

Gemfields PLC

Market Update - January 2011

7:00am, Monday 31 January 2011

Gemfields PLC (“Gemfields” or “the Company”, Ticker “GEM”) is pleased to present an operational update for the three month period ending 31 December 2010. All figures are unaudited and the gemstone carat figures provided include both emerald and beryl (unless otherwise stated).

Highlights

- Record single auction proceeds of USD19.6 million achieved in December 2010 (against a total revenue of USD 19.9 million for the FY ending 30 June 2010)
- Gemstone production in the first six months of the current financial year (18.7 million carats) has exceeded the entire prior year’s production of 17.4 million carats
- The significant increase achieved per-carat prices as a result of continuing increase in demand primarily from within Asia and India
- 5.9 million carats produced during the quarter (versus 12.8 million carats in the previous record quarter).
- Grade during the quarter was 369 carats per tonne – slightly above the average prevailing during the last 2 years.
- Unit production costs during the quarter were approximately USD 0.56 per carat versus an historic average of USD 0.64 per carat.
- All bank loans and leases repaid, leaving the key Kagem asset debt free.
- “Gem Mining Company of the Year Award” to be received during the 57th Annual Tucson Gem and Mineral Show.
- Graphical production update available at www.gemfields.co.uk

Emerald and Beryl Auctions

Gemfields held an auction of (predominantly higher quality) rough emeralds in Johannesburg from 6 to 10 December 2010. The auction was attended by 32 companies drawn from India, Israel, Germany and the United States. The auction saw 0.87 million carats placed on offer, with 0.75 million carats being sold and generating record sales of USD 19.6 million. This single auction exceeded the USD 18.7 million generated from the three auctions held during the financial year ending 30 June 2010. The significant increase in achieved per-carat prices can be attributed to the exceptional quality of some of the material on offer, a continuing increase in demand primarily from within Asia and India and as a result of Gemfields on-going efforts to both formalise the emerald market and the promotion of ethical Zambian emeralds.

Gemfields next auction will be of predominantly lower quality material and will be held in Jaipur, India from 10-14 March 2011.

Gemfields has now completed five auctions in the past 18 months, realising revenues totalling USD 45.8 million. The results of the December 2010 auction are summarised below, together with those from the four preceding auctions held in London, Johannesburg and Jaipur:

AUCTION RESULTS SUMMARY	JULY '09 AUCTION	NOVEMBER '09 AUCTION	MARCH '10 AUCTION	JULY '10 AUCTION	DECEMBER '10 AUCTION
Dates	20-24 July 2009	23-27 November 2009	11-15 March 2010	19-23 July 2010	6-10 December 2010
Location	London, England	Johannesburg, SA	Jaipur, India	London, England	Johannesburg, SA
Type	Higher Quality	Higher Quality	Lower Quality	Higher Quality	Higher Quality
Carats offered	1.36 million	1.12 million	28.90 million	0.85 million	0.87 million
Carats Sold	1.36 million	1.09 million	22.80 million	0.80 million	0.75 million
No. of companies placing bids	23	19	25	37	32
Average no. of bids per lot	10	13	8	18	16
No. of lots offered	27	19	56	27	19
No. of lots sold	26	14	49	24	18
Percentage of lots sold	96%	74%	88%	89%	95%
Percentage of lots sold by weight	99.8%	97.2%	78.9%	94.2%	86%
Percentage of lots sold by value	82%	76%	89%	87%	99%
Total sales realised at auction	USD 5.9 million	USD 5.6 million	USD 7.2 million	USD 7.5 million	USD 19.6 million
Average per carat sales value	USD 4.40 per carat	USD 5.10 per carat	USD 0.31 per carat	USD 9.35 per carat	USD 26.20 per carat

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:	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	TOTAL
Gemstone Production (Emerald+Beryl)	million carats	9.4	5.3	7.3	6.0	2.9	4.9	3.4	6.1	12.8	5.9	64.1
Ore Production (Reaction Zone)	'000 tonnes	21.4	18.7	17.8	22.3	16.0	13.5	12.5	18.9	19.5	16.0	176.5
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	438	286	410	268	182	365	277	323	658	369	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	0.8	8.2
Stripping Ratio		81	53	43	22	33	49	51	38	48	48	47
Total Operating Cost	USD million	8.0	6.2	3.7	3.5	3.3	3.1	3.0	3.4	3.3	3.3	40.8
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	0.56	0.64
Unit Production Cost (per tonne of ore)	USD/tonne	372	332	210	159	205	230	241	179	171	206	231
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	4.2	4.9

Note: All figures are unaudited

Kagem's unaudited total operating costs for the quarter ending 31 December 2010 totalled USD 3.3 million (unchanged from the prior quarter ending 30 September 2010), implying an average production cost during the quarter of USD 0.56 per carat of emerald and beryl (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. This will have a commensurate impact on total mining costs.

Kagem's key annual production parameters are summarised below:

Kagem Annual Production Summary	UNITS	YEAR	YEAR	YEAR	YEAR	YEAR	HALF YEAR
		to 30 Jun 2006	to 30 Jun 2007	to 30 Jun 2008	to 30 Jun 2009	to 30 Jun 2010	to 31 Dec 2010
Gemstone Production (Emerald+Beryl)	million carats	10.2	9.4	9.9	28.0	17.4	18.7
Ore Production (Reaction Zone)	000 tonnes	22	29	42	80	61	35
Grade (Emerald+Beryl/Reaction Zone)	carats/tonne	462	325	233	349	286	527
Waste Mined (incl. TMS)	million tonnes	1.8	2.8	5.1	4.0	2.5	1.7
Waste+ TMS: Reaction Zone	strip ratio	83	96	120	50	42	48
Total Rock Handling	million tonnes	1.8	2.8	5.1	4.1	2.6	1.7

Gemfields' underground mining project continues to make progress with a total of 40.2 meters of horizontal advance during the quarter from 45 blasts (versus 11.2 meters in the quarter ending September 2010). The total linear development to date is 135.5 meters (versus 95.3 meters at 30 September 2010). A total of 1,113 tonnes of ore was produced during the quarter with no waste removal (versus 719 tonnes at the end September 2010). About 55,000 carats were produced in the quarter ending 31 December 2010 (versus 66,000 carats 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 and Auction

As of 31 December 2010, Gemfields had USD 15.6 million in cash (excluding a refundable VAT deposit of USD 3.1million). Kagem Mining Ltd, in which Gemfields has a 75% interest, has paid back all bank loans and leases repayable by 31 December 2010 and is now debt free.

Ian Harebottle, CEO of Gemfields, commented:

“Kagem has delivered a phenomenal quarter in terms of sales and enjoyed another robust production quarter. We look forward to the forthcoming auction in Jaipur and the encouraging outlook for the company and our partners in the coloured gemstone sector. Gemfields is honoured to have had its progress recognised in terms of the “Gem Mining Company of the Year Award” due to be received during the 57th Annual Tucson Gem and Mineral Show taking place this coming week”.

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