

Gemfields plc

("Gemfields" or the "Company")

Market Update – Quarter to 31 March 2015

14 April 2015

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 31 March 2015. All figures are approximate and unaudited. Unless otherwise stated, the phrase "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 31 March 2015:
 - Production of 9.9 million carats of emerald and beryl (versus 3.6 million carats in the quarter ending 31 March 2014);
 - Average grade of 355 carats per tonne (versus 198 carats per tonne in the quarter ending 31 March 2014), a 79% increase in grade;
 - Total operating costs^(a) of USD 9.8 million (versus USD 6.6 million in the quarter ending 31 March 2014), largely on account of the increased scale of mining activity being carried out across the mining licence;
 - Unit operating costs^(b) of USD 0.99 per carat (versus USD 1.83 per carat in the quarter ending 31 March 2014). On a cash basis^(c), operating costs were USD 1.15 per carat (versus USD 1.38 per carat in the quarter ending 31 March 2014); and
 - Cash rock handling unit costs of USD 2.85 per tonne (versus USD 4.90 per tonne in the quarter ending 31 March 2014), with increased scale of mining driving increased efficiencies.
- February 2015 auction of predominantly lower quality rough emerald and beryl held in Lusaka, Zambia generated revenues of USD 14.5 million.
- Gemfields' next auction of traded rough emerald (i.e. not obtained directly from the Company's own mining operations) is scheduled to take place in Jaipur, India in April 2015 alongside an auction of ruby and corundum from the Montepuez ruby deposit in Mozambique.
- The Kagem Minerals Purchasing Office in Kitwe, Zambia, at which Kagem will purchase rough emerald and beryl in the local market, was inaugurated by the Deputy Minister of Mines, Honourable Richard Musukwa on 9 April 2015.

Rubies

- Production summary for 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the quarter ending 31 March 2015:
 - Approximately 1.4 million carats of ruby and corundum extracted (versus 1.1 million carats in the quarter ending 31 March 2014);
 - Average grade of 18 carats per tonne (versus 38 carats per tonne in the quarter ending 31 March 2014), markedly lower than the same quarter in the prior year, but attributed to the largely alluvial and higher quality nature of the particular areas mined during the quarter, all against a backdrop of larger scale mining operations;
 - Total operating costs^(d) of USD 4.6 million (versus USD 2.4 million in the quarter ending 31 March 2014), due to the increase in the scale of processing activity and changes to the accounting treatment from 1 July 2014;
 - Unit operating costs^(b) of USD 3.29 per carat (versus USD 2.18 per carat in the quarter ending 31 March 2014); and
 - Cash rock handling unit costs of USD 7.10 per tonne (versus USD 5.63 per tonne in the quarter ending 31 March 2014).
- Gemfields' next auction of Montepuez production will be of predominantly lower quality rough ruby and corundum, and is scheduled to take place in Jaipur, India in April 2015.

- An auction of predominantly higher quality rubies is also scheduled to take place in Singapore in June 2015.

Fabergé

- Wholly owned Fabergé Ltd saw the value of sales orders agreed^(e) during the quarter to 31 March 2015 increase by 64% when compared to the same period last year.
- Operating costs for the quarter remained consistent with the same period last year.
- The Fabergé Pearl Egg, the first egg created in the ‘Imperial Class’ since 1917 was unveiled at the Doha Jewellery & Watches Expo in Qatar in late February 2015 and was sold within hours of unveiling.

Ian Harebottle, CEO of Gemfields, commented:

“This quarter has once again delivered pleasing results for Gemfields. We have achieved considerable increases in production volumes at both the Kagem and Montepuez mining operations, underpinned by constant growth in market demand for these products as is evidenced by the ongoing successes achieved at our auctions, all of which validates our decision to expand the scale of the operations across our key sites.

These results are further supported by the overwhelmingly positive response Fabergé has received from so many sources for its newly unveiled product lines and which was once again evidenced by a healthy increase in the number and value of sales orders placed.”

Explanatory Notes:

- 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.
- Unit operating costs are calculated as total operating costs (as defined in (a) and (d)) divided by the total gemstone production during the period.
- 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.
- 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.
- 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 Update

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

KAGEM Quarterly Summary to March-15	Units	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
PRODUCTION										
Gemstone Production (Emerald+Beryl)	million carats	6.6	8.9	6.5	3.9	3.6	6.2	6.3	5.8	9.9
Ore Production (Reaction Zone)	'000 tonnes	24.5	27.8	21.4	17.2	18.0	23.4	29.4	30.5	27.9
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	265	322	302	224	198	271	214	190	355
Waste Mined (including TMS)	million tonnes	2.2	2.5	1.9	1.9	1.0	2.5	3.2	4.1	4.0
Total Rock Handling	million tonnes	2.3	2.5	1.9	2.0	1.0	2.5	3.2	4.2	4.0
Stripping Ratio		91	89	88	113	55	108	109	134	143
CAPITAL EXPENDITURE										
Capital Expenditure – Property, Plant and Equipment	USD million	-	0.5	-	-	2.7	0.2	4.5	6.7	1.0
Capital Expenditure – Capitalised Waste Stripping	USD million	3.4	4.6	2.6	2.3	0.4	3.7	3.9	6.3	5.9
CASH COSTS ^(a)										
Total (Cash) Operating Costs ^(a)	USD million	6.9	9.1	6.8	6.8	4.9	8.9	9.3	12.3	11.4
Gemstone (Cash) Unit Cost (Emerald+Beryl) ^(a)	USD/carats	1.05	1.02	1.06	1.76	1.38	1.44	1.48	2.12	1.15
Ore / Reaction Zone (Cash) Unit Cost ^(a)	USD/RZ tonne	282	327	319	393	273	380	316	403	409
Rock Handling (Cash) Unit Cost ^(a)	USD/tonne	3.06	3.64	3.58	3.46	4.90	3.56	2.91	2.93	2.85

ACCOUNTING COSTS ^(b)										
Total Operating Costs ^{(b)(c)}	USD million	6.7	7.8	7.1	7.2	6.6	11.1	10.3	11.6	9.8
Gemstone Unit Cost (Emerald+Beryl) ^(b)	USD/carat	1.02	0.88	1.09	1.85	1.83	1.79	1.63	2.00	0.99
Reaction Zone Unit Cost ^(b)	USD/RZ tonne	273	281	332	419	367	474	350	380	351
Rock Handling Unit Cost ^(b)	USD/tonne	2.91	3.12	3.74	3.60	6.60	4.44	3.22	2.76	2.45

(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 31 March 2015, a total of approximately USD 55.33 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 31 March 2015 amounted to USD 23.9 million.

The quarter saw a healthy increase in the overall quantity and quality of emerald and beryl produced, increasing from 3.6 million carats in the quarter ending 31 March 2014, to 9.9 million carats in the quarter under review. The results provide a high level of validation for the Company's belief that the fluid nature of emerald mineralisation ideally requires the grade to be evaluated on at least a twelve month rolling average basis.

The fourth phase of the high wall pushback programme in the main Chama pit continues to be advanced by both our in-house team and a third party contractor. A total of approximately 4.0 million tonnes of waste was moved during the quarter, with a slightly accelerated rate of contractor waste mining now likely to result in completion of the push-back project ahead of schedule.

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

In addition, the exploration and bulk sampling activities at the Fibolele and Libwente pits are progressing well. Social initiatives are currently in progress in the local community, including ground breaking and the appointment of construction contractors for a new secondary school and expansion of the clinic in Nkana district.

The reduction of illegal mining activity within the boundaries of the Kagem mining licence has made considerable progress given that Kagem has now re-absorbed these areas into the site's routine operations.

Emerald Auction Update

The February 2015 auction of predominantly lower quality rough emerald and beryl held in Lusaka, Zambia saw 3.9 million carats being sold, representing 88% of the value offered, and generating auction revenues of USD 14.5 million. The auction yielded an overall average of USD 3.72 per carat, a new record for lower quality emerald and beryl auctions. The auction results are summarised below:

AUCTION RESULTS (LOWER QUALITY)	FEBRUARY 2015 AUCTION
Dates	24-27 February 2015
Location	Lusaka, Zambia
Type	Lower Quality
Carats offered	10.1 million
Carats Sold	3.9 million
No. of companies placing bids	21
Average no. of bids per lot	5
No. of lots offered	26
No. of lots sold	19
Percentage of lots sold	73%
Percentage of lots sold by weight	39%
Percentage of lots sold by value	88%
Total sales realised at auction	USD 14.5 million
Average per carat sales value	USD 3.72/carat

Gemfields' next auction will be of traded rough emerald (i.e. not obtained directly from the Company's own mining operations) and is scheduled to take place in Jaipur, India alongside the Montepuez ruby auction in April 2015.

MONTEPUEZ RUBIES

Production Update

Bulk-sampling operations at the Montepuez ruby deposit in Mozambique, in which Gemfields has a 75% interest, are continuing to provide positive results and insight into the geology of the deposit. This includes further studies of both the primary and secondary deposits with a JORC-compliant resource statement still on track for completion before the end of the current calendar year. The core infrastructure is largely in place and progress is being made towards formalised mining. The test work has led to an enhanced understanding of the ore characteristics and improved throughput in the semi-mobile processing plant. These improvements saw an almost three-fold 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 March-15	Units	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
PRODUCTION										
Gemstone Production (Ruby+Corundum)	million carats	0.4	1.2	2.9	2.3	1.1	0.2	2.9	3.4	1.4
Ore Production (Mineralised Overburden, Gravel Bed, Amphibolite)	'000 tonnes	1.6	13.5	81.9	150.9	75.9	99.9	81.7	158.3	79.4
Ore Processed (Mineralised Overburden, Gravel Bed, Amphibolite)	'000 tonnes	2.6	10.5	24.6	35.9	28.8	68.9	69.9	101.4	78.6
Grade (Ruby+Corundum/Ore Processed)	carats/tonne	154	114	118	64	38	3	41	34	18
Waste Mined	'000 tonnes	16.3	27.5	154.8	137.8	456.5	443.0	452.2	776.9	441.7
Total Rock Handling	'000 tonnes	17.9	41.1	236.6	288.7	532.4	542.9	533.9	935.2	521.1
Stripping Ratio		10.2	2.0	1.9	0.9	6.0	4.4	5.5	4.9	5.6
CAPITAL EXPENDITURE										
Capital Expenditure – Property, Plant and Equipment	USD million	0.5	1.6	0.5	2.9	1.1	1.5	4.5	1.6	1.4
CASH COSTS ^(a)										
Total (Cash) Operating Costs ^(a)	USD million	1.2	2.4	2.0	2.8	3.0	3.1	3.7	4.9	3.7
Gemstone (Cash) Unit Cost (Ruby+Corundum) ^(a)	USD/carats	3.00	2.00	0.69	1.22	2.73	15.50	1.28	1.44	2.64
Ore Production (Cash) Unit Cost ^(a)	USD/tonne	750.00	177.78	24.42	18.56	39.53	31.03	45.29	30.95	46.60
Rock Handling (Cash) Unit Cost ^(a)	USD/tonne	67.04	58.39	8.45	9.70	5.63	5.71	6.93	5.24	7.10
ACCOUNTING COSTS ^(b)										
Total Operating Costs ^(b)	USD million	0.9	2.0	1.8	2.3	2.4	0.8	4.3 ^(c)	5.7	4.6
Gemstone Unit Cost (Ruby+Corundum) ^(b)	USD/carats	2.25	1.67	0.62	1.00	2.18	4.00	1.48 ^(c)	1.68	3.29
Ore Production Unit Cost ^(b)	USD/tonne	562.50	148.15	21.98	15.24	31.62	8.01	52.63 ^(c)	36.01	57.93
Rock Handling Unit Cost ^(b)	USD/tonne	50.28	48.66	7.61	7.97	4.51	1.47	8.05 ^(c)	6.09	8.83

(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.

Given the size and nature of the Montepuez ruby licence, unlicensed mining activity and asset loss remains a key challenge. The new mining law may be a supportive mechanism in partly addressing these activities. Significant security presence and ongoing efforts have resulted in a strong improvement in this quarter. Social initiatives are currently underway in the local community including pilot agriculture farming. Environmental and social impact assessment studies have been carried out by accredited third parties and are due to be submitted to the Mozambique Ministry of Environment by end of June 2015.

Ruby Auction Update

Gemfields' next auction of predominantly lower quality rough ruby and corundum is scheduled to take place in Jaipur, India in April 2015.

KARIBA AMETHYSTS

Gemfields' second auction of higher quality rough amethyst from Kariba amethyst mine in Zambia in which Gemfields holds 50% interest was held in Zambia in February 2015 alongside the lower quality rough emerald

and beryl auction. The auction saw 27.7 million carats on offer, with 13 of the 14 lots offered being sold, generating auction revenues of USD 0.45 million at an average realised value of 1.77 US cents per carat.

FABERGÉ

The Fabergé Pearl Egg, the first egg created in the ‘Imperial Class’ since 1917 was unveiled at the Doha Jewellery & Watches Expo in Qatar in late February 2015. It sold, within hours of its unveiling, to a prestigious local businessman and world recognised natural pearl collector, Mr Hussain Al-Fardan.

The new high jewellery collections unveiled in Doha and thereafter presented to the world’s press at the Baselworld Watch & Jewellery Fair in late March were well received helping to boost overall sales figures.

The new world premier timepiece collections were also extremely well received by the journalists attending Baselworld. The Lady Compliquee was arguably the star of Baselworld 2015 putting Fabergé firmly on the high-end Horological complications map.

Post the above mentioned launches, a significant amount of press and online coverage has been achieved. The Pearl Egg has been featured in key media outlets globally including The Daily Telegraph, The Times, The Guardian and Forbes, with over 50 individual pieces of coverage picked up. The Watch Collections and Jewellery Collections have generated over 250 coverage pieces collectively with further high profile pieces anticipated over the next few months in print.

Fabergé’s management and commercial teams continue to focus on strategic opportunities for the brand, global/regional retail partners and sales. The design team continues to concentrate on refining the watch collections following feedback at Baselworld and building on the work that has already been accomplished to provide an equally exciting proposition for 2016 whilst, at the same time, expanding the role of male watches in the portfolio.

The team is currently working towards its next significant trade fair, Couture Las Vegas, held between 28 May and 2 June 2015.

SRI LANKA

Gemfields is in the process of establishing initial infrastructure in Sri Lanka and initiating preliminary geological assessments in areas of interest in order to progress opportunities in the Sri Lankan sapphire and gemstone sector. Placement of key management is in progress.

CORPORATE & CASH

At 31 March 2015, Gemfields had cash and cash equivalents of USD 27.9 million and total debt outstanding of USD 35.5 million, which includes the outstanding debt balance of USD 20 million at Kagem.

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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 2 traded rough emerald auctions (of gemstones not obtained directly from the Company's own mining operations) which generated revenues of USD 22.0 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. In December 2014, Gemfields held its second auction of rough ruby and corundum produced at the Montepuez ruby deposit, generating revenues of USD 43.3 million. The two ruby and corundum auctions have generated USD 76.8 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.