

Gemfields PLC

("Gemfields" or the "Company")

Final results for the year ended 30 June 2010

6 October 2010

Consolidated financial statements of Gemfields PLC ("Gemfields" or "the Company"), formerly Gemfields Resources PLC, for the financial year ended 30 June 2010.

Key financial indicators:

- Maiden profits of US\$2,582,868 (2009: Loss of US\$201,407,565);
- Revenue from emerald sales of US\$19,906,203 (2009: US\$815,456);
- Cash at bank of US\$2,878,812 (2009: US\$6,868,789);
- Estimated value of emerald stock at hand US\$16,545,106 (2009: US\$17,715,627);

Key operational developments during the financial year:

- Average monthly operating costs at the Kagem mine reduced to US\$1.06 million (2009: US\$1.61 million);
- Average revenue per carat of rough emerald and beryl has increased to approximately US\$0.96 per carat after July 2010 auction;
- Successful marketing and promotional initiatives completed during the year including the World Land Trust's "Emeralds for Elephants" campaign and the Indian International Jewellery Show's (IIJS) "Jewellery Designer of the Year" awards;
- Operational and sales initiatives implemented at Kariba Mining Limited's amethyst mine resulting in improved performance of this division;
- Discovery of exceptional 6,225 carat 'Insofu' rough emerald at the Kagem mine;
- Appointment of Dev Shetty as CFO.

Key developments since the end of the period:

- Successful rough emerald auction conducted during July 2010 with record sales totalling US\$7.5 million;
- Encouraging production at the Kagem mine during July 2010 of 3.9 million carats of emerald and beryl, a trend which has continued during August and September 2010;
- Various exploration and other geological projects re-initiated within the Gemfields's Zambian and Madagascan licence areas.

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

Ian Harebottle, CEO of Gemfields, commented:

“Considering the extent of the challenges that we have faced over the past year, the vast number of new projects and the strategic changes that we have implemented across all divisions within the Group, I am rather pleased with our results and what has been achieved.

We are now well on our way to positioning Gemfields as a market leader within the Premium Coloured Gemstone sector. This is attested to by the recognition and respect that we have received from our colleagues within our industry and the number of exciting opportunities that we are now faced with. I look forward to embracing the year ahead supported by my team and in conjunction with our industry partners.”

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Gemfields PLC

Chairman's statement

Dear Shareholder,

Gemfields has achieved success in a number of key areas over the past year despite the challenging global economic climate. Gemstone markets have yet to recover fully and, as a result, many of the challenges presently facing Gemfields are likely to prevail for the foreseeable future. However, we are encouraged by the ongoing growth in demand for, and pricing of, our products.

Like so many other companies, Gemfields has been forced to re-evaluate its business methodologies and while this has not been easy, we have come through the past year stronger than before. We will continue to manage our business with a conservative approach throughout the coming year, monitoring the prevailing factors in our sector and adjusting accordingly.

I would like to thank each member of our team for their hard work and for the dedication I know they will deliver during the coming year. I would also like to thank you, our loyal shareholders, for your continued support and commitment to our company and our vision.

Strategic Review

The uncertainty in the global economy and its associated impact on the luxury goods sector motivated an in-depth strategic review of Gemfields' Group wide operations and a clear focus on core business. Following on from the stance taken in February 2009, Gemfields continues to prioritise:

- Reducing operating costs.
- Improving operating efficiencies.
- Delivering consistent and world-class supply of larger volumes of well-graded, quality rough emeralds to selected stakeholders.

A solid foundation has been established for further growth and improved profitability. Our strategic review has realised encouraging results and combined with improved operating environments, we are well positioned to deliver sustainable growth and success in the years ahead, as is demonstrated by our maiden profit and reduced operating costs.

While Gemfields' performance has been lower than projected at the time of readmission to AIM in June 2008, a solid base has been established and is providing a sound foundation for further growth and profitability as our operating environment continues to improve.

Operations

- *Mining – Kagem*

The Kagem emerald mine in Zambia is presently Gemfields' only operating emerald mine and serves as the source of emeralds and beryl for our downstream business. Given the level of uncertainty which continues to prevail in the global markets, Gemfields took the decision early in 2009 to reduce the scale of mining at Kagem and seek operational efficiencies. Operating costs averaged US\$193 per tonne of ore (known as "Reaction Zone") during the year under review, a reduction of 20% (compared to US\$241 per tonne in 2009), demonstrating improved operational efficiencies.

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
Gemstone Production (Emerald + Beryl)	million carats	9.4	9.9	28.0	17.4
Ore Production (Reaction Zone)	'000 tonnes	29	42	80	61
Grade (Emerald + Beryl/Reaction Zone)	carats/tonne	325	233	349	286
Waste Mined (including TMS)	million tonnes	2.8	5.1	4.0	2.5
Stripping Ratio		96	120	50	42

During the year, Kagem's operating cost averaged US\$0.73 per carat (counting both emerald and beryl production), compared to an average of US\$0.69 per carat in 2009. Although absolute costs have continued to fall, the per carat production costs increased slightly on account of lower production volumes.

The stripping ratio is anticipated to increase in the short to medium term as areas of overburden are mined in order to expand the levels of available ore, and is thus expected to have a commensurate impact on total mining costs.

The trial underground mining project continues to deliver encouraging results and has motivated the development of a comprehensive and in-depth underground mine plan, taking into account the entire Chama and Fwaya Fwaya mining areas. Given the prospect of being able to implement these plans in the foreseeable future, Gemfields is furthering its efforts to identify the most suitable area for the continuation of its opencast mining operations.

Post the delivery of three additional dump trucks and one excavator in 2009, an additional US\$3.9 million was spent on the acquisition of five new dump trucks and four excavators in 2010. The constant upgrading of the fleet is in line with the Gemfields' growth plans, its confidence in the mine's underlying profitability and its ongoing drive to improve operating efficiencies.

- ***Sales and Inventories***

Gemfields has elected to offer its rough production to selected market participants by way of sealed bid auctions where all material offered is certified by Gemfields as natural, untreated and of Zambian origin. Many of the world's top gem houses and emerald lapidaries are invited to attend these events.

During the period, Gemfields hosted high quality emerald auctions in July and November 2009 followed by a low quality emerald auction in March 2010. Some thirty companies drawn from Germany, India, Israel and the USA attended these events which saw 31.38 million carats of emerald and beryl offered in 102 separate lots. The sales from these auctions totalled US\$18.7 million with 89 out of the 102 lots being sold. The total sales after including specimens and cut and polished emeralds totalled US\$19.9 million. The results of the auctions are summarised below.

AUCTION RESULTS SUMMARY	JULY '09 AUCTION	NOVEMBER '09 AUCTION	MARCH '10 AUCTION
Dates	20-24 July 2009	23-27 November 2009	11-15 March 2010
Location	London, England	Johannesburg, South Africa	Jaipur, India
Type	Higher Quality	Higher Quality	Lower Quality
Carats offered	1.36 million	1.12 million	28.90 million
Carats Sold	1.36 million	1.09 million	22.80 million
No. of lots offered	27	19	56
No. of lots sold	26	14	49
Percentage of lots sold	96%	74%	88%
Percentage of lots sold by weight	99.8%	97.2%	78.9%
Percentage of lots sold by value	82%	76%	89%
Total sales realised at auction	US\$ 5.9 million	US\$ 5.6 million	US\$ 7.2 million
Average per carat sales value	US\$ 4.40 per carat	US\$ 5.10 per carat	US\$ 0.31 per carat

Significant interest in attending the Gemfields' auctions provides sound evidence of an increase in demand for our products across all grades. This trend was further demonstrated in the auction held in July 2010.

Despite the improving market conditions and demonstrated sales successes, Gemfields' Directors continue to prefer a conservative approach when estimating the possible net realisable value of the rough emerald inventories. Similarly, the internal valuation of the net realisable value of Gemfields' cut and polished emerald inventory has been assumed as the estimated value of the rough material consumed, plus the physical costs of cutting and polishing.

- ***Geology and Exploration***

Given the improving market and financial conditions, the decision has been taken to re-initiate a number of geological and exploration projects, some of which were put on hold in 2009 and some of which are new projects motivated by the developments that have taken place over the past year. These include:-

- Fwaya Fwaya 3 (FF3) - Work on the separate FF3 pit commenced in February 2010. The pit is currently around 30 metres deep, exposing one concordant and four discordant pegmatites over a strike length of 40 metres. A total of approximately 201kt of rock that has been handled to date (against a bulk sampling target of 500kt) and has generated 630t of Reaction Zone (ore) and produced approximately 10,000 carats of emerald and beryl;
- Geological and geotechnical assessment of the various Oriental Mining SARL licences areas in Madagascar; and
- The establishment of an in-house diamond-core drilling team, including the acquisition of a drill-rig, to facilitate continued drilling of various key target sites within the Gemfields's various Zambian emerald licence areas.

- ***Security***

Securing the Group's assets, protecting its people and limiting the theft of gemstones remain a key operational priority. While the various security initiatives implemented during the past year have begun to show positive results, and are attested to by a reduction in the volumes of material available in the informal markets neighbouring the mine, the reduction of theft and challenges of physically securing the mining licence area require the continuous efforts by our security team and is an ongoing challenge. Various capital projects have been investigated and are proposed for the coming year, including the installation of new and upgraded CCTV systems and associated IT infrastructure.

- ***Marketing and Promotions***

Apart from our core focus on rough emeralds, Gemfields is also in the process of repositioning itself as a leader in the mining and marketing of ethically-produced "Premium Coloured Gemstones"; gemstones that can be traced directly from mine to market.

These rebranding efforts include demonstrated successes in terms of the level of exposure achieved for the Group's products in leading trade and consumer magazines, the development of trade and consumer brochures, corporate and consumer DVDs and a comprehensive emerald training program made available to our distribution partners and retailers.

Further to the above, Gemfields has collaborated with the World Land Trust and eight world-class jewellery designers to create a unique 'pop up' collection of bespoke emerald jewellery. With a view to creating awareness of the World Land Trust's 'Indian Elephant Corridor' project and to raise crucial funds, the collection was placed on display at Selfridges Wonder Room and was auctioned by Sothebys to a select group of high profile personalities in June 2010. The auction was a considerable success.

- ***Environment and Corporate Social Responsibility***

Gemfields operates in compliance with relevant international environmental and safety standards. Kagem has been upgraded from category C to category B in the Environmental Council of Zambia's (ECZ) inspection for the renewal of statutory licences and the Environmental Protection Fund's (EPF) annual environmental audit reports, and is poised to be upgraded to category A in the coming year.

The Kagem mine's decommissioning and restoration provision was reviewed by independent specialists, African Mining Consultants, during the year. Based on their findings, a significant amount of this provision has been released. This release is shown as a credit in the statement of comprehensive income.

The Zero Carbon Project

Kagem embarked on a "Zero Carbon Project" in March 2009 involving the planting of circa 300,000 trees to neutralise the effect of emissions. In excess of 60,000 trees have been planted to-date.

Corporate Social Responsibility

Gemfields is committed to investing in sustainable community development projects. Such projects are developed in partnership with the local people living in close proximity to our operations and include the building and equipping of schools and a medical clinic and the development of local farming projects. A project team has been established to ensure that all social projects are undertaken in the best interests and with the support of the relevant community.

- ***Impairment***

The Directors took the decision to write down the value of Kagem to zero in the Gemfields' 2009 financial statements, driven largely by the ongoing uncertainty in the global economy, the loss-making performance of the Kagem mine during the preceding year and the lack of reliable emerald prices, therefore making it difficult to justify forecasts showing a positive cashflow with reasonable certainty.

With Gemfields now becoming increasingly optimistic that Kagem will become a viable operation in the foreseeable future, and in recognition of the fact that many of the previous uncertainties are either alleviating or better understood, Gemfields has initiated a re-assessment of the value of these assets.

- ***Kariba Amethyst Mine***

Production at the Kariba amethyst mine (held in Kariba Minerals Ltd of which Gemfields own 50%) is returning to historic levels by volume and demand for its product is improving in all markets. The quality of the supplied product has improved significantly and a strong focus on its core business is delivering encouraging results. Gemfields plans to increase the level of its commitment and investment in this division subject to resolution of increased ownership discussions with Government of the Republic of Zambia.

Key financial performance indicators

	2010	2009
Share price	£0.05	£0.06
Cash and cash equivalents	US\$2,878,812	US\$6,868,789
Emerald inventory	US\$16,545,106	US\$17,715,627
Revenue from emerald sales	US\$19,906,203	US\$815,456
Profit/(Loss) for the year	US\$2,582,868	US\$(201,407,565)

Oriental Mining S. a. r. l.

In 2008, Gemfields exercised its option to acquire the entire issued share capital of Oriental Mining s.a.r.l., 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 5 exploration licences that are pending approval from the Madagascan Ministry of Energy and Mines.

Madagascar is recognised as one of the most exciting colour 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 recently contracted Mineralogical and Petrological Services (“M.A.P.S.”) to undertake an geological and geotechnical assessment of the various licence areas.

New Appointments

Dev Shetty, a qualified chartered accountant with 10 years' of diverse international experience encompassing mergers and acquisitions, business start-ups, business turnarounds, strategic planning, treasury, tax and financial reporting, was appointed as CFO during the period.

Illegal mining activities within the Kagem Licence area

Kagem continues to experience illegal mining activity within the boundaries of the Kagem mining licence area. While the matter is as yet not fully resolved, Gemfields continues to work in cooperation with all key Zambian ministries in its efforts to ensure that an amicable and peaceful solution is implemented and Kagem’s legal rights are protected and respected.

Post reporting period events

Gemfields held an auction of (predominantly higher quality) rough emeralds in London from 19 to 23 July 2010. The auction was attended by 37 companies drawn from India, Israel and the United States. The auction saw 0.85 million carats offered, with 0.80 million carats being sold, raising record auction revenues of US\$7.5 million.

Gemfields’ next auction of (predominantly higher quality) rough emeralds is scheduled to take place during December 2010.

Outlook and Objectives for the year ahead

Objectives:

- Build on the solid rough sales platform that has been established and which is showing encouraging signs of growth;
- Continue to reposition and rebrand Gemfields as a world leader in the Premium Coloured Gemstone sector;
- Expand the underground mining project to a point where it can be initiated on a significantly larger scale;
- Expand open cast mining activities to new target sites within the Kagem licence area;
- Continue the focus on cost reduction and improved operating efficiencies;
- Focus on improved and upgraded security across the mine site supported by skilled manpower;
- Open a rough gemstone trading business in Kitwe, Zambia (aimed at purchasing rough emeralds from local dealers and small scale operators); and
- The establishment of a trial cutting facility on the mine to establish the feasibility of local beneficiation.

Outlook:

- Improving mining efficiencies, targeting of higher grade areas and further reducing relative operating costs continues to drive the Kagem mine plan. Possible expansion of mining activities within the Kagem mining licence will continue to be reviewed, assessed and implemented where appropriate.
- Gemfields continues to pursue its strategy of consolidating the supply chain and increasing consumer awareness. It is becoming increasingly evident that demand for the Gemfields' products is increasing across all levels within the supply chain, supporting increased prices and improving margins.
- While the year ahead will offer a number of challenges Gemfields is reasonably optimistic of its ability to achieve its targets of internal growth and expansion.

Graham Mascall

4 October 2010

Gemfields PLC

Consolidated statement of comprehensive income for the year ended 30 June 2010

	2010 US\$'000	2009 US\$'000
Revenue	19,906	815
(Decrease) / Increase in inventory	(1,169)	10,927
Mining and production costs	(11,784)	(17,447)
Total cost of sales	(12,953)	(6,520)
Gross profit/(loss)	6,953	(5,705)
Other income	199	246
Administrative expenses		
Other administrative expenses	(5,134)	(8,009)
Depreciation	(3,248)	(14,743)
Impairment of available-for-sale investments	(1,018)	(5,201)
Impairment of mining assets	-	(249,731)
Release of decommissioning liabilities	4,561	-
Total Administrative expenses	(4,839)	(277,684)
Profit/(loss) from operations	2,313	(283,143)
Finance income	10	1,423
Finance expenses	(822)	(9,358)
Profit/(loss) before taxation	1,501	(291,078)
Tax credit	1,082	89,670
Profit/(loss) and total comprehensive income/(loss) for the year	2,583	(201,408)
Attributable to:		
Equity shareholders of the parent	2,068	(164,757)
Minority interest	515	(36,651)
	2,583	(201,408)
Earnings/(loss) per share		
Basic	US\$0.01	US\$(0.51)
Diluted	US\$0.01	US\$(0.51)

All amounts relate to continuing activity.

Gemfields PLC

Consolidated statement of changes in equity for the year ended 30 June 2010

Attributable to equity holders of the parent

	Share capital \$000s	Share premium \$000s	Merger Reserve \$000s	Option Reserve \$000s	Cumulative Translation Reserve \$000s	Retained deficit \$000s	Total \$000s	Minority Interest \$000s	Total Equity \$000s
Balance at 30 June 2008	5,904	89,686	121,005	1,111	(7)	(43,568)	174,131	36,651	210,782
Total comprehensive loss for the year	-	-	-	-	-	(164,757)	(164,757)	(36,651)	(201,408)
Issue of new share capital (net of issue costs)	256	7,137	-	-	-	-	7,393	-	7,393
Share based payments	-	-	-	1,321	-	-	1,321	-	1,321
Expired options	-	-	-	(228)	-	228	-	-	-
Balance at 30 June 2009	6,160	96,823	121,005	2,204	(7)	(208,097)	18,088	-	18,088
Total comprehensive income for the year	-	-	-	-	-	2,068	2,068	515	2,583
Share based payments	-	-	-	274	-	-	274	-	274
Expired options	-	-	-	(865)	-	865	-	-	-
Balance at 30 June 2010	6,160	96,823	121,005	1,613	(7)	(205,164)	20,430	515	20,945

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 income.	Cumulative fair value of options charged to the statement of comprehensive income.
Cumulative translation reserve	Cumulative gains and losses on retranslating 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.
Minority interest	Amounts attributable to non-controlling shareholders.

Gemfields PLC

Consolidated statement of financial position at 30 June 2010

	2010 US\$'000	2009 US\$'000
Non-current assets		
Property, plant and equipment	6,008	5,993
Available-for-sale Investments	1,412	2,430
	<u>7,420</u>	<u>8,423</u>
Current assets		
Inventory	17,380	18,445
Trade and other receivables	3,051	1,620
Cash and cash equivalents	2,879	6,869
Total current assets	<u>23,310</u>	<u>26,934</u>
Total assets	<u>30,730</u>	<u>35,357</u>
Non-current liabilities		
Deferred taxation	(46)	(1,134)
Borrowings	-	(1,637)
Other non-current liabilities	(1,579)	(6,211)
	<u>(1,625)</u>	<u>(8,982)</u>
Current liabilities		
Trade and other payables	(2,204)	(2,640)
Current tax	(31)	(23)
Borrowings	(3,506)	(3,561)
Other current liabilities	(2,419)	(2,063)
	<u>(8,160)</u>	<u>(8,287)</u>
Total liabilities	<u>(9,785)</u>	<u>(17,269)</u>
Total net assets	<u>20,945</u>	<u>18,088</u>
Capital and reserves attributable to equity holders of the parent		
Share capital	6,160	6,160
Share premium	96,823	96,823
Merger reserve	121,005	121,005
Option reserve	1,613	2,204
Cumulative translation reserve	(7)	(7)
Retained deficit	(205,164)	(208,097)
	<u>20,430</u>	<u>18,088</u>
Minority interests	515	-
Total equity	<u>20,945</u>	<u>18,088</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 October 2010.

Dev Shetty
Director

Company Registration Number 05129023

Gemfields PLC

Consolidated statement of cash flows for the year ended 30 June 2010

	2010 US\$'000	2009 US\$'000
Cash flows from operating activities		
Profit/(loss) for the year before tax	1,501	(291,078)
Depreciation	3,248	14,743
Share-based payments	273	1,321
Finance income	(10)	(1,423)
Finance expense	822	9,358
Profit on sale of property, plant and equipment	(147)	-
Release of decommissioning liabilities	(4,561)	-
Impairment of evaluated mining properties	-	249,731
Impairment of available for sale investments	1,018	5,201
(Increase)/decrease in trade and other receivables	(1,431)	(469)
Increase/(decrease) in trade and other payables	(518)	(1,881)
Increase/(decrease) in provisions	369	(802)
(Increase)/(Decrease) in inventory	1,065	(10,945)
Net cash outflow from operating activities	1,629	(26,244)
Cash flows from investing activities		
Acquisition of available for sale investment	-	(7,631)
Interest received	10	974
Dividend received	-	449
Purchase of property, plant and equipment	(3,262)	(2,338)
Sale of property, plant and equipment	147	534
Net cash flow from investing activities	(3,105)	(8,012)
Cash flows from financing activities		
Issue of ordinary shares (net of issue costs)	-	7,360
Exercise of share options	-	33
Repayment of borrowings	(3,777)	(4,986)
Receipt of loans	2,085	-
Finance expense	(559)	(653)
Net cash flow from financing activities	(2,251)	1,754
Net decrease in cash and cash equivalents	(3,727)	(32,502)
Cash and cash equivalents at start of year	6,869	48,078
Exchange differences on translation	(263)	(8,707)
Cash and cash equivalents at end of year	2,879	6,869

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. 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 2010 and 30 June 2009 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 2009 accounts have been delivered to the Registrar of Companies. The 30 June 2010 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.