2012
ANNUAL REPORT

RICHLAND
RESOURCES

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Chairman's Statement

"Despite the mining optimisation and increase in production, the quality distribution has been severely impacted by the illegal mining activities, which predominantly focused on higher-quality areas within our mining operations, resulting in a significant decrease in the quality and value of the gemstones mined by TML."

The 2012 financial year was an extremely challenging period for the Company, especially regarding its tanzanite mining operations in Tanzania. TanzaniteOne Mining Limited ("TML" or "TanzaniteOne"), the wholly-owned subsidiary of Richland, faced significant operational challenges as a direct result of constant invasions by illegal miners at our mine site.

TML experienced a significant increase in illegal underground mining into its operations during 2012, with the illegal miners entering underground from neighbouring blocks. The illegal mining activities have resulted in significant danger to our employees and very substantial damage to our mining infrastructure at Bravo, Delta, Investor and CT-Shafts; with considerable theft of gemstones, especially those of high quality, and damage to underground infrastructure and equipment. Due to the aggressive nature of these incursions, which included shooting of firearms and the use of home-made explosive devices, it has proved very difficult to maintain proper security at the mine site and the risk to our staff is substantial. Several employees have been severely injured by the attacks, including a security member who lost limbs and his eyesight. We have repeatedly called for assistance from the Ministry and Police, however due the lack of assistance provided by the Government, we have had to evacuate and abandon most underground mining areas invaded by the illegal miners in order to protect our employees.

In order to try to counteract the impact of the illegal mining activities on its operations, TML optimised its remaining work areas as much as possible and managed to increase the average grade from 58 carats per tonne (ct/t) in 2011 to 81ct/t in 2012 by producing 2.7 million carats. However, despite the mining optimisation and increase in production, the quality distribution was severely impacted by the illegal mining activities, which predominantly focused on higher-quality areas within our mining operations, resulting in a significant decrease in the quality and value of the tanzanite mined by TML.

In addition to the operational issues in Tanzania, TML also received notification from the Ministry of Energy and Minerals ("Ministry") with regards to claims for alleged unpaid royalties for the period 2004 to 2008 amounting to US$ 1.73 million. The Company subsequently suspended trading on 8 October 2012. On 17 October the Company received permission from the Ministry to resume exporting, and the Company was restored to trading on AIM. Permission to restart was granted after extensive discussions between the Company and the Ministry and a re-audit of financial records is currently being carried out on TML by the Tanzanian Minerals Audit Agency ("TMAA").

The Company generated revenues of US$ 16.4 million in 2012, a 20% decrease from 2011, which contributed to a loss after tax of US$ 13.6 million, compared with a profit of US$ 0.7 million in 2011. The loss includes a provision of US$ 5.6 million for taxes for the period 2004 to 2008 and a US$ 4.4 million impairment of long-lived assets as a result of the illegal mining activities.

In December 2012, TML suffered a further setback as a result of a break-in at the Company's main sorting facility at its tanzanite mining operation in Tanzania. Approximately 89,066 grams of material with a total value of approximately US$ 1.46 million was stolen during the break-in, with approximately 6,955 grams of material subsequently recovered by the Tanzania Police Force. Following a thorough loss assessment, the underwriters approved US$ 1.44 million, as full and final settlement against the insurance claim. In addition to the recovery of some of the stolen material, the police have also arrested 16 suspects in connection with the theft.

During 2012, the Company also entered into negotiations with the Tanzanian Government and the State Mining Corporation of Tanzania ("STAMICO") regarding a co-ownership structure of the Block C Mining Licence. As a post-period event, on 2 May 2013 the Company executed a Letter of Intent ("LOI") with STAMICO. As per the terms of the LOI, a new Mining Licence was subsequently issued on a 50:50 basis between TML and STAMICO. We believe that the agreement will secure long-term licence for our tanzanite operations and significantly curtail the illegal mining, security and theft issues.

The Company is optimistic that, having now received a new mining license, the Government of Tanzanian will address the illegal mining activities within the license area and also clamp down on the smuggling of tanzanite which is suppressing tanzanite prices, which will significantly strengthen the Company's ability to improve its financial position going forward. In order to mitigate the impact of the significant losses which occurred as a result of the illegal mining during 2012 and the continued adverse impact during 2013 of these activities, the Company is currently considering various financing options to address its financial position and working capital.

I would also like to thank all our shareholders and other industry stakeholders for their continued loyalty and support during this challenging period and look forward to reporting more positive developments during 2013.

E. N

Edward Nealon
Chairman

27 June 2013

Operational and Financial Review

"The severe negative impact of the illegal underground mining activities into the TML operations, from neighbouring blocks, was the biggest single cause of the decrease in revenue."

FINANCIAL PERFORMANCE

The financial performance of Richland was adversely affected by a number of issues resulting in a loss after tax of US$ 13.6 million for the year ended 31 December 2012, compared with a profit after tax of US$ 0.7 million achieved in 2011. The net loss after tax include over US$ 5.6 million in tax provisions for the period 2004 to 2008 and US$ 4.4 million of impairment charges on long-lived assets. The Company made a loss before interest, taxes, depreciation and amortisation (EBITDA) of US$ 11.3 million for the year, compared to an EBITDA profit of US$ 3.4 million in 2011. The EBITDA loss include an impairment of US$ 4.4 million primarily as a result of the severe impact of the illegal mining.

Group revenue was down 20% from US$ 20.5 million in 2011 to US$ 16.4 million in 2012. The severe negative impact of the illegal underground mining activities on TML operations from neighbouring blocks was the biggest single cause of the decrease in revenue. The effect of illegal mining and violent underground incursions during 2012 caused a compacting of accessible mining area and had a severe and detrimental effect on the production profile during this period. Compared to 2011, with the full mining area accessible, the resultant 2012 production profile was 25% lower on a per carat valuation, using constant Q1 2013 prices for comparison. Notably impacted were clean deeper colour commercial sizes, which previously have been the mainstay of sales assortments.

Corporate administration and other operating costs of US$ 3.2 million in 2012, compared to US$ 3 million, reflect costs incurred in administering the company's stock exchange listing, corporate compliance, investor relations activity, financial and legal consulting.

Operating costs of US$ 17 million (which include an impairment charge of US$ 4.4 million) were 50% 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 13% increase in carats produced to 2.7 million by the Group.

The Company's inventory of tanzanite decreased by 70% stated at US$ 1.7 million and is stated at its net realisable value.

Rough tanzanite.

Capital expenditure for the year of US$ 1.7 million included development and exploration expenditure, infrastructure and surface buildings and other mining equipment. Included in this capital expenditure is the setting up and commissioning of a cutting factory under Export Processing Zone status and the establishment of a new retail outlet in Cape Town, South Africa under The Tanzanite Experience ("TTE") brand.

The Company had US$ 1.4 million in trade receivables at year end, all of which was collected within 3 months of the year's end. A significant portion of cash generated in operations was used in investing activities in the form of capital expenditure. The group had a net cash position (net of overdraft) of US$ 0.4 million as at year end.

Key Statistics 2012

Key statistics:	FY 2012	FY 2011	Movement
EBIDTA (loss) / profit	($11.3 million)	$3.4 million	(442%)
Net (loss) / profit	($13.6 million)	$0.7 million	(2043%)
Revenue	$16.4 million	$20.5 million	(20%)
Gross margin	25%	59%	(58%)
Depreciation amortisation and impairment	$6.1 million	$2.5 million	(144%)
Corporate administration and other operating costs	$3.2 million	$3.0 million	(7%)
Mine administration	$3.9 million	$2.8 million	(39%)
Tanzanite inventory stock	$1.7 million	$5.7 million	(70%)
Cash and cash equivalents excluding overdraft	$1.5 million	$1.9 million	(21%)
Carats recovered	2.7 million	2.4 million	13%
Carats per tonne	81	58	40%
On mine cash costs per carat	$4.47	$4.66	(4%)

Children at a community building funded by Richland Resources and its non profit organisation, the Tanzanite Foundation.

TANZANITEONE MINING LIMITED

2012 Operational And Financial Review

Background

TanzaniteOne Mining Limited ("TML" or "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 every stage. 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 – in the foothills of Mount Kilimanjaro.

The tanzanite resource is divided into five blocks. TanzaniteOne undertakes large scale mining in Block C, with medium scale mining 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 achieved a record volume production of tanzanite in 2012, with 2,699,283 carats of tanzanite produced from processing 33,287 tonnes of ore. The average grade recovered was 81 carats per ton, however, the average quality profile was reduced. The increase in production was achieved despite large scale illegal mining within the boundaries of our mining licence, which resulted in a significant reduction in the number of faces which could be mined. Of significance was the closure of the high average quality CT Shaft in mid-year due to the dangers posed to our work force by the illegal miners. The increase in production was achieved within the constraint of safe access to more than half of the licence area being denied by the aggressive illegal mining activities. Government intervention was sought and all incidents of illegal mining were reported to the relevant authorities using the correct channels and forums, however the aggressive illegal mining activity continues to plague our operations. Production was boosted in response to the continuing increase in demand for tanzanite in the international gemstone and jewellery industry.

Significant "off-reef" mine development took place during 2012 to ensure shafts and infrastructures are constantly being developed to intersect new tanzanite bearing fold structures and to improve ventilation down to 900m. As a result of the on-going shaft and off reef development, the Company has continued to expose fold structures in Main Shaft, located in the centre of the Company's licence area.

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

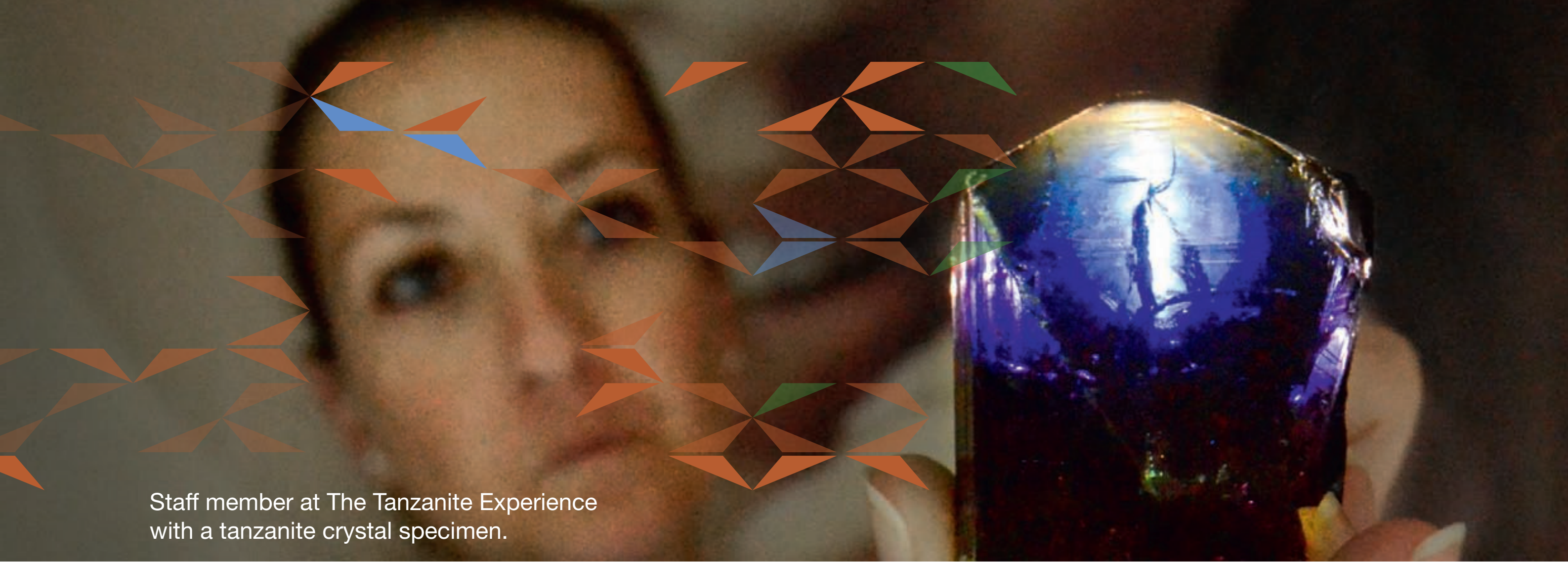
Material transport, loading, hoisting and ventilation efficiencies were significantly improved during the year by enhancing the mine's underground surge capacities through the construction of secure underground bins and sinking of a ventilation shaft to connect to the main return air way in Main Shaft.

Due to the restrictions in available mining areas as a result of the illegal mining activities, mining operations concentrated in the following structures:

- Main Shaft – Selective mining and stoping along the fold noses of fold stack (FS3) including the Level 77 structures towards the north and south; selective mining of the closely spaced ramping structures locate between Level 68 and Level 77; mining of the Level 67 limb bounds and level 82 fold structures.
- Investor Shaft – Selective mining and stoping of the level 18 fold structures and limbs of the DF1 and DF1 structures; Level 21 UF2 structures and sub drives north and south.

On Mine Cash Cost

The on-mine cash cost for the period was US$ 4.47 per carat versus US$ 4.66 per carat for the previous reporting period. Management continues to exercise stringent control over costs. The increase in self generation of electricity, due to the ongoing power crisis within Tanzania and the accompanying inflationary pressures on other consumables continue to exert pressure on costs. Attention to efficiencies and recycling of used equipment remains a management priority. On mine cash costs include operating costs, mine administration costs and royalty charges incurred at the Merelani mine.



Staff member at The Tanzanite Experience with a tanzanite crystal specimen.

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 concentrate is then hand sorted and graded. Rough tanzanite is sorted both manually and using a fully automated optical sorting and primary grading system, a world first within the coloured gemstones industry.

The DMS plant processed 33,287 tonnes in 2012, thus leaving ample capacity to introduce a second shift should this be required.

Geology

The Geology Department, comprised of qualified geologists and surveyors continued to form an integral part of our business. The department had a busy year in 2012, planning new mining structures and off reef deposit mapping, undertaking analysis and providing data in a timely manner for optimised mining. Technical services provided by the department included all aspects of geology and survey. All faces being worked were visited, mapped, interpreted and the data collected and disseminated for communication to the Mining Department. Additionally the survey section updated all workings, prepared layouts, calculated tonnage and measured mining advances.

Figure 2: Main shaft level 77B north ramp structure.

Tanzanite and diamond earrings by Italian jewellers Buccellati


Cobbing rough tanzanite.

Licence Renewal

A new Mining Licence ("ML") was granted to TanzaniteOne Mining Limited ("TML") on 20 June 2013 which replaced the previous Special Mining Licence which had expired in August 2012. As part of the requirement for the new mining licence, TML executed a Letter of Intent ("LOI") with State Mining Corporation of Tanzania ("STAMICO") regarding the terms upon which it is intended that the New Mining Licence will be held, how operations thereunder will be conducted and how costs and revenue will be allocated. The New Mining licence will be held jointly on a 50:50 basis between TML and STAMICO.

Security

TanzaniteOne continued to engage with local law enforcement agencies and regional government institutions in order to address the security situation within its sphere of operations. 2012 was characterized by a significant increase in both the extent of illegal mining and the level of aggression displayed by the illegal miners. Every incident of illegal mining within the mining licence of TanzaniteOne is reported to the office of the Resident Inspector of Mines in Merelani, as well as the local police. Formal reports indicating the extent of the issue have been submitted to the relevant stake holders at all levels. TanzaniteOne has extensively planned the eviction of illegal miners in conjunction with the Ministry of Energy and Minerals ("MEM") and the Tanzanian Police but awaits authorization from the relevant authorities in order to commence with the operation.

Meanwhile, the illegal miners continue to display a total disregard for police and officials of MEM – with police being fired at underground when accompanying TanzaniteOne security personnel. The illegal miners have also made extensive use of Improvised Explosive Devices (IED), booby trapping the access tunnels and barricades which they have built with in TanzaniteOne's mining area.

The use of X- Scan (non- invasive personal search facility) used to detect tanzanite concealed upon a person, continues to remain the subject of discussion with Government after a ban was imposed on the use of this technology due to concerns on the health of employees. It does however need to be noted, that a comprehensive investigation was conducted by a team of professionals from the Tanzania Atomic Energy Commission as well as a multi-disciplinary medical team, and no evidence to support these concerns was found.

At the end of November 2012, the Sort House facility was breached, access to the main vault gained and tanzanite amounting to $1.46 million stolen. The police arrested 16 suspects which included several TanzaniteOne employees from the Security Department and Processing Plant. The judicial process is currently underway in the regional court. TanzaniteOne upgraded the safe storage facilities in accordance with the recommendations of the insurers.

TanzaniteOne geologists.

Safety

The Company experienced no fatalities during the year and achieved a Lost Time Injury Frequency Rating (“LTIFR”) of 1.19 for 2012 which was significantly higher compared to the 2011 performance. The increase in LTIFR is directly attributed to the impact of the illegal mining activities.

Each individual lost time injury is analysed with the aim of improving health and safety awareness and adherence to work related process and procedures. Management continues to address these issues at its management and union meetings as far as possible, given the challenges with addressing the illegal mining activities and the risk this activity poses to the TanzaniteOne workforce.

TanzaniteOne are absolutely committed to ensuring the health and safety of our employees. We continue to focus on a LTIFR free 2013, by reviewing and intensifying the regular inductions and refresher training to company employees, adherence to policies and procedures in order to meet or better the required Safety Standards. TanzaniteOne Mining Ltd workplace Safety Standards are based on International Occupational Health and Safety Standards.

Training

2012 Training focused on skills enhancement and exposure to outcomes-based training and assessment, and consisted of both theory and practical assignments. Practical evaluation was achieved through planned task observations, interviews, random inspections and verbal assessments.

The following certificates of excellence have been issued in 2012 after the successful completion of training courses:

Strata Control Training Course	25
Rolling Bearing Maintenance	11
Environmental Waste Management	04
First Aid	06
Explosive Handling/Support/Safety	08
Supervisory Skills	04
Jack Hammer operators	08
Blasting Ticket Refresher Course	06
Industrial Fire Fighting course	31
Winder Operator training course	05

Rough tanzanite in the sorting process.

Zebras at nearby Ngorogoro Crater.

Environment

Updating of the reviewed first closure draft plan took place. Responses, with reference to the last closure plan Stakeholder Committee comments, were received from TS Environmental Consultants and are being compiled for submission of the second draft to the Ministry of Energy and Minerals.

Environmental training and awareness continued as planned through inductions, toolbox meetings and presentations. Environmental monitoring, auditing and inspections continued as per the Environmental Management Plan.

2012 Tanzania Mineral Audit Agency ("TMAA") environmental audit findings were received and the proposed actions were reviewed. Site Preventive and Corrective Actions were formulated and communicated, compiled and official feedback was provided to TMAA.

The report of Fire Safety site inspection conducted by the Arusha Fire Brigade in November 2012 was received. It indicated that we are compliant.

General Site Environmental Inspection was conducted at site. Inspectors from the Ministry of Energy and Minerals participated and they were all impressed with the general safety and environmental performance of the mine.

Human Resources

During 2012 the average number of employees was 654 compared with 674 in 2011. The slight reduction in employee numbers is attributed to natural attrition without replacement.

Management continued to engage with employees through regular meetings in order to consolidate the productivity and relationship gains made in 2011 and no labour unrest occurred during the reporting period.

The evaluation of work performance continued during the year in terms of productivity and efficiency. The impact of illegal mining on our operation required that CT Shaft staff be moved and accommodated in Main and Investor Shaft.

In executing day to day operations the Company continued to be observant and compliant with labour laws and relevant legislation, its policies and procedures in recruitment, training and development, disciplinary regulations, administration of manpower and employees benefits and all other matters relating to human resources capital and or any other related issues were appropriate to improve outcomes and efficiency.

The Company continues to pay statutory contributions to a publicly administered pension scheme (NSSF) which qualifies as a defined contribution plan. All members of staff, plus five dependants, also receive free medical services from the Company's on site clinic and designated hospitals and clinics in Arusha and Moshi.

TSAVORITEONE

In 2011 the Company reported that it had reduced the costs associated with the tsavorite exploration project. In the light of the ongoing operational issues in Tanzania, Richland has decided to continue to tightly control expenditure on the project, but to also utilise the synergies with the tanzanite operation to enable the continuation of the tsavorite exploration programme.

During 2012 a total of 19 pilot samples of approximately 5 cubic meters each were excavated and processed from various site lines up to a depth of 7 meters. The results of the 19 pilot samples plus the previous samples, totalling 72 pilot samples of around 5 cubic meters each have identified areas for large scale bulk sampling of over 50 cubic meters each. The first phase of bulk sample was also completed and 7 sites totalling 370 cubic meters from 11 pits were excavated and processed. The stripping ratio for the bulk sample varied from 3:1 to 6:1 with a maximum depth of 9.2m.

> "...they were all impressed with the general safety and environmental performance of the mine."

Underground at TanzaniteOne.

GRAPHITE PROJECT

In 2012 the Company commenced a feasibility study with a view to restarting the Block C Merelani Graphite Mine. Graphtan Limited ("Graphtan"), a company managed by SAMAX, began its mining operations in 1995 and produced 6,776 tonnes of graphite in the full year of production in 1996. Sufficient reserves were initially identified for a 40-year operation at a mining rate of 15,000 tonnes per annum of high-grade flake graphite of 97 - 98% purity. The mine, however, ran into financial problems in 1997, and the last shipment of remaining stockpiled ore was made in February 1998.

Historic Graphite Resource

A historic prefeasibility study at Merelani undertaken in 1992 on the Block C Graphite determined a Measured Resource, at an open pit depth of up to 50 meters, of 25m tonnes assaying 6.9% C, located within the Upper Horizon using a 5% C cut-off. Using a 7% C cut-off, the Resource at a depth of 40m was calculated to contain approximately 5.4m tonnes assaying 10.1 % carbon. Proven reserves for the project were reported at 7.6 tonnes of graphite ore grading 5.5 – 11.2 wt% C, containing 530,000 tonnes of graphitic C. These figures do not take into account mine production of around 8,000t in the period from 1992 to closure of the Merelani Graphite Mine and are non-JORC compliant.

Graphite bearing waste dump

The Company has mined more than 200,000 tonnes of ore material from its tanzanite mining operation during the last 6 years. In addition to the ore material extracted from the mine, the Company also mined approximately 100,000 tonnes of non-tanzanite but graphite bearing "waste" material that constitutes the hanging and footwall of the tanzanite ore-zone. The tanzanite waste material has been dumped on the Company's property and the tanzanite waste is effectively a graphite stockpile which the Company estimates may contain approximately 6,000 tonnes of graphite ore. The exact tonnage and quality of the graphite within the waste dump will be calculated as part of the current feasibility study.

Graphite Quality

Mean grain size composition of graphite flakes produced from the Block C Graphite mine is approximately 35% > 300 ym, ca. 35% at 150 – 300 ym and about 35% <150 ym. Graphite concentrates from the Block C mine returned an apparent density of 580-620 g/l, and contained 2.1-3.1 wt% H_2O and 98.66-98.67 wt% graphitic C.

Mt Kilimanjaro

Underground at TanzaniteOne.

Mine Infrastructure and Database

The Company acquired the Block C tanzanite and graphite mine in 2004 from African Gem Resources Limited ("AFGEM"), who in turn acquired it from Graphtan. The graphite mining operation and plant were modified by AFGEM to focus on tanzanite extraction only. However, significant infrastructure and equipment originally installed for the extraction and processing of graphite still exist and are currently partly in use for the Company's tanzanite mining operation. The Company currently has over 650 employees and well established infrastructure on the same property, including offices, accommodation, engineering facilities, water, electricity, haulage roads and a tanzanite processing plant.

Richland currently has a wealth of technical and management personnel on site, including several geologists and mining engineers, as well as several employees and senior management, including the plant manager and chief geologist, who previously worked for Graphtan Ltd, and thus have a significant skill base in the extraction and processing of graphite from this deposit. The Company also has copies of the database that covers all aspects of the mining operation including diamond drill holes, core logs, geology reports, survey maps, resource estimations, graphite quality analyses, processing data and flow sheets, as well as processing and mine production and sales reports.

Feasibility

The feasibility study which is currently being undertaken will examine the viability of re developing open pit operations and assess the opportunities for the graphite ore contained within the waste tailings of tanzanite mining operations. Subsequent to the year's end, Richland entered into an exclusivity agreement with a multinational company to jointly evaluate the project and determine the feasibility of a business relationship.

AUSTRALIAN SAPPHIRE PROJECT

In 2011 Richland entered into an option and exclusivity agreement to acquire an established sapphire project in Australia. The option agreement was extended during 2012 and remains valid. As a result of the operational issues faced in Tanzania, the Company has delayed its decision on whether or not to exercise the option.

Tanzanite Experience Gemmologist grading tanzanite.


Entry to a TanzaniteOne mine shaft.

SALES AND MARKETING

The sell through of the entire production range remained a key focus for the sales team, with non-blue colour tanzanite being given specific analysis and strategies formulated to bring it into the mainstream product offering.

The competition from illegal exports and smuggled rough that is making its way to the polishing centres in large quantities continues to put downward pressure on prices and is likely to be part of the supply landscape until such time as Government intervenes. The consistency and accuracy of rough preparation and grading for sale by our Sorting and Valuation Departments remains an industry benchmark, offering a significant advantage to buyers over tanzanite prepared by other producers.

The Chinese market's consumption has accelerated as expected. Advances continued in this market as tanzanite penetrated into the secondary cities and regions. Movement into the general Asian market is following, notably the Indonesian market trending towards larger size tanzanite. The Chinese market demand for larger sizes has started to progressively work its way down in size. By year-end, demand had moved from large material to a range of larger commercial material for production jewellery. IU Awards sponsorship of a special tanzanite category brought recognition of the stone amongst independent designers in Asia.

Increasingly European designer jewellery featuring tanzanite is being seen in the market and highly publicised collections, notably Louis Vuitton, Lorenz Baumer, Dior, Chaumet, Tiffany, and Buccellati.

The focus on developing a specialised customer base for specimen sales continues, with the aim of placing the material closer to the market of use and in so doing increasing the profit over valuation. Proposals from specimen specialists continue to be reviewed and is likely to ultimately look to a collaborative mining operation with the desired synergies and upside.

Sales of opaque material continued to grow during 2012. The use of bead and opaque tanzanite is on the increase in designer ranges and high couture pieces.

URAFIKI GEMSTONES EPZ

A key element of Richland Resources sales and value-add strategy has been the construction of an Export Processing Zone, a licensed polishing centre with high specification machinery. This facility operates as a separate company to the mining operations, and enjoys a tax free status. All material purchased into the facility is destined for the export market. Initially the facility will be purchasing its rough requirements from TanzaniteOne Mining, but has market purchasing facilities in the building with an aim to purchasing additional rough from the greater mining area, rather than in the trading areas of Arusha.

Urafiki Gemstones construction was completed during the year and opened for cutting and polishing, adjacent to the sorting and recovery area. A mixture of traditional, precision and tumbling benches were brought online. The 450m^2 facility has the potential capacity of 200,000 stones per annum. This capacity is large enough to cover all TanzaniteOne production effected by the ban on the export of one gram and above rough and provide the basis of a processed trading operation and expanded production for The Tanzanite Experience retail operation and their proposed franchised based expansion.

Further to the stated aims of the Company, Urafiki Gemstones will provide the base to engage with polished customers and offer value addition projects to move into the downstream marketplace.

THE TANZANITE EXPERIENCE (TTE)

The Tanzanite Experience retail operations had sales of US$ 2.4 million from its four stores, an increase of 30% over 2011. Construction was completed on the museum and retail outlet in Dar es Salaam, which is now open.

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

Expansion in the form of a franchise took place into Cape Town, SA, with a museum and retail outlet opened in November. Further expansion into the southern African market will take place during 2013. The expanded cutting and polishing facility will enhance the polished product availability to service a larger number of outlets once online in 2013. Franchise expansion outside of Tanzania remains a key development item in the sales mix.

Children in a Richland Resources and Tanzanite Foundation sponsored classroom.

TANZANITE FOUNDATION

As the consumer face of Richland Resources, the Tanzanite Foundation has achieved another successful year in promoting tanzanite to the International Gem and Jewellery Industries, as well as within the public arena. A dedicated effort in Corporate Responsibility Strategies ("CRS") throughout 2012 has led to meaningful and sustainable projects in the community outside the tanzanite mining area. This in turn has kept Richland Resources and the Tanzanite Foundation in the industry media.

As part of these projects, the Tanzanite Foundation has collaborated with international designers, jewellery manufacturers, and retail television networks, which has contributed to the exposure of tanzanite. This adds value and entrenches credibility, in turn ensuring Sightholder sell-through, and tanzanite's 'top of mind' presence. It also secures confidence in the tanzanite Foundation brand, which our members choose to include in their advertising. Results have shown tanzanite-focused stories and product placements in numerous publications. An on-going and consistent impactful presence at most Gem and Jewellery Trade Shows has helped disseminate information and build trust.

Tanzanite Foundation initiatives in 2012 included the establishment of The Maasai Ladies' Project, an effort to teach 12 local Maasai ladies how to make wire wrap jewellery with tumbled tanzanite donated by TanzaniteOne. The handmade pieces are now being sold on international television sales networks, the proceeds of which are going back to the local community. Another initiative was the Blue Balloon Project, in which money was raised at the JCK Las Vegas Trade Shows, where jewellery manufactures and designers were awarded for showcasing tanzanite at their booths. Money raised bought school desks and supplies for a Primary School in the local Naisinyai ward. Richland and the Tanzanite Foundation, with the support of its customers, reached new heights in altruism when a team of 13 employees and board members successfully summited Mount Kilimanjaro, raising nearly US$ 50,000 for an orphanage in the mining area.

After community upliftment, the main objective of the Tanzanite Foundation has been to build and maintain the desirability of tanzanite, 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.

"...a team of 13 employees and board members successfully summited Mount Kilimanjaro, raising nearly US$ 50,000 for an orphanage in the mining area."

TanzaniteOne Chief Geologist.

CORPORATE SOCIAL RESPONSIBILITY

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

In 2012 the Company initiated several new initiatives and continued to support all its long-term community projects. New and existing projects/initiatives undertaken to the end of 2012 include:

- Commissioning and formal opening in October 2012 of reverse osmosis plant (O.R plant), providing purified drinking water to the local communities.
- Completion and formal opening of the Nasinyai Police station in October 2012.
- Commenced construction of police accommodation in conjunction with the Naisinyai Village in January 2012.
- 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. The main beneficiaries include Naisinyai Village, orphanage centres and Non-governmental groups.
- 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 10 students at the Msitu wa Tembo, Terrati, Naisinyai and Benjamin Mkapa Secondary schools.
- New Vision Orphanage renovation and expansion project initiated after employees and board members of the Company raised nearly US$ 50,000 by successfully summitting Mount Kilimanjaro.

2013 OUTLOOK

The Company remains focused on addressing the problem with illegal underground mining activities that continued, unchecked into the TanzaniteOne area from neighbouring blocks during most of 2012 and the beginning of 2013. Primarily the illegal mining activities represent a significant danger to employees in the local area in addition to substantial damage to the mining infrastructure and a significant loss of tanzanite, especially high quality material. The Company continues to call for assistance from the Government to assist in efforts to counteract the illegal underground mining into its operations.

On 3 May 2013 TML signed a Letter of Intent ("LOI") with the State Mining Corporation ("STAMICO") for 50/50 joint licence ownership and on 21 June 2013 the new Mining Licence was issued by the Minister of Energy and Minerals. The Board believes the agreement will secure long-term licence for tanzanite operations and significantly curtail illegal mining, security, smuggling and theft issues.

The impact of these illegal mining activities on the Company's financial position has been adverse and material, such that the Company is now considering various financing options to address this.

Dr Bernard Olivier
Chief Executive Officer

27 June 2013

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 which are 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
27 June 2013

Directors' Report

For the Year Ended 31 December 2012

The directors present this report, together with the audited financial statements for the year ended 31 December 2012 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. 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 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.

GOING CONCERN

The Group made a loss for the year after tax of US$ 13,605,000 (profit 2011: US$ 691,000) and had net cash outflow of US$ 430,000 (2011: US$ 594,000). Excluding the significant impairment charges of US$ 4,441,000 and non-recurring charges of US$ 5,632,000, the underlying operating performance was negatively impacted by illegal mining and underground incursions at TanzaniteOne Mining Limited, a fully owned subsidiary of Richland Resources Limited, which reduced the accessible mining area and had a severe and detrimental effect on the production profile and resulting revenues. Continued disruption to operations may negatively impact cash flows which may require management to seek debt or equity funding. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

The Group has previously been successful in raising both debt and equity funding and believe that it will be able to secure the necessary funding if and when required. In addition to this, the Group executive management team is working with the Government of the United Republic of Tanzania to resolve the recurring operational issues as part of the agreement to the renewed mining license for the subsidiary.

Considering the actions described above and the expectation that the Group will successfully be able to raise the required funding to meets its working capital and capital expenditure requirements, the directors have concluded that they have a reasonable expectation that the Group can continue in operational existence for the foreseeable future. For these reasons the Group continues to adopt the going concern basis in the preparing the annual report and financial statements.

RESULTS

The consolidated statement of comprehensive income for the year ended 31 December 2012 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 loss of US$ 13.6 million (2011: profit of US$ 0.7 million) for the financial year after non-controlling interest. Taking into account this loss, shareholders' equity at 31 December 2012 is US$ 22.3 million (2011: US$ 36.0 million). The directors have not declared a dividend (2011: Nil) as the Board feel it prudent to defer 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.

A CLASS SHARE CAPITAL (CONTINUED)

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 TanzaniteOne 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.

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 2012, unless otherwise stated are:

Edward Nealon (62), Chairman

Mr Nealon assumed Chairmanship of the Group on 27 June 2012. Mr Nealon is a geologist with 34 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 (62), 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 was Chairman of the Group from 24 October 2008 to 27 June 2012 on which he became Deputy Chairman, a position he had previously held from August 2004 to 24 October 2008. 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 (37), Chief Executive Officer

Dr Olivier was appointed Chief Executive Officer of Richland Resources Ltd 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 Richland Resources. 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 executive director of Bezant Resources Plc (AIM: BZT) and non-executive director of LP Hill Plc (AIM: LPH).

DIRECTORS (CONTINUED)

Nicholas Sibley (75), 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, Barclays de Zoete Wedd Holdings and Corney and Barrow Group. He is presently chairman of Aquarius Platinum Limited and a director of Wah Kwong Transportation Company Ltd and Asia Pacific Fund Inc.

Farai Manyemba (39), Finance Director

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 and 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, 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. Farai has been involved with mining industry in Southern Africa over the last 10 years. He resigned as a Director with effect from 30 April 2013.

MEETINGS OF DIRECTORS

The number of meetings of the board of directors of the Company held during the year ended 31 December 2012 and the number of meetings attended by each director is tabled below:

2012

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	3	-	4	1	3	-
Edward Nealon	4	1	3	-	4	1	3	-
Dr Bernard Olivier	4	1	3	-	4	1	3	-
Nicholas Sibley	4	1	3	-	4	1	2	-
Farai Manyemba	4	1	3	-	4	1	3	-

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

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 Limited Common shares	Options over Common shares
Ami Mpungwe	3,965,299	-
Dr Bernard Olivier	921,746	900,000(1)
Edward Nealon	5,100,680	-
Nicholas Sibley	7,176,207	-

(1) 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. Refer also Note 17 – Share options reserve for participation by the directors in the Company's Group Share Option Plan.

Director	Base salary/fees	Consulting fees	Other	Total
	US$	US$	US$	US$
Ami Mpungwe	60,500(1)	120,000(2)	-	180,500
Edward Nealon	52,500(1)	-	-	52,500
Nicholas Sibley	47,500(1)	-	-	47,500
Bernard Olivier	40,000(1)	-	176,509(3)	216,509
Farai Manyemba	40,000	-	233,823(4)	273,823

(1) Fees accrued but not paid at 31 December 2012.
(2) The payment was for advisory and consultancy services for the financial year.
(3) The payment was for duties as executive director.
(4) The payment was for duties as executive director of subsidiaries and includes PAYE taxes payable in Tanzania.

DIRECTORS' AND OFFICERS' INSURANCE

During the year the Company paid an insurance premium in respect of an insurance contract, taken 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 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 since 1 January 2012 and as 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	Nationality	Date appointed to Office	Executive/ Non-executive	Independent
Edward Nealon	Australian	1 August 2004	Non Executive	Yes
Ami Mpungwe	Tanzanian	1 August 2004	Non Executive	Yes
Nicholas Sibley	British	1 August 2004	Non-Executive	No
Dr Bernard Olivier	South African	5 November 2008	Executive	No
Farai Manyemba*	Zimbabwean	27 June 2012	Executive	No

* Farai Manyemba resigned on the 30 April 2013

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 four 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 Company's tanzanite assets owned and operated by the Group. The Chief Executive Officer is assisted in managing the business of the Group by an executive team that comprises of the Management Committee.

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 Mpungwe 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 Andrew Nealon, 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. Mr Andrew Nealon was appointed on 31 March 2013 following the resignation of Mr Willi Boehm.

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 U.K. 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 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 and Risk Committee charter can be found on the Richland Resources website at www.richlandresourcesltd.com.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk 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 Ami Mpungwe (Chairman)
- Mr Edward Nealon
- Mr Nicholas Sibley

QUALIFICATIONS OF AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

The qualifications of the Audit and Risk Management Committee members are specified on page 19 to 20.

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.

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. Moreover, 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 Chief Executive Officer 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:

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 damage to the Group's property due to illegal mining activities, the lack of enforceable security resulting in significant losses due to theft, 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. It has also to be noted, due to illegal mining, stolen and smuggled un-cut tanzanite representing an unspecified but significant share of the market is being sold into the market without payment of the appropriate taxes resulting in additional price volatility.

The Group however believes that through the introduction of the Preferred Supply Strategy, supply irregularity and concomitant price instability are to a greater extent 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. Our security personnel are very limited in their effectiveness against illegal miners as the local authorities do not permit the use of force to counter the threat against our employees. Local police have been reluctant to be involved in curbing illegal activities and have rarely intervened. So far we are unaware of any successful prosecution of these criminals.

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.

CORPORATE SOCIAL RESPONSIBILITY

Details of the Company's corporate social responsibility activities and initiatives are disclosed on page 15 of the Annual Report.

EVENTS SUBSEQUENT TO YEAR END DATE

MINING LICENCE ("ML")

A new ML was granted to TanzaniteOne Mining Limited ("TML") on 20 June 2013 which replaced the previous Special Mining Licence which had expired in August 2012. As part of the requirement for the new mining licence, TML executed a Letter of Intent ("LOI") with State Mining Corporation of Tanzania ("STAMICO") regarding the terms upon which it is intended that the new ML will be held, how operations thereunder will be conducted and how costs and revenue will be allocated. The new ML will be held jointly on a 50:50 basis between TML and STAMICO.

Signed in accordance with a resolution of the directors.

Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd
27 June 2013

Independent Auditor's Report

To the Members of Richland Resources Ltd

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 2012, 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 Bermuda Companies Act, 1981 and International Financial Reporting Standards (IFRS).

Directors' responsibility for the financial statements

As described in the Statement of Directors' Responsibilities, the Company's 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 accompanying Group financial statements give a true and fair view of the state of the Group's financial affairs as at 31 December 2012 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bermuda Companies Act, 1981.

Emphasis of matter

We draw attention to Note 2 to these financial statements, which states that the Group incurred a net loss of US$ 13.6 million and had a net cash outflow of US$ 430,000 during the year ended 31 December 2012. This, along with other matters as described in Note 2, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Richland Resources Ltd to continue as a going concern. Our opinion is not qualified in respect of this matter.

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.

Nelson E Msuya, FCPA-PP

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

27 June 2013

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2012

	Note	2012 US$ '000	Restated (note 28) 2011 US$ '000
Revenue	4	**16,375**	20,538
Cost of sales		**(12,332)**	(8,406)
Gross profit		**4,043**	12,132
Selling and distribution expenses	5	**(2,931)**	(2,552)
Administrative expenses	5	**(3,954)**	(2,819)
Other operating expenses	5	**(10,116)**	(5,923)
Operating (loss)/profit		**(12,958)**	838
Finance costs	6	**(213)**	(187)
(Loss)/profit before taxation		**(13,171)**	651
Income tax (charge)/credit	7	**(434)**	40
Net (loss)/profit for the year		**(13,605)**	691
Attributable to:			
Equity owners of the parent		**(13,587)**	686
Non-controlling interest	19	**(18)**	5
Other comprehensive income			
Net (loss)/profit for the year		**(13,605)**	691
Foreign exchange loss on translation of foreign operations		**(69)**	(397)
Total comprehensive (loss)/income for the year		**(13,536)**	294
Attributable to:			
Equity owners of the parent		**(13,518)**	289
Non-controlling interest	19	**(18)**	5
Basic (loss)/earnings per share (US cents/share)	20.1	**(11.50)**	0.59
Diluted (loss)/earnings per share (US cents/share)	20.2	**(11.50)**	0.59

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 US$ '000	Restated (Note 28) 2011 US$ '000	Restated (Note 28) 2010 US$'000
Assets				
Property, plant and equipment	8	**19,818**	24,424	25,849
Intangible assets	9	**4,506**	3,835	3,696
Deferred income tax assets	10	**5,179**	2,593	2,570
Inventories	11	**87**	62	62
Total non-current assets		**29,590**	30,914	32,177
Inventories	11	**2,346**	6,682	5,472
Income tax recoverable	12	**699**	1,948	2,279
Trade and other receivables	13	**5,156**	6,459	3,828
Cash and cash equivalents	14	**1,491**	1,885	2,368
Total current assets		**9,692**	16,974	13,947
Total assets		**39,282**	47,888	46,124
Equity				
Share capital	15	**36**	36	35
Share premium	16	**46,855**	46,855	46,399
Share option reserve	17	**896**	896	706
Foreign currency translation reserve	18	**(1,517)**	(1,448)	(1,051)
Accumulated loss		**(23,905)**	(10,318)	(11,004)
Total equity attributable to equity owners of the parent		**22,365**	36,021	35,085
Non-controlling interest	19	**(84)**	(66)	(71)
Total equity		**22,281**	35,955	35,014
Liabilities				
Borrowings	21	**-**	794	631
Provision for environmental rehabilitation	22	**139**	130	115
Deferred income tax liabilities	10	**3,630**	4,540	4,584
Total non-current liabilities		**3,769**	5,464	5,330
Borrowings	21	**2,002**	1,866	1,166
Current income tax liabilities	12	**2,709**	-	-
Trade and other payables	23	**8,521**	4,603	4,614
Total current liabilities		**13,232**	6,469	5,780
Total liabilities		**17,001**	11,933	11,110
		39,282	47,888	46,124

The financial statements on pages 30 to 68 were authorized for issue by the Board of Directors on 27 June 2013 and were signed on its behalf by:

Dr Bernard Olivier
Director

Ami Mpungwe
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2012

	Note	Common share capital	A class share capital	Total issued share capital	Share premium	Share option reserve[1]	Foreign currency translation reserve	Accumulated loss	Total equity attributable to shareholders	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
Year ended 31 December 2012											
Balance at 1 January 2012											
- As previously stated		35	1	36	46,855	896	(1,448)	(8,118)	38,221	(40)	38,181
- Prior year adjustments	28	-	-	-	-	-	-	(2,200)	(2,200)	(26)	(2,226)
As restated		35	1	36	46,855	896	(1,448)	(10,318)	36,021	(66)	35,955
Total comprehensive income for the year		-	-	-	-	-	(69)	(13,587)	(13,656)	(18)	(13,674)
Loss for the year	18	-	-	-	-	-	-	(13,587)	(13,587)	(18)	(13,605)
Foreign exchange loss on translation		-	-	-	-	-	(69)	-	(69)	-	(69)
Balance at 31 December 2012		**35**	**1**	**36**	**46,855**	**896**	**(1,517)**	**(23,905)**	**22,365**	**(84)**	**22,281**
Year ended 31 December 2011											
Balance at 1 January 2011											
- As previously stated		34	1	35	46,399	706	(1,051)	(8,908)	37,181	(45)	37,136
- Prior year adjustment	28	-	-	-	-	-	-	(2,096)	(2,096)	(26)	(2,122)
As restated		34	1	35	46,399	706	(1,051)	(11,004)	35,085	(71)	35,014
Issue of share capital											
- Common share capital	15.1 &16	1	-	1	456	-	-	-	457	-	457
Total comprehensive income for the year		-	-	-	-	-	(397)	686	289	5	294
Profit for the year		-	-	-	-	-	-	686	686	5	691
Foreign exchange loss on translation	18	-	-	-	-	-	(397)	-	(397)	-	(397)
Fair value movement		-	-	-	-	190	-	-	190	-	190
Balance at 31 December 2011		**35**	**1**	**36**	**46,855**	**896**	**(1,448)**	**(10,318)**	**36,021**	**(66)**	**35,955**

(1)-Refer to note 17 on share-based payments

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2012

	Note	2012 US$ '000	2011 US$ '000
Cash flows from operating activities			
Cash generated from operations	24.1	**2,150**	73
Interest cost paid		**(204)**	(172)
Income tax paid	24.2	**(10)**	-
Net cash from operating activities		**1,936**	(99)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,414)**	(1,096)
Purchase of intangible assets		**(258)**	(151)
Net cash used in investing activities		**(1,672)**	(1,247)
Cash flows from financing activities			
Proceeds from borrowings		**-**	1,000
Repayment of borrowings		**(694)**	(248)
Net cash (used in)/generated from financing activities		**(694)**	752
Net decrease in cash and cash equivalents		**(430)**	(594)
Movement in cash and cash equivalents			
At the beginning of the year		**816**	1,410
Decrease		**(430)**	(594)
At the end of the year	14	**386**	816

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2012

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 27 June 2013.

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) Going concern basis of accounting

The Group made a loss for the year after tax of US$ 13,605,000 (2011: profit US$ 691,000) and had net cash outflow of US$ 430,000 (2011: US$ 594,000). Excluding the significant impairment charges of US$ 4,441,000 and non-recurring charges of US$ 5,632,000, the underlying operating performance was negatively impacted by illegal mining and underground incursions at TanzaniteOne Mining Limited, a fully owned subsidiary of Richland Resources Limited, which reduced the accessible mining area and had a severe and detrimental effect on the production profile and resulting revenues. The continuation of this trend in the foreseeable future may negatively impact cash flows and the Group may be required to raise debt or equity funding to meet its working capital and capital expenditure requirements.

The Group has previously been successful in raising both debt and equity funding and believe that it will be able to secure the necessary funding if and when required. In addition to this, the Group executive management team is working with the Government of the United Republic of Tanzania to resolve the recurring operational issues as part of the agreement to the renewed mining license for the subsidiary.

Considering the actions described above and the expectation that the Group will successfully be able to raise the required funding to meet its working capital and capital expenditure requirements, the directors have concluded that they have a reasonable expectation that the Group can continue in operational existence for the foreseeable future. For these reasons the Group continues to adopt the going concern basis in the preparing the annual report and financial statements.

(b) 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 options measured at fair value; and
- Financial assets and liabilities at fair value through profit or loss measured at fair value.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarised below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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) and 27;
- The capitalisation of mine development costs – Note 2(j);
- The capitalisation of exploration and evaluation expenditures – Note 2(j);
- 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(j), 2(n) and 9.
- The estimated useful lives of tangible and long-lived assets and the measurement of depreciation expense – Notes 2(j) and 8;
- 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;
- 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 net realisable value of tanzanite – Note 2(m); and
- Determination of fair value of stock options and cash-settled share based payments – Note 2(o).

(d) 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 2012 that would be expected to have a material impact on the Group.

(e) New and amended standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following:

- Amendments to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassified to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- 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.
- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board.
- IFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) New and amended standards and interpretations not yet adopted (continued)

- IFRS 11, "Joint arrangements", is a reflection of joint arrangements which focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 12, "Disclosures of interests in other entities", 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 Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 13, "Fair value measurement", 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.
- Amendment to IAS 32, "Financial Instruments: Presentation", clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(f) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2012 and 2011, and operating results and cash flows for the years then ended. The consolidated financial statements of the Group incorporate the financial statements of the Company and companies controlled by the Company (its subsidiaries).

Subsidiaries are entities over which the Company has the control, directly or indirectly, to govern the financial and operating policies in order to obtain benefits from their activities. Control is presumed to exist where the Company has more than one half of the voting rights unless it can be demonstrated that ownership does not constitute control. Control does not exist where other parties hold veto rights over significant operating and financial decisions. In assessing control, potential voting rights that are currently exercisable or convertible as well as other contractual arrangements that enable the Company to exercise control are taken into account. The consolidated financial statements include all of the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating intercompany transactions as noted above. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are included in the consolidated financial statements from the date on which control passed to the Group, and have been excluded from the date on which control transferred out of the Group.

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 profit or loss. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency (continued)

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 profit or loss. 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.

(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 other 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 subsequently 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 are 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. The carrying amount of the replaced part is derecognised. 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 profit or loss 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

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 are 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 right 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 reserves, and active and significant operations in, or relating to, the area of interest are continuing.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (continued)

Mineral licence

Mineral licence represents the cost incurred in respect of the tanzanite mining licence. The cost is amortised over the licence period.

(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 South African Code for Reporting of Mineral Resources and Mineral Reserves, prepared by the South African Mineral Resource Committee (SAMREC) under the auspices of the South African Institute of Mining and Metallurgy, March 2000. 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 acquiring the inventories. In the case of rough, cut and polished gemstones, 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.

(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 profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment (continued)

Non-financial assets (continued)

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 in 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).

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 and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

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 can be 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.

(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, associated costs or the possible return of tanzanite can be estimated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax expense (continued)

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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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) Earnings 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.

(u) Borrowings

Borrowings are recognised 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 incurs 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") which in the case of the Group is the Executive Committee. The CODM makes 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. SEGMENT REPORTING (CONTINUED)

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.

	Mining 2012 US$'000	Mining 2011 US$'000	Trading 2012 US$'000	Trading 2011 US$'000	Exploration 2012 US$'000	Exploration 2011 US$'000	Marketing 2012 US$'000	Marketing 2011 US$'000	Cut and Polished 2012 US$'000	Cut and Polished 2011 US$'000	Total 2012 US$'000	Total 2011 US$'000
External Revenues	**9,803**	12,508	**3,595**	4,489	**-**	-	**4,834**	8,925	**49**	84	**18,281**	26,006
Inter-segment revenue											**1,906**	5,468
Finance costs	**(204)**	(172)	**-**	-	**-**	-	**-**	-	**-**	-	**(204)**	(172)
Depreciation and amortisation of property, plant and equipment and intangible assets	**(1,557)**	(2,415)	**(49)**	(32)	**-**	-	**(59)**	(64)	**(1)**	(2)	**(1,666)**	(2,513)
Impairment charge	**(4,441)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(4,441)**	-
Reportable segment (loss)/profit before income tax	**(11,782)**	(698)	**(85)**	28	**(19)**	(7)	**313**	3,629	**(21)**	689	**(11,594)**	3,641
Income tax credit/ (charge)	**3,451**	75	**30**	(16)	**-**	-	**(3,856)**	(19)	**(59)**	-	**(434)**	40
Reportable segment assets	**30,281**	36,224	**2,315**	2,372	**4,248**	4,010	**1,178**	4,185	**603**	362	**38,625**	47,153
Capital expenditure	**998**	979	**144**	66	**259**	151	**-**	1	**271**	50	**1,672**	1,247
Reportable segment liabilities	**11,643**	11,554	**445**	270	**6**	6	**61**	45	**24**	6	**16,674**	11,881

3. SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities	2012 US$'000	2011 US$'000
Revenues		
Total revenue for reportable segments	**18,281**	26,006
Elimination of intersegment revenue	**(1,906)**	(5,468)
Consolidated revenue	**16,375**	20,538
Profit or loss		
Total loss for reportable segments	**(11,594)**	3,641
Unallocated amounts-corporate	**(1,577)**	(2,990)
Consolidated (loss)/profit before tax	**(13,171)**	651
Assets		
Total assets for reportable segments	**38,625**	47,153
Other unallocated amounts	**657**	735
Consolidated total assets	**39,282**	47,888
Liabilities		
Total liabilities for reportable segments	**16,674**	11,881
Other unallocated amounts	**327**	52
Consolidated total liabilities	**17,001**	11,933

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 2012		
Tanzania	**11,492**	**28,910**
India	**4,834**	**-**
Dubai	**-**	**431**
Other countries	**49**	**249**
	16,375	**29,590**
Geographical information		
31 December 2011		
Tanzania	11,529	30,239
India	8,925	-
Dubai	-	490
Other countries	84	185
	20,538	30,914

Major customer

Revenue from seven sight holders of the Group's marketing operations represents approximately US$ 10.3 million (2011: US$18.6 million) of the Group's total revenue.

4. REVENUE

	2012 US$ '000	2011 US$ '000
Sale of tanzanite	**16,375**	20,538

5. (A) EXPENSES BY NATURE

	2012 US$ '000	2011 US$ '000
Raw materials and consumables used	**(6,195)**	(4,200)
Auditors' remuneration	**(311)**	(317)
Royalties	**(473)**	(428)
Depreciation and amortisation of property, plant and equipment	**(1,666)**	(2,513)
Inventory write-off	**(432)**	(628)
Impairment charges of property, plant and equipment (Note 8)	**(4,441)**	-
Write (off)/back of trade receivables	**(48)**	6
Net foreign exchange (loss)/gain	**(240)**	60
Directors' emoluments and consulting fees	**(821)**	(1,194)
Operating leases instalments	**(296)**	(219)
Employee benefits expense (Note 5(b))	**(7,222)**	(7,345)
Penalties and interests	**(1,815)**	(13)
Other expenses	**(5,373)**	(2,922)
Total of cost of sales, selling and distribution, administration and other operating expenses	**(29,333)**	(19,700)
Classified as follows:		
Cost of sales	**(12,332)**	(8,406)
Selling and distribution expenses	**(2,931)**	(2,552)
Administrative expenses	**(3,954)**	(2,819)
Other operating expenses	**(10,116)**	(5,923)
	(29,333)	(19,700)

(B) EMPLOYEE BENEFITS EXPENSE

	2012 US$ '000	2011 US$ '000
Wages and salaries	**(6,808)**	(7,003)
Social security contribution	**(350)**	(278)
Other employment benefits	**(64)**	(64)
	(7,222)	(7,345)

6. FINANCE COST

	2012 US$ '000	2011 US$ '000
Interest expense	**(204)**	(172)
Accretion expense – asset retirement obligation	**(9)**	(15)
	(213)	(187)

7. INCOME TAX CHARGE/(CREDIT)

	2012 US$ '000	2011 US$ '000
Current tax charge		
Current period	**120**	27
Prior periods	**3,810**	-
	3,930	27
Deferred tax credit (Note 10)	**(3,496)**	(67)
Total income tax charge/(credit)	**434**	(40)
The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
(Loss)/profit before income tax	**(13,171)**	651
Taxation at 30%	**(3,951)**	195
Non-deductible expenses	**103**	759
Effect of tax rates in foreign jurisdictions	**(60)**	(1,161)
Deferred tax assets not recognised	**532**	167
Under provision in prior periods	**3,810**	-
Income tax charge/(credit)	**434**	(40)

Prior periods tax expense

The Company has in all previous respective years prepared and submitted its tax returns, in Mauritius and South Africa, on the basis of its interpretation and understanding of its entitlement in terms of the double tax treaty between Mauritius and South African (the "Double Tax Treaty") which entitles the company to claim full credit for Mauritius tax "suffered" (the "Mauritius Tax") against the Company's South African tax liabilities.

In 2012 SARS advised the Company that pursuant to a review of the Company's South African tax returns for the years 2004 to 2008 it disallowed previously accepted tax credits.

The Company has lodged an objection to these Revised Assessments, as it believes that the basis upon which such Revised Assessments have disallowed all previously allowed foreign tax credits is incorrect and not supported by the interpretation of the wording of the Double Tax Treaty. In the opinion of the directors the Double Tax Treaty does not specifically require proof that all income and expenses are attributable to the Mauritius Permanent Establishment ("PE") in order to claim the foreign tax credit for taxes suffered in Mauritius.

8. PROPERTY, PLANT AND EQUIPMENT

31 December 2012	Cost US$ '000	Accumulated depreciation and impairment losses US$ '000	Carrying amount US$ '000
Computer and other equipment	270	(172)	98
Cutting and gemmological equipment	43	(15)	28
Development costs	27,093	(13,193)	13,900
Earthmoving equipment	292	(292)	-
Furniture, fittings and improvements to leased premises	548	(377)	171
Infrastructure and surface buildings	3,906	(2,524)	1,382
Plant, machinery and mining equipment	6,074	(2,890)	3,184
Motor vehicles	844	(652)	192
Office equipment	85	(22)	63
Assets under construction	800	-	800
	39,955	**(20,137)**	**19,818**

Reconciliation of property, plant and equipment

31 December 2012	Opening balance US$'000	Additions US$'000	Transfers in/(out) US$'000	Impairment charge* US$'000	Depreciation US$'000	Total US$'000
Computer and other equipment	88	21	1	-	(12)	98
Cutting and gemmological equipment	18	11	-	-	(1)	28
Development costs	18,226	831	-	(4,441)	(716)	13,900
Furniture, fittings and improvements to leased premises	183	93	(1)	-	(104)	171
Infrastructure and surface buildings	1,761	9	-	-	(388)	1,382
Plant, machinery and mining equipment	3,282	101	-	-	(199)	3,184
Motor vehicles	267	83	-	-	(158)	192
Office equipment	64	-	-	-	(1)	63
Assets under construction	535	265	-	-	-	800
	24,424	**1,414**	-	**(4,441)**	**(1,579)**	**19,818**

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	26,262	(8,036)	18,226
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	(20)	64
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	19,277	474	-	(1,525)	18,226
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
Assets under construction	374	161	-	-	535
	25,849	1,096	(20)	(2,501)	24,424

Security

Except for the equipment acquired through National Bank of Commerce (NBC) bank loan (refer note 21) with a carrying amount of US$ 641,000 as 31 December 2012 (2011: US$ 720,000), there are no other restrictions on title and no other property, plant and equipment has been pledged as security for liabilities.

*Impairment charges

Following an impairment review arising from continued losses and inability to access certain ore shafts due to illegal mining at TanzaniteOne Mining Ltd, a fully owned subsidiary of the Company, an impairment charge of US$ 4,441,000 was recognised during the year.

The review compared the recoverable amount of the non-current assets for each cash generating unit ("CGU") to the carrying value of the CGU. The economic assumptions used in this review were:

	At 31 December 2012
Tanzanite average price per carat	$8.10
Annual inflation rate	2.5%
Discount rate	8%

For purposes of testing for impairment of non-current assets of the Group's operating mine, a reasonably possible change could result in further impairment charges. The calculation is highly sensitive to changes in the key assumptions, and if the estimated cost of capital used in determining the pre-tax discount rate for the CGU had been 1% higher than management's estimates, the Group would have recognised a further impairment charge of US$ 3,670,000.

If the estimate for the annual inflation rate was increased by 1% the Group would have recognised a further impairment charge of US$ 7,786,000. If the average price per carat decreased by 5% the Group would have recognised a further impairment charge of US$ 1,577,000.

9. INTANGIBLE ASSETS

31 December 2012	Cost US$ '000	Accumulated amortisation US$ '000	Carrying amount US$ '000
Exploration expenditure (tsavorite)	4,062	-	4,062
Mining licence	1,001	(557)	444
	5,063	(557)	4,506

Reconciliation of intangible assets

31 December 2012	Opening balance US$'000	Additions US$'000	Amortisation US$'000	Total US$'000
Exploration expenditure (tsavorite)	3,804	258	-	4,062
Mining licence	31	500	(87)	444
	3,835	758	(87)	4,506

31 December 2011	Cost US$ '000	Accumulated amortisation US$ '000	Carrying amount US$ '000
Exploration expenditure (tsavorite)	3,804	-	3,804
Mining licence	501	(470)	31
	4,305	(470)	3,835

Reconciliation of intangible assets

31 December 2011	Opening balance US$'000	Additions US$'000	Amortisation US$'000	Total US$'000
Exploration expenditure (tsavorite)	3,653	151	-	3,804
Mining licence	43	-	(12)	31
	3,696	151	(12)	3,835

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	2012 US$ '000	2011 US$ '000
Recognised deferred tax assets and liabilities		
Deferred tax assets comprise of the following temporary differences:		
Estimated income tax losses	**5,179**	2,593
Deferred income tax assets	**5,179**	2,593

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

	2012 US$ '000	2011 US$ '000
Deferred tax liabilities comprise of the following temporary differences:		
Property, plant and equipment	**(3,630)**	(4,540)
Deferred income tax liabilities	**(3,630)**	(4,540)
Net deferred income tax asset/(liability)	**1,549**	(1,947)
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**4,575**	4,043

Deferred tax assets have not been recognised in respect of the tax losses in The TanzaniteOne Polished Sales (Proprietary) Limited, Tanzanite One (SA) Limited, The Tanzanite Laboratory Limited, Tsavorite One Mining Limited and Urafiki Gemstone EPZ 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)

	Balance at 01 January US$ '000	Recognised in statement of comprehensive income US$ '000	Balance at 31 December US$ '000
2012			
Estimated income tax losses	2,593	2,586	5,179
Property, plant and equipment	(4,540)	910	(3,630)
Net deferred income tax (liability)/asset	(1,947)	3,496	1,549

	Balance at 01 January US$ '000	Recognised in statement of comprehensive income US$ '000	Balance at 31 December US$ '000
2011			
Estimated income tax losses	2,570	23	2,593
Property, plant and equipment	(4,584)	44	(4,540)
Net deferred income tax liability	(2,014)	67	(1,947)

11. INVENTORIES

	2012 US$ '000	2011 US$ '000
Non-current		
Show jewellery	87	62
Current		
Rough gemstones	1,711	5,679
Consumables	635	1,003
	2,346	6,682
	2,433	6,744

No inventories have been pledged as security for liabilities.

12. INCOME TAX RECOVERABLE/(PAYABLE)

Income tax recoverable	699	1,948
Income tax payable	(2,709)	-

The current income tax recoverable represents the amount of income taxes overpaid in Tanzania (2011:- Tanzania and South Africa).The current income tax payable represents the amounts of income tax payable in South Africa in respect of current income tax.

13. TRADE AND OTHER RECEIVABLES

	2012 US$ '000	2011 US$ '000
Trade receivables from customers	**1,426**	3,811
Other receivables	**4,055**	2,925
Provision for impairment of trade receivables	**(325)**	(277)
	5,156	6,459

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2012, trade receivables of US$ 65,000 (2011: US$ 64,000) 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:

	2012 US$ '000	2011 US$ '000
Past due 61 – 120 days	**-**	-
More than 120 days	**65**	64
	65	64

As at 31 December 2012, trade receivables of US$ 325,000 (2011: US$ 277,000) 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:

	2012 US$ '000	2011 US$ '000
At 1 January	**277**	283
Additions/(reversal)	**48**	(6)
At 31 December	**325**	277
Trade and other receivables consists of balances receivable in the following currencies:		
United States Dollars	**2,928**	4,443
South African Rands	**23**	94
Tanzanian Shillings	**2,205**	1,922
	5,156	6,459

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

	2012 US$ '000	2011 US$ '000
Cash at bank and on hand	**1,491**	1,885
Bank overdraft (Note 21)	**(1,105)**	(1,069)
Cash and cash equivalents in the statement of cash flows	**386**	816
Cash and cash equivalents consists of balances receivable in the following currencies:		
United States Dollar (net of overdraft)	**(237)**	540
South African Rand	**490**	109
Tanzanian Shilling	**79**	111
UAE Dirham	**15**	17
UK Pound Sterling	**39**	39
	386	816

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. SHARE CAPITAL

15.1 Common share capital

	2012 US$ '000	2011 US$ '000
Authorised		
250,000,000 common shares of US$ 0.0003 each	**75**	75
Issued		
118,148,951 (2011: 118,148,951) common shares of US$ 0.0003 each	**35**	35
Share Capital		
Balance at the beginning of the financial year	**35**	34
Shares issued pursuant to directors' dealings	**-**	1
Balance at the end of the financial year	**35**	35

Reconciliation of number of common shares in issue

	Number of shares 2012	Number of shares 2011
Shares in issue at beginning of the year	**118,148,951**	115,640,250
Shares issued pursuant to directors' dealings	**-**	2,508,701
Shares in issue at end of the year*	**118,148,951**	118,148,951

*Includes 7,275,000 common shares acquired and held in trust for participating employees and the executive directors, through an employee share plan.

15. SHARE CAPITAL (CONTINUED)

15.2 A class share capital

	2012 US$ '000	2011 US$ '000
Authorised		
66,666,667 A class shares of ZAR 0.0003 each	**3**	3
Issued		
1,568,202 (2011: 1,868,426) A class shares of ZAR 0.0003 each issued by the Company's wholly-owned subsidiary, TanzaniteOne SA Limited.	**1**	1
A class shares have been converted at the historical rate at 1 June 2004 of ZAR 6.52 to the US Dollar.		
Total issued share capital (Common shares and A class shares)	**36**	36

	Number of shares 2012	Number of shares 2011
Reconciliation of A class share capital		
Shares in issue at beginning of the year	**1,868,426**	3,076,109
Share buy back	**(300,224)**	(1,207,683)
Shares in issue at end of the year	**1,568,202**	1,868,426

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, mutates 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.

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.

15. SHARE CAPITAL (CONTINUED)

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.

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.

15. SHARE CAPITAL (CONTINUED)

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

	2012 US$ '000	2011 US$ '000
Balance at beginning of the year	**46,855**	46,399
Arising on issue of common shares during the year	**-**	456
Balance at end of the year	**46,855**	46,855

17. SHARE OPTION RESERVE

	2012 US$ '000	2011 US$ '000
Balance at beginning of the year	**896**	706
Fair value movement	**-**	190
Balance at end of the year	**896**	896

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:

17. SHARE OPTION RESERVE (CONTINUED)

	2012 Weighted average exercise price (UK pence/share)	2012 Number of options	2011 Weighted average exercise price (UK pence/ share)	2011 Number of options
Outstanding at the beginning of the year	16	**7,275,000**	25	7,425,000
Forfeited during the year		-		(150,000)
Outstanding at the end of the year	16	**7,275,000**	16	7,275,000
Exercisable at the end of the year		**7,275,000**		7,275,000

The 7,275,000 options outstanding at 31 December 2012 have an exercise price of 16.237 UK pence and a weighted average contractual life of 6.2 years (2011: 7.2 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.

Fair value of share options and assumptions	2012 Senior employees	2011 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

	2012 US$ '000	2011 US$ '000
Balance at beginning of the year	**(1,448)**	(1,051)
Translation of foreign operations	**(69)**	(397)
Balance at end of the year	**(1,517)**	(1,448)

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

	2012 US$ '000	2011 US$ '000
25% interest in the equity of TanzaniteOne Trading Limited	**(38)**	(24)
25% interest in the equity of TsavoriteOne Mining Limited	**(46)**	(42)
	(84)	(66)
Movement during the year:		
25% interest in the (loss)/profit for the year of TanzaniteOne Trading Limited	**(14)**	8
25% interest in the loss for the year of TsavoriteOne Mining Limited	**(4)**	(3)
Net (loss)/profit accounted for in non-controlling interest account	**(18)**	5

20. EARNINGS PER SHARE

20.1 Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the loss attributable to common shareholders of US$ 13,587,000 (2011: profit of US$ 686,000) and a weighted average number of common shares outstanding during the year ended 31 December 2012 of 118,148,951 (2011: 116,100,751) calculated as follows:

	2012 US$ '000	2011 US$ '000
(Loss)/profit attributable to common shareholders	**(13,587)**	686
Weighted average number of common shares	**Number of shares 2012**	**Number of shares 2011**
Effect of common shares on 1 January	**118,148,951**	115,640,250
Effect of common shares issued on 25 October 2011	**-**	460,501
Weighted average number of common shares	**118,148,951**	116,100,751
Basic (loss)/earnings per common share (US cents/share)	**(11.50)**	0.59

20. EARNING PER SHARE (CONTINUED)

20.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2012 was based on the loss attributable to common shareholders of US$ 13,587,000 (2011: profit of US$ 686,000) and a weighted average number of common shares outstanding during the year ended 31 December 2012 of 118,148,951 (2011: 116,100,751) calculated as follows:

Weighted average number of common shares	Number of shares 2012	Number of shares 2011
Effect of common shares on 1 January	**118,148,951**	115,640,250
Effect of common shares issued on 25 October 2011	**-**	460,501
Weighted average number of common shares	**118,148,951**	116,100,751
Diluted (loss)/earnings per common share (US cents/share)	**(11.50)**	0.59

20.3 Net asset value per common share

Net assets (US$'000)	**22,281**	35,955
Number of common shares in issue at 31 December	**118,148,951**	118,148,951
Net asset value per common share (US cents/share)	**18.86**	30.43

20.4 No dividend was declared

No dividend was declared	**-**	-

21. INTEREST-BEARING BORROWINGS

	2012 US$ '000	2011 US$ '000
NBC Limited Bank loan	**897**	1,591
Less: Current portion transferred to current liabilities	**(897)**	(797)
Balance payable between one and five years	**-**	794
Bank loan (current portion)	**897**	797
Bank overdraft	**1,105**	1,069
Balance payable within 12 months	**2,002**	1,866

The NBC Limited bank loan and overdraft is denominated in US$ and is secured over plant and equipment, and bearing interest at NBC base rate of 7% per annum and is charged on a monthly basis. The effective interest rate for the year was 7% (2011: 7%).

Total interest-bearing borrowings		
Non-current	**-**	794
Current	**2,002**	1,866
	2,002	2,660

The NBC loan agreements require that, TanzaniteOne Mining Limited, a fully owned subsidiary of Richland Resources Ltd, maintain certain financial and other covenants. The current year results have affected our ability to comply with these covenants. A violation of these covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to cancel the borrowing facilities. A total of $153,000 of indebtedness has been reclassified as current liabilities in our audited consolidated statement of financial position for the year ended 31 December 2012 included in this annual report as a result of the breach of these covenants contained in our loan agreements.

The bank was notified of the breach and as of the date of this report have not recalled the loan amount.

22. PROVISION FOR ENVIRONMENTAL REHABILITATION

	2012 US$ '000	2011 US$ '000
Balance at beginning of the year	**130**	115
Unwinding of discount	**9**	15
Balance at end of the year	**139**	130

23. TRADE AND OTHER PAYABLES

	2012 US$ '000	2011 US$ '000
Trade and other payables	**8,521**	4,603
Trade and other payables consists of balances payable in the following currencies:		
United States Dollars	**2,321**	1,985
South African Rands	**1,786**	7
Tanzanian Shillings	**4,414**	2,611
	8,521	4,603

24. NOTES TO THE STATEMENT OF CASH FLOWS

	2012 US$ '000	2011 US$ '000
24.1 Cash generated from operations		
Profit before income tax	**(13,171)**	651
Adjusted for:		
• Depreciation and amortisation of property, plant and equipment	**1,666**	2,513
• Inventory write-off	**432**	628
• Impairment charge	**4,441**	-
• Finance cost	**204**	172
• Share based payments	**-**	190
• Unwinding of discount	**9**	15
• Write off/(back) of trade receivables	**48**	(6)
• Net foreign exchange difference	**(31)**	(237)
Cash from operations before working capital changes	**(6,402)**	3,926
Working capital changes:		
Inventories	**3,879**	(1,210)
Trade and other receivables	**755**	(2,631)
Trade and other payables	**3,918**	(12)
Cash generated from operations	**2,150**	73
24.2 Net income tax (paid)/refund		
Income tax recoverable at 1 January	**1,948**	2,279
Current taxation charge	**(3,930)**	(27)
Foreign exchange difference	**(38)**	(304)
Income tax recoverable at 31 December	**2,010**	(1,948)
Net tax paid	**(10)**	-

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.

25.2 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 US$ '000	Interest bearing borrowings US$ '000	Bank overdraft US$ '000	Trade and other payables US$ '000
31 December 2012				
Less than one year	38	897	1,105	8,521
More than one year and less than five years	4	-	-	-
	42	**897**	**1,105**	**8,521**
31 December 2011				
Less than one year	56	797	1,069	4,603
More than one year and less than five years	130	794	-	-
	186	**1,591**	**1,069**	**4,603**

25. FINANCIAL INSTRUMENTS (CONTINUED)

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 assets 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.

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 2011.

	2012 US$ '000	2011 US$ '000
Profit and loss		
South African Rands	**(675)**	(504)
Tanzanian Shillings	**(239)**	(52)
Great British Pounds	**-**	(186)
	(914)	(742)

Equity would have increased in 2012 by US$ 235,000 (2011: US$ 453,000).

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/payables with a remaining useful 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)

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 notional amount is deemed to reflect fair value.

Interest-bearing borrowings

The fair values of finance lease liabilities are estimated as the present value of future flows, discounted at market interest rates for homogeneous lease arrangements. The estimated fair values reflect the change in interest rates.

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
2012			
Trade and other receivables	13	**5,156**	**5,156**
Cash at bank and on hand	14	**1,491**	**1,491**
Loans and receivables		**6,647**	**6,647**
Interest-bearing borrowings	21	**2,002**	**2,002**
Trade and other payables	23	**8,521**	**8,521**
Financial liabilities measured at amortised cost		**10,523**	**10,523**
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	4,603	4,603
Financial liabilities measured at amortised cost		7,263	7,263

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

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 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 achieved a negative return on capital of 61% in 2012 (2011: positive 2%).

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 contracted capital commitments existed at year end (2011: US$ nil).

26.2 Finance lease commitments

Non-cancellable lease rentals are payable as follows:

	2012 US$ '000	2011 US$ '000
Less than one year	**154**	109
Between two and five years	**219**	119
	373	228

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

26.3 Legal contingencies

The Group is a defendant against various legal cases instituted by former employees with claims amounting to US$0.06 million (2011: 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 cases over and above what has been provided for.

26.4 Tax contingencies

Potential Tanzanian Tax liability

The Tanzanian Revenue Authority (TRA) have conducted audits of Tanzanite One Mining Limited covering periods from 2008 to 2010 and have issued additional assessments (the "Additional TRA Assessments"). Additional taxes assessed, but not provided for by Tanzanite One Mining Limited amounted to TZS 2,993,941,881 (US$ 1,894,900).

Under Tanzanian tax law an on account payment of up to 33% of the tax assessed is required to be paid by a taxpayer to lodge an objection against an assessment. Tanzanite One Mining Limited has post balance sheet date applied the corporate tax credit from previous periods and objected to the Additional TRA Assessments and discussions with TRA are on on-going in relation to the Additional TRA Assessments. The Directors believe that the tax assessed in relation to the Additional TRA Assessments will not be payable and consequently:

(a) no provision has been made for this tax or the related interest & penalties; and

(b) the Tax paid on account is treated as a debtor.

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 2012 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 2012.

28. PRIOR YEAR ADJUSTMENT

During an audit by the Tanzanian Minerals Audit Agency ("TMAA") it was noted that the company had not paid the appropriate royalties and other indirect taxes. The adjustment has been made retrospectively and comparative figures have been appropriately restated. The effect of the correction of the error on the results for 2011 is as follows:

	As previously stated US$'000	As restated US$'000	Restatement US$'000
Year ended 31 December 2011			
Effect on balance sheet			
Trade and other payables	2,377	4,603	**(2,226)**
Effect of statement of changes in equity			
Accumulated losses	(8,118)	(10,318)	(2,200)
Non-controlling interest	(40)	(66)	(26)
			(2,226)
Effect on profit and loss			
Increase in cost of sales			149
Decrease in other operating expenses			(45)
Decrease in results for the period			**104**
Decrease in earnings per share (US cents/share)			**0.09**
Prior periods (2008 to 2010)			
Effect on balance sheet			
Trade and other payables	2,492	4,614	**(2,122)**
Effect of statement of changes in equity			
Accumulated losses	(8,908)	(11,004)	(2,096)
Non-controlling interest	(45)	(71)	(26)
			(2,122)

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 15% (2011: 14%) of the voting shares of Richland Resources Ltd.

	2012 US$ '000	2011 US$ '000
Short-term benefits		
Directors' emoluments for the year		
(i) Services as directors of the Company		
Non-executive directors		
Salary	**160,500**	160,500
Executive directors		
Salary	**80,000**	76,652
(ii) Services as directors of the subsidiaries		
Executive directors		
Salary	**410,332**	306,133
Consulting fees paid to Strategic Works Consulting Limited in respect of Ami Mpungwe	**120,000**	120,000
Short term advances to directors	**19**	-
Short term advances from directors	**65**	-

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$ 1.2 million (2011: US$ 1 million). No terminal or other long term benefits were paid to key management personnel during the year (2011: Nil). There were no transactions with key management personnel during the year.

29. RELATED PARTIES (CONTINUED)

Group entities			Net amounts owing by/(to) subsidiaries			
Significant subsidiaries	**Country of incorporation**	**Products/Services**	**2012 US$ '000**	**2011 US$ '000**	**Functional currency**	**Share holding %**
The Tanzanite Company (UK) Limited	Great Britain	Polished gemstone and jewellery sales	**-**	(1,680)	GBP	100%
Tanzanite One (SA) Limited	South Africa	Management services	**(20,606)**	(20,686)	ZAR	100%
Tanzanite One Polished Sales (Proprietary) Limited	South Africa	Polished gemstone and jewellery sales	**2,377**	4,165	ZAR	100%
Tanzanite One Holding Limited	Mauritius	Holding company	**(92)**	(75)	US$	100%
Tanzanite One Mauritius Limited	Mauritius	Rough and polished tanzanite sales	**14,125**	13,652	US$	100%
Tanzanite One Marketing DMCC	UAE-Dubai	Rough and polished tanzanite sales	**12,608**	8,772	US$	100%
Tanzanite One Mining Limited	Tanzania	Tanzanite mining	**1,203**	3,587	US$	100%
Tanzanite One Trading Limited	Tanzania	Rough and polished tanzanite trading	**(1,977)**	(2,234)	US$	75%
The Tanzanite Laboratory Limited	Tanzania	Certification of tanzanite	**(191)**	(184)	US$	100%
TsavoriteOne Mining Limited	Tanzania	Tsavorite exploration	**(4,426)**	(4,169)	US$	75%
Tanzanite Foundation Limited	Nevis	Tanzanite marketing	**(5,206)**	(4,888)	US$	100%
TanzaniteOne Cutting Edge	Hong Kong, China	Polished and jewellery sales	**(262)**	(231)	US$	100%
Urafiki Gemstone EPZ Ltd	Tanzania	Cutting gemstones	**(383)**	(58)	US$	100%

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

A new Mining Licence ("ML") was granted to TanzaniteOne Mining Limited ("TML") on 20 June 2013 which replaced the previous Special Mining Licence which had expired in August 2012. As part of the requirement for the new mining licence, TML executed a Letter of Intent ("LOI") with State Mining Corporation of Tanzania ("STAMICO") regarding the terms upon which it is intended that the New Mining Licence will be held, how operations thereunder will be conducted and how costs and revenue will be allocated. The New Mining licence will be held jointly on a 50:50 basis between TML and STAMICO.

31. ULTIMATE HOLDING COMPANY

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

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