

# GEMFIELDS

## Market Update – Quarter ending 30 June 2014

7 August 2014



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# GEMFIELDS plc

Kagem Emerald Mine  
(Zambia)  
75%

Mbuva-Chibolele  
Emerald Mine (Zambia)  
100% (care & maintenance)

Kamakanga Emerald  
Mine (Zambia)  
100% (care & maintenance)

Kariba Amethyst Mine  
(Zambia)  
50%

15 Madagascar  
Exploration Licenses  
(rubies, sapphires and  
emeralds)

Zambian Emerald  
Exploration Licenses

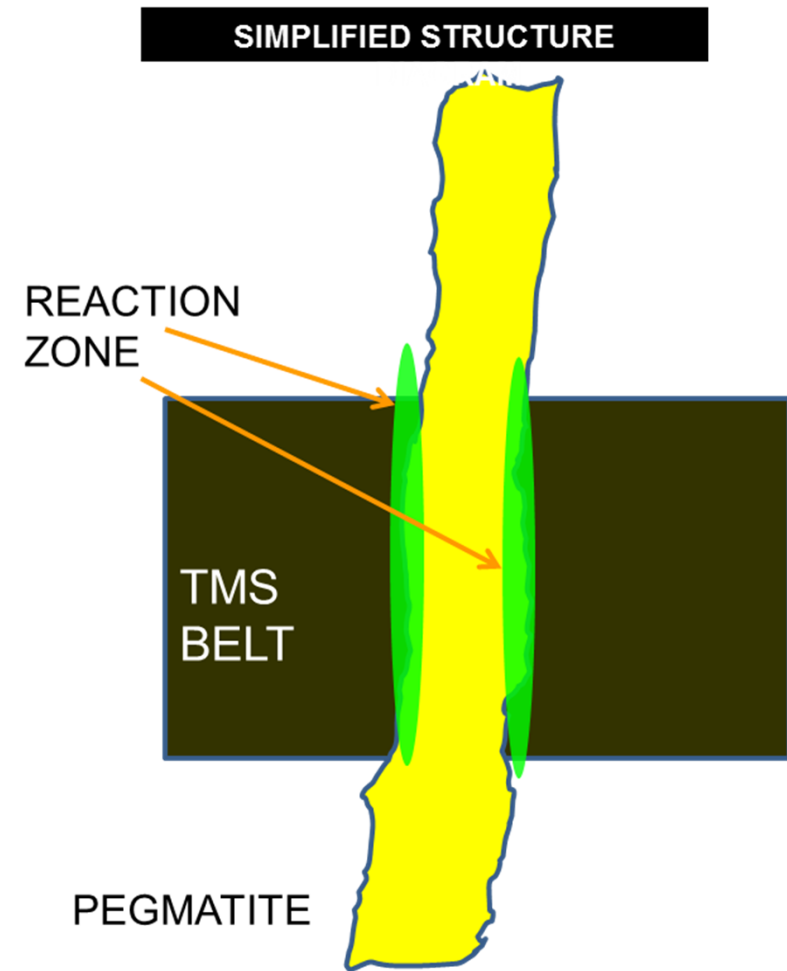
Montepuez Ruby Mine  
(Mozambique)  
75%

Faberge Limited  
100%

Equity Stake in Richland  
Resources (formerly  
TanzaniteOne Ltd)  
Sold: now 0%

# Emerald and Beryl Geology - The Basics

1. Emerald ore, known as Reaction Zone (“RZ”), is created when a pegmatite cuts through a layer or belt of talc-magnetite-schist (“TMS”).
2. A complex reaction between the pegmatite and the TMS results in a layer of RZ of varying thickness and quality. This reaction gives rise to emerald and beryl crystals.
3. RZ contains emeralds and beryl. Both TMS and pegmatite are essentially devoid of emeralds and beryl.
4. TMS belts are typically 10-40 metres thick.
5. Pegmatites vary from a few centimetres to tens of metres thick.



# Kagem Quarterly Production to 30 June 2014

KAGEM Quarterly Summary to June-14	Units	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	TOTAL
<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	3.9	3.6	6.3	71.3
Ore Production (Reaction Zone)	'000 tonnes	24.0	17.5	20.8	40.7	30.5	23.1	24.5	27.8	21.4	17.2	18.0	23.4	288.7
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	205	222	236	181	259	288	265	322	302	224	198	271	247
Waste Mined (including TMS)	million tonnes	2.2	2.2	1.6	2.7	2.6	2.2	2.2	2.5	1.9	1.9	1.0	2.5	25.5
Total Rock Handling	million tonnes	2.2	2.2	1.6	2.8	2.6	2.2	2.3	2.5	1.9	2.0	1.0	2.5	25.8
Stripping Ratio		91	124	77	67	84	96	91	89	88	113	55	108	88
<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	6.8	4.9	8.4	89.2
Implied Operating Profit/(Loss)	USD million	2.6	0.8	3.8	4.8	7.3	5.6	6.1	8.9	6.1	0.9	2.2	4.3	53.3
Gemstone Unit Cost (E+B)	USD/carats	1.5	1.8	1.2	1.3	1.1	1.2	1.06	1.0	1.1	1.76	1.38	1.33	1.25
RZ Unit Cost	USD/RZ tonne	301	400	291	242	280	333	282	325	319	393	273	359	309
Rock Handling Unit Cost	USD/tonne	3.3	3.2	3.7	3.5	3.3	3.4	3.06	3.6	3.6	3.46	4.90	3.31	3.5
<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	4.5	4.5	4.8	50.1
Implied Operating Profit/(Loss) *	USD million	6.0	4.4	5.7	10.5	11.8	8.9	9.4	13.4	8.7	3.2	2.6	7.9	92.4
Gemstone Unit Cost (E+B) *	USD/carats	0.8	0.9	0.8	0.6	0.5	0.7	0.56	0.5	0.7	1.17	1.27	0.75	0.7
RZ Unit Cost *	USD/RZ tonne	162	193	200	104	130	189	147	160	199	261	252	204	173
Rock Handling Unit Cost *	USD/tonne	1.8	1.5	2.6	1.5	1.5	2.0	1.6	1.8	2.2	2.3	4.5	1.9	1.9

1. In the quarter ending 30 June 2014, Kagem recorded gemstone production of 6.3 million carats. Ore grade during the quarter increased to 271 carats per tonne and unit gemstone production costs increased to USD 0.75 per carat excluding capitalised waste mine costs (and USD 1.33 per carat on a cash cost basis).
2. Given their “pockety” nature, it is not unusual for coloured gemstone deposits to display significant and periodic grade and production variation. Kagem’s cumulative grade since January 2005 is approximately 305 carats per tonne.
3. Kagem’s unaudited total cash operating costs for the twelve quarters ending 30 June 2014 totalled USD 89.2 million, implying an average production cost during that period of USD 1.25 per carat of emerald and beryl.

\* With effect from July 2011, Gemfields adopted a new accounting policy whereby all waste moving costs are capitalised and are then subsequently amortised when the corresponding ore in that area is mined (in keeping with the accounting principle of “matching costs to revenues”). Therefore, the following measures are, *only with effect from July 2011*, reported *excluding* the cash costs of waste removal incurred in that month: monthly operating costs (USD million), Unit gemstone production costs (USD/carats), Unit ore production costs (USD per tonne of ore).

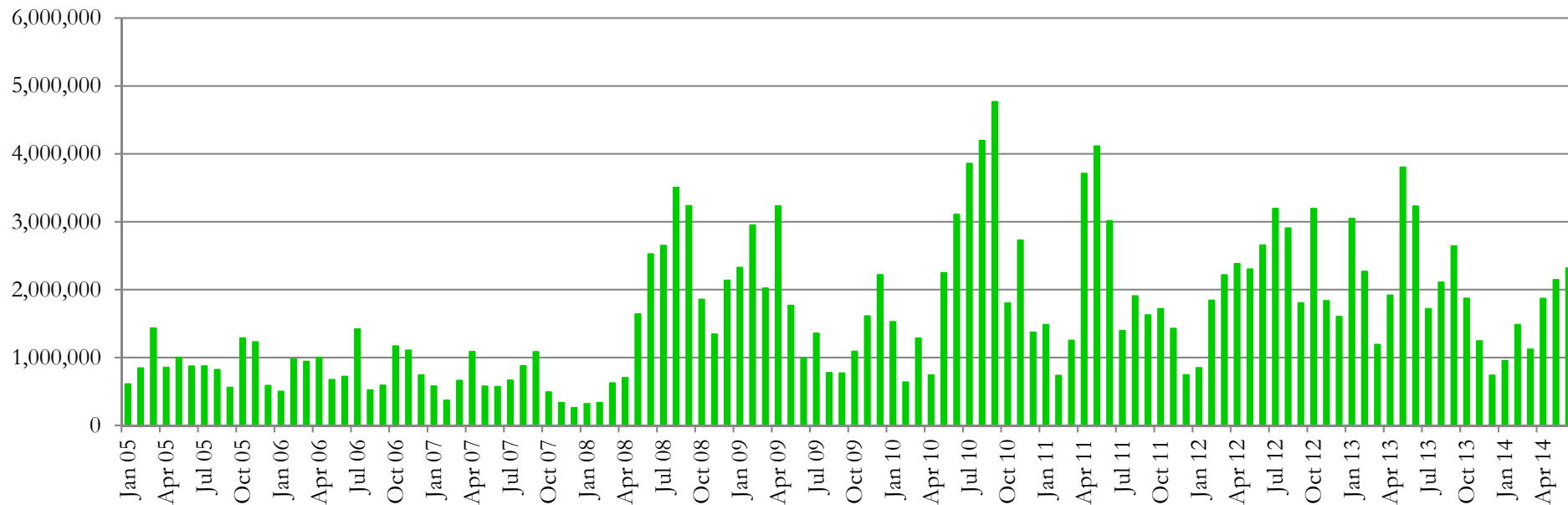
# Kagem Annual Summary

Kagem Annual Production Summary	Units	YEAR to 30 Jun 2006	YEAR to 30 Jun 2007	YEAR to 30 Jun 2008	YEAR to 30 Jun 2009	YEAR to 30 Jun 2010	YEAR to 30 Jun 2011	YEAR to 30 Jun 2012	YEAR to 30 Jun 2013	YEAR to 30 Jun 2014
Gemstone Production (Emerald+Beryl)	million carats	10.2	9.4	9.9	28	17.4	33.0	21.1	30.0	20.2
Ore Production (Reaction Zone)	000 tonnes	22	29	42	80	61	69	103	106	80
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	462	325	233	349	286	478	205	283	253
Waste Mined (incl. TMS)	million tonnes	1.8	2.8	5.1	4.0	2.5	3.9	8.7	9.5	7.3
Waste+ TMS: Reaction Zone	stripping ratio	83	96	120	50	42	57	84	90	92
Total Rock Handling	million tonnes	1.8	2.8	5.1	4.1	2.6	4.0	8.8	9.6	7.4

1. Gemfields was contracted to manage Kagem in November 2007. Gemfields then acquired 75% of Kagem in June 2008. The remaining 25% is owned by the Government of the Republic of Zambia.
2. Kagem recorded gemstone production of 20.2 million carats in the year ending 30 June 2014.
3. Grade during the period ending 30 June 2014 stood at 253 carats per tonne, versus 283 carats per tonne in the year ending 30 June 2013.

# Kagem Monthly Gemstone Production

**Kagem Monthly Gemstone Production (carats)  
Emerald+Beryl**

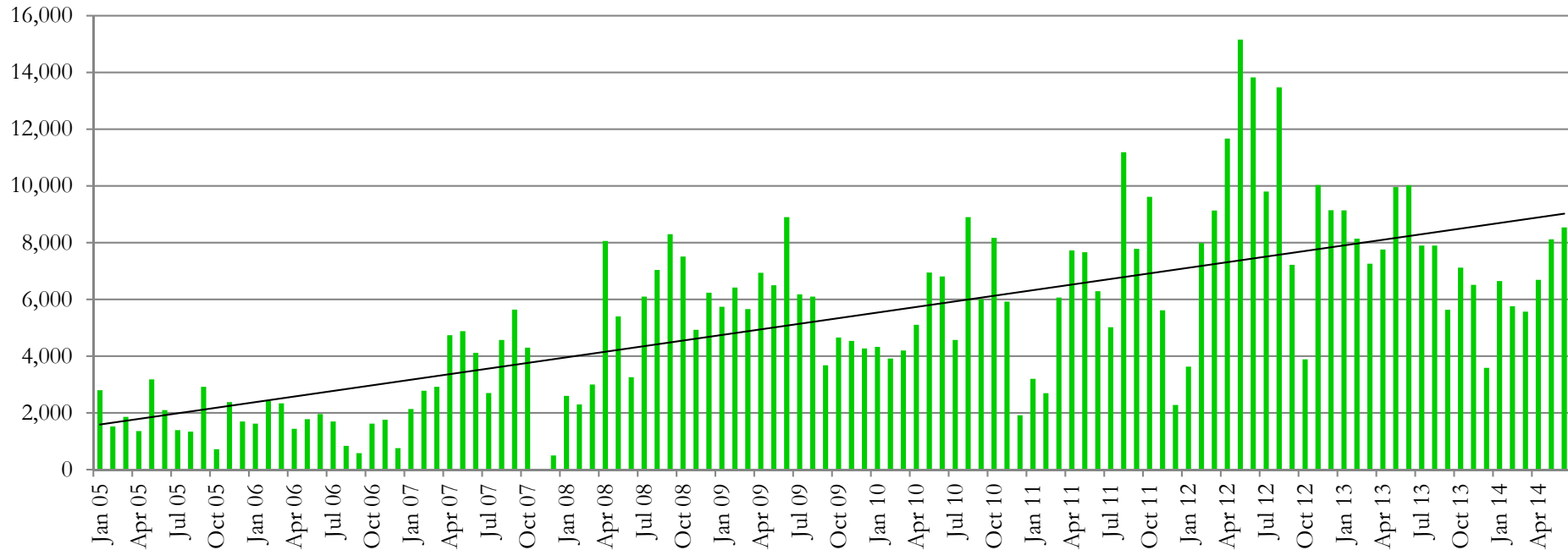


1. During Gemfields' period of ownership (which commenced June 2008), gemstone production has averaged 2.1 million carats per month.
2. Average monthly gemstone production in the quarter ending 30 June 2014 was 2.1 million carats (versus 1.2 million carats per month in the quarter ending 31 March 2014).



# Kagem Monthly Ore Mining

Kagem Reaction Zone (Ore) Mining (tonnes)

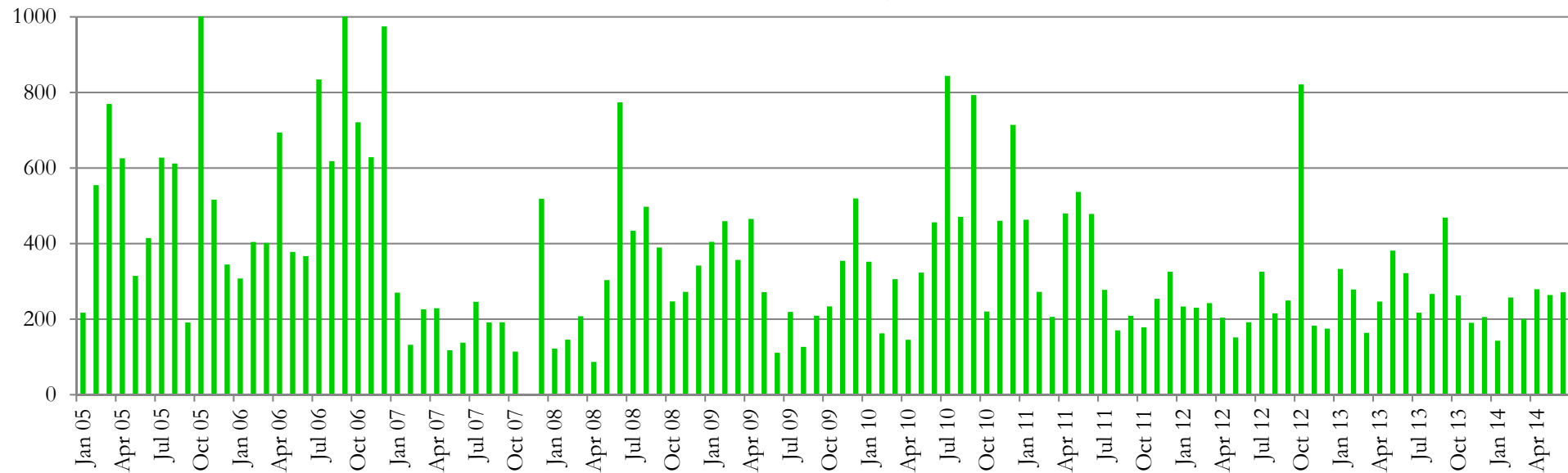


1. Average monthly ore mining (called “Reaction Zone”) in the quarter ending 30 June 2014 stood at 7,783 tonnes (versus 5,991 tonnes per month in the prior quarter).



# Kagem Monthly Ore Grade

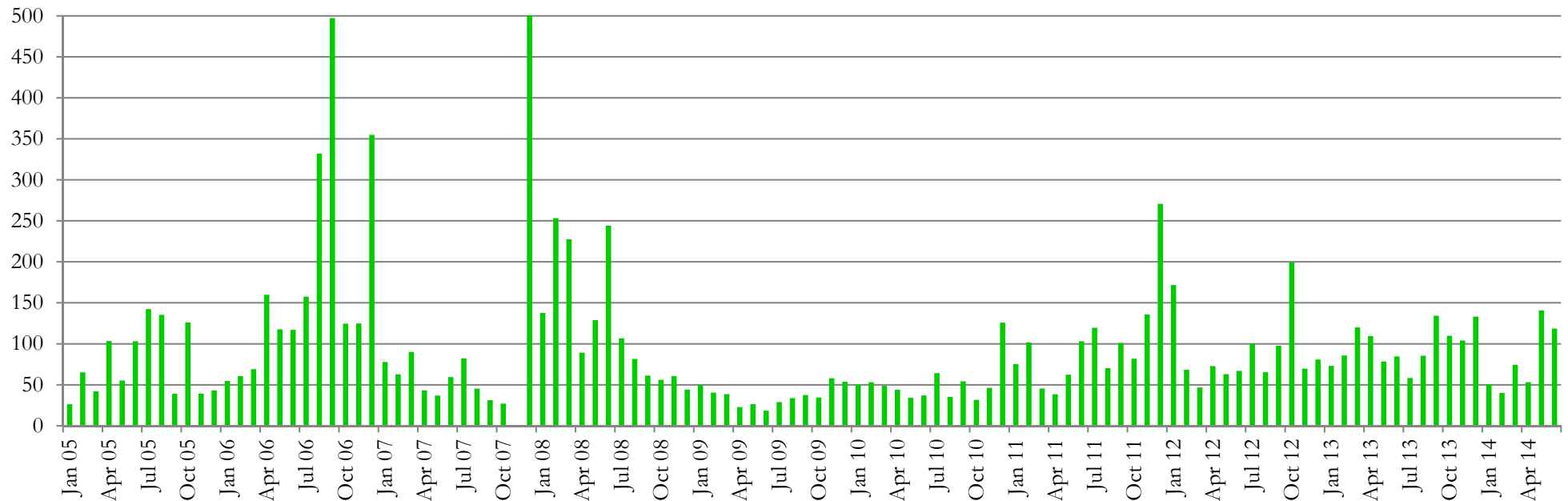
Kagem Reaction Zone All-in Grade (carats per tonne)  
Emerald+Beryl



1. During the quarter ending 30 June 2014, the ore grade averaged 271 carats per tonne (compared with 198 carats per tonne in the prior quarter).
2. Since January 2005, Kagem's cumulative grade is approximately 305 carats per tonne.

# Kagem Monthly Stripping Ratio

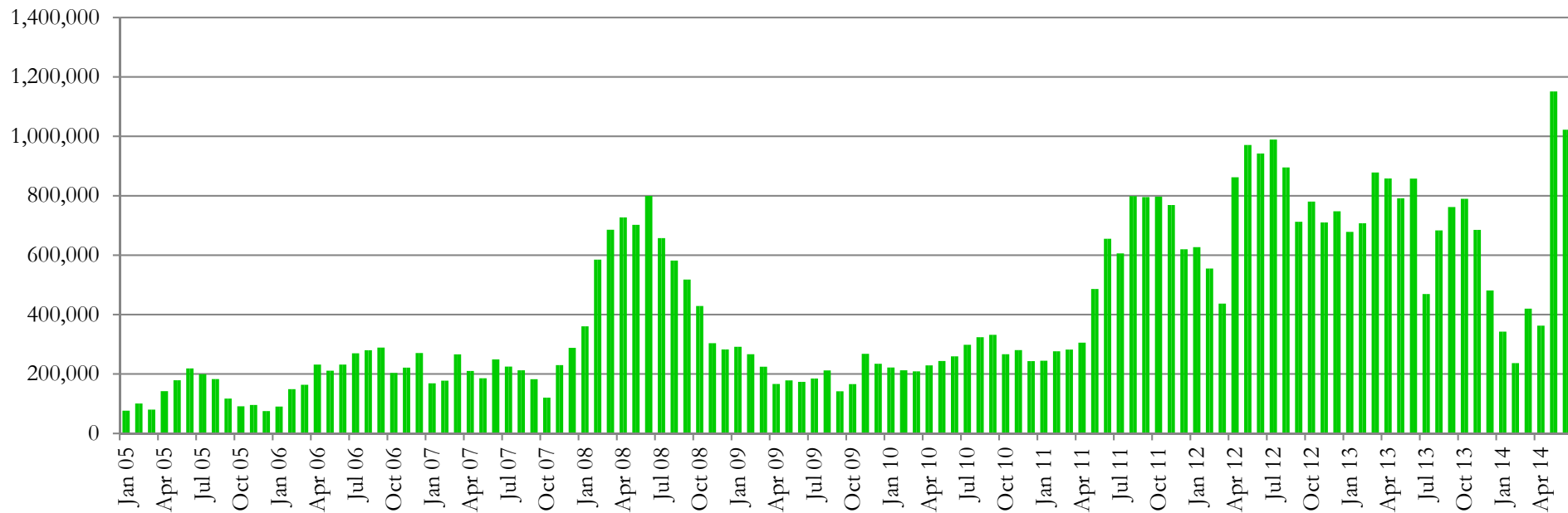
Kagem Strip Ratio (Waste+TMS:Reaction Zone)



1. The early stages of Gemfields' management of Kagem (which commenced November 2007, with ownership occurring from June 2008) was characterised by the removal of a backlog of waste to open new ore areas for future production.
2. Kagem has been carrying out waste stripping of the highwall in the form of three pushbacks since June 2011.
3. The collective stripping ratio from January 2005 through June 2014 is 77:1.

# Kagem Total Monthly Rock Handling

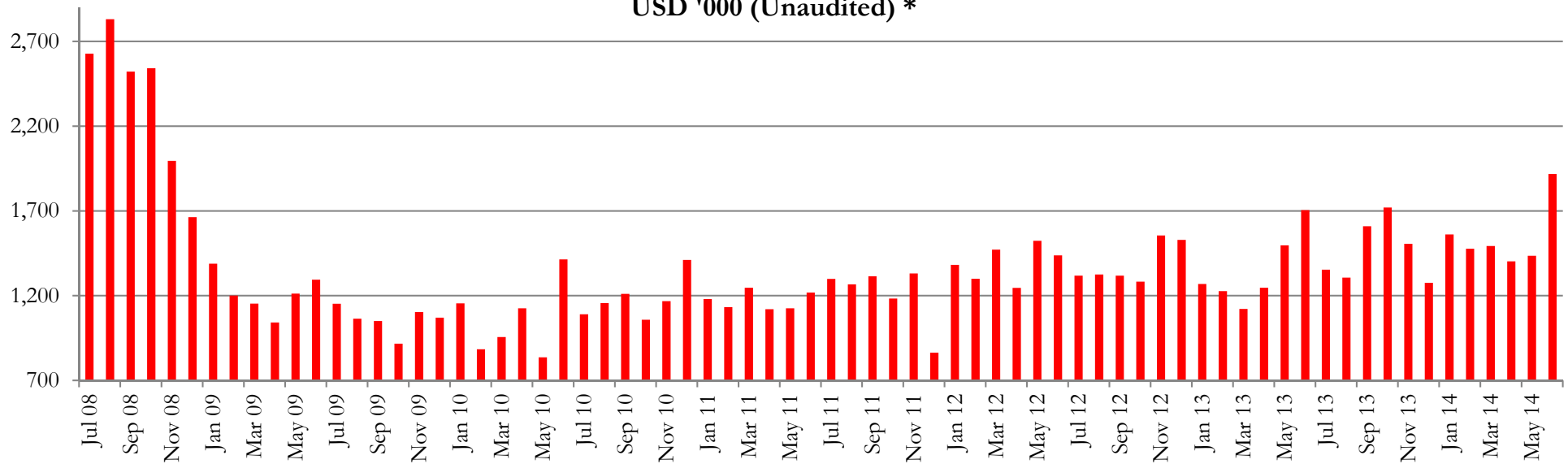
Kagem Total Rock Handling (tonnes)



1. Significant volumes of rock were handled in the early months after Gemfields took over management of Kagem (in November 2007) to open new production areas.
2. A further waste stripping programme (or the “4<sup>th</sup> pushback”) was initiated in May 2014.

# Kagem Total Monthly Operating Costs (unaudited)

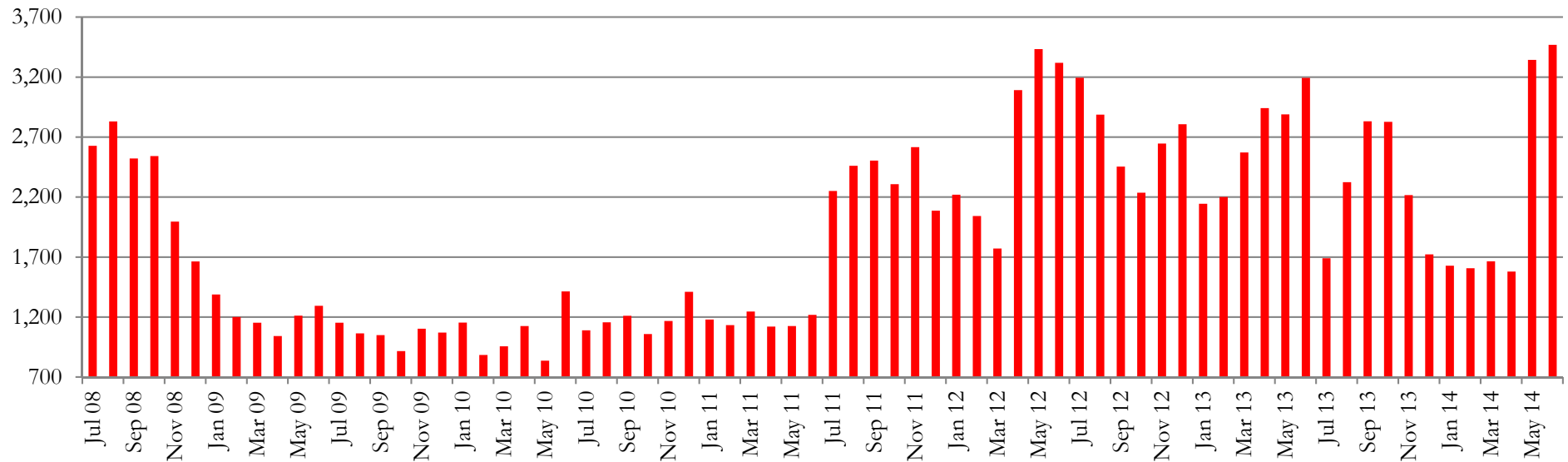
Kagem Total Monthly Operating Costs (**Accounting Policy Basis**)  
USD '000 (Unaudited) \*



1. From November 2008 to May 2011, significant reductions in monthly operating costs have been achieved primarily through a reduction in the stripping ratio and improved operating efficiencies.
2. Unaudited total operating costs (on an accounting policy basis) in the quarter ending 30 June 2014 were USD 4.8 million (i.e. excluding capitalised pushback/stripping costs).
3. With effect from July 2011, Gemfields adopted a new accounting policy whereby all waste moving costs are capitalised and are then subsequently amortised when the corresponding ore in that area is mined (in keeping with the accounting principle of “matching costs to revenues”). To date, approximately USD 39.11 million of waste moving costs have been capitalised and the cumulative cost will be amortised later during the mining of the ore associated with that waste. Accordingly, the cost of the present pushback exercise will not be seen in the graph above until such time as the corresponding ore is mined.

# Kagem Total Monthly Operating Costs (unaudited)

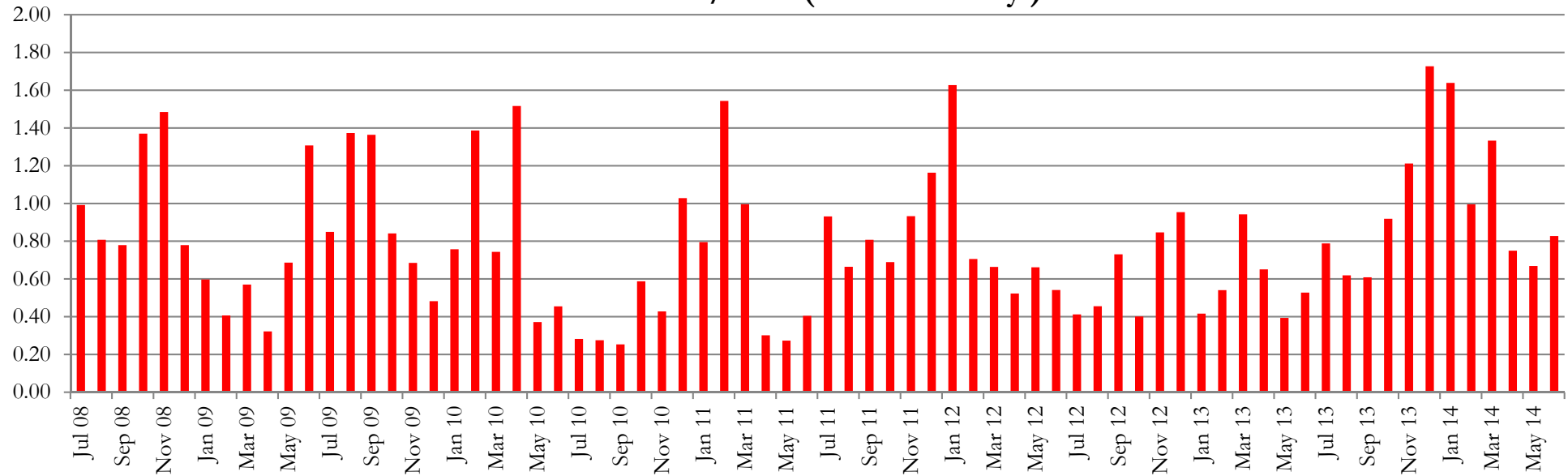
Kagem Total Monthly Operating Costs (Cash Cost Basis)  
USD '000 (Unaudited)



1. From November 2008 to May 2011, significant reductions in monthly operating costs have been achieved primarily through a reduction in the stripping ratio and improved operating efficiencies.
2. Unaudited total cash operating costs in the quarter ending 30 June 2014 were USD 8.4 million (i.e. including pushback / stripping costs).

# Kagem Unit Operating Costs (unaudited)

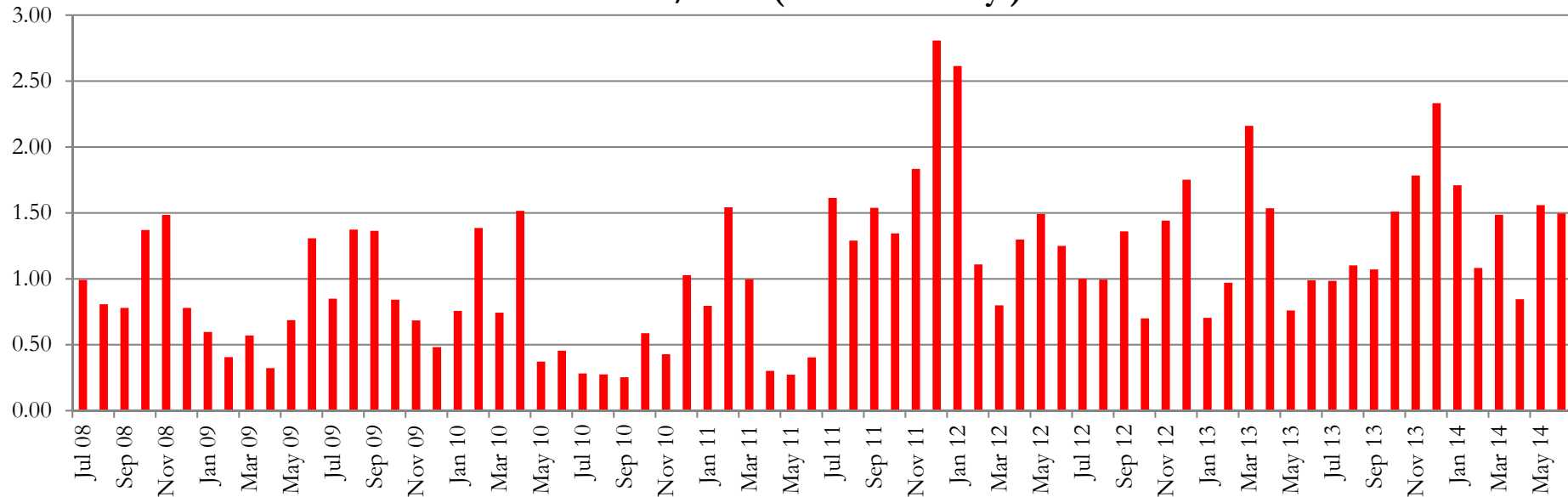
Kagem Unit Operating Costs (**Accounting Policy Basis**)  
USD/carat (Emerald+Beryl)



1. Kagem's average unit production cost during the quarter ending 30 June 2014 was approximately USD 0.75 per carat (excluding capitalised pushback / stripping costs).
2. Kagem's average unit production cost during the twelve quarters ending 30 June 2014 was approximately USD 0.70 per carat (excluding capitalised pushback / stripping costs).

# Kagem Unit Operating Costs (unaudited)

Kagem Unit Operating Costs (Cash Cost Basis)  
USD/carat (Emerald+Beryl)



1. Kagem's average unit production cost during the quarter ending 30 June 2014 was approximately USD 1.33 per carat (on a cash cost basis).
2. Kagem's average unit production cost during the twelve quarters ending 30 June 2014 was approximately USD 1.25 per carat (on a cash cost basis).



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