

Gemfields plc

("Gemfields" or the "Company")

Market Update – Quarter to 30 June 2013

5 August 2013

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 30 June 2013. All figures are approximate, unaudited and, unless otherwise stated, the phrase "carats" includes both emerald and beryl.

Highlights

- Annual production summary for the Kagem emerald mine for the **financial year** ending 30 June 2013:
 - Annual gemstone production increased by 42% to 29.99 million carats (versus 21.06 million carats in the year ending 30 June 2012);
 - Grade increased by 38% to 283 carats per tonne (versus 205 carats per tonne in the year ending 30 June 2012);
 - Unit per carat production costs (on an accounting basis) for the year decreased by 26% to USD 0.55 per carat (from USD 0.74 per carat in the year to 30 June 2012); and
 - Cash rock handling unit costs decreased by 2% to USD 3.35 per tonne (from USD 3.43 per tonne in the year to 30 June 2012).
- Quarterly production summary for the Kagem emerald mine for the **quarter** ending 30 June 2013:
 - Gemstone production in the final quarter grew to 8.9 million carats (versus 7.3 million carats in the quarter ending 30 June 2012);
 - Grade for the quarter increased to 322 carats per tonne (from 181 carats per tonne in the quarter to 30 June 2012);
 - Unit per carat production costs for the quarter decreased by 13% to USD 0.50 per carat (from USD 0.57 per carat in the quarter to 30 June 2012); and
 - Cash rock handling unit costs increased by 1% to USD 3.60 per tonne (from USD 3.55 per tonne in the quarter to 30 June 2012).
- One auction, of predominantly lower quality emerald and beryl, was held during the quarter. The auction was held in Lusaka, Zambia from 15-19 April 2013 and yielded revenues of USD 15.2 million, resulting in the highest aggregate revenues on record for a lower grade auction to-date but at a 7% decline in per carat prices when compared to the previous lower quality auction of a similar quality mix.
- A further auction, of predominantly higher quality emeralds, was held after the quarter end. This auction was held from 15-19 July 2013, also in Lusaka, Zambia and yielded aggregate revenues of USD 31.5 million, the second highest aggregate auction revenues achieved to date, and with record per carat prices of USD 54.00 per carat (reflecting an increase of 26% over the previous high of USD 42.71 per carat achieved in the July 2011 Singapore auction).
- Encouraging bulk sampling activities continue at the Montepuez ruby deposit in Mozambique, with the first auction of rough rubies likely to take place in the first quarter of the 2014 calendar year.
- Fabergé, acquired in January 2013, achieved a record number of unit sales in the year ending 30 June 2013.
- At 30 June 2013 (just prior to the most recent higher quality auction), Gemfields had cash of USD 11.6 million and total debt outstanding of USD 11.6 million.

Ian Harebottle, CEO of Gemfields, commented:

"Gemfields is pleased to report on another healthy quarter and a strong annual production result for the world-class Kagem emerald mine. Emerald and beryl production increased 42% year-on-year and were further supported by better grades and lower unit costs. We achieved record revenues from our most recent auction of lower quality rough emerald and beryl, despite a small drop in the average per carat price achieved. The outcome of our auction of higher quality rough emeralds, which took place after the end of the financial year,

yielded record per carat prices and is clearly indicative of the continued increase in demand for consistently supplied high quality coloured gemstones.

We continue to seek guidance and to interact with the Government of Zambia – our fellow shareholders in Kagem – with respect to possible restrictions on the ability of Gemfields and Kagem to freely choose the locations of its auctions and thereby our ability to sustain the current levels of growth in demand for Zambia’s magnificent and long undervalued gems. In that light, and in order to further a broader understanding of the emerald sector, we were pleased to sponsor the first-of-its-kind ‘2013 Zambian Emerald Summit’ in Lusaka at the end of May and to facilitate highly interactive discussion among some of the global emerald sectors leading stakeholders. While the two auctions held in Lusaka this year have certainly been successful, the key question of course remains what they would have generated had they been held abroad (where competing and undermining sources of supply, frequently illegal, are not readily available to our customers) and their potential impact on the long term growth of this sector”.

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

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-13	Units	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	TOTAL
PRODUCTION											
Gemstone Production (Emerald+Beryl)	million carats	10.8	4.9	3.9	4.9	7.3	7.9	6.6	6.5	8.9	61.9
Ore Production (Reaction Zone)	'000 tonnes	21.7	24.0	17.5	20.8	40.7	30.5	23.1	24.5	27.8	230.4
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	500	205	222	236	181	259	288	265	322	269
Waste Mined (including TMS)	million tonnes	1.4	2.2	2.2	1.6	2.7	2.6	2.2	2.2	2.5	19.6
Total Rock Handling	million tonnes	1.4	2.2	2.2	1.6	2.8	2.6	2.2	2.3	2.5	19.8
Stripping Ratio		66	91	124	77	67	84	96	91	89	85
CASH COSTS											
Kagem Total (Cash) Operating Cost	USD million	3.5	7.2	7.0	6.0	9.8	8.5	7.7	6.9	9.0	65.7
Gemstone Unit Cost (E+B)	USD/carats	0.3	1.5	1.8	1.2	1.3	1.1	1.2	1.1	1.0	1.1
RZ Unit Cost	USD/RZ tonne	160	301	400	291	242	280	333	282	325	285
Rock Handling Unit Cost	USD/tonne	2.4	3.3	3.2	3.7	3.5	3.3	3.4	3.1	3.6	3.3
ACCOUNTING COSTS											
Kagem Operating Cost *	USD million		3.9	3.4	4.2	4.2	4.0	4.4	3.6	4.4	32.0
Gemstone Unit Cost (E+B) *	USD/carats		0.8	0.9	0.8	0.6	0.5	0.7	0.6	0.5	0.5
RZ Unit Cost *	USD/RZ tonne		162	193	200	104	130	189	147	160	139
Rock Handling Unit Cost *	USD/tonne		1.8	1.5	2.6	1.5	1.5	2.0	1.6	1.8	1.6

* Note: 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 ore corresponding to that waste is mined. As of 30 June 2013, approximately USD 30.3 million of waste moving costs have been capitalised and will be amortised later when the associated ore is mined.

The quarter to 30 June 2013 produced 8.9 million carats at a grade of 322 carats per tonne of ore and a unit production cost of USD 0.50 per carat (excluding capitalised waste moving costs).

The previously announced large-scale waste movement programme to open up new areas for future ore production ran until 30 June 2013 with over 2.5 million tonnes of rock having been moved in the quarter. Cash rock handling unit costs were USD 3.60 per tonne in the current quarter (compared to USD 3.55 in the quarter to 30 June 2012).

Gemfields’ trial underground mining project achieved 106.7 metres of horizontal advance during the quarter ending 30 June 2013 (versus 66 metres in the quarter ending 31 March 2013). The total linear development for the financial year ending 30 June 2013 is 300.4 metres (versus 283 meters for the previous financial year). This quarter’s work has focussed on cross-cut development and the initiation of the second stope according to enhanced design criteria. A total of 1,108 tonnes of ore was produced during the quarter (versus 998 tonnes in the prior quarter). Approximately 22,025 carats were produced by the underground operation in the quarter (versus 17,835 carats in the prior quarter). The grade for this financial year is 77.5 carats per tonne, and the grade for the project is 80.1 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.

Auction Update

While there is presently no law in Zambia that prohibits the export of emeralds for auction purposes, Gemfields was asked by the Zambian Ministry of Mines, Energy and Water Development to host its two most recent auctions within Zambia. These took place in the capital, Lusaka, from 15-19 April (lower quality) and 15-19 July (higher quality).

The April 2013 auction, of predominantly lower quality rough emerald and beryl, realised record revenues of USD 15.2 million for lower quality auctions, underpinned by the volume offered. A 7% decline in average per carat prices reversed the historic growth trajectory. Of the 17.3 million carats offered, 36% (6.3 million carats) was sold. Quality-for-quality per carat prices showed a mixed performance, with higher qualities clearly favoured. The historic lower quality auction results are summarised below:

AUCTION RESULTS (LOWER QUALITY)	MAR '10 AUCTION	MAR '11 AUCTION	NOV '11 AUCTION	JUN '12 AUCTION	APR '13 AUCTION
Dates	11-15 Mar 2010	10-14 Mar 2011	21-25 Nov '11	9-13 Jun '12	15-19 Apr '13
Location	Jaipur, India	Jaipur, India	Jaipur, India	Jaipur, India	Lusaka, Zambia
Type	Lower Quality	Lower Quality	Lower Quality	Lower Quality	Lower Quality
Carats offered*	28.90 million	16.83 million	10.83 million	10.85 million	17.34 million
Carats Sold	22.80 million	12.98 million	9.82 million	3.47 million	6.30 million
No. of companies placing bids	25	44	27	20	25
Average no. of bids per lot	8	14	9	3	6
No. of lots offered	56	35	26	33	28
No. of lots sold	49	34	19	17	23
Percentage of lots sold	88%	97%	73%	52%	82%
Percentage of lots sold by weight	79%	77%	91%	32%	36%
Percentage of lots sold by value	89%	99%	80%	60%	76%
Total sales realised at auction	USD 7.2 million	USD 10.0 million	USD 11.0 million	USD 9.0 million	USD 15.2 million
Average per carat sales value	USD 0.31/carat	USD 0.77/carat	USD 1.12/carat	USD 2.61/carat	USD 2.42/carat

* A larger volume of material was placed on offer in March 2010 following Gemfields extensive inventory building exercise during 2008 and 2009.

The July 2013 auction, of predominantly higher quality rough emerald and beryl (and which took place after the quarter end) saw all of the 583,448 million carats placed on offer being sold, generating the second highest aggregate revenues achieved to date (of USD 31.5 million). The auction yielded an overall average of USD 54.00 per carat, the highest unit value achieved at any auction, and representing a 26% increase over the previous high of USD 42.71 per carat (achieved in the July 2011 Singapore auction). The historic higher quality auction results are summarised below:

AUCTION RESULTS (HIGHER QUALITY)	JUL '09 AUCTION	NOV '09 AUCTION	JUL '10 AUCTION	DEC '10 AUCTION	JUL '11 AUCTION	MAR '12 AUCTION	NOV '12 AUCTION	JUL '13 AUCTION
Dates	20-24 Jul '09	23-27 Nov '09	19-23 Jul '10	6-10 Dec '10	11-15 Jul '11	19-23 Mar '12	29 Oct - 2 Nov '12	15-19 Jul '13
Location	London, UK	Johannesburg, SA	London, UK	Johannesburg, SA	Singapore	Singapore	Singapore	Lusaka
Type	Higher Quality	Higher Quality	Higher Quality	Higher Quality	Higher Quality	Higher Quality	Higher Quality	Higher Quality
Carats offered	1.36 million	1.12 million	0.85 million	0.87 million	1.07 million	0.77 million	0.93 million	0.58 million
Carats Sold	1.36 million	1.09 million	0.80 million	0.75 million	0.74 million	0.69 million	0.90 million	0.58 million
No. of companies placing bids	23	19	37	32	38	29	35	36
Average no. of bids per lot	10	13	18	16	16	11	11	8
No. of lots offered	27	19	27	19	25	23	19	18
No. of lots sold	26	14	24	18	18	20	16	18
Percentage of lots sold	96%	74%	89%	95%	72%	87%	84%	100%
Percentage of lots sold by weight	99.8%	97%	94%	86%	69%	89%	98%	100%
Percentage of lots sold by value	82%	76%	87%	99%	91%	94%	90%	100%
Total sales realised at auction	USD 5.9 million	USD 5.6 million	USD 7.5 million	USD 19.6 million	USD 31.6 million	USD 26.2 million	USD 26.8 million	USD 31.5 million
Average per carat sales value	USD 4.40/carat	USD 5.10/carat	USD 9.35/carat	USD 26.20/carat	USD 42.71/carat	USD 38.25/carat	USD 29.71/carat	USD 54.00/carat

2013 Zambian Emerald Summit

In order to facilitate dialogue between key stakeholders within the emerald industry, Gemfields hosted the '2013 Zambian Emerald Summit' in Lusaka, Zambia on 30 and 31 May 2013. The summit, comprising presentations, panel discussions and Q&A sessions considered, *inter alia*, how the Zambian emerald sector might best be developed into a world leader whilst ensuring that the relevant revenues and profits accrue within Zambia. Key industry stakeholders in the region were been invited to participate and the event was well received.

Mozambique Ruby Update

Bulk-sampling operations at the Mozambican ruby project owned by Montepuez Ruby Mining Lda (in which Gemfields has a 75% interest) are progressing with recent results showing encouraging ore recovery. The core infrastructure required for operations is largely established with primary stage mining and processing equipment on site and operational. A pilot and semi-mobile ore processing plant continues to test the characteristics of the ore with adjustments being made to the plant to improve efficiencies in the ore washing and cleaning process. A sizeable increase in processing capacity has been achieved. Gemfields expects the first auction of rough rubies to take place in the first calendar quarter of 2014.

A bespoke ruby grading and sorting framework has been developed and various downstream ruby treatment processes are being investigated. A significant security presence has reduced illegal mining on the licence area.

Fabergé

Fabergé is one of the world's most recognised luxury brand names, underscored by a well-documented and globally recognised heritage. The acquisition of 100% of Fabergé Limited by Gemfields was formally completed on 28 January 2013. The integration of Fabergé into the Gemfields family is well underway. 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. The first steps in this approach were taken in April at BaselWorld 2013. In the financial year ending 30 June 2013, Fabergé sold a record number of products.

Cash Balances

At 30 June 2013, Gemfields had cash of USD 11.6 million (and total debt outstanding of USD 11.6 million) with Kagem having generated an additional USD 31.5 million in cash soon after the close of the quarter under review and as proceeds from the successful high quality emerald auction held in Lusaka, Zambia in July 2013.

Enquiries:

Gemfields
Dev Shetty, COO

dev.shetty@gemfields.co.uk
+44 (0)20 7518 3402

Canaccord Genuity Limited
Nominated Adviser and Joint Broker to Gemfields
Tarica Mpinga/Andrew Chubb

+44 (0)20 7523 8000

JP Morgan Cazenove
Jamie Riddell

+44 (0)20 7742 4000

Tavistock Communications
Jos Simson/Emily Fenton

+44 (0)20 7920 3150

Notes to Editors:

Gemfields plc is a leading 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.

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 July 2009 Gemfields commenced a formal auction programme for its Zambian emeralds. To date, the Company has held 13 auctions which have generated revenues totalling USD 207.2 million.

Gemfields recently acquired the Fabergé brand with a view to creating 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.