

Gemfields plc

("Gemfields" or the "Company")

Market Update – Quarter to 31 December 2013

3 February 2014

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 31 December 2013. All figures are approximate and unaudited.

Highlights

Emeralds

- Production summary for 75%-owned Kagem Mining Limited ("Kagem") in Zambia for the quarter ending 31 December 2013:
 - Production of 3.9 million carats of emerald and beryl (versus 6.6 million carats in the quarter to 31 December 2012);
 - Grade of 224 carats per tonne (versus 288 carats per tonne in the quarter to 31 December 2012);
 - Unit production costs of USD 1.17 per carat (versus USD 0.66 per carat in the quarter to 31 December 2012). On a cash basis, production costs increased to USD 1.76 per carat (versus USD 1.16 in the quarter to 31 December 2012); and
 - Cash rock handling unit costs increased by less than 1% (well below the national inflation rate) to USD 3.46 per tonne (versus USD 3.43 per tonne in the quarter to 31 December 2012).
- October 2013 auction of USD 8.5 million of traded rough emeralds (not obtained directly from the Company's own mining operations).
- November 2013 auction (of predominantly lower quality rough emerald and beryl) set records for aggregate revenues (at USD 16.4 million) and unit prices (at USD 3.32 per carat, a 27% increase over the previous record).
- Completion of the USD 3.5 million direct sale of 11,286 kilograms of Kagem's two lowest grades of beryl.
- Two auctions, one of predominantly higher quality emeralds and one of predominantly lower quality emeralds and beryl to take place in Lusaka before 30 June 2014.

Rubies

- Bulk sampling summary for 75%-owned Montepuez Ruby Mining Limitada ("Montepuez") in Mozambique for the quarter ending 31 December 2013:
 - Approximately 2.3 million carats of ruby and corundum extracted in the quarter during the ongoing bulk sampling operation (versus 0.16 million carats in the quarter to 31 December 2012), taking the total ruby and corundum extracted at Montepuez to 7.0 million carats;
 - Total rock handling was 288,746 tonnes, made up of 150,941 tonnes of ore and 137,806 tonnes of waste (versus 12,371 tonnes in the quarter to 31 December 2012); and
 - Total cash operating costs of USD 2.8 million (versus USD 1.3 million in the quarter to 31 December 2012).
- Ongoing fine-tuning of the 'first-of-a-kind' comprehensive grading and sorting framework for rough rubies.
- Gemfields' first ruby auction is expected to occur before 30 June 2014.

Fabergé

- Wholly-owned Fabergé Ltd (“Fabergé”) saw revenue derived from sales booked during the key Christmas shopping month of December increase by 89% year-on-year.
- Revenue derived from sales booked during the quarter ending 31 December 2013 increased by 26% compared to the same quarter in the prior year.
- Robert Benvenuto, who during a thirteen year tenure at Harry Winston served as CFO, COO and Co-CEO, joined Fabergé as President & COO on 28 October 2013.
- Sneak preview for long-lead press in October 2013 of ‘The Fabergé Big Egg Hunt’, a creative charity initiative placing up to 300 giant egg sculptures throughout New York from 1 to 26 April 2014.

Corporate

- At 31 December 2013, Gemfields had cash of USD 14.8 million and total debt outstanding of USD 8.9 million.
- Revenues from auctions and the direct sale of beryl during the first six months of the financial year to 31 December 2013 stand at USD 59.9 million, surpassing by 24% the all-sources revenue of USD 48.4 million achieved in the full financial year to 30 June 2013.
- Continued evaluation of prospective coloured gemstone deposits and targets to broaden the scope for future growth.

Ian Harebottle, CEO of Gemfields, commented:

“Gemfields is pleased to report on another quarter of solid progress. With our first-half revenues comfortably exceeding our prior full year figure, we look forward to the two forthcoming emerald auctions and the first auction of rough rubies from Montepuez all to be held before the end of June this year.”

While Kagem experienced reduced production this quarter - demonstrating the characteristic grade volatility in coloured gemstone mining - we are confident that this will improve in the near term. We were extremely pleased with the record-setting emerald auction held in Lusaka, Zambia in November 2013 and are buoyed by the ongoing increase in global demand for emeralds and other coloured gemstones – much of which is a direct result of Gemfields’ concerted marketing efforts.

The concrete progress being made at Fabergé is evident in the robust December sales growth and we are delighted to welcome Robert Benvenuto as President & COO of Fabergé. His long-standing experience in the sector and at Harry Winston is clearly already bearing fruit.”

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

KAGEM EMERALDS

During the quarter, Kagem Mining Limited declared and paid a dividend of USD 8 million, of which USD 2 million was paid to the Government of the Republic of Zambia, a 25 % shareholder in Kagem. The dividend is believed to be both the first ever dividend paid by Kagem in its 29 year history and the first such payment to the Zambian Government from any gemstone operation in Zambia.

Production Update

The 75%-owned Kagem emerald mine is presently Gemfields’ only operating emerald mine and is the single largest producing emerald mine in the world. The key production parameters by quarter are summarised below:

KAGEM Quarterly Summary to Dec-13	Units	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	TOTAL
PRODUCTION											
Gemstone Production (Emerald+Beryl)	million carats	3.9	4.9	7.3	7.9	6.6	6.5	8.9	6.5	3.9	56.4
Ore Production (Reaction Zone)	'000 tonnes	17.5	20.8	40.7	30.5	23.1	24.5	27.8	21.4	17.2	223.4
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	222	236	181	259	288	265	322	302	224	253
Waste Mined (including TMS)	million tonnes	2.2	1.6	2.7	2.6	2.2	2.2	2.5	1.9	1.9	19.8
Total Rock Handling	million tonnes	2.2	1.6	2.8	2.6	2.2	2.3	2.5	1.9	2.0	20.1
Stripping Ratio		124	77	67	84	96	91	89	88	113	89
CASH COSTS											
Kagem Total (Cash) Operating Cost	USD million	7.0	6.0	9.8	8.5	7.7	6.9	9.0	6.8	6.8	68.7
Gemstone Unit Cost (E+B)	USD/carat	1.8	1.2	1.3	1.1	1.2	1.1	1.0	1.1	1.8	1.2
RZ Unit Cost	USD/RZ tonne	400	291	242	280	333	282	325	319	393	307
Rock Handling Unit Cost	USD/tonne	3.2	3.7	3.5	3.3	3.4	3.1	3.6	3.6	3.5	3.4
ACCOUNTING COSTS											
Kagem Operating Cost *	USD million	3.4	4.2	4.2	4.0	4.4	3.6	4.4	4.3	4.5	36.9
Gemstone Unit Cost (E+B) *	USD/carat	0.9	0.8	0.6	0.5	0.7	0.6	0.5	0.7	1.2	0.7
RZ Unit Cost *	USD/RZ tonne	193	200	104	130	189	147	160	199	261	165
Rock Handling Unit Cost *	USD/tonne	1.5	2.6	1.5	1.5	2.0	1.6	1.8	2.2	2.3	1.8

* Note: As at 31 December 2013, a total of approximately USD 35.1 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 31 December 2013 amounted to USD 20.2 million.

The quarter to 31 December 2013 yielded 3.9 million carats at a grade of 224 carats per tonne of ore and unit production costs of USD 1.17 per carat (excluding capitalised waste moving costs), or USD 1.76 per carat on a cash basis. The quarter saw approximately 2.0 million tonnes of rock moved. Cash rock handling unit costs remained well contained and increasing at well below the prevailing inflation rate to USD 3.46 per tonne (compared to USD 3.43 in the quarter to 31 December 2012).

Gemfields' trial underground mining project achieved 57.6 metres of horizontal advance during the quarter ending 31 December 2013 (versus 74.2 metres in the quarter ending 30 September 2013). This quarter's work focussed on the completion of the second stope and the requisite support work in the crosscuts and drives. Four blasts to complete the second stope took place this quarter. A total of 885 tonnes of ore was produced during the quarter (versus 683 tonnes in the prior quarter). Approximately 60,915 carats were produced by the underground operation in the quarter (versus 34,320 carats in the prior quarter). The grade for the quarter was 68.8 carats per tonne and the overall grade for the project to date is 77.8 carats per tonne.

Illegal mining activity within the boundaries of the Kagem mining licence is not yet resolved and Gemfields continues to work with key ministries to alleviate this challenge.

Emerald Auction Update

The company successfully completed its first stand-alone auction of purely traded rough emeralds (not directly obtained from any of its operating mines) in October of 2013, in Jaipur. A total of 42 companies attended the auction, with 38 of them placing at least one bid. The auction saw 417,032 carats of traded emeralds placed on offer, with 145,952 carats (representing by far the bulk of the value offered) being sold, and generating gross auction revenues of USD 8.5 million.

The November 2013 auction of predominantly lower quality rough emerald and beryl held in Lusaka, Zambia saw 4.9 million carats being sold, representing by far the bulk of the value offered, and generating record aggregate lower grade auction revenues of USD 16.4 million. The auction yielded an overall average of USD 3.32 per carat, the highest unit value achieved at any Gemfields auction of predominantly lower quality material, and representing a 27% increase over the previous high of USD 2.61 per carat (achieved in the June 2012 Jaipur auction).

The direct sale of 11,286 kilograms of Kagem's two lowest grades of beryl for USD 3.5 million, agreed during the quarter ending 30 September 2013, has been completed and the funds duly received by Kagem.

Two auctions, one of predominantly higher quality emeralds and one of predominantly lower quality emeralds and beryl to take place in Lusaka before 30 June 2014.

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, which 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.

Approximately 2.3 million carats of ruby and corundum were extracted during the quarter to 31 December 2013, versus 0.16 million carats in the quarter to 31 December 2012. This takes the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 7.0 million carats.

Total rock handling stood at 288,746 tonnes (compared to 12,371 tonnes in the quarter to 31 December 2012), of which 150,941 tonnes were ore and 137,806 tonnes were waste. Total cash operating costs during the quarter totalled USD 2.8 million, versus USD 1.3 million in the quarter to 31 December 2012.

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.

A proprietary ruby grading system has been developed and continues to be tested and refined as further ruby and corundum is extracted. Various downstream ruby and corundum enhancement processes are being investigated, with encouraging results.

Ruby Auction Update

As previously announced, Gemfields expects the first auction of rough rubies and corundum to take place before 30 June 2014.

FABERGÉ

Wholly-owned Fabergé Ltd (“Fabergé”) saw revenue derived from sales booked during the key Christmas shopping month of December increase by 89% year-on-year. Revenue derived from sales booked during the quarter ending 31 December 2013 increased by 26% compared to the same quarter in the prior year.

Robert Benvenuto, who during a thirteen year tenure at Harry Winston served successively as CFO, COO and Co-CEO, joined Fabergé as ‘President and COO’ on 28 October 2013.

In October 2013, Fabergé hosted a sneak-preview for long-lead press in New York to announce ‘The Fabergé Big Egg Hunt’. This creative charity initiative will see up to 300 giant egg sculptures (each designed by globally renowned artists, designers, architects and brands including Tracey Emin, Mark Quinn, Zaha Hadid, Ronnie Wood, Peter Beard, Diane Von Furstenberg, Marchesa and Bruce Weber) placed throughout the five boroughs of New York City during the 2014 Easter period. The Fabergé boutique on Madison Avenue will house one of the exceptional designs and display the three Fabergé egg pendant prizes, which feature coloured gemstones by Gemfields. The funds raised will benefit ‘Elephant Family’, founded by Mark Shand and ‘Studio in a School’, founded by Agnes Gund. The New York egg hunt follows the success of The Fabergé Big Egg Hunt in London in 2012, which set two Guinness World Records and ultimately raised over USD 1.5 million for charity.

CORPORATE & CASH

At 31 December 2013, Gemfields had cash of USD 14.8 million (and total debt outstanding of USD 8.9 million).

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ENQUIRIES:

Gemfields	dev.shetty@gemfields.co.uk
Dev Shetty, COO	+44 (0)20 7518 3402

Canaccord Genuity Limited	
Nominated Adviser and Joint Broker	
Neil Elliot/Tarica Mpinga	+44 (0)20 7523 8000

JP Morgan Cazenove	
Joint Broker	
Jamie Riddell	+44 (0)20 7742 4000

Tavistock Communications	
Jos Simson/Emily Fenton/Nuala Gallagher	+44 (0)20 7920 3150

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 its Zambian emeralds. To date, the Company has held 14 auctions which have generated revenues totalling USD 223.6 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.

Gemfields acquired the Fabergé brand on 28 January 2013, providing direct control over a one of the world's most recognised luxury brand names and underpinned by a well-documented and globally revered heritage. The acquisition enables Gemfields to take its vision for coloured gemstones to the next level, harnessing the Fabergé name to boost the international presence and perception of coloured gemstones and advance the "mine and market" vision.