

*A leading supplier of  
responsibly sourced coloured gemstones*



**GEMFIELDS**

*Annual Report and  
Financial Statements 2015*

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*Gemfields* is a leading supplier of responsibly sourced coloured gemstones. But we prefer to think of ourselves as more than just a mining company. We are pioneers at an exciting new frontier where mining, marketing, exploration and ethics meet.

*“Gemfields continues to outperform in the resources sector as global market demand for coloured gemstones remains robust and our exceptional team continues to deliver above and beyond expectations.”*

**Ian Harebottle** / *Gemfields CEO*



## 2015 — *A year of progress*



### *Rubies, Mozambique*



- Market appreciation for Mozambican rubies continues to rise and the values have tripled since Gemfields' involvement in 2012
- Exploration programme to date has concentrated on just 36 square kilometres out of the 336 square kilometres total licence area
- Maiden Resource & Reserve Statement produced by SRK Consulting forecasts production of 432 million carats over 21 years
- The 'Eyes of the Dragon' – A rare matching pair of rubies totalling 45 carats discovered and sold at auction
- Operations set to progress to full scale production over next two years

— See page 31



Gemfields' Mozambican rough rubies being viewed at auction.



## *Emeralds, Zambia*



- 30.1 million carats produced at Kagem – an increase of 49% from 2014
- Second highest annual carat production since the acquisition of Kagem in 2008
- Commitment to extensive exploration across the Kagem licence with advanced bulk sampling programmes underway at the Libwente and Fibolele pits
- Sustained investment in equipment, infrastructure and facilities

— See page 27

## *Sapphires, Sri Lanka*



- Entered into an agreement to progress opportunities in the Sri Lankan sapphire sector
- Trading company established within the local market with some parcels already delivered to Gemfields head office in London
- Geological assessment underway across 16 exploration licences covering diverse minerals

— See page 37

## *Auctions*



- Six auctions held during the year generating total revenues of US\$153 million
- Record breaking average of US\$688.64 per carat for higher quality rough rubies achieved in December 2014 (highest ever achieved at a Gemfields auction)
- New record average price of US\$65.89 per carat achieved for higher quality emeralds in November 2014

— See page 26



## *Fabergé*



- Integrated global strategy well underway to re-position Fabergé at the top of the luxury pyramid
- Significant progress made in all product categories following expansion into timepieces and objets d'art
- Further growth seen through development of distribution network
- New 'Art of Colour' products focusing on the use of emeralds, rubies and sapphires

# 2015 — Highlights

## Financial

### Revenue

**US\$171.4 million**  
(2014: US\$160.1 million)

### Net profit after tax

**US\$12.3 million**  
(2014: US\$16.3 million)

### Estimated cost of inventory on hand, excluding fuel and other consumables

**US\$101.1 million**  
(2014: US\$86.3 million)

### EBITDA<sup>(a)</sup>

**US\$64.4 million**  
(2014: US\$59.3 million)

### Cash at bank – as at 30 June 2015

**US\$28.0 million**  
(2014: US\$36.8 million)

## Operational

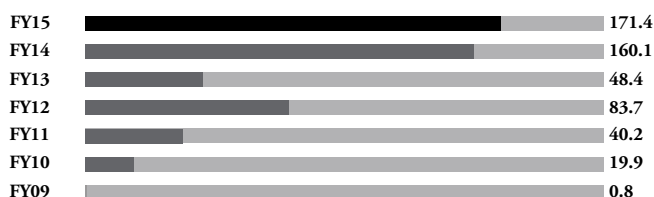
### Emeralds

- Production summary for 75% owned Kagem Mining Limited (“Kagem”), Zambia, for the year:
  - Annual production of 30.1 million carats of emerald and beryl (2014: 20.2 million carats);
  - Average grade of 242 carats per tonne, inclusive of ore from bulk sampling pits (2014: 253 carats per tonne); and
  - Decrease in unit operating costs from US\$1.58<sup>(b)</sup> per carat to US\$1.48 per carat.
- In May 2015, Gemfields’ commendable safety track record was once again recognised by the Mines Safety Department of Zambia who awarded Kagem with a safety certificate recognising 3.5 million reportable injury free shifts. Lost Time Injury Frequency (“LTIF”) of zero.
- In September 2015, a Competent Persons Report (“CPR”) was issued by SRK Consulting (UK) Limited (“SRK”) and included an updated Joint Ore Reserves Committee (“JORC”) (2012) Resource and Reserve estimate and accompanying statements projecting a 25 year Life of Mine (“LoM”) open pit operation producing (on a 100% attributable basis):
  - Measured, Indicated and Inferred Mineral Resource of 1.8 billion carats of emerald and beryl at an in-situ grade of 281 carats per tonne;
  - Proven and Probable Ore Reserves of 1.1 billion carats of emerald and beryl at a diluted ore grade of 291 carats per tonne; and,
  - A Net Present Value (“NPV”) of US\$520 million (based on a 10% discount rate).

### Total revenue for the Group

**US\$171.4 million**

### Total revenue for the Group (US\$ million)



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

(b) From 1 July 2014, the calculation of total operating costs was amended to include depreciation. The comparative unit operating costs have been restated.

## Rubies

- Production summary for 75% owned Montepuez Ruby Mining Limitada (“Montepuez”), Mozambique, for the year:
  - Annual production of 8.4 million carats of ruby and corundum (2014: 6.5 million carats), increase in processed volumes primarily due to continued upgrades to the wash plant design;
  - Grade of 26 carats per tonne (2014: 41 carats per tonne); and
  - Increase in unit operating costs from US\$1.12 per carat to US\$2.57 per carat, with the reduced grade and increased unit costs being directly attributed to a greater proportion of lower grade but significantly higher quality alluvial deposit ore being processed during the year.
- Maiden JORC Resource and Reserve Statement for Montepuez announced in July 2015 (on a 100% attributable basis):
  - A total Indicated and Inferred Mineral Resource of 467 million carats;
  - Probable Ore Reserves of 432 million carats of ruby and corundum, giving a projected 21 year LoM; and,
  - An NPV of US\$996 million (based on a 10% discount rate).

Highest ever auction revenue achieved at any Gemfields auction. High & low quality ruby and corundum auction in December 2014

**US\$43.3 million**

Total revenue from ruby auctions (US\$ million)

Jun 15	29.3
April 15	15.9
Dec 14	43.3
Jun 14	33.5

## Fabergé

- The Fabergé Pearl Egg, the first egg created in the ‘Imperial Class’ since 1917, was unveiled at the Doha Jewellery and Watches Expo in Qatar in late February 2015 and was sold within hours of unveiling.
- Fabergé took part in the prestigious art, antique and design fair ‘Masterpiece London’ for the first time this year. The event took place from 25 June until 1 July 2015 at the Royal Hospital Chelsea. The three principal product categories: jewellery, timepieces and objets d’art, were showcased alongside loose gemstones from the mines of Gemfields.
- Fabergé launched four new timepiece collections at BaselWorld 2015 to great acclaim. The Fabergé Lady Peacock high complication watch and the ‘Summer in Provence’ high jewellery ladies watch qualified as entrants for the prestigious Grand Prix d’Horlogerie de Genève, one of the most revered watch competitions in the world. Results will be announced in Geneva at the end of October 2015.

Highest average price per carat achieved in November 2014 at the high quality emerald auction in Zambia

**US\$65.89 per carat**

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

Nov 14	65.89
Feb 14	59.31
Jul 13	54.00
Nov 12	29.71
Mar 12	38.25
Jul 11	42.71
Dec 10	26.20
Jul 10	9.35
Nov 09	5.10
Jul 09	4.40



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# Strategic Report

*Our mission is to be the world's foremost gemstone company, actively leading the growth and development of the industry and promoting trust and transparency from mine to market.*

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Gemfields' brand  
ambassador Mila Kunis  
wearing Gyan earrings set  
with Mozambican rubies

## Chairman's Statement



*Significant increase in achievable per carat prices*

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US\$65.89

*Increase in price per carat of higher quality emeralds from US\$4.40 in July 2009 to US\$65.89 in November 2014.*

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*A landmark year* of record-breaking auction results, increased production, organic growth and further expansion for the Gemfields group worldwide.

**Dear Shareholder,**

I am delighted to present the 2015 Annual Report which outlines another landmark year for Gemfields.

Your Company generated increased revenues of US\$171 million and a strong EBITDA of US\$64 million, underpinned by record-breaking auction results, a significant uplift in gemstone production, and further expansion projects coming online.

The global coloured gemstone market continues to demonstrate impressive growth, with global imports of finished emerald, ruby and sapphire goods accounting for as much as 58% of the worldwide coloured gemstone and pearl market at US\$5 billion. We have been relentless in our ambition to become the global leader in coloured gemstones and as a result, Gemfields is increasingly being recognised as the supplier of choice for many of the world's leading jewellery houses, manufacturers and luxury brands.

Demand for our responsibly sourced coloured gemstones remains high. The six auctions we have hosted in this financial year, three of emeralds and three of rubies, have yielded aggregate revenues of US\$153 million. This superb performance by Gemfields provides further evidence of the continued growth, positive momentum and significant opportunity inherent within the coloured gemstone sector.

Without question, the past year has seen our ruby mining business in Mozambique flourish in both financial and operational performance. Although it is still very early days at Montepuez, the response from the market for fine Mozambican rubies has been extremely positive. Since the inaugural ruby auction in June 2014, Gemfields has held a further three ruby auctions during the period, with the four auctions held to date generating a combined US\$122 million in revenues. In December 2014, our higher quality rubies achieved an average price of US\$688.64 per carat – the highest price ever recorded at any Gemfields auction. While the ruby prices achieved are pleasing, our Mozambican rubies remain very competitively priced when compared to their Burmese counterparts, which bodes well for future demand and the potential for continued price growth.

The full potential of the Montepuez ruby deposit was formally recognised in the first JORC compliant Mineral Resource and Ore Reserve Statement published in July 2015, which shows Probable Ore Reserves of 432 million carats of ruby and corundum; sufficient for 21 years of mining at an increased rate of 20 million carats per annum. The significance of this report is a milestone event for the business and an exciting moment for global ruby supply as a whole.

Montepuez is already having a positive impact on the global ruby market and with the potential for operations to progress into full scale production over the next 24 months, the outlook is extremely encouraging. I would like to thank our team, our 25% partner Mwiriti and the Mozambican government for their continued support and expertise in bringing this project to fruition. While there is still a great deal of work to be done there is considerable upside yet to be realised on behalf of our shareholders.

Our Kagem emerald mine achieved a remarkable 49% increase year-on-year in emerald and beryl production to 30.1 million carats. This is the second highest annual production achieved since we first took over operational control at Kagem in 2008 and is an outstanding result for the Gemfields team. Zambian emeralds continue to enjoy

firm demand and have become highly sought after in the international markets, underpinned by further increases in per carat prices for both lower and higher quality emeralds from Kagem during the year. The Company's 19 auctions of emeralds and beryl mined at Kagem since July 2009 have generated US\$360 million in total revenues.

The SRK Competent Persons Report announced in September 2015 includes the first recorded Measured Mineral Resource and Proven Ore Reserve Statement for the Kagem Mine (and possibly the first classification of this nature for the entire coloured gemstone sector) and further underlines the importance of the Kagem mine to the global supply of emeralds. The report confirmed a 25 year life of mine with a 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 for the Kagem mine as a whole. Since embarking on an integrated, global strategic plan for our jewellery business, I am pleased to report that Fabergé has continued to make encouraging progress towards sustainable growth and future profitability. We remain focused on optimising the business, re-establishing the brand at the highest level of the luxury goods market, and harnessing the Fabergé name to boost the international presence and appreciation for coloured gemstones.

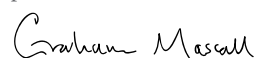
Significant achievements over the past 12 months include the launch of new product lines and the expansion into two important luxury categories, namely timepieces and objets d'art, to industry acclaim. However, continued investment in the business coupled with a turbulent political environment in the key markets of Russia and Ukraine has naturally had some level of impact on Fabergé's overall sales during the year.

Our ambition to supply the global market with the red, blue and green 'traffic light' of coloured gemstones took a step closer in September 2014 when we were able to announce our move into Sri Lankan sapphires. Sri Lanka is recognised as one of the most important sources of higher quality sapphires in the world today and we look forward to introducing Sri Lankan sapphires to the Gemfields auction platform in the not too distant future.

Post the financial year end we announced our move into Colombia via the proposed acquisition of the Coscuez Emerald Mine as well as selected greenfield exploration prospects. Colombia needs little introduction, it is home to some of history's most legendary emerald mines and the potential entry into this country is in line with our strategy of expanding Gemfields' global footprint. The acquisitions offer exciting long term growth opportunities and both parties are working hard to conclude the agreements.

With further emerald and ruby auctions scheduled to take place in the latter part of 2015, continued organic growth at both Kagem and Montepuez, and a clear focus on strategic acquisitions and expansion, we look forward to yet another strong and successful year ahead.

Finally, I would like to take this opportunity to congratulate all of our hardworking and dedicated employees, management team, project partners and host countries, on a very successful year for Gemfields.

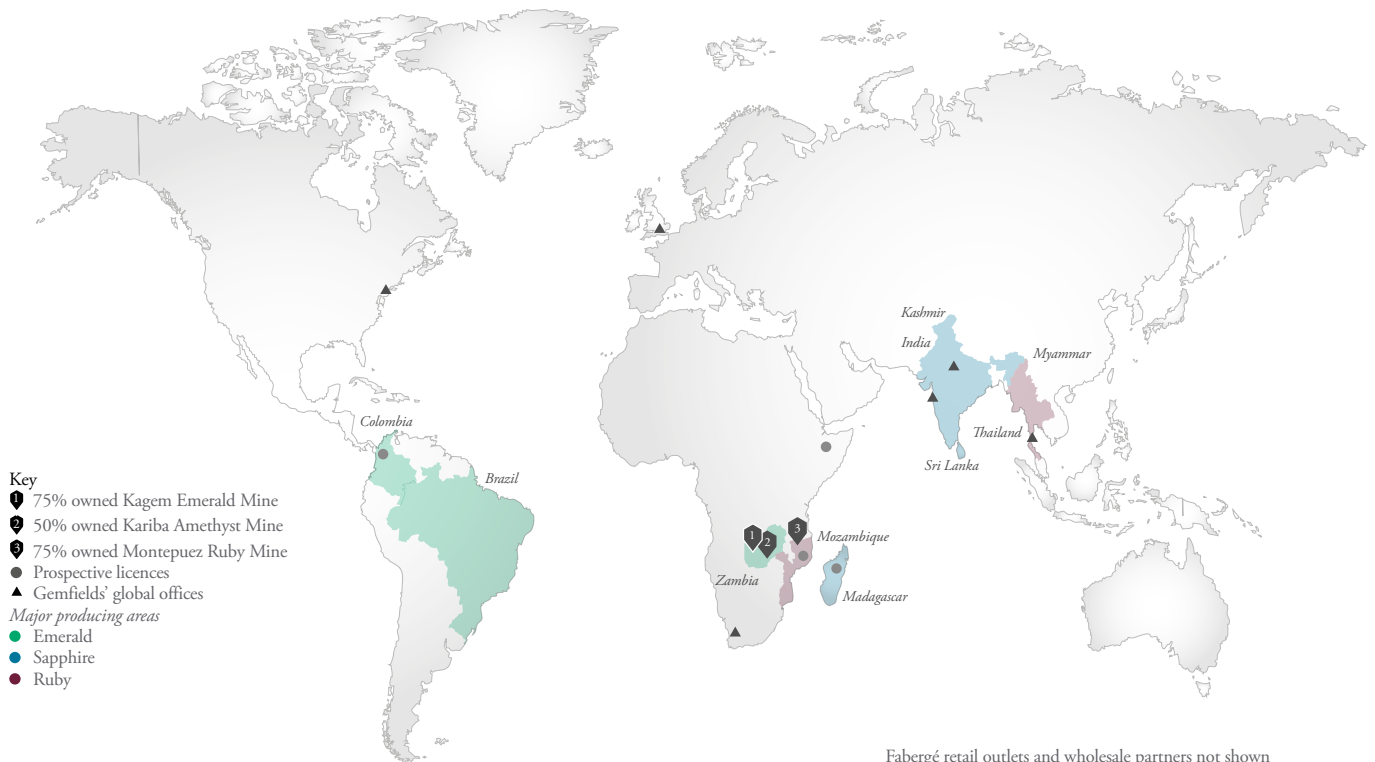


**Graham Mascall** / Chairman  
6 October 2015

# At a glance

*Our vision* is to become the global ‘Coloured Gemstone Champion’. Benefiting from Gemfields’ ability to be a price maker rather than a price taker and a six year track record of direction, delivery and success.

## Global gemstone deposits and Gemfields’ locations



## Key Assets

### Kagem Mining Limited – Emeralds (75% interest)

- A partnership with the Government of the Republic of Zambia (25% interest);
- Believed to be the world's largest producer of emeralds, accounting for approximately 25% of global rough emerald production;
- Licence covers an area of approximately 41 square kilometres and contains several emerald-bearing belts (one of which is currently being mined on a large-scale, two are in a bulk-sampling phase and the others are yet to be fully examined by Gemfields);
- JORC code compliant Indicated and Inferred Mineral Resource of 1.8 billion carats of emerald and beryl at an in-situ grade of 281 carats per tonne.

### Montepuez Ruby Mining Limitada – Rubies (75% interest)

- A partnership with a local Mozambican entity, Mwiriti Limitada (25% interest);
- Licence, located in the Montepuez district of the Cabo Delgado province in Mozambique, covers approximately 336 square kilometres with both primary and secondary deposits;

## New Projects and Other Assets

### Oriental Mining – Rubies, Emeralds and Sapphires (100% interest)

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

### Megaruma Mining Limitada – Rubies (75% interest)

- In December 2014, Gemfields completed its acquisition of controlling interests in two additional ruby deposits in the Montepuez district of the Cabo Delgado province in Mozambique (the “Megaruma Licences”);
- The two licences, which do not border on one another, each share a boundary with the existing Montepuez ruby deposit and cover approximately 19 thousand hectares and 15 thousand hectares respectively;
- The Megaruma licences are expected to provide a platform, alongside the Montepuez ruby deposit, for the expansion and development of Gemfields' Mozambique ruby operations.

### Ratnapura Lanka Gemstones (Pvt) Ltd – Sapphires (75% interest)

- In conjunction with East West Gem Investments Limited (“EWGI”), Gemfields established a new gemstone trading company in Sri Lanka;
- The new company will source rough sapphires from pre-vetted parties already operating within the local market.

- Generally recognised as one of the world's largest known ruby and corundum deposits;
- JORC code compliant Indicated and Inferred Mineral Resource of 467 million carats of ruby and corundum at an in-situ grade of 62 carats per tonne.

### Fabergé Limited (100% interest)

- Fabergé enables Gemfields to take its vision for coloured gemstones to the next level, harnessing the Fabergé name to boost the international presence and perception of coloured gemstones and advance the Company's ‘mine and market’ vision;
- New products launched to promote the use of emeralds, rubies and sapphires in support of Gemfields' coloured gemstone strategy.

### Kariba Minerals Limited – Amethyst (50% interest)

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

### Web Gemstone Mining plc – Emeralds (75% interest)

- In February 2015, Gemfields completed its acquisition of 75% interest in an emerald exploration licence, through the Ethiopian registered Web Gemstone Mining plc, covering a licence area of approximately 200 square kilometres;
- Exploration work has commenced for the coming financial year with a preliminary ground survey, mapping and preparation of base plans.

### Coscuez Emerald Mine, Boyacá Department, Colombia – Emeralds (70% interest)

- In September 2015, Gemfields entered into a binding but conditional agreement to acquire a 70% interest in a Colombian company which will, on completion, hold mining contract no. 122-95M (the “Coscuez Licence”, which is presently held by Esmeracol S.A.);
- Located on the ‘Muzo formation’, the Coscuez Licence covers an area of 47 hectares, with the Coscuez mine – one of the largest emerald mines in the world – having been in operation for over 25 years and known to have produced some of the finest emeralds from Colombia;
- Geological due diligence studies were carried out by Gemfields between October 2013 and August 2014;
- Completion is expected to occur by March 2016.

### Selected Exploration Prospects, Colombia – Emeralds (75% and 70% interests).

- Also in September 2015, Gemfields completed the first part of its acquisition of 75% and 70% interests in two Colombian companies holding rights in respect of mining licence applications and assigned concession contracts respectively (of which eight have been approved and issued);
- The total package of mining licence applications and assigned concession contracts cover approximately 20,000 hectares.

# 2015 — Market Overview

*The coloured gemstone industry continued to demonstrate impressive progress.*

*Global imports of coloured gemstones and pearls*

**US\$8.6bn**  
*in 2014 (2013: US\$6.8 billion)*



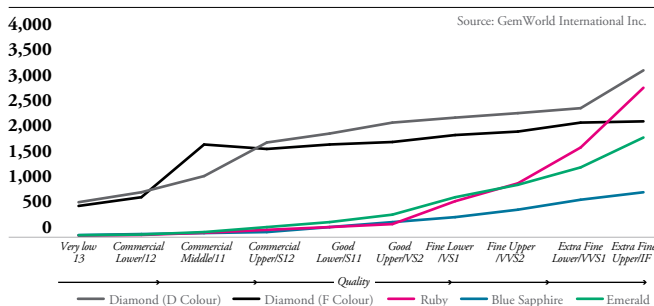
## Global imports of coloured gemstones 2014

The impressive growth of the coloured gemstone market worldwide over the past few years has continued during the financial year under review. In calendar year 2014, global imports of finished coloured gemstones and pearls reached US\$8.6 billion compared with the 2013 reported figure of US\$6.8 billion. This is equal to 11% of the value of global imports of worked diamonds for jewellery use (2011: 5% of global diamond imports).

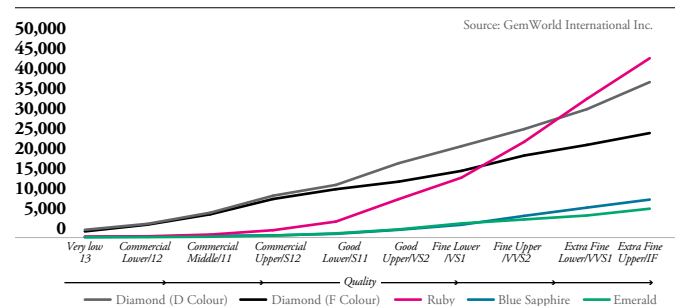
Remarkably, emeralds, rubies and sapphires alone account for as much as 58% of the finished coloured gemstone and pearl market or roughly US\$5 billion<sup>(a)</sup>, an increase of 32% from the US\$3.8<sup>(b)</sup> billion reported in 2013. The world's top jewellery markets experienced double digit growth in the imports of the top three coloured gemstones. The USA grew by 29%, Europe by 22%, and the high jewellery manufacturing centres of France, Italy, Switzerland and the UK reported growth of 22%, 21%, 42% and 44% respectively. Hong Kong imports rose by 23% while India remains one of the most significant markets with imports rising by 6%.

Increasing awareness of the true value and rarity of emeralds, rubies and sapphires, together with the rediscovery of the natural and inherent beauty of colour by younger generations, has contributed significantly to the continued increase in demand for coloured gemstones from around the world. Transparency, responsible mining ethics, consistent supply and consumer education efforts, as a result of the increasing formalisation of the sector, continue to strengthen consumer confidence and make coloured gemstones an increasingly popular choice.

*Ruby, Emerald, Blue Sapphire and Diamond prices: 0.3ct. (2015, US\$/carat) <sup>(1), (2)</sup>*



*Ruby, Emerald, Blue Sapphire and Diamond prices: 2ct. (2015, US\$/carat) <sup>(1), (2)</sup>*



<sup>(1)</sup> Prices quoted are those from the top of the range in each instance  
<sup>(2)</sup> Ruby prices include Burmese rubies.



**2015 Ruby, Emerald, Sapphire and Diamond Prices and the potential for continued growth**

The price range between the lowest and highest quality grades in coloured gemstones is very broad (across all sizes) – while the ranges are much narrower with respect to diamonds. Thus, it is our view that the current market prices for these gemstones show considerable room for continued growth. Given the fact that these qualities make up the bulk of any mine’s overall production, rising prices in lower and medium qualities could offer an additional and important positive impact on the coloured gemstone industry as a whole over time.

The highest quality rubies are commanding higher prices than diamonds of similar weights. Coloured gemstones are setting new world records at auctions, a 25.59 carat ruby was sold by Sotheby’s for US\$30.3 million in May, the highest price ever achieved by a ruby and a 35.09 carat sapphire sold by Christie’s in May 2015 set a new world record for more than US\$200,000 per carat.

*Emeralds, Rubies and Sapphire Production*

**Emeralds**

Available statistics seem to indicate that Zambia became the world’s leading producer of rough emeralds and beryl in 2014, accounting for as much as 35% of global supply and surpassing Colombian and Brazilian production by value. Efficient mining and distribution practices combined with Gemfields’ coordinated marketing efforts have been crucial to the development of the Zambian emerald sector where Gemfields’ Kagem mining operation accounts for as much as 70% of Zambia’s recorded emerald production. Zambia, Colombia and Brazil have historically each produced around one third of global emerald supply by value. However, Colombia’s share of global production appears to have decreased considerably in the past few years, (which is primarily thought to be as a result of a growing need for increased capital investment and professional mining techniques within the region), while Zambia’s share has been increasing. Brazil’s position remains largely unchanged and the country continues to export rough as well as cut and polished emeralds.

**Rubies and Sapphires**

Found mainly in Southern Asia and Eastern Africa, rubies and sapphires belong to the corundum mineral species and are the second hardest natural minerals after diamonds. Traditionally, high quality rubies and sapphires have been produced in Myanmar and Kashmir. However, the time scale over which these deposits have been mined, the lack of investment and various other factors have resulted in all but the exhaustion of many of the existing mines and a decline in their overall market share. Mozambique is believed to be the most significant ruby deposit find since Myanmar. The discovery of new deposits in Mozambique are reviving the global ruby trade by establishing a reliable and consistent supply of rubies to the world’s markets. As a result, the ruby industry has grown considerably in the past year.



Data Source: United Nations Commodity Trade

<sup>(a)</sup> Refers to the trade in both rough and cut and polished emeralds, rubies, sapphires and pearls.

<sup>(b)</sup> Gemfields Annual Report 2014 stated that 2013 global imports of emeralds, rubies and sapphires stood at US\$3.2 billion. The figure has changed since reporters added more 2013 imports data to the United Nations Commodity Trade data.

## *Chief Executive Officer's Review*



*Sales generated from the Montepuez ruby deposit*

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**US\$122m**

*US\$122 million sales generated from the Montepuez ruby deposit since the acquisition completed in 2012*

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This has been a tremendous year for our Montepuez ruby mining business which is helping to re-energise the global ruby market.

I am pleased to report on another year of delivery, growth and achievement for Gemfields as we continue to outperform against our peers within the resources sector.

We have repeatedly delivered on our strategy of increasing production, expanding our operating footprint, responsible mining ethics and strengthening of sector and consumer confidence in coloured gemstones through our commitment to marketing and education.

This has been a tremendous year for our ruby mining business in Mozambique. The quality of gems produced at the Montepuez ruby deposit, coupled with Gemfields' highly-regarded auction platform and comprehensive marketing programmes, has undoubtedly re-energised the global ruby market.

Montepuez delivered increased production of 8.4 million carats of ruby and corundum for the year. Following a technical review, the rock handling capacity was optimised with new additions to the fleet bringing total rock handling to an average of 250 thousand tonnes per month compared with 130 thousand tonnes per month in the previous year. Processing performance also improved following the installation of an additional rinsing screen to improve the capacity of the wash plant during the rainy season.

Our primary objective now is for operations at Montepuez to progress from exploration into full scale production over the next two years. Key targets outlined in the maiden Mineral Resource and Ore Reserve Statement by SRK would see mining capacity rise from 3.3 million tonnes per annum ("mtpa") to 5.6 mtpa by July 2017 and processing capacity increase to 1.3 mtpa by financial year 2017. We look forward to this major step-up in scale for our Mozambican asset.

The three Montepuez rough ruby auctions held during the year – which included the exceptional 40.23 carat 'Rhino Ruby' and a rare matching pair of rough rubies with a combined weight of 45 carats, and aptly named the 'Eyes of the Dragon', – delivered very pleasing results. The April 2015 auction held in Jaipur, was the first time that such a considerable volume of non-domestic rough ruby was offered to the market, with an overwhelming response from participants. Through our continued programme of education on the rarity and value of rubies from Montepuez, the opportunity to grow this market is still apparent.

Kagem delivered another year of impressive results with an increase in annual carat production that can be attributed in part to improved volumes of ore (derived from the mine's primary Chama deposit and supplemented to some extent by the bulk sampling work being carried out on two additional pits) and better rain management during the annual wet season. We progressed the fourth high wall pushback at the Chama pit, which was completed in September 2015. We have revisited our mine plan for the Chama pit, following the updated Resource and Reserves Statement from SRK and are now looking at the option of continued waste stripping over the life of the mine. The plan being to ensure that two to three years of ore is available for mining at any given point in time.

In addition to the current production focus being centred on the Chama pit, effort has also been directed at additional exploration work across the Kagem mining licence area during the year, with the acceleration of various bulk sampling programmes, including the Libwente and Fibolele pits which have thus far yielded some promising results.

The SRK report, released in September 2015, confirmed a proven and probable reserve of 1.1 billion carats at a diluted ore grade of 291 carats per tonne. With the right investment, we expect to be able to increase current production levels from 25 to 30 million carats per annum to around 35 million carats of emerald and beryl by the 2017 financial year end.

Investment into new mining and ancillary equipment during the year, as well as improvements to Kagem's infrastructure and facilities, have once again contributed to increased operational efficiency. The wash plant and security arrangements are also being upgraded with the potential to further increase our processing capacity once completed.

The management and exploration teams should be commended for their skilled and prudent approach to the programme of organic growth at Kagem and we enter the next financial year in a position where further increases in production output from outside of the Chama pit are increasingly possible.

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## Chief Executive Officer's Review continued

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We will continue to be guided by our approach to sustainability and to add meaningful value to the communities, regions and countries where we do business. We were particularly pleased to note the progress on two of Kagem's major community projects, this year, being the construction of a secondary school for 700 children at Chapula and upgrading of the Nkana Health Centre in Lufwanyama District.

Despite some of the extraneous challenges faced, Fabergé continues to serve as a true coloured gemstone champion, adding value to the Gemfields business by suitably positioning and promoting coloured gemstones to drive industry and consumer demand. The launch and subsequent sale of the highly anticipated Fabergé Pearl Egg, the brand's exploration into the timepieces sector, and new jewellery collections reflecting the artistic use of coloured gemstones, have been well received by the market, demonstrating the significant potential inherent with the innovative new designs being created by the Fabergé team. We look forward to increasing consumer demand for these products as we enter the final quarter of this calendar year.

In September 2015, Gemfields announced binding but conditional agreements to acquire controlling interest in two emerald projects in Colombia, including the Coscuez Emerald Mine which is known to have produced some of the finest emeralds from Colombia.

I am pleased to report that our efforts and their associated successes over the past few years, mean that we are now in a position to further support the Group's overall objectives via the efforts of our three newly opened rough gemstone trading outlets. I am confident that the positive impacts of these ventures will be felt in each of these markets within the not too distant future as they help to improve the financial viability of many of the smaller scale miners and ensure maximum returns for each of the respective host nations.

I am extremely encouraged by this past year's growth and the continued development of the global coloured gemstone sector. As we move into a period of stability and consolidation in the year ahead, I look forward to reporting on the sustained growth and prosperity of your Company.



**Ian Harebottle** / Chief Executive Officer  
6 October 2015



*Fabergé*  
Summer in Provence  
Emerald Timepiece

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*Fabergé*  
Summer in Provence Emerald Timepiece  
A new vision of jewellery timepieces. Sophisticated skills of the Fabergé work masters are evident in the delicacy with which the precious gems are interlaced with fine coloured gemstones and micro-sculptures.

— See page 37

Total EBITDA

US\$ 194.7m

Total EBITDA of US\$194.7 million generated since FY09 until FY15

Total revenue

US\$ 524.5m

US\$524.5 million generated since first auction in FY09 until FY15

Case study

# 40 Carat Ruby

## Exceptional 40.23 carat 'Rhino Ruby' discovered at Montepuez

The discovery of a 40.23 carat rough ruby from the Montepuez deposit in 2014 was believed to be one of the most important rubies unearthed in recent times. The gemstone has set a new benchmark for the quality of African rubies and further endorses Montepuez as one of the most significant ruby deposits in the world today.

In recognition of the successful sale of this exceptional ruby at auction, Gemfields and Mwiriti Limitada committed to supporting the anti-rhino-poaching aircraft operated by Game Reserves United ("GRU"), contributing to a material proportion of its flying cost for the 2015 calendar year.



Gemfields is contributing the major portion of funds towards the upkeep of the GRU-Wing aircraft in 2015.



# Business Model — Mine and Market

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

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

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



# Reasons to invest

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

# 1

### ***Gemfields is:***

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

— See pages 20 and 21

# 2

### ***Gemfields' assets include:***

- The Kagem emerald mine in Zambia, presently Gemfields' only operating emerald mine and believed to be the largest producing emerald mine in the world
- The Montepuez ruby deposit in Mozambique, believed to potentially be the largest known ruby concession in the world
- The Kariba amethyst mine in Zambia, one of the world's largest producing amethyst mines
- Fabergé, one of the world's most recognised luxury brand names, underscored by a well-documented and globally recognised heritage
- New projects and prospecting licences in Colombia, Mozambique, Ethiopia, Sri Lanka and Madagascar

— See pages 10 and 11

# 3

### ***Gemfields' management:***

- Is highly experienced in coloured gemstone exploration, mining, processing, sorting and grading
- Has a proven track record in coloured gemstone marketing and promotion to drive global demand
- Is focused on mine and market strategy, constantly building on our core competencies
- Has delivered a 15-fold increase in rough sales prices of higher quality emeralds over the past six years
- Is partnering with a number of globally recognised brands in support of increasing consumer confidence

— See page 50 to 53

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# Strategy

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

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## Priority

*Promoting and repositioning the coloured gemstone industry alongside other luxury goods*

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

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## Description

- To drive demand through Gemfields' commitment to communication, consumer education, marketing and advertising, including global consumer campaigns together with global brand ambassador, Mila Kunis, highlighting the heritage value inherent in coloured gemstones.
  - Leverage the Group's ownership of Fabergé, not only to promote Gemfields' position as a leading supplier of responsibly sourced gemstones, but also provide a greater influence over positioning and increased consumer awareness.
  - To change the face of the coloured gemstone sector through Gemfields' pioneering emerald and ruby auction platform, bringing a consistent supply of responsibly sourced coloured gemstones, carefully graded according to the Company's proprietary rough gemstone grading systems, to its customers.
  - This consistent supply model engineered by Gemfields is now in its sixth year, and has received much acclaim from many stakeholders across the sector.
- 

## Progress FY2015

- Gemfields continues to uphold its commitment to supporting the promotion of the coloured gemstone industry through marketing and advertising. During the financial year, a total of US\$16.2 million was incurred on selling, marketing and advertising.
- The coloured gemstone market has seen an impressive growth in the past few years.
- In calendar year 2014, global imports of coloured gemstones and pearls increased to US\$8.6 billion (2013: US\$6.8 billion). There has been an increased use of coloured gemstones in new jewellery ranges by most major global luxury jewellers.
- Emeralds, rubies and sapphires alone account for as much as 58% of the coloured gemstone and pearl market or around US\$5 billion.
- During the financial year, Gemfields held three emerald and three ruby auctions at various locations across the globe.
- A total of approximately 4 million carats of rubies and 16 million carats of emeralds were sold at auction generating a total revenue of US\$153 million.
- One amethyst auction was held in the financial year and a total of 28 million carats of rough amethyst were sold generating revenues of US\$0.45 million.

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

- To promote the development of globally accepted principles and standards in the coloured gemstone sector including raising professional standards within the sector and promoting long-term, sustainable and integrity-driven operations.

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

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

- 
- Gemfields is committed to ethical business practices.
  - In addition to the well-known 'Four Cs' used by diamond buyers, two additional 'Cs' (Certification and Character) have been incorporated by Gemfields.
  - Gemfields is working with its industry partners to make available laboratory certificates and chain-of-custody certificates containing the Gemfields name.
  - Gemfields has supported the creation of an educational film about coloured gemstones that covers: History, Geology, Mining, CSR and Community, Marketing and To Own a Gemstone.
  - Gemfields continues to fully disclose its auction results to the market and supports increased disclosure across the sector.

- Bulk sampling continued to progress at Libwente and Fibolele within the Kagem licence area.
- Completed the acquisition of a 75% stake in Megaruma Mining Limitada, encompassing an additional 300 square kilometres, of mining licence area bordering on Montepuez.
- Completed the acquisition of 75% interest in an emerald exploration licence through Web Gemstone Mining Ltd in Ethiopia.

**Post reporting period announcements**

- Maiden JORC resource and reserves statement for Montepuez was published in July 2015.
- Updated JORC resource and reserves statement for Kagem was published in September 2015 supporting a proven and probable ore reserve for the mine.
- Completed binding but conditional acquisitions of interests in Colombian licences.

# Key Performance Indicators

## Revenue

**US\$171.4 million**  
(2014: US\$160.1 million)

### Description

Revenue represents the value of gemstones and Fabergé products sold during the financial year. Via its proprietary rough grading platform and auction process, Gemfields sells rough emerald and beryl, ruby and corundum and amethyst alongside traded rough emerald auctions (of gemstones not obtained directly from the Company's own mining operations).

The Company also sells cut and polished gemstones, sourced from its auction partners to a select range of designers, manufacturers and retailers.

### Commentary

Revenue increased to US\$171 million following a significant increase in ruby production from Montepuez and the subsequent increase in the number of rubies sold at auction. During this financial year, the Company held three ruby auctions (2014: one ruby auction) and three emerald auctions (2014: three emerald auctions). The six auctions hosted yielded aggregate revenues of US\$153 million.

### Outlook FY2016

- Despite some market uncertainty, demand for coloured gemstones is expected to remain strong throughout the coming year
- Target of at least three emerald and three ruby auctions.
- Delivery and recognition of record sales orders taken at BaselWorld 2015 for Fabergé.

## EBITDA

**US\$64.4 million**  
(2014: US\$59.3 million)

### Description

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

### Commentary

EBITDA has continued its upward trend and increased 9% from the prior year. The Company has also maintained its track record and commitment to growing the sector by significantly reinvesting in exploration, development, marketing and acquisition activity for long term value creation.

### Outlook FY2016

- Target of 30% to 40% EBITDA margin.
- Gemfields and Fabergé will maintain their focus on key marketing initiatives and regions.
- Following the acquisition of exploration licences in Sri Lanka, Colombia, Mozambique and Ethiopia, the Group forecasts an increase in exploration costs in the 2016 financial year.

## Production – Emerald and beryl

**30.1 million carats**  
(2014: 20.2 million carats)

## Production – Ruby and corundum

**8.4 million carats**  
(2014: 6.5 million carats)

### Description

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

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

Montepuez mine produces rough ruby and corundum and is currently working on two main pits, Maninge Nice and Mugloto.

### Commentary

The Kagem emerald mine achieved a 49% increase in production this financial year to 30.1 million carats of emerald and beryl, the second highest level of production since Gemfields took control of Kagem in 2008. The increase in production is a result of improved volumes of ore, better rain management employed by the team during the annual wet season, and 2.3 million carats produced from bulk sampling operations.

Continued production, exploration and bulk sampling activities at Montepuez delivered increased production of 8.4 million carats of ruby and corundum for the year.

### Outlook FY2016

- Target of 25 million to 30 million carats of emerald and beryl production for Kagem.
- Target of 8 million carats of ruby and corundum for Montepuez.
- Continuation of exploration and bulk sampling not only in the key operating assets, Kagem and Montepuez but also in the new licences in Sri Lanka, Colombia, Mozambique and Ethiopia.
- Implementation of various upgrades to be actioned in the 2016 and 2017 financial years should deliver increased production volumes in the 2018 financial year.

*Capital expenditure – investment Kagem*

**US\$34.8 million**  
(2014: US\$11.9 million)

*Capital expenditure – investment Montepuez*

**US\$9.8 million**  
(2014: US\$6.0 million)

**Description**

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

**Commentary**

A total of US\$34.8 million was invested in new mining and ancillary equipment, stripping costs and improving Kagem's facilities and infrastructure.

A total of US\$9.8 million was invested at Montepuez on mining equipment, upgrades to the wash plant and infrastructure.

**Outlook FY2016**

- Installation of a second washplant at Montepuez and an upgrade to the existing washplant to increase processing capacity to 320 tonnes per hour by 2017 financial year is being considered. This should allow increased production to 20 million carats of rubies by 2018 financial year.
- Additional capital expenditure planned for exploration in existing mines and new projects.
- Continued and accelerated waste stripping in the Chama pit operation, with a potential increase in production to around 40 to 45 million carats in the forthcoming years.

*Corporate responsibility and sustainability*

*Gemfields committed at least 1% of gross sales at Kagem and at Montepuez to corporate responsibility and sustainability projects.*

**Description**

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

**Commentary**

Gemfields redeveloped the Chapula school in Lufwanyama District and upgraded the Nkana Health Centre in Zambia. At Montepuez, with the support of specialist consultants, a baseline study has been conducted.

**Outlook FY2016**

- The focus is on strengthening each mine site's operational sustainability projects, such as those that relate to environmental management, as well as putting in place a clearer and more robust means of engaging with communities and investing in their livelihoods.

*Safety*

*In May 2015 the Mines Safety Department of Zambia awarded Kagem with a safety certificate recognising 3.5 million reportable injury free shifts.*

**Description**

Gemfields places a high emphasis on safety as priority on mine sites with the development of safety management systems and a 'safety first' culture.

**Commentary**

Gemfields has strengthened its health & safety performance by undertaking a number of studies and training to address safety performance gaps.

**Outlook FY2016**

- The focus is on strengthening the mine site operational safety teams, implementing an international-level safety management system and carrying out more extensive training of employees.



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# Operational and Financial Review

*Our vision is to be recognised as  
the world's number one coloured  
gemstone company and to maintain  
our success in mining,  
distribution and marketing.*



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Rough emeralds from  
the Chama pit at  
Kagem, Zambia

# Operational and Financial Review

## Auction revenue

Gemfields offers its rough emerald and ruby production to chosen market participants by way of sealed bid auctions where all gemstones tendered are certified by Gemfields as being sourced from the Gemfields' mines and any applied gemstone treatments and sources of origin are fully disclosed. In addition, Gemfields also offers emeralds obtained in the open market from various sources at auction with these goods being clearly marked as such. Many of the world's leading gemstone houses and lapidaries are invited to attend these auctions.

During the financial year ending 30 June 2015, Gemfields held three rough emerald and beryl auctions as well as three rough ruby and corundum auctions at various key locations across the globe:

- 5-8 August 2014: Lower quality rough emerald and beryl, Lusaka, Zambia.
- 13-17 November 2014: Higher quality rough emerald, Lusaka, Zambia.
- 3-8 December 2014: Higher quality rough ruby, Singapore.
- 24-27 February 2015: Lower quality rough emerald and beryl, Lusaka, Zambia.
- 17-22 April 2015: Lower quality rough ruby and corundum, Jaipur, India.
- 16-21 June 2015: Higher quality rough ruby, Singapore.

The auction results are summarised in the following table:

## Auction results (emerald and beryl)

Date	5-8 August 2014	13-17 November 2014	24-27 February 2015
Location	Lusaka, Zambia	Lusaka, Zambia	Lusaka, Zambia
Type	Lower Quality	Higher Quality	Lower Quality
Carats offered	12.11 million	0.60 million	10.1 million
Carats sold	11.58 million	0.53 million	3.9 million
Number of companies placing bids	21	34	21
Average number of bids per lot	7	12	5
Number of lots offered	21	17	26
Number of lots sold	17	16	19
Percentage of lots sold	81%	94%	73%
Percentage of lots sold by weight	96%	89%	39%
Percentage of lots sold by value	88%	89%	88%
Total sales realised at auction	US\$15.5 million	US\$34.9 million	US\$14.5 million
Average per carat sales value	US\$1.34/carats	US\$65.89/carats	US\$3.72/carats

## Emerald auction results

The first emerald auction during the financial year, held in August 2014, was an auction of predominantly lower quality rough emerald and beryl. Out of 12.1 million carats offered, 11.6 million carats were sold, generating revenues of US\$15.5 million. Including the lower quality beryl, the overall realised price was US\$1.34 per carat.

The second emerald auction, held in November 2014, was of predominantly higher quality rough emerald. Out of 0.60 million carats offered, 0.53 million carats were sold, generating revenues of US\$34.9 million. The auction yielded an overall average price of US\$65.89 per carat, a record value for a higher quality Gemfields emerald auction, which represented a significant increase over the previous high of US\$59.31 per carat (achieved at the February 2014 auction).

At the third emerald auction, in February 2015, revenues of US\$14.5 million were realised on the sale of 3.9 million carats of predominantly lower quality emerald and beryl, which in turn also represented another record overall unit price of US\$3.72 per carat for emerald and beryl of this quality.

*Highest average price per carat*

# US\$688.64

*Highest average price per carat achieved at higher quality ruby auction in December 2014*

**Ruby auction results**

In December 2014, Gemfields held an auction of predominantly higher quality rough ruby in Singapore. A total of 50 participants bid in what was Gemfields' second-ever ruby auction, the first having been held in June 2014. The auction generated revenues of US\$43.3 million for 62,936 carats sold out of the total of 85,491 carats offered. The average realised price of US\$688.64 per carat was the highest price ever achieved at any of Gemfields' gemstone auctions.

In April 2015, Gemfields held an auction of predominantly lower quality rough ruby and corundum in Jaipur, India. The auction generated revenues of US\$15.9 million for 3.96 million carats sold out of the total of 4.03 million carats offered. The average realised price was US\$4.02 per carat.

Gemfields' third rough ruby auction during the financial year was held in Singapore in June 2015. The auction generated total revenues of US\$29.3 million for 47,451 carats sold out of the total of 72,208 carats offered. The average realised price was US\$617.42 per carat. The auction results, which saw 28 of the 46 lots offered being sold, indicated further opportunities to educate the market on the Company's products in order for the market to fully appreciate the rarity and value of all of the gemstones from Montepuez. This in turn further supports the possibility of additional ruby price increases going forwards, along the lines of what has been achieved in emerald sales.

**Amethyst auction results**

Kariba Minerals Limited ("Kariba"), one of the world's largest producing amethyst mines, located in Zambia, achieved good quality production of amethyst during the year, with an auction of higher

quality amethyst being held in Lusaka in February 2015. A total of 27.7 million carats of higher quality amethyst extracted from Kariba were offered, with 13 out of the total 14 lots sold. This generated auction revenues of US\$0.45 million and realised an overall average value of US¢1.77 per carat.

**Kagem Mining Limited, Zambia**

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

**Mining**

During the year, Kagem progressed its fourth high wall pushback programme at the Chama pit. The programme commenced in 2014 and was designed to expose the emerald and beryl mineralisation at the south-eastern edge by 75 metres for open pit ore production for at least two to three years at the current rate of operations. The programme has progressed well and was completed in September 2015.

Following the updated Resource and Reserve Statement from SRK completed in September 2015, Kagem has updated its mine plan and is now planning for a continued waste stripping of the Chama pit over the life of mine. The accelerated waste stripping will provide for approximately two to three years of ore available for mining at any given point in time.

**Auction results (ruby and corundum)**

Dates	3-8 December 2014	17-22 April 2015	16-21 June 2015
Location	Singapore	Jaipur, India	Singapore
Type	Rough Ruby (Higher Quality)	Rough Ruby & Corundum (Lower Quality)	Rough Ruby (Higher Quality)
Carats offered	85,491	4.03 million	72,208
Carats sold	62,936	3.96 million	47,451
Number of lots offered	41	64	46
Number of lots sold	35	57	28
Percentage of lots sold	85%	89%	61%
Percentage of lots sold by weight	74%	98%	66%
Percentage of lots sold by market value	93%	81%	72%
Total sales realised at auction	US\$43.3 million	US\$15.9 million	US\$29.3 million
Average per carat sales value	US\$688.64/carats	US\$4.02/carats	US\$617.42/carats

## Case study

# Kagem moves ahead with US\$2 million programme of community work



*On 13 January 2015, then Acting President Hon. Dr Guy Scott officially launched a US\$2 million programme of community work by Kagem Mining Ltd with a ground-breaking ceremony for a new secondary school at Chapula and upgrade of Nkana Health Centre in the Lufwanyama District.*

Construction of the secondary school will include ten classrooms, two science laboratories, two computer rooms, a library, needlework and home craft rooms, an administrative block, ablution blocks, and a borehole.

The Company is also funding the construction of a four-ward mini-hospital at Nkana Clinic with a maternity unit, along with two nurses' accommodation blocks and a borehole, giving people improved access to more advanced healthcare facilities at a local level.

“Education and health are key components of our vision to improve the livelihoods of the people of Lufwanyama, along with the conservation of our shared environment,” said Kagem and Gemfields Chief Executive Officer Ian Harebottle.



Maternity unit at Nkana Clinic.

Gemstone production for the year increased 49% year on year to 30.1 million carats of emerald and beryl (2014: 20.2 million carats). This production was realised from the Chama pit (27.8 million carats) and the bulk sampling projects (2.3 million carats). The increased gemstone production is predominantly as a result of improved volumes of ore mined throughout the year. The first six months of financial year 2015 saw 12.1 million carats produced compared to 10.4 million carats during the comparative period in the prior year, followed by a record 18.0 million carats of production during the six months ended June 2015 compared to 9.8 million carats mined in the comparative period. The increase in annual carat production is in part due to the fluctuating nature of gemstone deposits as well as a result of the better rain management employed by Kagem during the rainy season. Kagem provides annual guidance to the market of 25 to 30 million carats of emerald and beryl and this year produced the second highest annual production of carats since Gemfields acquired Kagem in 2008, only surpassed by the 33 million carats produced in 2011. Kagem has the potential to increase production to around 40 to 45 million carats of emerald and beryl in the forthcoming years, subject

to the required level of investment and finalisation of the upgrades to the open pit mine plan.

Total operating costs were US\$44.5 million (2014: US\$32.0 million). Unit operating costs were US\$1.48 per carat (2014: US\$1.58 per carat). On a cash basis unit, operating costs were US\$1.45 per carat (2014: US\$1.36 per carat) largely driven by the significant increases in scale of the overall mining operations. Cash rock handling unit costs decreased by 22% to US\$2.90 per tonne (2014: US\$3.70 per tonne).

#### JORC Resource and Reserve

In September 2015, Gemfields announced an updated JORC-compliant Resource and Reserve Statement. The Mineral Resource 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 on-going 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.

#### Mineral Resources Statement

Deposit	Classification	Tonnage (kt)	Grade (ct/t)	Contained carats (ct,000)
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	0	0	0
	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.

For the economic analysis as part of the Competent Person's Report ("CPR"), SRK Consulting (UK) Limited ("SRK"), has constructed an independent Technical Economic Model ("TEM") on a 100% equity basis, described below. Highlights of the TEM include:

- 25 year life of mine ("LoM") for Chama pit and seven years for Fibolele, yielding 1.1 billion carats of emerald and beryl.
- A post-tax net-present-value ("NPV") of US\$520 million, based on a 10% base-case discount rate and mineral royalty of 9%.
- Projected revenue of US\$4.3 billion and projected operating costs of US\$1.0 billion in real terms.
- Capital expenditure of US\$206 million and stripping spend of US\$310 million in real terms over the LoM.

## Operational and Financial Review continued

### Emerald and beryl production

# 30.1m carats

30.1 million carats of emerald and beryl were produced (2014: 20.2 million carats)



An emerald crystal in-situ in the main pit at Kagem, Zambia.

#### Capital expenditure

During the year, a total of US\$34.8 million (2014: US\$11.9 million) was invested in new mining and ancillary equipment, deferred stripping costs, as well as in improving Kagem's facilities and infrastructure. Of the US\$34.8 million, Kagem invested US\$20.8 million on deferred stripping costs, US\$7.6 million in additional mining equipment to increase the production capacity of Kagem, with the remaining US\$6.4 million spent on replacing existing mining and ancillary equipment.

#### Processing

The Kagem wash plant achieved a total of 5,247 hours of operation (2014: 4,788 hours). As part of the ongoing efficiency drive at Kagem, the wash plant processing capacity and its security arrangements are being upgraded with a view to increasing the plant output from 33 tonnes per hour to a potential 66 tonnes per hour. This will lead to an increase in optimisation of the process flows, increased operating flexibility and enhanced overall production capacity and productivity at Kagem. The upgrade is expected to be completed by the end of the 2015 calendar year.

The modified and new picking belts are located within an improved washing facility, leading to a better working environment with enhanced levels of ventilation, lighting and noise reduction, resulting in fewer distractions and better overall control. These improvements will also result in reduced maintenance costs, more efficient gemstone selection from the belts and enhanced overall security.

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

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*Zambia became the world's leading producer of rough emeralds and beryl in 2014 and it's host to Kagem, which is believed to be the world's largest producing emerald and beryl mining operation. Gemfields' strategy is to expand production at Kagem and set the foundations for sustaining long term open pit operations.*

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### Geology and exploration

While the Chama pit remains the main focus with respect to current production activities and contains the bulk of the known resources, Gemfields' mineral resource strategy continues to focus on identifying various opportunities within its mining licence area that are available for further assessment by way of bulk sampling and other exploration programmes.

The Libwente pit, located three kilometres from the Chama pit is one of two new bulk sampling projects at Kagem and has the potential to extend the Fwaya Fwaya Pirala belt (the same talc-magnetite schist ("TMS") which is mined at the Chama pit) in a north-easterly direction. Exploration work undertaken in recent years delineated shallow-dipping TMS varying in thickness from eight to ten metres and occurring at a depth range of 20 to 70 metres. Bulk sampling of this pit commenced in 2014 and has progressed well, resulting in an increase in overall scale of operations during the year. The pit was developed by the removal of the overburden which has recently reached the productive level of top TMS. A total of 2.0 million tonnes was excavated during the year. 161 thousand carats were produced, at a grade of 37 carats per tonne, from five contacts indicating the presence of potential productive system.

The Fibolele pit, located 2.7 kilometres from the Chama pit also saw increased gemstone production and bulk sampling during the year. Based on the encouraging results achieved during the first of two phases of bulk sampling, a third phase has now been planned. This will increase the pit size to 590 metres in length and 50 metres in depth, with a planned stripping ratio of 57:1. A total of 2.1 million carats were excavated at a grade of 167 carats per tonne during the year.

### 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.

Key security initiatives implemented during the year include extensive upgrades to the CCTV infrastructure in the mining pit, security gates and sort house and the implementation of professional CCTV monitoring personnel at a CCTV central control room. These measures have yielded considerable improvements but with the unfortunate and associated consequence of an increase in the number of apprehensions.



Gemfields' Chama pit, Kagem, Zambia.

### Safety and environment

Mining operations inherently impact on the environment and pose some level of risk to the health and safety of employees. 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. In May 2015, Gemfields' track record in safety management was once again recognised by the Mines Safety Department of Zambia who awarded Kagem a safety certificate recognising 3.5 million shifts free of reportable injuries, an LTIF of zero for the year (2014: zero).

### Montepuez Ruby Mining Limitada, Mozambique

The Montepuez ruby deposit is located in the north-east of Mozambique in the Cabo Delgado Province. Covering approximately 33,600 hectares, it is believed to be the most significant recently discovered ruby deposit in the world. MRM holds a 25 year mining and exploration licence over the area, granted by the Government of Mozambique in November 2011.

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

## Operational and Financial Review

### continued

#### Mining

The Montepuez operation primarily comprises a number of large bulk sampling pits split between the two main operating areas, Mugloto and Maninge Nice. Bulk sampling is carried out as a conventional open-pit gravel operation with excavators, loaders and trucks. Loaded trucks haul ore to the stockpiles at the wash plant while waste is backfilled into the mined-out areas.

During the year, a technical review was carried out by Montepuez to further optimise the mining of rubies and corundum. The technical review resulted in a decision to expand the scale of the operation including additions to the fleet which saw an increase in total rock handling to an average of 250 thousand tonnes per month compared to 130 thousand tonnes per month in the previous financial year.

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

Montepuez annual production summary	30 June 2013	30 June 2014	30 June 2015
Gemstone production (ruby+corundum) in million carats	1.9	6.5	8.4
Ore production (primary+secondary) in thousand tonnes	26.7	408.6	438.9
Ore processed (primary+secondary) in thousand tonnes	13.3	158.2	325.4
Grade (ruby+corundum/ore processed) in carats/tonne	143 <sup>(a)</sup>	41 <sup>(a)</sup>	26
Waste mined in thousand tonnes	63.0	1,192.1	2,530.5
Total rock handling in thousand tonnes	89.7	1,600.6	2,969.4
Stripping ratio	2.4	2.9	5.8

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

Total tonnes excavated during the financial year was 3.0 million tonnes (2014: 1.6 million tonnes), made up of 0.4 million tonnes of ore and 2.6 million tonnes of waste. The overall stripping ratio was 5.8 (2014: 2.9). Around 74% of the total rock excavated was focused on the Mugloto block, 23% on the Maninge Nice block and the

remaining 3% from other pits. The increased focus on the Mugloto block was the result of the discovery of higher value deposits spread over a large area primarily in the alluvial gravel beds. This resulted in an overall decrease in grade, supported by a considerable increase in the value of goods mined.

Approximately 325 thousand tonnes of ore were processed by the wash plant (2014: 158 thousand tonnes) with an average grade of 26 carats per tonne (2014: 41 carats per tonne).

A total of 8.4 million carats of ruby and corundum were produced during the financial year (2014: 6.5 million carats). Of the total 8.4 million carats, 8.2 million carats were recovered from the Maninge Nice primary and secondary ore and 0.2 million carats from the Mugloto secondary ore.

Total operating costs were US\$21.6 million (2014: US\$7.3 million). Unit operating costs were US\$2.57 per carat (2014: US\$1.12 per carat). On a cash basis, unit operating costs were US\$2.18 per carat (2014: US\$1.68 per carat). Cash rock handling unit costs decreased by 10% to US\$6.16 per tonne (2014: US\$6.81 per tonne).

#### Processing

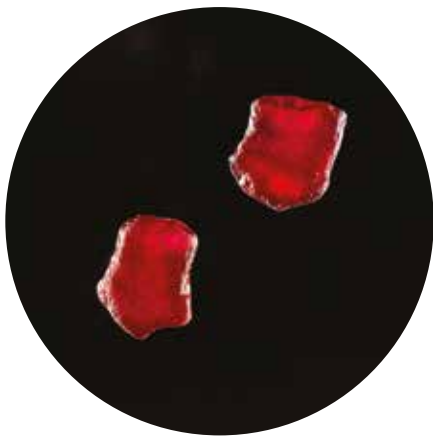
Ore excavated from the Maninge Nice and Mugloto pits is brought to a centralised stock yard adjacent to the wash plant. During the year, an additional rinsing screen was installed to replace the dry screen and improve the performance and capacity of the wash plant during the rainy season. This helped support and increase processing performance achieved over the financial year to 100 tonnes per hour. Further upgrades are proposed to increase the capacity to 150 tonnes per hour, with an expected operational run rate of 120 tonnes per hour.

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

Montepuez is considering a further increase to its current processing capacity through the installation of a second wash plant with a 250 tonnes per hour capacity, which will operate at 200 tonnes per hour. This will increase the overall project processing capacity to 320 tonnes per hour. The new process plant will incorporate washing, screening and dense media separation ("DMS")/optical sorters to recover the rubies, together with fine tailings dewatering.

*Mozambique is believed to be the most significant ruby deposit find since deposits were first discovered in Myanmar. Montepuez is helping to revive the global ruby trade and has already achieved positive results. Gemfields' strategy is to accelerate a ramp-up in production of Montepuez over the next few years.*

*'Eyes of the Dragon' an exceptional and rare matching pair of rough rubies, discovered earlier this year at Montepuez, with a combined weight of 45 carats.*



Montepuez Ruby Mine, Mozambique.

## Operational and Financial Review

### continued

### Ruby and corundum produced

# 8.4m carats

A total of 8.4 million carats of ruby and corundum produced in 2015  
(2014: 6.5 million carats)

#### Geology and exploration

The rubies at Montepuez are found in two mineralisation types, namely: primary amphibolite and secondary gravel bed.

The Montepuez mining area comprises rocks ranging from granitic to amphibolitic in composition, with scattered quartzite and marble occurrences. On a regional scale, the rocks are highly folded into tight isoclinal folds of all scales, subsequently cut by a number of north-east to south-west trending shear zones. Due to the complexity of folding, the host rocks display more open folding in the Montepuez mining area.

To date, rubies from Montepuez differ geologically from many of the rubies traditionally available in the international market in that they are amphibolite related rather than marble or basalt related.

Rubies from the primary amphibolitic mineralisation 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. In contrast, the production from the secondary gravel bed deposit is dark red in colour, more transparent, with fewer inclusions, and often rounded in shape.

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 secondary deposit is yet to be identified. It is thought to lie outside of the area currently delineated by exploration drilling and pitting.

#### Maiden Resource and Reserve Statement

During the year, Gemfields commissioned SRK Consulting (UK) Limited ("SRK") to prepare a Competent Persons' Report ("CPR") covering a total area of 36 square kilometres out of the total mining concession area of 336 square kilometres. In July 2015, Gemfields announced its first JORC-compliant Resource and Reserve Statement at Montepuez, well ahead of its target completion date of December 2015.

The report confirmed Montepuez was host to an Indicated and Inferred Mineral Resource of 467 million carats of ruby and corundum at an in-situ grade of 62.3 carats per tonne. Furthermore, the report confirmed Probable Ore Reserves of 432 million carats of ruby and corundum at a diluted ore grade of 15.7 carats per tonne.

#### Mineral Resource Statement

The Mineral Resource Statement for Montepuez as at 1 January 2015 is shown below.

Area	Deposit Type	Classification	Density (g/cm <sup>3</sup> )	Tonnage ('000 tonnes)	Grade (carats per tonne)	Contained Carats (million carats)
Maninge Nice	Primary	Indicated Mineral Resources	2.15	2,124	115.4	245
	Primary	Inferred Mineral Resources	2.15	378	115.4	44
	Secondary	Indicated Mineral Resources	1.53	305	349.8	107
Mugloto	Secondary	Indicated Mineral Resources	1.95	4,693	15.3	72
Total	Primary	Indicated + Inferred	2.15	2,502	115.4	289
	Secondary	Indicated + Inferred	1.91	4,998	35.7	178

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

**Ore Reserves**

As at 1 July 2015, SRK notes that the Montepuez ruby deposit has Ore Reserves of 2.2 million tonnes of primary material grading at 114.9 carats per tonne and 25.3 million tonnes of secondary material grading at 7.1 carats per tonne.

Classification	Deposit Type	Tonnage (thousand tonnes dry)	Grade (carats per tonne)	Contained Carats (thousand carats)
<b>Proved</b>				
Maninge Nice	Primary	–	–	–
	Secondary	–	–	–
Mugloto	Primary	–	–	–
	Secondary	–	–	–
<b>Probable</b>				
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
<b>Proved &amp; Probable</b>				
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
<b>Total</b>		<b>27,549</b>	<b>15.7</b>	<b>431,620</b>

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

As part of the CPR, SRK provided an Independent Technical Economic Model based on a 100% equity basis. Highlights of the economic parameters included:

- Projected 21 year life of mine (“LoM”) producing a total of 432 million carats over the LoM;
- Projected real cash flow (no discount rate applied) over the LoM of approximately US\$2.76 billion;
- Robust economics shows a post-tax Net Present Value (“NPV”) of US\$996 million (based on 10% discount rate) and an Internal Rate of Return (“IRR”) of 311.7%; and
- Capital expenditure of US\$64 million over the first two years and a total of US\$305 million over LoM, in real terms.

**Sorting, rough sales and auctions**

A sorting facility exists at the mine camp which includes a grading room, 20 gloved sort boxes, secured storage and a waste facility. A CCTV surveillance system is in operation throughout the sort house on a 24/7 basis. This sorting facility has been centralised and is positioned close to the wash plant. Concentrated gravel is transported directly in secured lockboxes from the jigs to the sort house where it is sorted and graded by hand.

**Capital expenditure**

During the year, a total of US\$9.8 million (2014: US\$6.0 million) was invested in new mining and ancillary equipment, as well as in improving Montepuez facilities and infrastructure. Of the US\$9.8 million, US\$7.7 million was invested in additional mining

equipment to increase the production capacity of Montepuez, with the remaining US\$2.1 million spent on replacing existing mining and ancillary equipment.

**Infrastructure**

Montepuez is served by a fully operational base camp at Namanhumbir and includes pre-fabricated accommodation, office facilities and recreation amenities for all of Montepuez resident employees. The average number of people employed at Montepuez including contractors was 499 (2014: 429).

The mine’s camp site is due to undergo a significant upgrade in the 2015/16 financial year and a contract has been awarded for the construction of a large expansion to the residential camp. This includes new permanent housing units as well as improved roads, water purification capabilities, office and leisure facilities.

**Security**

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

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

**Safety and environment**

Gemfields is formalising a group-level standard for health and safety reporting and procedures. Regular training sessions are held for all employees on various subjects, including health and safety in addition to ‘toolbox talks’ given at the start of each shift. The completion of a module of training with Montepuez results in certification for employees. On 1 May 2015, International Workers Day, Montepuez presented awards to the most safety conscious employees.

Social initiatives are currently underway within the local communities, including the completion of various improvements to the local maternity ward. In June 2015, Montepuez celebrated World Environment Day by inviting children from the local schools to participate in talks concerning the environment at Montepuez and replanting an area of reclaimed land within the Mugloto block. Environmental and social impact assessment studies have been carried out and were submitted to the Mozambique Ministry of Environment during the year.

There is a potential requirement to carry out a resettlement of some villagers from the Montepuez concession to gain access to economically viable parts of the mine. Presently, Montepuez is at the stage of identifying possible relocation sites with the local government having spent the last year carrying out local census and data collection. This process is expected to conclude by the end of the 2015 calendar year with the approval of the resettlement action plan if so required.

## Case study

# An objet d'art masterpiece: the Fabergé Pearl Egg



*Fabergé restored its revered tradition of creating the most precious and coveted of objets d'art earlier this year with the launch of the Fabergé Pearl Egg – the first egg created in the 'Imperial Class' since 1917 – which was unveiled at the 2015 Doha Watch and Jewellery Exhibition.*

The Fabergé Pearl Egg pays homage to the forthcoming centenary of the last Fabergé Imperial Eggs ever delivered.

— See page 37

The Fabergé Pearl Egg draws inspiration from the formation of a pearl within an oyster, and the egg's exquisitely-crafted mother-of-pearl exterior opens to reveal a unique grey pearl of 12.17 carats, sourced from the Arabian Gulf and exhibiting exceptional purity and a highly unusual shade of grey.



The Fabergé Pearl Egg

### **Acquisition of additional ruby licences in Mozambique**

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

### **Kariba Minerals Limited, Zambia**

Kariba Minerals Limited (“Kariba”) remains one of the world’s largest producing amethyst mines, accounting for around 40% of the world’s amethyst production. Kariba’s vision for the future is to more closely align itself with Gemfields’ marketing initiatives to further promote amethyst’s positioning, demand and significance across all key customer markets.

Operations at the mine developed steadily throughout the year with total rock handling standing at 276 thousand tonnes including 23 thousand tonnes of ore mined at an average grade of 47kg per tonne. In the previous financial year, the total rock handling was 110 thousand tonnes with 10 thousand tonnes of ore mined at an average grade of 28kg per tonne.

The mine underwent some additional changes during the year including the installation of a new canteen. Work also commenced on the development of a new solar power system to support a more consistent and reliable electricity supply to both the mine site and the surrounding community. The majority of the mining activity continues to take place at the ‘Top Curlew’ pit, producing around 90% of the mine’s ore. However, in March 2015 a new pit was opened, the ‘Curlew Main’, which recently commenced production.

### **Ratnapura Lanka Gemstones (Pvt) Limited, Sri Lanka**

In September 2014, Gemfields entered into an agreement with East West Gem Investments Limited (“EWGI”), a Jersey registered company, to progress opportunities in Sri Lanka for sapphires.

As part of the agreement, a gemstone trading company called Ratnapura Lanka Gemstones (Pvt) Ltd (“Ratnapura Lanka Gemstones”) was created, of which Gemfields own 75%. This company has been approved by the Board of Investments of Sri Lanka and was created to source rough sapphires from pre-vetted parties already operating within the local market. This will help to promote a transparent and ethical gemstone platform in order to realise the full value of sapphires and to the benefit of local industry and all stakeholders. Ratnapura Lanka Gemstones has since applied and been granted a trading licence by the Board of Investment Sri Lanka which has allowed the company to procure several small shipments of Sri Lankan sapphires for analysis.

The venture has also acquired 75% operating interests in certain exploration licences covering diverse minerals and plans to commence a preliminary geological assessment covering these licences to examine their prospectivity.

### **Web Gemstone Mining plc, Ethiopia**

In February 2015, Gemfields completed the acquisition of 75% shares in Web Gemstone Mining plc (“Web Gemstone”), an Ethiopian registered company. Web Gemstone holds an emerald exploration licence covering a total concession area of 200 square kilometres. A new exploration team was recruited on site to help explore and develop the potential within the area. A base camp has also been established on the concession and a team was stationed there in June 2015.

Exploration work has recently been commenced for the coming financial year with a preliminary ground survey, mapping and preparation of base plans. A manual pitting and trenching exercise has been initiated on a promising area in the north of the licence, selected on geological indicators and past artisanal activity. The results of these activities will help guide the future course of exploration in the area.

### **Oriental Mining SARL, Madagascar**

Oriental Mining SARL (“Oriental”) has not been subject to any large scale ground activity this financial year due to several political changes in Madagascar. Oriental will not look to progress any exploration programmes until the company has all of the relevant licences in place.

### **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 2015 via an increased number of agreements with retail partners. At 30 June 2015, Fabergé products were available in Australia, Azerbaijan, Czech Republic, Malta, Qatar, Saudi Arabia, Switzerland, Thailand, UAE, UK, Ukraine and USA. Since 30 June 2015 further agreements have been completed resulting in Fabergé products now being available in Bahrain and Canada.

During the financial year, Fabergé underwent further optimisation of the business, including management appointments, as part of the medium term strategy of becoming a standalone profitable business unit within the Gemfields group. Significant progress was made across all three product categories namely jewellery, timepieces and relaunching of the tradition of Imperial Class Objets. In addition, several nominations were bestowed on the new timepieces demonstrating the significant potential for the innovative designs and progress being made by Fabergé. Political turbulence in important markets such as Russia and Ukraine, and investment in branding and marketing campaigns which are yet to be released, impacted on Fabergé’s overall sales growth. However, record orders were received at BaselWorld 2015 and these revenues will be recognised in the coming year when the deliveries are made. Fabergé also recorded improved revenues from sales of larger coloured gemstones through its Devotion collection.

## *Operational and Financial Review continued*



Fabergé Visionnaire I, Haute Horlogerie watch for men

Cost saving initiatives resulted in a 5% saving on administrative costs. Total operating costs during the financial year were US\$18.1 million (2014: US\$19.3 million). The net EBITDA loss was US\$14.2 million (2014: US\$14.3 million). Wholesale points of sale increased by 33% in the current financial year. The total number of Fabergé boutiques and distribution channels increased from 16 to 20 during the year.

### **Marketing**

Fabergé continued its association with Harrods during March 2015 in the lead up to Easter. In keeping with the tradition of innovation and surprise, Fabergé developed two digital applications for client interaction and engagement. These included the Fabergé Egg Burst, which allowed clients to design their own Fabergé egg that was then displayed in the Harrods front window using 3D mapping. In addition, the in-store 'Fabergé Egg Hunt' engaged visitors in hunting for six large collectors' eggs hidden throughout Harrods using their smartphone and a specially designed app.

Fabergé also exhibited at the prestigious art, antique and design fair 'Masterpiece London' for the first time this year at the end of June 2015. As one of only two Salon Partners, Fabergé demonstrated its legendary creations, from gemstones to masterpieces, tracing the journey of the creation process from rough stones to finished jewellery and timepieces, drawing inspiration from its illustrious past.

### **Launch and sale of the first Imperial Class Objet d'Art**

To mark the upcoming 100<sup>th</sup> anniversary of the last imperial egg commissioned in 1916, Fabergé relaunched the tradition of the Imperial Class Objets in the year. The first such objet, the Fabergé Pearl Egg, was introduced at the Doha International Jewellery Show in February 2015. It was purchased in Doha by Hussain Al Fardan, the renowned Qatari businessman, one of the largest natural pearl collectors in the world.

The second Imperial Class Objet set is close to completion and comprises a series of four eggs that reflect the four seasons. Each egg is designed to carry a surprise inside. The summer egg was presented exclusively at the Fabergé Salon at Masterpiece London in June 2015.

### **Timepiece collection**

During the financial year, Fabergé launched the timepiece collection including the Fabergé Lady Compliquée Peacock and Winter timepieces and the mens' Visionnaire I. The ladies' watches offer a movement that has been created exclusively for Fabergé and comprise a four-cog mechanism that enables a peacock's tail, or a snowflake, to fan out with the passage of time.

The Mens' Fabergé Visionnaire I offers a flying tourbillon. The dial is made up of seven separate segments that cover the movement only partially. The timepieces will be available to buy at Fabergé boutiques and partners' points of sale from November 2015.

The new timepiece collection was nominated as part of the top picks of several specialist watch publications including WatchPro and Revolution, as well as in the online editions of Vanity Fair and Harpers Bazaar.

### **Other new jewellery collections**

BaselWorld 2015 saw the release of the high jewellery collection 'Summer in Provence' and the new Rococo and Heritage core collections. The high jewellery collection 'Secret Garden' was presented at the International Jewellery Show in Doha in February 2015.

### Year ahead

The Fabergé Lady Peacock high complication watch, and the 'Summer in Provence' high jewellery ladies watch qualified as entrants for the prestigious Grand Prix d'Horlogerie de Genève, one of the most revered watch competitions in the world. Results will be announced in Geneva at the end of October 2015.

Fabergé's new advertising campaigns will launch in November 2015 and combined with the expanded points of presence around the globe, set the stage for further improvements in overall sales and financial performance.

Fabergé is particularly pleased with the reception received for its timepiece and Objets collections, and looks forward to monitoring sales for these products as they become available for purchase.

### Post Reporting Period Events

#### September 2015 rough emerald and amethyst auction

From 31 August to 4 September 2015, after the end of the financial year, an auction of higher quality rough emerald was held in Singapore and yielded aggregate revenues of US\$34.7 million, the third highest aggregate revenue achieved for higher quality emerald of this nature. In addition, Gemfields auctioned higher quality rough amethysts from Kariba yielding revenues of US\$0.44 million.

### Acquisitions

#### Colombia

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

The first project relates to the Coscuez Emerald Mine in the Boyacá department, Colombia and is the acquisition of a 70% interest in a Colombian company which will, on completion, hold mining contract no. 122-95M (the "Coscuez Licence", which is presently held by Esmeracol S.A.). Located on the "Muzo formation", the Coscuez Licence covers an area of 47 hectares, with the Coscuez mine – 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. Geological due diligence studies were carried out by Gemfields between October 2013 and August 2014.

The Coscuez Licence includes exclusive rights for the exploration, construction and mining of emerald deposits granted by the Government of the Republic of Colombia within the area historically known as the 'Coscuez mine' in the municipality of San Pablo de Borbur, Department of Boyacá. Under the terms of the transaction agreements, Esmeracol S.A. will transfer the Coscuez Licence to a newly incorporated Colombian company ("Coscuez NewCo") and Gemfields will, at completion, acquire an indirect 70% interest in Coscuez NewCo by way of a purchase of shares in a new holding company of Coscuez NewCo. The geological due diligence studies carried out by Gemfields included geological mapping of all accessible underground excavations and tunnels (about 36 of which total 25 linear kilometres), 3D ore body modelling of the mapped information, sampling and analysis of mine face samples and satellite imagery studies. International geological and mining consultants ACA Howe were engaged to provide a technical report and conduct associated due diligence matters. The total consideration payable under

### Fabergé Secret Garden earrings



the share purchase agreement is US\$15 million as follows: a first tranche of US\$7.5 million on completion of the share purchase and transfer of licence of which US\$5 million is payable in cash and US\$2.5 million is payable in Gemfields' shares with a three year lock-in period); a second tranche of US\$2.5 million on the first anniversary of completion; a third and fourth tranche of US\$2.5 million each upon attainment of agreed cumulative revenue targets. Completion is expected to occur by first quarter of calendar year 2016.

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.

The second project comprises a number of new licence applications and assignments to existing concession contracts administered by the Colombian Mining Agency. The assignees of, and the applicants for, the mining licences are a number of Colombian companies ('ProjectCos') indirectly controlled by ISAM Europa S.L. Gemfields is acquiring on completion indirect 75% and 70% interests in two holding companies which house the assorted ProjectCos. The total package of mining licence applications and assigned concession contracts cover approximately 20,000 hectares in the Boyacá and other regions, and comprise mostly greenfield sites although small scale mining has occurred in some of the licence areas. 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 as follows: a first tranche of US\$450,000 paid on completion of the share acquisition; a second tranche payable upon the granting of certain licence applications and/or the assignment of certain concession contracts; a third tranche payable when bulk sampling commences on certain licence areas; a fourth tranche payable on the commencement of commercial mining; and a fifth and sixth tranche (which comprise more than 50% of the total consideration payable) upon attainment of agreed cumulative revenue targets.

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# Corporate Responsibility and Sustainability

*The Company has enhanced its understanding and focus of what needs to be achieved to get to the next level of delivery. Internal approaches have been established, though this continues to be a work in progress taking into account available resources.*

*The Company has committed to a budget of at least 1% of gross sales at each operating mine to fund local social and environmental projects and has created a centralised budget in order to pursue specific sustainability and health and safety projects pertaining to mining operation performance improvements.*

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## **Our approach and ambition**

Our approach remains unchanged from 2014. The primary areas of focus are laid out clearly and transparently on the Company's website and are principally about addressing the material sustainability issues at our operations; societal, environmental, health and safety, human rights but also, and crucially, the integrity of our product through the supply chain.

The scale of our ambition is not only to address what is immediately within our control, but also to act as the key industry voice on matters that can influence the wider sector. We believe that increasing transparency in how the coloured gemstone sector operates will ultimately benefit everyone, and to that end we believe that taking a leading role in shaping how the sector responds to standards and systems of governance is important.

## **Governance**

We receive both internal and external feedback from a variety of stakeholders. In developing and managing our strategy we are pursuing those issues that are deemed most material to the business and this has fed into the Group-wide risk management system.

We continue to strengthen the Gemfields' sustainability team whose responsibility is to implement improvement programmes to meet internal expectations and policies. Faced with a challenge of finding suitable local labour, we are working to identify and develop appropriate local labour.

We are improving our centralised reporting of key performance indicators. We are considering data capture systems to make it easier for the operations to report key data to senior management and the Board.

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## **Review of ongoing activities and partnerships**

### **Kagem, Zambia**

All legacy projects continue to receive small financial support for maintenance purposes. There has however been a focus this year on making two major improvements. Firstly the Chapula school in Lufwanyama District is being redeveloped to become a secondary school providing sufficient space for over 700 children up to grade 12. This is critically important because the existing school roll was being housed in school buildings with a capacity of half the school population. In addition, Kagem is also investing in the upgrade of the Nkana health centre which provides crucial services to a population of nearly 4,000. Currently the capacity of the health centre is insufficient and the upgrade will see the centre be extended to a four-ward 'mini-hospital' status. The new hospital will include isolation, maternity, children, male and female wards. Kagem is also constructing staff quarters to accommodate a resident doctor and nurses in order to attract qualified labour.

Post the financial year end, a number of environmental surveys with the support of technical consultants have been carried out. These surveys have led to the environmental and social assessment of the mine site. Environmental consultants have also been hired to take Kagem through a full Environmental Impact Assessment ("EIA") process, which to date only included Chama pit but is now being extended to cover the bulk sampling operations in Libwente and Fibolele. Finally, Kagem will be starting the process of implementing the ISO14001 environmental management system as part of its on-going improvement process.

In May 2015, Kagem was visited by Hon. Christopher Yaluma, Minister of Mines, Energy & Water Development to celebrate Kagem's 3.5 million injury free shifts.

### **Kariba, Zambia**

There has been little significant change in Kariba's social or environmental management since 2014. However, going into the new financial year, Kariba intends to switch a significant portion of its current generation of electricity from diesel to solar. It is expected

that by the end of the year Kariba's operations will be largely powered by a 2.5MW solar array which will be built and financed by a third party but sited on our concession. The local community will also benefit from the solar energy generated.

As reported in 2014, Kariba also intends to finance the building of a coal briquette manufacturing unit, however, this project has been delayed, owing to the lack of a passable road from the coal mines. Kariba mine is also considering the construction of a new school as currently nearly 300 school-aged children are unable to attend school due to lack of local infrastructure.

### Montepuez, Mozambique

In March 2015, with the support of specialist consultants, Montepuez conducted a baseline study into the artisanal and small scale mining situation at the mine to better understand the practical strategic options for managing the impacts from and to this important stakeholder group. This study involved a two-week field trip, meetings with local stakeholders, illegal miners and traders, religious and youth leaders and other community members. The work is a key part of the mine plan and will support the ongoing work around the community as well as feed into broader management and asset protection strategies.

The focus on immediate local community projects has been similarly quite modest in nature during the current financial year. These projects have largely been philanthropic in nature and include the following: renovation of the existing school building, installation of two new boreholes, provision of livestock and a planned electrification of the nearest village. Montepuez will continue to develop a more robust strategy to community engagement and investment.

There may be a requirement to carry out a resettlement of villagers from the concession to gain access to economically viable parts of the mine. Presently Montepuez is at the stage of identifying possible relocation sites with local government having spent the year carrying out local census and data collection. This process is expected to conclude by the end of the calendar year with the approval of the resettlement action plan if so required.

### Cause-related initiatives

Gemfields has a history of developing partnerships that benefit relevant charities and Non-Governmental Organisations ("NGO") and that also celebrate coloured gemstones. By highlighting particular causes and the product itself, we hope to create a link between the key issues that are of particular concern in the developing world. During the current financial year, we undertook a number of cause-related initiatives. These included:

- The 100 Good Deeds bracelet in which we partnered with leading US HIV campaigner and jewellery designer Mary Fisher to create an amethyst bracelet – the proceeds of which were donated to the Abataka Foundation, a non-profit organisation that provides economic and educational opportunities otherwise unavailable to women and girls across the globe.
- A partnership with US jeweller Marina B to create an emerald 'motherhood' ring, designed in collaboration with Mila Kunis. All profits from sales have been donated to the Gemfields' established Nkana Health Centre, which is very close to Gemfields' Kagem emerald mine in Zambia. This initiative has contributed to the development of a new maternity wing for the health centre.



School children enjoy playtime at the Gemfields-funded school in Chapula.

- A celebratory donation to Game Reserves United ("GRU"), an anti-poaching organisation dedicated to the protection of rhino in the northern Kruger Park, South Africa. On discovery of a 40.23 carat 'Rhino' ruby which was subsequently sold at auction, Gemfields made a donation to support the GRU aircraft's flying costs for 2015.
- Financial support for the Niassa Reserve's Carnivore Project in Mozambique following the discovery of an exceptional matching pair of rubies totalling 45 carats named the 'Eyes of the Dragon'. Niassa Carnivore Project is a small research, conservation and education NGO operating in Mozambique's Niassa reserve in Cabo Delgado, very close to Gemfields' Montepuez ruby mine.
- Sponsorship of Women for Women International's 'She Inspires Art' event in London including a donation to the event's charity auction of a unique 'Lale Devri' ring (Tulip period) created by master jeweller Sevan Bickaci with Mozambican rubies. Women for Women is a small NGO that works with marginalised women in countries of conflict by offering support, tools and access to skills to help them move from crisis and poverty to self-sufficiency.

Ian Harebottle / Chief Executive Officer  
6 October 2015

# Principal Risks and Uncertainties

The Company recognises that risk is intrinsic to the nature of our operations. This means that understanding our principal risks and ensuring we have sufficient controls in place is critical to our continued growth and success. The Board recognises the importance of having a robust process for risk management and have implemented a comprehensive risk management framework to enable the Company to identify, monitor and mitigate its principal risks.

We are exposed to a variety of risks that can have operational, reputational or financial impacts and acknowledge the importance of effective responses to these risks. We are undertaking the development of a culture of risk awareness through embedding our risk process and ensuring that we have the right level of risk governance to provide oversight.

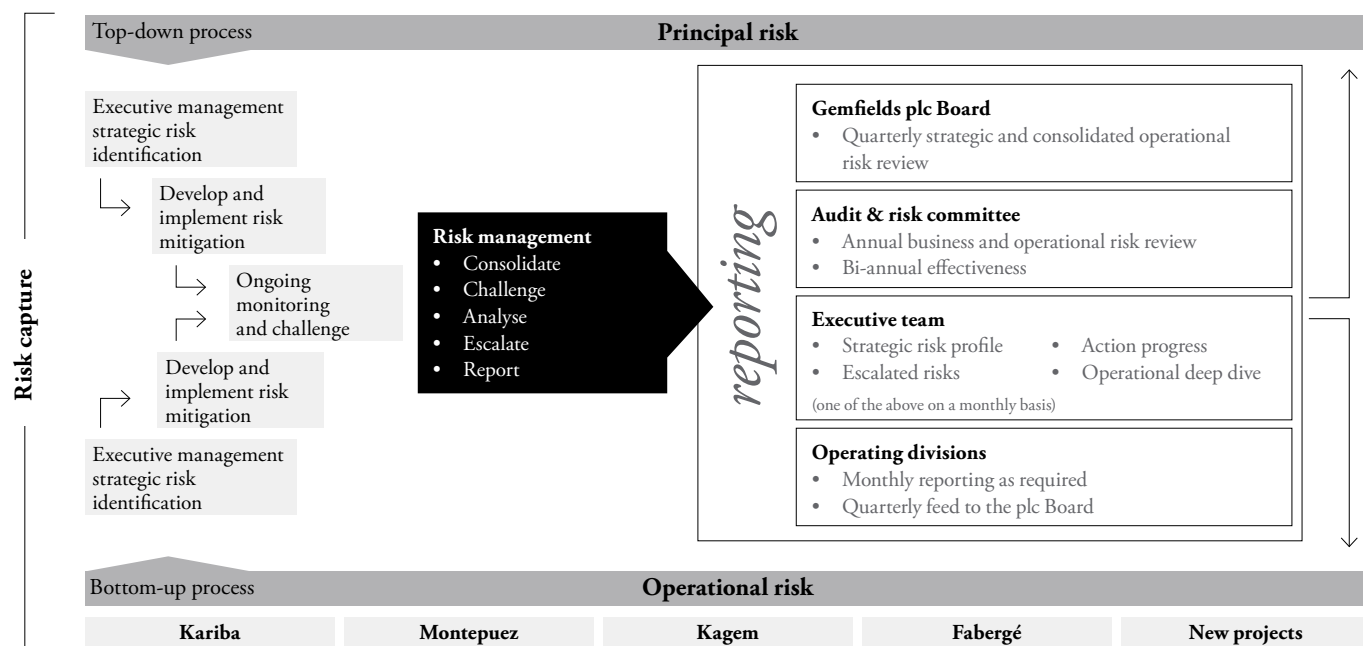
## Governance

The Board is ultimately responsible for the management of risk across the Company in order to pursue growth opportunities and increase shareholder value. The Board will provide oversight of the risk

management framework, define risk appetite and monitor the strategic risks. The Audit and Risk Committee will support the Board with the discharge of its responsibilities and has delegated day-to-day risk management to the executive management.

The Audit and Risk Committee will support the Board by providing an independent review of the adequacy and effectiveness of risk management and internal control. We recently outsourced our internal audit function who will provide assurance to executive management and the Audit and Risk Committee on the effectiveness of the risk management framework and its application across the Group.

Executive management are responsible for ensuring that the business implements the risk management framework, defining and managing the strategic risks, and to provide challenge on operational risks and controls. Executive management will also review and challenge risks in relation to key investment decisions. This approach will ensure that the process provides a consolidated view of risk across the Group such that focus can be placed on the principal risks.



The Company's Risk Management Framework Diagram

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

**Risk management**

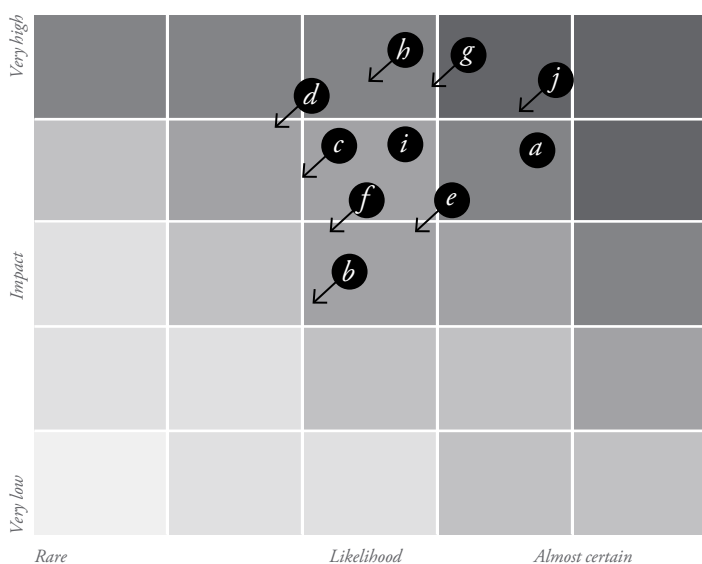
Our risk management framework has been developed and implemented over the last year with a formal process for the identification, assessment, mitigation, reporting, monitoring and review now in place. We will continue to embed this process whilst developing a risk management culture to increase awareness throughout the business.

During the current financial year, we completed a full exercise at each of our operations and within the business to develop an aggregated view of risk from the top-down and bottom-up. The Board and executives met on a variety of occasions to discuss the operational and strategic risks to ensure that we had clarity over the principal risks and that we had adequate controls in place to mitigate these where appropriate.

We have recognised the need to continue to build on our risk management framework through the development of clear risk governance and oversight to encourage the ownership and accountability for risk management. We are aware of the changes in October 2014 to the UK Corporate Governance Code and where this should apply, to a well governed business, we will work towards developing our risk management against these requirements where practical.

The priorities for risk management for the next financial year will be to:

- Continue to embed the risk management framework encouraging ownership and accountability throughout the business;
- Define our risk appetite against the principal risks to allow for informed decision making against our strategic priorities;
- Develop a ‘Three Lines of Defence’ approach to assurance through the business, management (supported by the risk function) and audit.



- **a** Political, legal and regulatory
- **b** Commodity pricing and market demand
- **c** Community relations
- **d** Financial
- **e** Reputation and brand
- **f** Growth
- **g** Geology and mining operations
- **h** Health, safety and environment
- **i** Fabergé
- **j** Security

The arrows show the trajectory of the risk moving from inherent to residual severity.

We recognise that inherent to the operations the Company undertakes, there are a number of external risk factors that we need to accept and mitigate, as appropriate. Further to these are the operational risks over which we will have greater control and understanding of which is reflected in the risk profile for Gemfields.

## *Principal Risks and Uncertainties continued*

### *External risks*

#### **a – Political, Legal and Regulatory**

Potential change in the geopolitical conditions within the countries of operation including legislative and regulatory change

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

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

#### Mitigation

The Gemfields team is experienced in operating in Africa. The Group encourages active and open engagement and dialogue with the relevant government bodies and ministries. The Group's relationships with the various governments of the countries where it operates are actively managed by the Group's Executive Directors and Senior Management.

The Group reviews its commercial arrangements and regulatory requirements and implements internal controls, policies and procedures.

#### **b – Commodity Pricing and Market Demand**

Uncertainty over the price and market for coloured gemstones

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

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

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

#### Mitigation

The Group undertakes extensive budgeting, forecasting and monitors the market to ensure we can meet the demand as required.

The Group maintains a considerable volume of stock to continuously ensure customer demands are met.

The Group invests in marketing and advertising to promote the coloured gemstones industry.

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

#### **c – Community Relations**

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

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

#### Mitigation

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

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

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

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*Operational risks*

<p><b>d – Financial</b> Availability of working capital, cash flow management and long term financial planning</p>	<p>Mitigation</p>
<p>The Group has significant capital expenditure (“capex”) plans over the next years. The requisite funding is intended to be sourced from operating cash flows and financing facilities. A lack of adequate cash flows or funding could delay development and growth.</p>	<p>The Group has a strong balance sheet with sufficient headroom to raise further financing should the need arise. Cash flow planning and review is carried out continually to ensure both capex and operational requirements are adequately financed.</p>
<p><b>e – Reputation and Brand</b> Impact on our reputation due to an incident which could negatively affect our brand</p>	<p>Mitigation</p>
<p>The Group has a distinct brand identity built on its role as a champion of coloured gemstones and as a responsible mining company. As the Group rapidly expands its operations into new countries and new markets it must uphold that brand identity by ensuring that it continues to play a leadership role in the sector as well as maintaining credibility regarding its responsible mining claims. Any incident that undermines the brand may result in the loss of trust in the wider coloured gemstone and upstream industry.</p>	<p>The Group will continue to take a proactive approach to marketing and public relations by furthering positive publicity in the countries of operation. The Group is strengthening local corporate affairs teams and briefs local PR firms regarding media relations.</p> <p>The Group continues to develop its sustainability strategy and is putting in place a number of measures to address health, safety, environment and community issues as well as working with upstream partners on transparency initiatives.</p>
<p><b>f – Growth</b> Lack of adequate capacity and resources required to develop the business and drive delivery of new projects</p>	<p>Mitigation</p>
<p>We are reliant upon key individuals across the business to make decisions and manage our key projects across the business. As we have a lean management structure we recognise the potential of inefficient use of management time and resource.</p>	<p>We are expanding our operations and creating growth opportunities for our people. There is an ongoing mandate to invest in the training of our people including encouraging knowledge transfer for key positions and projects.</p> <p>We are committed to continual development of our people and ensuring that we recruit experienced individuals from the market to continue to drive our growth.</p>

## *Principal Risks and Uncertainties continued*

### *Operational risks*

#### **g – Geology and Mining Operations**

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

#### Mitigation

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

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

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

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

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

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

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

#### **h – Health, Safety and Environment (“HSE”)**

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

#### Mitigation

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

The Group continually reviews and improves the broader HSE and sustainability risks and strategy. The HSE Committee guides this process and the associated strategy.

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

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*Operational risks*

**i – Fabergé**

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

Mitigation

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

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

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

**j – Security**

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

Mitigation

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

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

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

The Group works with local authorities, communities and security and police forces in seeking to protect the Group’s employees, equipment and mining assets.

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

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

A young boy in a school uniform is raising his right hand in a classroom. He is looking towards the left of the frame. In the background, other students are seated at desks, some looking towards the camera and others looking away. The classroom has large windows and a blue wall.

## Governance

*The Board of Directors is committed to adhering to the principles of good corporate governance, integrity and business ethics for all its activities*



Children from the Gemfields-funded school in the village of Chapula, Zambia

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# Board of Directors



**Graham Mascal, 69**  
*Chairman*

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**Date of appointment**  
29 November 2004

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

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

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**External appointments**  
None



**Ian Harebottle, 52**  
*Chief Executive Officer*

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**Date of appointment**  
11 February 2009

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**Committee membership**  
None

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

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**External appointments**  
None



**Devidas Shetty, 37**  
*Chief Operating Officer*

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**Date of appointment**  
1 January 2010

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**Committee membership**  
None

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

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**External appointments**  
None



**Sean Gilbertson, 43**  
*Executive Director*

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**Date of appointment**  
13 May 2008

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**Committee membership**  
None

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**Skills and experience**

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

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**External appointments**

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



**Clive Newall, 65**  
*Independent Non-Executive Director*

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**Date of appointment**  
19 April 2005

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

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**Skills and experience**

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

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**External appointments**

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



**Finn Behnken, 43**  
*Independent Non-Executive Director*

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**Date of appointment**  
13 May 2008

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

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**Skills and experience**

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

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**External appointments**

Finn is presently representing Auramet Trading LLC in Africa. Auramet is a United States precious metal merchant.

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## Senior Management



**Janet Boyce**  
*Chief Financial Officer*

Janet joined Gemfields as Chief Financial Officer and Company Secretary in August 2013. Janet has the overall responsibility for the Company's financial management and reporting, budgeting and planning, treasury, taxation, compliance and controls, and managing external stakeholders relations. Prior to joining Gemfields, Janet worked for Eurasian Natural Resources Corporation, PricewaterhouseCoopers and Ernst & Young. Janet is a certified public accountant.



**CV Suresh**  
*Director of Operations – Africa*

CV is a mining engineer from the Indian Institute of Technology, a premier institute of India. In a career spanning 32 years, he has developed expertise in all areas of operations in mining and has worked with a number of large mining companies in India. He was previously the Director of Operations at Kagem where he played an important role in its successful turn-around strategy. In September 2015, CV was appointed Director of Operations – Africa and is now responsible for all of the Group's operating mines in Africa.



**Kartikeya Parikshya**  
*Director of New Projects*

Kartikeya has a post graduate degree in Applied Geology from Indian Institute of Technology, Bombay. In a career spanning over 29 years, he worked in various exploration projects in India before joining the Group in 2004. He was previously working as Head of Planning, Production and Exploration in Kagem, before moving on to lead the global M & A team in 2012, overseeing acquisitions and initial project set-ups in Mozambique, Sri Lanka, Ethiopia and more recently in Colombia. He was appointed to the current position in September 2015 and is responsible for the Group's operations in Asia and South America.



**Adrian Banks**  
*Product and Sales Director*

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



**Ashim Roy**  
*General Manager – Montepuez Ruby Mining Limitada*

Ashim is a professional geologist with over 27 years of experience in various projects including Kagem Mine in Zambia as Head of Planning, Production and Geology. Ashim is responsible for the planning, implementation and monitoring of all operations at Montepuez. He oversees the budgeting, planning and execution of Montepuez activities.



**Dibya J. Baral**  
*General Manager – Kagem Mining Limited*

Dibya is a professional geologist with over 19 years of experience in the mining industry specialising in multi-commodity exploration and development in diverse geological settings. Dibya is responsible for budgeting, planning and monitoring all operations at Kagem. He liaises with the government, local press and handles Gemfields' sustainability projects.



**Anna Haber**  
*Director of Global Marketing*

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With over 15 years of experience in the jewellery and gemstone industry, Anna is involved with the creation and implementation of Gemfields' marketing and communications strategy, which aims to reposition global perceptions of, and demand for, coloured gemstones.



**Gabriella Harvey**  
*Director of Cut and Polished Sales*

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With over 20 years of experience, Gabriella manages the Group's global cut and polished sales offices. By working closely with the established relationships in the industry and our auction partners, the cut and polished division are able to supply gemstones to jewellers and luxury brands across the world.



**Yogesh Khatoria**  
*Director/Head of Operations, India*

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With over 23 years of experience in the coloured gemstone industry, specifically in emerald, ruby, sapphire and semiprecious, Yogesh has been involved in the development of Gemfields' rough emerald and ruby grading systems and rough gemstone sales. He has also developed and manages the rough traded emerald auctions. Yogesh manages the Indian operations.



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

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

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# Directors' Report

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The Directors present their report together with the audited financial statements for the year ended 30 June 2015.

## Business review and results

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

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

The Strategic Report on pages 8 through 47 and Corporate Governance Statement on pages 50 to 60 respectively are incorporated into the Directors' Report by reference. More detailed information about the Group's businesses, activities and financial performance can be found in the Strategic Report on pages 8 to 47.

## Dividends and dividend policy

The Directors do not recommend the payment of a dividend (2014: nil).

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

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

## Statement of capital

### Ordinary shares of £0.01

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

At 30 June 2015, there were 543,646,730 ordinary shares in issue (2014: 540,808,209). During the year, 2,838,521 shares were issued.

### Authority to purchase own shares

At the Company's AGM held on 28 November 2014, shareholders approved a resolution to authorise the Company to make one or more market purchases of its ordinary shares up to a maximum aggregate nominal value of £541,234.88 (representing approximately 10% of the Company's issued ordinary share capital at the date of the Notice of Meeting). No ordinary shares were purchased under this authority during the year. No purchases have been made pursuant to this authority and a resolution will be put to shareholders to renew this authority for a further year at the 2015 AGM.

### Rights and obligations attaching to shares

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

### Voting

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

#### **Deadlines for exercising voting rights**

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

#### **Restrictions on voting**

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

#### **Going concern**

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

#### **Financial instruments and risks**

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

#### **Directors**

The names of the Directors who served during the year, together with their details, are shown in the Board of Directors section on pages 50 and 51.

In accordance with the Company's Articles of Association, Ian Harebottle and Clive Newall retired and offered themselves for re-election at the 2014 AGM. Both Ian Harebottle and Clive Newall were re-elected to the Board at the 2014 AGM. Graham Mascal and Sean Gilbertson will retire and offer themselves for re-election at the 2015 AGM.

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

#### **Directors' responsibilities**

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

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

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## Directors' Report continued

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

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

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

### Website publication

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

### Charitable and political donations

During the year, the Company made a number of charitable donations to selected parties including World Land Trust, an international conservation charity, Games Reserve United to support the costs of an anti-rhino poaching aircraft and Nanhi Kali to support female education in India.

The Company did not make any political donations. For disclosure of the Group's Corporate Responsibility and Sustainability programme see pages 40 and 41.

### Post reporting date events

Details of events after the reporting date for the Group are disclosed in note 27 to the Consolidated Financial Statements and for the Parent Company in note 18 to the Parent Company Financial Statements. An indication for the outlook for the 2016 financial year is given in the key performance indicators section on pages 22 and 23.

### Related party transactions

Details of related party transactions for the Group are given in note 26 to the Consolidated Financial Statements and for the Parent Company in note 15 to the Parent Company Financial Statements. Key management personnel compensation disclosures are given in the Directors' Remuneration Report on pages 61 to 65.

### Independent auditors

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

### Disclosure of information to the independent auditors

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

By order of the Board



Devidas Shetty / Chief Operating Officer  
6 October 2015

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# Corporate Governance

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The Board of Directors is committed to adhering to the principles of good corporate governance, integrity and business ethics for all its activities. Under the rules of AIM, the Group is not required to comply with the UK Corporate Governance Code (the “Code”). Nevertheless, the Group has identified areas of the Code it considers relevant to the current size and nature of its operations. It does not seek to comply with all the requirements of the Code. The Board is continuing to consider other aspects of the Code for appropriateness and these may be introduced when it becomes relevant for the Group to do so.

## The Board

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

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

The roles of Chairman and Chief Executive Officer are fulfilled by separate individuals, each with clear division of accountability and responsibility. The Chairman is responsible for running the Board and the Chief Executive Officer has executive responsibilities for the Company’s strategic development, operations and financial results. The Chairman meets at least annually with the Non-Executive Directors without Executive Directors present.

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

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

The balance between Executive and Non-Executive Directors has been reviewed by the Nominations Committee and the Board. Changes to the structure, size and composition of the Board are approved by the Board, following recommendations from the Nominations Committee.

## Independence

In line with the Code, the independence of the Non-Executive Directors who have served on the Board for over nine years has been reviewed. The Board considers Clive Newall and Graham Mascall, who have served on the Board for over ten years to be independent. These individuals provide extensive experience of mining, corporate governance and regulatory matters and continue to challenge management and provide valuable contributions to the Board. The Board wishes to retain their services because:

- the Board believes that the skills, general business experience and in-depth knowledge of the Company that Clive Newall and Graham Mascall bring are essential for continuity; and
- Gemfields is a Company in which historical knowledge and personal relationships are important to the successful oversight of the business.

The Board is of the view that Clive Newall and Graham Mascall remain independent because:

- their character and the manner in which they perform their role clearly demonstrate independent thought and judgement;
- they ask challenging and objective questions of management and request additional information when they feel it is required; and
- there are no conflicts of interest between any Independent Non-Executive Directors and management or the majority shareholder.

## Corporate Governance continued

All the Non-Executive Directors are considered by the Board to be independent and are permitted to hold other directorships with other companies subject to the Board's approval. Mr Mascall holds shares in the Group but given that his holding is not significant, he is considered to remain independent. Individual shareholdings for Directors can be seen below.

Number of shares held by the Directors as at 30 June 2015 directly or indirectly:

Director	Number of shares held	Percentage holding
Graham Mascall	150,000	0.028%
Ian Harebottle	200,000	0.037%
Sean Gilbertson	300,000	0.056%
Devidas Shetty	nil	nil
Clive Newall	nil	nil
Finn Behnken	nil	nil
<b>Total</b>	<b>650,000</b>	<b>0.12%</b>

### Effectiveness

#### Skills and experience

The Board keeps the skills and experience of its members under constant review. The Directors believe in the necessity for challenge and debate in the boardroom and consider that existing Board dynamics and processes encourage honest and open debate with Executive Directors.

#### Director attendance

The Board meets regularly, at a minimum of four times per year.

Attendance by Directors at meetings for which they were eligible during the financial year ended 30 June 2015 was as follows:

Director	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Health, Safety, Environmental and Community Committee
Graham Mascall	8	3	6	1	2
Ian Harebottle	8	–	–	–	–
Devidas Shetty	6	–	–	–	–
Sean Gilbertson	8	–	–	–	–
Clive Newall	8	3	6	1	2
Finn Behnken	8	3	6	1	2

### Board Committees

The Board has established the following Committees, each with its own terms of reference. All Committees of the Board to which significant powers, authorities and discretions are delegated, shall at all times be made up of at least two Non-Executive Directors. In carrying out its responsibilities, the Committees have the right to:

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

### Audit and Risk Committee

The members of the Audit and Risk Committee are Graham Mascall, Clive Newall and Finn Behnken, who chairs the Committee. The Audit and Risk Committee is responsible for assuring accountability and effective corporate governance within the Company. It provides recommendations to the Board on matters concerning the Company's accounting policies, financial, risk and compliance control, record-keeping and reporting.

The Audit and Risk Committee's main responsibilities include the following:

- monitor the integrity of the financial statements of the Company including the annual and interim financial statements;
- review and challenge, where necessary, the accounting principles, policies and practices adopted in the preparation of the financial statements;
- review the scope and the results of the audit with the external auditors;
- review the independence and effectiveness of the external auditors and make recommendations to the Board on the appointment/dismissal of the external auditors and terms of reference and remuneration;
- oversee the compliance with applicable laws and regulations;
- review and recommend to the Board for approval of risk management policies and procedures; and
- review and monitor the effectiveness and activities of the internal audit function.

### **Remuneration Committee**

The members of the Remuneration Committee are Graham Mascall, Finn Behnken and Clive Newall, who chairs the Committee. Its principal responsibility is to determine and review the ongoing appropriateness and relevance of the framework and broad policy for the remuneration of the executive management. Within the terms of the agreed remuneration policy, it determines the individual remuneration package of executive management including incentive payments and long-term performance incentive arrangements. It also arranges performance evaluations for the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and reports the results of these evaluations to the Board. The remuneration of the Non-Executive Directors is a matter for the Chairman and the Executive Directors or, where required by the Articles of Association, the shareholders.

### **Nominations Committee**

The members of the Nominations Committee are Clive Newall, Finn Behnken and Graham Mascall, who chairs the Committee. The Chairman of the Board shall not chair the Nominations Committee when it is dealing with the succession of the Chairmanship of the Board. The Nominations Committee is responsible for regularly reviewing the structure, size and composition (including skills, knowledge and experience) required of the Board compared to its current position and to make recommendations to the Board with regard to any changes. The Nominations Committee is responsible for identifying and nominating for Board approval, candidates to fill Board vacancies as and when they arise and makes recommendations to the Board concerning succession planning for both Executive and Non-Executive Directors. In addition, the Committee keeps under regular review any authorisations granted by the Board in connection with a Director's conflict of interest.

### **Health, Safety, Environmental and Community Committee**

The members of the Health, Safety, Environmental and Community Committee are Finn Behnken, Graham Mascall and Clive Newall, who chairs the Committee. The Health, Safety, Environmental and Community Committee is responsible for evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety, social, security and environmental risks within the Group's operations. It is also responsible for assessment of the Group's performance with regard to the impact of health, safety, security, social and environmental decisions and actions upon employees, communities and other stakeholders and the impact of such decisions and actions on the reputation of the Group, as well as evaluating and overseeing, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning health, safety, security or environmental issues.

### **Relationship with shareholders**

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

The Group does not have an ultimate controlling party or parent company. Pallinghurst Resources Fund L.P. ("PRF") is a major shareholder in the Group but it does not have a controlling interest under IFRS. In addition, Gemfields and PRF entered into a relationship agreement in August 2013 which governs the relationship between the Group and PRF and clarifies that Gemfields is managed autonomously by its Directors and operates for the benefit of its shareholders as a whole, rather than solely for the benefit of PRF or any of its affiliates.

### **Annual General Meeting ("AGM")**

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

### **Performance and Board evaluation**

The Board undertakes a regular evaluation of its own performance. The review involves detailed interviews with each Director and covers the functioning of the Board as a whole, and the operation of each of the Committees. The 2014–15 review confirmed the high level of commitment and professionalism exercised by the Board in the strategic and commercial leadership of the Group. It also concluded that the Board and its individual members continue to perform effectively and operate within a framework of sound governance and practices, wherever it is reasonably practicable, and are considered to be in the spirit and the principles set out in the Code.

During the second half of the 2015 financial year, an independent Board evaluation was carried out by Grant Thornton UK LLP to evaluate the current composition of the Board. The evaluation concluded that the Board possesses the appropriate skills and experience to perform its duties.

## Corporate Governance continued

### Risk management and internal control

The Board is responsible for maintaining a sound system of internal controls and risk management to safeguard shareholders' investment and the Group's assets and for reviewing the effectiveness of the system. Any internal control system can only be designed to manage, rather than eliminate, the risk of failure to achieve in part or in whole business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Due to the size of the Group's operations, the Executive Directors and Senior Management are very closely involved in the day-to-day running of the business. The Directors have reviewed the effectiveness of the internal control system presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group. This review involved considering the present needs of the business, the risks it faces and appropriate control measures.

Towards the end of the financial year, Gemfields set up an internal audit function, reporting to the Audit Committee. The internal audit function has been outsourced and is currently holding discussions with key stakeholders to establish an internal audit charter aligned with the risk framework.

### Key controls and procedures

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

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

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

Refer to the principal risks and uncertainties section on pages 42 to 47 for further details of the risks and mitigation.

### Future plans to further develop governance arrangements

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

### Significant shareholdings

As at 30 June 2015, the Company is aware of the following interests of 3% or more in the issued ordinary share capital of the Company:

Shareholder	Number of shares	Percentage holding
The Pallinghurst Resources Fund L.P.	208,502,556	38.35%
Fabergé Conduit Ltd	98,647,407	18.15%
Investec Pallinghurst (Cayman) L.P.	53,491,818	9.84%
NGPMR (Cayman) L.P.	44,428,505	8.17%
BlackRock Inc	18,252,609	3.36%
Others	120,323,835	22.13%
<b>Total</b>	<b>543,646,730</b>	<b>100%</b>

The Pallinghurst Resources Fund L.P., NGPMR (Cayman) L.P. and Investec Pallinghurst (Cayman) L.P. hold indirect interests in Gemfields of 9.27%, 5.16% and 2.72% respectively through their holdings in Fabergé Conduit Ltd.

# *Directors' Remuneration Report*

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**Dear shareholder,**

On behalf of the Board, I am pleased to present the annual Directors' Remuneration Report summarising Gemfields' remuneration policy and providing information on the Group's remuneration approach and arrangements for Executive Directors, Non-Executive Directors and Senior Executive Management for the year ended 30 June 2015.

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

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

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



**Clive Newall** / *Remuneration Committee Chairman*  
6 October 2015

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## *Directors' Remuneration Report continued*

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Under the rules of AIM, the Group is not required to prepare the Directors' Remuneration Report in accordance with Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2013. Nevertheless, the Group has taken steps to address some of the requirements of Schedule 8 in so far as it can be applied practically and appropriately, given the size of the Group and the nature of its operations. The report also provides the information required to be reported on Directors' remuneration under AIM Rule 19.

### **Remuneration Committee**

#### **Composition of the Committee**

The members of the Committee, all of whom were independent, who served throughout the year were:

- Clive Newall (Chairman)
- Finn Behnken
- Graham Mascal

#### **Role of the Committee**

The key responsibilities of the Committee are to:

- determine and agree with the Board the broad policy and elements for the remuneration of the Executive Directors and Senior Executive Management;
- determine all individual elements of the remuneration of those Executive Directors and Senior Executive Management;
- recommend for approval of the Board long-term performance incentives; and
- set the scope and terms of engagement of any third-party experts engaged to provide professional advice and assistance to the Committee.

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

#### **Remuneration policy for Executive Directors and Senior Management**

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

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

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

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

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

#### **Remuneration of Non-Executive Directors**

The fees of the Chairman and Non-Executive Directors are set by the Executive Directors. When setting these fees, due account is taken of fees paid to Non-Executive Directors of similar companies, the time commitment of each Director and any additional responsibilities undertaken, such as acting as Chairman to one of the Board Committees. For 2015, the basic fee for acting as a Non-Executive Director was £50,000 (US\$78,000) per annum and £90,000 (US\$140,400) is paid for chairing the Board.

#### **Elements of remuneration**

The below summarises the components of the Executive Directors' remuneration.

##### *(i) Basic salary*

The performance of the individual concerned is taken into account together with any change in responsibilities that may have occurred and the rates for similar roles within the appropriate comparator groups.

As of 30 June 2015, the following increases have been effected:

	30 June 2015 salary	30 June 2014 salary	Change from 2014
Ian Harebottle	£335,651	£325,875	3%
Devidas Shetty	£255,000	£237,500	7%
Sean Gilbertson	nil	nil	nil

*(ii) Performance related bonus*

The bonuses paid to Ian Harebottle and Devidas Shetty of £369,216 and £318,750 were 110% and 125% of their basic salaries respectively (2014: £391,050 and £327,750 were 120% and 138% of their then basic salaries respectively).

Performance related bonus payments are based on meeting performance criteria, which have financial and non-financial components. The performance related bonuses for financial year 2014–2015 reflect the exceptional performance of the Company.

*(iii) Long-term incentive arrangements*

*Share Option Scheme*

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

For options granted during the year ended 30 June 2015, options covering the first £30,000 of shares are granted under an approved company share options plan ("CSOP"). Options granted in excess of this amount are granted under the Company's unapproved share option scheme.

Share options held as at 30 June 2015:

Name of Director	Share options held at 1 July 2014	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 30 June 2015	Exercise price	Exercise period
Graham Mascal	1,300,000	–	–	–	1,300,000	8p–20p (12¢–31¢)	10 years
Ian Harebottle	4,350,000	1,000,000	–	–	5,350,000	8p–48p (12¢–75¢)	10 years
Devidas Shetty	3,150,000	850,000	–	–	4,000,000	8p–48p (12¢–75¢)	10 years
Sean Gilbertson	–	–	–	–	–	–	–
Clive Newall	900,000	–	–	–	900,000	8p–20p (12¢–31¢)	10 years
Finn Behnken	–	–	–	–	–	–	–

## Directors' Remuneration Report continued

Share options held as at 30 June 2014:

Name of Director	Share options held at 1 July 2013	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 30 June 2014	Exercise price	Exercise period
Graham Mascal	1,300,000	–	–	–	1,300,000	8p–20p (12¢–31¢)	10 years
Ian Harebottle	3,800,000	550,000	–	–	4,350,000	8p–34p (12¢–56¢)	10 years
Devidas Shetty	2,750,000	400,000	–	–	3,150,000	8p–34p (12¢–56¢)	10 years
Sean Gilbertson	–	–	–	–	–	–	–
Clive Newall	900,000	–	–	–	900,000	8p–20p (12¢–31¢)	10 years
Finn Behnken	–	–	–	–	–	–	–

### (iv) Other benefits

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

### (v) Pensions

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

### Directors' service contracts, notice periods and termination payments

#### Executive Directors

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

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

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

### Executive Directors' external appointments

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

### Non-Executive Directors

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

### Directors' emoluments

For the year ended 30 June 2015  
In thousands of US\$

	Fees	Salary	Bonus payments	Share-based payments	Other benefits	Total
Non-Executive Director – Graham Mascall	140	–	–	4	–	144
Executive Director – Ian Harebottle	–	524	580	271	51	1,426
Executive Director – Devidas Shetty	–	398	501	216	40	1,155
Executive Director – Sean Gilbertson	–	–	–	–	–	–
Non-Executive Director – Clive Newall	78	–	–	3	–	81
Non-Executive Director – Finn Behnken	78	–	–	–	–	78
<b>Total</b>	<b>296</b>	<b>922</b>	<b>1,081</b>	<b>494</b>	<b>91</b>	<b>2,884</b>

For the year ended 30 June 2014  
In thousands of US\$

	Fees	Salary	Bonus payments	Share-based payments	Other benefits	Total
Non-Executive Director – Graham Mascall	139	–	–	24	–	163
Executive Director – Ian Harebottle	–	531	665	261	–	1,457
Executive Director – Devidas Shetty	–	387	557	202	–	1,146
Executive Director – Sean Gilbertson	–	–	–	–	–	–
Non-Executive Director – Clive Newall	73	–	–	16	–	89
Non-Executive Director – Finn Behnken	73	–	–	–	–	73
<b>Total</b>	<b>285</b>	<b>918</b>	<b>1,222</b>	<b>503</b>	<b>–</b>	<b>2,928</b>



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# Financial Statements



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Gemfields' Zambian emerald rough being viewed at an auction

# Independent Auditors' Report

To the members of Gemfields plc

## Independent Auditors' report to the members of Gemfields plc

We have audited the Financial Statements of Gemfields plc for the year ended 30 June 2015, which comprises the Consolidated and Parent Company Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and the Parent Company's Statement of Cash Flows, the Consolidated and the Parent Company's Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of Directors and auditors

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

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 June 2015 and of the Group's profit for the year then ended;

- the Consolidated Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

## Matters on which we are required to report by exception

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

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



## Scott Knight (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
London  
United Kingdom  
6 October 2015

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

# Consolidated Income Statement

For the year ended 30 June 2015

In thousands of US\$	Note	2015	2014
Revenue	2	171,448	160,089
Cost of sales	3	(86,483)	(75,029)
Gross profit		84,965	85,060
Other income		747	192
Selling, general and administrative expenses	4	(55,309)	(48,053)
Impairment charge on available-for-sale investments		–	(252)
Profit from operations	6	30,403	36,947
Finance income	7	223	52
Finance expenses	7	(4,299)	(716)
Profit before taxation		26,327	36,283
Tax charge	8	(13,980)	(20,011)
Profit after taxation		12,347	16,272
Profit for the year attributable to:			
Owners of the parent		3,700	8,811
Non-controlling interest		8,647	7,461
		12,347	16,272
<b>Earnings per share for profit attributable to the owners of the parent during the year</b>			
Basic	9	US\$0.01	US\$0.02
Diluted	9	US\$0.01	US\$0.02

The notes on pages 74 to 105 form part of these Financial Statements.

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

In thousands of US\$	2015	2014
Profit after taxation	12,347	16,272
Other comprehensive loss:		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange loss arising on translation of foreign operations	(2,915)	(464)
Cumulative loss transferred to the income statement on disposal of a foreign operation	(6)	–
<b>Total other comprehensive loss</b>	<b>(2,921)</b>	<b>(464)</b>
Total comprehensive income	9,426	15,808
Total comprehensive income attributable to:		
Owners of the parent	779	8,347
Non-controlling interest	8,647	7,461
	9,426	15,808

The notes on pages 74 to 105 form part of these Financial Statements.

# Consolidated Statement of Financial Position

At 30 June 2015

In thousands of US\$	Note	2015	2014
<b>Non-current assets</b>			
Property, plant and equipment	10	240,796	228,563
Available-for-sale investments		40	270
Intangible assets	11	45,491	41,507
Deferred tax assets	8	5,048	5,519
Other non-current assets	12	8,217	3,566
<b>Total non-current assets</b>		<b>299,592</b>	<b>279,425</b>
<b>Current assets</b>			
Inventory	16	104,869	88,508
Trade and other receivables	17	34,805	21,917
Cash and cash equivalents		27,973	36,837
<b>Total current assets</b>		<b>167,647</b>	<b>147,262</b>
<b>Total assets</b>		<b>467,239</b>	<b>426,687</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	(66,858)	(69,669)
Borrowings	18	(20,000)	(1,677)
Other non-current liabilities	19	(3,333)	(3,730)
<b>Total non-current liabilities</b>		<b>(90,191)</b>	<b>(75,076)</b>
<b>Current liabilities</b>			
Trade and other payables	20	(25,283)	(20,917)
Current tax payable		(27,228)	(26,550)
Borrowings	18	(24,699)	(15,021)
<b>Total current liabilities</b>		<b>(77,210)</b>	<b>(62,488)</b>
<b>Total liabilities</b>		<b>(167,401)</b>	<b>(137,564)</b>
<b>Total net assets</b>		<b>299,838</b>	<b>289,123</b>
<b>Capital and reserves attributable to equity holders of the parent</b>			
Share capital	21	9,614	9,570
Share premium		98,404	97,379
Merger reserve		207,986	207,986
Option reserve		5,179	4,130
Cumulative translation reserve		(2,774)	147
Retained deficit		(74,843)	(79,700)
<b>Total capital and reserves attributable to equity holders of the parent</b>		<b>243,566</b>	<b>239,512</b>
Non-controlling interest		56,272	49,611
<b>Total equity</b>		<b>299,838</b>	<b>289,123</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 6 October 2015.



Devidas Shetty / Chief Operating Officer

The notes on pages 74 to 105 form part of these Financial Statements.

Company number 05129023

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

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 2013	9,557	97,214	207,986	2,736	611	(88,904)	229,200	46,150	275,350
Profit for the year	–	–	–	–	–	8,811	8,811	7,461	16,272
Other comprehensive loss	–	–	–	–	(464)	–	(464)	–	(464)
Share options forfeited	–	–	–	(192)	–	192	–	–	–
Issue of shares	13	165	–	(201)	–	201	178	–	178
Share-based payments	–	–	–	1,787	–	–	1,787	–	1,787
Dividends paid	–	–	–	–	–	–	–	(4,000)	(4,000)
Balance at 30 June 2014	9,570	97,379	207,986	4,130	147	(79,700)	239,512	49,611	289,123
Profit for the 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

The nature and purpose of each reserve within 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 in excess of the nominal value of the shares, where 90% or more of shares are acquired.
Option reserve	Cumulative fair value of options charged to the Consolidated Income Statement net of transfers to the retained deficit on exercised and cancelled/lapsed options.
Cumulative translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Retained deficit	Cumulative net gains and losses recognised in the Consolidated Income Statement.
Non-controlling interest	Amounts attributable to non-controlling shareholders.

The notes on pages 74 to 105 form part of these Financial Statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2015

In thousands of US\$	Note	2015	2014
<b>Cash flows from operating activities</b>			
Profit for the year after tax		12,347	16,272
Depreciation and amortisation	10,11	33,952	22,149
Taxation charge	8	13,980	20,011
Share-based payments		2,111	1,787
Finance income	7	(223)	(52)
Finance expense	7	4,299	716
Profit on sale of available-for-sale investments		(193)	–
Loss on sale of property, plant and equipment		63	83
Impairment charge on available-for-sale investments		–	252
Increase in trade and other receivables		(14,681)	(13,388)
(Decrease)/increase in trade and other payables		(499)	8,941
(Decrease)/increase in non-current liabilities		(302)	1,269
Decrease in property deposits		25	–
Increase in inventory		(18,315)	(3,894)
<b>Cash generated from operations</b>		<b>32,564</b>	<b>54,146</b>
Taxation paid		(15,642)	(8,431)
<b>Net cash generated from operating activities</b>		<b>16,922</b>	<b>45,715</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	11	(4,400)	(3,659)
Sale/(purchase) of available-for-sale investment		423	(40)
Interest received	7	223	52
Loans granted	12	(4,676)	(284)
Purchase of property, plant and equipment		(24,514)	(8,722)
Stripping costs		(17,367)	(7,566)
Sale of property, plant and equipment		19	18
<b>Net cash used for investing activities</b>		<b>(50,292)</b>	<b>(20,201)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		1,069	178
Dividends paid to non-controlling interest		(2,000)	(4,000)
Repayment of borrowings	18	(26,788)	(4,697)
Proceeds from borrowing	18	55,000	10,000
Arrangement fees paid on borrowings		(563)	(200)
Interest paid		(2,038)	(716)
<b>Net cash generated from financing activities</b>		<b>24,680</b>	<b>565</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8,690)</b>	<b>26,079</b>
Cash and cash equivalents at start of year		36,837	11,222
Exchange losses on cash and cash equivalents		(174)	(464)
<b>Cash and cash equivalents at end of year</b>		<b>27,973</b>	<b>36,837</b>

The notes on pages 74 to 105 form part of these Financial Statements.

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# Notes Forming Part of the Consolidated Financial Statements

For the year ended 30 June 2015

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## 1 Accounting policies

### Basis of preparation

The Financial Statements of the Group for the year ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRS”) issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union (the “EU”).

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

### Going concern

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

### Basis of consolidation

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

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

### New standards and amendments in the year

The following were amendments to published standards and interpretations to existing standards effective in the year and adopted by the Group.

#### *IFRS 10 Consolidated financial statements*

The new standard provides additional guidance to assist in the determination of which entities are controlled and are required to be consolidated. This standard replaces the portion of IAS 27 Consolidated and separate financial statements that addresses the accounting for consolidated financial statements. The new standard became mandatory in the EU for financial years beginning on or after 1 January 2014. The new standard did not have an impact on the financial position or performance of the Group.

#### *IFRS 11 Joint arrangements*

The new standard replaces IAS 31 Interests in joint ventures and SIC 13 Jointly-controlled entities – non-monetary contributions by ventures. The standard defines contractually agreed sharing of control of an arrangement and the accounting for joint operations and joint ventures. The new standard became mandatory in the EU for annual periods beginning on or after 1 January 2014. The new standard did not have an impact on the financial position or performance of the Group.

#### *IFRS 12 Disclosure of involvement with other entities*

The new standard covers the disclosures that were previously required in consolidated financial statements under IAS 27 Consolidated and separate financial statements as well as those included in IAS 31 Interests in joint ventures and IAS 28 Investments in associates. The new standard became mandatory in the EU for financial years beginning on or after 1 January 2014. The new standard did not have an impact on the financial position or performance of the Group.

## **1 Accounting policies** *continued*

### *Amendment to IAS 32 Financial instruments: presentation – offsetting financial assets and financial liabilities*

The amendment clarifies existing application issues relating to the offset of financial assets and financial liabilities requirements. The amendment became effective for financial years beginning on or after 1 January 2014 with retrospective application. The amendment did not have an impact on the financial position or performance of the Group.

### *Amendment to IAS 36 Impairment of assets – recoverable amount disclosures*

The amendment to the standard was issued in May 2013 and became effective for financial years beginning on or after 1 January 2014. The amendment removes the requirement to disclose recoverable amounts when there has been no impairment or reversal of impairment. Further to that, the disclosure requirements have been aligned with those under US GAAP for impaired assets. The amendment did not have an impact on the financial position or performance of the Group.

### *Amendment to IAS 39 Financial instruments: recognition and measurement – novation of derivatives and continuation hedge accounting*

The amendment to the standard was issued in June 2013 and provides guidance in respect of the continuation of hedge accounting if a hedging derivative was novated. The amendment became effective for the financial years beginning on or after 1 January 2014 and did not have an impact on the financial position or performance of the Group.

## **New standards and interpretations not yet adopted**

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

### *IFRS 9 Financial instruments*

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

### *Amendment to IFRS 11 Joint arrangements – acquisition of interests in joint operations*

The amendment was issued in May 2014 and provides guidance in respect of the accounting for acquisitions in interests of joint operations. The amendment becomes mandatory for financial years beginning on or after 1 January 2016. The Group does not expect an impact on its Consolidated Financial Statements from this amendment.

### *IFRS 15 Revenue from contracts with customers*

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

### *Amendment to IAS 1 Presentation of Financial Statements – disclosure initiative*

The amendment was issued in December 2014 and includes a number of smaller projects aiming to improve the presentation and disclosure principles and requirements in existing standards. The amendment becomes mandatory for financial years beginning on or after 1 January 2016. The Group does not expect a significant impact on its Consolidated Financial Statements arising from the application of this amendment.

### *Amendment to IAS 16 Property, plant and equipment and IAS 38 Intangible assets – clarification of acceptable methods of depreciation and amortisation*

The amendment to the two standards was issued in November 2013 and becomes effective for financial years beginning on or after 1 January 2016. The amendment clarifies the pattern to be applied in case of revenue-based amortisation methods for tangible and intangible assets. The Group does not apply revenue-based amortisation methods and does thus not expect an impact on its Consolidated Financial Statements.

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# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

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## **1 Accounting policies** *continued*

### *Amendment to IAS 27 Separate financial statements – equity method*

The amendment to the standard was issued in August 2014 and becomes effective for financial years beginning on or after 1 January 2016. The amendment allows the use of the equity method to account for investments in subsidiaries, associates and joint ventures in an entity's separate IFRS financial statements if local regulation requires using the equity method. This amendment applies only to the separate Financial Statements of the Parent Company and is irrelevant for the Consolidated Financial Statements of the Group.

### **Critical accounting estimates, judgements and assumptions**

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

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

#### *(a) Impairment testing of non-current assets and the Kagem cash generating unit ("CGU")*

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

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

#### *(b) Impairment testing of Fabergé CGU including the Fabergé trademarks*

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

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

#### *(c) Determination of ore reserves*

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

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

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

#### *(d) Deferred tax*

Zambia currently has a variable rate of corporation tax. In considering the tax rate which should be applied to the temporary differences to quantify the deferred tax assets and liabilities arising in Zambia, management estimates that the average rate that is expected to be payable over the life of the Kagem project is approximately 35%. The average rate is determined based on legislation which is substantively enacted using the Kagem life of mine model.

## **1 Accounting policies** *continued*

### *(e) Useful lives of intangible assets and property, plant and equipment*

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

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

### *(f) Stripping costs*

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

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

### *(g) Inventories*

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

## **Significant accounting policies**

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

### **Foreign currency**

The Consolidated Financial Statements are presented in thousands of United States Dollars ("US\$") unless otherwise stated. The closing Pounds Sterling to US\$ exchange rate was 1:1.57.

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

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

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

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# Notes Forming Part of the Consolidated Financial Statements *continued*

*For the year ended 30 June 2015*

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## **1 Accounting policies** *continued*

### **Revenue**

#### *Gemstones*

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

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

For cut and polished gemstones the transfer of ownership is deemed to occur at the date the invoice is raised and the customer has taken ownership of the gemstones.

#### *Retail, wholesale and web sales*

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

### **Mineral royalties and production taxes**

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

### **Share-based payments**

#### *Equity settled share-based payments*

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

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

#### *Cash settled share-based payments*

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

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

### **Current taxation**

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

**1 Accounting policies** *continued***Deferred taxation**

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

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

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

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

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

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

**Property, plant and equipment**

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

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

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

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

**Mining asset**

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

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# *Notes Forming Part of the Consolidated Financial Statements* *continued*

*For the year ended 30 June 2015*

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## **1 Accounting policies** *continued*

### **Stripping costs**

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

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

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

### **Impairment**

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

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may be different to the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value-in-use and fair value less costs to sell), the asset is written down. Where the carrying value of an asset is below its recoverable amount, any historic impairment charged in respect of the asset is reversed accordingly.

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

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

### **Business combinations**

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

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

### **Merger reserve**

Where the Company issues shares as consideration for acquisition of subsidiaries in excess of the nominal value of the shares, where 90% or more of the shares are acquired, the excess over nominal value is accounted as merger reserve.

## **1 Accounting policies** *continued*

### **Non-controlling interests**

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

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

### **Goodwill**

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

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

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

### **Unevaluated mining properties**

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

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

### **Finite life intangible assets**

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

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

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## **1 Accounting policies** *continued*

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

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

## **Investment in joint ventures**

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

## **Leased assets**

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

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

## **Financial assets**

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

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

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

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

## **Financial liabilities**

Financial liabilities include the following items:

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

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

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## **1 Accounting policies** *continued*

### **Inventory**

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

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

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

### **Consignment inventory**

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

### **Provision for decommissioning and restoration**

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

### **Other non-current liabilities**

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

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 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
- 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.

2015 In thousands of US\$	Zambia	Mozambique	UK (Corporate)	Fabergé	Other	Total
Revenues from external customers	64,910	88,520	3,016	8,860	6,142	171,448
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
<i>Other charges</i>						
Depreciation and amortisation	29,553	3,293	60	1,021	25	33,952
Impairment charge	–	–	–	–	–	–
2014 In thousands of US\$	Zambia	Mozambique	UK (Corporate)	Fabergé	Other	Total
Revenues from external customers	87,818	33,528	4,291	9,552	24,900	160,089
Operating profit/(loss)	49,775	16,614	(34,605)	(15,627)	20,790	36,947
Finance income	–	–	–	–	52	52
Finance expenses	(555)	(21)	(136)	–	(4)	(716)
Profit/(loss) after tax	28,322	14,395	(32,009)	(15,120)	20,684	16,272
Total non-current assets	216,658	9,790	6,127	43,028	3,822	279,425
Total non-current liabilities	73,519	523	–	1,034	–	75,076
Total assets	269,158	47,773	14,538	81,500	13,718	426,687
Total liabilities	105,879	7,432	14,787	5,736	3,730	137,564
<i>Other charges</i>						
Depreciation and amortisation	19,502	1,288	67	1,278	14	22,149
Impairment charge	–	–	252	–	–	252

**3 Cost of sales**

In thousands of US\$	2015	2014
Mining and production costs		
Mineral royalties and production taxes	12,905	9,179
Labour and related costs	12,800	6,683
Fuel costs	6,266	3,442
Repairs and maintenance	4,205	2,317
Security costs	3,251	2,657
Camp costs	2,453	862
Blasting	1,103	786
Other mining and processing costs	3,486	1,381
Total mining and production costs	46,469	27,307
Depreciation and amortisation	33,952	22,149
Change in inventory and purchases	6,062	25,573
Total cost of sales	86,483	75,029

**4 Selling, general and administrative expenses**

In thousands of US\$	2015	2014
Labour and related costs	20,563	17,646
Selling, marketing and advertising	16,224	13,590
Professional and other services	5,720	3,278
Travel and accommodation	3,537	3,291
Rent and rates	3,446	4,270
Share-based payments	2,111	1,787
Office expenses	1,093	1,213
Other selling, general and administrative expenses	2,615	2,978
Total selling, general and administrative expenses	55,309	48,053

**5 Employees and Directors**

Number of employees	2015	2014
Administration staff	198	158
Fabergé staff	38	46
Mining staff	1,098	888
Average number of employees	1,334	1,092

In thousands of US\$	2015	2014
Gross salaries	28,028	23,524
Share-based payments	2,111	1,787
Social security costs	1,671	1,470
	31,810	26,781

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 5 Employees and Directors *continued*

Gross salaries includes contract labour hire costs of 295 contractors (2014: 112) at the mine sites.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Directors of the Company. Details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 61 to 65. None of the Directors exercised share options during the year (2014: none).

## 6 Profit from operations

The profit from operations has been arrived at after charging the following.

In thousands of US\$	2015	2014
<b>Auditors' remuneration</b>		
Fees payable to the Company's auditor for the audit of the Group and Company's annual accounts	112	116
Fees payable to the Company's auditor for other services	1	–
Fees payable to the Company's auditor for the audit of the foreign subsidiaries	131	131
Fees payable to the Company's auditor for tax related matters across the Group	–	–
Depreciation and amortisation (notes 10 and 11)	33,952	22,149
Impairment of available-for-sale investments	–	252
Operating lease costs – land and buildings	2,705	2,341
Share-based payments (note 22)	2,111	1,787
Loss on sale of property, plant and equipment	63	83
Profit on sale of available-for-sale investments	193	–

## 7 Finance income and expense

In thousands of US\$	2015	2014
<b>Finance income</b>		
Interest received	223	52
	223	52
<b>Finance expenses</b>		
Interest on bank loans, finance charges and bank charges	(2,389)	(716)
Exchange differences	(1,910)	–
	(4,299)	(716)
<b>Net finance expense</b>	<b>(4,076)</b>	<b>(664)</b>

## 8 Taxation

In thousands of US\$	2015	2014
<b>Current tax</b>		
Tax charge for year	16,320	28,966
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,340)	(8,955)
<b>Total tax expense</b>	<b>13,980</b>	<b>20,011</b>

**8 Taxation** *continued*

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

In thousands of US\$	2015	2014
Profit on ordinary activities before tax	26,327	36,283
Taxation on ordinary activities at the standard rate of corporation tax in the UK of 21% (2014: 21%)	5,529	7,619
Effects of:		
Expenses not deductible for tax purposes	500	1,258
Different tax rates applied in overseas jurisdictions and other temporary differences	7,951	11,134
Total tax expense	13,980	20,011

The main rate of corporation tax fell from 21% to 20% from 1 April 2015.

The 'Different tax rates applied in overseas jurisdictions and other temporary differences' reflects the impact of the applicable Zambian corporate income tax regime which saw the effective elimination of corporate tax on taxable profits arising from mining operations.

Further to recent fiscal legislative reforms in Zambia, the taxable profits arising in respect of mining operations in future accounting periods are likely to be subject to corporate income tax of 30% and a variable profits tax of up to 15%.

**Deferred tax**

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

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

In thousands of US\$	2015	2014
<i>Recognised deferred tax assets</i>		
Other temporary differences	1,470	2,116
Tax losses	5,048	3,403
Total deferred tax assets	6,518	5,519
Deferred tax assets netted against deferred tax liabilities	(1,470)	–
Total deferred tax assets as per the Statement of Financial Position	5,048	5,519

In thousands of US\$	2015	2014
<i>Recognised deferred tax liabilities</i>		
Property, plant and equipment	(841)	(1,163)
Mining property	(62,864)	(65,615)
Other temporary differences	(1,261)	–
Inventory valuation in Kagem	(2,751)	(2,077)
Business combinations	(611)	(814)
Total deferred tax liabilities	(68,328)	(69,669)
Deferred tax assets netted against deferred tax liabilities	1,470	–
Total deferred tax liabilities as per the Statement of Financial Position	(66,858)	(69,669)

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 8 Taxation *continued*

The movement on the deferred tax account is as shown below:

In thousands of US\$	2015	2014
At 1 July	(64,150)	(73,216)
Deferred stripping costs	–	689
Property, plant and equipment	322	947
Other temporary differences	(1,907)	1,315
Mining property	2,751	2,077
Business combinations	203	539
Inventory valuation in Kagem	(674)	(14)
Tax losses	1,645	3,403
Recognised in the Income Statement in the year	2,340	8,956
Business combinations	–	110
At 30 June	(61,810)	(64,150)

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

No deferred tax is recognised in relation to:

- deductible temporary differences in the amount of US\$ nil (2014: US\$5.2 million) arising on the write off of available-for-sale investments; and
- unused tax losses in the amount of US\$38.2 million (2014: US\$25.5 million).

## 9 Earnings per share

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

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

	2015	2014
Profit attributable to the owners of the parent during the year used in basic and dilutive calculation, in thousands of US\$	3,700	8,811
Basic weighted average number of shares	541,842,842	540,334,373
Dilutive potential of ordinary shares:		
Employee and Director share option plans	11,412,051	6,865,988
Diluted weighted average number of shares	553,254,893	547,200,361
Earnings per share for profit attributable to the owners of the parent during the year, in US\$:		
Basic	0.01	0.02
Diluted	0.01	0.02

Details of the share options are in note 22. The calculation of the diluted earnings per share assumes all criteria giving rise to the dilution of the earnings per share are achieved and all outstanding share options are exercised.

**10 Property, plant and equipment**

In thousands of US\$	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures, fittings and equipment	Evaluated mining properties	Deferred stripping costs	Total
<i>Cost</i>						
At 1 July 2013	2,877	28,624	2,896	269,753	30,267	334,417
Additions	1,081	7,324	317	523	8,925	18,170
Transferred from intangible assets <sup>(a)</sup>	–	–	–	3,322	–	3,322
Disposals	–	(96)	(25)	–	–	(121)
Foreign exchange differences	–	–	198	–	–	198
At 30 June 2014	3,958	35,852	3,386	273,598	39,192	355,986
Additions	2,894	19,120	1,902	1,200	20,763	45,879
Disposals	–	(276)	–	–	–	(276)
Foreign exchange differences	–	–	38	–	–	38
At 30 June 2015	6,852	54,696	5,326	274,798	59,955	401,627
<i>Accumulated depreciation and amortisation</i>						
At 1 July 2013	208	16,024	756	76,349	11,771	105,108
Provided during the year	301	5,700	1,016	5,902	9,260	22,179
Disposals	–	(6)	(14)	–	–	(20)
Foreign exchange differences	–	–	156	–	–	156
At 30 June 2014	509	21,718	1,914	82,251	21,031	127,423
Provided during the year	215	9,364	822	7,989	15,146	33,536
Disposals	–	(194)	–	–	–	(194)
Foreign exchange differences	–	–	66	–	–	66
At 30 June 2015	724	30,888	2,802	90,240	36,177	160,831
<i>Net book value</i>						
At 30 June 2015	6,128	23,808	2,524	184,558	23,778	240,796
At 30 June 2014	3,449	14,134	1,472	191,347	18,161	228,563
At 30 June 2013	2,669	12,600	2,140	193,404	18,496	229,309

(a) In June 2014, the Gemfields plc Board of Directors concluded that the Montepuez ruby project no longer met the definition of an exploration and evaluation asset as defined under IFRS 6 and hence the relevant costs were reclassified from intangible unevaluated mining property to inventory and evaluated mining property.

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 11 Intangible assets

In thousands of US\$	Software	Goodwill	Indefinite life trademarks	Finite life intangible assets	Unevaluated mining properties Zambian projects	Unevaluated mining properties other projects	Total
<i>Cost</i>							
At 1 July 2013	12	1,463	40,737	–	12,514	5,796	60,522
Additions	16	–	–	–	–	4,173	4,189
Finalisation of acquisition through business combinations <sup>(a)</sup>	–	367	(2,625)	1,984	–	–	(274)
Transferred to property, plant and equipment <sup>(b)</sup>	–	–	–	–	–	(3,322)	(3,322)
Transferred to inventory <sup>(b)</sup>	–	–	–	–	–	(6,589)	(6,589)
Reclassification	58	–	–	–	–	(58)	–
At 30 June 2014	86	1,830	38,112	1,984	12,514	–	54,526
Additions	66	–	–	–	–	4,334	4,400
At 30 June 2015	152	1,830	38,112	1,984	12,514	4,334	58,926
<i>Amortisation and impairment</i>							
At 1 July 2013	5	–	–	–	12,514	–	12,519
Charge in the year	32	–	–	468	–	–	500
At 30 June 2014	37	–	–	468	12,514	–	13,019
Charge in the year	85	–	–	331	–	–	416
At 30 June 2015	122	–	–	799	12,514	–	13,435
<i>Net book value</i>							
At 30 June 2015	30	1,830	38,112	1,185	–	4,334	45,491
At 30 June 2014	49	1,830	38,112	1,516	–	–	41,507
At 1 July 2013	7	1,463	40,737	–	–	5,796	48,003

(a) During the year ended 30 June 2014, the Group finalised its review of the fair value of the identifiable assets and liabilities acquired in respect of the acquisition of Fabergé Limited. All final fair value adjustments have been recognised as at 30 June 2014.

(b) In June 2014, the Gemfields plc Board of Directors concluded that the Montepuez ruby project no longer met the definition of an exploration and evaluation asset as defined under IFRS 6 and hence the relevant costs were reclassified from intangible unevaluated mining property to inventory and evaluated mining property.

During the year ended 30 June 2013, goodwill arose on the acquisition of Fabergé Limited.

The amount of depreciation of plant, machinery and motor vehicles capitalised as a part of unevaluated mining properties in the current year is US\$ nil (2014: US\$530,000) and has not been charged to the Consolidated Income Statement.

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

**11 Intangible assets** *continued***Annual impairment review on intangibles**

Goodwill of US\$1,830,000 (2014: US\$1,830,000) acquired through business combinations and trademarks with indefinite useful lives of US\$38,112,000 has been allocated to the Fabergé CGU, which is also an operating and reportable segment.

As required under IAS 36, the Group performed its annual impairment review of the carrying value of the Fabergé CGU. The impairment review was based on the value-in-use. The value-in-use calculation exceeds the carrying value by US\$112 million or 139%.

**Assumptions**

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

The revenue in the next five years is forecast to increase at growth rates initially of 80% falling to 25% between 2016 and 2020 (year five of the value-in-use model), following the introduction of new product lines, development of the timepiece collection and expansion of the wholesale network driven by an increase in the points of sale. As the 'go-to' jeweller in the coloured gemstone industry and starting from a relatively low revenue base Fabergé is in an excellent position to benefit from double digit growth in the coloured gemstone industry. From year six to year 20, the revenue is expected to increase at growth rates of between 10.0% and 18.4% year-on-year. The terminal value growth rate of 2.5% applied at the end of the forecast period is based on an average of the long-term inflation rates of the key markets in which Fabergé is expected to operate in the long term.

The average gross profit margin used in the value-in-use calculation is expected to remain around 50%. This figure is based on weighted margins across the retail and wholesale sales channels.

Centralised non-variable costs, such as payroll and rent are expected to increase at approximately 5% year-on-year. Cooperative advertising, where costs are shared between Fabergé and the wholesale partners, are expected to increase in line with the growth in wholesale revenue, with other marketing costs expected to increase in line with inflation.

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

For the purpose of the annual impairment test, the future cash flows were discounted using the nominal post-tax pre-finance discount rate of 12% per annum. The discount rate is derived from Fabergé's weighted average cost of capital. The discount rate represents the current market assessment of the risks specific to the Fabergé CGU, taking into consideration that Fabergé is part of the Gemfields Group, which is a profitable AIM-listed business. The pre-tax discount rate is 13%.

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

- A decrease in revenue of 20% in years one to five and an associated reduction in directly attributable costs, followed by growth rates consistent with the original model in percentage terms, would not result in an impairment, however it would reduce the value-in-use by US\$96 million or 50%.
- A decrease in the long term growth from 10% to 5% and an associated reduction in directly attributable costs would reduce the value-in-use by US\$101 million or 52%.
- An increase in the discount rate from 12% to 17% would not result in an impairment.

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 12 Other non-current assets

In thousands of US\$	2015	2014
Loan receivable	4,676	–
Long-term receivable from Kariba Minerals Limited (joint venture) (note 13)	2,718	2,718
Property deposits	541	566
Other non-current assets	282	282
<b>Total other non-current assets</b>	<b>8,217</b>	<b>3,566</b>

The long-term receivable from Kariba Minerals Limited (“Kariba”), is shown net of a provision of US\$1,481,000 (2014: US\$1,481,000).

## 13 Interest in a joint venture

In thousands of US\$	Joint venture
<i>Cost</i>	
At 1 July 2013, 30 June 2014 and 30 June 2015	287
<i>Impairment</i>	
At 1 July 2013, 30 June 2014 and 30 June 2015	(287)
<i>Net book value</i>	
At 1 July 2013, 30 June 2014 and 30 June 2015	–

The Group holds a 50% interest in a joint venture Kariba. Kariba is incorporated and registered in Zambia and its nature of business is gemstone mining.

The Group’s share of the joint venture was:

In thousands of US\$	2015	2014
Non-current assets	457	665
Current assets	409	289
Current liabilities	(3,022)	(1,757)
Non-current liabilities	(1,446)	(2,071)
Share of net liabilities	(3,602)	(2,874)
Revenue	900	336
Operating expenditure	758	491

**14 Investments****Subsidiary undertakings**

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2015	Proportion of voting rights and ordinary share capital held in 2014	Nature of business
Almizan Development Ltd	BVI	100%	100%	Non-trading
Cabo Delgado Mining Services Ltda	Mozambique	100%	100%	Gemstone mining and exploration
Campos de Joia, Limitada	Mozambique	100%	100%	Gemstone mining and exploration
Campos de la Gema S.A.S	Colombia	100%	–	Holding company
Fabergé (UK) Limited (previously known as Fabergé Services Limited)	United Kingdom	100%	100%	Advisory and administrative support in connection with the Fabergé UK activities
Fabergé Hospitality Limited	British Virgin Islands	100%	100%	Non-trading
Fabergé Inc	USA	100%	100%	Retail activity and promotion of the Fabergé collection of jewellery and watches
Fabergé Limited	Cayman Islands	100%	100%	Holding company
Fabergé S.à.r.l. (liquidated 5 May 2015)	Luxembourg	–	100%	Non-trading
Fabergé Suisse SA	Switzerland	100%	100%	Retail activity and promotion of the Fabergé collection of jewellery and watches
Forest HoldCo Limited	United Kingdom	100%	100%	Holding company
Gemfields BVI Ltd	BVI	100%	100%	Holding company
Gemfields Canada Inc	Canada	100%	100%	Non-trading
Gemfields Cdj Mauritius	Mauritius	100%	100%	Holding and administrative services company
Gemfields Holdco India Ltd	United Kingdom	100%	100%	Non-trading
Gemfields Holdings Zambia Ltd	Zambia	100%	100%	Non-trading
Gemfields India Pvt Limited	India	100%	100%	Gemstone sales and marketing
Gemfields Mauritius Ltd	Mauritius	100%	100%	Holding and administrative services company
Gemfields Mining Limited	Zambia	100%	100%	Gemstone mining and exploration
Gemfields Participacoes Ltda	Brazil	100%	100%	Non-trading
Gemfields Singapore Pte Limited	Singapore	100%	100%	Gemstone auctions
Gemfields South Africa (Pty) Limited	South Africa	100%	100%	Gemstone sales and marketing
Gemfields Spain S.L	Spain	100%	–	Holding company
Gemfields USA, Inc.	USA	100%	100%	Gemstone sales and marketing
Gemholds Brazil Limited	United Kingdom	100%	100%	Holding company
Gemholds Colombia Limited	United Kingdom	100%	–	Holding company
Gemholds Ethiopia Limited	United Kingdom	100%	–	Holding company
Gemholds Ltd	United Kingdom	100%	100%	Holding company
Gemhouse Mining Zambia Limited	Zambia	100%	100%	Non-trading
Graphon Investments (Pvt) Ltd	Sri Lanka	75%	–	Holding company
Graphon Mining Resources (Pvt) Ltd	Sri Lanka	75%	–	Mineral resource studies
Hagura Mining Ltd	United Kingdom	100%	100%	Holding and administrative services company
Island HoldCo Limited	United Kingdom	100%	100%	Holding company
Kagem Mining Limited	Zambia	75%	75%	Gemstone mining, exploration and processing
Mbuva Mining Ltd	Zambia	100%	100%	Non-trading
Megaruma Mining Limitada	Mozambique	75%	–	Gemstone mining and exploration
Mkushi Tormaline Mining Ltd	Zambia	75%	75%	Non-trading
Montepuez Ruby Mining Limitada	Mozambique	75%	75%	Gemstone mining and exploration
Oriental Mining SARL	Madagascar	100%	100%	Gemstone mining and exploration
Peninsula HoldCo Limited	United Kingdom	100%	100%	Holding company

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 14 Investments *continued*

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held in 2015	Proportion of voting rights and ordinary share capital held in 2014	Nature of business
Ratnapura Lanka Gemstones (Pvt) Ltd	Sri Lanka	75%	–	Gemstone trading
Singha Heavy Equipment (Pvt) Ltd	Sri Lanka	75%	–	Dormant company
Singha Industrial Investments (Pvt) Ltd	Sri Lanka	75%	–	Holding company
Web Gemstone Mining plc	Ethiopia	75%	–	Gemstone mining and exploration

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration with the exception of the following whose operations are in the United Kingdom:

- Fabergé Limited; and
- Fabergé Hospitality Limited

## 15 Non-controlling interests

Non-controlling interests that are material relate to the following subsidiaries:

Kagem Mining Limited (“Kagem”), a company incorporated in Zambia. Its principal operation is rough emerald mining, exploration and processing. The Government of the Republic of Zambia holds a 25% non-controlling interest.

Montepuez Ruby Mining Limitada (“Montepuez”), a company incorporated in Mozambique. Its principal operation is rough ruby mining and exploration. Mwiriti Limitada, a private company incorporated in Mozambique, holds a 25% non-controlling interest.

In thousands of US\$	2015 Kagem	2015 Montepuez	2014 Kagem	2014 Montepuez
<i>Amounts attributable to all shareholders:</i>				
Profit after tax	2,091	33,042	20,156	9,686
Cash generated from operating activities	25,841	40,671	48,487	4,646
Non-current assets	220,177	15,682	214,776	9,275
<i>Amounts attributable to non-controlling interests:</i>				
Profit after tax	523	8,260	5,039	2,422
Dividends paid	–	2,000	4,000	–
Equity	48,945	7,450	48,421	1,190

## 16 Inventory

In thousands of US\$	2015	2014
Rough and cut and polished gemstones	65,360	50,620
Fabergé inventory	35,776	35,637
Fuel and consumables	3,733	2,251
<b>Total inventory</b>	<b>104,869</b>	<b>88,508</b>

**17 Trade and other receivables**

In thousands of US\$	2015	2014
Trade receivables	18,882	15,027
VAT receivable	10,235	3,255
Prepayments	4,594	2,003
Other receivables	1,094	1,632
<b>Total trade and other receivables</b>	<b>34,805</b>	<b>21,917</b>

All amounts shown under trade and other receivables fall due for payment within one year.

**18 Borrowings**

	Interest rate	Maturity	2015 In thousands of US\$	2014 In thousands of US\$
<b>Current interest bearing loans and borrowings</b>				
US\$25,000,000 bank loan	LIBOR + 4.50%	2016	24,699	–
US\$15,000,000 related party loan	LIBOR + 4.50%	2015	–	9,936
US\$15,000,000 bank loan	LIBOR + 4.75%	2016	–	5,085
<b>Total current borrowings</b>			<b>24,699</b>	<b>15,021</b>
<b>Non-current interest bearing loans and borrowings</b>				
US\$15,000,000 bank loan	LIBOR + 4.75%	2016	–	1,677
US\$20,000,000 revolving credit facility	LIBOR + 4.50%	2017	20,000	–
<b>Total non-current borrowings</b>			<b>20,000</b>	<b>1,677</b>

**US\$25 million bank loan**

In April 2015, Gemfields plc entered into a US\$25 million term loan facility with Macquarie Corporate Holdings Pty Limited (UK Branch). The loan 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 2015, the carrying amount of inventories pledged as security for this loan amounted to US\$42.2 million.

The loan was used to repay the US\$15 million related party loan with Pallinghurst and to fund working capital requirements.

**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 over 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. The facility of US\$20 million 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\$15 million party loan**

The US\$15 million related party loan outstanding as at 30 June 2014 was repaid in full during the year, as described in note 26.

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 18 Borrowings *continued*

### Borrowings entered into after the reporting period

Two debt financing facilities of US\$10 million each were entered into in August 2015. These facilities are with Barclays Bank Mauritius Limited and Pallinghurst Resources Limited (“Pallinghurst”) respectively.

A US\$10 million facility, in addition to the existing US\$20 million long-term revolving credit facility with Barclays Bank Zambia plc, was entered into with Barclays Bank Mauritius Limited. Interest for the new facility is at the rate of 3 month US Dollar 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.

A US\$10 million financing facility was entered into with Pallinghurst, the facility is a short term, unsecured loan facility which has a maturity date of 15 December 2015. The facility bears an interest of 3 month US Dollar LIBOR plus 4.50%. The facility will be used for inventory investment, working capital and general business purposes.

## 19 Other non-current liabilities

In thousands of US\$	LTIP liability in Fabergé sub-group	Environmental restoration provision	Other provisions	Total provisions
<b>Other non-current liabilities</b>				
At 1 July 2013	247	904	1,310	2,461
Cash-settled awards lapsed	(26)	–	–	(26)
Additions in the year	–	487	808	1,295
At 30 June 2014	221	1,391	2,118	3,730
Movement during the year	–	1,201	(1,492)	(291)
Cash-settled awards lapsed	(106)	–	–	(106)
At 30 June 2015	115	2,592	626	3,333

### Fabergé sub-group LTIP

The Fabergé sub-group operates a cash-settled share-based remuneration scheme.

### Environmental restoration

The Group has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs, based on management’s best estimate of the legal and constructive obligations incurred. These estimates reflect industry best practice and currently applicable legislation. Significant changes in legislation could result in changes in provisions recognised. It is anticipated that these costs will be incurred over a period in excess of 20 years.

### Other provisions

The other non-current provisions primarily consist of employee end of contract benefits and are payable in three years’ time.

## 20 Trade and other payables

In thousands of US\$	2015	2014
Trade payables	13,239	8,566
Other payables	12,044	12,351
Total trade and other payables	25,283	20,917

**21 Share capital**

	2015		2014	
	Number of shares	In thousands of US\$	Number of shares	In thousands of US\$
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 1p each				
At 1 July	540,808,209	9,570	540,003,208	9,557
Issued during the year	2,838,521	44	805,001	13
At 30 June	543,646,730	9,614	540,808,209	9,570

Share capital is denominated in Pounds Sterling. Details of the share option scheme are set out in note 22.

**22 Share-based payments****Share option scheme**

The share capital of the Company is denominated in Pounds Sterling. Therefore, the following disclosures are presented in Pounds Sterling and US Dollars.

On 1 January 2015, 6,730,000 (1 January 2014: 5,800,000 and 14 November 2013: 400,000) share options were granted to the Directors and key employees of the Company. One third of the options granted vests at 31 December each year over a three-year period, during which the grantee has to remain in employment.

The total expense recognised during the year ended 30 June 2015 arising from equity-settled share-based payment transactions was US\$2,206,000 (2014: US\$1,787,000).

At 30 June 2015, the following share options have been granted and are outstanding in respect of the ordinary shares:

Exercise price	Number of options				Outstanding at 30 June 2015	Final exercise date
	Outstanding at 1 July 2014	Granted	Forfeited	Exercised		
12¢ (8p)	7,271,664	–	–	(516,665)	6,754,999	December 2020
32¢ (20p)	3,244,999	–	–	(545,001)	2,699,998	December 2021
46¢ (29p)	6,800,000	–	(263,332)	(1,012,748)	5,523,920	December 2022
51¢ (32p)	400,000	–	–	–	400,000	November 2023
56¢ (34p)	5,800,000	–	(874,998)	(514,107)	4,410,895	December 2023
75¢ (48p)	–	6,730,000	(810,000)	–	5,920,000	December 2024
<b>Total</b>	<b>23,516,663</b>	<b>6,730,000</b>	<b>(1,948,330)</b>	<b>(2,588,521)</b>	<b>25,709,812</b>	

The options exercisable at 30 June 2015 were 15,227,796 (2014: 11,868,331).

The exercise price of options outstanding at 30 June 2015 ranged between 8p and 48p (2014: 8p and 34p) and their weighted average contractual life was 7.5 years (2014: 8.0 years). The weighted average exercise price for options issued to Directors was 37¢ (22p) (2014: 27¢ (17p)). The weighted average share price (at the date of exercise) of options exercised during the year was 95¢ (57p) (2014: 62¢ (38p)).

The cash that may be received upon exercise of the options that are outstanding at the year end is estimated to be US\$11,228,000 (2014: US\$9,015,000).

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 22 Share-based payments *continued*

At 30 June 2014, the following share options had been granted and are outstanding in respect of the ordinary shares:

Exercise price	Number of options					Outstanding at 30 June 2014	Final exercise date
	Outstanding at 1 July 2013	Granted	Reissued	Forfeited	Exercised		
12¢ (8p)	7,674,997	–	100,000	–	(503,333)	7,271,664	December 2020
32¢ (20p)	3,415,000	–	–	–	(170,001)	3,244,999	December 2021
46¢ (29p)	9,265,000	–	–	(2,333,333)	(131,667)	6,800,000	December 2022
51¢ (32p)	–	400,000	–	–	–	400,000	November 2023
56¢ (34p)	–	5,800,000	–	–	–	5,800,000	December 2023
<b>Total</b>	<b>20,354,997</b>	<b>6,200,000</b>	<b>100,000</b>	<b>(2,333,333)</b>	<b>(805,001)</b>	<b>23,516,663</b>	

The fair values of the options are calculated using the Black-Scholes method. The number of options granted in 2015 is 6,730,000 (2014: 6,200,000). Assumptions used in this model for the 12 months ended 30 June were:

	Issue date					
	January 2015	January 2014	November 2013	January 2013	January 2012	January 2011
Fair value at measurement date	36¢ (23p)	36¢ (21p)	36¢ (22p)	27¢ (18p)	59¢ (38p)	30¢ (19p)
Exercise price	75¢ (48p)	56¢ (34p)	51¢ (32p)	46¢ (29p)	32¢ (20p)	12¢ (8p)
Share price at date of grant	71¢ (46p)	56¢ (34p)	51¢ (32p)	52¢ (34p)	37¢ (23p)	24¢ (15p)
Expected volatility	40.10%	50.28%	51.71%	41.62%	55.00%	55.00%
Option life	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	–	–	–	–	–	–
Risk free interest rate (based on Bank of England rate)	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

The expected volatility was based on the historical volatility data of Gemfields plc shares.

### 23 Financial instruments

The principal financial instruments used by the Group are as follows:

#### Financial assets

In thousands of US\$	2015	2014
Financial assets measured at fair value:		
Available-for-sale investments	40	270
Total financial assets at fair value	40	270
Financial assets measured at amortised cost:		
Other non-current assets <sup>(a)</sup>	7,935	3,284
Trade and other receivables <sup>(b)</sup>	30,211	19,914
Cash and cash equivalents	27,973	36,837
Total financial assets measured at amortised cost	66,119	60,035
<b>Total financial assets</b>	<b>66,159</b>	<b>60,305</b>

(a) Other non-current assets excludes property lease premium.

(b) Trade and other receivables excludes prepayments.

The available-for-sale investments are Level 1, for which quoted prices on active market are available.

#### Financial liabilities

In thousands of US\$	2015	2014
Held at amortised cost:		
Trade and other payables <sup>(a)</sup>	24,377	20,917
Borrowings	44,699	16,698
<b>Total financial liabilities held at amortised cost</b>	<b>69,076</b>	<b>37,615</b>

(a) Trade and other payables excludes social security.

#### Fair value of financial assets and liabilities

At 30 June 2015 and 2014, the carrying value of the Group's financial assets and liabilities approximated their fair values.

#### Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. The Directors have overall responsibility to determine the risk management objectives and policies of the Group. While retaining the ultimate responsibility for them, the Directors have delegated the authority for designing and operating processes that ensure the effective implementation of these objectives and policies to the finance function of the Group. The Directors regularly review the effectiveness of the processes put in place and, when required, approve specific policies and procedures designed to mitigate the financial risks.

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# *Notes Forming Part of the Consolidated Financial Statements* *continued*

*For the year ended 30 June 2015*

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## **23 Financial instruments** *continued*

There have been no substantive changes in the Group's exposure to financial instruments risks other than stated in the note.

The principal financial instruments used by the Group, from which financial risk arises, are as described below:

- cash and cash equivalents;
- trade and other receivables;
- available-for-sale investments;
- trade and other payables; and
- borrowings.

### *Credit risk on non-current receivables*

The Group has non-current receivables due from entities engaged in mining related activities. Repayment of these receivables is dependent on the borrowers performing as expected in the mine plans and generating sufficient cash flows to repay the loan balances due to the Group.

### *Credit risk on trade receivables*

The Group has low credit risk because it does not ship gemstones sold at auction to customers until payment has been received. There is a receivable balance at the end of the year relating to cut and polished emerald sales and rough rubies and corundum sold at auction.

Credit risk in relation to the Fabergé segment is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Fabergé is mainly exposed to credit risk from credit sales. It is Fabergé policy to assess the credit risk of new customers before entering into contracts.

The Group impaired receivables during the year for the amount of US\$ nil (2014: US\$ nil). The Group considers there to be no material difference between fair value of trade and other receivables and their carrying amount in the Statement of Financial Position.

### *Maximum exposure to credit risk*

The Group's maximum exposure of trade and other receivables and cash and cash equivalents to credit risk is its carrying amount.

### *Cash and cash equivalents*

In relation to its cash and cash equivalents, the Group has to manage its currency exposures and the credit risk associated with the credit quality of the financial institutions in which the Group maintains its cash resources.

Under the treasury policy of the Group, approved by the Board and operated by the finance function, the corporate head office in London acts as the treasury centre of the Group. Business units maintain the minimum cash balances required by their operations. No cash resources controlled by the corporate treasury can be held with financial institutions with credit ratings lower than A-.

At 30 June 2015, 77% (2014: 88%) of the cash balance was held by Barclays Bank and the remaining 23% (2014: 12%) was held by other financial institutions.

**23 Financial instruments** *continued**Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It represents the risk that the Group will encounter difficulty in meeting its financial obligations.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group seeks to maintain cash balances and agreed facilities at levels considered appropriate to meet ongoing obligations.

The Group maintains an integrated business performance and cash flow forecasting model, incorporating financial position information, which is updated monthly.

The Group performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Directors receive rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances and Group performance against budget. At the reporting date, these projections indicated that the Group expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances.

The following table illustrates the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross, based where relevant, on interest rates and exchange rates prevailing at the reporting date.

In thousands of US\$	Trade and other payables	Borrowings	Total
<i>At 30 June 2015</i>			
In one month	18,250	–	18,250
Between one and six months	6,127	10,919	17,046
Between six months and one year	–	15,328	15,328
Between one year and three years	–	21,650	21,650
	<b>24,377</b>	<b>47,897</b>	<b>72,274</b>
<i>At 30 June 2014</i>			
In one month	–	–	–
Between one and six months	20,917	–	20,917
Between six months and one year	–	15,636	15,636
Between one year and three years	–	1,677	1,677
	<b>20,917</b>	<b>17,313</b>	<b>38,230</b>

*Interest rate risk*

The Group predominately borrows bank funds that are at floating interest rates and is exposed to interest rate movements. Details of the interest rates on borrowing are disclosed in note 18.

*Currency risk*

Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of the Group's costs are denominated in US\$ or Pounds Sterling and hence the Group holds the majority of its cash in these currencies.

The Group is exposed to currency risk on payments for goods and services made to the local suppliers in the jurisdictions of its operations. It is the Group's policy not to hedge this currency risk exposure.

# Notes Forming Part of the Consolidated Financial Statements *continued*

For the year ended 30 June 2015

## 23 Financial instruments *continued*

At 30 June 2015 and 2014 the Group's financial assets and liabilities were denominated in the following currencies:

In thousands of US\$	UK Pounds Sterling	US\$	Euro	Zambian Kwacha	Indian Rupees	Mozambican metical	Other currencies	Total
<i>At 30 June 2015</i>								
Cash and cash equivalents	274	16,485	49	190	3,827	7,054	94	27,973
Other non-current assets	–	3,259	–	–	–	–	4,676	7,935
Trade and other receivables	3,666	17,106	–	6,607	–	2,522	310	30,211
Borrowings	–	(44,699)	–	–	–	–	–	(44,699)
Trade and other payables	(5,865)	(12,468)	–	(855)	–	(2,826)	(2,363)	(24,377)
<b>Net monetary assets/(liabilities)</b>	<b>(1,925)</b>	<b>(20,317)</b>	<b>49</b>	<b>5,942</b>	<b>3,827</b>	<b>6,750</b>	<b>2,717</b>	<b>(2,957)</b>
<i>At 30 June 2014</i>								
Cash and cash equivalents	390	35,505	349	186	417	(295)	285	36,837
Long-term deposit	–	566	–	–	–	–	–	566
Long-term receivable from Kariba Minerals Limited (joint venture)	–	2,718	–	–	–	–	–	2,718
Trade and other receivables	1,021	10,550	–	4,643	3,441	–	259	19,914
Borrowings	–	(16,698)	–	–	–	–	–	(16,698)
Trade and other payables	(3,750)	(8,645)	(190)	(1,688)	(1,785)	(425)	(4,434)	(20,917)
<b>Net monetary assets/(liabilities)</b>	<b>(2,339)</b>	<b>23,996</b>	<b>159</b>	<b>3,141</b>	<b>2,073</b>	<b>(720)</b>	<b>(3,890)</b>	<b>22,420</b>

### *Other market price risk*

The Group generates revenue from the sale of rough and cut and polished gemstones as well as wholesale and retail sales of the gemstones and jewellery in the Fabergé business. The significant number of variables involved in determining the selling prices of gemstones, such as uniqueness of each individual gemstone, the colour of the rough material and the ruling US\$ spot rate at the date of sale make it difficult to accurately extrapolate the impact of fluctuations in prices would have on the Group's revenue.

### *Capital*

The Group seeks to maintain sufficient capital to enable its growth and safeguard its ability to continue as a going concern. Capital is defined as share capital, share premium, merger reserve, option reserve and cumulative translation reserve.

The primary objective of the Group is maximising shareholder value, which from the capital perspective is achieved by maintaining the capital structure that is most suited to the Group's size, strategy and underlying business risk. Currently, Gemfields plc has not paid dividends, focusing instead on delivering capital growth.

The Group manages its capital adequacy structure by the issues of ordinary shares, raising debt finance where appropriate and managing Group cash and cash equivalents.

**24 Capital commitments**

At 30 June 2015, Group had the following capital commitments:

- (a) US\$ nil (2014: US\$4,690,000) for the purchase of mining equipment in Kagem;
- (b) US\$3,200,000 (2014: US\$26,294,000) for the overburden removal in Kagem; and
- (c) US\$4,400,000 (2014: US\$3,578,000) for the purchase of mining equipment and mine camp expansion in Montepuez.

**25 Commitments under operating leases**

The Company has total future minimum lease payments under non-cancellable operating leases as set out below:

In thousands of US\$	2015	2014
Not later than one year	1,841	1,913
Later than one year but not later than five years	1,093	2,071
Later than five years	–	–
	<b>2,934</b>	<b>3,984</b>

Total future minimum payments mostly relate to rent of the offices in London and New York as well as rent of space for Fabergé boutiques worldwide.

**26 Related party transactions and ultimate controlling party***Ultimate controlling party*

The Group does not have an ultimate controlling party or parent company.

The Pallinghurst Resources Fund L.P. (“PRF”) owns a see-through interest of 47.62% in Gemfields plc as at 30 June 2015. This interest gives PRF significant influence over the Group. In addition, PRF shares an affiliation with certain other Gemfields plc shareholders including NGPMR (Cayman) L.P. and Investec Pallinghurst (Cayman) L.P., as all share the same investment manager, Pallinghurst (Cayman) GP L.P.

Gemfields plc and PRF entered into an updated relationship agreement in August 2013 which governs the relationship between the Group and PRF and clarifies that the Group is managed autonomously and operates for the benefit of its shareholders as a whole, rather than solely for the benefit of PRF or any of its affiliates.

All transactions with related parties for years ending 30 June 2015 and 30 June 2014 were carried out at arm’s length.

**Loan balance with Pallinghurst Resources Fund L.P.**

During the year ended 30 June 2014, the Group entered into a US\$15 million loan facility with PRF. During the current year US\$5 million (2014: US\$10 million) was drawn down, with arrangement fees of US\$100,000 (2014: US\$200,000) being charged by PRF. Interest of US\$527,000 (2014: US\$97,000) was charged on the loan. The loan balance and interest due was repaid in full during the year ended 30 June 2015. The balance outstanding as 30 June 2015 was US\$ nil (2014: US\$10,097,000).

**Balance with Kariba Minerals Limited**

As at 30 June 2015 and 30 June 2014, the Group held a receivable of US\$2,718,000 (2014: US\$2,718,000) which represents a historic receivable of US\$4,199,000 less a provision of US\$1,481,000. Kariba Minerals Limited is a joint venture in which the Group hold a 50% shareholding.

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# Notes Forming Part of the Consolidated Financial Statements *continued*

*For the year ended 30 June 2015*

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## **26 Related party transactions and ultimate controlling party** *continued*

### Transactions with Pallinghurst Advisors LLP

During the year the Group recharged services to Pallinghurst Advisors LLP amounting to US\$71,000 (2014: US\$82,000). Pallinghurst Advisors LLP recharged services to the Group amounting to US\$197,000 (2014: US\$578,000). As at 30 June 2015 the net balance due from Pallinghurst Advisors LLP was US\$18,000 (2014: payable due to Pallinghurst Advisors LLP US\$45,000).

Pallinghurst Advisors LLP is based in the United Kingdom and acts as an investment adviser to Pallinghurst (Cayman) GP L.P. which is based in the Cayman Islands. Pallinghurst (Cayman) GP L.P. acts as investment manager to some of the Group's largest shareholders.

All transactions with related parties for years ending 30 June 2015 and 30 June 2014 were carried out at arm's length.

## **27 Events after the reporting period**

### September 2015 emerald and beryl auction

From 31 August to 4 September 2015, after the end of the financial year, an auction of higher quality emerald was held in Singapore and yielded aggregate revenues of US\$34.7 million, the third highest aggregate revenue achieved for higher quality emerald of this nature.

### Acquisitions

#### *Colombia*

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

The first project relates to the Coscuez Emerald Mine in the Boyacá department, Colombia and is the acquisition of a 70% interest in a Colombian company which will, on completion, hold mining contract no. 122-95M (the "Coscuez Licence", which is presently held by Esmeracol S.A.). Located on the 'Muzo formation', the Coscuez Licence covers an area of 47 hectares, with the Coscuez mine – 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. Geological due diligence studies were carried out by Gemfields between October 2013 and August 2014.

The Coscuez Licence includes exclusive rights for the exploration, construction and mining of emerald deposits granted by the Government of the Republic of Colombia within the area historically known as the 'Coscuez mine' in the municipality of San Pablo de Borbur, Department of Boyacá. Under the terms of the transaction agreements, Esmeracol S.A. will transfer the Coscuez Licence to a newly incorporated Colombian company ("Coscuez NewCo") and Gemfields will, at completion, acquire an indirect 70% interest in Coscuez NewCo by way of a purchase of shares in a new holding company of Coscuez NewCo. The geological due diligence studies carried out by Gemfields included geological mapping of all accessible underground excavations and tunnels (about 36 of which total 25 linear kilometres), 3D ore body modelling of the mapped information, sampling and analysis of mine face samples and satellite imagery studies. International geological and mining consultants ACA Howe were engaged to provide a technical report and conduct associated due diligence matters. The total consideration payable under the share purchase agreement is US\$15 million as follows: a first tranche of US\$7.5 million on completion of the share purchase and transfer of licence of which US\$5 million is payable in cash and US\$2.5 million is payable in Gemfields' shares with a three year lock-in period); a second tranche of US\$2.5 million on the first anniversary of completion; a third and fourth tranche of US\$2.5 million each upon attainment of agreed cumulative revenue targets. Completion is expected to occur by first quarter of calendar year 2016.

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.

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**27 Events after the reporting period** *continued*

The second project comprises a number of new licence applications and assignments to existing concession contracts administered by the Colombian Mining Agency. The assignees of, and the applicants for, the mining licences are a number of Colombian companies ("ProjectCos") indirectly controlled by ISAM Europa S.L. Gemfields is acquiring on completion indirect 75% and 70% interests in two holding companies which house the assorted ProjectCos. The total package of mining licence applications and assigned concession contracts cover approximately 20,000 hectares in the Boyacá and other regions, and comprise mostly greenfield sites although small scale mining has occurred in some of the licence areas. 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 as follows: a first tranche of US\$450,000 paid on completion of the share acquisition; a second tranche payable upon the granting of certain licence applications and/or the assignment of certain concession contracts; a third tranche payable when bulk sampling commences on certain licence areas; a fourth tranche payable on the commencement of commercial mining; and a fifth and sixth tranche (which comprise more than 50% of the total consideration payable) upon attainment of agreed cumulative revenue targets.

**Borrowings entered into after the reporting period**

Two debt financing facilities of US\$10 million each were entered into in August 2015. These facilities are with Barclays Bank Mauritius Limited and Pallinghurst Resources Limited ("Pallinghurst") respectively.

A US\$10 million facility, in addition to the existing US\$20 million long-term revolving credit facility with Barclays Bank Zambia plc, was entered into with Barclays Bank Mauritius Limited. Interest for the new facility is at the rate of 3 month US Dollar 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.

A US\$10 million financing facility was entered into with Pallinghurst, the facility is a short term, unsecured loan facility which has a maturity date of 15 December 2015. The facility bears an interest of 3 month US Dollar LIBOR plus 4.50%. The facility will be used for inventory investment, working capital and general business purposes.

# Parent Company Statement of Financial Position

At 30 June 2015

In thousands of US\$	Note	2015	2014
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	434	156
Available-for-sale investments		40	270
Investments in subsidiaries	6	213,127	212,972
Deferred tax asset	12	5,048	3,403
Other non-current assets	7	30,414	2,507
<b>Total non-current assets</b>		<b>249,063</b>	<b>219,308</b>
<b>Current assets</b>			
Trade and other receivables	8	68,044	84,272
Inventory	9	10,958	3,209
Cash and cash equivalents		2,327	3,119
<b>Total current assets</b>		<b>81,329</b>	<b>90,600</b>
<b>Total assets</b>		<b>330,392</b>	<b>309,908</b>
<b>Current liabilities</b>			
Trade and other payables	10	(11,070)	(16,617)
Borrowings	11	(24,699)	(9,936)
<b>Total current liabilities</b>		<b>(35,769)</b>	<b>(26,553)</b>
<b>Total assets less current liabilities</b>		<b>294,623</b>	<b>283,355</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	13	9,614	9,570
Share premium		98,404	97,379
Merger reserve		207,986	207,986
Option reserve		5,179	4,130
Retained deficit		(26,560)	(35,710)
<b>Total equity attributable to owners of the parent</b>		<b>294,623</b>	<b>283,355</b>

The Financial Statements were approved by the Board on 6 October 2015 and signed on its behalf by



**Devidas Shetty** / Chief Operating Officer  
Gemfields plc  
Registered number: 05129023

The notes on pages 109 to 115 form part of these Parent Company Financial Statements.

# Parent Company Statement of Changes in Equity

For the year ended 30 June 2015

In thousands of US\$	Share capital	Share premium	Merger reserve	Option reserve	Retained deficit	Total equity
Balance at 1 July 2013	9,557	97,214	207,986	2,736	(48,228)	269,265
Profit for the year	–	–	–	–	12,125	12,125
Issue of shares	13	165	–	(201)	201	178
Share-based payments	–	–	–	1,787	–	1,787
Share options forfeited	–	–	–	(192)	192	–
Balance at 30 June 2014	9,570	97,379	207,986	4,130	(35,710)	283,355
Profit for the year	–	–	–	–	7,993	7,993
Issue of shares	44	1,025	–	(684)	684	1,069
Share-based payments	–	–	–	2,206	–	2,206
Share options forfeited	–	–	–	(473)	473	–
Balance at 30 June 2015	9,614	98,404	207,986	5,179	(26,560)	294,623

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

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

The notes on pages 109 to 115 form part of these Parent Company Financial Statements.

# Parent Company Statement of Cash Flows

For the year ended 30 June 2015

In thousands of US\$	Note	2015	2014
<b>Cash flows from operating activities</b>			
Profit for the year after tax	4	7,993	12,125
Depreciation and amortisation	5	60	67
Taxation	12	(1,645)	(2,732)
Share-based payments	17	2,206	1,787
Finance income		(1,270)	(701)
Finance expense		1,142	136
Impairment charge on investments		–	252
Profit on sale of available-for-sale investments		(193)	–
Decrease/(increase) in trade and other receivables		12,709	(24,049)
(Increase)/decrease in trade and other payables		(5,547)	678
(Increase)/decrease in inventory	9	(7,749)	2,131
<b>Cash generated from/(used for) operations</b>		<b>7,706</b>	<b>(10,306)</b>
Taxation paid	12	–	(671)
<b>Net cash generated from/(used for) operating activities</b>		<b>7,706</b>	<b>(10,977)</b>
<b>Cash flows from investing activities</b>			
Investment in subsidiaries		(155)	–
Interest received		463	701
Dividends received		885	–
Purchase of property, plant and equipment	5	(338)	(125)
Sale/(purchase) of available-for-sale investments		423	(40)
Loan granted to Kariba Minerals Limited (joint venture)		–	(224)
Loans granted to subsidiaries		(24,466)	–
<b>Net cash generated from/(used for) investing activities</b>		<b>(23,188)</b>	<b>312</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		1,069	178
Interest and other finance cost paid		(966)	–
Repayment of borrowings		(15,000)	–
Arrangements fees paid on borrowings		(413)	(200)
Proceeds from borrowing		30,000	10,000
<b>Net cash generated from financing activities</b>		<b>14,690</b>	<b>9,978</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(792)</b>	<b>(687)</b>
Cash and cash equivalents at start of year		3,119	3,806
<b>Cash and cash equivalents at end of year</b>		<b>2,327</b>	<b>3,119</b>

The notes on pages 109 to 115 form part of these Parent Company Financial Statements.

# *Notes to the Parent Company Financial Statements*

*For the year ended 30 June 2015*

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## **1 Basis of preparation**

These Financial Statements represent the individual Parent Company (the “Parent Company”).

The Financial Statements of the Parent Company for the year ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRS”) issued by the International Accounting Standards Board (“IASB”) as adopted by European Union (the “EU”) and as applied in accordance with the provisions of the Companies Act 2006.

The Parent Company’s Financial Statements are presented in United States Dollars (“US\$”) and all values are rounded to the nearest thousand (US\$’000), except when otherwise indicated.

The IFRS Financial Statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period on 1 July 2014. New standards, amendments and interpretations effective in the year ended 30 June 2015 and standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these Financial Statements, which have not been adopted early, are described in detail in the Group’s accounting policy on the pages 74 and 83 of the Consolidated Financial Statements.

## **2 Accounting policies**

In addition to the accounting policies in note 1 to the Consolidated Financial Statements, the following accounting policies are relevant only to the Parent Company Financial Statements.

### **Investments in subsidiaries**

Unlisted investments are carried at cost less provision for impairment.

### **Critical accounting estimates, judgements and assumptions**

In the process of applying the Parent Company’s accounting policies, which are described above and in note 1 to the Consolidated Financial Statements, the Directors have made judgements, estimations and assumptions regarding the future.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

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

### *Value of the investments in subsidiaries*

Investments in subsidiaries are carried at cost less provision for impairment. Investments are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

# Notes to the Parent Company Financial Statements *continued*

For the year ended 30 June 2015

## 3 Employees and Directors

	2015	2014
Administration staff (including Directors)	36	28
Average number of employees (including Directors)	32	23
In thousands of US\$	2015	2014
Gross salaries (including Directors)	9,194	7,282
Social security costs	875	874
	10,069	8,156

Details of Directors' remuneration are provided in the Directors' Remuneration Report on pages 61 to 65.

## 4 Profit for the year

The Parent Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and has not presented its Income Statement in these Financial Statements. The Parent Company's profit after tax for the year ended 30 June 2015 is US\$7,993,000 (2014: US\$12,125,000).

## 5 Property, plant and equipment

In thousands of US\$	Total fixtures, fittings and equipment
<i>Cost</i>	
At 1 July 2013	226
Additions	125
At 30 June 2014	351
Additions	338
At 30 June 2015	689
<i>Accumulated depreciation</i>	
At 1 July 2013	128
Provided during the year	67
At 30 June 2014	195
Provided during the year	60
At 30 June 2015	255
<i>Net book value</i>	
At 30 June 2015	434
At 30 June 2014	156
At 1 July 2013	98

**6 Investments in subsidiaries**

In thousands of US\$	Unlisted investments
<i>Cost</i>	
At 1 July 2013	222,240
Additions in the year	–
At 30 June 2014	222,240
Additions in the year	155
<b>At 30 June 2015</b>	<b>222,395</b>
<i>Provision for impairment</i>	
At 1 July 2013	(9,268)
At 30 June 2014	(9,268)
At 30 June 2015	(9,268)
<i>Net book value</i>	
<b>At 30 June 2015</b>	<b>213,127</b>
At 30 June 2014	212,972
At 1 July 2013	212,972

**Subsidiary undertakings**

The list of subsidiary undertakings is disclosed in the note 14 of the Consolidated Financial Statements.

**Joint operations and other listed investments**

Details of the joint venture investment in Kariba Minerals Limited are disclosed in the note 13 to the Consolidated Financial Statement above.

**7 Other non-current assets**

In thousands of US\$	2015	2014
Amounts due from Group companies <sup>(a)</sup>	27,907	–
Amounts due from joint venture	2,507	2,507
<b>Total other non-current assets</b>	<b>30,414</b>	<b>2,507</b>

(a) In July 2014 the Company entered into a loan facility agreement with its 100% owned subsidiaries Fabergé (UK) Limited and Fabergé Limited. The applicable interest rate is 3 month US LIBOR plus 4.50%. The total loan balance receivable as at 30 June 2015 was US\$27,907,000. The loan is unsecured.

**8 Trade and other receivables**

In thousands of US\$	2015	2014
Amounts due from Group companies	65,355	81,976
Trade receivables	723	480
Other receivables and prepayments	1,966	1,816
<b>Total trade and other receivables</b>	<b>68,044</b>	<b>84,272</b>

All amounts shown under other receivables and prepayments fall due for payment within one year.

# Notes to the Parent Company

## Financial Statements *continued*

For the year ended 30 June 2015

### 9 Inventory

In thousands of US\$	2015	2014
Rough gemstones	6,174	1,582
Cut and polished gemstones	4,784	1,627
<b>Total inventory</b>	<b>10,958</b>	<b>3,209</b>

### 10 Trade and other payables

In thousands of US\$	2015	2014
Trade payables	2,115	1,034
Accruals and other payables	5,783	4,340
Amounts due to Group companies	3,172	11,243
<b>Total trade and other payables</b>	<b>11,070</b>	<b>16,617</b>

Amounts due to Group companies relate to recharges. The balance is payable on demand and is non-interest bearing.

### 11 Borrowings

In thousands of US\$	2015	2014
Interest bearing bank loan	24,699	–
Interest bearing loan from related party	–	9,936
<b>Total borrowings</b>	<b>24,699</b>	<b>9,936</b>

Details of the borrowings are disclosed in note 18 of the Consolidated Financial Statements.

### 12 Current and deferred tax

In thousands of US\$	2015	2014
Current tax	–	671
Deferred tax	(1,645)	(3,403)
<b>Total tax credit</b>	<b>(1,645)</b>	<b>(2,732)</b>
Profit for the year	6,348	9,393
Expected tax charge based on the standard rate of the UK Corporation tax at the domestic rate of 21% (2014: 21%)	1,333	1,973
Adjusted for the effect of:		
Expenses not deductible for tax purposes	203	409
Group dividends not taxable	(3,016)	(2,520)
Movement in tax losses formerly not recognised	–	(3,403)
Tax losses generated in the period	–	99
Movement in tax losses recognised for deferred tax	(91)	–
Movement in other temporary differences not recognised	(74)	(14)
Foreign withholding tax	–	671
Non-deductible investment write off	–	53
<b>Total tax credit</b>	<b>(1,645)</b>	<b>(2,732)</b>

The main rate of corporation tax fell from 21% to 20% as from 1 April 2015.

**12 Current and deferred tax** *continued*

## Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax assets are only recognised in relation to temporary differences which would give rise to deferred tax assets where it is considered probable that those temporary differences will be utilised in the foreseeable future, and therefore the asset is recoverable.

The movement on the deferred tax account is as shown below:

In thousands of US\$	2015	2014
At 1 July	3,403	–
Tax losses recognised in the Income Statement in the year	1,645	3,403
At 30 June	5,048	3,403

**13 Share capital**

	2015		2014	
	Number of shares	In thousands of US\$	Number of shares	In thousands of US\$
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 1p each				
At 1 July	540,808,209	9,570	540,003,208	9,557
Issued during the year	2,838,521	44	805,001	13
At 30 June	543,646,730	9,614	540,808,209	9,570

Details of the share option scheme are disclosed in note 22 of the Consolidated Financial Statements.

**14 Financial instruments**

The principal financial instruments used by the Parent Company are detailed below:

## Financial assets

In thousands of US\$	2015	2014
Financial assets measured at fair value:		
Available-for-sale investments	40	270
Total financial assets measured at fair value	40	270
Financial assets measured at amortised cost:		
Trade receivables and other receivables <sup>(a)</sup>	1,585	1,327
Amounts due from Group companies	93,262	81,976
Long-term receivable from Kariba Minerals Limited (joint venture)	2,507	2,507
Cash and cash equivalents	2,327	3,119
Total financial assets measured at amortised cost	99,681	88,929
<b>Total financial assets</b>	<b>99,721</b>	<b>89,199</b>

(a) Trade receivables and other receivables excludes prepayments.

# Notes to the Parent Company

## Financial Statements *continued*

For the year ended 30 June 2015

### 14 Financial instruments *continued*

The available-for-sale investments that are within the scope of IFRS 7 are Level 1, for which quoted prices on active market are available.

#### Financial liabilities

In thousands of US\$	2015	2014
Financial liabilities measured at amortised cost:		
Trade payables and other payables <sup>(a)</sup>	7,636	5,374
Amounts due to Group companies	3,172	11,243
Borrowings	24,699	9,936
<b>Total financial liabilities measured at amortised cost</b>	<b>35,507</b>	<b>26,553</b>

(a) Trade and other payables excludes social security.

The risks that the Company is subject to in addition to the Group risks described in note 23 of the Consolidated Financial Statements are set out below:

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company is also subject to credit risk on the amounts due from Group companies (see notes 7 and 8).

### 15 Related party transactions and ultimate controlling party

All transactions with related parties for years ending 30 June 2015 and 30 June 2014 were carried out at arm's length.

#### Loan balance with Pallinghurst Resources Fund L.P.

During the year ended 30 June 2014, the Company entered into a US\$15 million loan facility with Pallinghurst Resources Fund L.P. ("PRF"). During the current year US\$5 million (2014: US\$10 million) was drawn down, with arrangement fees of US\$100,000 (2014: US\$200,000) being charged by PRF. Interest of US\$527,000 (2014: US\$97,000) was charged on the loan. The loan balance and interest due was repaid in full during the year ended 30 June 2015. The balance outstanding as 30 June 2015 was US\$ nil (2014: US\$10,097,000).

#### Balance with Kariba Minerals Limited

As at 30 June 2015 and 30 June 2014, the Company held a receivable of US\$2,507,000 from Kariba Minerals Limited (a joint venture) in respect of operating and capital expenditure.

#### Transactions with Pallinghurst Advisors LLP

During the year the Company recharged services to Pallinghurst Advisors LLP amounting to US\$71,000 (2014: US\$82,000). Pallinghurst Advisors LLP recharged services to the group amounting to US\$181,000 (2014: US\$578,000). As at 30 June 2015 the net balance due from Pallinghurst Advisors LLP was US\$18,000 (2014: payable due to Pallinghurst Advisors LLP 45,000).

Pallinghurst Advisors LLP is based in the United Kingdom and acts as an investment adviser to Pallinghurst (Cayman) GP L.P. which is based in the Cayman Islands. Pallinghurst (Cayman) GP L.P. acts as investment manager to some of the Group's largest shareholders.

**15 Related party transactions and ultimate controlling party** *continued***Transactions with Subsidiaries**

The Company charged management, auction and marketing fees to subsidiaries amounting to US\$19,313,000 (2014: US\$11,960,000).

The Company generated revenue of US\$9,586,000 (2014: 21,404,000) from the sale of rough and cut and polished gemstones to subsidiaries during the year.

The Company made purchases of rough and cut and polished gemstones from its subsidiaries of US\$9,775,000 (2014: US\$3,174,000) during the year.

**16 Commitments under operating leases**

The Parent Company had total future commitments under non-cancellable operating leases as set out below:

In thousands of US\$	2015	2014
Not later than one year	113	284
Later than one year but not later than five years	–	84
	113	368

Operating leases relate to rent of the main UK offices.

**17 Share-based payments**

Details of share-based payments are disclosed in note 22 of the Consolidated Financial Statements.

**18 Events after the reporting period**

Post reporting period events are described in note 27 to the Consolidated Financial Statements.

# *Company Contacts and Advisers*

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