

Gemfields PLC

Report and Financial Statements

Year Ended

30 June 2012

Company Number 05129023

Gemfields PLC

Annual report and financial statements for the year ended 30 June 2012

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Directors

Ian Harebottle
Finn Behnken
Sean Gilbertson
Devidas Shetty
Graham Mascall
Clive Newall

Company Secretary and registered office

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Company number

05129023

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU.

Gemfields PLC

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.

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Chairman's statement (*Continued*)

Key financial indicators:

- Profit before tax and exceptional items US\$47,811,406 (2011: US\$19,901,429);
- Profit after tax US\$161,466,000 (2011: US\$21,445,643);
- Revenue from emerald and beryl sales of US\$83,714,737 (2011: US\$40,157,218);
- Cash at bank of US\$36,737,362 (2011: US\$13,648,654);
- Estimated cost of emerald and beryl inventory on hand US\$26,616,652 (2011: US\$18,680,755);
- 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 Piralala' 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.

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Chairman's statement (*Continued*)

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 Perala 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.

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Chairman's statement (*Continued*)

- **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.

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Chairman's statement (*Continued*)

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 Limited 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.

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Chairman's statement (Continued)

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 2012, 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/carat	US\$1.12/carat	US\$38.25/carat	US\$2.61/carat

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Chairman's statement (*Continued*)

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.

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Chairman's statement (*Continued*)

- **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

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Chairman's statement (*Continued*)

- '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.

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Chairman's statement (*Continued*)

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 Mascal

8 October 2012

Gemfields PLC
Report of the Directors
for the year ended 30 June 2012

The Directors present their report together with the audited financial statements for the year ended 30 June 2012.

Results and dividends

The consolidated statement of comprehensive income is set out on page 17 and shows the profit for the year.

The Directors do not recommend the payment of a dividend (2011 - Nil).

Principal activities

The Group is in the business of exploring, mining, processing and selling coloured gemstones.

The Company provides administration services to the Group and has a cut and polished emerald sales function.

Business review

The consolidated statement of comprehensive income is set out on page 17 and shows a profit after tax for the year of US\$161.5 million (2011 - US\$21.4 million).

A review of the business and its operations including mining key performance is contained in the Chairman's Statement, on pages 1 to 10.

Financial instruments and risks

The Group's financial instruments comprise trade and other receivables, cash and cash equivalents and items arising directly from its operations such as trade payables, available for sale investments, other receivables and borrowings. The main financial risks arising from the Group's activities are credit risk, price risk, interest rate risk and currency risk. These are monitored by the Board of Directors and are not considered to be significant.

The Group is exposed to changes in the price of emeralds and the Directors accept that the quality and quantity of emeralds discovered is not guaranteed but this is part of the normal course of business.

Through its cash deposits the Group is exposed to interest-rate risk and credit risk. The Group's policy is to keep cash balances in sterling and US dollars unless immediately required in another currency and to place cash on deposit with reputable institutions. The Group does not use any hedging instruments.

The Group's majority of sales are rough emeralds. These are sold by way of auction and hence have minimal credit risk because the Group's policy is generally to ship the emeralds to the customer only once payment has been received.

The Group entered into a US\$9.3 million debt facility with Barclays Bank Zambia plc. This facility has been entered into by Kagem Mining Limited and will be drawn down within one year and is repayable over a period of 36 months in monthly instalments from the date of first drawdown. The initial drawdown of US\$3.0 million was made during the year, of which \$2.9 million was outstanding at the year end.

The Directors have considered the Group's exposure to liquidity and cash flow risks and they consider that the Group has adequate funds to finance current operations (note 24).

Going concern

Following a review of the Group's financial position, the Directors have concluded that sufficient financial resources will be available to meet the Group's current and foreseeable capital requirements. On this basis, they consider it appropriate to prepare the financial statements on a going concern basis.

Gemfields PLC

Report of the Directors for the year ended 30 June 2012 (*Continued*)

Principal risks and uncertainties

The Group operates in an uncertain environment that may result in increased risk, costs pressures and schedule delays. The following is the key risk that the Group faces:

Exploration and development risk

There is no assurance that the Group's development activities will be successful. Accordingly, the Group is seeking to balance this risk by building a portfolio of projects and licence areas that carry a range of differing technical and commercial risks, and keeping under careful review the amount invested in any one project.

The Group's operations may also be curtailed, delayed or cancelled as a result of economic, environmental and political conditions in the area of operation. Key risks include the possible loss of mining licences, operational delays, the erratic nature of gemstone geology, the theft of gemstones, the dependence on diesel for equipment operations, the volatility of oil prices and consumer demand for coloured gemstones.

Key performance indicators

The key performance indicators of the Group are set out in the Chairman's Statement, on pages 1 to 6.

Directors

Details of the Directors at the year-end are disclosed in the contents page.

Messrs Graham Mascal and Sean Gilbertson retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Directors' responsibilities

The directors are responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practise (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;

Gemfields PLC

Report of the Directors for the year ended 30 June 2012 (*Continued*)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Policy and practice on the payment of creditors

Whilst no formal code is adopted, the Company's current policy concerning the payment of its creditors is to:

- settle the terms of payment with creditors when agreeing the terms of each transaction;
- ensure that these creditors are made aware of the terms of payment by the inclusion of relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

At the reporting date creditor payment days are 39 (2011 - 72).

Charitable and political donations

During the year, and in the previous year, the Company did not make any charitable or political contributions.

Events after the reporting period

Details of events after the reporting date are disclosed in note 26.

Related party transactions

Details of related party transactions are given in note 21. Key management disclosures are disclosed in note 5.

Independent Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Gemfields PLC

Report of the Directors for the year ended 30 June 2012 (*Continued*)

Disclosure of information to the independent auditors

All of the current Directors have taken all the steps they ought reasonably to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Devidas Shetty

Secretary

08 October 2012

Gemfields PLC

Report of the independent auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEMFIELDS PLC

We have audited the financial statements of Gemfields plc for the year ended 30 June 2012 which comprise consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position and Company balance sheet, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

Gemfields PLC

Report of the independent auditors (*Continued*)

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
United Kingdom*

08 October 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Gemfields PLC

Consolidated statement of comprehensive income

for the year ended 30 June 2012

	Note	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	3	(17,668)	(14,484)
Depreciation and amortisation	10	(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	25	201,115	-
Impairment (charge)/credit of available-for-sale investments	25	(158)	313
Total Administrative expenses		186,764	(5,344)
Profit from operations	4	248,756	19,903
Finance income	6	246	110
Finance expenses	6	(76)	(111)
Profit before taxation		248,926	19,902
Tax (charge)/credit	7	(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	8	US\$0.37	US\$0.05
Diluted	8	US\$0.36	US\$0.05

The notes on pages 22 to 53 form part of these financial statements.

Gemfields PLC

Consolidated statement of comprehensive income (Continued)

for the year ended 30 June 2012

	Note	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.

The notes on pages 22 to 53 form part of these financial statements.

Gemfields PLC

Consolidated statement of financial position

at 30 June 2012

	Note	2012 US\$'000	2011 US\$'000
Non-current assets			
Property, plant and equipment	10	224,865	8,076
Available-for-sale Investments	11	1,567	1,725
Intangible asset	9	2,634	-
Deferred tax asset	18	-	2,205
		<u>229,066</u>	<u>12,006</u>
Current assets			
Inventory	13	27,979	20,054
Trade and other receivables	14	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	18	(76,400)	-
Borrowings	17	(1,917)	-
Non-current provisions	16	(1,353)	(895)
		<u>(79,670)</u>	<u>(895)</u>
Current liabilities			
Trade and other payables	15	(8,102)	(3,807)
Current tax		(2,720)	(743)
Borrowings	17	(1,000)	-
Current provisions	16	(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	19	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.

Devidas Shetty
Director

Company Registration Number 05129023

The notes on pages 22 to 53 form part of these financial statements.

Gemfields PLC

Consolidated statement of cash flows

for the year ended 30 June 2012

	Note	2012 US\$'000	2011 US\$'000
Cash flows from operating activities			
Profit for the year after tax		161,466	21,446
Depreciation and amortisation	10	6,624	2,660
Taxation charge/(credit)		87,460	(2,251)
Impairment reversal of evaluated mining properties	25	(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	25	158	(313)
(Increase) in trade and other receivables	14	(727)	(531)
Increase in trade and other payables		3,445	1,939
Increase/(decrease) in provision		489	(1,911)
(Increase) in inventory	13	(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	10	(7,811)	(4,728)
Overburden removal costs	10	(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

Gemfields PLC

Notes forming part of the financial statements

for the year ended 30 June 2012

1 Accounting policies

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.

In forming its opinion as to going concern, the Board prepares a working capital forecast based upon its assumptions as to trading as well as taking into account the available borrowing facilities in line with the capital management policies referred to in note 24. The Board also prepares a number of alternative scenarios modelling the business variables and key risks and uncertainties. Based upon these, the Board has concluded that the Group has adequate working capital and therefore confirm their belief that it is appropriate to use the going concern basis of preparation for the financial statements of the Company and the Group.

The financial statements of the Group for the year ended 30 June 2012 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union.

The Group financial statements consolidate the financial statements of the Company and its subsidiaries (together referred to as “the Group”). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

The IFRS financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 July 2011:

(a) Standards, amendment and interpretations effective in the year ended 30 June 2012

The following were amendments to published standards and interpretations to existing standards effective in the year and adopted by the Group.

Name	Mandatory effective date	Description and guidance
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	1 January 2012	IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale.
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	1 July 2012	This amendment requires companies to group together items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendment also seeks to reaffirm existing requirements that items in profit or loss and OCI should be presented as either a single statement or two consecutive primary statements. The changes do not address which items should be presented in OCI or which items should be recycled through profit or loss and when this should occur.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

1 Accounting policies (Continued)

(b) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IFRS 10*	Consolidated Financial Statements	1 Jan 2013
IFRS 11*	Joint Arrangements	1 Jan 2013
IFRS 12*	Disclosure of Interests in Other Entities	1 Jan 2013
IFRS 13*	Fair Value Measurement	1 Jan 2013
IAS 27*	Separate Financial Statements	1 Jan 2013
IAS 19	Employee Benefits	1 Jan 2013
IAS 28*	Investments in Associates and Joint Ventures	1 Jan 2013
IFRIC 20*	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013
IAS 32*	Offsetting Financial Assets and Financial Liabilities	
IFRS 9 *	Financial instruments	1 Jan 2013

The Group has not yet assessed the impact of IFRS 9. Except for the amended disclosure requirements of IAS 24 (the above revised standards), amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

The above standards, interpretations and amendments will not significantly affect the Group's results or financial position. The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material effect on the presentation, classification, measurement and disclosures of the Group's financial instruments.

Items marked * had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. For the impairment reversal, non-controlling interest is calculated on the relevant proportion of the balances recognised within the subsidiary.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

1 Accounting policies *(Continued)*

Foreign currency

The Group financial statements are presented in United States Dollars (US\$).

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the translation of unsettled monetary assets and liabilities are similarly recognised immediately in the consolidated statement of comprehensive income.

On consolidation, the results of overseas operations are translated into US\$ at rates approximating those prevailing when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "cumulative translation reserve").

Exchange differences recognised in the statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the cumulative translation reserve on consolidation.

Financial assets and liabilities

The Group classified its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as either held to maturity or fair value through profit and loss.

Loans and receivables:- these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value and subsequently carried at amortised cost.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Cash and cash equivalents are defined as cash in hand and short term deposits made for varying periods of between one day and three months.

Available-for-sale:- Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available for-sale reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the statement of comprehensive income. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the income statement. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the statement of comprehensive income.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (*Continued*)

1 Accounting policies (*Continued*)

Financial liabilities

Financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method.
- Borrowings are measured at inception at fair value, net of directly attributable transaction costs. Subsequently they are measured at amortised cost using effective interest rate method.

The Group has not classified any financial liabilities as “fair value through profit or loss” financial liabilities.

Intangible assets

Initial exploration and evaluation expenditure incurred in relation to project areas to which the Group’s licences and rights relate are capitalised on a project-by-project basis pending determination of the feasibility of the project within intangible assets – unevaluated mining properties. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures are transferred to property, plant and equipment at which point they are assessed for impairment. Subsequently costs are amortised over the estimated life of the commercial ore reserves using a unit of production method. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. The amounts attributed to such intangibles are arrived at using appropriate valuation techniques. (See section on critical estimations and judgements).

Stripping costs

Stripping costs incurred in the development of a pit in-house or by an independent contractor before production commences are capitalised as part of the cost of developing the pit and subsequently amortised over the mining of the ore (known as reaction zone).

Investment in Joint Ventures

Joint ventures are entities in which the Group holds a long term interest and which are jointly controlled by the Group and one or more joint venture partners under contractual arrangements. The Group’s interest in such jointly controlled entities is accounted for using the equity method in accordance with IAS 31.

Revenue

Revenue and associated costs from the sale of emeralds are recognised when control together with the risks and rewards of ownership are transferred to the customer. For rough emeralds, this transfer of ownership is deemed to occur at the date of receipt of cash while for cut and polished emeralds, transfer of ownership is deemed to occur at the date the invoice is raised and the customer has taken ownership of the emeralds.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (*Continued*)

1 Accounting policies (*Continued*)

Share-based payments

The Company issues equity-settled share based payments in the form of share options to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest.

If an option is cancelled or settled in advance of the vesting date, the cancellation or settlement is accounted for as an acceleration of vesting. Therefore, the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately.

Fair value is estimated using a Black-Scholes valuation model.

Impairment

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may be different to the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down. Where the carrying value of an asset is below its recoverable amount (i.e. the lower of value in use and fair value less costs to sell), impairment charged in respect of the asset is reversed accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the level of the cash generating unit ("CGU") the asset is part of (i.e. the lowest level group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the consolidated statement of comprehensive income.

The Group's CGUs are determined on an operational basis and have been identified as the Kagem mine, Indian operations and UK Head office.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of any lease incentive is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Evaluated mining properties are amortised on the basis of ore mined in the year. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings - 1-5% per annum straight line
Plant, machinery and motor vehicles - 20-25% per annum straight line
Fixtures, fittings and equipment - 20-25% per annum straight line
Evaluated mining properties - unit of ore mined

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (*Continued*)

1 Accounting policies (*Continued*)

Inventory

Inventory, consisting of rough and finished emeralds, has been valued at lower of cost and net realisable value. Cost includes direct production costs, depreciation of mining equipment and amortisation of deferred stripping costs. Net realisable value is the estimated market value based on past auctions, less estimated costs to sell.

During the process of extracting emeralds, beryl is also produced. This production is treated as a by-product, and is measured at net realisable value. The net realisable value is accounted for as a contribution to the costs of producing emeralds in the equivalent period. Upon sale of the beryl, the sale is recognised as revenue, with any profit over its previous carried value being recognised within revenue in the period of sale.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group Company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Provision for decommissioning and restoration

A provision for decommissioning and restoration costs is recognised at the commencement of mining. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also created, which is subsequently depreciated as part of the cost of production. Any change in the present value of the estimated future expenditure is reflected and adjusted against the provision and evaluated mining property, unless the asset to which the provision relates has been impaired in which case the reversal of the provision is taken through the statement of comprehensive income.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

1 Accounting policies *(Continued)*

Other provisions

Provisions are recognised for liabilities of uncertain timing or amounts that have arisen as a result of past transactions. Kagem Mining employees are on fixed term contracts and most of them are entitled to end of contract benefits. From time to time it is necessary for the Group to defend itself against legal claims that may or may not result in the Group having to make a financial settlement. Provisions for anticipated settlement costs and associated expenses arising from any legal and other disputes are made where a reliable estimate can be made of the probable outcome of the dispute. Where it is not possible to make such an estimate, no provision is made.

Critical accounting estimates, judgements and assumptions

In the process of applying the Group's accounting policies, which are described above, the directors have made judgements, estimations and assumptions regarding the future. The judgements, estimations, and assumptions that have the most significant effect on the amounts recognised in the financial statements are detailed below.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

(a) Useful lives of intangible assets and property, plant and equipment (Note 9 and 10)

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

(b) Carrying values of evaluated mining properties

The directors took the decision to write down the value of Kagem to zero in the Gemfields' 2009 financial statements, driven largely by the on-going 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 cash flow with reasonable certainty. In view of the continued improvement in the market for emeralds and increasing production, the directors undertook to reassess 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 value of the mine asset previously impaired.

(c) Stripping costs (Note 10)

Stripping costs incurred in opening up new ore areas are capitalised as part of the cost of developing the pit and subsequently amortised over the mining of the ore (known as the reaction zone). This is reported under property, plant and equipment.

(d) Inventories (Note 13) The Group reviews the net realisable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include competitor actions and economic trends.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

1 Accounting policies (Continued)

(e) Share-based payments (Note 23)

The Group has an equity-settled share-based remuneration scheme for employees and directors. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant based on certain assumptions. Those assumptions are described in note 23 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number of options expected to vest.

(f) De-commissioning provision (Note 16)

The Company is required to restore the mining sites at the end of their useful lives to a condition acceptable to the relevant authorities and consistent with the company's environmental policies.

The expected cost of any committed decommissioning or restoration programme, discounted to its net present value, is provided and capitalised at the beginning of each project. The capitalised cost is depreciated over the expected life of the asset and the increase in the net present value of the provision for the expected cost is included in the statement of comprehensive income.

Subsequent changes in the initial estimates of rehabilitation and decommissioning costs that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate are added to or deducted from the cost of the related asset in the current period.

Where the change results in a reduction in the liability, the cost deducted from the asset shall not exceed the carrying amount. If a decrease in the liability exceeds the carrying amount, the excess is recognised immediately in the statement of comprehensive income.

Where the change results in an increase in the cost of the asset, the amount is capitalised as part of the cost of the item and depreciated prospectively over the remaining life of the item to which it relates. The new carrying amount is also compared to the recoverable amount of the asset and if there is any indication that the carrying amount is not fully recoverable, an impairment test is conducted in accordance with the impairment policy. These estimates are reviewed annually.

(g) Available-for-sale investments (Note 11)

There was a decrease in the market value of the investment in Richland Resources Limited (previously called TanzaniteOne Limited). This decrease in value has been recognised in the statement of comprehensive income, in accordance with IAS 39.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

2 Segmental analysis

The Group operated in four principal operating segments. The reporting on these investments to management focuses on revenue, operating costs and capital expenditure. The impact of such criteria is discussed further in the Chairman's Statement on pages 1 to 10 of the annual report.

	Zambia	UK (Corporate)	India	Mozambique	Total
2012	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenues	57,833	3,300	22,582	-	83,715
Share of operating profit/(loss)	240,312	(10,201)	19,615	(970)	248,756
Net finance expense	176	107	(111)	(2)	170
Profit/(loss) after tax	153,593	(10,094)	18,939	(972)	161,466
Total non-current assets	221,043	4,603	82	3,338	229,066
Total non-current liabilities	(79,670)	-	-	-	(79,670)
Total assets	257,151	26,092	11,381	3,467	298,091
Total liabilities	(88,351)	(3,772)	(11)	(205)	(92,339)
<i>Other charges</i>					
Depreciation and amortisation	6,573	37	14	-	6,624
Impairment (reversal)/charge	(201,115)	158	-	-	(200,957)
Share based payments charge	-	896	-	-	896

These figures are presented after intercompany adjustments have been accounted for. Revenue from the Zambian operations is derived from rough emeralds while revenue for the UK and Indian operations is derived from rough emeralds and cut and polished emeralds. UK (Corporate) is the combination of UK companies, BVI companies, Canadian and Singaporean companies.

	Zambia	UK (Corporate)	India	Mozambique	Total
2011	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenues	26,060	3,123	10,974	-	40,157
Share of operating profit/(loss)	12,457	(3,087)	10,533	-	19,903
Net finance expense	13	96	(110)	-	(1)
Profit/(loss) after tax	14,714	(2,991)	9,723	-	21,446
Total non-current assets	10,088	1,834	84	-	12,006
Total non-current liabilities	(895)	-	-	-	(895)
Total assets	29,875	10,895	8,521	-	49,291
Total liabilities	(4,091)	(1,425)	(745)	-	(6,261)
<i>Other charges</i>					
Depreciation	2,620	27	13	-	2,660
Impairment reversal	-	(313)	-	-	(313)
Share based payments charge	-	605	-	-	605

These figures are presented after intercompany adjustments have been accounted for.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

3 Mining and production costs

	2012 US\$'000	2011 US\$'000
Fuel costs	2,729	3,605
Labour costs	5,848	5,804
Repairs and maintenance	2,609	1,536
Mineral royalties	3,971	1,581
Blasting	733	665
Other mining and processing costs	1,778	1,293
	17,668	14,484
	17,668	14,484

4 Profit from operations

	2012 US\$'000	2011 US\$'000
This has been arrived at after charging:		
Auditors' remuneration		
- Fees payable to the Company's auditor for the audit of the Group and Company's annual accounts	81	62
- Fees payable to the Company's auditor for the audit of the Zambian subsidiaries	37	30
Staff costs (Note 5)	8,841	6,841
Directors' remuneration (Note 5)	1,901	1,564
Depreciation and amortisation	6,624	2,660
Impairment reversal of evaluated mining properties (Note 25)	(201,115)	-
Impairment charge/(reversal) of available-for-sale investments (Note 25)	158	(313)
Operating lease costs – land and buildings	89	76
Share based payments	896	605
Profit on sale of property, plant and equipment	(144)	(107)
Exchange differences	136	111

Included in the Group audit fee is an amount of US\$28,600 (2011 - US\$22,000) in respect of the Company.

The staff costs above include US\$5,847,914 relating to mining and production costs (2011 – US\$5,803,514).

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

5 Employees and Directors

	2012 Number	2011 Number
Administration staff	143	80
Mining staff	380	359
	<hr/>	<hr/>
Average number of employees	523	439
	<hr/> <hr/>	<hr/> <hr/>
	US\$'000	US\$'000
Gross salaries	9,995	6,515
Social security costs	330	326
	<hr/>	<hr/>
	10,325	6,841
	<hr/> <hr/>	<hr/> <hr/>

2012

	Fees/ salary US\$'000	Bonus payments US\$'000	Share based payments US\$'000	Total US\$'000
Executive Director - Ian Harebottle	397	397	163	957
Executive Director - Devidas Shetty	286	286	113	685
Executive Director - Sean Gilbertson	-	-	-	-
Non-Executive Director - Finn Behnken	-	-	-	-
Non-Executive Director - Clive Newall	34	-	57	91
Non-Executive Director - Graham Mascall	85	-	83	168
	<hr/>	<hr/>	<hr/>	<hr/>
Total directors and key management 2012	802	683	416	1,901
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The directors are considered to be key management.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

5 Employees and Directors *(Continued)*

2011

	Fees/ salary US\$'000	Bonus payments US\$'000	Share based payments US\$'000	Total US\$'000
Executive Director - Ian Harebottle	358	318	148	824
Executive Director - Devidas Shetty	191	191	67	449
Executive Director - Sean Gilbertson	-	-	52	52
Non-Executive Director - Finn Behnken	-	-	16	16
Non-Executive Director - Clive Newall	31	-	48	79
Non-Executive Director - Graham Mascall	77	-	67	144
Total directors and key management 2011	657	509	398	1,564
	657	509	398	1,564

6 Finance income and expense

	2012 US\$'000	2011 US\$'000
Finance income		
Interest received	246	110
	246	110
Finance expense		
Interest on bank loans and overdrafts	212	-
Exchange differences on translation	(136)	111
	76	111
	76	111

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

7 Taxation of profit for the period

	2012	2011
	US\$'000	US\$'000
<i>Current tax</i>		
Tax charge for year – Zambia and India	8,855	707
<i>Deferred tax</i>		
Deferred tax charge/(credit) (Note 18)	78,605	(2,251)
	<hr/>	<hr/>
Taxation charge/(credit)	87,460	(1,544)
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the year is higher (2011: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2012	2011
	US\$'000	US\$'000
Profit on ordinary activities before tax	248,926	19,902
	<hr/> <hr/>	<hr/> <hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011: 28%)	64,721	5,573
Effects of:		
Permanent differences	563	673
Different tax rates applied in overseas jurisdictions	22,176	(7,790)
Deferred tax (Note 18)	(78,605)	2,251
	<hr/>	<hr/>
Current tax charge	8,855	707
	<hr/> <hr/>	<hr/> <hr/>

A number of changes to the UK corporation tax system were announced in the budget statement on 21 March 2012 which will reduce the Company's future tax rates accordingly. The Government utilised the Provisional Collection of Taxes Act 1968 to pass a resolution to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012. Further reductions to the main tax rate are proposed to reduce the rates to 23% and 22% by 1 April 2013 and 1 April 2014 respectively.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

8 Earnings per share

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. During the year, the weighted average number of equity shares in issue is 324,556,550 (2011 - 324,131,527) and the profit, being profit after tax attributable to equity holders of the parent is US\$120,227,816 (2011 - US\$17,045,957).

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. The calculation, of the dilutive potential ordinary shares related to employee and director share option plans, includes only those options with exercise prices above the average share trading price for each period.

	2012 US\$'000	2011 US\$'000
Earnings per share for profit attributable to the owners of the parent during the year used in basic and dilutive calculation	120,228	17,046
Basic weighted average number of shares	324,556,550	324,131,527
Dilutive potential of ordinary shares		
Employee and director share option plans	11,578,332	8,345,000
Diluted weighted average number of shares	336,134,882	332,476,527
Earnings per share		
- Basic	0.37	0.05
- Diluted	0.36	0.05

Details of the share options are in note 23. The calculation of the diluted EPS assumes all criteria giving rise to the dilution of the EPS are achieved and all outstanding share options are exercised.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

9 Intangible assets

	Unevaluated mining properties US\$'000	Montepuez mining project US\$'000	Total US\$'000
<i>Cost</i>			
At 1 July 2011	12,514	-	12,514
Additions	-	2,634	2,634
	-----	-----	-----
At 30 June 2012	12,514	2,634	15,148
	=====	=====	=====
<i>Impairment</i>			
At 1 July 2011	(12,514)	-	(12,514)
At 30 June 2012	(12,514)	-	(12,514)
	-----	-----	-----
	=====	=====	=====
<i>Net book value</i>			
At 30 June 2012	-	2,634	2,634
	-----	-----	-----
	=====	=====	=====
At 30 June 2011	-	-	-
	-----	-----	-----
	=====	=====	=====
At 30 June 2010	-	-	-
	-----	-----	-----
	=====	=====	=====

Unevaluated mining properties comprise of Kamakanga emerald mine, Ndola Rural Emerald Restricted Area (NRERA) prospecting licences, Jagoda option and mining rights arising from purchase of Gemfields Canada Inc.

Additions for the year relate to the consideration paid to the vendor of the ruby mine deposit in Mozambique. This provided the Group the right to acquire a ruby mining licence. This licence was obtained by a new entity incorporated into the Group, Montepuez Ruby Mining Limited.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (*Continued*)

10 Property, plant and equipment

	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures, fittings and equipment	Evaluated mining properties	Deferred stripping costs	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>Cost</i>						
At 1 July 2010	1,505	12,677	417	269,753	-	284,352
Additions	-	4,540	188	-	-	4,728
Disposals	-	(1,119)	(26)	-	-	(1,145)
	-----	-----	-----	-----	-----	-----
At 30 June 2011	1,505	16,098	579	269,753	-	287,935
Additions	520	6,400	324	567	14,490	22,301
Disposals	-	(726)	-	-	-	(726)
	-----	-----	-----	-----	-----	-----
At 30 June 2012	2,025	21,772	903	270,320	14,490	309,510
	-----	-----	-----	-----	-----	-----
<i>Accumulated depreciation</i>						
At 1 July 2010	88	8,263	240	269,753	-	278,344
Provided during the year	28	2,600	32	-	-	2,660
Disposals	-	(1,119)	(26)	-	-	(1,145)
	-----	-----	-----	-----	-----	-----
At 30 June 2011	116	9,744	246	269,753	-	279,859
Provided during the year	18	2,732	72	-	3,802	6,624
Reversal (Note 25)	-	-	-	(201,115)	-	(201,115)
Disposals	-	(723)	-	-	-	(723)
	-----	-----	-----	-----	-----	-----
At 30 June 2012	134	11,753	318	68,638	3,802	84,645
	-----	-----	-----	-----	-----	-----
<i>Net book value</i>						
At 30 June 2012	1,891	10,019	585	201,682	10,688	224,865
	=====	=====	=====	=====	=====	=====
At 30 June 2011	1,389	6,354	333	-	-	8,076
	=====	=====	=====	=====	=====	=====
At 30 June 2010	1,417	4,414	177	-	-	6,008
	=====	=====	=====	=====	=====	=====

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (*Continued*)

11 Available-for-sale investments

	Richland Resources Limited (previously called TanzaniteOne Limited) US\$'000
Cost	
At 30 June 2010 and 30 June 2011	7,631
<i>Provision for impairment</i>	
At 30 June 2011	(5,906)
Impairment (note 25)	(158)
At 30 June 2012	(6,064)
<i>Net book value</i>	
At 30 June 2012	1,567
At 30 June 2011	1,725
At 30 June 2010	1,412

During the year ending 30 June 2009, the Group acquired a total of 11,668,330 shares (10%) in Richland Resources Limited (previously called TanzaniteOne Limited), a miner of the gemstone tanzanite, listed on the AIM market of the London Stock Exchange for a total cost of US\$7,630,781.

At 30 June 2012 the market value of the Group's investment in Richland Resources Limited was US\$1,567,197 (2011: US\$1,724,959).

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

12 Investments

	Joint Venture US\$'000
Cost	
At 30 June 2010 and 30 June 2011	287
<i>Impairment</i>	
At 30 June 2011 and 30 June 2012	(287)
<i>Net book value</i>	
At 30 June 2012	-
At 30 June 2011	-
At 30 June 2010	-

There was no premium on acquisition relating to the joint venture.

Joint ventures

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Kariba Minerals Limited	Zambia	50%	Gemstone mining

The Group's share of the joint venture was:

	2012 US\$'000	2011 US\$'000
Non-current assets	591	747
Current assets	299	270
Current liabilities	(2,233)	(1,958)
Non-current liabilities	-	-
Share of net liabilities	(1,343)	(941)
Revenue	319	820
Operating expenditure	800	943

The Group equity accounts for its investment in joint ventures and does not recognise its share of losses in excess of the carrying amount of the investment. Unrecognised losses for the year are US\$481,185 (2011 - US\$123,046). Cumulative unrecognised losses at the end of the year were US\$1,391,878 (2011 - US\$910,693). The recapitalisation programme of US\$2.5 million has been agreed between Gemfields and ZCCM-IH (Kariba's other 50% stakeholder) and Gemfields has committed to contribute US\$1.25 million, which represents its 50% share of this funding requirement.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

Subsidiary undertakings

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2012	Proportion of voting rights and ordinary share capital held in 2011	Nature of business
Gemfields Limited BVI	British Virgin Islands	100%	100%	Gemstone marketing
Almizan Development Limited	British Virgin Islands	100%	100%	Gemstone marketing
Sarina Global Limited	British Virgin Islands	100%	100%	Non-trading
Gemfields Canada Inc**	Canada	100%	100%	Non-trading
Gemfields Mining Limited	Zambia	100%	100%	Gemstone mining
Gemfields Holdings Zambia Limited*	Zambia	100%	100%	Non-trading
Mbuva Mining Company Limited*	Zambia	100%	100%	Non-trading
Gemhouse Mining Zambia Limited***	Zambia	100%	100%	Non-trading
Gemfields India Pvt Limited**	India	100%	100%	Gemstone marketing
Gemfields Mining Limited	Mozambique	100%	100%	Non-trading
Krineria Group S.A.	Panama	100%	100%	Non-trading
Greentop International Inc.	British Virgin Islands	100%	100%	Non-trading
Hagura Mining Limited****	British Virgin Islands	100%	100%	Non-trading
Hagura Mining Limited****	United Kingdom	100%	100%	Non-trading
Kagem Mining Limited*****	Zambia	75%	75%	Gemstone mining
Oriental Mining SARL	Madagascar	100%	100%	Non-trading
Gemfields Singapore Pte Limited	Singapore	100%	-	Gemstones auctions
Gemfields Mauritius Limited	Mauritius	100%	-	Non-trading
Montepuez Ruby Mining Limited*****	Mozambique	75%	-	Gemstone mining

* Interest held indirectly through interest in Gemfields Canada Inc

** Interest held indirectly through interest in Gemfields Limited BVI

*** Interest held indirectly through interest in Gemfields Holdings Zambia Limited

**** Interest held indirectly through interests in Krineria Group S.A. and Greentop International Inc.

***** Interest held indirectly through interest in Hagura Mining Limited

***** Interest held indirectly through interest in Gemfields Mauritius Limited

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration with the exception of Gemfields Limited BVI whose operations are in the United Kingdom.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

13 Inventories

	2012 US\$'000	2011 US\$'000
Rough and cut emeralds	26,617	18,681
Fuel and consumables	1,362	1,373
	<u>27,979</u>	<u>20,054</u>

Rough and cut emeralds are recognised at cost as the net realisable value exceeds the cost. The internal valuation of the cut and polished emeralds has been estimated using the assumed value of the rough emeralds and adding the costs of cutting and polishing.

14 Trade and other receivables

	2012 US\$'000	2011 US\$'000
Trade receivables	760	425
Other receivables	2,693	2,876
Prepayments	856	281
	<u>4,309</u>	<u>3,582</u>

All amounts shown under receivables fall due for payment within one year. Further information on other receivables is provided in Note 24.

15 Current Liabilities

	2012 US\$'000	2011 US\$'000
Trade payables	2,387	1,808
Other payables	5,715	1,999
	<u>8,102</u>	<u>3,807</u>

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 *(Continued)*

16 Provisions

	Environmental restoration provision US\$'000	Other Provisions US\$'000	Total Provisions US\$'000
Non-current Provisions			
At 1 July 2010	690	889	1,579
Release	-	(684)	(684)
At 30 June 2011	690	205	895
Additions in the year	-	458	458
At 30 June 2012	690	663	1,353
Current Provisions			
At 1 July 2010	-	863	863
Release	-	(47)	(47)
At 30 June 2011	-	816	816
Additions in the year	-	31	31
At 30 June 2012	-	847	847

Environmental restoration provision relates to the environmental restoration obligations in accordance with the company's environmental policy. The other non-current provisions consist of employee end of contract benefits and are payable in three years' time. Current provisions mostly consist of employee related provisions and are payable between one and six months' time.

17 Borrowings

	2012 US\$'000	2011 US\$'000
At 1 July	-	-
Received during the year	3,000	-
Repaid during the year	(83)	-
At 30 June	2,917	-
Payable within one year included under current liabilities	(1,000)	-
	1,917	-

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

17 Borrowings (Continued)

The borrowing relates to a US\$9.3 million debt facility at an interest rate of 3 month LIBOR plus 4.75% entered into by Kagem Mining Limited with Barclays Bank Zambia plc. The loan will be drawn down within one year and is repayable over a period of 36 months in monthly instalments from the date of first drawdown. The initial drawdown of US\$3.0 million was made during the year. Security for this loan comprises a corporate guarantee from Gemfields plc and a charge over the assets of Kagem Mining Limited (excluding the mining licences). The facility will be used to pay the contractor undertaking the removal of waste in the Chama section of the Kagem mine and is an initial step towards Kagem Mining Limited becoming a fully independent and self-funding operation.

18 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using a tax rate of 35% (2011 - 35%). The tax rate of 35% was used in the current year, being the rate applicable in Zambia where the liability arises. Temporary differences between the tax bases and net book carrying values arise in regards to the effect of differences between tax and accounting depreciation and tax losses generated in 2011.

The movement on the deferred tax account is as shown below:

	2012 US\$'000	2011 US\$'000
At 1 July	(2,205)	46
Deferred stripping costs	3,586	(154)
Difference of capital allowances over depreciation	1,146	1,739
Carried forward tax losses	3,836	(3,836)
Other provisions	(353)	-
Fair value deferred tax liability on mining property	70,390	-
	-----	-----
Recognised in the year	78,605	(2,251)
	-----	-----
At 30 June	76,400	(2,205)
	=====	=====

Deferred tax assets are only recognised in relation to tax losses and other temporary differences which would give rise to deferred tax assets where it is considered probable that the losses will be utilised in the foreseeable future, and therefore the asset is recoverable.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

19 Share capital

	2012 Number of shares	2012 US\$'000	2011 Number of shares	2011 US\$'000
<i>Authorised</i>				
Ordinary shares of 1p each	600,000,000	11,600	600,000,000	11,600
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 1p each				
At 1 July	324,339,883	6,164	324,114,883	6,160
Issued during the year	366,668	5	225,000	4
At 30 June	324,706,551	6,169	324,339,883	6,164

Share capital is denominated in Pounds Sterling.
Details of the share option scheme are set out in Note 23.

20 Capital commitments

At year end the Group had capital commitments of \$2,487,000 and \$18,919,000 for the purchase of mining equipment and overburden removal respectively.

21 Related party transactions and ultimate controlling party

- a) Gemfields Mining Limited had a receivable of US\$1,481,000 (2011: US\$1,481,000) from Kariba Minerals Limited (a joint venture partner) at the year end.
- b) Gemfields PLC had a receivable of US\$821,850 (2011: US\$270,848) from Kariba Minerals Limited (a joint venture partner) at the year end. This was in respect of operating and capital expenditure.
- c) The Group has made payments to Pallinghurst Advisors LLP (a firm which is part of the Pallinghurst Resources group) during the year in relation to expenses incurred by Pallinghurst on behalf of the Group. These expenses were generally related to travel and administrative costs. Payments totalled US\$132,660 (2011: US\$83,663).
- d) Gemfields plc had a receivable of US\$10,069,614 (2011: US\$37,244,479) from Kagem Mining Limited at the year end. This was in respect of operating and capital expenditure financing.

Pallinghurst Advisors LLP (London) acts as Investment Advisor to a Cayman-based investment manager, Pallinghurst Cayman (GP) L.P. Pallinghurst Cayman (GP) L.P. acts as investment manager to a number of co-investors in Rox Limited. Rox Limited is Gemfields' biggest shareholder.

Certain directors of Gemfields PLC are considered to be key management personnel. The relevant disclosure is included within note 5 to the financial statements.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

22 Commitments under operating leases

The Group had future minimum lease payment commitments under non-cancellable operating leases as set out below:

	2012 US\$'000	2011 US\$'000
Land and buildings:		
Expiring within year	89	76

23 Share-based payments

Share option scheme

The share capital of the Company is denominated in Pounds Sterling. Therefore, disclosures are presented in Sterling and US Dollars.

At 30 June 2012, the following share options have been granted and are outstanding in respect of the ordinary shares:

Exercise price	Number of options				Outstanding 30 June 2012	Final Exercise Date
	Outstanding 1 July 2011	Granted	Cancelled	Exercised		
12¢ (8p)	8,345,000	-	(250,000)	(66,668)	8,028,332	December 2021
15¢ (9p)	-	300,000	-	(300,000)	-	May 2014
32¢ (20p)	-	3,550,000	-	-	3,550,000	December 2022
	-----	-----	-----	-----	-----	
Total	8,345,000	3,850,000	(250,000)	(366,668)	11,578,332	
	=====	=====	=====	=====	=====	

During the year, 3,850,000 options were issued of which 300,000 options relate to the options given under the old scheme to a former director. The options exercisable as at 30 June 2012 were 2,664,999 (2011: Nil).

The exercise price of options outstanding at 30 June 2012 ranged between 8p and 20p (2011: 8p) and their weighted average contractual life was 9 years (2011: 10 years). The weighted average share price (at the date of exercise) of options exercised during the year was 27p (2010: Nil).

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

23 Share-based payments (Continued)

At 30 June 2011, the following share options had been granted and are outstanding in respect of the ordinary shares:

Exercise price	Outstanding 1 July 2010	Number of options			Outstanding 30 June 2011	Final Exercise Date
		Granted	Cancelled	Exercised		
15¢ (7.5p)	1,550,000	-	(1,325,000)	(225,000)	-	January 2014
50¢ (25p)	475,000	-	(475,000)	-	-	April 2015
150¢ (75p)	-	-	-	-	-	January 2014
90¢ (45p)	4,235,000	-	(4,235,000)	-	-	September 2016
22¢ (15p)	736,667	-	(736,667)	-	-	February 2019
36¢ (25p)	736,667	-	(736,667)	-	-	February 2019
50¢ (35p)	736,666	-	(736,666)	-	-	February 2019
12¢ (8p)	-	8,345,000	-	-	8,345,000	December 2021
Total	8,470,000	8,345,000	(8,245,000)	(225,000)	8,345,000	

The fair values of the options are calculated using the Black-Scholes method. Options granted in 2012 were 3,850,000 (2011: 8,345,000). Assumptions used in this model for the 12 months ended 30 June were:

Directors and employees

	2012	2011
Fair value at measurement date	59¢ (38p)	30¢ (19p)
Exercise price	32¢ (20p)	12¢ (8p)
Share price at date of grant	37¢ (23p)	24¢ (15p)
Expected volatility	55%	55%
Option life	10 years	10 years
Expected dividends	-	-
Risk free interest rate (based on Bank of England rate)	0.50%	0.50%

During the year 366,668 (2011: 225,000) options were exercised at a price of 15¢ for 300,000 options and 12¢ for 66,668 options. The share price on 30 June 2012 was 59¢ (38p).

The weighted average exercise price for options issued to directors was 17¢ (11p). This has resulted in a gain of 42¢ (27p) per share in comparison with the share price as at 30 June 2012.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

24 Financial instruments

The principal financial instruments used by the Group, are as follows:

Financial assets:

- Trade and other receivables;
- Cash and cash equivalents; and
- Available for sale investments.

Financial liabilities:

- Trade payables;
- Other payables; and
- Borrowings.

Financial assets

	2012	2011
	US\$'000	US\$'000
Available for sale investments (Richland Resources Limited)	1,567	1,725
	<hr style="border-top: 3px double #000;"/>	<hr style="border-top: 3px double #000;"/>
Trade and other receivables	3,454	3,582
Cash and cash equivalents	36,737	13,649
	<hr style="border-top: 1px solid #000;"/>	<hr style="border-top: 1px solid #000;"/>
Financial assets measured at amortised cost	40,191	17,231
	<hr style="border-top: 3px double #000;"/>	<hr style="border-top: 3px double #000;"/>

The available for sale investments is Tier 1

Financial liabilities

	2012	2011
	US\$'000	US\$'000
Held at amortised cost:		
Trade payables	2,387	1,808
Other payables	5,715	1,999
Borrowings	2,917	-
	<hr style="border-top: 1px solid #000;"/>	<hr style="border-top: 1px solid #000;"/>
	11,019	3,807
	<hr style="border-top: 3px double #000;"/>	<hr style="border-top: 3px double #000;"/>

Fair value of financial assets and liabilities

At 30 June 2012 and 2011, the carrying value of the Group's financial assets and liabilities approximated their fair values.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

24 Financial instruments (Continued)

Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. It is the overall responsibility of the directors to determine the risk management objectives and policies of the Group. While retaining the ultimate responsibility for them, the directors have delegated the authority for designing and operating processes that ensure the effective implementation of these objectives and policies to the finance function of the Group. The directors regularly review the effectiveness of the processes put in place and, when required, approve specific policies and procedures designed to mitigate the financial risks.

There have been no substantive changes in the Group's exposure to financial instruments risks other than stated in the note.

The principal financial instruments used by the Group, from which financial risk arises, are as follows:

- Cash and cash equivalents;
- Trade and other payables; and
- Borrowings.

Credit risk

The Group has limited credit risk because it does not ship emeralds sold at auction to customers until payment has been received. There is a receivable balance at the end of the year relating to cut and polished emerald sales. The entire balance has been received post year end.

Cash and cash equivalents

In relation to its cash and cash equivalents, the Group has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Group maintains its cash resources.

Under the treasury policy of the Group, approved by the Board and operated by the finance function, the corporate head office in London acts as the treasury centre of the Group. Business units maintain the minimum cash balances required by their operations. No cash resources controlled by the corporate treasury can be held with financial institutions with credit ratings lower than A-.

At the year-end, 86% of the cash balance was held by Barclays Bank and the remaining 14% was held by other financial institutions.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

24 Financial instruments (Continued)

Maximum exposure to credit risk

The Group's maximum exposure to credit risk by class of financial instrument is shown in the table below:

	2012	2012	2011	2011
	Carrying	Maximum	Carrying	Maximum
	value	exposure	value	exposure
	US\$'000	US\$'000	US\$'000	US\$'000
Available-for-sale investments	1,567	1,567	1,725	1,725
Trade and other receivables	3,454	3,454	3,582	3,582
Cash and cash equivalents	36,737	36,737	13,649	13,649
	<hr/>	<hr/>	<hr/>	<hr/>
Total	41,758	41,758	18,956	18,956
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It represents the risk that the Group will encounter difficulty in meeting its financial obligations.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group seeks to maintain cash balances (and agreed facilities) at levels considered appropriate to meet ongoing obligations.

The Group maintains an integrated business performance and cash flow forecasting model, incorporating financial position information (updated monthly).

The Group performance against budget and associated cash flow forecast is evaluated on a monthly basis. The directors receive rolling 12-month cash flow projections on a quarterly basis as well as information regarding cash balances and Group performance against budget. At the reporting date, these projections indicated that the Group expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances.

Liquidity risk (Continued)

The following table illustrates the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross, based where relevant, on interest rates and exchange rates prevailing at the reporting date.

Gemfields PLC

Notes forming part of the financial statements For the year ended 30 June 2012 (Continued)

24 Financial instruments (Continued)

	Trade payables US\$'000	Accruals US\$'000	Borrowings US\$'000	Total US\$'000
<i>As at 30 June 2011</i>				
In 1 month	-	1,999	-	1,999
Between 1 and 6 months	1,808	-	-	1,808
Between 6 months and 1 year	-	-	-	-
Between 1 year and 3 years	-	-	-	-
	-----	-----	-----	-----
	1,808	1,999	-	3,807
	=====	=====	=====	=====
<i>As at 30 June 2012</i>				
In 1 month	2,387	3,692	83	6,162
Between 1 and 6 months	-	2,023	417	2,440
Between 6 months and 1 year	-	-	500	500
Between 1 year and 3 years	-	-	1,917	1,917
	-----	-----	-----	-----
	2,387	5,715	2,917	11,019
	=====	=====	=====	=====

Interest rate risk

The Group manages the interest rate risk associated with its cash assets by ensuring that interest rates are as favorable as possible, through the use of bank treasury deposits, whilst managing the access the Group requires to the funds for working capital purposes.

Currency risk

Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of the Group's costs are denominated in US dollars or UK sterling and hence the Group holds the majority of its cash in these currencies.

The Group is exposed to currency risk on payments for goods and services made to the local suppliers in the jurisdictions of its operations. It is the Group's policy not to hedge this currency risk exposure.

At 30 June 2012 and 2011 the Group's financial assets and liabilities were denominated in the following currencies:

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

24 Financial instruments (Continued)

	UK Pounds	US Dollar	Zambian Kwacha	Indian Rupees	South Africa Rands	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<i>As at 30 June 2011</i>						
Cash and cash equivalents	329	11,679	23	1,618	-	13,649
Trade and other receivables	1,222	978	696	686	-	3,582
Borrowings	-	-	-	-	-	-
Trade and other payables	(1,426)	(917)	(1,420)	(44)	-	(3,807)
	<u>125</u>	<u>11,740</u>	<u>(701)</u>	<u>2,260</u>	<u>-</u>	<u>13,424</u>
Net monetary assets/(liabilities)						
<i>As at 30 June 2012</i>						
Cash and cash equivalents	166	31,578	(83)	4,828	248	36,737
Trade and other receivables	228	2,588	987	506	-	4,309
Borrowings	-	(2,917)	-	-	-	(2,917)
Trade and other payables	(618)	(3,353)	(4,114)	(13)	(4)	(8,102)
	<u>(224)</u>	<u>27,896</u>	<u>(3,210)</u>	<u>5,321</u>	<u>244</u>	<u>30,027</u>
Net monetary assets/(liabilities)						

93% of the net monetary assets are held in the Group's functional currency, United States Dollars.

Other market price risk

The Group generates revenue from the sale of rough and cut and polished emeralds. The significant number of variables involved in determining the selling prices of emeralds, such as uniqueness of each individual stone, the colour of the rough material and the ruling US\$ spot rate at the date of sale make it difficult to accurately extrapolate the impact which fluctuations in emerald prices would have on the Group's revenue.

Capital

The Group seeks to maintain sufficient capital to enable its growth and safeguard its ability to continue as a going concern. Capital is defined as share capital, share premium, merger reserve, option reserve and cumulative translation reserve.

The primary objective of the Group is maximising shareholder value, which, from the capital perspective, is achieved by maintaining the capital structure that is most suited to the Group's size, strategy and underlying business risk. Currently, the Group does not pay dividends, focusing instead on delivering capital growth.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

24 Financial instruments (Continued)

The net cash to equity ratios at 30 June 2012 and 30 June 2011 are as follows:

	2012	2011
	US\$'000	US\$'000
Debt	(2,917)	-
Cash and cash equivalents	36,737	13,649
	<hr/>	<hr/>
Net cash	33,820	13,649
Total equity attributable to equity holders of the parent Company	159,599	38,115
Cash to equity ratio	0.21:1	0.36:1

The Group manages its capital adequacy structure by the issues of ordinary shares, raising debt finance where appropriate, and managing Group cash and cash equivalents.

25 Impairment charges

An impairment review of the Group's assets resulted in the reversal of an impairment charge made in 2009 in relation to the carrying value of evaluated mining property.

	2012	2011
	US\$'000	US\$'000
Impairment charge/(reversal) of investment in Richland Resources Limited to market value (Note 11)	158	(313)
Impairment reversal of evaluated mining properties	(201,115)	-
	<hr/>	<hr/>
	(200,957)	(313)
	<hr/> <hr/>	<hr/> <hr/>

Available for sale investments

At 30 June 2012 the market value of the Group's investment in Richland Resources Limited was US\$1,567,197 (2011: US\$1,724,959).

Evaluated mining property

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 Company's lead consultant, the directors have decided to reverse the permissible value of the mine asset previously impaired.

The value of the evaluated mining asset impaired in 2009 was \$245,691,000 and the value reversed at 30 June 2012 is \$201,115,000. The reversed amount has been valued based on the calculated closing ore reserve as at 30 June 2012. The closing ore was ascertained by deducting the ore produced in the years 2010 to 2012 from the closing ore reserve as at 30 June 2009. The ore reserve estimate is based on the mineral reserve estimate of 2008 as the current resource estimate is dated July 2012.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

26 Events after the reporting date

The Group completed a feasibility study to determine the mineral reserve estimates and underground feasibility study at Kagem mine in Zambia. The FS has been prepared by the Company's lead consultant 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 FS strongly support the progression to an underground mine and provide an indicative life-of-mine of 20 years.

Company Financial Statements

Gemfields PLC

Company balance sheet at 30 June 2012

		2012	2011
	Note	US\$'000	Restated US\$'000
Fixed assets			
Tangible assets	4	102	109
Investments	5	127,721	7,659
		127,823	7,768
Current assets			
Debtors	6	50,028	9,750
Stocks	7	1,857	929
Cash at bank and in hand		23,547	11,724
		75,432	22,403
Creditors: amounts falling due within one year	8	(8,065)	(8,452)
		67,367	13,951
Net current assets		67,367	13,951
Total assets less current liabilities		195,190	21,719
Capital and reserves			
Called up share capital	9	6,169	6,164
Share premium account	10	96,901	96,853
Merger reserve	10	121,005	121,005
Option reserve	10	1,338	450
Profit and loss reserve	10	(30,223)	(202,753)
		195,190	21,719
Shareholders' funds - equity		195,190	21,719

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

Devidas Shetty
Director

Company number 05129023

The notes on pages 56 to 68 form part of these financial statements.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Investments

Listed investments are initially recognised at cost. The need for any investment impairment write-down is assessed on an annual basis by comparing the carrying value of the investment against the higher of its realisable value and value in use.

Unlisted investments are carried at cost less provision for impairment.

Leased Assets

Where assets are financed by leasing agreements that do not give rights approximating to ownership, these are treated as operating leases. The annual rentals are charged to the profit and loss account on a straight line basis over the term of lease.

Stock

Stock, consisting of rough and finished emeralds, has been valued at lower of cost and net realisable value. Cost includes direct production costs, depreciation of mining equipment and amortisation of deferred stripping costs. Net realisable value is the estimated market value based on past auctions, less estimated costs to sell.

Impairment

Assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may be different to the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where the carrying value of an asset is below its recoverable amount (i.e. the lower of value in use and fair value less costs to sell), the asset is written back accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the level of the cash generating unit ("CGU") the asset is part of (i.e. the lowest level group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the profit and loss.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Fixtures, fittings and equipment - 20% per annum

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

1 Accounting policies (Continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date except that the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currency

The functional and reporting currency of the Company is US dollars (\$).

Exchange rates used during the year were as follows:

	GBP 2012	GBP 2011
Year end rate	1.56	1.60
Average rate	1.59	1.59

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting dates. Any differences are taken to the profit and loss account.

Share-based payments

The Company issues equity-settled share based payments in the form of share options to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using a Black-Scholes valuation model.

If an option is cancelled or settled in advance of the vesting date, the cancellation or settlement is accounted for as an acceleration of vesting. Therefore, the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately.

Any profit and loss charge in a period in respect of share-based payments is credited to the Company's reserves.

Where share based payments are issued by the parent Company in itself to employees of its subsidiaries, the financial statements of the parent reflect this by increasing the cost of investment in the subsidiary with a corresponding increase to equity.

In the financial statements of the subsidiary a charge to the profit and loss account occurs with a corresponding increase in equity (through a capital contribution reserve).

Cash flow

The Company has taken the exemption under Financial Reporting Standard 1 "Cash Flow Statements" not to prepare a cash flow statement as a consolidated cash flow statement is included in the financial statements of its ultimate parent company.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

1 Accounting policies (Continued)

Restatement of prior period comparatives for 2011

The prior year comparative financial statements have been restated in order to correct an error relating to the accounting for auction income. Auction income should have been recognised in the entity which manages, runs and bears the costs of auctions, being Gemfields plc.

Balance Sheet	30 Jun 2011	Effect of	30 Jun 2011
Prior period restatement 2011	Restated	restatement	As reported
	US\$'000	US\$'000	US\$'000
Fixed assets			
Tangible assets	109	-	109
Investments	7,659	-	7,659
	<u>7,768</u>	<u>-</u>	<u>7,768</u>
Current assets			
Debtors	9,750	1,582	8,168
Stocks	929	-	929
Cash at bank and in hand	11,724	-	11,724
	<u>22,403</u>	<u>1,582</u>	<u>20,821</u>
Creditors: amounts falling due within one year	<u>(8,452)</u>	<u>-</u>	<u>(8,452)</u>
Net current assets	<u>13,951</u>	<u>1,582</u>	<u>12,369</u>
Total assets less current liabilities	<u>21,719</u>	<u>1,582</u>	<u>20,137</u>
Capital and reserves			
Called up share capital	6,164	-	6,164
Share premium account	96,853	-	96,853
Merger reserve	121,005	-	121,005
Option reserve	450	-	450
Profit and loss reserve	(202,753)	1,582	(204,335)
	<u>21,719</u>	<u>1,582</u>	<u>20,137</u>
Shareholders' funds - equity	<u>21,719</u>	<u>1,582</u>	<u>20,137</u>

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

2 Employees and directors

	2012	2011
Administration staff (including directors)	14	10
Average number of employees (including directors)	12	8
	US\$'000	US\$'000
Gross salaries (including directors)	2,701	1,137
Social security costs	163	123
	2,864	1,260
Executive directors' remuneration	1,366	1,058
Non-executive directors' fees	119	108
Share based payments to directors	416	398
	1,901	1,564

Emoluments of the highest paid director amounted to US\$794,000 (2011 - US\$676,000).

3 Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in the financial statements. The profit and loss reserve includes a profit for the year of US\$172,521,614 (2011 Restated: US\$2,472,368).

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

4 Tangible assets

	Total fixtures, fittings and equipment US\$'000
<i>Cost</i>	
At 1 July 2011	157
Additions	37
Disposal	(8)
	<hr/>
At 30 June 2012	186
	<hr/>
<i>Accumulated depreciation</i>	
At 1 July 2011	48
Provided during the year	37
Disposal	(1)
	<hr/>
At 30 June 2012	84
	<hr/>
<i>Net book value</i>	
At 30 June 2012	102
	<hr/> <hr/>
At 30 June 2011	109
	<hr/> <hr/>

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

5 Investments

	Listed investments US\$'000	Unlisted investments US\$'000	Total US\$'000
<i>Cost</i>			
At 30 June 2011	7,631	123,958	131,589
Additions in the year	-	7,634	7,634
	<hr/>	<hr/>	<hr/>
At 30 June 2012	7,631	131,592	139,223
	<hr/>	<hr/>	<hr/>
<i>Provision for impairment</i>			
At 30 June 2011	(5,906)	(118,024)	(123,930)
Impairment (charge)/reversal (note 16)	(158)	112,586	112,428
	<hr/>	<hr/>	<hr/>
At 30 June 2012	(6,064)	(5,438)	(11,502)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 2012	1,567	126,154	127,721
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2011	1,725	5,934	7,659
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The listed investments relates to Richland Resources Limited (previously called Tanzanite One Limited). Refer to Note 12 in the Group financial statements for further details.

The unlisted investment additions relate to US\$5.0 million investment in Kagem Mining Limited (“Kagem”) and a US\$2.6 million in Montepuez Ruby Mining Limited (“Montepuez”). The investment in Kagem was pursuant to an investment commitment made by Hagura Mining Limited in accordance with the purchase agreement dated 18 May 2001 and as amended by the “settlement and supplemental agreement” dated 15 June 2005. The investment in Montepuez was for the acquisition of the 75% stake in the noteworthy Montepuez ruby deposit in Mozambique.

In 2009, the investment in Kagem 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 reassess and revalue Kagem mining asset. Following the completion of the feasibility study and a positive report by SRK, the Company’s lead consultant, the directors have decided to reverse the impairment.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

5 Investments (Continued)

Subsidiary undertakings

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2012	Proportion of voting rights and ordinary share capital held in 2010	Nature of business
Gemfields Limited BVI	British Virgin Islands	100%	100%	Gemstone marketing
Almizan Development Limited	British Virgin Islands	100%	100%	Gemstone marketing
Sarina Global Limited	British Virgin Islands	100%	100%	Non-trading
Gemfields Canada Inc**	Canada	100%	100%	Non-trading
Gemfields Mining Limited	Zambia	100%	100%	Gemstone mining
Gemfields Holdings Zambia Limited*	Zambia	100%	100%	Non-trading
Mbuva Mining Company Limited*	Zambia	100%	100%	Non-trading
Gemhouse Mining Zambia Limited***	Zambia	100%	100%	Non-trading
Gemfields India Pvt Limited**	India	100%	100%	Gemstone marketing
Gemfields Mining Limited	Mozambique	100%	100%	Non-trading
Krineria Group S.A.	Panama	100%	100%	Non-trading
Greentop International Inc.	British Virgin Islands	100%	100%	Non-trading
Hagura Mining Limited****	British Virgin Islands	100%	100%	Non-trading
Hagura Mining Limited****	United Kingdom	100%	100%	Non-trading
Kagem Mining Limited*****	Zambia	75%	75%	Gemstone mining
Oriental Mining SARL	Madagascar	100%	100%	Non-trading
Gemfields Singapore Pte Limited	Singapore	100%	-	Gemstones auctions
Gemfields Mauritius Limited	Mauritius	100%	-	Non-trading
Montepuez Ruby Mining Limited*****	Mozambique	75%	-	Gemstone mining

* Interest held indirectly through interest in Gemfields Canada Inc

** Interest held indirectly through interest in Gemfields Limited BVI

*** Interest held indirectly through interest in Gemfields Holdings Zambia Limited

**** Interest held indirectly through interests in Krineria Group S.A. and Greentop International Inc.

***** Interest held indirectly through interest in Hagura Mining Limited

***** Interest held indirectly through interest in Gemfields Mauritius Limited

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration with the exception of Gemfields Limited BVI whose operations are in the United Kingdom.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

Joint ventures

	Joint Venture US\$'000
Cost	
At 30 June 2010 and 30 June 2011	287
<i>Impairment</i>	
At 30 June 2011 and 30 June 2012	(287)
<i>Net book value</i>	
At 30 June 2012	-
At 30 June 2011	-
At 30 June 2010	-

There was no premium on acquisition relating to the joint venture.

Joint ventures

Name	Country of Incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Kariba Minerals Limited	Zambia	50%	Gemstone mining

The Group's share of the joint venture was:

	2012 US\$'000	2011 US\$'000
Non-current assets	591	747
Current assets	299	270
Current liabilities	(2,233)	(1,958)
Non-current liabilities	-	-
Share of net liabilities	(1,343)	(941)
Revenue	319	820
Operating Expenditure	800	943

The Group equity accounts for its investment in joint ventures and does not recognise its share of losses in excess of the carrying amount of the investment. Unrecognised losses for the year are US\$481,185 (2011 - US\$123,046). Cumulative unrecognised losses at the end of the year were US\$1,391,878 (2011 - US\$910,693). The recapitalisation programme of US\$2.5 million has been agreed between Gemfields and ZCCM-IH (Kariba's other 50% stakeholder) and Gemfields has committed to contribute US\$1.25 million, which is the 50% share of this amount.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

6 Debtors	2012 US\$'000	2011 Restated US\$'000
Amounts due from Group companies	48,642	8,436
Other debtors and prepayments	1,386	1,314
	50,028	9,750
	50,028	9,750

All amounts shown under other debtors and prepayments fall due for payment within one year.

7 Stocks	2012 US\$'000	2011 US\$'000
Finished goods	1,857	929
	1,857	929
	1,857	929

8 Creditors: amounts falling due within one year	2012 US\$'000	2011 US\$'000
Trade creditors	667	-
Accruals and provisions	3,105	691
Amounts due to Group companies	4,293	7,761
	8,065	8,452
	8,065	8,452

Intercompany balances incur no interest and are repaid when funds are available.

Share capital	2012		2011	
	Number of shares	US\$'000	Number of shares	US\$'000
<i>Authorised</i>				
Ordinary shares of 1p each	600,000,000	11,600	600,000,000	11,600
	600,000,000	11,600	600,000,000	11,600
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 1p each				
At 1 July 2011	324,339,883	6,164	324,114,883	6,160
Issued during the year	366,668	5	225,000	4
	324,706,551	6,169	324,339,883	6,164
At 30 June 2012	324,706,551	6,169	324,339,883	6,164

Details of the share option scheme are disclosed in note 15.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

10 Reserves

	Share premium account US\$	Merger reserve US\$	Option reserve US\$	Profit and loss reserve US\$	Total US\$
As at 1 July 2011*	96,853	121,005	450	(202,753)	15,555
Loss for year	-	-	-	172,522	172,522
Shares issued during the year	48	-	-	-	48
<i>Share-based payments</i>					
Charge for the year	-	-	896	-	896
Options cancelled	-	-	(8)	8	-
As at 30 June 2012	96,901	121,005	1,338	(30,223)	189,021

*Profit and loss reserve as at 1 July 2011 has been restated.

11 Reconciliation of movements in shareholders' funds

	2012 US\$'000	2011 US\$'000
Profit for the year	172,522	1,169
Increase in option reserve	896	605
Issue of shares	53	34
Net additions to shareholders' funds	173,471	1,808
Opening shareholders' funds as previously stated	20,137	18,329
<i>Prior year adjustment</i>		
Revenue not recognised in the prior year	1,582	-
Opening shareholders' funds as restated	21,719	18,329
Closing shareholders' funds	195,190	20,137

12 Capital commitments

At the year end the Company had no capital commitments (2011 - Nil).

13 Related party transactions and ultimate controlling party

- a) Gemfields plc had a receivable of US\$821,850 (2011: US\$270,848) from Kariba Minerals Limited (a joint venture partner) at the year end. This was in respect of operating and capital expenditure.

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

13 Related party transactions and ultimate controlling party (Continued)

- b) The Company has made payments to Pallinghurst Advisors LLP (a firm which is part of the Pallinghurst Resources group) during the year in relation to expenses incurred by Pallinghurst on behalf of the Group. These expenses were generally related to travel and administrative costs. Payments totalled US\$132,660 (2011: US\$83,663).

Pallinghurst Advisors LLP (London) acts as Investment Advisor to a Cayman-based investment manager, Pallinghurst Cayman (GP) L.P. Pallinghurst Cayman (GP) L.P. acts as investment manager to a number of co-investors in Rox Limited. Rox Limited is Gemfields' biggest shareholder.

- c) Gemfields plc had a receivable of US\$10,069,614 (2011: US\$37,244,479) from Kagem Mining Limited at the year end. This was in respect of operating and capital expenditure financing.

Gemfields plc has chosen to take the exemption under FRS 8 not to disclose transactions with 100% subsidiaries.

Certain directors of Gemfields plc are considered to be key management personnel. The relevant disclosure is included within note 2 to the financial statements.

14 Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below:

	2012	2011
	US\$'000	US\$'000
Land and buildings:		
Expiring within year	89	76
	89	76

15 Share-based payments

Share option scheme

The share capital of the Company is denominated in Pounds Sterling. Therefore, disclosures are presented in Sterling and US Dollars.

At 30 June 2012, the following share options have been granted and are outstanding in respect of the ordinary shares:

Exercise price	Number of options				Outstanding 30 June 2012	Final Exercise Date
	Outstanding 1 July 2011	Granted	Cancelled	Exercised		
12¢ (8p)	8,345,000	-	(250,000)	(66,668)	8,028,332	December 2021
15¢ (9p)	-	300,000	-	(300,000)	-	May 2014
32¢ (20p)	-	3,550,000	-	-	3,550,000	December 2022
	8,345,000	3,850,000	(250,000)	(366,668)	11,578,332	

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

15 Share-based payments (Continued)

During the year, 3,850,000 options were issued of which 300,000 options relate to the options given under the old scheme to a former director. The options exercisable as at 30 June 2012 were 2,731,667 (2010: Nil). The exercise price of options outstanding at 30 June 2012 ranged between 8p and 20p (2011: 8p) and their weighted average contractual life was 9 years (2011: 10 years). The weighted average share price (at the date of exercise) of options exercised during the year was 27p (2010: Nil).

At 30 June 2011, the following share options had been granted and were outstanding in respect of the ordinary shares:

Exercise price	Outstanding 1 July 2010	Number of options			Outstanding 30 June 2011	Final Exercise Date
		Granted	Cancelled	Exercised		
15¢ (7.5p)	1,550,000	-	(1,325,000)	(225,000)	-	January 2014
50¢ (25p)	475,000	-	(475,000)	-	-	April 2015
150¢ (75p)	-	-	-	-	-	January 2014
90¢ (45p)	4,235,000	-	(4,235,000)	-	-	September 2016
22¢ (15p)	736,667	-	(736,667)	-	-	February 2019
36¢ (25p)	736,667	-	(736,667)	-	-	February 2019
50¢ (35p)	736,666	-	(736,666)	-	-	February 2019
12¢ (8p)	-	8,345,000	-	-	8,345,000	December 2021
Total	8,470,000	8,345,000	(8,245,000)	(225,000)	8,345,000	

The fair values of the options are calculated using the Black-Scholes method. Options granted in 2012 were 3,850,000 (2011: 8,345,000). Assumptions used in this model for the year ended 30 June were:

Directors and employees

	2012	2011
Fair value at measurement date	59¢ (38p)	30¢ (19p)
Exercise price	32¢ (20p)	12¢ (8p)
Share price at date of grant	37¢ (23p)	24¢ (15p)
Expected volatility	55%	55%
Option life	10 years	10 years
Expected dividends	-	-
Risk free interest rate (based on Bank of England rate)	0.50%	0.50%

During the year 366,668 (2011: 225,000) options were exercised at a price of 15¢ for 300,000 options and 12¢ for 66,668 options. The share price on 30 June 2012 was 59¢ (38p).

Gemfields PLC

Notes forming part of the financial statements for the year ended 30 June 2012 (Continued)

16 Impairment charges

An impairment review of the Group's assets resulted in the reversal of an impairment charge in relation to the carrying value of the available for sale investments.

	Year ended 30 June 2012	Year ended 30 June 2011
	US\$000	US\$000
<i>Investments</i>		
Impairment (charge)/reversal of share value in Richland Resources Limited	(158)	313
Impairment reversal of investment in Kagem Mining Limited	112,587	-
	<u>112,429</u>	<u>313</u>

At 30 June 2011 the market value of the Group's investment in Richland Resources Limited was US\$1,567,197 (2011: US\$1,724,959).

Investment in Kagem Mining Limited

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. Subsequently, the investment value in respect of Kagem Mining Limited was impaired. 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 Company's lead consultant, in this instance, the directors have decided to reverse the investment previously impaired in respect of Kagem Mining Limited.

The full previously impaired investment value of \$112,587,000 has been reversed at 30 June 2012.

17 Post balance sheet events

The Group completed a feasibility study to determine the mineral reserve estimates (MRS) and underground feasibility study at Kagem mine in Zambia. The FS has been prepared by the Company's lead consultant 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 FS strongly support the progression to an underground mine and provide an indicative life-of-mine of 20 years.

