



**RICHLAND RESOURCES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

RICHLAND RESOURCES LTD

**CORPORATE DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2015**

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RICHLAND RESOURCES LTD

**CORPORATE DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2015**

Directors:	Edward Nealon – Non-executive Chairman Ami Mpungwe – Non-executive Deputy Chairman Bernard Olivier – Chief Executive Officer Nicholas Sibley – Non-executive Director
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RICHLAND RESOURCES LTD

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Fellow Shareholder,

I am pleased to present the financial results for what was a year of significant change for Richland. During 2015, we finalised the sale of the Tanzanian operations whilst also successfully bringing our Capricorn Sapphire mine in Queensland, Australia (the "**Capricorn Sapphire Project**") into production.

The Capricorn Sapphire Project progressed from development into a phased production cycle, which saw a significant level of sapphires extracted and processed during 2015. The key points of achievement for the year are:

- Economic recoveries and grades achieved – established that sapphire is present in economical quantities
- Coloured sapphires – significant amounts of high quality colour sapphires (non-blue sapphires) recovered. These exotic sapphires represents a unique marketing and branding opportunity with very positive feedback from industry
- Successfully concluded the first phase of ramp up - Mining and processing targets have been achieved. Further, low cost optimisation and modifications works to be undertaken to achieve full production levels (target H2 2016)
- Developing ethical, fully transparent new gemstone hub in Australia
- Completion of Tanzanian exit – Sale for cash and capping liabilities in Tanzania secured non-dilutive production pathway in Australia

By creating a new sapphire hub in Australia, we can demonstrate to all key stakeholders in the modern coloured gemstone market that our Company is a producer of blue and coloured sapphires with full provenance in terms of quality, fiscal transparency, ethical mining and sound environmental practises. We are also closely aligned with local miners as we look to promote the quality and fair trade credentials of Queensland sapphire, a product that has been retailed internationally for over 100 years but often is rebranded as coming from other sources.

Given the current market conditions, we decided to fast track the Capricorn project into production and then to refine and optimise all operational processes including our sales channels, marketing and branding. Our new focus on sapphire from Australia, brought into production in less than 12 months, utilising existing cash within the business, reflects our belief in and reaction to a changing environment for mining projects.

I believe 2015 demonstrated the merits of our aggressive production based approach and the progress at the Capricorn Sapphire project showed what an experienced, independent mine development team can achieve with limited cash. During 2015, our new Australian sapphire hub, centred around the Capricorn Sapphire mine, was advanced through the development and commissioning stage for less than US\$ 2.3 million, and successfully produced over 900,000 carats of sapphire. At the end of the period, we had a healthy cash balance in the region of US\$ 1.5 million and a gemstone inventory of approximately US\$ 230,000. We are very pleased to report that the entire pre-production development process, including the refurbishment and commissioning of the processing plant, phase one exploration work, mine development and more than the required rehabilitation of historically disturbed areas, was achieved in around 12 months, within a very strict budget.

Strict cost controls have also been adopted at board level, with total directors' fees and remuneration for the year coming in below US\$ 230,000, placing Richland's directors' remuneration among the lowest on the AIM market. Going forward, the remuneration committee will be reviewing various incentive schemes to adequately motivate and compensate the executive team and senior management for their ongoing dedication and hard work.

During 2015, we generated income of approximately US\$ 700,000. The majority of the revenue came from our online division (www.richlandgemstones.com) launched during the year. Revenue from our online sales division decreased by approximately 50% from the previous year, due to the sale of our tanzanite mining operations and closure of the platform www.tanzaniteoneonline.com. However, going forward, we will continue to market tanzanite using our unrivalled knowledge and unique field-based experience to source and select the very best tanzanite, from TanzaniteOne and its Sightholders, or directly from local miners and in future, our online sales will consist of both tanzanite and sapphires. We believe that we are uniquely placed to select, cut, polish, treat and certificate a comprehensive cross section of truly individual and exotic sapphire directly from our Capricorn mine. The re-launch of our online division is currently scheduled for mid-2016.

RICHLAND RESOURCES LTD

CHAIRMAN'S LETTER TO SHAREHOLDERS (CONTINUED)

Given our current production levels, Capricorn Sapphire is now one of the largest individual producers of sapphire in the world. In addition to being a significant world producer of commercial blue sapphire, we are potentially the largest supplier of exotic coloured sapphires including green, multi-colour (also termed parti-colour) and yellow sapphire. Approximately 50% of our production is exotic sapphire (non-blue), presenting a unique opportunity to bring large quantities of exotic sapphire to the market. We are currently focusing our attention on the development of various sales channels together with the marketing, treating and branding of our very unique range of exotic sapphires.

Finally, I would like to thank all our shareholders and industry stakeholders for their continued loyalty and support during this exciting period of transition for the Company. It is our major goal to deliver shareholder value by growing a leading international coloured gemstone mining company and the Capricorn Sapphire Project is a very sound base to achieve this from.

A handwritten signature in black ink, appearing to read 'E. Nealon', with a stylized flourish at the end.

Edward Nealon
Chairman

11 April 2016

RICHLAND RESOURCES LTD

CHIEF EXECUTIVE OPERATIONAL AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2015

1. Overview

Our primary focus for 2015 was the planning and implementation of a highly detailed redevelopment and production ramp up plan at the new Capricorn Sapphire operation in Queensland, Australia that prioritised early-stage production and revenue generation. As stated by our Chairman, the entire pre-production development process, including the refurbishing and commissioning of the processing plant, phase one exploration work, mine development and more than the required rehabilitation of historically disturbed areas was achieved in around 12 months within a very strict budget. This stringent cost control resulted in a total expenditure, for 2015, of US\$ 2.3 million including, amongst others all development, production and corporate costs. This is a unique achievement in an industry characterised by long development delays and budget blowouts and enables us to now optimise the operations, including our sales, marketing and the restructuring of our online sales, while continuing to produce significant revenue.



Figure 1. Sapphires from the Capricorn Sapphire Project

2. Financial Performance

Richland successfully disposed of all of its remaining Tanzanian mining operations and related companies on 2 March 2015 and has closed its Tanzanite Experience retail operations (the “**Disposed Group**”). Its audited financial results, in accordance with IFRS 5, distinguish between the financials of the Disposed Group (“**Discontinued Operations**”) and Richland’s ongoing operations (“**Continuing Operations**”).

2.1 Discontinued Operations

The Company successfully disposed of the remaining Tanzanian operations and related companies to Sky Associates Group Ltd (“**Sky**”) for a total consideration of US\$ 4.6 million (US\$ 510,000 of which was received in 2014) on 2 March 2015. The conclusion of the sale excluded a further potential deferred consideration of US\$ 510,000, which was subject to any adjustments and deductions in accordance with the Sales Agreement. On 12 June 2015 the Company announced that in light of such adjustments and deductions due under the Sale Agreement and the existing and potential creditors’ claims and other liabilities of the companies sold by Richland to Sky, the parties had reached a settlement agreement whereby Sky and Richland have agreed to amend the terms of the further deferred consideration such that Sky will pay Richland 15% of any deferred consideration received by TanzaniteOne Mining Ltd (“**TML**”) under the State Mining Corporation, Tanzania (“**STAMICO**”) joint venture agreement for the period to 31 December 2019. Such further potential deferred consideration otherwise remains payable to Richland in accordance with terms of the Sale Agreement.

RICHLAND RESOURCES LTD

CHIEF EXECUTIVE OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

2.1 Discontinued Operations (continued)

As Sky did not wish to acquire the Tanzanite Experience retail operations (“TTE”) as part of its acquisition of the Group’s mining operation in Tanzania, it was decided to wind down the affairs of the retail outlets as it could not be sold as a going concern. Consequently the fixed assets and Tanzanian TTE brand have been sold for US\$ 110,000 (inclusive of VAT) and the operating leases for a certain number of stores were transferred to the new owner.

Net loss from Discontinued Operations of US\$ 3.3 million has been recognised during the year. The loss primarily represents the cumulative exchange differences in equity relating to foreign operations and non-controlling interest, required to be recognised in Profit and Loss in accordance with IAS 21 and IFRS 5, following the closing of the sale to Sky.

2.2 Continuing Operations

Revenue for the year of US\$ 0.7 million was 30% lower than prior year (2014: US\$ 1.0 million). Lower sales were achieved by the online sales division partly due to the rebranding of the website to RichlandGemstones.com and its disassociation from TanzaniteOne.com site sold to Sky which was a condition of the sale to Sky. The Group recorded its first sales from its Australian operations of US\$ 0.25 million during the last quarter of the year.

Net loss for the year increased by 57% to US\$ 2.2 million against the prior year loss of US\$ 1.4 million. The net loss for the year from Continuing Operations represents operating expenses incurred as we brought the Capricorn Sapphire Project through development into production as well as Richland’s corporate expenses.

The **total assets** of the Continuing Operation were US\$ 5.8 million at year end (2014: US\$ 4.0 million) and primarily reflects the acquisition of the Capricorn Sapphire Project and its associated capital expenditure.

The Continuing Operations had a net **cash** position of US\$ 1.9 million (including US\$ 0.4 million pledged as collateral for the financial assurance lodged with the Department of Natural Resources and Mines (Australia)), up 58% from the 2014 net cash position of US\$ 1.2 million.

The Continuing Operations had **total liabilities** of US\$ 1.0 million as at year end (2014: US\$ 1.2 million).

3. Dividend

The directors have not declared a dividend (2014: nil).

4. Corporate Activities

On 3 August 2015 Richland announced the appointment of Shore Capital Stockbrokers Limited (“**Shore Capital**”) as sole broker.

5. Continuing Operational Review



Figure 2. View of Capricorn Sapphire Project

5.1 Capricorn Sapphire Project (“Capricorn” or “the project”)

The project is located within the Anakie deposit known as the Queensland Sapphire Gemfields, near the township of Sapphire in Central Queensland. In total the project tenements cover approximately 494 hectares of potential sapphire bearing alluvial placers within this known deposit (see figure 2).

Mine development and plant commissioning

During the year over 1,000,000 tonnes of topsoil and overburden were removed and stockpiled for rehabilitation from the Open Pit 1 area. Once the topsoil and overburden were removed a geological mapping and sampling exercise was conducted to test the various gravel types located within Open Pit 1 to expand the geological model and for future mining planning. Several plant reliability issues were experienced under production conditions resulting in start-up delays. Additional modifications were also made to the processing plant to improve efficiency, reliability and recovery rates.

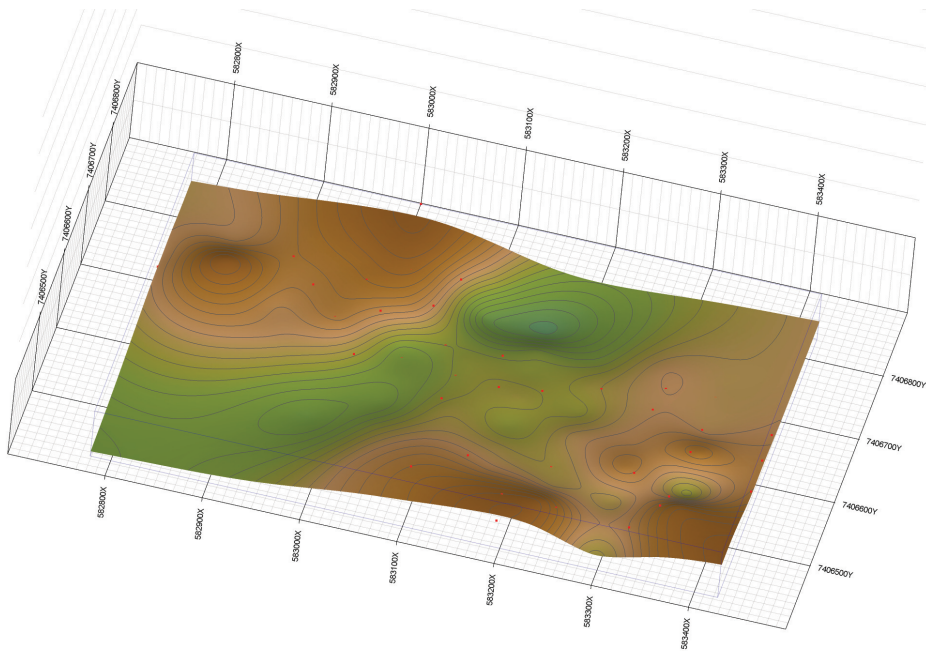


Figure 3. 3D wash thickness and bedrock model developed from 2015 drilling data

Mine planning and drilling

During the year, a total of 633 m of infill drilling was conducted over 57 holes as part of the first phase in a campaign that will confirm and expand the data from the pre-existing JORC resource (2004) and enable the maximisation of mining efficiencies and scheduling. The reverse circulation (“RC”) drilling has enabled modelling of the overburden and Gravel depths and thicknesses as well as the bedrock profile, see figure 3. The drilling delineated the bedrock contour and also identified various types of generation of gravels within the delineated resource. The location of the first mining pit (“Open Pit 1”) was selected based on the drilling information available and to enable testing of the three main types of gravels from the initial area to be mined to improve the geological information available for the development of the project mine plan.

**CHIEF EXECUTIVE OPERATIONAL AND FINANCIAL REVIEW (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

5.1 Capricorn Sapphire Project (continued)

Production

During 2015, we produced approximately 900,000 carats of sapphire, of all sizes, quality and value, as part of our start-up and ramp-up process. A total of 74,000 tonnes of sapphire-bearing alluvial gravels were extracted and processed at an average grade of approximately 12 carats per tonne. Figure 4 indicates the average size distribution of the 2015 production, with the majority of production falling into the 5 mm and 6 mm categories. Approximately 0.5% of production was 10mm or larger in size.

We managed to achieve production of over 720,000 carats of sapphire, during the fourth quarter of 2015. The fourth quarter production was almost 3 times higher than the targeted 250,000 carats as announced on 19 October 2015. This significant increase in production was implemented in order to further test the mining, processing and sorting capacities. It enabled us to identify various areas for modification and improvement which will allow us to achieve our initial sustainable production target, of 800,000 carats of sapphire per quarter, by H2 2016. Production and tonnes processed in the first half of 2016 has therefore been scaled down, to allow improvement and further infrastructure work to be conducted.

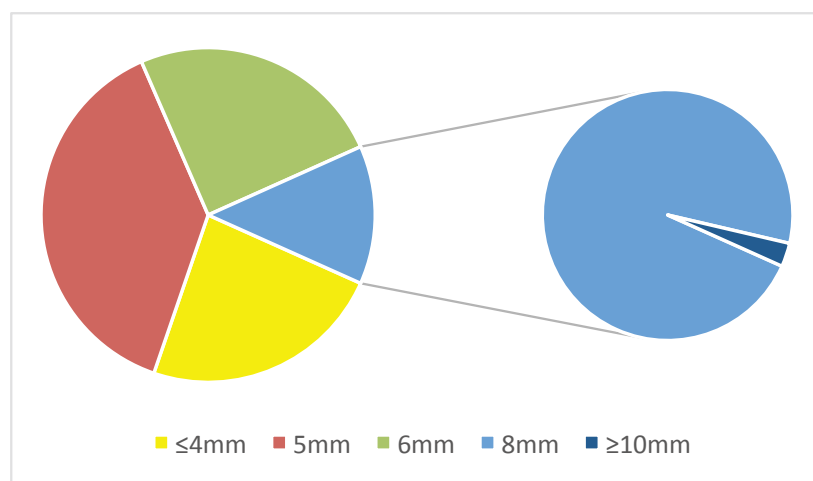


Figure 4. 2015 production size distribution chart

Exploration

Two exploration licences, were granted during the year, covering a total area of approximately 230 km² and are located adjacent to known sapphire producing areas and RA1 Areas (restricted areas earmarked for sapphire mining and fossicking with the grant of exploration licences within the area prohibited). The exploration areas were also selected to include sapphire bearing palaeo-alluvial terraces with adjoining reworked colluvial and alluvial deposits.

Sales & Marketing

During 2015, a total of 204,110 carats of sapphire were sold for an approximate total revenue of US\$ 245,000, resulting in an average price per carat of US\$ 1.20 for the combined sales. The sales consisted of various parcels of lower quality sapphire totaling 202,900 carats, sold at an average price per carat of US\$ 1.10 and 1,200 carat of higher grade material sold at an average price per carat of US\$ 15.10. During the period, the higher-grade material represented approximately 1% of total production.

RICHLAND RESOURCES LTD

CHIEF EXECUTIVE OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

5.2 Online Sales

During the year, Richland launched a group wide rebranding campaign to highlight its new direction and emphasis on mining excellence and the ethical supply of natural gemstones with full provenance. Richland's corporate website (www.richlandresourcesltd.com) was overhauled and the online sales platform www.richlandgemstones.com was developed and successfully launched during H1 2015. Richland continued to utilise its extensive knowledge of tanzanite and the tanzanite industry to source world-class tanzanite from the Merelani Deposit in Tanzania and retail it through its online sales platform. An introductory range of sapphires from the Company's operations in Central Queensland, Australia are also now available on the sales platform. The online sales division achieved US\$ 0.46 million for the year compared to US\$ 1.0 million in 2014 and is in part down due to the rebranding that took place during the year.

6. Glossary of Terms

ct	carat
US\$, dollar or \$	United States Dollar
AU\$	Australian Dollar
g/t	grammes per tonne, measurement unit of grade (1g/t = 1 part per m)
JORC code	Australasian code for reporting of Mineral Resources and Ore Reserves
LTIFR	Lost Time Injury Frequency Rate, being the number of lost-time injuries expressed as a rate per 200,000 man-hours worked
tonne	1 Metric tonne (1,000kg)
LCM	loose cubic metre



Dr Bernard Olivier
Chief Executive Officer

11 April 2016

RICHLAND RESOURCES LTD

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE YEAR ENDED 31 DECEMBER 2015

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. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for taking such steps such 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



Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd

11 April 2016

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present this report, together with the audited consolidated financial statements for the year ended 31 December 2015 for Richland Resources Ltd (**"the Company"** or **"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. During the year the Group concluded the sale of its Tanzanian tanzanite mining operations and tsavorite exploration project and is now focussed on mining sapphires at its Capricorn Sapphire mine site in Queensland, Australia. Accordingly the Group's accounts and financial performance as presented distinguishes between that of the Disposed Group (**"Discontinued Operations"**) and Richland's ongoing operations (**"Continuing Operations"**).

GOING CONCERN

The Group made a loss from all operations for the year after tax of US\$ 5.5 million (2014: US\$ 15.3 million) and had negative cash flows from operations. During the year, the Group received US\$ 4 million for the sale of its tanzanite mining and beneficiation business and tsavorite license interest in Tanzania operated by the Disposal Group and is now focussed on its Capricorn Sapphire Project in Australia. Geological factors and market conditions could adversely affect the gemstone grades, size distributions and value per carat achieved, these together with disruptions and delays to its operations may negatively impact cash flows which may require management to seek further debt or equity funding. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

There is a material uncertainty related to the conditions above that may cast significant doubt on 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.

Considering the actions above, the sale of the Disposal Group during the year and the expectation that the Group will be able to sustain gemstone grades and sales at the Capricorn Sapphire mine and if required raise the required funding to meet its working capital and capital expenditure requirements, the directors have concluded that they have a reasonable expectation that the Group can continue in operational existence for the foreseeable future. For these reasons the Group continues to adopt the going concern basis in preparing the annual report and financial statements.

RESULTS

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 and the consolidated statement of financial position at that date are set out on pages 22 and 23 of this report respectively. The Group recorded a loss from continuing operations for the year ended 31 December 2015 of US\$ 2.2 million (2014: US\$ 1.4 million) and a loss from discontinued operations of US\$ 3.3 million (2014: US\$ 13.9 million). Taking into account these losses, shareholders' equity at 31 December 2015 is US\$ 4.8 million (2014: US\$ 7.4 million). The directors have not declared a dividend (2014: Nil).

TANZANIA MINING BUSINESS SALE CLOSES

The sale agreement entered into with Sky Associates Group Limited (**"Sky"**) on 25 November 2014 (**"Sale Agreement"**) closed on 2 March 2015. In return for payment of US\$ 4.59 million (US\$ 510,000 in the prior year and US\$ 4.08 million on closing on 2 March 2015), Sky has acquired (i) Richland's wholly owned subsidiary, TanzaniteOne (SA) Proprietary Limited (**"TanzaniteOne SA"**) (which holds the interest in TanzaniteOne Mining Limited (**"TML"**)) and includes all companies related with tanzanite mining, (ii) TsavoriteOne Mining Limited which owns tsavorite licences, and (iii) Urafiki Gemstones EPZ Ltd which operated the Group's cutting facilities (the **"Sold Group"**).

A CLASS SHARE CAPITAL

When Richland Resources acquired the tanzanite assets from Afgem Limited (**"Afgem"**), a mechanism was put into place to accommodate any of Afgem's South African shareholders' desire to maintain their investment in the tanzanite assets 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.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

A CLASS SHARE CAPITAL (CONTINUED)

In order to facilitate an exit for those TanzaniteOne SA A class shareholders, Richland Resources made an offer to acquire their A class shares, which 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 the Company on 26 March 2015, both meetings have approved a Scheme of Arrangement the details of which are:

- (a) each A class shareholder will receive one redeemable Class A shares 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 the Company for each Class A share they currently own in the Company (the "**Scheme Consideration Shares**"); and
- (b) all the TanzaniteOne SA class A shares will be cancelled.

Richland Resources 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 Resources has 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 (which is now owned by Sky).

DIRECTORS

At the date of this report, the directors of the Company who have held office since 1 January 2015, unless otherwise stated are:

Edward Nealon (65), 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 responsible for Aquarius' introduction into the platinum industry and served on its board 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.

Ami Mpungwe (65), Non-executive Deputy Chairman

Mr Mpungwe has been Chairman of the Group's Tanzanian subsidiaries since March 2000 and has been integral to its establishment and development. He was Chairman of the Group from 24 October 2008 to 27 June 2012. Upon appointment of Mr Edward Nealon as Chairman on 27 June 2012 on the same date Mr Mpungwe became Deputy Chairman, a position he had previously held from August 2004 to 24 October 2008. Mr Mpungwe has an Honours degree in International Relations and Political Science, a diploma in International Law and spent 25 years in the diplomatic service, including six years as Tanzanian Ambassador to South Africa. He holds directorships in ILLOVO Sugar Ltd, Standard Chartered Ltd (Tanzania), Tanzania Breweries Ltd, Kilombero Sugar Co Ltd, MultiChoice Tanzania Ltd and Niko Insurance Co (Tanzania) Ltd. He has also been the Chairman of the Tanzania Chamber of Minerals and Energy from 2007 to 2012 and after a one year break resumed this position in 2014.

RICHLAND RESOURCES LTD**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015****DIRECTORS (CONTINUED)****Dr Bernard Olivier (40), Chief Executive Officer**

Dr Olivier was appointed Chief Executive Officer of Richland Resources Ltd on 5 March 2010. Dr Olivier is a geologist and has a PhD in Economic Geology. He is also a Member of the Australian Institute of Mining and Metallurgy. His PhD dissertation covered all aspects of formation and geology of the Merelani Tanzanite deposit and formed the foundations of the development of the current mining operations. He has been closely associated with the mining of gemstones since 1999 and prior to joining the board he acted as a consultant to Richland Resources. Dr Olivier has been working as a geologist on various different mining and exploration projects world-wide since 1998. He has over 10 years' experience in senior and executive management positions including over 8 years as a listed company director. He is an executive director of Bezant Resources Plc (AIM: BZT) and Emerging Markets Minerals Plc (AIM:EMM).

Nicholas Sibley (77), 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 and Asia Pacific Fund Inc.

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 2015 and the number of meetings attended by each director is tabled below:

2015

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

2014

Director	Number of meetings held whilst in office				Number of meetings attended			
		Remuneration and Succession Planning	Audit and Risk Management	Nomination		Remuneration and Succession Planning	Audit and Risk Management	Nomination
Ami Mpungwe	7	1	2	1	6	1	2	1
Edward Nealon	7	1	2	1	7	1	2	1
Dr Bernard Olivier	7	-	-	1	7	-	-	1
Nicholas Sibley	7	1	2	1	7	1	2	1

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interest of the directors and their related entities in the shares and options of Richland Resources were:

	Richland Resources Ltd Common shares	Options over Common shares
Ami Mpungwe	6,244,686	-
Dr Bernard Olivier	2,374,422	900,000 ⁽¹⁾
Edward Nealon	10,678,539	-
Nicholas Sibley	14,301,788	-

(1) Restricted shares which can only be sold if the lower of 16.0327 pence per share or the share sale price per share is paid to the Company

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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. Refer also Note 19 – Share options reserve for participation by the directors in the Company's Group Share Option Plan.

	Base salary/fees US\$	Consulting fees US\$	Other US\$	2015 Total US\$	2014 Total US\$
Ami Mpungwe	30,250 ⁽¹⁾	20,000 ⁽²⁾	-	50,250	157,813
Edward Nealon	26,250 ⁽¹⁾	-	-	26,250	32,813
Nicholas Sibley	23,750 ⁽¹⁾	-	-	23,750	29,688
Bernard Olivier	25,000 ⁽¹⁾	-	103,004 ⁽³⁾	128,004	97,225

(1) Fees accrued but not paid.

(2) Payment from discontinued operations and was for advisory and consultancy services.

(3) The payment was for duties as executive director.

DIRECTORS' AND OFFICERS' INSURANCE

During the year, the Company paid an insurance premium in respect of an insurance contract, taken against liability of current directors and officers. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as disclosure is prohibited under the terms of the contract.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Companies within the Group are required, on cessation of mining operations, to rehabilitate the relevant mining area on which mining operations have been conducted. Bernard Olivier, Chief Executive Officer, is the officer responsible for compliance on these matters for all mining properties within the Group. Environmental activities are continuously monitored to ensure that established criteria from each operation environmental management programme, approved by relevant authorities, have been met. There have been no known significant breaches of any environmental conditions.

CORPORATE GOVERNANCE

The following statement sets out the governance practices of Richland Resources:

The board of directors of Richland Resources is responsible for the corporate governance of the Group. The board guides and monitors the business affairs of Richland Resources on behalf of shareholders by whom they are elected and to whom they are accountable.

BOARD OF DIRECTORS

The board is responsible for the overall management of the Group. It is governed by a Charter, a summary of which can be found on the Group's website at www.richlandresourcesltd.com. Amongst other matters, the Charter sets out the framework for the management of the Group and responsibilities of the board, its direction, strategies and financial objectives and the monitoring of the implementation of those policies, strategies and financial objectives.

In order to retain full and effective control over the Company and monitor the executive management team, the board meets regularly. Details of directors' attendance at these meetings are set out on page 12. In consultation with the Chief Executive Officer and the Group Company Secretary, the Chairman sets the agenda for these meetings. All directors may add to the agenda. Key executives of the Group contribute to board papers and are from time to time invited to attend board meetings.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

BOARD OF DIRECTORS (CONTINUED)

Each director has the right to seek independent professional advice on matters relating to their position as a director or committee member of the Group at the Company's expense, subject to prior approval of the Chairman, which shall not be unreasonably withheld.

The names of the directors in office since 1 January 2015 and as at the time of this report and their relevant qualifications and experience are set out on pages 11 and 12. Their status as non-executive, executive or independent directors and tenure on the board is set out in the table below.

BOARD STRUCTURE

Name of director in office at the date of this report	Nationality	Date appointed to Office	Executive/ Non-executive	Independent
Edward Nealon	Australian	1 August 2004	Non-executive	Yes
Ami Mpungwe	Tanzanian	1 August 2004	Non-executive	Yes
Nicholas Sibley	British	1 August 2004	Non-executive	No
Dr Bernard Olivier	Australian	5 November 2008	Executive	No

The bye-laws of the Company determine that the board consists of not less than two and no more than nine directors. At the date of this report, the board is comprised of four directors, three of whom are non-executive directors.

The division of responsibilities between the Chairman and the Chief Executive Officer is reviewed regularly and is defined below:

- The Chairman, Mr Edward Nealon, is responsible for leadership of the board ensuring they receive accurate, timely and clear information in order to facilitate effectiveness of its role; and
- Dr Bernard Olivier, Chief Executive Officer, leads the executive management. He has been delegated responsibility by the board for the day-to-day operation and administration of the Company's assets owned and operated by the Group. The Chief Executive Officer is assisted in managing the business of the Group by an executive team that comprises the Management Committee.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Independence of directors in essence means those directors are independent of management and free of any business or other relationship that could, or could reasonably be perceived to materially interfere with the exercise of unfettered and independent judgement.

The board has accepted the guidelines outlined below in determining the independence of non-executive directors. In accordance with these guidelines, Mr Nealon and Mr Mpungwe are deemed independent.

The board has accepted the following definition of an independent director:

An independent director is someone who is not a member of management, is a non-executive director and who:

- a) is not a substantial shareholder (5%) of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company;
- b) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- c) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- d) is not a material supplier or customer of the Company or other group member, or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;
- e) has no material contractual relationship with the Company or another group member other than as a director of the Company;
- f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company; and
- g) is free from any interest and any business or other relationships which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

GROUP COMPANY SECRETARY

The Group Company Secretary, Mike Allardice, is responsible for supporting the effectiveness of the board by monitoring that board policy and procedures are complied with, co-ordinating the flow of information within the Company and the completion and dispatch of items for the board and briefing materials. The Group Company Secretary is accountable to the board on all governance matters. All directors have access to the services of the Group Company Secretary. The appointment and removal of the Group Company Secretary is a matter for the board as a whole to determine.

SUCCESSION PLANNING

The board brings the range of skills, knowledge, international experience and expertise necessary to govern the Group, but it is aware of the need to ensure processes are in place to assist with succession planning, not only for the board, but within senior management. The board periodically assesses its balance of skills and those within the Group in order to maintain an appropriate balance within the Group.

INDUCTION TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

In order to assist new directors and key executives in fulfilling their duties and responsibilities within the Company, an induction programme is provided by the Chief Executive Officer, which includes meetings with the executive team and visits to the operating sites of the Company in Australia. The programme enables the new appointees to gain an understanding of the Group's financial, strategic, operational and risk management position. Full access to all documentation pertaining to the Company is provided. It ensures new directors and key executives are aware of their rights, duties and responsibilities.

PERFORMANCE REVIEW

The board of Richland Resources conducts a performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves and with management both formally and informally. The board considers that the current approach that it has adopted with regard to the review of its performance and of its key executives provides the best guidance and value to the Group.

DIRECTORS' RETIREMENT AND RE-ELECTION

Richland Resources' bye-laws determine that at each Annual General Meeting, at least one third of the board are retired by rotation, therefore holding their positions for no longer than three years. This period of time provides sufficient continuity. Non-executive directors are appointed for a three-year term and may be invited to seek re-appointment. A director appointed during the year is subject for re-election at the forthcoming Annual General Meeting.

SECURITIES TRADING POLICY

The board has adopted a policy covering dealings in securities by directors and relevant employees. The policy is designed to reinforce to shareholders, customers and the international community that Richland Resources directors and relevant employees are expected to comply with the law and best practice recommendations with regard to dealing in securities of the Company.

All directors and relevant employees must comply with the Model Code on directors' dealings in securities, as set out in the annexure to Chapter 9 of the Listing Rules of the U.K. Listing Authority and are voluntarily complying with this regulation, a copy of which can be found on the Richland Resources website at www.richlandresourcesltd.com. In addition to restrictions on dealing in closed periods, all directors and relevant employees must not deal in any securities of the Company on considerations of a short-term nature and must take reasonable steps to prevent any dealings by, or on behalf of, any person connected with them in any securities of the Company on considerations of a short-term nature. All dealings by directors in the securities of the Company are announced to the market.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

COMMITTEES OF THE BOARD

The board has established three standing committees to assist in the execution of its responsibilities: the Audit and Risk Committee, the Remuneration and Succession Planning Committee and the Nomination Committee. Other committees are formed from time to time to deal with specific matters.

In line with best practice, each of the committees operates under a charter approved by the board detailing their role, structure, responsibilities and membership requirements. Each of these charters is reviewed annually by the board and the respective committee.

Summaries of the Remuneration and Succession Planning, Nomination Committee charters and a complete Audit and Risk Committee charter can be found on the Richland Resources website at www.richlandresourcesltd.com.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has been established to assist the board of Richland Resources in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the external audit process. The Committee is governed by a charter approved by the board.

The Committee consists of:

- three members;
- mainly non-executive directors; and
- an independent chairperson, who shall be nominated by the board from time to time but who shall not be the chairperson of the board.

The members of the Committee at the date of this report are as follows:

- Mr Ami Mpungwe (Chairman)
- Mr Edward Nealon
- Mr Nicholas Sibley

QUALIFICATIONS OF AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

The qualifications of the Audit and Risk Management Committee members are specified on page 11 to 12.

The board deems all members of the Committee have the relevant experience and understanding of accounting, financial issues and the mining industry to enable them to effectively oversee audit procedures.

The Committee reviews the performance of the external auditors on an annual basis to:

- review the results and findings of the audit at year end and recommend their acceptance or otherwise to the board; and
- review the results and findings of the audit, the appropriateness of provisions and estimates included in the financial results, the adequacy and operating effectiveness of accounting and financial controls, and to obtain feedback on the implementation of recommendations made.

The Committee receives regular reports from the external auditor on the critical policies and practices of the Group, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

The Committee assesses the Group's structure, business and controls annually. It ensures the board is made aware of internal control practices, risk management and compliance matters which may significantly impact upon the Group in a timely manner. The Committee meets when deemed necessary and at least twice a year. The Group Company Secretary acts as secretary of the Committee and distributes minutes to all board members. Details of attendance at Committee meetings are set out on page 12.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

REMUNERATION AND SUCCESSION PLANNING COMMITTEE

The members of the Remuneration and Succession Planning Committee at the date of this report are:

- Mr Ami Mpungwe (Chairman)
- Mr Edward Nealon
- Mr Nicholas Sibley

The Committee is governed by a charter approved by the board, a summary of which is available on the Company's website: www.richlandresourcesltd.com. The board deems all members of the Committee have the relevant experience and understanding to enable them to effectively oversee their responsibilities. The members of the Committee are Non-executive directors, the majority of whom are independent non-executive directors.

The Committee reviews compensation arrangements for the directors and the executive team. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality executive team. The nature and amount of directors' and officers' emoluments are linked to the Group's financial and operational performance.

In carrying out its responsibilities, the Committee is authorised by the board to secure the attendance of any person with relevant experience and expertise at Committee meetings, if it considers their attendance to be appropriate and to engage, at the Company's expense, outside legal or other professional advice or assistance on any matters within its charter or terms of reference.

The Committee reviews succession planning for key executive positions (other than executive directors) to maintain an appropriate balance of skills, experience and expertise in the management of the Group. The Committee does not allow for retirement benefits of non-executive directors. Moreover, non-executive directors are remunerated by way of an annual fee in the form of cash and do not receive options or bonus payments.

For details of remuneration of directors and executives please refer to page 13.

The Committee meets as necessary, but must meet at least once a year. The Group Company Secretary acts as secretary of the meetings and distributes minutes to all Committee members. Details of attendance at Committee meetings are set out on page 12.

NOMINATION COMMITTEE

In order to fulfil the Company's responsibility to shareholders to ensure that the composition, structure and operation of the board are of the highest standard, the full Board of Richland Resources acts as the Nomination Committee. The board believes the input of all directors is essential due to their respective expertise and knowledge of the gemstone industry and exposure to the markets in which the Group operates.

The board is guided by a charter, a summary of which is available on the Group's website: www.richlandresourcesltd.com. The board may at times take into consideration the advice of external consultants to assist with this process.

Meetings take place as often as necessary, but the Committee must meet at least once a year. The Group Company Secretary acts as secretary of the meetings and distributes minutes to all Board members.

Appointments are referred to shareholders at the next available opportunity for election in general meeting.

CONTINUOUS DISCLOSURE

The Company has in place a Continuous Disclosure Policy, a summary of which is available on the website: www.richlandresourcesltd.com. The Policy takes into account the AIM Rules on timely and balanced disclosure. This outlines the Company's commitment to disclosure, ensuring that timely and accurate information is provided to all shareholders and stakeholders. The Chief Executive Officer is the nominated Communication Officer and is responsible for liaising with the board to ensure that the Company complies with its continuous disclosure requirements.

The board regularly reviews the Company's compliance with its continuous disclosure obligations.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

COMMUNICATIONS WITH SHAREHOLDERS

Shareholder communication is given high priority by the Group. In addition to statutory requirements, such as the Annual Report and Financial Statements for the half and full year, Richland Resources maintains a website which contains announcements which have been released to the market. Shareholders are able to contact the Company via the website at www.richlandresourcesltd.com.

Through the website, shareholders are also given the opportunity to provide an email address through which they are able to receive these documents.

MEETINGS

Richland Resources Notice of Meeting materials are distributed to shareholders with an accompanying explanatory memorandum. These documents present the business of the meeting clearly and concisely and are presented in a manner that will not mislead shareholders or the market as a whole. The Notice is dispatched to shareholders in a timely manner providing at least 21 days' notice pursuant to the bye-laws of the Company. Each notice includes the business of the meeting, details of the location, time and date of the meeting and proxy voting instructions are included.

Upon release of the Notice of Meeting and Explanatory Memorandum to the market, a full text of the Notice of Meeting and Explanatory Memorandum is placed on the website of the Company at www.richlandresourcesltd.com for shareholders and other market participants who may consider investing in the Company.

RISK FACTORS AND MANAGEMENT

The Group has identified the following risks to the ongoing success of the business and has taken various steps to mitigate these, the details of which 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 our 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.

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.

RICHLAND RESOURCES LTD

**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

RISK FACTORS AND MANAGEMENT (CONTINUED)

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 2 (a) of the Financial Statements the Group is now focussed on its Capricorn Sapphire Project in Australia. Geological factors and market conditions could adversely affect the gemstone grades, size distributions and value per carat achieved, these together with disruptions and delays to its operations may negatively impact cash flows which may require management to seek further debt or equity funding. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

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.



**Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd**

11 April 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Richland Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Richland Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the consolidated entity, as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bermuda Companies Act, 1981.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. This condition, along with the other matters set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liability in the normal course of business.

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act, 1981, and for no other purpose.

BDO Audit (WA) Pty Ltd

The image shows a handwritten signature in purple ink. The signature consists of the letters 'BDO' in a stylized, blocky font, followed by a cursive signature that appears to be 'J Prue'.

Jarrad Prue

Director

Perth, 11 April 2016

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<u>2015</u> US\$ '000	<u>2014</u> US\$ '000
<u>CONTINUING OPERATIONS</u>	Note		
Revenue	4	704	995
Cost of sales	5	<u>(997)</u>	<u>(699)</u>
Gross (loss)/profit		(293)	296
Other income	6	67	3
Operating expenses	7	<u>(1,961)</u>	<u>(1,712)</u>
Operating loss		(2,187)	(1,413)
Finance cost/(income)	8	<u>(14)</u>	<u>3</u>
Loss before taxation		(2,201)	(1,410)
Income tax charge	9	<u>-</u>	<u>-</u>
Loss for the year from continuing operations		(2,201)	(1,410)
<u>DISCONTINUED OPERATIONS</u>			
Loss for the year from discontinued operations	16	<u>(3,312)</u>	<u>(13,895)</u>
Loss for the year		<u>(5,513)</u>	<u>(15,305)</u>
Attributable to:			
Equity owners of the parent			
- Continuing operations		(2,201)	(1,410)
- Discontinued operations		(3,312)	(12,429)
Non-controlling interest – Discontinued operations	21	-	(1,466)
Other comprehensive income			
Loss for the year		(5,513)	(15,305)
<i>Items that may be reclassified to profit or loss:</i>			
Foreign exchange loss on translation of foreign operation		<u>(442)</u>	<u>(22)</u>
Total comprehensive loss for the year		<u>(5,955)</u>	<u>(15,327)</u>
Attributable to:			
Equity owners of the parent			
- Continuing operations		(5,955)	(13,861)
- Discontinued operations		(2,643)	(1,380)
Non-controlling interest – Discontinued operations	21	(3,312)	(12,481)
		-	(1,466)
Total comprehensive loss for the year		<u>(5,955)</u>	<u>(15,327)</u>
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)	22.1	(1.01)	(0.70)
Basic and diluted loss per share from discontinued operations (US cents/share)	22.1	(1.52)	(6.20)
Basic and diluted loss per common share from all operations (US cents/share)	22.1	(2.53)	(6.90)

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	2015 US\$ '000	2014 US\$ '000
Assets			
Non-current assets			
Property, plant and equipment	10	3,306	2,676
Intangible assets	11	79	-
Total non-current assets		3,385	2,676
Current assets			
Inventories	12	243	5
Trade and other receivables	13	202	73
Restricted cash and cash equivalents	14	389	251
Cash and cash equivalents	15	1,564	962
		2,398	1,291
Non-current assets and disposal groups classified as held for sale	16	50	15,327
Total current assets		2,448	16,618
Total assets		5,833	19,294
Equity			
Share capital	17	65	65
Share premium	18	51,711	51,711
Foreign currency translation reserve	20	(144)	(1,531)
Accumulated loss		(46,842)	(41,329)
Total equity attributable to equity owners of the parent		4,790	8,916
Non-controlling interest	21	-	(1,539)
Total equity		4,790	7,377
Liabilities			
Non-current liabilities			
Provision for environmental rehabilitation	23	337	205
Trade and other payables	24	58	98
Total non-current liabilities		395	303
Current liabilities			
Trade and other payables	24	563	877
Liabilities associated with disposal groups classified as held for sale	16	85	10,737
Total current liabilities		586	11,614
Total liabilities		1,043	11,917
Total equity and liabilities		5,833	19,294

RICHLAND RESOURCES LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Common share capital US\$ '000	A class share capital US\$ '000	Share premium US\$ '000	Total issued share capital US\$ '000	Share option reserve US\$ '000	Foreign currency translation reserve US\$ '000	Accumu- lated loss US\$ '000	Convertible loans US\$ '000	Total equity attributable shareholders US\$ '000	Non- controlling interest US\$ '000	Total equity US\$ '000
Year ended 31 December 2015												
At start of year		64	1	65	51,711	-	(1,531)	(41,329)	-	8,916	(1,539)	7,377
Total comprehensive income for the year		-	-	-	-	-	(442)	(5,513)	-	(5,955)	-	(5,955)
Loss for the year		-	-	-	-	-	-	(5,513)	-	(5,513)	-	(5,513)
Foreign exchange gain on translation	20	-	-	-	-	-	(442)	-	-	(442)	-	(442)
Disposal of operations		-	-	-	-	-	1,829	-	-	1,829	1,539	3,368
At end of year		64	1	65	51,711	-	(144)	(46,842)	-	4,790	-	4,790
Year ended 31 December 2014												
At start of year		35	1	36	46,855	896	(1,509)	(28,386)	453	18,345	(73)	18,272
Total comprehensive income for the year		-	-	-	-	-	(22)	(13,839)	-	(13,861)	(1,466)	(15,327)
Loss for the year		-	-	-	-	-	-	(13,839)	-	(13,839)	(1,466)	(15,305)
Foreign exchange loss on translation	20	-	-	-	-	-	(22)	-	-	(22)	-	(22)
Transactions with owners:												
Shares issued		29	-	29	5,035	-	-	-	(453)	4,611	-	4,611
Share issue cost		-	-	-	(179)	-	-	-	-	(179)	-	(179)
Share option reserve transfer		-	-	-	-	(896)	-	896	-	-	-	-
At end of year		64	1	65	51,711	-	(1,531)	(41,329)	-	8,916	(1,539)	7,377

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2015 US\$ '000	2014 US\$ '000
Cash flows from operating activities			
Cash utilised by operations	25.1	(2,632)	(244)
Interest received/(paid)		3	(56)
Income tax refunded		-	8
		<u>(2,629)</u>	<u>(292)</u>
Net cash utilised in operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment		(670)	(1,198)
Purchase of intangible assets		(79)	-
Proceeds from disposal of group, net of cash and overdraft disposed	25.2	4,401	-
Minority shareholders' share of proceeds from Sky		(46)	-
Purchase of interest in subsidiary		(2)	(1,124)
Transfer to restricted cash		(181)	(251)
		<u>3,423</u>	<u>(2,573)</u>
Net cash from/(utilised in) investing activities			
Cash flows from financing activities			
Repayment of borrowings		-	(174)
Proceeds from issue of shares	25.3	-	3,444
		<u>-</u>	<u>3,270</u>
Net cash generated from financing activities			
Net increase in cash and cash equivalents		<u>794</u>	<u>405</u>
Movement in cash and cash equivalents			
Exchange losses		(75)	(22)
At the beginning of the year		878	495
Increase		<u>794</u>	<u>405</u>
At the end of the year		<u>1,597</u>	<u>878</u>
Cash and cash equivalents - continuing operations	15	<u>1,564</u>	<u>962</u>
Cash and cash equivalents net of borrowings included in asset from disposal group classified as held for sale	16	<u>33</u>	<u>(84)</u>

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Richland Resources Ltd ("**the Company**" or "**Richland Resources**" or "**Richland**") and its subsidiaries (together "**the Group**") mines, distributes and sells coloured gemstones. During the year the Group concluded the sale of its Tanzanian tanzanite mining and beneficiation operations and tsavorite exploration project and is now focused on mining sapphires at its Capricorn Sapphire mine site in Queensland, Australia.

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 11, Bermuda.

The Company is listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange. The financial statements were authorised for issue by the directors on 11 April 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Going concern basis of accounting

The Group made a loss from all operations for the year after tax of US\$ 5.5 million (2014: US\$ 15.3 million) and had negative cash flows from operations. During the year, the Group received US\$ 4 million for the sale of its tanzanite mining and beneficiation business and tsavorite license interest in Tanzania operated by the Disposal Group and is now focussed on its Capricorn Sapphire Project in Australia. Geological factors and market conditions could adversely affect the gemstone grades, size distributions and value per carat achieved, these together with disruptions and delays to its operations may negatively impact cash flows which may require management to seek further debt or equity funding. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

There is a material uncertainty related to the conditions above that may cast significant doubt on 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.

Considering the actions above, the sale of the Disposal Group during the year and the expectation that the Group will be able to sustain gemstone grades and sales at the Capricorn Sapphire mine and if required raise the required funding to meet its working capital and capital expenditure requirements, the directors have concluded that they have a reasonable expectation that the Group can continue in operational existence for the foreseeable future. For these reasons the Group continues to adopt the going concern basis in preparing the annual report and financial statements.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**") and Bermuda Companies Act, 1981. The consolidated financial statements have been prepared under the historical cost convention, as modified by:

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

(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.

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Areas of judgement and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements include:

- Estimates of the quantities of indicated and inferred 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), 10 and 11.
- The estimated useful lives of tangible and long-lived assets and the measurement of depreciation expense – Notes 2(i) and 10;
- 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 28;
- Recognition of deferred tax assets, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes – Note 2(r);
- Determination of the net realisable value of inventory – Note 2(l); and
- Determination of fair value of stock options and cash-settled share based payments – Note 2(n).

(d) New and amended standards adopted by the Group

There were no IFRS standards or IFRIC interpretations adopted for the first time in these financial statements that had a material impact on the Group's financial statements.

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:

<i>Standard</i>	<i>Impact on initial application</i>	<i>Effective date</i>
IAS 1*	Presentation of Financial Statements: Disclosure Initiative	1 January 2016
IAS 16*	Clarification of Acceptable Methods of Depreciation	1 January 2016
IAS 16*	Property, plant and equipment: Bearer Plants	1 January 2016
IAS 27*	Separate Financial Statements	1 January 2016
IAS 28*	Investments in Associates and Joint Ventures	1 January 2016
IAS 28*	Investment Entities: Applying the Consolidation Exception	1 January 2016
IAS 38*	Clarification of Acceptable Methods of Amortisation	1 January 2016
IAS 41*	Agriculture: Bearer Plants	1 January 2016
IFRS 9*	Financial Instruments	1 January 2018
IFRS 10*	Consolidated Financial Statements	1 January 2016
IFRS 10*	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
IFRS 12*	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 16	Recognition, measurement, presentation and disclosure of leases	1 January 2019
Annual improvements	2012 – 2014 Cycle	1 July 2016

* Amendments

The Group does not anticipate that the adoption of these standards will have a material effect on its financial statements in the period of initial adoption.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency (continued)

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.

(g) Financial assets

(i) Classification

All financial assets of the Group are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivable comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(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.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 December 2004 ("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 an Indicated and Inferred resources only and not a reserve. As such, Indicated and Inferred resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, and for forecasting the timing of the payments related to the environmental rehabilitation provision.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction based on experts' assessment.

There are numerous uncertainties inherent in estimating 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

The impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group of assets. The impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised are allocated first to reduce the carrying value of any goodwill allocated and then, to reduce the carrying amount of the assets in the unit on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant receivables are tested for impairment on an individual basis. Receivables that are not individually significant are collectively assessed for impairment by grouping these together with similar risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss in respect of the Group's receivables carried at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is recognised in profit or loss. An impairment loss is reversed only to the extent that the carrying amount does not exceed what the amortised cost would have been if no impairment loss had been recognised.

(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).

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

Share-based payment transactions (continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Short-term employee benefits

Short-term employee benefits are those that are paid within 12 months after the end of the period in which the services have been rendered and are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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, which they are incurred. Over time, the liability is increased to reflect the interest element (accretion expense) considered in the initial measurement at fair value and the change in fair value over the course of year is expensed. The estimates are based principally on legal and regulatory requirements. It is possible that management's estimates of its ultimate reclamation and closure liabilities could change as a result of change in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, associated costs or the possible return of 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.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT REPORTING (CONTINUED)

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

	Mining 2015 US\$'000	Mining 2014 US\$'000	Online sales 2015 US\$'000	Online sales 2014 US\$'000	Unallo- cated 2015 US\$'000	Unallo- cated 2014 US\$'000	Total Continuing 2015 US\$'000	Total Continuing 2014 US\$'000	Total Dis- continued 2015 US\$'000	Total Dis- continued 2014 US\$'000	Total All operations 2015 US\$'000	Total All operations 2014 US\$'000
External revenues	245	-	459	995	-	-	704	995	506	7,374	1,210	8,369
Finance income/(costs)	(14)	3	-	-	-	-	(14)	3	(5)	(73)	(19)	(70)
Depreciation and amortisation of property, plant and equipment and intangible assets	(160)	(22)	-	-	-	-	(160)	(22)	-	(812)	(160)	(834)
Impairment charge	-	-	-	-	-	(184)	-	(184)	-	(9,444)	-	(9,628)
Reportable segment loss before income tax	(1,542)	(380)	(6)	117	(653)	(1,147)	(2,201)	(1,410)	(3,312)	(11,526)	(5,513)	(12,936)
Income tax (charge)/credit	-	-	-	-	-	-	-	-	-	(2,369)	-	(2,369)
Capital expenditure	752	1,807	-	-	-	-	752	1,807	-	-	-	-
Reportable segment assets	4,416	3,208	168	209	1,199	550	5,783	3,967	-	-	-	-
Reportable segment liabilities	652	365	33	78	273	736	958	1,179	-	-	-	-

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**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segments assets are based on the geographical location of assets.

	<u>Revenues</u> US\$ '000	<u>Non-current assets</u> US\$ '000
Geographical information		
31 December 2015		
Continuing operations		
Australia	82	3,385
United States	177	-
Thailand	240	-
Other countries	205	-
	<u>704</u>	<u>3,385</u>
31 December 2014		
Australia	26	2,676
United States	823	-
Other countries	146	-
	<u>995</u>	<u>2,676</u>
4 REVENUE	<u>2015</u> US\$ '000	<u>2014</u> US\$ '000
Sale of gemstones and jewellery	<u>704</u>	<u>995</u>
5 COST OF SALES		
<u>Online:</u>		
Cost of goods purchased	(304)	(699)
<u>Mining:</u>		
Labour and related costs	(313)	-
Fuel costs	(99)	-
Repairs and maintenance	(40)	-
Lease rentals and operating lease	(256)	-
Other mining and processing costs	(74)	-
Depreciation and amortisation	(125)	-
Change in inventory	214	-
	<u>(997)</u>	<u>(699)</u>
6 OTHER INCOME		
Fuel levy credit	60	3
Net gain on disposal of property, plant and equipment	7	-
	<u>67</u>	<u>3</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7	OPERATING EXPENSES	<u>2015</u> US\$ '000	<u>2014</u> US\$ '000
	Auditors' remuneration	(64)	(118)
	Royalties	(4)	-
	Research and development	(89)	-
	Depreciation and amortisation of property, plant and equipment	(35)	(23)
	Net foreign exchange gain/(loss)	248	(145)
	Directors' emoluments and fees	(208)	(198)
	Labour and related costs	(153)	-
	Lease rentals and operating lease	(138)	(3)
	Office expenses	(236)	(93)
	Professional and other services	(1,007)	(1,014)
	Travel and accommodation	(171)	(91)
	Other expenses	(104)	(27)
	Total operating expenses	<u>(1,961)</u>	<u>(1,712)</u>
8	FINANCE (COST)/INCOME		
	Interest income	8	3
	Interest paid	(1)	-
	Accretion expense – asset retirement obligation	(21)	-
	Total finance cost	<u>(14)</u>	<u>3</u>
9	INCOME TAX CREDIT		
	<i>Current tax charge</i>		
	Current period	-	-
	<i>Deferred tax credit</i>	-	-
	Total income tax charge/(credit)	<u>-</u>	<u>-</u>
<p>At year-end, the Group has unused losses carried forward of US\$ 1,965,000 (2014: US\$ 203,000) available for offset against suitable future profits. Most of the tax losses were sustained in Australia.</p> <p>A deferred tax asset has not been recognised in respect of such losses due to the uncertainty of the ability to utilise tax losses. The contingent deferred tax asset is estimated to be US\$ 902,000 (2014: US\$ 61,000).</p> <p>The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:</p>			
	Loss before income tax	<u>(2,201)</u>	<u>(1,410)</u>
	Taxation at 30%	(660)	(423)
	Non-deductible expenses	80	-
	Deferred tax assets not brought to account	<u>580</u>	<u>423</u>
	Income tax charge/(credit)	<u>-</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT

	<u>Cost</u> US\$ '000	<u>Accumulated depreciation</u> US\$ '000	<u>Carrying amount</u> US\$ '000
31 December 2015			
Computer and other equipment	26	(4)	22
Cutting and gemmological equipment	5	(1)	4
Development costs	2,202	(26)	2,176
Furniture, fittings and improvements to leased premises	7	(1)	6
Plant, machinery and mining equipment	1,153	(118)	1,035
Motor vehicles	77	(14)	63
Assets under construction	-	-	-
	<u>3,470</u>	<u>(164)</u>	<u>3,306</u>

Reconciliation of property, plant and equipment

	<u>Opening balance</u> US\$'000	<u>Additions</u> US\$'000	<u>Transfers in/(out)</u> US\$'000	<u>Disposals</u> US\$'000	<u>Depre- ciation</u> US\$'000	<u>Foreign exchange</u> US\$'000	<u>Total</u> US\$'000
31 December 2015							
Computer and other equipment	1	24	-	-	(3)	-	22
Cutting and gemmological equipment	-	5	-	-	(1)	-	4
Development costs	2,097	134	-	-	(19)	(36)	2,176
Furniture, fittings and improvements to leased premises	-	7	-	-	(1)	-	6
Plant, machinery and mining equipment	-	645	508	-	(122)	4	1,035
Motor vehicles	10	70	-	(2)	(14)	(1)	63
Assets under construction	568	-	(508)	-	-	(60)	-
	<u>2,676</u>	<u>885</u>	<u>-</u>	<u>(2)</u>	<u>(160)</u>	<u>(93)</u>	<u>3,306</u>

	<u>Cost</u> US\$ '000	<u>Accumulated depreciation</u> US\$ '000	<u>Carrying amount</u> US\$ '000
31 December 2014			
Computer and other equipment	1	-	1
Development costs	2,122	(25)	2,097
Motor vehicles	11	(1)	10
Assets under construction	568	-	568
	<u>2,702</u>	<u>(26)</u>	<u>2,676</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 INTANGIBLE ASSETS

	<u>Cost</u> US\$ '000	<u>Accumulated amortisation</u> US\$ '000	<u>Carrying amount</u> US\$ '000
31 December 2015			
Exploration and evaluation expenditure	79	-	79
	<u>79</u>	<u>-</u>	<u>79</u>
31 December 2014			
Exploration and evaluation expenditure	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Reconciliation of intangible assets

	<u>Opening balance</u> US\$ '000	<u>Additions</u> US\$ '000	<u>Total</u> US\$ '000
31 December 2015			
Exploration and evaluation expenditure	-	79	79
	<u>-</u>	<u>79</u>	<u>79</u>

12 INVENTORIES

	<u>2015</u> US\$ '000	<u>2014</u> US\$ '000
Rough gemstones and jewellery	233	5
Consumables	<u>10</u>	<u>-</u>
	<u>243</u>	<u>5</u>

No inventories have been pledged as security for liabilities and all rough gemstone is stated at its net realisable value.

13 TRADE AND OTHER RECEIVABLES

Trade receivables	25	-
Prepayments	67	40
Other receivables	<u>110</u>	<u>33</u>
	<u>202</u>	<u>73</u>

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2015, US\$ Nil (2014: Nil) of trade receivables were past due but not impaired. The aging analysis of these trade receivables is as follows:

Less than 90 days	25	-
More than 90 days	<u>-</u>	<u>-</u>

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

United States Dollars	44	25
Australian Dollars	<u>158</u>	<u>48</u>
	<u>202</u>	<u>73</u>

Translated into United States Dollars at foreign exchange rates applicable at reporting date. The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in note 26.1.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14	RESTRICTED CASH AND CASH EQUIVALENTS	2015 US\$ '000	2014 US\$ '000
	Short-term deposits	<u>389</u>	<u>251</u>
		<u>389</u>	<u>251</u>

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).

15	CASH AND CASH EQUIVALENTS		
	Cash at bank and on hand	<u>1,564</u>	<u>962</u>
		<u>1,564</u>	<u>962</u>
	Cash and cash equivalents consists of balances denominated in the following currencies:		
	United States Dollars	1,440	696
	Australian Dollars*	51	235
	Hong Kong Dollars*	<u>73</u>	<u>31</u>
		<u>1,564</u>	<u>962</u>

* Translated into United States Dollars at foreign exchange rates applicable at reporting date. The Group's exposure to interest rate risk and sensitivity analysis for financial instruments is disclosed in note 26.

16 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 Tanzania, Richland entered into a conditional sale agreement on 25 November 2014 ("**Sale Agreement**") with Sky Associates Group Limited ("**Sky Associates**") pursuant to which the Company sold to Sky Associates the Group's tanzanite mining and beneficiation business and tsavorite license interests in Tanzania.

The sale closed on 2 March 2015 and as a result of the transaction, this group of assets ("**disposal group**") are disclosed as a disposal group held for sale. The assets and liabilities to be disposed of are set out below and are stated at the lower of carrying amount and fair value less cost to sell which resulted in a prior year impairment charge of US\$ 5 million based on receipt of proceeds received. The assets and liabilities as at 31 December 2015 shown below were not part of the Sky Associates sale and are in the process of being wound up.

	2015 US\$ '000	2014 US\$ '000
<i>Assets of disposal groups classified as held for sale</i>		
Property, plant and equipment	-	11,886
Inventories	-	364
Income tax receivable	10	168
Trade and other receivables	7	2,444
Cash and cash equivalents	<u>33</u>	<u>465</u>
Total assets	<u>50</u>	<u>15,327</u>
<i>Liabilities of disposal groups classified as held for sale</i>		
Trade and other payables	85	7,997
Current income tax payable	-	1,981
Borrowings	-	549
Provision for environmental rehabilitation	<u>-</u>	<u>210</u>
Total liabilities	<u>85</u>	<u>10,737</u>

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16 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

	2015	2014
	US\$ '000	US\$ '000
Comparative information has been restated to ensure comparability.		
Revenue	506	7,374
Other income	5	186
Operating expenses	(610)	(13,995)
Finance cost	(5)	(73)
Loss before tax on discontinued operations	(104)	(6,508)
Tax (charge)/credit	-	(2,369)
Loss after tax of discontinued operations	(104)	(8,877)
Loss on sale of group (note 25.2)	(3,208)	-
Impairment loss on disposal group	-	(5,018)
Loss for the year from discontinued operations	(3,312)	(13,895)
Cash flow information		
Operating cash flows	357	463
Investing cash flows	82	(515)
Financing cash flows	-	(174)
Total cash flows	439	(226)

17 SHARE CAPITAL

17.1 Common share capital

Authorised

333,333,333 (2014: 333,333,333) common shares of US\$0.0003 each	100	100
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Issued

217,209,895 (2014: 217,209,895) common shares of US\$0.0003 each	64	64
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Share capital

Balance at the beginning of the year	64	35
Shares issued during the year	-	29
Balance at the end of the year	64	64

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 2015	Number of shares 2014
Shares in issue at beginning of the year	217,209,895	118,148,951
Share issued open offer to shareholders	-	81,060,944
Shares issued pursuant to Sapphire project purchase	-	18,000,000
Shares in issue at end of the year*	217,209,895	217,209,895

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17	SHARE CAPITAL (CONTINUED)	2015	2014
		US\$ '000	US\$ '000
	17.2 A class share capital		
	Authorised		
	66,666,667 A class shares of ZAR 0.0003 each	<u>3</u>	<u>3</u>
	Issued		
	1,480,393 (2014: 1,480,393) 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").	<u>1</u>	<u>1</u>
	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)	<u>65</u>	<u>65</u>
	Reconciliation of A Class share capital	Number of shares 2015	Number of shares 2014
	Shares in issue at beginning of the year	1,480,393	1,568,202
	Issued	-	7,255
	Share buy back	-	(95,064)
	Shares in issue at end of the year	<u>1,480,393</u>	<u>1,480,393</u>

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 exiting 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 shares.

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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 SHARE CAPITAL (CONTINUED)

Rights attaching to A Class shares (continued)

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.

Payment in respect of preference dividends and any other payments will be made in the currency of South African Rands at the risk of the relevant holder of 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.

RICHLAND RESOURCES LTD**FINANCIAL STATEMENTS
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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.

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.

18 SHARE PREMIUM

	2015	2014
	US\$ '000	US\$ '000
Balance at beginning of the year	51,711	46,855
Issue of shares	-	5,035
Share issue cost	-	(179)
Balance at end of year	<u>51,711</u>	<u>51,711</u>

19 SHARE OPTION RESERVE

Balance at beginning of the year	-	896
Transferred to accumulated loss – options vested	-	(896)
Balance at end of year	<u>-</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 SHARE OPTION RESERVE (CONTINUED)

Share-based payments

The Group established a share option plan that entitles certain senior employees the opportunity to purchase shares in the Group. In accordance with the plan, options are exercisable over a period of 3 years and vest as follows:

- 1 year - 20% of total share options granted;
- 2 years - 30% of total share options granted; and
- 3 years - 50% of total share options granted.

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

Grant date	Number of share options	Vesting conditions	Contractual life
23 September 2009	<u>7,275,000</u>	Three years of service	10 years

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

	<u>2015</u>	<u>2014</u>
	Weighted average exercise price (UK pence/share)	Weighted average exercise price (UK pence/share)
	Number of options	Number of options
Outstanding at the beginning and end of the year	16 <u>7,275,000</u>	16 <u>7,275,000</u>
Exercisable at the end of the year	<u>7,275,000</u>	<u>7,275,000</u>

The 7,275,000 options outstanding at 31 December 2015 have an exercise price of 16.237 UK pence and a weighted average contractual life of 3.2 years (2014: 4.2 years). The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is calculated using the Black-Scholes model and did not have any significant value.

Share option assumptions at issue date	<u>2009</u>
Share price	Senior employees £0.42 - £0.72
Exercise price	£0.16
Expected volatility	35%
Expected dividends	0%
Risk-free interest rate	7.5%
Option life	0.9 years – 2.9 years

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. Options are stated in UK Pound Sterling as the Company is listed on the AIM market of the London Stock Exchange.

20 FOREIGN CURRENCY TRANSLATION RESERVE

	<u>2015</u> US\$ '000	<u>2014</u> US\$ '000
Balance at beginning of the year	(1,531)	(1,509)
Disposal of operations	1,829	-
Translation of foreign operations	(442)	(22)
- Continuing operations	(442)	30
- Discontinued operations	-	(52)
Balance at end of the year	<u>(144)</u>	<u>(1,531)</u>

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

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21	NON-CONTROLLING INTEREST	2015 US\$ '000	2014 US\$ '000
	25% interest in the equity of TanzaniteOne Trading Limited	-	(418)
	25% interest in the equity of TsavoriteOne Mining Limited	-	(1,121)
		<u>-</u>	<u>(1,539)</u>

22 EARNINGS PER SHARE

22.1 Basic and diluted loss per share

The calculation of basic and diluted loss per share at 31 December 2015 was based on the loss attributable to common shareholders from continuing operations of US\$ 2,201,000 (2014: US\$ 1,410,000), discontinued operations of US\$ 3,312,000 (2014: US\$ 12,429,000) and a weighted average number of common shares outstanding during the year ended 31 December 2015 of 217,209,895 (2014: 200,588,045) calculated as follows:

	2015 US\$ '000	2014 US\$ '000
Loss attributable to common shareholders from continuing operations	<u>(2,201)</u>	<u>(1,410)</u>
Loss attributable to common shareholders from discontinued operations	<u>(3,312)</u>	<u>(12,429)</u>
Weighted average number of common shares	Number of shares 2015	Number of shares 2014
Weighted average number of common shares	<u>217,209,895</u>	<u>200,588,045</u>
Basic and diluted loss per common share from continuing operations (US cents/share)	(1.01)	(0.70)
Basic and diluted loss per common share from discontinued operations (US cents/share)	<u>(1.52)</u>	<u>(6.20)</u>
Basic and diluted loss per common share from all operations (US cents/share)	<u>(2.53)</u>	<u>(6.90)</u>

22.2 Net asset value per common share

Net assets (US\$'000)	<u>4,790</u>	<u>7,377</u>
Number of common shares in issue at 31 December	<u>217,209,895</u>	<u>217,209,895</u>
Net asset value per common share (US cents/share)	<u>2.21</u>	<u>3.40</u>
No dividend was declared	<u>-</u>	<u>-</u>

23	PROVISION FOR ENVIRONMENTAL REHABILITATION	2015 US\$ '000	2014 US\$ '000
	Balance at beginning of the year	205	196
	Additions	133	205
	Unwinding of discount	21	14
	Foreign exchange	(22)	-
	Classified as held for sale	-	(210)
	Balance at end of the year	<u>337</u>	<u>205</u>

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24	TRADE AND OTHER PAYABLES	2015	2014
		US\$ '000	US\$ '000
	Non-current		
	Mining lease creditor	<u>58</u>	<u>98</u>
	Current		
	Trade and other payables	311	241
	Deposit received from Sky Associates Group Limited	-	510
	Amounts due to directors (Note 29)	<u>252</u>	<u>126</u>
		<u>563</u>	<u>877</u>
	Total trade and other payables	<u>621</u>	<u>975</u>
	Trade and other payables consists of balances payable in the following currencies:		
	United States Dollars	316	771
	Australian Dollars	298	171
	British Pounds	3	30
	Other currencies	<u>4</u>	<u>3</u>
		<u>621</u>	<u>975</u>
25	NOTES TO THE STATEMENT OF CASH FLOWS		
	25.1 Cash utilised by operations		
	Loss before income tax	(5,513)	(12,936)
	Adjusted for:		
	▪ Depreciation and amortisation of property, plant and equipment	160	834
	▪ Inventory write-off	-	119
	▪ Impairment charge	-	9,628
	▪ Finance cost	(3)	56
	▪ Unwinding of discount	21	14
	▪ Write off/(back) of trade receivables	(7)	12
	▪ Net gain on disposal of property, plant and equipment	5	-
	▪ Group sold loss	3,208	-
	▪ Net foreign exchange difference	<u>(248)</u>	<u>(325)</u>
	Cash from operations before working capital changes	(2,377)	(2,598)
	Working capital changes:		
	Inventories	(259)	1,237
	Trade and other receivables	539	119
	Trade and other payables	<u>(535)</u>	<u>998</u>
	Cash utilised by operations before interest and tax	<u>(2,632)</u>	<u>(244)</u>
	25.2 Proceeds from disposal of group, net of cash and overdraft disposed		
	Property, plant and equipment	11,792	-
	Inventory	385	-
	Receivables	1,942	-
	Cash and cash equivalents	434	-
	Payables	(9,926)	-
	Bank overdraft	<u>(549)</u>	<u>-</u>
		<u>4,078</u>	<u>-</u>
	Non-controlling interest	1,539	-
	Foreign currency translation reserve	1,829	-
	Loss on sale of group	<u>(3,208)</u>	<u>-</u>
	Proceeds from sale	4,238	-
	Minority shareholders' share paid out	46	-
	Net cash of group sold	<u>117</u>	<u>-</u>
	Net cash proceeds	<u>4,401</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25	NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)	2015	2014
		US\$ '000	US\$ '000
	25.3 Net proceeds from the issue of share capital		
	Issue of common share capital	-	5,064
	Share issue expenses paid	-	(179)
	Directors loans converted to common share capital	-	(400)
	Convertible loans converted to common share capital (cash received in prior year)	-	(453)
	Paid for the acquisition of Capricorn Sapphire	-	(588)
		<u>-</u>	<u>(588)</u>
		<u>-</u>	<u>3,444</u>

26 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.

26.1 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.

26.2 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 2015	
Less than one year	563
One to five years	<u>58</u>
31 December 2014	
Less than one year	877
One to five years	<u>98</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3 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 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 2014.

	<u>2015</u> US\$ '000	<u>2014</u> US\$ '000
Profit or loss		
Australian Dollars	(184)	(108)
Hong Kong Dollars	(7)	-
Other currencies	<u>1</u>	<u>3</u>

A 10 percent weakening of the United States Dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

26.4 Price risk

The Group 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.

26.5 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitor the level of dividends to ordinary shareholders.

The Group's target is to achieve a return on capital of between 12 and 16 percent. The Group achieved a negative return on capital of 117% in 2015 (2014: 172%). 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.

RICHLAND RESOURCES LTD

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 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
2015			
Trade and other receivables (excluding prepayments)	13	135	135
Cash at bank and on hand	14 & 15	1,953	1,953
Loans and receivables		2,088	2,088
Trade and other payables	24	621	621
Financial liabilities measured at amortised cost		621	621
2014			
Trade and other receivables	13	33	33
Cash at bank and on hand	14 & 15	1,213	1,213
Loans and receivables		1,246	1,246
Trade and other payables (excluding statutory liabilities)	24	975	975
Financial liabilities measured at amortised cost		975	975

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 COMMITMENTS AND CONTINGENCIES

28.1 Capital commitments

No capital commitments existed at year end (2014: US\$ nil).

28.2 Finance lease commitments

Non-cancellable lease rentals are payable as follows:

	2015 US\$ '000	2014 US\$ '000
Less than one year	9	45
Between two and five years	-	-
	<u>9</u>	<u>45</u>

These leases relate to the rental of business premises.

29 RELATED PARTIES

Identity of related parties

The Group has a related party relationship with its subsidiaries, and key management personnel.

Related party transactions

During the year, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with one another.

Directors of the holding company and their close family members as at the date of this report control 15.5% (2014: 15.5%) of the voting shares of Richland Resources.

	2015 US\$ '000	2014 US\$ '000
Short-term benefits		
Directors' emoluments for the year		
Services as directors of the Company		
Non-executive directors		
Salary	<u>80</u>	<u>125</u>
Executive directors		
Salary	<u>40</u>	<u>72</u>
Services as directors of the subsidiaries		
Executive directors		
Salary	<u>88</u>	<u>-</u>
Consulting fees paid to Strategic Works Consulting Limited in respect of Ami Mpungwe	<u>20</u>	<u>120</u>
Short term advances from directors (unpaid directors' fees)		
Ami Mpungwe	68	38
Edward Nealon	59	33
Nicholas Sibley	53	30
Bernard Olivier	<u>72</u>	<u>25</u>
	<u>252</u>	<u>126</u>

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\$ 0.2 million (2014: US\$ 0.3 million). No terminal or other long term benefits were paid to key management personnel during the year (2014: Nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29 RELATED PARTIES (CONTINUED)

Group entities	Significant subsidiaries	Country of incorporation	Products/Services	Net amounts owing by Subsidiaries to other Group companies				Share holding %	
				2015		2014			Functional currency
				US\$ '000	US\$ '000	US\$ '000	US\$ '000		
	Richland Gemstones Ltd *	Hong Kong, China	Polished and jewellery sales	(230)	(220)	US\$	100%		
	Richland Corporate Ltd **	Bermuda	Investment holding company	(1,763)	(1,750)	US\$	100%		
	Capricorn Sapphire Pty Ltd	Australia	Sapphire mining	(4,141)	(1,488)	AU\$	100%		
	Rohstein Class A (Pty) Ltd	South Africa	A Class shareholding	-	-	ZAR	100%		

* Previously TanzaniteOne Jewellery Collection Ltd

** Previously TanzaniteOne Corporate Limited

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

30 SUBSEQUENT EVENTS

There has not arisen in the interval between the year-end and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to effect:

- (i) The Company's operations in future financial periods; or
- (ii) The results of those operations in future financial periods; or
- (iii) The Company's state of affairs in future financial periods.

31 ULTIMATE HOLDING COMPANY

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 ACQUISITION OF SUBSIDIARY

On 4 June 2014, the Company through its subsidiary Richland Corporate Limited, acquired the whole of the issued share capital of Capricorn Sapphire Pty Ltd incorporated in Australia for a consideration of AU\$ 1.18 million and 18 million fully paid new common shares in Richland.

The acquisition-date values of the assets acquired and liabilities assumed and the consideration transferred were as follows:

	<u>Acquisition</u> <u>US\$ '000</u>
Plant – under construction	155
Development cost	1,750
Trade and other receivables	56
Trade and other payables	<u>(249)</u>
Net assets and liabilities acquired	<u><u>1,712</u></u>
Consideration settlement	
- Issue of Richland common shares	(588)
- Cash paid inclusive of transaction costs	<u>(1,124)</u>
Total consideration	<u><u>(1,712)</u></u>