

## Gemfields plc

("Gemfields" or the "Company")

### Market Update – Quarter ending 30 September 2011

29 November 2011

Gemfields plc (Ticker: GEM) presents an operational update for the three month period ending 30 September 2011. All figures are approximate, unaudited and, unless otherwise stated, the phrase "carats" includes both emerald and beryl.

#### Highlights

- Ongoing significant waste moving programme at the Kagem mine to open new areas for future ore production. Once completed, management expects an overall increase in operating performance in the medium term as Kagem will be able to mine both the waste and ore more efficiently. Due to the planned impact of the waste moving programme and the areas currently being mined:
  - Gemstone production of 4.9 million carats in the quarter ending 30 September 2011 (versus 10.8 million carats in the prior quarter)
  - Grade for the quarter was 205 carats per tonne (versus 500 carats per tonne in the prior quarter)
  - Production costs for the quarter increased to USD 0.79 per carat (versus USD 0.32 per carat in the prior quarter)
  - Unit rock handling costs (on a cash basis) were USD 3.28 per tonne (versus USD 2.39 per tonne in the prior quarter)
- A graphical production update is available at [www.gemfields.co.uk](http://www.gemfields.co.uk)
- Second escape route shaft to the underground workings completed during the quarter
- As of 30 September 2011, Gemfields had USD 32 million in cash

#### Production Update

The Kagem mine, of which Gemfields owns 75%, 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:

##### Production Performance

Quarterly Summary	Quarter End:	Mar -09	Jun-09	Sep-09	Dec -09	Mar -10	Jun-10	Sep-10	Dec -10	Mar -11	Jun-11	Sep-11*	TOTAL
Gemstone Production (Emerald+Beryl)	million carats	7.3	6.0	2.9	4.9	3.4	6.1	12.8	5.9	3.5	10.8	4.9	68.6
Ore Production (Reaction Zone)	'k tonnes	17.8	22.3	16.0	13.5	12.5	18.9	19.5	16.0	12.0	21.7	24.0	194
Grade (Emerald+Beryl/Reaction Zone)	Carats /tonne	410	268	182	365	277	323	658	369	290	500	205	354
Waste Mined (including TMS)	million tonnes	0.8	0.5	0.5	0.7	0.6	0.7	0.9	0.8	0.8	1.4	2.2	9.9
Stripping Ratio		43	22	33	49	51	38	48	48	66	67	92	51
Cash Operating Cost	USD million	3.7	3.5	3.3	3.1	3.0	3.4	3.5	3.6	3.6	3.5	7.2	41.4
Cash Operating Cost per of rock moved	USD /tonne	4.8	6.8	6.1	4.6	4.7	4.6	3.6	4.6	4.4	2.4	3.3	4.1

##### Financial Performance

Quarterly Summary to Sep-11	Quarter End:	Mar -09	Jun-09	Sep-09	Dec -09	Mar -10	Jun-10	Sep-10	Dec -10	Mar -11	Jun-11	Sep-11*	TOTAL
Total Operating cost	USD million	3.7	3.5	3.3	3.1	3.0	3.4	3.5	3.6	3.6	3.5	3.9	38.0
Unit Production cost per carat	USD /carats	0.51	0.59	1.13	0.63	0.87	0.55	0.27	0.62	1.03	0.32	0.79	0.55
Unit Production cost per tonne of ore	USD /tonne	210	159	205	230	241	179	178	227	298	160	162	196

\*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. To date approximately USD 3.35 million of waste moving costs have been capitalised and will be amortised later when the associated ore is mined.

The quarter ending 30 September 2011 produced 4.9 million carats at a grade of 205 carats per tonne with unit costs of USD 0.79 per carat.

As announced on 3<sup>rd</sup> October 2011, Gemfields has embarked on a significant waste moving programme to open new areas for future ore production. This initiative will be the primary area of focus at the Kagem mine in the short term and is supported by the Company's strong cash position. As a result, the stripping ratio will continue to increase in the near term as areas of overburden are mined in order to expand the levels of ore available for future mining. Once completed, management expects an overall increase in operating performance in the medium term as Kagem is able to mine both the waste and ore more efficiently.

This focus on moving waste and the areas currently being mined will have a negative impact on gemstone production on the quarter under review and the quarter ending 31 December 2011, however, production is expected to increase considerably thereafter.

About 938,000 tonnes of waste was moved by a contractor during the quarter (compared to 166,000 tonnes in the prior quarter). Cash unit rock handling costs also increased as a result to USD 3.28 per tonne in the current quarter (compared to USD 2.39 in prior quarter).

Kagem's key annual production parameters are summarised below:

Kagem Annual Production Summary	UNITS	YEAR to 30 Jun 2006	YEAR to 30 Jun 2007	YEAR to 30 Jun 2008	YEAR to 30 Jun 2009	YEAR to 30 Jun 2010	YEAR to 30 Jun 2011	YTD to 30 Sep 2011
Gemstone Production (Emerald+Beryl)	million carats	10.2	9.4	9.9	28	17.4	33.0	4.9
Ore Production (Reaction Zone)	'000 tonnes	22	29	42	80	61	69	24
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	462	325	233	349	286	478	205
Waste Mined (incl. TMS)	million tonnes	1.8	2.8	5.1	4	2.5	3.9	2.2
Waste+ TMS: Reaction Zone	stripping ratio	83	96	120	50	42	54	91
Total Rock Handling	million tonnes	1.8	2.8	5.1	4.1	2.6	3.9	2.2

Gemfields' trial underground mining project achieved 43.3 metres of horizontal advance during the quarter ending 30 September 2011 from 56 blasts (versus 45.7 metres in the quarter ending June 2011). The total linear development to date is 231.2 metres (versus 187.7 meters at 30 June 2011). A total of 167 tonnes of ore was produced during the quarter (versus 178 tonnes in the prior quarter) with 493.5 tonnes of waste removal. A second escape route to the underground workings was completed during the quarter. The collaring, support and haulage preparations are being completed at this second entrance. Four production drives have been started to access the nearby discordant pegmatite to evaluate the ore and production potential. Approximately 3,025 carats of gems were produced by the underground operation in the quarter ending 30 September 2011.

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.

### Cash Balances

As of 30 September 2011, Gemfields had USD 32 million in cash, and Kagem, in which Gemfields has a 75% interest, is debt free.

Ian Harebottle, CEO of Gemfields, commented:

*“Gemfields’ mine to market strategy continues to reap benefits for Gemfields, its products and its partners. This is clearly evidenced in the firm demand for coloured gemstones stemming from both developed and emerging markets alike. Gemfields’ healthy cash position has supported the Company’s decision to actively pursue the development of other assets in its portfolio and to increase the scale of operations at its Kagem mine, where operational performance will continue to improve post the current high wall pushback project. Significantly increased production outputs are anticipated in the last two financial quarters.”*

**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/Lydia Eades  
Tavistock Communications

+44 (0)20 7920 3150