

**Questions from Groundswell Consortium re MRM Washing Plant #2  
(21 October 2021)**

We would just like to better understand the dynamics around increasing the ruby supply. Previously our reading of your stock disclosure indicated a build-up of commercial grade rubies. Based on the sales velocity, it seemed like we were mining (and presumably washing) this grade of rubies at a rate higher than we were selling at. The latest auction was very positive in terms of the sales achieved, but from where we sit it is impossible to know how much of the increased sales was due to pent up demand, and how sustainable it is.

**Bear in mind that MRM's revenue is obtained overwhelmingly from a very small percentage of the weight produced. Any build-up of low-quality rubies therefore still only represents a very small percentage of the overall value produced.**

**After the April 2021 auction hosted by Gemfields in Thailand (which is home to most of Gemfields' auction customers), the country faced months of restrictions due to COVID. Nonetheless, demand and prices have remained healthy and, all being well, our December 2021 ruby auction results will hopefully reflect this.**

So the questions are simply:

1. Would the new plant increase supply of all grades of rubies, or more premium / commercial?

**The new plant should produce many grades of rubies, including additional premium rubies.**

**We will likely initially wash the large stockpile of "Glass A" ore that has already been mined and which is awaiting processing. Looking at the type and quality of rubies recovered from the limited ore washed to date, we expect to recover pinkish-red rubies with high fluorescence. Whilst the overall price for these rubies will be lower than our "Mugloto" ore, there is good demand and the sale of these rubies should generate meaningful additional revenues for MRM in 2023 and beyond.**

**In order to generate the revenues MRM has achieved in recent years with only one washing plant, we have focussed our processing on "Mugloto" ore to recover the more valuable, high quality secondary deposit rubies. There is however healthy demand for other types of rubies especially the smaller sizes used to produce calibrated rubies. By having the second washing plant we will have the capacity to process ore from other areas increasing the variety of qualities being supplied by Gemfields, and also hopefully producing additional premium rubies.**

**The Mugloto area has provided MRM with the bulk of its revenue for the past 7 years. The size and quality of rubies produced from this area has been remarkable. Given the nature of these deposits we cannot be certain how long this will continue for and therefore it is important to have the additional processing capacity so that other areas can also be processed and better understood.**

**At present, some 67% of MRM's ore resource is in "Inferred" JORC category since there has been no bulk sampling in five of the eight "domains" delineated in the explored part of the licence area (i.e. where the gravel bed has already been modelled). The second plant will be of considerable help in augmenting the current resource base and should also result in increasing the life-of-mine.**

2. Will the current auction cycle be sufficient to move the new supply, or will this process be redesigned?

This depends to some extent on the quality and quantities of rubies being produced. If market conditions remain fairly healthy, the current auction cycle will be able to accommodate much of the increased production. But, if required, an additional auction could be added to the calendar (or if large quantities of lower quality rubies are being produced then an auction that offer these lower qualities specifically will be considered). The second washing plant will also be of benefit in building an inventory of stock so we can better plan and supply the market. We have to date been rather “hand to mouth” – most of our available premium ruby goes to whichever auction is next and it would be nice instead to have something of a buffer.

All qualities of rubies are saleable (subject of course to price). We do have a large inventory of low quality material built up over years. We had hoped to sell this down in March 2020 but COVID scuppered these plans. We will likely seek to sell this when we are next able to host an auction in Singapore (where the material is already located). Given the extreme price variation in rubies based on quality, the sale of this material will bring in only very modest revenue.

3. Timing of the deployment of the plant.

Subject to a good end-of-year ruby auction in 2021, we expect construction of the second washing plant to occur through 2022 and that it will come online in Q1 2023. The associated increase in ruby production and revenue will therefore be seen in 2023.

END.