

GEMFIELDS

Groundswell Holdings (Pty) Ltd
Peter D Wimsey & Associates (Pty) Ltd
Rational Expectations (Pty) Ltd
Rozendal & Associates Holdings Ltd
Rozendal Partners (Pty) Ltd

c/o William Marshall-Smith

Groundswell Holdings (Pty) Ltd
15 Rugby Road
Oranjezicht
Cape Town
Republic of South Africa

3 July 2020

Gentlemen,

Your letter dated 15 June 2020

Thank you for your letter dated 15 June 2020 (which we received on 16 June 2020) regarding, inter alia, your proposal that Mr William Marshall-Smith be appointed to the eighth (and presently vacant) seat on the Board of Gemfields Group Ltd (“GGL”).

Appointment of a non-executive director

In the GGL Board meeting on 25 June 2020, the Board received an update from the Nominations Committee on the status of the search for an eighth director. Amongst other matters, it was confirmed that Mr Marshall-Smith be added to the list of candidates and that additional information be gathered in respect of his prior and subsisting directorships. To that end, we attach a summary of our present understanding with the request that you kindly assist us with any missing or incorrect information.

The Board also noted that a hiring freeze is presently in place across the Gemfields group as part of the cash preservation measures implemented in light of COVID-19. It is not anticipated that an appointment would be finalised until such time as GGL has re-established revenue certainty. While market, travel and quarantine circumstances may of course change, we hope to be able to host gemstone auctions in the fourth quarter of this year.

Our letter to you dated 8 June 2020 explained that GGL has been seeking an eighth director and that the process is ongoing. We invited you to propose candidates noting that, should you wish to do so, we’d be pleased to provide you with a copy of the recruitment brief. We did not receive a request from you for the recruitment brief (which naturally contains important considerations regarding the search). However, and in order to progress matters, the recruitment brief is also attached.

We note that the Johannesburg Stock Exchange (“JSE”) has previously raised a concern regarding its perception of inadequate promotion of board-level gender-diversity by GGL (then called Pallinghurst Resources Limited). In addition, recent changes to the JSE’s listing requirements in respect of board diversity policies mean that a suitably updated board diversity policy is presently before our Nominations Committee.

We will keep you updated of any material developments, and, in light of the above, we would welcome any additional individuals you may wish to propose (i.e. in addition to Mr Marshall-Smith’s ongoing candidacy).

Review of Articles of Incorporation

As noted in our letter of 8 June 2020, our external legal advisors are presently working on a review of Gemfields’ articles of incorporation in light of (i) the various matters you have raised and (ii) the extent to which further ‘normalisation’ would be suitable in light of AIM and JSE practices, Guernsey law (where GGL is registered) and the governance benchmarks set by the large diversified mining companies, all with a view to better aligning GGL with market practice and further improving the corporate governance framework.

As noted in our AGM on 24 June 2020, we have received the first-round review of the articles from our UK lawyers and the work is ongoing. Input from Guernsey lawyers is still pending.

Please rest assured that we will provide ample time for all GGL shareholders to comment on proposed changes to the articles before appropriately modified articles are put to GGL’s shareholders at the 2021 AGM. We reiterate that the GGL Board is committed to continuing the improvements made to our corporate governance framework since 2017.

Yours sincerely,

M P Tolcher

Martin Tolcher
Chairman