

Gemfields plc

Interim Report and Financial Statements

Six months ended 31 December 2015

Company Number 05129023

Gemfields plc

Interim Report and Financial Statements

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Gemfields plc

Interim Report and Financial Statements for the six months ended 31 December 2015

22 February 2016

Financial Highlights

- Revenue of US\$94.0 million (2014: US\$103.4 million);
- EBITDA^(a) of US\$35.6 million (2014: US\$61.7 million) with the change being largely attributable to a more equally planned auction mix between the first and second halves of the 2016 financial year when compared to the 2015 financial year wherein a significant part of the revenue (and margin) was achieved in the first half;
- Net profit after tax of US\$8.2 million (2014: US\$23.2 million);
- Cash at bank of US\$24.9 million at 31 December 2015 (30 June 2015: US\$28.0 million); and
- Cost of inventory at hand, excluding fuel and other consumables, of US\$107.0 million (30 June 2015: US\$101.1 million).

Operational Highlights

- Three auctions held during the period, consisting of two rough emerald and beryl auctions and one rough ruby and corundum auction. The rough emerald and beryl auctions consisted of one higher quality and one lower quality emerald and beryl auctions, similar to the comparative prior period. The rough ruby and corundum auction offered higher and medium quality rough ruby and corundum, compared to a higher quality rough ruby auction held in the comparative prior period.
- Gemfields plans to hold two further auctions of rough emerald and beryl during the second half of the financial year 2016 with the next auction of predominantly higher quality rough emeralds expected to take place in March 2016. The Company's rough ruby and corundum auction schedule is still being finalised. At least one larger size auction of mixed qualities of ruby and corundum is expected to take place before the end of June 2016.

Emeralds

- Production summary for 75% owned Kagem Mining Limited ("Kagem") in Zambia for the period:
 - Production of 15.7 million carats of emerald and beryl (2014: 12.1 million carats);
 - Average grade of 254 carats per tonne (2014: 202 carats per tonne);
 - Total operating costs^(b) of US\$22.4 million (2014: US\$21.9 million), and corresponding cash operating costs^(d) of US\$16.2 million (2014: US\$21.6 million) following the completion of the fourth high wall pushback in September 2015;
 - Unit operating costs^(c) of US\$1.43 per carat (2014: US\$1.81 per carat), largely driven by the increased production volumes. On a cash basis^(d), operating costs were US\$1.03 per carat (2014: US\$1.79); and
 - Cash rock handling unit costs of US\$2.38 per tonne (2014: US\$2.92 per tonne).
- Updated Joint Ore Reserves Committee ("JORC") Resource and Reserves statement for Kagem announced in September 2015 with a total measured, indicated and inferred mineral resource of 1.8 billion carats of emerald and beryl and proven and probable ore reserves of 1.1 billion carats of emerald and beryl, giving a projected 25 year life of mine ("LoM") and a Net Present Value ("NPV") of US\$520 million (based on 10% base case discount rate);
- September 2015 auction of predominantly higher quality rough emerald held in Singapore generated revenues of US\$34.7 million; and
- November 2015 auction of predominantly lower quality rough emerald and beryl held in Jaipur, India generated revenues of US\$19.2 million at average value of US\$4.32 per carat, record results achieved for lower quality rough emerald auctions to date.

Rubies

- Production summary for 75% owned Montepuez Ruby Mining Limitada (“Montepuez”) in Mozambique for the period:
 - Production of 2.1 million carats of ruby and corundum (2014: 6.3 million carats). Production focused in H1 on lower grade but significantly higher value alluvial ore resources delivering a 341% increase in overall volume of higher quality rubies recovered. Production is expected to shift to areas of significantly higher grade, but overall lower value material, in the coming months;
 - Average grade of 15 carats per tonne (2014: 37 carats per tonne), attributed to a greater proportion of higher quality but lower grade alluvial ore resources being processed during the period;
 - Total operating costs^(b) of US\$13.0 million (2014: US\$10.0 million), and corresponding cash operating costs^(d) of US\$10.4 million (2014: US\$8.6 million), largely on account of increased mining and exploration activities being carried out across the mining licence area;
 - Unit operating costs^(c) of US\$6.19 per carat (2014: US\$1.59 per carat) driven by the reduced production volumes and a steady increase in the overall scale of operations. On a cash basis^(d), operating costs were US\$4.95 per carat (2014: US\$1.37 per carat); and
 - Cash rock handling unit costs of US\$4.75 per tonne (2014: US\$5.85 per tonne).
- Maiden JORC Resource and Reserves statement for Montepuez announced in July 2015 with a total indicated and inferred mineral resource of 467 million carats of ruby and corundum and probable ore reserves of 432 million carats of ruby and corundum, giving a projected 21 year LoM and an NPV of US\$996 million (based on 10% base case discount rate); and
- The December 2015 Singapore auction, offering both higher and medium quality rough ruby and corundum in untreated and treated forms, generated revenues of US\$28.8 million at an average realised price of US\$317.92 per carat and saw 98% of the weight offered being sold.

Fabergé

- Wholly owned Fabergé Ltd saw the value of realised sales during the period increase by 70% when compared with the same period in 2014. Losses before interest, tax, depreciation and amortisation reduced by 21%; and
- Fabergé won the 'Ladies Hi-Mechanical' category at the prestigious Grand Prix d'Horlogerie de Genève (“GPHG”) awards held in October 2015, the Swiss watchmaking industry's highest honour, for its 'Lady Compliquée Peacock' timepiece. The award cements Fabergé's position as a future leader in the watch-making industry.

Coloured gemstone market

- The coloured gemstone market continued to expand in the second half of calendar year 2015 with:
 - Record per carat prices being achieved at the Gemfields November 2015 auction of predominantly lower quality emerald and beryl;
 - An increase in demand for smaller sized, higher and medium quality rubies suited to larger production runs of mid-market positioned jewellery; and
 - Record breaking consumer focused auction prices for cut and polished coloured diamonds, sapphires and spinel being achieved during the period.

Outlook

- Subsequent to the binding and conditional agreement announced in September 2015, Gemfields looks forward to completion of the acquisition of a controlling interest in the Coscuez Emerald Mine in Boyacá department, Colombia, and then proceeding with its plan for exploration and development of the project during the remaining half of the financial year; and
- The Company retains its production forecast of 25 to 30 million carats for rough emerald and beryl, and 8 million carats of ruby and corundum for the 2016 financial year.

Explanatory notes:

- (a) EBITDA – earnings before interest, tax, depreciation, amortisation and impairment.
- (b) Total operating costs include mining and production costs, selling, general and administrative expenses, depreciation and amortisation, but exclude capitalised costs and mineral royalties.
- (c) Unit operating costs are calculated as total operating costs (as defined in (b) and (d)) divided by the total gemstone production during the period.
- (d) Cash operating costs include mining and production costs, capitalised costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation and mineral royalties.

Gemfields plc

Chairman's Statement

Dear Shareholder,

I am pleased to update you on yet another strong set of financial and operational results for Gemfields covering the six months ended 31 December 2015 which delivered Group revenues of US\$94.0 million and EBITDA of US\$35.6 million.

In the first half of the financial year the Company held three auctions, two emerald and one ruby. The three auctions were held in two different locations on our auction circuit including Singapore and India and offered our downstream customers a wide spectrum of products including a mixed range of higher and medium qualities of rubies, higher and lower qualities of emeralds and beryl and amethyst. Significantly the auction results, in conjunction with global demand for coloured gemstones, have clearly demonstrated that prices have remained firm as demand continues to grow. This stability within the coloured gemstone sector is perhaps even more significant when one considers the well-publicised challenges being experienced within the diamond and broader extractive sectors.

For the second half of the financial year we anticipate holding two further auctions of rough emerald and beryl and at least one of ruby and corundum, with the next auction being that of higher quality emerald scheduled to take place in Lusaka, Zambia in March 2016.

Outside of Gemfields' highly regarded auction platform, we have also noted the continued trend for new world record per carat prices being achieved by the larger auction houses for finished coloured diamonds and other gemstones. In May 2015, a 25.59 carat ruby was sold by Sotheby's for US\$30.3 million, the highest price ever achieved by a ruby, while a 35.09 carat Kashmir sapphire was sold by Christie's for US\$7.4 million, setting a new world record of more than US\$200,000 per carat.

We remain confident in our marketing strategies, their ability to support continued growth in demand and of the significant opportunity that continues to exist within the coloured gemstone market as we look forward to updating shareholders on the outcome of our future auction and production results in due course.

Operationally we enjoyed a very strong six months. Production for the period at Kagem was up 30% to 15.7 million carats of emerald and beryl when compared to the same period in 2014. This impressive increase in production is not only due to the increase in the average grade per tonne of ore being mined, but is also due to the continued increase in available ore reserves as a result of our earlier waste stripping projects and the ongoing improvements in mining efficiencies and methodologies being applied by our on-site teams.

At Montepuez, 2.1 million carats of ruby and corundum were produced versus 6.3 million in the comparable period. This expected variance is due to the deliberate decision to focus on lower grade, but significantly higher quality, alluvial areas in the short term which will be supplemented by a planned shift to some of the already exposed higher grade, lower value, areas in the coming months.

Our Fabergé jewellery business continues to progress and we were delighted to be awarded the prize in the 'Ladies Hi-Mechanical' category at the prestigious GPHG held in October 2015 for our new 'Lady Compliquée Peacock' timepiece. This award is the Swiss watchmaking industry's highest honour in this category and propels Fabergé to the forefront of this large market. Fabergé has continued to reap the benefits of its successful watch campaign, launched in 2015, with an increase in revenues seen in the period.

I remain highly encouraged by the Company's performance during the first half of the financial year. The production achievements continue to be the pillars for our business providing an excellent platform to maintain

our production target for the 2016 financial year of 25 to 30 million carats for rough emeralds and 8 million carats for rough ruby, while demand for coloured gemstones remains solid.

Graham Mascall

19 February 2016

Gemfields plc

Operational and Financial Review

Kagem Mining Limited, Zambia

Kagem is believed to be the world's single largest producing emerald mine and is 75% owned by Gemfields, with the remaining 25% owned by the Government of the Republic of Zambia. Kagem is located in the Ndola Rural Emerald Restricted Area and lies south of Kitwe and west of Ndola in Zambia's Copperbelt Province. Kagem's licence area comprises around 41 square kilometres and currently delivers approximately 25% of global emerald production.

Mining

During the six months ended 31 December 2015, in excess of 6.8 million tonnes of waste was moved (2014: 7.3 million tonnes). The fourth high wall pushback was completed in September 2015 leaving approximately 15 months of exposed ore available for mining. Continued waste stripping of the Chama pit will be done by the in-house team, which will provide for approximately two to three years of ore available for mining at any given point in time.

Increasing the overall strike length at the Chama pit operation and optimising the blasting and scheduling techniques assisted in further improving the mining efficiency and productivity. The operations yielded 15.7 million carats during the period (2014: 12.1 million carats) at a grade of 254 carats per tonne (2014: 202 carats per tonne).

Total operating costs were US\$22.4 million (2014: US\$21.9 million), while the cost per carat decreased by 21% to US\$1.43 per carat (2014: US\$1.81 per carat), reflecting the increase in production while overall costs were largely maintained at the same level as the previous comparative period. On a cash basis, total operating costs were US\$16.2 million (2014: US\$21.6 million) or US\$1.03 per carat (2014: US\$1.79 per carat).

Cash rock handling unit costs were US\$2.38 per tonne (2014: US\$2.92 per tonne), with the reduced costs of mining operations being a result of improved operating efficiencies, lower fuel prices and the short term positive impact of foreign exchange fluctuations.

JORC Resource and reserve

In September 2015, Gemfields published its updated JORC resource and ore reserves statement for Kagem emerald mine with measured, indicated and inferred mineral resource of 1.8 billion carats of emerald and beryl at an in-situ grade of 281 carats per tonne and proven and probable ore reserves of 1.1 billion carats of emerald and beryl at an ore grade of 291 carats per tonne. Based on the Competent Persons Report produced by SRK Consulting (UK) Limited ("SRK"), the projected LoM for the Kagem project is 25 years with projected undiscounted real cash flow over the LoM of approximately US\$1.59 billion. The independent technical economic model shows a post-tax NPV of US\$520 million based on a 10% base case discount rate. The report also acknowledges an extensive exploration potential within the Kagem licence areas.

Processing

Kagem also increased its processing efficiencies and capacity following an upgrade and extension to the existing washing plant facility and the installation of upgraded digital security and surveillance infrastructure. A better climate-controlled environment has also been established within the enclosed and extended picking facility, resulting in an improved working environment and more rigorous operating controls.

These improvements have further contributed to the efficiency drives that are continuously being implemented at Kagem, with fewer breakdowns, reduced maintenance costs, improved gemstone recoveries and enhanced overall security.

The Kagem wash plant achieved a total of 2,872 hours of operation (2014: 3,039 hours) with the plant output capacity having been increased to 66 tonnes per hour during the period.

Kagem's key operational parameters by quarter and half year are summarised below:

KAGEM Quarterly Summary to Dec-15	Units	Quarter									Half Year	
		Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	2014-15	2015-16
PRODUCTION												
Gemstone Production (Emerald+Beryl)	million carats	3.9	3.6	6.2	6.3	5.8	9.9	8.1	7.5	8.2	12.1	15.7
Ore Production (Reaction Zone)	'000 tonnes	17.2	18.0	23.4	29.4	30.5	27.9	36.5	31.7	30.1	59.9	61.8
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	224	198	271	214	190	355	222	237	272	202	254
Waste Mined (including TMS)	million tonnes	1.9	1.0	2.5	3.2	4.1	4.0	3.6	4.0	2.8	7.3	6.8
Total Rock Handling	million tonnes	2.0	1.0	2.5	3.2	4.2	4.0	3.6	4.1	2.8	7.4	6.8 ^(c)
Stripping Ratio		113	55	108	109	134	143	99	126	93	122	110
CAPITAL EXPENDITURE												
Property, Plant and Equipment	US\$ million	-	2.7	0.2	4.5	6.7	1.0	1.8	0.2	0.5	11.2	0.7
Capitalised Waste Stripping	US\$ million	2.3	0.4	3.7	3.9	6.3	5.9	4.7	3.1	0.2	10.2	3.3
CASH COSTS ^(a)												
Total (Cash) Operating Costs ^(a)	US\$ million	6.8	4.9	8.9	9.3	12.3	11.4	10.5	8.7	7.5	21.6	16.2
Gemstone (Cash) Unit Cost (Emerald+Beryl) ^(a)	US\$/carat	1.76	1.38	1.44	1.48	2.12	1.15	1.30	1.16	0.91	1.79	1.03
Ore / Reaction Zone (Cash) Unit Cost ^(a)	US\$/RZ tonne	393	273	380	316	403	409	288	274	249	361	262
Rock Handling (Cash) Unit Cost ^(a)	US\$/tonne	3.46	4.90	3.56	2.91	2.93	2.85	2.92	2.12	2.68	2.92	2.38
ACCOUNTING COSTS ^(b)												
Total Operating Costs ^{(b)(c)}	US\$ million	7.2	6.6	11.1	10.3	11.6	9.8	12.8	11.1	11.3	21.9	22.4
Gemstone Unit Cost (Emerald+Beryl) ^(b)	US\$/carat	1.85	1.83	1.79	1.63	2.00	0.99	1.58	1.48	1.38	1.81	1.43
Ore / Reaction Zone Unit Cost ^(b)	US\$/RZ tonne	419	367	474	350	380	351	351	350	375	366	362
Rock Handling Unit Cost ^(b)	US\$/tonne	3.60	6.60	4.44	3.22	2.76	2.45	3.56	2.71	4.04	2.96	3.29

(a) Cash operating costs include mining and production costs, capitalised waste stripping costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation, amortisation and mineral royalties.

(b) Total operating costs include mining and production costs, selling, general and administrative expenses, depreciation and amortisation, but exclude capitalised waste stripping costs and mineral royalties.

(c) Half year 2015-16 total rock handling figure doesn't equal the sum of Q1 2016 and Q2 2016 figures due to rounding.

Safety and environment

Kagem continues to maintain an excellent safety record, with no reportable lost time injuries having occurred since taking over operational control of the mine, underpinned by the high-level importance placed on the safety and wellbeing of our employees.

In line with the expansion of both mining operations and processing capacity, Kagem has proactively embarked on a comprehensive site-wide Environmental Impact Assessment ("EIA") which is currently under process for approval.

Kagem prides itself on its ability to supply emeralds that are mined in a responsible, transparent and safe manner with minimised impact on the natural environment.

Geology and exploration

The focus on a mineral resource replenishment programme through continuous exploration within the Kagem licence area was maintained during the period. Diamond core drilling continued in the Chama pit area establishing depth continuity of the TMS up to a vertical depth of 350 metres. In the Fibolele sector, in the North East part of the licence, drilling resulted in the proving of steeper dipping TMS of an average drilled thickness of 25 metres.

The Fibolele pit has emerged as a potentially significant production target and is presently in active operation over a strike length of 600 metres. In the period under review, additional production contacts were also delineated. The prime production points continued to yield strong volumes, producing 2.2 million carats with an average grade of 191 carat per tonne. The continuity of the TMS has been established, with an average thickness of approximately 40 metres.

At one of the important prospects within the Libwente sector, two bulk sampling programs continued to test the prospective ground. A total of 56,850 carats of emerald and beryl was produced by the Libwente pit during the period.

We continue to develop and improve our understanding of both global and site specific emerald gemstone geology and have maintained a competitive advantage via the utilisation of various cutting edge exploration tools such as Leapfrog geological modelling, Surpac block modelling and Surpac mine scheduling.

Rough sales and auctions

Two auctions of rough emerald and beryl from the Kagem emerald mine were held during the period.

From 31 August to 4 September 2015, Kagem held an auction of predominantly higher quality emerald in Singapore, generating revenues of US\$34.7 million. The average realised price was US\$58.42 per carat.

An auction of predominantly lower quality rough emerald and beryl was held from 18 to 21 November 2015 in Jaipur, India, generating revenues of US\$19.2 million, the highest total revenue achieved to date at a lower quality emerald and beryl auction. The auction yielded an average price of US\$4.32 per carat, a new per carat price record for a lower quality emerald and beryl auction.

The auction results during the period are summarised below:

Auction Results

Dates	31 August - 4 September 2015	18-21 November 2015
Location	Singapore	Jaipur, India
Type	Higher Quality	Lower Quality
Carats offered	0.60 million	5.07 million
Carats Sold	0.59 million	4.45 million
No. of companies placing bids	37	29
Average no. of bids per lot	11	6
No. of lots offered	19	23
No. of lots sold	18	18
Percentage of lots sold	95%	78%
Percentage of lots sold by weight	98%	88%
Percentage of lots sold by value	88%	95%
Total sales realised at auction	US\$34.7 million	US\$19.2 million
Average per carat sales value	US\$58.42/carat	US\$4.32/carat

Two further auctions of rough emerald and beryl are planned for the second half of the financial year 2016 with the next auction of predominantly higher quality rough emerald expected to take place in March 2016.

Human resources, corporate responsibility and sustainability

A Memorandum of Understanding (“MOU”) was signed between management and Saturnia Regina Pension Fund to include all local senior staff in the pension scheme making the total workforce permanent and pensionable including the junior employees.

Normal retirement at the age of 60 and the option of late retirement up to the age of 65 was also established following an amendment to the National Pension Scheme Authority Act (“NAPSA Act”).

The daily employee attendance process has been fully automated using a biometric attendance system which also supports more accurate payroll inputs. Staff welfare activities have been focused on the enhancing of social amenities around the camp site.

Respective scholarship MOUs were signed with the University of Zambia and the Copperbelt University with respect to sponsorship of two mining and two geology students, per year (from their second year of studies onwards) per institution. The selection process for the first students to be brought on line has recently been initiated.

IT initiatives

Kagem IT infrastructure continues to undergo significant improvements. Wi-Fi coverage has been expanded and now covers the office areas, workshop, living areas and recreation centre. New IP (“Internet Protocol”) based camera systems were also commissioned and a state-of-art Avigilon (CCTV) and SACO (Time and attendance system) have been installed during the period.

Credit facility

In August 2015, Kagem entered into a US\$10 million revolving credit facility with Barclays Bank Mauritius Limited (“Barclays”), supplementing the existing US\$20 million facility with Barclays Zambia plc and bringing the total loan facility provided by Barclays to US\$30 million. Funds drawn under the facility bear interest at a rate of three month US Dollar LIBOR plus 4.5%. The loan is used to support Kagem’s working capital and capital expenditure requirements.

Kagem also entered into a US\$10 million short term and unsecured financing facility with Pallinghurst Resources Limited. This facility had a maturity date of 15 December 2015 and an interest rate of three month US Dollar LIBOR plus 4.5%. The facility was used for working capital and general business purposes. The financing facility was repaid in December 2015.

Kagem had an outstanding debt balance as at 31 December 2015 of US\$30 million.

Montepuez Ruby Mining Limitada, Mozambique

The Montepuez ruby deposit is located in the north-east of Mozambique in the Cabo Delgado province. Covering approximately 33,600 hectares, it is believed to be the most significant recently discovered ruby deposit in the world. Gemfields owns a 75% interest in Montepuez Ruby Mining Limitada which holds a 25 year mining and exploration licence granted by the Government of Mozambique in November 2011. In November 2015, a new amalgamated licence 4703C (combining the two initial licences 4702 & 4703) covering an area on 34,966 hectares was issued in favour of Montepuez by the Government of Mozambique.

Mining

The bulk sampling programme at Montepuez continues to increase in scale and has delivered consistently encouraging results. During the period, bulk sampling activities have focussed primarily on alluvial deposits in Maninge Nice and Mugloto blocks, located approximately 9 kilometres apart within the concession area. The exploration programme has continued with core and non-core drilling and the data provides an indication of the significant possibility to further increase the existing resource base.

A comprehensive technical review has resulted in the rock handling capacity being increased to 360,000 tonnes per month, compared to 310,000 tonnes per month in the previous financial year, without a need to increase the fleet size. Total rock handling during the period was 2.2 million tonnes (2014: 1.5 million tonnes), made up of 0.3 million tonnes of ore and 1.9 million tonnes of waste.

During the period higher quality and higher value, but lower grade, secondary ore deposits were mined and processed. Approximately 144,000 tonnes of ore was processed by the washing plant (2014: 171,000 tonnes), producing a total of 2.1 million carats of ruby and corundum (2014: 6.3 million carats) at an average grade of 15 carats per tonne (2014: 37 carats per tonne) and resulted in a 341% increase in the overall volume of higher quality rubies recovered during the six months under review. This takes the total ruby and corundum produced at

Montepuez since the commencement of bulk sampling to 18.8 million carats. Total cash operating costs for the period stood at US\$10.4 million (2014: US\$ 8.6 million) on account of the continued increase in the overall scale of operations.

Montepuez's key operational parameters by quarter and half year are summarised below:

MONTEPUEZ Quarterly Summary to Dec-15	Units	Quarter									Half Year	
		Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	2014-15	2015-16
PRODUCTION												
Gemstone Production (Ruby+Corundum)	million carats	2.3	1.1	0.2	2.9	3.4	1.4	0.7	0.5	1.6	6.3	2.1
Ore Production (Primary+Secondary)	'000 tonnes	150.9	75.9	99.9	81.7	158.3	79.4	119.5	136.9	132.9	240.0	269.8
Ore Processed (Primary+Secondary)	'000 tonnes	35.9	28.8	68.9	69.9	101.4	78.6	75.5	72.8	71.7	171.3	144.5
Grade (Ruby+Corundum/Ore Processed)	carats/tonne	64	38	3	41	34	18	9	7	22	37	15
Waste Mined	'000 tonnes	137.8	456.5	443.0	452.2	776.9	441.7	859.7	996.8	922.0	1,229.1	1,918.8
Total Rock Handling	'000 tonnes	288.7	532.4	542.9	533.9	935.2	521.1	979.2	1,133.7	1,054.9	1,469.1	2,188.6
Stripping Ratio		0.9	6.0	4.4	5.5	4.9	5.6	7.2	7.3	6.9	5.1	7.1
CAPITAL EXPENDITURE												
Property, Plant and Equipment	US\$ million	2.9	1.1	1.5	4.5	1.6	1.4	2.3	3.3	1.8	6.1	5.1
CASH COSTS ^(a)												
Total (Cash) Operating Costs ^(a)	US\$ million	2.8	3.0	3.1	3.7	4.9	3.7	6.0	5.1	5.3	8.6	10.4
Gemstone (Cash) Unit Cost (Ruby+Corundum) ^(a)	US\$/carat	1.22	2.73	15.50	1.28	1.44	2.64	8.57	10.20	3.31	1.37	4.95
Ore Production (Cash) Unit Cost ^(a)	US\$/tonne	18.56	39.53	31.03	45.29	30.95	46.60	50.21	37.25	39.88	35.83	38.55
Rock Handling (Cash) Unit Cost ^(a)	US\$/tonne	9.70	5.63	5.71	6.93	5.24	7.10	6.13	4.50	5.02	5.85	4.75
ACCOUNTING COSTS ^(b)												
Total Operating Costs ^(b)	US\$ million	2.3	2.4	0.8	4.3	5.7	4.6	7.0	6.1	6.9	10.0	13.0
Gemstone Unit Cost (Ruby+Corundum) ^(b)	US\$/carat	1.00	2.18	4.00	1.48	1.68	3.29	10.00	12.20	4.31	1.59	6.19
Ore Production Unit Cost ^(b)	US\$/tonne	15.24	31.62	8.01	52.63	36.01	57.93	58.58	44.56	51.92	41.67	48.18
Rock Handling Unit Cost ^(b)	US\$/tonne	7.97	4.51	1.47	8.05	6.09	8.83	7.15	5.38	6.54	6.81	5.94

(a) Cash operating costs include mining and production costs, capitalised mining and production costs, selling, general and administrative expenses, and exclude capital expenditure, depreciation and mineral royalties.

(b) For the period to 30 June 2014, mining and production costs were capitalised. The total operating costs included security costs, selling, general and administrative expenses and depreciation, but exclude mineral royalties and capitalised mining and production costs. Following the reclassification of the Montepuez Ruby Mine from intangible unvaluated asset under IFRS 6 to evaluated mining property, mining and production costs are recognised in the income statement from 1 July 2014. From 1 July 2014, the total operating costs include mining and production costs (including security costs), selling, general and administrative expenses, and depreciation, but exclude mineral royalties.

Total investment in property, plant and equipment for the period was US\$5.1 million (2014: US\$6.1 million), with much of this being spent on improved washing plant and camp site facilities.

Geology and exploration

The second phase of the exploration programme has been carried out in and around the Maninge Nice area up to the eastern boundary of the concession, covering an area of almost 45 square kilometres involving both diamond core drilling and auger drilling through a combination of Montepuez's in-house team and a third party contractor.

The second phase of the auger drilling programme commenced in April 2015 and completed in December 2015. A total of 2,026 drill holes, or 13,784 linear metres, of contractual auger drilling was completed within the period. In addition, a total of 55 diamond core drill holes (at an average depth of 44.6 metres) and 21 diamond holes (at an average depth of 50.0 metres) were also drilled during the period by the contractor and in-house drilling rigs respectively.

The auger exploration programme (Phase 2) has delineated additional new areas of potential with a gravel bed thicknesses of more than one metre. These are yet to be confirmed by bulk sampling.

In addition to this, some added areas of mineralised amphibolite have also been identified with the available data suggesting that the amphibolite bodies, hosting the primary ruby mineralisation, are oriented in an East-West direction. The amphibolite bodies occur intermittently across the area of investigation and further exploration, by diamond core drilling, is currently in progress.

Further diamond core drilling has also been planned to support a better understanding of the disposition of the primary mineralised zone located on the east of the Maninge Nice area. Phase 3 of the exploration programme will thus be aimed at tracing the extent of the primary ruby mineralisation within the amphibolite body, while auger drilling will continue to spearhead the exploration programme to expose further greenfield areas within the licence.

Under the guidance of the Geological Survey of India, petro-mineralogical studies of a set of 22 core samples were undertaken to gain a better understanding of the different lithologies within the licence area. The results support the identification and nomenclature of the different rock types present across the concession area.

The airborne geophysical survey, covering an area of 14,560 square kilometres, has been completed during the period and includes all of the licences covered by Gemfields and its subsidiary companies within the Montepuez district. The results are expected to be finalised during the first quarter of calendar year 2016.

Processing

A more durable poly panel double deck screen has been installed at the wash plant, replacing the wire mesh double deck screen, during the period. This has also enhanced the screening efficiency of the washing plant. In addition to the conversion of dry to wet screening on the M1700 rinser, a fines master (FM 120) has been installed in circuit, with a view to further improving overall processing and water recovery efficiencies. A new replacement log-washer, with two additional dewatering screens has also been installed, with further upgrades to the plant currently underway.

To support the need for a consistent supply of clean water to the wash plant throughout the year, 6 additional bore wells were drilled and commissioned with higher capacity water pumps. An additional water reservoir of approximately 25,000 cubic metres capacity was also created in order to increase the currently available water storage capacity.

The installation of a water treatment plant and dense media separation plant, to replace the existing jigs, is under review.

Rough sales and auctions

One auction of higher and medium qualities of rough ruby and corundum was held during the period. Out of the 92,136 carats of rubies offered for sale, 90,642 carats were sold (98% by weight). The auction generated revenues of US\$28.8 million, yielding an average overall value of US\$317.92 per carat.

The auction results are summarised below:

Auction results

Date	14-18 December 2015
Location	Singapore
Type	Rough Ruby (Higher and Medium Quality)
Carats offered	92,136
Carats sold	90,642
No. of lots offered	49
No. of lots sold	45
Percentage of lots sold	92%
Percentage of lots sold by weight	98%
Percentage of lots sold by value	95%
Total gross sales realised at auction	US\$28.8 million
Average per carat sales value	US\$317.92 /carat

While the positive outcome of the Company's effort to support the growth and expansion of the downstream emerald market are clearly visible, it is likely to take a few more years before the ruby market has access to similar levels of working capital and distribution. As such, some degree of flexibility is required in determining the auction schedule for rough rubies and corundum, with the exact nature and timing of these auctions being directed by feedback received from the downstream market, and supported by the Company's marketing and communications network. At least one auction of mixed qualities of ruby and corundum is expected to take place before the end of June 2016.

Infrastructure

The construction of the new Montepuez camp commenced in March 2015 with a total of 102 housing units, a recreation unit, canteen and new kitchen being built. The first set of housing units have been commissioned and allotted. Completion of the project and handover of the camp and grounds is targeted for the end of April 2016.

A new fuel storage tank with a capacity of 50,000 litres has been constructed increasing the total storage capacity on site to 96,000 litres to cater for the increased fuel requirements of the mine.

Engineering

It is planned to extend the existing workshop during the coming year so as to enhance the on-site maintenance capabilities. Additional facilities such as a training room, wash-bay, scrapyards, lubricant storage, and heavy earth moving machineries maintenance bays will also be constructed.

Safety, environment, corporate responsibility and sustainability

Considering the large expanse, diverse nature and potential value covered by the Montepuez licence area, the restriction of illegal mining activity and asset loss continue to be key challenges. With the implementation of new infrastructure and improved technological interventions such as the enhancement of radio communication ranges, mobile camera lighting towers, increased numbers of CCTV cameras and mobile guard posts, a meaningful improvement has been noticed during the period.

A dedicated training programme for security personnel, incorporating human rights and soft skill development, has been provided to all key personal by recognised global experts during the period.

The period was injury free with no major incidents reported. The EIA plan of Montepuez was approved by the Mozambican authorities. Rehabilitation of mined out areas and an extensive plantation programme is ongoing.

Various social initiatives are currently underway within the local communities, including preparation of the farmlands, installation of street lighting in the village, HIV awareness programme and animal farming.

Fabergé Limited

Wholly owned Fabergé provides Gemfields with direct control over a high-end luxury goods platform and access to a global brand with exceptional heritage.

The value of realised sales during the six months period increased by 70% when compared with the same period in 2014. Losses before interest, tax, depreciation and amortisation reduced by 21%. The total number of Fabergé boutiques and distribution channels increased from 20 to 25 during the period.

Creative and production

Fabergé continues to concentrate on creating new collections including high jewellery pieces, the expansion of the timepieces collection in collaboration with world-leading Swiss watchmakers, and the continuation of bespoke objets d'art. Taking inspiration from the unique heritage of the House of Fabergé, the new collections are founded on the artistic use of colour in the form of coloured gemstones and enamel.

Marketing

Fabergé's first significant print advertising campaign since Christmas 2013 began in September 2015, and will continue through to June 2016. The campaign focuses on the key Emotion, Devotion and timepiece collections.

Two of the four Fabergé timepieces launched at the start of 2015 – the Lady Compliquée Peacock and the Summer in Provence - were nominated for the prestigious 2015 Grand Prix d'Horlogerie de Genève. This was noted as a

considerable achievement in itself and resulted in significant editorial coverage across the watch and wider luxury goods publications. The Lady Compliquée Peacock went on to win the 'Ladies High Mechanical' category, cementing Fabergé's position as a new trailblazer in the watch business.

New products and collections will continue to be launched in the second half of the financial year, including at BaselWorld 2016, which will see the unveiling of innovative new timepieces and refreshed core and entry jewellery collections.

Distribution

During the period, Fabergé continues to follow an exclusive global distribution strategy by partnering with leading multi-brand retailers and department stores in key territories and further building its international wholesale team.

Kariba Minerals Limited, Zambia

Kariba Minerals Limited (“Kariba”) is one of the world’s single largest operating amethyst mines and continues to account for a material proportion of global amethyst reserves. The deposit is located in the Southern Province of Zambia in the Mapatizya district and covers 253 hectares and is 50% owned by Gemfields.

The Kariba deposit comprises 10 active or semi-active pits producing a different mix of grades. Production is adapted in line with prevailing market demand for particular sizes and qualities. The Curlew North, Francis West and Main Curlew pits have been actively developed and mined during the period. A new exploration programme is to be put in place to confirm and re-estimate the mineral resources available at the Kariba mine.

Production of amethyst during the period was 485,000 kg (2014: 574,000 kg).

A total of 10.1 million carats of higher quality rough amethyst was sold in Singapore in September 2015 for US\$0.44 million. Kariba’s next auction is scheduled to take place in Lusaka, Zambia in March 2016.

Kariba’s key operational parameters for the period are summarised below:

Kariba production summary	Six months to 31 December 2015	Six months to 31 December 2014
Gemstone production (amethyst - all grades) in tonnes	485	574
Ore production in tonnes	8,745	11,825
Grade (kg of amethyst per tonne of ore)	49	49
Waste mined in tonnes	77, 324	146,640
Stripping ratio	9	12

Infrastructure

Kariba is actively working towards a long-term cost effective solution for energy supply and has initiated an Environmental Project Brief for a 1 MW solar farm in conjunction with an Australian solar supplier and the Zambian national electricity company, ZESCO. The project has two primary goals: to supply Kariba with more cost effective electricity and to offer excess capacity to the local community at a rate that will be subsidised by the Zambian Government. Kariba will lease a portion of its land (two hectares) to the project in order to accommodate the construction of the solar plant. The Australian solar supplier will fund construction and Kariba will sign an off-take agreement to purchase electricity.

Security

The CCTV coverage system has been extended to 25 cameras and is functioning successfully. In addition a

biometric attendance system has been put in place to monitor more accurately the workforce attendance.

Safety and environment

The annual environmental audit has been submitted to the local authorities and all safety and environmental related licences have been renewed.

In conjunction with Maamba Collieries, an extensive medical check-up for all employees has been conducted including statutory silicosis testing.

Kariba is committed to the implementation of environmental management plans as outlined at Group level and required by law. Kariba is aiming to adopt mining methods that limit overall impact on the environment, and which seek to preserve the ecology and biodiversity of the surrounding areas. In that regard more than 500 fruits and nuts trees are being currently planted to reforest the mine populated area as well as supplementing the employees' family diet.

Corporate responsibility and sustainability

Various initiatives are being planned and implemented for the benefit of the local community. Being the sole employer in a large part of the area, Kariba is very closely integrated socioeconomically with its surrounding community.

Colombia

Gemfields announced the binding but conditional agreements to acquire controlling interests in two emerald projects with operations and prospects located predominantly in the Boyacá state of Colombia, on 10 September 2015. The news has been well received within local Colombian media and Government circles with the Colombian Ministry of Mines issuing an independent press release welcoming Gemfields investment into the Colombian emerald sector.

The first project relates to the acquisition of a 70% stake in the Coscuez Emerald Mine, in the Boyacá province. The total consideration payable under the share purchase agreement is US\$15 million, to be paid in tranches of a combination of cash and Gemfields' shares, conditional on achieving certain pre-determined milestones. Located on the 'Muzo formation', the Coscuez Licence covers an area of 47 hectares, with the Coscuez mine – one of history's more significant emerald deposits – having been in operation for over 25 years and known to have produced some of the finest emeralds from Colombia. Preliminary geological due diligence studies were carried out by Gemfields between October 2013 and August 2014.

Exploration and mine planning activities such as drone surface topographic survey, underground survey, and preliminary assessment of engineering solutions with respect to access to the Coscuez mine were initiated as part of the ground preparations for future operations.

International geological and mining consultants ACA Howe International ("ACA"), UK were engaged to provide a technical report based on the geological work carried out by Gemfields and to conduct appropriate due diligence. Further exploration activity will be carried out over the next 18 to 24 months to support the development of an expanded geological model and preliminary mine plan.

The second project relates to selected exploration prospects held by ISAM Europa S.L. via the acquisition of 75% and 70% interests in two Colombian companies holding rights in respect of mining licence applications and assigned concession contracts respectively. It comprises a number of new licence applications and assignments to existing concession contracts administered by the Colombian Mining Agency. Eight of the applications and assignments have been approved and issued. The remaining assignments and applications are being reviewed by the Colombian Mining Agency. The total consideration payable by Gemfields under the share purchase agreement is US\$7.5 million, to be paid in tranches of a combination of cash and Gemfields' shares conditional

to achieving certain milestones.

Following the transaction, a fully owned Colombian subsidiary (Campos de la Gema SAS) has been established which will allow a full time Gemfields senior management team to be positioned in Colombia.

In addition, Gemfields sponsored and attended the first International Emerald Symposium in Bogotá, Colombia.

Web Gemstone Mining plc, Ethiopia

Gemfields completed the acquisition of 75% shares in Web Gemstone Mining plc (“Web Gemstone”), an Ethiopian registered company, in February 2015. Web Gemstone holds an emerald exploration licence covering a total concession area of 200 square kilometres. An exploration team was positioned in a base camp set up on site since June 2015 to help explore and develop the potential within the area. Exploration work began in July 2015 with a preliminary ground survey, detailed mapping at various scales, and the preparation of base line plans.

A manual trenching exercise has been completed on a key target area within the northern part of the licence, named Dogogo Hill, selected on the bases of geological indicators and past artisanal activity. The block measures 1.92 square kilometres, covering a strike length of 2.4 kilometres. Eight trenches were planned at 100 metres intervals. Excavation of the trenches was completed in November 2015, with a cumulative length of 2.2 kilometres, having an average of width of 70 to 80 centimetres and depth ranging from 60 to 150 centimetres. The trenches exposed contacts between pegmatites and talcose schists, and the occurrence of beryl has been recorded. A pitting exercise has been initiated at the contact zones exposed during the trenching exercise.

A detailed geological mapping exercise has been completed concurrently at various scales in another block to the south of the licence, called Karolo Kora Hill. This block measures 13.75 square kilometres, and covers a 5.5 kilometres strike length of the ultramafic belt.

Steps have been initiated to commission a diamond core drilling program of the licence area to establish dip continuity of the ore body identified during trenching, and is expected to start in early 2016. An airborne geophysical survey of the licence area is also planned for later on in the financial year.

Sri Lanka

Further to the incorporation of the Ratnapura Lanka Gemstones (Pvt) Ltd, Gemfields has received the necessary licence to trade sapphires, completed the establishment of the required infrastructures and acquired the supporting equipment for trading in Colombo and Ratnapura. The appointment of key management personnel has also been completed. The associated supply chain mechanisms are now being developed.

Gemfields has also completed its preliminary assessment on some of the exploration licences covering diverse minerals and will continue its assessment of other licences in the 2016 calendar year.

Oriental Mining SARL, Madagascar

Oriental Mining SARL in Madagascar has not been subject to any large scale ground activity in the six months period ending 31 December 2015. Given that the draft mining code published by the newly elected Government is under consultation, Gemfields is looking forward to initiating a scaled-up assessment of its own licences and the potential evaluation of some other possible areas during the 2016 calendar year.

Coloured Gemstone Market

The coloured gemstone market continued to expand throughout the second half of calendar year 2015. Gemfields rough emerald and ruby auction results indicate a continuous increase in consumer appreciation and demand for all qualities of production, but specifically so within the more commercial medium to lower qualities gemstones. This is indicative of a resurgence within the US consumer market and highlights the need for a continuous process

of filling the gap that exists as a direct result of the very broad price band between the highest and lowest qualities of emeralds, rubies and sapphires. However, this also provides solid evidence of the resurgence of coloured gemstones within the luxury sector and the inherent potential for added value drivers.

The results of Gemfields higher quality rough emerald and ruby auctions indicate a high degree of stability within these markets, while the results of the international auction houses suggest that demand for the highest qualities of coloured gemstones (including coloured diamonds) continue to increase across the entire spectrum. The “Hope Spinel”, for instance, was sold for £962,500 at Bonhams in September 2015 setting a new world record price of £30,000 per carat. Emily Barber, Bonhams’ jewellery department director predicts that coloured gemstones will drive the jewellery market in 2016: *“Without a doubt we are seeing the return of the so-called precious stones: emeralds, rubies and sapphires. Demand is very, very strong and record prices are being paid.”*

Group Corporate Social Responsibility

Gemfields remains committed to a high level of corporate responsibility and sustainable development across the business.

The Company has been engaged in two major social investments projects in Zambia, namely the Nkana mini hospital and the Chapula secondary school. Both of these are being constructed within Chief Nkana’s chieftdom and one of the host communities associated with the Kagem Emerald Mine in Zambia. The US\$1.3 million projects consist of a four ward medical facility and fully contained secondary school within an adequate equitable and conducive teaching and learning environment, where technical and specialised subjects will be provided for. The Company is committed to equipping both projects in readiness for the inauguration and handover ceremony to the Government in second quarter of the 2016 calendar year.

Montepuez is a relatively young project, however, we have already undertaken a number of community development projects on small scale, including renovation of three primary schools, construction of waiting shelter at the District hospital, a sporting ground, a market, drilling and installation of water boreholes to five villages and supplying of building materials to 28 families whose houses lost the roofs during recent heavy winds. A Joint Community Steering Committee involving District Government, local community and Montepuez is also being formulated so as to ensure the most effective social investment within the area over the longer term.

Corporate Borrowings

On 18 December 2015 Gemfields plc entered into a US\$10 million loan agreement with Pallinghurst Resources Limited. The loan is unsecured and is repayable in instalments over a period of less than one year from drawdown. The facility bears an interest of 3 month US Dollar LIBOR plus 4.50%.

During the period, Gemfields plc repaid US\$10 million of the US\$25 million loan facility from Macquarie Corporate Holdings Pty Limited (UK Branch), in accordance with the repayment schedule. Subsequent to the period end, a further US\$5 million was repaid.

Gemfields plc

Consolidated Income Statement

For the six months ended 31 December 2015

In thousands of US\$	Note	Six months ended 31 December 2015 (Unaudited)	Six months ended 31 December 2014 (Unaudited)
Revenue		94,025	103,388
Cost of sales	3	(47,649)	(35,628)
Gross profit		46,376	67,760
Other income		164	566
Selling, general and administrative expenses	4	(26,014)	(23,521)
Profit from operations		20,526	44,805
Finance income	5	4,032	3
Finance expenses	5	(2,748)	(1,348)
Profit before taxation		21,810	43,460
Tax charge		(13,592)	(20,244)
Profit after taxation		8,218	23,216
Profit for the year attributable to:			
Owners of the parent		3,426	16,263
Non-controlling interest		4,792	6,953
		8,218	23,216
Earnings per share for profit attributable to the owners of the parent during the year			
Basic	6	US\$0.01	US\$0.03
Diluted	6	US\$0.01	US\$0.03

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Gemfields plc

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2015

In thousands of US\$	Six months ended 31 December 2015 (Unaudited)	Six months ended 31 December 2014 (Unaudited)
Profit after taxation	8,218	23,216
Other comprehensive income		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange gain/(loss) arising on translation of foreign operations	2,653	(94)
Total comprehensive income	10,871	23,122
Total comprehensive income attributable to:		
Owners of the parent	6,079	16,169
Non-controlling interest	4,792	6,953
	10,871	23,122

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Gemfields plc

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015

In thousands of US\$	Attributable to equity holders of the parent						Total	Non-controlling interest	Equity
	Share capital	Share premium	Merger reserve	Option reserve	Cumulative translation reserve	Retained deficit			
Balance at 1 January 2015	9,577	97,533	207,986	4,782	53	(63,402)	256,529	56,564	313,093
Loss for the six months	-	-	-	-	-	(12,563)	(12,563)	1,694	(10,869)
Other comprehensive loss	-	-	-	-	(2,827)	-	(2,827)	-	(2,827)
Contribution for non-controlling interest	-	-	-	-	-	-	-	14	14
Share options forfeited	-	-	-	(473)	-	473	-	-	-
Other share issues	37	871	-	(649)	-	649	908	-	908
Share-based payments	-	-	-	1,519	-	-	1,519	-	1,519
Dividends paid	-	-	-	-	-	-	-	(2,000)	(2,000)
Balance at 30 June 2015	9,614	98,404	207,986	5,179	(2,774)	(74,843)	243,566	56,272	299,838
Profit for the six months	-	-	-	-	-	3,426	3,426	4,792	8,218
Other comprehensive income	-	-	-	-	2,653	-	2,653	-	2,653
Contribution for non-controlling interest	-	-	-	-	-	-	-	62	62
Other share issues	5	162	-	-	-	-	167	-	167
Share-based payments	-	-	-	1,080	-	-	1,080	-	1,080
Dividends paid	-	-	-	-	-	-	-	(6,500)	(6,500)
Balance at 31 December 2015	9,619	98,566	207,986	6,259	(121)	(71,417)	250,892	54,626	305,518

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 the 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 Consolidated Income Statement net of transfers to the retained deficit on exercised and forfeited 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 Income Statement.
Non-controlling interest	Amounts attributable to non-controlling shareholders.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Gemfields plc

Consolidated Statement of Financial Position

At 31 December 2015

In thousands of US\$	Note	31 December 2015 (Unaudited)	30 June 2015 (Audited)
Non-current assets			
Property, plant and equipment	7	235,101	240,796
Available-for-sale investments		40	40
Intangible assets		45,785	45,491
Deferred tax assets		5,601	5,048
Other non-current assets		8,185	8,217
Total non-current assets		294,712	299,592
Current assets			
Inventory	8	110,506	104,869
Trade and other receivables		42,574	34,805
Cash and cash equivalents		24,879	27,973
Total current assets		177,959	167,647
Total assets		472,671	467,239
Non-current liabilities			
Deferred tax liabilities		(64,751)	(66,858)
Borrowings		(30,000)	(20,000)
Other non-current liabilities		(3,486)	(3,333)
Total non-current liabilities		(98,237)	(90,191)
Current liabilities			
Trade and other payables		(18,884)	(25,283)
Current tax payable		(25,330)	(27,228)
Borrowings		(24,702)	(24,699)
Total current liabilities		(68,916)	(77,210)
Total liabilities		(167,153)	(167,401)
Total net assets		305,518	299,838
Capital and reserves attributable to equity holders of the parent			
Share capital		9,619	9,614
Share premium		98,566	98,404
Merger reserve		207,986	207,986
Option reserve		6,259	5,179
Cumulative translation reserve		(121)	(2,774)
Retained deficit		(71,417)	(74,843)
Total capital and reserves attributable to equity holders of the parent		250,892	243,566
Non-controlling interest		54,626	56,272
Total equity		305,518	299,838

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The Consolidated Interim Financial Statements were approved by the Board of Directors and authorised for issue on 19 February 2016.

Company number 05129023

The notes on pages 23 to 26 form part of these Financial Statements.

Gemfields plc

Consolidated Statement of Cash Flows

For the six months ended 31 December 2015

In thousands of US\$	Six months ended 31 December 2015 (Unaudited)	Six months ended 31 December 2014 (Unaudited)
Cash flows from operating activities		
Profit for the period after tax	8,218	23,216
Depreciation and amortisation	15,071	16,936
Taxation charge	13,592	20,244
Share-based payments	1,080	687
Finance income	(4,032)	(3)
Finance expense	2,748	1,348
Profit on sale of available-for-sale investments	-	(193)
Loss on sale of property, plant and equipment	311	-
Increase in trade and other receivables	(20,057)	(527)
Increase/(decrease) in trade and other payables	2,938	(4,505)
Increase/(decrease) in non-current liabilities	153	(813)
Decrease in non-current assets	32	-
Increase in inventory	(1,682)	(12,667)
Cash generated from operations	18,372	43,723
Taxation paid	(8,903)	(7,424)
Net cash generated from operating activities	9,469	36,299
Cash flows from investing activities		
Purchase of intangible assets	(500)	(4,414)
Sale of available-for-sale investment	-	423
Interest received	253	3
Loan granted	-	(4,419)
Purchase of property, plant and equipment	(6,834)	(17,339)
Sale of property, plant and equipment	13	-
Stripping costs	(6,738)	(10,206)
Net cash used for investing activities	(13,806)	(35,952)
Cash flows from financing activities		
Issue of ordinary shares	167	161
Dividends paid to non-controlling interest	(5,500)	-
Repayment of borrowings	(20,000)	(11,442)
Proceeds from borrowing	30,000	25,000
Arrangement fees paid on borrowings	(499)	(150)
Interest paid	(1,364)	(1,198)
Net cash generated from financing activities	2,804	12,371
Net (decrease)/increase in cash and cash equivalents	(1,533)	12,718
Cash and cash equivalents at start of period	27,973	36,837
Effects of exchange rates on cash and cash equivalents	(1,561)	131
Cash and cash equivalents at end of period	24,879	49,686

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Gemfields plc

Notes Forming Part of the Consolidated Interim Financial Statements

For the six months ended 31 December 2015

1 Accounting policies and basis of preparation

Gemfields plc (the “Company”) was incorporated and registered under the laws of England and Wales on 1 January 2004. The Company’s shares are listed on the London Stock Exchange Alternative Investment Market (“AIM”). The Company’s registered office and domicile is 23 King Street, St James’ London SW1Y 6QY, United Kingdom. The Consolidated Interim Financial Statements as at and for the six months ended 31 December 2015 comprised the Company and its subsidiaries (the “Group”) and the Group’s interest in joint ventures.

The Consolidated Interim Financial Statements for the six months ended 31 December 2015 should be read in conjunction with the Group’s Annual Report and Financial Statements for the year ended 30 June 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the EU.

The accounting policies adopted are consistent with those described in the Group’s Annual Report and Financial Statements for the year ended 30 June 2015.

The Directors are in the process of assessing the impact of the new standards, amendments to existing standards and interpretations in order to determine their impact on the Group. Based on the Directors’ assessment so far, the effect of the changes is considered likely to affect disclosure only.

2 Financial reporting period

The Consolidated Interim Financial Statements for the period 1 July 2015 to 31 December 2015 are unaudited and have not been reviewed in accordance with International Standard on Review Engagements (“ISRE”) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’.

The Consolidated Interim Financial Statements for the six months ended 31 December 2015 were approved by the Board for issue on 19 February 2016. In the opinion of the Directors the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in conformity with the generally accepted accounting principles consistently applied. The consolidated interim financial information incorporates unaudited comparative figures for the interim period 1 July 2014 to 31 December 2014 and the audited Consolidated Statement of Financial Position as at 30 June 2015.

The Consolidated Interim Financial Statements for the six months ended 31 December 2015 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

3 Cost of sales

In thousands of US\$	Six months ended 31 December 2015	Six months ended 31 December 2014
Mining and production costs		
Labour costs	7,820	6,400
Mineral royalties and production taxes	6,455	7,204
Fuel costs	2,934	3,669
Security costs	2,726	1,532
Repairs and maintenance	2,409	1,645
Camp costs	1,303	875
Blasting	662	484
Other mining and processing costs	2,495	1,280
Total mining and production costs	26,804	23,089
Depreciation and amortisation	15,071	16,936
Change in inventory and cost of goods sold	5,774	(4,397)
Total cost of sales	47,649	35,628

4 Selling, general and administrative expenses

In thousands of US\$	Six months ended 31 December 2015	Six months ended 31 December 2014
Labour and related costs	8,805	9,274
Selling, marketing and advertising	6,229	5,959
Professional and other services	2,856	2,111
Rent and rates	2,558	1,559
Travel and accommodation	1,575	1,216
Share-based payments	1,080	687
Office expenses	614	496
Other selling, general and administrative expenses	2,297	2,219
Total selling, general and administrative expenses	26,014	23,521

5 Finance income and expense

In thousands of US\$	Six months ended 31 December 2015	Six months ended 31 December 2014
Finance income		
Interest received	253	3
Exchange differences	3,779	-
	4,032	3
Finance expenses		
Interest on borrowings	(1,094)	(789)
Finance charges and bank charges	(868)	(469)
Exchange differences	(786)	(90)
	(2,748)	(1,348)
Net finance income/(expense)	1,284	(1,345)

6 Earnings per share

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the period. During the six months ended 31 December 2015, the weighted average number of equity shares in issue is 544,024,778 (2014: 540,984,968) and the profit after tax attributable to equity holders of the parent is US\$3,426,000 (2014: US\$16,263,000).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

	Six months ended 31 December 2015	Six months ended 31 December 2014
Profit attributable to equity holders of the parent for basic and diluted earnings, in thousands of US\$	3,426	16,263
Basic weighted average number of shares	544,024,778	540,984,968
Dilutive potential of ordinary shares:		
Employee and Director share option plans	11,825,060	12,590,301
Diluted weighted average number of shares	555,849,838	553,575,269
Earnings per share, in US\$		
Basic	0.01	0.03
Diluted	0.01	0.03

The calculation of the diluted earnings per share assumes all criteria giving rise to the dilution of the earnings per share are achieved and all outstanding share options are exercised.

7 Property, plant and equipment

In thousands of US\$	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures, fittings and equipment	Evaluated mining properties	Deferred stripping costs	Total
<i>Cost</i>						
At 1 July 2014	3,958	35,852	3,386	273,598	39,192	355,986
Additions	2,894	19,120	1,902	1,200	20,763	45,879
Disposals	-	(276)	-	-	-	(276)
Foreign exchange differences	-	-	38	-	-	38
At 30 June 2015	6,852	54,696	5,326	274,798	59,955	401,627
Additions	2,112	3,651	431	-	3,342	9,536
Disposals	-	(778)	-	-	-	(778)
Foreign exchange differences	-	-	(183)	-	-	(183)
At 31 December 2015	8,964	57,569	5,574	274,798	63,297	410,202
<i>Accumulated depreciation and amortisation</i>						
At 1 July 2014	509	21,718	1,914	82,251	21,031	127,423
Provided during the year	215	9,364	822	7,989	15,146	33,536
Disposals	-	(194)	-	-	-	(194)
Foreign exchange differences	-	-	66	-	-	66
At 30 June 2015	724	30,888	2,802	90,240	36,177	160,831
Provided during the period	156	5,707	395	2,813	5,794	14,865
Disposals	-	(454)	-	-	-	(454)
Foreign exchange differences	-	-	(141)	-	-	(141)
At 31 December 2015	880	36,141	3,056	93,053	41,971	175,101
<i>Net book value</i>						
At 31 December 2015	8,084	21,428	2,518	181,745	21,326	235,101
At 30 June 2015	6,128	23,808	2,524	184,558	23,778	240,796

8 Inventory

In thousands of US\$	31 December 2015	30 June 2015
Rough and cut and polished gemstones	66,379	65,360
Fabergé inventory	40,598	35,776
Fuel and consumables	3,529	3,733
Total inventory	110,506	104,869

9 Acquisitions

Colombia

Gemfields announced the binding but conditional agreements to acquire controlling interests in two emerald projects with operations and prospects located predominantly in the Boyacá state of Colombia, on 10 September 2015.

The first project relates to the acquisition of a 70% stake in the Coscuez Emerald Mine, in the Boyacá province. The total consideration payable under the share purchase agreement is US\$15 million, to be paid in tranches of a combination of cash and Gemfields' shares, conditional on achieving certain pre-determined milestones. Located on the 'Muzo formation', the Coscuez Licence covers an area of 47 hectares, with the Coscuez mine – one of history's more significant emerald deposits – having been in operation for over 25 years and known to have produced some of the finest emeralds from Colombia. Preliminary geological due diligence studies were carried out by Gemfields between October 2013 and August 2014.

Exploration and mine planning activities such as drone surface topographic survey, underground survey, and preliminary assessment of engineering solutions with respect to access to the Coscuez mine were initiated as part of the ground preparations for future operations.

International geological and mining consultants ACA Howe International ("ACA"), UK were engaged to provide a technical report based on the geological work carried out by Gemfields and to conduct appropriate due diligence. Further exploration activity will be carried out over the next 18 to 24 months to support the development of an expanded geological model and preliminary mine plan.

The second project relates to selected exploration prospects held by ISAM Europa S.L. via the acquisition of 75% and 70% interests in two Colombian companies holding rights in respect of mining licence applications and assigned concession contracts respectively. It comprises a number of new licence applications and assignments to existing concession contracts administered by the Colombian Mining Agency. Eight of the applications and assignments have been approved and issued. The remaining assignments and applications

are being reviewed by the Colombian Mining Agency. The total consideration payable by Gemfields under the share purchase agreement is US\$7.5 million, to be paid in tranches of a combination of cash and Gemfields' shares conditional to achieving certain milestones.

Due to ongoing due diligence and close proximity of the transaction to the period end, the Directors have not finalised the accounting treatment for this transaction.