

Gemfields plc

("Gemfields" or the "Company")

Acquisition of 75% interest in an additional Mozambican ruby project

Friday 7 December 2012

Gemfields plc (AIM: GEM) announces that it has entered into a conditional agreement (the "Agreement") to acquire a controlling interest in an additional ruby deposit located adjacent to the Company's Montepuez ruby mine, in the Montepuez district of the Cabo Delgado province in Mozambique (the "Project").

Highlights:

- Initial acquisition of 75% of one exploration licence with a one year option to acquire 75% of a second licence, covering 18,400 and 14,900 hectares respectively (the "Mining Titles")
- The Mining Titles are located adjacent to Gemfields' existing 75% owned Montepuez ruby mine
- Consideration for each Mining Title of USD 1.75 million
- The Mining Titles are expected to provide a platform, alongside the Montepuez deposit, for the expansion and development of Gemfields' Mozambique operations

The Project, initially targeting one specific exploration licence, includes the option to acquire a second licence, both of which are currently owned by EME Investimentos S.A. (the "Vendor"), and cover approximately 18,400 and 14,900 hectares respectively.

Small scale and informal mining within the targeted licences has already taken place and the Vendor is now, by way of this agreement, seeking to expand operations. The Mining Titles both share boundaries with the mining concessions of Montepuez Ruby Mining Lda ("MRM"), in which Gemfields has a 75% shareholding.

Under the terms of the Agreement, and upon completion thereof, Gemfields will hold 75% of a new company, with the Vendor holding 25%. Subject to government approval, the Mining Titles will be converted to mining concessions issued in the name of the new company.

The total consideration payable to the Vendor under the Agreement and with respect to each of the Mining Titles is USD 1.75 million (i.e. a combined total consideration of USD 3.5 million) and is to be paid in cash in two instalments. The first instalment of USD 200,000 is payable 14 days from the date of signature to the Agreement, with the balance of the consideration due with respect to the first Mining Title within 14 working days of completion, which is expected to take a number of months. The first instalment is refundable if completion does not occur. A further USD 1.75 million will be payable to the Vendor as a single payment should Gemfields exercise its exclusive right to acquire the second Mining Title, but will only be decided on after Gemfields has completed various due diligence studies within this licence area and over a period not to exceed one year.

Ian Harebottle, CEO of Gemfields, commented:

“The conditional agreement announced today has the potential to significantly expand our footprint in what we believe to be an exciting large scale ruby province. We are particularly pleased to be able to provide this update to our shareholders given the considerable progress we have already made. The early indicators from the ongoing bulk sampling at our adjacent Montepuez project are encouraging. We have received positive support from both the regional and national Mozambican authorities for our activities to date and I have little doubt that this, our second project within Mozambique, is unlikely to be the last and that the continued expansion and development of our Mozambican operations will prove to be a key element of Gemfields’ continuing growth strategy.”

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Notes to Editors:

Gemfields plc is a leading gemstone miner listed on the AIM market of the London Stock Exchange (ticker: `GEM'). The Company's principal asset is the 75% owned Kagem emerald mine in Zambia, the world's single largest emerald mine. In addition to the Kagem emerald mine, Gemfields has a 50% interest in the Kariba amethyst mine in Zambia.

The Company also owns a controlling stake in the highly prospective Montepuez ruby deposit in Mozambique and licences in Madagascar including ruby, emerald and sapphires deposits.

In July 2009 Gemfields commenced a formal auction programme for its Zambian emeralds. To date, the Company has held 11 auctions which have generated revenues totalling USD 160.5 million.