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Gemfields plc

("Gemfields" or the "Company")

Proposed Acquisition of Fabergé

Gemfields plc (AIM: GEM), the leading gemstone mining and marketing company, announces its proposed acquisition (the "Proposed Acquisition") of a 100% interest in Fabergé Limited ("Fabergé") with a view to creating a globally recognised coloured gemstone champion. Fabergé will provide Gemfields with direct control over a high-end luxury goods platform and a global brand with an exceptional heritage.

The Proposed Acquisition consideration will be satisfied by the issue of up to 214 million new Ordinary Shares representing approximately 39.6% of the Enlarged Issued Share Capital (assuming no shareholder in Fabergé dissents) following Completion. It values Fabergé at approximately US\$142 million (£89 million), on the basis of a 30 day volume weighted share price as at 20 November 2012 and at approximately US\$133 million (£83 million), on the basis of the price of Ordinary Shares as at 20 November 2012.

The Proposed Acquisition is conditional on, *inter alia*, (i) the waiver by Independent Shareholders of Pallinghurst Group's obligation to make a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers as a result of the Proposed Acquisition, (ii) the restructuring of the Company's largest shareholder, Rox, (iii) the approval of the acquisition of Fabergé shares from persons connected with a director of the Company, and (iv) admission of the Consideration Shares to trading on AIM. It is expected that a shareholder circular will be posted in due course and the relevant resolutions will be proposed at the Company's AGM to be held in December 2012.

Proposed Acquisition highlights:

- Positions Gemfields as a UK based leading coloured gemstone miner and a global iconic luxury brand with an exceptional heritage operating in the two most profitable segments within the gemstone supply chain
- Proposed Acquisition further advances Gemfields' "Mine and Market" strategy creating a coloured gemstone champion
- Positions Fabergé as the coloured gemstone retailer of choice, within the hard luxury retail sector; a sector with an estimated turnover of US\$54 billion in 2011 according to the Bain Luxury Market Study
- Marketing, communication, management and supply synergies to deliver operational efficiencies within the Enlarged Group
- Consolidates Gemfields' brand as "The Coloured Gemstone Company", creating a platform to further increase the Company's market share within the coloured gemstone sector, while gaining exposure to luxury sector multiples and greater influence over product positioning and consumer awareness
- Gemfields will continue to sell its rough coloured gemstone production through its established auction platform
- The Enlarged Group, listed on AIM and managed from London, will have approximately 1,150 employees across the United Kingdom, United States, Switzerland, Zambia, Mozambique, India and China providing expertise in coloured gemstones via a global platform poised for additional growth and expansion at both ends of the supply chain

- The Enlarged Group has a management team with the experience and ability to deliver success and has instigated a detailed integration plan which will begin immediately following Completion
- Provides a strong platform for the Company's intended move to the premium listing segment of the UKLA's Official List and to trading on the Main Market of the London Stock Exchange¹
- The Unbundling of Rox, Gemfields' largest shareholder (59.1%, or if including Pallinghurst's direct holdings, 63.0%), into its component parts will increase the number of independent shareholders in the Company and will leave the Pallinghurst Group with a 49.3% shareholding².

¹ Subject to eligibility and confirmation from the appropriate authorities

² Immediately following Completion the Concert Party will make a submission to the Panel to be regarded as independent

Fabergé overview:

- Fabergé is a purveyor of luxury jewellery with boutiques and retail concessions located in Geneva, New York, London (in Mayfair and Harrods in Knightsbridge), and Hong Kong
- Like Gemfields, Fabergé is set for growth, with revenues growing 367% in the financial year to 31 March 2012. In the financial year to 30 June 2012, Gemfields' revenues were up 108% to US\$83.7 million with profit before tax and exceptional items up 140% to US\$47.8 million
- Assuming Completion in early Q1 2013, Fabergé is expected to have at least US\$10 million in cash and no debt at Completion

Ian Harebottle, CEO of Gemfields plc, commented: *"Gemfields has firmly established itself as "the Coloured Gemstone Mining Company" and the proposed acquisition of Fabergé further enhances our potential to be recognised as the leading coloured gemstone company. It provides exposure to the two most profitable segments in the gemstones value chain, namely mining and consumer sales. Fabergé is a globally recognised brand with a unique heritage, a history of excellence and a commitment to coloured gemstone products, sales and marketing, all of which is perfectly demonstrated by the magnificent Romanov necklace crafted from 2,225 emeralds and diamonds and unveiled earlier this year. The proposed acquisition is transformational for the Company, our team and our shareholders and has the potential to deliver significant value, expanded growth and diversification opportunities to the Company and our shareholders."*

Gemfields has made excellent strides in its coloured gemstones mining and marketing initiatives, which will remain core to our business. However, we are confident that we will be able to put the new and exciting opportunities and natural synergies, that a globally recognised brand of Fabergé's standing is able to offer us, to good use. I have no doubt that Fabergé will help to further accelerate demand for Gemfields' ethically sourced premium coloured gemstones, actively championing the coloured gemstone industry and providing a directly-controlled showcase for our finest gems. We look forward to moving into what is a considerably larger and grander market space than that which was previously available to the Gemfields brand."

Katharina Flohr, Managing and Creative Director at Fabergé, commented: *"The combination with Gemfields presents a unique platform to further develop coloured gemstone products in new and existing global markets. Both businesses are fortunate to share the same vision and to recognise the exciting long term opportunity that exists within the combination of the coloured gemstone and luxury goods markets. Gemfields' leading market position is in part due to its ability to supply ethically produced coloured gemstones on a large scale but is also due to its extensive marketing initiatives, both of which are certain to be developed further by Fabergé, to the benefit of both companies and the sector as a whole."*

Canaccord is acting as Nominated Adviser and Financial Adviser and J.P. Morgan Cazenove is acting as Financial Adviser to Gemfields in connection with the Proposed Acquisition.

Further details of the Proposed Acquisition are set out in Appendix I to this announcement and defined terms are set out in Appendix II to this announcement.

Analyst presentation and webcast

A conference call and webcast presentation will be held on Wednesday 21 November 2012 at 09:00 GMT. Participants may join the conference call by dialling one of the following numbers and logging onto the anywhere conference facility to access the presentation approximately 10 minutes before the start of the call:

From UK (toll free): 0800 368 1950

From South Africa (toll free): 0800 983 097

From the rest of the world: +44 (0)20 3140 0668

Participant PIN code: 144144#

Web details:

Click on link: <https://www.anywhereconference.com/>

Web login: 113388329

Participant PIN code: 144144

A recording of this will be available from 14:00 GMT on 21 November 2012 on the Company's website: www.gemfields.co.uk.

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Forward-Looking Statements

This announcement contains 'forward-looking statements' concerning Gemfields and Fabergé that are subject to risks and uncertainties. Generally, the words 'will', 'may', 'should', 'continue', 'believes', 'targets', 'plans', 'expects', 'aims', 'intends', 'anticipates' or similar expressions or negatives thereof identify forward-looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Gemfields' or Fabergé's operations and potential synergies resulting from the Proposed Acquisition; and (iii) the effects of government regulation on Gemfields' or Fabergé's business.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Gemfields' or Fabergé's ability to control or estimate

precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. Neither Gemfields nor Fabergé can give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement. Neither Gemfields nor Fabergé undertakes any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.

Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of Gemfields, Fabergé or any other person following the implementation of the Proposed Acquisition or otherwise.

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If the anticipated timetable materially changes, the Company will provide an update via RIS.

APPENDIX I

Introduction

The Board is pleased to announce that Gemfields has entered into a conditional Implementation Agreement which sets out the framework for it, through a Cayman subsidiary, to acquire 100% of the issued and to be issued share capital of Fabergé by way of merger in the Cayman Islands. Fabergé is an international purveyor of luxury jewellery with boutiques and concessions located in Geneva, New York, London (in Mayfair and Harrods in Knightsbridge) and Hong Kong.

The Directors believe that the Proposed Acquisition will accelerate Gemfields' development and momentum within the coloured gemstone sector, further enhancing the Company's position as a coloured gemstone champion. The Proposed Acquisition positions Fabergé as the "go-to" jeweller for coloured gemstones – thereby filling a perceived gap in the market - and effectively allowing it to become the coloured gemstone jeweller of choice in consumers' minds. The Directors believe that the coloured gemstones sector has, in recent years, been largely overlooked by the large-scale mining producers and higher-quality retailers at least partly as a result of the current overwhelming focus on the diamond market. This has in turn led to an undercapitalisation of the coloured gemstone industry which has also suffered from the challenges of inconsistent and fragmented supply and limited marketing spend. The Directors see this historic underinvestment as an opportunity to target dynamic growth through consolidation and vertical integration, and believe that the Enlarged Group will enjoy a superior ability to grow and promote the coloured gemstone sector in terms of both volume and value sales as the sector gains in size and influence.

Gemfields views the Proposed Acquisition as an important strategic opportunity to boost the international presence and perception of coloured gemstones, to gain participation in the high margin luxury sector and to further advance its stated "mine and market" vision. The transaction should broaden Gemfields' investor and institutional appeal beyond the traditional mining investment community, potentially gaining exposure to luxury sector multiples.

Acquisition Overview

The consideration for the Proposed Acquisition comprises entirely of the issue and allotment of up to 214 million new Ordinary Shares (subject to any dissenting rights). The Consideration Shares will be allocated among Fabergé Shareholders in proportion to their shareholding in Fabergé immediately prior to Completion.

The Proposed Acquisition is conditional upon, *inter alia*, the Whitewash, the Unbundling, the Section 190 Approval and Admission.

The resolutions necessary to implement the Proposed Transaction will be proposed at the Company's Annual General Meeting to be held in December 2012.

It is expected that the Proposed Acquisition will be completed in early Q1 2013.

About Gemfields

Gemfields is a leading gemstone mining and marketing company listed on AIM (ticker: GEM). The Company's principal asset is the 75% owned Kagem emerald mine in Zambia, the world's single largest producing emerald mine by value and volume. In addition to this, Gemfields has a 50% interest in the Kariba amethyst mine in Zambia and a 75% interest in the Montepuez ruby deposit in Mozambique, which is currently undergoing trial mining and bulk sampling, with the first sales of goods expected to take place in H1 2013. The Company also owns licences in Madagascar including ruby, emerald and sapphire deposits.

In July 2009, Gemfields commenced a formal auction programme for its ethically sourced Zambian emeralds. To date, the Company has held 11 auctions which have generated combined revenues totalling US\$160.5 million.

On 2 October 2012, Gemfields announced a significant upgrade in its mineral resource at the Kagem mine to a JORC Code compliant Indicated Mineral Resource of 1.0 billion carats of emerald and beryl at a projected 365 carats/tonne, while at the same time completing an underground mining feasibility study

and anticipating a 20 year mine life at a production rate of 34 million carats per annum, development of which is expected to commence in the financial year to 30 June 2014. This announcement was followed by record results for the financial year to 30 June 2012 with revenue up 108% to US\$83.7 million and profit before tax and exceptional items up 140% to US\$47.8 million.

About Fabergé

The Fabergé brand was originally established by Gustav Fabergé in 1842 in St Petersburg, Russia. It was Gustav's son, Peter Carl Fabergé (born in 1846) who led the firm to worldwide renown, winning the favour of the Imperial Romanov family in the 1880s and the award of the Grand Prix at the 1900 World Fair in Paris. Fabergé is a world-renowned luxury name in part due to the success of the 50 jeweled eggs commissioned by the Imperial Russian family from 1885 through to 1916.

Today, Fabergé's catalogues of luxury items and objets d'art are intimately associated with the use of colour and of coloured gemstones.

The Fabergé brand underwent two dramatic setbacks in the first half of the 20th century. The first was the Bolshevik Revolution of 1918 which resulted in the scattering of the Fabergé family and a violent end to production at the Fabergé workshops. As a result, the Fabergé family was not significantly involved in the production of Fabergé-branded items for almost 90 years.

Secondly, in 1951 the Fabergé family effectively lost the rights to use their family name in marketing Fabergé-branded designs when protracted and expensive litigation forced a settlement that ceded the rights to an American corporation in return for only US\$25,000.

After changing hands on two further occasions, the then Fabergé Inc (which had acquired Elizabeth Arden) was purchased by Unilever plc for US\$1.55 billion in 1989.

In January 2007, Pallinghurst acquired from Unilever plc a worldwide portfolio of Fabergé trademarks, licences and associated rights and reunited the name with the Fabergé family through the establishment of the Fabergé Heritage Council. Following an extensive two-and-a-half year clean-up of the brand's business, licences and trademarks, the unified Fabergé was formally re-launched on 9 September 2009, with the first new collection since 1917 unveiled at Goodwood House, England. Fabergé has since opened boutiques or concessions in Geneva, London (in Mayfair and Harrods in Knightsbridge), Hong Kong and New York.

Fabergé has opened five new retail outlets since 2009, four of which were opened in the last two years. Fabergé delivered revenue of US\$6.97 million in the financial year to 31 March 2012, an increase of 367% on the previous year.

Fabergé is targeting opening an average of two new stores per annum over the next ten years, with an aim of 71 stores by 2033. Fabergé is targeting US\$6.5 million of annual sales in the medium term for each new store added. Each store is expected to have operating costs of circa US\$1 million per annum comprising of fixed costs of US\$750,000 and sustaining capital expenditure of US\$30,000. Fabergé is also targeting a 26/74% wholesale/retail sales mix.

Summary financials

Summary financials for Fabergé are set out below:

(US\$ '000)	Mar-2009A	Mar-2010A	Mar-2011A	Mar-2012A	Sep 2012A
Income Statement					
Revenue	4,481	765	1,492	6,966	2,556
Cost of sales	-	-354	-1,590	-5,109	-1,501
Sales, general and administrative costs	-17,680	-20,929	-13,695	-15,442	-7,871
Corporation tax	-16	-20	-42	-17	-2
Net loss	-13,165	-20,584	-14,618	-14,308	-7,299

Balance sheet

Intangible assets	36,172	36,275	36,266	36,261	36,263
Tangible fixed assets	115	898	728	1,121	1,906
Inventory	15,499	22,038	24,230	29,664	34,282
Loan from Shareholders ¹	-	-	-6,450	-25,705	-51,677
Employee loan/(benefits)	-1,259	-1,941	-1,211	-1,206	-1,229
Net assets	56,450	71,178	56,560	42,252	35,235
Retained loss	-23,426	-43,906	-57,991	-72,450	-79,749

Cash Flow Statement

Changes in working capital	-16,875	-5,758	-3,425	-3,550	-1,526
Operating cash flow	-26,012	-25,960	-18,127	-16,490	-7,201
Investing cash flow	-1,827	-1,099	-150	-1,487	-1,277
Financing cash flow	27,729	35,370	6,200	18,347	25,136
Net cash flow	-110	8,311	-12,077	-371	16,658
Cash at the end of the year	5,461	13,772	1,695	2,066	18,884

¹ It is expected that the current shareholder loans of circa US\$52m will be converted into equity immediately prior to Completion.

Background to and reasons for the Proposed Acquisition

The principal benefits of the Proposed Acquisition for Gemfields are as follows:

Route to market

Gemfields has a proven track record in coloured gemstone mining, marketing and promotion. The Company has achieved a tenfold increase in achievable rough gemstone sales prices over the past four years as a direct result of its focussed marketing initiatives and regular closed tender auctions that have ensured a consistent supply of high quality ethically sourced emeralds to the world markets. Additionally, Gemfields has established a wholesale sales division whose focus is on assisting both down-stream manufacturers and up-stream retailers gain greater access to global supply. However, the Company strongly believes that the potential for continued and sustainable increases in demand for coloured gemstones requires the endorsement and backing of high-end brand positioning and specialist retail distribution outlets, both of which will be achieved through the Proposed Acquisition.

Gemfields currently receives revenue from the production and sale of rough gemstones. Access to a retail platform through Fabergé will allow the Company to maximise returns at all of the typically high margin points across the supply and distribution chain – namely mining, rough gem sales, polished gemstone sales and retail – while at the same time providing direct access to the end consumer and greater control of the final positioning of its products. The Directors believe that Fabergé will become an important vehicle for the marketing and delivery of gemstones within the Enlarged Group and will act as a flagship for its products, driving the aspirational positioning of, and consumer demand for, coloured gemstones across all price points within the sector.

Gemfields presently sells rough gemstones to its clients through closed tender auctions, some of whom elect to send their polished gems to London, on consignment, for Gemfields to onward sell to select retailers at trade prices. Many of these gems could be readily used in Fabergé jewellery and sold to consumers at retail prices, thereby capturing significant additional margin for the Enlarged Group.

Fabergé will additionally provide a platform for Gemfields to further develop the concept of “ethically branded gemstones”, along similar lines to that of Forevermark diamonds.

Brand names and access to global luxury market

Fabergé is one of the most recognised luxury brand names with a well-documented and globally recognised heritage. The Company estimates that building such a renowned brand name from scratch would take a considerable investment in time and money and would ultimately be likely to cost far more than the Proposed Acquisition.

Fabergé will provide Gemfields with entry to the global luxury market, which was estimated to be worth US\$244 billion in 2011 and is forecast to grow to US\$305 billion by 2014. The hard luxury market, which includes luxury jewellery, watches, pens and lighters, represented approximately 22% (US\$54 billion) of the total luxury goods market in 2011.

Access to this market is expected to broaden Gemfields' investor and institutional appeal beyond the traditional mining investment community.

The opportunity

The Proposed Acquisition offers significant marketing, communication, management and supply chain synergies which should improve operational efficiencies within the Enlarged Group.

Cost savings through combined marketing and co-branding in the Enlarged Group will ensure that the core focus on coloured gems drives and promotes both companies and the industry as a whole. The Proposed Acquisition will optimise buying power in terms of advertising and celebrity endorsements whilst also increasing the Company's influence over product positioning - helping to drive consumer demand and awareness of coloured gemstones.

Gemfields will gain a geographic presence in New York, Geneva and Hong Kong, whilst Fabergé will gain a presence in India, a market well understood by Gemfields, but as yet untapped by Fabergé. The Enlarged Group will be a truly global company with operations spread over seven time zones in eight countries.

The combination will allow the Enlarged Group to increase the breadth and depth of its product offering and to mine and market other premium coloured gems whilst combining the two companies' luxury and gemstones expertise.

The effect on the Enlarged Group

In addition to the effect on Gemfields' business through the synergies and strategic enhancement described elsewhere in this announcement, from a financial perspective, Gemfields recorded a profit before tax and exceptional items of US\$47.8 million for the year to 30 June 2012. Had the two companies been combined for that financial period, based on the Fabergé audited financials for the year to 31 March 2012 split proportionally for the final nine months, and the unaudited management accounts for the 3 months to 30 June 2012, the Enlarged Group's combined revenues would have risen from US\$83.7 million to US\$90.7 million and the profit before tax and exceptional items would have fallen from US\$47.8 million to US\$30.5 million for the period. The anticipated growth rate of the Fabergé business is described in the "About Fabergé" section of this announcement.

Principal terms of the Proposed Acquisition

Implementation Agreement

The Company, the Majority Fabergé Shareholders, Fabergé and a newly incorporated wholly owned subsidiary of Gemfields, incorporated under Cayman law for the purposes of the Proposed Acquisition ('Gemfields Cayman') entered into an Implementation Agreement dated 21 November 2012 whereby Fabergé and Gemfields Cayman propose to implement a plan of merger merging Fabergé and Gemfields Cayman into a single merged entity. In consideration of the cancellation of the Fabergé Shares, Fabergé Shareholders will receive Ordinary Shares in Gemfields subject to any dissenting rights.

The Implementation Agreement, and completion of the Merger, is conditional upon, *inter alia*, the Unbundling, the Whitewash, the Section 190 Approval and the admission of the Consideration Shares to trading on AIM. The Merger is also conditional upon the shareholder approval of Fabergé, however, the Majority Fabergé Shareholders undertake pursuant to the Implementation Agreement to vote in favour of the Merger, which in itself constitutes a sufficient majority to pass this resolution.

The Implementation Agreement provides customary warranty and indemnity protection in favour of the Company in relation to matters relating to Fabergé and its business and obligations with respect to the management of the business prior to Completion.

The Company also has the right to terminate the Implementation Agreement and halt the Merger in certain circumstances prior to Completion, in particular, in the event of a breach of the warranties set out in the Implementation Agreement, the Majority Fabergé Shareholders not complying with certain pre-Completion obligations or the occurrence of a material adverse change in the business of Fabergé. The Majority Fabergé Shareholders may terminate the Implementation Agreement and halt the Merger in the event of a material adverse change to the business of Gemfields prior to Completion.

Consideration

The consideration payable pursuant to the Proposed Acquisition will be satisfied by the issue of up to 214 million Consideration Shares, representing approximately 39.6% of the Enlarged Issued Share Capital (assuming no Dissenting Shareholders). Each Fabergé Shareholder shall be entitled to receive such proportion of the Consideration Shares as is equal to the proportion of Fabergé Shares that the Fabergé Shareholder holds in Fabergé immediately prior to Completion.

The Proposed Acquisition values Fabergé at approximately US\$142 million (£89 million), on the basis of a 30 day volume weighted share price as at 20 November 2012 and at approximately US\$133 million (£83 million), on the basis of the price of Ordinary Shares as at 20 November 2012.

Pursuant to Cayman law, Fabergé Shareholders have limited rights of dissent to the terms of the Merger, with their right of appeal restricted to whether the Fabergé Shareholder has received fair value for the Fabergé Shares. A Dissenting Shareholder cannot hold up completion of the Proposed Acquisition and any adjustment agreed with respect to the fair value of the Dissenting Shares would be agreed on an individual basis but may be payable in cash. A commitment has been received pursuant to the Implementation Agreement from the Majority Fabergé Shareholders that they will not exercise their right to dissent under the Merger with respect to their respective holdings in Fabergé, which in aggregate equates, immediately prior to Completion, to 93.3% of Fabergé Shares in issue.

New Relationship Agreement

At present, the 59.1% stake in the Company owned by Rox is governed by the Existing Relationship Agreement (see below).

On completion of the unbundling of Rox, and after the Proposed Acquisition, Pallinghurst will individually hold approximately 48.0% of the Enlarged Issued Share Capital (assuming no Dissenting Shareholders) and the combined Pallinghurst Group will hold approximately 49.3% of the Enlarged Issued Share Capital (assuming no Dissenting Shareholders). As a result of this, it is proposed that the Company and Pallinghurst will enter into the New Relationship Agreement to manage the ongoing relationship between them.

Pursuant to the New Relationship Agreement, associates of Pallinghurst include, *inter alia* (i) any company which is a subsidiary or parent undertaking of Pallinghurst; (ii) any company whose directors act in accordance with Pallinghurst's directions or instructions, (iii) any company in the capital of which Pallinghurst or any entity listed under (i) or (ii) holds 30% or more of the voting rights and is able to appoint or remove directors; and (iv) 'Related Parties' of Pallinghurst and such parties referred to at (i), (ii) and (iii) (as such term is defined in the AIM Rules).

The New Relationship Agreement provides that Pallinghurst shall exercise all its powers and procure that any non-independent directors and Related Parties exercise their powers to ensure that, *inter alia*: (i) the Company has its own dedicated management which shall operate and take decisions independent of Pallinghurst; (ii) the business and affairs of the Company be carried out in accordance with its constitution and for the benefit of its shareholders as a whole; (iii) independent directors shall constitute at least 50% of the board and all committees (save for the audit committee to which different rules apply); (iv) the Company shall comply with the principles of best practice adopted by UK AIM companies and any relevant market rules or regulatory requirements; (v) no agreement shall be entered into between the Company and Pallinghurst or any of its associates unless approved by the board including the non-independent directors; (vi) all transactions between the Company and Pallinghurst and its associates shall be carried out on arm's length terms; and (vii) Pallinghurst shall not sell, transfer or agree to sell, transfer or otherwise dispose of its shares which would reduce its aggregate holding to a level below 30% of the voting rights without giving the Company at least two business days' notice.

In addition, Pallinghurst and its associates are also bound by certain non-compete provisions to prevent them from, *inter alia*, competing, or holding interests of more than 10% in companies that compete, with

the Company's business (subject to certain exceptions). Pallinghurst and its associates must also not solicit for employment any group employee or induce or attempt to induce any group employee to terminate its employment relationship. The parties are bound by certain confidentiality obligations.

Lock-In Agreement

The Consideration Shares issued to Pallinghurst and Fabergé Conduit Limited in connection with the Proposed Acquisition will be subject to the terms of a lock-in agreement which provides that lock-in provisions shall apply, subject to limited exceptions, for 12 months from the date of Completion and thereafter a further 12 months of orderly market sale provisions shall apply. In addition, Canaccord is granted certain powers to sell Consideration Shares held under the lock-in to satisfy any settled claim against either of Pallinghurst or Fabergé Conduit Limited under the Implementation Agreement.

Related party opinion and AIM Rules

The acquisition of Fabergé represents a related party transaction for the Company under Rule 13 of the AIM Rules by virtue of the Pallinghurst Group's direct and indirect holdings in the Company (further explained below) and its direct and indirect holdings in Fabergé. Sean Gilbertson is also an executive director of both the Company and Fabergé. The Independent Directors consider, having consulted with the Company's nominated adviser, Canaccord, that the terms of the Proposed Acquisition are fair and reasonable insofar as the Company's Shareholders are concerned.

Given the size of the Proposed Acquisition, the Company has also provided such disclosure as is required in accordance with Rule 12 and Schedule 4 to the AIM Rules for Companies as a substantial transaction.

Rox unbundling

Pallinghurst, Investec Pallinghurst and NGPMR together hold 100% of the issued share capital of Rox Conduit Limited (Pallinghurst holds 49.1%, Investec Pallinghurst 27.8% and NGPMR 23.1% of Rox). Rox Conduit Limited in turn holds 100% of the issued share capital of Rox, which holds 59.1% of the issued share capital of the Company. In addition to Pallinghurst's indirect interest in the Company through Rox, Pallinghurst also directly holds a further 3.9% of the issued share capital of the Company.

On 6 June 2008, Rox and the Company entered into the Existing Relationship Agreement governing the relationship between the two parties and ensuring that the Company and its subsidiaries were capable at all time of carrying on its business independently of Rox and that all transactions between the Company and Rox were on arm's length terms on a normal commercial basis.

Rox is proposing to take steps so that neither it nor its parent, Rox Conduit Limited, will hold any shares directly in the Company (such steps are referred to in this announcement as the "Unbundling"). Both Rox and Rox Conduit Limited would be wound up as part of the Unbundling. Upon completion of the Unbundling, Pallinghurst, Investec Pallinghurst and NGPMR will all hold Ordinary Shares directly which will mean that, subject to the rules of the Takeover Code, they can vote independently upon Completion. The Unbundling is a condition precedent to Completion and is expected to complete prior to Admission. Immediately following the Unbundling, the constituent members of the Concert Party will make a submission to the Panel to show that they are no longer acting in concert and should be deemed to be independent.

Following this Unbundling, the Existing Relationship Agreement will cease to have effect and Pallinghurst will enter into the New Relationship Agreement as described above.

The Concert Party's holding in the Company immediately following the Unbundling will be as follows:

Concert Party	Ordinary Shares	Interest in Company
Pallinghurst	107,433,181	33.0%
Investec Pallinghurst	53,491,942	16.4%
NGPMR	44,428,516	13.6%

Rule 9 waiver and Concert Party

The Company's current largest Shareholder is Rox, who presently owns approximately 59.1% of the Company. The Pallinghurst Group, through its direct and indirect holdings, is currently interested in

33.0% of the Company and Investec Pallinghurst and NGPMR are currently interested in approximately 16.4% and 13.6% of the Company respectively. The Pallinghurst Group will have an interest of 74.0% in Fabergé assuming conversion of debt on Completion.

Notwithstanding the Unbundling, the Concert Party is currently considered to be acting in concert for the purposes of the Takeover Code and their aggregate shareholding prior to the Unbundling and prior to allotment of Consideration Shares is 205,353,639 Ordinary Shares, representing approximately 63.0% of the current issued share capital of the Company.

Pursuant to the Proposed Acquisition, the Pallinghurst Group will receive a maximum of 158,453,409 Consideration Shares (assuming Pallinghurst Resources Management does not dissent) as a result of its direct holding in Fabergé and also its indirect interest by virtue of its shareholding in Fabergé Conduit Limited. The Concert Party will together receive a maximum of 201,303,376 Consideration Shares (assuming Pallinghurst Resources Management does not dissent) and their aggregate holding on Completion will be 406,657,015 Ordinary Shares, representing approximately 75.3% of the Enlarged Issued Share Capital (assuming no Dissenting Shareholders). The maximum potential holding of the Concert Party, assuming all minority Shareholders dissent other than Pallinghurst Resources Management, is 406,657,015 Ordinary Shares, representing approximately 77.2% of the Enlarged Issued Share Capital. However, immediately post-Completion and post the Unbundling, the Concert Party intends to make a submission to the Panel to show that they are no longer acting in concert and should be deemed to be independent. Their individual shareholdings post-Unbundling and pre-Completion will therefore be as set out above.

The Panel has confirmed that due to the current size of the holding of the Concert Party being over 50%, collectively they will be able to receive Consideration Shares without triggering an obligation under Rule 9 of the Takeover Code. However, due to the increase in the holding of the Pallinghurst Group as a result of the issue of Consideration Shares, in order not to trigger an obligation under Rule 9 of the Takeover Code, the Independent Shareholders of the Company must waive the obligation on the Pallinghurst Group to make a mandatory offer under Rule 9 of the Takeover Code.

Shareholdings of the Concert Party and the Pallinghurst Group

<i>Name of Entity</i>	<i>Share Interest in Company on 20 November 2012</i>	<i>% Interest in Company on 20 November 2012¹</i>	<i>Entitlement to Consideration Shares</i>	<i>Share Interest in Company immediately following Admission²</i>	<i>Interest in Company immediately following Admission²</i>
Pallinghurst	107,433,181	33.0%	151,475,599	258,908,780	48.0%
Pallinghurst Founder	-	-	5,391,081	5,391,081	1.0%
Pallinghurst Resources Management	-	-	1,586,729	1,586,729	0.3%
Investec Pallinghurst	53,491,942	16.4%	14,781,229	68,273,171	12.6%
NGPMR	44,428,516	13.6%	28,068,738	72,497,254	13.4%
The Pallinghurst Group	107,433,181	33.0%	158,453,409	265,886,590	49.3%
Concert Party	205,353,639	63.0%³	201,303,376	406,657,015	75.3%

¹ Latest practicable date prior to the date of this announcement and assuming the Unbundling takes place

² Assuming there are no Dissenting Shareholders

³ Consists of 59.1% holding by Rox and 3.9% direct holding by Pallinghurst.

Shareholders should note that:

- (a) On Admission, and assuming Dissenting Shareholders holding not more than 131,087 Fabergé Shares dissent to the Merger and that Pallinghurst Resources Management is not a Dissenting Shareholder, Pallinghurst individually, and the Pallinghurst Group collectively, will be interested in Ordinary Shares carrying more than 30% but less than 50% of the voting rights of the Company and will have increased its share of the voting rights pursuant to the Proposed Acquisition and consequent issue of Consideration Shares. However, post-Admission no member of the Pallinghurst Group will be able to increase its percentage interest in the voting rights of the Company without Panel consent. If it did so it would incur an obligation to make a general offer for the Company under Rule 9 of the Takeover Code.**
- (b) On Admission, in the event Dissenting Shareholders holding more than 131,087 Fabergé Shares dissent to the Merger, the Pallinghurst Group (assuming Pallinghurst Resources Management is not a Dissenting Shareholder) collectively will be interested in Ordinary Shares carrying more than 50% of the voting rights of the Company and will have increased its share of the voting rights of the Company pursuant to the Proposed Acquisition and consequent issue of Consideration Shares.**
- (c) Following Admission, and assuming all Fabergé Shareholders other than the Majority Fabergé Shareholders and Pallinghurst Resources Management give notice of dissent with respect to their Fabergé Shares, the Pallinghurst Group will control a maximum of 50.4% of the voting rights of the Company. This may in turn have the effect of reducing the liquidity of trading in the Ordinary Shares on AIM. The voting rights of the Company held by the Pallinghurst Group will also mean that the Pallinghurst Group will be able to, if it so wishes and subject to the terms of the New Relationship Agreement, pass ordinary resolutions and exert significant influence over special resolutions proposed at future general meetings of the Company.**
- (d) Following Admission, Investec Pallinghurst and NGPMR intend to make a submission to the Panel to show that they are no longer acting in concert and should be deemed to be independent. If the Panel deem the parties to be no longer acting in concert, they will be free to acquire shares in the Company without being required to make a Rule 9 offer providing their individual holdings remain less than 30% of the voting rights of the Company.**

Where the Pallinghurst Group holds more than 50% of the voting rights of the Company and Pallinghurst individually holds more than 30% but less than 50% of the voting rights of the Company, Pallinghurst will not be able to increase its percentage interest in the voting rights of the Company without Panel consent. If it did so it would incur an obligation to make a general offer for the Company under Rule 9 of the Takeover Code. Each other member of the Pallinghurst Group will however be free to acquire shares in the Company without being required to make a Rule 9 offer providing their individual holdings remain less than 30% of the voting rights of the Company.

Rule 9 fairness opinion

Canaccord has provided advice to the Independent Directors in relation to the Whitewash in accordance with the requirements of paragraph 4(a) of Appendix 1 to the Takeover Code.

This advice was provided by Canaccord to the Independent Directors only and, in providing such advice, Canaccord has taken into account the Independent Directors' commercial assessments as well as, but not limited to, the confirmations of the future intentions of the Concert Party as set out below.

The Independent Directors, who have been so advised by Canaccord, consider that the approval of the Whitewash by the Panel of any requirement for the members of the Concert Party to make a general offer to shareholders under Rule 9 of the Takeover Code, is fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole.

Intentions of the Pallinghurst Group

The Pallinghurst Group (other than Pallinghurst Resources Management) has confirmed that, following Completion, its intention is that the business of the Company be continued in the same manner as at present. The Pallinghurst Group (other than Pallinghurst Resources Management) also supports the Company's objectives pursuant of its growth and mine to market strategy.

Section 190 Approval

Pursuant to Section 190 of the Companies Act, the Company may not enter into an arrangement under which the Company acquires or is to acquire a substantial non-cash asset (directly or indirectly) from a Director of the Company or a person so connected. For these purposes, a 'substantial non-cash asset' is a substantial asset in relation to the company if its value either (a) exceeds 10% of the company's asset value and is more than £5,000, or (b) exceeds £100,000.

Autumn, which has an approximate interest of 0.5% in Fabergé, is a connected person of Sean Gilbertson by virtue of Mr. Gilbertson and other members of his family being named beneficiaries in a trust that is the holder of 50% of the issued share capital of Autumn.

Pallinghurst Resources Management, which has an approximate interest of 0.7% in Fabergé, is also a connected person of Mr Gilbertson by virtue of Mr. Gilbertson holding a 50% interest in both the general partner and the limited partner of Pallinghurst Resources Management.

Pursuant to the terms of the Merger, each of Autumn and Pallinghurst Resources Management will receive Consideration Shares in exchange for the cancellation of its Fabergé Shares.

Shareholder approval is required prior to the Company issuing Consideration Shares to either of Autumn or Pallinghurst Resources Management.

Annual General Meeting

At the Company's Annual General Meeting to be held in December 2012 the following resolutions relating to the Proposed Acquisition will be proposed:

- (a) An ordinary resolution, to be taken on a poll of Independent Shareholders, to approve the Whitewash of the obligation on the Pallinghurst Group to make a general offer for the Company under Rule 9 of the Takeover Code on receipt of Consideration Shares.
- (b) An ordinary resolution to approve the issue of Consideration Shares to Autumn and Pallinghurst Resources Management resulting from completion of the Proposed Acquisition.

A circular and notice of Annual General Meeting is being prepared and is expected to be sent to Shareholders shortly.

Recommendation

The Whitewash and the Proposed Acquisition are conditional upon, *inter alia*, the passing by the Shareholders of the resolutions described above.

The Independent Directors, who have been so advised by Canaccord, consider the Whitewash to be fair and reasonable and in the best interests of the Company and the Independent Shareholders as a whole and unanimously recommend Independent Shareholders to vote in favour of this resolution.

Pallinghurst Group and each other member of the Concert Party is prohibited under the Takeover Code from (and will not be) voting its interest in 205,353,639 Ordinary Shares, representing 63.0% of the issued share capital in relation to the resolution to approve the Whitewash.

The Independent Directors consider the Section 190 Approval to be in the best interests of the Company and its Shareholders as a whole and unanimously recommend Shareholders to vote in favour of this resolution.

Responsibility

The Independent Directors accept responsibility for the information contained in this announcement save that the only responsibility accepted by the Independent Directors in respect of the information in this announcement relating to Fabergé, the Pallinghurst Group and the Concert Party has been to ensure that such information has been correctly and fairly reproduced or presented (and no steps have been taken by the Directors to verify this information) and to the best of the knowledge and belief of the Independent Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Sean Gilbertson accepts responsibility for the information contained in this announcement that relates to Fabergé, the Pallinghurst Group, the Concert Party and the Unbundling save that the only responsibility accepted by Mr Gilbertson in respect of the information in this announcement relating to NGPMR and Investec Pallinghurst has been to ensure that such information has been correctly and fairly reproduced or presented (and no steps have been taken by Mr Gilbertson to verify this information) and to the best of the knowledge and belief of Mr Gilbertson (who has taken all reasonable care to ensure that such is the case), the information contained in this announcement for which he accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Additional Information

Following Completion, application will be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and that trading in the new Ordinary Shares will commence on the later of 22 January 2013 and five business days following the Implementation Agreement becoming wholly unconditional but for Admission.

The new Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive any dividend or other distribution declared or made after Admission.

Following Admission (and assuming no Dissenting Shareholders), the Company will have 539,773,207 Ordinary Shares in issue, none of which will be held in treasury.

This announcement does not constitute, or form part of, an offer to sell, or the solicitation of an offer to subscribe for or buy any securities.

This announcement is not an offer of securities for sale in or into the United States. Any securities issued in connection with the Proposed Acquisition have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered, sold, taken up or renounced in the United States absent registration under the Securities Act or an applicable exemption from such registration. There will be no public offering of securities in the United States. The Ordinary Shares have not been and will not be registered with any regulatory authority of any state or other jurisdiction of the United States.

APPENDIX II

Definitions

“Admission”	admission of the Consideration Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange entitled AIM Rules for Companies in force from time to time
“Annual General Meeting”	the annual general meeting of the Company to be held in December 2012
“Autumn”	Autumn Holdings Asset, Inc.
“Canaccord”	Canaccord Genuity Limited
“Circular”	the circular to be posted to Shareholders attaching the notice of the Annual General Meeting
“Companies Act”	Companies Act 2006
“Company” or “Gemfields”	Gemfields plc
“Completion”	Completion of the Proposed Acquisition
“Concert Party”	Pallinghurst, Investec Pallinghurst and NGPMR and each party’s respective affiliated persons, which together are deemed to be acting in concert for the purposes of the Takeover Code
“Consideration Shares”	the new ordinary shares of 1 pence each to be issued pursuant to the Merger
“Directors” or “Board”	the directors of the Company
“Dissenting Shareholder”	a Fabergé Shareholder that has dissented to the Merger
“Dissenting Shares”	Fabergé Shares held by a Dissenting Shareholder
“Enlarged Group”	the Company, its subsidiaries and its subsidiary undertakings, including Fabergé, its subsidiaries and its subsidiary undertakings following Completion
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately following Admission
“Existing Relationship Agreement”	the relationship agreement dated 6 June 2008 governing the relationship between Rox and the Company
“Fabergé”	Fabergé Limited
“Fabergé Shareholders”	holders of Fabergé Shares
“Fabergé Shares”	the ordinary shares in Fabergé
“Gemfields Cayman”	Runway SPV, a wholly owned subsidiary of Gemfields
“Group”	the Company, its subsidiaries and its subsidiary undertakings

“Implementation Agreement”	the implementation agreement dated 21 November 2012 between the Majority Fabergé Shareholders and the Company implementing the Merger
“Independent Directors”	Graham Mascal, Ian Harebottle, Devidas Shetty, Clive Newall and Finn Behnken
“Independent Shareholders”	the Shareholders other than members of the Concert Party
“Investec Pallinghurst”	Investec Pallinghurst (Cayman) L.P.
“J.P. Morgan Cazenove”	J.P. Morgan Limited, which conducts its UK investment banking business as J.P. Morgan Cazenove
“London Stock Exchange”	London Stock Exchange plc
“Majority Fabergé Shareholders”	Fabergé Conduit Limited and Pallinghurst
“Merger”	the merger of Fabergé and Gemfields Cayman pursuant to Part XVI of the Cayman Companies Law
“New Relationship Agreement”	the relationship agreement to be entered into between Pallinghurst and the Company on completion of the Unbundling governing the relationship between Pallinghurst and the Company
“NGPMR”	NGPMR Cayman L.P.
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company
“Pallinghurst”	The Pallinghurst Resources Fund L.P.
“Pallinghurst Founder”	Pallinghurst (Cayman) Founder L.P.
“Pallinghurst Group”	Pallinghurst, Pallinghurst Founder and Pallinghurst Resources Management which are deemed to be acting in concert for the purposes of the Takeover Code
“Pallinghurst Resources Management”	Pallinghurst Resources Management L.P.
“Panel”	the Panel on Takeovers and Mergers
“Proposed Acquisition”	the proposed acquisition by the Company of all of the shares of Fabergé in issue at Completion
“Rox”	Rox Limited
“Section 190 Approval”	approval by Shareholders of the acquisition by the Company of Fabergé Shares from Autumn and/or Pallinghurst Resources Management pursuant to the terms of the Merger
“Shareholders”	holders of Ordinary Shares
“Takeover Code”	the City Code on Takeovers and Mergers
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Unbundling”	the proposed restructuring whereby Rox and its parent company, Rox Conduit Limited, would cease to hold any shares directly in the Company and these shares would instead be held independently by each of by Pallinghurst, Investec Pallinghurst and NGPMR

“Whitewash”

waiver of obligations under Rule 9 of the Takeover Code of the Pallinghurst Group to make a general offer for the entire issued share capital of the Company to all Shareholders as a result of the Proposed Acquisition

“£” and “pence”

respectively, pounds and pence sterling, the lawful currency for the time being of the United Kingdom

“US\$”

the lawful currency for the time being of the United States of America