

Gemfields plc

(“Gemfields” or the “Company”)

Market Update – Quarter to 30 June 2011

2 August 2011

Gemfields plc (Ticker: GEM) is pleased to present an operational update for the three month period and year ending 30 June 2011. All figures are approximate, unaudited and, unless otherwise stated, “carats” includes both emerald and beryl.

Highlights

- Record annual production of 33 million carats
- 90% increase in year-on-year production (17.4 million carats produced in the year ending 30 June 2010)
- Grade for the year to 30 June 2011 was 478 carats per tonne (versus 286 in prior year)
- 41% reduction in per carat production costs for the year, from USD 0.73 to USD 0.43 per carat
- 25% reduction in unit rock handling costs for the year, from USD 4.92 to USD 3.70 per tonne
- The final quarter of the year produced 10.8 million carats at a grade of 500 carats per tonne and a unit cost of USD 0.32 per carat
- Graphical production update available at www.gemfields.co.uk

Emerald and Beryl Auctions

As previously announced, Gemfields’ most recent auction of (predominantly higher quality) rough emeralds was held in Singapore from 11 to 15 July 2011. Some 39 companies were invited to attend the auction, with 38 of these placing bids for the material on offer. The auction saw 1.07 million carats of higher quality rough emeralds mined by Gemfields placed on offer, with 0.74 million carats being sold and generating record sales of USD 31.6 million. When compared with the higher quality auction held in December 2010, average per carat prices improved by 63% from USD 26.20 per carat to USD 42.71 per carat. Gemfields has now completed seven auctions in the past two years, generating total revenue of USD 87.5 million.

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 production parameters by quarter are summarised below:

KAGEM Quarterly Summary to 30 June 2011	Quarter End:	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Total
Gemstone Production (E+B)	million carats	9.4	5.3	7.3	6.0	2.9	4.9	3.4	6.1	12.8	5.9	3.5	10.8	78.4
Ore Production	'000 tonnes	21.4	18.7	17.8	22.3	16.0	13.5	12.5	18.9	19.5	16.0	12.0	21.7	210.2
Grade	carats/tonne	438	286	410	268	182	365	277	323	658	369	290	500	373
Waste Mined (including TMS)	t millions	1.7	1.0	0.8	0.5	0.5	0.7	0.6	0.7	0.9	0.8	0.8	1.3	10.3
Stripping Ratio		81	53	43	22	33	49	51	38	48	48	66	58	49
Total Operating Cost	USD million	8.0	6.2	3.7	3.5	3.3	3.1	3.0	3.4	3.5	3.6	3.6	3.5	48.3
Gem Production Unit Cost	USD/carats	0.85	1.16	0.51	0.59	1.13	0.63	0.87	0.55	0.27	0.62	1.03	0.32	0.62
Ore Production Unit Cost	USD/tonne	372	332	210	159	205	230	241	179	178	227	298	160	230
Rock Handling Unit Cost	USD/tonne	4.5	6.1	4.8	6.8	6.1	4.6	4.7	4.6	3.6	4.6	4.4	2.7	4.6

Note: all figures are unaudited

The quarter to 30 June 2011 was robust, producing 10.8 million carats at a grade of 500 carats per tonne with unit costs of USD 0.32 per carat. In addition, the unit rock handling costs were just USD 2.70 per tonne. The stripping ratio is expected to increase 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 future total mining costs.

Kagem's key annual production parameters are summarised below:

Kagem Annual Production Summary	UNITS	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
		to 30 Jun 2006	to 30 Jun 2007	to 30 Jun 2008	to 30 Jun 2009	to 30 Jun 2010	to 30 Jun 2011
Gemstone Production (Emerald+Beryl)	million carats	10.2	9.4	9.9	28	17.4	33.0
Ore Production (Reaction Zone)	000 tonnes	22	29	42	80	61	69
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	462	325	233	349	286	478
Waste Mined (incl. TMS)	million tonnes	1.8	2.8	5.1	4	2.5	3.7
Waste+ TMS: Reaction Zone	stripping ratio	83	96	120	50	42	54
Total Rock Handling	million tonnes	1.8	2.8	5.1	4.1	2.6	3.8

The year ending 30 June 2011 saw record annual production of 33 million carats, a 90% increase in the 17.4 million carats produced in the prior year. The grade for the year to 30 June 2011 was 478 carats per tonne, versus 286 in prior year. Per carat production costs fell 41% from USD 0.73 to USD 0.43 per carat and unit rock handling costs fell 25% from USD 4.92 to USD 3.70 per tonne.

Gemfields' underground mining project achieved 45.7 metres of horizontal advance during the quarter ending 30 June 2011 from 48 blasts (versus 6.7 metres in the quarter ending March 2011). The total linear development to date is 187.7 metres (versus 142.2 meters at 31 March 2011). A total of 178 tonnes of ore was produced during the quarter (versus 312 tonnes in the prior quarter) with 535 tonnes of waste removal. Little production mining was done during the quarter as the focus has been on developing a second escape route for the operation. Ramped-up development mining has been achieved following completion of additional roof and wall support system in the previous quarter. Approximately 7,135 carats of gems were produced by underground operation in the quarter ending 30 June 2011, versus 8,305 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

Cash Balances

As of 30 June 2011, Gemfields had USD 13.6 million in cash, prior to receipt of the USD 31.6 million from the most recent auction and Kagem Mining Ltd, in which Gemfields has a 75% interest, is debt free.

Ian Harebottle, CEO of Gemfields, commented:

“Continued price increases for rough diamonds are a good indicator of the strength of the luxury goods sector as a whole. As a relatively new and informal sector coming off a low base, coloured gemstones in general and emeralds in particular are expected to enjoy even greater scope for increases in demand, which is clearly evident from our recent auction results. Gemfields is well positioned to achieve maximum benefit from present trends and feels these key drivers are likely to persist in supporting the popularity of Gemfields' products.”

Enquiries:

Gemfields
Dev Shetty, CFO

dev.shetty@gemfields.co.uk
+44 (0)20 7518 3402

Canaccord Genuity Limited
Nominated Adviser and Joint Broker to Gemfields
Tarica Mpinga/Andrew Chubb

+44 (0)20 7050 6500

Neil Passmore
JP Morgan Cazenove

+44 (0)20 7155 8630

Jos Simson/Paul Youens
Tavistock Communications

+44 (0)20 7920 3150