

Gemfields plc

Interim Report and Financial Statements

Six months ended 31 December 2014

Company Number 05129023

Gemfields plc

Interim Report and Financial Statements

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Gemfields plc

Interim Report and Financial Statements for the six months ended 31 December 2014

9 March 2015

Financial Highlights

- Revenue of US\$103.4 million (2013: US\$65.7 million);
- EBITDA^(a) of US\$61.7 million (2013: US\$18.0 million);
- Net profit after tax of US\$23.2 million (2013: US\$1.4 million);
- Cash at bank of US\$49.7 million at 31 December 2014 (30 June 2014: US\$36.8 million); and
- Cost of inventory at hand, excluding fuel and other consumables, of US\$98.5 million (30 June 2014: US\$86.3 million).

Operational Highlights

Emeralds

- Production summary for 75% owned Kagem Mining Limited (“Kagem”) in Zambia for the period:
 - Production of 12.1 million carats of emerald and beryl (2013: 10.4 million carats);
 - Average grade of 202 carats per tonne (2013: 267 carats per tonne);
 - Total operating costs^(b) of US\$21.9 million (2013: US\$14.3 million), and corresponding cash operating costs^(d) of US\$21.6 million (2013: US\$13.6 million), the increases resulting from intensified mining activity, pit expansion and bulk sampling across the mining licence area;
 - Unit operating costs^(c) of US\$1.81 per carat (2013: US\$1.38 per carat). On a cash basis^(d), operating costs were US\$1.79 per carat (2013: US\$1.32); and
 - Cash rock handling unit costs of US\$2.92 per tonne (2013: US\$3.52 per tonne).
- August 2014 auction of predominantly lower quality rough emeralds and beryl held in Lusaka, Zambia generated revenues of US\$15.5 million.
- November 2014 auction of predominantly higher quality rough emeralds raised US\$34.9 million at an overall average value of US\$65.89 per carat, a new record for higher quality emerald auctions.

Rubies

- Production summary for 75% owned Montepuez Ruby Mining Limitada (“Montepuez”) in Mozambique for the period:
 - Production of 6.3 million carats of ruby and corundum (2013: 5.1 million carats);
 - Average grade of 37 carats per tonne (2013: 86 carats per tonne);
 - Total operating costs^{(b)(e)} of US\$10.0 million (2013: US\$4.1 million), and corresponding cash operating costs^(d) of US\$8.6 million (2013: US\$4.8 million), largely on account of increased mining activity across the mining licence area;
 - Unit operating costs^(c) of US\$1.59 per carat (2013: US\$0.80 per carat). On a cash basis^(d), operating costs were US\$1.37 per carat (2013: US\$0.94 per carat); and
 - Cash rock handling unit costs of US\$5.85 per tonne (2013: US\$9.14 per tonne).
- December 2014 auction of predominantly higher quality rough ruby held in Singapore generated revenues of US\$43.3 million at an average realised price of US\$688.64 per carat, the highest ever achieved at any Gemfields auction.

- Acquisition of a controlling interest in an additional two ruby deposits in Mozambique, adjacent to the existing Montepuez deposit and covering approximately 19,000 hectares and 15,000 hectares respectively – effectively doubling the size of the existing area under licence.

Sapphires

- Gemfields entered into a joint venture with East West Gem Investments Limited ('EWGI'), in order to progress opportunities in the Sri Lankan sapphire and gemstone sector.
- The joint venture will also see Gemfields and EWGI establish a gemstone trading company called Ratnapura Lanka Gemstones (Pvt) Ltd.

Fabergé

- Despite a material decrease in sales arising from Ukraine and Russia, wholly owned Fabergé Ltd saw the value of sales during the period increase by 2.4% when compared with the same period in 2013. Losses before interest, tax, depreciation and amortisation reduced by an encouraging 17%.
- Focus during the period directed at creating new collections including high-end jewellery, objects d'art and timepieces. Fabergé is poised to unveil four new timepiece collections as well as cohesive collections of core and entry-level jewellery at the BaselWorld Watch and Jewellery Show in Switzerland from 19-26 March 2015.

Post reporting period events

- Robust lower quality emerald and beryl auction held in Lusaka, Zambia in February 2015 achieved total revenues of US\$14.5 million and an average realised price of US\$3.72, a new record per carat price for auctions of predominantly lower quality material.
- Fabergé unveiled a number of new product designs at the 2015 Doha Jewellery and Watches Exhibition in Qatar. These included new high-end men's and lady's watches and the Fabergé Pearl Egg, the first egg created in the 'Imperial Class' since 1917 while the Fabergé family and Fabergé name have been united.

Outlook

- Gemfields' next auction, which will be of predominantly lower quality rough rubies from Montepuez, is scheduled to take place in Jaipur in March/April 2015.
- An auction of predominantly higher quality rubies is presently scheduled to take place in Singapore in June 2015.
- It remains the Company's view that a steady increase in demand, and the associated positive impact on achievable prices, is set to continue for the foreseeable future.
- The Company's commitment to global exploration and expansion are also expected to yield positive results.

Explanatory notes:

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

(b) Total operating costs include mining and production costs, selling, general and administrative expenses, and depreciation relating to both PPE-related capital expenditure and capitalised waste stripping costs, but exclude capitalised costs and mineral royalties.

(c) Unit operating costs are calculated as total operating costs (as defined in (b) and (d)) divided by the total gemstone production during the period.

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

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

Gemfields plc

Chairman's Statement

Dear Shareholder,

I am pleased to report on another six months of strong financial and operational performance by Gemfields, building on the success of the last financial year. During the period, we have delivered healthy group revenues of US\$103.4 million and an EBITDA of US\$61.7 million.

Global demand for coloured gemstones – and Gemfields' responsibly sourced gemstones in particular – has remained firm, with the Company showing resilience in what has been a difficult operating environment for the mining sector. Significant achievements include the record-breaking prices achieved at the three auctions held during the period, which together yielded aggregate revenues of US\$94 million – a strong performance for the highly regarded Gemfields auction platform.

These positive results reflect the global strength of Gemfields' reputation and approach. With the Company's increasingly solid market positioning, improved levels of liquidity and the consistent application of our "mine and market" strategy, the opportunity for sustained growth remains significant. We expect global economic conditions to remain challenging for the remainder of the financial year and we will therefore continue to manage growth with our usual prudent-yet-positive approach.

The period saw Kagem deliver on its production performance despite a reduction in grade. As part of the ongoing drive to increase production within the licence area, significant progress has been made on the fourth high wall pushback project in the Chama pit and on increasing the bulk sampling programme at the nearby Libwente and Fibolele pits. This has resulted in an increase in total costs, but is expected to yield improved efficiencies and increased production output in the medium term. The role played by Zambian emeralds in the international jewellery market has never been more important and Kagem remains in a strong position to meet and sustain this demand throughout the coming year.

The Montepuez ruby deposit in Mozambique continues to surpass financial and operational expectations, with ongoing exploration and bulk sampling activities increasing in scale and delivering encouraging results. Our second ruby auction achieved revenues of US\$43.3 million, the highest ever recorded at a Gemfields auction, demonstrating that Montepuez is already having a hugely positive impact in the global ruby market.

An exceptional 40.23 carat rough ruby was discovered at Montepuez during the period and was successfully sold at auction in December 2014. In recognition of what we believe to be one of the most important rubies unearthed in recent times (and which we named the "Rhino Ruby"), we were proud to support the anti-rhino-poaching aircraft operated by Game Reserves United on the Mozambique-South Africa border.

Turning to our jewellery business, we continue to unlock Fabergé's growth potential in pursuit of profitability and positioning the brand at the highest echelons of global luxury. Both revenues and operating losses during the period improved modestly. The introduction of a number of exquisite new product lines, an expanding distribution network and clearly defined branding and positioning mean that the outlook for Fabergé remains encouraging.

I am also pleased to report that we are now in the process of furthering the interests of our trading company in Sri Lanka, approved by the Board of Investment Sri Lanka (BOI Sri Lanka) and bringing us closer to realising our red, green and blue "traffic light of colour" strategy. The trading company will focus on sourcing rough sapphires from pre-vetted parties already operating within the local market.

Furthermore, and in anticipation of future global demand for Mozambican rubies, we are pleased to have been able to finalise the acquisition of controlling interests in two additional ruby deposits within Mozambique,

providing a platform for the continued expansion of Gemfields' portfolio of tier one, world-class assets.

I remain highly encouraged by the strength of the Group's performance and thank you, our shareholders, as well as the entire Gemfields team, for the continued support we enjoy as we work to deliver sustainable, long-term financial performance.

I look forward to further updating you at the end of the financial year.

Graham Mascal

6 March 2015

Gemfields plc

Operational and Financial Review

Kagem Mining Limited, Zambia

Kagem is the world's single largest producing emerald mine and is 75% owned by Gemfields, with the remaining 25% owned by the Government of the Republic of Zambia. Kagem is located in the Ndola Rural Emerald Restricted Area and lies south of Kitwe and west of Ndola in Zambia's Copperbelt Province. Kagem's licence area comprises almost 41 square kilometres and currently delivers approximately 20% of global emerald production.

Mining

Significant progress was made on the fourth high wall pushback during the period, which will extend the Chama pit by a further 75 metres at the south-eastern edge. In excess of 7.3 million tonnes of waste were removed (2013: 3.9 million tonnes) by the in-house team and third-party contractor during the period, and the 17-month stripping programme is currently running ahead of its targeted completion date of September 2015.

During the first half of the year, a total of US\$11.2 million (2013: nil) was invested in new mining and ancillary equipment to support the scale of operations at the Chama pit as well as accelerating bulk sampling of the Libwente and Fibolele pits.

The scheduled production points yielded 12.1 million carats during the period (2013: 10.4 million carats) at a grade of 202 carats per tonne (2013: 267 carats per tonne). The nature of gemstone deposits does result in fairly considerable grade fluctuations and it is often useful to consider grades on a twelve month rolling average basis. The overall grade was further impacted by the dilution effect of the bulk sampling work being carried out at the Fibolele and Libwente pits, where the early signs remain encouraging.

Total operating costs were US\$21.9 million (2013:14.3 million) or US\$1.81 per carat (2013: US\$1.38 per carat), reflecting the increased scale of operations, pit expansion and bulk sampling across the mining licence area. On a cash basis, total operating costs were US\$21.6 million (2013: US\$13.6 million) or US\$1.79 per carat (2013: US\$1.32 per carat).

Cash rock handling unit costs were US\$2.92 per tonne (2013: US\$3.52 per tonne), with the increased scale of mining operations clearly delivering improved efficiencies.

Having made a considerable contribution to the understanding of underground emerald mining conditions in Zambia, Kagem's trial underground mining project was placed on hold towards the end of the period. The continued viability of open-pit operations, supported by robust emerald prices, has provided Kagem with the flexibility to extend the open pit operations as required and has negated the need for accelerated underground operations at this time. The results of the pilot project will be incorporated into the ongoing study of potential larger-scale underground mining operations, along with the development of a detailed underground mine plan. A project manager with extensive experience of underground mining in prevailing rock conditions within Zambia has been appointed to oversee this expansion plan.

Processing

Kagem increased its processing efficiencies following an upgrade of the washing plant facility and the associated security arrangements, with pleasing volumes being processed during the period. A climate-controlled environment has also been established within the enclosed picking-belt facility, resulting in an improved working environment and better operating controls.

These improvements have contributed to the now well-established efficiency drives at Kagem, with fewer breakdowns, reduced maintenance costs, more efficient gemstone recoveries and enhanced overall security.

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

KAGEM Quarterly Summary to December-14	Units	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
PRODUCTION										
Gemstone Production (Emerald+Beryl)	million carats	6.6	6.6	8.9	6.5	3.9	3.6	6.2	6.3	5.8
Ore Production (Reaction Zone)	'000 tonnes	23.1	24.5	27.8	21.4	17.2	18.0	23.4	29.4	30.5
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	288	265	322	302	224	198	271	214	190
Waste Mined (including TMS)	million tonnes	2.2	2.2	2.5	1.9	1.9	1.0	2.5	3.2	4.1
Total Rock Handling	million tonnes	2.2	2.3	2.5	1.9	2.0	1.0	2.5	3.2	4.2
Stripping Ratio		96	91	89	88	113	55	108	109	134
CAPITAL EXPENDITURE										
Capital Expenditure – Property, Plant and Equipment	US\$ million	3.8	-	0.5	-	-	2.7	0.2	4.5	6.7
Capital Expenditure – Capitalised Waste Stripping	US\$ million	3.3	3.4	4.6	2.6	2.3	0.4	3.7	3.9	6.3
CASH COSTS ^(a)										
Total (Cash) Operating Costs ^(a)	US\$ million	7.7	6.9	9.1	6.8	6.8	4.9	8.9	9.3	12.3
Gemstone (Cash) Unit Cost (Emerald+Beryl) ^(a)	US\$/carat	1.16	1.05	1.02	1.06	1.76	1.38	1.44	1.48	2.12
Ore / Reaction Zone (Cash) Unit Cost ^(a)	US\$/RZ tonne	333	282	327	319	393	273	380	316	403
Rock Handling (Cash) Unit Cost ^(a)	US\$/tonne	3.43	3.06	3.64	3.58	3.46	4.90	3.56	2.91	2.93
ACCOUNTING COSTS ^(b)										
Total Operating Costs ^{(b)(c)}	US\$ million	7.0	6.7	7.8	7.1	7.2	6.6	11.1	10.3	11.6
Gemstone Unit Cost (Emerald+Beryl) ^(b)	US\$/carat	1.06	1.02	0.88	1.09	1.85	1.83	1.79	1.63	2.00
Reaction Zone Unit Cost ^(b)	US\$/RZ tonne	303	273	281	332	419	367	474	350	380
Rock Handling Unit Cost ^(b)	US\$/tonne	3.18	2.91	3.12	3.74	3.60	6.60	4.44	3.22	2.76

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

(b) Total operating costs include mining and production costs, selling, general and administrative expenses, and depreciation relating to both PPE-related and capitalised waste stripping costs, but exclude capitalised waste stripping costs and mineral royalties.

(c) As at 31 December 2014, a total of approximately US\$49.42 million of waste moving costs has been capitalised and is being amortised as and when the associated ore is mined. The balance of capitalised waste moving costs, net of amortisation, as at 31 December 2014 amounted to US\$20.5 million.

Safety and environment

Gemfields continues to maintain an excellent safety record at Kagem, with no reportable injuries since taking over responsibility for the mine in 2009. The safety and wellbeing of our employees remains paramount and requires constant vigilance and attention. All of Kagem's employees are given safety training at the start of their employment, which is then reinforced through regular internal and external training programmes. Kagem prides itself on its ability to supply emeralds that are mined in a responsible, transparent and safe manner with minimised impact on the natural environment.

Geology and exploration

We remain focused on our mineral resource replenishment programme through continuous exploration within the Kagem licence.

Libwente South Pit, in the south-east of the Kagem licence, is one of two new bulk sampling projects at Kagem. The exploration work delineated shallow-dipping TMS varying in thickness from 8 to 10 metres and occurring at a depth range of 20 to 70 metres. Bulk sampling of this pit commenced in July 2014, progressed well and has just recently been expanded in scale. The current project envisages total rock handling of 1.9 million tonnes to produce 41,000 tonnes of reaction zone (ore) at a targeted stripping ratio of 46:1.

Subsequent to the opening of the Libwente South Pit, core drilling continued to extend the TMS outline and

identify additional prospective TMS resources in the area. This resulted in the delineation of another bulk sampling pit targeting a shallow TMS body at depths of between 6 and 24 metres with an average thickness of 16 metres, and dipping at between 16° and 20° in a south-easterly direction.

Gemstone production from bulk sampling at the Fibolele pit also increased during the period, largely due to the increased width of the TMS being mined and yielding considerably improved grades, boding well for the remainder of the Fibolele TMS Belt.

Based on the encouraging results achieved during the first of two phases of bulk sampling at Fibolele, a third phase has now been planned. This will increase the pit size to 590 metres in length and 50 metres in depth, with a planned stripping ratio of 57:1.

We continue to develop our understanding of emerald gemstone geology and have maintained a competitive advantage by utilising cutting edge exploration tools and techniques throughout.

Rough sales and auctions

Two auctions of emeralds from the Kagem emerald mine were held during the period.

From 5-8 August 2014, Gemfields held an auction of predominantly lower quality emerald and beryl in Lusaka, Zambia, generating revenues of US\$15.5 million, the second highest aggregate revenue yet achieved for lower quality emerald auctions. Excluding the sale of 1.5 tonnes of low quality beryl, the average realised price was US\$3.61 per carat (or US\$1.34 per carat including the low quality beryl).

An auction of predominantly higher quality rough emeralds was held from 13-17 November 2014 in Lusaka, Zambia, generating revenues of US\$34.9 million, the second highest achieved at a higher quality emerald auction to date. The auction saw 0.598 million carats from Kagem placed on offer and realised an overall average price of US\$65.89 per carat, a new record for higher quality emerald auctions.

Post the period end, in February 2015, a further auction of predominantly lower quality rough emeralds raised US\$14.5 million at an overall average value of US\$3.72 per carat, another record per carat sales price for lower quality emerald auctions.

The Company's 18 auctions of emeralds and beryl mined at Kagem since July 2009 have generated US\$325 million in total revenues. The results of the two Kagem emerald auctions held during the period are summarised in the table below:

Auction Results		
Dates	5-8 Aug 2014	13-17 Nov 2014
Location	Lusaka, Zambia	Lusaka
Type	Lower Quality	Higher Quality
Carats offered	12.11 million	0.60 million
Carats Sold	11.58 million	0.53 million
No. of companies placing bids	21	34
Average no. of bids per lot	7	12
No. of lots offered	21	17
No. of lots sold	17	16
Percentage of lots sold	81%	94%
Percentage of lots sold by weight	96%	89%
Percentage of lots sold by value	88%	89%
Total sales realised at auction	US\$15.5 million	US\$34.9 million
Average per carat sales value	US\$ 1.34/carat	US\$65.89/carat

Human resources initiatives

For the first time in Kagem's history, all eligible contract employees have been placed on permanent and pensionable terms of employment, with employees over the age of 55 years able to complete their existing five-year contracts before retiring. A new roster scheme is reducing overtime and the installation of a biometric time-and-attendance system is being implemented to improve efficiency and enhance access control.

IT initiatives

Kagem has undergone significant IT infrastructure improvements in order to accommodate new systems and technologies required to support the future demands of the business. Wi-Fi access has been expanded throughout the offices and residential areas, the network has been upgraded and expanded, and fibre-optic links installed.

Credit facility

In August 2014, Kagem entered into a US\$20 million revolving credit facility with Barclays Bank Zambia plc ("Barclays"). Funds drawn under the facility bear interest at a rate of three month US Dollar LIBOR plus 4.5%.

The loan replaced the prior term loan with Barclays (which had an outstanding balance of US\$6.8 million at 30 June 2014) and is used for Kagem's working capital and capital expenditure requirements.

Security for the loan comprises a fixed and floating charge over Kagem's net assets equivalent to the amount outstanding under the facility. In addition, Gemfields plc provides a corporate guarantee.

The outstanding balance as at 31 December 2014 was US\$15 million.

Montepuez Ruby Mining Limitada, Mozambique

The Montepuez ruby deposit is located in the north-east of Mozambique in the Cabo Delgado province. Covering approximately 33,600 hectares, it is believed to be the most significant recently discovered ruby deposit in the world. Gemfields owns a 75% interest in Montepuez Ruby Mining Limitada ('Montepuez') which holds a 25 year mining and exploration licence granted by the Government of Mozambique in November 2011.

Mining

The bulk sampling programme at Montepuez continues to increase in scale and to deliver consistently pleasing results. During the period, bulk sampling activities have focussed primarily on alluvial deposits found within the Maninge Nice and Mugloto areas, located approximately 9 kilometres apart.

After a technical review, the rock handling approach has been optimised and additions to the fleet have brought the total rock handling capacity to an average of 310,000 tonnes per month, compared to 120,000 tonnes per month in the previous year. Ongoing exploration programmes have provided the catalyst to evaluate the potential of further increasing the existing capacity.

Approximately 6.3 million carats of ruby and corundum were produced during the period (2013: 5.1 million carats). This takes the total ruby and corundum produced at Montepuez since the commencement of bulk sampling to 14.7 million carats. Total rock handling during the period was 1.5 million tonnes (2013: 0.5 million tonnes), made up of 0.3 million tonnes of ore and 1.2 million tonnes of waste. Total cash operating costs were US\$8.6 million (2013: US\$4.8 million).

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

Montepuez Quarterly Summary to December-14	Units	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
PRODUCTION										
Gemstone Production (Ruby+Corundum)	million carats	0.3	0.4	1.2	2.9	2.3	1.1	0.2	2.9	3.4
Ore Production (Mineralised Overburden, Gravel Bed, Amphibolite)	'000 tonnes	11.5	1.6	13.5	81.9	150.9	75.9	99.9	81.7	158.3
Ore Processed (Mineralised Overburden, Gravel Bed, Amphibolite)	'000 tonnes	0.2	2.6	10.5	24.6	35.9	28.8	68.9	69.9	101.4
Grade (Ruby+Corundum/Ore Processed)	carats/tonne	1,500	154	114	118	64	38	3	41	34
Waste Mined	'000 tonnes	0.9	16.3	27.5	154.8	137.8	456.5	443.0	452.2	776.9
Total Rock Handling	'000 tonnes	12.4	17.9	41.1	236.6	288.7	532.4	542.9	533.9	935.2
Stripping Ratio		0.1	10.2	2.0	1.9	0.9	6.0	4.4	5.5	4.9
CAPITAL EXPENDITURE										
Capital Expenditure – Property, Plant and Equipment	US\$ million	0.3	0.5	1.6	0.5	2.9	1.1	1.5	4.5	1.6
CASH COSTS ^(a)										
Total (Cash) Operating Costs ^(a)	US\$ million	1.3	1.2	2.4	2.0	2.8	3.0	3.1	3.7	4.9
Gemstone (Cash) Unit Cost (Ruby+Corundum) ^(a)	US\$/carat	4.33	3.00	2.00	0.69	1.22	2.73	15.50	1.28	1.44
Ore Production (Cash) Unit Cost ^(a)	US\$/tonne	113.04	750.00	177.78	24.42	18.56	39.53	31.03	45.29	30.95
Rock Handling (Cash) Unit Cost ^(a)	US\$/tonne	104.84	67.04	58.39	8.45	9.70	5.63	5.71	6.93	5.24
ACCOUNTING COSTS ^(b)										
Total Operating Costs ^(b)	US\$ million	1.1	0.9	2.0	1.8	2.3	2.4	0.8	4.3	5.7
Gemstone Unit Cost (Ruby+Corundum) ^(b)	US\$/carat	3.67	2.25	1.67	0.62	1.00	2.18	4.00	1.48	1.68
Ore Production Unit Cost ^(b)	US\$/tonne	95.65	562.50	148.15	21.98	15.24	31.62	8.01	52.63	36.01
Rock Handling Unit Cost ^(b)	US\$/tonne	88.71	50.28	48.66	7.61	7.97	4.51	1.47	8.05	6.09

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

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

Approximately 171,000 tonnes of ore were processed by the washing plant, with the highest recoveries achieved from the gravel beds of Maninge Nice and Mugloto, at an average grade of 37 carats per tonne.

Total investment in property, plant and equipment for the period was US\$6.1 million (2013: US\$3.4 million), with much of this being spent on improved washing plant facilities and mining equipment. This investment has generated significant increases in washing plant capacity as is evidenced by the improvements in the ore processed in recent quarters.

Geology and exploration

An extensive exploration programme is underway across the entire Montepuez licence area involving both diamond core drilling and auger drilling carried out by a combination of Montepuez' in-house team and a third party contractor.

The purpose of the exploration programme is to generate a solid baseline geological map with sufficient subsurface data to better understand the extent and trend of the amphibolites, the gravel bed thickness and its distribution and indicative grades. Gemfields is targeting completion of its maiden JORC-compliant resource statement for Montepuez in the second half of this calendar year.

The auger drilling programme commenced on 5 June 2014 and it is envisaged that a total of 25,000 metres will be drilled across the central part of the Montepuez licence. Over 7,000 metres of drilling was completed within the period in the first of three planned blocks. The initial drilling programme is expected to be completed by December 2015.

The study has already delineated significant paleo-channel deposits with occurrences of ruby mineralisation

within the Mugloto area and these have subsequently been proven by bulk sampling. Other areas with potential, each with gravel bed thicknesses of more than one metre, have also been delineated as a result of the exploration programme.

Diamond core drilling in the Maninge Nice area has recovered approximately 3,500 metres of core to date. The core drilling is primarily utilised to establish the continuity of mineralised amphibolite within the subsurface areas. In the Maninge Nice area, the boundary of the amphibolitic body and the subsurface continuity of ruby mineralisation to below 30 metres have been delineated and established. The team has also observed the presence of white marble bands of up to 30 metres in thickness and to a depth of up to 45 metres with intermittent bands of amphibolite. A further contractor has been engaged to complete the initial programme of core drilling across the Mugloto area with encouraging results achieved thus far.

Processing

During the period an additional rinsing screen was added to improve the performance of the washing plant during the rainy season which helped drive the increased processing performance achieved during the period.

A water reservoir and large dam have been constructed adjacent to the plant for the collection of rain water. Seven large-diameter water boreholes across the licence area, combined with the utilisation of meteoric water collected within the bulk sampling pits, further supplement water supplies.

Further capacity increases and recovery improvements are being studied in order to produce a fully engineered design with detailed cost and throughput projections. This will be an important step towards finalising the planned increase in washing capacity required for the potential ramp up in production anticipated at Montepuez in the future.

Rough sales and auctions

Following the inaugural auction in June 2014, a second auction of rough ruby from Montepuez was held in Singapore from 3-8 December 2014, comprising predominantly higher quality material. A total of 50 companies placed bids during the auction which saw 85,491 carats of ruby being placed on offer and 62,936 carats being sold. The auction generated revenues of US\$43.3 million, the highest ever achieved at any Gemfields auction, and yielding an average overall average value of US\$688.64 per carat.

In November 2014, Gemfields announced that an exceptional 40.23 carat rough ruby from Montepuez would form part of the December auction. The ruby was successfully sold, with the achieved price remaining undisclosed in accordance with the principles relating to Gemfields' auctions. In recognition of the successful sale of this exceptional ruby (dubbed the "Rhino Ruby" given its size and characteristics), Gemfields has committed to supporting the anti-rhino-poaching aircraft operated by Game Reserves United (<http://gamereservesunited.co.za>), thereby contributing to a material proportion of its flying costs for the 2015 calendar year.

Collectively the two ruby auctions to date raised total revenues of US\$76.8 million.

The auction results are summarised below:

Auction results (Ruby and corundum)

Date	3-8 December 2014	12-17 June 2014
Location	Singapore	Singapore
Type	Rough Ruby (Higher Quality)	Rough Ruby & Corundum
Carats offered	85,491	2.03 million
Carats sold	62,936	1.82 million
No. of companies placing bids	50	55
No. of lots offered	41	62
No. of lots sold	35	57
Percentage of lots sold	85%	92%
Percentage of lots sold by weight	74%	90%
Percentage of lots sold by value	97%	91%
Total gross sales realised at auction	US\$ 43.3 million	US\$ 33.5 million
Average per carat sales value	US\$ 688.64/carat	US\$ 18.43/carat

Gemfields’ next auction, which will be of predominantly lower quality rough ruby and corundum, is scheduled to take place in Jaipur, India in March 2015. An auction of predominantly higher quality rubies is also scheduled to take place in Singapore in June 2015.

Infrastructure

The mine’s camp site is due to undergo a significant upgrade in the coming 12 months with the existing prefabricated structures being replaced by permanent infrastructure including improved roads, water purification capabilities, office and accommodation units, and leisure facilities. Work has begun on upgrading the installed CCTV equipment within the washing plant and sort house areas to further reduce the risk of stock losses.

Security

Given the size and nature of the Montepuez ruby licence, unlicensed mining activity and asset loss remain key challenges although new infrastructure, a significant security presence and ongoing efforts have resulted in a clear improvement.

An extensive and dynamic security plan has been formulated and is being implemented at site level. The plan will aim to separate the security department into an independently functioning unit. Internal security personnel have been inducted from the Mozambican military with the aim of increasing the level of diversity, skills and discipline available within the department.

Safety and environment

Gemfields is formalising a group-level standard for health and safety reporting and procedures. This is to be implemented within Montepuez via a highly skilled health & safety team whose focus will primarily be directed at training the teams to the required standard.

Social initiatives are currently underway within the local communities, including the completion of various improvements to the local maternity ward. Environmental and social impact assessment studies have been carried out and are due to be submitted to the Mozambique Ministry of Environment by the end of June 2015.

Kariba Minerals Limited, Zambia

Kariba Minerals Limited (“Kariba”) is the world’s single largest operating amethyst mine 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. In 2013, the Government of the Republic of Zambia elected to transfer its 50% stake in Kariba (with Gemfields owning the remaining 50%) to ZCCM Investments Holdings plc (“ZCCM-IH”), in which the government owns approximately 87%.

The Kariba deposit comprises 10 active or semi-active pits producing a different mix of grades. Production is adapted in line with prevailing market demand for particular sizes and qualities. The Curlew North, Francis West and Cha Cha pits have been actively developed and mined during the period. The positive bulk sampling results achieved from the Cha Cha pit has meant that this previously virgin area is now an actively producing pit.

Production of amethyst increased significantly during the period to 574,000 kg (2013: 223,000 kg). Approximately 8,000 tonnes of ore were processed by the washing plant, with the highest recoveries achieved from the Curlew pit.

A total of 510 kg of medium and commercial grade amethyst was sold during the period for US\$750,000, with the higher grade amethyst being retained for sale at auction. From 24 to 27 February 2015, this higher grade amethyst was sold, alongside emerald and beryl, at an auction in Lusaka, Zambia, generating revenues of US\$ 450,000 from 25.2 million carats of amethyst.

A new exploration programme is being put in place for 2015 to confirm and re-estimate the mineral resources available at the Kariba mine.

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

	Six months to 31 December 2014	Six months to 31 December 2013
Kariba production summary	2014	2013
Gemstone production (amethyst - all grades) in tonnes	574	223
Ore production in tonnes	11,825	3,500
Grade (kg of amethyst per tonne of ore)	49	64
Waste mined in tonnes	146,640	99,580
Stripping ratio	12	28

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

The first phase of a new CCTV system was successfully deployed during the period and is now fully operational, with 15 cameras monitoring key areas including the sort house, washing plant and stores. Coverage of a more extensive surveillance area is being planned for 2015.

These infrastructure upgrades serve to further increase mining volumes and operational efficiencies at Kariba.

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 the Antananarivo, Fianarantsoa and Toliara provinces of Madagascar. In addition, Oriental has the right to five exploration licences that are pending transfer approval from the Madagascan Ministry of Energy and Mines.

Fabergé Limited

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

The value of sales during the period increased by 2.4% when compared to the same period in 2013, despite a material decrease in sales arising from Ukraine and Russia. Improved practices helped reduce losses before interest, tax, depreciation and amortisation by approximately 17%.

During the period Fabergé worked on expanding into two important luxury categories, namely "Objets d'Art" and high-end Swiss timepieces.

Creative and production

Fabergé continues to concentrate on creating new collections including high jewellery, the introduction of four world premiere timepiece collections in collaboration with two of the world's leading Swiss watchmakers, and the introduction of bespoke Objets d'Art. Taking inspiration from the unique heritage of the House of Fabergé, the new collections are founded on the artistic use of colour in the form of coloured gemstones and enamel. These collections will be launched during the year ahead.

Marketing

In December 2014, Fabergé presented its latest jewellery collections at the Bahrain Jewellery Exhibition. In the first new product launch of 2015, the company unveiled The Fabergé Pearl Egg at the Doha Jewellery & Watches Exhibition in February 2015 – the first egg created in the 'Imperial Class' since 1917 while the Fabergé name and Fabergé family have been united. Pearls were sourced in collaboration with the Al-Fardan family, one of the world's most renowned pearl collectors.

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

For 2015 and beyond, Fabergé will focus on positioning itself as the artist jeweller, painting with precious coloured gemstones and enamels to create unique personal pieces of art.

Distribution

Through the financial year ending 30 June 2015, Fabergé is following an exclusive global distribution strategy by partnering with leading multi-brand retailers and department stores in key territories and further building its international wholesale team.

Group Corporate Social Responsibility

Gemfields remains committed to managing corporate responsibility and sustainable development across the business.

During the period, the Company has commenced work on two major community projects near the Kagem emerald mine in Zambia: the construction of the district's first secondary school at Chapula and a four-ward health centre expansion at the Nkana Clinic. Then Acting-President of Zambia, H.E. Dr Guy Scott, officially launched the US\$1.3 million programme with a ground-breaking ceremony on 13 January 2015.

Our Montepuez ruby mine in Mozambique is a relatively young project, however we have already undertaken a number of community projects including the construction of three schools, a sporting ground, a market, a community health centre and the drilling and installation of two water boreholes. A pilot project on local agri-farming has also been rolled out. A Joint Community Committee is to be formulated with key community stakeholders so as to ensure the most effective social investment in the area.

In December 2014, Gemfields announced an exclusive collaboration with activist designer, Mary Fisher. The Gemfields 100 Good Deeds Bracelet features 100 ethically mined Gemfields Zambian amethyst beads

handcrafted by vulnerable women in Zambia. One hundred percent of the proceeds from sales of the bracelet will be donated to the Abataka Foundation, a non-profit organisation which provides economic and educational opportunities otherwise unavailable to women and girls across the globe.

Following Gemfields' successful sale of a 40.23 carat rough ruby from its Montepuez ruby deposit at auction in Singapore and in recognition of the sale of this exceptional ruby (named the "Rhino Ruby"), Gemfields committed to supporting the anti-rhino-poaching aircraft operated by Game Reserves United. This support will enable the aircraft to double its flying time in 2015.

Acquisitions

Sri Lanka

In September 2014, Gemfields plc entered into a joint venture with East West Gem Investments Limited ("EWGI"), a Jersey registered company, in order to progress opportunities in the Sri Lankan sapphire and gemstone sector via three Sri Lankan subsidiaries which will be 75% and 25% held by Gemfields and EWGI respectively.

Under the terms of the agreements, Gemfields has acquired 75% operating interests in 16 exploration licences (covering diverse minerals) for a consideration of US\$0.4 million. The joint venture will also see Gemfields and EWGI establish a gemstone trading company called Ratnapura Lanka Gemstones (Pvt) Ltd ("RLGPL"), a company approved by the Board of Investment of Sri Lanka ("BOI Sri Lanka"). The trading company will focus on sourcing rough sapphires from various sources in the local market.

Further to the process of acquisition, a trading licence has been obtained in favour of RLGPL, and a token shipment of sapphire made from Sri Lanka to the Gemfields UK office. Gemfields is in the process of establishing infrastructure in Sri Lanka and commencing preliminary geological assessment of the permits.

Additional ruby mining licences

The acquisition of controlling interests in two additional ruby deposits in Mozambique was completed during the period. Valid for an initial period of 25 years, the licences were formally issued by the Mozambican government on 22 September 2014 and 12 November 2014 respectively to a new company – Megaruma Mining Limitada ("Megaruma"), in which Gemfields is a 75% shareholder. The two licences, which do not border on one another, each share a boundary with the existing Montepuez ruby deposit and cover approximately 19,000 hectares and 15,000 hectares respectively. The Megaruma licences are expected to provide a platform, alongside the Montepuez ruby deposit, for the expansion and development of Gemfields' Mozambique ruby operations.

Ethiopia

In February 2015, Gemfields acquired a 75% interest in an emerald exploration licence through an Ethiopian-registered company, Web Gemstone Mining plc, for a total consideration of US\$254,000.

The exploration licence covers an area of 200 square kilometres in southern Ethiopia, and potentially hosts emerald mineralisation within a geological lineament that stretches over 45 kilometres. Gemfields has completed satellite imagery studies of the area that hosts the lineament. Evidence of emerald mining in this belt is indicated by informal market reports and by the presence of several small pits. Further exploration in the area in the form of pitting, trenching, auger drilling and bulk sampling will be carried out over the next eighteen months.

Gemfields plc

Consolidated Income Statement
For the six months ended 31 December 2014

In thousands of US\$	Note	Six months ended 31 December 2014 (Unaudited)	Six months ended 31 December 2013 (Unaudited)
Revenue		103,388	65,665
Cost of sales	3	(35,628)	(37,626)
Gross profit		67,760	28,039
Other income		566	121
Selling, general and administrative expenses	4	(23,521)	(19,885)
Impairment charge on available-for-sale investments		-	(56)
Profit from operations		44,805	8,219
Finance income		3	36
Finance expenses		(1,348)	(466)
Profit before taxation		43,460	7,789
Tax charge		(20,244)	(6,377)
Profit after taxation		23,216	1,412
Profit/(loss) for the year attributable to:			
Owners of the parent		16,263	(629)
Non-controlling interest		6,953	2,041
		23,216	1,412
Earnings per share for profit attributable to the owners of the parent during the year			
Basic	5	US\$0.03	US\$0.00
Diluted	5	US\$0.03	US\$0.00

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 2014

	Six months ended 31 December 2014 (Unaudited)	Six months ended 31 December 2013 (Unaudited)
In thousands of US\$		
Profit after taxation	23,216	1,412
Other comprehensive income		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange loss arising on translation of foreign operations	(94)	(173)
Total comprehensive income	23,122	1,239
Total comprehensive income attributable to:		
Owners of the parent	16,169	(802)
Non-controlling interest	6,953	2,041
	23,122	1,239

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 2014

Attributable to equity holders of the parent

In thousands of US\$	Share capital	Share premium	Merger reserve	Option reserve	Cumulative translation reserve	Retained deficit	Total	Non-controlling interest	Equity
Balance at 1 January 2014	9,564	97,273	207,986	3,429	438	(89,533)	229,157	46,191	275,348
Profit for the six months	-	-	-	-	-	9,440	9,440	5,420	14,860
Share options lapsed/cancelled	-	-	-	(192)	-	192	-	-	-
Other comprehensive income	-	-	-	-	(291)	-	(291)	-	(291)
Other share issues	6	106	-	(201)	-	201	112	-	112
Share-based payments	-	-	-	1,094	-	-	1,094	-	1,094
Dividends paid	-	-	-	-	-	-	-	(2,000)	(2,000)
Balance at 30 June 2014	9,570	97,379	207,986	4,130	147	(79,700)	239,512	49,611	289,123
Profit for the six months	-	-	-	-	-	16,263	16,263	6,953	23,216
Other comprehensive income	-	-	-	-	(94)	-	(94)	-	(94)
Other share issues	7	154	-	(35)	-	35	161	-	161
Share-based payments	-	-	-	687	-	-	687	-	687
Balance at 31 December 2014	9,577	97,533	207,986	4,782	53	(63,402)	256,529	56,564	313,093

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

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The difference between the fair value of the shares issued as consideration for the acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of shares are acquired.
Option reserve	Cumulative fair value of options charged to the Consolidated Income Statement net of transfers to the retained deficit on exercised and 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 2014

In thousands of US\$	Note	31 December 2014 (Unaudited)	30 June 2014 (Audited)
Non-current assets			
Property, plant and equipment		239,358	228,563
Available-for-sale investments		40	270
Intangible assets		45,735	41,507
Deferred tax assets		4,252	5,519
Other non-current assets		7,985	3,566
Total non-current assets		297,370	279,425
Current assets			
Inventory	6	101,175	88,508
Trade and other receivables		22,870	21,917
Cash and cash equivalents		49,686	36,837
Total current assets		173,731	147,262
Total assets		471,101	426,687
Non-current liabilities			
Deferred tax liabilities		(67,479)	(69,669)
Borrowings		(15,000)	(1,677)
Other non-current liabilities		(2,917)	(3,730)
Total non-current liabilities		(85,396)	(75,076)
Current liabilities			
Trade and other payables		(17,063)	(20,917)
Current tax payable		(40,293)	(26,550)
Borrowings		(15,256)	(15,021)
Total current liabilities		(72,612)	(62,488)
Total liabilities		(158,008)	(137,564)
Total net assets		313,093	289,123
Capital and reserves attributable to equity holders of the parent			
Share capital		9,577	9,570
Share premium		97,533	97,379
Merger reserve		207,986	207,986
Option reserve		4,782	4,130
Cumulative translation reserve		53	147
Retained deficit		(63,402)	(79,700)
Total capital and reserves attributable to equity holders of the parent		256,529	239,512
Non-controlling interest		56,564	49,611
Total equity		313,093	289,123

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 6 March 2015.
Company number 05129023

The notes on pages 21 to 23 form part of these Financial Statements.

Gemfields plc

Consolidated Statement of Cash Flows
For the six months ended 31 December 2014

In thousands of US\$	Six months ended 31 December 2014 (Unaudited)	Six months ended 31 December 2013 (Unaudited)
Cash flows from operating activities		
Profit for the period after tax	23,216	1,412
Depreciation and amortisation	16,936	9,760
Taxation charge	20,244	6,377
Share-based payments	687	693
Finance income	(3)	(36)
Finance expense	1,348	466
Profit on sale of available-for-sale investments	(193)	-
Impairment charge on available-for-sale investments	-	56
Increase in trade and other receivables	(527)	(1,954)
Decrease in trade and other payables	(4,505)	(3,150)
(Decrease)/increase in provisions	(813)	88
(Increase)/decrease in inventory	(12,667)	6,663
Cash generated from operations	43,723	20,375
Taxation paid	(7,424)	(1,935)
Net cash generated from operating activities	36,299	18,440
Cash flows from investing activities		
Purchase of intangible assets	(4,414)	(1,493)
Sale of available-for-sale investment	423	-
Interest received	3	36
Loan granted	(4,419)	-
Purchase of property, plant and equipment	(17,339)	(3,514)
Stripping costs	(10,206)	(4,842)
Net cash used for investing activities	(35,952)	(9,813)
Cash flows from financing activities		
Issue of ordinary shares	161	66
Dividends paid to non-controlling interest	-	(2,000)
Repayment of borrowings	(11,442)	(2,714)
Proceeds from borrowing	25,000	-
Interest paid	(1,348)	(466)
Net cash generated from/(used for) financing activities	12,371	(5,114)
Net increase in cash and cash equivalents	12,718	3,513
Cash and cash equivalents at start of period	36,837	11,222
Effects of exchange rates on cash and cash equivalents	131	25
Cash and cash equivalents at end of period	49,686	14,760

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

Gemfields plc

Notes Forming Part of the Consolidated Interim Financial Statements

For the six months ended 31 December 2014

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 2014 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 2014 should be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 30 June 2014, 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 2014.

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 2014 to 31 December 2014 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 2014 was approved by the Board for issue on 6 March 2015. 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 2013 to 31 December 2013.

The Consolidated Interim Financial Statements for the six months ended 31 December 2014 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

3 Cost of sales

In thousands of US\$	Six months ended 31 December 2014	Six months ended 31 December 2013
Mining and production costs		
Mineral royalties and production taxes	7,204	3,084
Labour costs	6,400	3,718
Fuel costs	3,669	1,901
Security costs	1,532	1,308
Repairs and maintenance	1,645	709
Camp costs	875	471
Blasting	484	411
Other mining and processing costs	1,280	549
Total mining and production costs	23,089	12,151
Depreciation and amortisation	16,936	9,760
Change in inventory and purchases	(4,397)	15,715
Total cost of sales	35,628	37,626

4 Selling, general and administrative expenses

In thousands of US\$	Six months ended 31 December 2014	Six months ended 31 December 2013
Labour and related costs	9,274	5,339
Selling, marketing and advertising	5,959	7,124
Professional and other services	2,111	938
Rent and rates	1,559	2,006
Travel and accommodation	1,216	1,522
Share-based payments	687	693
Office expenses	496	507
Other selling, general and administrative expenses	2,219	1,756
Total selling, general and administrative expenses	23,521	19,885

5 Earnings/(loss) per share

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the period. During the six months ended 31 December 2014, the weighted average number of equity shares in issue is 540,984,968 (2013: 540,074,042) and the profit after tax attributable to equity holders of the parent is US\$16,263,000 (2013: loss of US\$629,000).

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

	Six months ended 31 December 2014	Six months ended 31 December 2013
Profit/(loss) attributable to equity holders of the parent for basic and diluted earnings, in thousands of US\$	16,263	(629)
Basic weighted average number of shares	540,984,968	540,074,042
Dilutive potential of ordinary shares:		
Employee and Director share option plans	12,590,301	8,256,712
Diluted weighted average number of shares	553,575,269	548,330,754
Earnings per share, in US\$		
Basic	0.03	0.00
Diluted	0.03	0.00

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

6 Inventory

In thousands of US\$	31 December 2014	30 June 2014
Rough and cut and polished gemstones	61,086	50,620
Fabergé inventory	37,451	35,637
Fuel and consumables	2,638	2,251
Total inventory	101,175	88,508

7 Acquisitions

Sri Lanka

In September 2014, the Company entered into a joint venture with EWGI, a Jersey registered company, in order to progress opportunities in the Sri Lankan sapphire and gemstone sector via three Sri Lankan subsidiaries which will be 75% and 25% held by Gemfields and EWGI respectively.

Under the terms of the agreements, the Company has acquired 75% operating interests in 16 exploration licences (covering diverse minerals) for a consideration of US\$400,000. The purchase of exploration licences has been accounted for as an asset acquisition and the licences have been capitalised as an unvalued mining asset under IFRS 6.

The joint venture will also see the Company and EWGI establish a gemstone trading company called Ratnapura Lanka Gemstones (Pvt) Ltd, a company approved by the Board of Investment of Sri Lanka. The trading company will focus on sourcing rough sapphires from various sources in the local market.

Additional ruby mining licences

The acquisition of controlling interests in two additional ruby deposits in Mozambique was completed during the period. Valid for an initial period of 25 years, the licences were formally issued by the Mozambican government on 22 September 2014 and 12 November 2014 respectively to a new company – Megaruma Mining Limitada (“Megaruma”), in which Gemfields is a 75% shareholder. The two licences, which do not border on one another, each share a boundary with the existing Montepuez ruby deposit and cover approximately 19,000 hectares and 15,000 hectares respectively. The Megaruma licences are expected to provide a platform, alongside the Montepuez ruby deposit, for the expansion and development of Gemfields’ Mozambique ruby operations.

Ethiopia

In February 2015, Gemfields acquired a 75% interest in an emerald exploration licence through an Ethiopian-registered company, Web Gemstone Mining, for a total consideration of US\$254,000.

The exploration licence covers an area of 200 square kilometres in southern Ethiopia, and potentially hosts emerald mineralisation within a geological lineament that stretches over 45 kilometres. Gemfields has completed satellite imagery studies of the area that hosts the lineament. Evidence of emerald mining in this belt is indicated by informal market reports and by the presence of several small pits. Further exploration in the area in the form of pitting, trenching, auger drilling and bulk sampling will be carried out over the next eighteen months.

8 Events after the reporting period

Low quality emerald auction

From 24 to 27 February 2015 Gemfields held an auction of predominately lower quality emerald in Lusaka, Zambia, generating revenues of US\$14.5 million and an average realised price of US\$3.72, a new record per carat price for gems of this quality.

Changes in tax regimes

The tax regimes in both Zambia and Mozambique have seen legislative changes. In Zambia, the two-tier corporate income tax regime has been replaced by a mineral royalty tax regime and the Mozambique tax regime has seen a number of changes to the tax code including the reduction in the rate of production tax and the introduction of new taxes. The changes in the respective tax regimes are effective as from 1 January 2015. Management are awaiting additional regulations and guidance from the tax authorities in both countries before updating their preliminary assessment as to the implications of the new tax laws.