

GEM BioFuels Plc
(“GEM” or the “Company”)

Interim Results for the six months ended 30 June 2012

GEM BioFuels Plc (AIM: GBF), today announces its interim financial results for the six months to 30 June 2012.

Report of the Chairman

As announced on 12th April 2012, based on an internal and detailed review of the Company’s operations in Madagascar, it has become clear that, due mainly to a lack of sufficient financial resources for the necessary level of intervention and maintenance, its plantation activities there have resulted in significantly less success than was hoped. Further examination through external agronomic consultants confirmed that the success levels were too low to make a commercially viable business from the Company’s existing plantations. Other recent third-party research on Jatropha suggests that it requires significantly more agronomic care and maintenance than originally thought as well as higher rainfall and the addition of fertilizers. The same report suggests that successful commercial scale exploitation of Jatropha is not now expected before 2020 and will require significant improvement on current techniques and breeding stock.

A major part of this exercise also involved examining other plantation crop opportunities both utilising the Company’s land bank and in other areas within the country. Whilst several such opportunities appeared to have great potential it was deemed too difficult to capitalise on them without major new funding for this purpose. Over and above this, the board examined several other plantation crop projects in other countries and spent a considerable amount of time investigating these. However, it has proved too difficult to bring any such project within the Company’s original plantation focus to fruition for a number of reasons.

The board has therefore concluded that better value for shareholders can be achieved through adopting a new investing policy around the mining and natural resources sector where sources of funding are more readily available.

Financial Review

In the period ended 30 June 2012, the Group’s loss on ordinary activities after taxation was £147,305 (2011: £237,448), or a loss per ordinary share of 0.16p (2011: 0.67p).

Outlook

The board has therefore concluded that better value for shareholders can be achieved through adopting a new investing policy around the mining and natural resources sector where sources of funding are more readily available. The Company intends to cease all its current trading activities and wind down its operations in Madagascar. The Board does not believe these will result in any returns to its shareholders.

Simon D Hunt
Executive Chairman
6 December 2012

Interim Consolidated Statement of Comprehensive Income for the six months ended 30 June 2012

		Unaudited Six Months Ended 30 June 2012	Unaudited Six Months Ended 30 June 2011	Audited Year Ended 31 December 2011
	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>
Group revenue		-	-	-
Cost of sales		-	-	-
Gross profit			-	-
Administrative expenses		(144,645)	(238,550)	(368,948)
Finance income	5	473	96	210
Foreign exchange gains and (losses)		(2,111)		(11,441)
Impairment of goodwill		-		(980,547)
Impairment of biological assets		-		(926,974)
Other gains and losses		-	1,247	
Finance costs	5	(1,022)	(241)	(1,372)
Loss before tax		(147,305)	(237,448)	(2,289,072)
Tax expense	6	-	-	-
LOSS FOR THE YEAR / PERIOD		(147,305)	(237,448)	(2,289,072)
Exchange difference in translation of foreign operations		159	(65,069)	41,006
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(147,146)	(302,517)	(2,248,066)
Loss per ordinary share	7			
Basic and diluted loss per ordinary share (pence)		0.16	0.67	4.27

Interim Consolidated Statement of Financial Position as at 30 June 2012

	Unaudited 30 June 2012 £	Unaudited 30 June 2011 £	Audited 31 December 2011 £
ASSETS			
Non current assets			
Goodwill	-	982,749	-
Property, plant and equipment	3,032	15,829	9,816
Biological assets	-	816,253	-
	<u>3,032</u>	<u>1,814,831</u>	<u>9,816</u>
Current Assets			
Prepayments	-	-	1,851
VAT refundable	9,459	6,370	11,103
Cash and cash equivalents	106,841	99,307	299,801
Receivables	-	8,697	-
Other assets	-	8,655	-
	<u>116,300</u>	<u>123,029</u>	<u>312,755</u>
TOTAL ASSETS	<u>119,332</u>	<u>1,937,860</u>	<u>322,571</u>
LIABILITIES			
Current liabilities			
Trade and other payables	231,727	326,060	287,820
Convertible note	-	412,500	-
	<u>231,727</u>	<u>738,560</u>	<u>287,820</u>
TOTAL LIABILITIES	<u>231,727</u>	<u>738,560</u>	<u>287,820</u>
NET CURRENT ASSETS / (LIABILITIES)	<u>(115,427)</u>	<u>(615,531)</u>	<u>24,935</u>
NET ASSETS	<u>(112,395)</u>	<u>1,199,300</u>	<u>34,751</u>
EQUITY			
Issued capital	931,648	353,515	931,648
Share premium reserve	5,202,423	4,999,556	5,202,423
Currency translation reserve	233,048	126,814	232,889
Share option reserve	686,524	686,524	686,524
Accumulated losses	(7,166,038)	(4,967,109)	(7,018,733)
	<u>(112,395)</u>	<u>1,199,300</u>	<u>34,751</u>
TOTAL EQUITY	<u>(112,395)</u>	<u>1,199,300</u>	<u>34,751</u>

Statement of Changes in Equity

for the six months ended 30 June 2012

	Share Capital £	Share Premium £	Currency Translation Reserve £	Share Option Reserve £	Accumulated Losses £	Total £
Balance as at 31 December 2010 (Audited)	353,515	4,999,556	191,883	686,524	(4,729,661)	1,501,817
Total comprehensive loss for the period	-	-	(65,069)	-	(237,448)	(302,517)
Balance as at 30 June 2011	353,515	4,999,556	126,814	686,524	(4,967,109)	1,199,300
Total comprehensive loss for the period	-	-	106,075	-	(2,051,624)	(1,945,549)
Issue of shares during the period	578,133	208,867	-	-	-	787,000
Cost of issue	-	(6,000)	-	-	-	(6,000)
Balance as at 31 December 2011 (Audited)	931,648	5,202,423	232,889	686,524	(7,018,733)	34,751
Total comprehensive loss for the period	-	-	159	-	(147,305)	(147,146)
Balance as at 30 June 2012	931,648	5,202,423	233,048	686,524	(7,166,038)	(112,395)

Interim Consolidated Cash Flow Statement for the six months ended 30 June 2012

	Note	Unaudited Six Months Ended 30 June 2012 £	Unaudited Six Months Ended 30 June 2011 £	Audited Year Ended 31 December 2011 £
Cash flows from operating activities				
Cash used in operations	8	(190,321)	(44,917)	(320,561)
Cash flows from investing activities				
Interest received		473	96	210
Interest paid		(1,022)	(241)	(1,372)
Net cash used in investing activities		(549)	(145)	(1,162)
Cash flows from financing activities				
Proceeds from issue of shares		-	200,000	550,000
Payment for share issue costs		-	-	(6,000)
Net cash provided by financing activities		-	200,000	544,000
Net increase in cash and cash equivalents		(190,870)	154,938	222,277
Cash and cash equivalents at the beginning of the year/from incorporation		299,801	8,190	8,190
Effects of exchange rate changes on the balance of cash held in foreign currencies		(2,090)	(63,821)	69,334
Cash and cash equivalents at the end of the year / period		106,841	99,307	299,801

Notes to the Interim Results for the six months ended 30 June 2012

1. GENERAL INFORMATION

GEM BioFuels PLC is a company domiciled and incorporated in the Isle of Man with company registration number 115011C. The Company's ordinary shares are traded on AIM.

The consolidated accounts for GEM BioFuels Plc and its subsidiary (the "Group") have been prepared for the six months ended 30 June 2012.

The Company's registered address is 33 Athol Street, Douglas, Isle of Man IM1 1LB.

The functional currency of the Company and is United States Dollars ('USD') as it is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pounds Sterling (presentation currency) for the convenience of readers. The translation between the functional and presentation currency is in accordance with the Group's stated policy.

2. BASIS OF PREPARATION

The Group interim financial statements are prepared on the historical cost basis.

The financial information for the six months ended 30 June 2012 is unaudited and has been prepared in accordance with the accounting policies set out in the Group's Annual Report for the year ended 31 December 2011 ("Annual Report") and should be read in conjunction with the Annual Report. The financial information for the six months ended 30 June 2012 is also unaudited and the results have not been reviewed by the Group's auditors. The financial information relating to the year ended 31 December 2011 has been extracted from the full report for that year. The report of the Auditors on the 2011 accounts was unqualified.

Where necessary, the comparatives have been reclassified from the previously reported interim results to take into account any presentational changes made in the Annual Report.

These interim financial statements were approved by the board of directors on December 2012.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

Following a detailed review of the business combinations acquired, the Directors are not satisfied that the carrying amount of the goodwill was justified and an impairment loss was recognised at the period end 31 December 2011 and goodwill was written down to Nil. In making their assessment, the Directors have made certain assumptions which underpin the value. Refer to note 10 of the Annual Report for details of the assumptions made.

Impairment of biological assets

Following a review of the Group's plantation and forest assets as at 31 Decembers 2011, the Company has determined that full value of the biological assets were impaired and were written down to Nil as at 31 December 2011. In making their assessment, the Directors have made certain assumptions which underpin the value. Refer to note 13 of the Annual Report for details of the assumptions made.

4. SEGMENT REPORTING

The Group's primary reporting format is its geographical segment, while its secondary reporting format is its business segment.

The Group has one geographical segment being Madagascar.

The Group has one business segment, which is the production of feedstock for the biodiesel and bio-chemicals markets.

5. NET FINANCING (EXPENSE)/ INCOME

	Unaudited Six Months Ended 30 June 2012 £	Unaudited Six Months Ended 30 June 2011 £	Audited Year Ended 31 December 2011 £
Interest income from financial institutions	473	96	210
Gross interest expenses	(1,022)	(241)	(1,372)
Net financing income	(549)	(145)	(1,162)

6. INCOME TAX EXPENSE

The Income Tax (Amendment) Act 2006 provides that a standard zero rate of income tax will apply to the company in the Isle of Man for 2006/07 and subsequent years of assessment. Therefore no provision for liability to Isle of Man income tax has been included in these accounts.

The company's subsidiary pays tax at a rate of 30% on its taxable profits. No tax charge has been recorded in the current period in respect of the operations of the subsidiary due to losses arising. A deferred tax asset has not been recognised in respect of these losses due to the unpredictability of future income streams in the company.

7. LOSS PER ORDINARY SHARE

	Unaudited Six Months Ended 30 June 2012 £	Unaudited Six Months Ended 30 June 2011 £	Audited Year Ended 31 December 2011 £
Loss for the year	147,305	237,448	2,289,072
Weighted average number of shares	93,164,834	35,351,501	53,630,076
Loss per ordinary share - basic	0.16	0.67	4.27
- diluted	0.16	0.67	4.27

The number of shares in issue at 30 June 2012 was 93,164,834 (2011 – 76,003,190). For the purpose of calculating the diluted loss per share options have not been included as the share options are not dilutive.

8. NOTES TO THE CASH FLOW STATEMENT

	Unaudited Six Months Ended 30 June 2012 £	Unaudited Six Months Ended 30 June 2011 £	Audited Year Ended 31 December 2011 £
Loss for the year / period	(147,305)	(237,448)	(2,289,072)
Adjustments for:			
Finance costs	1,022	241	1,372
Foreign exchange gain	2,111	(1,247)	11,441
Interest income received and receivable	(473)	(96)	(210)
Impairment of goodwill	-	-	980,547
Impairment of biological assets	-	-	926,974
Depreciation of property, plant and equipment	6,921	-	13,585
Operating cash flows before movements in working capital	(137,724)	(238,550)	(355,363)
Decrease/(increase) in other assets	3,496	156,324	11,234
Increase in equity	-	-	237,000
Increase/(decrease) in payables	(56,093)	37,309	(213,432)
Net cash used in operating activities	190,321	(44,917)	(320,561)

9. SUBSEQUENT EVENTS

The Company has recently entered into an Underwriting Agreement, whereby a new subscription of funds of not less than £250,000 is expected to be approved at the Company's Annual General Meeting on 28 December 2012. In addition, subject to the fund raising proceeding, £192,738 of creditors as at 31 December 2011 have agreed to receive 30% as full and final settlement of the liabilities due to them.

10. AVAILABILITY OF THIS REPORT

This Interim Report is available from the Company's website at www.gembiofuels.com.