

Final audited results for the year to 30 June 2016

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Gemfields PLC
26 September 2016

Gemfields plc

("Gemfields" or the "Company" or the "Group") (AIM: GEM)

Final audited results for the year ended 30 June 2016

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Financial Highlights

- Revenue of US\$193.1 million (2015: US\$171.4 million);
- EBITDA(a) of US\$69.4 million (2015: US\$64.4 million);
- Profit after tax of US\$23.5 million (2015: US\$12.3 million);
- Cash at bank of US\$41.5 million as at 30 June 2016 (2015: US\$28.0 million); and
- Cost of gemstone and Fabergé inventory of US\$107.2 million (2015: US\$101.1 million).

Operational Highlights***Emeralds - Kagem (75% owned)***

- Production of rough emerald and beryl maintained at 30.0 million carats (2015: 30.1 million carats);
- Average grade, inclusive of ore from bulk sampling pits, of 241 carats per tonne (2015: 242 carats per tonne);
- Revenue of US\$101.2 million with record US\$70.68 per carat price achieved at higher quality auction;
- Unit operating costs^(b) up from US\$1.48 per carat to US\$1.58 per carat;
- Cash rock handling unit costs^(c) of US\$2.48 per tonne (2015: US\$2.90 per tonne);
- Continued focus on safety management, awarded the Green Award for exemplary environmental management; and
- Updated Competent Persons Report ("CPR") (on a 100% attributable basis):
 - Measured, Indicated and Inferred Mineral Resource of 1.8 billion carats of emerald and beryl at an in-situ grade of 281 carats per tonne;
 - Proven and Probable Ore Reserves of 1.1 billion carats of rough emerald and beryl at a diluted ore grade of 291 carats per tonne;
 - 25-year Life of Mine ("LoM") open pit operations; and
 - Net Present Value ("NPV") of US\$520 million (based on a 10% discount rate), based on the previous tax regime.

Rubies - Montepuez (75% owned)

- Continued production growth of rough ruby and corundum of 10.3 million carats (2015: 8.4 million carats);
- Higher grade achieved of 35 carats per tonne (2015: 26 carats per tonne);
- Revenue of US\$73.1 million, with an average price of US\$45.50 per carat;
- 68% increase in higher quality rough rubies recovered;
- Marginally lower unit operating costs^(b) at US\$2.54 per carat compared with US\$2.57 per carat
- Cash rock handling unit costs^(c) of US\$6.06 per tonne (2015: US\$6.16 per tonne); and
- Maiden JORC Resource and Reserve Statement in July 2015 by SRK (on a 100% attributable basis):
 - Total Indicated and Inferred Mineral Resource of 467 million carats;
 - Probable Ore Reserves of 432 million carats;
 - Projected 21-year LoM; and
 - NPV of US\$996 million (based on a 10% discount rate).

Fabergé (100%)

- Continued recognition of quality and improving brand recognition:
 - Won the 'Ladies Hi-Mechanical' category at the prestigious Grand Prix d'Horlogerie de Genève ("GPHG") awards in October 2015, the Swiss watchmaking industry's highest honour, for its 'Lady Compliquée Peacock' timepiece;
 - The 'Lady Peacock Emerald' variant of the timepiece also won the 'Ladies Complication' award at Watchfair Luxembourg in June, 2016; and
 - The highly acclaimed Fabergé Visionnaire DTZ men's watch qualified as an entrant for the GPHG 2016 awards.
- Increased revenue by 33% as Fabergé continued to expand its global presence and increased the number of agreements with multi-brand retail partners; and
- Improved level of consumer awareness and demand, the number of units sold and delivered increasing by 81%.

New projects

- Emeralds, Ethiopia - A diamond drilling crew was mobilised at Dogogo South Block, Ethiopia, in June 2016 and drilling commenced in July 2016;
- Sapphires, Sri Lanka - Trading centres established in Colombo and Ratnapura; and

- Emeralds - Colombia - Gemfields expanded the size of its operating team and in-country footprint with further groundwork being undertaken.

Marketing

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

(a) EBITDA - Earnings before interest, tax, depreciation, amortisation and impairment.

(b) Unit operating costs are calculated as total operating costs divided by the total gemstone production during the period. Total operating costs include mining and production costs, selling, general and administrative expenses, depreciation and amortisation, but exclude capitalised costs and mineral royalties.

(c) Cash rock handling unit costs are calculated as total cash operating costs divided by the total rock handling during the period. Cash operating costs include mining and production costs, capitalised costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation, amortisation and mineral royalties.

Ian Harebottle, CEO of Gemfields, commented:

"This financial year has seen Gemfields consolidate its position as an industry leader. The Company has achieved record operational progress which has translated into strong financial results for the Group, generating revenue of US\$193.1 million, EBITDA of US\$69.4 million and profit after tax of US\$23.5 million. In addition, US\$64.1 million was generated in operating cash flow, an increase of 97% on the previous due to a rise in operating profit. Over the past five years, Gemfields revenue has increased 380% and total revenue generated since the Company's first auction in 2008 has reached US\$717.6 million, an impressive achievement given the challenges faced by the mining and luxury goods industries.

Gemfields strategy is to grow production over time from two of its world class deposits, the Kagem emerald mine in Zambia and the Montepuez ruby operation in Mozambique, increasing consumer demand and achieving higher prices for its rough gemstones year on year. Operationally Gemfields succeeded in its ambition of producing 30 million carats of rough emerald and beryl from Kagem, as guided, and 10.3 million carats of rough ruby and corundum from Montepuez, exceeding guidance. Global imports of emeralds, rubies and sapphires also reached US\$5.9 billion in 2015, up from US\$5.2 billion in 2014, demonstrating a 13% increase in consumer demand on the previous year.

The Company continues to see opportunities in new and existing markets for further price escalation. For the coming financial year Gemfields is targeting four emerald and beryl, two high and two commercial quality, auctions and two mixed quality ruby and corundum auctions. In addition, to meet the rising demand for coloured gemstones, the Company secured financing in the year to realise its expansion programme which will see higher production at both the Kagem and Montepuez operations over the next three years

Lastly I would like to thank the entire Gemfields team who continue to work tirelessly in the Company's mission to be the world's foremost gemstone supplier, actively leading the growth and development of the industry and promoting trust and transparency throughout the supply chain."

Webcast presentation

Gemfields will be hosting a presentation for analysts at 11:00 BST today at the offices of Reed Smith, The Broadgate Tower, 20 Primrose Street, London EC2A 2RS.

A live webcast of the results presentation will also be available at the link below and include audio via a conference call.

Webcast: <https://pgi.webcasts.com/starthere.jsp?ei=1117762>

Participant dial in: +44 (0)20 7026 5967

Participant PIN code: 8706057

Capital Markets Day

Gemfields is hosting its first Capital Markets Day for analysts and institutional investors to be held in London in the morning of Thursday, 13 October 2016.

Presentations will be given by Gemfields management and will be made available on the Company's website.

If you would like to attend please contact Gemfields@tavistock.co.uk.

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

ENQUIRIES:

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Notes to Editors:

Gemfields plc is a leading supplier of responsibly sourced coloured gemstones and is quoted on the AIM market of the London Stock Exchange (ticker: GEM).

Gemfields is the operator and 75 per cent. owner of both the Kagem emerald mine in Zambia (believed to be the world's single largest producing emerald mine) and the Montepuez ruby deposit in Mozambique (one of the most significant recently discovered ruby deposits in the world). In addition Gemfields also holds a 50 per cent. interest in the Kariba amethyst mine in Zambia, as well as controlling interests in various other gemstone mining and prospecting licences in Zambia, Mozambique, Colombia, Ethiopia, Madagascar and Sri Lanka.

Gemfields' outright ownership of the Fabergé brand - an iconic and prestigious brand of exceptional heritage - enables Gemfields to optimise positioning, perception and consumer awareness of coloured gemstones, advancing the Group's 'mine and market' vision.

Gemfields has developed a proprietary grading system and a pioneering auction and trading platform to provide a consistent supply of quality coloured gemstones to the global downstream markets. This is a key component of the Company's business model which the Directors believe has played an important role in the appropriate distribution and associated resurgence of the global coloured gemstone sector.

www.gemfields.co.uk

"The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulations (EU) No. 596/2014."

Chairman's Statement

Dear Shareholder,

I am pleased to share the 2016 financial results which outline another momentous year for Gemfields.

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

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

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

Our now widely acclaimed proprietary rough grading system, combined with the appropriate stock levels required to ensure a high level of consistency in the product offering means Gemfields has again seen strong results at its auctions. Gemfields held four rough emerald and beryl auctions including two auctions of predominantly higher quality emerald, and two auctions of predominantly commercial quality emerald and beryl. The auctions saw approximately 8.3 million carats being sold in the financial year, yielding a pleasing overall average value of US\$12.22 per carat, a price that is underpinned by consumer demand driven by the Company's fully integrated and well received global marketing campaigns. We are delighted that in collaboration with our partners, the Government of the Republic of Zambia, the Kagem operation continues to perform strongly.

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

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

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

team on the ground in Montepuez and Gemfields' partner, Mwiriti, for the ongoing assistance and diligence in ensuring the operation delivers, and operates to the highest of standards.

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

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

Gemfields continue to progress plans to introduce sapphires, or the 'blue' to complement the 'red' and 'green', into our existing product supply chain with the introduction of a trading platform in Sri Lanka. Following two years of research, the Company is now commencing set-up of the supply chain and thereby taking one step closer towards introducing these renowned gemstones into the Gemfields portfolio.

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

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

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

Graham Mascal / *Chairman*
23 September 2016

Operational Review

Kagem Emerald Mine, Zambia

Kagem has established its position as the world's single largest producing emerald mine and is 75% owned by Gemfields, and 25% owned by the Government of the Republic of Zambia. Kagem is located in the Ndola Rural Emerald Restricted Area and lies south of Kitwe and west of Ndola in Zambia's Copperbelt Province. Kagem's licence area comprises of 41 square kilometres and the Chama open pit mine supplies approximately 25% of global emerald production.

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

Mining

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

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

JORC Resource and Reserve

In September 2015, Gemfields announced an updated JORC compliant Resource and Reserve Statement. The Mineral Resource and Ore Reserve Statement for the Kagem mine as at 31 May 2015 is given in the table below and is based on detailed geological modelling of the mineralisation types, and the application of factors derived from the ongoing mining and bulk sampling. The report, which is shown on a 100% attributable basis and where Mineral Resources are inclusive of Ore Reserves, confirmed an Indicated and Inferred Mineral Resource of 1.8 billion carats of emerald and beryl at an in situ grade of 281 carats per tonne, and proven and probable ore reserves of 1.1 billion carats of emerald and beryl at ore grade of 291 carats per tonne.

Following the updated Resource and Reserve Statement from SRK completed in September 2015, Kagem has updated its mine

plan and has put in place continued waste stripping of the Chama pit over the life of mine.

Mineral Resources Statement

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

Ore Reserve Statement

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

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

Production

Gemstone production for the year was consistent with 30.0 million carats of emerald and beryl being produced (2015: 30.1 million carats). Of the total production, the Chama pit contributed 27.1 million carats and the bulk sampling projects 2.9 million carats. Kagem is well positioned to achieve its goal of increasing production to more than 40 million carats of rough emerald and beryl per year over the next three years.

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

Kagem annual production summary

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

Operating costs

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

Capital expenditure

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

Processing

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

Geology and exploration

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

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

Infrastructure/process

Significant improvements in the IT infrastructure continued throughout 2015-2016. Wi-Fi coverage was expanded not only to the Chama operating area but also across a considerably larger footprint covering the offices, workshop, living and recreation areas. Phase one of a new IP-based camera system was commissioned and state-of-the-art CCTV, and time and attendance systems have also been installed during the financial year. A new centralised CCTV control room with contracted professional monitoring was implemented.

Security

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

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

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

Health, safety and environment

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

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

Community investment

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

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

All legacy community projects continued to receive some level of maintenance support. However, the focus during this year was on two major projects. Firstly, the Chapula Primary School in Lufwanyama district, one of Kagem's early community projects, now includes the addition of a secondary school with space for 800 children up to grade 12. Additional upgrades to the clinic at Nkana village, that provides health services to a population of nearly 4,000, means the centre is now officially designated as a health centre with four wards including an isolation, maternity and children's ward as well as a dispensary and incinerator. Kagem has also constructed staff quarters to accommodate the resident staff. The quality of these units should further assist in attracting the right calibre of qualified personnel.

Human resources

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

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

Kagem embarked on a sustainability journey through the provision of permanent employment to all of its local workers. A Memorandum of Understanding for awarding scholarships to six university students, studying mining and geological sciences at two top-rated universities in Zambia, was signed during the financial year. Attendance of all local employees has now been fully automated with a biometric attendance system and this is also used for payroll input and the access control system. Staff welfare activities have been focused on improving social amenities around the workplace and camp. A host of training programmes were rolled out during the financial year aimed at furthering the knowledge and skills of the employees.

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

Auction results (emerald and beryl)

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

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

Montepuez Ruby Mine, Mozambique

The Montepuez ruby deposit is located in the north-east of Mozambique in the Cabo Delgado Province. Covering approximately 33,600 hectares, it is believed to be the most significant recently discovered ruby deposit in the world. Montepuez holds a 25-year mining concession over the area, granted by the Government of Mozambique in November 2011. In December 2015, a single new amalgamated licence 4703C (combining the two initial licences 4702 and 4703) and covering an area of 34,966 hectares was issued in favour of Montepuez by the Government of Mozambique.

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

Mining

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

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

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

Montepuez annual production summary

	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Gemstone production (ruby and corundum) in million carats	1.9	6.5	8.4	10.3
Ore production (primary and secondary) in thousand tonnes	26.7	408.6	438.9	510.4
Ore processed (primary and secondary) in thousand tonnes	13.3	158.2	325.4	295.2
Grade (ruby and corundum/ore processed) in carats/tonne	143 ^(a)	41 ^(a)	26	35
Waste mined in thousand tonnes	63.0	1,192.1	2,530.5	3,018.3
Total rock handling in thousand tonnes	89.7	1,600.6	2,969.4	3,528.7
Stripping ratio	2.4	2.9	5.8	5.9

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

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

Processing

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

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

During the year, upgrades to the wash plant consisted of replacing the old double deck screen with a new larger screen which resulted in improved screening performance and reduced carry over of unscreened material. New foundations were cast and the

Terex PS120 Logwasher was replaced with a newer PS120 model which had a front dewatering screen and a back trash screen. This not only improved the break-up of clay within the Logwasher but also reduced the creation of clay balls, allowing for increased tonnages of the high clay component Mugloto ore to be processed. The Terex 1700 Rinser was converted back to a wet feed process during December with the fines master also being reinstated at the same time. Additional fresh borehole water was made available from the Maninge Nice borewells. This clean water was fed directly into the jig water sumps which significantly improved the efficiency of processing the clay-rich jig concentrate.

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

Production

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

Operating costs

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

Capital expenditure

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

Rough sales and auctions

Two auctions were held during 2015-2016, with a total of 1.7 million carats of higher to commercial quality rubies and corundum placed on offer. An average 95% of the total weight offered was sold, generating total revenues of US\$73.1 million for the financial year. The average per carat sales value for the financial year was US\$45.50 per carat.

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

Geology and exploration

The rubies at Montepuez are found in two mineralised styles, namely: primary mineralisation hosted within amphibolite lithology and secondary, placer type, gravel beds.

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

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

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

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

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

Infrastructure

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

Security

There have been significant improvements in the security operations. All members of the security team have undergone specialist security training conducted by a renowned UK based security consulting firm, which includes training on the United Nations

Voluntary Principles on Security and Human Rights. Security personnel have also been trained on various other aspects such as conflict resolution, patrolling techniques, radio communications, navigation, emergency first aid and field craft. The training programmes are continuous and ongoing.

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

Health, safety and environment

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

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

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

Community investment

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

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

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

To help develop the local economy, a total of eight farmers' associations were established during the year. Training and support has been provided to each of the associations so that they can develop the necessary skills required to undertake various agricultural projects including the development of horticulture, chicken and arable crop farming. In the financial year 2015-2016 Montepuez distributed education materials to 423 students of Nseve and Mpene Primary School. Montepuez also provided construction material to 28 families in the Montepuez District who lost their houses due to storms.

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

Human resources

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

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

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

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

Ore Reserves

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

Classification	Deposit type	Tonnage (thousand tonnes dry)	Grade (carats per tonne)	Contained carats (thousand carats)
Proved				
Maninge Nice	Primary	-	-	-
	Secondary	-	-	-
Mugloto	Primary	-	-	-
	Secondary	-	-	-

Probable				
Maninge Nice	Primary	2,199	114.9	252,557
	Secondary	1,837	58.3	107,103
Mugloto	Primary	-	-	-
	Secondary	23,514	3.1	72,050
Proved and Probable				
Maninge Nice	Primary	2,199	114.9	252,557
	Secondary	1,837	58.3	107,103
Mugloto	Primary	-	-	-
	Secondary	23,514	3.1	72,050
Total		27,549	15.7	431,620

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

Auction results (rubies and corundum)

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

Gemfields Marketing

Driving demand through marketing is a key part of Gemfields' approach and this year has seen Gemfields further build on its reputation as a leader in innovative, global marketing campaigns. Our marketing ensures we are not only reinstating coloured gemstones at the pinnacle of consumer demand, but also continuing to educate all audiences on the importance of responsible sourcing.

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

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

As part of a phased partnership with New York Fashion Week in February, Gemfields developed a multi-platform initiative that included digital, social and event activations creating a campaign that re-invigorated coloured gemstones through juxtaposing fashion and jewellery.

Ensuring a consistently evolving presence in the retail sector, Gemfields and MUSE introduced a 'see-now-buy-now' jewellery collection featuring Gemfields' rubies and emeralds. The collection debuted at The Couture Show in Las Vegas followed by an online consumer launch.

High Jewellery designer collaborations also included VanLees, and Chopard, with whom we created an extraordinary capsule collection of 'Green Carpet' high jewellery, showcased at the 69th Cannes Film Festival in May. This enduring partnership was formed in conjunction with Eco-Age, Chopard's partner in developing their 'journey to sustainable luxury'.

Fabergé Limited

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

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

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

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

Fabergé directly-operated boutiques

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

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

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

Exhibitions and Product Developments

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

Fabergé won the 'Ladies Hi-Mechanical' category at the prestigious Grand Prix d'Horlogerie de Genève ("GPHG") awards held in October 2015, the Swiss watchmaking industry's highest honour, for its 'Lady Compliquée Peacock' timepiece. The 'Lady Peacock Emerald' variant of the timepiece also won the 'Ladies Complication' award at Watchfair Luxembourg in June 2016, cementing Fabergé's position as a future leader in the watch-making industry.

Marketing and communications

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

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

Year ahead

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

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

Kariba Minerals Limited

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

The Kariba deposit comprises ten active or semi-active pits with each producing a varying mix of grades. Production is adapted in line with prevailing market demand for particular sizes and qualities. The Curlew North, Francis West and Main Curlew pits have been actively developed and mined during the year. A new geological exploration programme is planned to start in October 2016 with the principal aim being to re-confirm the mineral resources available at the Kariba mine.

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

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

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

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

Kariba production summary

	30 June 2015	30 June 2016
Gemstone production (rough amethyst - all qualities) in kilograms	983,707	964,548
Ore production in tonnes	30,432	15,927
Grade (kilogram of rough amethyst per tonne of ore)	32	61
Waste mined in tonnes	243,970	155,740
Stripping ratio	8	10

Infrastructure

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

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

Security

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

Health, safety and environment

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

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

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

Community investment

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

New Projects and Other Assets

Web Gemstone Mining plc, Ethiopia

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

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

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

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

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

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

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

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

Ratnapura Lanka Gemstones (Pvt) Limited, Sri Lanka

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

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

Megaruma Mining Limitada, Mozambique

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

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

Eastern Ruby Mining Limitada, Mozambique

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

Oriental Mining SARL, Madagascar

Oriental Mining SARL ("Oriental") has not been subject to any large scale ground activity this financial year. Oriental will not look to

progress as further exploration programmes until it has all of the relevant licences in place and the assurance of some degree of political stability and support.

Acquisitions

Colombia

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

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

In February and March 2016, a series of voluntary community collaboration workshops were organised to further build community relationship and to present the Suna Verde communication platform to the local population. The Suna Verde workshops formally introduced Gemfields' operational philosophy and its operations in Zambia and Mozambique to the local population. The communities' social investment needs were also discussed. The workshops were attended by over 1,500 local residents while the Suna Verde platform has already attracted close to 3,000 subscribers.

One of the Colombian projects relates to the acquisition of a 70% interest in the Coscuez emerald mine, in the Boyacá department. The total consideration payable under the share purchase agreement is US\$15 million, to be paid in tranches of a combination of cash and Gemfields' shares, conditional on achieving certain predetermined milestones. One of the main conditions to be satisfied before the completion occurs - the issuance of the Coscuez environmental licence - was fulfilled in October 2015. Completion of the transaction is subject to the resolution of a dispute between the current owners of the licence and the government of Colombia, which was initially expected to be resolved by March 2016. These discussions are ongoing and resolution remains imminent, with a resolution expected before the end of the second quarter of financial year 2016-17.

Located on the 'Muzo formation', the Coscuez licence covers an area of 47 hectares, with the Coscuez mine - one of history's more significant emerald deposits - having been in operation for over 25 years and known to have produced some of the finest emeralds from Colombia. International geological and mining consultants ACA Howe International UK ("ACA"), were engaged to provide a technical report based on the geological and due diligence work carried out by Gemfields in 2013 and 2014, and to conduct further due diligence prior to acquisition.

In preparation for the completion of the Coscuez transaction, Gemfields made ground arrangements to expedite future operations, including drone surface topographical survey, mapping of all accessible underground excavations and tunnels, surface mapping, sampling and chemical analysis of mine face samples, 3D ore body modelling, testing of mining equipment and planning of the underground engineering solutions supported by initial recommendations by renowned mining engineering consultants.

The second project relates to selected exploration prospects held by ISAM Europa S.L. via the acquisition of 75% and 70% interests in two Colombian companies holding rights in respect of mining licence applications and assigned concession contracts respectively. It comprises a number of new licence applications and assignments to existing concession contracts administered by the Colombian Mining Agency covering approximately 20,000 hectares of area in the Boyacá and other Colombian departments. Eight of the applications and assignments have been approved and issued. The remaining assignments and applications are being reviewed by the Colombian Mining Agency. The total consideration payable by Gemfields under the share purchase agreement is US\$7.5 million, to be paid in tranches of a combination of cash and Gemfields' shares conditional to achieving certain milestones.

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

Financial Review

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

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

Revenue

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

strong interest.

External revenue breakdown

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

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

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

Costs

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

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

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

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

Selling, general and administrative expenses were US\$54.8 million (2015: US\$55.3 million) broadly in line with the previous financial year. Total operating costs at Fabergé fell by 2% when compared to the prior year, despite an increase in its advertising and marketing spend.

EBITDA

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

Finance income, expenses and foreign exchange differences

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

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

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

Taxation

The tax charge for the year was US\$18.4 million (2015: US\$14.0 million) calculated on a profit before tax of US\$41.8 million (2015: US\$26.3 million) resulting in an effective tax rate of 44% (2015: 53%). As from 1 June 2016, the Government of the Republic of Zambia abolished the variable profits tax resulting in Kagem's statutory corporate tax rate falling to 30%. Consequently, a revaluation of Zambian-related deferred tax assets and liabilities using the lower rates was undertaken resulting in a tax credit of US\$8.9 million. Statutory corporate tax rates in other major operational countries remained broadly similar in the reporting period.

Net profit after tax

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

Capital expenditure

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

financing facilities now in place, the Group is well positioned to continue with its growth and expansion plans.

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

Cash flows

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

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

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

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

Financial position

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

Assets

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

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

Inventory

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

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

Borrowings

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

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

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

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

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

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

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

Janet Boyce / Chief Financial Officer
23 September 2016

Outlook

Gemfields expects demand for its rubies and emeralds to continue to rise in the coming year driven and supported by the Company's global marketing initiatives. These campaigns are designed to further strengthen consumer confidence and ensure coloured gemstones continue to be an increasingly popular choice both in established and new markets.

For the forthcoming financial year, the Company is targeting four emerald and beryl auctions (two high quality and two commercial quality auctions) and two mixed quality ruby and corundum auctions. Revenue growth is likely to be driven by a moderate increase in achievable prices and increased volumes of goods placed on offer. In terms of EBITDA, the Company is targeting continued growth with a target of 30-35% EBITDA margin with an increased spend on exploration activities.

The forthcoming year will also see the Company's investment and expansion programme deliver increasing production at both the Kagem and Montepuez operations to meet the rising demand for coloured gemstones.

At Kagem, the Company will be increasing annual production targets to 30-35 million carats of emerald and beryl production. This will be achieved by an investment programme of approximately U\$10 million including new additions to the new mining fleet to support increase in mining capacity.

At Montepuez, the Company will be increasing annual production targets to 10-12 million carats of ruby and corundum. Approximately US\$25 million will be invested in expansion measures including converting the current wash plant to an integrated processing unit with an additional dense medium separation, optical sorting and sorting facility within the wash plant.

Fabergé continues to unveil new products. The Fabergé Visionnaire DTZ men's watch qualified as an entrant for the prestigious Grand Prix d'Horlogerie de Genève, one of the most revered watch competitions in the world and the Company looks forward to the award results in Geneva, in October 2016, and future sales following its launch.

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

The Company continues to progress plans in respect of its new projects. Work continues in Colombia to progress the acquisition of the Coscuez emerald mine while the next stage of exploration has commenced at the Company's greenfield properties in Ethiopia. After two years of research in Sri Lanka, the Company is close to establishing a supply chain which will see the introduction of sapphires to its existing product supply chain.

Upcoming marketing campaigns include leverage of the new advertising campaign across key markets, as well as leading educational initiatives within the coloured gemstone industry. One of which is the new Gemfields Masterclass with the first module on ruby. The Masterclass is a comprehensive experience open to all that will cover geology, formation, history and qualities of rubies. A Masterclass on emeralds will follow.

Consolidated Income Statement

For the year ended 30 June 2016

In thousands of US\$	Note	Audited 2016	Audited 2015
Revenue	2	193,140	171,448
Cost of sales	3	(98,827)	(86,483)
Gross profit		94,313	84,965
Other income		427	747
Selling, general and administrative expenses	4	(54,848)	(55,309)
Profit from operations		39,892	30,403
Finance income	5	6,805	223
Finance expenses	5	(4,858)	(4,299)
Profit before taxation		41,839	26,327
Tax charge		(18,364)	(13,980)
Profit after taxation		23,475	12,347
Profit for the year attributable to:			
Owners of the parent		11,899	3,700
Non-controlling interest		11,576	8,647
		23,475	12,347
Earnings per share for profit attributable to the owners of the parent during the year			
Basic	6	US\$0.02	US\$0.01
Diluted	6	US\$0.02	US\$0.01

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

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

In thousands of US\$	Audited 2016	Audited 2015
Total comprehensive income attributable to:		
Owners of the parent	10,580	779
Non-controlling interest	11,576	8,647

Consolidated Statement of Financial Position
At 30 June 2016

In thousands of US\$	Note	Audited 2016	Audited 2015
Non-current assets			
Property, plant and equipment		225,717	240,796
Available-for-sale investments		40	40
Intangible assets		46,346	45,491
Deferred tax assets		6,550	5,048
Other non-current assets		9,124	8,217
Total non-current assets		287,777	299,592
Current assets			
Inventory	7	111,943	104,869
Trade and other receivables		34,752	34,805
Cash and cash equivalents		41,476	27,973
Total current assets		188,171	167,647
Total assets		475,948	467,239
Non-current liabilities			
Deferred tax liabilities		(54,372)	(66,858)
Borrowings	8	(25,000)	(20,000)
Other non-current liabilities		(3,543)	(3,333)
Total non-current liabilities		(82,915)	(90,191)
Current liabilities			
Trade and other payables		(25,655)	(25,283)
Current tax payable		(28,757)	(27,228)
Borrowings	8	(26,474)	(24,699)
Total current liabilities		(80,886)	(77,210)
Total liabilities		(163,801)	(167,401)
Total net assets		312,147	299,838
Capital and reserves attributable to equity holders of the parent			
Share capital		9,622	9,614
Share premium		98,640	98,404
Merger reserve		207,986	207,986
Option reserve		6,325	5,179
Cumulative translation reserve		(4,093)	(2,774)
Retained deficit		(62,745)	(74,843)
Total capital and reserves attributable to equity holders of the parent		255,735	243,566
Non-controlling interest		56,412	56,272
Total equity		312,147	299,838

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

In thousands of US\$	Attributable to equity holders of the parent						Total	Non-controlling interest	Equity
	Share capital	Share premium	Merger reserve	Option reserve	Cumulative translation reserve	Retained deficit			
Balance at 1 July 2014	9,570	97,379	207,986	4,130	147	(79,700)	239,512	49,611	289,123
Profit for the year	-	-	-	-	-	3,700	3,700	8,647	12,347
Other comprehensive loss	-	-	-	-	(2,921)	-	(2,921)	-	(2,921)
Contribution for non-controlling interest	-	-	-	-	-	-	-	14	14
Share options forfeited	-	-	-	(473)	-	473	-	-	-
Issue of shares	44	1,025	-	(684)	-	684	1,069	-	1,069
Share-based payments	-	-	-	2,206	-	-	2,206	-	2,206
Dividends paid	-	-	-	-	-	-	-	(2,000)	(2,000)
Balance at 30 June 2015	9,614	98,404	207,986	5,179	(2,774)	(74,843)	243,566	56,272	299,838
Profit for the year	-	-	-	-	-	11,899	11,899	11,576	23,475
Other comprehensive profit	-	-	-	-	(1,319)	-	(1,319)	-	(1,319)
Contribution for non-controlling interest	-	-	-	-	-	-	-	64	64
Share options forfeited	-	-	-	(29)	-	29	-	-	-
Issue of shares	8	236	-	(170)	-	170	244	-	244
Share-based payments	-	-	-	1,345	-	-	1,345	-	1,345
Dividends paid	-	-	-	-	-	-	-	(11,500)	(11,500)
Balance at 30 June 2016	9,622	98,640	207,986	6,325	(4,093)	(62,745)	255,735	56,412	312,147

The nature and purpose of each reserve within the Consolidated Statement of Changes in Equity is described as follows:

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

Reserve	Description and purpose
translation reserve	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.

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

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

Notes Forming Part of the Consolidated Financial Statements

For the year ended 30 June 2016

1 Accounting policies

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 admitted to trading on the London Stock Exchange AIM market. The Company's registered office and domicile is 23 King Street, London, SW1Y 6QY, United Kingdom. The Consolidated Financial Statements as at and for the year ended 30 June 2016 comprised the Company and its subsidiaries (the "Group") and the Group's interest in joint ventures.

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

The financial information for the years ended 30 June 2016 and 30 June 2015 does not constitute statutory accounts as defined by section 435 of the Companies Act 2006 but is extracted from the audited accounts for those years. The 30 June 2015 accounts have been delivered to the Registrar of Companies. The 30 June 2016 accounts will be delivered to Companies House within the statutory filing deadline. The auditors have reported on those accounts. Their report was unqualified and did not contain statements under Section 498 (2) of (3) of the Companies Act 2006.

2 Segmental analysis

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

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

The reporting on these investments to management focuses on revenue, operating costs and capital expenditure. These figures are presented after

intercompany adjustments have been accounted for.

2016 in thousands of US\$	Zambia	Mozambique	UK (Corporate)	Fabergé	Other	Total
Revenues	101,181	73,115	1,900	11,767	5,177	193,140
Depreciation and amortisation	23,968	4,444	185	799	106	29,502
Operating profit/(loss)	37,929	44,193	(24,809)	(11,376)	(6,045)	39,892
Finance income	4,254	1,770	-	534	247	6,805
Finance expenses	(2,015)	(141)	(1,998)	(147)	(557)	(4,858)
Profit/(loss) after tax	35,833	32,694	(27,341)	(10,854)	(6,857)	23,475
Total non-current assets	203,917	25,928	7,211	42,677	8,044	287,777
Total non-current liabilities	80,430	1,724	-	597	164	82,915
Total assets	257,524	72,434	27,534	86,781	31,675	475,948
Total liabilities	99,551	26,362	31,875	4,825	1,188	163,801

2015 in thousands of US\$	Zambia	Mozambique	UK (Corporate)	Fabergé	Other	Total
Revenues	64,910	88,520	3,016	8,860	6,142	171,448
Depreciation and amortisation	29,553	3,293	60	1,021	25	33,952
Operating profit/(loss)	9,360	57,312	(23,805)	(15,175)	2,711	30,403
Finance income	3	-	-	-	220	223
Finance expenses	(2,206)	(1,029)	(946)	(80)	(38)	(4,299)
Profit/(loss) after tax	9,300	38,954	(23,107)	(15,101)	2,301	12,347
Total non-current assets	220,669	15,741	7,764	42,718	12,700	299,592
Total non-current liabilities	86,319	2,912	-	725	235	90,191
Total assets	273,062	60,328	24,190	83,147	26,512	467,239
Total liabilities	107,965	19,046	32,597	6,325	1,468	167,401

3 Cost of sales

In thousands of US\$	2016	2015
Mining and production costs		
Mineral royalties and production taxes	18,323	12,905
Labour and related costs	16,141	12,800
Fuel costs	7,340	6,266
Repairs and maintenance	6,185	4,205
Security costs	4,928	3,251
Camp costs	2,502	2,453
Blasting	1,287	1,103
Other mining and processing costs	4,264	3,486
Total mining and production costs	60,970	46,469
Depreciation and amortisation	29,502	33,952
Change in inventory and purchases	8,355	6,062
Total cost of sales	98,827	86,483

4 Selling, general and administrative expenses

In thousands of US\$	2016	2015
Labour and related costs	18,527	20,563
Selling, marketing and advertising	14,568	16,224
Professional and other services	6,173	5,720
Rent and rates	5,008	3,446
Travel and accommodation	3,252	3,537
Share-based payments	1,345	2,111
Office expenses	1,093	1,093
Other selling, general and administrative expenses	4,882	2,615
Total selling, general and administrative expenses	54,848	55,309

5 Finance income and expense

In thousands of US\$	2016	2015
Finance income		
Interest received	494	223
Exchange differences	6,311	-
	6,805	223
Finance expenses		
Interest on bank loans, finance charges and bank charges	(4,099)	(2,389)
Exchange differences	(759)	(1,910)
	(4,858)	(4,299)
Net finance expense	1,947	(4,076)

6 Earnings per share

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

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

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

Basic	2016	2015
	0.02	0.01
Diluted	0.02	0.01

7 Inventory

In thousands of US\$	2016	2015
Rough and cut and polished gemstones	67,348	65,360
Fabergé inventory	39,845	35,776
Fuel and consumables	4,750	3,733
Total inventory	111,943	104,869

The total provision made against inventory as at 30 June 2016 is US\$1,182,000 (2015: US\$1,613,000). Inventory is held at the lower of cost and net realisable value.

8 Borrowings

Current interest bearing loans and borrowings	Interest rate	Maturity	2016 In thousands of US\$	2015 In thousands of US\$
US\$20,000,000 bank loan	US LIBOR + 4.50%	2017	19,812	-
US\$10,000,000 related party loan	US LIBOR + 4.50%	2016	6,662	-
US\$25,000,000 bank loan	US LIBOR + 4.50%	2016	-	24,699
US\$15,000,000 unsecured overdraft facility	US LIBOR + 4.00%	2017	-	-
Total current borrowings			26,474	24,699

Non-current interest bearing loans and borrowings	Interest rate	Maturity	2016 In thousands of US\$	2015 In thousands of US\$
US\$20,000,000 revolving credit facility	US LIBOR + 4.50%	2017	20,000	20,000
US\$10,000,000 revolving credit facility	US LIBOR + 4.50%	2017	5,000	-
Total non-current borrowings			25,000	20,000

US\$20 million bank loan

In May 2016, Gemfields plc entered into a US\$20 million financing facility with Macquarie Bank Limited ("Macquarie"). The fixed term facility bears interest at a rate of 3 month US LIBOR plus 4.50%. The loan is repayable in regular instalments over a period of 12 months from the date of first drawdown of the loan.

Security for this loan comprises a floating charge over the jewellery and cut and polished gemstones of Fabergé (UK) Limited and Gemfields plc, as specified in the loan agreement. As at 30 June 2016, the carrying amount of inventories pledged as security for this loan amounted to US\$33.2 million.

The loan was used to repay the US\$25 million debt facility entered into in April 2015 and is used for general corporate purposes.

US\$10 million related party loan

In December 2015, Gemfields plc entered into a US\$10 million loan facility with Pallinghurst Resources Fund L.P. The loan bears interest at a rate of 3 month US LIBOR plus 4.50%. The loan is unsecured and repayable in tranches, with the final tranche due in December 2016.

US\$15 million unsecured overdraft facility

In April 2016, Montepuez Ruby Mining Lda entered into a US\$15 million unsecured overdraft facility, with Barclays Bank Mozambique S.A. The facility has an interest rate of 3 month US LIBOR plus 4% per annum. Gemfields plc issued a corporate guarantee for the facility.

US\$6 million of the facility was drawn down prior to the year end, then repaid with the proceeds of the June 2016 ruby and corundum auction. The balances as at 30 June 2016 was US\$nil.

US\$20 million revolving credit facility

In August 2014, Kagem Mining Limited entered into a US\$20 million revolving credit facility with Barclays Bank Zambia plc. The facility bears interest at a rate of 3 month US LIBOR plus 4.50%. The facility is due for repayment 36 months after the date of the first drawdown of facility.

Security for the facility comprises a fixed and floating charge over all of Kagem's net assets, equivalent to the total amount outstanding under the facility and a corporate guarantee from Gemfields plc. This facility was used to mainly pay the contractor undertaking the removal of waste in the Chama pit of the Kagem mine and to fund working capital requirements.

US\$10 million revolving credit facility

In July 2015, Kagem Mining Limited entered into a US\$10 million facility, with Barclays Bank Mauritius Limited, in addition to the existing US\$20 million long-term revolving credit facility with Barclays Bank Zambia plc. Interest for the new facility is at the rate of 3 month US LIBOR plus 4.50% as per the terms for existing facility with Barclays Bank Zambia plc. The debenture and mortgage for the new facility ranks pari passu with the existing facility. The purpose of the loan is for the continuous support of the overburden removal and financing of capital expenditure and working capital requirements.

New facilities not utilised during the year

US\$15 million unsecured overdraft facility

In June 2016, Montepuez Ruby Mining Lda entered into a US\$15 million unsecured overdraft facility, with Banco Comercial E De Investimentos, S.A. ("BCI"). This facility is valid for 18 months and is renewable. The facility has an interest rate of 3 month US LIBOR plus 3.75% per annum. The facility is secured by a blank promissory note undertaken by Montepuez and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of Gemfields plc.

US\$15 million financing leasing facility

In June 2016, Montepuez entered into a US\$15 million financing leasing facility, with BCI. This is a renewable facility with a drawdown period of 18 months and the amounts drawn down are repayable over a maximum period of 48 months. The facility has an interest rate of 3 month US LIBOR plus 3.75% per annum. This facility is secured by a blank promissory note undertaken by Montepuez and a corporate guarantee by Gemfields Mauritius Limited, a 100% subsidiary of Gemfields plc.

The proceeds of the facilities from Barclays Bank Mozambique S.A. and BCI will enable Montepuez to finance its capital expenditure requirements for the Montepuez ruby deposit in Mozambique and provide additional working capital.

ENDS

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