

Gemfields plc

(“Gemfields” or the “Company”)

Market Update – Quarter to 31 March 2014

2 May 2014

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 31 March 2014. All figures are approximate and unaudited.

Highlights

Emeralds

- Production summary for 75%-owned Kagem Mining Limited (“Kagem”) in Zambia for the quarter ending 31 March 2014:
 - Production of 3.6 million carats of emerald and beryl (versus 6.5 million carats in the quarter to 31 March 2013);
 - Grade of 198 carats per tonne (versus 265 carats per tonne in the quarter to 31 March 2013);
 - Operations at the mine remain robust and well positioned ahead of an anticipated improvement in grades;
 - Total cash operating costs of USD 4.9 million (versus USD 6.9 million in the quarter ended 31 March 2013);
 - Unit production costs of USD 1.27 per carat (versus USD 0.56 per carat in the quarter to 31 March 2013). On a cash basis, production costs were USD 1.38 per carat (versus USD 1.06 in the quarter to 31 March 2013); and
 - Cash rock handling unit costs of USD 4.90 per tonne (versus USD 3.06 per tonne in the quarter to 31 March 2013).
- February 2014 auction of higher quality rough emeralds set records for aggregate revenues (at USD 36.5 million) and unit prices (at USD 59.31 per carat, a 10% increase over the previous record).
- An auction of traded rough emeralds (not obtained directly from the Company’s own mining operations) is presently underway in Jaipur, India, concluding on 2 May 2014.

Rubies

- Bulk sampling summary for 75%-owned Montepuez Ruby Mining Limitada (“Montepuez”) in Mozambique for the quarter ending 31 March 2014:
 - Approximately 1.2 million carats of ruby and corundum extracted during the ongoing bulk sampling operation (versus 0.5 million carats in the quarter to 31 March 2013), taking the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 8.2 million carats;
 - Total rock handling during the quarter was 534,306 tonnes, made up of 75,934 tonnes of ore and 458,372 tonnes of waste (versus 17,933 tonnes of ore in the quarter to 31 March 2013); and
 - Total cash operating costs of USD 3.0 million (versus USD 1.2 million in the quarter to 31 March 2013).
- Ongoing fine-tuning of the ‘first-of-a-kind’ comprehensive grading and sorting framework for rough rubies. Various downstream ruby and corundum enhancement processes are also being investigated, with encouraging results.
- Gemfields’ first ruby auction is scheduled to take place in Singapore in mid June 2014.

Fabergé

- Wholly-owned Fabergé Ltd (“Fabergé”) saw revenue derived from sales and sales orders agreed during the quarter increase by 134% when compared to the same quarter in the prior year.
- Sales were supported by Fabergé exhibits at BASELWORLD, the world’s biggest jewellery and watch fair, and at the Doha Jewellery & Watches Exhibition in Qatar.

- New designs and collections unveiled at BASELWORLD were well received, with first sales concluded.

Ian Harebottle, CEO of Gemfields, commented:

“Gemfields is pleased to report on another sound quarter which has seen further progress at the Montepuez ruby deposit, with the final preparations for our inaugural rough ruby auction in Singapore in June well underway.

Kagem endured a second quarter of reduced production, largely as a result of the unseasonably high rainfalls experienced within Zambia during the period as well as the characteristic grade volatility in coloured gemstone mining. However, operations at the mine remain robust, with Kagem in a strong position to benefit from an anticipated improvement in grades and achieve overall production volumes in line with management expectations.

Fabergé has seen the momentum behind the significant growth in the December sales figures maintained all the way through the quarter. The feedback we received from press and clients at BASELWORLD was most encouraging and bodes well for future demand.

Underlying gemstone markets remain healthy, supported by the ongoing increase in global demand for emeralds and other coloured gemstones. Our concerted marketing efforts continue in earnest and we look forward to the results of this week’s auction of traded rough emeralds.”

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 producing emerald mine in the world. The key production parameters by quarter are summarised below:

KAGEM Quarterly Summary to Mar-14	Units	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
PRODUCTION										
Gemstone Production (Emerald+Beryl)	million carats	4.9	7.3	7.9	6.6	6.5	8.9	6.5	3.9	3.6
Ore Production (Reaction Zone)	'000 tonnes	20.8	40.7	30.5	23.1	24.5	27.8	21.4	17.2	18.0
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	236	181	259	288	265	322	302	224	198
Waste Mined (including TMS)	million tonnes	1.6	2.7	2.6	2.2	2.2	2.5	1.9	1.9	1.0
Total Rock Handling	million tonnes	1.6	2.8	2.6	2.2	2.3	2.5	1.9	2.0	1.0
Stripping Ratio		77	67	84	96	91	89	88	113	55
CASH COSTS										
Kagem Total (Cash) Operating Cost	USD million	6.0	9.8	8.5	7.7	6.9	9.0	6.8	6.8	4.9
Gemstone Unit Cost (E+B)	USD/carats	1.2	1.3	1.1	1.2	1.1	1.0	1.1	1.8	1.4
RZ Unit Cost	USD/RZ tonne	291	242	280	333	282	325	319	393	273
Rock Handling Unit Cost	USD/tonne	3.7	3.5	3.3	3.4	3.1	3.6	3.6	3.5	4.9
ACCOUNTING COSTS										
Kagem Operating Cost *	USD million	4.2	4.2	4.0	4.4	3.6	4.4	4.3	4.5	4.5
Gemstone Unit Cost (E+B) *	USD/carats	0.8	0.6	0.5	0.7	0.6	0.5	0.7	1.2	1.3
RZ Unit Cost *	USD/RZ tonne	200	104	130	189	147	160	199	261	252
Rock Handling Unit Cost *	USD/tonne	2.6	1.5	1.5	2.0	1.6	1.8	2.2	2.3	4.5

* Note: As at 31 March 2014, a total of approximately USD 35.48 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 March 2014 amounted to USD 19.3 million.

The quarter to 31 March 2014 yielded 3.6 million carats at a grade of 198 carats per tonne of ore and unit production costs of USD 1.27 per carat (excluding capitalised waste moving costs), or USD 1.38 per carat on a cash basis. The quarter saw approximately 1.0 million tonnes of rock moved. Cash rock handling unit costs were USD 4.90 per tonne (compared to USD 3.06 in the quarter to 31 March 2013).

The highwall pushback programme has been extended in to its fourth phase with a further 75 metres on the west side of the Chama pit. This work will be carried out using both in house capability and through a third party

contractor. A 17 month program has been agreed with the contractor, ending in September 2015. In house waste removal will be carried out over 34 months, ending in February 2017.

Gemfields' trial underground mining project focused on stope blasting and supporting of the underground workings. A total of four stope blasts and three metres of horizontal advance were completed during the quarter ending 31 March 2014 (versus 57.6 metres in the quarter ending 31 December 2013). One of the four stopes has been completed. The second stope was started during the month of February. The creation of back-filled pillars in the mined out area has supported the roof successfully with much of this quarter focussing on wire meshing and lacing sections of the travelling ways. A total of 467 tonnes of ore was produced during the quarter (versus 885 tonnes in the prior quarter). Approximately 19,975 carats were produced by the underground operation in the quarter (versus 60,915 carats in the prior quarter). The grade for the quarter was 42.8 carats per tonne and the overall grade for the project to date is 76.6 carats per tonne.

The fluid nature of coloured gemstone formation results in a high level of volatility with respect to grade and ore, but is underpinned by largely stable annual rolling averages. This is clearly evidenced in historic production numbers (see graphical presentation available on the Company's website www.gemfields.co.uk). This historic predictability of the ore body, coupled with the fact that the most recent highwall pushback project has left the operation with a considerable volume of exposed ore, provides management with a high level of confidence that the targeted annual production volumes are likely to be in line with management expectations.

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 February 2014 auction of predominantly higher quality rough emeralds held in Lusaka, Zambia saw 0.62 million carats being sold, and generating record aggregate higher grade auction revenues of USD 36.5 million. The auction yielded an overall average of USD 59.31 per carat, the highest unit value achieved at any Gemfields auction of predominantly higher quality material, and representing a 10% increase over the previous high of USD 54.00 per carat (achieved in the July 2013 Lusaka auction).

An auction of traded rough emeralds (not obtained directly from the Company's own mining operations) is underway in Jaipur, India, concluding on 2 May 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 1.2 million carats of ruby and corundum were extracted in the quarter during the ongoing bulk sampling operation, versus 0.5 million carats in the quarter to 31 March 2013. This takes the total ruby and corundum extracted at Montepuez since the commencement of bulk sampling to 8.2 million carats.

Total rock handling stood at 534,306 tonnes (compared to 17,933 tonnes in the quarter to 31 March 2013), of which 75,934 tonnes were ore and 458,372 tonnes were waste. Total cash operating costs during the quarter totalled USD 3.0 million, versus USD 1.2 million in the quarter to 31 March 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.

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

Gemfields' first ruby auction is scheduled to take place in Singapore in mid June 2014.

FABERGÉ

Wholly-owned Fabergé Ltd ("Fabergé") saw revenue derived from sales and sales orders for the quarter increase by 134% compared to the same quarter in the prior year.

Fabergé exhibited at the Doha Jewellery & Watches Exhibition in Qatar from 24 February through 2 March 2014. Progress continues to be made in building the client base in the region.

Fabergé also exhibited at BASELWORLD, the world's biggest jewellery and watch fair from 27 March through 3 April 2014. New collections and designs were well received by clients and the press alike, with the first sales already concluded.

Immediately after the quarter end, on 1 April 2014, two key Fabergé promotional projects commenced. The first was a three week long display and exhibit in the world famous Harrods store in Knightsbridge, London. The second was the 'The Fabergé Big Egg Hunt', a creative charity and promotional initiative that saw 300 giant egg sculptures (each designed by globally renowned artists, designers, architects and brands including Jeff Koons, 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. The funds raised benefit 'Elephant Family', founded by Mark Shand and 'Studio in a School', founded by Agnes Gund.

CORPORATE & CASH

As at 31 March 2014, Gemfields had cash and cash equivalents of USD 26.7 million and total debt outstanding of USD 8.0 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 US\$260 million. The Company has also held a traded emerald auction (not obtained directly from the Company's own mining operations) which generated revenue of US\$8.5 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 in January 2013 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.