

# RICHLAND

RESOURCES LTD

29 September 2015

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

**Interim Results for the half year ended 30 June 2015 (unaudited)**

**Richland Resources Ltd**, the gemstones producer and developer, today announces its interim results for the half year ended 30 June 2015.

### **Financial Summary**

- US\$0.28 million in revenue from continuing operations (US\$0.31 million in 1H 2014)
  - Revenues in current period (and comparative) generated from online channel
- 28% Gross Margin Achieved (41% in 1H 2014)
- As at 30 June 2015
  - US\$3.4 million cash and cash equivalents
  - No debt
  - Total assets of US\$7.5 million
  - Total current assets of US\$4.1 million
  - Total non-current assets of US\$3.4 million

### **Corporate Summary**

- Group wide rebranding, including online presence and creation of new gemstone sales platform namely richlandgemstones.com
- Total consideration of approximately US\$4.6 million received on conclusion of sale of Tanzanian operations (of which, US\$510,000 was received in H2 2014)

### **Operational Summary**

- First production area delineated at the Capricorn Sapphire project in Australia following completion of phase 1 infill drilling programme
  - 57 Reverse Circulation ("RC") holes drilled totalling 633m
  - Drilling delineated bedrock contours and gravel thickness within and surround the first area to be mined during H2 2015
- Pre-production mining commenced on 13 April as work began on the removal of topsoil and overburden as part of the development of the first open pit including:
  - Rehabilitation and stabilisation of certain historic un-rehabilitated areas
  - Removal and excavation of approximately 100,000 tonnes of topsoil and overburden during H1 2015 as part of the mining start-up process
  - Plant commissioning and testing continued during H1 2015 with significant modifications and improvements made to the processing plant
- Approximately 3,000 carats produced during H1 2015 as part of the start-up and plant commissioning process

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**Post-period Summary**

- On 3 August the Company announced the appointment of Shore Capital Stockbrokers Limited (“**Shore Capital**”) as sole broker
- Dr Yuen Low, mining analyst at Shore Capital visited the project in September
- Capricorn sapphire sales of current production has commenced and a Q3 Operational and Sales update will be released in October

Commenting on the results, Chief Executive Officer, Bernard Olivier said: *“The period saw Richland undertake an intense period of mine redevelopment at the new Capricorn Sapphire project in Queensland Australia. Pre-production and ramp-up began within months of our team getting on the ground at site with first sapphires now recovered.*

*I am extremely proud of my team for what we achieved during the first half of 2015 on an extremely tight budget as evident from today’s interim financial results. Our small team of dedicated employees achieved both first production and the revamp of the online division, all within a total project Capex and Opex expenditure of less than US\$1.5 million for the period.*

*As ramp-up continues our marketing and sales teams have also commenced our sales process and the establishment of our sapphire brand as a reliable source of gemstones with full provenance in terms of both quality and source. “*

**For more information please contact:**

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**Notes to the Editor:**

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

## 1. Financial Performance

During the period, as announced on 4 March 2015, the Company successfully disposed of all of its remaining Tanzanian mining operations and related companies to Sky Associates Group Limited (“**Sky**”) for a total consideration of US\$4,590,000 (US\$510,000 of which was received in 2014). The conclusion of the sale excluded a further potential deferred consideration of US\$510,000, which was subject to any adjustments and deductions in accordance with the Sales Agreement. On 12 June 2015 the Company announced that in light of such adjustments and deductions due under the Sale Agreement and the existing and potential creditors claims and other liabilities of the companies sold by Richland to Sky (the “**Disposed Group**”) the two parties had reached a settlement agreement whereby Sky and Richland have agreed to amend the terms of the further deferred consideration such that Sky will pay to Richland 15% of any deferred consideration received by TanzaniteOne Mining Limited (“**TML**”) under the State Mining Corporation, Tanzania (“**STAMICO**”) joint venture agreement for the period to 31 December 2019. Such further potential deferred consideration otherwise remains payable to Richland in accordance with terms of the Sale Agreement. The interim financial results, in accordance with IFRS 5, distinguish between the financials of the Disposed Group (“**Discontinued Operations**”) and Richland’s ongoing operations (“**Continuing Operations**”) as at 30 June 2015.

### 1.1 Continuing Operations

**Revenue** for the interim period of US\$278,000 was 9% lower than prior period (H1 2014: US\$306,000) as a result of the changes to the online sales caused by the migration, rebranding and relaunching of the online sales platform from [www.tanzaniteoneonline.com](http://www.tanzaniteoneonline.com) to [www.richlandgemstones.com](http://www.richlandgemstones.com) following the sale of the Tanzanian operations.

**Operating Loss** for the period increased 113% from US\$458,000 in H1 2014 to US\$973,000 as a result of the development costs associated with the Capricorn Sapphire project acquired in June 2014.

The Company had **net cash** available from Continuing Operations of US\$3.4 million at end of the period compared with US\$1.5 million as at 1H 2014.

The **total non-current assets** of the Continuing Operations were US\$3.4 million at period end primarily reflects the acquisition and capital expenditure associated with the Capricorn Sapphire project.

### 1.2 Discontinued Operations

**Net loss from Discontinued Operations** of US\$3.4 million has been recognised during the period. The loss primarily represents the cumulative exchange differences in equity relating to foreign operations and non-controlling interest, required to be recognised in Profit and Loss in accordance with IAS 21 and IFRS 5, following the closing of the sale to Sky.

## 2. Operational Overview

### 2.1 Capricorn Sapphire Project

#### *Exploration and Drilling*

During the period a total of 633m of infill drilling was conducted over 57 holes as part the first phase in a campaign that will confirm and expand the data from the pre-existing JORC resource (2004) and enable the maximisation of mining efficiencies and scheduling. The reverse circulation (“RC”) drilling has enabled modelling of the overburden and gravel depths and thicknesses as well as the bedrock profile. The drilling delineated the bedrock contour and also identified various types of generation of gravels within the delineated resource. The location of the first mining pit (“Open Pit 1”) was selected based on the drilling information available and to enable testing of the three main types of gravels from the initial area to be mined to improve the geological information available for the development of the project mine plan.

#### *Mine and plant commissioning*

On 13 April, only 8 months after the asset acquisition of the project, work commenced on preparation and excavation of Open Pit 1. During the period over 1,000,000 tonnes of topsoil and overburden were removed and stockpiled for rehabilitation from the Open Pit 1 area. A total of 3,000 carats of sapphire were recovered by the purposed build alluvial processing plant during H1 2015 as part of the start-up process. Once the topsoil and overburden were removed a geological mapping and sampling exercise was conducted to test the various gravel types located within Open Pit 1 for future mine planning. Several plant reliability issues were experienced under production conditions resulting in start-up delays. The issues stemmed from the plant previously standing for several years prior to June 2014 and the electrical and mechanic faults could only be identified once subjected to constant load. Several components of the plant and generator were subsequently replaced. Additional modifications were also made to the processing plant to improve efficiency, reliability and recovery rates. Plant engineering studies also suggest that the current maximum optimum capacity for the plant should be restricted to around 200 tonnes / hour rather than 200 LCM / hour to ensure efficient sapphire recoveries, representing a reduction in effective use of around 33%.

### 2.2 Marketing and Sales

During the period Richland launched a group wide rebranding campaign to highlight its new direction and emphasis on mining excellence and the ethical supply of natural gemstones with full provenance. Richland’s corporate website ([www.Richlandresourcesltd.com](http://www.Richlandresourcesltd.com)) was overhauled and the online sales platform [www.richlandgemstones.com](http://www.richlandgemstones.com) was developed and successfully launched during H1 2015. Richland continued to utilise its extensive knowledge of tanzanite and the tanzanite industry to source world class tanzanite from the Merelani deposit in Tanzania and retail it through its online sales platform under the Merelani Tanzanite brand. An introductory range of parti-colour sapphires from the Company’s operations in Central Queensland, Australia is also available at [www.richlandgemstones.com](http://www.richlandgemstones.com). Despite the migration, rebranding and relaunching of the online sales division to the new [www.richlandgemstones.com](http://www.richlandgemstones.com) platform, sales revenue of US\$278,000 was still achieved, compared to US\$306,000 in H1 2014.

The new Capricorn Sapphire brand was also launched during the period under which fully certificated sapphire from Australia will be sold. A preliminary sapphire product display and education session was held with potential sight holders at the time of the June 2015 Hong Kong Jewellery show.

### 3. Post Period Summary

On 3 August the Company announced the appointment of Shore Capital Stockbrokers Limited (“**Shore Capital**”) as sole broker and Dr Yuen Low, mining analyst at Shore Capital subsequently visited the Capricorn Sapphire project in September

Ramp up continues on target, as sapphire production is continually optimised and increased. Sale of production from the Capricorn Sapphire Project has started; a Q3 2015 Operational and Sales update will be released in October 2015.

### Glossary

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

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## Financial Statements

### Richland Resources Ltd

Condensed Consolidated Statement of Profit and Loss

For the Half Year ended 30 June 2015

(Unaudited)

	1H 2015 \$'000	1H 2014 <sup>1</sup> \$'000	FY 2014 \$'000
<b><u>CONTINUING OPERATIONS</u></b>			
Revenue	278	306	995
Cost of sales	(200)	(181)	(699)
<b>Gross profit</b>	<b>78</b>	<b>125</b>	<b>296</b>
<i>Gross margin %</i>	<i>28%</i>	<i>41%</i>	<i>30%</i>
Other income	13	-	3
Operating expenses	(1,064)	(583)	(1,712)
<b>Operating loss</b>	<b>(973)</b>	<b>(458)</b>	<b>(1,413)</b>
Financing costs (paid)/received	(10)	-	3
<b>Loss before income tax</b>	<b>(983)</b>	<b>(458)</b>	<b>(1,410)</b>
Income tax credit/(charge)	-	-	-
<b>Loss after income tax from continuing operations</b>	<b>(983)</b>	<b>(458)</b>	<b>(1,410)</b>
<b><u>DISCONTINUED OPERATIONS</u></b>			
Loss from discontinued operations	(3,385)	(765)	(13,895)
<b>Net loss</b>	<b>(4,368)</b>	<b>(1,223)</b>	<b>(15,305)</b>
Non-controlling interest	-	(34)	(1,466)
Loss attributable to equity holders of parent	(4,368)	(1,189)	(13,839)
Basic and diluted EPS from continuing operations (cents per share)	(0.45)	(0.23)	(0.70)
Basic and diluted EPS from discontinuing operations (cents per share)	(1.54)	(0.40)	(6.20)
Basic and diluted EPS per common share from all operations (cents per share)	(1.99)	(0.63)	(6.90)

<sup>1</sup> Restated for discontinued operations

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**Richland Resources Ltd**  
Consolidated Statement of Financial Position  
As at 30 June 2015 (Unaudited)

	1H 2015 \$'000	1H 2014 \$'000	FY 2014 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	3,417	22,583	2,676
Deferred tax assets	-	2,658	-
Inventories	-	87	-
<b>Total non-current assets</b>	<b>3,417</b>	<b>25,328</b>	<b>2,676</b>
<b>Current assets</b>			
Inventories	7	1,458	5
Income tax recoverable	-	168	-
Trade and other receivables	126	3,459	73
Restricted cash and cash equivalents	408	-	251
Cash and cash equivalents	3,390	2,235	962
	<b>3,931</b>	<b>7,320</b>	<b>1,291</b>
<b>Non-current assets and Disposed Group classified as held for sale</b>	<b>155</b>	<b>-</b>	<b>15,327</b>
<b>Total current assets</b>	<b>4,086</b>	<b>7,320</b>	<b>16,618</b>
<b>Total assets</b>	<b>7,503</b>	<b>32,648</b>	<b>19,294</b>
<b>Equity</b>			
Share capital	65	61	65
Share premium	51,711	51,128	51,711
Share options outstanding	-	896	-
Foreign currency translation reserve	192	(1,511)	(1,531)
Accumulated loss	(45,655)	(29,575)	(41,329)
<b>Total equity attributable to parent equity holders</b>	<b>6,313</b>	<b>20,999</b>	<b>8,916</b>
Non-controlling interest	-	(107)	(1,539)
<b>Total equity</b>	<b>6,313</b>	<b>20,892</b>	<b>7,377</b>
<b>Non-current liabilities</b>			
Provision for environmental rehabilitation	344	81	205
Trade and other payables	62	-	98
<b>Total non-current liabilities</b>	<b>406</b>	<b>81</b>	<b>303</b>
<b>Current liabilities</b>			
Trade and other payables	561	8,247	877
Current income tax liabilities	-	2,178	-
Bank overdraft	-	1,017	-
Interest-bearing borrowings	-	111	-
Provision for environmental rehabilitation	-	122	-
	<b>561</b>	<b>11,675</b>	<b>877</b>
<b>Liabilities associated with Disposed Group classified as held for sale</b>	<b>223</b>	<b>-</b>	<b>10,737</b>
<b>Total current liabilities</b>	<b>784</b>	<b>11,675</b>	<b>11,614</b>
<b>Total liabilities</b>	<b>1,190</b>	<b>11,756</b>	<b>11,917</b>
<b>Total equity and liabilities</b>	<b>7,503</b>	<b>32,648</b>	<b>19,294</b>

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**Richland Resources Ltd**  
 Condensed Consolidated Statement of Cash Flows  
 For the Half Year Ended 30 June 2015  
 (Unaudited)

	1H 2015 \$'000	1H 2014 <sup>1</sup> \$'000	FY 2014 \$'000
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	(725)	(1,526)	(244)
Financing cost paid	(4)	(30)	(56)
Income tax refunded	-	-	8
<b>Net cash used in operating activities</b>	<b>(729)</b>	<b>(1,556)</b>	<b>(292)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(681)	(376)	(1,198)
Proceeds from sale of property, plant and equipment	93	-	-
Acquisition of interest in subsidiary	(2)	(1,124)	(1,124)
Proceeds from disposal, net of cash and overdraft disposed	4,401	-	-
Minority shareholders' share of proceeds from Sky	(46)	-	-
Transfer to restricted cash	(181)	-	(251)
<b>Net cash provided by/(used in) investing activities</b>	<b>3,584</b>	<b>(1,500)</b>	<b>(2,573)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest-bearing borrowings	-	(63)	(174)
Proceeds from issue of shares	-	3,844	3,444
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>3,781</b>	<b>3,270</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,855</b>	<b>725</b>	<b>405</b>
<b>Movement in cash and cash equivalents</b>			
Exchange losses	(205)	(2)	(22)
At the beginning of the period	878	495	495
Increase	2,855	725	405
<b>At the end of the period</b>	<b>3,528</b>	<b>1,218</b>	<b>878</b>
Cash and cash equivalents – continuing operations	<b>3,390</b>	<b>1,514</b>	<b>962</b>
Cash and cash equivalents net of borrowings included in asset from Disposed Group classified as held for sale	<b>138</b>	<b>(296)</b>	<b>(84)</b>

<sup>1</sup> Restated for discontinued operations