

## Gemfields plc

### Market Update – Quarter to 31 March 2011

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7:00am, Thursday 5 May 2011

Gemfields plc (“Gemfields” or “the Company”, Ticker “GEM”) presents an operational update for the three month period ending 31 March 2011. All figures are unaudited and “carats” includes both emerald and beryl (unless otherwise stated).

#### Highlights

- Gemstone production in the first 9 months of the current financial year stands at 22.2 million carats (versus 17.4 million carats for the entire 12 months of the prior financial year).
- Pleasing production figures in the first six months of the current financial year and anticipated rains during the quarter under review, support a short term shift in mining focus to added waste mining and infrastructural development.
- 3.5 million carats produced during the quarter (versus 5.9 million carats in the previous quarter).
- Grade during the quarter of 290 carats per tonne (versus 369 carats per tonne in the previous quarter).
- Unit production costs during the quarter of approximately USD 1.03 per carat (and USD 0.46 per carat in the nine months in the financial year to date).
- Record prices of USD 0.77 per carat achieved in the March 2011 lower quality rough auction held in Jaipur (versus USD 0.31 per carat achieved in the lower quality rough auction held in Jaipur twelve months prior).
- Graphical production update available at [www.gemfields.co.uk](http://www.gemfields.co.uk)

#### Emerald and Beryl Auctions

Gemfields’ most recent auction of predominantly lower quality rough emeralds (held in Jaipur in March 2011) yielded a record breaking USD 0.77 per carat in terms of material of this nature (with a total auction revenue of USD 9.9 million). While Gemfields’ most recent auction of predominantly higher quality rough emeralds (held in Johannesburg in December 2010) yielded USD 26.20 per carat (totalling USD 19.6 million), in itself also a record in terms of the revenue achieved at higher quality auctions. Gemfields’ next auction of predominantly higher quality material is scheduled to take place in Singapore from 11-15 July 2011 with results anticipated to be buoyed by a continued increase in demand for fine gems across all markets.

#### Production Update

Gemfield’s 75% owned Kagem mine is presently Gemfields’ only operating emerald mine. Kagem is the single largest emerald mine in the world and its key unaudited production parameters by quarter are summarised below:

KAGEM Quarterly Data to Mar-11	Quarter End:	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Total
Gemstone Production (Emerald+Beryl)	million carats	9.4	5.3	7.3	6.0	2.9	4.9	3.4	6.1	12.8	5.9	3.5	67.6
Ore Production (Reaction Zone)	'000 tonnes	21.4	18.7	17.8	22.3	16.0	13.5	12.5	18.9	19.5	16.0	11.9	188.5
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	438	286	410	268	182	365	277	323	658	369	290	359
Waste Mined (including TMS)	million tonnes	1.7	1.0	0.8	0.5	0.5	0.7	0.6	0.7	0.9	0.8	0.8	9.0
Stripping Ratio		81	53	43	22	33	49	51	38	48	48	66	48
Total Operating Cost	USD million	8.0	6.2	3.7	3.5	3.3	3.1	3.0	3.4	3.3	3.3	3.6	44.4
Unit Production Cost (per carat)	USD/carat	0.85	1.16	0.51	0.59	1.13	0.63	0.87	0.55	0.26	0.56	1.03	0.66
Unit Production Cost (per tonne of ore)	USD/tonne	372	332	210	159	205	230	241	179	171	206	298	236
Unit Cost (per tonne of rock moved)	USD/tonne	4.5	6.1	4.8	6.8	6.1	4.6	4.6	4.6	3.5	4.2	4.4	4.8

Note: All figures are unaudited

While total production for the quarter was lower than that achieved during the previous quarter, most of the emeralds produced were of a higher quality (good colour and clarity), and are likely to deliver above average per carat prices once sold at auction.

Operating costs were adversely affected by the rainy season, higher stripping ratios, increased infrastructural development work and a one-time payment to harmonise Kagem's previously complex employee benefit structures into a single system.

The stripping ratio is expected to continue increasing in the short to medium term as areas of overburden are mined in order to expand the levels of available ore. This will have a commensurate impact on total mining costs.

Kagem's key annual production parameters are summarised below:

Kagem Annual Production Summary	UNITS	YEAR	YEAR	YEAR	YEAR	YEAR	Year to date: March 2011
		to 30 Jun 2006	to 30 Jun 2007	to 30 Jun 2008	to 30 Jun 2009	to 30 Jun 2010	
Gemstone Production (Emerald+Beryl)	million carats	10.2	9.4	9.9	28.0	17.4	22.2
Ore Production (Reaction Zone)	000 tonnes	22	29	42	80	61	47
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	462	325	233	349	286	468
Waste Mined (incl. TMS)	million tonnes	1.8	2.8	5.1	4.0	2.5	2.5
Stripping Ratio		83	96	120	50	42	53
Total Rock Handling	million tonnes	1.8	2.8	5.1	4.1	2.6	2.54

In terms of Gemfields' trial underground mining project the bulk of the quarter was dedicated to the installation of improved roof and tunnel support infrastructure, with only 15 days of production taking place towards the end of the quarter. The total linear development to date is 142.2 meters (versus 135.5 meters at 31 December 2010). A total of 312 tonnes of ore was produced during the quarter (versus 1,113 tonnes in the prior quarter) with 63 tonnes of waste removal. Approximately 8,800 carats of gems were produced in the quarter ending 31 March 2011 (versus 42,000 carats produced in the prior quarter).

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.

A graphical production update can be downloaded from [www.gemfields.co.uk](http://www.gemfields.co.uk)

### Cash Balances and Auction

As of 31 March 2011, Gemfields had USD 20.6 million in cash and Kagem Mining Ltd, in which Gemfields has a 75% interest, is debt free.

Ian Harebottle, CEO of Gemfields, commented:

*"We were particularly pleased by the exceptional quality of our gemstone production this quarter. While the rainy season, lower ore yields, added development work and a payment in respect of employee harmonisation resulted in a modest overall production performance, these results are, however, in line with our overall development plans and the fluid deposition characteristic of coloured gemstone mining. We remain well on track to deliver a robust performance for the current financial year. Demand for Gemfields' emeralds and beryl, supported inter alia by the launch of our 'Uniquely You' advertising campaign in the Indian market, continues to grow and we look forward to the outcome of our rough emerald auction in Singapore in July 2011 and the continued positive impact that supply of this nature will have on our sector."*

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