

Contents

- 1 Introduction
- 2 2016 Highlights

Strategic Report

- 6 Business Model/Mine & Market
- 7 Reasons to Invest
- 8 2016 Overview
- 10 Chairman's Statement
- 12 2016 Market Overview
- 14 Chief Executive Officer's Review
- 16 Strategy
- 18 Key Performance Indicators
- 22 Operational Review
- 42 Financial Review
- 46 Principal Risks and Uncertainties
- 54 Responsibility and Sustainability

● Governance

- 62 Board of Directors
- 64 Senior Management
- 66 Chairman's Introduction
- 68 Corporate Governance
- 72 Audit & Risk Committee Report
- 74 Nominations Committee Report
- 75 Health, Safety, Environmental and Community Committee
- 76 Directors' Remuneration Report
- 80 Directors' Report

Financial Statements

- 86 Independent Auditors' Report
- 87 Consolidated Income Statement
- 88 Consolidated Statement of Comprehensive Income
- 89 Consolidated Statement of Financial Position
- 90 Consolidated Statement of Changes in Equity
- 91 Consolidated Statement of Cash Flows
- 92 Notes Forming Part of the Consolidated Financial Statements
- 122 Parent Company Statement of Financial Position
- 123 Parent Company Statement of Changes in Equity
- 124 Parent Company Statement of Cash Flows
- 125 Notes to the Parent Company Financial Statements
- 131 Company Contacts and Advisers



We are tireless in our mission to be the world's foremost gemstone supplier, actively leading the growth and development of the industry and promoting trust and transparency across the industry.

"The technical competence of each of our operating teams, a number of additional growth opportunities and an ever increasing consumer appetite for these incredibly rare gemstones, is well supported by the combined post-tax net present value for Kagem and Montepuez alone, at well in excess of US\$1.5 billion. Gemfields has a solid foundation for continued growth."



Ian Harebottle / CEO

2016 Highlights

Financial

Revenue

US\$193.1 million (2015: US\$171.4 million)

Net profit after tax

US\$23.5 million (2015: US\$12.3 million)

Cost of Gemstone & Fabergé inventory

US\$107.2 million (2015: US\$101.1 million)

EBITDA(a)

US\$69.4 million (2015: US\$64.4 million)

Cash at bank - as at 30 June 2016

US\$41.5 million (2015: US\$28.0 million)

(a) EBITDA – earnings before interest, tax, depreciation, amortisation and impairment.

Total revenue for the Group

US\$193.1 million

Total revenue for the Group (US\$ million)



2016 saw the highest ever auction revenue achieved at any Gemfields auction. Hosted in Singapore in June 2016, the auction of rubies from Montepuez saw 95% of the higher, medium and commercial goods sold for

US\$44.3 million

Total 2015–16 revenue from ruby auctions (US\$73.1 million)



Highest average price per carat achieved in April 2016 at the higher quality emerald auction in Zambia

US\$70.68 per carat

Average per carat sales value achieved from higher quality emerald auctions (US\$ per carat)



Operational

Emeralds

- Production summary for 75% owned Kagem Mining Limited ("Kagem"), Zambia, for the year:
 - annual production of 30.0 million carats of emerald and beryl (2015: 30.1 million carats)
 - average grade of 241 carats per tonne, inclusive of ore from bulk sampling pits (2015: 242 carats per tonne); and
 - marginal increase in unit operating costs from US\$1.48 per carat to US\$1.58 per carat, largely on account of the increased scale of in-house mining and exploration activities.
- Kagem continues to improve its management of safety and was awarded the Green Award by the Zambia Environmental Management Authority ("ZEMA") for exemplary environment management practices during the financial year.
- In September 2015, a Competent Persons Report ("CPR") was issued by SRK Consulting (UK) Limited ("SRK") and included an updated Joint Ore Reserves Committee ("JORC") (2012) Resource and Reserve estimate and accompanying statements projecting a 25 year Life of Mine ("LoM") open pit operation producing (on a 100% attributable basis):
 - 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;
 - Proven and Probable Ore Reserves of 1.1 billion carats of emerald and beryl at a diluted ore grade of 291 carats per tonne; and
 - a Net Present Value ("NPV") of US\$520 million (based on a 10% discount rate). This valuation was based on the applicable tax regime at the time of the report. As of June 2016, the Zambian tax environment has improved as a result of a reduction in tax rates.

Rubies

- Production summary for 75% owned Montepuez Ruby Mining Limitada ("Montepuez"), Mozambique, for the year:
 - annual production of 10.3 million carats of ruby and corundum (2015: 8.4 million carats), the increase in processed volumes was primarily due to ongoing upgrades to the wash plant design;
- grade of 35 carats per tonne
 (2015: 26 carats per tonne); and
- unit operating costs were marginally lower at US\$2.54 per carat compared with US\$2.57 per carat for the previous financial year with increased production volumes delivering improved efficiencies of scale.
- Maiden JORC Resource and Reserve Statement for Montepuez announced in July 2015 by SRK (on a 100% attributable basis):
 - a total Indicated and Inferred Mineral Resource of 467 million carats;
 - 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 a 10% discount rate).

Fabergé

- 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 'Lady Peacock Emerald' variant of the timepiece also won the 'Ladies Complication' award at Watchfair Luxembourg in June 2016, cementing Fabergé's position as a future leader in the watchmaking industry.
- The highly acclaimed Fabergé Visionnaire DTZ men's watch qualified as an entrant for the GPHG 2016 awards.

Revenue increased by approximately 33% as Fabergé continued to expand its global presence during the year to 30 June 2016 and increased the number of agreements with multi-brand retail partners. This was further supported by ever increasing levels of consumer awareness and demand, with the number of units sold and delivered during the year increasing by 81% when compared to the year ending 30 June 2015. At 30 June 2016, Fabergé products were available in Australia, Azerbaijan, Bahrain, Canada, Czech Republic, Malta, Oatar, Saudi Arabia, Switzerland, Thailand, UAE, UK, Ukraine and USA. The total number of Fabergé stockists increased from 20 to 32 during the year.

New projects

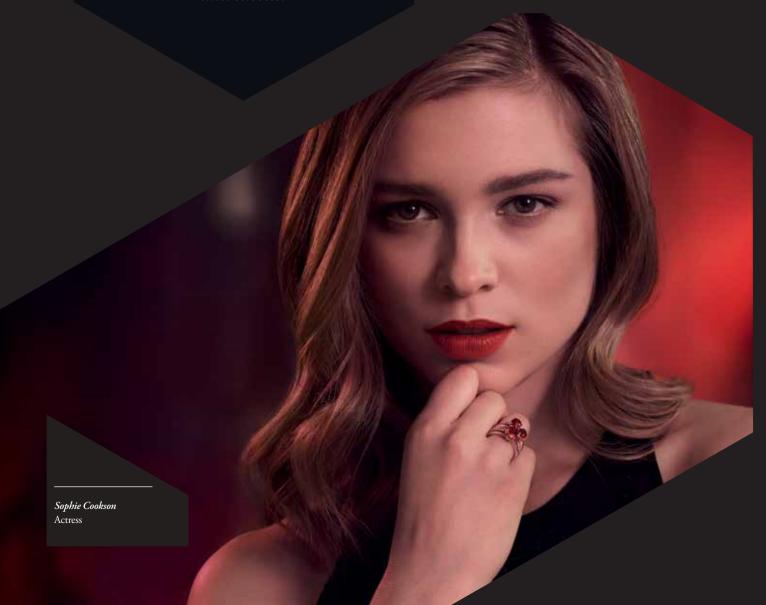
- Emeralds, Ethiopia A diamond drilling crew was mobilised at Dogogo South Block, Ethiopia, in early June 2016 and drilling commenced in early July 2016.
- Sapphires, Sri Lanka Trading centres were established in Colombo and Ratnapura.
- Emeralds, Colombia Gemfields expanded
 the size of its operating team and incountry footprint with further groundwork being undertaken in preparation for
 the completion of the Coscuez transaction
 including geological sampling and
 modelling, mine planning and engagement
 with the local community.

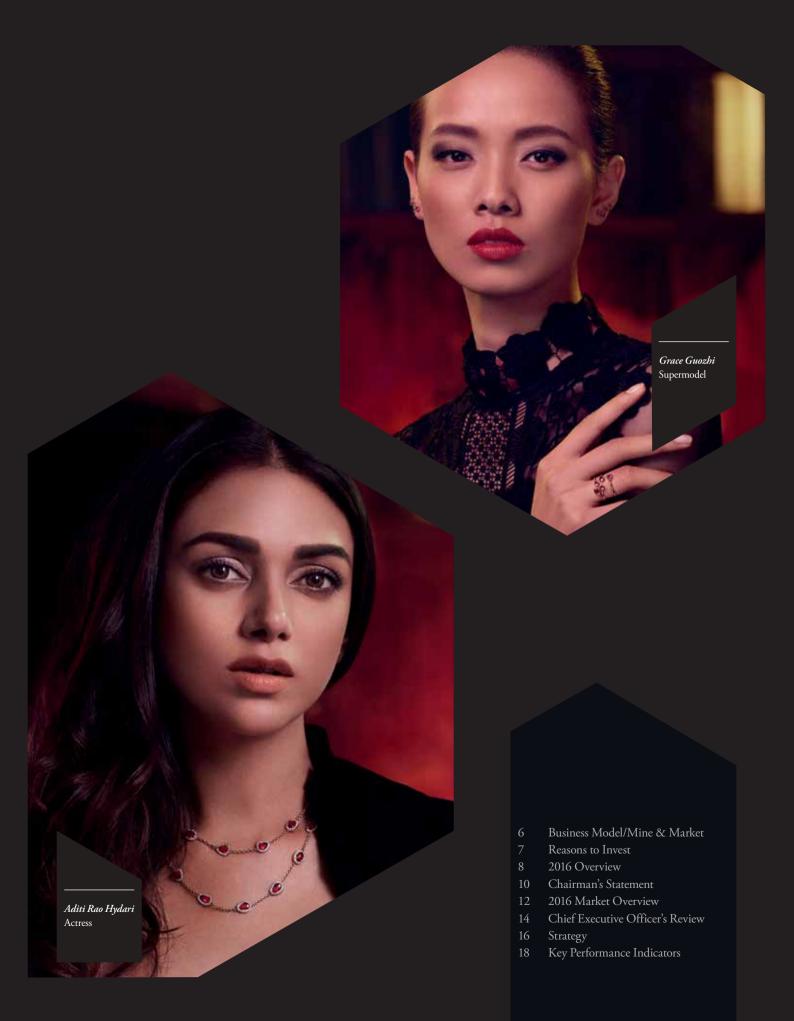
Marketing

- Continued high-profile marketing projects including new partnerships with Bergdorf Goodman and High Jewellery designer collaborations with Chopard, Georg Jensen and VanLeles; and
- Launched new integrated global ruby marketing campaign. The campaign includes a triptych of films featuring up-and-coming global female talent from around the world which has been received to wide acclaim.

Strategic Report

Our Vision is to become the global 'Coloured Gemstone Champion'. Benefiting from Gemfields' ability to be a price maker rather than a price taker. Based on a seven-year track record of direction, delivery and success.





Business Model – Mine and Market

We prefer to think of ourselves as more than just a mining company: we are innovators at an exciting new frontier where exploration, mining, marketing and ethics meet.

Our business model focuses on creating shareholder value by identifying and investing in undeveloped or underdeveloped coloured gemstone assets. We use our unrivalled operational expertise in the coloured gemstone sector to grow these assets, typically in partnership with appropriate local partners. We do not pursue comprehensive vertical integration. Rather, our mine and market strategy means we focus on both ends of the value chain, representing what we believe to be the two most important segments.

Our pioneering auction platform has changed the face of the coloured gemstone sector, delivering a key tenet of our business model: bringing a consistent supply of responsibly sourced coloured gemstones, carefully graded according to our proprietary rough grading systems, to our customers in line with their respective market focus. This distribution platform is complemented by determined marketing and promotional campaigns to further increase confidence in, and awareness of, this exciting and fast-growing sector.

Exploration and mining

- A leading supplier of responsibly sourced coloured gemstones, and one of the world's largest emerald, ruby and amethyst producers.
- Experienced and well-regarded management team with a proven track record of delivery.
- Unrivalled expertise in coloured gemstone mining and exploration.
- Scalable mines with substantial reserves.



Sorting and grading

- Pioneered the world's most comprehensive rough grading and sorting system for emeralds and rubies.
- Supported by the commensurate stock levels needed to ensure consistency and continuity of supply across all size and quality scales.



Pioneering auction platform

- Well established and reliable auction platform.
- Helping to formalise the market.
- Delivering a constant supply.
- Targeted to achieve a best fit with each customer's needs.



Market

- Global leader in repositioning the coloured gemstone industry alongside other luxury goods.
- Owner of Fabergé, one of the world's most recognisable luxury brands, enables Gemfields to accelerate its vision to raise the international presence and perception of coloured gemstones.
- Championing industry initiatives to enhance legitimacy, transparency and integrity of the coloured gemstone sector.





Reasons to Invest

Gemfields is a leading supplier of responsibly sourced coloured gemstones supported by an experienced and well-regarded management team with a proven track record of delivery.

1

Gemfields is:

- World leading supplier of responsibly sourced coloured gemstones.
- Elevating the position of coloured gemstones alongside other luxury goods.
- Investing in exploration resource development and the intellectual capital required to maximise the value derived from scalable operations.
- Delivering a steady supply of high quality, graded rough gemstones through internationally held auctions with an ability to be a price maker not a price taker.
- Raising sector and product demand through targeted marketing and promotional campaigns.
- The owner of Fabergé, one of the world's most wellrecognised luxury names.

— See pages 16 and 17

2

Gemfields' assets include:

- Kagem emerald mine (75%).
- Montepuez ruby mine (75%).
- Kariba amethyst mine (50%).
- Fabergé (100%).
- Ubiquitous coloured gemstone sorting, grading and supply infrastructure.
- Exploration and expansion projects:
 - Colombia (emerald);
 - Ethiopia (emerald);
 - Sri Lanka (sapphire);
 and
 - Madagascar (ruby, emerald, sapphire).

— See pages 8 and 9

3

Gemfields' management:

- Is highly experienced in coloured gemstone exploration, mining, processing, sorting, grading and distribution.
- Has a proven track record in coloured gemstone marketing and promotion to drive global demand.
- Is focused on a mine and market strategy, constantly building on our core competencies.
- Has consistently delivered record-breaking prices for higher quality emeralds and a steep increase in demand for Mozambican rubies, partnering with a number of globally recognised brands in support of increasing consumer confidence.
- Highly regarded by all key stakeholders as leaders and champions of positive change within the industry.

— See pages 62 to 65

4

Gemfields' vision is:

- To become the global coloured gemstone champion supporting the continued growth and development of the sector across various key silos including transparency, exploration, mining, distribution, creativity and marketing.
- To deliver significant increase in value for all shareholders through increased gemstones production, increased revenue and cash flows and by focusing on safety, sustainability and the selective expansion of our asset base.
- To enhance employee development and involvement, and to increase contributions to the economies of the countries in which Gemfields operate.

— See pages 16 to 17

2016 Overview

Key assets

■ Kagem Mining Limited – emeralds (75% interest)

- A partnership with the Government of the Republic of Zambia (25% interest).
- Believed to be the world's largest producer of emeralds, accounting for approximately 25% of global rough emerald production.
- Licence covers an area of approximately 41 square kilometres and contains several emerald-bearing belts (one of which is currently being mined on a large-scale, two are in a bulk-sampling phase and the others are yet to be fully examined by Gemfields).
- JORC code compliant proved and probable Mineral Reserve of 1.1 billion carats of emerald and beryl at an in situ grade of 291 carats per tonne.

■ Montepuez Ruby Mining Limitada – rubies (75% interest)

- A partnership with a local Mozambican entity, Mwiriti Limitada (25% interest).
- Licence, located in the Montepuez district of the Cabo Delgado province in Mozambique, covers approximately 350 square kilometres with both primary and secondary deposits.
- Generally recognised as one of the world's largest known ruby and corundum deposits and the single largest producing ruby mine.
- JORC code compliant probable Mineral Reserve of 432 million carats of ruby and corundum at an in situ grade of 16 carats per tonne.

Fabergé Limited (100% interest)

- Fabergé 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 advance the Company's 'mine and market' vision.
- New products launched to promote the use of emeralds, rubies and sapphires in support of Gemfields' coloured gemstone strategy.

■ Kariba Minerals Limited – amethyst (50% interest)

- One of the world's largest producing amethyst mines.
- Partnership with ZCCM Investments Holdings plc ("ZCCM-IH"), which owns a 50% interest.

New projects and other assets

■ Eastern Ruby Mining Limitada, Mozambique – rubies (75% interest)

- A partnership with a local Mozambican individual (25% interest).
- Holds Mozambique exploration licence number 5061L which is under conversion to a mining concession.

Megaruma Mining Limitada, Mozambique – rubies (75% interest)

- A partnership with EME Investments, a local Mozambican entity (25% interest).
- Two licences, located in Montepuez district in Mozambique which each share a boundary with the existing Montepuez ruby deposit and cover approximately 19,000 hectares and 15,000 hectares respectively.
- Initial stages of geological evaluation completed and further studies proposed.

Oriental Mining SARL, Madagascar – rubies, emeralds and sapphires (100% interest)

- Nine exploration licences covering emeralds, rubies, sapphires, tourmalines and garnets in the Antananarivo, Fianarantsoa and Toliara provinces of Madagascar.
- 11 additional licences are in the process of being transferred to Oriental Mining. Initial stages of geological evaluation completed.

Ratnapura Lanka Gemstones (Pvt) Limited, Sri Lanka sapphires (75% interest)

- A partnership with East West Gem Investments Limited (25% interest).
- Trading centres in Colombo and Ratnapura, Sri Lanka.
- Geological and geophysical exploration activities have been carried out for diverse minerals.

Web Gemstone Mining plc, Ethiopia – emeralds (75% interest)

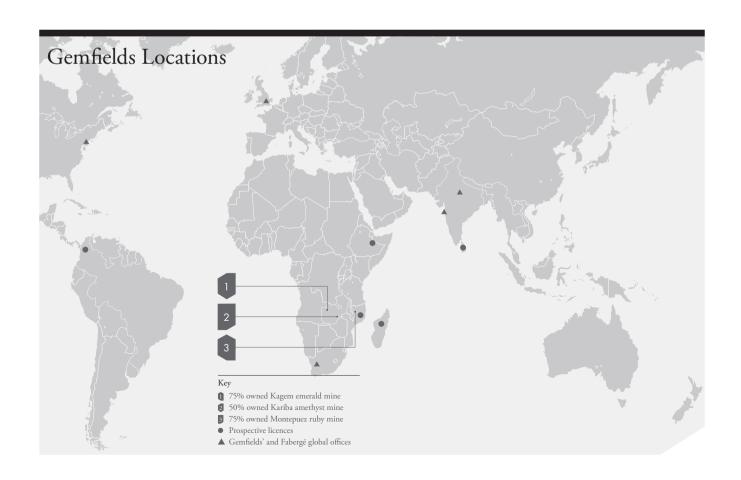
- A partnership with an Ethiopian entity representing the local community and individuals in southern Ethiopia (25%).
- An emerald exploration licence covering an area of approximately 200 square kilometres.
- Exploration activity began in July 2015 and diamond drilling commenced in early July 2016.

Coscuez Emerald Mine, Boyacá Department, Colombia emeralds (projected 70% interest)

- In September 2015, Gemfields entered into a binding but conditional agreement to acquire a 70% interest in a Colombian company which will, on completion, hold mining contract number 122-95M (the "Coscuez Licence", which is presently held by Esmeracol S.A.).
- Located on the 'Muzo formation', the Coscuez Licence covers an area of 47 hectares, with the Coscuez mine being historically one of the largest emerald mines in the world.
- Pre-completion geological studies have been carried out by Gemfields by a small team on-site in 2015 and 2016.

Selected Exploration Prospects, Colombia – emeralds (70% and 75% interests)

- In September 2015, Gemfields announced the signing of a binding agreement which would afford it the opportunity to potentially acquire effective 70%–75% interests in a number of exploration licences.
- These projects would provide Gemfields with access to various prospective emerald bearing areas, thereby further enhancing the Company's local geological understanding subject to the Company progressing these transactions.



Chairman's Statement

Significant increase in achievable per carat prices

US\$70.68

Increase in price per carat of higher quality emeralds from US\$4.40 in July 2009 to US\$70.68 in April 2016.

"A momentous year that has seen consistent production, increased consumer demand and record-breaking prices all combined to propel Gemfields into its next phase of growth."



Dear Shareholder,

I am pleased to share the 2016 Annual Report which outline another momentous year for Gemfields.

Many accomplishments have been achieved this financial year that have enabled Gemfields to further cement its position as the global leader in responsibly sourced coloured gemstones. Not only is the Company seeing unprecedented production from its operations, but it is also consistently forging new relationships with manufacturers, jewellers and brands, ensuring that Gemfields' coloured gemstones maintain their rightful position at the very pinnacle of consumer demand.

The annual revenue and EBITDA generated in 2015–16 saw an increase of 13% and 8% respectively when compared to last year. This was achieved through record-breaking auction results for ruby and corundum rough gemstones and record-breaking prices achieved for emerald and beryl rough gemstones. These have been matched by consistently strong production at both Kagem and Montepuez and increasing demand largely driven by Gemfields successful marketing efforts. A full circle demand and supply chain approach that takes into account the importance of matching available supply to the ever increasing levels of demand that exemplifies the Company's mine and market model.

This year has seen Kagem once again confirm its position as a world-class asset. During the year, 30 million carats were produced, mainly attributed to higher volumes of ore mined, the implementation of new operating initiatives and consistent mineralisation at the Chama pit.

Our now widely acclaimed proprietary rough grading system, combined with the appropriate stock levels required to ensure a high level of consistency in the product offering means Gemfields has again seen strong results at its auctions. Gemfields held four rough emerald

See auction results and revenue

— Pages 23, 32 and 43

and beryl auctions including two auctions of predominantly higher quality emerald, and two auctions of predominantly commercial quality emerald and beryl. The auctions saw approximately 8.3 million carats being sold in the financial year, yielding a pleasing overall average value of US\$12.22 per carat, a price that is underpinned by consumer demand driven by the Company's fully integrated and well received global marketing campaigns. We are delighted that in collaboration with our partners, the Government of the Republic of Zambia, the Kagem operation continues to perform strongly.

Gemfields marketing efforts to date have seen the Company build the profile and recognition of Zambian emeralds as equals amongst the best that the world has on offer. Traditionally rivalled by those of Colombian origin, Zambian emeralds are now well recognised for their own unique qualities and perceived to be just as desirable. High profile partnerships such as the collaboration with luxury Swiss jeweller Chopard and renowned Danish design house Georg Jensen have helped in this positioning, along with sustained public relations and advertising.

2015–16 has seen the Montepuez ruby deposit 'come of age', exceeding production guidance by 29%. The consistency of delivery has been exceptional, allowing Gemfields to meet demand while also achieving solid pricing. The Company has begun working towards building the profile of Mozambican rubies on a global platform and is seeing these efforts recognised across the industry and well received amongst the target consumer audience. Telling the story behind the quality and credibility of Mozambican rubies became even more interesting this year with the discovery that their formation began 475 million years, much before that of their Burmese counterparts.

As with production, the operation in Montepuez is now also making significant strides in its community engagement and investment programmes. In-depth consultations with key local stakeholders take place on a regular basis to identify projects and initiatives where Gemfields can assist. These are based around the key areas of health, education and agricultural development. Gemfields has now won multiple accolades for contributions to the region, including most recently as the biggest mining exporter and the second biggest exporter in the country, awarded by the Institute of Promotion of Export of Mozambique. I would like to thank the team on the ground in Montepuez and Gemfields' partner, Mwiriti, for the ongoing assistance and diligence in ensuring the operation delivers, and operates to the highest of standards.

The combined auction revenue of Kagem and Montepuez for 2015–16 reached US\$174.3 million, an impressive result that is an undoubted reflection of the team's diligence and commitment. It is also a clear indication that Gemfields retains the potential to take its market share in both emerald and ruby segments, when considering the combined potential of all of the relevant operations, to as much as 40% of recorded global production over the coming years.

The additional financing secured during the year will enable Gemfields to continue to optimise and expand its mining operations in order to deliver the future upside potential outlined in the most recent reserve reports. The increasing production from both of the flagship operations, in combination with their low capital intensity, is expected to deliver an increasing level of cash generation that will provide a high degree of flexibility in pursuing Gemfields' plans for growth.

Gemfields continue to progress plans to introduce sapphires, or the 'blue' to complement the 'red' and 'green', into our existing product supply chain with the introduction of a trading platform in Sri Lanka. Following two years of research, the

Company is now commencing set-up of the supply chain and thereby taking one step closer towards introducing these renowned gemstones into the Gemfields portfolio.

Work also continues in Colombia as Gemfields seeks to progress the acquisition of the Coscuez emerald mine while the next stage of exploration has commenced in Ethiopia, as the Company continuously strives to expand and cement its position as the world's leading supplier of responsibly sourced coloured gemstones.

Fabergé saw revenue increase by around 33% to US\$11.8 million with particular strides made in the watch division. The brand's 'Lady Compliquée Peacock' timepiece won the 'Ladies Hi-Mechanical' category at the prestigious Grand Prix d'Horlogerie de Genève ("GPHG") awards in October 2015 with the 'Lady Peacock Emerald' variant of the timepiece also winning the 'Ladies Complication' award at Watchfair Luxembourg in June 2016. The newly introduced Visionnaire DTZ men's watch has qualified as an entrant for the upcoming GPHG awards later this year. To receive these considerable levels of recognition is truly gratifying and creates a solid foundation upon which Gemfields is confident of further strengthening its brand position within the watchmaking category.

This year has seen Gemfields reach a number of milestones and has propelled the Company into the next stage of growth. I would like to thank each and every employee, the management teams as well as our partners and host countries for their skills, hard work and dedication, and to congratulate them on what has been a landmark year for the Company.

Crahan Masall

Graham Mascall / Chairman 23 September 2016



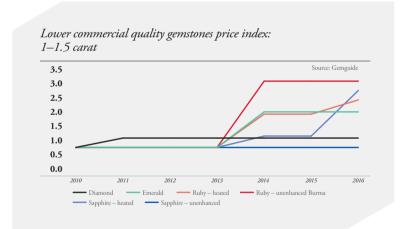
2016 Market Overview

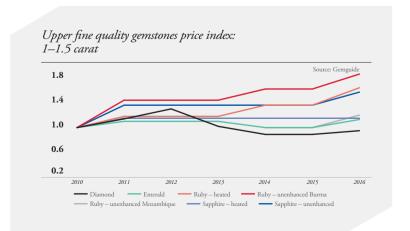
Global imports of emeralds, rubies and sapphires reached

US\$5.9 billion

in 2015 calendar year (2014: US\$5.2 billion)

The market for emeralds, rubies and sapphires continued to expand.





The market of worked emeralds, rubies and sapphires continued to expand during the 2015 calendar year. Global imports of the top three coloured gemstones reached US\$5.9 billion representing an increase of 13% compared to the previous year (2014: US\$5.2 billion). The significance of this shift becomes even more apparent when compared to global imports of diamonds for use in jewellery that decreased by 17% in the same period, from US\$84 billion in 2014 to US\$70 billion. The broader coloured gemstone and pearl market slowed slightly, by 5%, to US\$8.4 billion in global imports in the 2015 calendar year from the US\$8.8 billion^(a) level reached in 2014, following several years of accelerated growth in all of the subsections. Remarkably, emeralds, rubies and sapphires alone account for as much as 69% (2014: 58%) of the finished coloured gemstone and pearl market.

The world's top gemstone manufacturing hubs - India and Thailand - experienced major year-on-year ("YoY") growth in their exports of emeralds, rubies and sapphires in 2015 of 72% and 9% respectively. Meanwhile, European jewellery manufacturing centres showed diverging dynamics - France's imports of the top three coloured gemstones doubled with YoY growth of 116%, the indicator for the United Kingdom went up by 7% YoY, while that of Italy and Switzerland slowed by 13% and 6% YoY respectively. China, India and the USA remain the most significant emerald, ruby and sapphire consumer markets with their imports standing at around US\$1.2 billion per country per annum.

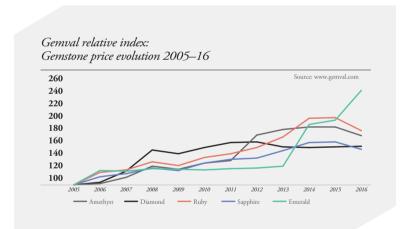
⁽a) Gemfields 2015 Annual Report stated that 2014 global imports coloured gemstones and pearls stood at US\$8.6 billion. The figure has changed since reporters added more 2014 imports data to the United Nations Commodity Trade data.

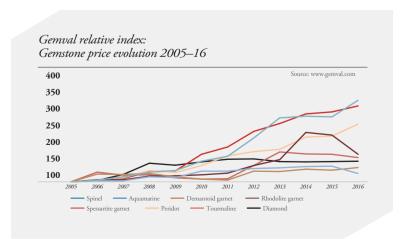
Gemfields' rough emerald and ruby auction results indicate a considerable rise in demand for mid to commercial quality gemstones marking the beginning of a continuous process of filling the gap between the highest and lowest finished goods prices as this segment of the market begins to mature and more consumers begin to appreciate the immense value, beauty and rarity inherent in each of these gems. The historic evolution of cut and polished prices for various qualities of emeralds, rubies and sapphires also suggests that throughout the last six years the price of commercial and fine quality gemstone has been constantly rising - along with the price increase in the extra fine qualities.

The Gemval index for various coloured gemstones indicates that the prices and demand have been rising not only for emeralds, rubies and sapphires but for a wide range of coloured gemstones. Spinels, garnets, tourmalines, amethysts and peridots are also in high demand. Prices for many gem varieties have doubled or even tripled in the last few years. Coloured gemstones continue setting record prices at renown auction houses' sales. Remarkably, The Hope Spinel 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."

Gemfields believes that increasing awareness of the true value and rarity of emeralds, rubies and sapphires, together with the rediscovery of the natural and inherent beauty of colour by younger generations, has contributed significantly to the continued increase in demand for coloured gemstones. Transparency, responsible mining practices, consistent supply and consumer education efforts, as a result of the increasing formalisation of

the sector, continue to strengthen consumer confidence and make coloured gemstones an increasingly popular choice. Consumers now have considerably more knowledge about coloured gemstones. They are more conscious about the quality of the gemstones and often refer to gemmological laboratories to test their gems before a purchase — contributing to the commitment of the sector to become increasingly more transparent.





Chief Executive Officer's Review

Sales generated from the Montepuez ruby deposit

US\$195.1 million

US\$195.1 million sales generated from the Montepuez ruby deposit since the acquisition completed in 2012

Total EBITDA

US\$264.1 million

Total EBITDA of US\$264.1 million generated since 2008–09 until 2015–16

Total revenue

US\$717.6 million

US\$717.6 million generated since first auction in 2008–09 until 2015–16

"This year has seen us consolidate our position as industry leaders. Record success in production, pricing and driving demand has truly realised our mine and market model."



Led by the exceptional team on the ground and strong management, Kagem remains a world-class asset delivering consistent results and maintaining its position as a cornerstone to the global emerald market. The licence, covering 41 square kilometres, has once again delivered steady volumes of supply in line with the increased scale of operations. During the year the Chama pit saw its ongoing waste stripping programme, now extended to cover a 2.2 kilometre strike length, opening up new possibilities in mine design and even more cost-efficient fleet combinations. This willingness to embrace opportunity through innovation is core to our business as we aim to employ new techniques wherever we can and to ensure that we are able to deliver the best possible results on behalf of all of our key stakeholders. A good example of this is the introduction of blasting emulsion gels resulting in optimised fragmentation of the rock mass and a significant overall advantage. Improvements in the wash plant resulted in a doubling of capacity and are set to continue with a renewed focus on further increasing our efficiencies in ore processing and gemstone recovery.

As champions for responsible sourcing and sustainability we are pleased to see our commitment to improved traceability mirrored in increased consumer appreciation and demand. The community investment projects at Kagem have achieved new levels of success following the adoption of an updated Community Sustainability Strategy. This local strategy reflects the Company's core values of legitimacy, transparency and integrity. For example, our commitment to local communities and the ways in which we engage with key stakeholders such as local chiefs. This updated, and simplified strategy provides a clear road map for



See Business Model, Production Summaries and Responsibility and Sustainability

— See pages 6, 27, 30 and 55

delivery from which we are already seeing improved results. This is further evidenced through Kagem being awarded the Zambia Environment Management Authority Award for exemplary environmental management practices during the year.

Additional upgrades are being carried out on one of the primary schools in the area while work on the high school has now been completed. Educating approximately 800 students, the newly constructed high school includes a fully equipped science lab, home economics studio, library and IT room. The Nkana health centre has also been staffed and completed at an investment cost of US\$60,000.

The year also proved to be an exceptional one for Montepuez and its outstanding team. Annual gemstone production reached 10.3 million carats of ruby and corundum exceeding the 8.4 million carats guidance by a reasonable margin. This was further supported by a 68% increase in the volume of the higher quality rubies recovered during the financial year. The results achieved at our ruby auctions have also been pleasing with global demand remaining firm. The most recent auction held in June 2016, generated record total revenues of US\$44.3 million at an average realised price of US\$29.21 per carat. This latest sale was the sixth Montepuez auction held since June 2014, generating a combined revenue of US\$195.1 million to date. This has resulted in Montepuez being recognised as the highest tax-paying mining company in the Cabo Delgado province, responsible for as much as 20% of received taxes.

Thanks to the consistency in production and demand, the opportunity to reinvest into the Company's on-the-ground facilities has also been seized. A new water filtration plant has been introduced and an order has been placed for an updated Dense Media Separation plant. Work is also being carried out on finalising the design and layout for the new sorting house and optical sorters. In addition to these mechanical developments to the site, improved accommodation, health and leisure facilities have been constructed, including

employee accommodation, a new canteen, dining hall, lounge area and health centre.

Considerable effort and extensive stakeholder interaction, with a view to specifying project plans that will best suit the broader community needs, has resulted in the Montepuez Community Development Strategy being initiated in earnest. Its key objective is to ensure that the local communities benefit from the presence of Montepuez, in a way that is both sustainable and meaningful. With thanks to the team on the ground for their skills and dedication, the benefits of this project are already visible and are beginning to deliver tangible results. A farming association was created in February 2016 producing beans, okra and various other vegetables, with the farmers' enthusiasm and the fertility of the soil allowing for the first harvests to be reaped in April 2016. Currently, most of the produce is being bought back by Montepuez, where it is purchased at market prices and used for the sustenance of its own employees. This provides a ready market and regularity of income for the farmers until such time as they are able to increase production volumes and expand their distribution networks. A poultry farming cooperative has been formed at a nearby village with a view to further empower women in the area. Going forward, initiatives based around education, healthcare and the provision of drinking water and sanitation will also be put in place. As with every Gemfields mining site, environmental management plans are developed and used to continuously monitor and measure environmental performance throughout the mine life cycle. On an ongoing basis, the old pits are being refilled and revegetated.

We have once again maintained our industry-leading market positioning with our latest promotional campaign that builds on Gemfields' belief that there is 'A Story in Every Gemstone'. For centuries, rubies have been said to represent passion, protection and prosperity and we have looked to explore these themes, making them relevant to a contemporary audience through a fully integrated global marketing campaign. We are also working on educating consumers

and the trade as to the calibre of each of our gemstones, not least through an ongoing programme of world-class partnerships, including a ground-breaking collaboration with Swiss luxury jeweller Chopard, launched at the 69th Cannes Film Festival in May. Through this, and other enduring partnerships with various leaders in their respective areas of operations, Gemfields will continue to set the agenda for a new global standard for coloured gemstones amongst all target consumer groups.

In contrast to the regressive performance of a number of the sector's larger participants Fabergé achieved solid progress throughout the year with costs being well contained while supporting increased unit sales, increased Dollar sales, increased distribution footprint and enhanced market penetration. As such, and while this division still has much to do, this is a solid performance and the team is to be commended for their efforts.

Work continues on our plans to introduce sapphires to the global market. This year has seen us make further strides into setting up a supply chain in Sri Lanka – one of the world's most important sources of high quality sapphires. The same is also true for Colombia and Ethiopia where steady progress has been achieved and we remain excited about the long-term growth opportunities in each of these areas.

The strategy over the past few years has seen a constant emphasis being placed on ever improving operating efficiencies and developing the spirit of leadership and innovation across the entire organisation. These efforts continue to deliver solid results and our teams are to be commended on their success and contribution to what has amounted to nothing less than a tremendous year for the business.

Ian Harebottle / CEO 23 September 2016



Strategy

Becoming the global leader in emeralds, rubies, sapphires and other selected gemstones.



Priority

Leading the way in coloured gemstone exploration, operational efficiencies and mining practices

Description

- To invest in furthering our geological, technical and mining expertise in coloured gemstone exploration, evaluation and mining.
- To pursue operational excellence through investing in our operating assets, development projects and people.
- Investigating target sites for possible future inclusion into Gemfields' portfolio of mines.



Ensuring a consistent supply of professionally-graded coloured gemstones to world markets

- To change the face of the coloured gemstone sector through Gemfields' pioneering emerald and ruby auction platform, bringing a consistent supply of responsibly sourced coloured gemstones, carefully graded according to the Company's proprietary rough gemstone grading systems, to its customers.
- This consistent supply model engineered by Gemfields is now in its seventh year, and has received much acclaim from many stakeholders across the sector.

Progress 2016

- Updated JORC Resource and Reserves statement for Kagem was published in September 2015.
- At Kagem, drilling commenced in the Fibolele sector in September 2015. The Fibolele pit also saw an increase in the scale of operations during the year and a third phase of bulk sampling has now been implemented.
- Maiden JORC Resource and Reserves statement for Montepuez was published in July 2015.
- Ongoing exploration at Montepuez during the financial year included drilling and bulk sampling across an extended section of the licence as well as the evaluation of aerial survey data. This highlighted the potential significance of three new areas for future development in the Maninge Nice Block. At the end of the financial year, a new bulk sampling pit had been opened and designated as 'Glass B'.
- Completed binding but conditional acquisitions of interests in Colombian licences.

Post reporting period

- A diamond drilling programme in the Dogogo South Block, Ethiopia, commenced in early July 2016.
- Completion of the acquisition of a 70% interest in the Coscuez emerald mine, Colombia, is expected before the end of the second quarter of financial year 2016–17.

- During the financial year, Gemfields held four emerald and two ruby auctions at various locations across the globe.
- A total of approximately 1.6 million carats of rubies and 8.3 million carats of emeralds were sold at auction generating a total revenue of US\$174.3 million.
- A total of 16.7 million carats of higher quality rough amethyst was sold in two auctions, in Singapore in September 2015 and Lusaka in April 2016 for a total of US\$0.66 million.
- Gemfields continued to champion industry-leading partnerships including a notable collaboration with Chopard, an official partner of the Cannes Film Festival since 1998.



Promoting disclosure, transparency, education and certification across the coloured gemstone industry in support of increased consumer confidence

- To promote the development of globally accepted principles and standards within the coloured gemstone sector including raising professional standards and promoting long-term, sustainable and integrity-driven operations.
- Gemfields is committed to responsible business practices with legitimacy, transparency and integrity as core values.
- In addition to the well-known 'Four Cs' used by diamond buyers, two additional 'Cs' (Certification and Character) have been incorporated by Gemfields.
- Gemfields is working with its industry partners to make available laboratory certificates and chain-ofcustody certificates containing the Gemfields name.
- To fully disclose its auction and other results to the market and support increased disclosure across the sector.
- In 2016, we published our statement of compliance with the UK's Modern Slavery Act 2015.
- Throughout 2016, Gemfields has been involved in various initiatives and in partnership with the Responsible Jewellery Council ("RJC"), CIBJO, The World Jewellery Federation and other major luxury and retail brands to develop the coloured gemstone supply chain and sourcing sustainability standards.
- As part of our commitment to championing the wider industry supply chain, Gemfields initiated a new programme of social and environmental audits on its mid-stream rough gemstone partners.



Promoting and repositioning the coloured gemstone industry alongside other luxury goods

- To drive demand through Gemfields' commitment to communication, consumer education, marketing and advertising, including global consumer campaigns highlighting the heritage value inherent in coloured gemstones.
- To leverage the Group's ownership of Fabergé, an iconic and prestigious brand, to optimise positioning, perception and consumer awareness of coloured gemstones, advancing the Group's 'mine and market' vision.

- Gemfields continues to uphold its commitment to supporting the promotion of the coloured gemstone industry through marketing and advertising. During the financial year, a total of US\$14.6 million (2015: US\$16.2 million) was incurred on selling, marketing and advertising.
- The market for worked emeralds, rubies and sapphires continued to expand during the 2015 calendar year. Global imports of the top three coloured gemstones reached US\$5.9 billion representing an increase of 13% compared to the previous year (2014: US\$5.2 billion).
- Emeralds, rubies and sapphires alone now account for as much as 69% (2014: 58%) of the entire finished coloured gemstone and pearl market.
- Fabergé's first significant print advertising campaign since 2013 began in September 2015, focusing on key coloured gemstone jewellery pieces and the new timepiece collections.
- Fabergé's 'Lady Compliquée Peacock' timepiece won the 'Ladies Hi-Mechanical' award at the prestigious Grand Prix d'Horlogerie de Genève and followed this with the 'Ladies Complication' award at Watchfair Luxembourg in June 2016 for the emerald version.
- Fabergé's distribution network grew significantly, with Fabergé products now available in 13 countries.

Key Performance Indicators ("KPIs")

Revenue US\$ million

Link to strategy





US\$193.1 million



Description

Revenue represents the value of gemstones and Fabergé products sold during the financial year.

Via its proprietary rough grading platform and auction process, Gemfields sells rough emerald and beryl, ruby and corundum and amethyst alongside a small percentage of traded rough (gemstones obtained from the market and not directly from the Company's own mining operations) with a view to allowing other producers the opportunity to achieve better prices and increased transparency for their goods.

The Company also sells cut and polished gemstones, sourced from its auction partners to a select range of designers, manufacturers and retailers, as well as finished jewellery products under the iconic Fabergé' brand.

EBITDA US\$ million

Link to strategy



US\$69.4 million



Description

EBITDA is defined as earnings before interest, tax, depreciation, amortisation and impairment.

Production (million carats)

Link to strategy



Emerald and beryl

30.0 million



Ruby and corundum

10.3 million



Description

Production refers to the number of carats produced by the key operating mines.

Kagem mine produces rough emerald and beryl through its primary operations at the Chama pit, with supplementary production from the bulk sampling operations at Fibolele and Libwente.

Montepuez mine produces rough ruby and corundum. Historically production has come from two pits known as Maninge Nice and Mugloto. In July 2015, production also commenced from a third pit, known as Glass A and in June 2016, production commenced on a fourth pit known as Glass B.

Capital expenditure US\$ million – investment Kagem

Link to strategy





Capital expenditure US\$ million

US\$7.5 million

- investment Montepuez



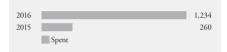
Description

Capital expenditure is defined as the amount invested in new mining equipment, infrastructure and pre-stripping costs.

Responsibility and sustainability expenditure US\$'000 – Kagem

Link to strategy





Safety – operational fatalities

Link to strategy





Responsibility and sustainability expenditure US\$'000 – Montepuez



Description

Gemfields has pledged to commit to set aside at least 1% of gross sales at each operating mine to fund local social and environmental projects and has now created an additional budget in order to pursue specific projects pertaining to performance improvement.

Funds are set aside and kept available to spend in future periods as and when suitable projects are identified and approved in collaboration with relevant stakeholders.

Safety – operational lost time injuries ("LTIs") – incidents



Description

Gemfields places a high emphasis on safety as a priority at each of its operating sites with the development of a 'zero-harm' (injury free) culture.

The safety management, reporting systems and data collection and evaluation methods are currently aligned to local standards and are subject to disclosure to local government authorities.

Key Performance Indicators continued

Revenue

Link to strategy









Progress in 2016

Revenue increased to US\$193.1 million (2015: US\$171.4 million), a 13% increase year-on-year. During this financial year, the Company held two ruby and corundum auctions (2015: three ruby and corundum auctions) and four emerald and beryl auctions (2015: three emerald and beryl auctions) achieving record-breaking prices and auction results.

The six auctions yielded aggregate revenues of US\$174.3 million (2015: US\$153.4 million).

Fabergé revenues grew to US\$11.8 million in the 12 months to 30 June 2016 (2015: US\$8.9 million) representing a 33% growth on the prior year. Fabergé units sold during the year also increased by 81% to 1,345 compared to 742 units sold in the prior year.

Link to remuneration

Revenue growth is a key driver of EBITDA. Bonus targets are linked directly to EBITDA and revenue growth thereby drives a key measure of variable remuneration for Executive Directors and some of the senior management.

Outlook FY2017

- Stable demand for coloured gemstones.
- Target of four emerald and beryl (two high and two commercial quality auctions) and two mixed quality ruby and corundum.
- Revenue growth likely to be driven by a moderate increase in achievable prices and increased volumes of goods placed on offer.
- Fabergé targeting generic growth from directly operated retail boutiques in London and New York, alongside expansion of its global presence through agreements with multi-brand retail partners.
- Leverage off the new advertising campaign across key markets, as well as leading education and initiatives within the coloured gemstone industry.

EBITDA

Link to strategy









Progress in 2016

EBITDA has continued its upward trend and increased US\$5.0 million (8%) from the prior year.

The Company has also maintained its track record of, and commitment to, growing the sector by significantly reinvesting in exploration, development, marketing and acquisition activity across a broad platform and with the view to ensuring long-term value creation.

Link to remuneration

EBITDA is a central element of the annual planning process, and links directly to bonus targets for Executive Directors and some of the senior management.

Outlook FY2017

- Continued growth in total EBITDA.
- Target of 30–35% EBITDA margin with increased exploration spend.

Production

Link to strategy









Progress in 2016

The Kagem emerald mine achieved similar production levels during this financial year to what was achieved in the prior year at 30.0 million carats of emerald and beryl. This demonstrates an increase in the consistency of production and is supported by the overall increase in the scale of operations.

A step-up in production, exploration and bulk sampling activities at Montepuez delivered increased production of 10.3 million carats of ruby and corundum for the year.

Link to remuneration

Production from the operating mines is a key measure known as operational performance. This is linked directly to the variable remuneration of Executive Directors and some of the senior management.

Outlook FY2017

- Target of 30–35 million carats of emerald and beryl production for Kagem.
- Target of 10–12 million carats of ruby and corundum for Montepuez supported by expansion measures including converting the current wash plant to an integrated processing unit with an additional dense medium separation, optical sorting and sorting facility within the wash plant that is expected to be commissioned by early calendar year 2017.

Capital expenditure

Link to strategy









Progress in 2016

At Kagem a total of US\$6.1 million was invested: US\$2.5 million in capitalised waste stripping, and US\$3.6 million in sustaining and expansion capital expenditures.

During the financial year, a total of US\$7.5 million (2015: US\$9.8 million) was invested at Montepuez in new mining and ancillary equipment, as well as in improving facilities and infrastructure at the mine site.

Capital expenditure was lower than the previous financial year as the Group sought to conserve cash.

Link to remuneration

Capital expenditure represents investment into the operations to support the sustained generation of income in future years. Judging the correct level of capital expenditure is a key management decision. Cash management is a measure used in the variable remuneration of Executive Directors and some of the senior management.

Outlook FY2017

- At Kagem, total capital expenditure is estimated to be approximately US\$10 million including some new mining fleet to support increase in mining capacity.
- · At Montepuez, total capital expenditure is estimated at US\$25 million. This includes expansion measures including converting the current wash plant to an integrated processing unit with an additional dense medium separation, optical sorting and sorting facility within the wash plant and the first stages of new second plant which will be commissioned in financial year 2017-18.
- Estimated additional capital expenditure on new projects and other assets of US\$10 million including Coscuez.

Responsibility and sustainability expenditure

Link to strategy









Progress in 2016

There were no environmental non-compliances at either site in 2016. At Kagem in 2016 we have spent well in excess of 1% of gross sales primarily on the construction of the Chapula Secondary School and extensive upgrades to the Nkana health centre. We also added a highly experienced Community Affairs Manager to the team who is responsible for developing local plans and projects.

At Montepuez we recruited an experienced Community Affairs Manager who is responsible for developing our community engagement and investment programmes. In addition to the projects already initiated this year, a number of longer-term projects are under discussion with the government and remain subject to review and final approval. These plans are scheduled for implementation and hand over to the community in 2016-17. At both sites we have made small donations to local conservation charities.

Link to remuneration

Corporate responsibility and sustainability management is linked directly to the variable remuneration of Executive Directors and some of the senior management.

Outlook FY2017

- Maintain 1% gross revenue commitment.
- Increase cash spend as and where appropriate, and subject to agreement with community and other state stakeholders.
- Improve speed of delivery and visibility of projects in the community.
- Establish monitoring and evaluation process for community projects.
- Aim for 100% environmental compliances at all times and improve environmental management systems.
- Continuing supporting for local conservation charities.

Safety

Link to strategy









Progress in 2016

Kagem reported to Zambian authorities the death of one of its employees in a non-operational accident. Despite this, lost time injuries remain low for the sector. Training continues to be rolled out and observations and reporting of near misses and incidences has been improved.

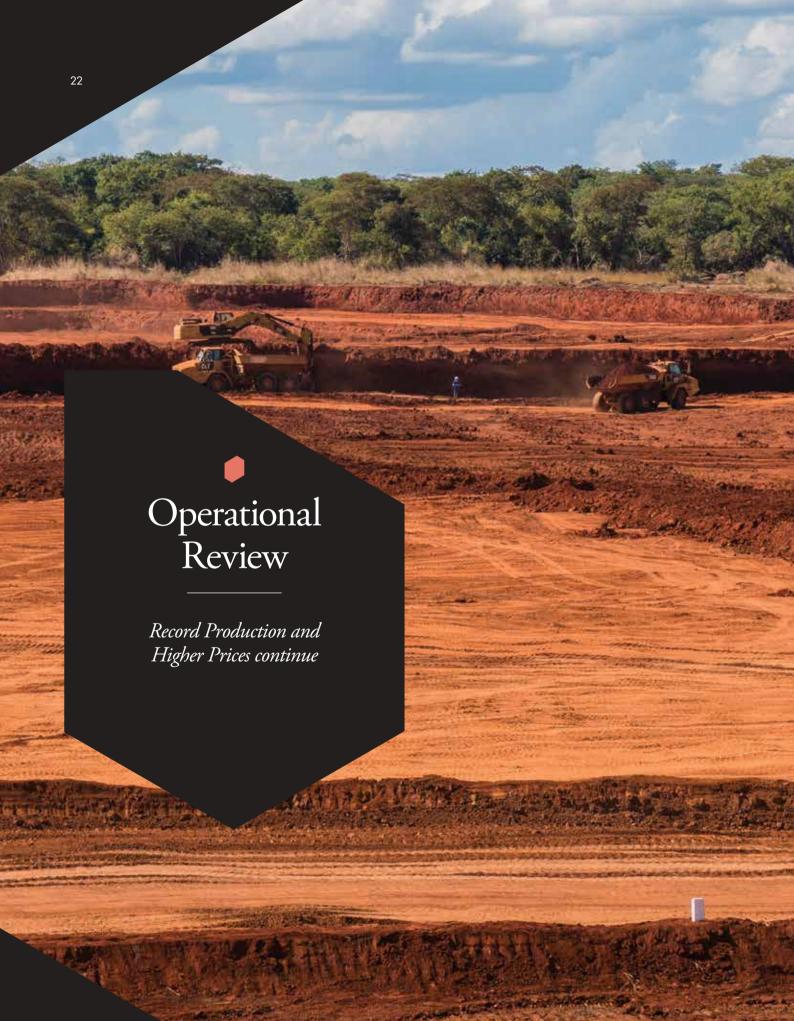
At Montepuez, a Health, Safety and Environment Manager was appointed during the financial year and a Health, Safety, Environmental and Community Committee ("HSEC Committee") was established. The newly appointed manager has steadily increased the number of safety training sessions rolled out across the work force.

Link to remuneration

The Company adopts a zero tolerance approach to recognised and reportable operational fatalities with no allocation being allowed for this KPI in the case of any such occurrence. It is otherwise directly linked to the variable remuneration of Executive Directors.

Outlook FY2017

- A move to Lost Time Injuries ("LTIs") as the primary safety KPI.
- Alignment with international practices on recording and reporting incidences.
- Continue to prioritise zero-harm as an operational culture.
- Improve management systems for health and safety.
- Improve reliability of health and safety data reporting.
- Enhance the roll out of continuous safety training.



"The Group recorded record ore and gemstone production volumes from two of our world-class assets."



Introduction

During the financial year ended 30 June 2016 ("Year"), the Group achieved record ore and gemstone production volumes from two of our world-class assets:
Kagem Mining Limited ("Kagem") and Montepuez Ruby Mine Limitada ("Montepuez"), now confirmed as the world's largest ruby and corundum deposit.

Due to the consistency in production and demand, we were able to push ahead with some key projects in support of record volumes. This included the doubling of capacity at the Kagem wash plant and the conversion of the existing wash plant to an integrated processing unit including the installation of a water treatment plant, at Montepuez. We also steadily advanced our other international projects in Colombia, Ethiopia and Sri Lanka, and we look forward to the potential of each. In particular, the expected completion of the Coscuez mine acquisition in Colombia should be a major step forward.

Production (million carats) – emerald and beryl

30.0 million



Production (million carats)
– ruby and corundum

10.3 million

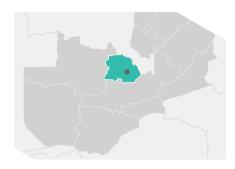
2016	10.3
2015	8.4
2014	6.5

This year saw Gemfields making some changes to our auction mix in response to market feedback and intelligence. This was the introduction of ruby and corundum auctions of higher, medium and commercial quality goods combined that attracted strong interest from the market and resulted in the achievement of record auction receipts. Also, at our April 2016 emerald auction, we realised US\$70.68 per carat, which is a new record for higher quality rough emeralds.

Devidas Shetty / Chief Operating Officer 23 September 2016

Kagem Emerald Mine, Zambia

Kagem continues to establish its position as the world's single largest producing emerald mine.



Location

Copperbelt Province, Zambia

Acquisition by Gemfields

November 2007

Ownership structure

75% Gemfields

25% Government of Zambia

Gemstones

Emerald and beryl

Mining method

Open-pit

Potential mine life

25 years

Kagem has established its position as the world's single largest producing emerald mine and is 75% owned by Gemfields, and 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 of 41 square kilometres and the Chama open pit mine supplies approximately 25% of global emerald production.

The Chama open pit mine, supported by a robust Resources and Reserve Statement produced by SRK Consulting (UK) Limited ("SRK") published in September 2015 which showed a 25 year open pit LoM, is well positioned to increase its annual production. The Fibolele sector has also developed into a 600 metre long-strike open-pit bulk sampling operation. Bulk sampling projects in the Libwente sector are still being developed to support a better understanding of the geology and to determine the viability of it being developed into a larger-scale mine. Exploration efforts are being made to develop both the Fibolele and Libwente sectors to gain further high-level geological understanding in addition to more drilling at Chama for down-dip extension. Improvements to the wash plant continued with the doubling of capacity and focussing on increasing efficiency in processing, recovery and security.

Mining

During the financial year, Kagem progressed its continuous overburden removal programme at the Chama pit. The 2.2 kilometre strike length (along high wall) has opened up the possibility for the operating team to consider additional mine design parameters including bigger and more cost efficient fleet combinations. The strike extension of the Chama pit in a south westerly direction has also helped to further improve process efficiency, space utilisation, and productivity. The programme is designed to expose the emerald and beryl mineralisation at the current 100 metre down-dip extension of the ore body, across the entire strike area of the Chama pit.

In-house mining capacity has seen strong growth in productivity and for the first time the total in-house rock handling crossed the 10 million tonnes mark finishing at 10.4 million tonnes for the year (2015: 8.6 million tonnes). A GPS-based radio-controlled fleet monitoring and management system was installed at the Chama pit to control the movement and allocation of heavy earth moving machinery ("HEMM"). The adoption of best practices saw significant improvements achieved in blasting through the implementation of emulsion gel-based explosives resulting in the optimised fragmentation of rock mass, a reduction in the wear and tear to HEMM buckets and improved overall cost of production.

JORC Resource and Reserve

In September 2015, Gemfields announced an updated JORC compliant Resource and Reserve Statement. The Mineral Resource and Ore Reserve Statement for the Kagem mine as at 31 May 2015 is given in the table below and is based on detailed geological modelling of the mineralisation types, and the application of factors derived from the ongoing mining and bulk sampling. The report, which is shown on a 100% attributable basis and where Mineral Resources are inclusive of Ore Reserves, confirmed an 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 ore grade of 291 carats per tonne.

Following the updated Resource and Reserve Statement from SRK completed in September 2015, Kagem has updated its mine plan and has put in place continued waste stripping of the Chama pit over the life of mine.

Emerald and beryl production

J million carats

30.0 million carats of emerald and beryl were produced (2015: 30.1 million carats)

Mineral Resources Statement

Deposit	Classification	Tonnage (kct)	Grade (kct/t)	carats (kct)
Chama	Measured Mineral Resources	800	345	290,000
	Indicated Mineral Resources	3,800	345	1,310,000
	Inferred Mineral Resources	_	_	_
	Measured + Indicated	4,600	345	1,600,000
	Sub-total	4,600	345	1,600,000
Fibolele	Measured Mineral Resources	_	_	_
	Indicated Mineral Resources	170	119	20,300
	Inferred Mineral Resources	1,450	119	172,100
	Measured + Indicated	170	119	20,300
	Sub-total	1,620	119	192,400
Libwente	Measured Mineral Resources	_	_	
	Indicated Mineral Resources	_	_	
	Inferred Mineral Resources	200	46	9,100
	Measured + Indicated	_	_	_
	Sub-total	200	46	9,100
Total	Measured Mineral Resources	800	345	290,000
	Indicated Mineral Resources	3,970	335	1,330,300
	Inferred Mineral Resources	1,650	110	181,200
	Measured + Indicated	4,770	340	1,620,300
	Sub-total	6,420	281	1,801,500

Ore Reserve Statement

Classification		Mineralisation type	Tonnage (kt)	Grade (ct/t)	carats (kct)
Proved	Chama	Reaction Zone	920	300	276,018
	Fibolele	Reaction Zone	_	_	_
	Total Proved	Reaction Zone	920	300	276,018
Probable	Chama	Reaction Zone	2,739	300	821,808
	Fibolele	Reaction Zone	177	103	18,312
	Total Probable	Reaction Zone	2,916	288	840,121
Proved and Probable	Chama	Reaction Zone	3,659	300	1,097,826
	Fibolele	Reaction Zone	177	103	18,312
	Total Proved and Probable	Reaction Zone	3,836	291	1,116,138



Case study

Contained

Contained

Chopard

Gemfields continued to champion industry-leading partnerships through a notable collaboration with Chopard, an official partner of the Cannes Film Festival since 1998. The partnership marked a new milestone in the Swiss luxury jeweller's 'Journey to Sustainable Luxury' at this year's festival in May 2016.

To mark the occasion, Chopard unveiled a new capsule collection of Green Carpet High Jewellery within its Red Carpet Collection, showcasing Gemfields emeralds. The stunning pieces were worn by actress Julianne Moore during the festival and widely covered in global media as a result.

Through this enduring partnership, Gemfields and Chopard will continue to work together, helping to set the agenda for a new global standard for coloured gemstones.

In an industry first, Eco-Age – experts in sustainable mining practices and Chopard's partner in developing the Journey to Sustainable Luxury – visited Kagem and audited the mining site across various areas including social welfare, environmental protection, training provision and security for workers.



Kagem Emerald Mine, Zambia continued

Production

Gemstone production for the year was consistent with 30.0 million carats of emerald and beryl being produced (2015: 30.1 million carats). Of the total production, the Chama pit contributed 27.1 million carats and the bulk sampling projects 2.9 million carats. Kagem is well positioned to achieve its goal of increasing production to more

than 40 million carats of rough emerald and beryl per year over the next three years.

Kagem's annual production performance is summarised in the table below:

Kagem annual production summary	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Gemstone production (emerald and beryl) in million carats	9.9	28.0	17.4	33.0	21.1	30.0	20.2	30.1	30.0
Ore production (reaction zone) in thousand tonnes	42.3	80.3	60.8	69.1	102.9	105.9	80.0	124.3	124.7
Grade (emerald and beryl/ reaction zone) in carats/tonne	234	349	286	478	205	283	253	242	241
Waste mined (including TMS) in million tonnes	5.1	4.0	2.5	3.9	8.7	9.5	7.3	14.9	12.5
Total rock handling in million tonnes	5.1	4.1	2.6	4.0	8.8	9.6	7.4	15.0	12.6
Stripping ratio	121	50	42	56	85	90	91	120	100

Operating costs

Total operating costs were US\$47.3 million (2015: US\$44.5 million). Following the updated Resource and Reserve Statement from SRK finalised in September 2015, Kagem updated its mine plan and commenced continued waste stripping of the Chama pit over the life of mine. This alongside increased exploration activities resulted in the unit operating cost rising to US\$1.58 per carat from US\$1.48 per carat in the prior year. Cash rock handling unit costs decreased by 15% to US\$2.48 per tonne (2015: US\$2.90 per tonne), with the increased scale of in-house mining and improved mine planning and design driving further improved efficiencies.

Capital expenditure

During the financial year, a total of US\$6.1 million (2015: US\$34.8 million) was invested in new mining and ancillary equipment, deferred stripping costs, and improving Kagem's facilities and infrastructure. Of this, US\$2.5 million was invested on deferred stripping costs and US\$3.6 million on additional mining equipment to increase the production capacity and replacing existing mining and ancillary equipment.

Processing

Improvements at the wash plant continued resulting in a doubling of capacity with output increasing from 33 to 66 tonnes per hour and this was further supported by increased efficiency in processing, recovery and security. The wash plant achieved a total of 217,000 tonnes of ore processing (2015: 201,000 tonnes). Fluorescence and colourbased optical sorting pilot tests were carried out during the period and delivered positive results, with the potential to implement further improvements into the system in coming years. These improvements should deliver reduced maintenance costs, and losses, and increased ore processing capacities.

Geology and exploration

During the financial year improvement in the geological understanding of the ore body and mineralisation supported the development of a comprehensive updated Resource and Reserve statements by SRK and the development of a mine optimisation plan by Golder Associates. Continuous review of the geological modelling supported by additional drilling, geophysics and geochemistry data underpinned the creation of an updated Chama pit geological model now including detailed block modelling for pegmatite, ore and anticipated grade.

Following the completion of the updated Resource and Reserve Statement, further diamond core drilling was conducted at the Chama pit to establish depth continuity up to 950 metres on the down-dip side of this resource towards the Kafubu river with favourable results achieved. An ore genesis model for Libwente is also being developed with more geological and exploration work to follow in the coming year. Kagem developed its in-house capacity with respect to ground geophysical data (magnetics and radiometrics) collection, lithological and mineralogical characterisation, structural domain evaluation, light element rapid geochemistry though Laser Induced Breakdown Spectroscopy ("LIBS") and 3D quantitative magnetic susceptibility modelling for better target delineation. Utilisation of the geological and mining software has already delivered improved geological and mine planning work flows.

Infrastructure/process

Significant improvements in the IT infrastructure continued throughout 2015. Wi-Fi coverage was expanded not only to the Chama operating area but also across a considerably larger footprint covering the offices, workshop, living and recreation areas. Phase one of a new IP-based camera system was commissioned and state-of-

the-art CCTV, and time and attendance systems have also been installed during the financial year. A new centralised CCTV control room with contracted professional monitoring was implemented.

Security

The security environment is constantly evolving given changes to workflows and production scenarios. Security measures are continuously reviewed and updated in order to minimise the security risk. By staying abreast of the latest technological developments, Kagem is able to consistently improve its surveillance technology, an important deterrent against pilferage and pivotal in ensuring the safeguarding of assets.

Various steps were undertaken during this financial year to further strengthen surveillance and radio communication in which four new stand-alone day and night cameras along with a trolley system were introduced in all active mining areas including Chama, Fibolele and Libwente.

Phase two of the new IP-based CCTV implementation is expected to be completed in the first half of 2016-17. This new IP-based CCTV will replace the old analogue CCTV system and will enhance the monitoring and surveillance process. A 'Torch Camera' has been added to the Gate A surveillance system for assisting in camera coverage. The radio communication network and technology enhancement has improved the communication within the licence area. In addition, Kagem is in the process of obtaining the approval from the Zambian Civil Aviation Authority to approve the use of aerial surveillance camera, intended to be used in monitoring geology, survey, mining and security within the Kagem & Gemfields license boundaries.

Health, safety and environment

Kagem prides itself on its ability to produce emeralds that are mined in a responsible, transparent and safe manner with minimised impact on the natural environment. Kagem is aiming for a zero-harm (injury free) culture where health and safety are considered critical to the operations but ultimately the responsibility of each individual. Training continues to be rolled out and the reporting of near misses and incidences has improved throughout 2016. Sadly, Kagem reported one non-operational fatality in 2016.

In 2015–16, environmental consultants carried out a desk study for a full Environmental Impact Assessment ("EIA") prior to the full site visits anticipated in 2016–17. In June 2016, Kagem received an award from the Zambian Environmental Management Agency ("ZEMA") in recognition of the Company's promotion of environmental management by planting trees in schools, health centres and surrounding areas. In receiving the award ZEMA also acknowledged Kagem's support to environmental education and community initiatives. There were no environmental non-compliances.

Community investment

Kagem has developed a Community Sustainability Development strategy which sets out planned projects with the agreement of local stakeholders, most notably with local chiefdoms. This strategy enables Kagem to have a more transparent, equitable and interactive relationship with all local stakeholders and is already leading to improvements and added buy-in.

Significantly, during 2016 we strengthened the strategy and engagement function with the addition of a highly experienced Community Affairs Manager who is responsible for developing local plans and projects with one of the local chiefs signing a Memorandum of Understanding with Kagem which supports the objective of maintaining a positive social licence to operate.

All legacy community projects continued to receive some level of maintenance support. However, the focus during this year was on two major projects. Firstly, the Chapula Primary School in Lufwanyama district, one of Kagem's early community projects, now includes the addition of a secondary school with space for 800 children up to grade 12. Additional upgrades to the clinic at Nkana village, that provides health services

to a population of nearly 4,000, means the centre is now officially designated as a health centre with four wards including an isolation, maternity and children's ward as well as a dispensary and incinerator. Kagem has also constructed staff quarters to accommodate the resident staff. The quality of these units should further assist in attracting the right calibre of qualified personnel.

Human resources

During the year to 30 June 2016, a total of 154 people were added to the workforce, filling both new and replacement posts, taking the total number of people directly employed by Kagem across its various departments to 716 by the year end. The total number of contractor employees as at 30 June 2016 was 179 with 29 persons employed in shorter contract posts.

A total of 289 staff members were trained in various fields including Engineering, Safety, Health, Environment, Quality ("SHEQ"), driving, labour laws, first aid, pensions, supervisory and management training. The training was conducted by both external and in-house trainers with 81% being trained at the mine site, 33% trained off-site in Zambia and 8% trained off-site internationally. 11 Zambian students completed their internship at Kagem in various departments such as SHEQ, IT, HR, Engineering and Mining.



Kagem Emerald Mine, Zambia continued

Kagem embarked on the sustainability journey through the provision of permanent and pensionable employment to all of its local workers. A Memorandum of Understanding for awarding scholarships to six university students, studying mining and geological sciences at two top-rated universities in Zambia, was signed during the financial year. Attendance of all local

employees has now been fully automated with a biometric attendance system and this is also used for payroll input and the access control system. Staff welfare activities have been focused on improving social amenities around the workplace and camp. A host of training programmes were rolled out during the financial year aimed at furthering the knowledge and skills of the employees.

Other human resources initiatives implemented during the financial year included employee performance appraisals, improved job evaluation and grading, and the development and distribution of an updated employee handbook. These activities are expected to be completed during 2016–17.

Auction results (emerald and beryl)

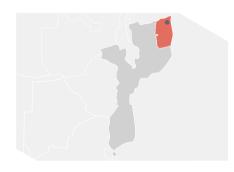
, , , , , , , , , , , , , , , , , , , ,	September 2015	November 2015	April 2016	May 2016
	31 August–		30 March-	
Dates	4 September 2015	18–21 November 2015	3 April 2016	17–20 May 2016
Location	Singapore	Jaipur, India	Lusaka	Jaipur, India
Туре	Higher quality	Commercial quality ^(a)	Higher quality	Commercial quality ^(a)
Carats offered	0.60 million	5.07 million	0.56 million	3.67 million
Carats sold	0.59 million	4.45 million	0.47 million	2.78 million
Number of companies placing bids	37	29	33	26
Average number of bids per lot	11	6	9	7
Number of lots offered	19	23	18	18
Number of lots sold	18	18	16	14
Percentage of lots sold	95%	78%	89%	78%
Percentage of lots sold by weight	98%	88%	84%	76%
Percentage of lots sold by value	88%	95%	94%	79%
Total sales realised at auction	US\$34.7 million	US\$19.2 million	US\$33.1 million	US\$14.3 million
Average per carat sales value	US\$58.42/carat	US\$4.32/carat	US\$70.68/carat	US\$5.15/carat

⁽a) The term 'lower quality' has been changed to 'commercial quality' as it more accurately describes the end usage and price points achieved.



Montepuez Ruby Mine, Mozambique

Montepuez is believed to have the most significant recently discovered ruby deposit in the world.



Location

Cabo Delgado Province, Mozambique

Acquisition by Gemfields

June 2011

Ownership structure

75% Gemfields

25% Mwiriti Limitada

Gemstones

Ruby and corundum

Mining method

Open-pit

Potential mine life

21 years

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. Montepuez holds a 25 year mining concession over the area, granted by the Government of Mozambique in November 2011. In December 2015, a single new amalgamated licence 4703C (combining the two initial licences 4702 and 4703) and covering an area of 34,966 hectares was issued in favour of Montepuez by the Government of Mozambique.

Montepuez has been undertaking ongoing exploration within the licence area since 2012. The main sources of exploration, following on from the completed ground and aerial magnetic studies, include auger and diamond drilling, trenching pits and bulk sampling. These programmes have been supplemented by geological mapping, satellite imagery, geophysical and soil geochemistry surveys.

Mining

The operations to date have primarily comprised of a number of large mining pits split between the two main operating areas, the Mugloto Block and the Maninge Nice Block. Mining is carried out as a conventional open-pit operation utilising excavators, loaders and dump trucks. Loaded trucks haul ore to the stockpiles at the wash plant while waste is backfilled into the mined-out areas.

The total rock handling increased to an average of 294,000 tonnes per month compared to 247,000 tonnes per month in the previous financial year. A new and potentially promising pit, called Glass A situated within the Maninge Nice Block, was opened towards the end of the financial year.

Total weight of waste and ore excavated during the financial year was 3.5 million tonnes (2015: 3.0 million tonnes). This was made up of 0.5 million tonnes of ore and 3.0 million tonnes of waste. The overall stripping ratio was 5.9 (2015: 5.8). Excavation was primarily focused on the Mugloto Block (70%) and the Glass A pit 1 (23%), in order to extract ore-bearing higher quality rubies.

Montepuez's key operational parameters for the financial years 2013–16 are summarised below:

30 June

30 June

30 June

Montepuez annual production summary

	2013	2014	2015	2016
Gemstone production (ruby and corundum) in million carats	1.9	6.5	8.4	10.3
Ore production (primary and secondary) in thousand tonnes	26.7	408.6	438.9	510.4
Ore processed (primary and secondary) in thousand tonnes	13.3	158.2	325.4	295.2
Grade (ruby and corundum/ore processed) in carats/tonne	143 ^(a)	41 ^(a)	26	35
Waste mined in thousand tonnes	63.0	1,192.1	2,530.5	3,018.3
Total rock handling in thousand tonnes	89.7	1,600.6	2,969.4	3,528.7
Stripping ratio	2.4	2.9	5.8	5.9

⁽a) The grade disclosed in the June 2014 Annual Report was calculated based on gemstone production divided by ore production. The grade is now calculated based on gemstone production divided by ore processed, providing a more accurate grade. The 2013 and 2014 grades have been recreted.

Montepuez Ruby Mine, Mozambique continued

Processing

Throughout the year ore was excavated from the Maninge Nice and Mugloto Blocks and transported to the designated stock yard within the wash plant area.

Ore processed at the wash plant marginally decreased from 325,000 tonnes in 2014–15 to 295,000 tonnes at the end of this financial year, mainly due to an extended rainy season during 2015–16. The overall ore grade during the financial year was 35 carats per tonne (2015: 26 carats per tonne).

During the year, upgrades to the wash plant consisted of replacing the old double deck screen with a new larger screen which resulted in improved screening performance and reduced carry over of unscreened material. New foundations were cast and the Terex PS120 Logwasher was replaced with a newer PS120 model which had a front dewatering screen and a back trash screen. This not only improved the break-up of clay within the Logwasher but also reduced the creation of clay balls, allowing for increased tonnages of the high clay component Mugloto ore to be processed. The Terex 1700 Rinser was converted back to a wet feed process during December with the fines master also being reinstated at the same time. Additional fresh borehole water was made available from the Maninge Nice borewells. This clean water was fed directly into the jig water sumps which significantly improved the efficiency of processing the clay-rich jig concentrate.

Construction of a new water treatment plant was commissioned towards the year-end. This will improve the quality of water available for running the plant as well as the overall efficiency of the jigs. Further upgrades to the plant are planned for the coming year including the installation of a Dense Medium Separation ("DMS") plant and upgraded washing facilities. The upgraded plant is expected to be commissioned in the first half of the 2017 calendar year.

Production

A total of 10.3 million carats of ruby and corundum were produced during the financial year (2015: 8.4 million carats). Of this 9.3 million carats were recovered from the Maninge Nice primary and secondary ore, 0.9 million carats from the Mugloto secondary ore, and 0.1 million carats from ore from other pits. Of the 10.3 million carats of ruby and corundum produced there was a 68% increase in higher quality rubies recovered.

Operating costs

Total operating costs, were US\$26.2 million (2015: US\$21.6 million) with unit operating costs of US\$2.54 per carat (2015: US\$2.57 per carat). Cash rock handling unit costs remained stable at US\$6.06 per tonne (2015: US\$6.16 per tonne).

Capital expenditure

During the financial year, a total of US\$7.5 million (2015: US\$9.8 million) was invested in new mining and ancillary equipment, as well as in improving facilities and infrastructure at the mine site. Of this, US\$5.0 million was invested in expansion and exploration, with the remaining US\$2.5 million spent on replacing existing mining and ancillary equipment.

Rough sales and auctions

Two auctions were held during 2015–16, with a total of 1.7 million carats of higher to commercial quality rubies and corundum placed on offer. An average 95% of the total weight offered was sold, generating total revenues of US\$73.1 million for the financial year. The average per carat sales value for the financial year was US\$45.50 per carat.

The six auctions Montepuez held since June 2014 have raised a total of US\$195.3 million from the sale of 7.5 million carats.

Geology and exploration

The rubies at Montepuez are found in two mineralised styles, namely: primary mineralisation hosted within amphibolite lithology and secondary, placer type, gravel beds. The Montepuez mining area comprises rocks ranging from granitic to amphibolitic in composition, with scattered quartzite and marble outcrops. On a regional scale, the rocks are highly folded into tight isoclinal folds of all scales, these have been subsequently cut by a number of north-east to south-west trending shear zones. The host rocks in the concession exhibit more open folding in the Montepuez mining area. The gravel beds are uncomfortably overlaying the metamorphic geology described above. To date, rubies from Montepuez differ geologically from many of the rubies traditionally available in the international market in that they are hosted in amphibolite rather than related to marble or basalt lithologies.

Rubies from the primary amphibolitic source mineralisation, Maninge Nice amphibolite and gravel bed, are typically tabular hexagonal crystals, with a strong basal cleavage. The gemstones are highly fractured and included. Typically, the production from primary mineralisation is lighter, pink colour, and is often classified as sapphires. These sources provided a large amount of stones per tonne of ore in the financial year, and so are considered as a high grade but lower quality deposit. In contrast, the production from the secondary gravel bed deposit from Mugloto and Glass pits are dark red in colour, more transparent, with fewer inclusions, and often rounded in shape. However, as these secondary deposits provide fewer gemstones per tonne of ore than the primary deposit, it is thus considered as a low grade but high quality deposit.

The secondary deposit is currently interpreted to be related to a flood event, which was later reworked by a braided river system. The source of the higher quality Mugloto secondary deposit is yet to be identified.

Exploration undertaken during the financial year mainly consisted of drilling, bulk sampling and the study of aerial survey data. The total core drilling for the financial year was 18,395 metres and included both in-house and contractual drilling. Some petrographical studies of the cores have also been performed by the Geological Survey of India.

Exploration undertaken in the Maninge Nice Block, which was based on auger drilling, gravel thickness and illegal mining activities, highlighted three new areas called Glass, Leopardo and Maninge Nice East. Exploration of Maninge Nice East has helped in the delineation of a mineralised amphibolite ore body. By the end of the financial year, a new bulk sampling pit was opened and designated as 'Glass B'. This pit is currently undergoing top soil removal. It should be noted that some part of today's Glass B area was not covered in the 2015 Reserves report.

Infrastructure

Montepuez is now served by a fully operational base camp at Namanhumbir which includes new permanent housing units, fully paved roads, a new kitchen and dining space inclusive of an entertainment area. The site also has sports facilities which include volleyball, tennis and badminton courts.

Security

There have been significant improvements in the security operations. All members of the security team have undergone specialist security training conducted by a renowned UK based security consulting firm, which includes training on the United Nations Voluntary Principles on Security and Human Rights. Security personnel have also been trained on various other aspects such as conflict resolution, patrolling techniques, radio communications, navigation, emergency first aid and field craft. The training programmes are continuous and ongoing.

In respect of industrial security, new standard operating procedures have been implemented, which coupled with the new surveillance model, has resulted in a fall in the incidents of theft. A CCTV control room has been commissioned with at least two cameras covering all high risk areas. A new self-contained security base camp is being set-up at Ntoro in the south of the Mugloto Block and is expected to be completed in the first half of financial year 2016–17.

Health, safety and environment

Montepuez's management of health, safety and environment continues to make progress. The HSE department was strengthened by constituting a HSE committee comprising of key management personnel and members of the staff, led by a manager with HSE experience. During the year, a series of health and safety training modules were incorporated into the HSE programme with training provided on first aid, fire fighting, food hygiene and safe and defensive driving.

Approval of the Environmental Impact Assessment ("EIA") was received from the Environment Ministry of the Government of Mozambique in November 2015. The environmental licence will be issued to Montepuez after the approval of the Resettlement Action Plan ("RAP"). Other environmental operational permits such as water abstraction, tree logging and domestic waste disposal have also been granted by the Government.

In 2016, a total of 2.5 hectares has been environmentally rehabilitated in the Montepuez concession area. A plant nursery with a capacity of 4,000 seedlings has been established to allow for the growing of seedlings of indigenous and fruit trees, to be used in post mining rehabilitation. Environmental monitoring equipment for air quality, ambient noise level, rainfall gauges have been commissioned. There were no instances of environmental non-compliance during the year.

Community investment

Montepuez believes passionately in working with the communities surrounding the mine in order to ensure that local people benefit from its activities. Our CSR focus is based on where the community need is felt most, be it in the education sector, the agriculture sector or the health sector. Our CSR activities are well aligned with the policies of the Government of Mozambique and supplements the Government's efforts in improving life in rural communities.

The local community programme, which includes developing the community engagement and investment projects, is driven by a local community affairs team, led by an experienced manager. Montepuez has completed an extensive programme of engagement with all communities within the concession, like Namanhumbir village and also other villages in the immediate vicinity. This strategy has helped improve Montepuez's presence in the community providing local stakeholders with more opportunities for engagement.

Montepuez has developed a Community Development Strategy and Framework ("CDSF") through which projects are planned with the agreement of local stakeholders, most notably with villages located in and around the concession. The CDSF includes building skill development centres for increasing the skill-sets of the local community to give them opportunities in the future to get employment as skilled craftsmen. In addition, the plan is to also build primary and secondary schools and providing high quality and critical healthcare to the local population. The CDSF would further strengthen its agricultural and farming development projects.

To help develop the local economy, a total of eight farmers' associations were established during the year. Training and support has been provided to each of the associations so that they can develop the necessary skills required to undertake various agricultural projects including the development of horticulture, chicken and arable crop farming. In the financial year 2015–16 Montepuez distributed education materials to 423 students of Nseve and Mpene Primary School. Montepuez also provided construction material to 28 families in the Montepuez District who lost their houses due to storms.

In 2016, Montepuez made a second donation to the Niassa Reserve's Carnivore Programme, a conservation project in northern Mozambique that seeks to protect large carnivores such as lions, leopards, hyena and wild-dogs as well as working with the community to educate them on conservation and how they can play a role.



Montepuez Ruby Mine Limitada, Mozambique continued

Classification	Deposit type	Tonnage (thousand tonnes dry)	Grade (carats per tonne)	Contained carats (thousand carats)
Proved				
Maninge Nice	Primary	_	_	_
	Secondary	_	_	_
Mugloto	Primary	_	_	_
	Secondary	_	_	_
Probable				
Maninge Nice	Primary	2,199	114.9	252,557
	Secondary	1,837	58.3	107,103
Mugloto	Primary	_	_	_
	Secondary	23,514	3.1	72,050
Proved and Probable				
Maninge Nice	Primary	2,199	114.9	252,557
-	Secondary	1,837	58.3	107,103
Mugloto	Primary	_	_	_
	Secondary	23,514	3.1	72,050
Total		27,549	15.7	431,620

Note: Resources and Reserves are shown on a 100% attributable basis. Mineral Resources are inclusive of Ore Reserves.

Auction results (ruby and corundum)

Dates	14-18 December 2015	13-19 June 2016	Total 2015-16	Lifetime total
Location	Singapore	Singapore	Singapore	Singapore/Jaipur
Туре	Higher and medium quality	Higher, medium and commercial quality	Higher, medium and commercial quality	Higher, medium and commercial quality
Carats offered	92,136	1.6 million	1.7 million	7.9 million
Carats sold	90,642	1.5 million	1.6 million	7.5 million
Number of lots offered	49	75	124	339
Number of lots sold	45	71	116	294
Percentage of lots sold	92%	95%	94%	87%
Percentage of lots sold by weight	98%	95%	95%	95%
Percentage of lots sold by market value	95%	98%	97%	94%
Total sales realised at auction	US\$28.8 million	US\$44.3 million	US\$73.1 million	US\$195.1 million
Average per carat sales value	US\$317.92/carat	US\$29.21/carat	US\$45.50/carat	US\$26.02/carat

Ruby and corundum production

10.3 million carats

10.3 million carats of ruby and corundum were produced (2015: 8.4 million carats)

Human resources

As at 30 June 2016, a total of 1,085 people were employed by Montepuez of which 369 were directly employed and 716 were contractors.

A total of 831 internal and external training sessions have been provided to Montepuez employees during the financial year, and included:

- Workmen were trained by Caterpillar personnel on operation and maintenance of Heavy Earth Moving Machinery ("HEMMs");
- Development Workshop such as "Interactive Communications Workshop", "Presentation Techniques" and "Great Manager Training" were provided to senior employees;
- HSE & HR department officials participated in a Workshop on "Possession of Land";
- A Syndicate Workshop was held regarding grading of all employees based on qualification and experience; and
- Émployees also underwent training on the United Nations Voluntary Principles on Security and Human Rights.

A total of 29 local students did an internship at Montepuez during the financial year, including 27 future geologists.

Ore Reserves

In July 2015, SRK provided an Independent Technical Economic Model which showed a projected 21 year Life of Mine ("LoM") and a total of 432 million carats over the LoM.



Case study

Montepuez

Montepuez Ruby Mine makes major improvements to community engagement

In November 2015, Montepuez was joined by a dedicated Head of Sustainability and Community Manager to oversee a more formal process for engaging the community both within the concession and outside it. This major improvement is already reaping benefits with Montepuez's standing in the community enhanced as a result.

Montepuez's method of engagement follows international practice with regularly recorded meetings and conversations with local leaders, women's groups, government officials and other important members of the community. A grievance system has also been put in place so that members of the community can raise concerns they have about Montepuez.

With a strengthened team, Montepuez is pushing ahead with its community development projects. Guided by the Montepuez Community Development Strategy and Action Plan, Montepuez is establishing livelihood projects, such as chicken and crop farming, with associations it has helped to set up, and continues to invest in infrastructure projects to assist the Mozambique government's development objectives.



Fabergé Limited

Fabergé revenues grew to US\$11.8 million in the 12 months to 30 June 2016 (2015: US\$8.9 million), growth of 33% or US\$2.9 million on the prior year.

Location

Presence in the UK, USA and Switzerland

Acquisition by Gemfields

January 2013

Ownership structure

100% Gemfields

Boutiques and outlets

32

The acquisition of 100% of Fabergé Limited by Gemfields in January 2013 aligned a leading coloured gemstone producer with one of the world's most recognisable luxury brands. The acquisition enabled Gemfields to accelerate its vision, harnessing the Fabergé brand, to raise the international presence and perception of coloured gemstones and advance the Group's mine and market vision.

to operate in the two most profitable channels of the coloured gemstone supply chain, the 'mine' and the 'market'. In addition, the combination provides for increased market share and the ability to provide a structured global marketing programme to further drive demand for coloured gemstones.

Following the acquisition, Gemfields is able

In addition to the directly-operated stores, Fabergé continued to expand its global presence during the year to 30 June 2016 via an increased number of agreements with multi-brand retail partners. At 30 June 2016, Fabergé products were available in Australia, Azerbaijan, Bahrain, Canada, Czech Republic, Malta, Qatar, Saudi Arabia, Switzerland, Thailand, UAE, UK, Ukraine and USA. The total number of Fabergé outlets increased from 20 to 32 during the year.

Fabergé revenues grew to US\$11.8 million in the financial year (2015: US\$8.9 million), representing growth of 33% or US\$2.9 million over the prior year. Units sold and delivered during the financial year also increased by 81% to 1,345 compared to 742 units sold in the prior year.



During the financial year, Fabergé underwent further optimisation of the business, including retail management appointments, as part of the mediumterm strategy of becoming a stand-alone profitable business unit within the Group.

Fabergé refurbished both of its London stores (Harrods and Grafton Street in Mayfair) between May and June 2016. The Harrods refurbishment included relocating to an area of improved footfall and achieving 50% greater linear 'shop front' in the Fine Jewellery Room.

As part of the optimisation of the retail side of the business, Fabergé closed the doors on the Geneva location within the Kempinski Hotel in April 2016.

Exhibitions and Product Developments

Fabergé again exhibited at both Baselworld in Switzerland in March 2016 and the Couture Show in Las Vegas in June 2016, with its jewellery and timepiece collections well received. Robust orders were placed at these events, for production, delivery and revenue recognition through financial year 2017 with both existing and new wholesale partners.

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 "Lady Peacock Emerald" variant of the timepiece also won the "Ladies Complication" award at Watchfair Luxembourg in June 2016, cementing Fabergé's position as a future leader in the watchmaking industry.

Marketing and communications

Fabergé rebranded during the year under the banners "The Art of Colour" and "Our Heritage. Your Legacy". New materials consolidating the updated branding were installed in Fabergé-operated boutiques and wholesale distribution outlets to coincide with Fabergé's first significant print advertising campaign since Christmas 2013, which began in September 2015 and continued through to June 2016. The campaign focused on the key Emotion, Three Colours of Love and Timepiece collections.



Fabergé revenue increased to

US\$11.8 million

in 2016 (2015: US\$8.9 million)

During the latter part of the year, Fabergé dedicated particular attention to building its digital footprint. An improved online presence and refreshed social media strategy saw online engagement greatly improve, paving the way for further development over the year ahead.

Year ahead

The Fabergé Visionnaire DTZ men's watch qualified for the prestigious GPHG, one of the most revered watch competitions in the world. Results will be announced in Geneva in early November 2016. Fabergé is particularly pleased with the reception received for this timepiece, and looks forward to monitoring sales when it becomes available for purchase in late October 2016.

Fabergé's new advertising campaigns will launch by November 2016, with both digital and print campaigns in full flow for Christmas 2016. Alongside the expanded points of sale across the globe, these initiatives set the stage for further increases in sales over the next year.



Fabergé

Our Heritage. Your Legacy

Fabergé has turned up the heat this year, injecting a kaleidoscopic splash of colour to its collections. Rubies, sapphires and emeralds, in bold and confident collections, illustrate the marriage of Fabergé and Gemfields perfectly.

Mosaic egg pendants draw inspiration from the past (Fabergé Mosaic Egg, 1914, by Workmaster Albert Holmström) whilst engagement rings mark a renaissance for colour in that age-old tradition, utilising 'fluting' on their shanks, a technique often employed by the master himself.

Cognisant of the prevailing market conditions, Fabergé has concentrated on propositions retailing between US\$10,000 and US\$55,000.

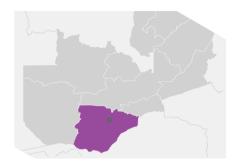
New branding and packaging has been rolled out across all wholesale partners' stores as well as Fabergé's retail operations.

Journalists have responded with unprecedented support posting more than 250 articles over 12 months.

New advertising in print and on digital platforms is scheduled for the second quarter of financial year 2016–17.

Kariba Minerals Limited

As one of the world's single largest operating amethyst mines, Kariba accounts for a material proportion of global amethyst reserves.



Location

Southern Province of Zambia

Acquisition by Gemfields

May 2004

Ownership structure

50% Gemfields

50% ZCCM Investment Holdings plc

Gemstones

Amethyst

Mining method

Open-pit

Potential mine life

25 years

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 ten active or semi-active pits with each producing a varying 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 year. A new geological exploration programme is planned to start in October 2016 with the principal aim being to re-confirm the mineral resources available at the Kariba mine.

Production of rough amethyst during the current financial year was 964,548 kg (2015: 983,707 kg).

A total of 16.7 million carats of higher quality rough amethyst was sold in Singapore in September 2015 and in Lusaka in April 2016 for a total of US\$0.66 million.

As at 30 June 2016, mixed-grade stock of rough amethyst ready to be sold, bagged and labelled was recorded as 310 tonnes.

Kariba's key operational parameters for the financial year are summarised below:

Kariba production summary

30 June 2015	30 June 2016
983,707	964,548
30,432	15,927
32	61
243,970	155,740
8	10
	983,707 30,432 32

Infrastructure

A new sort house has been constructed where contractors sort under natural light conditions to address the market demand for specific high quality, small sizes of amethyst. Seven additional storage silos have been erected to increase the stock holding capacity to 800 tonnes. A new warehouse loading point, on the main highway to Namibia, is under construction.

A solar power supply project is underway with a test phase being deployed at the employees accommodation complex.

Security

The security team has been increased to 35 security officers supported by additional security tools and vehicles.

Health, safety and environment

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

In conjunction with Maamba Collieries, all employees underwent an extensive medical check-up including statutory silicosis and other testing.

Kariba is committed to the implementation of environmental management plans as outlined at the Group level and as required by law. Kariba is aiming to adopt mining methods that limit the overall impact on the environment, and which seek to preserve the ecology and biodiversity of the surrounding areas. In that regard more than 500 fruit and nut trees have been planted to reforest some of the mining area as well as supplementing the employees' family's diets.

Community investment

Various initiatives are being planned and implemented for the benefit of the local community. Being the only formal employer within the larger geographical catchment area, Kariba is very closely integrated with its surrounding communities.



New Projects and Other Assets

Leading the way as a world leading supplier of responsibly sourced coloured gemstones.

Web Gemstone Mining plc, Ethiopia

Exploration activity began with a geological mapping exercise of various scales, in an area in the northern region of the licence, named Dogogo Hill. This area was selected based on conducive geological settings and a history of past artisanal activity. The block covers a 2.4 kilometre strike length with an area of 1.9 square kilometres. The block was further divided into two parts, called Dogogo North and Dogogo South, based on topography and geological features.

A trenching programme has since been initiated for Dogogo South to expose various geological formations and to examine the contact zones. A total of eight trenches were excavated at 100 metre intervals in an attempt to expose subsoil geological features. This work was completed in November 2015.

An exploratory pitting exercise was then initiated at the prospective contact zones exposed during the trenching exercise land in an attempt to establish and study the downdip characteristics of these zones. A total of 66 pits were dug within the eight trenches. Reaction zones with beryl mineralisation were observed in some of the exploratory pits.

The excavation of a further nine trenches in the Dogogo North Block, at 100 metre intervals, started in February 2016 and was completed in June 2016.

The total cumulative length of the trenches in both blocks is 4.9 kilometres. The exercise confirms the existence of contact zones between pegmatites and talc schists/talc-mica schists, which offer potential areas for finding mineralised reaction zones. The occurrence of beryl has been recorded in some of these locales.

Based on the findings and inputs from the trenching and exploratory pitting exercise, a diamond drilling programme was planned for the Dogogo South Block to establish the dip continuity of the ore body identified during trenching and pitting. The drilling machine and drilling crew were mobilised to site in early June 2016, and operations commenced in early July 2016. This phase of the drilling programme will intersect the ore body at 25 and 50 metres vertical depth, through a total drilling length of 3,500 metres.

A detailed geological mapping exercise was carried out in the Funkoftu Block, located to the south of the Dogogo Block. The block measures 2.5 square kilometres and covers 2.25 kilometres of prospective strike length for emerald mineralisation.

A detailed geological mapping exercise was completed at various scales in a further block within the southern area of the licence, called Karolo Kora. This block measures 13.7 square kilometres, and covers a 5.5 kilometre strike length of the ultramafic belt.

Ratnapura Lanka Gemstones (Pvt) Limited, Sri Lanka

Ratnapura Lanka Gemstones (Pvt) Limited ("RLGPL") completed the establishment of the required infrastructures and the procurement of gemmological instruments for its trading centres in Colombo and Ratnapura. Equipped with renewed trading licences, the team finalised the standard operating procedures for trading operations and for positioning itself to start procurement of gemstones early in the coming year. RLGPL is engaging with local miners and suppliers to ensure the transparent and sustainable sourcing of gemstones.

During the financial year, geological and geophysical exploration activities were carried out on selected areas and in search of diverse minerals. Consequently, reports have been submitted to the Geological Survey and Mines Bureau of Sri Lanka ("GSMB") for licence renewal.

Megaruma Mining Limitada, Mozambique

Megaruma Mining Limitada holds two licences located in the Montepuez district in Mozambique. These licences each share a boundary with the existing Montepuez ruby deposit and cover approximately 19,000 hectares and 15,000 hectares respectively.

A high resolution aeromagnetic survey and the interpreted geological mapping and delineation of the probable target areas has been completed. Based on the present study a ground geological survey is proposed as well as subsurface noncore auger drilling on the above targets. This work is planned for 2017–18.

Eastern Ruby Mining Limitada, Mozambique

The exploration licence number 5061L has been issued in the name of Eastern Ruby Mining Limitada and a feasibility report has been prepared and submitted to the government. The licence is currently under conversion to a mining concession.

Oriental Mining SARL, Madagascar

Oriental Mining SARL ("Oriental") has not been subject to any large scale ground activity this financial year. Oriental will not look to progress any further exploration programmes until it has all of the relevant licences in place and the assurance of some degree of political stability and support.

Acquisitions

Colombia

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

The announcement was very well received by the local Colombian media, the government ministries and agencies. The Colombian Ministry of Mines issued an independent press release to welcome Gemfields' efforts in Colombia. Since then, Gemfields conducted a series of meetings with the key Colombian ministries, agencies and leading press to present its plans for the Colombian projects and build long-term mutually beneficial relationships. In September 2015, a team of highly qualified researchers and communications specialists was engaged and stationed on-site to carry out socio-economic studies and create a digital communications platform - Suna Verde. Suna Verde was developed as an integrated communications and engagement platform comprised of world leading systems to establish and maintain effective community relations powered by unique project data and enable direct twoway communication between Gemfields and the community. In October 2015, Gemfields sponsored and attended the 1st International Emerald Symposium in Bogotá where it also received a positive response.

In February and March 2016, a series of voluntary community collaboration workshops were organised to further build community relationship and to present the Suna Verde communication platform to the local population. The Suna Verde workshops formally introduced Gemfields' operational philosophy and its operations in Zambia and Mozambique to the local population. The communities' social investment needs

were also discussed. The workshops were attended by over 1,500 local residents while the Suna Verde platform has already attracted close to 3,000 subscribers.

One of the Colombian projects relates to the acquisition of a 70% interest in the Coscuez emerald mine, in the Boyacá department. 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 predetermined milestones. One of the main conditions to be satisfied before the completion occurs - the issuance of the Coscuez environmental licence - was fulfilled in October 2015. Completion of the transaction is subject to the resolution of a dispute between the current owners of the licence and the Government of Colombia, which was initially expected to be resolved by March 2016. These discussions are ongoing and resolution remains imminent, with a resolution expected before the end of the second quarter of financial year 2016-17.

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. International geological and mining consultants ACA Howe International UK ("ACA"), were engaged to provide a technical report based on the geological and due diligence work carried out by Gemfields in 2013 and 2014, and to conduct further due diligence prior to acquisition.

In preparation for the completion of the Coscuez transaction, Gemfields made ground arrangements to expedite future operations, including drone surface topographical survey, mapping of all accessible underground

excavations and tunnels, surface mapping, sampling and chemical analysis of mine face samples, 3D ore body modelling, testing of mining equipment and planning of the underground engineering solutions supported by initial recommendations by renowned mining engineering consultants.

The second project relates to selected exploration prospects held by ISAM Europa S.L. via the acquisition of 70% and 75% 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 covering approximately 20,000 hectares of area in the Boyacá and other Colombian departments. 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.

In June 2015, a wholly owned Colombian subsidiary, Campos de la Gema S.A.S. ("CDG") was established to recruit a full-time team and supervise the preliminary exploration and mine planning activities. Presently, the team comprises of a Project Manager, an Exploration Manager, and Underground Mining Manager, a Financial Manager, a Geologist and an Administrative Manager that takes care of both projects in the territory. Advisors for services such as accounting, payroll, tax, legal and public relations have been engaged.

Marketing

Driving demand through marketing is a key part of Gemfields' approach and this year has seen Gemfields further build on its reputation as a leader in innovative, global marketing campaigns.

Gemfields launched its new integrated global ruby marketing campaign.
The campaign included a triptych of films featuring up-and-coming global female talent from around the world which has been received to wide acclaim.

Our marketing ensures we are not only reinstating coloured gemstones at the pinnacle of consumer demand, but also continuing to educate all audiences on the importance of responsible sourcing.

A new advertising campaign was also conceived and developed, revealed in June and launched globally in Autumn. Focussing on ruby, the campaign is formed of a triptych of films featuring up-and-coming global female talent, each exploring the hidden meaning behind rubies; Passion, Protection and Prosperity. Offering a compelling glimpse of a pivotal moment in three women's lives, the short films each follow an individual storyline, creating a collective picture of life as a modern woman in today's world. High-profile marketing projects included

a partnership with renowned New York department store Bergdorf Goodman to celebrate the launch of their new jewellery salon with 50 extraordinary pieces of jewellery created by 18 leading designers featuring Gemfields Zambian emeralds and Mozambican rubies. The partnership marked the first time that consumers would have the opportunity to shop a range of unique jewellery featuring Gemfields coloured gemstones in one retail location. Gemfields and Bergdorf Goodman created a collaborative advertising campaign and a prestigious, A-List launch event widely reported in the global media.

As part of a phased partnership with New York Fashion Week in February, Gemfields developed a multi-platform initiative that included digital, social and



event activations creating a campaign that re-invigorated coloured gemstones through juxtaposing fashion and jewellery.

Ensuring a consistently evolving presence in the retail sector, Gemfields and MUSE introduced a 'see-now-buy-now' jewellery

jewellery, showcased at the 69th Cannes Film Festival in May. This enduring partnership was formed in conjunction with Eco-Age, Chopard's partner in developing their 'journey to sustainable luxury'.





Financial Review

"With strong financial results, robust balance sheet and cash flows, Gemfields is well positioned for continued growth."



Highest average price per carat

*US\$*70.68

Highest average price per carat achieved at the higher quality emerald auction in April 2016

Introduction

During the financial year ended 30 June 2016, Gemfields delivered record results in revenue, EBITDA and net profit. We maintained a strong focus on controlling operating costs and capital expenditures, with increased mining and processing efficiencies achieved at the sites. Fabergé saw increased units sold, revenues and profit margins and continued to build its presence in the luxury jewellery and watch market. These factors, combined with the positive impact of foreign currency movements, contributed to a strong cash generation during the year.

We raised new and increased lines of credit giving us further working capital support and the funding required to cover planned capital expenditures at Kagem Mining Limited and Montepuez Ruby Mine Limitada.

With strong financial results, robust balance sheet and cash flows, Gemfields is well positioned for continued growth.

During the year, Gemfields held four (2015: three) rough emerald and beryl auctions and two (2015: three) rough ruby and corundum auctions at various key locations across the globe:

Date	Location	Туре
31 August–4 September 2015	Singapore	Higher quality rough emeralds and amethyst
18–21 November 2015	Jaipur, India	Commercial quality rough emeralds and beryl
14–18 December 2015	Singapore	Higher and medium quality rough ruby and corundum
30 March–3 April 2016	Lusaka, Zambia	Higher quality rough emeralds and amethyst
17–20 May 2016	Jaipur, India	Commercial quality rough emeralds and beryl
13–19 June 2016	Singapore	Higher, medium and commercial quality rough rubies and corundum

Revenue

Group revenue for the financial year 2015–16 increased 13% to US\$193.1 million (2015: US\$171.4 million). Although the total number of auctions in the year was the same at six (2015: six), there was a change to the auction mix in response to market feedback with the introduction of ruby and corundum auctions of mixed higher, medium and commercial qualities that attracted strong interest.

External revenue breakdown

in millions of US\$	2016	2015
Kagem	101.2	64.9
Montepuez	73.1	88.5
Fabergé	11.8	8.9
Other	7.0	9.1
Total	193.1	171.4

Gemfields generated record per carat prices for the higher and commercial quality emerald and beryl auctions during the year and with over 95% of the ruby and corundum offered at auction during the year being sold. Overall the gross profit on revenues increased by US\$9.3 million to US\$94.3 million, at a gross profit margin of 49% (2015: 50%).

At Fabergé, the number of units sold and delivered during the year increased by 81% when compared to the year ending 30 June 2015 while gross profit margins were improved significantly. The introduction of new product lines and increased distribution through multi-brand retail partners boosted the Fabergé profit margin from 37% to 47%.



Financial Review continued

Costs

Mining and production costs (excluding mineral royalties) were US\$9.1 million higher due to the increased scale of operations across the Group, with an increase in mining headcount and continued investment in exploration and bulk sampling projects. However, cash rock handling costs per tonne reduced during the year driven by increased efficiencies.

Following the updated Resource Statement in September 2015, Kagem changed its mine plan from previously undertaking significant high wall pushbacks to now undertaking continuous waste removal and mining. The previous high wall pushback campaigns whose costs were capitalised as deferred stripping costs ceased in September 2015.

An increase to the production tax rate at Montepuez resulted in higher production taxes paid on auction revenues during the year. The rates applicable to Kagem and Montepuez during the year were 9% and 10% respectively. Effective 1 June 2016, the mineral royalty rate applicable to Kagem reduced from 9% to 6%. This new tax regime provides further stability and will encourage continued investment into Zambia, which will have a favourable impact on future taxes.

These higher costs were offset by lower depreciation and amortisation of US\$4.5 million with increased life of mine following the Resource and Reserve Statements issued by SRK.

Selling, general and administrative expenses were US\$54.8 million (2015: US\$55.3 million) broadly in line with the previous financial year. Total operating costs at Fabergé fell by 2% when compared to the prior year, despite an increase in its advertising and marketing spend. See note 4 of the Consolidated Financial Statements for a breakdown of the total cost.

EBITDA

The Group generated an EBITDA of US\$69.4 million compared to US\$64.4 million in the previous financial year an 8% increase due to substantially higher revenues. Despite the 8% improvement in EBITDA, the EBITDA margin reduced slightly from 38% to 36% as the impact of the higher revenues was offset by an increase in the total cash operating costs.

Finance income, expenses and foreign exchange differences

The finance expenses (exclusive of exchange differences) during the financial year were US\$4.1 million (2015: US\$2.4 million), an increase of US\$1.7 million that comprised amortisation of loan arrangement fees and interest charged on the higher average level of Group debt.

A stronger US Dollar against the local currencies in the countries where we operate has resulted in a large net foreign currency gain during the year. The largest foreign exchange gains were made on revaluation of corporation tax balances payable, offset by smaller losses on VAT receivables and cash balances.

A stronger US Dollar has also reduced costs in those countries and the Zambian and Mozambican currencies devalued respectively by 42% and 67% over the period.

Taxation

The tax charge for the year was US\$18.4 million (2015: US\$14.0 million) calculated on a profit before tax of US\$41.8 million (2015: US\$26.3 million) resulting in an effective tax rate of 44% (2015: 53%). As from 1 June 2016, the Government of the Republic of Zambia abolished the variable profits tax resulting in Kagem's statutory corporate tax rate falling to 30%. Consequently, a revaluation of Zambian-related deferred tax assets and liabilities using

the lower rates was undertaken resulting in a tax credit of US\$8.9 million. Statutory corporate tax rates in other major operational countries remained broadly similar in the reporting period.

Net profit after tax

The Group made a profit after tax for the year of US\$23.5 million compared to a profit after tax of US\$12.3 million for the previous financial year, an increase of 91%. The basic earnings per share for the year was also higher at US\$0.02 (2015: US\$0.01).

Capital expenditure

Capital expenditure excluding deferred stripping in the financial year reduced significantly to US\$12.0 million (2015: US\$24.5 million). The majority of this spend was at Montepuez amounting to US\$7.5 million (2015: US\$9.8 million) to facilitate the growth and increase in scale of operations. There was a further US\$3.6 million (2015: US\$13.4 million) spent at Kagem with the remainder of US\$0.9 million (2015: US\$1.3 million) spent at Fabergé and new projects. The Group decided to be more prudent with capital spend during a challenging and uncertain time for the resources sector and delayed certain mine expansion projects. With the financing facilities now in place, the Group is well positioned to continue with its growth and expansion plans.

Capitalisation of deferred stripping costs also reduced significantly in the year to US\$2.5 million (2015: US\$20.8 million). This is driven by the updated mine plan at Kagem with a move to continuous in-house waste stripping.

Cash flows

The Group generated US\$64.1 million (2015: US\$32.6 million) from operations during the current financial year, an increase of 97% on the previous year mainly due to the increase in operating profit.

During the financial year, the total cash utilised in investing activities was US\$19.7 million (2015: US\$50.3 million). This includes amounts spent on deferred stripping costs, purchase of property, plant and equipment, and investments in our new projects.

The net cash outflow from financing activities during the financial year was US\$8.4 million (2015: inflow US\$24.7 million). It comprised dividends paid to our partners in Mozambique and Zambia of US\$11.5 million (2015: US\$2.0 million) and US\$3.9 million (2015: US\$2.6 million) on interest charges and loan arrangement fees. These outflows were partially offset by net proceeds of which those from borrowings were US\$6.8 million (2015: US\$28.2 million).

The resulting year-end cash and cash equivalents held totalled US\$41.5 million (2015: US\$28.0 million), an increase of 49% on the prior year.

Financial position

The Group's balance sheet at 30 June 2016 and comparatives at 30 June 2015 are summarised below:

Assets

In millions of US\$	2016	2015
Non-current assets	287.8	299.6
Current assets	188.1	167.6
Total assets	475.9	467.2
Non-current liabilities	(82.9)	(90.2)
Current liabilities	(80.9)	(77.2)
Total liabilities	(163.8)	(167.4)
Net assets	312.1	299.8

Overall net assets increased by 4% to US\$312.1 million (2015: US\$299.8 million).

In millions of US\$	2016	2015
Rough emeralds and beryl	45.9	51.0
Rough rubies and corundum	12.8	5.8
Fabergé jewellery and watches	39.8	35.8
Cut & polished product	8.6	8.6
Spares and consumables	4.8	3.7
Total	111.9	104.9

Inventory increased US\$7.0 million to US\$111.9 million (2015: US\$104.9 million). The increase in inventory comprised a US\$7.0 million increase in rough ruby and corundum inventory at Montepuez following the ramp-up in production, US\$4.1 million higher in jewellery and watches inventory at Fabergé with a wider range of products and a US\$1 million rise in spares and consumables. These increases were offset by a US\$5.1 million decrease in rough emeralds and beryl.

Borrowings

The Company entered into a number of financing facilities during the financial year to support the working capital and funding requirements of the Group and to sustain its planned growth and expansion.

In July 2015, Kagem increased its revolving credit facility to US\$30 million from US\$20 million available facility amount in the previous year. The revolving credit facility bears interest at 3 month US LIBOR plus 4.5% per annum and is payable in August 2017.

Gemfields plc entered into a term loan facility of US\$20 million with Macquarie Bank Limited ("Macquarie") in May 2016. The loan is repayable in regular instalments over 12 months and bears interest at 3 month US LIBOR plus 4.5% per annum. The May 2016 term loan replaces the April 2015 US\$25 million term loan facility entered into with Macquarie.

Gemfields plc also entered into a term loan facility of US\$10 million with Pallinghurst Resources Limited in December 2015. The term of the loan is less than one year, is repayable in regular instalments and bears interest at 3 month US LIBOR plus 4.5% per annum.

Montepuez entered into a number of facilities during the financial year:

- US\$15 million unsecured overdraft facility was entered into with Barclays Bank Mozambique S.A. in April 2016. The facility has an interest rate of 3 month US LIBOR plus 4% per annum.
- 2. US\$15 million overdraft facility was entered into with Banco Comercial E De Investimentos, S.A. ("BCI") in June 2016. This facility is valid for 18 months and is renewable. The facility has an interest rate of 3 month US LIBOR plus 3.75% per annum.
- 3. US\$15 million finance leasing facility was entered into by Montepuez with BCI in June 2016. This is a renewable facility with a drawdown period of 18 months and the amounts drawn down are repayable over a maximum period of 48 months. The facility has an interest rate of 3 month US LIBOR plus 3.75% per annum.

For an analysis of the outstanding facility liabilities at the year-end, please see note 23 of the Consolidated Financial Statements commencing on page 117.

The financing facilities together will support the Group with the necessary funding to sustain its growth and expansion plans to increase its annual production to approximately 20 million carats of rough rubies at Montepuez and more than 40 million carats of rough emeralds at Kagem in the medium term.



Janet Boyce / Chief Financial Officer 23 September 2016





Principal Risks and Uncertainties

Gemfields recognises that risk is intrinsic to the nature of our operations. This means that understanding our principal risks and ensuring we have sufficient controls in place is critical to our continued growth and success. We have continued to build on the solid foundations which were put in place last year, as we embed the risk management framework which was developed to allow us to identify, assess, mitigate and monitor our risks from the bottom up. We have a clear picture of the risks at both the operational and Group level which ultimately forms the view of our principal risks.

As a business the major risk areas to which we are exposed are fairly static although these represent a variety of risks that can have operational, reputational or financial impacts, so being able to recognise and respond to these risks is critical. We are continuing to develop a culture of risk awareness through embedding our risk process and ensuring that we have the right level of risk governance to provide the required level of oversight.

Risk governance

The Board is ultimately responsible for the management of risk across the Company in order to allow the Company to pursue growth opportunities and increase shareholder value. The Board provides oversight of the risk management framework, defines risk appetite and monitors the strategic risks. It is supported in the discharge of its responsibilities by the Audit & Risk Committee and delegation of day-to-day risk management to the executive management.

The Audit & Risk Committee supports the Board by providing independent review of the adequacy and effectiveness of risk management and internal control. In 2016, we outsourced our internal audit function that will provide assurance to executive management and the Audit & Risk Committee on the effectiveness of the risk management framework and its application across the business.

Executive management are responsible for ensuring that the Company implements

the risk management framework, defining and managing the strategic risks, and to provide challenge on operational risks and controls. Executive management will also review and challenge risks in relation to key investment decisions. This top-down approach will ensure that the bottom-up process provides a consolidated view of risk across the business and allows the Company to focus on the principal risks.

To support executive management, the risk management function, continues to provide challenge, analysis, consolidation, escalation and reporting as required. They also provide advice and guidance on the application of risk management throughout the business and operations to continue to develop a risk aware culture.

How Gemfields manages risk

Our risk management framework has been in place for the last two years and provides guidance on the formal process for the identification, assessment, mitigation, reporting, monitoring and review of risks and opportunities across the business. We will continue to embed this process whilst developing a risk management culture to increase awareness throughout the business.

Through 2016, we completed further visits to our operations and held discussions within the business to enhance an aggregated view of risk from the top-down and bottom-up. The Board and executives met on a variety of occasions to discuss the operational and strategic risks to ensure that we had clarity over the principal risks and that we had adequate controls in place to mitigate these where appropriate. In early 2016, we completed a full Board risk appetite session and have now defined risk appetite for all our principal risks.

We have recognised the need to continue to build on our risk management framework through the development of clear risk governance and oversight to encourage the ownership and accountability for risk management throughout the business.

We are aware of the changes in October 2014 to the UK Corporate Governance Code and where this should apply to a well governed business, we will work towards developing risk management against these requirements where practical.

We will continue to build on those priorities identified in last year's Annual Report and the priorities for risk management throughout 2016 and 2017 will be to:

- Continue to embed the risk management framework encouraging ownership and accountability throughout the business including communication of the business risk appetite through to the operations.
- Further develop our assessment of risk to undertake additional quantification where appropriate and consider the potential impacts of aggregated risk and scenario analysis.
- Ensure the business understands the key risk controls and puts in place mechanisms to introduce controls against defined timescales.
- Continue to embed the 'Three Lines of Defence' approach to assurance through the business, management (supported by the risk management function) and independent assurance.

The key to driving a risk aware culture throughout the business will be a clearly defined risk appetite, the Board has completed a valuable exercise debating and defining our risk appetite for each of the principal risks. This discussion was informed by risk information from across the wider business and included a consideration of wider macro risks and global megatrends that could potentially impact the Company.

We are working to communicate our risk appetite throughout the business at all levels to provide clear boundaries for our employees to drive risk aware decision-making. As such we are keen to communicate the Company inherent risk appetite to our principal risk areas in the following statement.

Principal Risks and Uncertainties continued

Risk appetite statement

Gemfields is accepting of risks which we will face when driving growth, be they macro factors such as geology and geopolitical considerations to seeking out new investment opportunities or expansion in our existing operations. We will aim to balance this against a low appetite for any risks which will adversely impact our reputation, branding or the coloured gemstone market as a whole and minimise our exposure to any risk which will adversely impact our assets, people, the communities in which we operate, our wider stakeholders and the environment.

We will support this appetite with a level of investment that ensures we have pragmatic levels of policy and control to effectively manage these risks, enabling growth, facilitating decision-making and continuing to support the entrepreneurial culture we value highly.

This means as a business that we have an informed appetite to taking risks which will

enable us to drive growth in a sustainable manner providing an adequate return on investment, limit our exposure to those areas where we have a low appetite and effectively control those to which we have a minimal appetite. We believe that managing these risks in the right way will support our aim of increasing the market perception of coloured gemstones to which we strive to be the number one provider.

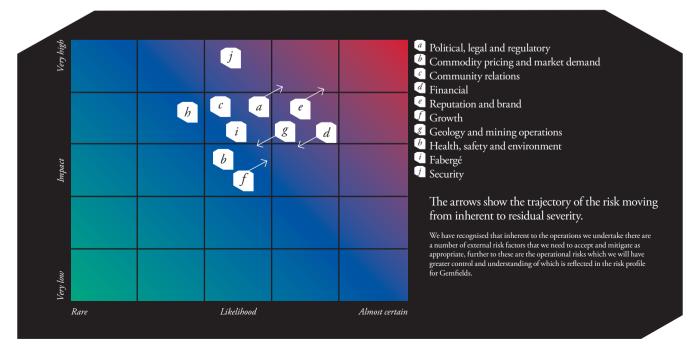
Our principal risks

The positions on the heat map represent the Company view of the principal risks in the financial year 2015–16. Over the course of the year this perception was arrived at and validated internally through discussions with key individuals across the business and with the Board. The arrows represent the change in risk profile of those risks through the year. The key shows the principal risks.

Gemfields has invested significant time and effort in the risk management process as we recognise the benefits this can bring. The Board feels that we have undertaken a robust assessment of the principal risks and have a much wider picture of the risks which can impact the business from our operations through to the strategic level.

We have recognised that inherent to our operations there are a number of external risk factors that we need to accept and mitigate where possible. However, we acknowledge that these principal risks are extremely complex and not always within our own ability to manage them. Further to these principal risks are a number operational risks which we have greater control and understanding of.

Following the comprehensive risk review process completed in financial year 2015–16, the Board has recognised the following as our principal risks which are the same risk areas from previous financial year. We have included updated information on the risks, their mitigations and a trend highlighting our assessment of the change in severity of the risk over the year.





External risks

a — *Political, legal and regulatory*Potential change in the geopolitical conditions within the countries of operation including legislative and regulatory change

The Company's mining operations are predominantly based in Zambia and Mozambique but with exploratory activity at varying stages in Colombia, Ethiopia and Sri Lanka. Emerging markets such as these are generally subject to greater risk and may be affected by political instability or legislative changes. These may result in changes in legal requirements, mineral royalty rates, taxation policies or restrictions on the export of currency or gemstones, and which may have a material adverse impact on the Company's operations or future development.

Political instability may also result in civil unrest, labour disputes or the withdrawal or variation of existing agreements, mining licences and permits. Any of these threats may adversely affect the Company's operations.

b — Commodity pricing and market demand

Uncertainty over the price and market for coloured Gemstones

During times of economic uncertainty or hardship the demand for gemstones may fall. The economic climate may also result in buyers defaulting on payments. Reduced auction sales as a result of an economic downturn may have an adverse effect on the profitability and cash flow of the business.

The gemstone supply chain is fragmented and characterised by the presence of many small businesses and agents. The risk thereby arises that certain businesses in the supply chain may operate in a manner that does not meet our own standards of responsible business practice.

This represents a risk to revenue because customers and consumers may not wish to buy gemstones if they have concerns about the supply chain.

Mitigation

The Gemfields team is highly experienced in operating in Africa. The Company encourages active and open engagement and dialogue with the relevant government bodies and ministries. The Company's relationships with the various governments of the countries where it operates are actively managed by the Company's senior management team.

In each country we work with teams who have experience of the operating environment and continue to develop our relationships with state structures and institutions.

The Company reviews its commercial arrangements and regulatory requirements then implements internal controls, policies and procedures to ensure we can meet these. Where necessary we seek external advice to supplement the skills and experience of our internal teams to ensure that we can adequately manage the risks in this area.

Mitigation

The Company undertakes extensive budgeting, forecasting and monitoring of the market to ensure we can meet the demand as required.

We are actively undertaking a number of initiatives to build an increasing demand alongside a larger number of potential buyers.

We work with upstream suppliers and buyers on chains of custody and certification, including factory visits and information disclosure to provide greater transparency across the market.

Trend



As Mozambique continues to develop this brings varying degrees of change from a political, regulatory and legislative perspective which we need to be aware of.

In addition, as we continue to explore opportunities in other territories this brings new and emerging aspects of potential risk.

Trend



The Company monitors demand in the rough supply chain through close contact with rough auction customers as well as further downstream in terms of the hard luxury sector. There is still strong demand for Gemfields product despite a drop-off in hard luxury demand in key markets.

Principal Risks and Uncertainties continued

External risks continued

c — Community relations

Social and community unrest from a lack of positive interaction and engagement with the local community and workers

Mining requires the acceptance and support of a wide range of local community stakeholders. Failure to share the benefits of our operations with local communities such as creation of jobs, local procurement or community investment activities, may cause delays or disruptions to our operations and may undermine our social licence to operate.

Operational risks

d — Financial

Availability of working capital, cash flow management and long-term financial planning

The Company has significant capital expenditure ("capex") plans over the next year. The requisite funding is intended to be sourced from operating cash flows and financing facilities. A lack of adequate cash flows or funding could delay development and growth.

Mitigation

Strengthening community teams at each operation, supported by expert consultants to ensure best practice.

Developing and implementing community investment programmes and projects, proactive engagement with local stakeholders.

Proactive management and engagement with local stakeholders regarding involuntary resettlements within our concessions.

Mitigation

The Company has a strong balance sheet with sufficient headroom to raise further financing should the need arise. Cash flow planning and review is carried out continually to ensure both capex and operational requirements are adequately financed.

We have just renegotiated a number of debt financing facilities which will reduce the pressure on working capital and allow access to additional funds if required.

Trend



The Company has invested in new human resources and is making steady improvements at each operation. We believe that relationships with local communities are improving and we will continue to invest in local community projects with relevant stakeholders, but there is no material change to this risk.

Trend



Pressures on working capital and cash flow are reducing as a result of refinancing facilities. In addition, we have a robust cash flow planning and review process.



Operational risks continued

e — Reputation and brand

Impact on our reputation due to an incident which could negatively affect our brand

The Company has a distinct brand identity built on its role as a champion of coloured gemstones and as a responsible mining company. As the Company rapidly expands its operations into new countries and new markets it must uphold that brand identity by ensuring that it continues to play a leadership role in the sector as well as maintaining credibility regarding its responsible mining claims. Any incident that undermines the brand may result in the loss of trust in the wider coloured gemstone and downstream industry.

f—Growth

Lack of adequate capacity and resources required to develop the business and drive delivery of new projects

We are reliant upon key individuals across the business to make decisions and manage our key projects. As we have a lean management structure we recognise the potential for inefficient use of management time and resource.

Mitigation

The Company will continue to take a proactive approach to marketing and public relations by furthering positive publicity in the countries of operation. The Company is strengthening local corporate affairs teams and briefs local public relations firms regarding media relations.

The Company continues to develop its responsibility and sustainability strategy, and is putting in place a number of measures to address health, safety, environment and community issues as well as working with downstream partners on transparency initiatives.

Mitigation

We are expanding our operations and creating growth opportunities for our people. There is an ongoing mandate to invest in the training of our people including encouraging knowledge transfer for key positions and projects.

We are committed to continual development of our people and ensuring that we recruit experienced individuals from the market to continue to drive our growth.

Trend



As the Company grows, the risk exposure it will face in this area will increase. We have an unrivalled position in the sector driving improved standards of performance and transparency, and sales of our product are performing well in tough market conditions. We are therefore cognisant of the increasing risk profile.

Trend



As we continue to expand our operations and global footprint we need to ensure that we have the right people in the right place. We are confident this will happen but we are ensuring that this risk is front of mind across the Company and have assessed this risk as increasing in line with our global exposure.

Principal Risks and Uncertainties continued

Operational risks continued

g — Geology and mining operations

Unpredictable geology associated with locating the quantity and quality of coloured gemstones required and implementing mechanised mining in the coloured gemstone sector

Due to the unpredictable nature of gemstone geology there is no assurance that the Company's exploration and development activities will be successful, or that expenditures will be fully recovered and depleted ore reserves replaced.

There is a risk that exploration activities may not identify viable mineral resources or that the Company may fail to identify attractive acquisition or investment opportunities.

Due to the relative infancy of mechanised mining in the coloured gemstone sector we are continually developing our tools and techniques to ensure we can meet our production targets.

h — Health, safety and environment

A major safety incident arises involving a member of the public or Gemfields staff or potential non-compliance with environmental obligations and legislation required in each area of operation

HSE risks are inherent to the mining industry. Failure to maintain adequate health and safety standards may result in a significant incident or deterioration in safety performance. This may result in loss of life, loss of time or disruption to the mining operations. Mining is an environmentally disruptive process for the majority of a mine's life cycle. Consideration of the impact of mining is therefore important. Breaches can damage reputation and impact revenue.

Mitigation

The Company assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities, to maximise the growth profile of the Company.

The Company seeks to balance this risk by building a portfolio of projects and licence areas that carry a range of differing technical and commercial risks, and keeping under careful review the amount invested in any one project.

The Company retains historical data on mining to increase confidence levels in production forecast and to facilitate continuous exploration.

Employment of highly qualified geologists and mine engineers at each site and undertaking succession planning to secure and retain experienced local employees.

Mitigation

The Company continually reviews and improves the broader HSE approach including sustainability risks and strategy. The HSEC Committee guides this process and the associated strategy.

Strengthening local HSE teams, supported by expert consultants to ensure compliance and best practice.

Trend



The Company continues to consolidate its knowledge of coloured gemstone deposits in Zambia and Mozambique utilising a range of geological and survey techniques to continue to build more certainty in the mineable deposit.

Proven resource statements and extensive experience of mining these deposits results in a reduced severity of this risk profile overall.

Trend



The Company is still in the process of introducing industry acceptable systems to track, monitor and then address HSE risk. We are also investing in equipment and training time and are evolving ways of working to manage these risks more effectively, but overall there is no increase in the risk itself.



Operational risks continued

i — Fabergé

Ensuring that the business can deliver the required sales growth and increase demand within the market

The Fabergé distribution model presently relies on a combination of online sales, directly operated boutiques in Kiev, London and New York, a large number of concessions including Harrods (London), international client events and a network of independent multi-brand retailers. Failure of the distribution model either wholly or partially would have a material adverse impact on the Company.

j — Security

Failure to have the correct security procedures to protect the people, product, and operations

Theft from both internal collusion and illegal mining, is an inherent risk factor in the gemstone industry.

This risk is significant, particularly at Montepuez. Due to its size, it cannot be completely fenced off; hence artisanal miners ("ASM") frequently enter the licence area. ASMs operate without licences and extract gemstones illegally which would otherwise be retrieved and sold by the Company. The loss of gemstones from the licence area impacts the profitability of the Company.

ASMs also present additional risks including significant and unmitigated environmental impact, social issues, criminality associated with gangs or syndicates, and the threat of violence against our staff. Each of these risks can materially impact the operation of a mine.

Mitigation

During the financial year, Fabergé developed a new range of products seeking to attract retail and wholesale clients from different countries and expand its presence.

The Company continues to monitor the distribution model and the associated agreements in order to provide flexibility and react to market trends.

Mitigation

Security measures and systems are constantly reviewed and revised in order to minimise the risk.

The Company liaises with local authorities, communities, security and police forces in seeking to protect the Company's employees, equipment and mining assets.

We utilise a multi-layered security approach across our operations with a mix of internal and external providers liaising with the local police and security forces in each geography.

Security measures are constantly reviewed and implemented in order to minimise the risk.

Trend

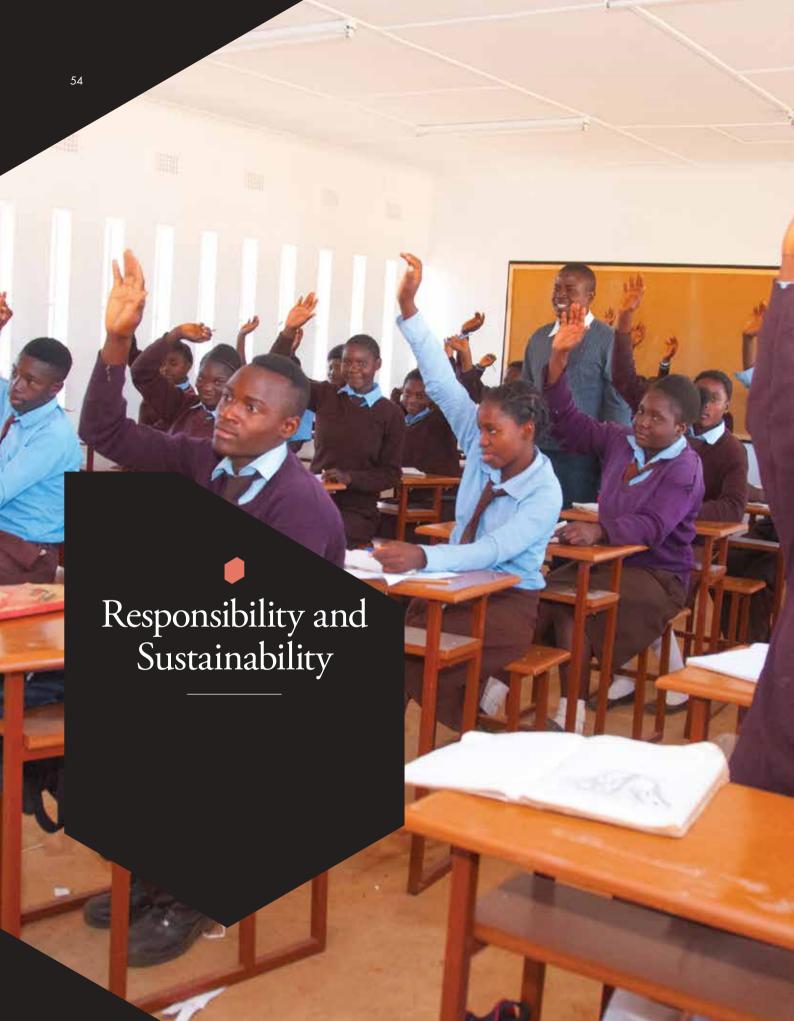


Fabergé continues to pose a risk to the Company given the ongoing cost of running the business. Sales improved during the year, however, there is no change to the risk profile at present.

Trend



The Company has continued to invest in security measures, processes and training as well as systems for accountability and grievance. Whilst these are improvements in how we operate, we will continue to invest to further mitigate the risk and there is no change in overall risk profile.



Responsibility and Sustainability



"Our approach is to set new benchmarks for environmental, social and safety practices in the coloured gemstone sector. Recognising our leadership role, we are working to support increased transparency across the wider downstream supply chain, thereby providing the discerning customers with increased confidence in the responsible journey their gemstones have taken all the way from our mines."

Ian Harebottle / CEO

Responsible business values

The focus of our responsibility and sustainability programme is evolving, and so is the way we articulate it. We are still principally concerned with addressing the main sustainability issues at our mining operations; social, environmental, health and safety, and human rights but our aim is also to act as a significant industry champion, bringing transparency and integrity to the wider coloured gemstone supply chain. Our approach is guided by three key values:

Legitimacy	We are challenging the sector by championing legitimacy and leading from the front. Our sector has traditionally been based on artisanal mining and a fragmented route to market. We have been radically changing that through our business model. To do this, we are challenging the sector by ensuring our business is one based on legitimacy and compliance with prevailing norms, practices and laws, both nationally and internationally.
Transparency	To lead we have to be transparent. Without that transparency we undermine our uniqueness. Such an ancient, artisanal and fragmented industry means routes to market are very often opaque. Gemfields is championing transparency. As a UK-listed business we participate in the Extractive Industries Transparency Initiative process, operate a unique auction platform and are driving transparency initiatives into the downstream supply chain.
Integrity	We are committed in our approach to delivery, doing so with rigor and completeness. As a business that is at the intersection where mining and marketing meet, we must ensure that tangible operational actions support sales and

our integrity and rigorous approach will stand up to scrutiny.

marketing. In the absence of defined standards for the coloured gemstone sector we currently reference the wider mining and jewellery industry for guidance on best practice. By following internationally accepted practices we are confident that



Responsibility and Sustainability continued

Engagement and materiality

The development of our approach was informed by establishing materiality. We started by engaging stakeholders at a local level. Our principal stakeholders are of course our workers; of which we have many at our mining operations who work in harsh conditions. They are continually canvassed formally and informally for opinions on the business in preparation for formal meetings with unions and management.

The nature of our operations means we have formed close relationships with local government representatives, national and regional union representatives, joint venture partners and local chiefs or leaders. We also carry out extensive community consultations as a requirement of our licences. All these stakeholders provide us with views about what the business should be doing, and these views are taken on board in underpinning our responsibility agenda.

At a Group level we have dialogue with international non-governmental organisations ("NGOs"), standards setters, auction customers, jewellery partners, mining peers and the media. Together, these conversations inform our approach and keep us abreast of the most material issues to focus on.

We have identified 48 material issues which have been ranked in terms of their importance to our stakeholders and their importance to our business, of which the following 15 were considered the most significant.

Anti-corruption and anti-bribery – the introduction of policies and processes to minimise the risk of corruption and bribery.

Artisanal and small-scale mining – how we interact with and manage incidences of artisanal, illicit and illegal mining on our concessions.

Biodiversity – what the impact is of our operations on flora and fauna on and around our operations.

Collective bargaining – our relationships with our work force, labour rights and the freedom to be an active member of a union.

Creating employment – how we create long-term employment opportunities.

Economic performance – how successful the Company is at achieving its commercial aims, and responsibility to shareholders.

Environmental rehabilitation – how we restore the environment during the mine life cycle.

Forced labour – what steps we take to ensure there are no incidences of slavery and forced labour, including employment of children and vulnerable individuals.

Indigenous rights – ensuring that self-identified indigenous communities retain their customary, cultural or traditional practices.

Involuntary resettlement – what steps we take to meet international norms and local laws regarding the resettling of communities.

Local livelihoods – what steps we take in the community to enhance local livelihoods through the introduction of community projects.

Occupational health and safety – how we protect our workforce from unsafe working conditions and develop a zero-harm operating culture.

Product transparency – how we ensure the rough and cut and polished product is sold with disclosure about the origins, treatments, quality and price.

Security and human rights – how our security forces are trained to minimise the risk of human rights breaches and that we have appropriate grievance measures.

Water extraction – the way we extract and discharge water resources from the local area to support our operations.

Our strategy and delivery

Our strategy is centred around five key 'pillars' which represent the most important areas of focus for the Company (presented overleaf). At each operation, there are four operational pillars and it is the material issues that make up the specific action areas that translate into local strategies and plans. As our business model also includes the rough and cut and polished products, ultimately the four operational pillars support the fifth pillar which is the integrity and stewardship of our products through the supply chain.

Locally at each operation we have sustainability teams in Zambia and Mozambique. Their responsibility it is to tailor the Group strategy and implement it locally in collaboration with stakeholders such as traditional community leadership and government, to enhance our operational viability and social licence to operate. The main challenge continues to be finding local labour that is capable of delivering to an international standard and retaining those individuals who have a longer-term commitment to working in remote locations.

We collect a limited scope of key performance data and whilst we are not planning on reporting comprehensively, or writing a separate sustainability report at this stage, we will look to make further demands on the sites to provide management data to ensure that we have clarity over how they are managing social and environmental risks.

In 2016, we published our statement of compliance with the UK's Modern Slavery Act 2015.

Responsibility and sustainability expenditure at Kagem

US\$1.2 million
2015: US\$0.3 million



Responsibility and Sustainability continued

Environmental

A key aim is for each operation to meet international good practice by introducing and operating to ISO14001 standard. The standard will help our operations systematise the management of environmental risk and is an industry norm for the mining sector.

9,500+

Over 9,500 trees planted to rehabilitate old pits in Zambia and Mozambique

Environmental focus area

Our operations naturally have a negative impact on the environment and whilst it is impossible to leave the environment in exactly the same way as before we take steps to minimise physical impacts as much as possible.

Embedded in each mine plan is a way of restoring the environment by backfilling exhausted pits. Instead of dumping waste rock and earth, we fill the pit in as we mine new sections. When a mineable area is fully exhausted, and where economically feasible we fill old pits with waste rock, cover with top soil and plant indigenous trees. At both Kagem and Montepuez we have trees grown in nurseries from seeds collected locally and these are cultivated to provide the vegetation needed to rehabilitate the landscape.

Social

Our ambition is that through the lifecycle of our operations we enhance the livelihoods of the local communities we operate near. Working within the country's own development plans we will balance infrastructure, health, education and employment projects so that we are creating a legacy for the local communities and helping to create opportunities for sustainable livelihoods.

345 hours

345 hours of community engagement across our operations in Zambia and Mozambique

Social focus area

Mining in inhospitable environments and in countries where the rule of law and systems of governance are not always at a high level brings challenges with how we engage the community. Whilst it is not the responsibility of the Company to provide for all the communities' needs, or address deeply embedded society and market failures, we nevertheless have a responsibility to secure a social licence to operate by giving back to the communities that host us and helping to create a legacy of improved livelihoods.

By putting in place a longer-term plan it is our aim to develop partnerships with the community and with government. We support government development plans by setting up agricultural associations, building basic infrastructure and engaging in outreach programmes related to health but we are also responsive to the needs of the community who may need help in areas that the government can't immediately support. We have different relationships with the community structures at each operation so whilst an overall Group strategy has been developed, each local operation tailors theirs according the prevailing local laws and needs.

Health and Safety

Each operation is aiming to create an operational culture of zero-harm which meets international good practice with regards to health and safety, and doing this by requiring our operations to operate to OHSAS18001 standard. This standard will help our operations plan, monitor and mitigate risks around safety and well-being.

729

729 employees given health and safety training

Health and safety focus area

Providing a safe working environment for our workforce is one of the most important responsibilities we have. If we do not embed a zero-harm culture and expose our workforce to conditions that are dangerous then we potentially face legal problems as well as putting our operations at risk. We value our workforce and it is every workers' responsibility to take safety seriously. Whilst it is not possible to totally minimise health and safety risk, the introduction of management systems, continuous training, compliance checks and carrying out safety drills is helping to push our operations towards international standard.

We have successfully utilised the risk management system to further highlight to senior managers the importance and prioritisation of the safety of their workforce. Compliance is improving and will be built on as the mining culture at the operations becomes familiar and routine in its approach to safety.

Human rights and security

We have a security presence at our operations and we therefore take human rights very seriously. All our operations must meet operational requirements regarding security and human rights risk and provide training for Voluntary Principles for Security and Human Rights.

160

160 employees at Montepuez trained in human rights

Human rights and security focus area

We have a duty to protect our mineral assets from internal and external theft. Without protecting that asset, we cannot pay taxes to the governments of the countries we operate in and cannot maximise the value of the Company to our shareholders. Nor can we earn the revenue to reinvest in the Community. We also have to secure the concessions given the high risk of activity that can attract people who may illegally and violently seek to exploit the resource.

By having such a security presence, we are exposed to human rights risk, but in developing the operations we are improving our security processes, training and understanding of the responsibility that each security team has. Human rights training is a core component of training that our internal security teams must undergo alongside first aid and defence training.

Product integrity

Whether rough or cut and polished, our products are sold transparently and never knowingly from sources that have been involved in conflict, human rights abuses or money laundering. We are working with the industry to develop and champion an industry-pioneering standard for coloured gemstone sustainability.

50+

Over 50 downstream rough customer audits to be completed in 2016–17

Product focus area

Given the interest from consumers about their products, there is scrutiny over the production process, manufacturing and supply of coloured gemstones. Consumers want to know that their stones have been sourced responsibly. As the Company has a dual role in supplying rough stones and cut and polished stones to the market we are taking steps to place ourselves at the heart of the sector by championing transparency. We are already deeply involved in initiatives to help our jewellery customers gain insights into our mining process as well as working closely with them on supply chain projects.

Despite the lack of commonly agreed sets of principles or procedures for ensuring responsible practices in the coloured gemstone sector we are taking a leading role by raising the bar on responsible sourcing and traceability across the industry as a whole. Throughout 2016, Gemfields has been heavily involved with initiatives, in partnership with the Responsible Jewellery Council ("RJC") and CIBJO, The World Jewellery Federation as well as with major luxury and retail brands to develop coloured gemstone, supply chain and sourcing sustainability standards.

As part of our commitment to product integrity and stewardship, the Company has initiated a new programme of social and environmental audits of midstream rough gemstone partners. The purpose of this initiative is to give assurances to buyers further downstream that the stones bought from Gemfields at auction have been cut and polished in factories that have been audited for major social and environmental risk such as child labour, slavery, poor working conditions, poor environmental management, etc. This initiative was started with emerald customers in 2015 and will be completed through the 2016–17 financial year with the aim that all Gemfields' authorised auction partners go through the process.





Board of Directors



Graham Mascall, 70 Chairman

Date of appointment 29 November 2004

Committee membership

Chairman of the Nominations Committee and a member of the Audit & Risk, Remuneration, and Health, Safety, Environmental and Community Committees.

Skills and experience

Graham graduated as a mining engineer in 1969 from the Camborne School of Mines and gained a Master of Engineering in Mineral Economics from McGill University, Montreal, in 1972. Since then, his experience has spanned both mining and mining finance. He held senior positions at Barclays Bank, Outokumpu Metals & Resources and Morgan Grenfell before joining Billiton plc as head of M&A in 1997. Graham has also been CEO of two AIM listing mining development companies and a Non-Executive Director of several other AIM, TSX and NYSE listed mining companies.



*Ian Harebottle, 53*Chief Executive Officer

Date of appointment 11 February 2009

Committee membership

None.



Devidas Shetty, 38Chief Operating Officer

Date of appointment 1 January 2010

Committee membership None.

Skills and experience

Ian is a veteran of the coloured gemstone industry. He has been instrumental in pioneering many of the coloured gemstone industry's most innovative strategies, and has extensive operational experience in mining and marketing. Ian graduated from the Witwatersrand Technical College in 1985 and holds a Graduate Diploma in Management from Henley. Prior to becoming actively involved in the coloured gemstone industry, Ian ran a highly successful independent consultancy firm specialising in assisting large organisations cope with the impact of sudden change within their operating environment. His clients included a number of South Africa's largest mining organisations, various banks and many of the country's public utilities.

Skills and experience

Devidas joined Gemfields as Chief Financial Officer on 1 January 2010 and was promoted to Chief Operating Officer in September 2012. He is a Chartered Accountant with experience in operational management, start-ups, mergers and acquisitions, business turnaround, strategic planning, treasury, tax and financial reporting. Prior to joining Gemfields, Devidas worked with an Indian conglomerate and private equity firm in London.

External appointments

External appointments

External appointments None



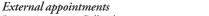
*Sean Gilbertson, 44*Executive Director

Date of appointment 13 May 2008

Committee membership
None.



Sean graduated as a mining engineer from the University of the Witwatersrand in South Africa in 1994, having spent time in the country's deep-level gold and platinum mines. From 1995, he worked for Deutsche Bank AG and Deutsche Morgan Grenfell in Frankfurt and London specialising in project finance. He co-founded global COAL in 1998 and was appointed Chief Executive Officer in 2001 when the business was acquired by industry players including, inter alia, Anglo American plc, BHP-Billiton Limited, Glencore International AG and Rio Tinto plc. He joined the office of Brian Gilbertson in late 2003, working on a variety of natural resource projects and culminating in the establishment in 2005 of Pallinghurst Advisors LLP.



Sean is a partner in Pallinghurst Advisors LLP and a Director of certain Pallinghurst portfolio companies.



Clive Newall, 66
Independent Non-Executive Director

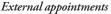
Date of appointment 19 April 2005

Committee membership

Chairman of the Remuneration, and Health, Safety, Environmental and Community Committees, and a member of the Audit & Risk, and Nominations Committees.

Skills and experience

Clive was previously a Director of a number of junior mining companies, including Anvil Mining Limited and Kensington Resources Limited. Earlier in his career, he held senior management positions with Amax Exploration Inc. and the Robertson Group. Clive graduated from the Royal School of Mines in 1971 and has an MBA from the Scottish Business School.



Clive is Founder and President of First Quantum Minerals Limited. He is also a Director of Baker Steel Resource Trust Limited.



Finn Behnken, 44
Independent Non-Executive Director

Date of appointment 13 May 2008

Committee membership

Chairman of the Audit & Risk Committee and a member of the Remuneration, Nominations, and Health, Safety, Environmental and Community Committees.

Skills and experience

Finn specialised in mining finance and spent ten years with South Africa's Nedbank Limited, where he served as a Non-Executive Director to some of the bank's mining investments. In 2006, he moved to London to develop Nedbank's international business. Finn joined Pallinghurst Advisors LLP in October 2007 and was appointed as a Non-Executive Director of Gemfields and Tshipi é Ntle Manganese Mining (Pty) Limited (Tshipi) in 2008. In 2011, he commenced full time employment as Chief Executive Officer of Tshipi and oversaw the construction of a new US\$200 million manganese mine in South Africa. With Tshipi achieving stable production, he stepped down from Tshipi in order to explore other interests in the resources sector. Finn graduated as a mining engineer from the University of the Witwatersrand, South Africa in 1994, having worked in coal and gold mining.

External appointments

Finn is presently representing Auramet International LLC in Africa. Auramet is a US-based international precious metal merchant.

Senior Management



Janet Boyce Chief Financial Officer

Janet joined Gemfields as Chief Financial Officer and Company Secretary in August 2013. Janet has the overall responsibility for the Company's financial management and control, reviewing financial performance, and reporting to external stakeholders. Prior to joining Gemfields, Janet worked for Eurasian Natural Resources Corporation PLC, PricewaterhouseCoopers and Ernst & Young.



CV Suresh
Director of Operations – Africa

CV is a mining engineer from a premier institute of engineering in India. In a career spanning 33 years, he has developed expertise in all areas of operations in mining and has worked with a number of large mining companies in India. He was previously the Director of Operations at Kagem where he played an important role in its successful turn around strategy. In September 2015, CV was appointed Director of Operations – Africa and is now responsible for all of the Group's operating mines in Africa.



Kartikeya Parikshya
Director of Operations – South America and Asia

Kartikeya has a post graduate degree in Applied Geology from the Indian Institute of Technology, Bombay. In a career spanning over 30 years, he worked in various exploration projects in India before joining the Group in 2004 as Head of Planning, Production and Exploration at Kagem, before moving on to lead the global M&A team in 2012, overseeing acquisitions and initial project set-ups in Mozambique, Sri Lanka, Ethiopia and more recently in Colombia. He was appointed to the current position in September 2015 and is responsible for the Group's operations in South America and Asia.



Adrian Banks
Product and Sales Director

Adrian oversees both the grading and sales of rough emeralds and rubies, from both mined and traded sources. He also manages the auction schedule, which is the primary sales method being adopted by the Group, and follows market dynamics in order to make recommendations to the Board, ensuring optimal sales and prices.



Ashim Roy General Manager – Montepuez Ruby Mining Limitada

Ashim is a professional geologist with over 29 years of experience in various projects including Kagem Mine in Zambia as Head of Planning, Production and Geology. Ashim is presently as General Manager of MRM, responsible for the planning, implementation and monitoring of all operations at Montepuez Ruby Mining. He oversees the budgeting, planning and execution of MRM operation activities.



Dibya J Baral General Manager – Kagem Mining Limited

Dibya is a professional geologist with over 20 years of experience in the mining industry specialising in multi-commodity exploration and development in diverse geological settings. Dibya is responsible for budgeting, planning and monitoring all operations at Kagem. He liaises with the government, local press and handles Gemfields' sustainability projects.



Rupak Sen
Acting Global Marketing and Sales
(MC&P) Director

Rupak Sen has over 18 years of experience in sales and marketing within the luxury sector. Working with high profile jewellery and watch brands as well as established mining companies, such as De Beers and Longines he has particular expertise in the Asian and Indian market. Overseeing Gemfields Global Sales and Marketing, Rupak is responsible for the implementation of the integrated marketing campaigns around the world, as well as all sales and brand collaborations.



Yogesh Khatoria
Director/Head of Operations, India

With around 25 years of experience in the coloured gemstone industry, specialising in emerald, ruby, sapphire, Yogesh has been with Gemfields since 2007. During this time, he has been instrumental in the development of Gemfields' rough emerald and ruby grading systems and rough gemstone sales. As such, he manages the rough emerald auctions on an ongoing basis. Based in Jaipur, Yogesh also oversees Indian operations including the development and implementation of the Direct Sales programme.



Cyrille Djanjoff
Head of Fine Gemstones/Managing
Director of Kariba Minerals Limited

With over 25 years of experience in the gemstone industry, both trade and mining, Cyrille heads up Gemfields' fine gemstones division with amethyst and tourmalines in its portfolio. In addition to this, Cyrille also oversees operations at Kariba Minerals, an amethyst mine in Zambia, in which Gemfields holds a 50% interest. Cyrille is a certified gemologist from the ING, Paris.

Chairman's Introduction



Under the AIM Rules, Gemfields is not subject to the requirements of the Financial Reporting Council's ("FRC") UK Corporate Governance Code (the "Code"). Nevertheless, Gemfields is committed to operating to the highest standards of Board leadership and governance including transparency of reporting to investors, customers, regulators and other stakeholders.

The Group has identified areas of the Code it considers relevant to the current size and nature of its operations. It does not seek to comply with all the requirements of the Code. The Board continues to consider other aspects of the Code for appropriateness and these may be introduced when it becomes relevant for the Group to do so. The Board is responsible for the long-term success of the Company and is accountable to our shareholders for ensuring that the Group is appropriately managed and governed. We believe that our governance structure, provides the right base to help us deliver our strategy. The Company will continue to regularly review its governance structures, to ensure it continues to carry out its business in a transparent way, designed to secure the Company's long-term success and profitability.

We have sought to build an effective and complementary Board, whose capability is appropriate for the scale and strategic positioning of our business. At the end of the 2015–16 financial year, the Board of Directors comprised myself as Non-Executive Chairman, three Executive Directors and two Non-Executive Directors. The Board considers that the Non-Executive Directors were independent throughout the year and believe them to have the appropriate skills and experience to bring independent and objective judgement to the Board's deliberations.

2016 Board strategy and programme

The Board agendas were shaped to create more time for strategic discussion and debate by closely managing time allocated to routine items. This ensured focused consideration of our strategic priorities.

During the second half of the financial year 2015–16, Board members and senior management devoted two days to consider its strategic priorities and ensure suitable plans are in place.

Board leadership and effectiveness

The Board recognises that to remain effective it must ensure that it has the right balance of skills, experience, knowledge and independence to enable it to discharge its duties and responsibilities. The Directors believe in the necessity for challenge and debate in the boardroom and consider that existing Board dynamics and processes encourage honest and open debate with Executive Directors.

The annual Board evaluation was in the form of an internal review this year, following the externally facilitated review conducted in 2015. This year's review showed that the Board continued to operate effectively.

Risk management and internal audit

The Board recognises its responsibilities to present a fair, balanced and understandable assessment of the Group's position and prospects. The Board has accountability for reviewing and approving the effectiveness of internal controls operated by the Group, including financial, operational and compliance controls and risk management.

The internal control framework is the means by which Gemfields assures compliance with laws and regulations, and the effectiveness of the governance, risk management and control processes in place. A fit-for-purpose internal audit framework, in conjunction with an active risk management programme that embeds Gemfields' values, ensures that our principal risks and uncertainties are actively and effectively controlled. The framework is designed to ensure the risks associated with conducting our business activities are effectively aligned with Gemfields' risk appetite, addressed and, where possible, appropriately managed. We believe the framework provides reasonable, but not absolute, assurance against material misstatement or loss. For more information, see 'Our Principal Risks and Uncertainties' on pages 46 to 53. To ensure effective governance, Gemfields has established an internal audit function, reporting to the Audit & Risk Committee, who independently assesses the internal control activities and the risk mitigation processes. The internal audit function has been outsourced and assists the Audit & Risk Committee in overseeing internal control activities. Read more on pages 72 to 73.

Leading from the top

Finally, we are aware that as Board members, it is our role to lead by example, and we therefore seek to instil a culture of performance, integrity and diligence from the top down, given we are well positioned in what is a very special industry. The Company by its nature is entrepreneurial, and we seek to foster entrepreneurial and independent thinking which is integral to our success.

Crahan Masall

Graham Mascall / Chairman

23 September 2016

Composition

•	
Executive	50%
Non-Executive (inc. chairman)	50%
Experience	
Industry	51%
Finance	33%
Governance	16%
Tenure	
0-3 years	0%
4-6 years	16%

Corporate Governance

The Board

The Board of Directors (the "Board") is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. The Board delegates the day-to-day management of the business to the Executive Directors who consult with the Board on all significant financial and operational matters.

The Board structure provides demonstrable separation of executive responsibility for running the business and responsibility for running the Board. This structure ensures there is appropriate accountability to the Board and helps safeguard the independence and objectivity of the Board.

The roles of Chairman and Chief Executive Officer are fulfilled by separate individuals, each with clear division of accountability and responsibility, as follows.

The Chairman

The role of the Chairman is to lead and manage the business of the Board. In consultation with the Chief Executive Officer, he sets the agenda for Board discussions to promote effective and constructive debate and to support a sound decision-making process. Graham Mascall holds private meetings with each of the Non-Executive Directors at least once a year, to enable free discussions without the Executive Directors present. He also chairs the Nominations Committee and thereby plays an important part in assessing and advising on the appropriate composition of the Board and its skills-set.

Chief Executive Officer

Ian Harebottle is responsible for the Company's strategic development, operations and financial results. He is assisted by the other Executive Directors and senior management.

Board and Committee meetings

The Board and Committee dates are scheduled to address specific matters. The Board meetings are normally held in the UK, where the Company is domiciled. However, to promote deeper insights into the Company's operations, one scheduled Board meeting is held at an operational site each year.

All Board members receive agendas and comprehensive papers prior to each Board meeting. All Directors have access to the services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are adhered to. Directors may also obtain additional information from any manager or employee of the Company and there is a process for Directors to obtain independent advice from external advisers, consultants or any such further professional individual at the Company's expense. The Company maintains appropriate liability insurance for the benefit of its Directors and officers.

Board

Audit & Risk Committee

Reviews and responsible for:
Financial and internal reporting processes, integrity of the financial statements, including the annual and interim results announcements, review of risk management policies and procedures, including that of internal audit.

Remuneration Committee

Reviews and responsible for: The relevance of the Executive remuneration policy.

Determines:

Remuneration of Executive Directors and Chief Financial Officer.

Nominations Committee

Reviews and recommends to the Board:

The structure, size and composition (including skills, knowledge and experience) required of the Board and the appointment of Directors.

Succession planning for the Board.

Health, Safety, Environmental and Community Committee

Reviews:

Effectiveness of the Group's policies and systems for identifying and managing issues that have the potential for serious impact upon Gemfields' business reputation management.

Quality and integrity of any reporting to external stakeholders.

Board Committees

In order for the Board to operate effectively and to give full consideration to key matters, Board Committees have been established, each with its own terms of reference. A summary of the role of each Board Committee is set out in the table on page 68. The full terms of reference is available upon request from the Company Secretary. All Committees of the Board to which significant powers, authorities and discretions are delegated, shall at all times be made up of at least two Non-Executive Directors. In carrying out its responsibilities, the Committees have the right to:

- obtain independent professional advice to assist with the execution of its duties, at the Company's cost, subject to a Board approved process being followed; and
- access the Company's records, facilities, employees and any other resources, within the scope of its responsibilities, as set out in the terms of reference.

Board, business awareness and training

To ensure that our Non-Executive Directors develop and maintain a greater insight and understanding of the business, they meet employees informally during visits to the Group's operations and at receptions held around Board meetings.

The Board is kept up to date on legal, regulatory and governance matters through regular papers and presentations from the Company Secretary and other internal and external advisers.

Director attendance at Board meetings

The Board meets regularly, at a minimum of four times per year and more often as required. Under the guidance of the Chairman, all matters before the Board are discussed openly. Presentations and advice are received frequently from senior management or from external advisers.

The Board of Directors and their attendance at the four scheduled meetings of the Board during 2015–16 are as follows:

	Date of appointment	Attendance
Graham Mascall	29 November 2004	4/4
Ian Harebottle	11 February 2009	4/4
Devidas Shetty	1 January 2010	3/4
Sean Gilbertson	13 May 2008	4/4
Clive Newall	19 April 2005	4/4
Finn Behnken	13 May 2008	4/4

In addition to the scheduled meetings, the Board also met on a quorate basis on 12 occasions to consider and approve operational and strategic matters.

Relationship Agreement

Gemfields and The Pallinghurst Resources Fund L.P. ("PRF") are party to a relationship agreement in August 2013 which governs the relationship between the Gemfields Group and PRF (the "Relationship Agreement"). A key requirement of the Relationship Agreement is that at least 50% of the Directors serving on the Gemfields' Board are independent of PRF. A Director of the Company is defined as 'independent' under the Relationship Agreement if they are not also a Director, officer or employee of PRF, Pallinghurst Resources Limited (PRF's parent company) or of any other entities affiliated to either PRF or Pallinghurst Resources Limited.

Conflicts of interest

The Board has in place a procedure for the consideration and authorisation of Directors' conflicts of interest. This is in accordance with the Directors' duty to avoid conflicts of interest under the provisions of the Companies Act 2006. The Company's Articles of Association grant Directors authority to approve such conflicts subject to appropriate conditions.

Assessment of Director independence

The Board considers all of its Non-Executive Directors, including those with tenure of more than nine years, to demonstrate an appropriate degree of independence in character and judgement and to be free from any business or other relationship which could materially interfere with the exercise of their judgement. In particular, the Board considers that Clive Newall and Graham Mascall, who have served on the Board for over ten years provide not only their extensive business, corporate and mining experience but also their knowledge and understanding of Gemfields' unique business gained over a number of years as Directors of the Company. All the Non-Executive Directors are considered by the Board to be independent and are permitted to hold other directorships with other companies subject to the Board's approval. Graham Mascall and Finn Behnken hold shares in the Group but given that their holding is not significant, they are considered as independent. Individual shareholdings for Directors can be seen on page 70.

Corporate Governance continued

Number of shares held by the Directors as at 30 June 2016 directly or indirectly:

Director	Number of shares held	Percentage holding
Graham Mascall	150,000	0.028%
Ian Harebottle	200,000	0.037%
Sean Gilbertson	300,000	0.056%
Finn Behnken	75,000	0.014%
Devidas Shetty	nil	nil
Clive Newall	nil	nil
Total	725,000	0.133%

Relationship with shareholders

The Directors consider the clear and timely communication of information to shareholders an important part of their duties. The Company has a process in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the AIM market in a timely manner. Significant developments are disseminated through stock exchange announcements and regular updates on the Company's website. The Executive Directors meet with institutional investors and analysts after the announcement of the interim and year-end results. Additional meetings are arranged during the year by the Company's brokers and financial advisers on an adhoc basis when required. Feedback arising from these meetings is communicated to the Board.

The Group does not have an ultimate controlling party or Parent Company. PRF is a major shareholder in the Group but it does not have a controlling interest under IFRS. In addition, Gemfields and PRF entered into a Relationship Agreement in August 2013 which governs the relationship between the Group and PRF and clarifies that Gemfields is managed autonomously by its Directors and operates for the benefit of its shareholders as a whole, rather than solely for the benefit of PRF or any of its affiliates.

Annual General Meeting ("AGM")

Shareholders have an opportunity at the AGM to meet the Chairman and other Directors, to receive an update on the development of the business and to ask questions of the Board. The Group proposes a separate resolution for each substantially different item of business, giving shareholders the opportunity to vote on each issue.

Key controls and procedures

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues, and has put in place an organisational structure with defined lines of responsibility and delegation of authority. The Board is committed to employing suitably qualified staff so that appropriate levels of authority can be delegated with regard to accountability and acceptable levels of risks.

The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Group along with associated financial risks. Monthly and other period reports of actual results (financial and non-financial) are produced and reviewed by the Directors and senior management.

Management control is exercised at all levels of the Group and is regulated by appropriate limits of authority.

Refer to the principal risks and uncertainties section on pages 47 to 53 for further details of the risks and mitigation and page 72 for details on the internal audit function.

UK Corporate Governance Code

Following the issue of the FRC's updated Code and associated guidance that came into effect for the 2015 financial reporting year, the Committee has devoted time to satisfying itself that our internal control and risk management arrangements and monitoring practices accord with the new enhanced requirements. A particular area of investment during the year was the development and recommendation to the Board of a new viability statement, which examines the Company's longer-term viability and is set out on page 81. We agreed the analytical and assurance work by management that underpins the statement and considered that three years was an appropriate timeframe on which to base an assessment of long-term viability as it aligns with our regular business planning period.

The Committee will continue its work to encourage and support further enhancements to the Group's internal controls and audit assurance arrangements.

Future plans to further develop governance arrangements

A formal 'whistle-blowing' procedure has been put in place where employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. In addition, corporate governance arrangements will be reviewed periodically. Their appropriateness and effectiveness will be evaluated and new policies developed and introduced accordingly.

Significant shareholdings

As at 30 June 2016, the Company is aware of the following interests of 3% or more in the issued ordinary share capital of the Company:

Shareholder	Number of shares	Percentage holding
The Pallinghurst Resources Fund L.P.	208,502,556	38.31%
Fabergé Conduit Limited	98,647,407	18.13%
Investec Pallinghurst (Cayman) L.P.	53,491,818	9.83%
NGPMR (Cayman) L.P.	44,428,505	8.16%
BlackRock Inc.	17,011,156	3.12%
Others	122,155,846	22.45%
Total	544,237,288	100%

The Pallinghurst Resources Fund L.P., NGPMR (Cayman) L.P. and Investec Pallinghurst (Cayman) L.P. hold indirect interests in Gemfields of 9.26%, 5.16% and 2.72% respectively through their holdings in Fabergé Conduit Limited.

Remuneration Committee

Governance

The Board considers all of the members of the Committee to be independent. The Committee met four times in scheduled meetings during 2016, with each member attending as follows:

Membership	Attendance
Clive Newall	4/4
Finn Behnken	4/4
Graham Mascall	4/4

The Directors' Remuneration Report

The Directors Remuneration Report for 2015–16 is set out separately on pages 76 to 79.

The Remuneration Committee meets in accordance with an annual calendar to consider remuneration matters in respect of the Company and in particular is responsible for:

- determining and agreeing with the Board the framework for remuneration of the Executive Directors and Chief Financial Officer; and
- setting the Company's remuneration policy so that Gemfields is able to attract, retain and motivate its executives.

The Committee's activities during the financial year

The key decisions made by the Committee during the year were as follows:

- annual executive salary review and total remuneration benchmarking with the assistance of an independent remuneration consultant; and
- determining the assessment criteria and weightings for performance targets in respect of the annual bonus plan for 2015–16.

No Director took part in any discussion directly concerning his own remuneration.

The terms of reference for the Remuneration Committee are available upon request from the Company Secretary.

Audit & Risk Committee Report



As Chairman of the Committee, I am pleased to have this opportunity to summarise some of the key developments during the year, as well as our ongoing responsibilities and objectives.

During 2016, the Committee's agenda has continued to be built around the usual review of our half year and full year financial results. This year, however, it has also had a particular focus in ensuring the ongoing effectiveness of the Company's risk management process as well as the establishment of an internal audit function. Following the formation of this new important function, the Group's Internal Audit Charter has been formulated and signed off by the Committee and a detailed review of the Group's principal risks was undertaken which led to a detailed internal audit plan for financial years 2016 and 2017.

As part of the internal audit plan for financial year 2015–16, the internal audit team reviewed the high risk elements of the precious stock and consumable stock management processes. These audits covered the flow of precious stock from mine to market, and included controls operation at mine sites, processing, trading and retail operations across the Group. Although a foundation of control was found to be in place across the mining operations of Gemfields, further enhancements will be implemented as the scale of operations increases.

As part of a longer-term strategy, Gemfields will progress and develop the internal audit function as an in-house function. In addition, the Committee has continued to monitor the Group's activities from a financial and control's perspective. New standards introduced into the FRC's Code for 2015 have additional focus to ensure our compliance with these requirements. One significant change relates to the Company's viability which we report on for the first time on page 83. Overall, Gemfields aims to maintain a robust internal control system, providing reasonable, not absolute, assurance that the Company will achieve its short and long-term strategic objectives and deliver shareholder value whilst reducing risk to appropriate tolerance levels.

Membership and attendance

The membership of the Committee, together with attendance at meetings, is set out below:

Membership	Attendance
Finn Behnken	4/4
Graham Mascall	4/4
Clive Newall	3/4

Role of the Audit & Risk Committee

The Audit & Risk Committee is responsible for assuring accountability and effective corporate governance over the Company's financial reporting, including the adequacy of related disclosures, the internal financial control environment and the processes in place to monitor this. The Committee overseas the adequacy and effectiveness of the risk management framework and its application across the business.

The full terms of reference are available upon request from the Company Secretary.

The members of the Committee receive updates in financial reporting and corporate regulatory framework in various forms throughout the year. Regular and detailed interaction with the external auditors, both within Committee meetings and otherwise, ensures that the highest levels of audit quality are maintained.

The Committee will continue its work to encourage and support further enhancements to the Group's internal controls and risk management arrangements. I look forward to monitoring the ongoing development of the Company's internal audit function as it progresses its work streams in financial year 2016–17.



Finn Behnken / Audit & Risk Committee Chairman 23 September 2016

Principal activities and matters addressed during 2016

Financial reporting	Internal control and compliance	External auditors	Risk management	Governance and other matters
Reviewed integrity of draft financial statements of the Company for the half-year and full-year	Reviewed financial year 2015–16 risk management and internal audit progress report.	External auditor half-year review findings and full-year audit findings.	Reviewed risk management framework and determined the Company's risk	Corporate Governance update including the new viability statement.
results including the appropriateness of accounting policies.	Reviewed annual internal audit plan and report for financial	 Reappointment of auditors proposed for approval at the AGM. 	appetite in conjunction with the Board.	Committee members met privately.
 Reviewed and considered draft 2015 Annual Report and recommended to the Board for approval. 	year 2015–16.Reviewed the internal control framework for the Company.	 Assessment of external auditors, effectiveness of external audit process. 		
		• Considered and approved the 2015–16 audit plan and set performance expectations for the external auditors.		

Committee's financial reporting activities

In respect of financial reporting activities, the Committee reviews and recommends to the Board for its approval all half-year and full-year financial results announcements. In considering the financial results contained in the 2016 Annual Report, the Committee reviewed the significant issues and judgements made by management in determining those results. The Committee reviewed papers prepared by management setting out the key areas of risk and the actions undertaken to quantify the effects of the relevant issues.

Nominations Committee



The membership of the Committee, together with attendance at meetings, is set out below:

Membership	Attendance
Graham Mascall	2/2
Finn Behnken	2/2
Clive Newall	2/2

The Nominations Committee is responsible for considering the most appropriate size and composition for the Board given the strategic positioning of the business. The Committee also makes recommendations to the Board with regards to any changes and addressing identified skills gaps.

The terms of reference of the Nominations Committee are available upon request from the Company Secretary.

Management succession

As Chairman of the Committee, I am pleased to confirm that the Committee, with assistance from the Head of Human Resources, have been working on managing succession arrangements for the Executive Directors and senior management roles to secure the best leadership for the Company as part of the Company's longer-term strategy. The Committee will also lead the recruitment process for Non-Executive Directors when appropriate. The specification for each role is considered in detail against the current and future needs of the changing environment in which the Company operates. In compiling any succession plan, internal and external talent, where applicable are considered and reviewed against the specification which has been drawn together.

Graham Mascall / Nominations Committee Chairman 23 September 2016

rahan Massall

Health, Safety, Environmental and Community Committee



The membership of the Committee, together with attendance at meetings, is set out below:

Membership	Attendance
Clive Newall	2/2
Finn Behnken	2/2
Graham Mascall	2/2

The Committee is responsible for evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety, environmental, and community ("HSEC") risks within the Group's operations in the context of how the Company conducts its business in a responsible and sustainable manner.

As Chairman of the Committee, I am pleased to report that ("HSEC")activities at Gemfields, operational sites continue to make steady progress. The Committee met several times in 2015–16 and has overseen some significant improvements in how HSEC risks are reported and managed on-site, notably with the strengthening of the respective HSEC teams at Kagem and Montepuez. Ensuring that each site inculcates a culture of zero harm is an ongoing aim and the sites have reported improvements on how safety is viewed by the

operational teams. There have been notable improvements in reporting of HSEC data but lost time and near-miss reporting is a work in progress and likely to see increased data capturing in 2016–17. I was saddened to hear of the non-operational fatality at Kagem but encouraged by the immediate steps taken to address the risks associated with the incident.

The Committee approved the policy of requiring each site to introduce dedicated HSEC management systems such as ISO14001 and OHSAS18001 and we expect to see faster progress in 2016–17 to minimise HSEC risks. Specifically, on environmental management and compliance which is not considered a high risk, but is nevertheless an important licence-to-operate and reputational issue, I am pleased to see the continuation of the pit back-filling process and planting of trees to rehabilitate exhausted pits. I have been particularly pleased that no incidences of environmental non-compliance have been reported but the Committee is supportive of more baseline work on issues such as biodiversity to ensure we keep pace with expectations and international norms for the mining sector.

Significant improvements have been made on community relations, notably at Montepuez where a high degree of risk has been recognised with regards to community investment and engagement. The strengthening of the team, development of a longer-term community strategy, introduction of new systems of governance and increased investment in community projects are helping to mitigate that risk. Due to the ongoing challenges with illegal mining and trading, the volatility of the wider socio-political context and the likelihood of involuntary resettlement, there is still much work to be done in Montepuez.

At Kagem, where our community relationships are more established, I am encouraged by the progress made, most notably the completion of two major community projects and improved relationships with local chiefs. Nevertheless, our team there will continue to monitor socio-political risk following the August 2016 general election.

Clive Newall / Health, Safety, Environmental and Community Committee Chairman 23 September 2016



Directors' Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present the annual Directors' Remuneration Report summarising Gemfields' remuneration policy and providing information on the Group's remuneration approach and arrangements for Executive Directors, Non-Executive Directors and senior executive management for the year ended 30 June 2016.

The Remuneration Committee's objective is to attract and retain high calibre talent who are focused to deliver the Group's strategic and business objectives, while relating reward to performance in the context of appropriate risk and safety management, and aligning the interests of Executive Directors and senior executive management with those of shareholders to build a sustainable performance culture.

The Group's key remuneration policies were reviewed this year against new guidelines, market best practice and a review of the risk environment surrounding the Group's remuneration arrangements.

The Remuneration Committee is primarily responsible for determining and recommending to the Board the framework for Executive remuneration and for determining, on behalf of the Board, the remuneration of Executive Directors and senior executive management.

Clive Newall / Remuneration Committee Chairman 23 September 2016

As an AIM company , the Group is not required to prepare the Directors' Remuneration Report in accordance with Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2013. The report provides the information required to be reported on Directors' remuneration under AIM Rule 19.

Remuneration policy for Executive Directors and executive senior management

The remuneration policy is based on the following broad principles set by the Committee:

- to provide a competitive remuneration package to attract and retain quality individuals;
- to align remuneration to drive the overall objectives of the business;
- to align the interests of management with the interests of shareholders; and
- to set the pay of the Executive Directors and certain senior executive management with due account taken of pay and conditions throughout the Group and corporate governance best practice.

The objective of this policy is aligned with the recommendations of the Code as they relate to Directors' remuneration. That is to provide a level of remuneration to attract, retain and motivate Directors of the quality required to run the Company successfully, but avoid paying more than is necessary for this purpose. As explained below, a significant proportion of the Executive Directors' and senior executive management's remuneration is structured to link rewards to corporate and individual performance.

The Company has undertaken a review, with the assistance of external independent remuneration consultants, of its executive remuneration structures. This is to ensure that these structures take due account of market best practice in addition to incentivising and rewarding the Executive Directors and senior executive management for achieving the Company's strategic goals. These strategic goals are established with the intention of generating outstanding returns for shareholders.

Furthermore, the Committee has appointed independent remuneration consultants to advise on certain aspects of performance-based share options. Currently, the Company has a time-based vesting share option plan. Going forward, the Committee considers a performance-based vesting option plan to be more appropriate for the Executive Directors and certain senior executive employees.

Remuneration of Non-Executive Directors

The fees of the Chairman and Non-Executive Directors are set by the Executive Directors. When setting these fees, due account is taken of fees paid to Non-Executive Directors of similar companies, the time commitment of each Director and any additional responsibilities undertaken, such as acting as Chairman to one of the Board Committees. For 2016, the basic fee for acting as a Non-Executive Director was £50,000 (US\$74,000) per annum and £90,000 (US\$133,200) is paid to the Chairman of the Board.

(i) Basic salary

Salaries are reviewed annually, supported by data from relevant comparator groups, taking into account the Executive Director's role, experience and performance as well as the average increases for the broader Gemfields workforce.

Salary levels in respect of 2016 are as follows:

	30 June 2016 salary	30 June 2015 salary	Change from 2015
Ian Harebottle	£400,000	£335,651	19%
Devidas Shetty	£300,000	£255,000	18%
Sean Gilbertson	nil	nil	nil

(ii) Performance-related bonus

Following the financial year end, the Committee considered the outturn against target and assessed to what extent the targets are met and determine bonus levels accordingly. In doing so, the Committee takes into account overall Company performance and may adjust the bonus upwards or downwards for any specific factors.

Annual bonuses are paid following finalisation of the financial results for the year to which they relate and paid usually three months after the end of the financial year. The bonuses paid to Ian Harebottle and Devidas Shetty for the year were £320,000 and £270,000 were 80% and 90% of their basic salaries respectively (2015: £369,216 and £318,750 were 110% and 125% of their then basic salaries respectively). This reflects the achievements of the business in the year, the Company's performance against financial and non-financial targets and the Executive Directors' individual targets. The performance-related bonuses for financial year 2015–16 reflect the exceptional performance of the Company. The maximum bonus opportunity for each Director is 150% of basic salary.

(iii) Long-term incentive arrangements

Share Option Scheme

The Company's Share Option Scheme was approved by the shareholders at the 2010 AGM and currently operates as the Company's primary executive long-term incentive arrangement. Annual awards are made in the form of share options. The contractual life of the options is ten years from the date of grant. One-third of the options granted vests at 31 December each year over a three-year period, during which the person has to remain in employment.

For options granted during any given financial year, options covering the first £30,000 of shares are granted under an approved Company share options plan ("CSOP"). Options granted in excess of this amount are granted under the Company's unapproved share option scheme.



Directors' Remuneration Report continued

Share options held as at 30 June 2016:

Name of Director	Share options held at 1 July 2015	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 30 June 2016	Exercise price	Exercise period
Graham Mascall	1,300,000	_	_	_	1,300,000	8p-20p	10 years
Ian Harebottle	5,350,000	_	_	_	5,350,000	8p-48p	10 years
Devidas Shetty	4,000,000	_	_	_	4,000,000	8p-48p	10 years
Sean Gilbertson	_	_	_	_	_	_	_
Clive Newall	900,000	_	_	_	900,000	8p-20p	10 years
Finn Behnken	_	_	_	_	_	_	_

Share options held as at 30 June 2015:

Name of Director	Share options held at 1 July 2014	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 30 June 2015	Exercise price	Exercise period
Graham Mascall	1,300,000	_	_	_	1,300,000	8p-20p	10 years
Ian Harebottle	4,350,000	1,000,000	_	-	5,350,000	8p-48p	10 years
Devidas Shetty	3,150,000	850,000	_	_	4,000,000	8p-48p	10 years
Sean Gilbertson	_	_	_	_	_	_	_
Clive Newall	900,000	_	_	_	900,000	8p-20p	10 years
Finn Behnken	_	_	_	_	_	_	_

(iv) Other benefits

With effect from 1 July 2014, Executive Directors were awarded cash in lieu of benefits equivalent to 10% of their annual base salary. Similar benefits have been made available to other employees.

(v) Pensions

There is no pension plan currently in operation for the Executive Directors of the Group. Gemfields implemented a defined contribution pension scheme with effect from 1 January 2016 for its UK employees.

Directors' service contracts, notice periods and termination payments

Executive Directors

The contract dates and notice periods for the Executive Directors are as follows:

	Notice period from Director	Notice period from the Company
Ian Harebottle	6 months	6 months
Devidas Shetty	3 months	3 months
Sean Gilbertson	by rotation	by rotation

The service contracts of all Directors, which are rolling contracts, are subject to standard terms in the event of termination.

Executive Directors' external appointments

Board approval is required before any external appointment can be accepted by an Executive Director. Whether the Executive Director is permitted to retain any fees paid for such services or whether such fees are remitted to the Company will be determined on a case-by-case basis.

Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company but are appointed for an initial three-year term. Non-Executive Directors are typically expected to serve for two three-year terms, although their appointment can be terminated either by them or by the Company on one month's written notice. The Chairman's notice period is one month. The Company may invite a Non-Executive Director to serve for a further period after the expiry of two three-year terms subject to a particularly rigorous review of performance and taking into account the need for progressive refreshing of the Board. Under the Company's Articles of Association, all Directors are required to stand for re-election by shareholders at least once every three years.

Directors' emoluments

For the year ended 30 June 2016							
In thousands of US\$	Fees	Salary	Bonus payments	Other benefits	Total	Share-based payments	Total
Non-Executive Director – Graham Mascall	133	_	_	_	133	4	137
Executive Director – Ian Harebottle ^(a)	_	592	429	59	1,080	320	1,400
Executive Director – Devidas Shetty	_	444	362	44	850	258	1,108
Executive Director – Sean Gilbertson	_	_	_	_	_	_	_
Non-Executive Director – Clive Newall	74	_	_	_	74	3	77
Non-Executive Director – Finn Behnken	74	_	_	_	74	_	74

1,036

791

103

2,211

585

2,796

281

For the year ended 30 June 2015

Total

	_		Bonus	Other		Share-based	
In thousands of US\$	Fees	Salary	payments	benefits	Total	payments	Total
Non-Executive Director – Graham Mascall	140	_	_	_	140	4	144
Executive Director – Ian Harebottle ^(a)	_	524	580	51	1,155	271	1,426
Executive Director – Devidas Shetty	_	398	501	40	939	216	1,155
Executive Director – Sean Gilbertson	_	_	_	_	_	_	_
Non-Executive Director – Clive Newall	78	_	_	_	78	3	81
Non-Executive Director – Finn Behnken	78	_	_	_	78	_	78
Total	296	922	1,081	91	2,390	494	2,884

⁽a) Indicates highest paid Director.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 30 June 2016.

Business review and results

Gemfields is a leading supplier of responsibly sourced coloured gemstones. We specialise in emeralds and amethysts from Zambia and rubies from Mozambique.

Our approach has set new benchmarks for environmental, social and safety practices – of which we are very proud. Our direct involvement in each step of the process is unique, and allows us to provide discerning customers the assurance they require over the responsible journey their gemstones have taken from mine to market.

The Strategic Report on pages 4 through 59 and Corporate Governance Statement on pages 68 to 71 respectively are incorporated into the Directors' Report by reference. More detailed information about the Group's businesses, activities and financial performance can be found in the Strategic Report on pages 4 to 59.

Dividends and dividend policy

The Directors do not recommend the payment of a dividend (2015: nil).

Recommendations in respect of dividends will be considered by the Board on a regular basis. Consideration will be given to the business' operating requirements and factors deemed by the Board at the time. These would typically include cash flow projections, approved business plans, distributable reserves, capital projects, potential growth opportunities, equipment and infrastructure needs and any financing requirements.

The approval of dividends recommended by the Board remains subject to the consent of the Company's shareholders in accordance with the Company's Articles of Association.

Statement of capital

Ordinary shares of £0.01

The Company's ordinary shares represent 100% of its total issued share capital. At an Annual General Meeting ("AGM") or general meeting of the Company every member present in person or by proxy shall have one vote for every ordinary share of which they are the holder. Holders of ordinary shares are entitled to receive dividends. On a winding-up or other return of capital, holders are entitled to a share in any surplus assets pro rata to the amount paid up on their ordinary shares. The ordinary shares are not redeemable at the option of either the Company or the holder. There are no restrictions on the transfer of ordinary shares.

At 30 June 2016, there were 544,237,288 ordinary shares in issue (2015: 543,646,730). During the year, 590,558 shares were issued.

Authority to purchase own shares

At the Company's AGM held on 2 December 2015, shareholders approved a resolution to authorise the Company to make one or more market purchases of its ordinary shares up to a maximum aggregate nominal value of £544,057.29 (representing approximately 10% of the Company's issued ordinary share capital at the date of the Notice of Meeting). No ordinary shares were purchased under this authority during the year. No purchases have been made pursuant to this authority and a resolution will be put to shareholders to renew this authority for a further year at the 2016 AGM.

Rights and obligations attaching to shares

The rights and obligations attaching to the ordinary shares are set out in the Articles of Association ("Articles"). The Articles may only be changed by the shareholders by special resolution.

Voting

Subject to the Articles generally, and to any special rights or restrictions as to voting attached by, or in accordance with, the Articles to any class of shares, on a show of hands every member who is present in person at a general meeting shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder.

Deadlines for exercising voting rights

Votes are exercisable at an AGM or general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Restrictions on voting

No member shall, unless the Directors otherwise determine, be entitled to vote in respect of any ordinary share held by him/her either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he/she has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under law.

Going concern

The Directors have reviewed the Group's financial position and cash flow forecasts for the period to the end of October 2016 and considered any reasonable possible changes in performance of the Group. The Directors are satisfied that the Group has adequate facilities for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Longer-term viability

In accordance with provision C.2.2 of the Code, the Directors have assessed the prospects of the Company over an appropriate assessment period. The Directors believe that an assessment period of three years is appropriate based on management's reasonable expectations of the position and performance of the Company over this period, taking account of its short-term and longer-range plans.

Taking into account the Company's current position and its principal risks, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over three years.

The Directors' assessment included a review of the financial impact of the most severe but plausible scenarios that could threaten the viability of the Company and the likely effectiveness of the potential mitigations that management reasonably believes would be available to the Company over this period.

In assessing the prospects of the Company, the Directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

Financial instruments and risks

The Group makes use of financial instruments in its operations as described in note 23 of the Consolidated Financial Statements.

Directors

The names of the Directors who served during the year, together with their details, are shown in the Board of Directors section on pages 62 and 63.

In accordance with the Company's Articles, Graham Mascall, Sean Gilbertson and Clive Newall retired and offered themselves for re-election at the 2015 AGM and were re-elected to the Board. Graham Mascall, Devidas Shetty and Clive Newall will retire and offer themselves for re-election at the 2016 AGM.

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



Directors' Report continued

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU"). Under Company law, the law stipulates that the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. The Directors are also required to prepare the Financial Statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on the Company's website. Financial Statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements.

Post reporting date events

There were no post reporting date events for the Group or Parent Company. An indication for the outlook for the financial year 2016–17 is given in the Key Performance Indicators section on pages 18 to 21.

Related party transactions

Details of related party transactions for the Group are given in note 26 of the Consolidated Financial Statements and for the Parent Company in note 15 of the Parent Company Financial Statements. Key management personnel compensation disclosures are given in the Directors' Remuneration Report on pages 76 to 79.

Independent auditors

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the 2016 AGM.

Disclosure of information to the independent auditors

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

By order of the Board

Devidas Shetty / Chief Operating Officer

23 September 2016



86

Independent Auditors' Report

To the members of Gemfields plc

We have audited the Financial Statements of Gemfields plc for the year ended 30 June 2016, which comprises the Consolidated and Parent Company Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and the Parent Company's Statement of Cash Flows, the Consolidated and the Parent Company's Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 June 2016 and of the Group's profit for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

*Opinion on other matters prescribed by the Companies Act 2006*In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

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

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

Scott Knight (senior statutory auditor) / For and on behalf of

Scatt Knahl

BDO LLP, statutory auditor

55 Baker Street

London

United Kingdom

23 September 2016

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



Consolidated Income Statement

For the year ended 30 June 2016

In thousands of US\$	Note	2016	2015
Revenue	2	193,140	171,448
Cost of sales	3	(98,827)	(86,483)
Gross profit		94,313	84,965
Other income		427	747
Selling, general and administrative expenses	4	(54,848)	(55,309)
Profit from operations	6	39,892	30,403
Finance income	7	6,805	223
Finance expenses	7	(4,858)	(4,299)
Profit before taxation		41,839	26,327
Tax charge	8	(18,364)	(13,980)
Profit after taxation		23,475	12,347
Profit for the year attributable to:			
Owners of the parent		11,899	3,700
Non-controlling interest		11,576	8,647
-		23,475	12,347
Earnings per share for profit attributable to the owners of the parent during the year			
Basic	9	US\$0.02	US\$0.01
Diluted	9	US\$0.02	US\$0.01

The notes on pages 92 to 121 form part of these Financial Statements.



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

In thousands of US\$	2016	2015
Profit after taxation	23,475	12,347
Other comprehensive loss:		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange loss arising on translation of foreign operations	(1,319)	(2,915)
Cumulative loss transferred to the income statement on disposal of a foreign operation	_	(6)
Total other comprehensive loss	(1,319)	(2,921)
Total comprehensive income	22,156	9,426
Total comprehensive income attributable to:		
Owners of the parent	10,580	779
Non-controlling interest	11,576	8,647

The notes on pages 92 to 121 form part of these Financial Statements.



Consolidated Statement of Financial Position

At 30 June 2016

In thousands of US\$	Note	2016	2015
Non-current assets			
Property, plant and equipment	10	225,717	240,796
Available-for-sale investments		40	40
Intangible assets	11	46,346	45,491
Deferred tax assets	8	6,550	5,048
Other non-current assets	12	9,124	8,217
Total non-current assets		287,777	299,592
Current assets			
Inventory	16	111,943	104,869
Trade and other receivables	17	34,752	34,805
Cash and cash equivalents		41,476	27,973
Total current assets		188,171	167,647
Total assets		475,948	467,239
Non-current liabilities			
Deferred tax liabilities	8	(54,372)	(66,858)
Borrowings	18	(25,000)	(20,000)
Other non-current liabilities	19	(3,543)	(3,333)
Total non-current liabilities		(82,915)	(90,191)
Current liabilities			
Trade and other payables	20	(25,655)	(25,283)
Current tax payable		(28,757)	(27,228)
Borrowings	18	(26,474)	(24,699)
Total current liabilities		(80,886)	(77,210)
Total liabilities		(163,801)	(167,401)
Total net assets		312,147	299,838
Capital and reserves attributable to equity holders of the parent			
Share capital	21	9,622	9,614
Share premium		98,640	98,404
Merger reserve		207,986	207,986
Option reserve		6,325	5,179
Cumulative translation reserve		(4,093)	(2,774)
Retained deficit		(62,745)	(74,843)
Total capital and reserves attributable to equity holders of the parent		255,735	243,566
Non-controlling interest		56,412	56,272
Total equity		312,147	299,838

The Financial Statements were approved by the Board of Directors and authorised for issue on 23 September 2016.

Devidas Shetty / Chief Operating Officer

The notes on pages 92 to 121 form part of these Financial Statements. Company number 05129023.



Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

In thousands of US\$	Share capital	Share premium	Attributable to	Option reserve	Cumulative translation reserve	Retained deficit	Total	Non- controlling interest	Equity
Balance at 1 July 2014	9,570	97,379	207,986	4,130	147	(79,700)	239,512	49,611	289,123
Profit for the year	_	_	_	_	_	3,700	3,700	8,647	12,347
Other comprehensive loss	_	_	_	_	(2,921)	_	(2,921)	_	(2,921)
Contribution for non-controlling interest	_	_	_	_	_	_	_	14	14
Share options forfeited	_	_	_	(473)	_	473	_	_	_
Issue of shares	44	1,025	_	(684)	_	684	1,069	_	1,069
Share-based payments	_	_	_	2,206	_	_	2,206	_	2,206
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 year	_	_	_	_	_	11,899	11,899	11,576	23,475
Other comprehensive loss	_	_	_	_	(1,319)	_	(1,319)	_	(1,319)
Contribution for non-controlling interest	_	_	_	_	_	_	_	64	64
Share options forfeited	_	_	_	(29)	_	29	_	_	_
Issue of shares	8	236	_	(170)	_	170	244	_	244
Share-based payments	_	_	_	1,345	_	_	1,345	_	1,345
Dividends paid	_	_	_	_	_	_	_	(11,500)	(11,500)
Balance at 30 June 2016	9,622	98,640	207,986	6,325	(4,093)	(62,745)	255,735	56,412	312,147

The nature and purpose of each reserve within the Consolidated Statement of Changes in 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 and 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 cancelled/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 notes on pages 92 to 121 form part of these Financial Statements.



Consolidated Statement of Cash Flows

For the year ended 30 June 2016

In thousands of US\$	Note	2016	2015
Cash flows from operating activities			
Profit for the year after tax		23,475	12,347
Depreciation and amortisation	10,11	29,502	33,952
Taxation charge	8	18,364	13,980
Share-based payments		1,345	2,111
Finance income	7	(6,805)	(223)
Finance expense	7	4,858	4,299
Profit on sale of available-for-sale investments		_	(193)
Loss on sale of property, plant and equipment		409	63
Increase in trade and other receivables		(1,995)	(14,681)
Increase/(decrease) in trade and other payables		1,784	(499)
Increase/(decrease) in non-current liabilities		210	(302)
Decrease in other non-current assets		72	25
Increase in inventory		(7,074)	(18,315)
Cash generated from operations		64,145	32,564
Taxation paid		(22,140)	(15,642)
Net cash generated from operating activities		42,005	16,922
Cash flows from investing activities			
Purchase of intangible assets	11	(1,038)	(4,400)
Sale of available-for-sale investment		_	423
Interest received	7	494	223
Loans granted		(1,403)	(4,676)
Purchase of property, plant and equipment		(11,930)	(24,514)
Stripping costs		(5,868)	(17,367)
Sale of property, plant and equipment		13	19
Net cash used for investing activities		(19,732)	(50,292)
Cash flows from financing activities			
Issue of ordinary shares		244	1,069
Dividends paid to non-controlling interest		(11,500)	(2,000)
Repayment of borrowings	18	(33,225)	(26,788)
Proceeds from borrowing	18	40,000	55,000
Arrangement fees paid on borrowings		(749)	(563)
Interest paid		(3,120)	(2,038)
Net cash (used for)/generated from financing activities		(8,350)	24,680
Net increase/(decrease) in cash and cash equivalents		13,923	(8,690)
Cash and cash equivalents at start of year		27,973	36,837
Exchange losses on cash and cash equivalents		(420)	(174)
Cash and cash equivalents at end of year		41,476	27,973

The notes on pages 92 to 121 form part of these Financial Statements.



For the year ended 30 June 2016

Accounting policies

Basis of preparation

The Financial Statements of the Group for the year ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union (the "EU").

The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company Financial Statements present information about the Company as a separate entity and not about its Group.

Going concern

In forming its opinion as to going concern, the Board prepares a working capital forecast based upon its assumptions as to trading as well as taking into account the available borrowing facilities in line with the capital management policies referred to in note 23. The Board also prepares a number of alternative scenarios modelling the business variables and key risks and uncertainties. Based upon these, the Board has concluded that the Group has adequate working capital and therefore confirm their belief that it is appropriate to use the going concern basis of preparation for the Financial Statements of the Company and the Group.

Basis of consolidation

Where the Company has the control, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The Consolidated Financial Statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

New standards and amendments in the year

The following were amendments to published standards and interpretations to existing standards effective in the year and adopted by the Group. These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

- Annual Improvements to IFRSs 2010 2012 Cycle
- Annual Improvements to IFRSs 2011 2013 Cycle
- IFRIC 21 Levies

New standards and interpretations not yet adopted

The Group has elected not to early adopt the following revised and amended standards, which are not yet mandatory in the EU. The list below includes only standards and interpretations that could have an impact on the Consolidated Financial Statements of the Group.

IFRS 9 Financial instruments

The complete standard has been issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Group will assess the impact on its Consolidated Financial Statements.

1 Accounting policies continued

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014 and establishes the principles for the disclosure of useful information in the financial statements in respect of contracts with customers. The new standard becomes mandatory for financial years beginning on or after 1 January 2017. The effect will be assessed and disclosure will be made once the Group has assessed the impact of applying IFRS 15.

IFRS 16 Leases

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019 subject to EU endorsement. The Group will review its arrangements in place in order to evaluate the potential impact of the new standard.

Critical accounting estimates, judgements and assumptions

In the process of applying the Group's accounting policies, the Directors have made judgements, estimations and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The judgements, estimations, and assumptions that have the most significant effect on the amounts recognised in the Financial Statements are detailed below.

(a) Impairment testing of non-current assets

Assessing the Group's non-current operating assets for impairment requires a significant amount of judgement. The determination of fair value and value-in-use requires management to make estimates and assumptions about expected production and sales volumes, gemstone prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs, the life of mine, future capital expenditure and the applicable discount rate.

These estimates and assumptions are subject to risk and uncertainty. There is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the Consolidated Income Statement.

(b) Impairment testing of the Fabergé cash-generation unit ("CGU") including the Fabergé trademarks

The Fabergé trademarks are a significant asset in the Consolidated Statement of Financial Position. The Directors believe that the asset has an indefinite useful life as it is probable that the future economic benefits that are attributable to the asset will flow to the entity indefinitely, and in accordance with IAS 36, have considered the asset for impairment.

Key estimates relating to the valuation of the Fabergé CGU are disclosed in note 11.



For the year ended 30 June 2016

1 Accounting policies *continued*

(c) Determination of ore reserves

The Group estimates its ore reserves and mineral resources based on information complied by appropriately qualified people relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. The estimate of recoverable reserves is based on factors such as gemstone prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

There are numerous uncertainties inherent in estimating ore reserves and mineral resources. Consequently, assumptions that are valid at the time of estimation may change significantly when new information becomes available.

The ore reserves impact the depreciation of evaluated mining assets being depreciated based on the quantity of ore reserves.

(d) Deferred tax

The Group has recognised deferred tax assets in its financial statements which require judgement in determining the extent of its recoverability at each balance sheet date. The Group assesses recoverability with reference to Board approved forecasts of future taxable profits. These forecasts require the use of assumptions and estimates.

(e) Useful lives of intangible asset, and property, plant and equipment

Intangible assets with finite useful lives, and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period, over which an asset is expected to be available for use by the Group or the amount of production expected to be obtained from the asset by the Group. The useful lives which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Consolidated Income Statement in specific periods.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(f) Stripping costs

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

Deferred stripping costs are amortised over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. Specifically, the calculation of amortisation for deferred stripping costs is the ratio of ore mined (reaction zone) to the total ore estimated. Judgement is required to estimate the total ore within the reaction zone. The judgements made are supported by technical data.

Where stripping is undertaken alongside ongoing continuous mining, then the related costs are expensed to the Consolidated Income Statement as mining and production costs during the period in which the costs have been incurred.

(g) Inventories

The Group reviews the net realisable value of, and demand for, its inventory, on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include competitor actions and economic trends. The Directors use their experience, market data and trend analysis when undertaking these reviews.

Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented.



1 Accounting policies continued

Foreign currency

The Consolidated Financial Statements are presented in thousands of United States Dollars ("US\$") unless otherwise stated. The closing Pounds Sterling to US\$ exchange rate was 1:1.34.

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

On consolidation, all assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the closing net assets at the closing rate at the balance sheet date and the results of overseas operations at average exchange rates (unless these average rates are not reasonable approximations of the cumulative effect of the rates prevailing rate transaction dates, in which case actual rates are used) are recognised directly in equity in the cumulative translation reserve account.

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

Revenue

Gemstones

Revenue from the sale of gemstones are recognised when control together with the risks and rewards of ownership are transferred to the customer.

For rough gemstones sold at auction, this transfer of ownership is deemed to occur at the point the buyer enters into an agreement with the Group to purchase the gemstones.

For cut and polished gemstones the transfer of ownership is deemed to occur when the customer has taken ownership of the gemstones.

Retail, wholesale and web sales

Revenue from retail, wholesale and web sales is recognised when the customer has taken ownership. Returns are accounted for at the point when the customer returns the item in accordance with terms and conditions published on the Fabergé website and a credit note is issued to the customer.

Mineral royalties and production taxes

The Group recognises mineral royalties and production taxes following the sale of rough gemstones at auction. Mineral royalties and production taxes are based on the fixed percentage of the final sales price achieved at auction applicable at the time.

Share-based payments

Equity-settled share-based payments

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

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



For the year ended 30 June 2016

1 Accounting policies continued

Cash-settled share-based payments

The cost of cash-settled share-based payments is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and is remeasured at each reporting date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the reporting date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the reporting date. Changes in the carrying amount for the liability are recognised in the Income Statement for the year.

If an award fails to vest as the result of certain types of performance conditions not being satisfied, the impact on the Consolidated Statement of Comprehensive Income will be adjusted to reflect this.

Current taxation

The current tax expense or credit is the amount of taxes estimated to be payable or recoverable in respect of the taxable profit or loss for a period as well as adjustments to estimates in respect of previous periods. It is calculated on the basis of the tax laws and rates enacted or substantively enacted as at the end of the reporting period.

Deferred taxation

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

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

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

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

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

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

Property, plant and equipment

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

Freehold land is not depreciated. Evaluated mining properties are amortised on the unit of production method in the year, set against the total proved and probable ore reserves as detailed in the SRK resource statement, which is publicly available at http://corporate.gemfields.co.uk.



1 Accounting policies continued

Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Tangible asset	Useful economic life
Freehold buildings	5% per annum straight-line
Plant, machinery and motor vehicles	20–25% per annum straight-line
Fixtures, fittings and equipment	20–33% per annum straight-line
Evaluated mining properties	The Group calculates depreciation based on the ratio of ore mined during the period to the total
	volume of ore to be mined in the future based on the estimated reserves.

Mining asset

Following the determination of the commercial and technical viability of a mining project, the relevant expenditure, including licence acquisition costs, is transferred from unevaluated mining properties within intangible assets to evaluated mining properties within property, plant and equipment. Exploration expenditure transferred to property, plant and equipment is subsequently depreciated using a unit of production method. The Group calculates depreciation based on the ratio of ore mined during the period to the total brought forward ore reserve, based on the estimated reserves. Expenditure deemed to be unsuccessful is written off to the Income Statement.

Stripping costs

Stripping costs incurred in the development of a mine or pit before production commences are capitalised as part of the cost of constructing the mine or pit and subsequently amortised over the life of mine on a unit of production basis.

Production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to ore to be mined in the future, are capitalised as a separate asset (deferred stripping asset) within property, plant and equipment.

Deferred stripping assets are amortised over the identified component of the ore body that becomes more accessible as a result of the stripping activity. Specifically, the calculation of amortisation for deferred stripping costs is the ratio of ore mined within the reaction zone (the ore body that becomes more accessible as a result of the stripping activity) to the total ore estimated and identified within the reaction zone exposed by the stripping activity.

Impairment

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken on an annual basis.

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may be different to the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value-in-use and fair value less costs to sell), the asset is written down. Where the carrying value of an asset is below its recoverable amount, any historic impairment charged in respect of the asset is reversed accordingly, with the exception of goodwill which cannot be reversed.

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

The Group's principal CGUs are determined on an operational basis and have been identified as the Kagem and Montepuez mines and Fabergé.

Business combinations

The Consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date, which is the date when control passes to the Company. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. Any difference arising between the fair value and tax base of the acquiree's assets and liabilities that gives rise to a taxable deductible difference results in recognition of a deferred tax liability. No deferred tax liability is recognised on goodwill.



For the year ended 30 June 2016

1 Accounting policies *continued*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included within the cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Income Statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Income Statement on the acquisition date.

Unevaluated mining properties

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

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Any reversal of the impairment is determined using the depreciated historic cost of the specific asset.



1 Accounting policies continued

Finite life intangible assets

Externally acquired intangible assets are initially recognised at the fair value of the consideration paid and subsequently amortised on a straight-line basis over their useful economic life, except for trademarks, which have indefinite useful economic life and are reviewed for impairment annually.

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

The useful economic lives of significant finite life intangibles recognised by the Group are as follows:

Intangible asset	Useful economic life
Trademarks	Indefinite
Software	3 years
Fabergé customer list	6 years

Investment in joint ventures

Joint ventures are entities in which the Group holds a long-term interest and which are jointly controlled by the Group and one or more joint venture partners under contractual arrangements. The Group's interest in such joint ventures is accounted for using the equity method in accordance with IFRS 11. The Group equity accounts for its investments in joint ventures and does not recognise its share of losses in excess of the carrying amount of the investment.

Leased assets

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

Property lease premiums are initially recognised in the Statement of Financial Position at cost and subsequently amortised over the term of the lease.

Financial assets

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

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

The Group's loans and receivables comprise trade and other receivables, loan receivables and cash and cash equivalents in the Statement of Financial Position. Cash and cash equivalents are defined as cash in hand and short-term deposits made for varying periods of between one day and three months.

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



For the year ended 30 June 2016

1 Accounting policies continued

Financial liabilities

Financial liabilities include the following items:

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

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

Inventory

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

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

Cut and polished gemstones, retail inventory and Fabergé inventory are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on expected sales price, less estimated costs to sell.

Consignment inventory

The terms of agreements with customers who request the Group to onward sell their cut and polished gemstones normally note that no legal title to the cut and polished gemstones passes to Gemfields. For each particular arrangement an analysis of whether all significant risks and rewards of ownership of cut and polished gemstones have passed to the Group is undertaken, in order to determine if it is to be recognised as the Group's inventory. If no significant risks and rewards have passed to the Group, then such gemstones are considered to be consignment goods and are not recorded as part of the Group's inventory.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for decommissioning and restoration

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

2 Segmental analysis

For management purposes, the Group is organised into geographic units and business units based on the products and services and has five reportable segments as follows:

- Zambia (emerald and beryl mining activities);
- Mozambique (ruby and corundum mining activities);
- UK (sales of cut and polished gemstones, marketing, technical and administrative services);
- Fabergé (wholesale and retail sales of jewellery and watches); and
- Other (new projects, traded auctions, sales and marketing offices).

The reporting on these investments to management focuses on revenue, operating costs and capital expenditure. These figures are presented after intercompany adjustments have been accounted for.

2016 in thousands of US\$	Zambia	M 1:	UK	F1 /	0.1	Total
		Mozambique	(Corporate)	Fabergé	Other	
Revenues	101,181	73,115	1,900	11,767	5,177	193,140
Depreciation and amortisation	23,968	4,444	185	799	106	29,502
Operating profit/(loss)	37,929	44,193	(24,809)	(11,376)	(6,045)	39,892
Finance income	4,254	1,770	_	534	247	6,805
Finance expenses	(2,015)	(141)	(1,998)	(147)	(557)	(4,858)
Profit/(loss) after tax	35,833	32,694	(27,341)	(10,854)	(6,857)	23,475
Total non-current assets	203,917	25,928	7,211	42,677	8,044	287,777
Total non-current liabilities	80,430	1,724	_	597	164	82,915
Total assets	257,524	72,434	27,534	86,781	31,675	475,948
Total liabilities	99,551	26,362	31,875	4,825	1,188	163,801
			UK			
2015 in thousands of US\$	Zambia	Mozambique	(Corporate)	Fabergé	Other	Total
Revenues	64,910	88,520	3,016	8,860	6,142	171,448
Depreciation and amortisation	29,553	3,293	60	1,021	25	33,952
Operating profit/(loss)	9,360	57,312	(23,805)	(15,175)	2,711	30,403
Finance income	3	_	_	_	220	223
Finance expenses	(2,206)	(1,029)	(946)	(80)	(38)	(4,299)
Profit/(loss) after tax	9,300	38,954	(23,107)	(15,101)	2,301	12,347
Total non-current assets	220,669	15,741	7,764	42,718	12,700	299,592
Total non-current liabilities	86,319	2,912	_	725	235	90,191
Total assets	273,062	60,328	24,190	83,147	26,512	467,239
Total liabilities	107,965	19,046	32,597	6,325	1,468	167,401



For the year ended 30 June 2016

In thousands of US\$	2016	2015
Mining and production costs		
Mineral royalties and production taxes	18,323	12,905
Labour and related costs	16,141	12,800
Fuel costs	7,340	6,266
Repairs and maintenance	6,185	4,205
Security costs	4,928	3,251
Camp costs	2,502	2,453
Blasting	1,287	1,103
Other mining and processing costs	4,264	3,486
Total mining and production costs	60,970	46,469
Depreciation and amortisation	29,502	33,952
Change in inventory and purchases	8,355	6,062
Total cost of sales	98,827	86,483
In thousands of US\$ Labour and related costs	2016	2015
I .b		
	18,527	
Selling, marketing and advertising	14,568	20,563
Selling, marketing and advertising Professional and other services	14,568 6,173	16,224 5,720
Selling, marketing and advertising Professional and other services Rent and rates	14,568 6,173 5,008	16,224 5,720 3,446
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation	14,568 6,173 5,008 3,252	16,224 5,720 3,446 3,537
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments	14,568 6,173 5,008 3,252 1,345	16,224 5,720 3,446 3,537 2,111
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses	14,568 6,173 5,008 3,252 1,345 1,093	16,224 5,720 3,446 3,537 2,111 1,093
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses Other selling, general and administrative expenses	14,568 6,173 5,008 3,252 1,345 1,093 4,882	16,224 5,720 3,446 3,537 2,111 1,093 2,615
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses	14,568 6,173 5,008 3,252 1,345 1,093	16,224 5,720 3,446 3,537 2,111 1,093 2,615
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses Other selling, general and administrative expenses	14,568 6,173 5,008 3,252 1,345 1,093 4,882	16,224 5,720 3,446 3,537 2,111 1,093 2,615
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses Other selling, general and administrative expenses Total selling, general and administrative expenses	14,568 6,173 5,008 3,252 1,345 1,093 4,882	16,224 5,720 3,446 3,537 2,111 1,093 2,615 55,309
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses Other selling, general and administrative expenses Total selling, general and administrative expenses	14,568 6,173 5,008 3,252 1,345 1,093 4,882 54,848	16,224 5,720 3,446 3,537
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses Other selling, general and administrative expenses Total selling, general and administrative expenses 5 Employees and Directors Number of employees and contractors	14,568 6,173 5,008 3,252 1,345 1,093 4,882 54,848	16,224 5,720 3,446 3,537 2,111 1,093 2,615 55,309
Selling, marketing and advertising Professional and other services Rent and rates Travel and accommodation Share-based payments Office expenses Other selling, general and administrative expenses Total selling, general and administrative expenses 5 Employees and Directors Number of employees and contractors Administration staff	14,568 6,173 5,008 3,252 1,345 1,093 4,882 54,848	16,224 5,720 3,446 3,537 2,111 1,093 2,615 55,309

5 Employees and Directors <i>continued</i>		
In thousands of US\$	2016	2015
Gross salaries	29,039	28,028
Share-based payments	1,345	2,111
Social security costs	2,526	1,671
	32,910	31,810

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Directors of the Company. Details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 76 to 79. None of the Directors exercised share options during the year (2015: none).

6 Profit from operations

o Tront from operations		
The profit from operations has been arrived at after charging the following:		
In thousands of US\$	2016	2015
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Group and Company's annual accounts	115	112
Fees payable to the Company's auditor for other services	1	1
Fees payable to the Company's auditor for the audit of subsidiaries	136	131
Fees payable to the Company's auditor for tax related matters across the Group	_	_
Depreciation and amortisation (notes 10 and 11)	29,502	33,952
Operating lease costs – land and buildings	4,918	2,705
Share-based payments (note 22)	1,345	2,111
Loss on sale of property, plant and equipment	409	63
Profit on sale of available-for-sale investments	_	193
7 Finance income and expense		
In thousands of US\$	2016	2015

Finance income 494 Interest received 223 6,311 Exchange differences 6,805 223 Finance expenses Interest on bank loans, finance charges and bank charges (4,099)(2,389)Exchange differences (759)(1,910)(4,858)(4,299)Net finance expense 1,947 (4,076)



For the year ended 30 June 2016

8 Taxation		
In thousands of US\$	2016	2015
Current tax	20.0	
Tax charge for year	32,352	16,320
Deferred tax		
Origination and reversal of temporary differences	(13,988)	(2,340)
Total tax expense	18,364	13,980

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

In thousands of US\$		2015
Profit on ordinary activities before tax	41,839	26,327
Taxation on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015: 21%)	8,368	5,529
Effects of:		
Expenses not deductible for tax purposes	2,421	500
Different tax rates applied in overseas jurisdictions	7,575	7,951
Total tax expense	18,364	13,980

In the UK, the main rate of corporation tax for the year was 20%.

The 'Different tax rates applied in overseas jurisdictions' reflects the impact of the changes in the applicable Zambian corporate income tax regime. As from 1 June 2016, the Government of the Republic of Zambia abolished the variable profits tax resulting in Kagem Mining Limited's statutory corporate tax rate falling to 30%. Pursuant to International Accounting Standard 12 "Income Taxes" a revaluation of Zambian-related deferred tax assets and liabilities was undertaken resulting in a tax credit of US\$8,947,000.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Pursuant to s7 FA (No 2) 2015, the corporation tax rate will be 18% as from 1 April 2020 and accordingly, 18% is the tax rate applied to the UK's deductible temporary differences.

Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using the applicable tax rate in the respective jurisdictions. Temporary differences between the tax bases and net carrying values arise in regards to the effect of differences between tax and accounting depreciation, tax losses and other provisions generated during the period.

Details of the deferred tax liabilities and assets, amounts recognised in the Income Statement and amounts recognised in other comprehensive income are as follows:

In thousands of US\$	2016	2015
Recognised deferred tax assets		
Other temporary differences	2,036	1,470
Tax losses	4,514	5,048
Total deferred tax assets	6,550	6,518
Deferred tax assets netted against deferred tax liabilities		(1,470)
Total deferred tax assets as per the Statement of Financial Position	6,550	5,048

8 Taxation continued		
In thousands of US\$	2016	2015
Recognised deferred tax liabilities		
Property, plant and equipment	-	(841)
Mining property	(52,242)	(62,864)
Other temporary differences	_	(1,261)
Inventory valuation in Kagem	(1,641)	(2,751)
Business combinations	(489)	(611)
Total deferred tax liabilities	(54,372)	(68,328)
Deferred tax assets netted against deferred tax liabilities		1,470
Total deferred tax liabilities as per the Statement of Financial Position	(54,372)	(66,858)
The movement on the deferred tax account is as shown below:		
In thousands of US\$	2016	2015
At 1 July	(61,810)	(64,150)
Property, plant and equipment	431	322
Other temporary differences	2,237	(1,907)
Mining property	10,622	2,751
Business combinations	122	203
Inventory valuation in Kagem	1,110	(674)
Tax losses	(534)	1,645
Recognised in the Income Statement in the year	13,988	2,340
At 30 June	(47,822)	(61,810)

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

No deferred tax is recognised in relation to unused tax losses in the amount of US\$59.9 million (2015: US\$38.2 million).



For the year ended 30 June 2016

9 Earnings per share

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year.

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

	2016	2015
Profit attributable to the owners of the parent during the year used in basic and dilutive calculation, in		
thousands of US\$	11,899	3,700
Basic weighted average number of shares	544,082,683	541,842,842
Dilutive potential of ordinary shares:		
Employee and Director share option plans	10,823,110	11,412,051
Diluted weighted average number of shares	554,905,793	553,254,893
Earnings per share for profit attributable to the owners of the parent during the year, in US\$:		
Basic	0.02	0.01
Diluted	0.02	0.01

Details of the share options are in note 22.

10 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
Cost						
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	3,787	7,243	1,006	_	2,472	14,508
Disposals	_	(778)	(173)	_	_	(951)
Foreign exchange differences	_	_	(338)	_	_	(338)
At 30 June 2016	10,639	61,161	5,821	274,798	62,427	414,846
Accumulated depreciation and amortisation						
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 year	339	11,701	807	5,522	10,708	29,077
Disposals	_	(454)	(75)	_	_	(529)
Foreign exchange differences	_	_	(250)	-	_	(250)
At 30 June 2016	1,063	42,135	3,284	95,762	46,885	189,129
Net book value						
At 30 June 2016	9,576	19,026	2,537	179,036	15,542	225,717
At 30 June 2015	6,128	23,808	2,524	184,558	23,778	240,796
At 1 July 2014	3,449	14,134	1,472	191,347	18,161	228,563



For the year ended 30 June 2016

11 Intangible assets In thousands of US\$	Software	Goodwill	Indefinite life trademarks	Finite life intangible assets	Unevaluated mining properties Zambian projects	Unevaluated mining properties other projects	Total
Cost							
At 1 July 2014	86	1,830	38,112	1,984	12,514	_	54,526
Additions	66	_	_	_	_	4,334	4,400
At 30 June 2015	152	1,830	38,112	1,984	12,514	4,334	58,926
Additions	244	_	_	_	_	1,036	1,280
At 30 June 2016	396	1,830	38,112	1,984	12,514	5,370	60,206
Amortisation and impairment							
At 1 July 2014	37	_	_	468	12,514	_	13,019
Charge in the year	85	_	_	331	_	_	416
At 30 June 2015	122	_	_	799	12,514	_	13,435
Charge in the year	94	_	_	331	_	_	425
At 30 June 2016	216	_	_	1,130	12,514	_	13,860
Net book value							
At 30 June 2016	180	1,830	38,112	854	_	5,370	46,346
At 30 June 2015	30	1,830	38,112	1,185	_	4,334	45,491
At 1 July 2014	49	1,830	38,112	1,516	_	_	41,507

Goodwill arose on the acquisition of Fabergé Limited in 2013.

Unevaluated mining properties – Zambian projects comprise Kamakanga emerald mine, Ndola Rural Emerald Restricted Area ("NRERA") prospecting licences and the Jagoda option.

Annual impairment review on intangibles

Goodwill of US\$1,830,000 (2015: US\$1,830,000) acquired through business combinations and trademarks with indefinite useful lives of US\$38,112,000 has been allocated to the Fabergé CGU, which is also an operating and reportable segment.

As required under IAS 36, the Group performed its annual impairment review of the carrying value of the Fabergé CGU. The impairment review was based on the value-in-use of US\$227 million. The value-in-use calculation exceeds the carrying value of US\$80 million by US\$147 million or 184%.

Assumptions

The value-in-use of the Fabergé CGU is represented by the discounted value of future cash flows that are expected from the continuous use of the assets associated with the Fabergé CGU and the terminal value attributable to them. It is the Directors' view that the Fabergé brand has an indefinite useful life based on the long heritage and history of the Fabergé name. As a result, the Directors consider it appropriate to extend the expected discounted expected future cash flows into perpetuity. The projected future cash flows used in the value-in-use calculation are based on budgets and forecasts approved by the Directors.



11 Intangible assets continued

The revenue in the next five years is forecast to increase at growth rates between 72% and 16% per annum between 2017 and 2021 (year five of the value-in-use model), following the introduction of new product lines, development of the timepiece collection and expansion of the wholesale network driven by an increase in the points of sale. As the 'go-to' jeweller in the coloured gemstone industry and starting from a relatively low revenue base Fabergé is in an excellent position to benefit from double digit growth in the coloured gemstone industry. From year six to year 20, the revenue is expected to increase at growth rates of between 9% and 20% year-on-year, based on management's growth expectations and supported by a review the historic growth rates of comparable companies. The terminal value growth rate of 2.5% applied at the end of the forecast period is based on an average of the long-term inflation rates of the key markets in which Fabergé is expected to operate in the long term.

The average gross profit margin used in the value-in-use calculation is expected to remain around 45%. This figure is based on weighted margins across the retail and wholesale sales channels.

Centralised non-variable costs, such as payroll and rent are expected to increase at approximately 2% year-on-year. Cooperative advertising, where costs are shared between Fabergé and the wholesale partners, are expected to increase in line with the growth in wholesale revenue, with other marketing costs expected to increase in line with inflation.

The majority of revenue is currently derived from owned boutiques and events. As the sales mix moves towards increased wholesale customers and Fabergé sells a number of high value jewellery pieces, the working capital requirements are expected to decrease in real terms from year one to year 20.

For the purpose of the annual impairment test, the future cash flows were discounted using the nominal post-tax pre-finance discount rate of 10% per annum. The discount rate is derived from Fabergé's weighted average cost of capital. The discount rate represents the current market assessment of the risks specific to the Fabergé CGU, taking into consideration that Fabergé is part of the Gemfields Group, which is a profitable AIM-listed business. The pre-tax discount rate is 11%.

As part of the annual impairment review a sensitivity analysis in relation to the key assumptions used in the model was performed. The value-in-use calculation is most sensitive to changes in the revenue growth rate and the discount rate. The implications at Group level for changes to these key assumptions are discussed below:

- A decrease in revenue of 20% in years one to five and an associated reduction in directly attributable costs, followed by growth rates
 consistent with the original model in percentage terms, would not result in an impairment, however it would reduce the value-in-use by
 US\$114 million or 50%.
- A decrease in revenue of 20% from year six onwards an associated reduction in directly attributable costs, would not result in an impairment, however it would reduce the value-in-use by US\$56 million or 25%.
- The breakeven discount rate is 16%

12 Other non-current assets

In thousands of US\$	2016	2015
Loan receivables	5,683	4,676
Long-term receivable from Kariba Minerals Limited (joint venture) (note 13)	2,718	2,718
Property deposits	494	541
Other non-current assets	229	282
Total other non-current assets	9,124	8,217

Loan receivables relate to market rate interest bearing loan balances due from operational partners in Sri Lanka.

The long-term receivable from Kariba Minerals Limited ("Kariba"), is shown net of a provision of US\$1,481,000 (2015: US\$1,481,000).



For the year ended 30 June 2016

13 Interest in a joint venture	
In thousands of US\$	Joint venture
Cost	
At 1 July 2014, 30 June 2015 and 30 June 2016	287
Impairment	
At 1 July 2014, 30 June 2015 and 30 June 2016	(287)
Net book value	
At 1 July 2014, 30 June 2015 and 30 June 2016	_

The Group holds a 50% interest in a joint venture Kariba. Kariba is incorporated and registered in Zambia and its nature of business is gemstone mining.

The Group's share of the joint venture was:

In thousands of US\$	2016	2015
Non-current assets	379	457
Current assets	415	409
Current liabilities	(1,588)	(3,022)
Non-current liabilities	(2,085)	(1,446)
Share of net liabilities	(2,879)	(3,602)
Revenue	1,182	900
Operating expenditure	803	758

14 Investments

Subsidiary undertakings

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2016	Proportion of voting rights and ordinary share capital held in 2015	Nature of business
Almizan Development Limited	BVI	100%	100%	Non-trading
Cabo Delgado Mining Services Limitada	Mozambique	100%	100%	Gemstone mining and exploration
Campos de Joia, Limitada	Mozambique	100%	100%	Gemstone mining and exploration
Campos de la Gema S.A.S	Colombia	100%	100%	Holding company
Eastern Ruby Mining Limiteda	Mozambique	75%	_	Gemstone trading
Fabergé (UK) Limited	United Kingdom	100%	100%	Advisory and administrative support in connection with the Fabergé UK activities
Fabergé Hospitality Limited	British Virgin Islands	100%	100%	Non-trading
Fabergé Inc	USA	100%	100%	Retail activity and promotion of the Fabergé collection of jewellery and watches
Fabergé Limited	Cayman Islands	100%	100%	Holding company
Fabergé Suisse SA	Switzerland	100%	100%	Retail activity and promotion of the Fabergé collection of jewellery and watches

14 Investments continued

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2016	Proportion of voting rights and ordinary share capital held in 2015	Nature of business
Forest HoldCo Limited	United Kingdom	100%	100%	Holding company
Gemfields BVI Limited	BVI	100%	100%	Holding company
Gemfields Canada Inc	Canada	100%	100%	Non-trading
Gemfields CdJ Mauritius	Mauritius	100%	100%	Holding and administrative services company
Gemfields Holdco India Limited	United Kingdom	100%	100%	Non-trading
Gemfields Holdings Zambia Limited	Zambia	100%	100%	Non-trading
Gemfields India Pvt Limited	India	100%	100%	Gemstone sales and marketing
Gemfields Mauritius Limited	Mauritius	100%	100%	Holding and administrative services company
Gemfields Mining Limited	Zambia	100%	100%	Gemstone mining and exploration
Gemfields Participacoes Limitada	Brazil	100%	100%	Non-trading
Gemfields Singapore Pte Limited	Singapore	100%	100%	Gemstone auctions
Gemfields South Africa (Pty) Limited	South Africa	100%	100%	Gemstone sales and marketing
Gemfields Spain S.L	Spain	100%	100%	Holding company
Gemfields USA, Inc.	USA	100%	100%	Gemstone sales and marketing
Gemholds Brazil Limited	United Kingdom	100%	100%	Holding company
Gemholds Colombia Limited	United Kingdom	100%	100%	Holding company
Gemholds Ethiopia Limited	United Kingdom	100%	100%	Holding company
Gemholds Limited	United Kingdom	100%	100%	Holding company
Gemhouse Mining Zambia Limited	Zambia	100%	100%	Non-trading
Gemriti Limited	Mauritius	75%	_	Holding company
Graphon Investments (Pvt) Limited	Sri Lanka	75%	75%	Holding company
Graphon Mining Resources (Pvt) Limited	Sri Lanka	75%	75%	Mineral resource studies
Green Bright Resources S.A.S.	Colombia	82.4%	_	Holding company
Hagura Mining Limited	United Kingdom	100%	100%	Holding and administrative services company
Island HoldCo Limited	United Kingdom	100%	100%	Holding company
ISAM Colombia S.A.S.	Colombia	75%	_	Holding company
ISAM Emerald S.L.	Spain	75%	_	Holding company
ISAM Green Resources S.L.	Spain	82.4%	_	Holding company
Kagem Mining Limited	Zambia	75%	75%	Gemstone mining, exploration and processing
Mbuva Mining Limited	Zambia	100%	100%	Non-trading
Megaruma Mining Limitada	Mozambique	75%	75%	Gemstone mining and exploration
Mkushi Tormaline Mining Limited	Zambia	75%	75%	Non-trading
Montepuez Ruby Mining Limitada	Mozambique	75%	75%	Gemstone mining and exploration
Oriental Mining SARL	Madagascar	100%	100%	Gemstone mining and exploration
Peninsula HoldCo Limited	United Kingdom	100%	100%	Holding company
Ratnapura Lanka Gemstones (Pvt) Limited	Sri Lanka	75%	75%	Gemstone trading



For the year ended 30 June 2016

14 Investments continued				
Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2016	Proportion of voting rights and ordinary share capital held in 2015	Nature of business
Singha Heavy Equipment (Pvt) Limited	Sri Lanka	75%	75%	Dormant company
Singha Industrial Investments (Pvt) Limited	Sri Lanka	75%	75%	Holding company
Web Gemstone Mining plc	Ethiopia	75%	75%	Gemstone mining and exploration

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

- · Fabergé Limited; and
- Fabergé Hospitality Limited

15 Non-controlling interests

Non-controlling interests that are material relate to the following subsidiaries:

Kagem Mining Limited ("Kagem"), a Company incorporated in Zambia. Its principal operation is rough emerald mining, exploration and processing. The Government of the Republic of Zambia holds a 25% non-controlling interest.

Montepuez Ruby Mining Limitada ("Montepuez"), a Company incorporated in Mozambique. Its principal operation is rough ruby mining, exploration and processing. Mwiriti Limitada, a private Company incorporated in Mozambique, holds a 25% non-controlling interest.

In thousands of US\$	2016 Kagem	2016 Montepuez	2015 Kagem	2015 Montepuez
Amounts attributable to all shareholders:				
Profit after tax	22,958	24,215	2,091	33,042
Cash generated from operations	46,900	27,546	25,841	40,671
Non-current assets	203,085	19,188	220,177	15,682
Amounts attributable to non-controlling interests:				
Profit after tax	5,740	6,054	523	8,260
Dividends paid	8,500	3,000	_	2,000
Equity	38,771	10,279	48,945	7,450
16 Inventory				
In thousands of US\$			2016	2015
Rough and cut and polished gemstones			67,348	65,360
Fabergé inventory			39,845	35,776
Fuel and consumables			4,750	3,733
Total inventory			111,943	104,869

The total provision made against inventory as at 30 June 2016 is US\$1,182,000 (2015: US\$1,613,000).



17 Trade and other receivables		
In thousands of US\$	2016	2015
Trade receivables	19,698	18,882
VAT receivable	8,813	10,235
Prepayments	4,174	4,594
Other receivables	2,067	1,094
Total trade and other receivables	34,752	34,805

All amounts shown under trade and other receivables fall due for payment within one year.

18 Borrowings

Current interest bearing loans and borrowings	Interest rate	Maturity	2016 In thousands of US\$	2015 In thousands of US\$
US\$20,000,000 bank loan	LIBOR + 4.50%	2017	19,812	_
US\$10,000,000 related party loan	LIBOR + 4.50%	2016	6,662	_
US\$25,000,000 bank loan	LIBOR + 4.50%	2016	_	24,699
US\$15,000,000 unsecured overdraft facility	LIBOR + 4.00%	2017	_	_
Total current borrowings			26,474	24,699
Non-current interest bearing loans and borrowings	Interest rate	Maturity	2016 In thousands of US\$	2015 In thousands of US\$
US\$20,000,000 revolving credit facility	LIBOR + 4.50%	2017	20,000	20,000
US\$10,000,000 revolving credit facility	LIBOR + 4.50%	2017	5,000	_
Total non-current borrowings			25,000	20,000

US\$20 million bank loan

In May 2016, Gemfields plc entered into a US\$20 million financing facility with Macquarie Bank Limited ("Macquarie"). The fixed term facility bears interest at a rate of 3 month US LIBOR plus 4.50%. The loan is repayable in regular instalments over a period of 12 months from the date of first drawdown of the loan.

Security for this loan comprises a floating charge over the jewellery and cut and polished gemstones of Fabergé (UK) Limited and Gemfields plc, as specified in the loan agreement. As at 30 June 2016, the carrying amount of inventories pledged as security for this loan amounted to US\$33.2 million.

The loan was used to repay the US\$25 million debt facility entered into in April 2015 and is used for general corporate purposes.

US\$10 million related party loan

In December 2015, Gemfields plc entered into a US\$10 million loan facility with Pallinghurst Resources Fund L.P. The loan bears interest at a rate of 3 month US LIBOR plus 4.50%. The loan is unsecured and repayable in tranches, with the final tranche due in December 2016.

US\$15 million unsecured overdraft facility

In April 2016, Montepuez Ruby Mining Lda entered into a US\$15 million unsecured overdraft facility, with Barclays Bank Mozambique S.A. The facility has an interest rate of 3 month US LIBOR plus 4% per annum. Gemfields plc issued a corporate guarantee for the facility.

US\$6 million of the facility was drawn down prior to the year end, then repaid with the proceeds of the June 2016 ruby and corundum auction. The balances as at 30 June 2016 was US\$nil.



For the year ended 30 June 2016

18 Borrowings continued

US\$20 million revolving credit facility

In August 2014, Kagem Mining Limited entered into a US\$20 million revolving credit facility with Barclays Bank Zambia plc. The facility bears interest at a rate of 3 month US LIBOR plus 4.50%. The facility is due for repayment 36 months after the date of the first drawdown of facility.

Security for the facility comprises a fixed and floating charge over all of Kagem's net assets, equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields plc. This facility was used to mainly pay the contractor undertaking the removal of waste in the Chama pit of the Kagem mine and to fund working capital requirements.

US\$10 million revolving credit facility

In July 2015, Kagem Mining Limited entered into a US\$10 million facility, with Barclays Bank Mauritius Limited, in addition to the existing US\$20 million long-term revolving credit facility with Barclays Bank Zambia plc. Interest for the new facility is at the rate of 3 month US LIBOR plus 4.50% as per the terms for existing facility with Barclays Bank Zambia plc. The debenture and mortgage for the new facility ranks pari passu with the existing facility. The purpose of the loan is for the continuous support of the overburden removal and financing of capital expenditure and working capital requirements.

New facilities not utilised during the year US\$15 million unsecured overdraft facility

In June 2016, Montepuez Ruby Mining Lda entered into a US\$15 million unsecured overdraft facility, with Banco Comercial E De Investimentos, S.A. This facility is valid for 18 months and is renewable. The facility has an interest rate of 3 month US LIBOR plus 3.75% per annum. The facility is secured by a blank promissory note undertaken by Montepuez and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of Gemfields plc.

US\$15 million financing leasing facility

In June 2016, Montepuez entered into a US\$15 million financing leasing facility, with Banco Comercial E De Investimentos, S.A. ("BCI") This is a renewable facility with a drawdown period of 18 months and the amounts drawn down are repayable over a maximum period of 48 months. The facility has an interest rate of 3 month US LIBOR plus 3.75% per annum. This facility is secured by a blank promissory note undertaken by Montepuez and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of Gemfields plc.

The proceeds of the facilities from Barclays Bank Mozambique S.A. and BCI will enable Montepuez to finance its capital expenditure requirements for the Montepuez ruby deposit in Mozambique and provide additional working capital.

19 Other non-current liabilities				
In thousands of US\$	LTIP liability in Fabergé sub-group	Environmental restoration provision	Other provisions	Total provisions
Other non-current liabilities				
At 30 June 2014	221	1,391	2,118	3,730
Movement during the year	_	1,201	(1,492)	(291)
Cash-settled awards lapsed	(106)	_	_	(106)
At 30 June 2015	115	2,592	626	3,333
Movement during the year	_	_	210	210
At 30 June 2016	115	2,592	836	3,543

Fabergé sub-group LTIP

The Fabergé sub-group operates a cash-settled share-based remuneration scheme.

Environmental restoration

The Group has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations incurred. These estimates reflect industry best practice and currently applicable legislation. Significant changes in legislation could result in changes in provisions recognised. It is anticipated that these costs will be incurred over a period in excess of 20 years on average.

Other provisions

The other non-current provisions primarily consist of employee end of contract benefits and are payable in three years' time.

20 Trade and other payables

In thousands of US\$	2016	2015
Trade payables	7,957	13,239
Other payables	17,698	12,044
Total trade and other payables	25,655	25,283

21 Share capital

	2016		2015	
	Number of shares	In thousands of US\$	Number of shares	In thousands of US\$
Allotted, called up and fully paid				
Ordinary shares of 1p each				
At 1 July	543,646,730	9,614	540,808,209	9,570
Issued during the year	590,558	8	2,838,521	44
At 30 June	544,237,288	9,622	543,646,730	9,614

Share capital is denominated in Pounds Sterling. Details of the share option scheme are set out in note 22.



For the year ended 30 June 2016

22 Share-based payments

Share option scheme

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

On 1 January 2016, nil (1 January 2015: 6,730,000) share options were granted to the Directors and key employees of the Company. One-third of the options granted vests at 31 December each year over a three-year period, during which the grantee has to remain in employment.

The total expense recognised during the year ended 30 June 2016 arising from equity-settled share-based payment transactions was US\$1,345,000 (2015: US\$2,206,000).

At 30 June 2016, the following share options have been granted and are outstanding in respect of the ordinary shares:

			_			
Exercise price	Outstanding at 1 July 2015	Adjustments	Forfeited	Exercised	Outstanding at 30 June 2016	Final exercise date
12¢ (8p)	6,754,999	_	(100,000)	(50,000)	6,604,999	December 2020
32¢ (20p)	2,699,998	1	_	(50,000)	2,649,999	December 2021
46¢ (29p)	5,523,920	33,333	_	(318,890)	5,238,363	December 2022
51¢ (32p)	400,000	_	_	_	400,000	November 2023
56¢ (34p)	4,410,895	_	(108,331)	(171,668)	4,130,896	December 2023
75¢ (48p)	5,920,000	_	(108,333)	_	5,811,667	December 2024
Total	25,709,812	33,334	(316,664)	(590,558)	24,835,924	-

The options exercisable at 30 June 2016 were 19,535,953 (2015: 15,227,796).

The exercise price of options outstanding at 30 June 2016 ranged between 8p and 48p (2015: 8p and 48p) and their weighted average contractual life was 6.4 years (2015: 7.5 years). The weighted average exercise price for options issued to Directors was 33¢ (22p) (2015: 37¢ (22p)). The weighted average share price (at the date of exercise) of options exercised during the year was 76¢ (51p) (2015: 95¢ (57p)).

The cash payable to the Company that may be received upon exercise of the options that are outstanding at the year-end is estimated to be US\$9,194,000 (2015: US\$11,228,000).

At 30 June 2015, the following share options had been granted and are outstanding in respect of the ordinary shares:

			_			
Exercise price	Outstanding at 1 July 2014	Granted	Forfeited	Exercised	Outstanding at 30 June 2015	Final exercise date
12¢ (8p)	7,271,664	_	_	(516,665)	6,754,999	December 2020
32¢ (20p)	3,244,999	_	_	(545,001)	2,699,998	December 2021
46¢ (29p)	6,800,000	_	(263,332)	(1,012,748)	5,523,920	December 2022
51¢ (32p)	400,000	_	_	_	400,000	November 2023
56¢ (34p)	5,800,000	_	(874,998)	(514,107)	4,410,895	December 2023
75¢ (48p)	_	6,730,000	(810,000)	_	5,920,000	December 2024
Total	23,516,663	6,730,000	(1,948,330)	(2,588,521)	25,709,812	



22 Share-based payments continued

The fair values of the options are calculated using the Black-Scholes method. The number of options granted in 2016 is nil (2015: 6,730,000). Assumptions used in this model for the 12 months ended 30 June were:

	Issue date				
	January 2015	January 2014	November 2013	January 2013	January 2012
Fair value at measurement date	36¢ (23p)	36¢ (21p)	36¢ (22p)	27¢ (18p)	59¢ (38p)
Exercise price	75¢ (48p)	56¢ (34p)	51¢ (32p)	46¢ (29p)	32¢ (20p)
Share price at date of grant	71¢ (46p)	56¢ (34p)	51¢ (32p)	52¢ (34p)	37¢ (23p)
Expected volatility	40.10%	50.28%	51.71%	41.62%	55.00%
Option life	10 years	10 years	10 years	10 years	10 years
Expected dividends	_	_	_	_	_
Risk free interest rate (based on Bank of England rate)	0.50%	0.50%	0.50%	0.50%	0.50%

The expected volatility was based on the historical volatility data of Gemfields plc shares.

23 Financial instruments

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

Financial assets

In thousands of US\$	2016	2015
Financial assets measured at fair value:		
Available-for-sale investments	40	40
Total financial assets at fair value	40	40
Financial assets measured at amortised cost:		
Other non-current assets ^(a)	8,967	7,935
Trade and other receivables ^(b)	30,578	30,211
Cash and cash equivalents	41,476	27,973
Total financial assets measured at amortised cost	81,021	66,119
Total financial assets	81,061	66,159

⁽a) Other non-current assets excludes property lease premium.(b) Trade and other receivables excludes prepayments.

The available-for-sale investments are Level 1, for which quoted prices on active market are available.

Financial liabilities

In thousands of US\$	2016	2015
Held at amortised cost:		
Trade and other payables ^(a)	24,730	24,377
Borrowings	51,474	44,699
Total financial liabilities held at amortised cost	76,204	69,076



For the year ended 30 June 2016

23 Financial instruments continued

Fair value of financial assets and liabilities

At 30 June 2016 and 2015, the carrying value of the Group's financial assets and liabilities approximated their fair values.

Financial risk management

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

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

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

- cash and cash equivalents;
- trade and other receivables;
- available-for-sale investments;
- trade and other payables; and
- borrowings.

Credit risk on non-current receivables

The Group has non-current receivables due from entities engaged in mining related activities. Repayment of these receivables is dependent on the borrowers performing as expected in the mine plans and generating sufficient cash flows to repay the loan balances due to the Group.

Credit risk on trade receivables

The Group has low credit risk because it does not ship gemstones sold at auction to customers until payment has been received. There is a receivable balance at the end of the year relating to cut and polished emerald sales and rough rubies and corundum sold at auction.

Credit risk in relation to the Fabergé segment is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Fabergé is mainly exposed to credit risk from credit sales. It is Fabergé policy to assess the credit risk of new customers before entering into contracts.

The Group impaired receivables during the year for the amount of US\$104,000 (2015: US\$ nil). The Group considers there to be no material difference between fair value of trade and other receivables and their carrying amount in the Statement of Financial Position.

Maximum exposure to credit risk

The Group's maximum exposure of trade and other receivables and cash and cash equivalents to credit risk is its carrying amount.

Cash and cash equivalents

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

Under the treasury policy of the Group, approved by the Board and operated by the finance function, the corporate head office in London acts as the treasury centre of the Group. Business units maintain the minimum cash balances required by their operations.

At 30 June 2016, 80% (2015: 77%) of the cash balance was held by Barclays Bank and the remaining 20% (2015: 23%) was held by other financial institutions.



23 Financial instruments continued

Liquidity risk

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

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

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

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

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

In thousands of US\$	Trade and other payables	Borrowings	Interest on borrowings	Total
At 30 June 2016				
In one month	12,546	_	104	12,650
Between one and six months	12,184	16,568	1,183	29,935
Between six months and one year	_	9,906	1,042	10,948
Between one year and eighteen months	_	25,000	1,458	26,458
	24,730	51,474	3,787	79,991
At 30 June 2015				
In one month	18,250	_	_	18,250
Between one and six months	6,127	10,000	919	17,046
Between six months and one year	_	14,699	629	15,328
Between one year and three years	_	20,000	1,650	21,650
	24,377	44,699	3,198	72,274

Interest rate risk

The Group predominately borrows bank funds that are at floating interest rates and is exposed to interest rate movements. Details of the interest rates on borrowing are disclosed in note 18.

Currency risk

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

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



For the year ended 30 June 2016

23 Financial instruments continued

At 30 June 2016 and 2015 the Group's financial assets and liabilities were denominated in the following currencies:

In thousands of US\$	UK Pounds Sterling	US\$	Euro	Zambian Kwacha	Indian Rupees	Mozambican metical	Other currencies	Total
At 30 June 2016								
Cash and cash equivalents	311	34,527	273	1,402	3,560	873	530	41,476
Other non-current assets	-	4,717	-	-	_	_	4,250	8,967
Trade and other receivables	744	21,410	(7)	4,906	-	3,151	374	30,578
Borrowings	_	(51,474)	_	_	_	_	_	(51,474)
Trade and other payables	(1,578)	(11,169)	(495)	(3,402)	_	(7,386)	(700)	(24,730)
Net monetary assets/(liabilities)	(523)	(1,989)	(229)	2,906	3,560	(3,362)	4,454	4,817
At 30 June 2015								
Cash and cash equivalents	274	16,485	49	190	3,827	7,054	94	27,973
Other non-current assets	_	3,259	_	_	_	_	4,676	7,935
Trade and other receivables	3,666	17,106	_	6,607	_	2,522	310	30,211
Borrowings	_	(44,699)	_	_	_	_	_	(44,699)
Trade and other payables	(5,865)	(12,468)	_	(855)	_	(2,826)	(2,363)	(24,377)
Net monetary assets/(liabilities)	(1,925)	(20,317)	49	5,942	3,827	6,750	2,717	(2,957)

Other market price risk

The Group generates revenue from the sale of rough and cut and polished gemstones as well as wholesale and retail sales of the gemstones and jewellery in the Fabergé business. The significant number of variables involved in determining the selling prices of gemstones, such as uniqueness of each individual gemstone, the colour of the rough material and the ruling US\$ spot rate at the date of sale make it difficult to accurately extrapolate the impact of fluctuations in prices would have on the Group's revenue.

Capital

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

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

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

24 Capital commitments

At 30 June 2016, Group had the following capital commitments:

- (a) US\$805,000 (2015: US\$ nil) for the purchase of mining equipment in Kagem;
- (b) US\$1,024,000 (2015: US\$4,400,000) for the purchase of mining equipment and mine camp expansion in Montepuez; and
- (c) US\$431,000 (2015: US\$ nil) for diamond core drilling in Ethiopia.

25 Commitments under operating leases		
The Company has total future minimum lease payments under non-cancellable operating leases as set out below:		
In thousands of US\$	2016	2015
Not later than one year	2,297	1,841
Later than one year but not later than five years	900	1,093
	3,197	2,934

Total future minimum payments mostly relate to rent of the offices in London and New York as well as rent of space for Fabergé boutiques worldwide.

26 Related party transactions and ultimate controlling party

Ultimate controlling party

The Group does not have an ultimate controlling party or Parent Company.

The Pallinghurst Resources Fund L.P. ("PRF") owns a see-through interest of 47.57% in Gemfields plc as at 30 June 2016. This interest gives PRF significant influence over the Group. In addition, PRF shares an affiliation with certain other Gemfields plc shareholders including NGPMR (Cayman) L.P. and Investec Pallinghurst (Cayman) L.P., as all share the same investment manager, Pallinghurst (Cayman) GP L.P.

Gemfields plc and PRF entered into an updated relationship agreement in August 2013 which governs the relationship between the Group and PRF and clarifies that the Group is managed autonomously and operates for the benefit of its shareholders as a whole, rather than solely for the benefit of PRF or any of its affiliates.

All transactions with related parties for years ending 30 June 2016 and 30 June 2015 were carried out at arm's length.

Loan balance with Pallinghurst Resources Fund L.P.

During the year ended 30 June 2016, the Group entered into two US\$10 million loan facilities with PRF.

In August 2015, the Group entered into a US\$10 million loan facility with PRF. Arrangement fees of US\$200,000 were charged by PRF. Interest of US\$158,000 was charged and paid on the loan. The loan was repaid in full in December 2015.

In December 2015, the Group entered into a US\$10 million loan facility with PRF. Arrangement fees of US\$224,000 were charged by PRF. Interest of US\$265,000 was charged on the loan. US\$3.5 million of loan was repaid during the year. The balance as at 30 June 2016 was US\$6,765,000.

Balance with Kariba Minerals Limited

As at 30 June 2016 and 30 June 2015, the Group held a receivable of US\$2,718,000 which represents a historic receivable of US\$4,199,000 less a provision of US\$1,481,000. Kariba Minerals Limited is a joint venture in which the Group hold a 50% shareholding.

Transactions with Pallinghurst Advisors LLP

During the year the Group recharged services to Pallinghurst Advisors LLP amounting to US\$82,000 (2015: US\$71,000). Pallinghurst Advisors LLP recharged services to the Group amounting to US\$135,000 (2015: US\$197,000). As at 30 June 2016 the net balance due from Pallinghurst Advisors LLP was US\$nil (2015: US\$18,000).

Pallinghurst Advisors LLP is based in the United Kingdom and acts as an investment adviser to Pallinghurst (Cayman) GP L.P. which is based in the Cayman Islands. Pallinghurst (Cayman) GP L.P. acts as investment manager to some of the Group's largest shareholders.

All transactions with related parties for years ending 30 June 2016 and 30 June 2015 were carried out at arm's length.



Parent Company Statement of Financial Position

At 30 June 2016

In thousands of US\$	Note	2016	2015
Assets			
Non-current assets			
Property, plant and equipment		55	434
Available-for-sale investments		40	40
Investments in subsidiaries	4	212,972	213,127
Intangible assets		95	_
Deferred tax asset	10	4,514	5,048
Other non-current assets	5	60,082	30,414
Total non-current assets		277,758	249,063
Current assets			
Trade and other receivables	6	63,954	68,044
Inventory	7	6,288	10,958
Cash and cash equivalents		11,519	2,327
Total current assets		81,761	81,329
Total assets		359,519	330,392
Current liabilities			
Trade and other payables	8	(8,201)	(11,070)
Borrowings	9	(26,474)	(24,699)
Total current liabilities		(34,675)	(35,769)
Total assets less current liabilities		324,844	294,623
Equity attributable to owners of the parent			
Share capital	11	9,622	9,614
Share premium		98,640	98,404
Merger reserve		207,986	207,986
Option reserve		6,325	5,179
Retained earnings		2,271	(26,560)
Total equity attributable to owners of the parent		324,844	294,623

The Financial Statements were approved by the Board on 23 September 2016 and signed on its behalf by:

Devidas Shetty / Chief Operating Officer

Gemfields plc

Registered number: 05129023

The notes on pages 125 to 130 form part of these Parent Company Financial Statements.



Parent Company Statement of Changes in Equity For the year ended 30 June 2016

	Share	Share	Merger	Option	Retained	Total
In thousands of US\$	capital	premium	reserve	reserve	earnings	equity
Balance at 1 July 2014	9,570	97,379	207,986	4,130	(35,710)	283,355
Profit for the year	_	_	_	_	7,993	7,993
Issue of shares	44	1,025	_	(684)	684	1,069
Share-based payments	_	_	_	2,206	_	2,206
Share options forfeited	_	_	_	(473)	473	_
Balance at 30 June 2015	9,614	98,404	207,986	5,179	(26,560)	294,623
Profit for the year	_	_	_	_	28,632	28,632
Issue of shares	8	236	_	(170)	170	244
Share-based payments	_	_	_	1,345	_	1,345
Share options forfeited	_	_	_	(29)	29	_
Balance at 30 June 2016	9,622	98,640	207,986	6,325	2,271	342,844

The nature and purpose of each reserve within the Parent Company Statement of Changes in Equity is described as follows:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The difference between the fair value of the shares issued as consideration for acquisition of subsidiaries and 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 retained earning on exercise and cancelled/forfeited options.
Retained earnings	Cumulative net gains and losses recognised in the Income Statement.

The notes on pages 125 to 130 form part of these Parent Company Financial Statements.



Parent Company Statement of Cash Flows

For the year ended 30 June 2016

In thousands of US\$	Note	2016	2015
Cash flows from operating activities	11000	2010	201)
Profit for the year after tax	3	28,632	7,993
Depreciation and amortisation		185	60
Taxation	10	534	(1,645)
Share-based payments	15	1,345	2,206
Finance income		(1,880)	(1,270)
Finance expense		1,992	1,142
Profit on sale of available-for-sale investments		_	(193)
Loss on disposal of property, plant and equipment		99	_
Decrease/(increase) in trade and other receivables		(20,655)	12,709
Decrease in trade and other payables		(2,869)	(5,547)
(Increase)/decrease in inventory	7	4,670	(7,749)
Cash generated from operations		12,053	7,706
Taxation paid	10	_	_
Net cash generated from operating activities		12,053	7,706
Cash flows from investing activities			
Investment in subsidiaries		_	(155)
Interest received		_	463
Dividends received	-	26,780	885
Purchase of property, plant and equipment	-	_	(338)
Sale of available-for-sale investments		_	423
Loans granted to subsidiaries		(29,668)	(24,466)
Net cash used for investing activities		(2,888)	(23,188)
Cash flows from financing activities			
Issue of ordinary shares		244	1,069
Interest and other finance cost paid		(1,992)	(966)
Repayment of borrowings		(17,751)	(15,000)
Arrangements fees paid on borrowings		(474)	(413)
Proceeds from borrowing		20,000	30,000
Net cash generated from financing activities		27	14,690
Net increase/(decrease) in cash and cash equivalents		9,192	(792)
Cash and cash equivalents at start of year		2,327	3,119
Cash and cash equivalents at end of year		11,519	2,327

The notes on pages 125 to 130 form part of these Parent Company Financial Statements.



Notes to the Parent Company Financial Statements

For the year ended 30 June 2016

1 Basis of preparation

These Financial Statements represent the individual Parent Company (the "Parent Company").

The Financial Statements of the Parent Company for the year ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by European Union (the "EU") and as applied in accordance with the provisions of the Companies Act 2006.

The Parent Company's Financial Statements are presented in United States Dollars ("US\$") and all values are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

The IFRS Financial Statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 July 2015. New standards, amendments and interpretations effective in the year ended 30 June 2016 and standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these Financial Statements, which have not been adopted early, are described in detail in the Group's accounting policy on the pages 92 and 93 of the Consolidated Financial Statements.

2 Accounting policies

In addition to the accounting policies in note 1 to the Consolidated Financial Statements, the following accounting policies are relevant only to the Parent Company Financial Statements.

Investments in subsidiaries

Unlisted investments are carried at cost less provision for impairment.

Critical accounting estimates, judgements and assumptions

In the process of applying the Parent Company's accounting policies, which are described above and in note 1 to the Consolidated Financial Statements, the Directors have made judgements, estimations and assumptions regarding the future.

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

The judgements, estimations and assumptions that have the most significant effect on the amounts recognised in the Financial Statements are detailed below.

Value of the investments in subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment. Investments are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

3 Profit for the year

The Parent Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and has not presented its Income Statement in these Financial Statements. The Parent Company's profit after tax for the year ended 30 June 2016 is US\$28,632,000 (2015: US\$7,993,000).



Notes to the Parent Company Financial Statements continued

For the year ended 30 June 2016

4 Investments in subsidiaries	
In thousands of US\$	Unlisted investments
Cost	
At 1 July 2014	222,240
Additions in the year	155
At 30 June 2015	222,395
Transferred to subsidiary Company	(155)
At 30 June 2016	222,240
Provision for impairment	
At 1 July 2014	(9,268)
At 30 June 2015	(9,268)
At 30 June 2016	(9,268)
Net book value	
At 30 June 2016	212,972
At 30 June 2015	213,127
At 1 July 2014	212,972

Subsidiary undertakings

The list of subsidiary undertakings is disclosed in the note 14 of the Consolidated Financial Statements.

Joint operations and other listed investments

Details of the joint venture investment in Kariba Minerals Limited are disclosed in the note 13 to the Consolidated Financial Statements.

5 Other non-current assets

In thousands of US\$	2016	2015
Amounts due from Group companies	57,575	27,907
Amounts due from joint venture	2,507	2,507
Total other non-current assets	60,082	30,414

In July 2014 the Company entered into a loan facility agreement with its 100% owned subsidiaries Fabergé (UK) Limited and Fabergé Limited The applicable interest rate is 3 month US LIBOR plus 4.50%. The total loan balance receivable as at 30 June 2016 was US\$47,467,000 (2015: US\$27,907,000). The loan is unsecured.

6 Trade and other receivables

In thousands of US\$	2016	2015
Amounts due from Group companies	61,439	65,355
Trade receivables	1,108	723
Other receivables and prepayments	1,407	1,966
Total trade and other receivables	63,954	68,044

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

Deferred tax expense relating to changes in the tax rates

At 30 June

In thousands of US\$	2016	2015
Rough gemstones	4,497	6,174
Cut and polished gemstones	1,791	4,784
Total inventory	6,288	10,958
8 Trade and other payables		
In thousands of US\$	2016	201
Trade payables	1,033	2,115
Accruals and other payables	4,368	5,783
Amounts due to Group companies	2,800	3,172
Total trade and other payables	8,201	11,070
Amounts due to Group companies relate to trading balances. The balance is payable of Borrowings	on demand and is non-interest bearing.	
9 Borrowings	on demand and is non-interest bearing.	201:
9 Borrowings In thousands of US\$		
9 Borrowings In thousands of US\$ US\$20,000,000 bank loan	2016	
9 Borrowings In thousands of US\$ US\$20,000,000 bank loan US\$10,000,000 bank loan	2016 19,812	24,699
9 Borrowings In thousands of US\$ US\$20,000,000 bank loan US\$10,000,000 bank loan Total borrowings	2016 19,812 6,662 26,474	24,699
9 Borrowings In thousands of US\$ US\$20,000,000 bank loan US\$10,000,000 bank loan Total borrowings Details of the borrowings are disclosed in note 18 of the Consolidated Financial States	2016 19,812 6,662 26,474	24,699
9 Borrowings In thousands of US\$ US\$20,000,000 bank loan US\$10,000,000 bank loan Total borrowings Details of the borrowings are disclosed in note 18 of the Consolidated Financial States 10 Deferred tax	2016 19,812 6,662 26,474	24,699
9 Borrowings In thousands of US\$ US\$20,000,000 bank loan US\$10,000,000 bank loan Total borrowings Details of the borrowings are disclosed in note 18 of the Consolidated Financial States 10 Deferred tax The movement on the deferred tax account is as shown below:	2016 19,812 6,662 26,474	24,699
	2016 19,812 6,662 26,474 ments.	2015 24,699 - 24,699 2015 3,403

(502)

4,514

5,048



Notes to the Parent Company Financial Statements continued

For the year ended 30 June 2016

11 Share capital

	2016		2015	
	Number of shares	In thousands of US\$	Number of shares	In thousands of US\$
Allotted, called up and fully paid				
Ordinary shares of 1p each				
At 1 July	543,646,730	9,614	540,808,209	9,570
Issued during the year	590,558	8	2,838,521	44
At 30 June	544,237,288	9,622	543,646,730	9,614

12 Financial instruments

The principal financial instruments used by the Parent Company are detailed below:

Financial assets

In thousands of US\$	2016	2015
Financial assets measured at fair value:		
Available-for-sale investments	40	40
Total financial assets measured at fair value	40	40
Financial assets measured at amortised cost:		
Trade receivables and other receivables ^(a)	2,204	1,585
Amounts due from Group companies	119,014	93,262
Long-term receivable from Kariba Minerals Limited (joint venture)	2,507	2,507
Cash and cash equivalents	11,519	2,327
Total financial assets measured at amortised cost	135,244	99,681
Total financial assets	135,284	99,721

 $[\]hbox{(a)} \quad {\it Trade\ receivables\ and\ other\ receivables\ excludes\ prepayments}.$

The available-for-sale investments that are within the scope of IFRS 7 are Level 1, for which quoted prices on active market are available.

Financial liabilities

In thousands of US\$	2016	2015
Financial liabilities measured at amortised cost:		
Trade payables and other payables ^(a)	4,699	7,636
Amounts due to Group companies	2,800	3,172
Borrowings	26,474	24,699
Total financial liabilities measured at amortised cost	33,973	35,507

⁽a) Trade and other payables excludes social security.



12 Financial instruments continued

The risks that the Company is subject to in addition to the Group risks described in note 23 of the Consolidated Financial Statements are set out below:

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company is also subject to credit risk on the amounts due from Group companies (see notes 5 and 6).

13 Related party transactions and ultimate controlling party

All transactions with related parties for years ending 30 June 2016 and 30 June 2015 were carried out at arm's length.

Loan balance with Pallinghurst Resources Fund L.P. ("PRF")

In December 2015, the Group entered into a US\$10 million loan facility with PRF. Arrangement fees of US\$224,000 were charged by PRF. Interest of US\$265,000 was charged on the loan. US\$3,500,000 of loan was repaid during the year. The balance as at 30 June 2016 was US\$6,765,000.

Balance with Kariba Minerals Limited

As at 30 June 2016 and 30 June 2015, the Company held a receivable of US\$2,507,000 from Kariba Minerals Limited (a joint venture) in respect of operating and capital expenditure.

Transactions with Pallinghurst Advisors LLP

During the year the Group recharged services to Pallinghurst Advisors LLP amounting to US\$82,000 (2015: US\$71,000). Pallinghurst Advisors LLP recharged services to the Group amounting to US\$135,000 (2015: US\$197,000). As at 30 June 2016 the net balance due from Pallinghurst Advisors LLP was US\$nil (2015: US\$18,000).

Pallinghurst Advisors LLP is based in the United Kingdom and acts as an investment adviser to Pallinghurst (Cayman) GP L.P. which is based in the Cayman Islands. Pallinghurst (Cayman) GP L.P. acts as investment manager to some of the Group's largest shareholders.

All transactions with related parties for years ending 30 June 2016 and 30 June 2015 were carried out at arm's length.

Transactions with Subsidiaries

The Company charged management, auction and marketing fees to subsidiaries amounting to US\$21,975,000 (2015: US\$19,313,000).

The Company generated revenue of US\$8,868,000 (2015: US\$9,586,000) from the sale of rough and cut and polished gemstones to subsidiaries during the year.

The Company made purchases of rough and cut and polished gemstones from its subsidiaries of US\$5,022,000 (2015: US\$9,775,000) during the year.

The Company charged interest of US\$1,880,000 (2015: US\$1,270,000) to its subsidiaries.



Notes to the Parent Company Financial Statements continued

For the year ended 30 June 2016

14 Commitments under operating leases The Parent Company had total future commitments under non-cancellable operating leases as set out below:		
The Farche Company had total future commitments under non-cancenable operating leases as set out below.		
In thousands of US\$	2016	2015
Not later than one year	725	113
Later than one year but not later than five years	_	_
	725	113

Operating leases relate to rent of the main UK offices.

15 Share-based payments

Details of share-based payments are disclosed in note 22 of the Consolidated Financial Statements.

Company Contacts and Advisers

Registered Office

Gemfields plc 23 King Street London SW1Y 6QY +44 (0)20 7518 3402

Company registration number: 05129023

Company Secretary

JJ Williams Gemfields plc 23 King Street London SW1Y 6QY +44 (0)20 7659 4965

Financial Public Relations Adviser

Tavistock Communications
131 Finsbury Pavement
London
EC2A 1NT
+44 (0)20 7920 3150

Nominated Adviser

Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU +44 (0)20 7383 5100

Joint Brokers

J.P. Morgan Cazenove 25 Bank Street Canary Wharf London E14 5JP +44 (0)20 7742 4000

BMO Capital Markets Limited

95 Queen Victoria Street London EC4V 4HG +44 (0)20 7236 1010

Macquarie Capital (Europe) Limited

Ropemaker Place 28 Ropemaker Street London EC2Y 9HD +44 (0)20 3037 2000

External Auditors

BDO LLP 55 Baker Street London W1U 7EU +44 (0)20 7486 5888



Notes