

Gemfields plc

(“Gemfields” or the “Company”)

Market Update – Quarter to 31 March 2013

14 May 2013

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 31 March 2013. All figures are approximate, unaudited and, unless otherwise stated, the phrase “carats” includes both emerald and beryl.

Highlights

- Production summary for the Kagem emerald mine:
 - Gemstone production increased by 33% to 6.5 million carats in the quarter ending 31 March 2013 (from 4.9 million carats in the quarter ending 31 March 2012);
 - Grade for the quarter increased to 265 carats per tonne (from 236 carats per tonne in the quarter to 31 March 2012);
 - Unit production costs for the quarter reduced by 34% to USD 0.56 per carat (from USD 0.85 per carat in the quarter to 31 March 2012); and
 - Cash rock handling unit costs reduced by 18% to USD 3.06 per tonne (from USD 3.73 per tonne in the quarter to 31 March 2012).
- Revenues of USD 15.2 million from the recent auction in Lusaka, Zambia - a record for lower quality auctions;
- Next auction (of higher quality emerald and beryl) is scheduled for 10-14 June 2013 in Singapore;
- Gemfields is hosting the ‘2013 Zambian Emerald Summit’ in Lusaka, Zambia on 30 and 31 May 2013;
- 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 calendar quarter of 2014;
- Acquisition of 100% of the globally recognised Fabergé jewellery brand completed in January 2013; and
- At 31 March 2013, Gemfields had cash of USD 22.1 million and total debt outstanding of USD 11.0 million.

Ian Harebottle, CEO of Gemfields, commented:

“Gemfields is pleased to report the results of another positive quarter for the Company. Gemstone carats produced at Kagem increased 33% when compared to the same quarter in the last financial year. We also 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. We continue to seek to address the possible ban on foreign auctions by the Ministry of Mines in Zambia and – in that light - we are delighted to be hosting the first-of-its-kind ‘2013 Zambian Emerald Summit’ in Lusaka at the end of this month to facilitate discussion among all of the key emerald sector stakeholders.”

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 Dec-12	Units	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-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	52.9
Ore Production (Reaction Zone)	'000 tonnes	21.7	24.0	17.5	20.8	40.7	30.5	23.1	24.5	202.7
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	500	205	222	236	181	259	288	265	261
Waste Mined (including TMS)	million tonnes	1.4	2.2	2.2	1.6	2.7	2.6	2.2	2.2	17.1
Total Rock Handling	million tonnes	1.4	2.2	2.2	1.6	2.8	2.6	2.2	2.3	17.3
Stripping Ratio		66	91	124	77	67	84	96	91	84
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	56.7
Gemstone Unit Cost (E+B)	USD/carats	0.3	1.5	1.8	1.2	1.3	1.1	1.2	1.1	1.1
RZ Unit Cost	USD/RZ tonne	160	301	400	291	242	280	333	282	280
Rock Handling Unit Cost	USD/tonne	2.4	3.3	3.2	3.7	3.5	3.3	3.4	3.1	3.3
ACCOUNTING COSTS										
Kagem Operating Cost *	USD million		3.9	3.4	4.2	4.2	4.0	4.4	3.6	27.6
Gemstone Unit Cost (E+B) *	USD/carats		0.8	0.9	0.8	0.6	0.5	0.7	0.6	0.5
RZ Unit Cost *	USD/RZ tonne		162	193	200	104	130	189	147	136
Rock Handling Unit Cost *	USD/tonne		1.8	1.5	2.6	1.5	1.5	2.0	1.6	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 31 March 2013, approximately USD 25.7 million of waste moving costs have been capitalised and will be amortised later when the associated ore is mined.

The quarter to 31 March 2013 produced 6.5 million carats at a grade of 265 carats per tonne of ore and a unit production cost of USD 0.56 per carat (excluding capitalised waste moving costs).

The previously announced large-scale waste movement programme to open up new areas for future ore production continues with over 2.2 million tonnes of rock having been moved in the quarter. Cash rock handling unit costs were USD 3.06 per tonne in the current quarter (compared to USD 3.73 in the quarter to 31 March 2012).

Gemfields' trial underground mining project achieved 66 metres of horizontal advance during the quarter ending 31 March 2013 (versus 37.7 metres in the quarter ending December 2012). The total linear development to date is 664.6 metres (versus 598.6 meters at 31 December 2012). This quarter's work has focussed on cross-cut and layout mining to develop additional areas for stoping. A total of 998 tonnes of ore was produced during the quarter (versus 1,352 tonnes in the prior quarter) with 60 tonnes of waste rock removed. Approximately 17,835 carats were produced by the underground operation in the quarter (versus 266,345 carats in the prior quarter, mainly due to the completion of the stope).

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 auction of predominantly lower quality emerald and beryl, held in Lusaka, Zambia from 15 April to 19 April 2013, saw 17.3 million carats placed on offer, with 6.3 million carats sold, generating auction revenues of USD 15.2 million. This auction, the second of the current financial year (which ends 30 June 2013) was held in Lusaka, Zambia at the request of the Zambian Ministry of Mines, Energy and Water Development. The Lusaka auction yielded an overall average of USD 2.42 per carat for the lots sold, 7% lower than that achieved at the previous lower quality emerald auction held in June 2012 in Jaipur. A factor in this reduction may have been the number of declined auction invitations, which was higher than in prior auctions, most notably due to the travel demands placed on customers in getting to Lusaka. The results also marked the first reversal of the historic growth trajectory of lower quality per-carat auction prices.

On 5 April 2013, the Zambian Minister of Mines, Energy and Water Development issued a press statement seemingly restraining Kagem Mining Limited ("Kagem") (and other Zambian producers) from selling emeralds outside of Zambia. Gemfields and Kagem continue to seek clarification of the nature and implementation of the

possible ban on foreign auctions. Neither Gemfields nor Kagem have as yet participated in or been invited to any industry or stakeholder consultation process regarding these measures.

In order to facilitate dialogue between key stakeholders within the emerald industry, Gemfields is hosting the '2013 Zambian Emerald Summit' in Lusaka, Zambia on 30 and 31 May 2013. The summit, comprising presentations, panel discussions and Q&A sessions will consider, *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. Each of the key industry stakeholders in the region has been invited to participate in the summit.

Gemfields' next auction, of predominantly higher grade emerald and beryl, is scheduled to take place in Singapore from 10-14 June 2013.

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 well. Core infrastructure required for operations is largely established. A significant security presence has reduced the incidence of illegal mining. Primary stage mining and processing equipment is on site and operational.

A pilot and semi-mobile ore processing plant has been designed, fabricated and commissioned and continues to test the characteristics of the ore. Adjustments to the processing plant arising from the optimisation of the ore washing and cleaning process mean that 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 is being tested.

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, the world's largest watch and jewellery show, and which included the release of the new Fabergé video 'Craftsmanship in Colour', now available for viewing at www.faberge.com.

Cash Balances

At 31 March 2013, Gemfields had cash of USD 22.1 million (and total debt outstanding of USD 11.0 million).

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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 12 auctions which have generated revenues totalling USD 175.7 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.