

04 June 2014

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

**Option Exercised to Acquire and Redevelop Sapphire Project**

Richland Resources Ltd today announces that it has exercised its option for the acquisition of 100 per cent of the Nardoo Sapphire project in Queensland Australia ("Nardoo"). The project has been acquired by Richland for consideration of AUD\$1.18 million (approximately. GBP 653,000) and 18 million fully paid new common shares in Richland (approximately 8.3% of Richland's enlarged share capital) which will be issued after a three month escrow period.

**Highlights**

- Richland will establish a major sapphire hub in Australia - first production planned within 9 months
- In accordance with project agreements, the total consideration is AUD\$1.18 million and 18million Richland shares to acquire the Nardoo sapphire project, near Sapphire in Queensland, Australia
- Rapid mine redevelopment of the Nardoo Sapphire project to bring this back into production, facilitated by previous mining on site up to 2006.
- The Nardoo sapphire project has a well defined resource and processing plant on site:
  - Measured JORC (2004) resource: 109 million carats (21.8 million grams) with an average grade of 20 carats per tonne (8 grams per loose cubic metre "LCM")
  - Existing plant capable of treating 200 LCM/hour and annual production of 4 million grams (20 million carats) of sapphire which Richland will be refurbishing as part of the mine restart
  - Priority now shifts to mine planning and engagement with regulators and stakeholders to fast track production
- Richland is planning to use existing cash resources and working capital facilities to take project into production within 9 months
- Sapphire with provenance to be sold through established Richland sales channels

Commenting on the announcement Bernard Olivier, CEO, of Richland Resources said: "Nardoo presents Richland with an opportunity to start producing high quality sapphires within a relatively short timeframe. With an established resource and the low redevelopment capex we expect to recommence sapphire production within 9 months. The value of sapphires with proven provenance is high and our intention is to sell certificated Richland stones through our various existing sales channels. Located in Queensland, Australia we also believe Nardoo brings an important

element of low country risk and high locale transparency to our portfolio as we build operations."

### **Transaction Summary**

Richland has exercised its option to acquire full ownership, control and management of Nardoo. Nardoo, previously mined by ASX listed Australis Mining Corporation Ltd ("Australis"), presents Richland with a unique opportunity to diversify the group's gemstone production. Nardoo was mined by Australis between May 2005 and March 2006 when approximately 2.29 million carats of sapphires were produced.

Prior to acquiring the project, Richland commissioned Dr Brian Senior of BR Senior and Associates Pty Ltd to prepare an independent review of the Nardoo sapphire project, mining leases and intellectual property then under option by Richland (the "Independent Report"). Dr Senior wrote the original Competent Persons Report ("CRP") for Australis as well as other independent reports on the project and is therefore very familiar with the project. Dr Senior concluded that he considers, in his capacity as an independent expert, that the acquisition price to be paid by Richland for the project can be considered "fair and reasonable". The Independent Report and other technical information on the project is summarised in the sections below.

The total consideration paid for the project is AUD\$1.18 million (approximately £653,000 or USD1.1 million) and 18 million fully paid common shares. The shares will be issued after a three month escrow period and will, when issued, represent approximately 8.3% of the enlarged share capital comprising the new shares and the current issued share capital. At the current share price (being 1.875p as at close of business on 3 June 2014) the consideration shares are worth approximately £337,500 (approximately USD567,000). The aggregate consideration is therefore approximately £990,500 (USD1.66 million).

### **Project Summary**

Nardoo consists of two new mining leases (ML 70419 and ML70447, which were both granted on 1 April 2014 for a period of five years) comprising about 490 hectares and associated assets. The mining leases are each renewable under the Queensland Mining Act (the "Act"), if the renewal is in full compliance with the Act. The mining leases are held in GregCarbil Pty Limited ("Gregcarbil") a special purpose vehicle setup especially for the purpose of holding the mining leases and which acquired the mining leases in compliance with the Act. As part of the acquisition of Nardoo, Gregcarbil is now a 100% owned subsidiary of Richland. The mining leases contain a JORC (2004) Measured Sapphire Resource of approximately 21.6 million grams (109 million carats) of sapphire, based on extensive previous exploration and following a brief period of mining by Australis. The associated assets to be acquired comprise the tangible assets (including the processing plant), completed exploration, operational and sales data over the mining leases.

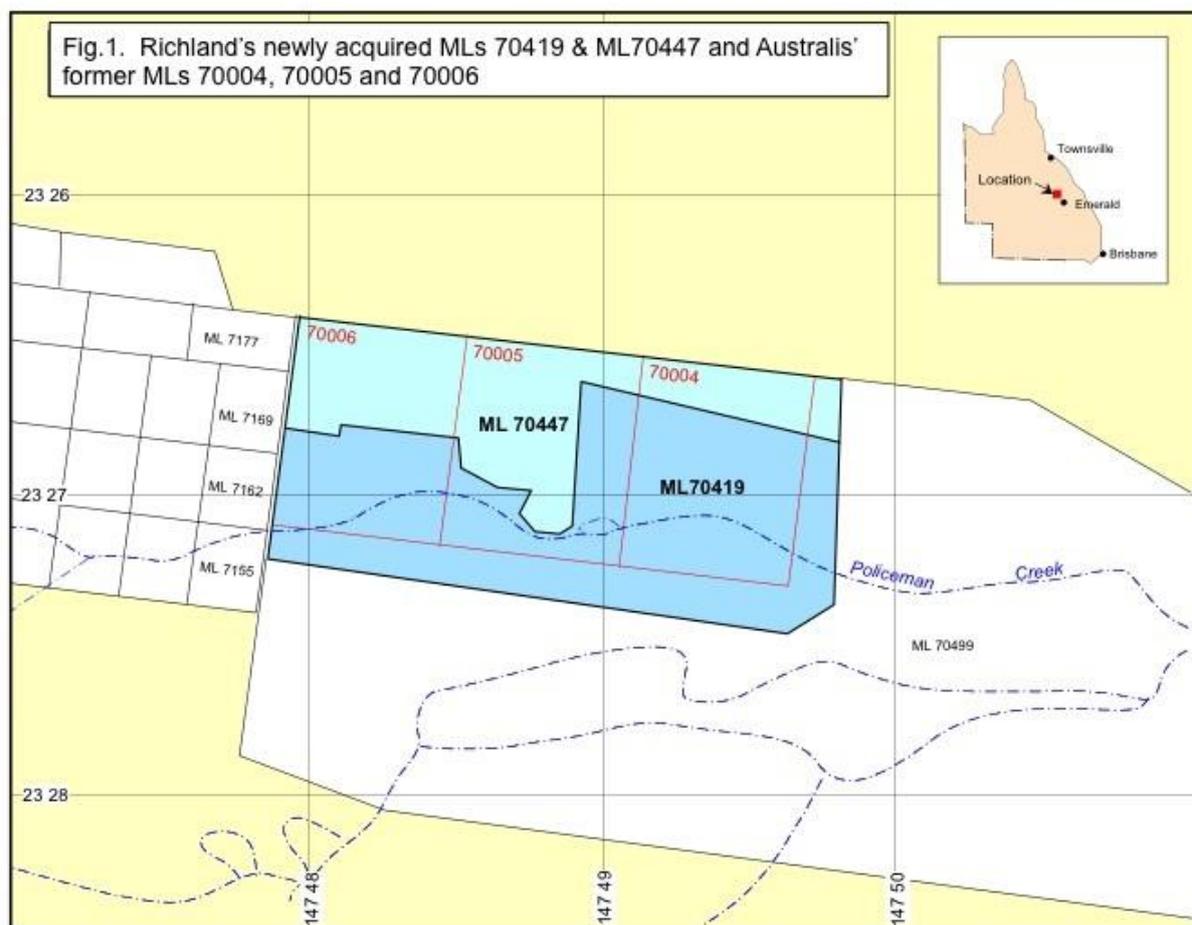
The acquisition of a significant proven sapphire resource with existing mine infrastructure and straightforward alluvial mining will enable Richland to bring Nardoo back into production within 9 months. While first production can be achieved through a mine restart, Richland has identified Nardoo as having the capacity for significant scalability in terms of sapphire production. Mining of the current JORC (2004)

delineated resource can be increased through low cost exploration at prospective targets within the licences.

The deposit has a large blue colour resource and it also produces yellow and green and parti-colour material which would be of interest for the growing fancy colour industry. While the Nardoo resource does contain special large stones, Richland believes that the strength of the resource is in supplying sapphires of verifiable origin in large quantities in the sizes, grades and colours used by the international jewellery market.

## Geological Setting and JORC Resource

This deposit lies within the Queensland Sapphire Gemfields, located near the township of Sapphire in Central Queensland. In total the project tenements (mining leases 70419 & 70447) cover approximately 494 hectares of potential sapphire-rich alluvial placers within this known gemfield (see Figure. 1).



[http://www.rns-pdf.londonstockexchange.com/rns/79671\\_-2014-6-4.pdf](http://www.rns-pdf.londonstockexchange.com/rns/79671_-2014-6-4.pdf)

The two wholly owned mining leases have a JORC (2004) measured resource of 109 million carats of sapphire. The JORC (2004) resource was based on Calweld drilling (1 metre plus wide diameter rig capable of measure significant volumes of material near to surface), and bulk sampled in 1991 and later by infill drilling in 2004. An alluvial placer area of 115ha was identified that contained an estimated 22 million grams (109 million carats) at an average grade of 8g/LCM on the original Australis mining leases. As part of the JORC (2004) resource an average grade of 8 g/LCM

was calculated from drilling and bulk sampling of the mining leases. These tenements originally covered an area of approximately 390ha and comprised mining leases 70004, 70005 and 70006. These mining leases are now encompassed and replaced by mining leases 70419 & 70447 (please see Table 1 below). Additional sapphire-rich alluvial gravel in the region has also been identified and could potentially be purchased at a later stage to further extend the resource base.

**Table 1. MINING LEASES CONTAINING SAPPHIRE RESOURCES, JORC (2004)**

<b>Mining Lease No.</b>	<b>Registered Owner</b>	<b>Interest</b>	<b>Period</b>	<b>Licence Area (ha)</b>	<b>Resources status</b>
70419 Policeman's Run	Gregcarbil	100%	Commenced 1.4.2014 Expires 31.3.2019	318.8771	Measured Sapphire Resource
70447 Policeman's Run North	Gregcarbil	100%	Commenced 1.4.2014 Expires 31.3.2019	175.0037	Measured Sapphire Resource.
70451 Rush Sorting	Armfest being transferred to Gregcarbil	100%	Commenced 14.11.2012 Expires 30.11.2017	0.1621	Mining lease for water supply located 10km from the Measured Sapphire Resources.
<b>Total area</b>				<b>494.0429</b>	

### **Historical Production**

During their 11 months of mining operations, Australis used open-pit mining techniques to exploit sapphires and produced a total of 2.3 million carats. Australis reported that the production period included significant plant commissioning, modifications and efficiency improvements, including the installing of a 10km water pipeline to supply the processing plant with adequate water. Their final quarter of production (Q1 2006) produced 651,199 carats at an average grade of 8gram/LCM (20.1 carats per tonnes).

Whilst operating the project, Australis experienced *inter alia* working capital shortfalls during the ramp up phase, which resulted in the company being placed into voluntary administration. The mining operation was subsequently closed in 2006 and the mining leases cancelled thereafter. The new mining leases were awarded to third parties. Australis has no ongoing involvement with either Richland or the Nardoo project.

Additional historic data is also available from public data in relation to mining of the neighbouring licences (mining leases 7169 and 7162) in 2001 situated immediately west of mining lease 70006 and on the same palaeo-channel system. The available quarter's production on these licenses averaged 11.35 gram/LCM and 11.5 gram/LCM respectively which further substantiates the average grade of 8gram/LCM for Nardoo.

The size and quality of stones produced from Nardoo is also significant for Richland. In addition to high levels of sapphire recovered greater than 4.1 millimetres and greater than 5.5 millimetres in size, a number of "special" gemstones (those over about 10 carats in weight) have also been produced from Nardoo. Sapphires in this size range carry a significant premium to the smaller sapphires. "Special" gemstones produced during the 11 months of previous mining included a 63 carat dark blue sapphire, 41 carat yellow/green/blue fancy-colour sapphire, 33 carat yellow green sapphire, 31 carat blue sapphire, 20 carat green sapphire (see figure 2) The market for fancy colour sapphire is increasing and these gemstones attract significant interest.

[http://www.rns-pdf.londonstockexchange.com/rns/7967I\\_-2014-6-4.pdf](http://www.rns-pdf.londonstockexchange.com/rns/7967I_-2014-6-4.pdf)

**Figure 2. Photograph of a "special" sapphire weighing 31.44 ct produced at Nardoo**



### **Processing Plant and Equipment**

At the time they commenced mining, Australis commissioned a purpose-built alluvial processing plant which was reportedly the largest of its kind in the southern hemisphere which Richland understands had an original cost value of approximately AUD\$2.5million. The processing plant was specified as being capable of treating 200

LCM per hour and consequently could potentially result in an annual sapphire production of approximately 4.16 million grams (20.8 million carats) (see figure 3). The processing plant has remained on site and has been acquired by Richland. Independent assessment of the condition, and timescales for the re-commissioning, of the plant have been obtained.

The current mine life of Nardoo, based on the remaining and identified JORC (2004) Measured Sapphire Resource, containing an average grade of 8.0 grams per LCM, would last for approximately 5.2 years if the plant is operating at full capacity. However, Richland is assuming a more conservative throughput of 20 million grams of sapphire (100 million carats) over a period of 8 years.

[http://www.rns-pdf.londonstockexchange.com/rns/79671\\_-2014-6-4.pdf](http://www.rns-pdf.londonstockexchange.com/rns/79671_-2014-6-4.pdf)

**Figure 3. 200 LCM per hour processing plant at Nardoo**  
**Global sapphire market**



Sapphires make up a significant part of the global colour gemstone market but with extraction in the main remaining generally artisanal and small scale, with a fractured supply market. This variable, and in some instances declining production in the major production areas of the world, have led to inconsistent supply channels. Richland believes that the Chinese market demand for sapphire is increasing beyond their own domestic supply and, furthermore, that the US jewellery and gemstone market continues in its strengthening and recovery since 2013.

Single-origin supply of commercial colours and quantities are difficult to find due to blending in the wholesale and polishing markets. Richland has the expertise to apply first-rate mining practices to a proven sapphire resource and create a platform to supply consistent quantities of source-assured, ethical gemstones to major international buyers for mine-to-market assured supply chains.

#### **Issue of Shares after escrow period**

After the three month escrow period has been completed an application will be made to the London Stock Exchange for the admission of 18 million new common shares

to trading on AIM ("Admission"). At this time the Company will make an announcement regarding the issuing of the new shares, increased issued share capital and commencement of dealing in the new shares.

**Qualified Person's Declaration.**

Brian R. Senior. B.Sc.(Hons), M.Sc., Ph.D., F.Aus.I.M.M., Geological Consultant and the principal of B.R. Senior & Associates Pty Ltd, has reviewed and approved for release the geological and technical information contained within this press release, in his capacity as a "competent person" as required under the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Senior is a Fellow, in good standing, of the Australasian Institute of Mining and Metallurgy and has in excess of 40 years of experience and knowledge in gemstone exploration and mining.

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**Glossary of technical terms:**

"Alluvial placer"	A surficial mineral deposit formed by mechanical concentration of heavy mineral particles from weathered rocks in a river valley.
"cpt"	Carats per tonne
"CPR"	Competent Persons Report
"LCM"	loose cubic metre
"Measured Mineral"	that part of a Mineral Resource for which tonnage, densities, shape, physical

Resource"

characteristics, grade, and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling, and testing information gathered through appropriate techniques from outcrops, trenches, pits, workings, and drill holes. The locations are spaced closely enough to confirm geological and grade continuity. A Mineral Resource is consistent with the Measured Category when the risk associated with the accumulated mineral estimate is less than 10% (at a 90% confidence level).

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concentration or occurrence of material of economic interest in or on the earth's crust in such form and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity, and other geological characteristics of a Mineral Resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well-constrained and portrayed geological model.

" Mineral Resource"

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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.

"JORC"

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the 2004 edition of the JORC code

"JORC (2004)"

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A gem quality corundum  $Al_2O_3$  other than ruby. Especially the blue transparent and coloured varieties of crystalline corundum containing small amounts of oxides of cobalt, chromium and titanium.

"Sapphire"

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**Notes:**

Exchange rates used: AUS\$1.81/GBP; US\$1.68/GBP (rounded to 2 decimal places)

Sapphire: 5 carats = 1 gram