Gemfields PLC

Interim Report and Financial Statements

Six months ended 31 December 2013

Company Number 05129023

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Gemfields PLC

Highlights

Financial Highlights

- Revenue for the period of US$65.7 million (2012: US$27.7 million);
- EBITDA for the period of US$18.0 million (2012: US$19.5 million);
- Net profit after tax for the period US$1.4 million (2012: US$4.7 million);
- Cash in hand at 31 December 2013 of US$14.8 million (30 June 2013: US$11.2 million); and
- Estimated cost of inventory at hand, excluding fuel and other consumables, of US$69.3 million (30 June 2013: US$76.3 million).

Operational Highlights

Emeralds

- Production summary for 75% owned Kagem Mining Limited ("Kagem") in Zambia for the period:
  - Production of 10.4 million carats of emerald and beryl (2012: 14.5 million carats);
  - Grade of 267 carats per tonne (2012: 271 carats per tonne);
  - Unit production costs of US$0.85 per carat (2012: US$0.57 per carat). On a cash basis, production costs increased to US$1.32 per carat (2012: US$1.12 per carat); and
  - Cash rock handling unit costs of US$3.52 per tonne (2012: US$3.36 per tonne).
- Rough sales and auctions:
  - July 2013 auction of predominantly higher quality rough emeralds, held in Lusaka, Zambia, yielded aggregate revenues of US$31.5 million, the second highest aggregate auction revenues achieved to date and with a record average price of US$54.00 per carat;
  - September 2013 auction of traded rough emeralds (not obtained directly from the Company's own mining operations) yielded US$8.5 million;
  - Kagem finalised a US$3.5 million direct sale in respect of 11,286 kilograms of Kagem's lowest two grades of beryl in October 2013; and
  - November 2013 auction of predominantly lower quality rough emerald and beryl set records for aggregate revenues at US$16.4 million and unit prices at US$3.32 per carat, a 27% unit price increase over the previous record for similar quality gemstones.
- In October 2013, the Mines Safety Department of Zambia awarded Kagem a certificate recognising more than 2.8 million reportable injury-free shifts, believed to be a record in the Zambian mining industry; and
- In December 2013, Kagem paid its first ever dividend of US$8 million, of which US$2 million was paid to the Government of the Republic of Zambia, a 25% shareholder in Kagem.

Rubies

- Bulk sampling summary for 75% owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the period:
  - Approximately 5.1 million carats of ruby and corundum extracted (2012: 0.16 million carats) taking the total ruby and corundum extracted to 7.0 million carats;
  - Total rock handling was 525,307 tonnes, made up of 232,745 tonnes of ore and 292,562 tonnes of waste (2012: 12,371 tonnes); and
  - Total cash operating costs of US$4.8 million (2012: US$2.0 million); and
- 'First-of-a-kind' comprehensive grading and sorting framework for rough rubies completed, with ongoing refinement.

Fabergé

- Wholly-owned Fabergé Limited ("Fabergé") saw revenue derived from sales and sales orders agreed during the key Christmas shopping month of December increased by 89% year-on-year;
- Robert Benvenuto joined Fabergé as President and COO on 28 October 2013;
- New advertising campaign entitled 'The Art of Colour' unveiled, supporting the Gemfields coloured gemstone strategy; and

- Preview for long-lead press in October 2013 of "The Fabergé Big Egg Hunt" which is scheduled to take place in New York from 1 to 26 April 2014 in collaboration with leading artists and designers, and which will see up to 300 egg sculptures displayed throughout the city to raise funds for charities 'Studio in a School' and 'Elephant Family'.

Marketing

- Partnership with Mila Kunis enjoyed increased visibility during the period, with the advertising campaign running from March to December 2013 in luxury consumer titles, digital and trade publications in the UK, US, India, South Africa and Zambia;
- Mila Kunis wore jewellery featuring Gemfields emeralds at premieres and film festivals;
- International promotional initiatives implemented with retailers Couture Lab, Stone & Strand, and Stephen Webster; and
- Gemfields worked alongside Thames & Hudson in the promotion of its recently published book, 'Emerald'.

Outlook and post reporting period events

- Successful high quality emerald auction held in Lusaka, Zambia, in February 2014 achieving record revenues of US$36.5 million and record average price per carat of US$59.31;
- An additional emerald auction and our first ruby auction are scheduled for the second half of the financial year ending 30 June 2014;
- Revenues at Fabergé, derived from sales and sales orders agreed during the month of January continued the trend experienced in December 2013, showing an increase of 198% year-on-year;
- Other key Fabergé events for the second half of the financial year are:
    - Presentation of some of our newest jewellery collections at the 'Doha Jewellery and Watches Exhibition' from 24 February to 2 March 2014 at the Qatar National Convention Center in the Qatari capital was well received; and
    - "The Fabergé Easter" promotional and sales event scheduled to take place from 1 to 21 April 2014 in the world famous Harrods department store, where Fabergé will be well represented in addition to its existing retail footprint via an exclusive salon and added exhibition space; and
- The "mine and market" strategy continues to gain traction as is evidenced by the record prices achieved at the recent auctions.

Gemfields PLC

Chairman's statement

Dear Shareholder,

I am pleased to report that the past six months have seen strong operational and financial performance at Gemfields.

In October, when reviewing the full year to 30 June 2013, I emphasised our commitment to cross-operational performance improvements and our plans for organic and dynamic growth. The production and auction results from our Kagem emerald mine in Zambia together with the imminent first auction of rubies from our Montepuez deposit in Mozambique highlight that commitment and our ability to deliver on them to be stronger than ever.

The three emerald and beryl auctions, a direct sale of low quality beryl, the sale of cut and polished gemstones and Fabergé's revenues have all contributed to pleasing group revenues of US$65.7 million during the period. It is also pleasing to note the record revenues and prices achieved at our recent auction in Lusaka.

Kagem's headline numbers remain robust. The mine produced 10.4 million carats of emerald and beryl at a grade of 267 carats per tonne. Kagem also paid its first ever dividend of US$8 million in December, of which US$2 million was paid to the Government of the Republic of Zambia, our partner in Kagem. We also continue to evaluate the underground mining expansion in the Chama pit. These undertakings evidence Gemfields' belief in Zambia's role as an eminent location on the international auction circuit, and in global demand growth for our ethically sourced and consistently supplied coloured gemstones.

Importantly, these achievements reflect our inherent commitment to developing our collection of assets concurrently, and to investing in the countries where we operate.

At Montepuez, the first half production of 5.1 million carats from our bulk sampling programme underpins Gemfields' impressive production capabilities. This ruby and corundum inventory, currently totalling 7 million carats, has allowed Gemfields to finalise our one-of-a-kind rough ruby grading system, and to provide sufficient volume to support our first ruby auction – the first of many to come - just as we have done in emeralds.

Through Fabergé, our "mine and market" strategy continues to gain traction with our jewellery business enjoying a strong Christmas period. Furthermore, the appointment of Robert Benvenuto as President and COO marked a valuable addition to the executive team and I welcome him to the Group. The Fabergé brand continues to play its part in the increasing demand outlook for coloured gemstones right alongside Gemfields' own marketing endeavours, led by our brand ambassador, Mila Kunis.

Gemfields' reputation as a leading producer and marketer of high quality rough gemtones continues to grow, as do our asset base, production volumes and balance sheet strength.

By our financial year end we will see a further emerald auction and our first Montepuez ruby auction, which we look forward to with great expectation. Our organic and corporate growth objectives continue to take shape and are designed to further Gemfields' position as a leading producer and marketer of precious coloured gemstones.

We thank you for your continued support, congratulate our team and look forward to sharing our future successes.

Graham Mascall
28 February 2014

Kagem Mining Limited, Zambia

The 75% owned Kagem emerald mine is presently Gemfields' only operating emerald mine and is the single largest emerald mine in the world. The licence covers an area of approximately 41 square kilometres, encompassing six known emerald bearing belts, and of which only 1.8 square kilometres is currently being mined.

In December 2013, Gemfields announced that Kagem declared and paid a dividend of US$8 million. The Government of the Republic of Zambia ("GRZ"), a 25% shareholder in Kagem, received its US$2 million share of the dividend and Gemfields received its US$6 million share. The cash pay-out arises from distributable net profits generated by Kagem since Gemfields acquired the asset in June 2008. It is believed to be both the first ever dividend paid by Kagem in its 29 year history and the first such payment to the Zambian government from any gemstone operation in Zambia.

The dividend has been facilitated by the turnaround strategy initiated at Kagem in conjunction with the GRZ a little more than five years ago, when Gemfields acquired a 75% beneficial interest in the company. At that time, Kagem was loss-making and its total annual sales (approximately US$8.9 million) were broadly the same as the dividend paid.

In October 2008, Kagem also implemented a pioneering emerald incentive scheme, paying a bonus to all Kagem employees for each month in which pre-determined emerald production thresholds were reached. To date the scheme has paid more than US$2.5 million to Kagem's employees, over and above their regular remuneration arrangements.

The significant improvement in performance at Kagem has also been achieved against a backdrop of excellent health and safety standards. In October 2013, the Mines Safety Department of Zambia awarded Kagem a certificate recognising more than 2.8 million reportable injury-free shifts, believed to be a record in the Zambian mining industry.

Production Update

The key production parameters by quarter are summarised below:

KAGEM Quarterly Summary to December 2013	Units	Dec-2011	Mar-2012	Jun-2012	Sep-2012	Dec-2012	Mar-2013	Jun-2013	Sep-2013	Dec-2013	Total
PRODUCTION											
Gemstone Production (Emerald+Beryl)	million carats	3.9	4.9	7.3	7.9	6.6	6.5	8.9	6.5	3.9	56.4
Ore Production (Reaction Zone)	'000 tonnes	17.5	20.8	40.7	30.5	23.1	24.5	27.8	21.4	17.2	223.5
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	222	236	181	259	288	265	322	302	224	253
Waste Mined (including TMS)	million tonnes	2.2	1.6	2.7	2.6	2.2	2.2	2.5	1.9	1.9	19.8
Total Rock Handling	million tonnes	2.2	1.6	2.8	2.6	2.2	2.3	2.5	1.9	2.0	20.1
Stripping Ratio		124	77	67	84	96	91	89	88	113	89
CASH COSTS											
Kagem Total (Cash) Operating Cost	USD million	7.0	6.0	9.8	8.5	7.7	6.9	9.0	6.8	6.8	68.5
Gemstone Unit Cost (E+B)	USD/carat	1.8	1.2	1.3	1.1	1.2	1.1	1.0	1.1	1.8	1.2
RZ Unit Cost	USD/RZ tonne	400	291	242	280	333	282	325	319	393	307
Rock Handling Unit Cost	USD/tonne	3.2	3.7	3.5	3.3	3.4	3.1	3.6	3.6	3.5	3.4
ACCOUNTING COSTS											
Kagem Operating Cost *	USD million	3.4	4.2	4.2	4.0	4.4	3.6	4.4	4.3	4.5	37.0
Gemstone Unit Cost (E+B) *	USD/carat	0.9	0.8	0.6	0.5	0.7	0.6	0.5	0.7	1.2	0.7
RZ Unit Cost *	USD/RZ tonne	193	200	104	130	189	147	160	199	261	165
Rock Handling Unit Cost *	USD/tonne	1.5	2.6	1.5	1.5	2.0	1.6	1.8	2.2	2.3	1.8

* Note: As at 31 December 2013, a total of approximately US$35.1 million of waste moving costs have been capitalised and are amortised as and when the associated ore is mined (2012: US$22.3 million). The balance of capitalised waste moving costs, net of amortisation, as at 31 December 2013 amounted to US$19.8 million (2012: US$15.0 million).

Kagem's unaudited total operating costs (excluding capitalised waste stripping costs) for the six months ending 31 December 2013 increased at a rate well below inflation of just 4.8% and totalled US$8.8 million, but was impacted on by the slightly lower than average production volumes (something that is to be expected in the coloured gemstone mining sector on account of the fluid nature of the deposit). This resulted in an average production cost during the period of US$0.85 per carat of emerald and beryl (2012: US$0.57 per carat).

During the first half of this financial year, Gemfields produced 10.4 million carats at a grade of 267 carats per tonne of ore and a unit production cost of US$0.85 per carat (excluding capitalised waste moving costs), or US$1.32 per carat on a cash basis (compared to a unit production cost of US$0.57 per carat or cash cost of US$1.12 per carat in 2012). During the period, 3.9 million tonnes of rock were moved (2012: 4.8 million tonnes). Cash rock handling unit costs were US$3.52 per tonne (2012: US$3.36 per tonne).

The underground trial mining project continues to provide Gemfields with a high degree of confidence that a large scale underground mining project could be safely and efficiently implemented on the Zambian Emerald Belts. The trial mining project has maintained its safety report with no reportable injuries while achieving 131.8 metres of horizontal advance during the first six months of this financial year (2012: 127.7 metres), with total underground development since the commencement of operations being 903 metres. A total of 1,568 tonnes of ore was produced during the six months (2012: 2,812 tonnes). Approximately 96,235 carats were produced by the underground operations in the period (2012: 341,535 carats). The grade for the period was 61.4 carats per tonne and the grade for the project to date is 77.8 carats per tonne, with the difference in grade over the open cast operation being purely as a result of the known lower grade area where it was decided to initiate the trial underground mining operation at the outset. Further analysis continues in order to allow the Company to consider the investment required to implement the large scale underground operation.

Geology and exploration

Exploration drilling has continued and achieved a total of 5,330 metres in 57 boreholes within the Kagem licence area. These boreholes were drilled in the three blocks of Fibolele East (Regional), F10 East Area, and Libwente North and Northwest. Based on the drilling, the Company has identified and finalised the proposal for a bulk sampling pit in the Libwente area.

Phase II of bulk sampling in the Fibolele area commenced in October 2013 based on encouraging results. As at 31 December 2013, the pit had been extended with a highwall pushback targeting 200 metres of TMS strike length. Mining continued with development of the pit with a defined and thicker TMS body with five associated quartz tourmaline veins. Phase II will continue to November 2014 with a planned stripping ratio of 46:1, and will then be reviewed as a potential large scale mining operation.

Rough sales and auctions

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

In the first six months of this financial year Gemfields has held three auctions.

The first, held in Lusaka, Zambia in July 2013, was an auction of predominantly higher quality rough emeralds. All of the 583,448 carats placed on offer were sold generating US$31.5 million. The auction yielded an overall average of US$54.00 per carat, the highest unit value achieved at any auction at that time, and representing a 26% increase over the previous high of US$42.71 per carat (achieved at the July 2011 Singapore auction).

The second auction, held in Jaipur, India in September 2013, saw 145,952 carats of traded rough emeralds (predominantly of higher quality), being sold generating gross auction revenues of US$8.5 million. The emeralds sold at the auction comprised emeralds obtained by Gemfields in the open market from various sources and did not include emeralds or beryl mined, processed, graded and exported by, or belonging to, Kagem. The auction yielded an average of US$58.00 per carat, the highest unit value achieved at any Gemfields auction to date, and represented a 7.4% increase over the previous high achieved at the July 2013 Lusaka auction.

The third auction, held in Lusaka, Zambia in November 2013, was an auction of predominantly lower quality rough emerald and beryl, saw 4.94 million carats being sold, representing by far the bulk of the value offered, and generating record aggregate lower quality auction revenues of US$16.4 million. The auction yielded an overall average of US$3.32 per carat, the highest unit value achieved at any Gemfields auction of predominantly lower quality material, and representing a 27% increase over the previous high of US$2.61 per carat (achieved in the June 2012 Jaipur auction).

In October 2013, Gemfields also finalised a US$3.5 million direct sale in respect of 11,286 kilograms of Kagem's lowest two grades of beryl, which have accumulated over the past few years.

A summary of the auctions held during the period is set out below:

AUCTION RESULTS	JULY 2013 AUCTION	SEPTEMPBER 2013 AUCTION	NOVEMBER 2013 AUCTION
Dates	15-19 July 2013	26-30 September 2013	11-15 November 2013
Location	Lusaka, Zambia	Jaipur, India	Lusaka, Zambia
Type	Higher Quality	Traded Rough Emeralds	Lower Quality
Carats offered	0.58 million	0.417 million	5.62 million
Carats Sold	0.58 million	0.146 million	4.94 million
No. of companies placing bids	36	38	20
Average no. of bids per lot	8	11	7
No. of lots offered	18	29	21
No. of lots sold	18	17	19
Percentage of lots sold	100%	59%	90%
Percentage of lots sold by weight	100%	35%	88%
Percentage of lots sold by value	100%	96%	91%
Total sales realised at auction	USD 31.5 million	USD 8.5 million	USD 16.4 million
Average per carat sales value	USD 54.00/carat	USD 58.00/carat	USD 3.32/carat

In February 2014, the Company held a predominantly higher quality rough emerald auction in Lusaka, Zambia. Of the 835,757 carats placed on offer, 615,007 were sold generating US$36.5 million. The auction yielded an overall average of US$59.31 per carat, the highest unit value achieved at any auction, and representing a 10% increase over the previous high of US$54.00 per carat (achieved at the July 2013 Lusaka auction).

Security

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

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

Montepuez Ruby Mining Limitada, Mozambique

The Company holds a 75% interest in Montepuez Ruby Mining Limitada, which owns the Montepuez ruby deposit in Mozambique. The licence covers an area of 340 square kilometres and is believed to represent the most significant ruby discovery in recent years.

Development schedule

Bulk sampling at Montepuez commenced in August 2012 and has continued to scale up progressively since, producing consistently encouraging results. The requisite core infrastructure is largely in place, which will accommodate a smooth transition to commercial mining once bulk sampling and permitting have been

completed. Improvements continue to have been made throughout the last six months to the pilot, semi-mobile ore processing plant, improving efficiencies and the understanding of the ore characteristics.

Approximately 5.1 million carats of ruby and corundum were extracted during the period (2012: 0.16 million carats). This takes the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 7.0 million carats.

Total rock handling stood at 525,307 tonnes (2012: 12,371 tonnes), of which 232,745 tonnes were ore and 292,562 tonnes were waste. Total cash operating costs during the period totalled US$4.8 million (2012: US$2.0 million).

Geology and Exploration

Montepuez rubies are hosted by alluvial material (derived by secondary deposition), eluvial material (derived by in situ weathering of the primary deposit), and primary underlying ruby-mineralised amphibolite.

Primary and secondary ruby mineralisation is present within the core sector while secondary mineralisation has also been identified at various places throughout the mining permit, the most significant of which are present approximately six kilometres to the west of the core sector at occurrences known as Ntorro and Muglotto, still within the Montepuez Ruby Mining License Area. The recovery from these occurrences is encouraging in that the percentage of premium quality ruby is higher.

Following encouraging results in the original bulk sample pit at Maninge Nice, in the core sector, the original pit has been expanded to include four adjacent areas from which both secondary and primary ruby mineralised material has been obtained. Two additional bulk sample pits in the core sector, one in the 'Glass A' area and one in the Central Area were also excavated together with another pit to the west of the current wash plant area. Additional mineralised material was also recovered from the wash plant area and while excavating the wash plant reservoir. Two bulk sampling pits are also in progress at Muglotto.

The total rock-handling for the period amounts to 0.29 million tonnes waste and 0.23 million tonnes ore, 55,135 tonnes of secondary mineralised gravel bed (of which 17,745 tonnes were from Muglotto) and 5,355 tonnes of primary mineralised amphibolite was processed throughout the period for a recovery of 1,024 kilograms of ruby.

Exploration has concentrated on defining the primary amphibolite in the core sector by means of diamond drilling. A total of 13 holes were drilled in the Maninge Nice and Central Areas of which 10 intersected significant intervals of amphibolite. Primary ruby mineralization was observed in five of the core holes. An additional 10 holes have been conducted to the west of the Maninge Nice core sector most of which intersected secondary gravel overlying bedrock amphibolitic gneiss.

Two exploration pitting grids on a 50 to 100 metre interval were conducted at Ntorro and two at Muglotto covering a total area of 1.6 square kilometres. Gravel bed thicknesses and characteristics have been defined within each of the grids from which several potential bulk sampling sites have been delineated. Out of a total of 559 pits, 269 intersected gravel bed of which 18 contained ruby mineralisation. Soil geochemistry has been conducted at various depths throughout the pits to assist with the overall exploration.

Rough sales and auctions

Gemfields completed its comprehensive grading and sorting framework for rough rubies, based on similar principles to those successfully applied by the Company to emeralds and amethyst. This system, the first of its kind for rubies, required the categorising of a sizeable number of ruby grades and will be deployed in advance of Gemfields' first ruby auction, which is expected before 30 June 2014.

Security

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

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

The security setup has been established to address personnel and equipment safety, and to minimise internal and external theft potential. Given the size and nature of the Montepuez ruby licence, illegal mining activity and theft remain key challenges, although new infrastructure, a significant security presence and ongoing efforts have resulted in a clear improvement since Gemfields first began operations in the area in early 2012.

Kariba Amethyst Mine, Zambia

Kariba is the world's single largest operating amethyst mine. In 2013 the GRZ elected to transfer its 50% stake in Kariba (with Gemfields owning the remaining 50%) to the state-owned resources holding company, ZCCM-IH. While the transfer of these shares has not been completed, Gemfields and ZCCM-IH agreed to recapitalise the Kariba operations with US$2.5 million. This is the single largest cash injection that Kariba has received to date. Mining and processing equipment has been purchased and is now functioning on site.

As at 31 December 2013, all rehabilitation and construction projects were complete and within budget including:

- Rehabilitation of the sort house and extension of the strong room;
- Construction of a new workshop;
- New 100 tonne per hour washing plant was commissioned, four water management ponds are in production and six low quality stock management areas (silos) have been built;
- Two new excavators, one new bulldozer and three new 25 tonne dump trucks have been put in production;
- Rehabilitation of the mining camp and water distribution network are on schedule;
- Mining volumes are on track and within budget;
- Commercial and medium quality production are up 70% in volume, higher quality production has lagged expectations; and
- A solar plant to supplement the diesel-generated electricity is being erected.

Mining development includes plans to connect the Francis pits (Main Francis, Lower Francis, Top Francis west). In addition a new virgin area lying between the historical pits is being bulk sampled with results to date looking promising.

Oriental Mining SARL

Gemfields owns 100% of Oriental Mining SARL ("Oriental"), a company incorporated in Madagascar. Oriental has 15 exploration licences covering emeralds, rubies, sapphires, tourmalines and garnets. In addition, Oriental has the right to five exploration licences that are pending transfer approval from the Madagascan Ministry of Energy and Mines.

Fabergé Limited

The acquisition of 100% of Fabergé Limited by Gemfields, formally completed on 28 January 2013, was followed by a process of integration. Through Fabergé, Gemfields can progress its global vision by harnessing the Fabergé name to boost both the international presence and perception of coloured gemstones.

Gemfields' "mine and market" strategy is closely aligned to Fabergé's most recent advertising campaign, 'The Art of Colour', which launched in October 2013. Revenue derived from sales and sales orders agreed during the key seasonal shopping month of December increased by 89% year-on-year. Total operating costs during the period totalled US$8.1 million.

Fabergé's executive team has also been strengthened by the appointment of Robert Benvenuto as President and COO on 28 October 2013. During his thirteen-year tenure at Harry Winston, he served as CFO, COO and Co-CEO.

In October 2013, Fabergé hosted a preview for the New York media to announce its latest charitable initiative, an artistic collaboration named 'The Fabergé Big Egg Hunt', which is scheduled to take place from 1 to 26 April 2014. The Fabergé boutique on Madison Avenue will house one of numerous pieces designed by world renowned artists as part of the initiative, and Gemfields will be seamlessly present in the form of its coloured gemstones used within items exhibited. The funds raised will benefit 'Elephant Family', founded by Mark Shand and

‘Studio in a School’, founded by Agnes Gund. This initiative follows the success of ‘The Fabergé Big Egg Hunt’ held in London in 2012, which set two Guinness World Records and ultimately raised over US$1.5 million for charity.

Fabergé will be presenting its newest jewellery collections at the Doha Jewellery and Watches Exhibition, from 24 February to 2 March 2014 at the Qatar National Convention Center in the Qatari capital. It will be the third time that Fabergé would be participating in the exhibition, following the success of the previous years.

Harrods, the world’s most famous department store, and Fabergé, will come together for a creative collaboration this Easter. The 'Fabergé Easter' will see Fabergé set up an exclusive salon and exhibition space set up in Harrods, with the famed Brompton Road windows and façade dressed in Fabergé flags, telling the story of the legendary jewellery house. This event will run from 1 to 21 April 2014.

Marketing

Gemfields’ partnership with Hollywood actress Mila Kunis has increased consumer engagement with the Company globally. The advertising campaign featuring Mila Kunis ran through March to December 2013 in luxury consumer titles, digital and trade publications in the UK, US, India, South Africa and Zambia. Mila Kunis also wore jewellery featuring Gemfields emeralds at premieres and film festivals including the Toronto Film Festival. Gemfields also implemented international promotional initiatives with retailers including CoutureLab, Stone and Strand and Stephen Webster.

A number of sponsorship opportunities, such as the International Herald Tribune Conference and the Retail Jeweller India Awards, allowed the Gemfields and Fabergé’ names and messaging to be further circulated in key sectors and markets. Gemfields worked alongside Thames & Hudson in the promotion of its published book called 'Emerald'. Emerald is a lavishly illustrated, definitive guide to one of the world’s most valuable precious gemstones.

Gemfields' has continued to collaborate with jewellers, luxury brands and retailers to boost consumer sales and promote jewellery featuring Gemfields' emeralds in the UK, US and India.

Corporate Social Responsibility

The overall aim of the new Corporate Social Responsibility (“CSR”) policy, which was published in our last annual report (financial year ended 30 June 2013), is to ensure that local communities benefit from the presence of Gemfields in a way that is both sustainable, and meaningful, and will continue to yield results after operations cease.

Key points of the new strategy include fixing a percentage of sales from each mine as the budget for CSR programmes; introducing broad-based educational and vocational projects such as model farms and tree nurseries, that will teach local communities about sustainable agriculture techniques, develop transferrable agrarian expertise, and provide fresh produce that can be sold back to the mine. Furthermore, nurseries can provide the mines with the resources needed to regenerate land back to its natural state once operations cease. Other plans include partnering with local and regional non-governmental organisations and environmental projects.

During the period, CSR activity at Kagem was primarily focused on the running and maintaining of projects that were initiated in the last few years. To date Kagem has spent some US$500,000 on CSR projects, including the provision of a ZESCO electrical power line, new buildings at the Chapula Basic School, teachers’ accommodation at the Kapila Community School, improvements to Chief Nkana and Chief Lumpuma’s palaces, the Nkana Clinic, and the ‘Blessings’ and ‘Green Farm’ projects. The Company has also upgraded and maintained the road network. The community relations manager, based at Kagem, has also identified projects for future development that are in line with Gemfields’ goals. These include the construction of a secondary school at Chapula, a vocational skills training centre at Chanete and expanded hospital infrastructure facilities at Nkana, all of which have been approved and are under way.

At Montepuez, in the last six months, the main focus of CSR activity continues to be the Mozambican project at Namanhumbir, Mozambique. Montepuez has employed a dedicated community relations manager to oversee all community-based projects. Since the acquisition of the Montepuez ruby deposit in January 2012, several major

projects have been undertaken with significant investment and consultation with the local communities. Major projects include the construction of two drinking water wells for the villages of Namanhumbir, Nacoja and Minheune; the purchase of two tractors for the use of local farmers; the construction and renovation of schools in the villages of Npene, Nseww, and Nanune; the rehabilitation of the maternity ward at Mirate; construction of sports facilities at Namanhumbir and the purchase of sports equipment for several local teams. An upgrade of the village market and a renovation of the local school have also been completed.

At Kariba, the Company has provided and transported a significant amount of building materials to the Mapatizya rural health centre, and the Mapatizya and Sialumba basic schools. Additional supplies were given for construction of staff housing. During the same period, the Company assisted the mine council with building materials for renovations of the workers' accommodation.

Partnerships - World Land Trust: Since 2010, Gemfields has been supporting the work of the World Land Trust ("WLT"), an international wildlife conservation charity. The financial donations provided to WLT help support its conservation programmes with 26 worldwide partners all working on the ground to save real acres, in real places. During 2012, WLT supporters enabled its worldwide partners to purchase 18,780 acres of threatened habitats. In addition to the land purchase work, WLT also provides support to its overseas project partners to help protect the reserves that have been created through their Keeper of the Wild programme.

Gemfields is working with WLT to ensure that its environmental credentials meet the highest possible standards. To this end Gemfields has already funded studies of the biodiversity and socioeconomic status of the people around the Kagem emerald mine. Over the next few years, as funding becomes available, the recommendations of these studies will be implemented.

Gemfields PLC

Consolidated income statement
for the six months ended 31 December 2013

In thousands of US$	Note	**Six months ended 31 December 2013 (Unaudited)**	Six months ended 31 December 2012 (Unaudited)	Year ended 30 June 2013 (Audited)
Revenue		**65,665**	27,689	48,394
(Decrease)/increase in inventory		**(6,924)**	10,851	12,412
Purchases		**(8,791)**	(1,097)	(8,153)
Mining and production costs		**(12,151)**	(9,829)	(18,719)
Depreciation and amortisation		**(9,760)**	(9,563)	(20,289)
Total cost of sales		**(37,626)**	(9,638)	(34,749)
Gross profit		**28,039**	18,051	13,645
Other income		**121**	135	89
Administrative expenses				
Administrative expenses		**(19,885)**	(8,209)	(32,858)
Impairment charge on available-for-sale investments and other assets		**(56)**	(545)	(684)
Total administrative expenses		**(19,941)**	(8,754)	(33,542)
Profit/(loss) from operations		**8,219**	9,432	(19,808)
Finance income		**36**	110	593
Finance expenses		**(466)**	(136)	(880)
Profit/(loss) before taxation		**7,789**	9,406	(20,095)
Tax charge	**3**	**(6,377)**	(4,665)	(2,698)
Profit/(loss) after taxation		**1,412**	4,741	(22,793)
(Loss)/profit for the period attributable to:				
Owners of the parent		**(629)**	2,260	(22,790)
Non-controlling interest		**2,041**	2,481	(3)
		1,412	4,741	(22,793)
(Loss)/earnings per share for (loss)/profit attributable to the owners of the parent during the period				
Basic	**4**	**US$0.00**	US$0.01	US$0.05
Diluted	**4**	**US$0.00**	US$0.01	US$0.05

All amounts relate to continuing activities. The above consolidated income statement should be read in conjunction with the accompanying notes.

Gemfields PLC

Consolidated statement of comprehensive income
for the six months ended 31 December 2013

In thousands of US$	**Six months ended 31 December 2013 (Unaudited)**	Six months ended 31 December 2012 (Unaudited)	Year ended 30 June 2013 (Audited)
Profit/(loss) after taxation	**1,412**	4,741	(22,793)
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Exchange (losses)/gains arising on translating foreign operations	**(173)**	98	311
Total comprehensive income/(loss)	**1,239**	4,839	(22,482)
Total comprehensive (loss)/income attributable to:			
Owners of the parent	**(802)**	2,358	(22,479)
Non-controlling interest	**2,041**	2,481	(3)
	1,239	4,839	(22,482)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Gemfields PLC

Consolidated statement of changes in equity
for the six months ended 31 December 2013

In thousands of US$	Attributable to equity holders of the parent								
	Share capital	**Share premium**	**Merger reserve**	**Option reserve**	**Cumulative Translation reserve**	**Retained deficit**	**Total**	**Non-controlling interest**	**Equity**
Balance at 1 January 2013	**6,171**	**96,911**	**121,005**	**1,665**	**398**	**(63,854)**	**162,296**	**48,634**	**210,930**
Loss for the six months	-	-	-	-	-	(25,050)	**(25,050)**	(2,484)	**(27,534)**
Other comprehensive income for the six months	-	-	-	-	213	-	**213**	-	**213**
Issue of shares	3,386	303	86,981	-	-	-	**90,670**	-	**90,670**
Share based payments	-	-	-	1,071	-	-	**1,071**	-	**1,071**
Balance at 30 June 2013	**9,557**	**97,214**	**207,986**	**2,736**	**611**	**(88,904)**	**229,200**	**46,150**	**275,350**
Profit for the six months	-	-	-	-	-	(629)	**(629)**	2,041	**1,412**
Other comprehensive income for the six months	-	-	-	-	(173)	-	**(173)**	-	**(173)**
Issue of shares	7	59	-	-	-	-	**66**	-	**66**
Dividends paid	-	-	-	-	-	-	**-**	(2,000)	**(2,000)**
Share based payments	-	-	-	693	-	-	**693**	-	**693**
Balance at 31 December 2013	**9,564**	**97,273**	**207,986**	**3,429**	**438**	**(89,533)**	**229,157**	**46,191**	**275,348**

The nature and purpose of each reserve within shareholders' equity is described as follows:

Reserve	**Description and purpose**
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The difference between the fair value of the shares issued as consideration for acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of shares are acquired.
Option reserve	Cumulative fair value of options charged to the consolidated income statement net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options.
Cumulative translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Retained deficit	Cumulative net gains and losses recognised in the consolidated income statement.
Non-controlling interest	Amounts attributable to non-controlling shareholders.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Gemfields PLC

Consolidated statement of financial position
at 31 December 2013

In thousands of US$	**31 December 2013 (Unaudited)**	31 December 2012 (Unaudited)	30 June 2013 (Audited)
Non-current assets			
Property, plant and equipment	**228,207**	229,932	229,309
Available-for-sale investments	**491**	940	482
Intangible assets	**48,859**	2,883	48,003
Other non-current assets	**3,368**	-	3,519
	280,925	233,755	281,313
Current assets			
Inventory	**71,159**	38,796	77,861
Trade and other receivables	**10,397**	7,236	8,292
Cash and cash equivalents	**14,760**	27,888	11,222
Total current assets	**96,316**	73,920	97,375
Total assets	**377,241**	307,675	378,688
Non-current liabilities			
Deferred tax liability	**(69,921)**	(77,056)	(73,216)
Borrowings	**(3,881)**	(4,778)	-
Other non-current liability	**(2,549)**	(2,093)	(2,461)
	(76,351)	(83,927)	(75,677)
Current liabilities			
Trade and other payables	**(6,944)**	(5,895)	(10,094)
Current tax payable	**(13,598)**	(3,238)	(5,972)
Borrowings	**(5,000)**	(3,092)	(11,595)
Current provisions	**-**	(593)	-
	(25,542)	(12,818)	(27,661)
Total liabilities	**(101,893)**	(96,745)	(103,338)
Total net assets	**275,348**	210,930	275,350
Capital and reserves attributable to equity holders of the parent			
Share capital	**9,564**	6,171	9,557
Share premium	**97,273**	96,911	97,214
Merger reserve	**207,986**	121,005	207,986
Option reserve	**3,429**	1,665	2,736
Cumulative translation reserve	**438**	398	611
Retained deficit	**(89,533)**	(63,854)	(88,904)
	229,157	162,296	229,200
Non-controlling interest	**46,191**	48,634	46,150
Total equity	**275,348**	210,930	275,350

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. The consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 28 February 2014.

Gemfields PLC

Consolidated statement of cash flows
for the six months ended 31 December 2013

In thousands of US$	**Six months ended 31 December 2013 (Unaudited)**	Six months ended 31 December 2012 (Unaudited)	Year ended 30 June 2013 (Audited)
Cash flows from operating activities			
Profit/(loss) for the year after tax	**1,412**	4,741	(22,793)
Depreciation and amortisation	**9,760**	9,563	20,289
Taxation charge	**6,377**	4,665	2,698
Impairment charge of available-for-sale investments and other assets	**56**	545	684
Share-based payments	**693**	327	1,398
Finance income	**(36)**	(110)	(593)
Finance expense	**466**	136	880
Loss on sale of available-for-sale investments	**-**	-	168
Loss on sale of property, plant and equipment	**-**	(98)	-
Increase in trade and other receivables	**(1,954)**	(2,927)	(2,431)
Decrease in trade and other payables	**(3,150)**	(1,357)	(2,363)
Increase in non-current liabilities	**88**	485	861
Decrease/(increase) in inventory	**6,663**	(10,817)	(13,442)
Net cash generated from/(used in) operating activities	**20,375**	5,153	(14,644)
Taxation paid	**(1,935)**	(3,490)	(4,113)
Cash flows from investing activities			
Purchase of intangible assets	**(1,493)**	(1,100)	(1,988)
Cash acquired with Fabergé	**-**	-	11,524
Sale of available-for-sale investments	**-**	83	309
Interest received	**36**	110	593
Loan granted to Kariba	**-**	-	(1,462)
Purchase of property, plant and equipment	**(3,514)**	(6,731)	(8,099)
Stripping costs	**(4,842)**	(7,899)	(15,777)
Sale of property, plant and equipment	**-**	98	-
Net cash used in investing activities	**(9,813)**	(15,439)	(14,900)
Cash flows from financing activities			
Issue of ordinary shares	**66**	12	33
Dividends paid	**(2,000)**	-	-
Repayment of borrowings	**(2,714)**	(1,322)	(3,322)
Receipt of loans	**-**	6,275	12,000
Interest paid	**(466)**	(136)	(880)
Net cash (used in)/generated from financing activities	**(5,114)**	4,829	7,831
Net increase/(decrease) in cash and cash equivalents	**3,513**	(8,947)	(25,826)
Cash and cash equivalents at start of period	**11,222**	36,737	36,737
Exchange differences on translation	**25**	98	311
Cash and cash equivalents at end of period	**14,760**	27,888	11,222

1 Accounting policies and basis of preparation

Gemfields PLC (the 'Company') was incorporated and registered under the laws of England and Wales on 1 January 2004. The Company's shares are listed on the London Stock Exchange Alternative Investment Market ("AIM"). The Company's registered office and domicile is 54 Jermyn Street, London, SW1Y 6LX, United Kingdom. The consolidated interim financial statements as at and for the six months ended 31 December 2013 comprised the Company and its subsidiaries (the 'Group') and the Group's interest in joint ventures.

The consolidated interim financial statements for the six months ended 31 December 2013 should be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 30 June 2013, which have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU.

The accounting policies adopted are consistent with those described in the Group's Annual Report and Financial Statements for the year ended 30 June 2013.

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

2 Financial reporting period

The consolidated interim financial statements for the period 1 July 2013 to 31 December 2013 are unaudited and have not been reviewed in accordance with International Standard on Review Engagements (ISRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The consolidated interim financial statements for the six months ended 31 December 2013 was approved by the Board for issue on 28 February 2014. In the opinion of the Directors the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in conformity with the generally accepted accounting principles consistently applied. The consolidated interim financial information incorporates unaudited comparative figures for the interim period 1 July 2012 to 31 December 2012 and the audited financial year to 30 June 2013.

The consolidated interim financial statements for the six months ended 31 December 2013 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The comparatives for the full year ended 30 June 2013 are not the Company's full statutory accounts for that year. Statutory accounts for the year ended 30 June 2013 were approved by the Board of Directors on 2 October 2013 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498 (2)-(3) of the Companies Act 2006.

3 Taxation of profit for the period

In thousands of US$	**Six months ended 31 December 2013 (Unaudited)**	Six months ended 31 December 2012 (Unaudited)	Year ended 30 June 2013 (Audited)
Current tax			
Tax charge for the period	**9,561**	4,008	7,345
Deferred tax			
Origination and reversal of temporary differences	**(3,184)**	657	(4,647)
Total tax expense	**6,377**	4,665	2,698

4 (Loss)/earnings per share

(Loss)/earnings per ordinary share has been calculated using the weighted average number of shares in issue during the period. The weighted average number of shares is 540,074,042 (31 December 2012 – 325,236,966; 30 June 2013 – 417,318,587) and the loss after tax attributable to equity holders of the parent is US$629,324 (31 December 2012 – income of US$2,259,500; 30 June 2013 – loss of US$22,790,591).

Diluted earnings per share amounts are calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, 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. The diluted weighted average number of shares is 548,330,754 (31 December 2012 –336,728,631; 30 June 2013 – 425,575,299).

5 Acquisitions

Fabergé Limited

The Company completed the acquisition of Fabergé Limited on 28 January 2013. Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented and globally recognised heritage. The transaction creates the opportunity for Gemfields to establish itself as the world's leading coloured gemstone company, operating at both critical ends of the value chain. The transaction also creates marketing, communication, management and supply potential to deliver operational efficiency, creating a platform to further increase Gemfields' market share within the coloured gemstone sector and providing greater influence over product positioning and consumer awareness.

The Group has finalised its review of the fair value of the identifiable assets and liabilities acquired in respect of the acquisition of Fabergé Limited. The final fair value adjustments related primarily to the final measurement of the trademark and other intangible assets, inventories acquired, goodwill and deferred tax liability. All final fair value adjustments have been recognised as at 31 December 2013.

Details of the final fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

In thousands of US$	Provisional fair value at acquisition date as reported at 30 June 2013	Final fair value adjustments	Final fair value at acquisition date
Property, plant and equipment	1,708	-	**1,708**
Property lease premium	456	-	**456**
Long term deposits	665	-	**665**
Faberge trademark and other intangible assets	40,749	(641)	**40,108**
Inventories	36,440	164	**36,604**
Trade and other receivables	2,562	-	**2,562**
Cash and cash equivalents	11,524	-	**11,524**
Total assets	94,104	(477)	**93,627**
Trade and other payables	(3,756)	-	**(3,756)**
Deferred tax liability	(1,463)	110	**(1,353)**
Total liabilities	(5,219)	110	**(5,109)**
Total net assets	88,885	(367)	**88,518**
Goodwill	1,463	367	**1,830**
Total consideration	90,348	-	**90,348**

6 Events after the reporting date

Auction

From 21 February to 25 February 2014, the Group held an auction of predominantly higher quality rough emeralds in Lusaka, Zambia. A total of 615,007 carats were sold, representing the bulk of the quantity offered and generating US$36.5 million. The auction yielded an average of US$59.31 per carat representing a 10% increase over the previous high of US$54.00 per carat achieved by Kagem at the July 2013 Lusaka auction.