

Gemfields PLC

Gemfields announces best production quarter on record

7:00am, Monday 22nd November 2010

Gemfields PLC (“Gemfields” or “the Company”, Ticker “GEM”) is pleased to present an operational update for the three month period ending 30 September 2010. All figures are unaudited.

Highlights

- Exceptional quarterly production of 12.8 million carats of emerald and beryl (equivalent to 74% of the prior year’s total production of 17.4 million carats);
- Emerald production (excluding beryl) for the quarter exceeded the prior year’s total emerald production;
- Quarterly grade of 668 carats per tonne (emerald plus beryl) was more than twice that of the prior quarter (323 carats per tonne);
- Lowest quarterly unit production costs on record of USD 0.26 per carat (emerald plus beryl) compared with USD 0.73 per carat for year ending 30 June 2010;
- Lowest quarterly rock handling unit cost on record of USD 3.50 per tonne;
- Management stress the “pockety” nature of coloured gemstone deposits and that this trend is not likely to continue;
- Graphical production update available at www.gemfields.co.uk

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 Summary	Quarter End:	30-Sep 2008	31-Dec 2008	31-Mar 2009	30-Jun 2009	30-Sep 2009	31-Dec 2009	31-Mar 2010	30-Jun 2010	30-Sep 2010	Total
Gemstone Production (Emerald+Beryl)	million carats	9.4	5.3	7.3	6.0	2.9	4.9	3.5	6.1	12.8	58.2
Ore Production (Reaction Zone)	'000 tonnes	21.4	18.7	17.8	22.3	16.0	13.5	12.5	18.9	19.2	160.2
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	438	286	410	268	182	365	277	323	668	363
Waste Mined (including TMS)	million tonnes	1.7	1.0	0.8	0.5	0.5	0.7	0.6	0.7	0.9	7.5
Stripping Ratio		81	53	43	22	33	49	51	38	49	47
Total Operating Cost	USD million	8.0	6.2	3.7	3.5	3.3	3.1	3.0	3.4	3.3	37.5
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	0.64
Unit Production Cost (per tonne of ore)	USD/tonne	372	332	210	159	205	230	241	179	173	234
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	4.9

Note: All figures are unaudited

Kagem’s unaudited total operating costs for the period ending 30 September 2010 totalled USD 3.3 million (versus USD 3.4 million in the period ending 30 June 2010), implying an average production cost during the quarter of USD 0.26 per carat of emerald and beryl, the lowest on record (and compared with USD 0.73 per carat for year ending 30 June 2010).

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 and is expected to have a commensurate impact on total mining costs.

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	2010 versus 2009
Gemstone Production (Emerald+Beryl)	million carats	10.2	9.4	9.9	28.0	17.4	-38%
Ore Production (Reaction Zone)	000 tonnes	22	29	42	80	61	-24%
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	462	325	233	349	286	-18%
Waste Mined (incl. TMS)	million tonnes	1.8	2.8	5.1	4.0	1.9	-53%
Waste+ TMS: Reaction Zone	strip ratio	83	96	120	50	42	-16%
Total Rock Handling	million tonnes	1.8	2.8	5.1	4.1	2.6	-37%

Gemfields' trial underground mining project continues to make progress with a total of 18.7 metres of horizontal advance being achieved from 22 blasts during the quarter. Total underground development to date is 95.3 meters (76.6 meters at the end of 30 June 2010). A total of 629 tonnes of rock (581 tonnes of ore) was produced during the quarter (versus 347 tonnes of rock and 56 tonnes of ore in the quarter to 30 June 2010). Governmental clearance to continue the underground operation was received on 9 August 2010 after approval of the requisite environmental project brief. About 67k carats (emerald +beryl) were produced in the quarter ending 30 September 2010.

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.

A graphical production update can be downloaded from www.gemfields.co.uk

Cash Balances and Auction

As of 30 September 2010, Gemfields had USD 4.8 million in cash. Kagem Mining Ltd, in which Gemfields has a 75% interest, has bank loans and leases repayable by 31 December 2010 totalling USD 1.2 million.

Gemfields' next auction of higher grade rough emerald takes place from 6-10 December 2010.

Ian Harebottle, CEO of Gemfields, commented:

“Kagem has delivered a record-shattering production quarter and we're simply delighted. Because of the “nugget effect” of coloured gemstone deposits, these levels of production are not likely to continue and have already begun to decline post the quarter end. However, we are thrilled with the strong platform that these results provide and look forward to the forthcoming auction of higher grade rough emeralds which will be further supported by the continuing improvement in the markets for coloured gemstones”.

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