

Embargoed until 07:00 UK time on Monday 8th April 2013

Gemfields plc

(“Gemfields” or the “Company”)

Possible government ban on emerald auctions outside Zambia

8 April 2013

Pursuant to applicable LSE-AIM regulations, Gemfields plc (AIM : GEM) hereby notifies its shareholders of a possible ban by the Zambian government on the Company’s ability to sell its gemstones outside of the country. Such measures are potentially detrimental to the Zambian gemstone sector and would prevent the Company from being able to freely sell its gemstones in the markets where it believes it would realise the best prices.

Gemfields’ principal asset, the Kagem emerald mine (the single largest emerald mine in the world) is located in northern Zambia. Gemfields owns 75% of Kagem and the Government of the Republic of Zambia (“GRZ”) owns the remaining 25%. Gemfields also owns 50% of the Kariba amethyst mine on southern Zambia, with GRZ owning the other 50%.

At a press conference in Lusaka on Friday 5 April 2013, the Minister of Mines, Energy and Water Development (“MoMEWD”) addressed members of the media and distributed a press statement seemingly restraining Kagem (and other producers) from selling emeralds outside of Zambia. Since 2009, Kagem’s production has been sold only outside of Zambia, generating USD 160 million of revenue from 11 auctions. Representatives of GRZ have routinely attended those auctions.

A copy of the press statement can be downloaded from the “Media” section of the Gemfields website at www.gemfields.co.uk. The document states, inter alia, that “...*Government has directed that all auctioning of emeralds be held in Zambia*”.

While the press statement deals primarily with emeralds, it also refers to a “*pronouncement*” by the President of Zambia that “*all gemstones should be sold within Zambia*”. Such a requirement or law, if confirmed, would similarly affect the Kariba amethyst mine in which Gemfields has a 50% interest.

Gemfields believes that any outright limitation on selling emeralds in other countries could have the potential to materially constrain Kagem’s revenues as well as the broader development of the Zambian gemstone sector across the globe. Such a limitation would, inter alia, place Zambian emeralds at a disadvantage relative to other emerald producing countries where no such limitations are in place.

Given earlier verbal requests by MoMEWD, Gemfields and Kagem had agreed to include Zambia as one of the destinations on its 2013 international auction circuit. Accordingly, Gemfields and Kagem will host an auction in Lusaka from 15-19 April 2013. Thereafter, Gemfields’ next auction is presently scheduled to take place in Singapore in June 2013.

Neither Gemfields nor Kagem have as yet participated in or been invited to any industry or stakeholder consultation process regarding these measures. Kagem has written to MoMEWD requesting clarification of the terms, conditions and basis of the measures. Gemfields believes that a key component of Kagem’s success in recent years has been its ability to provide a secure, reliable and consistent supply of well-graded, high quality emeralds to its customers in locations that are competitive and convenient. It is therefore important that the prevailing uncertainty be clarified promptly, minimising apprehension in the downstream market and supporting Kagem’s and Gemfields’ ongoing efforts to position Zambian emeralds at the forefront of the global emerald industry and as the first choice for discerning consumers.

The press statement suggests that the sale of Zambian gemstones on foreign markets has contributed to capital flight. Gemfields takes particular pride in the repatriation of Kagem’s auction proceeds to Zambia and in keeping all relevant government departments fully updated in this respect. Gemfields and Kagem set the benchmark for transparency in the sector, publishing detailed auction information including the revenue

received for each of its auctions, as well as all of its gemstone production data, including unit costs, on a quarterly basis.

A summary of Kagem's performance is tabulated below:

KAGEM	PRIOR OWNERSHIP				*GEMFIELDS OWNERSHIP			
	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08	*30-Jun-09	*30-Jun-10	*30-Jun-11	*30-Jun-12
Revenue	6,705	12,364	11,110	8,892	11,192	6,668	31,611	77,608
Profit / (Loss)	646	1,357	-3,040	-16,567	-14,534	2,060	17,598	34,231
Royalties Paid	-	989	566	452	560	333	1,581	3,971
Tax Paid	-	-	-	-	-	-	-	9,082
Gemstones (k carats)	9,055	10,171	9,387	9,854	28,010	17,370	33,028	21,060

*Denotes years of Gemfields' ownership of 75% of Kagem

The results of the six higher quality auctions held by Gemfields to date are summarised below, showing clearly the price increases realised by the prevailing auction system at a time of well documented global economic uncertainty:

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
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
Location	London, UK	Johannesburg, SA	London, UK	Johannesburg, SA	Singapore	Singapore	Singapore
Type	Higher Quality	Higher Quality	Higher Quality	Higher Quality	Higher Quality	Higher Quality	Higher Quality
Carats Sold	1.36 million	1.09 million	0.80 million	0.75 million	0.74 million	0.69 million	0.90 million
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
Average per carat sales value	USD 4.40/carats	USD 5.10/carats	USD 9.35/carats	USD 26.20/carats	USD 42.71/carats	USD 38.25/carats	USD 29.71/carats

The results of the four lower quality auctions held to date are summarised below, showing the same, positive trajectory:

AUCTION RESULTS (LOWER QUALITY)	MAR '10 AUCTION*	MAR '11 AUCTION	NOV '11 AUCTION	JUN '12 AUCTION
Dates	11-15 March 2010	10-14 March 2011	21-25 November 2011	9-13 June 2012
Location	Jaipur, India	Jaipur, India	Jaipur, India	Jaipur, India
Type	Lower Quality	Lower Quality	Lower Quality	Lower Quality
Carats Sold	22.80 million	12.98 million	9.82 million	3.47 million
Total sales realised at auction	USD 7.2 million	USD 9.9 million	USD 11.0 million	USD 9.0 million
Average per carat sales value	USD 0.31/carats	USD 0.77/carats	USD 1.12/carats	USD 2.61/carats

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

Ian Harebottle, CEO of Gemfields, commented:

“These developments potentially endanger the health of the sector immediately after they have begun to deliver meaningful positive results on behalf of stakeholders. The record shows that Kagem's financial and operating performance has never been better. The combination of our investments in the mine, our auction practices, proprietary emerald grading system and global marketing campaigns have delivered dramatic results not only for Kagem, but for the wider Zambian gemstone sector. Kagem's repatriation of foreign currencies, payments of Zambian corporation tax and gemstone royalties stand at all-time highs and we believe the same to be true for total tax and royalty receipts from the Zambian gemstone sector. This record of success and growth should not be put at risk.

Since Gemfields acquired Kagem in mid-2008, we have pursued a strategy for Zambian emeralds not only to compete on the world stage, but to lead the sector internationally. Our ambition has been to turn Kagem into a Zambian national champion and a shining example of what can be achieved in well-founded partnerships between government and investors. I believe we have achieved that goal, and can go much further. I therefore hope that we will continue to enjoy a Zambian legal and business framework that enables the Zambian gemstone sector to remain competitive globally”.

Enquiries:

Gemfields dev.shetty@gemfields.co.uk
Dev Shetty, COO +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 controlling 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 11 auctions which have generated revenues totalling USD 160.5 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.