

Gemfields plc

(“Gemfields” or the “Company”)

Market Update – Quarter to 31 December 2012

30 January 2012

Gemfields plc (AIM: GEM) presents an operational update for the three month period ending 31 December 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 half year ending 31 December 2012 saw strong production of 14.5 million carats (8.8 million carats in the half year ending 31 December 2011)
 - The quarter ending 31 December 2012 saw the highest production figure (of 6.6 million carats) achieved to date during the rainy season (3.9 million carats in the quarter to 31 December 2011)
 - Grade for the quarter was 288 carats per tonne (222 carats per tonne in the quarter to 31 December 2011)
 - Unit production costs for the quarter of USD 0.66 per carat (USD 0.87 per carat in the quarter to 31 December 2011)
 - Cash rock handling unit costs were USD 3.43 per tonne (USD 3.21 per tonne in the quarter to 31 December 2011)
 - Unit ore production costs were USD 189 per tonne (USD 193 per tonne in the quarter to 31 December 2011)
- Kagem’s large-scale and ongoing overburden removal programme to open up new areas for future ore production continues to progress to plan
- At 31 December 2012, Gemfields had cash of USD 27.9 million and total debt outstanding of USD 7.9 million
- Bulk sampling activities are underway at the Montepuez ruby deposit in Mozambique
- Demand for ethical emeralds continues to remain firm across all major markets as is clearly indicated by the 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:

“Gemfields is very pleased to report another healthy quarter. Gemstone carats produced increased 69% compared to the same quarter last year and, for the half year, we are 65% ahead of where we were last year. When combined with the robust auction results in November, our emerald business remains a solid platform and continues to support our ongoing growth. Development of the significant Montepuez ruby mine in Mozambique is progressing well, and we look forward to integrating Fabergé into the Gemfields family and we intend to update the market on the progress made as part of our interim results, which are expected in March 2013.”

A graphical production update is available at www.gemfields.co.uk.

Production and Financial 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	TOTAL
PRODUCTION									
Gemstone Production (Emerald+Beryl)	million carats	10.8	4.9	3.9	4.9	7.3	7.9	6.6	46.4
Ore Production (Reaction Zone)	'000 tonnes	21.7	24.0	17.5	20.8	40.7	30.5	23.1	178.2
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	500	205	222	236	181	259	288	261
Waste Mined (including TMS)	million tonnes	1.4	2.2	2.2	1.6	2.7	2.6	2.2	14.9
Total Rock Handling	million tonnes	1.4	2.2	2.2	1.6	2.8	2.6	2.2	15.1
Stripping Ratio		66	91	124	77	67	84	96	84
KAGEM Quarterly Summary to Dec-12	Units	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	TOTAL
CASH COSTS									
Kagem Total (Cash) Operating Cost	USD million	3.5	7.2	7.0	6.0	9.8	8.5	7.7	49.8
Gemstone Unit Cost (E+B)	USD/carats	0.32	1.46	1.80	1.23	1.34	1.08	1.16	1.07
RZ Unit Cost	USD/RZ tonne	160	301	400	291	242	280	333	280
Rock Handling Unit Cost	USD/tonne	2.4	3.3	3.2	3.7	3.5	3.3	3.4	3.3
ACCOUNTING COSTS									
Kagem Operating Cost **	USD million		3.9	3.4	4.2	4.2	4.0	4.4	24.0
Gemstone Unit Cost (E+B) **	USD/carats		0.79	0.87	0.85	0.57	0.50	0.66	0.52
RZ Unit Cost **	USD/RZ tonne		162	193	200	104	130	189	134
Rock Handling Unit Cost **	USD/tonne		1.8	1.5	2.6	1.5	1.5	2.0	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 December 2012, approximately USD 22.4 million of waste moving costs have been capitalised and will be amortised later when the associated ore is mined.

The quarter to 31 December 2012 produced 6.6 million carats at a grade of 288 carats per tonne of ore and a unit production cost of USD 0.66 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 past quarter. The stripping ratio increased by 14% from 84 to 96 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 1.3 million tonnes of waste were moved by the contractor during the quarter (compared to 1.7 million tonnes in the previous quarter), with cash rock handling unit costs increasing to USD 3.43 per tonne in the current quarter (compared to USD 3.29 in the prior quarter).

Gemfields' trial underground mining project achieved 37.3 metres of horizontal advance and completed nine blasts in the completion of the first identified stope during the quarter ending 31 December 2012 (versus 90.4 metres in the quarter ending September 2012). The total linear development to date is 598.6 metres (versus 561.3 meters at 30 September 2012). A 10 metre by 10 metre stope was selected and completed safely during the month of November 2012. Support mechanisms and increased ore generation has been experimented with through stoping. A total of 1,352 tonnes of ore was produced during the quarter (versus 1,460 tonnes in the prior quarter) with no waste rock removal. Approximately 266,345 carats were produced by the underground operation in the quarter (versus 75,190 carats in the prior quarter). The carat improvement is due to the increased ore mined in the stope.

The 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 from 29 October through 2 November 2012 (see the separate "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 an encouraging 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 31 December 2012, Gemfields had cash of USD 27.9 million (and total debt outstanding of USD 7.9 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 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.