

Gemfields plc

("Gemfields" or "the Company")

Montepuez Ruby Mine Maiden JORC Resource & Reserves

22 July 2015

Gemfields plc (AIM: GEM) is pleased to announce the publication of a Competent Persons Report ("CPR") produced by SRK Consulting (UK) Limited ("SRK") on the Montepuez Ruby Mine ("MRM" or "Montepuez"), which is 75% owned by Gemfields and 25% by local partners, Mwiriti Limitada. The CPR includes MRM's maiden Mineral Resource and Ore Reserve estimates and accompanying Statements prepared in accordance with JORC Code (2012).

Highlights

Indicated and Inferred Mineral Resource of 467 million carats of ruby and corundum at an in-situ grade of 62.3 carats per tonne

- JORC code compliant Indicated Mineral Resource of primary mineralisation of 2.1 million tonnes or 245 million carats at a grade of 115.4 carats/tonne;
- JORC code compliant Inferred Mineral Resource of primary mineralisation of 0.4 million tonnes or 44 million carats at a grade of 115.4 carats/tonne; and
- JORC code compliant Indicated Mineral Resource of secondary mineralisation of 5.0 million tonnes or 178 million carats at a grade of 35.7 carats/tonne.

Probable Ore Reserves of 432 million carats of ruby and corundum at diluted ore grade of 15.7 carats per tonne

- JORC code compliant Probable Primary Ore Reserve of primary ore of 2.2 million tonnes or 253 million carats at a grade of 114.9 carats/tonne; and
- JORC code compliant Probable Secondary Ore Reserve of 25.3 million tonnes or 179 million carats at a grade of 7.07 carats/tonne.

Independent Technical Economic Model

- Projected 21 year life of mine ("LoM") producing a total of 432 million carats over the LoM;
- Projected to increase mining capacity from 3.3 million tonnes per annum to 5.6 million tonnes by July 2017;
- Projected to increase processing capacity from 0.4 million tonnes per annum to 1.3 million tonnes per annum by July 2016;
- Projected real cash flow (no discount rate applied) over the LoM of approximately USD 2.76 billion;
- Robust economics shows a post-tax NPV of USD 996 million (based on 10% base case discount rate) and an IRR of 311.7%; and
- Capital expenditure of USD 64 million over the first 2 years and a total of USD 305 million over LoM.

Extensive Exploration Potential

- Exploration programme to date has covered around 36 sq. km out of the 336 sq. km license area. Substantial exploration programme using proven techniques is planned for the next few years at Montepuez.

Ian Harebottle, CEO of Gemfields, commented:

"As the first recorded Mineral Resource and Ore Reserve Statement for Montepuez, the significance of this report is not only a milestone event that bears testament to the quality of work carried out by SRK and the expertise from within the Gemfields team, but provides further evidence to the continued growth, positive momentum and opportunity inherent within the coloured gemstone sector. This, together with various expansion opportunities that are already at hand, and the impact that our continued global marketing and promotional initiatives are expected to generate, deliver a high level of confidence in Gemfields' ongoing efforts to reinvigorate the global coloured gemstone market place. As I have said on

many occasions over the past few years, this is still just the very beginning, with much more yet to come. I would also like to thank Mwriti and the Mozambican government for their continued support”.

Webcast presentation

Gemfields will be hosting an analyst presentation at 09:30 BST today, 22 July 2015. If you would like to attend the presentation please email Gemfields@tavistock.co.uk. A live webcast of the analyst presentation will also be available at the link below and include audio via a conference call.

Webcast: <https://pgi.webcasts.com/starthere.jsp?ei=1071820>

Participant dial in: +44(0)20 3427 1906
Participant PIN code: 5920631

A recording of the webcast will be subsequently made available on the Company's website: www.gemfields.co.uk and at the link above.

Qualified Person

The Competent Person with overall responsibility for the reporting of Mineral Resource is Dr Lucy Roberts, MAusIMM, PhD (geology), a Principal Consultant (Resource Geology) with SRK. Dr Roberts has the relevant experience in reporting Mineral Resources on various coloured gemstone projects.

The Competent Person with overall responsibility for reporting of Mineral Reserves is Mr Mike Beare CEng BEng ACSM MIMMM, a Corporate Consultant (Mining Engineering) with SRK. Mr Beare has 23 years' experience in the mining industry and has been extensively involved in the reporting of Mineral Reserves on various coloured gemstone projects during his career to date.

The full SRK CPR is available for download from the Company's website, which also includes the JORC Tables, as required for full, transparent, disclosure under the JORC Code (2012).

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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.

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 emerald and beryl produced at Kagem and which have generated revenues totalling USD 325 million. The Company has also held two standalone auctions of traded rough emeralds (of gemstones not obtained directly from the Company's own mining operations) which generated revenues of USD 22 million.

The Company also owns a 75% stake in the highly prospective Montepuez ruby deposit in Mozambique as well as licences in Madagascar including ruby, emerald and sapphire deposits. The four ruby and corundum auctions held since June 2014 have generated USD 122 million in aggregate revenues.

In addition, Gemfields holds a 50% interest in the Kariba amethyst mine in Zambia. In February 2015 Gemfields held its second auction of rough amethyst extracted from Kariba amethyst mine, generating revenues of USD 0.45 million.

Gemfields acquired the Fabergé brand in January 2013 to create 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.

JORC Mineral Resource & Ore Reserves

Geology

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

MRM's 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 to isoclinal folds of all scales, subsequently cut by a number of primarily north-east to south-west trending shear zones. Due to the complexity of folding, the host rocks display more open folding in the MRM project 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. The rubies are found in both alluvial secondary deposits in gravel beds, and primary (in situ) rubies within the amphibolite recorded to date at depths exceeding 30 metres in places.

Mineral Resources

The Mineral Resource Statement for MRM as at 1 January 2015 is given in Table 1 and is based on the geological modelling of the two mineralisation types, and the application of factors derived from the ongoing bulk sampling. SRK considers that the Mineral Resource Statement as presented is reported in accordance with the JORC Code (2012). The Mineral Resource Statement is quoted as a 100% attributable basis.

Table 1: Mineral Resource Statement

Area	Mineralisation Type	Classification	Density (g/cm ³)	Tonnage (kt)	Grade (cpt)	Contained Carats (mct)
Maninge Nice	Primary	Indicated Mineral Resources	2.15	2,124	115.4	245
		Inferred Mineral Resources	2.15	378	115.4	44
	Secondary	Indicated Mineral Resources	1.53	305	349.8	107
		Inferred Mineral Resources	-	-	-	-
Mugloto	Secondary	Indicated Mineral Resources	1.95	4,693	15.3	72
		Inferred Mineral Resources	-	-	-	-
Total	Primary	Indicated + Inferred	2.15	2,502	115.4	289
	Secondary	Indicated + Inferred	1.91	4,998	35.7	178

Grade estimates for each of the mineralisation types were based on factoring of the production data, as recorded and supplied by MRM. The factors were applied to reflect the dilution which is present in the production grade, and to account for material removed by illegal artisanal mining. An average density

value for each ore type was determined from insitu test work and applied to the block model for tonnage estimation.

Ore Reserves

SRK has estimated Ore Reserves in accordance with the JORC Code (2012). These are presented in Table 2. As at 1 January 2015, SRK notes that the Montpez ruby deposit has Ore Reserves of 2.2 mt of primary material grading at 114.9 carats/tonne ruby and 25.4 mt of secondary material grading at 7.1 carats/tonne ruby.

Table 2: MRM Ore Reserve Statement

Classification	Mineralisation Type	Tonnage (mt_{dry})	Grade (cpt)	Contained Carats (mct)
Proved				
Maninge Nice	Primary	-	-	-
	Secondary	-	-	-
Mugloto	Primary	-	-	-
	Secondary	-	-	-
Probable				
Maninge Nice	Primary	2.2	114.9	253
	Secondary	1.8	58.3	107
Mugloto	Primary	-	-	-
	Secondary	23.5	3.1	72
Proved & Probable				
Maninge Nice	Primary	2.2	114.9	253
	Secondary	1.8	58.3	107
Mugloto	Primary	-	-	-
	Secondary	23.5	3.1	72
Total		27.5	15.7	432

Potential Expansion

The MRM LoM plan sees operations progress from the current bulk sampling phase to full scale production. The principal targets comprise increasing total mining capacity to 5.6 mtpa (from the current 3.3 mtpa) by July 2017 and achieving an annualised processing rate of 1.3 mtpa of ore (from the current 399 thousand tonnes per annum ('ktpa') ore) by July 2016. The potential expansion would include the following:

- the current wash plant to be upgraded from 100 tonnes per hour ('tph') to 150 tph, which will operate at 120tph;
- a second wash plant to be installed with a 250 tph capacity and which will operate at 200 tph, thereby increasing the overall project processing capacity to 320 tph;
- the ore stockpile areas will be expanded onto currently undisturbed land;
- the existing two-way haul road to the Mugloto pits, on which the trucks are currently plying in a convoy system, will be replaced with two 12 m wide one-way haul roads for laden and empty traffic movements respectively; and
- the existing workforce to increase from 369 persons (comprising 51 expatriates and 318 locals) to 1081.

The capital cost for the existing wash plant upgrade, new 250 tph wash plant and replacement sorting house included in the LoM is approximately USD 23 million.

Economics Analysis

For the economic analysis, SRK has constructed an independent Technical Economic Model ("TEM"), described below. The TEM reflects production, capital and operating expenditures and revenues from the 1st July 2015 through to 2042 on an annual basis. Total ore processed over the LoM of 21 years amounts to 27.5 mt at an average grade of 15.7 carats/tonne. The TEM is based on the MRM's financial model with adjustments based on SRK's views on the forecast production, capital and operating costs. In addition, the TEM:

- is expressed in real terms; which means un-inflated United States Dollars (USD) with no allowances for inflation or escalation on capital or operating costs, inputs or revenues;
- is presented at July 2015 money terms for Net Present Value (“NPV”) calculation purposes;
- applies a Base Case discount rate of 10%;
- is based on commodity prices as provided by Gemfields;
- is expressed in post-tax and pre-financing terms and assumes 100% equity;
- uses a corporate tax rate of 32%; and
- includes the payment of royalties at a rate of 6% of revenue.

In respect of the commodity prices used, SRK has not undertaken a detailed price analysis, but has relied on forecasts provided by the Company in this regard.

Production

The LoM plan assumes that overall ore mined from all sources will be 27 mt. Over the LoM, which is based on the declared Probable Ore Reserves. The mine plans to produce 432 mct.

Table 3: Production summary

	Units	2015-16	2016-17	2017-18	2018-19	2019-20	2020-2042	TOTAL
Total Waste	(kt)	4,730	4,513	4,299	4,299	4,299	65,799	87,939
Total Ore	(kt)	1,413	1,391	1,330	1,330	1,330	20,402	27,196
Total Material Moved	(kt)	6,142	5,903	5,629	5,629	5,629	86,202	115,134
Processing								
Total Ore Treated	(kt)	803	1,330	1,330	1,330	1,330	21,426	27,549
Total Carats	(kct)	11,865	20,152	20,375	20,475	20,520	338,233	431,620

Revenue & operating costs

Based on the TEM, MRM is expected to generate USD 5,959 million in gross revenue and total operating costs of USD 1,417 million.

Revenues are based on three auctions per annum, comprise two higher quality and one lower quality rough ruby and corundum auctions. It is estimated that 3% of total production represents higher quality rubies. The model assumes an average sales price of USD 389 per carat for higher quality rubies and USD 1.30 per carat for lower quality rubies and corundum.

Table 4: EBITDA (USD millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-2042	TOTAL
Gross revenue	95.3	182.1	243.6	261.9	289.7	4,886.8	5,959.4
Mining and production costs	(31.0)	(35.0)	(35.2)	(37.0)	(37.0)	(570.5)	(745.6)
Administrative expenses	(8.9)	(10.0)	(10.0)	(10.0)	(10.0)	(160.3)	(209.2)
Auction expenses	(1.7)	(3.2)	(4.3)	(4.6)	(5.1)	(85.5)	(104.3)
Mineral royalties and production taxes	(5.8)	(11.0)	(14.7)	(15.8)	(17.4)	(293.8)	(358.3)
Total operating cost	(47.3)	(59.1)	(64.2)	(67.4)	(69.5)	(1,110.0)	(1,417.4)
Total operating profit (EBITDA)	48.0	123.0	179.4	194.5	220.2	3,776.8	4,542.0

Capital expenditure

Total capital has been estimated at USD 305 million. Capital for engineering and mining has been estimated at USD 102 million and the wash plant at USD 63 million. Sustaining and exploration capital for the ongoing operations is estimated at USD 120 million. Closure costs are estimated at USD 20 million.

Table 5: Summary of Capital expenditure (USD millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-2042	TOTAL
Engineering & mining	11.3	5.8	4.1	4.7	6.3	69.8	102.0

Wash plant	23.0	0.2	0.2	-	-	40.0	63.4
Sustaining and exploration capital	14.9	8.8	7.0	7.3	5.0	77.1	120.1
Closure costs	-	-	-	-	-	20.0	20.0
Total	49.2	14.8	11.3	12.0	11.3	206.9	305.5

Economic Model

Net present value cash flows are shown in Table 6 using discount rates from zero to fifteen percent in a post-tax context. SRK notes that at a 10% discount rate the post-tax NPV is USD 996 million. As the operation is already a going concern, there is limited negative initial cash flow which results in a high internal rate of return (IRR) for the operation of 312%.

Table 6: NPV Profile

	Discount Rate	NPV USD million
Net Present Value	0.0%	2,757
	5.0%	1,577
	8.0%	1,185
	10.0%	996
	12.0%	849
	15.0%	682
Internal Rate of Return	311.7%	

MRM's NPV is most sensitive to revenue (grade or commodity price) but has a lower sensitivity to operating costs and is least sensitive to capital. Overall the economics of MRM are considered to be robust.

Further Information:

Montepuez Ruby Mine

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. The ruby mining area, lies approximately two hours by car from the coastal town of Pemba, which has a modern airport and port infrastructure.

Montepuez holds a 25 year mining and exploration licence over the area, granted by the Government of Mozambique in November 2011.

Mining and Production

Exploration and bulk sampling commenced in August 2012, continues to increase in scale and is delivering consistently pleasing results. The bulk sampling programme carried out on the project to date has allowed Montepuez to analyse the specific characteristics of the various ore bodies in parallel with the identification of key target sites for future large scale mining operations.

Approximately 16.1 million carats of ruby and corundum production has been extracted between mid-August 2012 and 31 March 2015.

Auction Results

Gemfields has held four auctions of rough ruby and corundum produced at its Montepuez operations to date. The four auctions saw a total of approximately 5.9 million carats sold, generating total auction revenues of USD 122 million. The highest average per carat price of USD 689/ct was achieved at the December 2014 auction.

Ruby Market Overview

Introduction

Rubies, along with sapphires, belong to the corundum mineral type. It is the hardest of the coloured gemstones, second hardest among natural minerals after diamonds. Rubies are extremely rare and are believed to be associated with the plate tectonic processes, subduction and collision. They are found in a range of hues and only in a few localities across the globe.

Ruby value is primarily dependent on the individual gems vividness of colour and fluorescence, with the most valuable ruby colour being described as pure red.

Historically, rubies have been mined in Southern Asia and more recently, Eastern Africa. New, significant and commercially viable, deposits were discovered in Mozambique in the beginning of the twenty first century.

Historical background – major ruby deposits

High quality rubies have traditionally been produced in Myanmar (previously Burma) and Kashmir. Later, rubies were mined in Thailand, Madagascar and Tanzania. Myanmar has always been regarded as the world's most important source for rubies as well as the largest producer by volume for a significant period of time. However, lack of investment into the industry and other factors have resulted in all but the exhaustion of many of the existing mines and a commensurate decline in its overall market share. The recent production numbers indicates that Montepuez, Mozambique is the most (if not most) significant ruby find in the world.

Ruby market mechanisms

Once rubies are cut and polished, they are sold in to the global wholesale market. Historically, rough rubies were mined and sold in a primarily informal and artisanal manner. However, Gemfields has endeavoured to transform the way rubies (and coloured gemstones in general) are mined and sold by way of investing considerable levels of capital and expertise into the way these gems are mined, grading, referencing and thereafter placed for sale via its globally recognised auction platforms. The proprietary sorting and grading system for rough rubies and corundum combined with the Company's considerable investments to ensuring the worlds down-stream markets with a consistent ruby supply of high quality ruby rough are likely to have a similarly positive effect to what has been achieved within the emerald market, thereby transforming the sector and allow designers and jewellery brands the ability to create high end ruby collections supported by appropriate marketing and communications initiatives. Gemfields second auction of higher quality ruby rough held in Singapore in December 2014 included the sale of 62,936 ct, realising USD 43.3 million which set a new benchmark for African coloured gemstone mines and also confirmed the quality of the ruby supply that MRM is able to provide. An exceptional and rare matching pair of rough rubies with a combined weight of 45 carats (dubbed the "Eyes of the Dragon" given their size and characteristics) from Montepuez formed part of the June 2015 auction.

Forecast future prices

Prices set in the LoM financial model for 2015-16 are conservative, with the projected sales prices being considerably lower than what has already been achieved at the respective higher quality and lower quality auctions to date. The weighted average price achieved in the December 2014 auction was USD 689/ct which is considerably higher than the projected Premium Ruby price used in the model for 2015-16. The projected increase in real term prices after 2016 reflects the positive impact of the continued investment the Company intends to make with respect to the marketing and promotion of coloured gemstones and a gradual increase in global awareness with respect to the quality and significance of Mozambique rubies. The increase thus closes the gap between actual and the forecast sales values over the next 5 years. The price, in real terms, for high quality auctions is then capped at USD 800/ct for Premium Ruby and USD 200/ct for Ruby by 2020 as the Company believes these prices to be sustainable in the longer term.

Augmentation of production capacity and improvement in understanding with respect to ruby treatments are likely to have an additional positive impact on achieved values over time.

Environmental and Social

The MRM project is situated in an area with no history of formal mining. In recent years, since the discovery of gemstones in the area, there has been an influx of unlicensed artisanal miners from within Mozambique and other parts of Africa. The majority of these operate illegally.

MRM holds permits which allow the project to carry out exploration and bulk sampling pending receipt of further permits to support full scale mining.

ENDS