

## Gemfields plc

("Gemfields" or the "Company")

### Market Update – Quarter to 31 December 2014

17 February 2015

---

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 31 December 2014. 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 December 2014:
  - Production of 5.8 million carats of emerald and beryl (versus 3.9 million carats in the quarter ending 31 December 2013);
  - Grade of 190 carats per tonne (versus 224 carats per tonne in the quarter ending 31 December 2013), a slight decline in grade arising in part from bulk sampling at the new pits of Fibolele and Libwente;
  - Total operating costs<sup>(a)</sup> of USD 11.6 million (versus USD 7.2 million in the quarter ending 31 December 2013), largely on account of increased mining activity across the mining licence area;
  - Unit operating costs<sup>(b)</sup> of USD 2.00 per carat (versus USD 1.85 per carat in the quarter ending 31 December 2013). On a cash basis<sup>(c)</sup>, operating costs were USD 2.12 per carat (versus USD 1.76 per carat in the quarter ending 31 December 2013); and
  - Cash rock handling unit costs of USD 2.93 per tonne (versus USD 3.46 per tonne in the quarter ending 31 December 2013), with increased scale of mining driving increased efficiencies.
- November 2014 auction of predominantly higher quality rough emerald and beryl held in Lusaka, Zambia generated revenues of USD 34.9 million.
- Gemfields' next auction will be of predominantly lower quality rough emerald and beryl mined at Kagem, and will be held in Lusaka, Zambia in the last week of February 2015.

##### Rubies

- Production summary for 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the quarter ending 31 December 2014:
  - Approximately 3.4 million carats of ruby and corundum extracted (versus 2.3 million carats in the quarter ending 31 December 2013);
  - Grade of 34 carats per tonne (versus 64 carats per tonne in the quarter ending 31 December 2013), partially diluted due to the processing of some lower grade portions of the washing plant stockpile;
  - Total operating costs<sup>(d)</sup> of USD 5.7 million (versus USD 2.3 million in the quarter ending 31 December 2013), largely on account of increased mining activity across the mining licence area;
  - Unit operating costs<sup>(b)</sup> of USD 1.68 per carat (versus USD 1.00 per carat in the quarter ending 31 December 2013); and
  - Cash rock handling unit costs of USD 5.24 per tonne (versus USD 9.70 per tonne in the quarter ending 31 December 2013), with increased scale of mining driving increased efficiencies.
- December 2014 auction of predominantly higher quality rough ruby held in Singapore generated revenues of USD 43.3 million at an average realised price of USD 688.64 per carat, the highest ever achieved at any Gemfields auction.
- Gemfields' next auction of Montepuez production will be of predominantly lower quality rough ruby and corundum, and is presently scheduled to take place in Jaipur, India in March 2015.

##### Fabergé

- With a short term shift in focus to various key initiatives set to be rolled out over the coming six months, coupled with a material decrease in sales arising from Ukraine and Russia, wholly owned Fabergé Ltd saw

the value of sales orders agreed<sup>(c)</sup> during the quarter to 31 December 2014 decrease by 12% when compared to the comparative quarter in the prior year.

- Operating costs for the quarter were 5% lower than those in the comparative period in the prior year.
- New high jewellery and time pieces will be unveiled throughout the second half of the fiscal year, including at the Doha Jewellery and Watches Expo in Qatar in late February 2015 and at BaselWorld in Switzerland in late March 2015.

Ian Harebottle, CEO of Gemfields, commented:

*“With a clear focus on increasing the scale of operations across all divisions, including product design and brand positioning at Fabergé as well as exploration and mining activity at both Kagem and Montepuez, quarterly gemstone production was up by more than 40% compared to the same quarter last year, providing Gemfields with another robust production quarter. The results of the two auctions held during the quarter – one of emeralds and one of rubies – demonstrated the ongoing firmness in global demand for coloured gemstones and associated jewellery. We remain upbeat about the growth and development of our sector and look forward to the results of our two forthcoming auctions and the various luxury events scheduled to take place over the next few months.”*

#### 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 presently Gemfields’ only operating emerald mine and is the single largest emerald mine in the world. The key production parameters by quarter are summarised below:

KAGEM Quarterly Summary to December-14	Units	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
<b>PRODUCTION</b>										
Gemstone Production (Emerald+Beryl)	million carats	6.6	6.6	8.9	6.5	3.9	3.6	6.2	6.3	5.8
Ore Production (Reaction Zone)	'000 tonnes	23.1	24.5	27.8	21.4	17.2	18.0	23.4	29.4	30.5
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	288	265	322	302	224	198	271	214	190
Waste Mined (including TMS)	million tonnes	2.2	2.2	2.5	1.9	1.9	1.0	2.5	3.2	4.1
Total Rock Handling	million tonnes	2.2	2.3	2.5	1.9	2.0	1.0	2.5	3.2	4.2
Stripping Ratio		96	91	89	88	113	55	108	109	134
<b>CAPITAL EXPENDITURE</b>										
Capital Expenditure – Property, Plant and Equipment	USD million	3.8	-	0.5	-	-	2.7	0.2	4.5	6.7
Capital Expenditure – Capitalised Waste Stripping	USD million	3.3	3.4	4.6	2.6	2.3	0.4	3.7	3.9	6.3
<b>CASH COSTS <sup>(a)</sup></b>										
Total (Cash) Operating Costs <sup>(a)</sup>	USD million	7.7	6.9	9.1	6.8	6.8	4.9	8.9	9.3	12.3
Gemstone (Cash) Unit Cost (Emerald+Beryl) <sup>(a)</sup>	USD/carats	1.16	1.05	1.02	1.06	1.76	1.38	1.44	1.48	2.12
Ore / Reaction Zone (Cash) Unit Cost <sup>(a)</sup>	USD/RZ tonne	333	282	327	319	393	273	380	316	403
Rock Handling (Cash) Unit Cost <sup>(a)</sup>	USD/tonne	3.43	3.06	3.64	3.58	3.46	4.90	3.56	2.91	2.93
<b>ACCOUNTING COSTS <sup>(b)</sup></b>										
Total Operating Costs <sup>(b)(c)</sup>	USD million	7.0	6.7	7.8	7.1	7.2	6.6	11.1	10.3	11.6
Gemstone Unit Cost (Emerald+Beryl) <sup>(b)</sup>	USD/carats	1.06	1.02	0.88	1.09	1.85	1.83	1.79	1.63	2.00
Reaction Zone Unit Cost <sup>(b)</sup>	USD/RZ tonne	303	273	281	332	419	367	474	350	380
Rock Handling Unit Cost <sup>(b)</sup>	USD/tonne	3.18	2.91	3.12	3.74	3.60	6.60	4.44	3.22	2.76

(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 December 2014, a total of approximately USD 49.42 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 December 2014 amounted to USD 20.5 million.

The fourth phase of the high-wall pushback programme in the main Chama/F10 pit continues to be advanced by both our in-house team and a third party contractor. A total of approximately 4.1 million tonnes of waste was moved during the quarter, with a slightly accelerated rate of contractor waste mining likely to result in completion of the push-back project ahead of schedule.

Having made a considerable contribution to the understanding of underground emerald mining conditions in Zambia, Kagem's trial underground mining project was placed on care and maintenance during the quarter. The results of the pilot project will be incorporated into the ongoing study of larger-scale underground operations and the development of a detailed underground mine plan. An expert underground project manager has been appointed to produce a detailed underground mine plan. In the interim, and given the continued viability of open-pit operations given robust emerald prices, Kagem has the flexibility to extend the open pit operations with further pushbacks.

In addition, the exploration and bulk sampling activities at the Fibolele and Libwente pits are progressing well.

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.

### ***Emerald Auction Update***

The November 2014 auction of predominantly higher quality rough emerald and beryl held in Lusaka, Zambia saw 0.530 million carats being sold, representing 89% of the value offered, and generating auction revenues of USD 34.9 million. The auction yielded an overall average of USD 65.89 per carat, a new record for higher quality emerald and beryl auctions. The auction results are summarised below:

<b>AUCTION RESULTS (HIGHER QUALITY)</b>	<b>NOVEMBER 2014 AUCTION</b>
Dates	13-17 November 2014
Location	Lusaka, Zambia
Type	Higher Quality
Carats offered	0.60 million
Carats Sold	0.53 million
No. of companies placing bids	34
Average no. of bids per lot	12
No. of lots offered	17
No. of lots sold	16
Percentage of lots sold	94%
Percentage of lots sold by weight	89%
Percentage of lots sold by value	89%
Total sales realised at auction	USD 34.9 million
Average per carat sales value	USD 65.89/carat

Gemfields' next auction will be of predominantly lower quality rough emeralds and beryl mined at Kagem and is scheduled to take place in Lusaka, Zambia during the last week of February 2015.

## **MONTEPUEZ RUBIES**

### ***Production Update***

Bulk-sampling operations at the Montepuez ruby project in Mozambique, in which Gemfields has a 75% interest, are continuing to provide positive results and insight into the geology of the deposit. 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:

<b>Montepuez Quarterly Summary to December-14</b>	<b>Units</b>	<b>Dec-12</b>	<b>Mar-13</b>	<b>Jun-13</b>	<b>Sep-13</b>	<b>Dec-13</b>	<b>Mar-14</b>	<b>Jun-14</b>	<b>Sep-14</b>	<b>Dec-14</b>
<b>PRODUCTION</b>										
Gemstone Production (Ruby+Corundum)	million carats	0.3	0.4	1.2	2.9	2.3	1.1	0.2	2.9	3.4
Ore Production (Mineralised Overburden, Gravel Bed, Amphibolite)	'000 tonnes	11.5	1.6	13.5	81.9	150.9	75.9	99.9	81.7	158.3

Ore Processed (Mineralised Overburden, Gravel Bed, Amphibolite)	'000 tonnes	0.2	2.6	10.5	24.6	35.9	28.8	68.9	69.9	101.4
Grade (Ruby+Corundum/Ore Processed)	carats/tonne	1,500	154	114	118	64	38	3	41	34
Waste Mined	'000 tonnes	0.9	16.3	27.5	154.8	137.8	456.5	443.0	452.2	776.9
Total Rock Handling	'000 tonnes	12.4	17.9	41.1	236.6	288.7	532.4	542.9	533.9	935.2
Stripping Ratio		0.1	10.2	2.0	1.9	0.9	6.0	4.4	5.5	4.9
<b>CAPITAL EXPENDITURE</b>										
Capital Expenditure – Property, Plant and Equipment	USD million	0.3	0.5	1.6	0.5	2.9	1.1	1.5	4.5	1.6
<b>CASH COSTS <sup>(a)</sup></b>										
Total (Cash) Operating Costs <sup>(a)</sup>	USD million	1.3	1.2	2.4	2.0	2.8	3.0	3.1	3.7	4.9
Gemstone (Cash) Unit Cost (Ruby+Corundum) <sup>(a)</sup>	USD/carats	4.33	3.00	2.00	0.69	1.22	2.73	15.50	1.28	1.44
Ore Production (Cash) Unit Cost <sup>(a)</sup>	USD/tonne	113.04	750.00	177.78	24.42	18.56	39.53	31.03	45.29	30.95
Rock Handling (Cash) Unit Cost <sup>(a)</sup>	USD/tonne	104.84	67.04	58.39	8.45	9.70	5.63	5.71	6.93	5.24
<b>ACCOUNTING COSTS <sup>(b)</sup></b>										
Total Operating Costs <sup>(b)</sup>	USD million	1.1	0.9	2.0	1.8	2.3	2.4	0.8	4.3 <sup>(c)</sup>	5.7
Gemstone Unit Cost (Ruby+Corundum) <sup>(b)</sup>	USD/carats	3.67	2.25	1.67	0.62	1.00	2.18	4.00	1.48 <sup>(c)</sup>	1.68
Ore Production Unit Cost <sup>(b)</sup>	USD/tonne	95.65	562.50	148.15	21.98	15.24	31.62	8.01	52.63 <sup>(c)</sup>	36.01
Rock Handling Unit Cost <sup>(b)</sup>	USD/tonne	88.71	50.28	48.66	7.61	7.97	4.51	1.47	8.05 <sup>(c)</sup>	6.09

(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 unvalued 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 although new infrastructure, a significant security presence and ongoing efforts have resulted in a strong improvement. Social initiatives are currently underway in the local community, including completion of enhancements to a maternity ward. Environmental and Social Impact Assessment studies have been carried out by accredited third parties and the results will be released in due course.

### **Additional Licences**

During the quarter, Gemfields completed the acquisition of controlling interests in two additional ruby deposits in the Montepuez district of the Cabo Delgado province in Mozambique (the “Megaruma Licences”).

The conditions of the acquisition agreement have now been satisfied and the licences, valid for an initial period of 25 years, were formally issued by the Mozambican government on 22 September 2014 and 12 November 2014 to a new company, Megaruma Mining Limitada, in which Gemfields is a 75% shareholder. The two licences, which do not border on one another, do each share a boundary with Gemfields’ existing 75% owned Montepuez deposit and cover 18,400 hectares and 14,900 hectares respectively. The Megaruma Licences are expected to provide a platform, alongside the Montepuez deposit, for the expansion and development of Gemfields’ Mozambique ruby operations.

### **Ruby Auction Update**

Gemfields’ second auction of rough ruby and corundum held in Singapore in December 2014 comprised predominantly higher quality rough ruby extracted from Montepuez ruby deposit in Mozambique. The auction saw 62,936 carats being sold, representing 97% of the value offered, and generating auction revenues of USD 43.3 million at average realised value of USD 688.64 per carat, the highest ever achieved at any Gemfields auctions. An exceptional 40.23 carat rough ruby extracted from Montepuez ruby deposit was sold at the auction. The auction results are summarised below:

<b>AUCTION RESULTS (HIGHER QUALITY)</b>	<b>DECEMBER 2014 AUCTION</b>
Dates	3-8 December 2014
Location	Singapore
Type	Higher Quality
Carats offered	85,491
Carats Sold	62,936
No. of companies placing bids	50
No. of lots offered	41

No. of lots sold	35
Percentage of lots sold	85%
Percentage of lots sold by weight	74%
Percentage of lots sold by value	97%
Total sales realised at auction	USD 43.3 million
Average per carat sales value	USD 688.64/carat

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

## **FABERGÉ**

Sales arising from Ukraine and Russia fell materially given political and economic developments in the region. In addition, the opening of new wholesale accounts was deferred pending the strategic unveiling of Fabergé's new watch, high jewellery and updated core jewellery collections in late March 2015.

Fabergé's design team continues to concentrate on creating new collections including high jewellery, objets d'art and timepieces. Fabergé is poised to unveil four timepiece collections created in collaboration with two of the world's leading Swiss watchmakers. The BaselWorld jewellery and watch fair, held in Switzerland at the end of March, will also see Fabergé introduce updated core and entry jewellery collections.

## **SRI LANKA**

In September 2014, as previously announced, Gemfields entered into a joint venture with East West Gem Investments Limited ("EWGI") in order to progress opportunities in the Sri Lankan sapphire and gemstone sector via three Sri Lankan subsidiaries which will be 75% and 25% held by Gemfields and EWGI respectively.

A trading licence has been obtained and a token shipment of sapphires was made from Sri Lanka to Gemfields in London. Gemfields is in the process of establishing initial infrastructure in Sri Lanka and initiating preliminary geological assessments in areas of interest.

## **CORPORATE & CASH**

In August 2014, Kagem entered into a USD 20 million revolving credit facility with Barclays Bank Zambia plc of which USD 15 million was drawn down as at 31 December 2014. The funds drawn bear interest at a rate of 3 month USD LIBOR plus 4.5%.

At 31 December 2014, Gemfields had cash and cash equivalents of USD 49.2 million and total debt outstanding of USD 30.3 million, including the outstanding balance of USD 15 million at Kagem.

## **ENQUIRIES:**

Gemfields [janet.boyce@gemfields.co.uk](mailto:janet.boyce@gemfields.co.uk)  
Janet Boyce, CFO +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

Tavistock  
Jos Simson/Emily Fenton +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.

In July 2009, Gemfields commenced a formal auction programme for Zambian emeralds mined at the Kagem emerald mine. To date, the Company has held seventeen auctions of emerald and beryl produced at Kagem and which have generated revenues totalling USD 311 million. The Company has also held two traded emerald auctions (of gems 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.

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.