

14 April 2014

**Richland Resources Ltd**  
**("Richland" or "the Company") (AIM: RLD)**

**Strategic Review and Operations Update**

Richland today announces that it is undertaking a group wide strategic review of its operations, which will include a review of all costs, revenue optimization and best use of funds available for investment in gemstone projects. The reason for this review is that the improvements to security anticipated by the Company at the Merelani tanzanite mine at Block C in Tanzania have not occurred. The Merelani tanzanite mine is operated by Richland's subsidiary, TanzaniteOne Mining Limited ("TML"). The consequence of this is that (a) TML's employees continue to be unable to safely work in large parts of Block C due to the on-going presence of illegal miners and (b) TML is not able to mine profitably with its current cost structure in the currently constrained mining area.

This review is being undertaken in conjunction with the operating board of TML, which is responsible for the Merelani tanzanite mine. The board of TML is also consulting with its joint venture partner the Tanzania State Mining Corporation ("STAMICO"), a United Republic of Tanzanian ("Government") parastatal.

**Background**

As previously announced, TML has experienced incursions into Block C by illegal miners for years and for a sustained period large areas of Block C have been occupied and held through force by illegal miners which have severely affected the Company's operation and financial performance. Following instruction from the Government at the time of the original incursions into Block C, TML security employees made no attempt to retake the areas and awaited assistance from the appropriate bodies.

In June 2013, TML reached an agreement with the Government for the granting of a new Mining Licence for Block C to be held on a 50:50 basis with STAMICO, in conjunction with STAMICO being brought into the mining operation as a joint venture partner (the "Agreement"). As part of the Agreement, the Government agreed to facilitate curbing of

tanzanite smuggling, illegal mining in Block C and ensure mining operations are conducted in a safe and conducive environment.

Following signing of the Agreement, the Government co-ordinated an initial effort to clear illegal miners from Block C. This operation, which tragically led to the shooting dead by illegal miners of a TML employee who was assisting police, led to the clearance, by August 2013, of the northern area of Block C of illegal miners. Since that time no further action has been taken by the Government to clear the other areas of Block C which had been, and continue to be, or are in danger of being, occupied by illegal miners.

On 4 December 2013, TML signed the formal joint venture agreement with STAMICO under which STAMICO undertook in relation to tanzanite smuggling and illegal mining operations in Block C to use their best endeavours to facilitate and liaise with Government authorities to ensure that necessary enforcement actions are taken in a coordinated and timely manner.

The directors of Richland (the “**Directors**”) reasonably anticipated that, following the formalisation of the joint venture with STAMICO, the illegal occupiers of mine shafts in Block C would be removed. This would allow reinvestment in the mining infrastructure in previously illegally occupied areas of Block C. However, to date this has not occurred, due to Government inaction, despite repeated requests for assistance made to the Government / STAMICO by Richland and the TML board.

### **Reason for Strategic Review**

The present TML operating structure will remain unprofitable due to it being set up for mining the entirety of Block C. The Company had maintained this cost structure on the basis of previous assurances from the Government. As the Government has to date not taken the anticipated security action TML have informed STAMICO, and the Government, that (a) until the Government enforces an environment at Block C where worker safety can be assured, and mining undertaken economically by TML that TML can not continue to operate under its current cost structure and (b) TML will not, due to safety concerns, sanction any attempt to restart mining across the whole of Block C.

As TML does not have such safe access to the whole of Block C, Richland and its operating subsidiary, TML, are currently investigating all possible costs cutting measures, including the possible retrenchments of significant numbers of TML employees with the aim of aligning the operating cost structure to the available, secure mining area. TML have advised STAMICO of this review.

The Directors have also decided that Richland will not be providing any further funding to TML until the conclusion of this review and Government action has ensured the access and security of TML employees across the whole of Block C. As part of the review, the Company will also be looking at ways in which it can optimise revenue from its existing Tanzanian operations.

In light of the decision not to invest additional funds into Tanzania, Richland will be looking to accelerate its diversification strategy outlined in its circular issued to shareholders on 19 December 2013. The Company's Tsavorite project, located in Tanzania, will be placed on hold during the period of the strategic review.

### **Richland's financial position**

As at 31 March 2014, Richland had cash of approximately US\$3m in its bank accounts. These funds will not be made available to TML.

In light of the cost cutting measures across the group, the Directors consider it appropriate that with effect from 31<sup>st</sup> March 2014 each of the Directors take a 50% reduction in board fees and executive director salaries and fees. This will continue until such time as TML is able to operate profitably, or until Richland is otherwise trading profitably.

Further announcements will be made in due course.

Commenting on the announcement Bernard Olivier, CEO, of Richland Resources said:

“Until such time that a safe working environment can be assured for workers at the Merelani tanzanite mine no further capital will be provided to the TML/STAMICO joint venture by

Richland. The mine at Block C is one of the most advanced gemstone recovery operations in the world, capable of generating highly attractive profits for its joint venture partners and significant royalties and taxation revenues for the Government neither of which are paid by the illegal miners. However under the present conditions significant productive areas of Block C remain under the control of illegal miners and until these areas are recovered, and a safe working environment for TML staff guaranteed, Richland do not believe it is prudent to invest further funds into TML's operations in Tanzania.”

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Notes to the Editor:

Further information is available on the Company's website: [www.richlandresourcesltd.com](http://www.richlandresourcesltd.com). Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

