

27 June 2019

Richland Resources Ltd

("Richland" or the "Company")

Option Agreement to sell the Capricorn Sapphire Project and extension and conditional settlement of Secured Convertible Loan Facility

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

Key Terms of the Transaction

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

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

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

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

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

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- a) on Completion, Fura is to: (i) pay the Company US\$90,000 by way of a contribution towards the expenses incurred by the Company in respect of Capricorn Sapphire during 2019 to date (the “**Additional Cash Payment On Completion**”); and (ii) issue to Richland such number of additional new Fura shares as is equivalent to AUD150,000 by way of a partial refund of the financial assurance deposits of AUD371,911 (the “**Financial Assurance Deposits**”) lodged by the Company on behalf of Capricorn Sapphire (the “**Additional Share Consideration On Completion**”); and
- b) 18 months after Completion, Fura is to pay the Company a further AUD221,911 in cash (less any environmental liability claims made against the Financial Assurance Deposits by the relevant government authorities) being the refund of the balance of the abovementioned Financial Assurance Deposits.

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

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

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

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

Financial information for the Disposal Group and Fura: Table One below shows the Disposal Group’s assets and liabilities and those of the Richland group as at 30 June 2018, being the last available unaudited published balance sheet, and the loss attributable to the Disposal Group and

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the Richland group for the year ended 31 December 2017, being the Company's last available published annual results.

Table One: Financial Information

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

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

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

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

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

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

- closing price of Fura's shares on the TSX-V was CAD0.15,
 - United States Dollar to GBP exchange rate was USD1 = GBP0.78563,
 - Canadian Dollar to GBP exchange rate was CAD1 = GBP0.59613,
 - Canadian Dollar to USD exchange rate was CAD1 = USD0.75889,
 - Australian Dollar to GBP exchange rate was AUD1 = GBP0.54706,
- (collectively, the "**Applicable Rates**").

Table Two below, which is for illustrative purposes only, summarises the maximum cash and share consideration receivable by the Company further to successful Completion of the Proposed Disposal

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and the value of the Consideration Shares to be issued to the Lender, applying the Applicable Rates and assuming that no claims arise against the Financial Assurance Deposits.

Table Two: Summary of maximum cash and share consideration

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

Summary of the Option Agreement

The principal terms of the Option Agreement are summarised below:

- 1. The Option:**
- (i) Fura has been granted an option exercisable until 31 July 2019 in consideration for an Option Fee of CAD150,000.
 - (ii) CAD25,000 of the Option Fee is being paid upfront and is non-refundable, with the balance of the Option Fee of CAD125,000 payable within seven days of the Option Date; once paid the CAD125,000 is also non-refundable.
 - (iii) Once the Option is exercised, the parties will proceed to Completion which is subject to the Conditions Precedent summarised in section 7 below.
 - (iv) The Purchase Price due on Completion is USD185,000 in cash and the issue of 4,859,825 Consideration Shares. Based on the closing Fura share price of CAD0.15 on 26 June 2019 (being the latest practicable date prior to this announcement) and a CAD:GBP exchange rate of CAD1 = GBP0.59613, the total Consideration Payable on Completion currently equates to approximately GBP579,905.

2. Secured Convertible Loan	The Lender has agreed to (i) extend the maturity date of the Loan to the Long Stop Date; and (ii), conditional on Completion, to receive settlement
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Facility extension and repayment arrangements: of its outstanding Loan Amount at Completion by way of the direct issue to it of such number of the Consideration Shares as is equivalent to the Loan Amount converted into Canadian Dollars using the CAD:GBP and CAD:USD exchange rates prevailing on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share; and (ii) the closing price of Fura shares on the day prior to the issue of such Fura shares to the Lender. At the Applicable Rates, the Lender would be issued all of the Consideration Shares and cash of GBP92,482 from the Cash Consideration. If the Consideration Shares remain insufficient to repay the Loan Amount, any shortfall due to the Lender is to be settled firstly from the Cash Consideration and secondly from the Additional Cash Payment On Completion. In the meantime, the Company remains liable to pay interest on the Loan as it falls due on a quarterly basis in arrears.

3. Interim Funding of Capricorn Sapphire: Conditional upon payment of the Option Fee, the Company is required, within 10 days of the Option Date, to provide a CAD125,000 interest free loan to Capricorn Sapphire which is intended to cover the operating costs of Capricorn Sapphire from the Option Date until Completion. The use of funds from such facility is subject to Fura's prior approval once an exercise notice has been issued and the loan will not be repayable in the event of Completion occurring.

4. Additional payment and Fura shares due at Completion: At Completion, Fura is also required to:

- pay Richland USD90,000 by way of a contribution towards the expenses incurred by the Company in respect of Capricorn Sapphire during 2019 to date; and
- issue new Fura shares equivalent to AUD150,000 by way of a partial refund of the Financial Assurance Deposits lodged by the Company on behalf of Capricorn Sapphire. The number of such Fura shares to be issued for the AUD150,000 is to be based on the CAD:AUD exchange rate prevailing on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share on the TSX-V on the date prior to Completion; and (ii) the closing price of Fura shares on the TSX-V on the day prior to the issue of the new shares to the Company.

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

6. Lock-Up and Orderly Market Agreement: The Consideration Shares will be subject to a lock-up arrangement, to be entered into by Astor and any other party that receives more than 10 per cent. of the Consideration Shares, such that they cannot, save in certain limited circumstances, be sold until 6 months after the date of the lock-up agreement and in the subsequent 6 month period can only be sold under the terms of a customary orderly market arrangement.

7. Conditions Precedent for Completion: Completion of the Proposed Disposal is conditional upon;

- (i) TSX-V approval, as applicable;

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- (ii) Richland's shareholders approving the Proposed Disposal at a duly convened general meeting;
 - (iii) AIM approval, as applicable;
 - (iv) Receipt from the Bermuda Monetary Authority of a "no-objection" letter in respect of the transfer of the shares in Richland Corporate from the Company to Fura;
 - (v) Renewals of the project's two main licences, namely ML 70419 and ML 70447, by the requisite authorities;
 - (vi) No material adverse change in the financial condition of Richland Corporate; and
 - (vii) Other customary closing conditions for a transaction of this nature (together, the "**Conditions Precedent**").

The Conditions Precedent are required to be satisfied or waived by the longstop date of 31 October 2019 or such later date as may be agreed between the parties.

8. Break Fee of CAD400,000:

The Company is liable to pay a termination fee of CAD400,000 in the event that: (i) the Richland Board does not unanimously recommend the Proposed Disposal to Richland's shareholders or withdraws its unanimous recommendation and the Company's shareholders do not approve the Proposed Disposal; or (ii) the Company breaches the exclusivity provisions as summarised in section 9 below.

Fura is liable to pay a termination fee of CAD400,000 if it breaches its covenant not to enter into any potential alternative transaction involving sapphire mining in Australia or any other transaction or action that could prevent the parties from consummating the Proposed Disposal.

9. Exclusivity provisions:

From the Option Date until the later of: (a) expiry of the exercise period; and (b) if an exercise notice has been issued (i) the Completion date, (ii) the Longstop Date and (iii) the termination of the Option Agreement, the Company has covenanted that it will not, directly or indirectly, through any representative or otherwise, solicit or entertain offers from, negotiate with, or in any manner encourage, discuss, accept or consider any proposal from any other person relating to the acquisition of the Shares, shares in Capricorn Sapphire or either company's assets or properties in whole or in part, whether through direct purchase, merger, consolidation or other business combination and whether through disposing, optioning or transferring the rights to Richland Corporate's or Capricorn Sapphire's properties or assets to a third party, including without limitation any single or multi-step transaction or series of related transactions.

10. Termination Provisions:

The Option Agreement may be terminated at any time after the issue of an exercise notice but prior to the Completion date as follows:

- (i) by the Company, provided it is not then in material breach of the Option Agreement, if the Option Fee has not been paid;
- (ii) by Fura provided it is not then in material breach of the Option Agreement and the Company has not provided the Capricorn Sapphire Loan in accordance with the terms of the Option Agreement or certain

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customary legal opinions within three business days of the Option Date;

(iii) if, as a result of non-fulfilment of the Conditions Precedent:

a. by the Company: if Fura has not received TSX-V approval (as applicable) on or before the Longstop Date;

b. by the Company: if shareholder approval is not received for the transaction;

c. by Fura: if the Company has not received AIM approval (as applicable) on or before the Longstop Date;

d. by Fura: if the no objection letter has not been granted by the Bermuda Monetary Authority on or before the Longstop Date; and

e. by Fura: if the renewals of the abovementioned project licences have not been granted on or before the Longstop Date;

(iv) by the party entitled to the termination fee if there is a termination fee event as set out to in section 8 above; and

(v) automatically in the event that either an exercise notice has not been issued during the exercise period or the Proposed Disposal has not been completed by the Longstop Date, unless such date has been extended by mutual agreement of the parties in writing.

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

A further announcement(s) will be made, as appropriate, in due course.

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014.

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Note to Editors:

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