



**26 November 2014**

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

**Proposed sale of Tanzanian mining operations  
and  
Notice of Special General Meeting**

**Highlights**

- The Company has agreed the USD5.1m conditional sale of its Tanzanian mining, exploration and cutting operations
  - Sale is subject *inter alia* to shareholder, ministerial and SARB approval
- Tanzanite Experience retail chain not included in the sale
- USD10.8m of existing liabilities to be transferred post sale
- Additional rights to payments of up to USD1.2m, representing 30% of STAMICO/TML JV Deferred Consideration until 2019
- Focus on re-development of Capricorn Sapphire mine, Australia for first production Q1 2015
- Notice of a Special General Meeting to be held at **10 a.m. on 22 December 2014 will be posted to Richland shareholders to approve the sale**

Richland Resources Ltd, the AIM listed gemstone producer and developer, today announces that following a comprehensive review of the strategic options available for its mining operations in Tanzania, it has entered into a conditional sale agreement dated 25 November 2014 ("**Sale Agreement**") with Sky Associates Group Limited ("**Sky Associates**") pursuant to which the Company will sell to Sky Associates the Group's tanzanite mining and beneficiation business and tsavorite license interests in Tanzania (the "**Sale**"). The Sale is conditional *inter alia* on approval of the Sale by:

- (a) the Company's shareholders ("**Shareholder Approval**"),
- (b) the Minister of Energy and Minerals of the Republic of Tanzania ("**Ministerial Approval**"); and
- (c) the South Africa Reserve Bank (if required) ("**SARB Approval**").

**Reasons for the sale and use of proceeds**

Given the continuing operational uncertainties in relation to the tanzanite mining operations of TanzaniteOne Mining Limited ("**TML**"), including the sustained period that it has not been possible to operate profitably, and the need for funding to be provided, the board of directors (the "**Board**") strongly believe that this deal is in the best interest of the Company's shareholders.

Following completion of the Sale, and after expenses relating to the Sale, the Group would on a pro forma basis have had a cash balance as at 30<sup>th</sup> June 2014 of USD6.9 million with all historic liabilities from TML removed. The Group intends to use the Sale proceeds to fund the ongoing work programme and further development of its Capricorn Sapphire Project in Queensland Australia and for general working capital purposes. As announced on 4 November 2014, all site works related to the refurbishment of the plant and plant site remain on schedule and are progressing systematically. The Capricorn Sapphire Project remains on schedule to start production during the first quarter of 2015.

**Details of the Sale**

Pursuant to the terms of the Sale Agreement Sky Associates will acquire (i) Richland's wholly owned subsidiary, TanzaniteOne (SA) Proprietary Ltd (which holds the interest in TML and all companies related to tanzanite mining, (ii) TsavoriteOne Limited, and (iii) Urafiki Gemstones EPZ Ltd which owns the cutting facilities. In addition to the physical assets held by TML, TML is party to a 50:50 joint venture agreement ("**STAMICO JV Agreement**") with the State Mining Corporation of the United Republic of Tanzania in respect of Mining Licence 490/2013 which includes certain mining rights in respect of tanzanite and graphite. Under the Sale Agreement, the companies being acquired by Sky Associates will transfer with approximately USD10m of existing liabilities. In addition, Sky Associates



has agreed that it will pay 30% of any deferred consideration received by TML under the STAMICO JV Agreement to Richland up until 31 December 2019, subject to adjustment in accordance with the level of third party debt owing by the Target Companies as at 31<sup>st</sup> October 2014.

The key material terms of the Sale Agreement are:

- The purchase price payable by Sky Associates is the aggregate of: (i) USD5,100,000 (the “**Initial Consideration**”) subject to adjustment by reference to the level of third party debt owing by the Target Companies as at 31<sup>st</sup> October 2014; and (ii) additional consideration based on and calculated by reference to profits received by TML under the **STAMICO JV Agreement**;
- USD510,000 (10% of the Initial Consideration, being the “**Signing Consideration**”) to be paid by Sky Associates to the Company on exchange of contracts (“**Exchange**”);
- USD510,000 (the “**Escrow Amount**”) to be paid within 10 business days of Exchange into an escrow account administered by the Company’s solicitors or by the Company to be held on trust under the escrow arrangements set out in the Sale Agreement on account of that part of the purchase price payable on satisfaction of the various conditions in the Sale Agreement;
- USD510,000 (being the “**Deferred Consideration**” and part of the Initial Consideration) will be paid by the Seller to Richland on the sixth month anniversary of Exchange, such Deferred Consideration to be adjusted in accordance with the level of third party debt owing by the Target Companies as at 31<sup>st</sup> October 2014; and
- the remaining 70% of the Initial Consideration and the Escrow Amount to be paid on satisfaction of specific conditions including *inter alia* the Shareholder Approval, the Ministerial Approval and the SARB Approval.

If Ministerial Approval is not obtained by Sky Associates within 90 days of Exchange then Richland will retain the Signing Consideration. If Shareholder Approval has not been obtained within 90 days of Exchange, Richland will refund to Sky Associates the Signing Consideration in full, and pay Sky Associates an additional USD510,000. Should SARB Approval be required and is not obtained within 90 days of the Exchange, Richland is obliged to repay the Signing Consideration to Sky Associates.

#### **Information on assets subject of the Sale**

As at 30 June 2014, the net assets of Tanzanite One (SA) Proprietary Ltd and associated entities subject of the Sale were approximately USD17.6m. For the 6 months ended 30 June 2014, the loss before income tax relating to these assets was USD858k.

#### **Financial Effect of the Sale**

The Sale will be for a net consideration of approximately USD4.95m (after associated expenses) and Richland will post a profit on the Sale of approximately USD490k.

The Group companies being acquired by Sky Associates will transfer with approximately USD10m of existing liabilities, leaving Richland with no borrowings or provisions. The companies being acquired by Sky Associates will retain any historic tax and royalty liabilities associated with the tanzanite business.

#### **Shareholder Circular and Notice of Special General Meeting**

Consequently, a shareholder circular, incorporating notice of a Special General Meeting to approve the Sale, will be posted to shareholders. The Special General Meeting will be held **10 a.m. on 22 December 2014 at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda**. A copy of the shareholder circular will be available shortly on Richland’s website: [www.richlandresourcesltd.com](http://www.richlandresourcesltd.com)

#### **Irrevocable undertakings**

The Directors have irrevocably undertaken to vote in favour of the resolution to approve the Sale in respect of the shareholdings in which they are interested, amounting to 33,609,435 Shares, representing 15.5 per cent. of the Company’s current issued share capital.



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

“The proposed sale allows Richland to focus on sapphire production in Queensland and use our mining and marketing experience to rapidly build revenues and profits. In Tanzania the safety situation, liabilities and changes in legislation relating to gemstone production have made tanzanite mining extremely challenging for a public company such as ourselves. I look forward to developing new coloured gemstone lines for Richland and its shareholders.”

Defined terms used in this announcement are taken from the Circular.

**For more information please contact:**

Bernard Olivier  
Chief Executive Officer  
+61 4089 48182

Mike Allardice  
Group Company Secretary  
+852 91 864 854

Nominated Advisor & Broker (AIM)  
RFC Ambrian Limited  
Samantha Harrison  
+44 (0) 20 3440 6800

Laurence Read  
Corporate Development and Communications Officer  
+44 (0)20 3289 9923

1. <a href="http://www.richlandresourcesltd.com">http://www.richlandresourcesltd.com</a>
--