

From:

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

Care of:

Groundswell Holdings (Pty) Ltd
15 Rugby Road
Oranjezicht
Cape Town

To:

Directors
Gemfields Group Limited
1 Cathedral Piazza
London
SW1E 5BP

6 July 2020

STRICTLY PRIVATE AND CONFIDENTIAL

Dear Sirs

Company: Gemfields Group Limited

Thank you for your letter dated the 3rd of July 2020.

The content of your letter is disappointing and falls short of our expectations, as set out in further detail below. We started our engagement with the company on the 8th of April 2020 and, after 3 months of back and forth letter writing, little has been achieved. The Company's responses appear to us as more focussed on delaying and frustrating our proposals, rather than acknowledging that there are genuine issues and taking constructive steps to address these.

Hiring freeze and cash preservation

We strongly support the need for cash preservation and if this is a genuine reason for the delay in the appointment of Mr Marshall-Smith, the appointee put forward by us (and supported by 41,9% of all shareholders), he is prepared to join the Board for no fee while the hiring freeze remains.

Board diversity

In all our discussions with shareholders, the only concern mentioned about diversity, was regarding a perceived lack of diversity of views amongst the current Board of Directors. The need for diversity in views is clear from the disconnect between the views of the Board and shareholders on a number of strategic issues, many of which were raised at the AGM.

We reiterate that 41,9% of all shareholders support our proposed appointment or alternatively 72,8% of shareholders who voted at the most recent AGM. In our experience, the directors of public companies would typically take this level of support as a strong indication of the wishes of shareholders rather than a mere suggestion.

There is an enormous, undeniable dislocation between the Board's stated value of the Company and the markets view of value. Should the Board believe that gender diversity could help address this issue, this should be addressed immediately by the Company retiring one of the existing directors to make place for a suitable replacement.

Mr Marshall-Smith's employment history

Mr Marshall-Smith's employment history is clearly set out in his CV that was sent to you. Most of the directorships you have picked up on relate to his employment at Tiso Blackstar. As a senior employee of Tiso Blackstar he held many directorships (most of which you have not reflected), so we see limited value in delving into every directorship. We can engage on this further when there is genuine desire by the company to appoint him.

Review of Articles of Incorporation

We note once again your acceptance that the Articles of Incorporation require changes to meet market related governance standards. We remain of the view that these changes should be put to shareholders as soon as possible. In our opinion, this is one of several the impediments between the market value achieving the Board's stated value and should be addressed immediately rather than delayed.

COVID 19

It was unfortunate that, at the AGM, the Board did not provide a high-level summary of the possible scenarios considered in response to COVID19. Shareholders were referred to the cost savings set out in the April 2020 announcement; however, this was at the very start of the COVID19 shutdown and provided limited information.

We are extremely concerned that not enough is being done with regards to actions that are within the Company's control (cost cutting and preserving cash). Unless urgent and significant actions are taken, further permanent damage could be done to underlying value of the Company, including a possible rights issue. Hope of return to normal travel is not an appropriate strategy. We believe our proposed appointee will contribute positively to this process.

Yours Faithfully

William Marshall-Smith
William Marshall-Smith (Jul 9, 2020 13:35 GMT+2)

Groundswell Holdings (Pty) Ltd
Director

Johan le Roux
Johan le Roux (Jul 9, 2020 14:02 GMT+2)

Rational Expectations (Pty) Ltd
Director

Stamptud

Rozendal & Associates Holdings Ltd
Director



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Rozendal Partners (Pty) Ltd

Director

Diderik J Otto

Diderik J Otto (Jul 9, 2020 14:51 GMT+2)
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Peter D Wimsey & Associates (Pty) Ltd

Director