

GEMFIELDS

Full Year Results to 30 June 2012

**Investor Update
October 2012**



THE Premium Coloured Gemstone Company

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Gemfields: a significant year delivering significant results

- Firmly established as the leading coloured gemstone producer
- Increasingly recognised as “the Premium Coloured Gemstone Company”
- Next chapter demands the continued building on current success’s in:
 - mining,
 - distribution, and
 - marketing

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Significant Shareholders

Rox Limited	63.04%
Blackrock Inc	5.33%
Matterhorn Investment Mgmt LLP	3.52%
Standard Life	3.22%
Standard Chartered Private Bank	2.76%
Legal & General Investment Mgmt Ltd	2.71%
Majedie Asset Management	2.26%

London Listed

AIM: GEM

Current Share Price	40.75p
Market Capitalisation	£132m
Issued Shares	324.5m

As at 8 October 2012

US\$'000

FY2012

FY2011

Revenue	83.7	40.1
Profit before tax	47.8	19.9
Profit after tax	161.4	21.4
Cash	36.7	13.6

Advisers

Nomad & Joint Broker	Canaccord Genuity
Joint Broker	JP Morgan Cazenove
Auditors	BDO
Financial PR	Tavistock

Operating in the luxury goods and gemstone sector

Emeralds and other coloured gemstones:

- Extremely rare and exceptionally beautiful
- History indicates that they were some of the first items to be recognised by mankind as possessing inherent value
- Largely the domain of smaller-scale (artisanal) mining resulting in...
 - Erratic production, supply and pricing
 - Little or no formal marketing and promotion
 - Uncertain investment value
 - Sometimes seen as gems for the “older generation”

The opportunity:

- Re-adjusting the balance of power
 - Investment into key resources, scale of operations and intellectual capital
 - Providing a consistent supply of high quality, well graded rough
 - Supported by targeted marketing and promotional campaigns

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Key financial indicators

- Profit before tax and exceptional items up **140%** to US\$47,811,406 (2011: US\$19,901,429)
- Profit after tax up **653%** to US\$161,466,000 including Kagem write back (2011: US\$21,445,643)
- Revenue from emerald and beryl sales up **108%** to US\$83,714,737 (2011: US\$40,157,218)
- Cash at bank increased by **169%** to US\$36,737,362 (2011: US\$13,648,654)
- Estimated cost of emerald and beryl inventory at hand increased by **42%** to US\$26,616,652 (2011: US\$18,680,755)
- Post-tax NPV (at a 10% discount rate) of US\$372 million for Zambian emerald assets as per JORC compliant resource update

Key operational indicators

- Strong mining performance at Kagem
- **8.7m** tons of rock removed
- Significant improvement of **121%**; allowing for **47%** increased ore mined
- Annual production of **21,060,140** million carats
- Stable operating costs despite inflationary pressures being experienced throughout the mining sector

Post financial year end – Operational highlights:

- SRK reported 'Mineral Resource' at Kagem
 - Indicated - 2.7m tons or 1,003 million carats of emerald and beryl
 - Inferred - 9,200t or 223k carats of emerald and beryl
 - Projected life of mine of 20 years producing approx. 34m carats per annum
- Completion of Kagem underground Feasibility Study:
 - Commencing accelerated underground construction and development in FY 2014/15
 - Projected un-discounted cash-flow over life-of-mine of approx. US\$855m
 - Low capex and robust economics - projected post-tax 10% NPV of US\$372m
- Numerous successful marketing and promotions campaigns initiated and supporting firm demand

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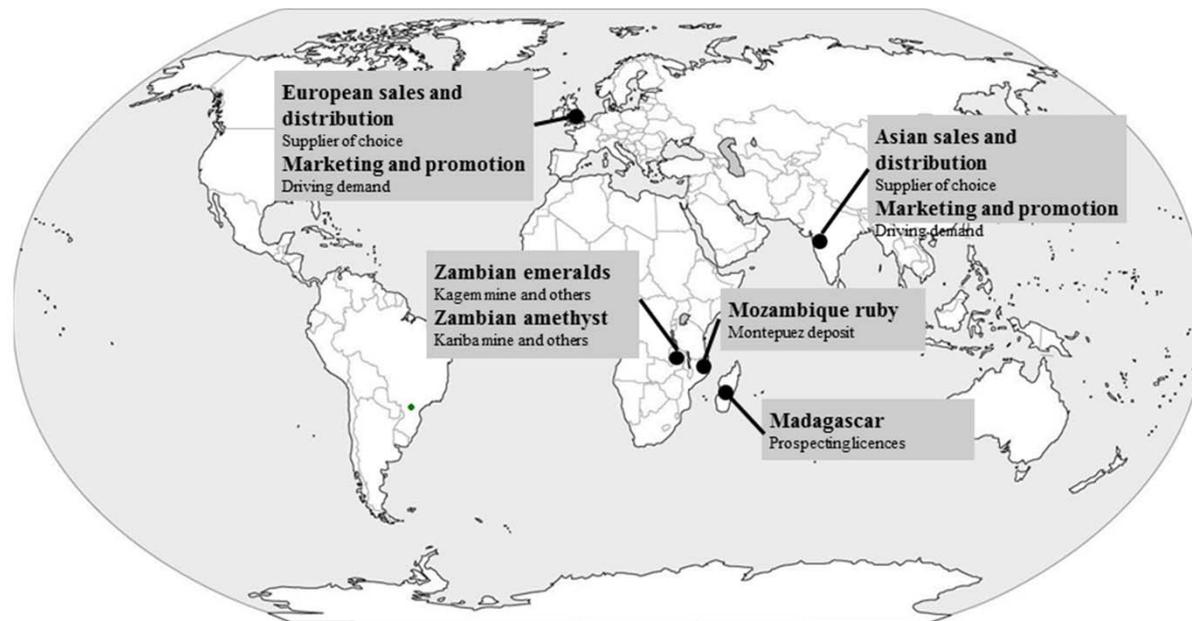
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Delivering proven results in key areas

Investment in key resources and assets:

- **Kagem** – the world’s single largest producing emerald mine
- **Montepuez** – potentially the world’s single largest ruby deposit
- **Kariba** – the world’s single largest producing amethyst mine
- Various other Zambian mining and prospecting licences in key locations
- **Oriental Mining Ltd** - Madagascar
- Key targets sites identified include emeralds, ruby and sapphire
- **Other** target sites across the globe under review



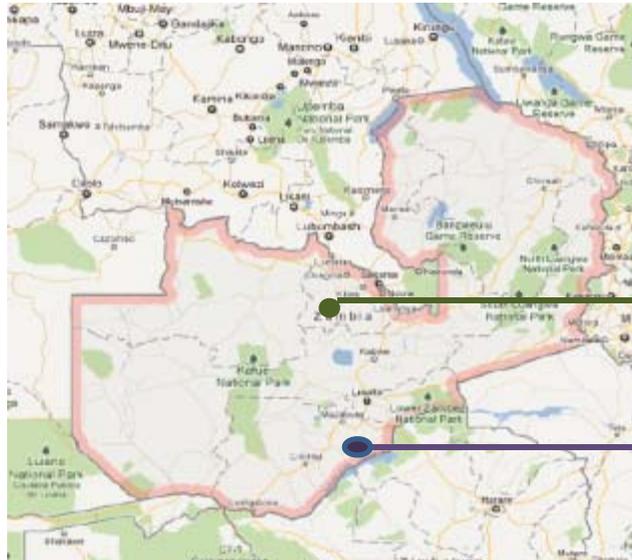
Kagem Mine, world's single largest producing emerald mine

- Kagem – 75% owned by Gemfields and spread over an area of approximately 43 sq km, of which only 1.78 sq km is currently being mined, and encompassing six known emerald bearing belts
- 21m carats of emerald and beryl produced during the year
- Short-term focus on waste mining with a view to exposing greater areas of ore for future production
- More than 8.7m tonnes of waste and 103k tonnes of ore mined during the year
- Received certificate of commendation from the Mines Safety Department of Zambia in recognition of it achieving two million injury-free shifts
- Production outputs firming in the second half of 2012 and should continue through 2013 as the effects of the waste removal project begin to bear fruit

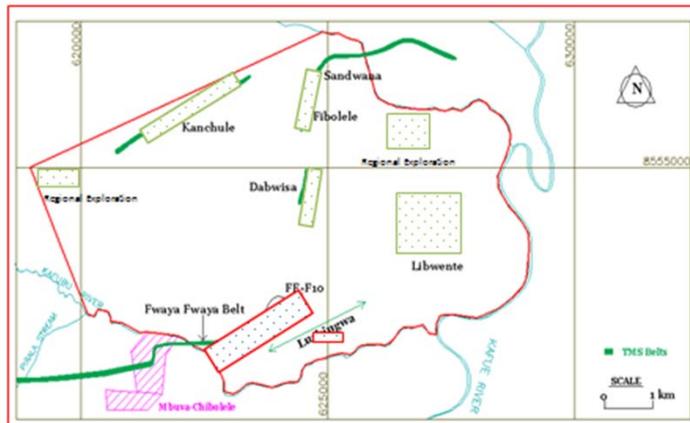
KAGEM Annual Production Summary	Units	Yr to 30 Jun 07	Yr to 30 Jun 08	Yr to 30 Jun 09	Yr to 30 Jun 10	Yr to 30 Jun 11	Yr to 30 Jun 12
Gemstone Production (Emerald + Beryl)	million carats	9.4	9.9	28.0	17.4	33.0	21.1
Ore Production (Reaction Zone)	'000 tonnes	29	42	80	61	69	103
Grade (Emerald + Beryl/Reaction Zone)	carats/tonne	325	233	349	286	478	205
Waste Mined (including TMS)	million tonnes	2.8	5.1	4.0	2.5	3.8	8.7
Stripping Ratio		96	120	50	42	57	85

Zambian Emeralds

Kagem Mining Licence



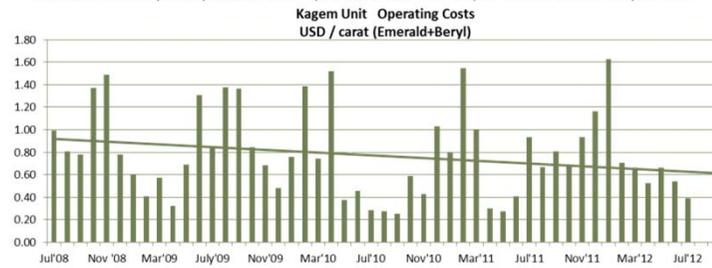
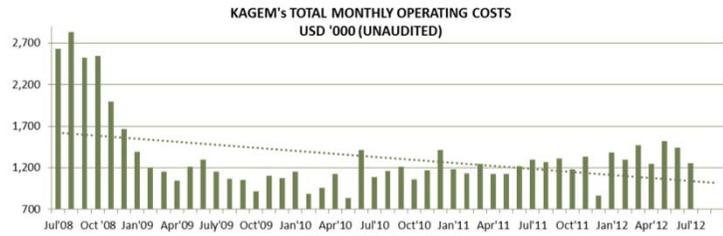
KAGEM LICENCE SHOWING AREA CONSIDERED FOR SRK STUDIES AND FUTURE POTENTIAL AREA



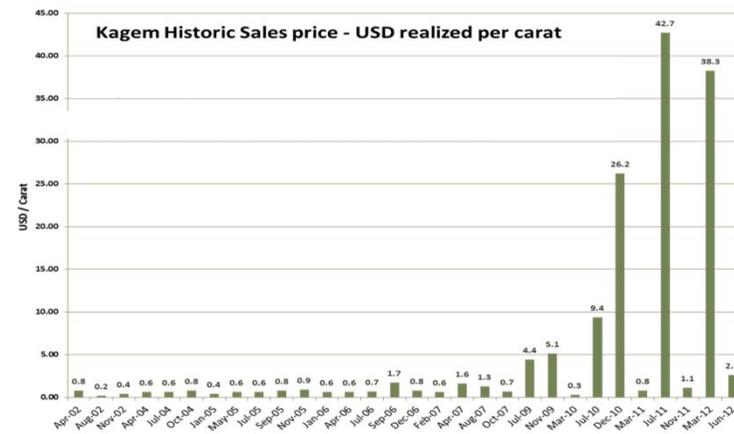
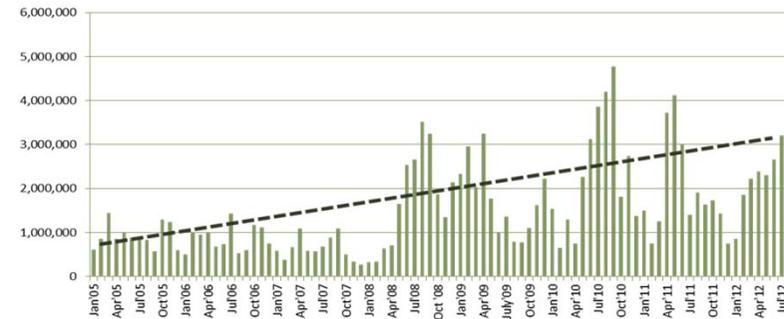
- AREA CONSIDERED FOR THE SRK STUDY
- POTENTIAL AREA FOR MINING IN FUTURE

Gemstone Assets	Country	Ownership	Area (km ²)
Advanced Gemstone Assets			
Kagem	Zambia	75.0%	43.00
Kariba	Zambia	50.0%	2.50
Subtotal			46.65
Exploration Properties			
Mbuva	Zambia	100.0%	0.40
Chibolele	Zambia	100.0%	0.40
Arinus	Zambia	100.0%	0.35
Kamakanga	Zambia	100.0%	2.35
Pamodzi	Zambia	100.0%	0.85
Subtotal			4.35
Exploration Prospects			
Miputu	Zambia	100.0%	290.00
Mitondo North	Zambia	100.0%	31.07
NR South	Zambia	100.0%	51.20
Mitondo South	Zambia	100.0%	5.50
Kafubu	Zambia	100.0%	2.90
Mitondo East	Zambia	100.0%	4.60
Nkabashila West	Zambia	100.0%	9.10
Nkabashila East	Zambia	100.0%	9.95
Mkushi pink tourmaline	Zambia	100.0%	810.00
Kariba amethyst	Zambia	100.0%	80.00
Subtotal			1,294.3
Options			
Oriental Mining ¹	Madagascar		162.50

Kagem Mining performance



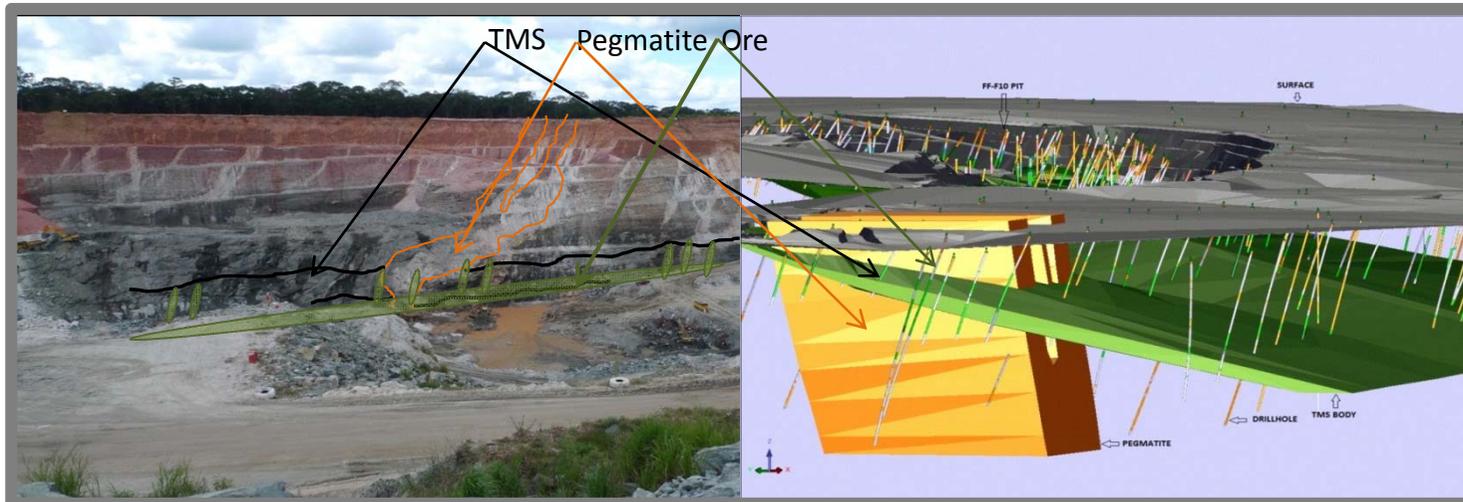
Kagem Monthly Gemstone Production (carats)
Emerald+Beryl



Kagem Underground mining feasibility study

- Projected 20 year life-of-mine ("LOM") producing approximately 34 million carats per annum
- Gemfields to commence accelerated underground construction and development in the FY 2014-15
- Projected nominal cash flow (no discount rate applied) over the LOM of approximately USD\$55 million
- Robust economics
 - Projected post-tax NPV (at a 10% discount rate) of USD 372 million
 - Capital expenditure of USD 55.1 million over the first five years and a total of USD 113.2 million over a 20 year LOM
 - Extensive diamond core-drilling and bulk-sampling work continues throughout the Kagem mining licence area on the remaining known, but as yet un-proven, emerald bearing deposits.

Kagem's Chama pit



Zambian amethyst and tourmaline

Kariba Amethyst Mine

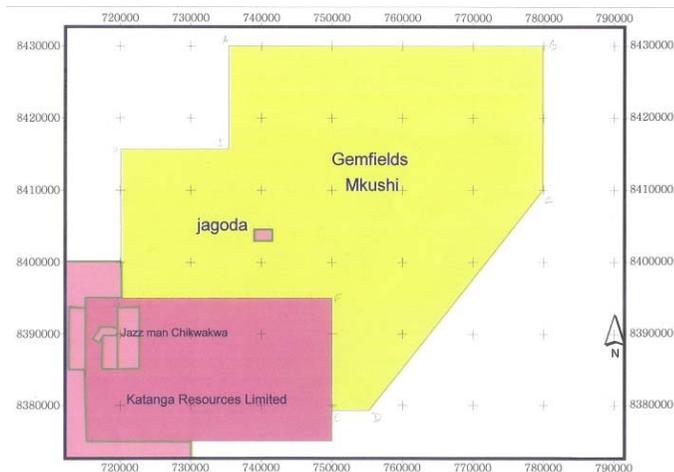
- Kariba Mining Limited – 50% owned by Gemfields
- Plans drafted to increase level of investment
- World's single largest amethyst mine
- Delivering positive production and sales results, with increasing global demand

Pink Tourmaline

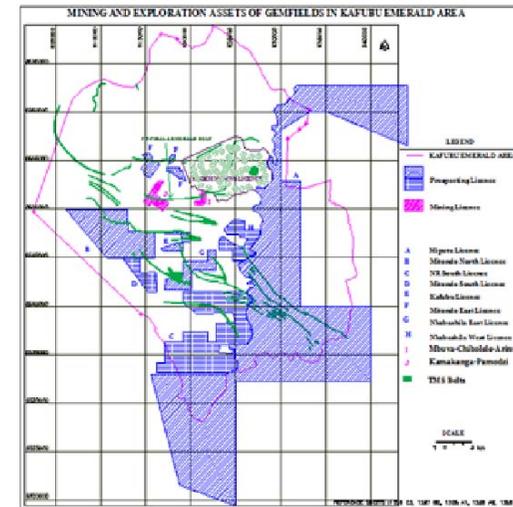
- High quality pink tourmaline
- Increasing demand for lower priced gemstones across all markets

Exploration and prospecting

- Extensive exploration licences across the country in key locations

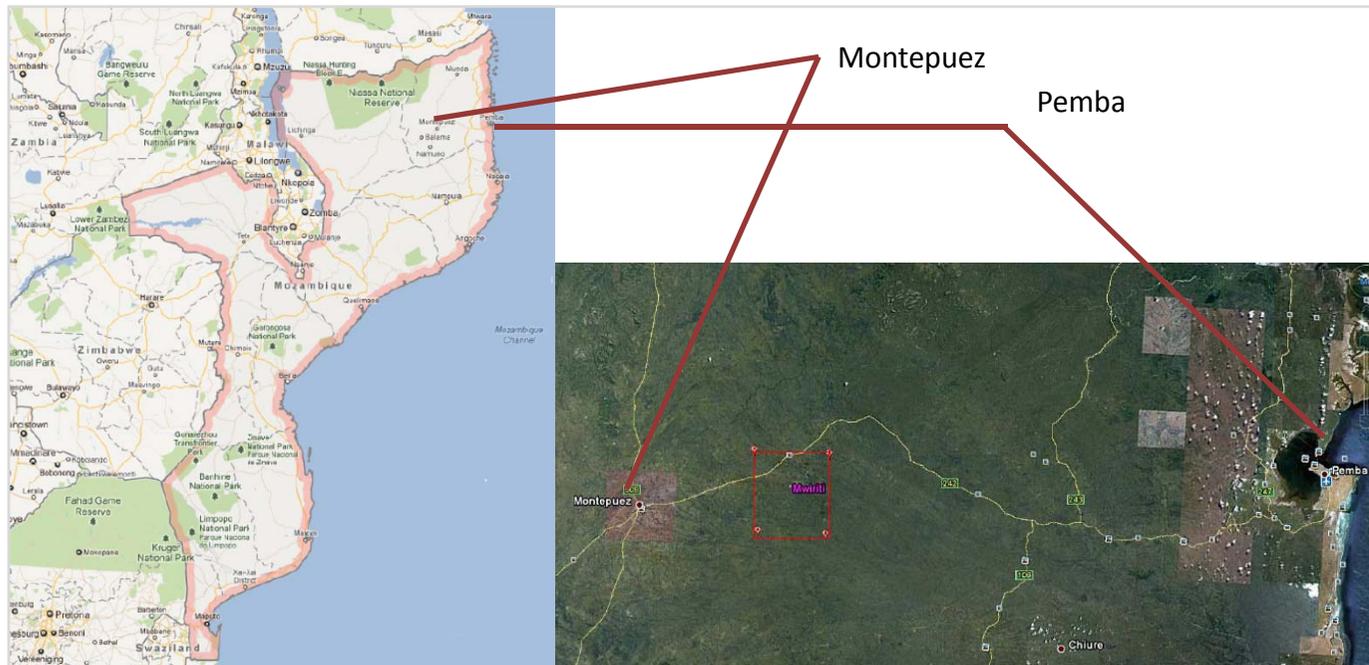


Gemfields tourmaline and exploration licences



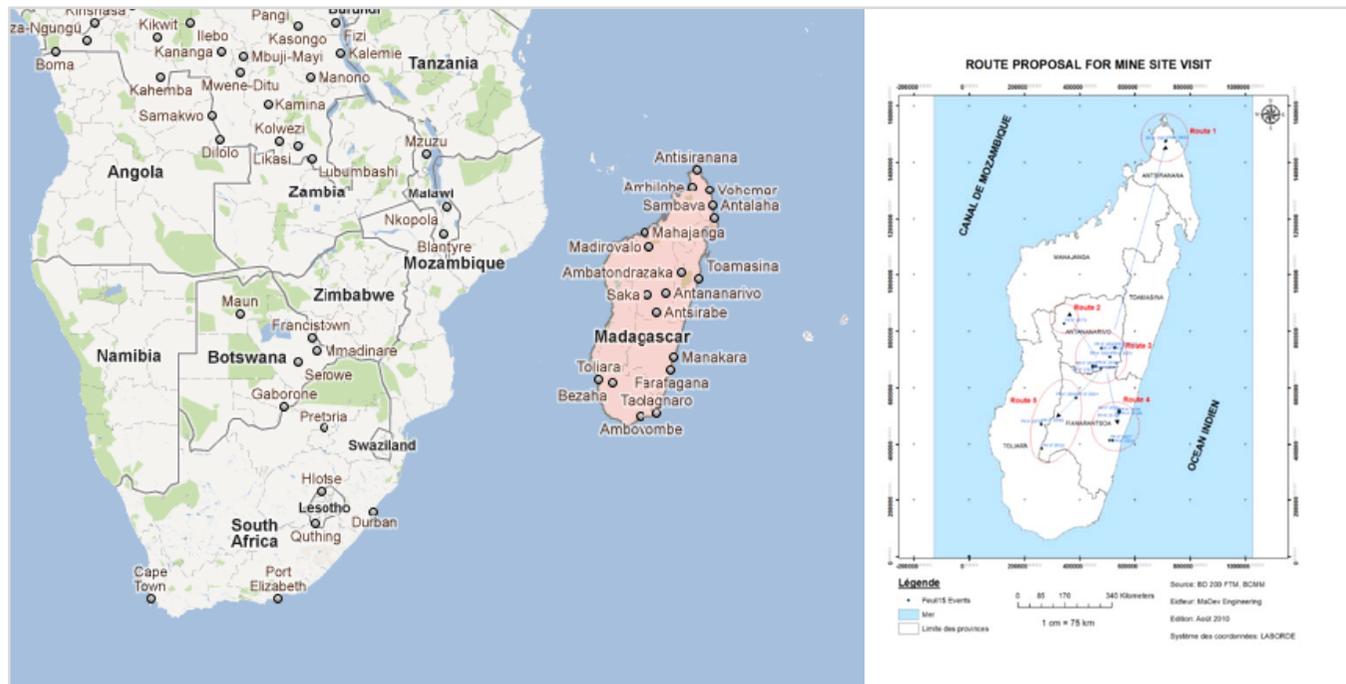
Mozambican rubies

- Montepuez Ruby Mining Lda - 75% owned by Gemfields
- Covering approximately 300 square kilometres
- Licences valid for 25 years renewable
- Environmental licence in place
- Believed to be potentially the largest ruby concessions in private hands in the world
- Bulk sampling and diamond core drilling initiated
- Project team on site
- First production anticipated before year end



Oriental Mining Ltd - Madagascan gemstones

- Oriental Mining Ltd - 100% owned by Gemfields
- 15 exploration licences covering emeralds, rubies, sapphires, tourmalines and garnets in the Antananarivo, Fianarantsoa and Toliara provinces of Madagascar
- Stage 1 Geological evaluation completed on 20 licence areas
- 9 licence areas identified as being either prospective or highly-prospective
- Stage 2 geological investigation on key target sites initiated, including emeralds, rubies and sapphires



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Rough sales and auctions

Proven track record in coloured gemstone rough sales and distribution

- Proven ability to derive a consistent supply of high quality, well graded rough gemstones to the downstream market
- Proprietary rough emerald grading system
- Supply and delivery methodologies supporting increased scale of coloured gemstone beneficiation and jewellery manufacturing processes
- Improved and predictable margins across the sector resulting in high levels of demand for Gemfields products across all major beneficiating markets (India/Israel/USA/Germany)
- Steady increase in achieved per-carat rough prices
- Various industry stakeholders looking to partner with Gemfields



Rough sales and auctions cont.

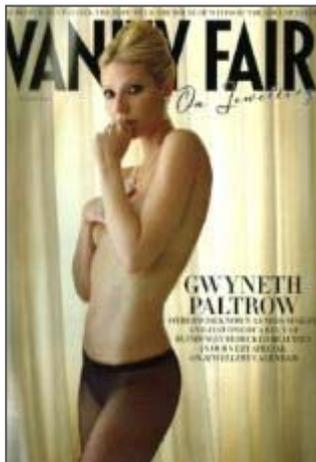
AUCTION RESULTS	JULY '11	NOVEMBER '11	MARCH '12	JUNE '12
Dates	11-15 Jul 2011	21-25 Nov 2011	19-23 Mar 2012	9-13 Jun 2012
Location	Singapore	Jaipur, India	Singapore	Jaipur, India
Type	Higher Quality	Lower Quality	Higher Quality	Lower Quality
Carats offered*	1.07 million	10.83 million	0.77 million	10.85 million
Carats Sold	0.74 million	9.82 million	0.69 million	3.47 million
No. of companies placing bids	38	27	29	20
Average no. of bids per lot	16	9	11	3
No. of lots offered	25	26	23	33
No. of lots sold	18	19	20	17
Percentage of lots sold	72%	73%	87%	52%
Percentage of lots sold by weight	69%	91%	89%	32%
Percentage of lots sold by value	91%	80%	94%	60%
Total sales realised at auction	US\$31.6 million	US\$11.0 million	US\$26.2 million	US\$9.0 million
Average per carat sales value	US\$42.71/carat	US\$1.12/carat	US\$38.25/carat	US\$2.61/carat

* Next auction Nov 2012

Mine to market

Proven track record in coloured gemstone marketing and promotional abilities

- In-depth understanding of various attributes unique to coloured gemstones and consumer attitudes unique to coloured gemstones
- Focussed marketing and promotional initiatives driving global demand and re-positioning coloured gems as leaders within the jewellery sector, including...
 - Ethical Emeralds
 - Emeralds for Elephants
 - Uniquely you
 - And many more
- Various industry stakeholders now looking to partner with Gemfields
- Comprehensive market research in the UK, US and European markets show a clear need for additional suppliers of cut and polished Zambian emeralds within these markets



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Forward thinking

- Continue to contain costs and improve operating efficiencies across the Group
- Increase the scale and volume of emerald production at the Kagem mine through:
 - accelerated development and implementation of larger scale underground mining
 - initiation of open cast mining on newly targeted sites
- Re-capitalisation, improved production volumes and increased marketing and promotional support at Kariba amethyst mine
- Progress the development of Montepuez ruby mine to full scale production
- Continued roll-out of global marketing initiatives, including:
 - the appointment of recognised global brand-ambassadors
 - the expansion into new regions and a broader consumer base
- Gemfields' next higher quality rough emerald auction scheduled to take place in Singapore between the 29 October and 3 November 2012
- Improving overall grade, reducing costs, increase scale and production and generic and dynamic growth
- Grow demand across all major markets
- Continue to be the coloured gemstone supplier of choice

Identifying threats and opportunities

Strengths

- Innovative, passionate and dedicated managerial and operational teams
- Leaders within the coloured gemstone sector
- World class gemstone deposits delivering proven results
- Solid stakeholder relations across the globe
- Proven ability to deliver in various areas including mining, marketing and business turnaround
- Guaranteed supply of ethical gemstones - traceable from mine to market

Weaknesses

- Inherently dependent on downstream stakeholders
- Limited ability to drive demand through direct consumer interaction and the supply of finished goods
- Dependent on “fashion trends” largely driven by leading brands
- Likelihood of finding additional/scalable mineral resources somewhat limited
- Variable nature of coloured gemstone geology impacts on our ability to manage revenue streams
- Few peers against which to benchmark and with whom we can share the responsibility of growing our sector

Opportunities

- Increase outputs from existing operations
- Develop latent/underutilised assets to full-scale operation
- Acquisition of additional gemstone licences, including: Colombia, Brazil, Madagascar, Tanzania
- Increase prices through additional marketing, improved awareness and generate consumer demand
- Leverage broad based coloured gemstone competencies through increased access to a larger range of gemstone products and direct retail sales of branded finished goods
- **‘HNI’ INVEST IN FINE JEWELLERY AND GEMSTONES IN TIMES OF ECONOMIC UNCERTAINTY**

Threats

- Prevailing global economic conditions impact across the entire luxury goods sector
- Major assets with limited ability to spread operating risk across diverse economies – sudden changes in government policies could have a significant impact on operational sustainability
- Loss of well trained senior management to larger competitors due to limited growth opportunities
- New competition stemming primarily from within the luxury goods sector

Set for growth

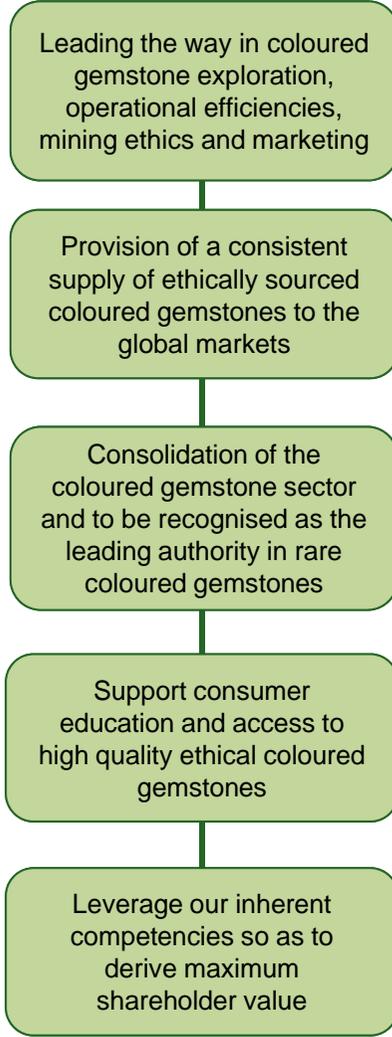
Mining

	Organic Growth:	Dynamic Growth:
2012-13	Accelerated bulk sampling and ruby production at MRM First ruby auction	Acquisition of strategic gemstone deposits in Tanzania Acquisition of additional gemstone deposits in Mozambique
	Increased production at Kagem (new wash-plant and underground mining)	Expansion of Brazilian emerald operations
2013-14	Bulk sampling at Kagem and other Gemfields licence areas (Alternative – open pit operation)	Acquisition of a sapphire deposit Acquisition of additional gemstone deposits (e.g. tourmaline)
	Setting up of a trading operation for emeralds and rubies in Zambia and Mozambique	Expansion into Colombian emerald operations

Marketing

	Marketing:
2012-13	Launch of consumer website Launch of emerald book Initiate development of a ruby book
	Launch new “rare coloured gemstones” marketing campaigns for emeralds and rubies in various markets
2013-14	Contracting recognised Hollywood “A-list celebrity” to be the “face of Gemfields ethical gemstones” Launch Gemfields in China and Hong Kong Launch internet sales channel

Gemfields Strategic Goals:

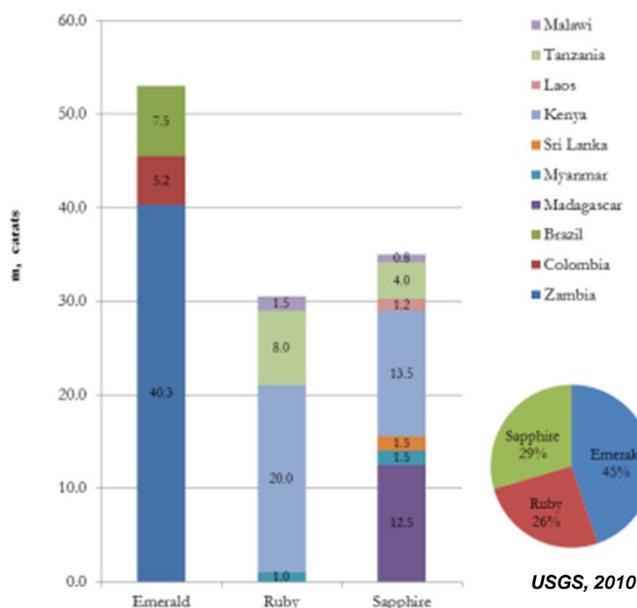


Market sector and size

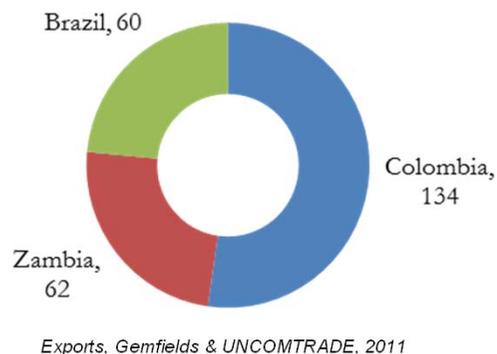


- Global imports of rough coloured gemstones reached **US\$ 2.2b in 2011**, up **27%** from 2010 (excluding jade)
- Volume of emeralds available on the global market higher than that of either rubies or sapphires
- Margins in coloured gemstone sector considerably higher than those in the diamond sector. The highest margins are achieved in (A) production/mining, (E) rough and finished gems trading and (G) retail/jewellery
- Gemfields is already operating in sectors A and B, and has initiated some low-key operations within sector E.

Emerald, Ruby & Sapphire Production



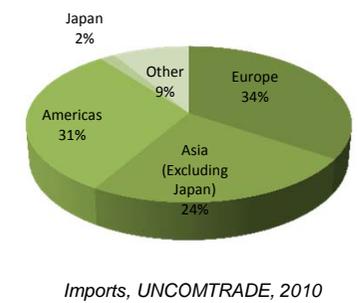
Value of Emerald Exports from Emerald Producing Countries (2011, US\$ m)



The bulk of Emeralds are cut and polished in India, with most rubies & sapphires being beneficiated in Thailand

Major trade hubs include Hong Kong, US and Switzerland

Worked Emeralds, Rubies, Sapphires: Imports by Region



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Board of Directors

Ian Harebottle - Chief Executive Officer

- Ian was appointed as CEO of Gemfields on 12th February 2009 and is a veteran of the coloured gemstone industry. Ian has been instrumental in pioneering many of the coloured gemstone industry's most innovative strategies and has extensive operational experience spanning both mining and marketing.

Dev Shetty - Chief Operational Officer

- Dev Shetty was appointed CFO of Gemfields on 1st January 2010. He is a chartered accountant by profession with more than 10 years of experience in start-ups, mergers and acquisitions, business turnaround, strategic planning, treasury, tax and financial reporting.

Sean Gilbertson - Executive Director

- Sean Gilbertson graduated as a mining engineer from the University of the Witwatersrand in South Africa in 1994, having spent time in the country's deep-level gold and platinum mine. He joined the office of Brian Gilbertson in late 2003, working on a variety of natural resource projects, culminating in the establishment of Pallinghurst Resources LLP in 2005. Sean is a partner of Pallinghurst Resources and a director of certain Pallinghurst portfolio companies, including Rox Limited and Fabergé Limited.

Graham Mascall - Non-Executive Chairman

- Graham Mascall graduated in 1969 as a mining engineer from the Camborne School of Mines and gained a Master of Engineering, Mineral Economics from McGill University, Montreal in 1972. He developed his career in the mining finance sector and from 1997 to 2001 held various senior level positions with Billiton PLC.

Finn Behnken - Non-Executive Director

- Finn Behnken graduated as a mining engineer from the University of the Witwatersrand, South Africa in 1994, having worked in coal and gold mining. He furthered his career by specialising in mining finance and spent almost 10 years with South Africa's Nedbank Ltd serving, inter alia, as a non-executive director in relation to certain mining investments productions.

Clive Newall - Non-Executive Director

- Clive Newall graduated from the Royal School of Mines in 1971 and has an MBA from the Scottish Business School. He is a founder and President of First Quantum Minerals Ltd. Earlier in his career he held senior management positions with Amax Exploration Inc and the Robertson Group. More recently, he has been a director of a number of junior mining companies including Anvil Mining Ltd and Kensington Resources Ltd.

Environmental and social responsibilities

Environmental:

- To leave the environment in a better state than it was when we found it
- Making right and more
 - All old and abandoned equipment moved to a designated scrap yard, and sold off
 - Old pits filled with water and seeded with fish
 - No harmful chemicals used throughout the mining process
 - Planting over 300,000 trees on old waste dumps (zero carbon project)
 - In partnership with the World Land Trust and others

Social:

- Focussing on sustainability and supporting:
 - Schools
 - Medical clinics
 - Local organic farming projects
 - Working with selected global NGO's



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Marketing – FT “how to spend it”



Hello India



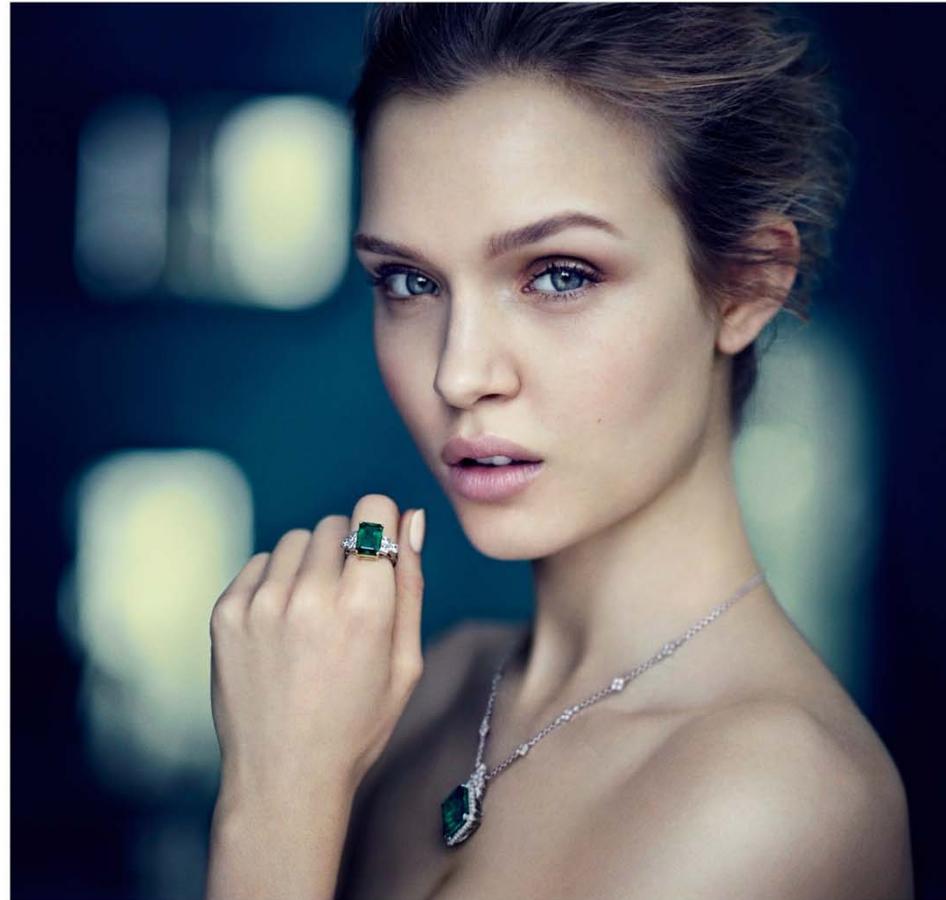
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Marketing - corporate

Rare coloured gemstones

For over five millennia the talismanic emerald has been sought after for its seductive beauty and treasured as an emblem of power and a symbol of hope. Today, emeralds are all the more precious when sourced from Gemfields, pioneers in the ethical and environmentally-responsible mining of coloured gemstones.

Josephine wears Joal Zambian Emerald Jewellery.
For more information about our emeralds please visit www.gemfields.co.uk



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Rubies

