

Gemfields plc

(“Gemfields” or the “Company”)

Market Update – Quarter to 30 September 2012

21 November 2012

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 30 September 2012. 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:
 - The first quarter of the new financial year saw production increase to 7.9 million carats (versus 7.3 million carats in the prior quarter)
 - Grade for the quarter was 259 carats per tonne (versus 181 carats per tonne in the prior quarter), with unit production costs of USD 0.50 per carat (versus USD 0.57 per carat in the prior quarter)
 - Cash rock handling unit costs were USD 3.3 per tonne (versus USD 3.5 per tonne in the prior quarter)
 - Unit ore production costs were USD 130 per tonne (versus USD 104 per tonne in the prior quarter)
- Kagem’s large-scale and ongoing waste movement programme to open up new areas for future ore production continues to progress to plan
- At 30 September 2012, Gemfields had USD 17.7 million in cash and total debt outstanding of USD 7.4 million
- Bulk sampling activities are underway at the promising Montepuez ruby deposit in Mozambique
- Demand for ethical emeralds continues to remain firm across all major markets as clearly indicated by the pleasing per carat prices achieved during the Company’s recent higher quality rough emerald auction held in Singapore from 29 October to 2 November 2012

Ian Harebottle, CEO of Gemfields, commented:

“On the back of ongoing solid demand for Gemfields’ ethically sourced coloured gemstones, adequate stock levels, healthy cash balances and well proven reserves, the decision to focus primarily on mine development and waste mining during the past year has been well justified. This, together with the promising progress that we have achieved at our Mozambican ruby mine, provides management with the confidence required to continue with the implementation of our ambitious growth plans, believing these to be integral to the future success of the Company and the transformation of the coloured gemstone sector as a whole.”

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:

Production Performance

Quarterly Summary	Units	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	TOTAL
Gemstone Production (Emerald+Beryl)	million carats	5.9	3.5	10.8	4.9	3.9	4.9	7.3	7.9	49.2
Ore Production (Reaction Zone)	'k tonnes	16.0	12.0	21.7	24.0	17.5	20.8	40.7	30.5	183.1
Grade (Emerald+Beryl/Reaction Zone)	carats /tonne	369	290	500	205	222	236	181	259	269
Waste Mined (including TMS)	million tonnes	0.8	0.8	1.4	2.2	2.2	1.6	2.8	2.6	14.4
Stripping Ratio		48	66	67	92	125	78	68	85	79
Cash Operating Cost	USD million	3.6	3.6	3.5	7.2	7.0	6.0	9.8	8.5	49.3
Cash Rock Handling Unit Cost	USD /tonne	4.6	4.4	2.4	3.3	3.2	3.7	3.5	3.3	3.4

Financial Performance*

Quarterly Summary	Units	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	TOTAL
Total Operating cost	USD million	3.6	3.6	3.5	3.9	3.4	4.2	4.2	4.0	30.2
Unit Production cost per carat	USD /carats	0.62	1.03	0.32	0.79	0.87	0.85	0.57	0.50	0.62
Unit Production cost per tonne of ore	USD /tonne	227	298	160	162	193	200	104	130	165

*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 September 2012, approximately USD 19.1 million of waste moving costs have been capitalised and will be amortised later when the associated ore is mined.

The quarter to 30 September 2012 produced 7.9 million carats at a grade of 259 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 continues. This programme has gained pace with over 2.6 million tonnes of rock having been moved in the past quarter. The stripping ratio increased by 25% from 68 to 85 as larger areas of overburden are mined in order to further increase the levels of ore available for future mining and as the push-back project is accelerated. Management expects an overall increase in operating efficiencies and performance as the stripping ratio stabilises in the medium term and as Kagem is able to mine both waste and ore more efficiently.

Approximately 1.7 million tonnes of waste were moved by the contractor during the quarter (compared to 1.9 million tonnes in the previous quarter), with cash rock handling unit costs decreasing to USD 3.3 per tonne in the current quarter (compared to USD 3.5 in the prior quarter).

Gemfields' trial underground mining project achieved 90.4 metres of horizontal advance during the quarter ending 30 September 2012 (versus 92 metres in the quarter ending June 2012). The total linear development to date is 561.3 metres (versus 470.9 meters at 30 June 2012). A total of 1,460 tonnes of ore was produced during the quarter (versus 1,560 tonnes in the prior quarter) with 126 tonnes of waste removed. Preparation for experimental stoping has started during this quarter, while continued reaction zone mining has continued. Approximately 75,190 carats were produced by the underground operation in the quarter ending 30 September 2012, versus 147,805 carats in the prior quarter.

Despite the slightly reduced demand experienced for some of the lower quality goods placed on offer during the Company's Jaipur auction in June 2012, demand for ethical emeralds continues to remain firm across all major markets, as indicated during the Company's more recent higher quality rough emerald auction held in Singapore between the 29 October and 2 November 2012 (See "Singapore Rough Emerald and Beryl Auction Results" announcement released 6th November 2012). Although the average price per carat was slightly lower in the most recent Singapore auction when compared to the previous higher quality auction, there was a pleasing increase in per carat prices when looking at the underlying lots on a quality-for-quality basis and the historic prices achieved for goods of a similar nature.

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.

Mozambique Ruby Update

Start-up operations at the Mozambican ruby project owned by *Montepuez Ruby Mining Lda* (in which Gemfields has a 75% interest) are progressing well, with a core team and primary stage mining and processing equipment already on site and operational. A semi-mobile ore treatment plant has been designed, fabricated and commissioned to test the characteristics of the ore. Bulk sampling has commenced and has shown encouraging results.

Cash Balances

At 30 September 2012, Gemfields had USD 17.7 million in cash (and total debt outstanding of USD 7.4 million). Since the quarter end Gemfields had realised USD 26.8 million from the November auction.

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

Neil Passmore/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 controlling stakes in a highly prospective ruby deposit in Mozambique and licences in Madagascar including ruby, emerald and sapphires 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.