

Gemfields plc

("Gemfields" or the "Company")

Final results for the year to 30 June 2012

9 October 2012

Gemfields plc (AIM: GEM) is delighted to release its consolidated financial statements for the financial year ending 30 June 2012.

Key financial indicators:

- Revenue from emerald and beryl sales more than doubled to US\$83.7 million (2011: US\$40.2 million);
- Profit before tax and exceptional items increased by 140% to US\$47.8 million (2011: US\$19.9 million);
- Profit after tax, including the impairment reversal of the Kagem mine, of US\$161.5 million (2011: US\$21.4 million);
- Year-end cash at bank improved by 169% to US\$36.7 million (2011: US\$13.6 million);
- Estimated cost of emerald and beryl inventory on hand of US\$26.6 million (2011: US\$18.7 million);
- Post-tax NPV (at a 10% discount rate) of US\$372 million from SRK Consulting (UK) Limited's ("SRK") underground feasibility study for Kagem's principal pit, based on Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("JORC") compliant resource update.

Key operational developments during the financial year:

- Average monthly operating costs of US\$1.34 million (2011: US\$1.07 million);
- Ongoing significant waste moving programme at the Kagem mine to open new areas of ore;
- Total of 8.7 million tonnes (2011: 3.9 million) of rock handled;
- Annual production of 21 million carats, a 36% decrease in year-on-year production, reflecting the focus on waste removal during the first half of the year (2011: 33 million carats);
- Grade for the year reduced to 205 carats per tonne, a direct result of the lower grade areas being mined during the waste moving programme (2011: 478 carats per tonne);
- Acquisition of a 75% stake in the noteworthy Montepuez ruby deposit in Mozambique completed;
- Certificate of commendation awarded to Kagem by the Zambian Mines Safety Department in recognition of achieving two million injury-free shifts;
- Dynamic marketing initiatives implemented, increasing consumer awareness and supporting firm demand.

Key operational developments post financial year end:

- JORC Code compliant resource and reserve update and underground mining feasibility study for the principal pit at the Kagem emerald mine in Zambia;
- SRK reported an 'Indicated Mineral Resource' for the 'Fwaya Fwaya Pirala' emerald belt at Kagem of 2.75 million tonnes or 1.0 billion carats of emerald and beryl at 365 carats/tonne and an 'Inferred Mineral Resource' of 9,200 tonnes or 223,000 carats of emerald and beryl at 24.5 carats/tonne;
- Completion of the Kagem underground feasibility study. Accelerated underground construction and development to commence in FY 2014-15;
- Projected 20 year life-of-mine producing approximately 34 million carats per annum;
- Projected (non-discounted) cash flow over the life-of-mine of approximately US\$855 million;
- Promotion of Mr Devidas Shetty from the position of Group Chief Financial Officer to Group Chief Operating Officer;
- Appointment of Mr Mark Summers as Group Chief Financial Officer.

The Chairman's statement and the primary financial statements are set out below and are available to view on the Company's website at www.gemfields.co.uk. The full financial statements will be sent to the shareholders.

Ian Harebottle, CEO of Gemfields, commented:

“The past financial year has been an outstanding year for Gemfields. We have more than doubled our revenues, improved our profitability, expanded into new products and broadened the depth and breadth of our marketing and distribution activities. We can use this position of strength to support future growth and to solidify our position as “The Leading Coloured Gemstone Company”. Supported by the unwavering dedication and exceptional talent of my fellow team members, and the numerous exciting opportunities that we continue to be presented with, I remain convinced that this is yet still only the beginning.”

Webcast presentation

A webcast presentation will be held at 11am BST on Tuesday 9 October 2012. Participants may join the conference call and webcast of the results presentation by dialling one of the following numbers, approximately 10 minutes before the start of the call:

From UK (toll free): 08003681950
From South Africa (toll free): 0800 983 097
From rest of the world: +44 20 3140 0668
Participant PIN Code: 215704#

A live webcast of the results presentation will be available on the link below:

[Click here for the webcast](#)

Password: 387453

A recording will be available from 16:00 BST on 9 October 2012 on www.gemfields.co.uk.

Enquiries:

Gemfields	dev.shetty@gemfields.co.uk
Dev Shetty, COO	+44 (0)20 7518 3402

Canaccord Genuity Limited	
Nominated Adviser and Joint Broker to Gemfields	
Tarica Mpinga/Andrew Chubb	+44 (0)20 7523 8000

Neil Passmore	+44 (0)20 7155 8630
JP Morgan Cazenove	

Jos Simson/Emily Fenton	+44 (0)20 7920 3150
Tavistock Communications	

Chairman's statement

Dear Shareholder,

I am pleased to update you on a year of strong revenue and profit growth, driven primarily by our Kagem emerald mine in Zambia.

The results from our operations, supported by our marketing efforts, clearly indicate that Gemfields remains in a growth phase. I am confident we have built a sound platform on which to further develop the global coloured gemstone sector.

Over the last several years, management has committed a great deal of time and effort to improving the prevailing operational efficiencies at each of our respective business units. Those fundamentals ensure that our costs remain well contained, and support an orderly longer term increase in production levels.

In order to achieve optimal value for our gems and expand in new markets, the nature of the coloured gemstone industry requires a commitment to branding and promotional awareness initiatives. For this reason, Gemfields has developed a proprietary rough emerald grading system that has allowed us to offer a consistent supply of ethically sourced products at our international auctions. This has resulted in sound relationships with a number of downstream stakeholders who understand and share our vision of growing consumer awareness and demand for coloured gemstones across the globe. It is heartening indeed to see the direct outcome of some of these efforts in this set of results.

At Kagem, the past year has focused largely on the high-wall pushback programme to remove waste. This resulted in lower volumes of ore being mined, but has opened additional areas of ore for future production and this should have a positive effect on the forthcoming year's production levels. On the exploration front, we have stepped up our efforts to quantify the considerable number of opportunities that are available to us within our existing Zambian licence areas for additional open pit mining operations.

Of particular note this year has been the accelerated development of Montepuez, our Mozambican ruby project, which we believe has the potential to be one of the largest known ruby deposits in the world. At the time of writing, the bulk sampling project, comprising both mining and processing, is on track to commence by the end of the calendar year and we look forward to being able to offer rough rubies to our customers in 2013.

In addition to the various organic growth options available, Gemfields has established a mergers and acquisitions project team charged with evaluating the increasing number of projects offered to us.

Post the year end, SRK, the mining consultancy, concluded their underground feasibility study for the Kagem mine. This will extend the current open-pit operation to include a large scale underground operation. The study showed that the existing pit can be further developed as a high grade, low cost mine with robust project economics and a rapid payback period. This development, earmarked to start in the 2014/15 financial year, should prove to be economically enhancing to the Group and to our shareholders.

Much work remains to be done before coloured gemstones achieve the level of consumer recognition and respect that we believe they rightly deserve. However, our ever expanding marketing initiatives, combined with those of our customers and other stakeholders, continue to make inroads into new and established markets despite the prevalent global economic uncertainty. The past year has seen Gemfields firmly establish itself as the leading coloured gemstone producer and the next chapter demands that we continue to build on our successes to date in both the mining and marketing divisions of our business. The Group is well positioned to achieve its goals and I look forward in 2013 to updating shareholders on our progress, inter alia, in the development of our underground operations, the potential for further large scale mining within our existing emerald licences, the addition of rubies to our auctions in 2013 and in promoting greater desirability of coloured gemstones, and those produced by Gemfields in particular, with a global consumer audience.

Kagem Operations

- Mining**

Following the decision to open additional areas for future ore mining, large scale (in-house and contractor) waste mining on the high-wall started in earnest in June 2011, with the first sector of the pushback reaching the TMS zone (ore bearing talc-magnetite-schist) in the Chama section of the pit in early January 2012.

This programme gained pace throughout the year with over 8.7 million tonnes of waste (including TMS waste) and 103,000 tonnes of reaction zone (ore) having been mined during the period (2011: 3.9 million tonnes of waste and 69,000 tonnes of ore mined) at a stripping ratio of 85:1 (2011: 57:1). Whilst the stripping ratio reduced to 68:1 in the last quarter, management anticipates that this will continue to increase in the near term as larger areas of overburden are mined and the push-back project is accelerated. However, an overall increase in operating efficiencies and performance is expected as the stripping ratio stabilises in the medium term and as Kagem continues to be able to mine both waste and ore more efficiently.

Kagem's key annual production parameters are summarised below:

KAGEM Annual Production Summary	Units	Yr to 30 Jun 07	Yr to 30 Jun 08	Yr to 30 Jun 09	Yr to 30 Jun 10	Yr to 30 Jun 11	Yr to 30 Jun 12
Gemstone Production (Emerald + Beryl)	million carats	9.4	9.9	28.0	17.4	33.0	21.1
Ore Production (Reaction Zone)	'000 tonnes	29	42	80	61	69	103
Grade (Emerald + Beryl/Reaction Zone)	carats/tonne	325	233	349	286	478	205
Waste Mined (including TMS)	million tonnes	2.8	5.1	4.0	2.5	3.8	8.7
Stripping Ratio		96	120	50	42	57	85

The short-term focus on waste mining, combined with various external factors (including initial delays experienced by the contractor, heavier than anticipated rains during the year and reduced accessibility of higher grade ore areas due to accelerated waste mining) had an overall negative impact on gemstone production with 21 million carats (of emerald and beryl) produced during the year (2011: 33 million carats). Gratifyingly, production volumes continued to increase throughout the second half of the year.

Behavioural-based safety training was reintroduced to all Kagem employees throughout the year which has had a positive impact on the attitude of employees towards both work and safety. The mine has remained free of reportable accidents for the past two consecutive financial years and has received a certificate of commendation from the Mines Safety Department of Zambia in recognition of having achieved two million injury-free shifts. This is a significant achievement and our heartfelt congratulations are extended to all of our Kagem employees.

Gemfields' trial underground mining project achieved 283 metres of horizontal advance during the year (2011: 111 metres). Total cumulative linear development to 30 June 2012 was 471 metres (versus 188 meters at 30 June 2011), with a total of 4,174 tonnes of ore produced during the year (versus 2,968 tonnes in the prior year). Production mining has been the focus following the successful completion of the secondary escape route.

Approximately 353,222 carats were produced by the underground operation in the year ending 30 June 2012 (versus 117,740 carats in the prior year). Importantly, the results to date of the trial underground mining exercise, coupled with the SRK feasibility study for underground mining, provide a high level of confidence that larger scale underground mining of the Fwaya Fwaya Pirala belt on the Kagem licence should be pursued and is likely to further reduce overall operating costs while increasing the life of the mine considerably.

Approximately US\$4.5 million was invested in new and upgraded mining equipment during the year. Kagem was also successfully connected to the Zambian National Electrical Grid at cost of US\$600,000, reducing our carbon emissions and further improving operational efficiencies, with a saving of approximately US\$25,500 per month in energy and fuel costs.

- **Geology and Exploration**

At present, Kagem's principal mining operations lie on the Fwaya Fwaya Pirala emerald belt. Exploration work in respect of other emerald belts available within the Kagem mining licence area, including at Lushingwa, Fibolele and Libwente was initiated in earnest during the year. The exploration work, including extensive diamond-core drilling, is aimed at identifying primary target sites for additional open-pit operations.

Additional drilling and the extraction of more than 3,000 meters of core from the high wall side of the Fwaya Fwaya Pirala ore-body has confirmed the down dip extension of the TMS and pegmatites to a vertical depth of at least 200 meters from surface. An additional 3 kilometres of drilling has also been completed in the Fibolele area of the mining licence, and is soon to be supported by the initiation of appropriate bulk sampling.

- **Security**

Ongoing investment in security personnel and equipment has continued over the past year to ensure robust protection for Kagem's gemstone inventory, assets and facilities. Projects concluded during the year include upgrading of the CCTV systems, the installation of high power remote-operated PTZ (pan-tilt-zoom) cameras with infrared night capability and the erection of repeater masts for improved communication within the mine site. The success of these initiatives is evidenced by the number of theft attempts that have been thwarted, feedback from the marketplace and the general lack of unrest experienced throughout the licence area.

- **Mining Asset**

In 2009, the carrying value of Kagem Mining Limited was impaired following the Directors' review and assessment of the fair value of the assets to their recoverable amount. In view of the continued improvement in the market for emeralds and increasing production, the Directors undertook to assess and revalue the Kagem mining asset. Following the completion of the feasibility study and a positive report by SRK, the Directors have decided to reverse the permissible value of the previously impaired mine asset. This has been treated as an exceptional item.

- **Environment and Corporate Social Responsibility**

Kagem has achieved the highest level of environmental compliance, Category A, following the Zambian Environmental Protection Fund's annual environmental audit. Our commitment to the environment in which we operate continues to go beyond pure compliance and includes baseline bio-diversity studies and a commitment to ensure that we will one day leave the area in a better overall condition than that in which Gemfields first found it.

The Zero Carbon Project

Gemfields long-standing "Zero Carbon Project" has recently been updated to ensure compliance with potential future legislative changes and takes into account the entire Group's projected carbon footprint (covering the United Kingdom, India, Zambia and Mozambique). The rehabilitation of forest areas onsite and adjacent to the mine, through the planting of indigenous trees and the creation of fishing areas and farmland continues.

Corporate Social Responsibility

Gemfields continues to place a high level of importance on the creation and support of sustainable community development projects. These projects are decided on and developed in conjunction with the local communities indigenous to the area. Kagem has to date invested in excess of US\$500,000 in the creation and support of two clinics, three schools and two local farming cooperatives.

Kagem has continued to extend its support to the smaller scale miners operating within the Zambian emerald community through its Small Scale Miners' Assistance Program whereby geological, mining and other technical support is offered on a no cost basis.

Mergers and Acquisitions

Gemfields is increasingly consolidating its position as a global leader in the exploration, mining and marketing of coloured gemstones. Considerable potential with respect to the further development and consolidation of this sector still exists and has been given a degree of priority within the Group over the past year.

Various mining prospects exist within close proximity of the Group's existing operations (e.g. the Kafubu emerald area in Zambia and the Montepuez ruby area in Mozambique). In addition to the preferred prospects of the three major gemstones (emeralds, rubies and sapphires), a number of other less common but no less beautiful and fascinating gemstones also exist and often are worth considering. Other opportunities also exist outside of mining, but within the Group's historic core competencies of coloured gemstone mining and marketing (such as cut and polished gemstone sales and branded retailing), with each of these being considered and given the attention that they deserve.

A dedicated and skilled mergers and acquisitions team has been established within Gemfields with a view to improving our ability to appropriately evaluate the increasing number of opportunities offered to the Group.

Kariba Amethyst Mine

In line with the increased level of importance attributed to this project, production at the Kariba amethyst mine (held by Kariba Minerals Ltd in which Gemfields owns 50%, the balance being owned by the Government of the Republic of Zambia through ZCCM-IH) is returning to historic production levels (by volume) and demand continues to improve.

The quality and nature of the product supplied to the global markets has also improved significantly of late, delivering encouraging results. Kariba's leading position within the global amethyst market remains unchallenged despite the difficulties that have been faced by the mine over the past few years, and demand for its products remains firm in both of its present primary markets, namely India and China.

Subject to the resolution of various discussions that are currently in place between Gemfields and the Government of the Republic of Zambia, a sizeable increase in the level of investment in this mine and associated marketing initiatives to further increase the level of global awareness and demand for its products is due to take place.

Oriental Mining SARL

In 2008, Gemfields exercised its option to acquire the entire issued share capital of Oriental Mining SARL, a company incorporated in Madagascar ("Oriental"). Gemfields was granted the option by Rox Limited ("Rox") pursuant to an agreement between Gemfields and Rox dated 18th December 2007.

Oriental has 15 exploration licences covering emeralds, rubies, sapphires, tourmalines and garnets in the Antananarivo, Fianarantsoa and Toliara provinces of Madagascar. In addition, Oriental has the right to five exploration licences that are pending transfer approval from the Madagascan Ministry of Energy and Mines.

Madagascar is recognised as one of the most exciting coloured gemstone provinces in the world today, with several key discoveries having been made there during the last decade. Gemfields believes that, in the medium to long term, gemstone-related activity in the country has the potential to become a valuable part of Gemfields' asset portfolio. Given Madagascar's improving political and security environment, Gemfields has begun to increase its level of focus on Madagascar believing that this country's vast gemstones assets may conceivably offer a fair degree of potential scope for future development, should the current positive political trend continue.

Sales

- **Rough Sales and Auctions**

Gemfields offers its rough production of Kagem-mined emeralds and beryl to selected market participants by way of sealed-bid auctions, whereby all material placed on offer is certified by Gemfields to be natural, untreated and of Zambian origin. Gemfields benefits from a strong cash position and has confidence in the growing emerald market, opting not to sell any lots where the bids received do not meet its pre-determined

minimum reserve prices. Unsold lots are held back and mixed into new inventory for re-offering at future auctions.

This year, Gemfields achieved record revenues. This milestone is testament to the high level of demand that continues to be evident for our unique supply of ethical emeralds, supported by our ability to consistently supply well graded emeralds to carefully selected distribution partners, coupled with global marketing initiatives at both trade and consumer levels.

Gemfields held higher quality emerald auctions in July 2011 and March 2012, and lower quality emerald auctions in November 2011 and June 2011, totalling four auctions for the year. Selected companies drawn from Germany, India, Israel and the USA attended the auctions which saw 23.52 million carats of emerald and beryl being offered in 107 separate lots. The sales from these auctions totalled US\$77.8 million with 74 lots being sold. Total emerald and beryl sales (including rough material, geological specimens and cut-and-polished gemstones) totalled US\$83.7 million for the period. The results of the auctions are summarised below.

AUCTION RESULTS	JULY '11	NOVEMBER '11	MARCH '12	JUNE '12
Dates	11-15 Jul 2011	21-25 Nov 2011	19-23 Mar 2012	9-13 Jun 2012
Location	Singapore	Jaipur, India	Singapore	Jaipur, India
Type	Higher Quality	Lower Quality	Higher Quality	Lower Quality
Carats offered	1.07 million	10.83 million	0.77 million	10.85 million
Carats sold	0.74 million	9.82 million	0.69 million	3.47 million
No. of companies placing bids	38	27	29	20
Average no. of bids per lot	16	9	11	3
No. of lots offered	25	26	23	33
No. of lots sold	18	19	20	17
Percentage of lots sold	72%	73%	87%	52%
Percentage of lots sold by weight	69%	91%	89%	32%
Percentage of lots sold by value	91%	80%	94%	60%
Total sales realised at auction	US\$31.6 million	US\$11.0 million	US\$26.2 million	US\$9.0 million
Average per carat sales value	US\$42.71/carats	US\$1.12/carats	US\$38.25/carats	US\$2.61/carats

Gemfields continues to test levels of demand for rough emeralds from other sources of supply (i.e. traded emeralds). These emeralds, which are not certified as being mined by Gemfields, were offered at auctions running concurrently to the Kagem auctions. The present income generated from traded emerald rough remains immaterial in the context of Gemfields' own production, and the Group will continue to refine and evolve the opportunities of selling rough from other sources of supply.

Looking to the year ahead, Gemfields is expecting continued strong demand, particularly for its higher quality emeralds. The current global economic unease and the weaker Indian Rupee could result in the slowing of demand for the commercial and lower qualities, signals of which were evident at the most recent low quality auction held in June 2012. Given the Group's solid cash position and its vision for the growth and development of the emerald market, Gemfields holds back lots which do not achieve predetermined reserve prices.

- **Cut and Polished Sales**

In March 2011, Gemfields conducted comprehensive market research in the UK, US and European markets. The results showed that there was a clear need for additional suppliers of cut and polished Zambian emeralds within these markets. Due to the historic lack of reliable supply in these markets, retailers and designers had been

reluctant to incorporate Zambian emeralds in their designs and collections, and this was further influenced by limited knowledge of the differences in various sources of origin.

Armed with this research, a Gemfields team was established with the specific aim of accelerating the supply of cut-and-polished Kagem emeralds to these markets and to implement comprehensive staff training and consumer education.

Since its inception in 2011, Gemfields' (London-based) cut-and-polished sales office has achieved a high degree of success, initiating work with a number of leading manufacturers and retailers within the United Kingdom and Europe. Such has been the demand for their comprehensive and bespoke service, that a number of additional offices have been opened including Cape Town, Mumbai and Jaipur. Other key locations are currently under consideration. These four offices, in strategic international locations, fulfil a much needed service and will help to ensure a consistent supply of fine and commercial Gemfields Zambian emeralds globally.

Gemfields' cut-and-polished sales division has collaborated with a number of leading international luxury brands, including Gitanjali of India (with their dedicated emerald brand 'Envi'), Amrapali in London (with their 'Panna' collection) and Fabergé of Switzerland (where Gemfields supplied a suite of hand-picked and exceptionally rare emeralds for their prodigious 'Romanov' necklace). The division continues to work on initiatives with international designers globally and is constantly looking at key markets to further sales growth.

Marketing and Promotions

- **Advertising Campaign**

The new 'Rare Coloured Gemstones' advertising campaign was launched in June 2012 in leading trade, consumer and online publications. The advertising schedule included the UK, India, USA, South Africa and Hong Kong. Positive feedback was received from our retail partners. A news release announcing the advertising campaign was distributed, generating (at the time of writing) in excess of 3,500 online references and news articles internationally.

- **PR**

Gemfields continues to receive consistent, high quality press features including in publications such as the FT 'How To Spend It', Vanity Fair UK and Hello India.

- **International Indian Film Awards ("IIFA") Sponsorship**

Gemfields co-sponsored 'IIFA Rocks' and the 'IIFA Green Carpet' together with Indian jeweller Gitanjali. The 'IIFA Rocks' fashion show was hosted the day before the main event and included models wearing jewellery featuring Gemfields Zambian emeralds. Gemfields sponsored the IIFA party, attended by more than 500 high net worth individuals, with models wearing Gemfields Zambian emerald jewellery. Gemfields India has already received PR coverage valued at US\$350,000 and the greater association with IIFA is expected to generate in excess of US\$1 million of PR exposure.

- **Collaborations**

Gemfields participated in 'Brilliance' at the Masterpiece annual show held in London. 'Brilliance', curated by Carole Woolton, jewellery editor of Vogue UK, was a fine jewellery exhibition within the Masterpiece show. Gemfields sponsored Shaun Leane's jewellery creation, which featured Zambian emeralds. Other key designers and brands participating included, among others, Fabergé, Victoire de Castellane (for Dior) and De Beers.

Hannah Martin and Jordan Askill created pieces in advance for the Palladium Guild's 'Rock Vault' at London Fashion Week in September 2012.

- **Gitanjali and Gemfields**

Gemfields is partnering with one of India's largest jewellery retailers, Gitanjali (which operates over 4,000 points of sale), to launch a dedicated emerald brand, Envi. Gitanjali is expected to source around US\$2-3 million of polished emeralds from Gemfields during each year of the collaboration.

- **Gemfields New York Office**

Gemfields opened a marketing and PR office in New York in September 2012 which will spearhead Gemfields' growth in the US market.

- **Mozambique and Zambia Crossover**

Two sets of key Mozambican journalists and a representative from the Ministry of Mineral Resources, Mozambique, visited Zambia to see the level of investment that Gemfields has committed to the Kagem mine. The journalists sent very positive news reports to their relative publications and editorial appeared in 'Noticias' and TVM (Mozambique national television) explaining the professionalism and integrity of Gemfields and Kagem.

Post Reporting Period Events

- **Resource Update**

The Group completed a feasibility study to determine the mineral reserve estimates and viability of underground mining at the Kagem mine in Zambia. The study was prepared by SRK with a view to evaluating the available resource potential and the possibility of progressing the current open pit operation to that of a viable underground operation. The results of the study strongly support the progression to an underground mine and provide an indicative life-of-mine of 20 years.

SRK reported, inter alia:

- 'Indicated Mineral Resources' for Kagem (as at August 2012) of 2.75 million tonnes of mineralised ore at a grade of 365 carats of emerald and beryl per tonne of ore (a total of 1.0 billion carats of contained emerald and beryl); and
- 'Inferred Mineral Resources' of 9,200 tonnes of mineralised ore was reported at a grade of 24.5 carats of emerald and beryl per tonne of ore for a total of 223,100 carats of contained emerald and beryl.

SRK has undertaken a detailed financial analysis for the Kagem underground feasibility study. A model has been constructed using all of the production schedules, costs and financial parameters generated as part of the study. The model is expressed in real terms. SRK notes that at a 10% discount rate, pre-tax and post-tax NPVs are US\$579 million and US\$372 million respectively.

The base case price scenario provided by Kagem assumes an average emerald and beryl selling price of US\$2.44 per carat for 2012-13, which increases to US\$2.77 per carat for the period 2014 to 2015 followed by a further increase to US\$3.00 per carat thereafter for the rest of the life-of-mine. This profile is in real terms and results in an average price of US\$2.95 per carat.

It is noted that Kagem is presently realising per carat prices well in excess of the assumptions made in the feasibility study. However, a more conservative price profile has been modelled by SRK for the feasibility study, taking into account the prevailing global economic uncertainty. SRK report that the NPV (at a 10% discount rate) is approximately zero at an average price of USD 1.00 per carat. This, particularly in light of the current average emerald and beryl sales prices being achieved by Gemfields, illustrates robust economics.

An Environmental and Social Review of Kagem was undertaken and successfully completed by SRK as part of the feasibility study. The project was found to be in compliance with applicable Zambian environmental laws. Construction and development of the large scale underground project is expected to commence during 2014/15 financial year.

- **Bulk sampling – Montepuez Ruby Mining Lda ("MRM")**

Bulk sampling commenced at Montepuez, the ruby deposit in Mozambique in which Gemfields owns 75%, intersecting ruby mineralisation in both alluvial and bedrock horizons. In excess of 35,000 carats of corundum were recovered by 15 September 2012.

Significant progress has been achieved post the financial year end in terms of progressing bulk sampling and securing the sizeable licence area. 'Mining License' numbers 4702 and 4703 were issued in the name of MRM on 24 February 2012 and are valid for 25 years, effective from 11 November 2011. This was followed by the receipt of the respective environmental licences, valid for five years, and effective from 28 November 2011 to 28 November 2016. The process of land registration (called "DUAT") is well underway and a competent and highly experienced project management team is in place to implement the transition from being a start-up project to that of a professional and fully operational business unit.

During the first phase of initial mining operations a sizeable bulk sample is planned to support the assessment of the relative ore grades and commercial values at various target sites, underpinning the future development of a full-scale operational mine plan and JORC compliant resource statement. An initial fleet of mining equipment including an excavator, two articulated dump trucks, bulldozer, grader and a back hoe loader arrived on site during April 2012 and have since been commissioned and put to use in developing the basic mine infrastructure and commencing the preliminary bulk sampling projects.

The current focus is on the completion of the temporary base camp, setting up the mobile treatment plant and the pilot gemstone sorting and security areas. Security remains a priority and various initiatives, including the contracting of a premier private security agency, will continue to be implemented, in conjunction with the ongoing support of the local authorities and national security forces. The induction of employees, development of primary infrastructure and various social and community projects that have been initiated under the direction of local government will also continue throughout the coming months.

Outlook and Objectives for the Year Ahead

Objectives:

- Continue to contain costs and improve operating efficiencies across the Group;
- Increase the scale and volume of emerald production at the Kagem mine through:-
 - accelerated development and implementation of the larger scale underground mining plans, and
 - initiation of open cast mining on newly targeted sites existent within the Kagem mining licence.
- While amethyst remains an ancient, beautiful and yet undervalued gem, increased consumer demand for amethyst and the improved performance of this division will be supported by the recapitalisation of the Kariba amethyst mine, improved production volumes and increased marketing and promotional support;
- Progress the development of the Montepuez ruby mine to escalate production volumes and sales targets;
- Continue the roll-out of our global marketing initiatives, including:-
 - the appointment of brand ambassadors for the Group, promoting coloured gemstones; and
 - the expansion of our marketing footprint into new regions and a broader consumer base.
- Demand for ethical emeralds continues to remain firm across all major markets, with Gemfields' next higher quality rough emerald auction scheduled to take place in Singapore between the 29 October and 3 November 2012;
- Development of our mergers and acquisitions team in order to:-
 - support the evaluation of gemstone deposits offered and identified by Gemfields; and
 - ensure continuous review of additional growth opportunities with a specific focus on projects that offer Gemfields the potential to reduce our dependence on prevailing market forces and operating jurisdictions.

Outlook:

While the global economy remains uncertain, demand for ethically sourced rare coloured gemstones continues to increase across all major markets, including the USA, Europe, India and China. We are thus confident that this, coupled with Gemfields' proven operating efficiencies and accelerated expansion, sales and marketing initiatives, will support continued growth throughout the coming year.

Furthermore, our efforts to increase the production levels at each of our mines and to bring online certain targeted acquisitions, should serve to reduce our operating risks and ensure healthy production volumes for each of our core products. With sales being well supported by our ability to expand our existing and proven marketing initiatives across a broader target market, and given the various strategic initiatives that we have planned for the coming year, we remain encouraged by the opportunities that are available to us and their potential to secure our continued growth into the future.

Graham Mascall

8 October 2012

Gemfields PLC

Consolidated statement of comprehensive income

for the year ended 30 June 2012

	2012 US\$'000	2011 US\$'000
Revenue	83,715	40,157
Increase in inventory	7,936	2,136
Purchases	(5,683)	-
Mining and production costs	(17,668)	(14,484)
Depreciation and amortisation	(6,624)	(2,660)
Total cost of sales	(22,039)	(15,008)
Gross profit	61,676	25,149
Other income	316	98
Administrative expenses		
Other administrative expenses	(14,193)	(5,657)
Impairment reversal of evaluated mining properties	201,115	-
Impairment (charge)/credit of available-for-sale investments	(158)	313
Total Administrative expenses	186,764	(5,344)
Profit from operations	248,756	19,903
Finance income	246	110
Finance expenses	(76)	(111)
Profit before taxation	248,926	19,902
Tax (charge)/credit	(87,460)	1,544
Profit	161,466	21,446
Profit for the year attributable to:		
Owners of the parent	120,228	17,046
Non-controlling interest	41,238	4,400
	161,466	21,446
Earnings per share for profit attributable to the owners of the parent during the year		
Basic	US\$0.37	US\$0.05
Diluted	US\$0.36	US\$0.05

Gemfields PLC

Consolidated statement of comprehensive income (Continued)

for the year ended 30 June 2012

	2012 US\$'000	2011 US\$'000
Profit	161,466	21,446
Other comprehensive income		
Exchange gains arising on translation of foreign operations	307	-
	<hr/>	<hr/>
Total comprehensive income	161,773	21,446
	<hr/>	<hr/>
Total comprehensive income attributable to:		
Owners of the parent	120,535	17,046
Non-controlling interest	41,238	4,400
	<hr/>	<hr/>
	161,773	21,446
	<hr/> <hr/>	<hr/> <hr/>

Gemfields PLC

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Attributable to equity holders of the parent								
	Share capital	Share premium	Merger reserve	Option reserve	Cumulative translation reserve	Retained deficit	Total	Non-controlling interest	Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 30 June 2010	6,160	96,823	121,005	1,613	(7)	(205,164)	20,430	515	20,945
Profit for the year and other comprehensive income	-	-	-	-	-	17,046	17,046	4,400	21,446
Issue of shares	4	30	-	-	-	-	34	-	34
Share based payments	-	-	-	605	-	-	605	-	605
Cancelled options (old scheme)	-	-	-	(1,768)	-	1,768	-	-	-
Balance at 30 June 2011	6,164	96,853	121,005	450	(7)	(186,350)	38,115	4,915	43,030
Profit for the year	-	-	-	-	-	120,228	120,228	41,238	161,466
Other comprehensive income	-	-	-	-	307	-	307	-	307
Issue of shares	5	48	-	-	-	-	53	-	53
Share based payments	-	-	-	896	-	-	896	-	896
Cancelled options	-	-	-	(8)	-	8	-	-	-
Balance at 30 June 2012	6,169	96,901	121,005	1,338	300	(66,114)	159,599	46,153	205,752

The nature and purpose of each reserve within Shareholders' equity is described as follows:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The difference between the fair value of the shares issued as consideration for acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of shares are acquired.
Option reserve	Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options.
Cumulative translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.
Non-controlling interest	Amounts attributable to non-controlling shareholders.

Gemfields PLC

Consolidated statement of financial position

at 30 June 2012

	2012 US\$'000	2011 US\$'000
Non-current assets		
Property, plant and equipment	224,865	8,076
Available-for-sale Investments	1,567	1,725
Intangible asset	2,634	-
Deferred tax asset	-	2,205
	<u>229,066</u>	<u>12,006</u>
Current assets		
Inventory	27,979	20,054
Trade and other receivables	4,309	3,582
Cash and cash equivalents	36,737	13,649
Total current assets	<u>69,025</u>	<u>37,285</u>
Total assets	<u>298,091</u>	<u>49,291</u>
Non-current liabilities		
Deferred tax liability	(76,400)	-
Borrowings	(1,917)	-
Non-current provisions	(1,353)	(895)
	<u>(79,670)</u>	<u>(895)</u>
Current liabilities		
Trade and other payables	(8,102)	(3,807)
Current tax	(2,720)	(743)
Borrowings	(1,000)	-
Current provisions	(847)	(816)
	<u>(12,669)</u>	<u>(5,366)</u>
Total liabilities	<u>(92,339)</u>	<u>(6,261)</u>
Total net assets	<u>205,752</u>	<u>43,030</u>
Capital and reserves attributable to equity holders of the parent		
Share capital	6,169	6,164
Share premium	96,901	96,853
Merger reserve	121,005	121,005
Option reserve	1,338	450
Cumulative translation reserve	300	(7)
Retained deficit	(66,114)	(186,350)
	<u>159,599</u>	<u>38,115</u>
Non-controlling interest	46,153	4,915
Total equity	<u>205,752</u>	<u>43,030</u>

The financial statements were approved by the Board of Directors and authorised for issue on 08 October 2012.

Gemfields PLC

Consolidated statement of cash flows

for the year ended 30 June 2012

	2012 US\$'000	2011 US\$'000
Cash flows from operating activities		
Profit for the year after tax	161,466	21,446
Depreciation and amortisation	6,624	2,660
Taxation charge/(credit)	87,460	(2,251)
Impairment reversal of evaluated mining properties	(201,115)	-
Share-based payments	896	605
Finance income	(246)	(110)
Finance expense	76	111
Profit on sale of property, plant and equipment	(144)	(107)
Impairment charge/(reversal) of available for sale investments	158	(313)
(Increase) in trade and other receivables	(727)	(531)
Increase in trade and other payables	3,445	1,939
Increase/(decrease) in provision	489	(1,911)
(Increase) in inventory	(7,925)	(2,674)
Net cash inflow from operating activities	50,457	18,864
Taxation paid	(6,878)	-
Cash flows from investing activities		
Investment in Mozambican ruby licence	(1,784)	-
Interest received	246	110
Purchase of property, plant and equipment	(7,811)	(4,728)
Overburden removal costs	(14,490)	-
Sale of property, plant and equipment	147	107
Net cash flow from investing activities	(23,692)	(4,511)
Cash flows from financing activities		
Issue of ordinary shares	53	34
Repayment of borrowings	(83)	(3,506)
Receipt of loans	3,000	-
Finance expense	(76)	-
Net cash flow from financing activities	2,894	(3,472)
Net increase in cash and cash equivalents	22,781	10,881
Cash and cash equivalents at start of year	13,649	2,879
Exchange differences on translation	307	(111)
Cash and cash equivalents at end of year	36,737	13,649

Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards IFRS's and IFRIC interpretations, issued by the International Accounting Standards Board (ISAB) as endorsed for use in the EU ("Endorsed IFRSs") and those parts of the Companies Act 2006 that are applicable to companies that prepare their financial statements under IFRS.

The financial information for the years ended 30 June 2012 and 30 June 2011 does not constitute statutory accounts as defined by section 435 of the Companies Act 2006 but is extracted from the audited accounts for those years. The 30 June 2011 accounts have been delivered to the Registrar of Companies. The 30 June 2012 accounts will be delivered to Companies House within the statutory filing deadline. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 498 (2) of (3) of the Companies Act 2006.