

**Gemfields plc** (“Gemfields” or the “Company”)

## **Acquisition of controlling interests in two emerald projects in Colombia**

10 September 2015

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Gemfields plc (AIM: GEM), the world’s largest producer of coloured gemstones, is pleased to announce that it has entered into binding agreements to acquire controlling interests in two emerald projects with operations and prospects located predominantly in the Boyacá state in Colombia.

### **Highlights**

#### **Project 1: Coscuez Emerald Mine, Boyacá Department, Colombia**

- Conditional acquisition of a 70% interest in a Colombian company which will, on completion, hold mining contract no. 122-95M (the “Coscuez Licence”, which is presently held by Esmeracol S.A.);
- Located on the “Muzo formation”, the Coscuez Licence covers an area of 47 hectares, with the Coscuez mine – one of history’s more significant emerald mines - having been in operation for over 25 years and known to have produced some of Colombia’s finest emeralds; and
- Preliminary geological due diligence studies were carried out by Gemfields between October 2013 and August 2014.

#### **Project 2: Selected exploration prospects held by ISAM Europa S.L.**

- Acquisition of 75% and 70% interests in two Colombian companies holding rights in respect of mining licence applications and assigned concession contracts respectively (of which eight have been approved and issued); and
- The total package of mining licence applications and assigned concession contracts cover approximately 20,000 hectares.

### **The Coscuez Emerald Mine, Boyacá Department, Colombia**

The Coscuez Licence includes exclusive rights for the exploration, construction and mining of emerald deposits granted by the Government of the Republic of Colombia within the area historically known as the ‘Coscuez mine’ in the municipality of San Pablo de Borbur, Department of Boyacá.

In the year 1990, open pit mining was replaced by small-scale underground mining in the upper reaches of the deposit, with extraction taking place from adits mined into the hillside.

Under the terms of the transaction agreements, Esmeracol S.A. will transfer the Coscuez Licence to a newly incorporated Colombian company (“Coscuez NewCo”) and Gemfields will, at completion, acquire an indirect 70% interest in Coscuez NewCo.

Preliminary geological due diligence studies were carried out on the mine by Gemfields between October 2013 and August 2014. These included geological mapping of all accessible underground excavations and tunnels (approximately 36 of which total 25 linear kilometres), 3D ore body modelling of the mapped information, sampling and analysis of mine face samples and satellite imagery studies. International geological and mining consultants ACA Howe International (ACA) were engaged to provide a technical report based on geological work carried out by Gemfields and conduct due diligence. Further exploration activity needs to be carried out to support the development of a geological model and a preliminary mine plan, all of which is likely to take in the region of 18 to 24 months.

The total consideration payable under the share purchase agreement is USD 15 million which is due as follows:

- a. a first tranche of USD 7.5 million on completion of the share purchase (and of which USD 5 million is payable in cash and USD 2.5 million is payable in Gemfields shares with a 3 year lock-in period);

- b. a second tranche of USD 2.5 million on the first anniversary of completion;
- c. a third and fourth tranche of USD 2.5 million each upon attainment of agreed cumulative profit targets.

Completion is expected to occur by March 2016 once the transfer of the Coscuez Licence to Coscuez NewCo has taken place.

#### **Selected exploration prospects under ISAM Europa S.L.**

The second project comprises a number of new licence applications and assignments to existing concession contracts administered by the Colombian Mining Agency. The assignees of, and the applicants for, the mining licences are a number of Colombian companies ("ProjectCos") indirectly controlled by ISAM Europa S.L..

Gemfields has acquired indirect 75% and 70% effective interests in underlying licence applications and assignments through two holding companies which own the assorted ProjectCos.

The total package of mining licence applications and assigned concession contracts cover approximately 20,000 hectares in the Boyacá and other Colombian departments, and comprise mostly greenfield sites although small-scale mining has occurred in some of the licence areas.

Eight of the assignments have been approved and issued. The remaining assignments and applications are being reviewed by the Colombian Mining Agency.

The total consideration payable by Gemfields under the share purchase agreement is USD 7.5 million, which is due as follows:

- a. a first tranche of USD 450,000 which is expected to be paid today;
- b. a second tranche payable upon the granting of certain licence applications and/or the assignment of certain concession contracts;
- c. a third tranche payable when bulk sampling commences on certain licence areas;
- d. a fourth tranche payable on the commencement of commercial mining; and
- e. a fifth and sixth tranche (which comprise more than 50% of the total consideration payable) upon attainment of agreed cumulative revenue targets.

Ian Harebottle, CEO of Gemfields, commented:

*"Gemfields is delighted to announce its entry into Colombia, home to some of history's most legendary emerald mines and a country with tremendous potential. The proposed acquisitions will require further work and additional exploration before any meaningful production commences but they are clearly in line with our strategy of expanding Gemfields' global footprint in a considered yet cautious fashion. The acquisitions offer exciting green- and brownfield growth opportunities over the medium to longer term.*

*Transparency, responsibility, marketing, collaboration and teamwork have been key tenets of what Gemfields has been able to deliver within the Zambian emerald sector, and more recently with our ruby deposit in Mozambique.*

*We look forward to completing the acquisitions and in turn working with our new partners and stakeholders in the Colombian emerald sector, including the Colombian Government and other mining operations, in growing and promoting the Colombian emerald industry for the benefit of all."*

**ENQUIRIES:**

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**Notes to Editors:**

Gemfields plc is the world's leading supplier of responsibly sourced coloured gemstones and is listed on the AIM market of the London Stock Exchange (ticker: GEM) where it is a constituent of the AIM50 index.

Gemfields is the 75% owner and operator of the Kagem emerald mine in Zambia, the world's single largest producing emerald mine. In July 2009, Gemfields commenced a formal auction programme for Zambian emeralds mined at the Kagem emerald mine. To date, the Company has held 19 auctions of rough emerald and beryl produced at Kagem and which have generated revenues totalling USD 360 million. The Company has also held 3 traded rough emerald auctions (of gemstones not obtained directly from the Company's own mining operations) which generated revenues of USD 23.6 million.

Gemfields owns a 75% stake in the highly prospective Montepuez ruby deposit in Mozambique. The four rough ruby and corundum auctions held since June 2014 have generated USD 122 million in aggregate revenues.

Gemfields holds a 50% interest in the Kariba amethyst mine in Zambia. In September 2015, Gemfields held its third auction of rough amethyst extracted from Kariba amethyst mine, generating revenues of USD 0.44 million. The Company also has controlling interests in prospecting licenses in Madagascar, Sri Lanka and Ethiopia.

Gemfields also owns 100% of Fabergé brand. Fabergé provides Gemfields with direct control over a high-end luxury goods platform and a global brand with exceptional heritage.

**ENDS**