



23 September 2014

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

**Interim Results for the half year ended 30 June 2014 (unaudited)**

**Richland Resources Ltd**, the gemstones producer and developer, today announces its interim results for the half year ended 30 June 2014.

On 20 June 2013 a joint mining licence was issued to Richland's wholly owned subsidiary, TanzaniteOne Mining Limited ("**TML**"), and the State Mining Corporation of Tanzania ("**STAMICO**"). Since then the tanzanite mine in Tanzania (the "**Mine**"), previously operated solely by TML, has been operated as a 50:50 joint venture between TML and STAMICO (the "**TML & STAMICO JV**"). Consequently, the results for the half year ended 30 June 2014 reflect TML's share of the TML/STAMICO JV results and are therefore not directly comparable to the results for the half year ended 30 June 2013 which reflected TML's sole operation of the Mine.

**Financial Summary**

- EBITDA loss of \$0.8 million (profit \$0.2 million in 1H 2013)
- Revenue of \$3.8 million (\$7.5 million in 1H 2013)
- Gross margin achieved 36% (43% in 1H 2013)
- As at 30 June 2014
  - \$2.2 million consolidated cash and cash equivalents (excluding overdraft of \$1 million)
  - \$3.5 million trade and other receivables
  - \$1.2 million Tanzanite inventory stock (\$1.4 million at YE2013)
  - Total assets of \$32.6 million;
    - Total current assets of \$7.3 million
    - Total non-current assets of \$25.3 million
- Completion of Placing and Open Offer on 15 January 2014, successfully raising approximately \$4.3 million (net) via the issue of 81,060,944 New Common Shares.

**Operations Summary**

- Richland initiated a strategic and operational review during period.
  - Capital deployment in further TML operations restricted pending full resolution of security situation for workers by Tanzania Government
  - Focus on redevelopment of the acquired, Capricorn Sapphire asset, Queensland Australia
  - Significant cost cutting programme initiated across all areas of the group including a voluntary 50% reduction of Board salaries
- **Tanzanite Mining Limited**
  - Full review, in conjunction with TML subsidiary board, regarding implementation of Tanzania mine optimisation and cost reductions to reflect current tanzanite mining profile.
  - Illegal underground mining activities from neighbouring mines during the period continued to have a severe negative impact on results.
  - Large areas of known high grade zones remain inaccessible to the Company due to damage to shafts by illegal miners.
  - Optimisation of plant and process including installation and upgrading of CCTV



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- Production levels were increased to 2.35 million carats (inclusive of STAMICO's share) in the first half of 2014, up 53% from 1.54 million carats in 1H 2013.
  - Average recovered grade of 178 carats per tonne achieved in 1H 2014 compared to 93 carats per tonne achieved in 1H 2013
  - The Tanzanite Experience ("TTE") sales at \$0.97 million were 24% lower in first half of 2014 compared to the same corresponding period in 2013
  - Armed robbery with theft of tanzanite with an estimated value of less than \$75,000.
- **Capricorn Sapphire Project**
    - Option exercised to acquire Australian Sapphire project, Australia
    - Plan for mine redevelopment initiated, targeting first production by Q1 2015

## Post-period Summary

- Six month extension of exclusivity period re MOU regarding graphite operations signed between TML & STAMICO JV and Kibaran Resources
- Tanzanite Foundation New York office closed with approximate \$300,000 expected annual cost saving
- Environmental approval obtained for sapphire project. Plant and site restoration commenced, with project re-branded as Capricorn Sapphire
- Successful commencement of a government-coordinated exercise to evict illegal miners from the Mine Licence area.

Commenting on the results, Chief Executive Officer, Bernard Olivier said: "The period saw us affect some necessary changes to move Richland forward into long-term profitability. While tanzanite production has formed the base of operations for many years we have begun the process of diversifying Richland's portfolio with the acquisition of the Capricorn Sapphire project in Australia. Production of sapphire should begin by Q1 2015 and provide a reliable source of gemstones to customers, being situated in a politically stable country with a proven track record in sapphire production. We shall continue to monitor the local security situation in Tanzania and Government's willingness to make the whole of our licence area safe for workers. In the meantime we have been working closely with the subsidiary board of TML who have taken steps to optimise operations and reduce costs."

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## Notes to the Editor:

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



## Financial Performance

A new Mining Licence (“ML”) was granted to TML on 20 June 2013, which replaced the previous Special Mining Licence, which had expired in August 2012. The New Mining licence is held jointly, on a 50:50 basis, between TML and STAMICO.

On 5 and 12 December 2013 the joint venture agreements were signed between TML and STAMICO (the “STAMICO Agreements”) and govern the relationship between the parties, the operation of mining in the Mining Licence Area and the sharing of revenue, income and costs arising from mining in the Mining Licence Area. The STAMICO Agreements only relate to the mining operations in the Mining Licence Area and do not include other Group activities in Tanzania.

Under the STAMICO Agreements, both TML and STAMICO have a 50% undivided participating interest in the joint operation and STAMICO will reimburse TML a sum of US\$ 4 million (inclusive of tax) in recognition of the expenditure incurred by TML in developing mine infrastructure prior to the date of the issue of the ML. This will be paid by STAMICO utilising 40% of its share of the net residual profit payable to STAMICO until the amount is paid in full.

As a result of entering into the STAMICO Agreements only 50% of mine revenue and mine costs from 20 June 2013 onwards are recognised in the accounts of TML.

The movement in revenue, cost of sales and operating expenses and the receivables and payable balances of TML have consequently been apportioned on a 50:50 bases between TML and STAMICO in accordance with IFRS 11, *Joint Arrangements* post the new ML grant date.

The approach adopted in accordance with this standard therefore results in the financial performance for the two periods (1H 2014 and 1H 2013) being incomparable as the 1H 2013 reflects the financial performance of TML when it solely operated the Mine

Key Statistics 1H 2014	1H 2014 US\$M	1H 2013 US\$M	Change US\$M
EBITDA (loss)/profit (FX gain of \$0.1M in 2014 \$0.9M in 2013)	(0.80)	0.20	(1.0)
Net loss after tax	(1.2)	(0.55)	(0.65)
Revenue	3.90	7.50	(3.60)
Depreciation and amortisation	0.70	0.80	(0.1)
Corporate admin & other operating costs	0.50	0.70	(0.20)
Mine administration	0.75	1.50	(0.75)

## Sales

Sustained illegal underground mining at the TML tanzanite mining operations in Tanzania remained an issue during the period. Following the recovery of the Northern part of the licence area, the extent of the damage to the recovered shafts were more significant than expected and rehabilitation



of the mining areas will take longer than expected. Other key producing areas of our licence have not yet been returned to the Company and as a consequence, full access to the high grade zones was not available, creating an adverse effect on the sales and quality mix during the period.

Revenue achieved at The Tanzanite Experience (“TTE”) was 24% lower compared to the 1H 2013. Instability in countries neighbouring Tanzania and travel warnings put in place to Kenya by the US have resulted in a significant decline in tourists to the East Africa Community.

	1H 2014	1H 2013	Change
Gross margin as %	36%	43%	(16%)
Other sales in \$M	2.93	6.23	(53%)
Tanzanite Experience in \$M	0.97	1.27	(24%)

### Costs

Management continued to focus on cost control. It has undertaken a group wide strategic review of its operations, which includes a review of all costs, revenue optimisation and the best use of available funds for investment.

Corporate administration and other operating costs reflect costs incurred in administering the company’s stock exchange listing, corporate compliance, investors relations activities, financial and legal consulting and other general administrative costs.

### Production

More carats were realised from less tonnage processed.

	1H 2014	1H 2013	Change
Production in millions of cts	2.35*	1.54	53%
Tonnages processed in 000 tonnes	13.2*	16.6	(21%)

\* Includes STAMICO’s share of joint operation’s production.

### Cash and tanzanite inventory

Tanzanite inventory levels are 14% lower from those as at 31 December 2013 with cash & cash equivalents (ex overdraft) up by 144% at \$2.2M.

All figures in US\$M	30 Jun 2014	31 Dec 2013	30 Jun 2013
Cash & cash equivalents ex overdraft	2.2	0.9	1.5
Tanzanite inventory	1.2	1.4	1.9

The overdraft facility of US1.1M is reviewed annually and has been in place since 2008.



## **Open offer and placing**

On 16 January 2014 it was announced that valid applications were received in respect of 52,119,776 Open Offer Shares from Qualifying Shareholders representing approximately 44 per cent of the total Open Offer Shares. In total, Richland raised approximately £2.76 million (approximately \$4.5 million gross; \$4.3 million net) via the issue of, in aggregate, 81,060,944 New Common Shares. Application has been granted by the London Stock Exchange for the admission of 81,060,944 New Common Shares to trading on AIM. Following the issue of the New Common Shares, the Company's issued share capital will consist of 199,209,895 Common Shares.

## **Operational Overview**

TML, a wholly owned subsidiary of Richland, has since 2012 experienced sustained illegal underground mining on its Block C licence from neighbouring blocks and this continued during the first half of 2014. The illegal mining activities have resulted in significant danger to our employees and substantial damage to the mining infrastructure in Bravo, Delta, Investor and CT Shafts as well as theft of gemstones, especially those of high quality. The Company is working with the Zonal Mines Office (part of the Tanzanian Ministry of Energy and Minerals), police and other government officials in an effort to counteract the illegal underground mining into its licenced areas and several police cases have been filed but progress on recovering illegally occupied areas has been slower than the Company had anticipated it would be.

In order to counteract the impact of the illegal mining activities on its operations, TML optimised its remaining work area as much as possible. Therefore despite the continued operational challenges in the first half of 2014, the TML & STAMICO JV achieved production totalling 2,348,024 carats from the processing of 13,169 tonnes of material at an average recovery grade of 178 c/t. This represents a 53% increase in the carats produced, an 21% decrease in the tonnes processed and a 91% increase in the recovery rate compared with 1H 2013. However, despite the mining optimisation and increase in production and grade, the quality distribution remains impacted by the illegal mining activities, resulting in a decrease in the quality and value of the tanzanite mined by TML.

## **Sapphire Project Redevelopment**

On 4 June 2014, Richland exercised its option for the acquisition of 100 per cent of the Nardoo Sapphire project, subsequently renamed the Capricorn Sapphire Project. The project was acquired by Richland for consideration of AUD\$ 1.18 million (approximately US\$ 1.10 million) and 18 million fully paid new common shares in Richland (approximately 8.3% of Richland's enlarged share capital) to be issued after a three month escrow period from the date of the acquisition.

Highlights of the Capricorn Sapphire Project include:

- Rapid mine redevelopment of the Nardoo Sapphire project to bring this back into production, facilitated by previous mining on site until 2006;
- 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; and
  - Priority now shifts to mine planning and engagement with regulators and stakeholders to fast track production.
- Sapphire with provenance to be sold through established Richland sales channels



Plant and site restoration progressing well and first production expected during the first quarter of 2015.

### **Post Period Overview**

On 8 August 2014 it was announced a 6 month extension of the exclusivity period granted to ASX quoted Kibaran Resources Limited (ASX: KNL, "Kibaran") by the STAMICO & TML JV regarding the consolidation and development of the parties respective graphite assets located in Northern Tanzania. Richland looks forward to the parties concluding an agreement together.

On 18 August 2014 the following progress was announced in relation to the group's Australian Capricorn Sapphire project:

- Plant and plant site refurbishment commenced in August 2014.
- Plan of Operations for the refurbishment of the plant and plant site has been approved by Queensland Government
- Financial Assurance bond has been lodged with the Queensland Government

Work at the Capricorn Sapphire project centered on re-commissioning the purpose-built alluvial processing plant, which at the time of its original commissioning was reported as the largest of its kind in the southern hemisphere. The processing plant is specified as being capable of treating up to 200 loose cubic metres ("LCM") per hour and consequently could potentially result in an annual sapphire production of approximately 4.16 million grams (20.8 million carats).

Richland has also been engaged in an on-going review of operations across all areas of the group. Following a consultation period with key stakeholders, including sightholders, mining and market stakeholders, it has been decided tanzanite shall be represented through a centralised body serving both mature markets like the US and Europe, and growth markets in Asia. The subsequent resource re-allocation will best fit the requirements of Richland and sightholders alike. The New York representative office of Tanzanite Foundation ("TFL") will therefore close with promotional, educational and information distribution functions being absorbed by the existing global operations. It is anticipated that Richland will benefit from an annual cost saving of approximately \$300,000 per annum that will be achieved from the operational restructuring of TFL.

An armed robbery occurred on the night of 17 July 2014 when night-shift production was being transported from the mine shaft to the secured sorting facility, no employees were injured, and approximately 15kg of unsorted tanzanite bearing material was stolen with an estimated value of less than US\$75,000.

On 8<sup>th</sup> September 2014 the TML & STAMICO JV in conjunction with the Field Force Unit of the Tanzanian Police and officials from the Ministry of Energy and Minerals commenced an operation to re-claim areas of the Mine licence area still occupied by illegal miners. This operation involved removing illegal miners found within the licence area of the Mine, the issuance of eviction notices by the Ministry of Energy and Mineral to adjoining small scale miners whose licence areas have been used to access the mine, and the securing and making safe of areas occupied by illegal miners. This exercise is likely to take several weeks and a market update will be provided in due course.



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## **Glossary**

<b>ct</b>	carat
<b>dollar or \$</b>	United States Dollar
<b>g/t</b>	grammes per tonne, measurement unit of grade (1g/t = 1 part per m)
<b>JORC code</b>	Australasian code for reporting of Mineral Resources and Ore Reserves
<b>tonne</b>	1 Metric tonne (1,000kg)



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## Financial Statements

### Richland Resources Ltd

Condensed Consolidated Statement of Profit and Loss

For the Half Year ended 30 June 2014

(Unaudited)

	1H 2014 \$'000	1H 2013 \$'000	FY 2013 \$'000
Revenue	3,842	7,538	11,587
Cost of sales	(2,444)	(4,320)	(7,113)
<b>Gross profit</b>	<b>1,398</b>	<b>3,218</b>	<b>4,474</b>
<i>Gross margin %</i>	36%	43%	39%
Other income	81	-	215
Corporate administration and other operating costs	(497)	(692)	(1,917)
Mine administration	(749)	(1,472)	(2,063)
Selling and distribution costs	(1,008)	(1,620)	(2,974)
Royalties	(53)	(96)	(202)
Foreign exchange gains/(loss)	95	954	773
Financing costs paid	(37)	(93)	(133)
<i>Profit/(loss) before depreciation, amortisation and impairment</i>	(770)	199	(1,827)
Depreciation, amortisation and impairment	(729)	(750)	(3,477)
<b>Loss before income tax</b>	<b>(1,499)</b>	<b>(551)</b>	<b>(5,304)</b>
Income tax credit/(charge)	276	5	834
<b>Loss after income tax</b>	<b>(1,223)</b>	<b>(546)</b>	<b>(4,470)</b>
Non-controlling interest	(34)	15	11
<i>Loss attributable to equity holders of parent</i>	(1,189)	(561)	(4,481)
<i>EPS (basic – cents)</i>	(0.60)	(0.47)	(3.79)
<i>EPS (diluted – cents)</i>	(0.60)	(0.47)	(3.79)





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## Richland Resources Ltd

### Consolidated Statement of Financial Position As at 30 June 2014 (Unaudited)

	1H 2014 \$'000	1H 2013 \$'000	FY 2013 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	22,583	23,701	21,810
Deferred tax assets	2,658	1,803	2,383
Inventories	87	89	81
<b>Total non-current assets</b>	<b>25,328</b>	<b>25,593</b>	<b>24,274</b>
<b>Current assets</b>			
Inventories	1,458	2,458	1,645
Income tax recoverable	168	721	168
Trade and other receivables	3,459	3,811	2,647
Cash and cash equivalents	2,235	1,463	897
<b>Total current assets</b>	<b>7,320</b>	<b>8,453</b>	<b>5,357</b>
<b>Total assets</b>	<b>32,648</b>	<b>34,046</b>	<b>29,631</b>
<b>Equity</b>			
Share capital	61	36	36
Share premium	51,128	46,855	46,855
Convertible loans	-	-	453
Share options outstanding	896	896	896
Foreign currency translation reserve	(1,511)	(1,518)	(1,509)
Accumulated loss	(29,575)	(24,464)	(28,386)
<b>Total equity attributable to parent equity holders</b>	<b>20,999</b>	<b>21,805</b>	<b>18,345</b>
Non-controlling interest	(107)	(69)	(73)
<b>Total equity</b>	<b>20,892</b>	<b>21,736</b>	<b>18,272</b>
<b>Non-current liabilities</b>			
Provision for environmental rehabilitation	81	143	74
<b>Total non-current liabilities</b>	<b>81</b>	<b>143</b>	<b>74</b>
<b>Current liabilities</b>			
Trade and other payables	8,247	8,310	8,388
Current income tax liabilities	2,178	2,345	2,199
Bank overdraft	1,017	989	402
Interest-bearing borrowings	111	523	174
Provision for environmental rehabilitation	122	-	122
<b>Total current liabilities</b>	<b>11,675</b>	<b>12,167</b>	<b>11,285</b>
<b>Total liabilities</b>	<b>11,756</b>	<b>12,310</b>	<b>11,359</b>
<b>Total equity and liabilities</b>	<b>32,648</b>	<b>34,046</b>	<b>29,631</b>
<i>Number of shares in issue (million)</i>	199.2	118.1	118.1
<i>Net asset value per share (US cents)</i>	10.49	18.40	15.47



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## Richland Resources Ltd

### Condensed Consolidated Statement of Cash Flows For the Half Year Ended 30 June 2014 (Unaudited)

	1H 2014 \$'000	1H 2013 \$'000	FY 2013 \$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	(1,526)	686	1,224
Financing cost paid	(30)	(88)	(75)
Income tax paid	-	(9)	(14)
Net cash (used in)/generated from operating activities	<b>(1,556)</b>	<b>589</b>	<b>1,135</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	(376)	(168)	(1,414)
Acquisition of interest in subsidiary	(1,124)	-	-
Proceeds on disposal of property, plant and equipment	-	41	650
Net cash used in investing activities	<b>(1,500)</b>	<b>(127)</b>	<b>(764)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest-bearing borrowings	(63)	(374)	(723)
Proceeds from issue of shares	3,844	-	-
Proceeds from convertible loans	-	-	453
Net cash generated from/(used in) financing activities	<b>3,781</b>	<b>(374)</b>	<b>(270)</b>
Net increase in cash and cash equivalents	<b>725</b>	<b>88</b>	<b>101</b>
<b>Movement in cash and cash equivalents</b>			
Exchange (losses)/gains	(2)	-	8
At the beginning of the period	495	386	386
Increase	725	88	101
At the end of the period	<b>1,218</b>	<b>474</b>	<b>495</b>