2011
ANNUAL REPORT

RICHLAND
RESOURCES

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CHAIRMAN'S STATEMENT

The 2011 financial year saw a period of significant restructuring and repositioning for the Company as a now globally focused gemstone exploration, mining and marketing company. This was reflected by the change in name to Richland Resources Ltd (Richland). On an operational level, the Company continued to build on its cost containment efforts and enhancement of operating efficiency strategies.

We are pleased to report that the Company has maintained profitability during the ongoing uncertainty surrounding the global economy, with an EBITDA of US$3.5 million. We accredit our profitability to the success of our restructuring, cost reduction and operating efficiency optimisation programmes initiated in 2010 and expanded on during 2011. The Company achieved total revenues of US$20.5 million in 2011, representing a 29% increase from our total sales revenues of US$15.9 million in 2010. The Company increased its tanzanite production at its wholly-owned subsidiary, TanzaniteOne Mining Limited, located in Tanzania, by 9%, from 2.2 million carats in 2010 to 2.4 million carats in 2011. The average grade at its tanzanite operation decreased slightly in 2011 to 58 carats per tonne down 2% from 59 carats per tonne achieved in 2010.

Richland's whose primary operations are based in Tanzania and through its Tanzanian subsidiaries are one of the largest mining contributors to the Tanzania tax base, having invested over US$100 million through mine acquisition and mine development encompassing the Company's ongoing mining activities over the last 8 years. The Company has contributed in excess of US$23.4 million to the United Republic of Tanzania ("URT") through corporate taxes, royalties and indirect taxes. The Company will continue to support significant growth within the Tanzanian economy through export earnings, tax and royalty payments. Notwithstanding this commitment, the Company maintains certain concerns over the direction that coloured gemstone mining, and especially tanzanite mining, is taking within Tanzania. An increase in illegal mining activity, the smuggling of tanzanite out of Tanzania

as a result of the export ban introduced in 2010 and the introduction of a minimum local ownership requirement in gemstone mining licences are challenges that complicate gemstone mining operations in Tanzania. Eventually these may cause the industry to lag behind the rest of the world and may have a negative impact on foreign investment within the gemstone mining industry in Tanzania. Because of and in spite of these challenges, the Company has continued to maintain strong relationships with the Government of the United Republic of Tanzania and continues to work closely with industry stakeholders at all levels.

The Company continues to market tanzanite globally, in a competitive international market, thereby stimulating and supporting the entire tanzanite industry and is quietly optimistic moving forward. Tanzanite mining is currently operating at down dip depths of over 900 metres and requires large capital investment, high operating costs, sophisticated mining equipment, world-class mining experience, and best practice safety measures and environmental care in order to safely excavate material. Despite the challenges facing the company, all of these fundamental prerequisites to world-class mining characterise the Company's current operations at Merelani.

I would like to thank our employees and the Board of Directors for their excellent work and dedication throughout the year. I would also like to thank all our shareholders and other industry stakeholders for their continued loyalty and support during the period of restructuring and improvement, despite the ongoing challenges that the markets and global economy are enduring.

E. N

Edward Nealon
Chairman
25 June 2012

OPERATIONAL AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

With earnings before interest, taxes, depreciation and amortisation (EBITDA) of US$3.5 million, Richland recorded an improvement of approximately 17% on the previous corresponding period. The Company achieved a profit after tax of US$0.8 million (US 0.7 cents per share) for the year ended 31 December 2011 up 33% from 2010.

The result for the year was heavily driven by cost and efficiency management in group-wide operational activities, recovery of tanzanite prices and a strategic sales and marketing program. Sales increased by 29% during the year despite the tanzanite market being negatively impacted by the banning of export of rough tanzanite of one gram and above. However, despite these adverse effects, the Group achieved a gross margin for the year of 60%.

Corporate administration and other operating costs reflect costs incurred in administering the company's stock exchange listing, corporate compliance, investor relations activity, financial and legal consulting. These costs are expected to increase in 2012 in line with the Group's continued pursuit of various value enhancing strategic options that ensure the company retains and improves on its unique strategic position.

Operating costs were US$11.3 million,14% above the previous corresponding period and influenced by a general increase in prices of consumables, especially fuel, due to a significant increase in diesel consumption for power generation due to poor national grid power delivery. The increase in the price of consumable and other costs such as power, fuel, lubricants, salaries and wages were partly offset by management cost and control efforts that minimised the effects of any inflationary pressures on various process inputs, including mining efficiencies in material transport, loading and hoisting activities, as evident from the 9% increase in carats produced to 2.4 million by the Group.

The Company's Inventory of tanzanite increased by 30% to US$5.7 million, due to significant production during the third quarter.

Capital expenditure for the year of US$1.2 million included development and exploration expenditure, infrastructure and surface buildings and other mining equipment. Included in this capital expenditure was the development up of a cutting factory under Export Processing Zone status and the establishment of a new retail outlet in Dar es Salaam under The Tanzanite Experience ("TTE") brand.

During the year, Richland generated cash of US$4.1 million from operating activities before working capital changes compared to US$2.3 million during the previous period. Due to significant sales realised in the fourth quarter of the year, there was a US$2.6 million increase in trade debtors all of which was settled within 3 months of year end. Although a significant portion of cash generated in operations was applied to investing activities in the form of capital expenditure, the group had a net cash position of US$0.8 million as at year end.

Key statistics 2011

Key statistics:	FY 2011	FY 2010	Movement
EBITDA profit	$3.5 m	$3.0 m	17%
Net profit	$0.8 m	$0.6 m	33%
Revenue	$20.5 m	$15.9 m	29%
Gross margin	60%	64%	(6%)
Depreciation and amortisation	($2.5 m)	($2.6 m)	3%
Tanzanite inventory stock	$5.7 m	$4.4 m	30%
Cash and cash equivalents excluding overdraft	$1.9 m	$2.4 m	(21%)
Carats recovered	2.4 million	2.2 million	9%
Carats per tonne	58	59	(2%)
On mine cash costs per carat	$4.57	$3.69	(24%)

TANZANITEONE MINING LIMITED

2011 Operation and Financial Review

TanzaniteOne Mining Limited ("TanzaniteOne") is a wholly-owned subsidiary of Richland Resources Ltd and is the largest and most scientifically advanced miner and supplier of tanzanite in the world. This unique position allows the opportunity to support and influence the entire mine-to-market process, ensuring that maximum stakeholder value is achieved at each stage of the process. Tanzanite is growing in demand, not only because of its exquisite beauty, but also because of its inherent scarcity. Tanzanite is only found in one place on earth - in Tanzania - specifically in the foothills of Mount Kilimanjaro.

The tanzanite resource is divided into five blocks. TanzaniteOne undertakes larger scale mining in Block C; medium scale mining is undertaken by Kilimanjaro Mining in Block A and Tanzanite Africa in Block D-extension. The Company's neighbouring Blocks B and D are mined largely by artisanal miners. This poses a challenge for TanzaniteOne, notably in terms of undermining, whereby, the artisanal miners are mining into TanzaniteOne's designated license area. The Company's mining operation is considered a modern, low-cost operation and boasts an exemplary safety record. It applies international best practice in the design and implementation of its employment, social and environmental policies.

Mining

The Company has achieved a record production of tanzanite in 2011, with 2,379,183 carats of tanzanite produced from the processing of 41,133 tonnes of rough. The average grade recovered was 58 carats per tonne. The increase in production by 175,364 carats in 2011 represents a 9% increase on the 2.2 million carats produced in 2010. Production was boosted in response to the continuing increase in demand for tanzanite in the international tanzanite industry.

Significant "off-reef" mine development took place during 2011 to ensure shafts and infrastructures are constantly being developed to intersect new Tanzanite bearing fold structures. As a result of the on-going shaft and off-reef development, the Company has continued to expose fold structures in the Main shaft, located in the centre of the Company's licence area.

These newly intersected fold structures confirm the accuracy of the company's geological models and projections and initial indications suggest an exceptionally high potential grade and quality yield profile can be expected from these fold structures.

Material transport, loading and hoisting efficiencies were significantly improved during the year by enhancing the mines underground surge capacities through the construction of secure underground bins. New bins were installed at level 25 at CT shaft and level 70 at Main shaft. The incline shaft rails were extended from 600 meters down to the shaft bottom at 730 meters. A walk way was also developed at the shaft bottom of main shaft to intersect at level 73 which provided easy access and enhanced material transportation.

On Mine Cash Costs

On-mine cash costs for the period increased by 24% to US$4.57 per carat from US$3.69 per carat in 2010. This increase was influenced by general increases in the price of consumables, power, fuel, lubricants and salaries and wages. They were partly offset by management's cost and control efforts that minimised the effects of any inflationary pressures on various process inputs, including mining efficiencies in material transport, loading and hoisting activities. Cost reduction remains a primary focus for the Company and is being supported by increased attention on improved efficiencies by way of selective stopping, restructured mine procurement policies and the recycling of used equipment. On mine cash costs include operating costs, mine administration costs and royalty charges incurred at the Merelani mine.

Processing

Processing and sorting takes place on site within purpose-built infrastructure and facilities. The ore treatment plant, which includes a Dense Media Separator (DMS), has a current capacity estimated at approximately 10,000 tonnes per month, on a single shift. The DMS concentrate passes through a fully automated optical sorting system, after which the "super concentrate" is then hand sorted and graded. Rough tanzanite is sorted both manually and using a fully automated rough tanzanite optical sorting and primary grading system, a world first in the coloured gemstone industry.

The processing and crushing plant continues to operate on a single shift basis. There is sufficient capacity to increase production through the introduction of a second shift at the plant, if required.

The capacity of the tailings dam was significantly increased during the year and a new fence was erected around the dam perimeter.

Geology

A Geology department, comprised of qualified geologists and surveyors, forms a critical and integral component of a successful and profitable tanzanite mine. The department continuously maps and records geological features, surveys and communicates geological interpretations to the mining team. Geological knowledge and understanding of this unique ore body has lead to new structures being discovered and mined efficiently by the mining crews.

During 2011, mining operations concentrated on areas for production in fold stacks, ramp structures and selective stoping in potential limb boudins. Exploration continued by sinking pilot shafts to find new structures and along the drives to relocate known structures. Ten visits, to block D and A extension, were carried out as part of the small scale miner's assistance programme. A Field excursion programme was started for the purpose of discovering and sourcing new gemstone deposits and included visits to mines including Longido Ruby mine, Magara Emerald mine and Spinel mine in Mahenge-Morogoro.

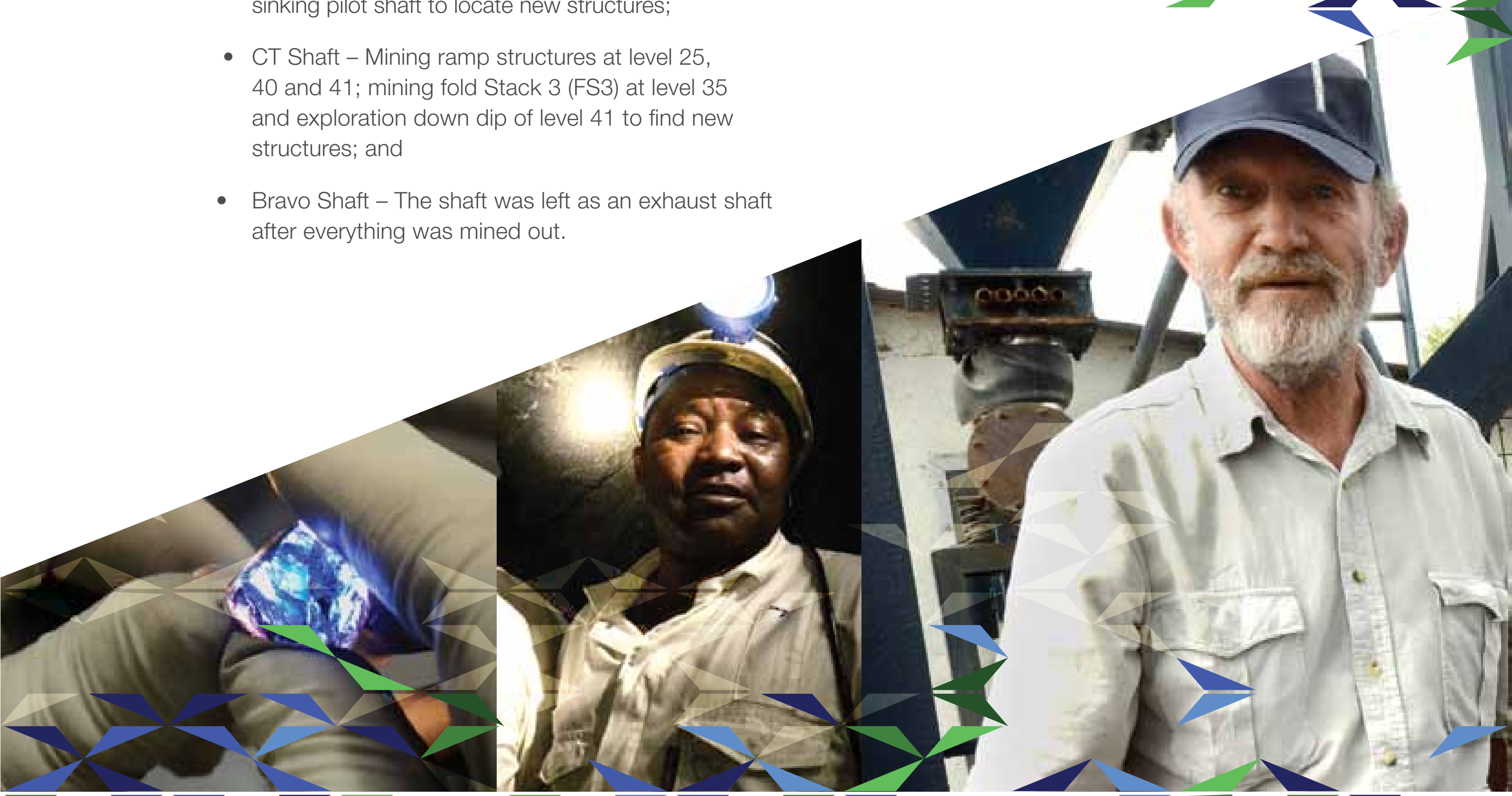
Mining operations concentrated in the following structures:

- Delta Shaft – Selective stoping along fold stack 2 (FS2) limb boudins;
- Main Shaft – Mining within Fold Stack 2 (FS2) towards block D border; Mining along the fold noses of the newly intercepted fold stack (FS3), and exploration by sinking pilot shaft to locate new structures;
- CT Shaft – Mining ramp structures at level 25, 40 and 41; mining fold Stack 3 (FS3) at level 35 and exploration down dip of level 41 to find new structures; and
- Bravo Shaft – The shaft was left as an exhaust shaft after everything was mined out.

Safety, Training and Environmental Management

The Company experienced no fatalities during the year and achieved a Lost Time Injury Frequency Rating ("LTIFR") of 0.54 for 2011, which is significantly below the industry average. This is a testimony of the Company's focus on safety and the success of the Department's safety, awareness and training initiatives. The Company's safety standards are based on the International Occupational Health and Safety Standards. All Company employees have been inducted and receive regular refresher training to meet the required Safety Standards.

Training emphasis focused on skills enhancement and exposure to outcomes-based training and assessment and consists of both theory and practical assignments. Practical evaluation was achieved through planned task observations, interviews, random inspections and verbal assessments.



Training

The following certificates of excellence have been issued after the successful completion of training courses:

	Number of certificates issued
Strata Control Training Course	40
Environmental Waste Management	03
Explosive Handling/Support/Safety	40
Supervisory Skills	09
Team leader training	08
Jack Hammer operators	07
Blasting Ticket Refresher Course	11
Industrial Fire Fighting course	38

Environmental

Environmental training and awareness continued as planned through inductions, toolbox meeting and presentations to empower employees to identify and reduce associated environmental risks. Environmental monitoring, auditing and inspections also continued as planned and stipulated on the Environmental Management Plan which enabled us to meet our obligations and enhance best environmental practices. The Mine closure and rehabilitation plan was updated and the report has been submitted to Ministry of Energy and Minerals for approval.

SML Renewal

TanzaniteOne Mining Limited has a valid Special Mining Licence (SML) as defined in section 42 – 49 of the Mining Act of 2010 expiring in July 2012 and has submitted its renewal documents to the Government in January 2011 for the renewal of the SML in July 2012. The renewal requirements of a Special Mining Licence are defined in section 45 of the Mining Act of 2010. The Company has already received its Environmental Compliance certificate that forms part of the licence renewal process.

Security

The restructuring of the Security Department continues in order to address the challenges highlighted in the Security Review that was completed in 2010. The process is on-going in order to address the changing dynamics.

The continued illegal mining into the TanzaniteOne Mining Limited licence area is being addressed at both regional and national level and all stake holders at these levels are continuously kept abreast of developments as and when they occur. Inspections by the relevant inspectors within the Department of Minerals and Energy are carried out to investigate each incident and to provide the necessary support for corrective actions that are required. This issue however remains a major concern due to the health and safety implications for the employees of TanzaniteOne Mining Limited. TanzaniteOne Mining Limited continues to engage small scale artisanal miners through its SMAP (Small Miners Assistance Program) where education on safe mining methods, health and safety and surveying of their own workings in order to determine their exact locations, is emphasised.

Security

TanzaniteOne Mining Limited continuously engages with local law enforcement agencies and regional government institutions in order to address the security situation within its sphere of operations.

The use of X-Scann, (non-invasive personnel search facility) remains the subject of discussions with the government after a ban was imposed on the use of this technology due to concerns on the health of employees. In late 2011, the European Union instituted a study on the effects of these machines installed at airports across Europe and the final findings will significantly contribute to the future employment of this technology in Tanzania or otherwise. A study into the use of alternative technologies which could provide a similar result without the associated perceived dangers to health and safety of employees is also being undertaken.

The Company continues to engage security experts within the mining industry to continuously scrutinise its security function and policies, and to implement recommendations made with respect to shortcomings.

Human Resources

Industrial Relationships

During the year under review, the relationship between management and employees improved significantly in comparison with previous years. Regular meetings were held between the trade union (TAMICO) representatives and management where employee issues were addressed. A collective bargaining agreement was concluded and registered.

Employees Benefits Plan

The company pays statutory contributions to a publicly administered pension scheme (NSSF) which qualifies as a defined contribution plan.

Employee Strength

TanzaniteOne continues to operate a lean and efficient work force and no significant recruitment was conducted during 2011. An increase in throughput was achieved with a slight decrease in the number of employees and management continues to constantly strive to increase efficiencies without increasing the labour component.

Performance Evaluation

The improvement in labour performance is attributed to the improved relations between management and staff, formalised staff training and development, emphasis on work place discipline and efficient communication through the union with staff.

All staff are remunerated in accordance with the minimum wage for the mining industry within Tanzania and TanzaniteOne Mining Limited remains the employer of choice within its region of operations.

The company continues to be compliant with the relevant labour laws, legislation, policies and procedures in recruitment, training and development, disciplinary regulations, administration of payrolls and employees benefits and all other matters relating to human resources capital.

Sales and Marketing

The tanzanite ban on export of one gram and above of rough material, came into effect during 2011 making it an extremely busy year for the company. With all the associated challenges, the company was able to bring on polished capacity at an accelerated pace against plan and, with the outstanding support and cooperation of our sight holders, was able to integrate the new requirements into the business.

Competition against illegal exports and smuggled rough, that is making its way to the polishing centres in large quantities, has been a challenge and looks to remain part of the supply landscape for some time. Our sorting and valuation team's rough preparation for sale remains the industry leader, and continues to position our product as desirable for immediate polishing.

Remarkable for the year was the anticipated acceleration of the Chinese consumption market. This became the driving force behind demand for the larger size stones and creating a steady price increase. Growth is expected to continue in this market as tanzanite penetrates into the secondary cities and regions, as well as moving into the surrounding countries. The Chinese market's demand for larger sizes has started to progressively work its way down in size.

Specimen sales for 2011 were of note. Greater production of this material resulted from more focussed handling and new areas of production. The development of a specialised customer base for specimens continues and is placing the material closer to the market of use. Proposals from specimen specialists were received and will continue to be studied towards a viable production to sales model for the specimens.

Opaque material sales continued to grow during 2011. Bead material continued to perform strongly in the wholesale and retail markets, providing steady demand for the rough category.

In mid 2011, the company was pleased to welcome our newest sightholder, the KGK Group. With an outstanding reputation in the market and operations spanning the globe with its diamonds and colour stones business, the synergies between our companies represents opportunities for strong mutual growth prospects.

Cutting and Polishing

During 2011, a precision cutting facility was established and brought online for the cutting of one gram and above rough in compliance with the export ban of rough material. Sight holders were able to utilise the TanzaniteOne polishing staff to polish their allocations and integrate into their supply chains. The facility quickly built up to its 45,000 stones per annum capacity and is running efficiently.

Further to the precision facility, the company approved construction of a much larger dedicated polishing facility under an Export Processing Zone licence, adjacent to its sorting and recovery area. This 450 m^2 facility will come online in mid 2012 and offer both precision and traditional processing capacity. The capacity of this facility will be close to 200,000 stones per annum. This capacity is large enough to cover all affected production and provide the basis of a processed trading operation and expanded production for The Tanzanite Experience retail operation to expand its franchise base.

THE TANZANITE EXPERIENCE

The Tanzanite Experience retail operations had sales of US$1.8 million from its three stores, an increase of 29% over 2010. Construction began on a museum and retail outlet in the Dar es Salaam market during the year and opened in March 2012.

The Dar es Salaam store will become the product hub for further expansion into the surrounding city and coastal regions using a mixture of franchise and outlet operations.

Further expansion into nearby countries on a franchise basis will be explored in 2012. The expanded cutting and polishing facility will enhance the polished product availability to service a larger number of outlets once online in mid 2012.

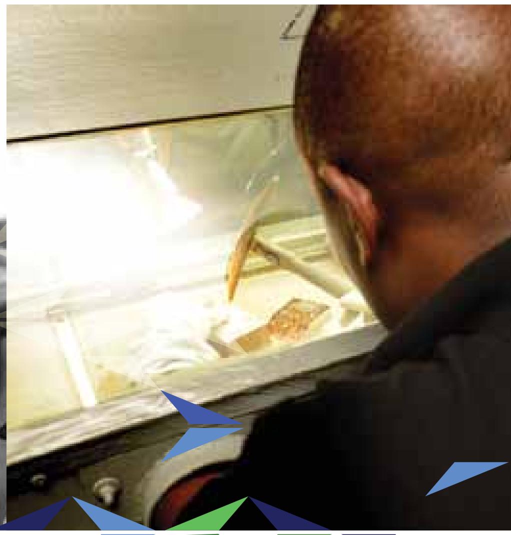
TANZANITE FOUNDATION

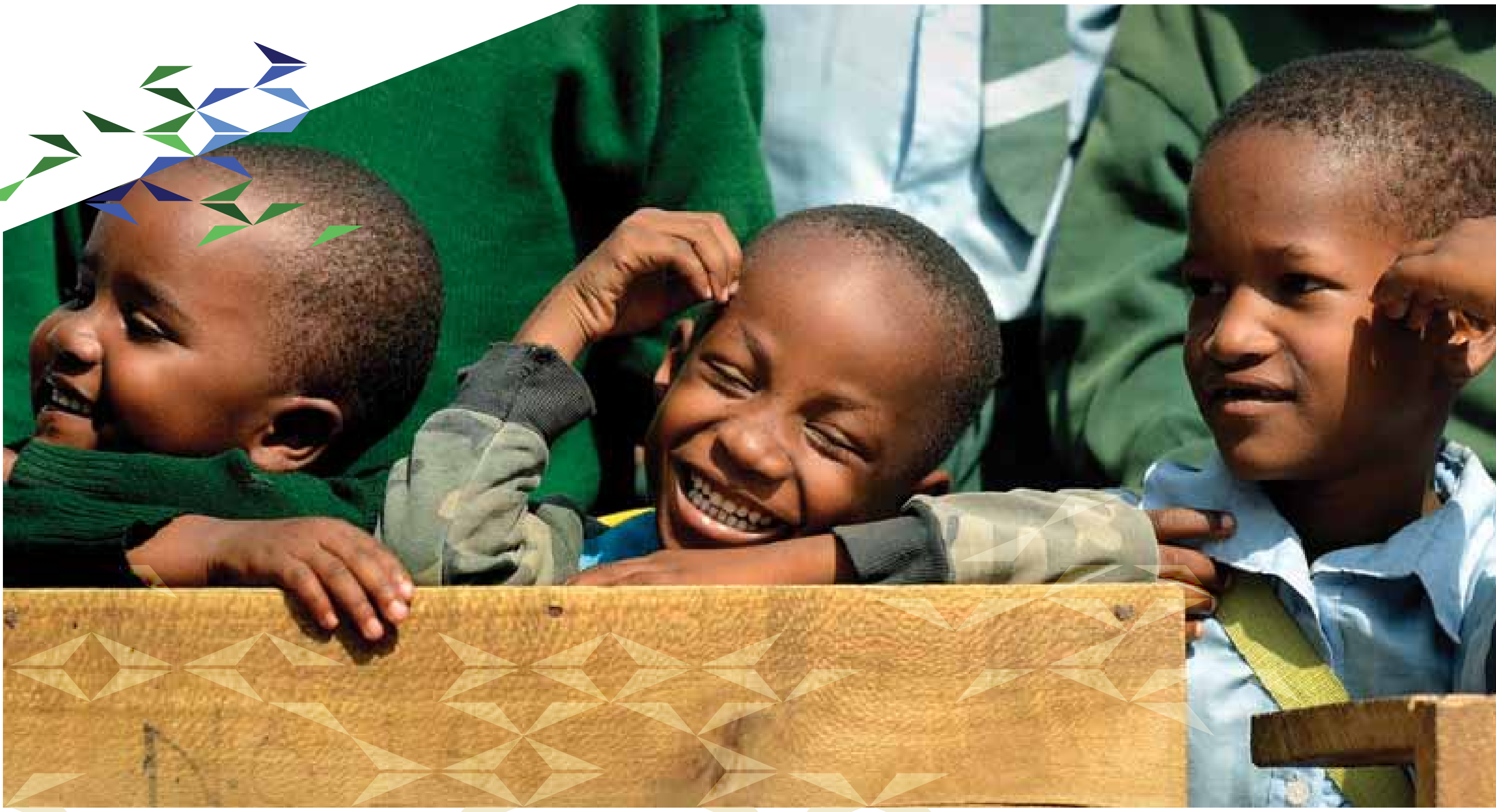
The Tanzanite Foundation was developed in 2003 to promote tanzanite and stimulate the growth and development of the tanzanite industry. The main objective has been to build and maintain the desirability of this rare gemstone, while entrenching our core values for all participants operating in an ethically and socially conscious industry. The focus is on empowering the market through education and exposure, pioneering social development and skills transfer, encouraging environmental objectives and engaging the communities at source.

With these objectives in mind, 2011 was another highly successful and productive year. The Tanzanite Foundation has collaborated with numerous international designers, jewellery manufacturers and retail television networks, which has contributed to the exposure of tanzanite and added to its' growing demand. In turn, this is what has added value and entrenched credibility, thereby ensuring Sightholder sell-through.

2011 has seen a dedicated effort to educate the Chinese market on the attributes of tanzanite, especially within the smaller sizes and lighter colour range. A strong below the line campaign has been consistently pursued in both the US and China, ensuring constant communication with editorial decision makers in the fashion, economic and trade press. Results have shown tanzanite-focused stories and product placements in numerous publications. An on-going and consistent impactful presence at significant Gem and Jewellery Trade Shows has helped disseminate information and build trust. This in turn ensures Tanzanite's 'top of mind' presence and secures confidence in the Tanzanite Foundation brand, which our members choose to include in their advertising.

Tanzanite continuously proves to be an extremely marketable and saleable gemstone, and certainly one of the most popular of our time.





TSAVORITEONE MINING LIMITED

Due to the global economic conditions and the need to focus on revenue and near revenue generating activities, the Company has reduced the costs associated with the Tsavorite exploration project during the year. Despite the majority of the exploration activities now being done in-house and scheduled around the availability of people and machinery involved in the tanzanite mining operations, the Company still managed to significantly advance the project at minimum costs.

In the first quarter of 2011, the Company announced the establishment of its maiden JORC compliant resource at its tsavorite operation. The resource is comprised of a Maiden JORC compliant Inferred Resource of 7.6 to 10.4 million bank cubic metres ("bcm") or approximately 18.2 to 24.9 million tonnes and a Maiden JORC compliant Indicated Resource of 0.89 to 2.17 million bcm or approximately 2.1 to 5.2 million tonnes located within Inferred Resource. An average tsavorite grade of 11.6 carats per loose cubic meter ("lcm") for the Indicated component of the resource was also estimated with up to 3.5 million carats of tsavorite located with the Indicated Resource only.

During 2011 the Company also constructed and commissioned a processing plant located on the tsavorite deposit that is capable of treating the pilot and bulk sample material on site. A total of 72 Pilot samples were excavated during the second half of 2011 from selected sites along lines of section to depths of 6 to 7 metres. The samples, which are around 5 cubic metres each were initially treated at the TanzaniteOne processing plant but after the commissioning of the mobile treatment plant all samples were treated onsite. The pilot sampling programme has identified sites for large trial mining pits, which commenced in the first quarter of 2012. The bulk samples comprise larger samples of 50 cubic meters or more from 9 to 10 meter depth after stripping and excavation to all truck access. During the year the water bore was also refurbished.

AUSTRALIAN SAPPHIRE PROJECT

In June 2011, Richland announced the continuation of its strategy to leverage its position as a leading premium coloured gemstone producer to diversify its gemstone portfolio, by entering into an option to acquire an established Sapphire project.

Richland has entered into an option, for an upfront cash fee of AUD$120,000 to acquire at its sole discretion, following necessary and appropriate due diligence, an unencumbered 100% ownership of the Project (the "Option Agreement"). Richland currently has an exclusivity period until August 2012.

AUSTRALIAN SAPPHIRE PROJECT (CONTINUED)

The Company can disclose the following information in relation to the Project:

- it will comprise two mining leases covering around 490 Ha;
- it has previously been partially mined and has produced significant quantities of gemstone quality sapphire; and
- it is situated in a known Sapphire field in Australia.

While under the exclusivity period of the Option Agreement, the Company is, due to confidentiality conditions specified, unable to disclose any further details of the Project at this stage. Further details of the Project will be released on completion of due diligence including, the resource, historical mining data and an evaluation of operational and sales records. Some bulk sampling may be carried out during the due diligence period. In addition, the scale of the commercial operations will be modelled during the due diligence period.

The assets to be acquired comprise the mining licences, tangible assets, completed exploration, operational and sales data over the mining licence area. Exercise of the option is conditional upon the mining licence(s) being granted.

The total consideration for the Project, if the Company elects to proceed on completion of the due diligence, will be cash of AUD$1,200,000 and 18 million fully paid common shares in Richland Resources Ltd, at the market price at the time of completion, representing approximately 13.5% of the enlarged issued capital.

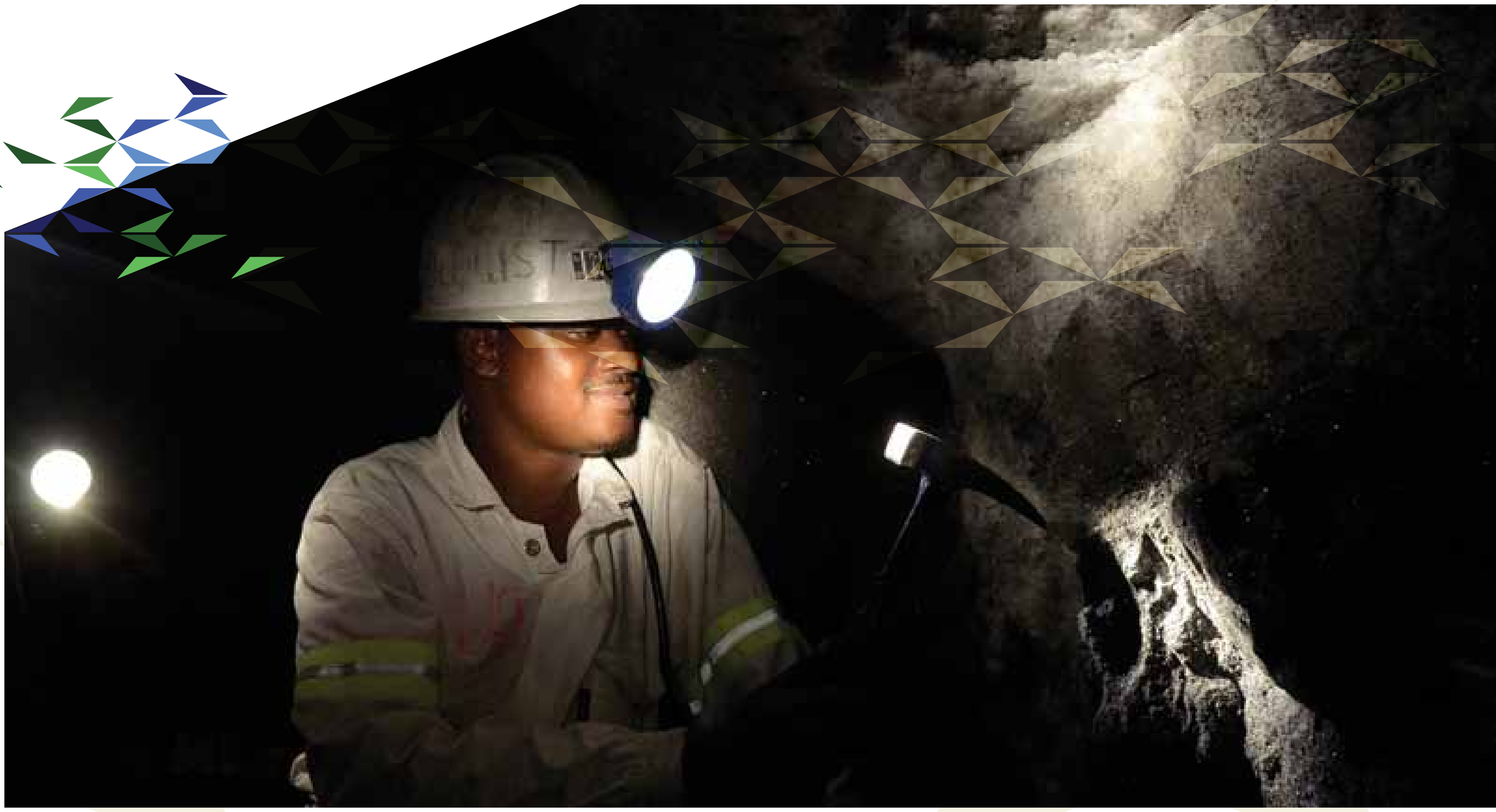
SOCIAL CORPORATE RESPONSIBILITY

Richland is committed to supporting the local communities in which it operates and in the case of TanzaniteOne Mining Limited, this includes not only its designated mining area but also the entire Simanjiro District and Manyara Region as a whole.

During 2011, several new initiatives were introduced by the Company and it continued to support all its long-term community projects.

New and existing projects/Initiatives undertaken to the end of fourth quarter 2011 include:

- Continued maintenance of the 14km road that links the Merelani village and Tanzanite mining area to the Arusha and Moshi road network.
- The on-going provision of water to over 2,000 villagers and 4,500 heads of cattle on a daily basis.
- On-going donation of our processing plant tailings to the local communities, which also serves as a community uplift project. The tailings contain tanzanite that is uneconomical for TanzaniteOne to extract.
- Completion of installation of R.O (Reverse Osmosis) plant. This plant will perform water purification and treatment to help prevent bone deformities in children.



SOCIAL CORPORATE RESPONSIBILITY (CONTINUED)

- On-going geological, mining, survey, safety, logistical, operational and other guidance to small-scale tanzanite miners in the area through our Small Miners Assistance Programme (SMAP). The aim of the programme is to develop and advance the entire tanzanite mining industry.
- Provision of employment opportunities, not only to the local Naisinyai Village, but the entire Manyara.
- Bursaries for students were granted and several appreciations were received.
- On-going supply of water to the Nasinyai primary school students for their daily needs.
- Signing of an agreement between Nasinyai Ward and TanzaniteOne to allow the passage of Nasinyai-Losoito water pipeline through TanzaniteOne's SML. TanzaniteOne assisted in surveying the route.
- TanzaniteOne attended the committee meeting in October 2011, chaired by Simanjiro District Commissioner. The purpose of the meeting was to discuss the status of the proposals for the construction of the new fence around the controlled area, as well as the preparation for the construction of the D`Souza trench.
- Completion of the installation of power to the Nasinyai Police station took place in the 4th Quarter of 2011.

BOARD AND MANAGEMENT

Mr Edward Nealon assumed the role of Non-executive Chairman, in June 2011 having previously been Non-executive Deputy Chairman. Ami Mpungwe became Non-executive Deputy Chairman having previously been Executive Chairman. Mr Mpungwe continues to serve as Chairman of TanzaniteOne Mining Limited, Richland's primary operating subsidiary in Tanzania. At the same time, Mr Farai Manyemba joined the Board as Finance Director, having served in the position of Financial Manager, for the Company, since January 2007. Mr Peter Flood joined TanzaniteOne Mining Limited as General Manager Mining during the year.

During the year, the Company's directors, and a member of the Company's senior management team, have converted all or a portion their outstanding Directors fees or salary into new shares at a price of 11.5p per share. This being equal to the volume weighted average price ('VWAP') of the Company's shares over the period of the outstanding fees. In total, unpaid fees and salaries totalling US$456,624 have been converted into shares. The VWAP over the period of 11.5p represents a premium of 11% to the current share price and is a further testimony to the dedication of the Board and the belief it has in the Company. The Directors and Senior Management fees are normal fees as declared in the Annual report and not a bonus or extraordinary payment of any sort.

2012 OUTLOOK

The Company has set an internal production target of 2.5 million carats for 2012 and currently anticipates revenues to be in line or surpassing those achieved in 2011.

The renewal of TanzaniteOne's SML is a critical focus point for the Company during 2012 and the renewal documents were submitted in January 2011.

During the first quarter of 2012, the Company has achieved a significant upgrade of its resource at the Merelani tanzanite mine, owned and operated by its wholly-owned subsidiary, TanzaniteOne Mining Limited. The new resource is now JORC compliant and was released to the market on 6 February 2012. The Company now has a JORC compliant Indicated Resource of 30.6 million carats and a JORC compliant Inferred Resource of 74.4 million carats, totalling a combined Resource of 105 million carats.

Dr Bernard Olivier
Chief Executive Officer
25 June 2012

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. The directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The financial statements are required to give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures discussed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for designing, implementing and maintaining internal controls relevant to the preparation of these financial statements which disclose with reasonable accuracy, at any point in time, the financial position of the Group free from material misstatement whether due to fraud or error and to enable them to ensure that the financial statements comply with IFRS. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatements or loss.

DIRECTORS' DECLARATION

The Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Richland Resources Ltd and the undertakings included in the consolidation as a whole;
- the Directors' Report includes a fair review of the development or performance of the business and the position of Richland Resources Ltd and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- there are reasonable grounds to believe that the Group will be able to pay its debts when they become due and payable in the foreseeable future (at least 12 months from the date of this report).

On behalf of the board

Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd
25 June 2012

DIRECTORS' REPORT

The directors present this report, together with the audited financial statements for the year ended 31 December 2011 for Richland Resources Ltd ("the Company" or "Richland Resources").

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Richland Resources Ltd is a Bermudian registered holding company of a group of companies involved in the mining and marketing of the rare gemstone tanzanite via its subsidiary companies as well as exploration for other coloured gemstones. Through its subsidiary, TanzaniteOne Mining Limited, the Group holds the mining licence over a property containing a significant proportion of the world's only known tanzanite resource. The Group through other subsidiaries, also conducts outside buying, operates beneficiation facilities, manages tanzanite grading and certification and markets both rough and polished tanzanite as well as exploration for other coloured gemstones.

CHANGE OF NAME

On 12 August 2011, the Company changed its name from Tanzanite One Limited to Richland Resources Ltd.

GOING CONCERN

The consolidated financial statements are prepared under the assumption that each of the Group's entities is a going concern on the basis that the directors are satisfied that sufficient financial resources will be available to meet the Group's current and foreseeable working capital requirements, capital expenditure requirements and debt repayments.

RESULTS

The consolidated statement of comprehensive income for the year ended 31 December 2011 and the consolidated statement of financial position at that date are set out on pages 30 and 31 of this report respectively. The Group recorded a profit of US$ 0.8 million (2010: profit of US$0.6 million) for the financial year after non-controlling interest. Taking into account this profit, shareholders' equity at 31 December 2011 is US$ 38.2 million (2010: US$37.1 million). The directors have not declared a dividend (2010: Nil) as the Board feel it prudent to defer further dividends until the market conditions strengthen and the Group returns to relative stable profitability.

A CLASS SHARE CAPITAL

At the time of Richland Resources Ltd acquiring the tanzanite assets from Afgem Limited ("Afgem"), a mechanism was put into place to accommodate any of Afgem's South African shareholders' desire to maintain their investment in the tanzanite assets. This mechanism involved the creation of TanzaniteOne (SA) Limited ("TanzaniteOne SA"), a South African domiciled wholly-owned subsidiary of Richland Resources Ltd.

TanzaniteOne SA has in issue A class shares, the value of which is directly linked to the value of the Richland Resources shares traded on the AIM Market of the London Stock Exchange Plc ("AIM") and is therefore denominated in British Pound Sterling. The mechanism allows for an equivalent amount of Richland Resources common shares held by Rembrandt Nominees as to the number of A class shares in issue. Consequently, all South African shareholders of Afgem that elected to remain invested received TanzaniteOne SA A class shares, the rights of which are set out in the share capital note of the consolidated financial statements.

In order to facilitate an exit for those TanzaniteOne SA A class shareholders, Richland Resources made an offer to acquire all or a portion of their A class shares, which offer shall be binding on Richland Resources for a period of 20 years from April 2004.

A CLASS SHARE CAPITAL (CONTINUED)

Upon valid acceptance of the offer by a TanzaniteOne SA A class shareholder, a share sale agreement will become effective between the disposing A class shareholder and Richland Resources. The disposing shareholder has a choice of making a Cash Acceptance or a Share Acceptance in respect of their A class shares. If the acceptance is a:

a) Share Acceptance, the disposing A class shareholder shall have the election to implement the purchase of their shares by exchanging one Richland Resources share (held by Rembrandt Nominees in London) for each A class share disposed of; or

b) Cash Acceptance, Richland Resources shall procure the sale of the number of Richland Resources shares, out of Rembrandt Nominees Limited, equal to the number of A class shares that the disposing A class shareholder wishes to sell. As such, the number of shares held by Rembrandt Nominees Limited will at all times equal the number of TanzaniteOne SA A class shares in issue. Sale costs incurred in the implementation of the Richland Resources offer shall be for the account of the disposing A class shareholder.

DIRECTORS

At the date of this report, the directors of the Company who have held office since 1 January 2011, unless otherwise stated are:

Edward Nealon (61), Chairman

Mr Nealon assumed Chairmanship of the Group on 27 June 2011. Mr Nealon is a geologist with 33 years' experience in the mining and exploration industry. After graduating in 1974, he commenced his career in South Africa with Anglo American Corporation, before moving to Australia in 1980 where he spent two years in exploration with Rio Tinto. He founded his own consulting company in 1983 and has practiced in most of the world's major mining centres. Mr Nealon was responsible for Aquarius' introduction into the platinum industry and served on its board for a number of years. He holds a Masters degree in Geology and is a member of the Australian Institute of Mining and Metallurgy.

Ami Mpungwe (61), Non-executive Deputy Chairman

Mr Mpungwe has been Chairman of the Group's Tanzanian subsidiary since March 2000 and has been integral to its establishment and development. He assumed Chairmanship of the Group on 24 October 2008 after serving as Deputy Chairman at its inception in August 2004 and later assumed the position of Deputy Chairman with effect from 27 June 2011. Mr Mpungwe has an Honours degree in International Relations and Political Science, a diploma in International Law and has spent 25 years in the diplomatic service, including six years as Tanzanian Ambassador to South Africa. He holds directorships in ILLOVO Sugar Ltd, National Bank of Commerce Ltd, Tanzania Breweries Ltd, Kilombero Sugar Co Ltd, MultiChoice Tanzania Ltd, Niko Insurance Co (Tanzania) Ltd and has also been the Chairman of the Tanzania Chamber of Minerals and Energy from 2007 to 2012.

Dr Bernard Olivier (36), Chief Executive Officer

Dr Olivier was appointed Chief Executive Officer of Richland Resources Limited on 5 March 2010. Dr Olivier is a geologist and has a PhD in Economic Geology. He is also a Member of the Australian Institute of Mining and Metallurgy. His dissertation covered all aspects of the Merelani Tanzanite deposit and formed the foundations of the development of the current mining operations. He has been closely associated with the gemstone tanzanite since 1999 and prior to joining the board he acted as a consultant to TanzaniteOne. Dr Olivier has been working as a geologist since 1998 and has worked throughout several of sub-Saharan African countries and parts of Asia, among them Tanzania, South Africa, Zambia, Burundi, Malawi, Namibia, Cambodia and the Philippines. He is technical director of Bezant Resources Plc (AIM: BZT) and non-executive director of LP Hill Plc (AIM: LPH).

Nicholas Sibley (74), Non-executive director

Mr Sibley is a Chartered Accountant. He was formerly Chairman of Wheelock Capital from 1994 to 1997 and Executive Chairman of Barclays de Zoete Wedd (Asia Pacific) Limited from 1989 to 1993. He is a former managing director of Jardine Fleming Holdings and director of Robert Fleming Holdings and Barclays de Zoete Wedd Holdings. He is presently Chairman of Aquarius Platinum Limited and a director of Corney and Barrow Group and Asia Pacific Fund Inc.

DIRECTORS (CONTINUED)

Farai Manyemba (38), Finance Director

Mr Farai is a Chartered Accountant. He is a holder of a B. Com (Accounting), B Compt (Accounting), Certificate in Theory of Accounting and a CA(Z). He has over 10 years of accounting & finance experience with a number of companies including Deloitte & Touche, Zimasco (Pty) Limited (chrome business) and Mimosa Platinum (Pty) Limited, a division of Aquarius Platinum. In January 2007, Mr Farai joined the business as financial manager and has been instrumental in group systems and controls, cost management and cash management, reporting and part of the team implementing various business plans of the group. Mr Farai has been involved with mining industry in Southern Africa over the last 10 years and is currently a director in various subsidiaries of the Group.

Zane Swanepoel (52), Chief Operating Officer

Mr Swanepoel had 26 years experience in mining of which 19 years were at senior mine management level. Mr Swanepoel joined the Company in September 2005 as General Manager – Mining. He was instrumental in coordinating and developing the Group's operational growth. Mr Swanepoel resigned on 28 February 2011.

MEETINGS OF DIRECTORS

The number of meetings of the board of directors of the Company and its Committees held during the year ended 31 December 2011 and the number of meetings attended by each director is tabled below:

2011

Director	Number of meetings held whilst in office				Number of meetings attended			
	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomination	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomination
Ami Mpungwe	4	1	2	1	4	1	2	1
Edward Nealon	4	1	2	1	4	1	2	1
Dr Bernard Olivier	4	-	-	1	4	-	-	1
Nicholas Sibley	4	1	2	1	4	1	2	1
Farai Manyemba	4	-	-	-	4	-	-	-
Zane Swanepoel	-	-	-	-	-	-	-	-

2010

Director	Number of meetings held whilst in office				Number of meetings attended			
	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomination	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomination
Ami Mpungwe	4	1	2	-	4	1	-	-
Edward Nealon	4	1	2	-	4	1	2	-
Dr Bernard Olivier	4	-	-	-	4	-	-	-
Nicholas Sibley	4	1	2	-	4	-	2	-
Zane Swanepoel	4	-	-	-	3	-	-	-

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interest of the directors and their related entities in the shares and options of Richland Resources were:

	Richland Resources Ltd Common shares	TanzaniteOne SA Limited Options over A class shares
Ami Mpungwe	3,965,299	-
Dr Bernard Olivier	921,746	900,000(1)
Edward Nealon	5,100,680	-
Nicholas Sibley	6,926,207	-
Farai Manyemba	128,192	425,000(1)

(1) Includes options exercisable at £0.160327 per share up to 28 September 2019.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The board is responsible for determining and reviewing compensation arrangements for the directors and executive management. The board assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to industry and market conditions. In determining the nature and amount of officers' emoluments, the board takes into consideration the Group's financial and operational performance.

Details of the nature and amount of each element of the emolument of each director of the Group during the financial year are shown in the table below.

Director	Base salary/fees US$	Consulting fees US$	Other US$	Total US$
Ami Mpungwe	60,500	120,000[1]	-	180,500
Edward Nealon	52,500	-	-	52,500
Nicholas Sibley	47,500	-	-	47,500
Bernard Olivier	40,000	-	145,241[3]	185,241
Farai Manyemba	23,333	-	160,892[2]	184,225
Zane Swanepoel	9,318	-	-	9,318

(1) The payment was for advisory and consultancy services for the financial year.
(2) The payment was for duties as executive director of subsidiaries.
(3) The payment was for duties as executive director.

DIRECTORS' AND OFFICERS' INSURANCE

During the year the Company paid an insurance premium in respect of an insurance contract against liability of current directors and officers. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as disclosure is prohibited under the terms of the contract.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Companies within the Group are required, on cessation of mining operations, to rehabilitate the relevant mining area on which mining operations have been conducted. Bernard Olivier, Chief Executive Officer, is the officer responsible for compliance on these matters for all mining properties within the Group. Environmental activities are continuously monitored to ensure that established criteria from each operation environmental management programme, approved by relevant authorities, have been met. There have been no known significant breaches of any environmental conditions.

CORPORATE GOVERNANCE

The following statement sets out the governance practices of Richland Resources:

The board of directors of Richland Resources is responsible for the corporate governance of the Group. The board guides and monitors the business affairs of Richland Resources on behalf of shareholders by whom they are elected and to whom they are accountable.

BOARD OF DIRECTORS

The board is responsible for the overall management of the Group. It is governed by a Charter, a summary of which can be found on the Group's website at www.richlandresourcesltd.com. Amongst other matters, the Charter sets out the framework for the management of the Group and responsibilities of the board, its direction, strategies and financial objectives and the monitoring of the implementation of those policies, strategies and financial objectives.

In order to retain full and effective control over the Company and monitor the executive management team, the board meets regularly and at least once on a quarterly basis. Details of directors' attendance at these meetings are set out on page 20. In consultation with the Chief Executive Officer and the Company Secretary, the Chairman sets the agenda for these meetings. All directors may add to the agenda. Key executives of the Group contribute to board papers and are from time to time invited to attend board meetings.

BOARD OF DIRECTORS (CONTINUED)

Each director has the right to seek independent professional advice on matters relating to their position as a director or committee member of the Group at the Company's expense, subject to prior approval of the Chairman, which shall not be unreasonably withheld.

The names of the directors in office at the time of this report and their relevant qualifications and experience are set out on pages 19 and 20. Their status as non-executive, executive or independent directors and tenure on the board is set out in the table below.

BOARD STRUCTURE

Name of director in office at the date of this report	Date appointed to Office	Executive/ Non-executive	Independent
Edward Nealon	1 August 2004	Non Executive	Yes
Ami Mpungwe	1 August 2004	Non Executive	No
Dr Bernard Olivier	5 November 2008	Executive	No
Nicholas Sibley	1 August 2004	Non-executive	Yes
Farai Manyemba	27 June 2011	Executive	No

The bye-laws of the Company determine that the board consists of not less than two and no more than nine directors. At the date of this report, the board is comprised of five directors, three of whom are non-executive directors.

The division of responsibilities between the Chairman and the Chief Executive Officer is reviewed regularly and is defined below:

- The Chairman, Mr Edward Nealon, is responsible for leadership of the board ensuring they receive accurate, timely and clear information in order to facilitate effectiveness of its role; and
- Dr Bernard Olivier, Chief Executive Officer, leads the executive management. He has been delegated responsibility by the board for the day-to-day operation and administration of the Group's tanzanite assets via its subsidiary company TanzaniteOne Mining Limited. The Chief Executive Officer is assisted in managing the business of the Group by an executive team that comprises of the Management Committee. The Chairman of the Management Committee is Mr Willi Boehm.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Independence of directors in essence means those directors are independent of management and free of any business or other relationship that could, or could reasonably be perceived to materially interfere with the exercise of unfettered and independent judgement.

The board has accepted the guidelines outlined below in determining the independence of non-executive directors. In accordance with these guidelines, Messrs Nealon and Sibley are deemed independent.

The board has accepted the following definition of an independent director:

An independent director is someone who is not a member of management, is a non-executive director and who:

a. is not a substantial shareholder (5%) of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company;
b. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
c. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
d. is not a material supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;
e. has no material contractual relationship with the Company or another group member other than as a director of the Company;
f. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company; and
g. is free from any interest and any business or other relationships which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company.

COMPANY SECRETARY

The Company Secretary, Mr Willi Boehm, is responsible for supporting the effectiveness of the board by monitoring that board policy and procedures are complied with, co-ordinating the flow of information within the Company and the completion and dispatch of items for the board and briefing materials. The Company Secretary is accountable to the board on all governance matters. All directors have access to the services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the board as a whole to determine.

SUCCESSION PLANNING

The board brings the range of skills, knowledge, international experience and expertise necessary to govern the Group, but it is aware of the need to ensure processes are in place to assist with succession planning, not only for the board, but within senior management. The board periodically assesses its balance of skills and those within the Group in order to maintain an appropriate balance within the Group.

INDUCTION TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

In order to assist new directors and key executives in fulfilling their duties and responsibilities within the Company, an induction programme is provided by the Chief Executive Officer, which includes meetings with the executive team and visits to the operating sites of the Company in Tanzania. The programme enables the new appointees to gain an understanding of the Group's financial, strategic, operational and risk management position. Full access to all documentation pertaining to the Company is provided. It ensures new directors and key executives are aware of their rights, duties and responsibilities.

PERFORMANCE REVIEW

The board of Richland Resources conducts a performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves and with management both formally and informally. The board considers that the current approach that it has adopted with regard to the review of its performance and of its key executives provides the best guidance and value to the Group.

DIRECTORS' RETIREMENT AND RE-ELECTION

Richland Resources' bye-laws determine that at each Annual General Meeting, at least one third of the board are retired by rotation, therefore holding their positions for no longer than three years. This period of time provides sufficient continuity. Non-executive directors are appointed for a three-year term and may be invited to seek re-appointment. A director appointed during the year is subject for re-election at the forthcoming Annual General Meeting.

SECURITIES TRADING POLICY

The board has adopted a policy covering dealings in securities by directors and relevant employees. The policy is designed to reinforce to shareholders, customers and the international community that Richland Resources directors and relevant employees are expected to comply with the law and best practice recommendations with regard to dealing in securities of the Company.

All directors and relevant employees must comply with the Model Code on directors' dealings in securities, as set out in the annexure to Chapter 9 of the Listing Rules of the UK Listing Authority, a copy of which can be found on the Richland Resources website at www.richlandresourcesltd.com. In addition to restrictions on dealing in closed periods, all directors and relevant employees must not deal in any securities of the Company on considerations of a short-term nature and must take reasonable steps to prevent any dealings by, or on behalf of, any person connected with him in any securities of the Company on considerations of a short-term nature. All dealings by directors in the securities of the Company are announced to the market.

COMMITTEES OF THE BOARD

The board has established three standing committees to assist in the execution of its responsibilities: the Audit and Risk Management Committee, the Remuneration and Succession Planning Committee, and the Nomination Committee. Other committees are formed from time to time to deal with specific matters.

In line with best practice, each of the committees operates under a charter approved by the board detailing their role, structure, responsibilities and membership requirements. Each of these charters is reviewed annually by the board and the respective committee.

Summaries of the Remuneration and Succession Planning, Nomination Committee charters and a complete Audit/Risk Committee charter can be found on the Richland Resources website at www.richlandresourcesltd.com.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has been established to assist the board of Richland Resources in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the external audit process. The Committee is governed by a charter approved by the board.

The Committee consists of:

- three members;
- mainly non-executive directors; and
- an independent chairperson, who shall be nominated by the board from time to time but who shall not be the chairperson of the board.

The members of the Committee at the date of this report are as follows:

- Mr Nicholas Sibley (Chairman)
- Mr Edward Nealon
- Mr Ami Mpungwe

QUALIFICATIONS OF AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

Mr Sibley is a chartered accountant, a director of Richland Resources and Corney and Barrow Group Limited, two investment companies, and is Chairman of Aquarius Platinum Limited. He was formerly Chairman of Wheelock Capital from 1994 to 1997, as well as Executive Chairman of Barclays de Zoete Wedd (Asia Pacific) Limited from 1989 to 1993. Mr Sibley is a former Managing Director of Jardine Fleming Holdings Limited.

Mr Nealon assumed Chairmanship of the Group on 27 June 2011. Mr Nealon is a geologist with 32 years' experience in the mining and exploration industry. After graduating in 1974, he commenced his career in South Africa with Anglo American Corporation, before moving to Australia in 1980 where he spent two years in exploration with Rio Tinto. He founded his own consulting company in 1983 and has practiced in most of the world's major mining centres. Mr Nealon was responsible for Aquarius' introduction into the platinum industry and served on its board for a number of years. He holds a Masters degree in Geology and is a member of the Australian Institute of Mining and Metallurgy.

Mr Mpungwe has been chairman of the Group's Tanzanian subsidiary since March 2000 and has been integral to its establishment and development. He assumed Chairmanship of the Group in 24 October 2008 after serving as Deputy Chairman at its inception in August 2004 and later assumed the position of Deputy Chairman with effect from 27 June 2011. Mr Mpungwe has Honours degree in International Relations and Political Science, a diploma in International Law and has spent 25 years in the diplomatic service, including six years as Tanzanian Ambassador to South Africa. He holds directorships in ILLOVO Sugar Ltd, National Bank of Commerce Ltd, Tanzania Breweries Ltd, Kilombero Sugar Co Ltd, MultiChoice Tanzania Ltd, Niko Insurance Co (Tanzania) Ltd and has also been the Chairman of the Tanzania Chamber of Minerals and Energy from 2007 to 2012.

The board deems all members of the Committee have the relevant experience and understanding of accounting, financial issues and the mining industry to enable them to effectively oversee audit procedures.

QUALIFICATIONS OF AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS (CONTINUED)

The Committee reviews the performance of the external auditors on an annual basis and meets with them at least twice a year to:

- review the results and findings of the audit at year end and review at half year end and recommend their acceptance or otherwise to the board; and
- review the results and findings of the audit, the appropriateness of provisions and estimates included in the financial results, the adequacy and operating effectiveness of accounting and financial controls, and to obtain feedback on the implementation of recommendations made.

The Committee receives regular reports from the external auditor on the critical policies and practices of the Group, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

The Committee assesses the Group's structure, business and controls annually. It ensures the board is made aware of internal control practices, risk management and compliance matters which may significantly impact upon the Group in a timely manner. The Committee meets when deemed necessary and at least twice a year. The Company Secretary acts as secretary of the Committee and distributes minutes to all board members. Details of attendance at Committee meetings are set out in the directors' report.

REMUNERATION AND SUCCESSION PLANNING COMMITTEE

The members of the Remuneration and Succession Planning Committee at the date of this report are:

- Mr Ami Mpungwe (Chairman)
- Mr Edward Nealon
- Mr Nicholas Sibley

The Committee is governed by a charter approved by the board, a summary of which is available on the Company's website: www.richlandresourcesltd.com. The board deems all members of the Committee have the relevant experience and understanding to enable them to effectively oversee their responsibilities. The members of the Committee are Non-executive directors, the majority of whom are independent non-executive directors.

The Committee reviews compensation arrangements for the directors and the executive team. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality executive team. The nature and amount of directors' and officers' emoluments are linked to the Group's financial and operational performance.

In carrying out its responsibilities, the Committee is authorised by the board to secure the attendance of any person with relevant experience and expertise at Committee meetings, if it considers their attendance to be appropriate and to engage, at the Company's expense, outside legal or other professional advice or assistance on any matters within its charter or terms of reference.

The Committee reviews succession planning for key executive positions (other than executive directors) to maintain an appropriate balance of skills, experience and expertise in the management of the Group. The Committee does not allow for retirement benefits of non-executive directors and non-executive directors are remunerated by way of an annual fee in the form of cash and do not receive options or bonus payments.

For details of remuneration of directors and executives please refer to page 21.

The Committee meets as necessary, but must meet at least once a year. The Company Secretary acts as secretary of the meetings and distributes minutes to all Committee members. Details of attendance at Committee meetings are set out on page 20.

NOMINATION COMMITTEE

In order to fulfil the Company's responsibility to shareholders to ensure that the composition, structure and operation of the board are of the highest standard, the full Board of Richland Resources acts as the Nomination Committee. The board believes the input of all directors is essential due to their respective expertise and knowledge of the gemstone industry and exposure to the markets in which the Group operates.

The board is guided by a charter, a summary of which is available on the group's website: www.richlandresourcesltd.com. The board may at times take into consideration the advice of external consultants to assist with this process.

Meetings take place as often as necessary, but the Committee must meet at least once a year. The Company Secretary acts as secretary of the meetings and distributes minutes to all Board members.

Appointments are referred to shareholders at the next available opportunity for election in general meeting.

CONTINUOUS DISCLOSURE

The company has in place a Continuous Disclosure Policy, a summary of which is available on the website: www.richlandresourcesltd.com. The Policy takes into account the AIM Rules on timely and balanced disclosure. This outlines the Company's commitment to disclosure, ensuring that timely and accurate information is provided to all shareholders and stakeholders. The Company Secretary is the nominated Communication Officer and is responsible for liaising with the board to ensure that the Company complies with its continuous disclosure requirements.

The board regularly reviews the Company's compliance with its continuous disclosure obligations.

COMMUNICATIONS WITH SHAREHOLDERS

Shareholder communication is given high priority by the Group. In addition to statutory requirements, such as the Annual Report and Financial Statements for the half and full year, Richland Resources maintains a website which contains announcements which have been released to the market. Shareholders are able to contact the Company via the website at www.richlandresourcesltd.com. Through the website, shareholders are also given the opportunity to provide an email address through which they are able to receive these documents.

MEETINGS

Richland Resources Notice of Meeting materials are distributed to shareholders with an accompanying explanatory memorandum. These documents present the business of the meeting clearly and concisely and are presented in a manner that will not mislead shareholders or the market as a whole. The Notice is dispatched to shareholders in a timely manner providing at least 21 days' notice pursuant to the bye-laws of the Company. Each notice includes the business of the meeting, details of the location, time and date of the meeting and proxy voting instructions are included.

Upon release of the Notice of Meeting and Explanatory Memorandum to the market, a full text of the Notice of Meeting and Explanatory Memorandum is placed on the website of the Company at www.richlandresourcesltd.com for shareholders and other market participants who may consider investing in the Company.

RISK FACTORS AND MANAGEMENT

The Group has identified the following risks to the ongoing success of the business and has taken various steps to mitigate these, the details of which are as follows:

SPECIAL MINING LICENCE ("SML")

A SML was granted to TanzaniteOne Mining in March 2000 and is valid for a period of 12 years and four months. The licence is expiring in July 2012. This licence will only be extended for a further 25 years provided that TanzaniteOne Mining Limited complies with the Tanzanian Mining Act, 2010.

Whilst there is no guarantee that the licence will be renewed, management is confident that the Group is in compliance with these requirements and have lodged all the required renewal applications to the Ministry of Energy and Minerals.

RISKS OF DEVELOPMENT, CONSTRUCTION, MINING OPERATIONS AND UNINSURED RISKS

The Group's ability to meet production, timing and cost estimates for its properties cannot be assured. Furthermore, the business of tanzanite mining is subject to a variety of risks such as cave-ins and other hazards. While steps, such as production and mining planning are in place to limit these risks, the chance of occurrence of such incidents does exist and should be noted.

CURRENCY RISK

The Group reports its financial results and maintains its accounts in United States Dollars, the currency in which the Group primarily operates. The Group's operations in Tanzania, and South Africa make it subject to further foreign currency fluctuations and such fluctuations may materially affect the Group's financial position and results. The Group does not have any currency hedges in place and is exposed to all foreign currency movements.

TANZANITE PRICE VOLATILITY

The profitability of the Group's operations is significantly affected by changes in realisable tanzanite prices. The price of tanzanite can fluctuate widely and is affected by numerous factors beyond the Group's control, including jewellery demand, inflation and expectations with respect to the rate of inflation, the strength of the United States Dollar and of other currencies, interest rates, global or regional political or financial events, and production and cost levels.

Through the introduction of the Preferred Supply Strategy, supply irregularity and concomitant price instability are being addressed and should be alleviated. The new grading system for rough tanzanite, initiated during 2009, is affording the Group better marketing opportunities.

ECONOMIC, POLITICAL, JUDICIAL, ADMINISTRATIVE, TAXATION OR OTHER REGULATORY FACTORS

The Group's most important assets are located in Tanzania and while Tanzania has a track record of stability and is a signatory to the Multilateral Investment Guarantee Agency, mineral exploration and mining activities may be affected to varying degrees by political stability and government regulations relating to the mining industry.

LOCAL DISTURBANCES

The Group's mining operations in Tanzania have been and continue to be subject to various surface and underground disturbances in the nature of illegal trespass and undermining within the Group's mining licence area. The Group has taken measures to protect the mine and the mining licence area from these risks, including the employment of trained security personnel and the installation of perimeter fencing.

COMPETITION

The Group competes with numerous other companies and individuals, in the search for and acquisition of exploration and development rights on attractive mineral properties and also in relation to the purchase, marketing and sale of gemstones. There is no assurance that the Group will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties and also in relation to the purchase, marketing and sale of gemstones.

The Group's continued efforts to act as an exemplary corporate citizen in Tanzania should go some way to mitigating these risks.

DEPENDENCE ON KEY PERSONNEL

The success of the Group is, and will continue to be, to a significant extent, dependent on retaining the services of the directors and senior management and the loss of one or more could have a materially adverse affect on the Group.

A Group-wide share incentive scheme has been implemented for all staff. This has proven to be effective through all levels of management. The Group's human resources department has identified succession planning as a key imperative for the forthcoming year and will look for ways to reduce this potential exposure.

ADDITIONAL FINANCING

The Group's operations may require additional financing to meet future expenditures. It is unlikely that the group may be unsuccessful in obtaining finance.

EVENTS SUBSEQUENT TO YEAR END DATE

There has been no significant event that has occurred since the end of the financial period.

Signed in accordance with a resolution of the directors.

Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd
25 June 2012

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Group financial statements of Richland Resources Ltd, which comprise the consolidated statement of financial position as of 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS).

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act, 1981 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the Group financial statements give a true and fair view of the state of the Group's financial affairs as at 31 December 2011, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bermuda Companies Act, 1981.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act, 1981, and for no other purpose.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam, Tanzania

Signed by: Nelson Msuya
Date: 25 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$ '000	2010 US$ '000
Revenue	4	**20,538**	15,940
Cost of sales	5	**(8,258)**	(5,688)
Gross profit		**12,280**	10,252
Selling and distribution expenses	5	**(2,551)**	(1,604)
Administrative expenses	5	**(2,819)**	(5,630)
Other operating expenses	5	**(5,929)**	(2,636)
Operating profit		**981**	382
Finance income	6	**-**	1
Finance costs	6	**(187)**	(175)
Profit before taxation		**794**	208
Income tax credit	7	**1**	441
Net profit for the year		**795**	649
Attributable to:			
Equity owners of the parent		**790**	652
Non-controlling interest	19	**5**	(3)
Profit for the year		**795**	649
Other comprehensive income			
Foreign exchange loss on translation of foreign operations		**(397)**	(367)
Total comprehensive income for the year		**398**	282
Attributable to:			
Equity owners of the parent		**393**	285
Non-controlling interest	19	**5**	(3)
Total comprehensive income for the year		**398**	282
Basic earnings per share (US cents/share)	20.1	**0.68**	0.57
Diluted earnings per share (US cents/share)	20.2	**0.68**	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 US$ '000	2010 US$ '000
Assets			
Property, plant and equipment	8	**24,424**	25,849
Intangible assets	9	**3,835**	3,696
Deferred income tax assets	10	**1,800**	1,816
Inventories	11	**62**	62
Total non-current assets		**30,121**	31,423
Inventories	11	**6,682**	5,472
Income tax receivable	12	**1,948**	2,279
Trade and other receivables	13	**6,459**	3,828
Cash and cash equivalents	14	**1,885**	2,368
Total current assets		**16,974**	13,947
Total assets		**47,095**	45,370
Equity			
Share capital	15	**36**	35
Share premium	16	**46,855**	46,399
Share option reserve	17	**896**	706
Foreign currency translation reserve	18	**(1,448)**	(1,051)
Accumulated losses		**(8,118)**	(8,908)
Total equity attributable to equity owners of the parent		**38,221**	37,181
Non-controlling interest	19	**(40)**	(45)
Total equity		**38,181**	37,136
Liabilities			
Borrowings	21	**794**	631
Provision for environmental rehabilitation	22	**130**	115
Deferred income tax liabilities	10	**4,540**	4,583
Total non-current liabilities		**5,464**	5,329
Borrowings	21	**1,866**	1,166
Trade and other payables	23	**1,584**	1,739
Total current liabilities		**3,450**	2,905
Total liabilities		**8,914**	8,234
		47,095	45,370

The financial statements on pages 30 to 68 were authorized for issue by the Board of Directors on 25 June 2012 and were signed on its behalf by:

Dr Bernard Olivier
Chief Executive Officer

Ami Mpungwe
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Common share capital	A class share capital	Total issued share capital	Share premium	Share option reserve[1]	Foreign currency translation reserve	Accumulated losses	Total equity attributable to share-holders	Non-controlling interest	Total equity
		US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance at 1 January 2011		**34**	**1**	**35**	**46,399**	**706**	**(1,051)**	**(8,908)**	**37,181**	**(45)**	**37,136**
Issue of share capital											
- Common share capital	15.1 &16	**1**	**-**	**1**	**456**	**-**	**-**	**-**	**457**	**-**	**457**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**(397)**	**790**	**393**	**5**	**398**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**790**	**790**	**5**	**795**
Foreign exchange loss on translation	18	**-**	**-**	**-**	**-**	**-**	**(397)**	**-**	**(397)**	**-**	**(397)**
Change in fair value of share based payment		**-**	**-**	**-**	**-**	**190**	**-**	**-**	**190**	**-**	**190**
Balance at 31 December 2011		**35**	**1**	**36**	**46,855**	**896**	**(1,448)**	**(8,118)**	**38,221**	**(40)**	**38,181**
Balance at 1 January 2010		34	1	35	46,017	706	(684)	(9,560)	36,514	(42)	36,472
Issue of share capital											
- Common share capital	15.1 &16	*	-	-	382	-	-	-	382	-	382
Total comprehensive income for the year		-	-	-	-	-	(367)	652	285	(3)	282
Profit for the year		-	-	-	-	-	-	652	652	(3)	649
Foreign exchange loss on translation	18	-	-	-	-	-	(367)	-	(367)	-	(367)
Balance at 31 December 2010		34	1	35	46,399	706	(1,051)	(8,908)	37,181	(45)	37,136

* - Less than US$1 000.(1)-Refer to note 17 on share option reserve

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$ '000	2010 US$ '000
Cash flows from operating activities			
Cash generated from operations	24.1	**73**	2,174
Interest income received		**-**	1
Interest cost paid		**(172)**	(167)
Income tax paid	24.2	**-**	(381)
Net cash from operating activities		**(99)**	1,627
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,096)**	(1,101)
Purchase of intangible assets		**(151)**	(428)
Net cash used in investing activities		**(1,247)**	(1,529)
Cash flows from financing activities			
Proceeds from borrowings		**1,000**	-
Repayment of borrowings		**(248)**	(311)
Net cash from/(to) financing activities		**752**	(311)
Net decrease in cash and cash equivalents		**(594)**	(213)
Movement in cash and cash equivalents			
At the beginning of the year		**1,410**	1,623
Decrease		**(594)**	(213)
At the end of the year	14	**816**	1,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION

Richland Resources Ltd ("the company") and its subsidiaries (together "the group") mines, distributes and sells tanzanite, a precious stone found in Tanzania. The group is also involved with exploration for other coloured gemstones.

The company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM II, Bermuda.

The Company has its primary listing on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The financial statements were authorised for issue by the directors on 25 June 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Bermuda Companies Act 1981. The consolidated financial statements have been prepared under the historical cost convention, as modified by:

- Share option plan measured at fair value;
- Financial assets and liabilities at fair value through profit or loss measured at fair value; and
- Available-for-sale financial assets measured at fair value.

(b) Significant judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the consolidated financial statements require management to make judgements and/or estimates. These judgements and estimates are continuously evaluated and are based on management's experience and best knowledge of the relevant facts and circumstances, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgements and estimations are included in the accounting policies and/or notes to the consolidated financial statements, and the key areas are summarised below.

Areas of judgement and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements include:

- Estimates of the quantities of indicated and inferred tanzanite resource – Note 2(l);
- The capitalisation of mine development costs – Note 2(j);
- The capitalisation of exploration and evaluation expenditures – Note 2(k);
- Review of tangible and intangible assets' carrying value, the determination of whether these assets are impaired and the measurement of impairment charges or reversals – Notes 2(k) and 2(n);
- The estimated useful lives of tangible and long-lived assets and the measurement of depreciation expense – Notes 2(j);
- Recognition of a provision for environmental rehabilitation and the estimation of the rehabilitation costs and timing of expenditure – Note 2(p);
- Whether to recognise a liability for loss contingencies and the amount of any such provision – Note 26;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Significant judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- Whether to recognise a provision for accounts receivable – Note 2(n);
- Recognition of deferred income tax assets, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes – Note 2(s);
- Determination of the cost incurred in the productive process of tanzanite, as well as the associated net realisable value – Note 2(m); and
- Determination of fair value of equity settled share based compensation plan payments – Note 2(o).

(c) New and amended standards adopted by the Group

There are no new IFRSs or IFRIC Interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

(d) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but are currently not relevant to the Group.

- Amendment to IAS 32, "Financial Instruments: Presentation – Classification of rights issues". The Standard was amended to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19, "Extinguishing financial liabilities with equity instruments". This interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.
- Amendment to IFRS 1, "First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters", provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7.
- IAS 24, "Related party disclosures" (revised 2009). Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.
- Amendment to IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

- Amendments to IFRS 7, "Financial instruments: Disclosures" on derecognition. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The standard is applicable for financial periods starting 1 July 2011 but is available for early adoption. It is not expected to have a material impact on the Group's financial statements.
- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment is effective from 1 July 2012. It is not expected to have a material impact on the Group's financial statements.
- Amendment to IAS 19, "Employee benefits". These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment is effective from 1 January 2013. It is not expected to have a material impact on the Group's financial statements.
- IFRS 9, "Financial instruments". IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective from 1 January 2013. The Group is yet to assess IFRS 9's full impact, however initial indications are that the adoption of IFRS 9 will not have a significant impact on the Group's operating results or financial position.
- IFRS 10, "Consolidated financial statements". The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (an entity that controls one or more other entities) to present consolidated financial statements, defines the principle of control, and establishes controls as the basis for consolidations, sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and sets out the accounting requirements for the preparation of consolidated financial statements. The standard is effective from 1 January 2013. The standard will be applicable to the Group but is not expected to have a material impact on the Group's financial statements.
- IFRS 11, "Joint arrangements". IFRS 11 is a more realistic reflection of joint arrangements focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is effective from 1 January 2013. It is not expected to have a material impact on the Group's financial statements.
- IFRS 12, "Disclosures of interests in other entities". IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendment is effective from 1 January 2013. It is not expected to have a material impact on the Group's financial statements.
- IFRS 13, "Fair value measurement". IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The amendment is effective from 1 January 2013. The Group is yet to assess IFRS 13's full impact, however initial indications are that the adoption of IFRS 13 will not have a significant impact on the Group's operating results or financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted (continued)

- IAS 27 (revised 2011), "Separate financial statements". IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The amendment is effective from 1 January 2013 but is not expected to have any impact on the Group's financial statements.
- IAS 28 (revised 2011), "Associates and joint ventures". IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is effective from 1 January 2013. It is not expected to have a material impact on the Group's financial statements.

(f) Basis of consolidation

Subsidiaries

Subsidiaries are all entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The group also assess existence of control where it does not have more than 50% of the voting rights but it is able to govern financial and operating policies by virtue of defacto control or through an agreement. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Inter-company balances and any unrealised gains and losses or income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(g) Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollars (US$) rounded to the nearest thousand, which is the company's functional and the group's presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to US$ at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to US$ at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the statement of comprehensive income. Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables and trade and other payables are measured at their amortised cost using the effective interest method less impairment loss.

Derivative financial instruments

The Group currently does not use derivative financial instruments to hedge its exposure to foreign exchange, commodity prices and interest rate risks arising from operations, financing and investment activities. Furthermore, the Group does not hold or issue derivative financial instruments for trading purposes.

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure that is directly attributable to bring the asset to a working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Leased assets acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described in accounting policy 2(r).

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

Depreciation

Depreciation on assets is charged to the statement of comprehensive income and is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

computer and other equipment	3 years
cutting and gemmological equipment	4 years
development costs	life of mine
earthmoving equipment	4 years
furniture, fittings and improvements to leased premises	6 years
infrastructure and surface buildings	12 years
plant, machinery and mining equipment	4 years
motor vehicles	5 years
office equipment	6 years
pre-production expenditure	life of mine

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Development costs

Subsequent to determining the technical feasibility and commercial viability of a mineral reserve, all directly attributable mine developments are capitalised until commercial production commences, that is when the mine is capable of operating in the manner intended by management. Development expenditure is only capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. When commercial production commences, these costs will be depreciated over the estimated life of the mine on the units of production method.

Development costs incurred during commercial production are recognised as part of the legal rights asset to the extent that they have a future economic benefit beyond the current reporting period. These costs will be depreciated over the estimated life of mine on the units of production method. Where development costs benefit only the current reporting period, they are a component of the cost of inventory produced in the current period and are accounted for in accordance with *IAS 2 Inventories*.

Assets under construction

No depreciation is provided for assets under construction until the assets have been completed and are available for use by the Group.

(k) Intangible assets

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current or reasonably expected to be renewed and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploration of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and active and significant operations in, or relating to, the area of interest are continuing.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (continued)

When the technical feasibility and commercial viability of extracting a mineral resource has been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment. The carrying value of capitalised exploration and evaluation expenditure and capitalised mining development costs is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount and sufficient data exists to determine technical feasibility and commercial feasibility.

Mineral licence

Mineral licence represents the cost incurred in respect of the tanzanite special mining licence for Block C, Merelani Mine, Tanzania. The cost is amortised over the period of licence which is 12 years and 4 months.

(l) Determination of tanzanite resource

The Group estimates its tanzanite ore resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. Reports to support these estimates are only prepared periodically due to the difficult nature of the mineralogy and geology. This has resulted in determination of an Indicated and Inferred resources only and not a reserve. As such, Indicated and Inferred resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, and for forecasting the timing of the payments related to the environmental rehabilitation provision.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction based on experts assessment.

There are numerous uncertainties inherent in estimating tanzanite ore resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resource and may, ultimately, result in the resource being revised.

(m) Inventories

Current inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined as follows:

- rough gemstone costs comprise all mining and production costs incurred in relation to such inventory;
- cut and polished gemstone and jewellery costs comprise all costs of purchase, conversion and other costs incurred in bringing the inventory to its present location and condition; and
- consumables cost is determined using the weighted average method.

The cost of consumable inventories is based on the weighted average principle and includes expenditure incurred in the purchase of the inventories. In the case of manufactured inventories, costs include an appropriate share of overheads based on normal operating capacity. Net realisable value for gemstones and consumables is the estimated selling price in the ordinary course of business and open market basis, respectively, less the estimated costs of completion and selling expenses.

Non-current inventories

Non-current inventories comprise rough gemstone specimen inventory and show jewellery. Non-current inventories are carried at the lower of cost and net realisable value. The cost of non-current inventory is based on the weighted average principle and includes expenditure incurred in acquiring the inventories.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment

Non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated.

The impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group of assets. The impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised are allocated first to reduce the carrying value of any goodwill allocated and then, to reduce the carrying amount of the assets in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined , net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant receivables are tested for impairment on an individual basis. All individually significant receivables found not to be specifically impaired are then collectively assessed for impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss in respect of the Group's receivables carried at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is recognised through profit or loss. An impairment loss is reversed only to the extent that the carrying amount does not exceed what the amortised cost would have been if no impairment loss had been recognised.

(o) Employee benefits

Share-based payment transactions

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Short-term employee benefits

Short-term employee benefits are those that are paid within 12 months after the end of the period in which the services have been rendered are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Contributions to defined contribution retirement benefit plans are recognised in profit or loss in the periods during which services are rendered by employees. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(p) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Environmental rehabilitation

The Group has recorded a provision for environmental rehabilitation liabilities based on management's estimates of these costs. Such estimates are subject to adjustments based on changes in laws and regulations and as additional more reliable information become available. The estimated fair value of liabilities for asset retirement obligations is recognised in the period, which they are incurred. Over time, the liability is increased to reflect the interest element (accretion expense) considered in the initial measurement at fair value and the change in fair value over the course of year is expensed. The estimates are based principally on legal and regulatory requirements. It is possible that management's estimates of its ultimate reclamation and closure liabilities could change as a result of change in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue

Sale of tanzanite

Revenue from the sale of tanzanite is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from the sale of tanzanite is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the cost incurred or to be incurred in respect of the transaction can be measured reliably, there is no continuing management involvement with the tanzanite and the amount of revenue can be measured reliably.

(r) Expenses

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and costs

Finance costs comprises interest payable on borrowings calculated using the effective interest rate method and unwinding of the discount on provisions.

Finance income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future; and
- the initial recognition of assets and liabilities in a transaction that is not a business combination.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rate enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends to A Class shareholders in South Africa are recognised at the same time as the liability to pay the related dividend.

(t) Earning per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Borrowings

Borrowings are recogonised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

3. SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker ("CODM") to make decisions about the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Management has determined the operating segments based on reports reviewed by the Executive Committee that are used to make strategic decisions.

Segment information is presented in respect of the Group's business segment. The primary format, business segments, is based on the Group's management and internal reporting structures.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

3.1 Business operating segments

The Group has five reportable segments, as described below which are the Group's strategic business units. The strategic business units offer different focus areas for the Group. The Group comprises the following reportable segments:

- Mining: The extraction of rough tanzanite
- Trading: The purchase and sale of rough tanzanite
- Exploration: The exploration of other coloured gemstones
- Marketing: The sale of cut and rough tanzanite and the promotion of tanzanite
- Cut and polished tanzanite and jewellery: The purchase and resale of cut and polished tanzanite and jewellery.

There are varying levels of integration between the Mining and Trading, and Marketing reportable segments. The integration includes the transfers of rough tanzanite. The accounting policies of the reportable segments are the same as described in note 2.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/loss before income tax, as included in the internal management reports that are reviewed by the Executive Committee. Segment profit/loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

3. SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

	Mining 2011 US$'000	Mining 2010 US$'000	Trading 2011 US$'000	Trading 2010 US$'000	Exploration 2011 US$'000	Exploration 2010 US$'000	Marketing 2011 US$'000	Marketing 2010 US$'000	Cut and Polished 2011 US$'000	Cut and Polished 2010 US$'000	Total 2011 US$'000	Total 2010 US$'000
External Revenues	**12,508**	7,397	**4,489**	1,340	**-**	-	**8,925**	12,640	**84**	1,454	**26,006**	22,831
Inter-segment revenue											**5,468**	6,891
Finance income	**-**	-	**-**	-	**-**	-	**-**	1	**-**	-	**-**	1
Finance costs	**(172)**	(167)	**-**	-	**-**	-	**-**	-	**-**	-	**(172)**	(167)
Depreciation and amortisation of property, plant and equipment	**(2,415)**	(2,473)	**(32)**	(36)	**-**	-	**(64)**	(65)	**(2)**	(4)	**(2,513)**	(2,578)
Reportable segment (loss)/ profit before income tax	**(190)**	(1,922)	**(337)**	(345)	**(7)**	(29)	**3,629**	4,955	**689**	93	**3,784**	2,752
Income tax (charge) credit	**36**	452	**(16)**	(11)	**-**	-	**(19)**	-	**-**	-	**1**	441
Reportable segment assets	**35,431**	34,370	**2,372**	719	**4,010**	3,865	**4,185**	4,460	**362**	914	**46,360**	44,328
Capital expenditure	**979**	1,098	**66**	1	**151**	428	**1**	2	**50**	-	**1,247**	1,529
Reportable segment liabilities	**8,680**	7,509	**130**	71	**6**	5	**45**	424	**6**	77	**8,867**	8,086

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities	2011 US$'000	2010 US$'000
Revenues		
Total revenue for reportable segments	**26,006**	22,831
Elimination of intersegment revenue	**(5,468)**	(6,891)
Consolidated revenue	**20,538**	15,940
Profit or loss		
Total profit for reportable segments	**3,784**	2,752
Unallocated amounts-corporate	**(2,990)**	(2,544)
Consolidated profit before tax	**794**	208
Assets		
Total assets for reportable segments	**46,360**	44,328
Other unallocated amounts	**735**	1,042
Consolidated total assets	**47,095**	45,370
Liabilities		
Total liabilities for reportable segments	**8,867**	8,086
Other unallocated amounts	**47**	148
Consolidated total liabilities	**8,914**	8,234

3. SEGMENT REPORTING (CONTINUED)

Geographical segments

The Mining, Trading and Exploration segments operate mining facilities and sales offices in Tanzania. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segments assets are based on the geographical location of assets.

	Revenues US$'000	Non-current Assets US$'000
Geographical information		
31 December 2011		
Tanzania	11,529	29,447
India	8,925	-
Dubai	-	490
Other countries	84	184
	20,538	**30,121**
Geographical information		
31 December 2010		
Tanzania	3,300	30,808
India	12,620	-
Dubai	-	548
Other countries	20	67
	15,940	31,423

Major customer

Revenue from eight sight holders of the Group's marketing operations represents approximately US$18.6 million (2010: US$12.6 million) of the Group's total revenue.

4. REVENUE

	2011 US$ '000	2010 US$ '000
Sale of tanzanite	**20,538**	15,940

5. (A) EXPENSES BY NATURE

	2011 US$ '000	2010 US$ '000
Raw materials and consumables used	**(4,200)**	(2,595)
Auditors' remuneration	**(317)**	(375)
Royalties	**(354)**	(400)
Depreciation and amortisation of property, plant and equipment	**(2,513)**	(2,578)
Inventory write-off	**(628)**	(108)
Property, plant and equipment written off	**-**	(25)
Write back of trade receivables	**6**	378
Net foreign exchange (loss)/gain	**(32)**	342
Directors' emoluments and consulting fees	**(1,194)**	(1,013)
Operating leases instalments	**(219)**	(157)
Employee benefits expense (Note 5(b))	**(7,197)**	(6,100)
Other expenses	**(2,909)**	(2,927)
Total of cost of sales, selling and distribution, administration and other operating expenses	**(19,557)**	(15,558)
Classified as follows:		
Cost of sales	**(8,258)**	(5,688)
Selling and distribution expenses	**(2,551)**	(1,604)
Administrative expenses	**(2,819)**	(5,630)
Other operating expenses	**(5,929)**	(2,636)
	(19,557)	(15,558)

5. (B) EMPLOYEE BENEFITS EXPENSE

	2011 US$ '000	2010 US$ '000
Wages and salaries	**(6,855)**	(5,757)
Social security contribution	**(278)**	(272)
Other employment benefits	**(64)**	(71)
	(7,197)	(6,100)

6. (I) FINANCE COST

	2011 US$ '000	2010 US$ '000
Interest expense	**(172)**	(167)
Accretion expense – asset retirement obligation	**(15)**	(8)
	(187)	(175)

(II) FINANCE INCOME

	2011 US$ '000	2010 US$ '000
Interest income	**-**	1

7. INCOME TAX CREDIT

Recognised in the statement of comprehensive income

	2011 US$ '000	2010 US$ '000
Current tax charge		
Current year	**(26)**	(57)
Prior periods	**-**	(25)
	(26)	(82)
Deferred tax credit		
Current year (Note 10)	**27**	523
Income tax credit	**1**	441

	% 2011	% 2010
Reconciliation of effective tax rate		
Tax rate applicable to the Group's primary operating location	**30**	30.0
Profit before (US$'000) taxation	**794**	208
Current year's charge as % of profit before tax	**1**	(212)
Non-deductible expenses	**-**	(9)
Effect of tax rates in foreign jurisdictions	**138**	774
Deferred tax assets not recognised	**(113)**	(464)
Under provision in prior year	**-**	(25)
Other allowances	**4**	(34)
Group's primary operating tax rate	**30.0**	30.0

8. PROPERTY, PLANT AND EQUIPMENT

31 December 2011	Cost US$ '000	Accumulated depreciation and impairment losses US$ '000	Carrying amount US$ '000
Computer and other equipment	258	(170)	88
Cutting and gemmological equipment	31	(13)	18
Development costs	19,326	(4,484)	14,842
Earthmoving equipment	292	(292)	-
Furniture, fittings and improvements to leased premises	456	(273)	183
Infrastructure and surface buildings	3,896	(2,135)	1,761
Plant, machinery and mining equipment	5,991	(2,709)	3,282
Motor vehicles	761	(494)	267
Office equipment	85	(21)	64
Pre-production expenditure	6,936	(3,552)	3,384
Assets under construction	535	-	535
	38,567	(14,143)	24,424

Reconciliation of property, plant and equipment

31 December 2011	Opening balance US$'000	Additions US$'000	Write-offs US$'000	Depreciation US$'000	Total US$'000
Computer and other equipment	111	4	(1)	(26)	88
Cutting and gemmological equipment	19	-		(1)	18
Development costs	15,368	474	-	(1,000)	14,842
Earthmoving equipment	16	-	-	(16)	-
Furniture, fittings and improvements to leased premises	207	80	(2)	(102)	183
Infrastructure and surface buildings	2,034	121	-	(394)	1,761
Plant, machinery and mining equipment	3,539	91	(17)	(331)	3,282
Motor vehicles	201	165	-	(99)	267
Office equipment	71	-	-	(7)	64
Pre-production expenditure	3,909	-	-	(525)	3,384
Assets under construction	374	161	-	-	535
	25,849	1,096	(20)	(2,501)	24,424

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2010	Cost US$ '000	Accumulated depreciation and impairment losses US$ '000	Carrying amount US$ '000
Computer and other equipment	255	(144)	111
Cutting and gemmological equipment	31	(12)	19
Development costs	18,852	(3,484)	15,368
Earthmoving equipment	292	(276)	16
Furniture, fittings and improvements to leased premises	378	(171)	207
Infrastructure and surface buildings	3,775	(1,741)	2,034
Plant, machinery and mining equipment	5,917	(2,378)	3,539
Motor vehicles	596	(395)	201
Office equipment	85	(14)	71
Pre-production expenditure	6,936	(3,027)	3,909
Assets under construction	374	-	374
	37,491	(11,642)	25,849

Reconciliation of property, plant and equipment

31 December 2010	Opening balance US$'000	Additions US$'000	Transfers US$'000	Write-offs US$'000	Depreciation US$'000	Total US$'000
Computer and other equipment	112	24	-	-	(25)	111
Cutting and gemmological equipment	2	-	20	-	(3)	19
Development costs	15,517	807	-	-	(956)	15,368
Earthmoving equipment	46	-	-	-	(30)	16
Furniture, fittings and improvements to leased premises	297	53	(20)	(25)	(98)	207
Infrastructure and surface buildings	2,349	102	-	-	(417)	2,034
Plant, machinery and mining equipment	3,904	4	-	-	(369)	3,539
Motor vehicles	301	6	-	-	(106)	201
Office equipment	75	-	-	-	(4)	71
Pre-production expenditure	4,432	-	-	-	(523)	3,909
Assets under construction	269	105	-	-	-	374
	27,304	1,101	-	(25)	(2,531)	25,849

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Security

Except for the equipment acquired through National Bank of Commerce (NBC) bank loan (refer note 21) with a carrying amount of US$720,000 as 31 December 2011 (2010: US$828,000), there are no other restrictions on title and no other property, plant and equipment has been pledged as security for liabilities.

9. INTANGIBLE ASSETS

	2011 US$ '000	2010 US$ '000
At 1 January	**4,154**	3,726
Prospecting licence	**2,031**	2,031
Exploration expenditure	**1,622**	1,194
Mining licence	**501**	501
Additions	**151**	428
Prospecting licence	**-**	-
Exploration expenditure	**151**	428
Accumulated amortization	**(470)**	(458)
At start	**(458)**	(411)
Amortization charge	**(12)**	(47)
At 31 December	**3,835**	3,696
Prospecting licence	**2,031**	2,031
Exploration expenditure	**1,773**	1,622
Mining licence	**31**	43

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities		
Deferred tax assets comprise of the following temporary differences:		
Estimated income tax losses	**1,800**	1,816
Deferred income tax assets	**1,800**	1,816

The above deferred tax asset relating to estimated income tax losses has been recognised as management believes that as the business has returned to profitability and will generate sufficient taxable profit in the future periods in which unused tax losses and tax credits will be utilised.

Deferred tax liabilities comprise of the following temporary differences:		
Property, plant and equipment	**(4,540)**	(4,583)
Deferred income tax liabilities	**(4,540)**	(4,583)
Net deferred income tax liability	**(2,740)**	(2,767)
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Estimated income tax losses	**4,043**	4,094

Deferred tax assets have not been recognised in respect of the tax losses in The TanzaniteOne Polished Sales (Proprietary) Limited and Tanzanite One (SA) Limited as it is not probable that sufficient future taxable profit will be available against which the companies can utilise the benefits there from. These losses do not expire.

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

2011	Balance at 01 January US$ '000	Recognised in statement of comprehensive income US$ '000	Balance at 31 December US$ '000
Estimated income tax losses	**1,816**	**(16)**	**1,800**
Property, plant and equipment	**(4,583)**	**43**	**(4,540)**
	(2,767)	**27**	**(2,740)**
2010			
Estimated income tax losses	1,748	68	1,816
Property, plant and equipment	(5,038)	455	(4,583)
	(3,290)	523	(2,767)

11. INVENTORIES

	2011 US$ '000	2010 US$ '000
Non-current		
Show jewellery	**62**	62
	62	62
Current		
Rough gemstones	**5,679**	4,366
Consumables	**1,003**	1,106
	6,682	5,472
	6,744	5,534

No inventories have been pledged as security for liabilities.

12. INCOME TAX RECEIVABLE

Income tax receivable	**1,948**	2,279

The current income tax receivable represents the amount of income taxes overpaid in various jurisdictions in respect of current and prior periods.

13. TRADE AND OTHER RECEIVABLES

	2011 US$ '000	2010 US$ '000
Trade receivables	**3,811**	1,169
Other receivables	**2,925**	2,942
Provision for impairment of trade receivables	**(277)**	(283)
	6,459	3,828

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2011, trade receivables of US$ 64,000 (2010: US$7,000) were past due but not impaired. These relate to some independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2011 US$ '000	2010 US$ '000
Past due 61 – 120 days	**-**	-
More than 120 days	**64**	7
	64	7

As at 31 December 2011, trade receivables of US$ 277,000 (2010: US$ 283,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. It was assessed that no amount is recoverable from the identified impaired receivables. These receivables are outstanding for more than a year. Movements on the group provision for impairment of trade receivables are as follows:

	2011 US$ '000	2010 US$ '000
At 1 January	**283**	661
Write back of trade receivables	**(6)**	(378)
At 31 December	**277**	283
Trade and other receivables consists of balances receivable in the following currencies:		
United States Dollars	**4,443**	2,460
South African Rands	**94**	51
Tanzanian Shillings	**1,922**	1,317
	6,459	3,828

Translated into United States Dollars at foreign exchange rates applicable at reporting date.
The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in note 25.1.

14. CASH AND CASH EQUIVALENTS

	2011 US$ '000	2010 US$ '000
Cash at bank and on hand	**1,885**	2,368
Bank overdraft (Note 21)	**(1,069)**	(958)
Cash and cash equivalents in the statement of cash flows	**816**	1,410
Cash and cash equivalents consists of balances receivable in the following currencies:		
United States Dollar	**540**	1,073
South African Rand	**109**	108
Tanzanian Shilling	**111**	124
UAE Dirham	**17**	14
UK Pound Sterling	**39**	91
	816	1,410

Translated into United States Dollars at foreign exchange rates applicable at reporting date. The group's exposure to interest rate risk and sensitivity analysis for financial instruments is disclosed in note 25.

15. CAPITAL AND RESERVES

15.1 Common share capital

	2011 US$ '000	2010 US$ '000
Authorised		
166,666,667 common shares of US$0.0003 each	**50**	50
Issued		
118,148,951 (2010: 115,640,250) ordinary shares of US$0.0003 each	**35**	34
Share capital		
Balance at the beginning of the financial year	**34**	34
Shares issued pursuant to directors' dealings	**1**	*
Balance at the end of the financial year	**35**	34

* - Less than US$1,000

Reconciliation of number of common shares in issue

	Number of shares 2011	Number of shares 2010
Shares in issue at beginning of the year	**115,640,250**	113,607,628
Shares issued pursuant to directors' dealings	**2,508,701**	2,032,622
Shares in issue at end of the year*	**118,148,951**	115,640,250

*Includes 7,275,000 common shares acquired and held in trust for participating employees and the executive directors, through an employee share plan. The shares are subjected to a vesting period with one third of the shares vesting annually, commencing 31 December 2009.

15. CAPITAL AND RESERVES (CONTINUED)

	2011 US$ '000	2010 US$ '000
15.2 A class share capital		
Authorised		
66,666,667 A class shares of ZAR0.0003 each	**3**	3
Issued		
1,868,426 (2010: 3,076,109) A class shares of ZAR0.0003 each issued by the Company's wholly-owned subsidiary, TanzaniteOne SA Limited.	**1**	1
	1	1
A class shares have been converted at the historical rate at 1 June 2004 of ZAR6.52 to the US Dollar.		
Total issued share capital (Common shares and A class shares)	**36**	35

	Number of shares 2011	Number of shares 2010
Reconciliation of A class share capital		
Shares in issue at beginning of the year	**3,076,109**	9,916,846
Share buy back	**(1,207,683)**	(6,840,737)
Shares in issue at end of the year	**1,868,426**	3,076,109

An equivalent amount of common shares are held by Rembrandt Nominees via Wilbro Nominees.

Rights attaching to A class shares

The following rights, privileges and conditions attach to the TanzaniteOne SA Limited A class shares:

Each TanzaniteOne SA Limited A class share will be issued on the basis that:

1. if the Richland Resources Ltd common shares are consolidated or subdivided, the same will apply, *mutatis mutandis*, to the TanzaniteOne SA Limited A class shares;
2. if any rights issue is implemented by Richland Resources Ltd, TanzaniteOne SA Limited will automatically have a rights issue in respect of the TanzaniteOne SA Limited A class shares on identical terms to the rights issue implemented by Richland Resources Ltd, which will include but not be limited to the price per rights issue share and ratio of rights shares to exiting shares; and
3. if the common shareholders of Richland Resources Ltd receive shares in substitution for all their Richland Resources Ltd common shares then the number of TanzaniteOne SA Limited A class shares will be automatically adjusted such that each TanzaniteOne SA Limited A class shareholder will own the number of TanzaniteOne SA Limited Class A shares as equals their existing number of TanzaniteOne SA Limited A class shares, multiplied by the number of substitution shares issued for each Richland Resources Ltd common shares.

15. CAPITAL AND RESERVES (CONTINUED)

The holders of the TanzaniteOne SA Limited A class shares will only be entitled to a dividend if Richland Resources Ltd declares dividends in respect of any year, and then the TanzaniteOne SA Limited A class shares will be entitled to a preference dividend out of the profits of TanzaniteOne SA Limited available for distribution per TanzaniteOne SA Limited A class share equal to "D" calculated in accordance with the following formula :

D = A x F
where

A = the dividend declared and payable by Richland Resources Ltd in respect of each Richland Resources Ltd common share; and

F = the spot foreign exchange rate quoted by Standard Bank of South Africa Limited on the date upon which the relevant Richland Resources Ltd dividend is payable to Richland Resources Ltd common shareholders.

TanzaniteOne SA Limited in general meeting or the directors of TanzaniteOne SA Limited shall be entitled to declare preference dividends in respect of the TanzaniteOne SA Limited A class shares on the basis that the preference dividend payable shall be payable, within four months after the date upon which the relevant dividend is declared to the shareholders of Richland Resources Ltd, to the holders of the TanzaniteOne SA Limited A class shares registered as such on the declaration date of the relevant Richland Resources Ltd dividend.

With respect to voting rights in TanzaniteOne SA Limited, each TanzaniteOne SA Limited ordinary share shall have 1,000,000 votes and each TanzaniteOne SA Limited A class share shall have one vote. The holders of TanzaniteOne SA Limited A class shares will be entitled to receive notice of and to attend and vote at any general meeting of TanzaniteOne SA Limited.

Payment in respect of preference dividends and any other payments will be made in the currency of South African Rands at the risk of the relevant holder of TanzaniteOne SA Limited A class shares either by cheque sent by prepaid registered post to the address of each holder of TanzaniteOne SA Limited A class shares as recorded in the register of TanzaniteOne SA Limited's shareholders or by electronic transfer to such bank account nominated in writing by any holder of TanzaniteOne SA Limited A class shares for such purpose.

All or any of the rights attaching to the issued TanzaniteOne SA Limited A class shares may not be modified, altered, varied, added to or abrogated, without the prior written consent of the:

1. holders of at least three-quarters of the issued TanzaniteOne SA Limited A class shares or the sanction of a resolution of the holders of the issued TanzaniteOne SA Limited A class shares passed at a separate general meeting of such holders and at which the holders of the TanzaniteOne SA Limited A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the TanzaniteOne SA Limited A class shares holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three quarters of the total votes to which the holders of the TanzaniteOne SA Limited A class shares present in person or by proxy are entitled to vote; and
2. holders of three quarters of the ordinary shares.

No shares in the capital of TanzaniteOne SA Limited, ranking in priority to or pari passu with the TanzaniteOne SA Limited A class shares of any class but excluding the issue of ordinary shares, shall be created or issued, without the prior written consent of the holders of at least three-quarters of the issued TanzaniteOne SA Limited A class shares or the sanction of a resolution of the holders of the issued TanzaniteOne SA Limited A class shares passed at a separate general meeting of such holders and at which the holders of the TanzaniteOne SA Limited A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the TanzaniteOne SA Limited A class shares holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three quarters of the total votes to which the holders of the TanzaniteOne SA Limited A class shares present in person or by proxy are entitled to vote.

15. CAPITAL AND RESERVES (CONTINUED)

TanzaniteOne SA Limited cannot be put into voluntary liquidation by its shareholders, without the prior written consent of the holders of at least three-quarters of the issued TanzaniteOne SA Limited A class shares or the sanction of a resolution of the holders of the issued TanzaniteOne SA Limited A class shares passed at a separate general meeting of such holders and at which the holders of the TanzaniteOne SA Limited A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the TanzaniteOne SA Limited A class shares holding securities entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than three quarters of the total votes to which the holders of the TanzaniteOne SA Limited A class shares present in person or by proxy are entitled to vote.

Should Richland Resources Ltd acquire any TanzaniteOne SA Limited A class share, TanzaniteOne SA Limited will automatically redeem out of moneys which may be lawfully applied for that purpose those TanzaniteOne SA Limited A class share on the basis that the price payable for each TanzaniteOne SA Limited A class share on redemption of same will be at a redemption price of 0,01 (point zero one) cent per TanzaniteOne SA Limited A class share. Notwithstanding the provisions of this clause 9, all of the TanzaniteOne SA Limited A class shares that are in issue at 21 April 2024 shall be automatically redeemed on the basis that the price payable for the redemption of each A share on redemption of same will be at a redemption price of 0,01 (point zero one) cents per TanzaniteOne SA Limited A class share.

At every meeting of the holders of the TanzaniteOne SA Limited A class shares the provisions of the articles of TanzaniteOne SA Limited relating to general meetings of holders of ordinary shares shall apply *mutatis mutandis* except that a quorum at any such general meeting of the holders of the A shares shall be a person or persons holding or representing by proxy at least 25% (twenty five per centum) of the issued TanzaniteOne SA Limited A class shares, provided that if at any adjournment of such meeting a quorum is not present, then the provisions of the relevant articles of TanzaniteOne SA Limited relating to adjourned meetings shall, *mutatis mutandis*, apply.

Upon the date of redemption of any TanzaniteOne SA Limited A class shares, there shall be paid on any TanzaniteOne SA Limited A class shares redeemed, all preference dividends (including any which are in arrear) accrued in respect of the same, up to the date fixed for redemption thereof, and the preference dividends thereon shall cease to accrue from that date unless, upon surrender of the share certificate in respect of the TanzaniteOne SA Limited A class shares, payment of the redemption moneys is not affected by TanzaniteOne SA Limited. The holders of the TanzaniteOne SA Limited A class shares shall deliver the certificate/s representing those TanzaniteOne SA Limited A class shares which are to be redeemed to TanzaniteOne SA Limited at its registered office. Upon such delivery of the share certificate/s TanzaniteOne SA Limited shall pay to the holders of the TanzaniteOne SA Limited A class shares the amount due in respect of the redemption and shall then be entitled to cancel the relevant TanzaniteOne SA Limited A class shares.

TanzaniteOne SA Limited shall not be liable to a shareholder of TanzaniteOne SA Limited A class shares for interest on any unclaimed redemption moneys and arrears of dividends.

Any dividends payable in respect of TanzaniteOne SA Limited A class shares (including any which are in arrear) that remain unclaimed for 3 (three) years may become the property of TanzaniteOne SA Limited.

The holders of the TanzaniteOne SA Limited A class shares shall not be entitled to dispose of any TanzaniteOne SA Limited A class shares to any party other than Richland Resources Ltd and the share certificates issued in respect of the TanzaniteOne SA Limited A class shares shall be endorsed to this effect. Notwithstanding the provisions of this clause, a holder of the TanzaniteOne SA Limited A class shares shall be entitled to transfer the relevant TanzaniteOne SA Limited A class shares to a family entity or a family member provided that they pay any and all costs relating to the transfer.

No additional shares in the capital of TanzaniteOne SA Limited of the same or similar nature as the TanzaniteOne SA Limited A class shares shall be issued save as provided for above.

16. SHARE PREMIUM

	2011 US$ '000	2010 US$ '000
Balance at beginning of the year	**46,399**	46,017
Arising on issue common shares during the year	**456**	382
Balance at end of the year	**46,855**	46,399

17. SHARE OPTION RESERVE

	2011	2010
Balance at beginning of the year	**706**	706
Additions	**190**	-
Balance at end of the year	**896**	706

Share-based payments

The Group established a share option plan that entitles certain senior employees the opportunity to purchase shares in the Group. In accordance with the plan, options are exercisable over a period of 3 years and vest as follows:

- 1 year - 20% of total share options granted;
- 2 years - 30% of total share options granted; and
- 3 years - 50% of total share options granted.

The terms and conditions of the share option plan are as follows:

Grant date	Number of share options	Vesting conditions	Contractual life
3 August 2004	3,391,726	Three years of service	10 years
23 December 2004	1,396,500	Three years of service	10 years
16 December 2005	585,000	Three years of service	10 years
23 September 2009	7,275,000	Three years of service	10 years
Total share options	12,648,226		

The number and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price (UK pence/ share)	Number of options	Weighted average exercise price (UK pence/ share)	Number of options
Outstanding at the beginning of the year	27	**7,207,500**	23	7,932,500
Forfeited during the year		**(150,000)**		(725,000)
Outstanding at the end of the year	25	**7,057,500**	27	7,207,500
Exercisable at the end of the year		**7,057,500**		5,507,500

The 657,500 options outstanding at 31 December 2011 have an exercise price in the range of ZAR7.59 to ZAR16.14 (2010: ZAR7.59 to ZAR16.14) and a weighted average contractual life of 2.15 years (2010: 3.15 years). The 6,400,000 options outstanding at 31 December 2011 have an exercise price of 16.237 UK pence (2010: 16.237 UK pence) and a weighted average contractual life of 7.2 years (2010: 8.10 years). The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is calculated using the Black-Scholes model.

17. SHARE OPTION RESERVE (CONTINUED)

Fair value of share options and assumptions	**2011** Senior employees	**2010** Senior employees
Fair value at grant date	£0.05 – £0.23	£0.05 – £0.23
Share price	£0.42 - £0.72	£0.42 - £0.72
Exercise price	£0.26 - £0.68	£0.26 - £0.68
Expected volatility	35%	35%
Expected dividends	0%	0%
Risk-free interest rate (based on South African government bonds)	7.5%	7.5%
Option life	0.9 years – 2.9 years	0.9 years – 2.9 years

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. Options are stated in UK Pound Sterling as the Company is listed on the AIM market of the London Stock Exchange.

18. FOREIGN CURRENCY TRANSLATION RESERVE

	2011 US$ '000	**2010** US$ '000
Balance at beginning of the year	**(1,051)**	(684)
Translation of foreign operations	**(397)**	(367)
Balance at end of the year	**(1,448)**	(1,051)

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

19. NON-CONTROLLING INTEREST

	2011 US$ '000	**2010** US$ '000
25% interest in the equity of TanzaniteOne Trading Limited	**2**	(6)
25% interest in the equity of TsavoriteOne Mining Limited	**(42)**	(39)
	(40)	(45)
Movement during the year:		
25% interest in the profit for the year of TanzaniteOne Trading Limited	**7**	4
25% interest in the loss for the year of TsavoriteOne Mining Limited	**(2)**	(7)
Net profit credited/(loss debited)	**5**	(3)

20. EARNINGS PER SHARE

20.1 Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to common shareholders of US790,000 (2010: profit of US$ 652,000) and a weighted average number of common shares outstanding during the year ended 31 December 2011 of 116,100,751 (2010: 114,136,667) calculated as follows:

	2011 US$ '000	2010 US$ '000
Profit attributable to common shareholders	**790**	652

Weighted average number of common shares	Number of shares **2011**	Number of shares **2010**
Effect of common shares on 1 January	**115,640,250**	113,607,628
Effect of common shares issued on 27 September 2010	**-**	529,039
Effect of common shares issued on 25 October 2011	**460,501**	-
Weighted average number of common shares	**116,100,751**	114,136,667
Basic earnings per common share (US cents/share)	**0.68**	0.57

20.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2011 was based on the profit attributable to common shareholders of US$ 790,000 (2010: US$ 652,000) and a weighted average number of common shares outstanding during the year ended 31 December 2011 of 116,100,751 (2010: 114,136,667) calculated as follows:

Weighted average number of common shares	Number of shares **2011**	Number of shares **2010**
Effect of common shares on 1 January	**115,640,250**	113,607,628
Effect of common shares issued on 25 October 2011	**460,501**	-
Effect of common shares issued on 27 September 2010	**-**	529,039
Weighted average number of common shares	**116,100,751**	114,136,667
Diluted earnings per common share (US cents/share)	**0.68**	0.57

20.3 Net asset value per common share		
Net assets (US$'000)	**38,181**	37,136
Number of common shares in issue at 31 December	**118,148,951**	115,640,250
Net asset value per common share (US cents/share)	**32.32**	32.11
20.4 No dividend was declared for both years	**-**	-

21. INTEREST-BEARING BORROWINGS

	2011 US$ '000	2010 US$ '000
NBC Limited Bank loan	**1,591**	839
Less: Current portion transferred to current liabilities	**(797)**	(208)
Balance payable between one and five years	**794**	631
Bank loan	**797**	208
Bank overdraft	**1,069**	958
Balance payable between within 12 months	**1,866**	1,166

The NBC Limited bank loan is denominated in US$ and is secured over plant and equipment, and bearing fixed interest at NBC base rate of 7% per annum. The bank overdraft is denominated in US$ and bear the interest of NBC US$ fixed base rate of 7% per annum and is charged on a monthly basis.

Total interest-bearing borrowings		
Non-current	**794**	631
Current	**1,866**	1,166
	2,660	1,797

22. PROVISION FOR ENVIRONMENTAL REHABILITATION

Balance at beginning of the year	**115**	107
Unwinding of discount	**15**	8
Balance at end of the year	**130**	115

23. TRADE AND OTHER PAYABLES

Trade and other payables	**1,584**	1,739
Trade and other payables consists of balances payable in the following currencies:		
United States Dollars	**478**	1,683
South African Rands	**7**	56
Tanzanian Shillings	**1,099**	-
	1,584	1,739

24. NOTES TO THE STATEMENT OF CASH FLOWS

	2011 US$ '000	2010 US$ '000
24.1 Cash generated from operations		
Profit before income tax	**794**	208
Adjusted for:		
• Depreciation and amortisation of property, plant and equipment	**2,513**	2,578
• Property, plant and equipment written off	**-**	25
• Inventory write-off	**628**	108
• Finance income	**-**	(1)
• Finance cost	**172**	167
• Share based payment - fair value movement	**190**	-
• Unwinding of discount	**15**	8
• Write back of trade receivables	**(6)**	(378)
• Net foreign exchange difference	**(237)**	(367)
Cash from operations before working capital changes	**4,069**	2,348
Inventories	**(1,210)**	(1,534)
Trade and other receivables	**(2,631)**	266
Trade and other payables	**(155)**	1,094
Cash generated from operations before interest and tax	**73**	2,174
24.2 Income tax (paid)/refund		
Income tax receivable at 1 January	**2,279**	1,980
Current taxation charge	**(26)**	(82)
Foreign exchange difference	**(305)**	-
Income tax receivable at 31 December	**(1,948)**	(2,279)
	-	(381)

25. FINANCIAL INSTRUMENTS

In the normal course of its operations, the Group is exposed to credit, liquidity and market risk.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. General corporate hedging unrelated to any specific project is not undertaken. The Group also does not issue or acquire derivative instruments for trading purposes. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

25.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash deposits and cash equivalent. Those balances reflect the maximum exposure to credit risk.

The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the board. The utilisation of credit limits is monitored monthly. The Group generally deals with customers of high credit quality.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored on a monthly basis. At present, no liquidity risk is foreseen.

The Group is not exposed to significant interest rate risks as interest bearing borrowings and investments are mainly of a short to medium term nature. At present, no liquidity risk is foreseen.

Financial liabilities

Financial liabilities are payable as follows:

	Interest on borrowings	Interest bearing borrowings	Bank overdraft	Trade and other payables
	US$ '000	**US$ '000**	**US$ '000**	**US$ '000**
31 December 2011				
Less than one year	56	797	1,069	1,584
More than one year and less than five years	130	794	-	-
	186	**1,591**	**1,069**	**1,584**
31 December 2010				
Less than one year	18	208	958	1,739
More than one year and less than five years	97	631	-	-
	115	**839**	**958**	**1,739**

25.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

The Group is not exposed to significant interest rate risks as interest bearing borrowings and investments are mainly of a short to medium term nature.

Foreign currency risk

The Group does not hedge foreign exchange fluctuations and therefore are exposed to all foreign currency movements.

In the normal course of business, the Group enters into transactions primarily for the sale of its gemstones, denominated in US$. However, the Group has investments and liabilities in a number of different currencies. As a result, the Group is subject to translation exposure from fluctuations in foreign currency exchange rates. The Company strategy towards managing its foreign currency exposure is through transacting using its functional currency.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Market risk (continued)

Sensitivity analysis

A 10 per cent strengthening of the United States Dollar against the following currencies at 31 December would have increased/ (decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as at 31 December 2010.

	2011 US$ '000	2010 US$ '000
Profit and loss		
South African Rands	**(1,720)**	(421)
Tanzanian Shillings	**(52)**	74
Great British Pounds	**(186)**	(192)
	(1,958)	(539)

Equity would have increased in 2011 by US$ 453,000 (2010: US$366,000).

A 10 percent weakening of the United States Dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

25.4 Operational price risk

The profitability of the Group's operations is significantly affected by changes in realisable tanzanite prices. The price of tanzanite can fluctuate widely and is affected by numerous factors beyond the company's control, including demand, inflation and expectations with respect to the rate of inflation, the strength of the United Sates Dollar and other currencies, interest rates, global or regional political or financial events, and production and cost levels.

Through the introduction of the preferred supply strategy, supply irregularity and concomitant price instability are being addressed and should be alleviated through ongoing marketing campaigns.

25.5 Fair value of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For receivables with a remaining useful life of less than one year, the carrying amount is deemed to reflect fair value.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Trade and other payables

For payables with a remaining life of less than one year, the carrying amount is deemed to reflect fair value.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Fair value of financial instruments (continued)

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Carrying amount US$ '000	Fair value US$ '000
2011			
Trade and other receivables	13	**6,459**	**6,459**
Cash at bank and on hand	14	**1,885**	**1,885**
Loans and receivables		**8,344**	**8,344**
Interest-bearing borrowings	21	**2,660**	**2,660**
Trade and other payables	23	**1,584**	**1,584**
Financial liabilities measured at amortised cost		**4,244**	**4,244**
2010			
Trade and other receivables	13	3,828	3,828
Cash and cash equivalents	14	2,368	2,368
Loans and receivables		6,196	6,196
Interest-bearing borrowings	21	1,797	1,797
Trade and other payables	23	1,739	1,739
Financial liabilities measured at amortised cost		3,536	3,536

The carrying amount of interest bearing borrowings, bank overdraft and trade and other payable approximate their fair value.

25.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitor the level of dividends to ordinary shareholders.

The Group's target is to achieve a return on capital of between 12 and 16 percent. The Group's achieved a return on capital of 2% in 2011 (2010: 1%).

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. COMMITMENTS AND CONTINGENCIES

26.1 Capital commitments

No capital commitments existed at year end (2010: US$ nil).

26.2 Finance lease commitments

Non-cancellable lease rentals are payable as follows:

	2011 US$ '000	2010 US$ '000
Less than one year	**109**	126
Between two and five years	**119**	26
	228	152

These leases relate to the rental of business premises in locations where the Group operates.

26.3 Legal contingencies

The group was a defendant against various legal cases instituted by former employees with claims amounting to US$0.48 million (2010: US$0.06 million). The company has provided for US$0.04 million on recommendation of legal advisor. In the opinion of the Directors and Company's legal counsel, no additional material liabilities are expected to crystallise from the above over and above what has been provided for.

26.4 Tax contingencies

The Tanzanian Revenue Authority (TRA) conducted an audit of Tanzanite One Mining Limited during October 2006 and covering all the periods from 2000 to 2005. The concomitant taxes calculated by TRA have been estimated at $1.0 million. The group has objected to the results of the assessment since 2007 and discussion with TRA is an ongoing matter. Directors believe that there are no taxes payable and consequently no provision has been set in the books of account.

27. RESOURCES AND RESERVE STATEMENT

Tanzanite

As at 18 January 2012 the total inferred and indicated mineral resource was estimated at 105 million carats. At the current production rate of 2.2 million carats per annum and current recovery rates, indicate an estimated useful life for those assets depreciated by unit of production of approximately 48 years.

Tsavorite

As at 31 December 2011 the total inferred mineral resource was estimated at between 7.6 million to 10.4 million bank cubic metres or approximately 18.2 to 24.9 million tonnes. The total indicated resource was estimated at between 0.89 million to 2.17 million bank cubic metres or approximately 2.1 million to 5.2 million tonnes located within the inferred resource. At an estimated tsavorite grade of 1.6 carats per loose cubic metre for indicated resource, the estimated tsavorite was 1.4 million to 3.5 million carats located within the indicated resource only. The Tsavorite project resource statement was prepared for the Group in accordance with the guidelines of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (JORC Code-2004 edition). This resource statement was on 10 January 2011.

28. SPECIAL MINING LICENCE

TanzaniteOne Mining Limited, a subsidiary of Richland Resources Ltd has a valid Special Mining Licence (SML) as defined in section 42 - 49 of the Mining Act of 2010 expiring in July 2012 and has submitted its renewal documents to the Government in January 2011 for the renewal of the SML in July 2012. The renewal requirements of a Special Mining Licence are defined in section 45 of the Mining Act of 2010. The Company has already received its Environmental Compliance certificate that forms part of the licence renewal process.

29. RELATED PARTIES

Identity of related parties

The Group has a related party relationship with its subsidiaries, and key management personnel.

Related party transactions

During the year, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with one another.

Directors of the holding company and their close family members control 14% (2010: 12%) of the voting shares of Richland Resources Ltd.

	2011 US$ '000	2010 US$ '000
Short-term benefits		
Directors' emoluments for the year		
Services as directors of the Company		
Non-executive directors		
Salary	**160,500**	100,000
Executive directors		
Salary	**72,651**	140,500
Services as directors of the subsidiaries		
Executive directors		
Salary	**306,133**	305,700
Consulting fees paid to Strategic Works Consulting Limited in respect of Ami Mpungwe	**120,000**	120,000

Remuneration of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the group.

The remuneration of key management personnel recognised in the consolidated statement of comprehensive income including salaries and other current employee benefits amounted to US$0.75 million (2010: US$0.96 million). No terminal or other long term benefits were paid to key management personnel during the year (2010: Nil). There were no transactions with key management personnel during the year. There were no loans outstanding as at year end with key management personnel.

29. RELATED PARTIES (CONTINUED)

Group entities

Significant subsidiaries	Country of incorporation	Products/ Services	Net amounts owing by/(to) subsidiaries 2011 US$ '000	2010 US$ '000	Functional currency	Share holding %
The Tanzanite Company (UK) Limited	Great Britain	Polished gemstone and jewellery sales	**(1,680)**	(1,733)	GBP	100%
Tanzanite One (SA) Limited	Republic of South Africa	Management services	**(20,686)**	(20,399)	ZAR	100%
Tanzanite One Polished Sales (Proprietary) Limited	Republic of South Africa	Polished gemstone and jewellery sales	**4,165**	4,705	ZAR	100%
Tanzanite One Holding Limited	Republic of Mauritius	Holding company	**(75)**	(61)	US$	100%
Tanzanite One Mauritius Limited	Republic of Mauritius	Rough and polished tanzanite sales	**13,652**	13,222	US$	100%
Tanzanite One Marketing DMCC	UAE-Dubai	Rough and polished tanzanite sales	**8,772**	5,394	US$	100%
Tanzanite One Mining Limited	United Republic of Tanzania	Tanzanite mining	**3,587**	3,632	US$	100%
Tanzanite One Trading Limited	United Republic of Tanzania	Rough and polished tanzanite trading	**(2,234)**	(1,336)	US$	75%
The Tanzanite Laboratory Limited	United Republic of Tanzania	Certification of tanzanite	**(184)**	(172)	US$	100%
Tsavorite One Mining Limited	United Republic of Tanzania	Tsavorite exploration	**(4,169)**	(4,019)	US$	75%
Tanzanite Foundation Limited	Nevis	Tanzanite marketing	**(4,888)**	(4,601)	US$	100%
Tanzanite One Cutting Edge	Hong Kong, China	Polished and jewellery sales	**(231)**	77	US$	100%
Tanzanite One Urafiki	United Republic of Tanzania	Cutting gemstones	**(58)**	-	US$	100%

29. RELATED PARTIES (CONTINUED)

All transfers of funds between South African entities and non-South African entities are monitored and approved by the South African Reserve Bank, and all necessary approvals have been obtained from the South African Reserve Bank.

30. SUBSEQUENT EVENTS

No material subsequent events were identified.

31. ULTIMATE HOLDING COMPANY

The company is widely owned by the public and has its primary listing on the Alternative Investment Market ("AIM") of the London Stock Exchange.

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