

## **Gemfields plc**

("Gemfields" or the "Company")

### **Market Update – Quarter to 30 September 2013**

**5 November 2013**

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Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 30 September 2013. All figures are approximate and unaudited.

#### **Highlights**

##### **Emeralds**

- Production summary for the 75%-owned Kagem Mining Limited ("Kagem") emerald mine for the quarter ending 30 September 2013:
  - The first quarter of the 2014 financial year saw lower ore production yield 6.5 million carats of emerald and beryl (versus 7.9 million carats in the quarter to 30 September 2012);
  - Grade for the quarter increased to 302 carats per tonne (from 259 carats per tonne in the quarter to 30 September 2012);
  - Unit per carat production costs for the quarter increased to USD 0.66 per carat from USD 0.50 per carat in the quarter to 30 September 2012 (but decreased on a cash cost basis to USD 1.06 per carat from USD 1.08 in the quarter to 30 September 2012); and
  - Cash rock handling unit costs were USD 3.58 per tonne (versus USD 3.29 per tonne in the quarter to 30 September 2012).
- An auction of predominantly higher quality emeralds was held in Lusaka, Zambia from 15 to 19 July 2013. This auction yielded aggregate revenues of USD 31.5 million, the second highest aggregate auction revenues achieved to date and with a record average price of USD 54.00 per carat (reflecting an increase of 26% over the previous record of USD 42.71 per carat, achieved in the July 2011 Singapore auction).
- A further auction of traded rough emeralds (predominantly of higher quality) was held in Jaipur, India from 26 to 30 September 2013. The emeralds sold at the auction comprised emeralds obtained by Gemfields in the open market from various sources and did not include emeralds or beryl mined, processed, graded and exported by, or belonging to, Kagem. This auction yielded aggregate revenues of USD 8.5 million and achieved record prices of USD 58.00 per carat, the highest unit value achieved at any Gemfields auction to date.
- During the quarter, Kagem agreed a USD 3.5 million direct sale in respect of 11,286 kilograms of Kagem's lowest two grades of beryl, which have accumulated over the past few years.

##### **Rubies**

- Production summary for the 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the quarter ending 30 September 2013:
  - Approximately 2.8 million carats of ruby and corundum extracted in the quarter during on-going bulk sampling (nil in the quarter to 30 September 2012) taking the total ruby and corundum extracted to date at Montepuez to 4.6 million carats;
  - Total rock handling during the quarter was 236,561 tonnes, comprising 81,804 tonnes of ore and 154,756 tonnes of waste (nil tonnes in the quarter to 30 September 2012); and
  - Total cash operating costs of USD 2 million (versus USD 0.7 million in the quarter to 30 September 2012).
- On-going development of the 'first-of-a-kind' comprehensive grading and sorting framework for rough rubies, with Gemfields' first ruby auction expected before 30 June 2014.

##### **Fabergé**

- Fabergé Ltd ("Fabergé") unveiled its new advertising campaign entitled 'The Art of Colour', supporting the Gemfields coloured gemstone strategy.

- The integration of Fabergé into the Gemfields family is now largely completed.

## **Corporate**

- At 30 September 2013, Gemfields had cash of USD18.5 million and total debt outstanding of USD10.2 million.

### **Ian Harebottle, CEO of Gemfields, commented:**

*“Gemfields is pleased to report another solid quarter at both the world-class Kagem emerald mine and the Montepuez ruby deposit in Mozambique. Two auctions were held during the period with record per carat prices being achieved at each, providing firm evidence of the continued increase in demand for consistently supplied coloured gemstones of good quality.*

*Our relationship and interaction with the Government of Zambia – our partner in Kagem – remains on a sound footing as both parties continue to investigate all possible options that are likely to support the dual objectives of ensuring that the needs of Zambia as a nation are met, while at the same time supporting the continued increase in demand and achievable prices for Zambia’s long undervalued gems. While these discussions continue auctions will be held in Zambia, as is the case with our next auction of lower quality emeralds, which is scheduled to take place from 11 to 15 November 2013.”*

A graphical production update is available at [www.gemfields.co.uk](http://www.gemfields.co.uk).

## **Kagem**

### **Production Update**

The 75%-owned Kagem emerald mine is presently Gemfields’ only operating emerald mine and is the single largest producing emerald mine in the world. The key production parameters by quarter are summarised below:

<b>KAGEM Quarterly Summary to June-13</b>	<b>Units</b>	<b>Sep-11</b>	<b>Dec-11</b>	<b>Mar-12</b>	<b>Jun-12</b>	<b>Sep-12</b>	<b>Dec-12</b>	<b>Mar-13</b>	<b>Jun-13</b>	<b>Sep-13</b>	<b>TOTAL</b>
<b>PRODUCTION</b>											
Gemstone Production (Emerald+Beryl)	million carats	4.9	3.9	4.9	7.3	7.9	6.6	6.5	8.9	6.5	57.5
Ore Production (Reaction Zone)	'000 tonnes	24.0	17.5	20.8	40.7	30.5	23.1	24.5	27.8	21.4	230.2
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	205	222	236	181	259	288	265	322	302	250
Waste Mined (including TMS)	million tonnes	2.2	2.2	1.6	2.7	2.6	2.2	2.2	2.5	1.9	20.1
Total Rock Handling	million tonnes	2.2	2.2	1.6	2.8	2.6	2.2	2.3	2.5	1.9	20.3
Stripping Ratio		91	124	77	67	84	96	91	89	88	87
<b>CASH COSTS</b>											
Kagem Total (Cash) Operating Cost	USD million	7.2	7.0	6.0	9.8	8.5	7.7	6.9	9.0	6.8	69.1
Gemstone Unit Cost (E+B)	USD/carats	1.5	1.8	1.2	1.3	1.1	1.2	1.1	1.0	1.1	1.2
RZ Unit Cost	USD/RZ tonne	301	400	291	242	280	333	282	325	319	300
Rock Handling Unit Cost	USD/tonne	3.3	3.2	3.7	3.5	3.3	3.4	3.1	3.6	3.6	3.4
<b>ACCOUNTING COSTS</b>											
Kagem Operating Cost *	USD million	3.9	3.4	4.2	4.2	4.0	4.4	3.6	4.4	4.3	36.3
Gemstone Unit Cost (E+B) *	USD/carats	0.8	0.9	0.8	0.6	0.5	0.7	0.6	0.5	0.7	0.6
RZ Unit Cost *	USD/RZ tonne	162	193	200	104	130	189	147	160	199	158
Rock Handling Unit Cost *	USD/tonne	1.8	1.5	2.6	1.5	1.5	2.0	1.6	1.8	2.2	1.8

\* Note: As at 30 September 2013, a total of approximately USD 32.8 million of waste moving costs have been capitalised and is amortised when the associated ore is mined. The balance of capitalised waste moving costs, net of amortisation, as at 30 September 2013 amounted to USD 19.3 million.

The quarter to 30 September 2013 yielded 6.5 million carats at a grade of 302 carats per tonne of ore and a unit production cost of USD 0.66 per carat (excluding capitalised waste moving costs). Some 1.9 million tonnes of rock were moved in the quarter. Cash rock handling unit costs were USD 3.58 per tonne during the quarter (compared to USD 3.29 in the quarter to 30 September 2012).

Gemfields’ trial underground mining project achieved 74.2 metres of horizontal advance during the quarter ending 30 September 2013 (versus 106.7 metres in the quarter ending 30 June 2013). This quarter’s work has focussed on crosscut development for additional stoping areas. Nine blasts were achieved in the second stope,

which features improved design criteria and support. A total of 683 tonnes of ore was produced during the quarter (versus 1,108 tonnes in the prior quarter). Approximately 34,320 carats were produced by the underground operation in the quarter (versus 22,025 carats in the prior quarter). The grade for the quarter was 51.7 carats per tonne and the grade for the project to date is 78.5 carats per tonne.

Illegal mining activity within the boundaries of the Kagem mining licence is not yet fully resolved and Gemfields continues to work with key ministries to alleviate this challenge.

### ***Auction Update***

The July 2013 auction of predominantly higher quality rough emeralds and beryl saw all of the 583,448 carats placed on offer being sold, generating the second highest aggregate revenues achieved to date (of USD 31.5 million). The auction yielded an overall average of USD 54.00 per carat, the highest unit value achieved at any auction at that time, and representing a 26% increase over the previous high of USD 42.71 per carat (achieved at the July 2011 Singapore auction).

The September 2013 auction of traded rough emeralds (predominantly of higher quality) held in Jaipur, India saw 145,952 carats being sold, representing by far the bulk of the value offered, and generating gross auction revenues of USD 8.5 million. The emeralds sold at the auction comprised emeralds obtained by Gemfields in the open market from various sources and did not include emeralds or beryl mined, processed, graded and exported by, or belonging to, Kagem. The auction yielded an overall average of USD 58.00 per carat, the highest unit value achieved at any Gemfields auction to date, and representing a 7.4% increase over the previous high of USD 54.00 per carat (achieved in the July 2013 Lusaka auction).

During the quarter, Kagem agreed a USD 3.5 million direct sale in respect of 11,286 kilograms of Kagem's lowest two grades of beryl, which have accumulated over the past few years.

### **Montepuez Ruby Deposit**

Bulk-sampling operations at the Montepuez ruby project in Mozambique (in which Gemfields has a 75% interest) are progressing well with recent results showing encouraging ore recovery. The core infrastructure required for operations is largely established with primary stage mining and processing equipment on site and operational. A pilot and semi-mobile ore processing plant continues to test the characteristics of the ore with adjustments being made to the plant to improve efficiencies in the ore washing and cleaning process. A sizeable increase in processing capacity has been achieved. Gemfields expects the first auction of rough rubies to take place before 30 June 2014.

A bespoke ruby grading and sorting framework has been developed and various downstream ruby treatment processes are being investigated. A significant security presence has reduced illegal mining on the licence area.

### **Fabergé**

Fabergé is one of the world's most recognised luxury brand names of all time, underscored by a well-documented and globally recognised heritage. The acquisition of 100% of Fabergé Limited by Gemfields was formally completed on 28 January 2013. The integration of Fabergé into the Gemfields family is now largely completed. The acquisition 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 "mine and market" vision.

The first steps of this approach were taken in April at BaselWorld 2013 where a series of products focussed on coloured gemstones were showcased. In the financial year ending 30 June 2013, Fabergé sold a record number of products and achieved record annual revenues and margins. On 3 October 2013, Fabergé unveiled its new advertising campaign entitled 'The Art of Colour', supporting the Gemfields coloured gemstone strategy. The campaign has featured widely in key media subsequently.

## Cash Balances

At 30 September 2013, Gemfields had cash of USD 18.5 million (and total debt outstanding of USD 10.2 million).

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## Notes to Editors:

Gemfields plc is the leading coloured gemstone miner listed on the AIM market of the London Stock Exchange (ticker: GEM). The Company's principal asset is the 75% owned Kagem emerald mine in Zambia, the world's single largest emerald mine. In addition to the Kagem emerald mine, Gemfields has a 50% interest in the Kariba amethyst mine in Zambia.

In July 2009 Gemfields commenced a formal auction programme for its Zambian emeralds. To date, the Company has held 13 auctions which have generated revenues totalling USD 207.2 million.

The Company also owns a 75% stake in the highly prospective Montepuez ruby deposit in Mozambique and licences in Madagascar including ruby, emerald and sapphire deposits.

Gemfields acquired the Fabergé brand in January 2013 with a view to creating a globally recognised coloured gemstone champion. Fabergé provides Gemfields with direct control over a high-end luxury goods platform and a global brand with exceptional heritage.