

Gemfields PLC

Notice of Annual General Meeting

7:00am, Tuesday 30 November 2010

Gemfields Plc (“Gemfields” or the “Company”) (AIM: GEM) announces it will be holding the Company’s Annual General Meeting on 21 December 2010 at 10:00 am (UK time) at the Company’s offices: 8th Floor, 54 Jermyn Street, London, SW1Y 6LX, UK. The Notice of Meeting was posted to shareholders on 29 November 2010 (attached herewith).

The Notice of Meeting is available on the Company's website: www.gemfields.co.uk

Enquiries:

Gemfields

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Gemfields Plc (**‘the Company’**) will be held at the Company’s offices at 8th Floor, 54 Jermyn Street, London SW1Y 6LX on Tuesday, 21 December 2010 at 10:00 am (UK time) for the following purposes:

AS ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

- 1** To receive and adopt the Company’s annual report and accounts for the financial year ended 30 June 2010 together with the reports of the directors and the auditors on those accounts.
- 2** To elect Devidas Shetty as a director.
- 3** To re-appoint Sean Thomas Gilbertson, who retires by rotation, as a director.
- 4** To re-appoint Finn Stuart Behnken, who retires by rotation, as a director.
- 5** To re-appoint BDO LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company.
- 6** To authorise the directors to fix the remuneration of the auditors.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, of which resolutions 7 and 9 will be proposed as ordinary resolutions and resolution 8 will be proposed as a special resolution:

- 7 That:
- (a) in substitution for all existing unexercised authorities (but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities), the directors be and are, by this resolution, generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ('the Act') to exercise all the powers of the Company to allot Relevant Securities (as defined below in this resolution) up to a maximum nominal amount of £ 2,160,765.89 at any time (unless previously renewed, varied or revoked by the Company in general meeting) before the earlier of: (i) the conclusion of the next annual general meeting of the Company to be held after the date of the passing of this resolution; and (ii) the date falling 15 months after the date of the passing of this resolution; and
 - (b) the Company may, before the expiry of this authority, make any offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of any such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

In this resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

- 8 That, subject to the passing of resolution 7 set out above, the directors be and are, by this resolution, empowered pursuant to section 570 of the Act to allot any equity securities (within the meaning of section 560 of the Act) of the Company for cash under the authority conferred on them by resolution 7 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to allotments:
- (a) in connection with or pursuant to any offer of equity securities (whether by way of rights issue or otherwise) to holders of ordinary shares in the capital of the Company in the proportion (as nearly as may be practicable) to their respective holdings of such shares on such record date as may be prescribed by the directors, in all cases subject to such exclusions or other arrangements as the directors may
 - (b) deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of any jurisdiction or the requirements of any regulatory body or stock exchange; and
 - (c) otherwise than pursuant to the provisions of sub-paragraph (a) above, up to an aggregate nominal amount of £648,229.77

and this power (unless renewed, varied or revoked by the Company in general meeting) shall expire on whichever is the earlier of: (i) the conclusion of the next annual general meeting of the Company to be held after the date of the passing of this resolution; and (ii) the date falling 15 months after the date of the passing of this resolution, save that the Company may before the expiry of the power conferred by this resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors of the Company to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1)

of the Companies Act 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such powers.

- 9 That The Gemfields Plc Unapproved Share Option Scheme 2010 (the ‘**Scheme**’) (a draft of the rules of which is attached to this notice) be approved with effect from 01 January 2011 and that the Gemfields Resources Plc Unapproved Share Option Scheme 2005 be simultaneously terminated on the basis specified in Rule 14.1 thereof and that the directors be authorised to do all such acts and things necessary to establish and carry the same into effect and that each Director be counted in the quorum and be authorised to vote as a Director on any matter in connection with the Scheme notwithstanding that he may be interested in the same.

By order of the Board
Devidas Shetty
Director

29 November 2010

Registered Office:
8th Floor
54 Jermyn Street
London SW1Y 6LX

NOTES

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies (as the case may be).
- 2 A form of proxy is enclosed. To be effective it must, not less than 48 hours before the time appointed for the Annual General Meeting (excluding any part of a non-working day), reach the office of the Registrars of the Company at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 3 The completion of a form of proxy does not preclude a member from attending the Annual General Meeting and voting in person.
- 4 The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours until the date of the Annual General Meeting. All such documents will also be available at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
- 5 In accordance with regulation 41 of the Uncertificated Securities Regulations 2001 and the Company’s Articles of Association, the Company specifies that only those shareholders registered in the Company’s register of members at 6pm on 17 December 2010 (or in the event that the meeting is adjourned, in the register of members at close of business on the second business day prior to the date on which any adjourned meeting is to be held) shall be entitled to attend or vote at the meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder’s name at such time.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

- 7 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by 10:00 am on 17 December 2010. No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which our registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 8 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 9 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 10 In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.
- 11 The Company’s issued share capital consists of 324,114,883 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 26 November 2010 (being the last business day prior to the publication of this Notice) are 324,114,883.

Explanatory notes to the Resolutions

Resolution 1 – Audited Accounts and Reports for the year ended 30 June 2010

The directors are required to present to the Meeting the Company’s audited annual accounts and related Directors’ and Auditors’ Reports for the financial year ended 30 June 2010. These are contained in the 2010 Annual Report.

Resolutions 2 to 4 - Re-appointment of Directors

The Articles of Association (the “Articles”) of the Company require that every director appointed by the Board during the most recent financial year must submit himself/herself for re-appointment at the next AGM. At this Meeting, Devidas Shetty will retire and stand for re-election as a Director (Resolution 2).

In addition, at every annual general meeting one-third of the other directors (who are not required to retire as mentioned above) or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. At this Meeting, Sean Gilbertson and Finn Behnken will retire and stand for re-election as directors (Resolutions 3 and 4).

Resolutions 5 and 6 - Re-appointment of Auditors and fixing of Auditors remuneration

The Company is required to appoint auditors at each AGM at which the Annual Report and Accounts are laid before the Company to hold office until the next such meeting (Resolution 5). By Resolution 6 your directors are seeking authority to agree the remuneration of BDO LLP.

Resolution 7 – Renewal of authority to allot new shares

The Articles empower directors to allot unissued shares. In accordance with section 551 of the Companies Act 2006 such allotments must be authorised by the shareholders in general meeting. Resolution 7 seeks renewal of the power to allot shares given at the previous AGM, up to an aggregate nominal amount of £ 2,160,765.89 which represents 216,076,589 ordinary shares of 1p each, representing two thirds of the Company's issued ordinary share capital.

The Company will consider the allotment of unissued shares to finance business opportunities and the directors will act in the best interests of the Company and shareholders generally, in taking advantage of business opportunities as they arise and to manage the Company's capital base more effectively.

The directors have no present intention of exercising this authority other than in connection with the Gemfields group's employee share scheme.

Resolution 8 – Renewal of authority for disapplication of pre-emption rights

Resolution 8, which will be proposed as a special resolution, seeks renewal of the directors' authority to allot equity securities (as defined by section 560 of the Companies Act 2006) of the Company for cash as if the pre-emption provisions of section 561(1) of the Companies Act 2006 do not apply. Under Section 561(1), when new shares are allotted, they must first be offered to existing shareholders pro-rata to their holdings. This provision is designed to prevent the holdings of existing shareholders being diluted against their wishes by the allotment of new shares. Shareholders may waive this right of pre-emption. Other than in connection with a right, scrip dividend, or other similar issue, the authority contained in this resolution would be limited to the allotment of shares having an aggregate nominal value of £648,229.77, representing 64,822,977 ordinary shares (equivalent to 20 per cent of the current issued ordinary share capital of the Company) as at 26 November 2010, the latest practicable date before the printing of this Notice.

Similar resolutions have been approved by shareholders at each AGM. The authorities granted under Resolutions 7 and 8 will expire at the conclusion of the next AGM to be held after the passing of these Resolutions.

Resolution 9 – Adoption of a new Gemfields Share Option Scheme

Resolution 9, which will be proposed as an ordinary resolution, seeks approval for the adoption of rules for a new Gemfields Plc Unapproved Share Option Scheme 2010 (the '**Scheme**') and the termination of The Gemfields Resources Plc Unapproved Share Option Scheme 2005 (the "**2005 Scheme**"). A copy of the rules of the Scheme is attached to this notice and a copy signed by the Chairman for the purposes of identification can be obtained from the Company Secretary. Employees and directors in the group currently hold outstanding unexercised options granted under the 2005 Scheme (or previous schemes) to acquire a total of 8,470,000 ordinary shares in the capital of the Company for an exercise price which is above the current market value of the shares. It is proposed to introduce the Scheme to enable the Company (a) to offer new options to such persons, in place of and subject to cancellation and surrender of their current unexercised options, for an equivalent number of ordinary shares in the Company but for a revised exercise price of £0.08 per ordinary share and (b) to offer options at the revised price to other employees and executives who do not currently hold options. This price is based on the one month weighted average price of an ordinary share in the Company as at 13 October 2010, being the date on which the board agreed the new scheme in principle, subject to shareholder approval. The new options will become exercisable as to one third on the first, second and third anniversary of the date of grant and will generally remain exercisable until the tenth anniversary of the date of grant. The rules of the Scheme are otherwise generally the same as the rules of the 2005 Scheme. It is also proposed to offer options under the Scheme on the same basis to employees and executives who do not currently hold options.

Offer letters for the grant of options under the Scheme on the basis set out above are being sent out concurrently with this notice. The offers are being made conditionally upon the approval of the Scheme by ordinary resolution at the Annual General Meeting. If the Scheme is not approved by ordinary resolution the offers will not take effect.

The directors of the Company currently hold unexercised options to acquire ordinary shares in the Company as follows:

Ian Timothy Harebottle holds an option to acquire 1,950,000 ordinary shares in the Company.

Graham Edward Mascall holds an option to acquire 1,000,000 ordinary shares in the Company.

Clive Geoffrey Newell holds an option to acquire 700,000 ordinary shares in the Company.

Sean Thomas Gilbertson holds an option to acquire 1,000,000 ordinary shares in the Company.

Finn Stuart Behnken holds an option to acquire 300,000 ordinary shares in the Company.

Ian Timothy Harebottle, Graham Edward Mascall and Clive Geoffrey Newell are being offered new options under the Scheme, in place of and subject to the cancellation of their existing options, for an equivalent number of ordinary shares as specified above and for the revised price of £0.08 per ordinary share. Sean Thomas Gilbertson and Finn Stuart Behnken are not being offered new options and have agreed that their existing options will automatically lapse if the adoption of the Scheme is approved by ordinary resolution.

Devidas Shetty does not currently hold any option over shares in the Company but is being offered an option to acquire 1,250,000 ordinary shares in the Company under the Scheme.

If all offers are accepted, employees and directors in the group would hold subsisting options to acquire a total of 8,345,000 ordinary shares in the Company representing 2.57 per cent of the issued share capital of the Company. If all offers made to the directors are accepted, the current directors of the Company would hold subsisting options to acquire a total of 4,900,000 ordinary shares in the Company representing 1.51 per cent of the issued share capital of the Company.