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TSX-Venture: NAG

North American Gem Inc. Receives Complete Approval to Mine at the North American Gem #2 Mine

July 27, 2010: North American Gem Inc. (NAG) (TSX-V symbol: NAG) through its subsidiary, North American Gem US, Inc. is pleased to announce that the Kentucky Department of Natural Resources (KDNR) has fully approved the mining application (Mine permit number #861-0513) which allows for immediate production to begin at North American Gem #2 Mine in Knox County, Kentucky.

North American Gem #2 Mine contains Blue Gem and Jellico coal seams and will be North American Gem's first opportunity to produce highly-valued Blue Gem Coal.

"Blue Gem Coal is a rare and increasingly valuable seam of coal used in the production of silicon metals," explained Charles Desjardins, President of North American Gem. "Producing Blue Gem Coal has been our primary strategic business focus; this new mine is a significant step forward for the company and we are aiming to achieve our goal of becoming a long-term Blue Gem Coal producer."

Blue Gem Coal commands a price as much as 200% higher than high-quality steam coal and is typically the highest priced grade of coal produced in the United States.

Kentucky Mine Partners LLC (KMP) has all of the equipment to perform the mining operations prepared and staged at the North American Gem #2 Mine. Initial production of the Blue Gem and Jellico coal is planned for a combined production rate of approximately 8,000 - 10,000 tons per month. The North American Gem #2 Mine will be a surface mining and augering operation. NAG has a buyer in place to purchase all of the coal produced from the North American Gem #2 Mine.

All of NAG's potential mining operations will incorporate sediment control methods that will keep ahead of the increased regulations and restrictions. Furthermore, in anticipation of increased regulations, NAG has, in all of its permitting applications, begun the sampling of receiving streams and groundwater wells utilizing the most stringent and extensive sampling parameters. This will allow NAG to comply with the regulatory requirements and will also result in a much shorter and smoother permitting application process.

The North American Gem Processing Facility (Mine Permit #861-8012) will serve as the central operation and distribution point for coal produced by NAG's mining operations. The facility has equipment in place that is capable of crushing, screening, and washing coal. This gives North American Gem Inc. the added dimension to service a variety of customers by preparing coal to meet their specific requirements. North American Gem Inc. will also have the ability to purchase outside coal to produce custom blended products which will increase market potential. Specifically, plans are to service the industrial stoker markets, silicon metal producers, and electricity generators.

NAG has also completed production at the North American Gem Mine #1 site in Whitley County, Kentucky. The Jellico coal which averaged in quality <12% ash, <1.1% sulphur and >12,200 Btu was sold to four buyers over the course of the mine's operations. Since North American Gem Mine #1 was opened for the primary purpose of initiating and streamlining NAG's Kentucky mining operations, the decision to conclude mining at the North American Gem Mine #1 was based on profitability analysis of the remaining coal at the mine and the need to dedicate assets to more profitable mining operations.

Mr. Dean Schafer is acting as operations manager of all the Company's Kentucky coal leases and is currently implementing an overall mine plan.

Ms. Deborah Moses, PEng, PLS, REM, of Engineering Consulting Services Inc. (ECSI) is the qualified person for the Company's coal operations in Kentucky.

North American Gem Inc. (TSX-V symbol: NAG) is a junior resource company in Western Canada. The company's major focus is expanding its coal mining operations at its flagship properties in Kentucky. In addition, the company has interests in coal, copper, molybdenum, and other base metals in Canada.

On Behalf of the Board of Directors
NORTH AMERICAN GEM INC.
"Charles Desjardins"

Charles Desjardins
President and Director

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This report contains forward looking statements. Resource estimates, unless specifically noted, are considered speculative. Any and all other resource or reserve estimates are historical in nature, and should not be relied upon. The production rate and mine-life projections have been made without support of a feasibility study, there is no certainty the proposed operations will be economically viable. By their nature, forward looking statements involve risk and uncertainties because they relate to events and depend on factors that will or may occur in the future. Actual results may vary depending upon exploration activities, industry production, commodity demand and pricing, currency exchange rates, and, but not limited to, general economic factors. Cautionary Note to US investors: The U.S. Securities and Exchange Commission specifically prohibits the use of certain terms, such as "reserves" unless such figures are based upon actual production or formation tests and can be shown to be economically and legally producible under existing economic and operating conditions.