

## Gemfields plc

("Gemfields" or the "Company")

### Market Update – Quarter to 30 June 2015

12 August 2015

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Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 30 June 2015. All figures are approximate and unaudited. Unless otherwise stated, the term "carats" includes both emerald and beryl in relation to the Kagem emerald mine, and both ruby and corundum in relation to the Montepuez ruby deposit.

### Highlights

#### Emeralds

- Production summary for 75%-owned Kagem Mining Limited ("Kagem") in Zambia for the **quarter** ending 30 June 2015:
  - Production of 8.1 million carats of emerald and beryl (versus 6.2 million carats in the quarter ending 30 June 2014);
  - Average grade of 222 carats per tonne (versus 271 carats per tonne in the quarter ending 30 June 2014);
  - Total operating costs<sup>(a)</sup> of USD 12.8 million (versus USD 11.1 million in the quarter ending 30 June 2014), largely on account of the increased scale of mining and exploration activities carried out across the mining licence;
  - Unit operating costs<sup>(b)</sup> of USD 1.58 per carat (versus USD 1.79 per carat in the quarter ending 30 June 2014). On a cash basis<sup>(c)</sup>, unit operating costs were USD 1.30 per carat (versus USD 1.44 per carat in the quarter ending 30 June 2014); and
  - Cash rock handling unit costs of USD 2.92 per tonne (versus USD 3.56 per tonne in the quarter ending 30 June 2014), with the increased scale of mining driving increased overall efficiencies.
- Production summary for Kagem for the **financial year** ending 30 June 2015:
  - Annual gemstone production of 30.1 million carats of emerald and beryl (versus 20.2 million carats in the year ending 30 June 2014), accompanied by a pleasing increase in the overall quality of emerald and beryl produced during the year;
  - Average grade of 242 carats per tonne (versus 253 carats per tonne in the year ending 30 June 2014);
  - Total operating costs<sup>(a)</sup> of USD 44.5 million (versus USD 32.0 million in the year ending 30 June 2014), largely on account of the increased scale of mining and exploration activities carried out across the mining licence;
  - Unit operating costs<sup>(b)</sup> of USD 1.48 per carat (versus USD 1.58 per carat in the year ending 30 June 2014). On a cash basis<sup>(c)</sup>, unit operating costs were USD 1.45 per carat (versus USD 1.36 per carat in the year ending 30 June 2014); and
  - Cash rock handling unit costs of USD 2.90 per tonne (versus USD 3.70 per tonne in the year ending 30 June 2014), with the increased scale of mining driving increased efficiencies.
- Gemfields' next auction of predominantly higher quality rough emerald from its Kagem mine is scheduled to take place from 31 August to 4 September 2015.

#### Rubies

- Production summary for 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the **quarter** ending 30 June 2015:
  - Approximately 0.7 million carats of ruby and corundum extracted (versus 0.2 million carats in the quarter ending 30 June 2014);
  - Average grade of 9 carats per tonne (versus 3 carats per tonne in the quarter ending 30 June 2014);
  - Total operating costs<sup>(d)</sup> of USD 7.0 million (versus USD 0.8 million in the quarter ending 30 June 2014), due to the increase in the scale of exploration, processing and mining activities, as well as changes to the accounting treatment of costs as of 1 July 2014;
  - Unit operating costs<sup>(b)</sup> of USD 10.00 per carat (versus USD 4.00 per carat in the quarter ending 30 June 2014) due to the increase in the scale of exploration, processing and mining activities, as well as changes

to the accounting treatment of costs as of 1 July 2014. On a cash basis<sup>(c)</sup>, unit operating costs were USD 8.57 per carat (versus USD 15.50 per carat in the quarter ending 30 June 2014); and

- Cash rock handling unit costs of USD 6.13 per tonne (versus USD 5.71 per tonne in the quarter ending 30 June 2014).
- Production summary for Montepuez for the **financial year** ending 30 June 2015:
  - Annual gemstone production of 8.4 million carats of ruby and corundum (versus 6.5 million carats in the year ending 30 June 2014), increase in processed volumes due to improvements in the wash plant;
  - Average grade of 26 carats per tonne (versus 41 carats per tonne in the year ending 30 June 2014), attributed to a greater proportion of lower grade but higher quality alluvial ore deposit processed during the year;
  - Total operating costs<sup>(d)</sup> of USD 21.6 million (versus USD 7.3 million in the year ending 30 June 2014), due to the increase in the scale of exploration, mining and processing activities as well as changes to the accounting treatment of these costs as of 1 July 2014;
  - Unit operating costs<sup>(b)</sup> of USD 2.57 per carat (versus USD 1.12 per carat in the year ending 30 June 2014). On a cash basis<sup>(c)</sup>, unit operating costs were USD 2.18 per carat (versus USD 1.68 per carat in the year ending 30 June 2014); and
  - Cash rock handling unit costs of USD 6.16 per tonne (versus USD 6.81 per tonne in the year ending 30 June 2014).
- Maiden JORC Resource and Reserves statement for Montepuez announced in July 2015 with a total indicated and inferred mineral resource of 467 million carats of ruby and corundum and probable ore reserves of 432 million carats of ruby and corundum, giving a projected 21 year life of mine and an NPV of USD 996 million (based on 10% base case discount rate); and
- Gemfields' next auction of Montepuez production will be of predominantly higher quality rubies and is expected to take place in December 2015.

## **Fabergé**

- Wholly owned Fabergé Ltd saw the value of sales orders agreed<sup>(e)</sup> during the **quarter** ending 30 June 2015 fall by 14% when compared to the same period last year. This is largely due to the increase in sales orders taken during the Harrods promotional event in April 2014, while a considerably smaller event was held during the same period in 2015.
- Sales orders agreed<sup>(e)</sup> during the **financial year** ending 30 June 2015 saw a pleasing increase of 31% when compared to the previous year.
- Total operating costs for the quarter ending 30 June 2015 increased by 6% when compared to the same period last year, mainly due to the additional costs associated with the development of a number of new watch lines that were launched at Basel in April 2015 and have been well received by trade and retail consumers.
- Total operating costs for the financial year ending 30 June 2015 fell by 5% when compared to the previous year.

Ian Harebottle, CEO of Gemfields, commented:

*“Gemfields is pleased to report on another solid production quarter with output at each of its Kagem and Montepuez mining operations generating steady increases in production volumes, associated with improved overall mining efficiencies, and in support of the Company’s commitment to providing the downstream luxury market place with a consistent supply of responsibly sourced coloured gemstones. The 30.1 million carats of emerald and beryl produced at Kagem for the full year is the second highest level of production since Gemfields took control of Kagem in 2008 and underpins the increasing expertise we have built in the gemstone sector.*

*Market demand for coloured gemstones remains firm, with our Mozambican rubies having enjoyed considerable success at each of the two ruby auctions held during the period. The exciting projections published in the Maiden JORC Resource and Reserves Statement for Montepuez was a further milestone event for Gemfields, and a pivotal moment for the global ruby industry, as we continue to unlock the value of these assets by scaling up production and delivering a concerted programme of market education and communication. These successes are likely to be further supported by the Company’s ongoing exploration and growth initiatives being carried out in numerous locations across the globe, as well as the continued improvements and pleasing results of Fabergé over the past year. We look forward to our next auction of higher quality emeralds, scheduled to take place later this month.”*

## **Explanatory Notes:**

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

- (b) Unit operating costs are calculated as total operating costs (as defined in (a) and (d)) divided by the total gemstone production during the period.
- (c) Cash operating costs include mining and production costs, capitalised costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation and mineral royalties.
- (d) For the period to 30 June 2014, mining and production costs were capitalised. The total operating costs included security costs, selling, general and administrative expenses and depreciation, but exclude mineral royalties and capitalised mining and production costs. Following the reclassification of the Montepuez Ruby Mine from intangible unevaluated asset under IFRS 6 to evaluated mining property, mining and production costs are recognised in the income statement from 1 July 2014. From 1 July 2014, the total operating costs include mining and production costs (including security costs), selling, general and administrative expenses, and depreciation, but exclude mineral royalties.
- (e) Sales orders agreed are sales that Fabergé has agreed and confirmed with customers during the reporting period. Payment and/or delivery may take place later.

## KAGEM EMERALDS

### *Production and Operations Update*

The 75%-owned Kagem emerald mine is the single largest emerald mine in the world. The key production parameters by quarter and financial year are summarised below:

KAGEM Quarterly Summary to June-15	Units	Quarter								Financial Year	
		Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	2013-14	2014-15
<b>PRODUCTION</b>											
Gemstone Production (Emerald+Beryl)	million carats	6.5	3.9	3.6	6.2	6.3	5.8	9.9	8.1	20.2	30.1
Ore Production (Reaction Zone)	'000 tonnes	21.4	17.2	18.0	23.4	29.4	30.5	27.9	36.5	80.0	124.3
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	302	224	198	271	214	190	355	222	253	242
Waste Mined (including TMS)	million tonnes	1.9	1.9	1.0	2.5	3.2	4.1	4.0	3.6	7.3	14.9
Total Rock Handling	million tonnes	1.9	2.0	1.0	2.5	3.2	4.2	4.0	3.6	7.4	15.0
Stripping Ratio		88	113	55	108	109	134	143	99	91	120
<b>CAPITAL EXPENDITURE</b>											
Property, Plant and Equipment	USD million	-	-	2.7	0.2	4.5	6.7	1.0	1.8	2.9	14.0
Capitalised Waste Stripping	USD million	2.6	2.3	0.4	3.7	3.9	6.3	5.9	4.7	9.0	20.8
<b>CASH COSTS <sup>(a)</sup></b>											
Total (Cash) Operating Costs <sup>(a)</sup>	USD million	6.8	6.8	4.9	8.9	9.3	12.3	11.4	10.5	27.4	43.5
Gemstone (Cash) Unit Cost (Emerald+Beryl) <sup>(a)</sup>	USD/carats	1.06	1.76	1.38	1.44	1.48	2.12	1.15	1.30	1.36	1.45
Ore / Reaction Zone (Cash) Unit Cost <sup>(a)</sup>	USD/RZ tonne	319	393	273	380	316	403	409	288	343	350
Rock Handling (Cash) Unit Cost <sup>(a)</sup>	USD/tonne	3.58	3.46	4.90	3.56	2.91	2.93	2.85	2.92	3.70	2.90
<b>ACCOUNTING COSTS <sup>(b)</sup></b>											
Total Operating Costs <sup>(b)(c)</sup>	USD million	7.1	7.2	6.6	11.1	10.3	11.6	9.8	12.8	32.0	44.5
Gemstone Unit Cost (Emerald+Beryl) <sup>(b)</sup>	USD/carats	1.09	1.85	1.83	1.79	1.63	2.00	0.99	1.58	1.58	1.48
Ore / Reaction Zone Unit Cost <sup>(b)</sup>	USD/RZ tonne	332	419	367	474	350	380	351	351	400	358
Rock Handling Unit Cost <sup>(b)</sup>	USD/tonne	3.74	3.60	6.60	4.44	3.22	2.76	2.45	3.56	4.32	2.97

- (a) Cash operating costs include mining and production costs, capitalised waste stripping costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation and mineral royalties.
- (b) Total operating costs include mining and production costs, selling, general and administrative expenses, and depreciation relating to both PPE-related and capitalised waste stripping costs, but exclude capitalised waste stripping costs and mineral royalties.
- (c) As at 30 June 2015, a total of approximately USD 60.0 million of waste moving costs has been capitalised and is being amortised as and when the associated ore is mined. The balance of capitalised waste moving costs, net of amortisation, as at 30 June 2015 amounted to USD 23.8 million.

The fourth phase high wall pushback programme being carried out in the Chama pit continues to be advanced by our in-house mining team and a third party contractor. A total of 3.6 million tonnes of waste was moved during the quarter. The programme remains on schedule for completion at the end of September 2015. In addition, the exploration and bulk sampling activities at the Fibolele and Libwente pits are progressing well.

Kagem's trial underground mining project was placed on hold towards the end of calendar year 2014. Kagem enjoys a high level of flexibility to continue to extend the open pit operations through further pushbacks, supported by the robust emerald prices and well contained unit costs.

In May 2015, Gemfields' commendable track record in safety 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.

### *Emerald Auction Update*

During the financial year 2014-15 Gemfields had three rough emerald and beryl auctions including one auction of predominantly higher quality material and two auctions of predominantly lower quality material. The auctions saw approximately 16.0 million carats being sold in the financial year, representing on average 89% of the value offered, and generating auction revenues of USD 64.9 million. The auctions, which included a significant amount of lower quality emerald and beryl, yielded a pleasing overall average value of USD 4.06 per carat.

The auction results are summarised below:

AUCTION RESULTS 2014-15	AUGUST 2014	NOVEMBER 2014	FEBRUARY 2015
Dates	5-8 August 2014	13-17 November 2015	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
No. of companies placing bids	21	34	21
Average no. of bids per lot	7	12	5
No. of lots offered	21	17	26
No. 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	USD 15.5 million	USD 34.9 million	USD 14.5 million
Average per carat sales value	USD 1.34/carat	USD 65.89/carat	USD 3.72/carat

Gemfields' next auction will be of predominantly higher quality rough emerald and beryl and is scheduled to take place in September 2015.

## MONTEPUEZ RUBIES

### Production and Operations Update

Mining and bulk sampling operations at the Montepuez ruby deposit in Mozambique, in which Gemfields has a 75% interest, are continuing to provide positive results and sound insight into the geology of the deposit. The ongoing test work has led to an enhanced understanding of the ore characteristics and improved throughput at the semi-mobile processing plant. These improvements saw an approximate 10% increase in processed tonnes when compared to the same quarter in the prior year.

The key production parameters by quarter are summarised below:

MONTEPUEZ Quarterly Summary to June-15	Units	Quarter								Financial Year	
		Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	2013-14	2014-15
<b>PRODUCTION</b>											
Gemstone Production (Ruby+Corundum)	million carats	2.9	2.3	1.1	0.2	2.9	3.4	1.4	0.7	6.5	8.4
Ore Production (Primary+Secondary)	'000 tonnes	81.9	150.9	75.9	99.9	81.7	158.3	79.4	119.5	408.6	438.9
Ore Processed (Primary+Secondary)	'000 tonnes	24.6	35.9	28.8	68.9	69.9	101.4	78.6	75.5	158.2	325.4
Grade (Ruby+Corundum/Ore Processed)	carats/tonne	118	64	38	3	41	34	18	9	41	26
Waste Mined	'000 tonnes	154.8	137.8	456.5	443.0	452.2	776.9	441.7	859.7	1,192.1	2,530.5
Total Rock Handling	'000 tonnes	236.6	288.7	532.4	542.9	533.9	935.2	521.1	979.2	1,600.6	2,969.4
Stripping Ratio		1.9	0.9	6.0	4.4	5.5	4.9	5.6	7.2	2.9	5.8
<b>CAPITAL EXPENDITURE</b>											
Property, Plant and Equipment	USD million	0.5	2.9	1.1	1.5	4.5	1.6	1.4	2.3	6.0	9.8
<b>CASH COSTS <sup>(a)</sup></b>											
Total (Cash) Operating Costs <sup>(a)</sup>	USD million	2.0	2.8	3.0	3.1	3.7	4.9	3.7	6.0	10.9	18.3
Gemstone (Cash) Unit Cost (Ruby+Corundum) <sup>(a)</sup>	USD/carat	0.69	1.22	2.73	15.50	1.28	1.44	2.64	8.57	1.68	2.18
Ore Production (Cash) Unit Cost <sup>(a)</sup>	USD/tonne	24.42	18.56	39.53	31.03	45.29	30.95	46.60	50.21	26.68	41.70
Rock Handling (Cash) Unit Cost <sup>(a)</sup>	USD/tonne	8.45	9.70	5.63	5.71	6.93	5.24	7.10	6.13	6.81	6.16
<b>ACCOUNTING COSTS <sup>(b)</sup></b>											
Total Operating Costs <sup>(b)</sup>	USD million	1.8	2.3	2.4	0.8	4.3 <sup>(c)</sup>	5.7	4.6	7.0	7.3	21.6
Gemstone Unit Cost (Ruby+Corundum) <sup>(b)</sup>	USD/carat	0.62	1.00	2.18	4.00	1.48 <sup>(c)</sup>	1.68	3.29	10.00	1.12	2.57
Ore Production Unit Cost <sup>(b)</sup>	USD/tonne	21.98	15.24	31.62	8.01	52.63 <sup>(c)</sup>	36.01	57.93	58.58	17.87	49.21
Rock Handling Unit Cost <sup>(b)</sup>	USD/tonne	7.61	7.97	4.51	1.47	8.05 <sup>(c)</sup>	6.09	8.83	7.15	4.56	7.27

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

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

(c) Total operating costs in the quarter ending September 2014 have been restated due to a change in accounting treatment of mining and processing costs as stated above.

In July 2015, Gemfields published its maiden JORC resource and ore reserves statement for Montepuez ruby mine with indicated and inferred mineral resource of 467 million carats of ruby and corundum at in-situ grade of 62.3 carats per tonne and probable ore reserves of 432 million carats of ruby and corundum at diluted ore grade of 15.7 carats per tonne. Based on the Competent Persons Report produced by SRK Consulting (UK) Limited, the projected life of mine ("LoM") for the Montepuez project is 21 years with projected undiscounted real cash flow over the LoM of approximately USD 2.76 billion. The independent technical economic model shows a post-tax NPV of USD 996 million based on a 10% base case discount rate and an IRR of 311.7%.

## Ruby Auction Update

During the financial year 2014-15 the Company had three auctions including two auctions of predominantly higher quality rough ruby and one auction of predominantly lower quality rough ruby and corundum. The auctions saw 4.1 million carats being sold in the financial year, representing approximately 82% of the value offered, and generating auction revenues of USD 88.5 million. The auctions yielded an overall average of USD 21.76 per carat. The auction results are summarised below:

AUCTION RESULTS 2014-15	DECEMBER 2014	APRIL 2015 <sup>(b)</sup>	JUNE 2015
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
No. of lots offered	41	64	46
No. 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 <sup>(a)</sup>	93%	81%	72%
Total sales realised at auction	USD 43.3 million	USD 15.9 million	USD 29.3 million
Average per carat sales value	USD 688.64/carat	USD 4.02/carat	USD 617.42/carat

(a) Amended to be consistent with the emerald auction calculation of percentage of lots sold by market value.

(b) Amended to exclude traded rough ruby and corundum.

Gemfields' next auction of predominantly higher quality rough ruby is expected to take place in December 2015.

## FABERGÉ

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.

In addition to the new collection 'Secret Garden' – a suite of exceptional coloured jewels inspired by the floral compositions of painter Marc Chagall, and the 'Lady Compliquée' – a complicated timepiece featuring a peacock opening its feathers every hour, the first two pieces of a one-of-a-kind set of objet d'art masterpieces were unveiled. The set, called the Fabergé 'Four Seasons Eggs', comprises four decorative eggs, each set with one of the four major gemstones – diamond, emerald, sapphire and ruby – to represent winter, spring, summer and autumn respectively.

## SRI LANKA

Gemfields continued the process of establishing initial infrastructure in Sri Lanka for trading operations. Placement of key management is in progress.

## ETHIOPIA

Following completion of the acquisition of 75% interest in an emerald exploration licence, through the Ethiopian registered Web Gemstone Mining plc, an exploration team was recruited and established on site to help develop a better understanding of the licence area. A base camp has been established on the concession and a team was stationed there in June 2015. Exploration work has commenced for the 2016 financial year, with preliminary ground surveys and plan in place for the period from July to September 2015. These include mapping, preparation of base plans, manual pitting and trenching. The results of these activities will help guide the future course of exploration within the area.

## CORPORATE & CASH

At 30 June 2015, Gemfields had cash and cash equivalents of USD 28 million and total debt outstanding of USD 45 million, which includes the outstanding debt balance of USD 20 million at Kagem with Barclays Bank Zambia plc and USD 25 million loan from Macquarie Corporate Holdings Pty Limited (UK Branch).

## **ENQUIRIES:**

Gemfields  
Janet Boyce, CFO

janet.boyce@gemfields.co.uk  
+44 (0)20 7518 7283

Grant Thornton UK LLP  
Nominated Adviser  
Philip Secrett/Richard Tonthat/Jamie Barklem

+44 (0)20 7383 5100

JP Morgan Cazenove  
Joint Broker  
Jamie Riddell

+44 (0)20 7742 4000

BMO Capital Markets Limited  
Joint Broker  
Jeff Couch/Neil Haycock/Tom Rider/Jenny Wyllie

+44 (0)20 7236 1010

Macquarie Capital (Europe) Limited  
Joint Broker  
Raj Khatri/Ken Fleming/Nick Stamp/Fergus Marcroft

+44 (0)20 3037 2000

Tavistock  
Jos Simson/Emily Fenton/Barnaby Hayward

+44 (0)20 7920 3150

## **Notes to Editors:**

Gemfields plc is the world's leading supplier of responsibly sourced coloured gemstones and is listed on the AIM market of the London Stock Exchange (ticker: GEM) where it is a constituent of the AIM50 index.

Gemfields is the 75% owner and operator of the Kagem emerald mine in Zambia, the world's single largest producing emerald mine. In July 2009, Gemfields commenced a formal auction programme for Zambian emeralds mined at the Kagem emerald mine. To date, the Company has held 18 auctions of rough emerald and beryl produced at Kagem and which have generated revenues totalling USD 325 million. The Company has also held 3 traded rough emerald auctions (of gemstones not obtained directly from the Company's own mining operations) which generated revenues of USD 23.6 million.

The Company owns a 75% stake in the highly prospective Montepuez ruby deposit in Mozambique. The four rough ruby and corundum auctions held since June 2014 have generated USD 122 million in aggregate revenues.

Gemfields holds a 50% interest in the Kariba amethyst mine in Zambia. The Company also has controlling interests in prospecting licenses in Madagascar, Sri Lanka and Ethiopia.

Gemfields also owns 100% of Fabergé brand. Fabergé provides Gemfields with direct control over a high-end luxury goods platform and a global brand with exceptional heritage.