

Market Update - Quarter to 30 June 2016

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 Gemfields PLC
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Gemfields plc

("Gemfields" or the "Company")

Market Update - Quarter to 30 June 2016

1 August 2016

Gemfields plc (AIM: GEM) is pleased to present an operational update for the three month period ending 30 June 2016, the fourth quarter of the financial year 2016. All figures are approximate and unaudited. Unless otherwise stated, the term "carats" includes both emerald and beryl in relation to the Kagem emerald mine, and both ruby and corundum in relation to the Montepuez ruby mine.

Highlights

Emeralds

- Production summary for 75%-owned Kagem Mining Limited ("Kagem") in Zambia for the **quarter** ending 30 June 2016:
 - Production of 7.2 million carats of emerald and beryl (versus 8.1 million carats in the quarter ending 30 June 2015) with the difference being attributable to the varied nature of the mineralisation and a higher-grade zone having been encountered during the previous comparative period;
 - Average grade of 185 carats per tonne (versus 222 carats per tonne in the quarter ending 30 June 2015). The varying grade is largely on account of a greater proportion of lower grade bulk-sampling pits mined in this quarter;
 - Total operating costs^(a) of USD 12.6 million (versus USD 12.8 million in the quarter ending 30 June 2015);
 - Unit operating costs^(b) of USD 1.75 per carat (versus USD 1.58 per carat in the quarter ending 30 June 2015), while on a cash basis^(c) unit operating costs were USD 1.13 per carat (versus USD 1.30 per carat in the quarter ending 30 June 2015); and
 - Cash rock handling unit costs of USD 2.61 per tonne (versus USD 2.92 per tonne in the quarter ending 30 June 2015).
- Production summary for Kagem for the **financial year** ending 30 June 2016:
 - Annual gemstone production of 30.0 million carats of emerald and beryl is in line with guidance (versus 30.1 million carats in the year ending 30 June 2015);
 - Average grade of 241 carats per tonne (versus 242 carats per tonne in the year ending 30 June 2015);
 - Total operating costs^(a) of USD 47.3 million (versus USD 44.5 million in the year ending 30 June 2015), with the increase largely due to an increase in exploration activities carried out across a number of mineralised zones within the mining licence area and a considerable increase in the scale of in-house mining which is now being expensed in the income statement following the change in mine plan to continuous waste stripping resulting in a change in accounting treatment;
 - Unit operating costs^(b) of USD 1.58 per carat (versus USD 1.48 per carat in the year ending 30 June 2015) largely on account of the increased scale of in-house mining and exploration activities and the unpredictable nature of the mineralisation. On a cash basis^(c), unit operating costs were USD 1.04 per carat (versus USD 1.45 per carat in the year ending 30 June 2015); and
 - Cash rock handling unit costs of USD 2.48 per tonne (versus USD 2.90 per tonne in the year ending 30 June 2015), with the increased scale of in-house mining driving increased efficiencies.
- Auction of predominantly commercial quality rough emerald held in Jaipur, India from 17 to 20 May 2016 generated revenues of USD 14.3 million at an average value of USD 5.15 per carat, delivering a record average price for commercial quality emerald and beryl auctions to date;
- During the financial year 2015-16 Gemfields had four rough emerald and beryl auctions delivering record auction revenues of USD 101.3 million at an overall average value of USD 12.22 per carat; and
- Gemfields' next auction of predominantly commercial quality rough emerald and beryl extracted from Kagem is scheduled to take place in September 2016 in Jaipur, India, followed by an auction of higher quality rough emerald taking place in Singapore in November 2016.

Rubies

- Production summary for 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the **quarter** ending 30 June 2016:
 - Production of 6.2 million carats of ruby and corundum (versus 0.7 million carats in the quarter ending 30 June 2015) supported by processing of the higher grade, but lower value, amphibolite resources;
 - Average grade of 75 carats per tonne (versus 9 carats per tonne in the quarter ending 30 June 2015), attributable to a greater proportion of higher grade amphibolite ore being processed during the quarter;
 - Total operating costs^(a) of USD 7.4 million (versus USD 7.0 million in the quarter ending 30 June 2015);

- Unit operating costs^(b) of USD 1.19 per carat (versus USD 10.00 per carat in the quarter ending 30 June 2015) as a direct result of the increase in carats produced. On a cash basis^(c), unit operating costs were USD 1.00 per carat (versus USD 8.57 per carat in the quarter ending 30 June 2015); and
- Cash rock handling unit costs of USD 7.14 per tonne (versus USD 6.13 per tonne in the quarter ending 30 June 2015) as a result of increase in headcount and fleet size in anticipation of a continued increase in the scale of operations and a reduction in rock handling volumes due to the prolonged rainy season and focus on ore mining rather than waste mining.
- Production summary for Montepuez for the **financial year** ending 30 June 2016:
 - Annual gemstone production of 10.3 million carats of ruby and corundum exceeds 8 million carats guidance (versus 8.4 million carats in the year ending 30 June 2015), with a 68% increase in the volume of the higher quality rubies recovered during the financial year 2016.
 - Average grade of 35 carats per tonne (versus 26 carats per tonne in the year ending 30 June 2015), attributable to a greater proportion of higher grade amphibolite ore being processed during the year;
 - Total operating costs^(a) of USD 26.2 million (versus USD 21.6 million in the year ending 30 June 2015), due to the increase in the scale of exploration and mining activities being carried out across the licence area;
 - Unit operating costs^(b) decreased to USD 2.54 per carat (versus USD 2.57 per carat in the year ending 30 June 2015). On a cash basis^(c), unit operating costs were USD 2.08 per carat (versus USD 2.18 per carat in the year ending 30 June 2015); and
 - Cash rock handling unit costs of USD 6.06 per tonne (versus USD 6.16 per tonne in the year ending 30 June 2015) with an increase in the scale of mining operations supporting an increase in rock handling driving improved unit cost efficiencies.
- A mixed quality auction of rough rubies was held in Singapore from 13 to 19 June 2016 generated revenues of USD 44.3 million at an average value of USD 29.21 per carat;
- During the financial year 2015-16 Gemfields had two rough ruby and corundum auctions delivering USD 73.1 million in auction revenues at an overall average value of USD 45.50 per carat; and
- Gemfields' next mixed quality auction of rough rubies extracted from Montepuez ruby mine is expected to take place by the end of December 2016 in Singapore.

Fabergé

- Fabergé highlights for the **quarter** ending 30 June 2016:
 - The value of sales orders agreed^(d) during the quarter ending 30 June 2016 increased by 14% when compared to the quarter ending 30 June 2015;
 - The number of sales transactions during the quarter ending 30 June 2016 increased by 103% when compared to the quarter ending 30 June 2015;
 - The average selling price per piece fell by 56% during the quarter ending 30 June 2016, with the difference being attributable to two significant pieces that were sold during the comparative quarter ending 30 June 2015; and
 - Total operating costs for the quarter ending 30 June 2016 fell by 28% when compared to the quarter ending 30 June 2015.
- Fabergé highlights for the **financial year** ending 30 June 2016:
 - Sales orders agreed^(d) during the year ending 30 June 2016 fell by 10% when compared to the year ending 30 June 2015 largely due to no high value objets d'art being sold in the financial year ending 30 June 2016;
 - The number of sales transactions during the year ending 30 June 2016 increased by 46% when compared to the year ending 30 June 2015;
 - The average selling price per piece fell by 34% over the same period largely on account of no high value objets d'art being sold, while sales margins were maintained at the levels achieved in the same period in 2015;
 - Total operating costs for the year ending 30 June 2016 fell by 2% when compared to the year ending 30 June 2015, despite a significant increase in advertising spend; and
 - The unveiling of innovative second collections of timepieces and refreshed core and entry jewellery collections was well received by the trade at BaselWorld 2016.

Post period end

- \$65 million financing facilities secured for production growth and expansion including 20 million carats of rough rubies in Montepuez and more than 40 million carats of rough emeralds in Kagem within the next 3 years.

Ian Harebottle, CEO of Gemfields, commented:

"The outstanding efforts and commitment of each of our team members across all divisions, and the dedicated support of our various operating partners, has once again delivered a pleasing set of quarterly results to close out our financial year.

Demand for our products and the way in which they are presented continue to rise, achievable prices are on the increase and costs are well contained while the level of work and output has increased significantly. This is an exceptional achievement in itself, but is even more impressive when considered against a backdrop of market uncertainty in a number of jurisdictions and Gemfields' ever expanding operating footprint.

The \$65 million financing facilities announced in July provide the funding to sustain our growth and expansion plans to increase annual production to approximately 20 million carats of rough rubies in Montepuez and more than 40 million carats of rough emeralds in Kagem within the next 3 years. We look forward to continuing this same level of momentum into the coming year."

Explanatory Notes:

(a) Total operating costs include mining and production costs, selling, general and administrative expenses, depreciation and amortisation, but exclude capitalised costs and mineral royalties.

(b) Unit operating costs are calculated as total operating costs divided by the total gemstone production during the period.

(c) Cash operating costs include mining and production costs, capitalised costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation, amortisation and mineral royalties.

(d) 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 and Operations Update

The 75%-owned Kagem emerald mine remains the single largest producing emerald mine in the world. The key production parameters by

quarter and financial year are summarised below:

KAGEM Quarterly and Annual Summary to June-16	Units	Quarter								Financial Year	
		Dec- Sep-14	Mar- 14	Jun- 15	Mar- 15	Jun- 15	Mar- 16	Jun- 16	2014-15	2015-16	
PRODUCTION											
Gemstone Production (Emerald+Beryl)	million carats	6.3	5.8	9.9	8.1	7.5	8.2	7.1	7.2	30.1	30.0
Ore Production (Reaction Zone)	'000 tonnes	29.4	30.5	27.9	36.5	31.7	30.1	23.9	39.0	124.3	124.7
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	214	190	355	222	237	272	297	185	242	241
Waste Mined (including TMS)	million tonnes	3.2	4.1	4.0	3.6	4.0	2.8	2.6	3.1	14.9	12.5
Total Rock Handling	million tonnes	3.2	4.2	4.0	3.6	4.1	2.8	2.6	3.1	15.0	12.6
Stripping Ratio		109	134	143	99	126	93	109	79	120	100
CAPITAL EXPENDITURE											
Property, Plant and Equipment	USD million	4.5	6.7	1.0	1.8	0.2	0.5	2.6	0.4	14.0	3.7
Capitalised Waste Stripping ^(d)	USD million	3.9	6.3	5.9	4.7	2.5	-	-	-	20.8	2.5
CASH COSTS^(a)											
Total (Cash) Operating Costs ^(a)	USD million	9.3	12.3	11.4	10.5	8.4	8.0	6.8	8.1	43.5	31.3
Gemstone (Cash) Unit Cost (Emerald+Beryl) ^(a)	USD/carats	1.48	2.12	1.15	1.30	1.12	0.98	0.96	1.13	1.45	1.04
Ore / Reaction Zone (Cash) Unit Cost ^(a)	USD/RZ tonne	316	403	409	288	265	266	285	208	350	251
Rock Handling (Cash) Unit Cost ^(a)	USD/tonne	2.91	2.93	2.85	2.92	2.05	2.86	2.62	2.61	2.90	2.48
ACCOUNTING COSTS^{(b)(d)}											
Total Operating Costs ^{(b)(c)(d)}	USD million	10.3	11.6	9.8	12.8	11.4	12.1	11.2	12.6	44.5	47.3
Gemstone Unit Cost (Emerald+Beryl) ^{(b)(d)}	USD/carats	1.63	2.00	0.99	1.58	1.52	1.48	1.58	1.75	1.48	1.58
Ore / Reaction Zone Unit Cost ^{(b)(d)}	USD/RZ tonne	350	380	351	351	360	402	469	323	358	379
Rock Handling Unit Cost ^{(b)(d)}	USD/tonne	3.22	2.76	2.45	3.56	2.78	4.32	4.31	4.06	2.97	3.75

(a) Cash operating costs include mining and production costs, capitalised costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation, amortisation and mineral royalties.

(b) Total operating costs include mining and production costs, selling, general and administrative expenses, depreciation and amortisation, but exclude capitalised waste stripping costs and mineral royalties.

(c) As at 30 June 2016, a total of approximately USD 62.4 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 30 June 2016 amounted to USD 15.5 million.

(d) Following the release of the updated JORC Resource and Reserves Statement in September 2015 and change in mine plan at Kagem from significant contractor push backs to continuous in-house waste stripping, the costs associated with in-house waste removal during the financial year are now being expensed to the income statement rather than capitalised as a deferred stripping asset. The results of the three quarters to March 2016 have been restated, to reflect this change in accounting treatment.

Continuous waste stripping and ore mining of the Chama pit was carried out by our in-house mining team. Total rock handling during the quarter ending 30 June 2016 was 3.1 million tonnes with total production of 7.2 million carats. Increasing the strike length at the Chama pit and optimising production scheduling has assisted in further improved mining efficiencies and productivity. Exploration and bulk sampling activities at the Fibolele and Libwente sectors are progressing well and continue to deliver promising early stage results.

A GPS based radio controlled fleet monitoring and management system was made fully operational during the quarter to June 2016. The system will improve the real time tracking and allocation of fleet. The utilisation of bulk emulsion explosives has further improved blasting performance and resulted in optimised rock fragmentation leading to less wear and tear of fleet buckets and improved cost of production. Security infrastructure has been further augmented by the installation of state-of-the-art digital security and surveillance technology across the mining and production infrastructure.

Kagem continues to maintain an excellent safety record and a high-level commitment to the safety and wellbeing of our employees. Kagem prides itself on its ability to produce emeralds that are mined in a responsible and transparent way with minimised impact on the natural environment. As a result of this achievement, Kagem was awarded with the Green Award by Zambia Environmental Management Authority (ZEMA) for exemplary environment management practices this year.

Kagem has embarked on an inclusive community strategy and is currently engaging local stakeholders to assist in further developing project plans. The new Chapula Secondary School and Nkana Clinic are now completed and are scheduled to be formally inaugurated by the President in the near term.

Emerald Auction Update

The May 2016 auction of predominantly commercial quality rough emerald held in Jaipur, India, saw 2.78 million carats being sold. This represented 79% of the value and 76% of the weight offered and generated a commercial quality auction revenue of USD 14.3 million. The auction yielded an overall average value of USD 5.15 per carat, a record average price per carat achieved to date for commercial quality emerald auctions.

During the financial year 2015-16 Gemfields had four rough emerald and beryl auctions including two auctions of predominantly higher quality emerald and two auctions of predominantly commercial quality emerald. The auctions saw approximately 8.3 million carats being sold in the financial year, representing on average 90% of the value and 84% of the weight offered, and generating auction revenues of USD 101.3 million. The auctions, which included a significant amount of commercial quality emerald, yielded a pleasing overall average value of USD 12.22 per carat.

The auction results are summarised below:

KAGEM AUCTION RESULTS	Sep 2015	Nov 2015	Apr 2016	May 2016	FY2015-16
Dates	31 Aug-4 Sep 2015	18-21 Nov 2015	30 Mar-3 Apr 2016	17-20 May 2016	
Location	Singapore	Jaipur, India	Lusaka	Jaipur, India	
Type	Higher quality	Commercial quality ^(a)	Higher quality	Commercial quality ^(a)	
Carats offered	0.60 million	5.07 million	0.56 million	3.67 million	USD 9.89 million
Carats sold	0.59 million	4.45 million	0.47 million	2.78 million	USD 8.30 million
No. of companies placing bids	37	29	33	26	125
Average no. of bids per lot	11	6	9	7	8
No. of lots offered	19	23	18	18	78
No. of lots sold	18	18	16	14	66
Percentage of lots sold	95%	78%	89%	78%	85%
Percentage of lots sold by weight	98%	88%	84%	76%	84%

Percent tage of lots sold by value	88%	95%	94%	79%	90%
Total sales realised at auction	USD 34.7 million	USD 19.2 million	USD 33.1 million	USD 14.3 million	USD 101.3 million
Average per carat sales value	USD 58.42/carats	USD 4.32/carats	USD 70.68/carats	USD 5.15/carats	USD 12.22/carats

(a) The term "lower quality" has been changed to "commercial quality" as it more accurately describes the end usage and price points achieved.

Gemfields' next auction of predominantly commercial quality rough emerald and beryl extracted from Kagem is scheduled to take place in September 2016 in Jaipur, India, followed by an auction of higher quality rough emerald taking place in Singapore in November 2016.

MONTEPUEZ RUBIES

Production and Operations Update

The ongoing mining and bulk sampling operations continued during the period at the Montepuez ruby deposit in Mozambique, in which Gemfields has a 75% interest. The key production parameters by quarter and financial year are summarised below:

MONTEPUEZ Quarterly and Annual Summary to June-16	Units	Quarter								Financial Year	
		Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	2014-15	2015-16
PRODUCTION											
Gemstone Production (Ruby+Corundum)	million carats	2.9	3.4	1.4	0.7	0.5	1.6	2.0	6.2	8.4	10.3
Ore Production (Primary+Secondary)	'000 tonnes	81.7	158.3	79.4	119.5	136.9	132.9	65.1	175.5	438.9	510.4
Ore Processed (Primary+Secondary)	'000 tonnes	69.9	101.4	78.6	75.5	72.8	71.7	67.6	83.1	325.4	295.2
Grade (Ruby+Corundum/Ore Processed)	carats/tonne	41	34	18	9	7	22	30	75	26	35
Waste Mined	'000 tonnes	452.2	776.9	441.7	859.7	996.8	922.0	406.3	693.2	2,530.5	3,018.3
Total Rock Handling	'000 tonnes	533.9	935.2	521.1	979.2	1,133.7	1,054.9	471.4	868.7	2,969.4	3,528.7
Stripping Ratio		5.5	4.9	5.6	7.2	7.3	6.9	6.2	3.9	5.8	5.9
CAPITAL EXPENDITURE											
Property, Plant and Equipment	USD million	4.5	1.6	1.4	2.3	3.3	1.8	1.6	0.8	9.8	7.5
CASH COSTS (a)											
Total (Cash) Operating Costs (a)	USD million	3.7	4.9	3.7	6.0	5.1	5.3	4.8	6.2	18.3	21.4
Gemstone (Cash) Unit Cost (Ruby+Corundum) (a)	USD/carats	1.28	1.44	2.64	8.57	10.20	3.31	2.40	1.00	2.18	2.08
Ore Production (Cash) Unit Cost (a)	USD/tonne	45.29	30.95	46.60	50.21	37.25	39.88	73.73	35.33	41.70	41.93
Rock Handling (Cash) Unit Cost (a)	USD/tonne	6.93	5.24	7.10	6.13	4.50	5.02	10.18	7.14	6.16	6.06
ACCOUNTING COSTS (b)											
Total Operating Costs (b)	USD million	4.3 ^(c)	5.7	4.6	7.0	6.1	6.9	5.8	7.4	21.6	26.2
Gemstone Unit Cost (Ruby+Corundum) (b)	USD/carats	1.48 ^(c)	1.68	3.29	10.00	12.20	4.31	2.90	1.19	2.57	2.54
Ore Production Unit Cost (b)	USD/tonne	52.63 ^(c)	36.01	57.93	58.58	44.56	51.92	89.09	42.17	49.21	51.33
Rock Handling Unit Cost (b)	USD/tonne	8.05 ^(c)	6.09	8.83	7.15	5.38	6.54	12.30	8.52	7.27	7.42

(a) Cash operating costs include mining and production costs, capitalised costs, selling, general and administrative expenses, and exclude PPE-related capital expenditure, depreciation, amortisation and mineral royalties.

(b) Total operating costs include mining and production costs (including security costs), selling, general and administrative expenses, depreciation and amortisation, but exclude capitalised costs and 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.

In the quarter ending 30 June 2016, a total of 175.5 thousand tonnes of ore was mined (versus 119.5 thousand tonnes for the quarter ending 30 June 2015) with 83.1 thousand tonnes being processed (versus 75.5 thousand tonnes for the quarter to 30 June 2015). The stripping ratio declined to 3.9 (versus 7.2 for the quarter to 30 June 2015) due to the mining of exposed ore in Mugloto and Glass pits that was stripped during the previous quarters. Average grade during the quarter increased 75 carats per tonne (compared to 9 carats per tonne in the comparative period during the prior year) producing a total of 6.2 million carats of ruby and corundum (versus 0.7 million carats in the quarter to 30 June 2015). The increase is due to processing of ore with high concentrations of lower quality gemstones. In the coming periods, processing will focus on lower grade but higher quality ore.

During the quarter ending 30 June 2016, the wash plant saw a 10% increase in tonnes processed, when compared to the same quarter year on year. The increase is due to improved production planning and processing availability.

The construction of the new Montepuez camp is proceeding according to the plan and will be fully completed by December 2016. The new kitchen, dining space, entertainment room, and accommodations block have been inaugurated and were made operational during this quarter.

In order to facilitate DUAT, a technical team from the National Directorate of Land completed a site audit in April 2016. The DUAT application is currently being reviewed by the Land Minister's office and will subsequently be presented to the council of Ministers. The comprehensive Resettlement Action Plan (RAP) has also been completed and submitted and is currently being reviewed by the Government of Mozambique. The DUAT and RAP submissions are both expected to be approved by December 2016.

Given the size and nature of the concession area, unlicensed mining activity and asset loss remain a challenge. Montepuez continued with its planned implementation of new security and associated infrastructure at mine site, including the establishment of office blocks, stores, diesel tanks, and other technological interventions to assist in further improving its capabilities and minimising the risks to a large extent.

Regular employee and contractor training sessions covering human rights, voluntary principles and conflict resolution have continued during the quarter. Construction of a new security base in the concession area was started in April 2016 and is progressing well.

Montepuez established seven agricultural associations, four of which have already been officially registered by the government. Two of the newly created associations are specifically designed to support the empowerment of women.

Ruby Auction Update

The June 2016 auction of higher, medium and commercial quality rough ruby and corundum extracted from Montepuez ruby mine held in Singapore saw 1.52 million carats being sold, representing 98% of the value offered and 95% of the weight offered, and generating auction revenues of USD 44.3 million. The auction yielded an overall average value of USD 29.21 per carat.

During the financial year 2015-16 Gemfields had two rough ruby and corundum auctions including one auction of predominantly higher and medium quality material and one auction of predominantly higher, medium and commercial quality material. The auctions saw approximately 1.61 million carats being sold in the financial year, representing on average 97% of the value offered and 95% of the weight offered, and generating auction revenues of USD 73.1 million. The auctions yielded an overall average value of USD 45.50 per carat.

The auction results are summarised below:

MONTEPUEZ AUCTION RESULTS	Dec 2015	Jun 2016	FY2015-16
Dates	14-18 Dec 2015	13-19 Jun 2016	
Location	Singapore	Singapore	
Type	Higher & medium quality	Higher, medium & commercial quality	
Carats offered	92,136	1.60 million	1.69 million
Carats sold	90,642	1.52 million	1.61 million
No. of lots offered	49	75	124
No. of lots sold	45	71	116
Percentage of lots sold	92%	95%	94%
Percentage of lots sold by weight	98%	95%	95%
Percentage of lots sold by value	95%	98%	97%
Total sales realised at auction	USD 28.8 million	USD 44.3 million	USD 73.1 million
Average per carat sales value	USD 317.92/carat	USD 29.21/carat	USD 45.50/carat

Gemfields' next mixed quality auction of rough rubies extracted from Montepuez ruby mine is expected to take place by end of December 2016 in Singapore.

FABERGÉ

Fabergé saw a 14% increase in the value of sales orders agreed during the quarter ending 30 June 2016 when compared to the quarter ending 30 June 2015 while this same figure reduced by 10% for the full year ending 30 June 2016 when compared to the year ending 30 June 2015. However, the number of sales transactions increased by 103% and 46% for the quarter and year ended 30 June 2016 respectively and when compared to the same period in 2015, with these changes reflecting a positive consumer response to a strategic shift in the average price points for products on display.

Fabergé cemented its position as a future leader in the watch-making industry by winning the 'Ladies Complication' award at Watchfair Luxemburg in June 2016 for the 'Lady Peacock Emerald', a variant of the 'Lady Compliquée Peacock' timepiece. This follows winning the 'Ladies Hi-Mechanical' award at the prestigious Grand Prix d'Horlogerie de Genève in October 2015.

COLOMBIA

Gemfields continued with its pre-emptive exploration and mine planning exercises in preparation for completion of the Coscuez transaction and as part of the base-level arrangements for future operations. These included rock support testing, hoisting system evaluation as well as waste dump, ventilation system and wash plant design. The administrative control of the ISAM licenses portfolio has been largely transferred to the project team. Gemfields also carried out field visits and preliminary geological activities in selected ISAM licenses.

During the period, Gemfields conducted several meetings with the Ministry of Mines and the National Mining Agency (ANM) regarding the completion of the pending issues between Esmeracol and the Columbian Government. Completion of the transaction was extended by a further three months to September 2016 in view of the pending issues. Gemfields has also presented the Suna Verde Digital Communications Platform to the Ministry of Mines and discussed environmental and social topics with the relevant divisions within the Ministry.

SRI LANKA

Necessary geological and geophysical exploration work for diverse minerals has been completed in selected areas across the exploration licenses. Following field assessment, the requisite bi-annual reports have been submitted to the Geological Survey and Mines Bureau of Sri Lanka (GSMB) and the process of licence renewal has been completed.

Initial steps to set up an in-house gemmological laboratory and the implementation of standard operating procedures for gemstone authentication has been completed. Gemfields intends to commence trading operations, in the second quarter of the financial year 2016-17.

ETHIOPIA

An exploratory drilling program was initiated at the end of June 2016 in the Dogogo South Block. The drill targets are based on the inputs from the trenching and exploratory pitting exercise carried out earlier in the year. Further trenching work has been carried out in the Dogogo North Block. The excavated trenches covered a total cumulative length of 2.7 km. The average width is 70 cm to 80 cm, with a depth ranging from 60 cm to 150 cm. Contacts have been exposed between pegmatite and talc mica schist. The occurrence of beryl and mineralised reaction zone has also been recorded.

MARKETING

In May 2016 Gemfields announced a collaboration with Chopard, the official partner of the Cannes Film Festival since 1998. The partnership marked a new milestone in the Swiss luxury jeweller's 'Journey to Sustainable Luxury' at this year's festival in May.

To mark the occasion, Chopard unveiled a new capsule collection of Green Carpet High Jewellery within its Red Carpet Collection, showcasing Gemfields emeralds. The stunning pieces were worn by actress Julianne Moore during the festival and widely covered in global media as a result.

Through this enduring partnership, Chopard will work with Gemfields to set the agenda for a new global standard for coloured gemstones.

On 22 June 2016 Gemfields launched a global marketing campaign to promote Mozambican rubies. A series of three short films called 'Ruby Inspired Stories' formed the backbone of the global marketing campaign and explore the hidden meaning behind the "captivating" gemstones. Gemfields' core belief is that there is 'A Story in Every Gemstone'. Three stories were portrayed with a film for passion, a film for protection and a film for prosperity, each focusing on rubies. In just under 2 weeks the 'Passion' film had already reached over 550,000 views and the campaign was listed in the top 10 brand social videos of the second quarter of calendar 2016 on 'Luxury Daily' <https://www.luxurydaily.com/top-10-brand-social-videos-of-q2-3/>.

CORPORATE & CASH

Gemfields finalised four debt financing facilities including USD 20 million financing facility with Macquarie Bank Limited ("Macquarie") and USD 45 million facilities for Montepuez, comprising USD 15 million unsecured overdraft facility with Barclays Bank Mozambique S.A., USD 15 million overdraft facility with Banco Comercial E De Investimentos, S.A. ("BCI") and USD 15 million finance leasing facility with BCI. For terms of the facilities please refer to the announcement made on 4 July 2016.

At 30 June 2016, Gemfields had cash and cash equivalents of USD 41.5 million. The total debt outstanding at 30 June 2016 was USD 51.5 million, which includes a USD 20.0 million loan from Macquarie Bank Limited (UK Branch), a USD 6.5 million loan from Pallinghurst Resources Limited and Kagem's outstanding debt balance of USD 25.0 million with Barclays Bank. Gemfields had total sales, general and administrative expenses of USD 14.2 million in the quarter to 30 June 2016.

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Notes to Editors:

Gemfields plc is a leading supplier of responsibly sourced coloured gemstones and is quoted on the AIM market of the London Stock Exchange (ticker: GEM) where it is a constituent of the AIM50 index.

Gemfields is the operator and 75 per cent. owner of both the Kagem emerald mine in Zambia (believed to be the world's single largest producing emerald mine) and the Montepuez ruby deposit in Mozambique (one of the most significant recently discovered ruby deposits in the world). In addition Gemfields also holds a 50 per cent. interest in the Kariba amethyst mine in Zambia, as well as controlling interests in various other gemstone mining and prospecting licenses in Zambia, Mozambique, Colombia, Ethiopia, Madagascar and Sri Lanka.

Gemfields' outright ownership of the Fabergé brand - an iconic and prestigious brand of exceptional heritage - enables Gemfields to optimise positioning, perception and consumer awareness of coloured gemstones, advancing the Group's "mine and market" vision.

Gemfields has developed a proprietary grading system and a pioneering auction and trading platform to provide a consistent supply of quality coloured gemstones to the global downstream markets. This is a key component of the Company's business model which the Directors believe has played an important role in the appropriate distribution and associated resurgence of the global coloured gemstone sector.

www.gemfields.co.uk

"The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulations (EU) No. 596/2014."

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