

Gemfields plc

("Gemfields" or the "Company")

Kagem Emerald Mine Pays First Dividend

20 December 2013

Gemfields plc (AIM: GEM) is pleased to announce that Kagem Mining Limited, Zambia's largest emerald producer, and in which Gemfields has a 75 per cent interest, has declared and paid a dividend of USD 8 million. The Government of the Republic of Zambia, a 25 per cent shareholder in Kagem, has received its USD 2 million share of the dividend, and Gemfields has received its USD 6 million share.

The cash pay-out arises from distributable net profits generated by Kagem during recent years. It is believed to be both the first ever dividend paid by Kagem in its 29 year history and the first such payment to the Zambian government from any gemstone operation in Zambia.

The dividend has been facilitated by the turnaround strategy initiated at Kagem in conjunction with the Zambian government a little more than five years ago, when Gemfields acquired a 75 per cent beneficial interest in the company. At that time, Kagem was loss-making and its total annual sales (approximately USD 8.9 million) were broadly the same as the dividend now being paid. In the year ending 30 June 2012, Kagem's revenues had grown to approximately USD 78 million.

In October 2008, Kagem also implemented a pioneering emerald incentive scheme, paying a bonus to all Kagem employees for each month in which pre-determined emerald production thresholds are reached. To date the scheme has paid more than USD 2.5 million to Kagem's employees, over and above their regular remuneration arrangements.

The significant improvement in performance at Kagem has also been achieved against a backdrop of excellent health and safety standards. In October 2013, the Mines Safety Department of Zambia awarded Kagem a certificate recognising more than 2.8 million reportable injury-free shifts, believed to be a record in the Zambian mining industry.

Kagem is at the forefront of developing the international market for Zambian emeralds by investing in exploration, mining, sales and marketing in order to develop a competitive, reliable and trusted source of ethically produced gemstones that buyers can trust.

A key supporting initiative has been the appointment by Gemfields of Hollywood movie star Mila Kunis as the Company's global brand ambassador. Ms Kunis visited Kagem and Zambia earlier this year and has been instrumental in branding Zambian emeralds internationally.

At a media briefing in Lusaka today, the Zambian Minister of Finance, Alexander Chikwanda, said:

"Although this is the first time that a dividend is being received from a gemstone mine, I am confident that this is just the beginning of the good things to come from gemstone mining in Zambia. Most likely it is as a result of not only hard work and dedication but also the measures that Kagem undertook in the last five years in conjunction with the government to restructure, re-develop and expand the Kagem mine."

Ian Harebottle, CEO of Gemfields plc and of Kagem, commented:

"This dividend – a truly remarkable milestone - is the culmination of more than five years of very hard work. First, we invested heavily in the restructuring, redevelopment and expansion of Kagem. Second, we've implemented, on a scale never before seen in the Zambian gemstone sector, an innovative and sustained international marketing campaign for Zambian emeralds, promoting them as a reliable, secure and ethical source of supply."

Kagem is the flag-bearer of the Zambian gemstone sector, and one of the finest examples of what can be achieved in partnerships between government and foreign investors in the mining sphere. We would like to thank and congratulate our partners in the Zambian government for their role and support in reaching this excellent result."

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Notes to Editors:

Gemfields plc is the leading coloured 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.

In July 2009 Gemfields commenced a formal auction programme for Zambian emeralds mined at Kagem. To date, the Company has held 14 auctions which have generated revenues totalling USD 224 million.

The Company also owns a 75% stake in the highly prospective Montepuez ruby deposit in Mozambique and licences in Madagascar including ruby, emerald and sapphire deposits.

Gemfields acquired the Fabergé brand in January 2013 with a view to creating a globally recognised coloured gemstone champion. Fabergé provides Gemfields with direct control over a high-end luxury goods platform and a global brand with exceptional heritage.