

Gemfields PLC

(“Gemfields” or the “Company”) (AIM: GEM)

Final results for the year to 30 June 2013

3 October 2013

Financial Highlights

- Revenue of US\$48.4 million (2012: US\$83.7 million).
- EBITDA^(a) of US\$1.2 million^(b) (2012: US\$54.6 million).
- Net loss of US\$22.8 million^(b) (2012: profit US\$161.5 million^(c)).
- Cash at bank at 30 June 2013 of US\$11.2 million (2012: US\$36.7 million at 30 June 2012).
- Estimated cost of inventory on hand, excluding fuel and other consumables, of US\$76.3 million (2012: US\$26.6 million).

Operational Highlights

Amethysts:

- Gemfields and ZCCM-IH, equal partners in amethyst producer Kariba Minerals Limited (“Kariba”), have recapitalised Kariba with US\$1.25 million each, the largest single cash injection that Kariba has received to date.
- Mining and processing equipment has been purchased with a view to doubling monthly revenue during 2014.

Emeralds:

- Annual production of emerald and beryl from Kagem Mining Limited (“Kagem”) increased 42% to 30.0 million carats in the year to 30 June 2013 (2012: 21.1 million carats).
- Emerald and beryl grade for the year increased 38% to 283 carats per tonne (2012: 205 carats per tonne).
- Average monthly operating costs at Kagem were US\$1.37 million, or US\$ 2.68 million on a cash cost basis (2012: US\$1.34 million, or US\$ 2.51 million on a cash cost basis).
- Unit production costs for emerald and beryl decreased by 26% to US\$0.55 per carat, or by 25% to US\$ 1.07 on a cash cost basis (2012: US\$0.74 per carat, or US\$ 1.43 on a cash cost basis).
- Cash rock handling unit costs at Kagem decreased by 2% to US\$3.35 per tonne (2012: US\$3.43 per tonne).
- Sustained increase in achieved quality-for-quality sales prices for emeralds.
- Three million injury-free shifts and a zero LTIFR (lost time injury frequency rate) achieved since taking over operational control at Kagem.
- Completion of preliminary bio-diversity and socio-anthropological baseline studies at the Kagem mine in conjunction with the World Land Trust and the University of East Anglia.
- Post period end:
 - auction of predominantly higher quality emeralds held from 15-19 July 2013 in Lusaka, Zambia, generating aggregate revenues of US\$31.5 million - the second highest aggregate auction revenues achieved to date and a record average price of US\$54.00 per carat (reflecting an increase of 26% over the previous high of US\$42.71 per carat achieved at the July 2011 auction in Singapore).
 - US\$3.5 million direct sale agreed in respect of 11,286 kilograms of Kagem’s lowest two grades of beryl, which have accumulated over the past few years.

Fabergé:

- Completed the acquisition of 100% of the globally recognised Fabergé jewellery brand.

- Fabergé achieved record revenues, margins and unit sales during the reporting period.
- New Fabergé advertising campaign entitled ‘The Art of Colour’ launched globally on 2 October 2013 to support the Gemfields coloured gemstone strategy.

Marketing & Corporate:

- Dynamic marketing initiatives implemented, including the appointment of Mila Kunis as Gemfields’ global brand ambassador and the face of its ‘rare coloured gemstones’ campaign.
- Growth opportunities are currently focussed on sapphire prospects with a number of other gemstone opportunities also being evaluated.

Rubies:

- 1.8 million carats of ruby extracted from preliminary bulk sampling at the ruby deposit of 75%-owned Montepuez Ruby Mining Limitada (“Montepuez”) in Mozambique (2012: nil).
- Ongoing development of the ‘first-of-a-kind’ comprehensive grading and sorting framework for rough rubies.
- Gemfields’ first ruby auction is expected before 30 June 2014.

(a) EBITDA – Earnings before interest, tax, depreciation, amortisation and mining asset impairment reversal.

(b) Includes the results of Fabergé from the date of acquisition until 30 June 2013.

(c) Includes exceptional item – impairment reversal in the amount of US\$201.1 million in the financial year to 30 June 2012.

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

Ian Harebottle, CEO of Gemfields, commented:

“Gemfields has performed well operationally during the year ending 30 June 2013 despite the disruptions to our emerald auction schedule, which impacted adversely on the Group’s financial performance. This year has undoubtedly been one of the busiest years in Gemfields’ history, with strong operational performance at our flagship Kagem emerald mine, promising bulk sampling at Montepuez, completion of the Fabergé acquisition and the appointment of Mila Kunis as Gemfields’ global brand ambassador.

I remain hopeful that the ongoing discussions with the Government of the Republic of Zambia regarding the geographic location of our future emerald auctions will soon yield a constructive outcome. We will continue our commitment to supporting the competitiveness of Zambian emeralds on the international market. Price growth remains robust, as is visible from the last auction held in Lusaka in July post the period under review, where record prices of US\$54 per carat were realised after years of dedicated mining and marketing efforts. Had all three auctions initially planned for the financial year to 30 June 2013 come to fruition, we would undoubtedly have seen Gemfields report another year of solid financial performance.

I am pleased to say that the outlook for Gemfields remains bright. Our pursuit of greater value for our shareholders will progress materially with our first ruby auction (due before 30 June 2014), the ramp-up of gemstone extraction at the Montepuez ruby deposit, the expansion of activity at Kagem and the evolution of Fabergé. These next steps will ensure that Gemfields is closer to achieving its strategy of becoming the world’s ‘coloured gemstone champion’”.

Webcast presentation

A webcast presentation will be held at 11am British Standard Time (“BST”) on 3 October 2013. Participants may join the conference call and webcast of the results presentation by dialling one of the following numbers, approximately 10 minutes before the start of the call:

From UK (toll free): 08082370030

From South Africa (toll free): 0800 222 290
From rest of the world: +44 (0) 20 3139 4830
Participant PIN Code: 47386689#

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

<https://arkadin-event.webex.com/arkadin-event/onstage/g.php?t=a&d=705591229>

Password: 642437

A recording will be available from 16:00 BST on 3 October 2013 on www.gemfields.co.uk.

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Notes to Editors:

Gemfields plc is the leading coloured gemstone miner listed on the AIM market of the London Stock Exchange (ticker: GEM). The Company's principal asset is the 75% owned Kagem emerald mine in Zambia, the world's single largest emerald mine. In addition to the Kagem emerald mine, Gemfields has a 50% interest in the Kariba amethyst mine in Zambia.

In July 2009 Gemfields commenced a formal auction programme for its Zambian emeralds. To date, the Company has held 13 auctions which have generated revenues totalling US\$207.2 million.

The Company also owns a 75% stake in the highly prospective Montepuez ruby deposit in Mozambique and licences in Madagascar including ruby, emerald and sapphire deposits.

Gemfields acquired the Fabergé brand in January 2013 with a view to creating a globally recognised coloured gemstone champion. Fabergé provides Gemfields with direct control over a high-end luxury goods platform and a global brand with exceptional heritage.

Chairman's statement

Dear Shareholder,

I am pleased to update you on one of the busiest years in Gemfields' history, a year underpinned by strong operational performance at our 75%-owned Kagem emerald mine in Zambia despite setbacks in our anticipated auction schedule. While these disruptions have clearly had an adverse effect on the Group's financial performance for the year, we are encouraged by the progress made in this area over the past few months.

Gemfields saw significant increases in emerald and beryl production at the Kagem emerald mine, which enjoyed higher grades and a decrease in gemstone and rock handling unit costs. This accomplishment encapsulates Gemfields' commitment to improving performance at every conceivable opportunity, and across all of our operations.

The Group has extended this approach to the Montepuez ruby deposit in Mozambique. The preliminary results of the bulk sampling activities are encouraging with the extraction of 1.8 million carats during the year. Our first ruby auction is expected to take place before 30 June 2014, and will provide an increased level of confidence in, and understanding of, the ruby market and the value of our production profile. Montepuez is expected to add significant additional revenue to the Group. Our customers, both existing and new, stand to benefit from the reliable and regular supply of rubies that are expected to flow from Montepuez as the operation scales up.

In tandem with the growth in production this year, Gemfields' reputation as the leading producer, marketer and distributor of high quality rough gems has developed apace, with ever-increasing consumer appetite for our ethically sourced and consistently supplied coloured gemstones. The record (average) auction price of US\$54 per carat achieved at our July 2013 auction emerald in Zambia (just three weeks after the close of this reporting period) clearly illustrates the increased demand and other benefits we continue to derive from our global marketing campaigns.

The three auctions originally planned for the financial year to 30 June 2013 would undoubtedly have seen the Company report another year of solid financial performance. Unfortunately however, our intended auction schedule was impeded by the widely reported discussions between Gemfields and the Government of the Republic of Zambia regarding their proposed ban on the auctioning of emeralds outside of Zambia. As a result, we managed only two auctions during the year rather than three, with a corresponding adverse effect on revenues. While the revenues from the third auction therefore did not arise in the year ending 30 June 2013, they will do so in the year to 30 June 2014.

We believe that it is important for Zambia to be included as one of the locations on an international auction circuit. To attract and sustain the highest attainable prices for Zambia's gemstones, we must continue to do whatever it takes to support their competitiveness with respect to other supplying countries and competing luxury goods, ensuring direct, continued and expanded exposure to international markets. We remain hopeful that such an approach will be agreed upon in the near future.

Gemfields continues to expand both organically and via acquisitions. Trial mining is due to commence at Kagem's Fibolele pit, the proposed underground mining expansion at Kagem's Chama pit is being scrutinised and operations at the Montepuez ruby deposit continue to ramp up. We have also secured additional licences adjacent to Montepuez in a prolific and emerging gemstone district, and achieved encouraging progress toward our goal of adding a sizeable sapphire deposit to our asset base. Significantly, we also completed our acquisition of the world famous Fabergé luxury brand and business.

The acquisition of Fabergé extended our reach across the coloured gemstone sector, augmenting our "Mine and Market" strategy and which is expected to add considerable direct and indirect value in the coming years. We have already observed increased confidence among our emerald customers (as is evidenced by the most recent auction), who see our commitment to driving industry and consumer demand via the acquisition of Fabergé as an important positioning tool for coloured gemstones. Gemfields is increasingly cultivating an enviable rapport with leading stakeholders within the burgeoning luxury and coloured gemstones industry.

Our pursuit of dynamic and targeted marketing to position Gemfields as an internationally renowned coloured gemstone brand culminated in the appointment of Mila Kunis as our brand ambassador in February of this year. We have grown into a unique gemstone producer, marketer and distributor, and Mila has assisted us greatly in telling our story to the world.

I would like to thank the management team, staff and business partners across all of our operations for their tireless efforts and enthusiasm in steadily pursuing Gemfields' considerable ambitions, and I look to the future with a distinct sense of excitement.

Graham Mascal

Non-Executive Chairman

2 October 2013

Operational and Financial Review

Kagem Emerald Mine

Mining

The 75%-owned Kagem emerald mine is presently Gemfields' only operating emerald mine and is the single largest emerald mine in the world.

The high-wall 'pushback' programme to open up new areas of ore continued during the year with 9.5 million tonnes of waste and TMS mined (2012: 8.7 million tonnes). With 106,000 tonnes of reaction zone (ore) having been mined (2012: 103,000 tonnes), a stripping ratio of 90:1 (2012: 84:1) was achieved. This slight increase in stripping ratio was anticipated due to the accelerated and expanded 'pushback' programme. The stripping ratio is expected to reduce gradually in the coming year given that the third and fourth phases of the 'pushback' are not required until 2015.

The 'pushback' programme provides access to new areas of ore for future production and seeks to increase the ore mining rate. These efforts run in tandem with an ongoing drive to improve efficiencies at Kagem, which has seen unit production costs for the year decrease by 26% to US\$0.55 per carat (2012: US\$0.74 per carat) and cash rock handling unit costs decrease by 2% to US\$3.35 per tonne (2012: US\$3.43 per tonne). These reduced operating costs are predominantly the result of improved mining efficiencies delivered Gemfields since it acquired the Kagem mine in 2008.

Annual gemstone production increased by 42% to 30 million carats (2012: 21.1 million carats) partly as a result of a 38% increase in the grade to 283 carats per tonne (2012: 205 carats per tonne).

Kagem's key annual production parameters are summarised below:

KAGEM Annual Production Summary	Units	Year to 30 June 2007	Year to 30 June 2008	Year to 30 June 2009	Year to 30 June 2010	Year to 30 June 2011	Year to 30 June 2012	Year to 30 June 2013
Gemstone Production (Emerald + Beryl)	million carats	9.4	9.9	28	17.4	33	21.1	30.0
Ore Production (Reaction Zone)	thousand tonnes	29	42	80	61	69	103	106
Grade (Emerald + Beryl/Reaction Zone)	carats/tonne	325	233	349	286	478	205	283
Waste Mined (including TMS)	million tonnes	2.8	5.1	4.0	2.5	3.9	8.7	9.5
Stripping Ratio		96	120	50	42	57	84	90

The trial underground mining project at Kagem achieved total linear development during the year of 300 metres (2012: 283 meters) with a total of 4,918 tonnes of ore produced during the year (2012: 4,174 tonnes).

The underground trial mining operation produced approximately 381,395 carats (2012: 353,222 carats) at a grade of 77.5 carats per tonne (2012: 103.2 carats per tonne). The decrease in grade and increase in carats produced was the result of trialling stope-type operations.

The underground trial mining project continues to provide Gemfields with a high degree of confidence that a larger scale underground mining project could be safely and effectively implemented on the Zambian emerald belts. This could increase the projected life-of-mine at Kagem by at least 20 years. Further analysis is underway in order to allow the Company to consider the investment required to implement the large scale underground operation.

At Kagem, Gemfields maintained its excellent safety record with another year of zero reportable accidents, and achieving three million shifts free of reportable injuries since taking over responsibility for the mine. The Mines Safety Department of Zambia awarded Kagem with a Certificate of Commendation in 2012 and it is a true

testament to the level of professionalism adopted by Kagem that this standard has been maintained again this year.

During the year, US\$4.6 million (2012: US\$4.5 million) was invested in new mining and ancillary equipment, as well as the improvement of Kagem's facilities.

Geology and Exploration

Exploration activities at Kagem concentrated on the Fibolele and Libwente emerald belts, both of which are on the Kagem licence area. Exploration carried out in 2012, which consisted of 3,000 metres of core drilling, confirmed the down-dip extension of the TMS and pegmatites to a vertical depth of at least 200 metres from surface. Exploration in 2013 continued with a total of 10,534 metres of drill core recovered from 112 boreholes.

The drilling results allowed a bulk sample pit in the Fibolele area to be defined. Bulk sampling commenced in September 2012 and as at 30 June 2013 the pit had been opened up along 170 metres of strike. The delineated TMS body has been exposed with associated quartz tourmaline veins, which are responsible for the emerald mineralisation. Three distinct mineralisation zones have been identified and developed to study the dynamics and yield of the ore. A trial mining operation will commence in 2014 and the Fibolele pit will benefit from a stripping ratio of approximately 40:1 as a result of the TMS being near the surface, allowing for a relatively low cost when considering the small scale of the initial operations.

Rough Sales and Auctions

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

In the first half of the financial year, Gemfields held an auction of higher-quality rough emeralds in Singapore. Approximately 37 companies from Germany, India, Israel and the United States attended this event, with 0.93 million carats of rough emeralds offered in 19 separate lots. The sales from this auction totalled US\$26.8 million, with 16 out of the 19 lots being sold.

While there is presently no law in Zambia that prohibits the export of emeralds for auction purposes, in the second half of the financial year, Gemfields was asked by the Zambian Ministry of Mines, Energy and Water Development to host its auctions in Zambia rather than abroad. As a result of this request, Gemfields' auction schedule was disrupted and led to only one auction taking place in the second half of the financial year. This auction was of predominantly lower quality emerald and beryl, and was held in Lusaka from 15-19 April 2013. Of the 31 companies invited to the auction, 25 attended with all attendees placing at least two bids. The auction saw 17.3 million carats of emeralds and beryl placed on offer, with 6.3 million carats sold, generating auction revenues of US\$15.2 million.

A summary of the auctions held is set out below:

AUCTION RESULTS	OCTOBER / NOVEMBER 2012	APRIL 2013
Dates	29 Oct - 2 Nov 2012	15-19 Apr 2013
Location	Singapore	Lusaka, Zambia
Type	Higher Quality	Lower Quality
Carats offered	0.93 million	17.34 million
Carats sold	0.90 million	6.30 million
Number of companies placing bids	35	25
Average number of bids per lot	11	6
Number of lots offered	19	28
Number of lots sold	16	23
Percentage of lots sold	84%	82%
Percentage of lots sold by weight	98%	36%
Percentage of lots sold by value	90%	76%
Total sales realised at auction	US\$26.8 million	US\$15.2 million
Average per carat sales value	US\$29.71/carat	US\$2.42/carat

Gemfields continues to interact with the Government of Zambia (which owns 25% of Kagem) in seeking to optimise the competitiveness of Zambian emeralds, and in selling them in a manner and in locations which optimise the prices received.

Security

The safety and security of Gemfields' assets, protecting its people and limiting the theft of gemstones remain key operational priorities. Security initiatives implemented to date continue to yield positive results, as shown by the reduction in the volume of material available in the local, informal markets. However, the reduction of theft and physically securing the sizeable mining licence area remain ongoing challenges.

During the year, the existing CCTV infrastructure was further upgraded at the Kagem sort-house and ore washing plant. CCTV was also installed in the newly completed sort-house extension and the radio communication system was digitised and its range of coverage extended.

Montepuez Ruby Deposit

In 2012, Gemfields completed the acquisition of a 75% interest in Montepuez Ruby Mining Limitada, which owns the Montepuez ruby deposit in Mozambique. The licence covers an area of 34,000 hectares and is believed to represent the most significant global ruby discovery in recent years.

During the year, Gemfields completed construction of the core infrastructure required for bulk-sampling operations. This included the base camp, sort house and the design, fabrication and commissioning of a pilot and semi-mobile ore processing plant to test the characteristics of the ore.

Preliminary bulk sampling commenced in August 2012, with the washing of this material beginning in earnest in December 2012 following the installation and trial commissioning of a 50 tonne per hour ore washing plant. The washing plant achieved its initial design capacity by the end of the financial year.

Approximately 89,731 tonnes were excavated and 13,285 tonnes of material were washed during the year. Adjustments to the processing plant - arising from the optimisation of the ore washing and cleaning process during commissioning - resulted in significantly higher production in the second half of the financial year. Gemfields continues to evaluate data from the bulk sampling operation and is considering the purchase of a DMS (dense media separation) plant to further increase production. Montepuez will continue to refine its operations during the months ahead, but the work completed to date has created an excellent platform to continue to learn more about the prolific ruby occurrences within the licence area.

Gemfields was also delighted to host a visit during the year by His Excellency Armando Guebuza, the President of Mozambique.

Montepuez's key ore assessment parameters for the financial year are summarised below:

- A total of 89,731 tonnes were excavated from the "Maninge-Nice", "Central" and "Glass-A" areas. This included 58,113 tonnes of waste top soil, mineralised overburden of 10,307 tonnes, alluvial gravel bed of 9,076 tonnes, a mix of gravel bed and in-situ ore of 113 tonnes and exclusive in-situ ore of 7,209 tonnes;
- A total of 13,285 tonnes of excavated materials were washed;
- The highest recoveries in each of the "Maninge-Nice", "Central" and "Glass-A" (maximum grade 150 carats per tonne) were achieved from the alluvial gravel bed layer;
- An average recovery of 31.2 carats per tonne was achieved from the mineralised overburden, 110.0 carats per tonne from the gravel bed, while 31.9 carats per tonne was achieved from the mix of gravel bed and in-situ ore; and
- 1.8 million carats of rubies were recovered.

Montepuez's total capitalised costs (excluding capitalised infrastructure costs) for the 12 months ending 30 June 2013 totalled US\$4.6 million. Total investment in property, plant and equipment at 30 June 2013 stood at US\$7.4 million.

Development of a comprehensive grading and sorting framework for rough rubies, based on similar principles to those successfully applied by Gemfields to emeralds and amethyst, was initiated during the year. This system, the

first of its kind for rubies, requires the categorising of sizeable number of ruby grades and will be deployed in advance of Gemfields' first ruby auction, which is expected before 30 June 2014.

During the period, Gemfields entered into a conditional agreement to acquire a controlling interest in an additional ruby deposit located adjacent to Montepuez. The agreement included the initial acquisition of a 75% interest in one exploration licence, with a one year option to acquire 75% of a second licence, covering 18,400 and 14,900 hectares respectively.

Geology and Exploration

Montepuez rubies are hosted by alluvial material (derived by secondary deposition and typically made up of a variety of materials), eluvial material (derived by *in situ* weathering of the primary deposit), and primary underlying amphibolite. The latter is part of the Montepuez Complex, a suite of metamorphosed sedimentary rocks (amphibolite-grade schists and gneisses) that are intruded by granite, granodiorite, and tonalite. In the deeply weathered area, the eluvium appears to lie directly on Montepuez gneisses, which are cross-cut by light-coloured veins mostly weathered to clay. These veins extend up to 20cm in thickness and most probably originally consisted of syenitic (silica-deficient) pegmatites and aplites.

The core area includes an east-west striking low-magnetic highly folded signature which correlates with the amphibolite as is intersected in the "Central" area. Also associated with this are several radiogenic (high potassium) signatures which correlate with the known mineralised areas in the "core area" and at the "Ntoro" occurrence. These high potassium signatures may represent intrusive lithologies, potassium rich alteration due to fluids, or possible potassic pegmatites. Similar signatures are also present at the ruby mineralised "Namahaca" occurrence.

The exploration programme for the Montepuez licence area is designed - considering the above geological information - to generate a solid base map with sufficient subsurface data to understand the extent of mineralisation and to define the trend of the amphibolites (the primary mineralisation) as well as the alluvial/regolith deposit. Ore grades have been initially assessed through exploration pits. Work continues on the applicability of various geophysical/geochemical methods required to conduct exploration in virgin areas of the vast license area.

Exploration includes:

- Definition of the primary (amphibolite/pegmatite) and secondary (alluvial) ore geometry (boundaries/thickness/depth) through core drilling in regular grid pattern;
- Digging of small test pits at regular intervals across strike;
- Estimation of the ore grade through larger exploration pits;
- Bulk sampling in target areas;
- Delineation of 'negative areas' for planning of waste dumps/service areas; and
- Testing the applicability of various geophysical/geochemical methodologies.

Various exploration targets have been identified within the licence area and being assessed for priority. Rock sampling by pitting and drilling continues in the "Maninge-Nice", "Ntoro" and "Glass A" areas.

Security

The physical protection systems at Montepuez consist of a balanced blend of three fundamental security elements:

- Architectural (barriers, locks and lighting systems etc);
- Operational (guarding services, quick reaction teams, and an intervention team which includes Mozambican police); and
- Infrastructure (CCTV systems, security communication and access control systems).

The security setup has been established to address personnel and equipment safety, and to minimise internal and external theft potential. The prevailing security setup at Montepuez has contributed to a significant reduction in the number of illegal miners on the licence since Gemfields first began operations in the area in early 2012.

Kariba Minerals Limited

Kariba is the world's single largest operating amethyst mine. During the year, the Government of Zambia elected to transfer its 50% stake in Kariba (with Gemfields owning the remaining 50%) to the state-owned resources holding company, ZCCM-IH. While the transfer of these shares has yet to be completed, Gemfields and ZCCM-IH agreed to recapitalise the Kariba operations with US\$2.5 million (with each party contributing their US\$1.25 million during the year). This is the largest single cash injection that Kariba has received to date. Mining and processing equipment has been purchased with a view to doubling monthly revenue during 2014.

As at 1 September 2013, all rehabilitation and construction projects were 95% complete and within budget including:

- Rehabilitation of the sort-house;
- Construction of the new workshop; and
- Improvements to the washing plant, water management and low grade stock management areas.

Mining development includes plans to connect the Francis pits (Main Francis, Lower Francis, Top Francis west and Sinamaani pits) and to operate the Basil and Curlew pits over the coming months.

Oriental Mining SARL ("Oriental")

Gemfields owns 100% of Oriental Mining SARL, a company incorporated in Madagascar. 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 Madagascar Ministry of Energy and Mines.

Madagascar is recognised as one of the most exciting coloured gemstone provinces in the world, with several key discoveries made 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 the Group's asset portfolio. Given Madagascar's improving political and security environment, Gemfields has begun to increase its level of in-country focus.

During the year, Gemfields completed the preliminary geological evaluation on 20 licence areas with nine licence areas identified as being either prospective or highly-prospective. Second stage geological investigation on the key target sites was initiated during the second half of the year to evaluate potential emerald, ruby and sapphire targets.

Fabergé

During the year, Gemfields completed the acquisition of 100% of Fabergé Limited ("Fabergé"). The consideration was satisfied by the issue of 213,999,999 new Gemfields' shares, with a market price of 42.22 US cents per share (26.83p), totalling US\$90 million at the date of completion.

Included in the group results for Gemfields is a loss in respect of Fabergé of US\$6.9 million. This loss represents a five month trading period and management are reviewing and implementing strategies to achieve profitability at Fabergé in the medium term.

Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented and globally recognised heritage. This acquisition, which was completed on 28 January 2013, enables Gemfields to take its vision for coloured gemstones to the next level, harnessing the Fabergé name to boost the international presence and perception of coloured gemstones and to advance the "mine and market" vision.

The first steps in this approach were taken in April at BaselWorld 2013. Following the acquisition and an internal strategic review, the core positioning of the brand has been defined as "the art of colour", with Fabergé's design teams concentrating on creating new jewellery pieces and collections that reflect the artistic use of coloured gemstones in support of this new brand strategy. Various other steps have also been implemented, including the appointment of a new chief operating officer with a proven track record within the luxury sector, who will further optimise the operations and the alignment of its marketing efforts and product offerings to support increased sales opportunities and the sustainable growth of the brand.

Customer response to the progress made at Fabergé is evidenced by the brand achieving record revenues, margins and unit sales during the reporting period.

Fabergé launched its first ad campaign under the new Gemfields strategy after the year end, entitled 'The Art of Colour'. The first campaign image depicts the Fabergé 'Emotion' rings, which showcase pavé-set coloured gemstones and are enjoying strong client interest. Each ring is unique and is set with over 300 coloured gemstones.

In December 2012, in Kiev, Fabergé opened its first standalone store owned and operated by a local partner. The store, which purchases its stock from Fabergé at wholesale prices, has already reported robust onward sales to consumers.

Mergers and Acquisitions

Gemfields is increasingly consolidating its position as a global leader in the exploration, mining and marketing of coloured gemstones. Considerable potential remains with respect to the further development and consolidation of this sector, and a small mergers and acquisitions project team has been established within Gemfields.

During the year, Gemfields secured additional licences adjacent to Montepuez in Mozambique and acquired the world famous Fabergé luxury brand.

Gemfields continues to evaluate opportunities involving the three precious coloured gemstones (emeralds, rubies and sapphires) and, during the year, entered into an initial memorandum of understanding in respect of sapphire licences in India. Due diligence is ongoing.

Marketing and Communications

Appointment of Mila Kunis as Global Brand Ambassador

Gemfields' marketing and communications aptitude has grown markedly during the year. With the Josephine Skriver 'Rare Coloured Gemstone' campaign running throughout 2012, the marketing team was able to sign Mila Kunis as its global brand ambassador. Mila has featured in Gemfields' 2013 advertising campaign, endorsing Gemfields as the world's leading coloured gemstone mining company and further building aspiration for coloured gemstones among consumers. She visited the Kagem emerald mine in early 2013 and a video made during her trip has featured on the Gemfields website since.

The partnership with Mila Kunis was announced in Los Angeles on 19 February 2013. The first advertising campaign, captured by the renowned photographer Mario Sorrenti, launched in April 2013 in leading luxury publications around the world. The marketing initiative surrounding the brand ambassador saw coverage by international media outlets in the UK, Europe, Africa, USA, China and India. In addition to the campaign, Mila Kunis wore Gemfields' coloured gemstones on the red carpet at several premieres around the globe.

Advertising Campaign

As part of Gemfields' ongoing global marketing strategy, the Company undertook several international advertising initiatives, in addition to print and digital advertising, in target markets such as North America, Europe, UAE, India and Asia. Examples of the initiatives undertaken included sponsoring the arrivals terminal at Cape Town International Airport during the international "Mining Indaba - Investing in Africa" conference in February 2013, co-sponsoring the Retail Jewellery Awards in India alongside Rio Tinto in June 2013, and sponsoring the IIFA Awards with Gitanjali in July 2012.

Global Launch Event

In March 2013, Gemfields held its 'Global Launch Event' in London. The event showcased the acquisition of Fabergé and the appointment of Mila Kunis as Gemfields' global brand ambassador (and was combined with a jewellery exhibition of bespoke coloured gemstone pieces created by some of the most prestigious designers in the industry). The 'Global Launch Event' continued into North America, with Gemfields hosting an event at the Couture Show in Las Vegas in June 2013 and India, visiting Mumbai, Delhi, Bangalore and Calcutta.

New Consumer website

The new Gemfields consumer website was launched in March 2013 in coordination with the 'Global Launch Event'.

New Offices

In September 2012, Gemfields opened a marketing and public relations office in New York to spearhead the Group's growth in the US market.

Collaboration

Gemfields has continued to work in collaboration with some of the industry's leading jewellery designers to incorporate Gemfields' gemstones into fine jewellery pieces. Collaborations in the period included Alexandra Mor, Amrapali, Dominic Jones, Monica Vinader, Solange Azagury-Partridge, Shaun Leane, Stephen Webster, Theo Fennel and 'The Gem Palace' of Jaipur.

The 2013 Zambian Emerald Summit

In order to facilitate dialogue between key stakeholders within the emerald industry, Gemfields hosted the first ever "Zambian Emerald Summit" in Lusaka, Zambia from 30 - 31 May 2013. The summit, which comprised presentations, panel discussions and Q&A sessions, considered, *inter alia*, how the Zambian emerald sector might best be developed into a world leader. International experts, bankers, government representatives and key industry stakeholders in the region were invited to participate. The event was well received.

Public Relations

Gemfields continues to receive consistent, high quality press coverage in global luxury publications. To supplement this coverage, the Company attended a multitude of worldwide trade shows to showcase its products in collaboration with a variety of jewellery designers.

Gemfields has also agreed to selectively sponsor several unique events including the 'International Herald Tribune conference' in November 2013 and the 'Cheapside Hoard' in London, an event which showcases an extraordinary and priceless cache of late 16th and early 17th century jewels and gemstones discovered in a cellar in Cheapside in London.

In addition, public relations efforts were made in Zambia to promote Gemfields' principal asset, the Kagem emerald mine.

Fabergé

Fabergé undertook a large number of marketing initiatives in the period including hosting the "Then & Now" exhibition of pre-1917 antique Fabergé pieces in Hong Kong in September 2012. This was accompanied by a 'trunk show' in which the sales team organised appointments with VIP clients alongside extensive press briefings with the Asian press.

Other events saw Fabergé collaborate with private jet company VistaJet on the 'Egg Miles' project. A selection of limited-edition Fabergé fine jewellery egg pendants were made available for purchase on board selected VistaJet aircraft.

Fabergé attended BaselWorld, the world's largest watch and jewellery fair in April 2013. The team organised appointments with over 200 members of the international press and media, and promoted the latest jewellery and watch collections.

During the course of the year Fabergé dressed a number of celebrities including Kate Hudson, Diane Kruger, Naomi Watts, Amy Adams, Andrea Riseborough, Keira Knightley, Kristin Davis, Lana del Rey, Amber le Bon and Erin O'Connor.

Fabergé organised a series of private dinners and intimate events with high-net-worth individuals in London, Geneva, New York and Cap Ferrat, and which included collaborations with partners such as Barclays Private Wealth, Coutts and Rothschild.

Post Reporting Period Events

July Auction

From 15-19 July 2013, after the end of the financial year, an auction of predominantly higher quality emeralds was held in Lusaka, Zambia and yielded aggregate revenues of US\$31.5 million, the second highest aggregate

auction revenues achieved to date. The auction generated a record average price of US\$54.00 per carat (reflecting an increase of 26% over the previous high of US\$42.71 per carat, achieved in the July 2011 Singapore auction).

Production Update – Montepuez Ruby Deposit, Mozambique

Bulk sampling activities have continued and monthly gemstone extraction has increased at Montepuez in Mozambique. In each of the months of July and August, close to 1 million carats were produced. The ramp-up continues and a target production rate of 2.5 million carats per month is expected during 2014.

Production Update at Kariba Minerals Amethyst Mine, Zambia

On 1 September 2013, the rehabilitation and construction projects facilitated by the US\$2.5 million recapitalisation of Kariba by Gemfields and the Zambian Government, were 95% complete and within budget.

Change of Group Chief Financial Officer and Company Secretary

The Company is pleased to announce the appointment of Ms Janet Blas as Group Chief Financial Officer and Company Secretary. Janet has replaced Mr Mark Summers who has relocated to be with his family in Australia.

Outlook and Objectives for the Year Ahead

Objectives:

- Continue to increase the scale and volume of emerald production at Kagem through:
 - o Development of the large scale underground mine plan for Kagem;
 - o Development of a bulk sampling programme at the Fibolele pit;
- Ramp up commercial production at Montepuez to 2.5 million carats of rubies per month;
- Continue to increase the level of marketing and promotion being carried out in relation to each of our current range of core products, including emeralds, rubies, amethyst and Fabergé jewellery;
- Continue the transformation process within Fabergé, ensuring our ability to position it as the recognised “go-to” jeweller for fine to high-end jewellery and coloured gemstones; and
- Leverage Gemfields’ clear strategic advantages within the coloured gemstone sector and look to use these to drive additional organic and acquisition-driven growth to position Gemfields as the world’s leader in the mining, marketing and supply of precious coloured gemstones.

Outlook:

Gemfields remains in an exciting growth phase spurred by a unique portfolio of complimentary and high-potential assets spanning exploration, mining, marketing and luxury.

The Group has continued to see an increase in gemstone prices year-on-year, reflecting a combination of its dynamic marketing efforts and the reliable and regular gemstone supply it is now renowned for. Emerald production at Kagem continues to look promising, and the proposed expansions, both underground and at new pits, hold much potential for growth.

Rubies typically command significant premiums to emeralds and the progress at Montepuez sets the stage for exciting developments in the ruby market in 2014. With its recent recapitalisation, new equipment and processing plant, Kariba’s fortunes should improve markedly. The prospective addition of sapphires to the Gemfields stable would complete the ambition of producing the ‘big three’ precious coloured gemstones, being emeralds, rubies and sapphires.

Finally, developments at Fabergé, which resulted in record revenues, margins and unit sales during the reporting period, look set to continue, underpinning a similar trajectory in the year ahead.

Consolidated income statement

for the year ended 30 June 2013

In thousands of US\$	2013	2012
Revenue	48,394	83,715
Increase in inventory	12,412	7,936
Purchases	(8,153)	(5,683)
Mining and production costs	(18,719)	(17,668)
Depreciation and amortisation	(20,289)	(6,624)
Total cost of sales	(34,749)	(22,039)
Gross profit	13,645	61,676
Other income	89	316
Administrative expenses		
Other administrative expenses	(32,858)	(14,193)
Impairment reversal of evaluated mining properties	-	201,115
Impairment charge on available-for-sale investments	(684)	(158)
Total administrative expenses	(33,542)	186,764
(Loss)/profit from operations	(19,808)	248,756
Finance income	593	246
Finance expenses	(880)	(76)
(Loss)/profit before taxation	(20,095)	248,926
Tax charge	(2,698)	(87,460)
(Loss)/profit after taxation	(22,793)	161,466
(Loss)/profit for the year attributable to:		
Owners of the parent	(22,790)	120,228
Non-controlling interest	(3)	41,238
	(22,793)	161,466
(Loss)/earnings per share for (loss)/profit attributable to the owners of the parent during the year		
Basic	(US\$0.05)	US\$0.37
Diluted	(US\$0.05)	US\$0.36

Consolidated statement of comprehensive income
for the year ended 30 June 2013

In thousands of US\$	2013	2012
(Loss)/profit after taxation	(22,793)	161,466
Other comprehensive income		
Exchange gains arising on translation of foreign operations	311	307
	<hr/>	<hr/>
Total comprehensive (loss)/income	(22,482)	161,773
	<hr/>	<hr/>
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(22,479)	120,535
Non-controlling interest	(3)	41,238
	<hr/>	<hr/>
	(22,482)	161,773
	<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of changes in equity

for the year ended 30 June 2013

In thousands of US\$	Attributable to equity holders of the parent							Non-controlling interest	Equity
	Share capital	Share premium	Merger reserve	Option reserve	Cumulative translation reserve	Retained deficit	Total		
Balance at 1 July 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
Loss for the year	-	-	-	-	-	(22,790)	(22,790)	(3)	(22,793)
Other comprehensive income	-	-	-	-	311	-	311	-	311
Issue of shares for Fabergé acquisition	3,367	-	86,981	-	-	-	90,348	-	90,348
Other share issues	21	313	-	-	-	-	334	-	334
Share based payments	-	-	-	1,398	-	-	1,398	-	1,398
Balance at 30 June 2013	9,557	97,214	207,986	2,736	611	(88,904)	229,200	46,150	275,350

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 income statement 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 presentational currency.
Retained deficit	Cumulative net gains and losses recognised in the consolidated income statement.
Non-controlling interest	Amounts attributable to non-controlling shareholders.

Consolidated statement of financial position

at 30 June 2013

In thousands of US\$	2013	2012
Non-current assets		
Property, plant and equipment	229,309	224,865
Available-for-sale investments	482	1,567
Intangible asset	48,003	2,634
Other non-current assets	3,519	-
	281,313	229,066
Current assets		
Inventory	77,861	27,979
Trade and other receivables	8,292	4,309
Cash and cash equivalents	11,222	36,737
	97,375	69,025
Total current assets	97,375	69,025
Total assets	378,688	298,091
Non-current liabilities		
Deferred tax liability	(73,216)	(76,400)
Borrowings	-	(1,917)
Other non-current liability	(2,461)	(1,353)
	(75,677)	(79,670)
Current liabilities		
Trade and other payables	(10,094)	(8,102)
Current tax payable	(5,972)	(2,720)
Borrowings	(11,595)	(1,000)
Current provisions	-	(847)
	(27,661)	(12,669)
Total liabilities	(103,338)	(92,339)
Total net assets	275,350	205,752
Capital and reserves attributable to equity holders of the parent		
Share capital	9,557	6,169
Share premium	97,214	96,901
Merger reserve	207,986	121,005
Option reserve	2,736	1,338
Cumulative translation reserve	611	300
Retained deficit	(88,904)	(66,114)
	229,200	159,599
Non-controlling interest	46,150	46,153
Total equity	275,350	205,752

Consolidated statement of cash flows

for the year ended 30 June 2013

In thousands of US\$	2013	2012
Cash flows from operating activities		
(Loss)/profit for the year after tax	(22,793)	161,466
Depreciation and amortisation	20,289	6,624
Taxation charge	2,698	87,460
Impairment reversal of evaluated mining properties	-	(201,115)
Impairment charge on available-for-sale investments and other receivables	684	158
Share-based payments	1,398	896
Finance income	(593)	(246)
Finance expense	880	76
Loss on sale of available-for-sale investments	168	-
Profit on sale of property, plant and equipment	-	(144)
Increase in trade and other receivables	(2,431)	(727)
(Decrease)/increase in trade and other payables	(2,363)	3,445
Increase in non-current liabilities	861	489
Increase in inventory	(13,442)	(7,925)
Net cash (used for)/generated from operating activities	(14,644)	50,457
Taxation paid	(4,113)	(6,878)
Cash flows from investing activities		
Purchase of intangible assets	(1,988)	(1,784)
Cash acquired with Fabergé	11,524	-
Sale of available-for-sale investment	309	-
Interest received	593	246
Loan granted to Kariba	(1,462)	-
Purchase of property, plant and equipment	(8,099)	(7,811)
Stripping costs	(15,777)	(14,490)
Sale of property, plant and equipment	-	147
Net cash used for investing activities	(14,900)	(23,692)
Cash flows from financing activities		
Issue of ordinary shares	33	53
Repayment of borrowings	(3,322)	(83)
Receipt of loans	12,000	3,000
Interest paid	(880)	(76)
Net cash generated from financing activities	7,831	2,894
Net (decrease)/increase in cash and cash equivalents	(25,826)	22,781
Cash and cash equivalents at start of year	36,737	13,649
Exchange differences on translation	311	307
Cash and cash equivalents at end of year	11,222	36,737

Basis of preparation

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

The financial information for the years ended 30 June 2013 and 30 June 2012 does not constitute statutory accounts as defined by section 435 of the Companies Act 2006 but is extracted from the audited accounts for those years. The 30 June 2012 accounts have been delivered to the Registrar of Companies. The 30 June 2013 accounts will be delivered to Companies House within the statutory filing deadline. The auditors have reported on those accounts. Their report was unqualified and did not contain statements under Section 498 (2) of (3) of the Companies Act 2006.

- Ends -