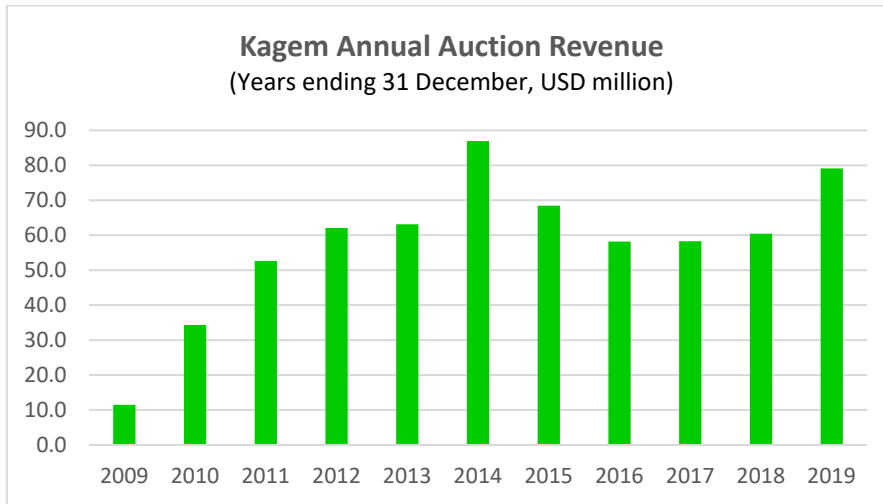
The top 10 mining companies listed on AIM are tabulated below. At the time of review (March 2020) GGL was the eighth biggest by market capitalisation and fourth largest by revenue.

	Issuer Name	Market Capitalisation (£m)	Revenue	Rev/Mkt Cap
	<i>Sorted by Market Cap</i>			
1	HIGHLAND GOLD MINING LD	686.67	236.73	0.34
2	PAN AFRICAN RESOURCES PLC	183.43	168.19	0.92
3	ATALAYA MINING PLC	175.11	173.32	0.99
4	EURASIA MINING PLC	196.18	2.57	0.01
5	CHAARAT GOLD HOLDINGS LTD	157.50	0.00	0.00
6	GREATLAND GOLD PLC	138.79	0.00	0.00
7	SYLVANIA PLATINUM LIMITED	127.18	54.50	0.43
8	GEMFIELDS GROUP LIMITED	102.00	154.56	1.52
9	CALEDONIA MINING CORPORATION PLC	74.98	48.73	0.65
10	SHANTA GOLD LIMITED	71.45	88.42	1.24
	<i>Sorted by Revenue</i>			
1	HIGHLAND GOLD MINING LD	686.67	236.73	0.34
2	ATALAYA MINING PLC	175.11	173.32	0.99
3	PAN AFRICAN RESOURCES PLC	183.43	168.19	0.92
4	GEMFIELDS GROUP LIMITED	102.00	154.56	1.52
5	SHANTA GOLD LIMITED	71.45	88.42	1.24
6	SYLVANIA PLATINUM LIMITED	127.18	54.50	0.43
7	CALEDONIA MINING CORPORATION PLC	74.98	48.73	0.65
8	TRANS-SIBERIAN GOLD PLC	45.32	44.82	0.99
9	SERABI GOLD PLC	47.42	32.44	0.68
10	GOLDPLAT PLC	6.78	24.84	3.66

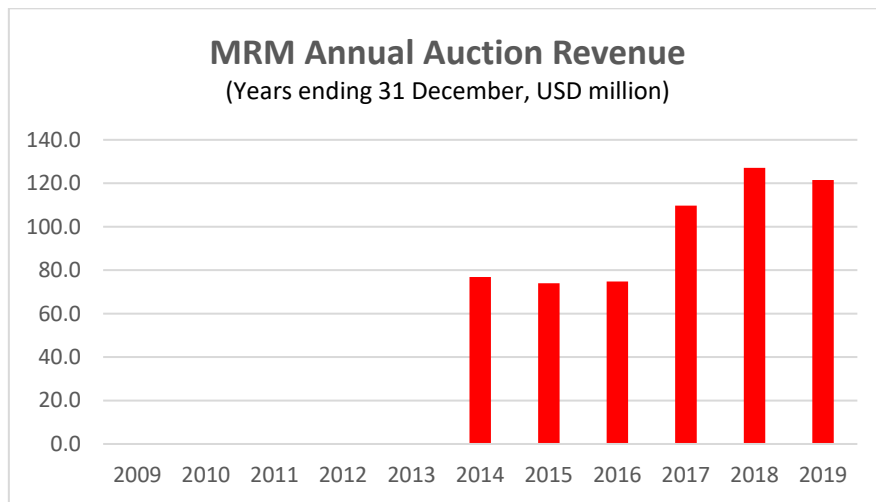
8. ANNUAL PERFORMANCE CONSIDERATIONS



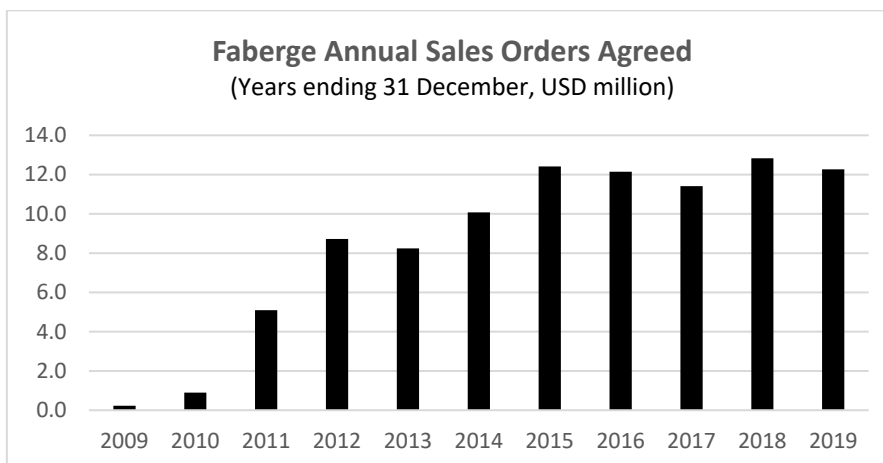
Kagem's auction revenues by calendar year are depicted below (USD million):



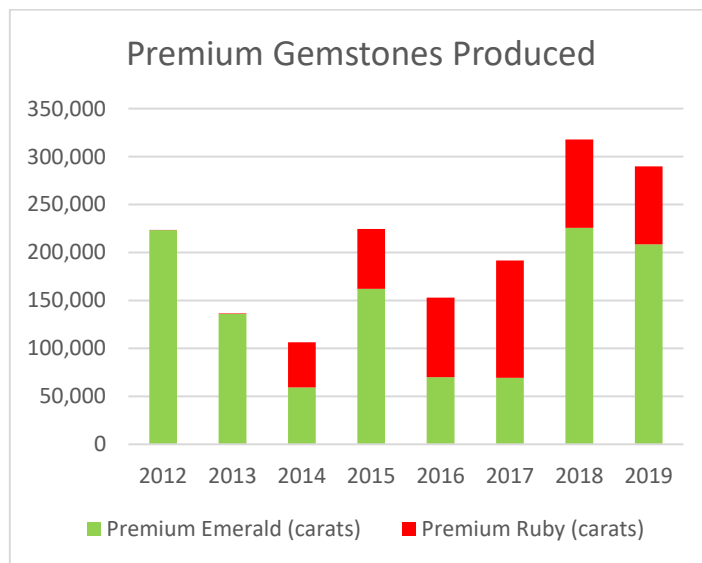
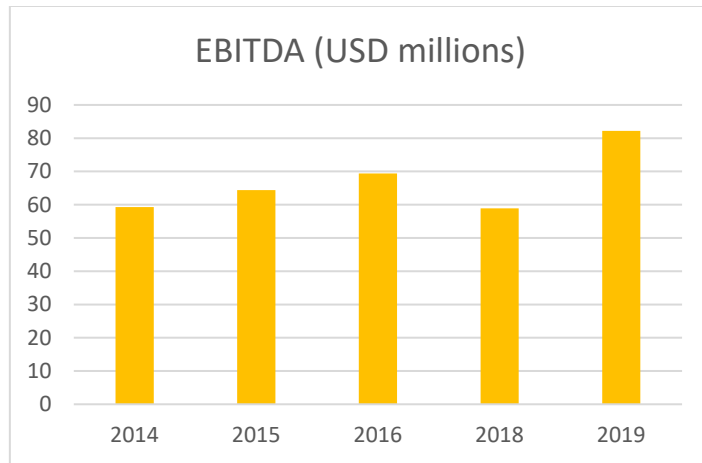
MRM's auction revenues by calendar year are depicted below (USD million):



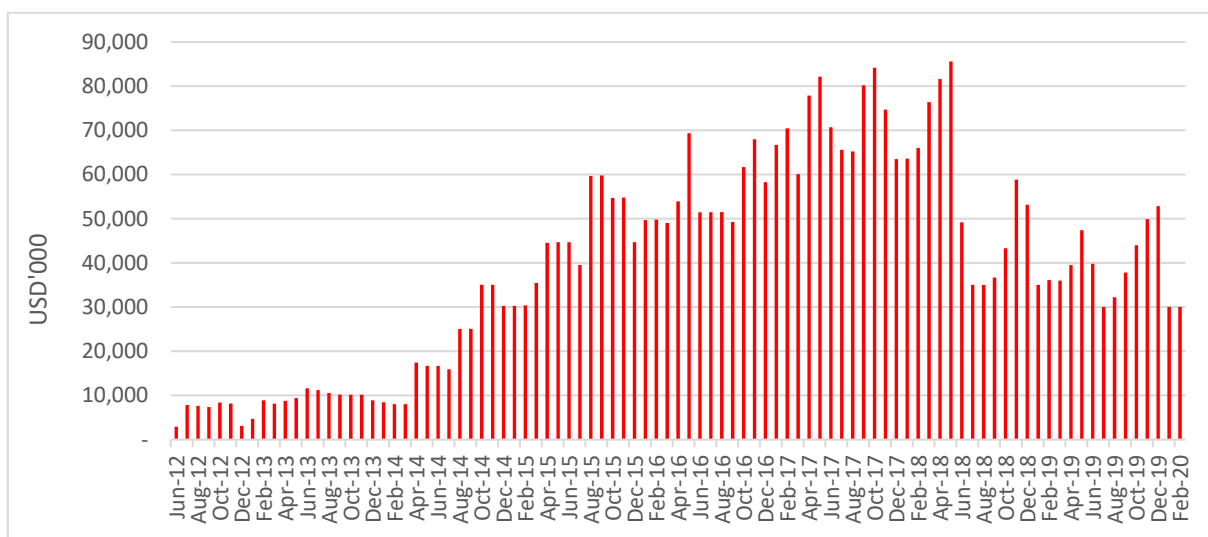
Fabergé annual sales orders agreed are depicted below (USD million):



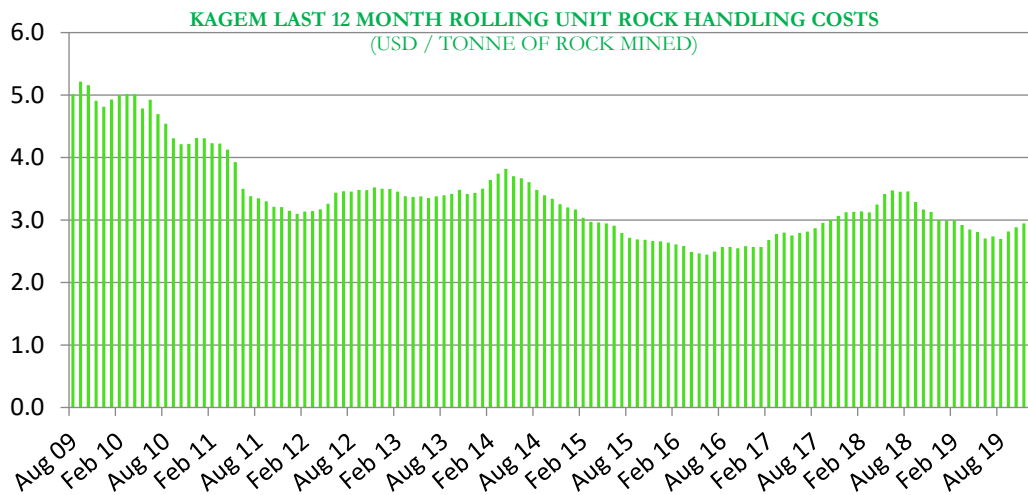
GGL Group EBITDA performance is shown in the graph below. The year 2017 has been excluded given it is the year in which PRL acquired Gemfields plc (and underwent the transition from a closed-ended investment fund to an evergreen operating company) and a number of accounting adjustments were made, including a change in the year-end.



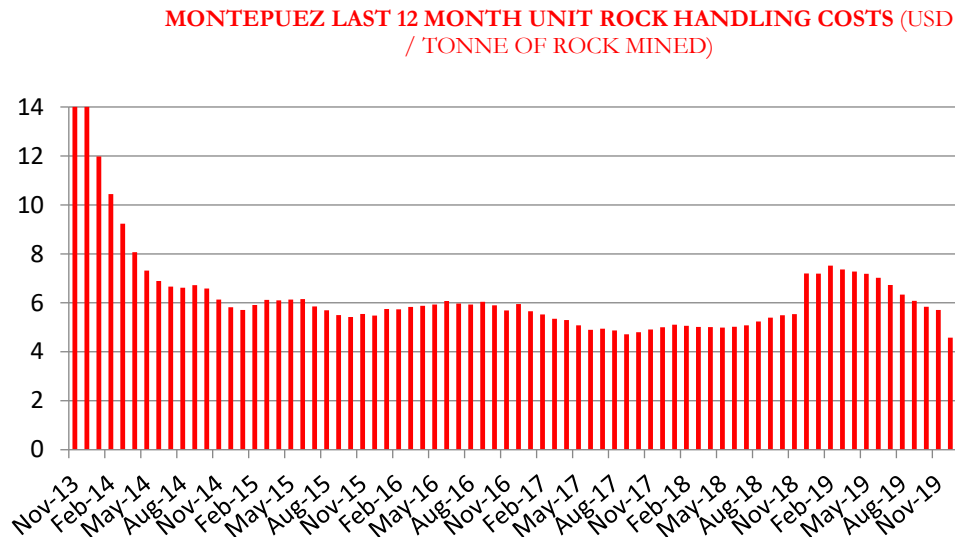
GGL's gross debt profile over time is depicted below (USD k):



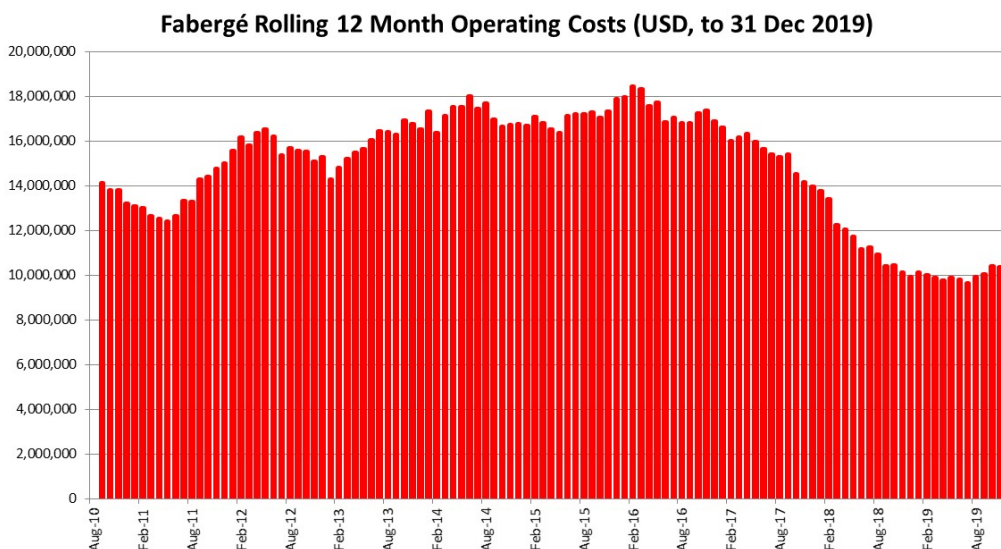
Kagem's unit rock handling costs are depicted below (USD per tonne):



MRM's unit rock handling costs are depicted below, in USD per tonne (the significant increase in December 2018 arises from the settlement costs relating to the legal case brought by English law firm Leigh Day):



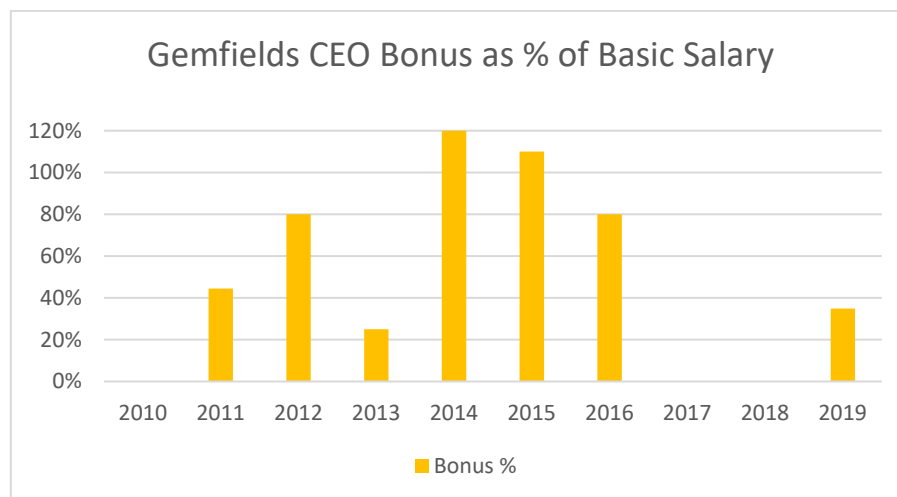
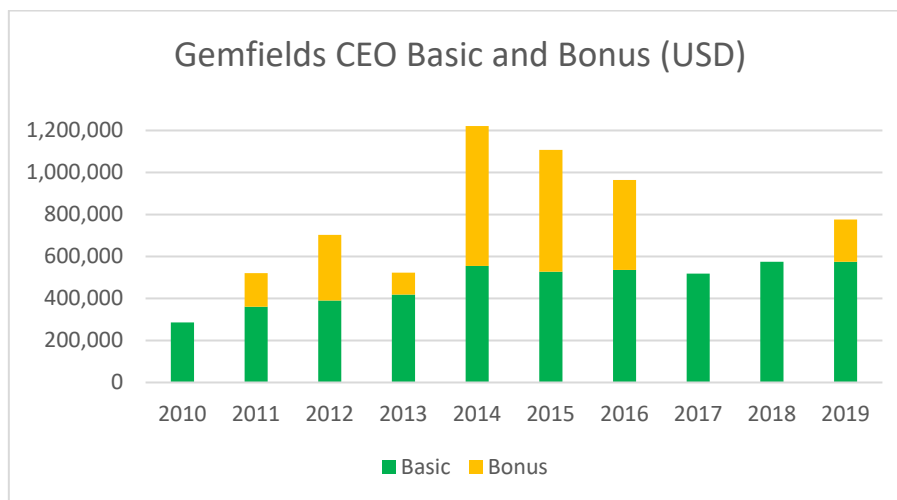
Fabergé's 12 month rolling operating costs are depicted below (USD):



9. GEMFIELDS CEO PAYMENTS TO DATE

The remuneration paid to the Gemfields CEO is shown in the following two graphs. The following important notes should be borne in mind:

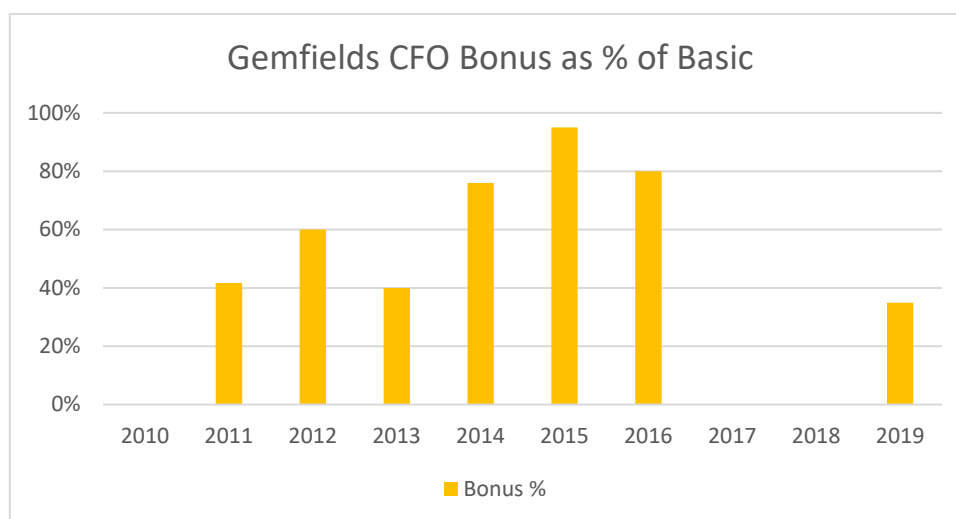
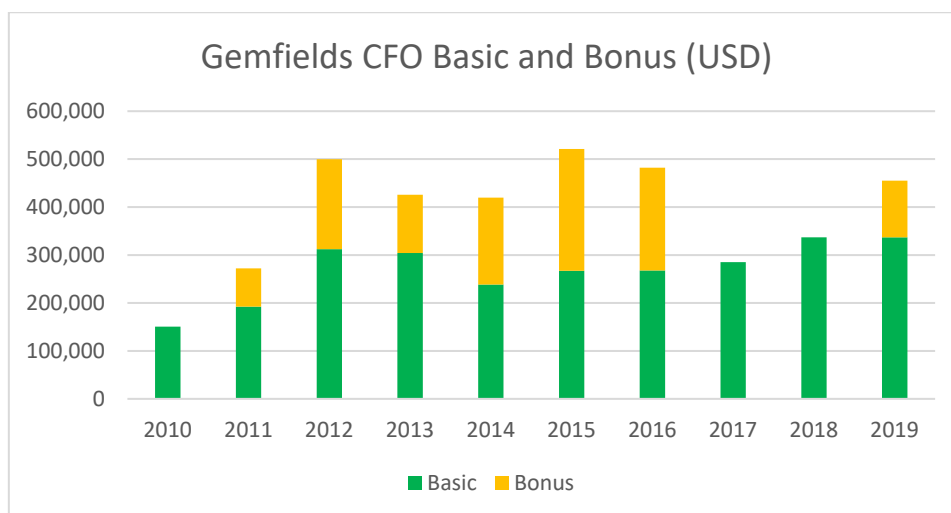
- No bonus is shown in respect of 2017 as the then Gemfields plc CEO and CFO left in July 2017 in the wake of the take-over by PRL. They received modest termination payments.
- No bonus is shown in 2018 because: (i) the GGL share price did not increase and (ii) RemCom did not make a discretionary award.
- Ian Harebottle is shown as CEO from 2010 to 2017. Sean Gilbertson is shown as CEO from 2018 to 2019.
- A 30 June year-end applies until 2017. Thereafter it changed to 31 December. Figures shown are the annual equivalent.



10. GEMFIELDS CFO PAYMENTS TO DATE

The remuneration paid to the Gemfields CFO is shown in the following two graphs. The following important notes should be borne in mind:

- a. No bonus is shown in respect of 2017 as the Gemfields plc CEO and CFO left in July 2017 in the wake of the take-over by PRL. They received modest termination payments.
- b. No bonus is shown in 2018 because: (i) the GGL share price did not increase and (ii) RemCom did not make a discretionary award.
- c. Dev Shetty is shown as CFO from 2010 to 2013 (he became COO subsequently)
- d. Janet Boyce is shown as CFO from 2014 to 2017.
- e. David Lovett is shown as CFO from 2018 to 2019.
- f. A 30 June year-end applies until 2017. Thereafter it changed to 31 December.



11. GEMFIELDS CEO & CFO REMUNERATION VS. NOTABLE GEMSTONE PEERS

	CEO Remuneration - USD				CFO Remuneration - USD			
	Basic	Bonus	Other	Total	Basic	Bonus	Other	Total
Gem Diamonds Ltd (31 Dec 2019)	753,509	396,182	47,397	1,197,088	493,138	261,464	35,033	789,634
Lucara Diamond (31 Dec 2018)	433,979	381,144	613,535	1,428,659	206,148	146,594	306,506	659,248
Petra Diamonds (1 July 2019)	470,560				336,549			
Conversion rates using Oanda								
Gem Diamonds Ltd: 1.31160								
Lucara Diamond (converted from CAD-USD): 0.73297								
Petra Diamonds: 1.26904								

APPENDIX 1: PREVAILING GGL BONUS SCHEME FOR GGL EXECUTIVE DIRECTORS ¹

- a. In relation to any calendar year (the "Relevant Year"), the Executive will be entitled to an annual bonus ("Annual Bonus") in the event that the sum of: (i) the VWAP determined over the last 30 (thirty) trading days of the Relevant Year; and (ii) the aggregate dividends (whether in cash or the market value of a dividend in specie) per Share declared during the Relevant Year (such sum being the "Adjusted Share Price") has increased by 10% or more when compared to the Adjusted Share Price for the year preceding the Relevant Year.
- b. In the event that there is a repurchase of Shares or any other similar event during any Relevant Year, the auditors of the Company appointed by the Board, acting as experts and not as arbitrators, shall determine what, if any, adjustments need to be made to the Adjusted Share Price for the Relevant Year in order to give the Executive an entitlement to the same Annual Bonus as that to which he was previously entitled and is otherwise fair and reasonable in the circumstances.
- c. In the event that an Annual Bonus is payable for any Relevant Year, it shall be paid to the Executive on the 1st of January of the year immediately following the Relevant Year. For the purposes of this clause 11, the first Relevant Year shall be 2017 ("First Bonus Year") and the final Relevant Year shall be the calendar year in which the Termination Date occurs.
- d. The Annual Bonus shall be calculated as set out below. In the event that the Adjusted Share Price for the Relevant Year has:
 - i. increased by 10% or more but less than 15% when compared to:
 - in respect of the First Bonus Year, the Option Price; and
 - in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,the Annual Bonus shall be an amount of 25% (twenty five percent) of the Annual Base Compensation payable for the Relevant Year;
 - ii. increased by 15% or more but less than 20% when compared to:
 - in respect of the First Bonus Year, the Option Price; and
 - in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,the Annual Bonus shall be an amount of 50% (fifty percent) of the Annual Base Compensation payable for the Relevant Year;
 - iii. increased by 20% or more but less than 25% when compared to:
 - in respect of the First Bonus Year, the Option Price; and
 - in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,the Annual Bonus shall be an amount of 75% (seventy five percent) of the Annual Base Compensation payable for the Relevant Year; and
 - iv. increased by 25% or more when compared to:
 - in respect of the First Bonus Year, the Option Price; and

¹ The Remuneration Committee is currently reviewing executive director contracts of employment, including provisions as to annual cash bonuses.

- in respect of any other Relevant Year, the Adjusted Share Price determined over the same period of the previous year,
the Annual Bonus shall be an amount of 100% (one hundred percent) of the Annual Base Compensation payable for the Relevant Year.
- e. For the avoidance of doubt, in the event that the Adjusted Share Price for any Relevant Year has decreased, remained unchanged or increased by less than 10% when compared to the Adjusted Share Price determined over the same period of the previous year, no Annual Bonus shall be payable in respect of the Relevant Year.
- f. The Board has the right, but not obligation, to award the Executive a discretionary bonus, should a bonus not be payable.
- g. For the avoidance of doubt, the Annual Bonus shall be in addition to the Executive's Base Compensation.
- h. Save as set out in the sickness clause or elsewhere in the bonus scheme, nothing guarantees payment of any bonus or gives rise to a legitimate expectation of any payment of such bonus.

APPENDIX 2: AGM VOTING (2017-2020) IN RESPECT OF REMUNERATION

2020 AGM	FOR	AGAINST	ABSTAIN*
To endorse the Company's Remuneration Policy	46.26%	53.74%	0.07%
To endorse the Company's Remuneration Implementation Report	52.16%	47.84%	0.06%
2019 AGM	FOR	AGAINST	ABSTAIN*
To endorse the Company's Remuneration Policy	69.07%	30.93%	5.46%
To endorse the Company's Remuneration Implementation Report	63.39%	36.61%	5.46%
2018 AGM	FOR	AGAINST	ABSTAIN*
To endorse the Company's Remuneration Policy	70.36%	29.64%	2.18%
To endorse the Company's Remuneration Implementation Report	83.67%	16.33%	2.18%
2017 AGM**	FOR	AGAINST	ABSTAIN*
To endorse the Company's Remuneration Policy	78.19%	21.81%	0.66%

* Abstentions were represented as a percentage of total issued number of ordinary shares (with voting rights).

** The Company's 2017 AGM was held before the JSE implemented its assorted changes to the remuneration report disclosures required by all JSE listed companies as well as the introduction of the Remuneration Implementation Report's annual shareholder resolution.

2019 AGM – reasons for the votes against

Remuneration Policy:

- The total share usage limit under the Share Plan of 11.69% of the Company's then issued share capital exceeded ISS' recommended maximum of 5%.
- It was noted that the remuneration policy lacked clarification whether the awards under the Share Plan would vest subject to the achievement of performance conditions. It was noted that investors generally expect that the remuneration policy must specify the performance conditions attached to long-term incentive awards granted to Executive Directors. In addition, it was understood that these performance conditions should be aligned to overall company performance.
- Feedback was given that the vesting period of the share options were not in line with local market standards, which expect long-term incentive awards to vest no earlier than three years from the date of grant.

Remuneration Implementation Report:

- It was noted that former Executive Directors of Pallinghurst Resources Limited received termination payments which appeared to be excessive when reviewed against the termination

payments provisions in their service contract. The former Executives stood down following the restructuring of the Company. As such, they were eligible under their service agreements to receive termination payments amounting to receive one year's salary plus bonus (if ever they are eligible to receive such during the year of retirement). In 2017, they were not eligible to receive any bonus payments considering that the target performance was not met, the same scenario in 2018 (where they were able to serve during the first quarter of the year).

- It was also noted that it was unclear whether the options granted during the year would vest subject to the achievement of any performance conditions.

2018 AGM – reasons for the votes against

Remuneration Policy:

- The total share usage limit under the Share Plan of 11.69% of the Company's then issued share capital exceeded ISS¹ recommended maximum of 5%.
- It was noted that the awards offered under the Share Plan did not require performance conditions to be satisfied prior to the vesting of awards. It was further noted that investors generally expect awards to vest subject to the satisfaction of challenging performance hurdles which are aligned to overall company performance.
- Feedback was given that the vesting period of the share options were not in line with local market standards, which expect long-term incentive awards to vest no earlier than three years from the date of grant.

Shareholder engagement - post the 2018 AGM voting results

As more than 25% of shareholders voted against the endorsement of the Company's Remuneration Policy, the resolution did not pass and the Company actioned engagement with shareholders in accordance with the principles of King IV. A shareholders' conference call was arranged (and shareholders were invited to attend via a regulatory market announcement) on 22 August 2018. No dissenting shareholders participated in the call. The single shareholder who did participate was supportive of the Company's Remuneration Policy.

Shareholder engagement - post the 2019 AGM voting results

After the disappointing turnout to the conference call arranged by the Board in August 2018, the Remuneration Committee and the Board took the decision to engage with dissenting shareholders by way of direct discussion in order to better understand their concerns. However, a number of these shares are held anonymously and via nominee accounts, thus creating an obstacle to shareholder engagement.

The Board encourages shareholders to approach the Company with their feedback.

Shareholder engagement - post the 2020 AGM voting results

A shareholder conference call is scheduled to take place on 16 July 2020. The purpose of the call is to engage with dissenting shareholders by way of direct discussion in order to better understand their concerns.