Gemfields plc

("Gemfields" or the "Company")

Market Update – Quarter to 30 June 2014

7 August 2014

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 30 June 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 30 June 2014:
  - Production of 6.3 million carats of emerald and beryl (versus 8.9 million carats in the quarter ending 30 June 2013);
  - Grade of 271 carats per tonne (versus 322 carats per tonne in the quarter ending 30 June 2013);
  - Operations at the mine remain robust and well positioned ahead of an anticipated improvement in grades;
  - Total cash operating costs of USD 8.4 million (versus USD 9.0 million in the quarter ending 30 June 2013);
  - Unit production costs of USD 0.75 per carat (versus USD 0.50 per carat in the quarter ending 30 June 2013). On a cash basis, production costs were USD 1.33 per carat (versus USD 1.01 per carat in the quarter ending 30 June 2013); and
  - Cash rock handling unit costs of USD 3.31 per tonne (versus USD 3.60 per tonne in the quarter ending 30 June 2013).
- Production summary for 75%-owned Kagem Mining Limited ("Kagem") in Zambia for the **financial year** ending 30 June 2014:
  - Annual gemstone production of 20.2 million carats (versus 30.0 million carats in the year ending 30 June 2013);
  - Grade of 253 carats per tonne (versus 283 carats per tonne in the year ending 30 June 2013);
  - Total cash operating costs of USD 26.9 million (versus USD 32.2 million in the year ending 30 June 2013);
  - Unit per carat production costs of USD 0.89 per carat (versus USD 0.55 per carat in the year ending 30 June 2013). On a cash basis, production costs were USD 1.33 per carat (versus USD 1.07 per carat in the year ending 30 June 2013); and
  - Cash rock handling unit costs of USD 3.63 per tonne (versus USD 3.35 per tonne in the year ending 30 June 2013).
- May 2014 auction of traded rough emeralds (i.e. emeralds not obtained directly from the Company's own mining operations) generated revenues of USD 13.5 million at an average realised price of USD 50 per carat.
- Gemfields' next auction of mined emeralds and beryl (predominantly lower quality emeralds and beryl) is scheduled to conclude in Lusaka, Zambia on 8 August 2014.

Rubies

- Bulk sampling summary for 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the **quarter** ending 30 June 2014:
  - Approximately 0.2 million carats of ruby and corundum were extracted during the quarter as part of the ongoing bulk sampling operation (versus 1.1 million carats in the quarter ending 30 June 2013);

- While the number of carats extracted was markedly lower than during the same quarter in the prior year, the quality of the material extracted during the quarter was of significantly higher quality;
- Total rock handling during the quarter was 542,919 tonnes, made up of 99,940 tonnes of ore and 442,979 tonnes of waste (versus 41,077 tonnes of total rock handling during the quarter ending 30 June 2013); and
- Total cash operating costs were USD 3.1 million (versus USD 2.4 million in the quarter ending 30 June 2013).

- Bulk sampling summary for 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the **financial year** ending 30 June 2014:
  - Approximately 6.5 million carats of ruby and corundum extracted during the ongoing bulk sampling operation (versus 1.9 million carats in the year ending 30 June 2013), taking the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 8.4 million carats;
  - Total rock handling during the year was 1.6 million tonnes, made up of 0.4 million tonnes of ore and 1.2 million tonnes of waste (versus only 90 thousand tonnes of total rock handling in the year ending 30 June 2013); and
  - Total cash operating costs of USD 11.1 million (versus USD 5.9 million in the year ending 30 June 2013).
- Gemfields' 'first-of-a-kind' comprehensive grading and sorting framework for rough rubies was very well received at the inaugural auction in Singapore.
- June 2014 inaugural auction of rough ruby and corundum generated revenues of USD 33.5 million at an average realised price of USD 18.4 per carat.
- Gemfields' next auction of rough ruby and corundum is scheduled to take place before 31 December 2014.

Fabergé

- Wholly-owned Fabergé Ltd ("Fabergé") saw lower revenues but higher unit sales and robust margins derived from sales, and sales orders, agreed during the quarter when compared to the same quarter in the prior year.
- Fabergé hosted a major marketing event from 1 to 21 April 2014 in the world-famous Harrods department store in Knightsbridge, London resulting in record monthly sales for its concession within Harrods.
- The Fabergé Big Egg Hunt, a creative charity and promotional initiative concluded in New York on 26 April 2014 and raised USD 2.7 million for charities 'Elephant Family' and 'Studio-in-a-School'. An egg created for the Fabergé Big Egg Hunt by Jeff Koons set a world record, selling for USD 0.9 million.

Ian Harebottle, CEO of Gemfields, commented:

"*Gemfields enjoyed a momentous quarter given the success of our inaugural auction of rough ruby and corundum from the Montepuez ruby deposit in Mozambique, held in Singapore. The auction represented a profound shift in the ruby industry and underscored the prospects of our model and vision for the coloured gemstone sector. We are excited by the potential for our ruby auctions to follow the progress we have seen in our emerald auctions.*

"We continue to see marked enthusiasm from the trade, retailers and most importantly, consumers, for responsibly supplied coloured gemstones. Our marketing efforts continue to underscore our vision and we look forward to the results of this week's auction of rough emeralds and beryl (of predominantly lower quality) in Lusaka, Zambia."

A graphical production update is available at www.gemfields.co.uk.

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 June-14	Units	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
PRODUCTION										
Gemstone Production (Emerald+Beryl)	million carats	7.3	7.9	6.6	6.5	8.9	6.5	3.9	3.6	6.3
Ore Production (Reaction Zone)	'000 tonnes	40.7	30.5	23.1	24.5	27.8	21.4	17.2	18.0	23.4
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	181	259	288	265	322	302	224	198	271
Waste Mined (including TMS)	million tonnes	2.7	2.6	2.2	2.2	2.5	1.9	1.9	1.0	2.5
Total Rock Handling	million tonnes	2.8	2.6	2.2	2.3	2.5	1.9	2.0	1.0	2.5
Stripping Ratio		67	84	96	91	89	88	113	55	108
CASH COSTS										
Kagem Total (Cash) Operating Cost	USD million	9.8	8.5	7.7	6.9	9.0	6.8	6.8	4.9	8.4
Gemstone Unit Cost (E+B)	USD/carat	1.3	1.1	1.16	1.06	1.01	1.06	1.76	1.38	1.33
RZ Unit Cost	USD/RZ tonne	242	280	333	282	325	319	393	273	359
Rock Handling Unit Cost	USD/tonne	3.5	3.3	3.43	3.06	3.6	3.58	3.46	4.90	3.31
ACCOUNTING COSTS										
Kagem Operating Cost *	USD million	4.2	4.0	4.4	3.6	4.4	4.3	4.5	4.5	4.8
Gemstone Unit Cost (E+B) *	USD/carat	0.6	0.5	0.66	0.56	0.5	0.66	1.17	1.27	0.75
RZ Unit Cost *	USD/RZ tonne	104	130	189	147	160	199	261	252	204
Rock Handling Unit Cost *	USD/tonne	1.5	1.5	2.0	1.6	1.8	2.2	2.3	4.5	1.9

* Note: As at 30 June 2014, a total of approximately USD 39.11 million of waste moving costs have been capitalised and are amortised as and when the associated ore is mined. The balance of capitalised waste moving costs, net of amortisation, as at 30 June 2014 amounted to USD 18.2 million.

The quarter ending 30 June 2014 yielded 6.3 million carats at a grade of 271 carats per tonne of ore and unit production costs of USD 0.75 per carat (excluding capitalised waste moving costs), or USD 1.33 per carat on a cash basis. The quarter saw approximately 2.5 million tonnes of rock moved. Cash rock handling unit costs were USD 3.31 per tonne (compared to USD 3.60 per tonne in the quarter ending 30 June 2013).

The high-wall pushback programme has been extended into its fourth phase, targeting a further 75 metres in the Chama – F10 area of the mine. The excavation was started in May 2014 by both in-house teams and a third party contractor. This resulted in approximately 2.5 million tonnes of waste moved during the period.

Gemfields' trial underground mining project achieved 23 metres of horizontal advance during the quarter ending 30 June 2014 (versus 106.7 metres in the quarter ending 30 June 2013). The total linear development for the financial year ending 30 June 2014 was 161.8 metres (versus 300.4 meters in the year ending 30 June 2013) with 19 stope blasts. These activities have generated a platform to mine an additional 4 stopes in the underground workings. The creation of back-filled pillars in the mined out area has successfully supported the roof, while the tunnel support works continue with wire-meshing and lacing sections. Due to the ground conditions in the areas targeted for the stopes, additional support is being installed. A total of 600 tonnes of ore was produced during the quarter (versus 1,108 tonnes in the quarter ending 30 June 2013). Approximately 68,740 carats were produced by the underground operation in the quarter (versus 22,025 carats in the quarter ending 30 June 2013). The grade for the quarter was 114.6 carats per tonne (versus 19.9 carats per tonne in the quarter ending 30 June 2013), and the grade for the project is 78.2 carats per tonne to date.

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 May 2014 auction of traded rough emeralds (i.e. not obtained directly from the Company's own mining operations) held in Jaipur, India saw 0.268 million carats being sold, representing 86% of the value offered, and

generating auction revenues of USD 13.5 million. The auction yielded an overall average of USD 50 per carat. Traded emeralds were first offered on a standalone basis in September 2013 in Jaipur, India. The auction results are summarised below:

AUCTION RESULTS (TRADED EMERALDS)	SEPT '13 AUCTION	MAY '14 AUCTION
Dates	26-30 September 2013	28 April- 2 May 2014
Location	Jaipur, India	Jaipur, India
Type	Traded Rough Emeralds	Traded Rough Emeralds
Carats offered	0.417 million	0.764 million
Carats Sold	0.146 million	0.268 million
No. of companies placing bids	38	40
Average no. of bids per lot	11	8
No. of lots offered	29	41
No. of lots sold	17	21
Percentage of lots sold	59%	51%
Percentage of lots sold by weight	35%	35%
Percentage of lots sold by value	96%	86%
Total gross sales realised at auction	USD 8.5 million	USD 13.5 million
Average per carat sales value	USD 58/carat	USD 50/carat

Gemfields' next auction of emeralds and beryl is scheduled to complete in Lusaka, Zambia on 8 August 2014. The auction, of predominantly lower quality emeralds and beryl, is made up only of material mined, processed, graded and owned by Kagem (and will therefore not include any traded material).

MONTEPUEZ RUBIES

Bulk-Sampling Update

Bulk-sampling operations at the Montepuez ruby project in Mozambique, in which Gemfields has a 75% interest, continue to scale up progressively and with consistently encouraging results. The requisite core infrastructure is largely in place and will accommodate a smooth transition to formalised mining once bulk sampling and permitting is completed. Improvements continue to be made to the pilot, semi-mobile ore processing plant, improving efficiencies and the understanding of the ore characteristics. These improvements saw a six-fold increase in processed tonnes when compared to the same quarter in the prior year.

Approximately 0.2 million carats of ruby and corundum were extracted during the quarter as part of the ongoing bulk sampling operation (versus 1.1 million carats in the quarter ending 30 June 2013). While the number of carats extracted was markedly lower, the quality of rubies was markedly higher. This takes the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 8.4 million carats.

Total rock handling stood at 542,919 tonnes (compared to 13,542 tonnes in the quarter ending 30 June 2013) of which 99,940 tonnes were ore and 442,979 tonnes were waste. Total cash operating costs during the quarter amounted to USD 3.1 million, versus USD 2.4 million in the quarter ending 30 June 2013.

Given the size and nature of the Montepuez ruby licence, illegal mining activity and theft remain key challenges, although new infrastructure, a significant security presence and ongoing efforts have resulted in a clear improvement.

Gemfields' 'first-of-a-kind' comprehensive grading and sorting framework for rough rubies was very well received at the inaugural auction in Singapore. Various downstream ruby and corundum enhancement processes continue to be investigated, with encouraging results observed at the Singapore auction.

Ruby Auction Update

Gemfields' inaugural auction of rough ruby and corundum held in Singapore in June 2014 comprised high and low quality ruby and corundum extracted from Montepuez ruby deposit in Mozambique. The auction saw 1.82

million carats being sold, representing 90% by weight, and generating auction revenues of USD 33.5 million at average realised value of USD 18.43 per carat. A total of approximately USD 37.5 million has been spent at Montepuez to date (comprising the acquisition cost as well as all capital expenditure and operating costs since inception). As such, the revenues from the first auction almost match the aggregate expenditures to date.

Gemfields' next auction of rough ruby and corundum is scheduled to take place before end of 31 December 2014.

FABERGÉ

Wholly-owned Fabergé Ltd ("Fabergé") saw lower revenues but higher unit sales and robust margins derived from sales, and sales orders, agreed during the quarter when compared to the same quarter in the prior year.

Fabergé hosted a major marketing event from 1 to 21 April 2014 in the world-famous Harrods department store in Knightsbridge in London, resulting in record monthly sales for its concession within Harrods. Visitor and client feedback was encouraging.

The Fabergé Big Egg Hunt, sponsored by Fabergé, a creative charity and promotional initiative that saw 300 giant egg sculptures (each designed by globally renowned artists, designers, architects and brands) concluded in record-setting fashion in New York on 26 April 2014 and raised USD 2.7 million for charities Elephant Family and Studio-in-a-School. The tragic death of Mark Shand, founder of the charity 'Elephant Family', after the world-record setting sale of an egg created by Jeff Koons for the Fabergé Big Egg Hunt, overshadowed the event.

A documentary produced by Mark Stewart Productions entitled "Fabergé: A life of its own", and in which Fabergé's team members and its Heritage Council feature prominently, collected three awards at notable film festivals.

CORPORATE & CASH

At 30 June 2014, Gemfields had cash and cash equivalents of USD 36.7 million (and total debt outstanding of USD 16.7 million).

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Notes to Editors:

Gemfields plc is the leading coloured gemstone miner listed on the AIM market of the London Stock Exchange (ticker: GEM). The Company's principal asset is the 75% owned Kagem emerald mine in Zambia, the world's single largest emerald mine. In addition to the Kagem emerald mine, Gemfields has a 50% interest in the Kariba amethyst mine in Zambia.

In July 2009, Gemfields commenced a formal auction programme for Zambian emeralds mined at Kagem. To date, the Company has held 15 auctions of emerald and beryl produced from Kagem which have generated revenues totalling USD 260 million. The Company has also held 2 traded emerald auctions (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 and licences in Madagascar including ruby, emerald and sapphire deposits. In June 2014, Gemfields held its first auction for rough ruby and corundum produced from Montepuez ruby deposit which generated revenues of USD 33.5 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.