RICHLAND RESOURCES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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RICHLAND RESOURCES LTD

CORPORATE DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors:	Edward Nealon - Non-Executive Chairman Anthony Brooke - Chief Executive Officer Nicholas Sibley - Non-Executive Director
Registered office:	Clarendon House, 2 Church Street, Hamilton, HM II, Bermuda Telephone: +61 (0) 893 678 455 Email: info@richlandresourcesltd.com Website: www.richlandresourcesltd.com
Registered office for Capricorn Sapphire Pty Ltd:	8 Cotton View Road Emerald, QLD 4720, Australia PO Box 1985, Emerald, Queensland, 4720, Australia Telephone: +61 (0) 7 4987 7077
Transfer secretary:	Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom Telephone: +44 (0)370 702 0003 Facsimile: +44 (0)370 703 6116 Website: www.computershare.com/uk
Nominated adviser:	Strand Hanson Limited 26 Mount Row, London W1K 3SQ Telephone: +44 (0)20 7409 3494
Broker:	Shore Capital Stockbrokers Limited Bond Street House, 14 Clifford Street, London W1S 4JU Telephone: +44 (0)20 7408 4090
Solicitors:	Joelson Wilson LLP 30 Portland Place, London W1B 1LZ
Auditors:	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008, Australia

RICHLAND RESOURCES LTD

CHAIRMAN'S STATEMENT

Dear Fellow Shareholder,

As Chairman of Richland Resources Ltd ("**Richland**" or the "**Company**"), I am pleased to present the Group's final results for the financial year ending 31 December 2018 and to report on the Company's ongoing activities to the date of this statement.

The accounts provide details of an option agreement which Richland entered into on 26 June 2019 (the "**Option Date**") with Fura Gems Inc. ("**Fura**") which is listed on the TSX Venture Exchange ("**TSX-V**") (the "**Option Agreement**"), whereby Fura has an option until 31 July 2019 to conditionally acquire from the Company: (i) all of the issued shares of its wholly owned subsidiary Richland Corporate Ltd ("**Richland Corporate**") (the "**Shares**"); and (ii) all of the Company's loans to Richland Corporate (the "**Shareholder Loan**") (together, the "**Option Assets**") (the "**Proposed Disposal**"). Richland Corporate owns 100 per cent. of Capricorn Sapphire Pty Ltd ("**Capricorn Sapphire**"), which in turn holds the group's Capricorn Sapphire project in Queensland, Australia. In accordance with IFRS reporting requirements the Company's 2018 accounts distinguish between the financials of the Disposal Group ("**Discontinued Operations**") and Richland's ongoing operations ("**Continuing Operations**") and the comparative information has been restated to ensure comparability.

Operations: There was no production during the year as in mid-December 2017, we decided to temporarily halt mining operations in light of, *inter alia*, extreme weather conditions experienced during Q4 2017 and a weak market environment, in order to conserve cash resources and in anticipation of a recovery in sapphire pricing levels and market demand. Regrettably we haven't subsequently been able to raise sufficient financing to re-commence production leading to the abovementioned Proposed Disposal.

Financial Performance:

	2018	2017
Continuing operations	(US$M)	(US$M)
Net Loss	0.1	0.9
Total Assets	0.06	2.1
Total Liabilities	0.7	1.1
Disposal Group		
Net Loss	0.9	3.95
Total assets	1.0	N/A
Total Liabilities	0.3	N/A
Net assets	0.7	N/A

Strategic review process: Production at our Capricorn Sapphire mine was temporarily halted in December 2017. Further to the suspension of mining operations and the subsequent appointment of our Chief Executive Officer, Anthony Brooke, in early 2018, we conducted a comprehensive review of Capricorn Sapphire's mining, marketing and sales operations, which was concluded in June 2018. A summary of the review's principal findings is set out below

Key findings

- Following the suspension of mining operations in December 2017, the Company has conducted regular and ongoing maintenance activities to keep the mine's infrastructure and equipment in good standing and in a state of readiness to be able to recommence production at short notice. Accordingly, subject to the Company securing sufficient additional funding, it was envisaged that mining operations could be recommenced within a one month timeframe from a re-start decision being made.
- The Company's exploration activities during the review period focussed on refining the mine plan and the identification and delineation of two initial target areas on the licenced acreage for opening-up when production recommenced.
- A further exploration programme had been formulated, for when the mine was back in production, to target potential resource expansion and improvement in grade and recovery comprising, subject to funding, a ground penetrating radar survey and further drilling together with the potential appointment of a site geologist in order to more tightly control mining and exploration geology.
- It has intended that mine stockpiles would be created and maintained onsite concurrently with production, alongside the use of additional pumps as required in order to better manage production flow during adverse weather conditions.

Financing

Simultaneously with the results of the strategic review process, the Company announced:

- A financing facility of up to £300,000 for short term working capital purposes obtained by way of a secured convertible loan at an interest rate of 3 month GBP LIBOR plus 7.5 per cent. per annum, with an initial scheduled maturity date of 31 December 2018, from Astor Management AG, a private company controlled by a long-term significant shareholder in the Company (the "**Convertible Loan**"); and
- That the Directors, senior management team, certain former directors and a former consultant had agreed to waive, in aggregate, £237,230 (approximately US$314,000) of accrued fees due to them and, subject to the Company being in an open period following the publication of the 2017 annual report and financial statements, to convert, in aggregate, a further £207,537 (approximately US$275,215) of unpaid fees into new Common Shares. Accordingly, all outstanding fees due to the Company's current and former Directors, and existing senior management and a former consultant up to 31 May 2018 were waived/settled in full.

Post balance sheet additional waiver/proposed conversion of fees: The Directors and senior management team have agreed to waive, in aggregate, US$452,559 of accrued fees due to them up to 30 June 2019 and to convert, in aggregate, a further US$86,250 of unpaid fees into new Common Shares (subject to the Company being in an open period). Accordingly, all outstanding fees due to the Company's current and existing senior management up to 30 June 2019 is expected to be waived/settled in full.

Background to the Proposed Disposal: The Company has, for some time, been engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at the Capricorn Sapphire mine or, alternatively, conclude negotiations in respect of the sale of all or part of Capricorn Sapphire. Accordingly, the granting of the abovementioned option to Fura on 26 June 2019 and successful consummation of the Proposed Disposal in due course will result in the sale of the entire Capricorn Sapphire project.

AIM Rule 15 and General Meeting: In accordance with AIM Rule 15, the Proposed Disposal will constitute a fundamental change of business for the Company and will therefore require the approval of shareholders at a duly convened general meeting. Accordingly, the Company will shortly be publishing a circular, incorporating a notice of general meeting, to the Company's shareholders, which will include customary salient information in relation to the Proposed Disposal (the "**GM Notice**").

AIM Rule 15 cash shell status: Following successful completion of the Proposed Disposal, Richland will become an AIM Rule 15 cash shell and, as such, will be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion date. Alternatively, within such time period, the Company could seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document.

As a significant shareholder I, like you, am most disappointed that we were unable to achieve sustainable profitability at an operational level for our Capricorn Sapphire operation leading to its disposal at a loss, but as the Company was unable to raise funds to re-finance Capricorn Sapphire, the Board had to make this difficult decision to sell Capricorn Sapphire.

The fee waiver and fee conversions in 2018 and the post balance sheet date additional waiver/proposed conversion of fees by the Directors and senior management team serve to demonstrate our continued commitment to the Company. Accordingly, following completion of the Proposed Disposal, the Company intends to seek to identify a suitable reverse takeover transaction in the mining sector, with a clear alignment between the interests of its directors, management and shareholders.

Last but not least, on behalf of the Board I wish to express our appreciation for the support and patience of the Company's various stakeholders during this period of transition.

Edward Nealon
Non-Executive Chairman

28 June 2019

CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Overview

In mid December 2017, the Company decided to temporarily halt mining operations in light of, *inter alia*, adverse weather conditions and a weak market environment in order to conserve cash resources. Following a comprehensive review of the strategic options available for its mining operations in Australia, on 28 September 2018, Richland announced, *inter alia*, that it was engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at the Capricorn Sapphire mine or, alternatively, was seeking to conclude ongoing negotiations with different parties in relation to the potential sale of all or a part of Capricorn Sapphire.

Subsequently, Richland entered into an option agreement on 26 June 2019 (the "**Option Date**") with Fura Gems Inc. ("**Fura**") which is listed on the TSX Venture Exchange ("**TSX-V**") (the "**Option Agreement**"). Pursuant to the terms of the agreement, Fura has, for an option fee of CAD150,000, been granted an option valid until 31 July 2019 (the "**Option**") to conditionally acquire from the Company: (i) all of the issued shares of its wholly owned subsidiary Richland Corporate Ltd ("**Richland Corporate**") (the "**Shares**"); and (ii) all of the Company's loans to Richland Corporate (the "**Shareholder Loan**") (together, the "**Option Assets**") (the "**Proposed Disposal**"). Richland Corporate owns 100 per cent. of Capricorn Sapphire Pty Ltd ("**Capricorn Sapphire**"), which in turn holds the group's Capricorn Sapphire project in Queensland, Australia. As Fura did not wish to acquire the Company's online operations, it was decided to wind down the affairs of Richland Gemstones Ltd. The Company's audited financial results, in accordance with IFRS 5, therefore distinguish between the financials of the Disposal Group ("**Discontinued Operations**") and Richland's ongoing operations ("**Continuing Operations**") and comparative information has been restated to ensure comparability.

2. Financial Performance

2.1 Discontinued Operations

Net loss from Discontinued Operations of US$0.9 million (2017: US$3.1 million) has been recognised.

The **total assets** for the Discontinued Operations were US$1 million at the year end.

The **total liabilities** for the Discontinued Operations were US$263k at the year end.

2.2 Continuing Operations

Net loss for the year was US$0.1 million against the prior year loss of US$0.9 million.

The **total assets** for Continuing Operations were US$58k at the year end.

The Continuing Operations had a net **cash** position of US$28k as at the year end.

The Continuing Operations had **total liabilities** of US$700k as at the year end. The secured convertible loan, with a carrying value of US$249k as at 31 December 2018, is intended to be settled upon completion of the abovementioned transaction with Fura and US$295k of fees outstanding at the year end to directors and management have been waived post the balance sheet date.

3. Dividend

The directors have not declared a dividend (2017: Nil).

4. Corporate Activities

Secured Convertible Loan
On 25 June 2018, the Company announced a Secured Convertible Loan facility of up to £300,000 for short term working capital purposes at an interest rate of 3 month GBP LIBOR plus 7.5 per cent. per annum, with a scheduled maturity date of 31 December 2018, from Astor Management AG (the "**Lender**"), a private company controlled by a long-term significant shareholder in the Company. Subsequently, the principal loan amount was increased from £300,000 to £400,000 in September 2018 and by a further US$150,000 in April 2019. It has been agreed with the Lender to extend the maturity date to the Option Agreement's Longstop date of 31 October 2019, conditional on completion of the Proposed Disposal.

4. Corporate Activities (continued)

The salient terms of the Secured Convertible Loan Facility as at the date of these accounts are summarised below:

(i) Term: A scheduled maturity date of 31 October 2019 (conditional on completion of the Proposed Disposal) when, unless otherwise converted, the principal amount and any accrued interest is repayable in full. The Company may pre-pay the whole or any part of the loan on any day prior to the scheduled maturity date upon giving not less than 15 business days' prior written notice to the Lender and provided that any amount prepaid will still accrue interest as though it were repaid on the maturity date.

(ii) Principal amount: £400,000 and US$150,000 (with the Company to pay the Lender's legal costs in respect of preparing and entering into the facility documentation).

(iii) Interest rate: 3 month GBP LIBOR + 7.5 per cent. per annum, payable quarterly in arrears.

(iv) Security: Charge over all of the assets of Capricorn Sapphire, the Company's wholly owned subsidiary that holds the Company's mining tenements and operates the Capricorn Sapphire mine, as well as the group's shares in Capricorn Sapphire.

(v) Conversion rights: Sterling principal amount and any accrued interest convertible at the discretion of the Lender during the term at the lower of:
  a) 0.25 pence per share;
  b) the Company's volume weighted average share price for the thirty trading days up to and including the trading day prior to the conversion date specified in the conversion notice or such other date as the parties may agree; and
  c) any price at which the Company issues new shares for cash from the commencement of the loan period to the date of conversion.

(vi) Board representation: The Lender has the right to nominate a non-executive director, subject to the prior approval of the Company's Nominated Adviser, whilst the Lender and its associates have (a) a shareholding representing more than 10 per cent. of the Company's issued share capital from time to time; or (b) greater than or equal to £75,000 principal amount is outstanding under the Secured Convertible Loan Facility.

(vii) Events of default include customary solvency and regulatory matters for a facility of this nature, including whether the Company's financial statements are qualified by its auditor on a going concern basis, if the Company's shares are cancelled from admission to trading on AIM and if the Company is in breach of the AIM Rules for Companies.

If an event of default is not remediated or has not been remedied within 7 business days then the conversion price as calculated in accordance with clause v) above is to be reduced by 50 per cent. with respect to any conversion notice issued after such an event occurs.

Waiver of certain Directors' and Management's Fees

As announced on 25 June 2018, in order to preserve cash reserves within the Company, the Directors, senior management personnel, certain former Directors and a former consultant agreed to waive, in aggregate, US$314,590 of accrued fees due to them for periods from December 2016 up to and including 31 May 2018 (the "**Fee Waiver**").

Conversion of certain Directors' and Management's and other fees into new Common Shares

On 5 February 2018, the Company announced that it had issued 3,581,237 new Common Shares to Anthony Brooke in respect of certain sales commissions of US$42,717 earned during the period from 1 December 2016 to 31 December 2017, based on the Company's volume weighted average share price of 0.84 pence for the year ended 30 November 2017 and a GBP:USD exchange rate of 1.42.

Further to the Company's announcements of 25 June 2018 and 6 July 2018, in order to further conserve the Company's cash reserves, certain of the Directors, senior management personnel, former Directors and a former consultant agreed to convert, in aggregate, US$275,215 of unpaid fees due to them for periods ranging from December 2016 up to and including 31 May 2018 into new Common Shares (the "**Fee Conversion**"). The Fee Conversion settled all remaining fees due to the current and former directors, former consultant and current senior management up to 31 May 2018.

4. Corporate Activities (continued)

Pursuant to the Fee Conversion, the Company issued, in aggregate, 74,120,531 new Common Shares (the "**Conversion Shares**") at an issue price of 0.28 pence per share (the "**Conversion Price**"), representing a premium of approximately 27 per cent. to the Company's closing mid-market share price of 0.22 pence on 5 July 2018.

In addition, the Company issued a further 16,000,000 new Common Shares (the "**Professional Fee Shares**") at the Conversion Price in relation to professional fees due through to 31 December 2018.

The Directors and senior management team have agreed to waive, in aggregate, an additional US$452,559 of accrued fees due to them up to 30 June 2019 and to convert, in aggregate, a further US$86,250 of unpaid fees into new Common Shares (subject to the Company being in an open period). Accordingly, all outstanding fees due to the Company's Directors and existing senior management team up to 30 June 2019 are expected to be waived/settled in full.

5. Outlook

Following successful completion of the abovementioned proposed disposal of the Option Assets to Fura ("**Completion**"), the Company will become an AIM Rule 15 cash shell and, as such, will be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion date. Alternatively, within such time period, the Company could seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document.

The Company intends to secure additional funding through debt and/or an equity fundraising in order to provide the Company with additional working capital for the period through to Completion.

Tony Brooke

Anthony Brooke
Chief Executive Officer

28 June 2019

RICHLAND RESOURCES LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws 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 keeping adequate accounting records that are sufficient to show and explain the Group's transactions and 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. They are also responsible for taking such steps as are reasonably open to them to safeguard 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 Report of the Directors 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

Anthony Brooke
Chief Executive Officer
Richland Resources Ltd

28 June 2019

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present this report, together with the audited consolidated financial statements for the year ended 31 December 2018 for Richland Resources Ltd ("**the Company**", "**Richland Resources**" or "**Richland**") and its subsidiaries ("**the Group**").

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 coloured gemstones. Following a comprehensive review of the strategic options available for its mining operations in Australia, on 28 September 2018 Richland announced that it was engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at its Capricorn Sapphire mine or, alternatively, was seeking to conclude ongoing negotiations with different parties in relation to the potential sale of all or a part of Capricorn Sapphire. Further to such announcement, the Board is currently focused on the sale of the entire Capricorn Sapphire project and in this regard an option agreement was entered into with Fura Gems Inc. ("**Fura**") on 26 June 2019. Accordingly, the Group's accounts and financial performance as presented distinguishes between the Disposal Group ("**Discontinued Operations**") and Richland's ongoing operations ("**Continuing Operations**").

GOING CONCERN

For the year ended 31 December 2018, the Group recorded a loss of US$1.0 million and had net cash outflows from operating activities of US$0.8 million. The ability of the entity to continue as a going concern is dependent on the Group generating positive operating cash flows and/or securing additional funding through the raising of debt or equity to fund its future projects. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group raised a further US$150,000 via an increase to its Secured Convertible Loan facility subsequent to the year end;
- Successfully extended, conditional on completion of the Proposed Disposal, the term of the Secured Convertible Loan facility to 31 October 2019;
- The Directors and senior management personnel have agreed to waive, in aggregate, a further US$452,559 of accrued fees due to them for periods from June 2018 to 30 June 2019;
- The amounts receivable and proposed settlement of the Secured Convertible Loan facility upon successful completion of the proposed disposal of the Option Assets to Fura;
- The Company plans to raise sufficient additional capital in order to fund new projects; and
- Management has successfully raised money in the past.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

RESULTS

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and the consolidated statement of financial position at that date are set out on pages 20 and 21 of this report respectively. The Group recorded a loss from continuing operations for the year ended 31 December 2018 of US$0.1 million (2017: US$0.9 million) and a loss from discontinued operations of US$0.9 million (2017: US$3.1 million). Taking into account these losses, shareholders' equity at 31 December 2018 was US$0.1 million (2017: US$1.0 million). The directors have not declared a dividend (2017: Nil).

A CLASS SHARE CAPITAL

When Richland Resources historically acquired certain tanzanite assets from Afgem Limited ("**Afgem**"), a mechanism was put in place to accommodate any of Afgem's South African shareholders' desire to maintain their investment in the tanzanite assets and to comply with South African Reserve Bank ("**SARB**") foreign exchange regulations pertaining to foreign investments by South African citizens. This mechanism involved the creation of TanzaniteOne SA, a South African domiciled wholly-owned subsidiary of Richland Resources Ltd.

In order to facilitate an exit for those TanzaniteOne SA A class shareholders, Richland Resources made an offer to acquire their A class shares, where the offer shall be binding on Richland Resources for a period of 20 years from April 2004.

On 28 February 2015, TanzaniteOne SA issued notice to Class A shareholders convening a Scheme meeting on 26 March 2015 and notice to shareholders convening a meeting of shareholders of TanzaniteOne SA on 26 March 2015, both meetings duly approved a Scheme of Arrangement the details of which are:

(a) each A class shareholder received one redeemable Class A share with no par value and a premium of R0.0003 per share in the capital of Rohstein Class A Proprietary Limited, Registration Number 2014/093972/07 ("**Rohstein**"), a wholly owned subsidiary of Richland for each Class A share they owned in the Company (the "**Scheme Consideration Shares**"); and

(b) all the TanzaniteOne SA class A shares were cancelled.

Richland made an offer on 25 February 2015 which expires on 29 April 2024 ("**the Offer**") to all holders of the Scheme Consideration Shares to purchase their Scheme Consideration Shares on *mutatis mutandis,* the same terms and conditions as the terms and conditions on which Richland offered to purchase each existing Class A share of TanzaniteOne SA.

On 27 March 2015 TanzaniteOne SA sold Rohstein to Richland so that the Scheme Consideration Shares are issued by a wholly owned subsidiary of Richland rather than TanzaniteOne SA.

DIRECTORS

The following directors have held office during and subsequent to the reporting year:

Edward Nealon
Nicholas Sibley
Anthony Brooke (appointed 5 February 2018)
Ami Mpungwe (resigned 22 June 2018)
Bernard Olivier (resigned 5 February 2018)

The current Directors' biographical details:

Edward Nealon (68), Chairman

Mr Nealon assumed Chairmanship of the Group on 27 June 2012. Mr Nealon is a geologist with over 40 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 the founder of Aquarius Platinum Ltd and served as either the CEO or Executive Chairman for a number of years. He holds a Master's degree in Geology and is a member of the Australian Institute of Mining and Metallurgy.

DIRECTORS (CONTINUED)

Nicholas Sibley (81), Non-Executive director

Mr Sibley is a Chartered Accountant. He was formerly Chairman of Wheelock Capital from 1994 to 1997, Executive Chairman of Barclays de Zoete Wedd (Asia Pacific) Limited from 1989 to 1993 and Chairman of Aquarius Platinum Limited from 2003 to 2015. 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 a director of Wah Kwong Maritime Transportation Company Ltd.

Anthony Brooke (59), Chief Executive Officer

Mr Brooke has approximately 38 years' experience in the gemstone industry based in Bangkok, Thailand, the commercial centre of the ruby and sapphire industries, where he established Gem Dreams Co. Limited ("**Gem Dreams**") in 1985. Gem Dreams is a gemstone wholesaler and consultancy business which operates a traditional jewellery business in the Jewellery Trade Centre in Bangkok and represents and advises luxury jewellery brands, individual collectors and mines looking to market sapphires and other gemstones. He has been a member of the Thai Gems and Jewellery Traders Association for eleven years and is presently a vice president. From 2011 to 2017, he acted as its Chairman for overseas trade and development for Europe, Central and South America and Africa. He has been involved in the ownership and management of sapphire mining operations in both Tanzania and Thailand and has represented mines operating in Australia, Malawi, Kenya and the USA. He is also a Gemfields ruby auction site holder. He is managing director of Gem Dreams Co. Limited.

MEETINGS OF DIRECTORS

The number of meetings of the board of directors of the Company and its committees held during the year ended 31 December 2018 and the number of meetings attended by each director is tabled below:

2018

Director	Number of meetings held whilst in office				Number of meetings attended			
	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation
Edward Nealon	4	1	2	1	4	1	2	1
Nicholas Sibley	4	1	2	1	4	1	2	1
Anthony Brooke	4	-	2	-	4	-	2	-
Ami Mpungwe	-	1	-	1	-	1	-	1
Dr Bernard Olivier	-	-	-	-	-	-	-	-

2017

Director	Number of meetings held whilst in office				Number of meetings attended			
	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation
Edward Nealon	4	1	2	1	4	1	2	1
Nicholas Sibley	4	1	2	1	4	1	2	1
Ami Mpungwe	4	1	2	1	4	1	2	1
Dr Bernard Olivier	4	-	-	1	4	-	-	1

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

The interest of the current directors and their related entities in the shares of Richland Resources were:

	As at 31 December 2018 Common shares	As at date of report Common shares
Edward Nealon	29,644,415	29,644,415
Nicholas Sibley	65,287,741	65,287,741
Anthony Brooke	15,741,955	15,741,955

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 remuneration of each director of the Group during the financial year are shown in the table below:

2018

	Directors' fees	Executive fees[(1)]	Share based payments	Fees waived 2017/2018[(2)]	Total	Accrued and unpaid
	US$	US$	US$	US$	US$	US$
Edward Nealon	26,250	-	-	(39,375)	(13,125)	15,313
Nicholas Sibley	23,750	-	-	(17,813)	5,938	13,854
Anthony Brooke	40,000	160,500	-	(41,771)	158,729	89,959
Ami Mpungwe	12,604	-	-	(17,646)	(5,042)	-
Dr. Bernard Olivier	3,871	15,532	(30,728)[(5)]	(55,165)	(66,489)	-
	106,475	176,033	(30,728)	(171,769)	80,011	119,125

2017

	Directors' fees	Executive fees[(1)]	Share based payments	Total	Accrued and unpaid
	US$	US$	US$	US$	US$
Edward Nealon	26,250	-	-	26,250	28,438
Nicholas Sibley	23,750	-	-	23,750	25,729
Ami Mpungwe	30,250	-	-	30,250	22,688
Dr. Bernard Olivier	40,000	161,070	19,010[(6)]	220,080	90,926
	120,250	161,070	19,010	300,330	167,780

(1) For duties as executive director.

(2) Note 27 provides details of Fee Waivers and Fee Conversions by the Directors in relation to fees that were due to them in relation to periods from December 2016 to 31 May 2018.

(3) Outstanding fees of US$133,426 were converted to new common shares of US$0.0003 in the capital of the Company at a price of 0.28 pence per new Common Share. The conversion price on 6 July 2018 represented a premium of approximately 27 per cent. to the Company's closing mid-market price of 0.22 pence on 5 July 2018.

(4) Outstanding fees of US$7,563 were converted to new common shares of US$0.0003 in the capital of the Company at a price of 1.74 pence per new Common Share. The conversion price on 19 April 2017 represented a premium of approximately 132 per cent. to the Company's closing mid-market price of 0.75 pence on 18 April 2017.

(5) Under the terms of the Share Options detailed in Note 17 to the Accounts Dr. Bernard Olivier was allocated but not issued 3,000,000 Share Options. Bernard Olivier resigned as a director of the Company on 5 February 2018 and he is therefore no longer entitled to be issued the 3,000,000 Share Options previously allocated to him.

(6) 3 million options granted to Dr. Bernard Olivier in May 2016 (refer to note 17 for further details).

DIRECTORS' AND OFFICERS' INSURANCE

During the year, the Company paid an insurance premium in respect of an insurance contract, taken out 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. Anthony Brooke, 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 and environmental management programmes, approved by relevant authorities, have been met. There have been no known significant breaches of any environmental conditions.

CORPORATE GOVERNANCE

As an AIM-quoted company, the Company and its subsidiaries are required to apply a recognised corporate governance code, demonstrating how the Group complies with such corporate governance code and where it departs from it.

The Directors of the Company have formally taken the decision to apply the QCA Corporate Governance Code (the "**QCA Code**"). The Board recognises the principles of the QCA Code, which focus on the creation of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which small to medium sized companies, such as Richland, have been created.

THE BOARD

The Board comprises three Directors of which one is an executive and two are non-executive, reflecting a blend of different experience and backgrounds. The Board considers Edward Nealon to be an independent non-executive and Nicholas Sibley to be a non-executive in terms of the QCA guidelines.

The Board is responsible for determining policy and business strategy, setting financial and other performance objectives and monitoring achievement throughout the year and all major decisions are taken by the full Board. The Chairman takes responsibility for the conduct of the Company and Board meetings and ensures that directors are properly briefed to enable full and constructive discussions to take place. The Group's day-to-day operations are managed by the Executive Director. All Directors have access to the Company's Solicitors, along with the Group Company Secretary and any Director needing independent professional advice in the furtherance of his/her duties may obtain this advice at the expense of the Group. However, no formal procedure has been agreed with the Board regarding the circumstances in which individual directors may take independent professional advice.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively, and that all Directors have adequate time to fill their roles.

Details of the current Directors, their roles and background are set out on the Company's website at www.richlandresourcesltd.com.

The role of the Chairman is to provide leadership of the Board and ensure its effectiveness on all aspects of its remit to maintain control of the Group. In addition, the Chairman is responsible for the implementation and practice of sound corporate governance. The Chairman is considered independent and has adequate separation from the day-to-day running of the Group.

The role of the Chief Executive Officer is for the strategic development of the Group and for communicating it clearly to the Board and, once approved by the Board, for implementing it. In addition, the Chief Executive Officer is responsible for overseeing the management of the Group and its executive management.

Under the Company's Articles of Association, the appointment of all new Directors must be approved by shareholders in a general meeting. In addition, one third of Directors are required to retire and to submit themselves for re-election at each Annual General Meeting.

APPLICATION OF THE QCA CODE

In the spirit of the QCA Code it is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders and other stakeholders with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to the Group. The Board will continue to monitor the governance framework of the Group as it grows.

Richland is a gemstone producer and developer. The Company seeks to promote long-term value for shareholders by leveraging the technical knowledge and experience of its directors and senior management to develop and realise value from its projects. The key performance indicators for the Company are therefore linked to the achievement of project milestones and the increase in overall enterprise value.

All operations are conducted in a manner that protects the environment, the health and safety of employees, third parties and local communities in general. Richland believes that a successful project is best achieved through maintaining close working relationships with local communities, this social ideology is at the forefront of all of Richland's mining activities by establishing and maintaining co-operative relationships with local communities, hiring local personnel and using local contractors and suppliers. Where issues are raised, the Board takes the matters seriously and, where appropriate, steps are taken to ensure that these are integrated into the Company's strategy.

Careful attention is given to ensure that all exploration and mining activity is performed in an environmentally responsible manner and abides by all relevant mining and environmental acts. Richland takes a conscientious role in all of its operations and is aware of its social responsibility and its environmental duty.

Both the engagement with local communities and the performance of all activities in an environmentally and socially responsible way are closely monitored by the Board to ensure that ethical values and behaviours are recognised.

CORPORATE GOVERNANCE COMMITTEES

The Board has established two committees comprising Non-Executive Directors and Executive Directors.

The composition of the committees is as follows:

Audit	**Remuneration**	**Nomination Committee**
Nicholas Sibley (*Chairman*)	Edward Nealon (*Chairman*)	Edward Nealon (*Chairman*)
Edward Nealon	Nicholas Sibley	Nicholas Sibley
Anthony Brooke		Anthony Brooke

THE AUDIT COMMITTEE

The audit committee receives reports from management and the external auditors relating to the interim report and the annual report and financial statements, reviews reporting requirements and ensures that the maintenance of accounting systems and controls is effective.

The audit committee has unrestricted access to the Company's auditors. The audit committee also monitors the controls which are in force and any perceived gaps in the control environment. The Board believes that the current size of the Group does not justify the establishment of an independent internal audit department. Finance personnel are periodically instructed to conduct specific reviews of business functions relating to key risk areas and to report their findings to the Board.

The Audit Committee meets during the year to review the published financial information, the effectiveness of external audit and internal financial controls including the specific matters set out below.

The Audit committee does not consider there is a need for an internal audit function given the size and nature of the Group.

Significant issues considered by the Audit Committee during the year have been the Principal Risks and Uncertainties and their effect on the financial statements. The Audit Committee tracked the Principal Risks and Uncertainties through the year and kept in contact with the Group's Management, External Service Providers and Advisers. The Audit Committee is satisfied that there has been appropriate focus and challenge on the high-risk areas.

THE AUDIT COMMITTEE (CONTINUED)

BDO Audit (WA) Pty Ltd, the current external auditors, have been in office since 2015 which was the last time a tender for the audit took place. The external auditors present their annual audit findings to the Board.

REMUNERATION COMMITTEE

The remuneration committee determines the scale and structure of the remuneration of the executive Directors and approves the granting of options to Directors and senior employees and the performance related conditions thereof. The Remuneration committee also recommends to the Board a framework for rewarding senior management, including Executive Directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group and ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group.

NOMINATIONS COMMITTEE

All the Board are members of the nominations committee which is involved in the identification and approval of Board members which the Board considers to be appropriate given the Company's size and nature, but it will continue to monitor the situation as it grows.

INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems manage rather than eliminate the risks to which the Group is exposed and such systems, by their nature, can provide reasonable but not absolute assurance against misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The key procedures which the Directors have established with a view to providing effective internal control, are as follows:

- Identification and control of business risks
  The Board identifies the major business risks faced by the Group and determines the appropriate course of action to manage those risks.

- Budgets and business plans
  Each year the Board approves the business plan and annual budget. Performance is monitored and relevant action taken throughout the year through the regular reporting to the Board of changes to the business forecasts.

- Investment appraisal
  Capital expenditure is controlled by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board. Appropriate due diligence work is carried out if a business or asset is to be acquired.

- Annual review and assessment
  The Board in 2018 conducted a detailed review and assessment of the effectiveness of the Group's strategy, a process that will be maintained on an ongoing basis.

Financial Statements

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("**IFRS**"). Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing 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 accounting standards have been followed, subject to any material departures disclosed 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.

RELATIONS WITH SHAREHOLDERS

The Board attaches considerable importance to the maintenance of good relationships with shareholders. Presentations by the Directors to institutional shareholders and City analysts are made as and when considered appropriate by the Board and the Company's advisers.

The Company's principal shareholder contact is its Chief Executive Officer Anthony Brooke tony@richlandresourcesltd.com.

The Company has its own web-site (www.richlandresourcesltd.com) for the purposes of improving information flow to shareholders, as well as to potential investors.

DEPARTURE FROM THE QCA CODE

In accordance with the AIM Rules for Companies, Richland departs from the QCA Code in the following way:

Principle 7 – "Evaluate board performance based on clear and relevant objectives, seeking continuous improvement."

Richland's board is small and extremely focussed on implementing the Company's strategy. However, given the size and nature of Richland, the Board does not consider it appropriate to have a formal performance evaluation procedure in place, as described and recommended in Principle 7 of the QCA Code. The Board will closely monitor this situation as it grows.

Shareholder Meetings held in Bermuda

The Company is incorporated in Bermuda and holds its Shareholder Meetings in Bermuda which does not facilitate shareholder engagement as much as a UK incorporated company holding meetings in England. The Company does provide detailed explanatory notes of all resolutions put to Shareholder Meetings in notices of shareholder meetings so as to assist shareholders in their voting decisions.

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 in relation to its Continuing Operations are as follows:

Risk 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 mining is subject to a variety of risks such as actual production and cost varying from estimated future production, cash cost and capital costs; revisions to mine plans; risks and hazards associated with mining; natural phenomena; unexpected labour shortages or strikes; delays in permitting and licensing processes; and the timely completion of expansion projects, including land acquisitions required for the expansion of operations from time to time. Geological grade and product value estimations are based on independent resource calculations, studies and historical sales records.

Geological risk factors and adverse market conditions could cause actual results to materially deviate from estimated future production and revenue. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the future business, cash flows, profitability, results of operations and financial condition. While steps, such as production and mining planning are in place to limit these risks, occurrence of such incidents do 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 Australia 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 foreign currency movements.

RISK FACTORS AND MANAGEMENT (CONTINUED)

Gemstone price volatility

The profitability going forward of the Group's operations is significantly affected by changes in realisable gemstone prices. The price of gemstones 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.

Loss of critical processes

The Group's mining, processing, development and exploration activities depend on the continuous availability of the Group's operational infrastructure, in addition to reliable utilities and water supplies and access to roads. Any failure or unavailability of operational infrastructure, for example through equipment failure or disruption, could adversely affect production output and/or impact exploration and development activities.

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.

Future funding requirements

As referred to in Note 14 of the Financial Statements, the Group is in the process of selling its existing sapphire project and intends to seek funding for a new project by way of further debt and/or equity raisings. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

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 effect on the Group.

Signed in accordance with a resolution of the directors.

Tony Brooke

Anthony Brooke
Chief Executive Officer
Richland Resources Ltd

28 June 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Richland Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Richland Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Bermuda Companies Act 1981, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with International Accounting Standards and the Bermuda Companies Act 1981.

Basis for opinion

We conducted our audit in accordance with International Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Bermuda Companies Act 1981 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Convertible Loan

Key audit matter	How the matter was addressed in our audit
During the year Richland Resources Limited entered into a Convertible Loan facility and issued convertible notes. The valuation of the embedded derivatives associated with the conversion rights of the convertible notes is considered to be a key audit matter due to the following: • Judgements required by management in the selection of a suitable valuation methodology; • Measurement at initial recognition of the individual components of the liability based on the terms and conditions of the Agreement, and the inputs used in the valuation method applied; • Measurement subsequent to initial recognition including the fair value measurement at balance date. Refer to Notes 22 and 2(u) of the financial report for the terms of the Convertible Loan facility and a description of the accounting policy.	We have evaluated the accounting for the convertible loan in accordance with IAS 32: Financial Instruments: Presentation and IFRS 9: Financial Instruments: Recognition and Measurement. Our procedures included, but were not limited to the following: • Obtaining an understanding of and assessing the terms and conditions of the Convertible Loan Agreement; • Considering the appropriateness of the valuation methodology against the requirements of the relevant International Accounting Standards; • Reviewing management's calculation carried out in respect of the valuation for the debt and derivative components of the convertible note instrument; • Assessing the appropriateness of the volatility and share price assumptions used in management's calculation of the derivative components of the convertible note instrument; and • Assessing the adequacy of the disclosures in Notes 22 and 2(u) of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards and the Bermuda Companies Act 1981 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 28 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 US$'000	2017 US$'000
CONTINUING OPERATIONS			
Other income	4	**74**	17
Operating expenses	5	**(426)**	(865)
Operating loss		**(352)**	(848)
Net finance income	6	**269**	-
Loss before taxation		**(83)**	(848)
Income tax charge	7	**-**	-
Loss for the year from continuing operations		**(83)**	(848)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	14	**(941)**	(3,105)
Loss for the year		**(1,024)**	(3,953)
Attributable to:			
Equity owners of the parent		**(1,024)**	(3,953)
- Continuing operations		**(83)**	(848)
- Discontinued operations		**(941)**	(3,105)
Other comprehensive income			
Loss for the year		**(1,024)**	(3,953)
Items that may be reclassified to profit or loss:			
Foreign exchange (loss)/gain on translation of foreign operation		**(79)**	106
Total comprehensive loss for the year		**(1,103)**	(3,847)
Attributable to:			
Equity owners of the parent		**(1,103)**	(3,847)
- Continuing operations		**(83)**	(848)
- Discontinued operations		**(1,020)**	(2,999)
Total comprehensive loss for the year		**(1,103)**	(3,847)
Loss per share attributable to the owners of the parent during the year			
Basic and diluted loss per share from continuing operations (US cents/share)	19.1	**(0.02)**	(0.20)
Basic and diluted loss per share from discontinued operations (US cents/share)	19.1	**(0.18)**	(0.72)
Basic and diluted loss per share from all operations (US cents/share)	19.1	**(0.20)**	(0.92)

The accompanying notes form part of these financial statements.

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 US$'000	2017 US$'000
Assets			
Non-current assets			
Property, plant and equipment	8	**-**	964
Intangible assets	9	**-**	52
Total non-current assets		**-**	1,016
Current assets			
Inventories	10	**-**	139
Trade and other receivables	11	**30**	289
Restricted cash and cash equivalents	12	**-**	296
Cash and cash equivalents	13	**28**	386
		58	1,110
Non-current assets and disposal groups classified as held for sale	14	**1,007**	-
Total current assets		**1,065**	1,110
Total assets		**1,065**	2,126
Equity			
Share capital	15	**173**	145
Share premium	16	**54,644**	54,389
Share option reserve	17	**47**	123
Foreign currency translation reserve	18	**54**	133
Accumulated loss		**(54,816)**	(53,792)
Total equity		**102**	998
Liabilities			
Non-current liabilities			
Provision for environmental rehabilitation	20	**-**	273
Total non-current liabilities		**-**	273
Current liabilities			
Trade and other payables	21	**451**	855
Convertible loan	22	**249**	-
		700	855
Liabilities associated with disposal groups classified as held for sale	14	**263**	-
Total current liabilities		**963**	855
Total liabilities		**963**	1,128
Total equity and liabilities		**1,065**	2,126

The accompanying notes form part of these financial statements.

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	**Common share capital US$'000**	**A class share capital US$'000**	**Total issued share capital US$'000**	**Share premium US$'000**	**Share option reserve US$'000**	**Foreign currency translation reserve US$'000**	**Accumu-lated loss US$'000**	**Total equity US$'000**
Year ended 31 December 2018									
At start of year		**144**	**1**	**145**	**54,389**	**123**	**133**	**(53,792)**	**998**
Total comprehensive loss for the year		-	-	-	-	-	(79)	(1,024)	(1,103)
Loss for the year		-	-	-	-	-	-	(1,024)	(1,024)
Foreign exchange gain on translation	*18*	-	-	-	-	-	(79)	-	(79)
Issue of share capital	*15&16*	28	-	28	255	-	-	-	283
A Class share buy back	*15.2*	-	-*	-*	-	-	-	-	-*
Share options	*17*	-	-	-	-	(76)	-	-	(76)
At end of year		**172**	**1**	**173**	**54,644**	**47**	**54**	**(54,816)**	**102**
Year ended 31 December 2017									
At start of year		**66**	**1**	**67**	**51,875**	**47**	**27**	**(49,839)**	**2,177**
Total comprehensive loss for the year		-	-	-	-	-	106	(3,953)	(3,847)
Loss for the year		-	-	-	-	-	-	(3,953)	(3,953)
Foreign exchange gain on translation	*18*	-	-	-	-	-	106	-	106
Issue of share capital	*15&16*	78	-	78	2,514	-	-	-	2,592
A Class share buy back	*15.2*	-	-*	-*	-	-	-	-	-*
Share options	*17*	-	-	-	-	76	-	-	76
At end of year		**144**	**1**	**145**	**54,389**	**123**	**133**	**(53,792)**	**998**

* Less than US$1,000

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Cash utilised by operations	23.1	**(827)**	(1,335)
Interest received		**2**	-
Interest paid		**(6)**	(9)
Net cash utilised in operating activities		**(831)**	(1,344)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(10)**	(282)
Purchase of intangible assets		**(11)**	(19)
Derecognise disposal group cash		**-**	(33)
Net cash (utilised)/generated in investing activities		**(21)**	(334)
Cash flows from financing activities			
Proceeds from issue of shares	23.2	**-**	1,731
Proceeds from borrowings		**533**	-
Net cash generated from financing activities		**533**	1,731
Net increase/(decrease) in cash and cash equivalents		**(319)**	53
Movement in cash and cash equivalents			
Exchange losses		**(8)**	(26)
At the beginning of the year		**386**	359
Increase/(decrease)		**(319)**	53
At the end of the year		**59**	386
Cash and cash equivalents - continuing operations	13	**28**	259
Cash and cash equivalents included in asset from disposal group classified as held for sale	14	**31**	127

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Richland Resources Ltd ("**the Company**", "**Richland Resources**" or "**Richland**") and its subsidiaries (together "**the Group**") mines, distributes and sells 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 is quoted on the Alternative Investment Market ("**AIM**") of the London Stock Exchange. The financial statements were authorised for issue by the directors on 28 June 2019.

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

For the year ended 31 December 2018, the Group recorded a loss of US$1.0 million and had net cash outflows from operating activities of US$0.8 million. The ability of the entity to continue as a going concern is dependent on the Group generating positive operating cash flows and/or securing additional funding through the raising of debt or equity to fund its future projects. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group raised a further US$150,000 via an increase in its Secured Convertible Loan facility subsequent to the year end;
- Successfully extended, conditional on completion of the Proposed Disposal, the term of the Secured Convertible Loan facility to 31 October 2019;
- The Directors and senior management personnel, have agreed to waive, in aggregate, a further US$452,559 of accrued fees due to them for periods from June 2018 to 30 June 2019;
- The amounts receivable and proposed settlement of the Secured Convertible Loan facility upon successful completion of the proposed disposal of the Option Assets to Fura;
- The Company plans to raise sufficient additional capital in order to fund new projects; and
- Management has successfully raised money in the past.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

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 gemstone resource – Note 2(k);
- The capitalisation of mine development costs – Note 2(i);
- 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(i), 2(m), 8 and 9.
- The estimated useful lives of tangible and long-lived assets and the measurement of depreciation expense – Notes 2(i) and 8;
- Recognition of a provision for environmental rehabilitation and the estimation of the rehabilitation costs and timing of expenditure – Note 2(o);
- Whether to recognise a liability for loss contingencies and the amount of any such provision – Note 26;
- Recognition of deferred tax assets, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes – Note 2(r);
- Determining fair value of non-current assets or disposal groups held-for-sale and discontinued operations and reclassification – Note 2(t)
- Determination of the net realisable value of inventory – Note 2(l); and
- Determination of fair value of stock options and financial instruments – Note 2(n) and 2(g).

(d) New and amended standards adopted by the Group

<u>IFRS 15 Revenue from Contracts with Customers</u>

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue. IFRS 15 requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods and/or services is transferred, rather than on transfer of risks and rewards.

The Directors have reviewed and assessed the Group's recognition and measurement of revenue from 1 January 2018 based on the facts and circumstances that existed from this date and concluded that the application of IFRS 15 has had no material impact on the recognition or measurement of the revenue for the Group in the current reporting period.

<u>IFRS 9 Financial Instruments</u>

IFRS 9 Financial Instruments replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 January 2018) are set out in note 2(g).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New and amended standards adopted by the Group (continued)

At the date of approval of these financial statements, the following Standards and Interpretations which may be applicable to the Group, but have not been applied in these financial statements, were in issue but not yet effective:

Standard	*Details of amendment*	*Effective date*
IFRS 3 *Business Combinations*	• Annual Improvements 2015 - 2017 Cycle: Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.	1 January 2019
	• *Definition of a Business*: The amendments: o confirmed that a business must include inputs and a process, and clarified that: – the process must be substantive; and – the inputs and process must together significantly contribute to creating outputs. o narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and o added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.	1 January 2020
IFRS 9 Financial Instruments	• Prepayment Features with Negative Compensation. The narrow-scope amendment allows companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met.	1 January 2019
IFRS 11 Joint Arrangements	• Annual Improvements 2015 – 2017 Cycle: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	1 January 2019
IFRS 16 Leases	• IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than one year, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.	1 January 2019
IAS 1 Presentation of Financial Statements	• Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New and amended standards adopted by the Group (continued)

Standard	*Details of amendment*	*Effective date*
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	• Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	1 January 2020
IAS 12 Income Taxes	• Annual Improvements 2015 - 2017 Cycle: Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises.	1 January 2019
IAS 19 Employee Benefits	• Plan Amendment, Curtailment or Settlement (Amendments to IAS 19): The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.	1 January 2019
IAS 23 Borrowing Costs	• Annual Improvements 2015 -2017 Cycle: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	• The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.	1 January 2019

The Group is in the process of assessing the impact that the adoption of these standards will have on its financial statements in the period of initial adoption.

(e) Consolidation

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Consolidation (continued)

(i) *Subsidiaries (continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(f) 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 unless stated otherwise.

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 the functional currency 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) *Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) *Classification and subsequent measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:
- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:
- The entities business model for managing the financial asset;
- The contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

(iii) *Subsequent measurement financial assets*

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(g) Financial instruments (continued)

(iv) Impairment of Financial assets

IFRS 9's impairment requirements use more forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(v) Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

(vi) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9.

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(vii) Derivative financial instruments

Derivative financial instruments are accounted for at FVPL.

(h) Share capital

Ordinary and A class 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 bringing 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.

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 profit or loss as an expense as incurred.

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
furniture, fittings and improvements to leased premises	6 years
plant, machinery and mining equipment	4 years
motor vehicles	5 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 to the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

Mineral licence

Mineral licence represents the cost incurred in respect of acquiring or maintaining mining licences. The cost is amortised over the licence period.

(k) Determination of resources

The Group estimates its resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting Exploration Results of Mineral Resources and Ore Reserves 2004 and 2012 ("**JORC**"). 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 a Measured and Inferred resource only and not a reserve. As such, Measured 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.

There are numerous uncertainties inherent in estimating gemstone 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 a resource and may, ultimately, result in the resource being revised.

(l) 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 direct and indirect 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment

Non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred 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.

An 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 groups 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.

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.

(n) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

Share-based payment transactions (continued)

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.

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 pays contributions to publicly administered pension insurance plans on a mandatory and contractual basis. 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.

(o) 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. 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 in 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 changes 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue

Sale of gemstones and jewellery

Revenue from the sale of gemstones and jewellery 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 gemstones and jewellery is recognised in the statement of profit and loss when the control of the gemstones and jewellery has been transferred to the buyer, recovery of the consideration is probable, associated costs or the possible return of gemstones and jewellery can be estimated reliably, there is no continuing management involvement with the gemstones and jewellery and the amount of revenue can be measured reliably.

(q) Expenses

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 profit or loss as it accrues, using the effective interest method.

(r) Tax expense

Tax expense comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Additional 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) Non-current assets or disposal groups held-for-sale and discontinued operations

Non-current assets or disposal groups are classified as held-for-sale if their carrying amount will be recoverable principally through a sale transaction, not through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held-for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair values less cost to sell.

A discontinued operation is a significant distinguishable component of the Group's business that is abandoned or terminated pursuant to a single formal plan, and which represents a separate major line of business or geographical area of operation. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale.

The profit or loss on sale or abandonment of a discontinued operation is determined from the formalised discontinuance date. Discontinued operations are separately recognised in the financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal which should be expected to qualify for recognition as a completed sale within one year of classification.

(u) Convertible loan

Convertible loans can be converted to share capital at the option of the holder. The liability component of the convertible loan is recognised initially at fair value. Any directly attributable transaction costs are allocated to the convertible loan liability. Subsequent to initial recognition, the liability component of the convertible loan is measured at amortised cost using the effective interest method. The convertible loan liability is removed from the statement of financial position when the obligations specified in the contract are discharged. This can occur upon the option holder exercising their option or the option period lapses requiring the company to discharge the obligation. On initial recognition, the fair value of the convertible loan with embedded derivatives will equate to the proceeds received and subsequently the embedded derivative liability is measured at fair value at each reporting date until settlement. The fair value movements are recognised on the Consolidated Statement of Profit or Loss as financial costs.

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 Board of Directors. 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 Board of Directors 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 Board of Directors 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.

3.1 Business operating segments

The Group has two 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 gemstones
- Online sales: Online sales of jewellery and polished gemstones

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.

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

	Corporate **2018**	Corporate 2017	Total Continuing **2018**	Total Continuing 2017	Mining **2018**	Mining 2017	Online sales **2018**	Online sales 2017	Total Dis-continued **2018**	Total Dis-continued 2017	Total All operations **2018**	Total All operations 2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
External revenues	**-**	-	**-**	-	**67**	1,836	**14**	106	**81**	1,942	**81**	1,942
Finance income/(costs)	**269**	-	**269**	-	**(14)**	(10)	**-**	-	**(14)**	(10)	**255**	(10)
Depreciation, amortisation of property, plant and equipment and intangible assets	**-**	-	**-**	-	**(303)**	(446)	**-**	(1)	**(303)**	(447)	**(303)**	(447)
Impairment of property, plant and equipment	**-**	-	**-**	-	**-**	(1,920)	**-**	-	**-**	(1,920)	**-**	(1,920)
Reportable segment loss before income tax	**(83)**	(848)	**(83)**	(848)	**(930)**	(3,051)	**(11)**	(54)	**(941)**	(3,105)	**(1,024)**	(3,953)
Income tax (charge)/credit	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Capital expenditure	**-**	-	**-**	-	**10**	282	**-**	-	**10**	282	**10**	282
Reportable segment assets	**58**	288	**58**	288	**1,002**	1,804	**5**	34	**1,007**	1,838	**1,065**	2,126
Reportable segment liabilities	**700**	289	**700**	289	**261**	793	**2**	46	**263**	839	**963**	1,128

4 OTHER INCOME

	2018 US$'000	2017 US$'000
Gain on settlement of fees (Note 15)	**74**	17
	74	17

5 OPERATING EXPENSES

	2018 US$'000	2017 US$'000
Auditors' remuneration	**(28)**	(45)
Directors' emoluments and fees	**(82)**	(120)
Net foreign exchange gain/(loss)	**12**	(13)
Office expenses	**(29)**	(49)
Professional and other services	**(369)**	(320)
Share option income/(expense) (Note 17)	**76**	(76)
Loss on settlement of fees (Note 15)	**-**	(217)
Travel and accommodation	**-**	(1)
Other expenses	**(6)**	(24)
Total operating expenses	**(426)**	(865)

6 FINANCE (COST)/INCOME

	2018 US$'000	2017 US$'000
Fair value adjustment on embedded derivative element of convertible loan (Note 22)	**284**	-
Interest paid	**(15)**	-
Total finance income	**269**	-

7 INCOME TAX CREDIT

	2018 US$'000	2017 US$'000
Current tax charge		
Current period	**-**	-
Deferred tax credit	**-**	-
Total income tax charge/(credit)	**-**	-

Most of the tax losses of the continuing operations were sustained in Bermuda. No income tax or capital gains tax is payable in Bermuda and therefore there is no contingent deferred tax asset.

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2018 US$'000	2017 US$'000
Loss before income tax	**(83)**	(848)
Taxation at 0%	**-**	-
Deferred tax assets not brought to account	**-**	-
Income tax charge/(credit)	**-**	-

8 PROPERTY, PLANT AND EQUIPMENT

	2018 US$'000	2017 US$'000
8.1 COST		
Computer and other equipment	-	31
Cutting and gemmological equipment	-	9
Development costs	-	2,202
Furniture, fittings and improvements to leased premises	-	8
Plant, machinery and mining equipment	-	1,561
Motor vehicles	-	85
Assets under construction	-	30
	-	3,926
8.2 ACCUMULATED DEPRECIATION AND IMPAIRMENT		
Computer and other equipment	-	(23)
Cutting and gemmological equipment	-	(5)
Development costs	-	(2,078)
Furniture, fittings and improvements to leased premises	-	(3)
Plant, machinery and mining equipment	-	(804)
Motor vehicles	-	(49)
Assets under construction	-	-
	-	(2,962)
8.3 NET CARRYING VALUE		
Computer and other equipment	-	8
Cutting and gemmological equipment	-	4
Development costs	-	124
Furniture, fittings and improvements to leased premises	-	4
Plant, machinery and mining equipment	-	757
Motor vehicles	-	37
Assets under construction	-	30
	-	964
8.4 MOVEMENTS FOR THE YEAR		
Opening carrying value		
Computer and other equipment	8	14
Cutting and gemmological equipment	4	5
Development costs	124	2,059
Furniture, fittings and improvements to leased premises	4	5
Plant, machinery and mining equipment	757	806
Motor vehicles	37	48
Assets under construction	30	15
	964	2,952

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

8.4 MOVEMENTS FOR THE YEAR (CONTINUED)

	2018 US$'000	2017 US$'000
Additions at cost		
Computer and other equipment	**-**	3
Cutting and gemmological equipment	**-**	1
Development costs	**(51)**	19
Furniture, fittings and improvements to leased premises	**-**	-
Plant, machinery and mining equipment	**-**	245
Motor vehicles	**-**	-
Assets under construction	**10**	14
	(41)	282
Exchange differences		
Computer and other equipment	**-**	1
Development costs	**(12)**	29
Plant, machinery and mining equipment	**(52)**	60
Motor vehicles	**(3)**	6
Assets under construction	**(3)**	1
	(70)	97
Impairments		
Development Costs	**-**	(1,920)
	-	(1,920)
Depreciation charge		
Computer and other equipment	**(6)**	(10)
Cutting and gemmological equipment	**(2)**	(2)
Development costs	**-**	(63)
Furniture, fittings and improvements to leased premises	**(1)**	(1)
Plant, machinery and mining equipment	**(282)**	(354)
Motor vehicles	**(12)**	(17)
	(303)	(447)
Transfer to disposal group		
Computer and other equipment	**(2)**	-
Cutting and gemmological equipment	**(2)**	-
Development costs	**(61)**	-
Furniture, fittings and improvements to leased premises	**(3)**	-
Plant, machinery and mining equipment	**(423)**	-
Motor vehicles	**(22)**	-
Assets under construction	**(37)**	-
	(550)	-
Closing carrying value		
Computer and other equipment	**-**	8
Cutting and gemmological equipment	**-**	4
Development costs	**-**	124
Furniture, fittings and improvements to leased premises	**-**	4
Plant, machinery and mining equipment	**-**	757
Motor vehicles	**-**	37
Assets under construction	**-**	30
	-	964

Assets of Capricorn Sapphire Pty Ltd have been encumbered as per note 22.

9 INTANGIBLE ASSETS

	2018 US$'000	2017 US$'000
9.1 COST		
Exploration and evaluation expenditure	-	52
	-	52
9.2 ACCUMULATED AMORTISATION		
Exploration and evaluation expenditure	-	-
	-	-
9.3 NET CARRYING VALUE		
Exploration and evaluation expenditure	-	52
	-	52
9.4 MOVEMENTS FOR THE YEAR		
Opening carrying value		
Exploration and evaluation expenditure	52	31
	52	31
Additions at cost		
Exploration and evaluation expenditure	11	19
	11	19
Exchange differences		
Exploration and evaluation expenditure	(5)	2
	(5)	2
Transfer to disposal group		
Exploration and evaluation expenditure	(58)	-
	(58)	-
Closing carrying value		
Exploration and evaluation expenditure	-	52
	-	52

Assets of Capricorn Sapphire Pty Ltd have been encumbered as per note 22.

10 INVENTORIES

	2018	2017
Rough gemstones and jewellery	-	127
Consumables	-	12
	-	139

Inventories of Capricorn Sapphire Pty Ltd have been pledged as security for liabilities as per note 22 and all rough gemstone are stated at their net realisable value.

11 TRADE AND OTHER RECEIVABLES

	2018 US$'000	2017 US$'000
Trade receivables	-	159
Prepayments	30	57
Other receivables	-	73
	30	289

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of US$Nil (2017: US$3,000) has been recorded accordingly within other expenses. The aging analysis of these trade receivables is as follows:

	2018 US$'000	2017 US$'000
Less than 90 days	-	159
More than 90 days	-	-

Trade and other receivables consists of balances receivable in the following currencies:

	2018 US$'000	2017 US$'000
United States Dollars	30	49
Australian Dollars	-	111
Thai Bhat	-	129
	30	289

Translated into United States Dollars at foreign exchange rates applicable at the reporting date. The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in note 24.1.

12 RESTRICTED CASH AND CASH EQUIVALENTS

	2018 US$'000	2017 US$'000
Short-term deposits	-	296
	-	296

Short-term deposits are denominated in Australian Dollars and have been pledged as collateral for the financial assurance lodged with the Department of Natural Resources and Mines (Australia).

13 CASH AND CASH EQUIVALENTS

	2018 US$'000	2017 US$'000
Cash at bank and on hand	28	386
	28	386

Cash and cash equivalents consists of balances denominated in the following currencies:

	2018 US$'000	2017 US$'000
United States Dollars	28	137
Australian Dollars*	-	51
Hong Kong Dollars*	-	5
Other currencies*	-	193
	28	386

* Translated into United States Dollars at foreign exchange rates applicable at the reporting date. The Group's exposure to interest rate risk and sensitivity analysis for financial instruments is disclosed in note 25.

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Following a comprehensive review of the strategic options available for its mining operations in Australia, on 28 September 2018 Richland announced that it was engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at the Capricorn Sapphire mine or, alternatively, was seeking to conclude ongoing negotiations with different parties in relation to the potential sale of all or a part of Capricorn Sapphire. Further to such announcement the Board is now focused on the sale of the entire Capricorn Sapphire project and in this regard an option agreement was entered into with Fura Gems Inc. ("**Fura**") on 26 June 2019.

As a result of the proposed transaction with Fura, this group of assets along with the online gemstone business operated by Richland Gemstones Ltd which Fura did not wish to purchase and which is accordingly being discontinued is disclosed as a disposal group held for sale (the "**Disposal Group**").

	2018 US$'000
Assets of disposal group classified as held for sale	
Property, plant and equipment	**550**
Intangible assets	**58**
Inventories	**61**
Trade and other receivables	**45**
Restricted cash	**262**
Cash and cash equivalents	**31**
Total assets	**1,007**
Liabilities of disposal group classified as held for sale	
Trade and other payables	**52**
Provision for environmental rehabilitation	**211**
Total liabilities	**263**

Analysis of the results of discontinued operations and the results recognised on the measurement of assets of the disposal group is as follows:

Comparative information has been restated to ensure comparability.

	2018 US$'000	2017 US$'000
Revenue	**81**	1,942
Cost of sales	**(874)**	(2,654)
Other income	**39**	232
Operating expenses	**(173)**	(695)
Finance cost	**(14)**	(10)
Impairment	**-**	(1,920)
Loss before tax on discontinued operations	**(941)**	(3,105)
Tax (charge)/credit	**-**	-
Loss for the year from discontinued operations	**(941)**	(3,105)
Cash flow information		
Operating cash flows	**(757)**	**(833)**
Investing cash flows	**(16)**	**(296)**
Financing cash flows	**-**	**-**
Total cash flows	**(773)**	**(1,129)**

15 SHARE CAPITAL

15.1 Common share capital

	2018 US$'000	2017 US$'000
Authorised		
2,500,000,000 (2017: 800,000,000) common shares of US$0.0003 each	**750**	240
Issued		
568,353,850 (2017: 474,652,082) common shares of US$0.0003 each	**172**	144
Common share capital		
Balance at the beginning of the year	**144**	66
Fees converted	**28**	2
Share placement	**-**	57
Convertible note conversion	**-**	17
Treasury shares*	**-**	(2)
Balance at the end of the year	**172**	144

Each fully paid common share carries the right to one vote at a meeting of the Company. Holders of common shares also have the right to receive dividends and to participate in the proceeds from sale of all surplus assets in proportion to the total shares issued in the event of the Company winding up.

Reconciliation of number of common shares in issue	Number of shares 2018	Number of shares 2017
Shares in issue at beginning of the year	**474,652,082**	222,610,604
Fees converted	**93,701,768**(1)	6,764,096(2)
Share placement (3) (4)	**-**	197,619,048
Convertible note conversion(5)	**-**	54,933,334
Treasury shares(6)	**-**	(7,275,000)
Shares in issue at end of the year	**568,353,850**	474,652,082

(1) On 5 February 2018, pursuant to certain pre-existing contractual arrangements between Capricorn Sapphire, Anthony Brooke and Gem Dreams in connection with sales and marketing assistance and the Company's beneficiation strategy, the Company issued 3,581,237 new common shares of US$0.0003 each in the capital of the Company ("**Common Shares**") to Anthony Brooke in respect of sales commissions of US$42,717 earned during the period from 1 December 2016 to 31 December 2017 (the "**Commission Shares**"). On 6 July 2018, certain of the Company's existing Directors and senior management team, certain former directors and a former consultant converted an aggregate amount of £207,537 (comprising US$275,215 at the USD:GBP exchange rate of 1.3261 on 22 June 2018) of fees accrued for periods ranging from December 2016 to 31 May 2018 into new Common Shares (the "**Fee Conversion**"). Pursuant to the Fee Conversion, the Company issued, in aggregate, 74,120,531 new Common Shares (the "**Conversion Shares**") at an issue price of 0.28 pence per share (the "**Conversion Price**"), representing a premium of approximately 27 per cent. to the Company's closing mid-market share price of 0.22 pence on 5 July 2018. In addition, the Company issued a further 16,000,000 new Common Shares (the "**Professional Fee Shares**") at the Conversion Price in relation to professional fees due through to 31 December 2018. The settlement of the outstanding fees resulted in a gain on settlement of US$74,000.

15 SHARE CAPITAL (CONTINUED)

15.1 Common share capital (continued)

(2) On 13 December 2016, certain of the Company's directors and management agreed to convert their outstanding fees and salaries due in respect of the period from 1 April 2016 to 30 November 2016 into new Common Shares at a price of 1.74 pence per new Common Share, being the volume weighted average price of the Company's Common Shares over the period the fees and salaries concerned were outstanding (the "**Directors' and Managers' Fee Conversion**"). In total, unpaid fees of US$117,085 were converted into 5,392,520 new Common Shares which were admitted to trading on AIM on 5 January 2017. On 19 April 2017, the Company announced that Ami Mpungwe, a then non-executive director of the Company, had agreed, in order to preserve the Company's cash resources, to convert his outstanding director's fees for the period from 1 April 2016 to 1 April 2017 into new Common Shares at a price of 1.74 pence per new Common Share (the "**Conversion**"), being the same price as the Directors and Managers' Fee Conversion referred to above.. Accordingly, Mr Mpungwe's unpaid fees of US$30,250 were converted into, in aggregate, 1,371,576 new Common Shares. The settlement of the outstanding fees resulted in a gain on settlement of $40,025.

(3) As announced on 13 December 2016, certain new and existing shareholders (including Nicholas Sibley, a Non-Executive Director of Richland), agreed to subscribe for, in aggregate, 133,333,334 new Common Shares (the "**Placing Shares**") at a price of 0.75 pence per share (the "**Placing Price**"). The Placing Shares were issued conditional upon their admission to trading on AIM, which took place on 5 January 2017.

(4) On 5 September 2017, the Company announced that it had raised, in aggregate, approximately £450,000 (before expenses) through a subscription of 64,285,714 new Common Shares (the "**Subscription Shares**") (the "**Subscription**") by certain new and existing shareholders (including two of the Company's directors) at an issue price of 0.7 pence per Subscription Share (the "**Subscription Price**"). Pursuant to the Subscription, a warrant to subscribe for a further 1 new Common Share at a price of 1 pence per share shall accompany each Subscription Share (the "**Warrants**"). The Warrants are exercisable for a period of one year from the date of Admission on 12 September 2017, save that should the Company's volume weighted average share price exceed 1.5 pence for a period of five consecutive trading days the Company shall be entitled to give holders of the Warrants 7 days' notice that their Warrants must be exercised within a further 24 days, failing which they will otherwise expire. In connection with the Subscription, Salonica Group was also issued a warrant over 3,000,000 Common Shares on the same terms as the Warrants.

(5) The providers of a US$500,000 unsecured one-year 10 per cent. loan facility entered into on 27 June 2016 (the "**Loan Facility**"), agreed to settle the outstanding principal amount of US$500,000, by way of the issue of new Common Shares at the Placing Price. Of the US$500,000 Loan Facility, US$300,000 was provided equally by two of the Company's Directors, Edward Nealon and Nicholas Sibley, each providing US$150,000, with the balance of US$200,000 provided by MRI Advisory AG. Full details of the Loan Facility were set out in the Company's announcement of 28 June 2016, including the condition that if the Loan Facility was repaid early the minimum total interest due would be 7.5 per cent. (the "**Minimum Notional Interest**"). Messrs Nealon and Sibley agreed to settle the unpaid balance of the Minimum Notional Interest due to them on early repayment of the Loan Facility, being US$7,500 each, by way of the issue of further new Common Shares at the Placing Price. MRI Advisory AG agreed to the early repayment of its proportion of the Loan Facility on the basis that it was paid the balance of the Minimum Notional Interest due to it in cash, being US$10,000, plus an additional US$5,000 in cash from the net proceeds of the placing. The aggregate principal amount of the Loan Facility plus the abovementioned Minimum Notional Interest converted into new Common Shares was therefore US$515,000 which was settled by the issue of, in aggregate, 54,933,334 new Common Shares at the time of the issue and admission of the Placing Shares on 5 January 2017. The settlement of the convertible note resulted in a loss on settlement of $257,500.

(6) At the Company's 2016 AGM on 20 May 2016 the shareholders approved the acquisition as Treasury Shares the 7,275,000 restricted shares issued to Directors and employees in 2009. All the rights attaching to a Treasury Share are suspended including the right to vote and shall not be exercised by the Company while it holds such Treasury Shares.

15.2 A class share capital

	2018 US$'000	2017 US$'000
Authorised		
66,666,667 A class shares of ZAR 0.0003 each	**3**	3
Issued		
1,009,029 (2017: 1,033,892) A class shares of ZAR 0.0003 each issued by the Company's wholly-owned subsidiary, Rohstein Class A (Proprietary) Limited ("**Rohstein Class A (Pty) Ltd**")	**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)	**173**	145

15 SHARE CAPITAL (CONTINUED)

Reconciliation of A Class share capital	**Number of shares 2018**	Number of shares 2017
Shares in issue at beginning of the year	**1,033,892**	1,138,908
Share buyback pursuant to A Class rights	**(24,863)**	(105,016)
Shares in issue at end of the year	**1,009,029**	1,033,892

An equivalent amount of common shares are held by Rembrandt Nominees via an account with Investec Wealth & Investment.

Rights attaching to A Class shares

The following rights, privileges and conditions attach to the Rohstein Class A (Pty) Ltd A Class shares:

Each Rohstein Class A (Pty) Ltd A class share has been issued on the basis that:

1. if the Richland Resources common shares are consolidated or subdivided, the same will apply, *mutatis mutandis*, to the Rohstein Class A (Pty) Ltd A class shares;
2. if any rights issue is implemented by Richland Resources, Rohstein Class A (Pty) Ltd will automatically have a rights issue in respect of the Rohstein Class A (Pty) Ltd A class shares on identical terms to the rights issue implemented by Richland Resources, which will include but not be limited to the price per rights issue share and ratio of rights shares to existing shares; and
3. if the common shareholders of Richland Resources receive shares in substitution for all their Richland Resources common shares then the number of Rohstein Class A (Pty) Ltd A class shares will be automatically adjusted such that each Rohstein Class A (Pty) Ltd A class shareholder will own the number of Rohstein Class A (Pty) Ltd Class A shares as equals their existing number of Rohstein Class A (Pty) Ltd A class shares, multiplied by the number of substitution shares issued for each Richland Resources common share.

The holders of the Rohstein Class A (Pty) Ltd A class shares will only be entitled to a dividend if Richland Resources declares dividends in respect of any year, and then the Rohstein Class A (Pty) Ltd A class shares will be entitled to a preference dividend out of the profits of Rohstein Class A (Pty) Ltd available for distribution per Rohstein Class A (Pty) Ltd A class share equal to “D” calculated in accordance with the following formula :

$$D = A \times F$$

where

A = the dividend declared and payable by Richland Resources in respect of each Richland Resources 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 dividend is payable to Richland Resources common shareholders.

Rohstein Class A (Pty) Ltd in general meeting or the directors of Rohstein Class A (Pty) Ltd shall be entitled to declare preference dividends in respect of the Rohstein Class A (Pty) Ltd 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, to the holders of the Rohstein Class A (Pty) Ltd A class shares registered as such on the declaration date of the relevant Richland Resources dividend.

With respect to voting rights in Rohstein Class A (Pty) Ltd, each Rohstein Class A (Pty) Ltd ordinary share shall have 1,000,000 votes and each Rohstein Class A (Pty) Ltd A class share shall have one vote. The holders of Rohstein Class A (Pty) Ltd A class shares will be entitled to receive notice of and to attend and vote at any general meeting of Rohstein Class A (Pty) Ltd.

15 SHARE CAPITAL (CONTINUED)

Rights attaching to A Class shares (continued)

Payment in respect of preference dividends and any other payments will be made in the currency of South African Rand at the risk of the relevant holder of Rohstein Class A (Pty) Ltd A class shares either by cheque sent by prepaid registered post to the address of each holder of Rohstein Class A (Pty) Ltd A class shares as recorded in the register of Rohstein Class A (Pty) Ltd's shareholders or by electronic transfer to such bank account nominated in writing by any holder of Rohstein Class A (Pty) Ltd A class shares for such purpose.

All or any of the rights attaching to the issued Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd, ranking in priority to or *pari passu* with the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares present in person or by proxy are entitled to vote.

Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares present in person or by proxy are entitled to vote.

Should Richland Resources acquire any Rohstein Class A (Pty) Ltd A class shares, Rohstein Class A (Pty) Ltd will automatically redeem out of moneys which may be lawfully applied for that purpose those Rohstein Class A (Pty) Ltd A class shares on the basis that the price payable for each Rohstein Class A (Pty) Ltd A class share on redemption of same will be at a redemption price of 0.003 (point zero zero three) cent per Rohstein Class A (Pty) Ltd A class share. Notwithstanding the provisions of this clause, all of the Rohstein Class A (Pty) Ltd 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 0.003 (point zero zero three) cents per Rohstein Class A (Pty) Ltd A class share.

At every meeting of the holders of the Rohstein Class A (Pty) Ltd A class shares the provisions of the articles of Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd relating to adjourned meetings shall, *mutatis mutandis*, apply.

15 SHARE CAPITAL (CONTINUED)

Rights attaching to A Class shares (continued)

Upon the date of redemption of any Rohstein Class A (Pty) Ltd A class shares, there shall be paid on any Rohstein Class A (Pty) Ltd A class shares redeemed, all preference dividends (including any which are in arrears) 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 Rohstein Class A (Pty) Ltd A class shares, payment of the redemption moneys is not affected by Rohstein Class A (Pty) Ltd. The holders of the Rohstein Class A (Pty) Ltd A class shares shall deliver the certificate/s representing those Rohstein Class A (Pty) Ltd A class shares which are to be redeemed to Rohstein Class A (Pty) Ltd at its registered office. Upon such delivery of the share certificate/s Rohstein Class A (Pty) Ltd shall pay to the holders of the Rohstein Class A (Pty) Ltd A class shares the amount due in respect of the redemption and shall then be entitled to cancel the relevant Rohstein Class A (Pty) Ltd A class shares.

Rohstein Class A (Pty) Ltd shall not be liable to a shareholder of Rohstein Class A (Pty) Ltd A class shares for interest on any unclaimed redemption moneys and arrears of dividends.

Any dividends payable in respect of Rohstein Class A (Pty) Ltd A class shares (including any which are in arrears) that remain unclaimed for 3 (three) years may become the property of Rohstein Class A (Pty) Ltd.

The holders of the Rohstein Class A (Pty) Ltd A class shares shall not be entitled to dispose of any Rohstein Class A (Pty) Ltd A class shares to any party other than Richland Resources and the share certificates issued in respect of the Rohstein Class A (Pty) Ltd A class shares shall be endorsed to this effect. Notwithstanding the provisions of this clause, a holder of the Rohstein Class A (Pty) Ltd A class shares shall be entitled to transfer the relevant Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd of the same or similar nature as the Rohstein Class A (Pty) Ltd A class shares shall be issued save as provided for above.

16 SHARE PREMIUM

	2018	2017
	US$'000	US$'000
Balance at beginning of the year	**54,389**	51,875
Fees converted	**255**	87
Share placement	**-**	1,771
Convertible note conversion	**-**	756
Share issue costs	**-**	(100)
Balance at end of year	**54,644**	54,389

17 SHARE OPTION RESERVE

Balance at beginning of the year	**123**	47
Share options issued	**-**	76
Share options forfeited	**(76)**	-
Balance at end of year	**47**	123

17 SHARE OPTION RESERVE (CONTINUED)

Share-based payments

The terms and conditions of the share option plan and warrants are as follows:

Grant date	Number of share options/warrants	Vesting conditions	Contractual life
20 May 2016 (options)	12,000,000	Three years of service	7 years from vesting date
5 September 2017 (warrants)	3,000,000		365 days
Total share options	15,000,000		

The number and weighted average exercise prices of share options and warrants are as follows:

	2018		2017	
	Weighted average exercise price (UK pence/ share)	**Number of options**	Weighted average exercise price (UK pence/ share)	Number of options
Outstanding at the beginning year	**3.0**	**15,000,000**	3.5	12,000,000
Issued warrants		**-**	1.0	3,000,000
Share options forfeited	**3.5**	**(8,500,000)**		-
Warrants forfeited	**1.0**	**(3,000,000)**		-
Exercisable at the end of the year	**3.5**	**3,500,000**	3.0	15,000,000

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.

Share option assumptions at issue date	Warrants 5 September 2017[1]	Options 20 May 2016
Share price	0.675 pence	2.2 pence
Exercise price	1 pence	3.5 pence
Expected volatility	60%	60%
Expected dividends	0%	0%
Risk-free interest rate (based on UK government bonds)	0.50%	0.50%
Option life	356 days	7 years
Fair value per option	0.07 pence	1.02pence

(1) *3 million warrants issued to brokers in conjunction with the share placement. As the value of the service received could not be reliably measured the warrants have been measured at their fair value.*

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 Pounds Sterling as the Company is quoted on the AIM market of the London Stock Exchange.

18 FOREIGN CURRENCY TRANSLATION RESERVE

	2018 US$'000	2017 US$'000
Balance at beginning of the year	**133**	27
Translation of foreign operations	**(79)**	106
Balance at end of the year	**54**	133

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

19 EARNINGS PER SHARE

19.1 Basic and diluted loss per share

The calculation of basic and diluted loss per share at 31 December 2018 was based on the loss attributable to common shareholders from continuing operations of US$83,000 (2017: US$848,000), discontinued operations loss of US$941,000 (2017: US$3,105,000) and a weighted average number of common shares outstanding during the year ended 31 December 2018 of 520,308,612 (2017: 426,992,694) calculated as follows:

	2018 US$'000	2017 US$'000
Loss attributable to common shareholders from continuing operations	**(83)**	(848)
Loss attributable to common shareholders from discontinued operations	**(941)**	(3,105)

Weighted average number of common shares	**Number of shares 2018**	Number of shares 2017
Weighted average number of common shares	**520,308,612**	426,992,694
Basic and diluted loss per common share from continuing operations (US cents/share)	**(0.02)**	(0.20)
Basic and diluted loss per common share from discontinued operations (US cents/share)	**(0.18)**	(0.72)
Basic and diluted loss per common share from all operations (US cents/share)	**(0.20)**	(0.92)

The diluted loss per share and the basic loss per share are recorded as the same amount, as conversion of share options decreases the basic loss per share, thus being anti-dilutive.

20 PROVISION FOR ENVIRONMENTAL REHABILITATION

	2018 US$'000	2017 US$'000
Balance at beginning of the year	**273**	237
Decrease	**(51)**	-
Unwinding of discount	**16**	17
Foreign exchange	**(27)**	19
Transfer to disposal group	**(211)**	-
Balance at end of the year	**-**	273

21 TRADE AND OTHER PAYABLES

	2018 US$'000	2017 US$'000
Trade and other payables	**332**	688
Short term advances due to directors (Note 27)	**119**	168
Total trade and other payables	**451**	855
Trade and other payables consists of balances payable in the following currencies:		
United States Dollars	**367**	454
Australian Dollars	**19**	307
British Pounds	**62**	64
Other currencies	**3**	30
	451	855

22 CONVERTIBLE LOAN

	2018	2017
Proceeds from convertible loan	**533**	-
Embedded derivative	**(325)**	-
Total loan	**208**	-
Embedded derivative	**325**	
Fair value adjustment on embedded derivative	**(284)**	-
Total embedded derivative	**41**	-
Carry amount of liability	**249**	-

As announced on 25 June 2018 the Company obtained a £300,000 Secured Convertible Loan facility from Astor Management AG (the "**Lender**"), a private company whose majority shareholder is a long-term significant shareholder in the Company. Subsequently, the principal loan amount was increased from £300,000 to £400,000 in September 2018 and by a further US$150,000 in April 2019. See subsequent events note 28 for extension of maturity date. The salient terms of the Secured Convertible Loan Facility are summarised below:

(i) Term: A scheduled maturity date of 31 October 2019 (conditional on completion of the Proposed Disposal) when, unless otherwise converted, the principal amount and any accrued interest is repayable in full. The Company may pre-pay the whole or any part of the loan on any day prior to the scheduled maturity date upon giving not less than 15 business days' prior written notice to the Lender and provided that any amount prepaid will still accrue interest as though it were repaid on the maturity date.

(ii) Principal amount: £400,000 and US$150,000 (with the Company to pay the Lender's legal costs in respect of preparing and entering into the facility documentation).

(iii) Interest rate: 3 month GBP LIBOR + 7.5 per cent. per annum, payable quarterly in arrears.

(iv) Security: Charge over all of the assets of Capricorn Sapphire, the Company's wholly owned subsidiary that holds the Company's mining tenements and operates the Capricorn Sapphire mine, as well as the group's shares in Capricorn Sapphire.

(v) Conversion rights: Sterling principal amount and any accrued interest convertible at the discretion of the Lender during the Term at the lower of:
   a) 0.25 pence per share;
   b) the Company's volume weighted average share price for the thirty trading days up to and including the trading day prior to the conversion date specified in the conversion notice or such other date as the parties may agree; and
   c) any price at which the Company issues new shares for cash from the commencement of the loan period to the date of conversion.

(vi) Board representation: The Lender has the right to nominate a non-executive director, subject to the prior approval of the Company's Nominated Adviser, whilst the Lender and its associates have (a) a shareholding representing more than 10 per cent. of the Company's issued share capital from time to time; or (b) greater than or equal to £75,000 principal amount is outstanding under the Secured Convertible Loan Facility.

(vii) Events of default include customary solvency and regulatory matters for a facility of this nature, including whether the Company's financial statements are qualified by its auditor on a going concern basis, if the Company's shares are cancelled from admission to trading on AIM and if the Company is in breach of the AIM Rules for Companies.

(viii) If an event of default is not remediated or has not been remedied within 7 business days then the conversion price as calculated in accordance with clause v) above is to be reduced by 50 per cent. with respect to any conversion notice issued after such an event occurs.

23 NOTES TO THE STATEMENT OF CASH FLOWS

	2018 US$'000	2017 US$'000
23.1 Cash utilised by operations		
Loss before income tax	**(1,024)**	(3,953)
Adjusted for:		
▪ Depreciation, amortisation and impairment of property, plant and equipment	**303**	2,367
▪ Shares issued at discount/(premium)	**(74)**	200
▪ Finance cost	**(270)**	(6)
▪ Unwinding of discount	**16**	16
▪ Write off of trade receivables provision	**(3)**	-
▪ Disposal group derecognised	**-**	(35)
▪ Share options expense	**(76)**	76
▪ Net foreign exchange difference	**1**	30
Cash from operations before working capital changes	**(1,127)**	(1,305)
Working capital changes:		
Inventories	**78**	(3)
Trade and other receivables	**218**	(62)
Trade and other payables	**4**	35
Cash utilised by operations before interest and tax	**(827)**	(1,335)

Non-cash items from investing and financing activities

	2018 US$'000	2017 US$'000
23.2 Proceeds from issue of shares		
Share capital and premium at end of year (Note 15 & 16)	**54,817**	54,534
Convertible note conversion(1)	**-**	(515)
Directors, consulting and other fees converted to shares(1)	**(357)**	(146)
Shares issued at discount/(premium) (1)	**74**	(200)
Share capital and premium at beginning of year	**(54,534)**	(51,942)
	-	1,731

(1)Non-cash financing and investing activities

24 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

24.1 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 outstanding receivables from customers, cash and cash equivalents and bank deposits. 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 major customers is assessed, taking into account its financial position, past experience and other factors. The Group generally deals with customers of high credit quality. Sales to retail customers are settled in cash or using major bank cards.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

24.2 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 table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities
Financial liabilities are payable as follows:

	Trade and other payables US$'000
31 December 2018	
Less than one year	**963**
One to five years	**-**
31 December 2017	
Less than one year	855
One to five years	-

24.3 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 are mainly of a short term nature.

Foreign currency risk

The Group does not hedge foreign exchange fluctuations and therefore is 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 investments 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. The Company's strategy towards managing its foreign currency exposure is through transacting using its functional currency.

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 2017.

	2018 US$'000	2017 US$'000
Profit or loss		
Australian Dollars	**(41)**	**(103)**
Hong Kong Dollars	**-**	**(1)**
Other currencies	**24**	**(23)**

A 10 per cent. 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.

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

24.4 Price risk

The Group's exposure to price risk on its financial assets is considered negligible as the Group does not hold any investments in either equity or debt securities.

24.5 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 per cent. The Group achieved a negative return on capital of 894% in 2018 (2017: 206%). 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.

25 FINANCIAL INSTRUMENTS

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 and payables

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.

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.

Financial instruments by category

The fair value of financial instruments together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Carrying amount US$'000	Fair value US$'000
2018			
Trade and other receivables (excluding prepayments)	11	**18**	**18**
Cash at bank and on hand	12 & 13	**59**	**59**
Financial assets measured at amortised cost		**77**	**77**
Trade and other payables	21	**451**	**451**
Financial liabilities measured at amortised cost		**451**	**451**
Convertible loan	22	**249**	**249**
Convertible loans at fair value		**249**	**249**

25 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

	Note	Carrying amount US$'000	Fair value US$'000
2017			
Trade and other receivables (excluding prepayments)	11	232	232
Cash at bank and on hand	12 & 13	682	682
Financial assets measured at amortised cost		914	914
Trade and other payables	21	855	855
Financial liabilities measured at amortised cost		855	855
Convertible loan	22	-	-
Convertible loans at fair value		-	-

The carrying amount of bank overdraft and trade and other payable approximate their fair value.

Recognised fair value measurements

The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Consolidated Statement of Financial Position and in the notes to the Consolidated Statement of Financial Position.

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments.

(i) *Financial instruments Measured at Fair Value*
The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. At the reporting date, the Group had a secured convertible loan outstanding with Astor Management AG. The sterling amount of the loan is convertible into ordinary shares of the parent entity.

(ii) *Fair value hierarchy*
The fair value hierarchy consists of the following levels

- Quoted prices in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset and liability that are not based on observable market date (unobservable inputs) (Level 3).

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2018				
Convertible loan	**-**	**-**	**249**	**249**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2017				
Convertible loan	-	-	-	-

There were no transfers between levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as at the end of the reporting period.

Level 1: the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

25 FINANCIAL INSTRUMENTS (CONTINUED)

Recognised fair value measurements (continued)

Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximises the use of observable data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument is observable, the instrument is included in level 2.

Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. The fair value of the convertible loan not traded in an active market is determined using an internally prepared discounted cash flow valuation technique using observable imports (such as share price and terms and conditions of the convertible loan) and released of the initial calibration adjustment to the profit and loss.

(iii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Use of the quoted market price or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments as determined using discounted cash flow analysis.

26 COMMITMENTS AND CONTINGENCIES

26.1 *Capital commitments*

No capital commitments existed at year end (2017: US$ Nil).

26.2 *Finance lease commitments*

Non-cancellable lease rentals are payable as follows:

	2018	2017
	US$'000	US$'000
Less than one year	**10**	10
Between one and five years	**-**	-
	10	10

These leases relate to the rental of business premises.

There are no contingencies for the year ended 31 December 2018 (2017: Nil).

27 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.

Current directors of the holding company and their close family members as at the date of this report control 19.47% (2017: 19.88%) of the voting shares of Richland Resources.

27 RELATED PARTIES (CONTINUED)

	2018 US$'000	2017 US$'000
Short-term benefits		
Directors' emoluments for the year		
Services as directors of the Company		
Non-executive directors		
Salary	**4**	80
Executive directors		
Salary	**78**	40
Services as directors of the subsidiaries		
Executive directors		
Salary	**29**	161
Share options	**(31)**	19
Short term advances from directors (unpaid directors' fees)		
Edward Nealon	**15**	28
Nicholas Sibley	**14**	26
Anthony Brooke	**90**	-
Ami Mpungwe	**-**	23
Bernard Olivier	**-**	91
	119	168

Waiver of certain Directors' and Management's Fees
As announced on 25 June 2018, in order to preserve cash reserves within the Company, the Directors, senior management personnel, certain former Directors and a former consultant agreed to waive, in aggregate, US$314,590 of accrued fees due to them for periods from December 2016 up to and including 31 May 2018 (the "**Fee Waiver**"). The fees waived by such directors and former directors are detailed below:

Current Directors	**Amount waived (US$)**
Edward Nealon	39,375
Nicholas Sibley	17,813
Anthony ("Tony") Brooke	42,802
Former Directors	
Ami Mpungwe	17,646
Bernard Olivier	55,165

Conversion of certain Directors' and Management's Fees into new Common Shares
As announced on 25 June 2018, in order to further conserve the Company's cash reserves, certain of the Directors, senior management personnel, former Directors and a former consultant agreed to convert, in aggregate, US$275,215 of unpaid fees due to them for periods from December 2016 up to and including 31 May 2018 into new Common Shares (the "**Fee Conversion**"). The Fee Conversion settled all remaining fees due to the current and former directors, former consultant and current senior management up to 31 May 2018 with the fees converted by such directors and former directors summarised in the table below:

Current Directors	**Fees converted (US$)**
Edward Nealon	Nil (as all outstanding fees waived)
Nicholas Sibley	17,813
Anthony ("Tony") Brooke	42,802
Former Directors	
Ami Mpungwe	17,646
Bernard Olivier	55,165

Pursuant to the Fee Conversion, the Company issued, in aggregate,74,120,531 new Common Shares (the "**Conversion Shares**") at an issue price of 0.28 pence per share (the "**Conversion Price**"), representing a premium of approximately 27 per cent. to the Company's closing mid-market share price of 0.22 pence on 5 July 2018.

27 RELATED PARTIES (CONTINUED)

On 5 February 2018, the Company announced that it had issued 3,581,237 new Common Shares to Anthony Brooke in respect of certain sales commissions of US$42,717 earned during the period from 1 December 2016 to 31 December 2017, based on the Company's volume weighted average share price of 0.84 pence for the year ended 30 November 2017 and a GBP:USD exchange rate of 1.42.

Expenses recorded in 2018 related to Gem Dreams Co.,Ltd, a company controlled by Anthony Brooke, were US$30,000 of which due and outstanding to this entity as at 31 December 2018 was US$5,000.

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 profit or loss including salaries and other current employee benefits amounted to US$0.1 million (2017: US$0.3 million). No terminal or other long term benefits were paid to key management personnel during the year (2017: Nil).

Group entities

Significant subsidiaries	**Country of incorporation**	**Products/Services**	**Net amounts owing by Subsidiaries to other Group companies** 2018 US$'000	2017 US$'000	**Functional currency**	**Share holding %**
Richland Gemstones Ltd	Hong Kong, China	Polished and jewellery sales	**(236)**	(210)	US$	100%
Richland Corporate Ltd	Bermuda	Investment holding company	**(1,793)**	(1,782)	US$	100%
Capricorn Sapphire Pty Ltd	Australia	Sapphire mining	**(7,185)**	(6,456)	AU$	100%
Rohstein Class A (Pty) Ltd	South Africa	A Class shareholding	**-**	-	ZAR	100%

All transfers of funds between South African entities and non-South African entities are subject to South Africa's exchange control rules and regulations.

28 SUBSEQUENT EVENTS

As announced on 28 February 2019, the Company agreed and executed a third addendum to its pre-existing Convertible Loan Facility (originally announced on 25 June 2018), to extend its maturity date from 28 February 2019 to 31 March 2019.

As announced on 1 April 2019, The Company negotiated, agreed and executed a fourth addendum to its pre-existing Secured Convertible Loan Facility, in order to extend the maturity date from 31 March 2019 to 30 April 2019 for no additional consideration and increase the amount available for drawdown under the Convertible Loan Facility by US$150,000 (the "**Additional US$ Facility**"). Save for the fact that the Additional US$ Facility has no conversion rights and is therefore not convertible into shares in the Company, all other terms and conditions of the Secured Convertible Loan Facility, which remain unaltered, apply to the Additional US$ Facility.

As announced on 1 May 2019, the Company agreed and executed a fifth addendum to its pre-existing Secured Convertible Loan Facility, to extend its maturity date from 30 April 2019 to 31 May 2019.

As announced on 1 June 2019, the Company agreed and executed a sixth addendum to its pre-existing Secured Convertible Loan Facility, to extend its maturity date from 31 May 2019 to 30 June 2019.

28 SUBSEQUENT EVENTS (CONTINUED)

As announced on 27 June 2019, the Company on 26 June 2019 (the "**Option Date**") entered into an option agreement with Fura Gems Inc. ("**Fura**") which is listed on the TSX Venture Exchange ("**TSX-V**") (the "**Option Agreement**"). Pursuant to the terms of the agreement, Fura has, for an option fee of CAD150,000, been granted an option valid until 31 July 2019 (the "**Option**") to conditionally acquire from the Company: (i) all of the issued shares of its wholly owned subsidiary Richland Corporate Ltd ("**Richland Corporate**") (the "**Shares**"); and (ii) all of the Company's loans to Richland Corporate (the "**Shareholder Loan**") (together, the "**Option Assets**") (the "**Proposed Disposal**"). Richland Corporate owns 100 per cent. of Capricorn Sapphire Pty Ltd ("**Capricorn Sapphire**"), which in turn holds the group's Capricorn Sapphire project in Queensland, Australia (Richland Corporate and Capricorn Sapphire hereinafter being referred to as the "**Disposal Group**").

Key Terms of the Transaction

Option Fee: The total fee receivable by Richland for granting the Option is CAD150,000 (the "**Option Fee**"), of which CAD25,000 is being paid upfront by Fura and is non-refundable. The balance of the Option Fee of CAD125,000 is due to be paid within seven days of the Option Date and once paid in full is also non-refundable and the Option is then exercisable by either Fura or Richland via submission of an exercise notice and payment of a notional CAD100 to the other party. If the Option is not exercised it will lapse.

Interim Funding of Capricorn Sapphire: Conditional upon payment of the Option Fee by Fura, the Company is required to provide, within 10 days of the Option Date, a CAD125,000 interest free loan to Capricorn Sapphire (the "**Capricorn Sapphire Loan**").

Conditions Precedent to the Proposed Disposal: Following exercise of the Option, completion of the Proposed Disposal ("**Completion**") is conditional upon: TSX-V and AIM approval (as applicable); the approval of the Company's shareholders at a duly convened general meeting; receipt of a "non-objection" letter from the Bermuda Monetary Authority; the renewal of two of the project's mining licences, ML 70419 and ML 70447; and other customary closing conditions for a transaction of this nature (the "**Conditions**"). The Conditions are required to be satisfied or waived by the longstop date of 31 October 2019 or such later date as agreed by the parties (the "**Longstop Date**").

Purchase Price: The price payable by Fura for the Option Assets at Completion is US$185,000 (the "**Cash Consideration**") and the issue of 4,859,825 new common shares in Fura (the "**Consideration Shares**") (together, the "**Purchase Price**").

Additional Consideration: In addition to the Purchase Price, further payments in respect of the Proposed Disposal will be due from Fura as follows:

a) on Completion, Fura is to: (i) pay the Company US$90,000 by way of a contribution towards the expenses incurred by the Company in respect of Capricorn Sapphire during 2019 to date (the "**Additional Cash Payment On Completion**"); and (ii) issue to Richland such number of additional new Fura shares as is equivalent to AUD150,000 by way of a partial refund of the financial assurance deposits of AUD371,911 (the "**Financial Assurance Deposits**") lodged by the Company on behalf of Capricorn Sapphire (the "**Additional Share Consideration On Completion**"); and

b) 18 months after Completion, Fura is to pay the Company a further AUD221,911 in cash (less any environmental liability claims made against the Financial Assurance Deposits by the relevant government authorities) being the refund of the balance of the abovementioned Financial Assurance Deposits.

28 SUBSEQUENT EVENTS (CONTINUED)

Proposed repayment of the Secured Convertible Loan Facility and extension: Conditional upon Completion, it has been agreed that the outstanding principal amounts due under the Company's Secured Convertible Loan Facility comprising GBP409,200 (which includes the lender's expenses of GBP9,200) and USD150,000 (approximately GBP527,045 in aggregate) (the "**Loan Amount**") provided by ASTOR Management AG (the "**Lender**") (the "**Loan**") will be repaid. In the meantime, the Lender has agreed to extend the maturity date of the Loan to the Longstop Date. The amount of the Loan outstanding at Completion will be repaid by the issue by Fura to the Lender of such number of the Consideration Shares as is equivalent to the Loan Amount converted into Canadian Dollars using the CAD:GBP and CAD:USD exchange rates on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share; and (ii) the closing price of Fura shares on the day prior to the issue of Fura shares to the Lender. In the event that the Loan Amount at Completion is greater than the value of the Consideration Shares, the shortfall shall be satisfied firstly from the Cash Consideration and secondly from the Additional Cash Payment On Completion. In the meantime, the Company remains liable to pay interest on the Loan as it falls due on a quarterly basis in arrears.

AIM Rule 15 and General Meeting: In accordance with AIM Rule 15, the Proposed Disposal will constitute a fundamental change of business for the Company and will therefore require the approval of shareholders at a duly convened general meeting. Accordingly, the Company will shortly be publishing a circular, incorporating a notice of general meeting, to the Company's shareholders, which will include customary salient information in relation to the Proposed Disposal (the "**GM Notice**").

AIM Rule 15 cash shell status: Following successful Completion, Richland will become an AIM Rule 15 cash shell and, as such, will be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion date. Alternatively, within such time period, the Company could seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document.

Background to the Proposed Disposal: As announced previously, the Company has, for some time, been engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at the Capricorn Sapphire mine or, alternatively, conclude negotiations in respect of the sale of all or part of Capricorn Sapphire. Accordingly, the granting of the Option and successful consummation of the Proposed Disposal in due course will result in the sale of the entire Capricorn Sapphire project.

Financial information for the Disposal Group and Fura: Table One below shows the Disposal Group's assets and liabilities and those of the Richland group as at 30 June 2018, being the last available unaudited published balance sheet, and the loss attributable to the Disposal Group and the Richland group for the year ended 31 December 2017, being the Company's last available published annual results.

Table One: Financial Information

	Disposal Group	*Richland Resources Ltd*
	US$	US$
Total Assets as at 30 June 2018	1,234,000	1,300,000
Total Liabilities as at 30 June 2018	606,000	799,000
Net Assets as at 30 June 2018	628,000	501,000
Loss for the year ended 31 December 2017	3,052,000	3,953,000

For its latest financial year ended 31 December 2018, Fura reported a comprehensive loss attributable to shareholders of CAD27,589,809 and as at 31 March 2019 it had unaudited gross assets of CAD34,791,715 and net assets of CAD5,003,960.

Use of proceeds: the net proceeds of the Proposed Disposal will be utilised to repay the existing Secured Convertible Loan Facility (as set out above) and certain other outstanding creditors, with the balance providing additional working capital for the group. In this regard, subject to the terms of a 6 month lock-up and subsequent 6 month orderly market agreement the Company will hold the Fura Shares retained by it at Completion as investments held for resale.

28 SUBSEQUENT EVENTS (CONTINUED)

Interim funding of the Company pending Completion of the Proposed Disposal: The Company intends to secure additional funding through debt and/or an equity fundraising in order to provide the Company with additional working capital for the period through to Completion.

Background on Fura: Fura is a gemstone mining and marketing company listed on the TSX-V, which is engaged in the mining, exploration and acquisition of gemstone licences. Fura has projects in Colombia, where it owns a 76 per cent. interest in the Coscuez emerald mine in Boyacá, and in Mozambique where it has an 80 per cent. effective interest in four ruby licences. Further information is available on its website: www.furagems.com.

FX rates and prevailing Fura share price: The following price and currency exchange rates, as at market close on 26 June 2019, being the latest practicable date prior to the announcement (the "**Applicable Date**"), were utilised for all relevant conversions within the announcement:

a) closing price of Fura's shares on the TSX-V was CAD0.15,

b) United States Dollar to GBP exchange rate was USD1 = GBP0.78563,

c) Canadian Dollar to GBP exchange rate was CAD1 = GBP0.59613,

d) Canadian Dollar to USD exchange rate was CAD1 = USD0.75889,

e) Australian Dollar to GBP exchange rate was AUD1 = GBP0.54706,

(collectively, the "**Applicable Rates**").

Table Two below, which is for illustrative purposes only, summarises the maximum cash and share consideration receivable by the Company further to successful Completion of the Proposed Disposal and the value of the Consideration Shares to be issued to the Lender, applying the Applicable Rates and assuming that no claims arise against the Financial Assurance Deposits.

***Table Two**: Summary of maximum cash and share consideration*

	GBP equivalent	Type of consideration
Cash Consideration	145,342	Cash
Share Consideration - 4,859,825 new Fura Shares	434,563	Shares
Consideration Payable on Completion	579,905	
Less: **estimated value of Loan at Completion to be repaid in the first instance from the Share Consideration and then from the Cash Consideration**	(527,045)	
Net Consideration after Lender repaid	52,860	
Fura's contribution towards Capricorn Sapphire's 2019 expenses	70,707	Cash
Reimbursement of Financial Assurance Deposits by way of new Fura shares at Completion	82,059	Shares
Consideration retained by Richland at Completion	205,626	
Reimbursement of remainder of Financial Assurance Deposits 18 months after Completion	121,398	Cash
Maximum total Consideration receivable	327,024	

28 SUBSEQUENT EVENTS (CONTINUED)

Summary of the Option Agreement

The principal terms of the Option Agreement are summarised below:

1. **The Option**:	(i) Fura has been granted an option exercisable until 31 July 2019 in consideration for an Option Fee of CAD150,000. (ii) CAD25,000 of the Option Fee is being paid upfront and is non-refundable, with the balance of the Option Fee of CAD125,000 payable within seven days of the Option Date; once paid the CAD125,000 is also non-refundable. (iii) Once the Option is exercised, the parties will proceed to Completion which is subject to the Conditions Precedent summarised in section 7 below. (iv) The Purchase Price due on Completion is USD185,000 in cash and the issue of 4,859,825 Consideration Shares. Based on the closing Fura share price of CAD0.15 on 26 June 2019 (being the latest practicable date prior to the announcement) and a CAD:GBP exchange rate of CAD1 = GBP0.59613, the total Consideration Payable on Completion equated to approximately GBP579,905.
2. **Secured Convertible Loan Facility extension and repayment arrangements**:	The Lender has agreed to (i) extend the maturity date of the Loan to the Long Stop Date; and (ii), conditional on Completion, to receive settlement of its outstanding Loan Amount at Completion by way of the direct issue to it of such number of the Consideration Shares as is equivalent to the Loan Amount converted into Canadian Dollars using the CAD:GBP and CAD:USD exchange rates prevailing on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share; and (ii) the closing price of Fura shares on the day prior to the issue of such Fura shares to the Lender. At the Applicable Rates, the Lender would be issued all of the Consideration Shares and cash of GBP92,482 from the Cash Consideration. If the Consideration Shares remain insufficient to repay the Loan Amount, any shortfall due to the Lender is to be settled firstly from the Cash Consideration and secondly from the Additional Cash Payment On Completion. In the meantime, the Company remains liable to pay interest on the Loan as it falls due on a quarterly basis in arrears.
3. **Interim Funding of Capricorn Sapphire**:	Conditional upon payment of the Option Fee, the Company is required, within 10 days of the Option Date, to provide a CAD125,000 interest free loan to Capricorn Sapphire which is intended to cover the operating costs of Capricorn Sapphire from the Option Date until Completion. The use of funds from such facility is subject to Fura's prior approval once an exercise notice has been issued and the loan will not be repayable in the event of Completion occurring.
4. **Additional payment and Fura shares due at Completion**:	At Completion, Fura is also required to: • pay Richland USD90,000 by way of a contribution towards the expenses incurred by the Company in respect of Capricorn Sapphire during 2019 to date; and • issue new Fura shares equivalent to AUD150,000 by way of a partial refund of the Financial Assurance Deposits lodged by the Company on behalf of Capricorn Sapphire. The number of such Fura shares to be issued for the AUD150,000 is to be based on the CAD:AUD exchange rate prevailing on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share on the TSX-V on the date prior to Completion; and (ii) the closing price of Fura shares on the TSX-V on the day prior to the issue of the new shares to the Company.

28 SUBSEQUENT EVENTS (CONTINUED)

5. **Further payment due 18 months after Completion**:	18 months after Completion, Fura is required to pay a further AUD221,911 to the Company (less any environmental liability claims made against the Financial Assurance Deposits by the relevant government authorities) being a refund of the balance of the abovementioned Financial Assurance Deposits.
6. **Lock-Up and Orderly Market Agreement**:	The Consideration Shares will be subject to a lock-up arrangement, to be entered into by Astor and any other party that receives more than 10 per cent. of the Consideration Shares, such that they cannot, save in certain limited circumstances, be sold until 6 months after the date of the lock-up agreement and in the subsequent 6 month period can only be sold under the terms of a customary orderly market arrangement.
7. **Conditions Precedent for Completion**:	Completion of the Proposed Disposal is conditional upon; (i) TSX-V approval, as applicable; (ii) Richland's shareholders approving the Proposed Disposal at a duly convened general meeting; (iii) AIM approval, as applicable; (iv) Receipt from the Bermuda Monetary Authority of a "no-objection" letter in respect of the transfer of the shares in Richland Corporate from the Company to Fura; (v) Renewals of the project's two main licences, namely ML 70419 and ML 70447, by the requisite authorities; (vi) No material adverse change in the financial condition of Richland Corporate; and (vii) Other customary closing conditions for a transaction of this nature (together, the "**Conditions Precedent**"). The Conditions Precedent are required to be satisfied or waived by the longstop date of 31 October 2019 or such later date as may be agreed between the parties.
8. **Break Fee of CAD400,000**:	The Company is liable to pay a termination fee of CAD400,000 in the event that: (i) the Richland Board does not unanimously recommend the Proposed Disposal to Richland's shareholders or withdraws its unanimous recommendation and the Company's shareholders do not approve the Proposed Disposal; or (ii) the Company breaches the exclusivity provisions as summarised in section 9 below. Fura is liable to pay a termination fee of CAD400,000 if it breaches its covenant not to enter into any potential alternative transaction involving sapphire mining in Australia or any other transaction or action that could prevent the parties from consummating the Proposed Disposal.
9. **Exclusivity provisions**:	From the Option Date until the later of: (a) expiry of the exercise period; and (b) if an exercise notice has been issued (i) the Completion date, (ii) the Longstop Date and (iii) the termination of the Option Agreement, the Company has covenanted that it will not, directly or indirectly, through any representative or otherwise, solicit or entertain offers from, negotiate with, or in any manner encourage, discuss, accept or consider any proposal from any other person relating to the acquisition of the Shares, shares in Capricorn Sapphire or either company's assets or properties in whole or in part, whether through direct purchase, merger, consolidation or other business combination and whether through disposing, optioning or transferring the rights to Richland Corporate's or Capricorn Sapphire's properties or assets to a third party, including without limitation any single or multi-step transaction or series of related transactions.

28 SUBSEQUENT EVENTS (CONTINUED)

10. Termination Provisions:	The Option Agreement may be terminated at any time after the issue of an exercise notice but prior to the Completion date as follows: (i) by the Company, provided it is not then in material breach of the Option Agreement, if the Option Fee has not been paid; (ii) by Fura provided it is not then in material breach of the Option Agreement and the Company has not provided the Capricorn Sapphire Loan in accordance with the terms of the Option Agreement or certain customary legal opinions within three business days of the Option Date; (iii) if, as a result of non-fulfilment of the Conditions Precedent: a. by the Company: if Fura has not received TSX-V approval (as applicable) on or before the Longstop Date; b. by the Company: if shareholder approval is not received for the transaction; c. by Fura: if the Company has not received AIM approval (as applicable) on or before the Longstop Date; d. by Fura: if the no objection letter has not been granted by the Bermuda Monetary Authority on or before the Longstop Date; and e. by Fura: if the renewals of the abovementioned project licences have not been granted on or before the Longstop Date; (iv) by the party entitled to the termination fee if there is a termination fee event as set out in section 8 above; and (v) automatically in the event that either an exercise notice has not been issued during the exercise period or the Proposed Disposal has not been completed by the Longstop Date, unless such date has been extended by mutual agreement of the parties in writing.

The Option Agreement also contains certain commercial and other representations and warranties (including with respect to tax) customary for a transaction of this nature.

Waiver of certain Directors' and Management's Fees
In order to preserve cash reserves within the Company, the Directors and senior management personnel have agreed to waive, in aggregate, US$452,559 of accrued fees due to them for periods from 1 June 2018 up to and including 30 June 2019 (the "**Fee Waiver**"), as detailed below:

Directors	**Amount waived (US$)**
Edward Nealon	28,438
Nicholas Sibley	25,729
Anthony ("Tony") Brooke	178,959
Senior Management	219,433

Proposed conversion of certain Directors' and Management's Fees into new Common Shares
In order to further conserve the Company's cash reserves, certain of the Directors and senior management personnel have confirmed their intention, to convert, in aggregate, US$86,250 of unpaid fees due to them for periods from 1 June 2018 up to and including 30 June 2019 into new Common Shares (the "**Proposed Fee Conversion**") (subject to the Company being in an open period).

28 SUBSEQUENT EVENTS (CONTINUED)

The Proposed Fee Conversion will settle all remaining fees due to the current directors and senior management up to 30 June 2019 with the fees to be converted by such directors and senior management summarised in the table below:

Current Directors	**Fees proposed to be converted (US$)**
Edward Nealon	Nil (as all outstanding fees waived)
Nicholas Sibley	Nil (as all outstanding fees waived)
Anthony ("Tony") Brooke	31,250
Senior Management	55,000

29 ULTIMATE HOLDING COMPANY

The company is widely owned by the public and has its primary listing on the AIM, a market operated by the London Stock Exchange.