

5 June 2017

Richland Resources Ltd
("Richland" or the "Company")

**Final Results for the year ended 31 December 2016
and
Availability of Annual Report**

Richland (AIM: RLD), the gemstones producer and developer, today announces its audited results for the year ended 31 December 2016. The period covers the second year of sapphire production and sales by the Company from its operations located in Queensland, Australia.

Financial Summary (Continuing Operations)

- US\$1.35 million revenues (2015: US\$0.7 million)
- US\$3.0 million net loss (2015: US\$2.2 million)
- US\$0.3 million unrestricted consolidated cash and cash equivalents (2015: US\$1.6 million)
- US\$2.2 million net assets (2015: US\$4.8 million)
 - Total Assets of US\$4.0 million (2015: US\$5.8 million)
 - Total Liabilities at year end of US\$1.8 million (2015: US\$1.0 million)

Operational Summary (Continuing Operations)

- Quarterly production doubled over the period
- Costs halved as Richland comes out of the development phase: US\$2.00 per carat in Q1 2016 to approximately US\$0.78 per carat during Q4 2016
- 2,674,536 carats of sapphire produced from the processing of 190,060 tonnes of alluvial gravels
- Average grade of 14.1 carats per tonne achieved
- Key optimisation programmes complete
 - Redesign of tailings treatment and water recirculation circuit and its infrastructure
 - Infrastructure construction and modifications commenced and were completed
 - Processing plant changes made to improve efficiencies and reduce double handling of material
 - Modifications made to primary jigs, scrubber systems and feedbin to improve processing efficiencies and their ability to treat different gravel compositions
 - A new pilot testing plant was constructed and commissioned to allow run of mine testing as part of the ongoing mine planning and mine development process
- Updated Measured and Inferred Mineral Resource of 115.5 million carats of sapphire and corundum comprises
 - Original JORC Code (2004) compliant historical Measured Resource of 107.5 million carats following the mining of 1.5 million carats since July 2015; and

RICHLAND

RESOURCES LTD

- Additional JORC Code (2012) Inferred Resource of 8 million carats at a grade of 10 carats per tonne recently established.

Corporate Highlights

- Accrued and unpaid directors' fees of US\$260,625 converted into 5,400,709 common shares in the Company
- Strand Hanson Limited appointed as Nominated Adviser
- Unsecured US\$500,000 loan facility entered into with certain of the Company's directors and long term significant shareholder

Outlook

- Planned final-stage ramp-up of production to 1.2 million carats per quarter progressing well and ahead of schedule for completion by end of June 2017
- On schedule to achieve 2017 operational profitability targets following the completion of the current final phase of ramp-up work

Subsequent events

- Unsecured US\$500,000 loans converted into new common shares
- Successful completion of equity fundraising of approximately £1 million gross including the issue of 133,333,334 new common shares
- Certain directors and management converted certain outstanding fees and salaries into new common shares

Copies of the Annual Report and Financial Statements for the financial year to 31 December 2016 are available to download from the Company's website at www.richlandresourcesltd.com and will shortly be posted to shareholders.

For more information please contact:

Bernard Olivier
Chief Executive Officer
+61 (0) 4089 48182

Mike Allardice
Group Company Secretary
+852 91 864 854

Nominated Adviser
Strand Hanson Limited
James Harris
Matthew Chandler
James Dance
+44 (0) 20 7409 3494

RICHLAND

RESOURCES LTD

Laurence Read
Corporate Development and Communications Officer
+44 (0) 20 3289 9923

Broker
Shore Capital Stockbrokers Limited
Jerry Keen (corporate broking)
Toby Gibbs / Mark Percy (corporate finance)
+44 (0) 20 7408 4090

Notes 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.

Chairman's Statement

As Chairman of Richland Resources Ltd ("**Richland**" or the "**Company**") I am pleased to present the Group's final results for the financial year ending 31 December 2016 and to report on the Company's ongoing activities to the date of this statement.

During the course of the year we achieved many important milestones, but our strategy can best be relayed in numbers; 2,674,536 carats recovered, US\$ 1,180,000 of sales whilst still in the mine ramp-up phase, and 80% of costs being covered in Q4 less than two years since full project entry. At the current time sales of both blue and coloured gemstones are increasing apace as the efficiency of, and sustainable production from our Capricorn Sapphire mine, located in Queensland Australia, meets its nameplate capacity. Following some challenging years bringing a new coloured gemstone mining operation into production, we have applied our company's considerable experience and expertise and are now seeing solid results.

The development of the Capricorn Sapphire mine, in order for it to be a truly commercial success has seen us pursue a series of key elements that are outlined below:

Consistency and reliability of supply: At a basic level, this means ensuring that the Capricorn Sapphire mine can produce a bulk amount of usable sapphires, of consistent size, each and every month. While I understand some of our shareholders frustrations at the fluctuations in production throughout our ramp-up phase, our engineering team has taken time to reconfigure extraction circuits to ensure a mechanically sustainable mining operation. As opposed to many other commodities, coloured gemstones can leverage prices by demonstrating a reliable supply track record to bulk customers.

However, the gemstone market has changed significantly over the last ten years and, at Richland, we have been examining diligently how we can make that ease of supply and seamless distribution

RICHLAND

RESOURCES LTD

of gemstones to our industry buyers as efficient as possible. It is worth noting that one of the risks to jewellers and luxury goods suppliers is that of having to retain high cost inventory on their books for considerable periods of time. That is why, during 2016, we engaged in an agreement for the propriety heat treatment and optional cutting services for batches of Capricorn Sapphire gemstones. Further to this vertical integration agreement with Anthony Brooke and Gem Dreams Co., Ltd (“**Gem Dreams**”) the Group is one of the few wholesale suppliers of sapphires that can deliver products for immediate cutting or, indeed, setting. Any buyer can now choose between purchasing rough sapphire, heat-treated rough sapphire, partially or fully final product from Richland Resources. The safety and speed of supply chain is one of the key differentiators for our business.

Ethicacy and transparency: In 2014, Richland took the decision to develop an entirely new operation in Queensland, Australia. While risky to undertake such a diversification, we have been unfailingly impressed not just by the quality of gemstone in Queensland, but also by the high levels of efficiency, support and regulation of its mining industry. Environmental and ethical provenance are at the heart of Richland’s values and we see it as being a key part of our business to be able to clearly show that we operate, with full transparency, under Australian law and within global best practice standards. I am particularly proud of the teams remediation work over historic surface damage caused by past earthworks in addition to our work conducting a rotational soil rehabilitation programme, the evidence of which you can see in our corporate film published at the beginning of 2017. We also have a great work force on site and fully comply with all federal and regional employment criteria and safety training and operate under the established domestic tax regimes for operating resource companies. Being able to demonstrate our compliance record has stood us in good stead during sales trips, especially into North America which is the largest market for coloured gemstones. Our recently launched ‘Australian Sapphire’ initiative seeks to promote Queensland sapphire as a home of ethically mined, high quality gemstones.

Pipeline: With Capricorn sapphire now being one of the largest sapphire mines in the world, the Board took the decision to invest time and funds into delineating a new JORC (2012) resource estimate. The basis of operational success in mining is a clear understanding of the geological conditions ahead of the extraction plan. At the beginning of my career, I was a lead mining geologist for one of the major mining companies and I felt strongly, along with our CEO, that we needed to do our own geological work on understanding the economic mining areas. While an alluvial spread, we have an excellent geological team which has been involved in creating and sustaining diamond mines located on such ground, who worked together with our independent competent person to define an updated Measured and Inferred Mineral Resource estimate, as at 20 June 2016, of 115.5 million carats of sapphire and corundum comprising of the original JORC Code (2004) compliant historical Measured Resource of 107.5 million carats, following the mining of 1.5 million carats since July 2015; and an additional JORC Code (2012) Inferred Resource of 8 million carats at a grade of 10 carats per tonne established more recently.

Monetisation: In addition to our work securing B2B buyers, Richland also launched its consumer sales division; www.richlandgemstones.com with direct-from-mine products. A profitable part of our historic Tanzanite operation comprised our consumer sales arm through an online retail portal and also the creation of the Tanzanite Experience consumer retail stores; combining education and marketing with the consumer experience. While we have no plans at this time to open retail stores we are working hard with key economic stakeholders in Queensland to promote the concept of Australian sapphire in terms of beauty, quality and values.

I would like to end by reflecting on corporate activity over the period. At the beginning of the year, my fellow board member, Mr Nick Sibley, acquired further shares in the company increasing his

RICHLAND

RESOURCES LTD

stake to 6.6 per cent. and together we participated in an unsecured loan facility to Richland of US\$500,000. In addition, the Company successfully undertook a £1.0m placing in order to provide a secure cash base from which to continue and complete sales and market development negotiations without undue pressure.

We look forward to reporting further updates following the end of the next quarterly period, but your continued support and belief in this re-merging story is integral to our future success. As your management team, our task is not just to realise first operational profit during 2017, but also to build margins and a solid cash business once again.



Edward Nealon
Non-Executive Chairman

2 June 2017

Chief Executive's Operational and Financial Review

1. Overview

During 2016, Richland continued to progress its sapphire production ramp-up and optimisation of the Capricorn Sapphire gemstone mine in Queensland, Australia. Significant improvements were achieved across all levels of the operation with the following results:

- quarterly production doubling during the year,
- operating costs per carat were nearly halved and;
- new sales channels were developed through our marketing and beneficiation programme.

Stringent cost control resulted in a total expenditure, for 2016, of US\$4.7 million including, amongst others items development, production and corporate costs.

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, therefore 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 its remaining Tanzanian operations and related companies to Sky Associates Group Ltd ("**Sky**") for a total consideration of US\$4.6 million on 2 March 2015.

RICHLAND

RESOURCES LTD

As Sky did not wish to acquire the Tanzanite Experience retail operations (“TTE”) as part of its acquisition of the Group’s mining operations in Tanzania, it was decided to wind down the affairs of the retail outlets as TTE could not be sold as a going concern.

Net loss from Discontinued Operations of US\$Nil (2015: US\$ 3.3 million) has been recognised. The 2015 loss primarily represented the cumulative exchange differences in equity relating to foreign operations and non-controlling interest, required to be recognised in the Profit and Loss account in accordance with IAS 21 and IFRS 5, following completion of the aforementioned sale to Sky.

2.2 Continuing Operations

Revenue for the year of US\$1.35 million was 93% higher than the prior year (2015: US\$0.7 million). The Group recorded sales from its Australian operations of US\$1.2 million during year, an increase of 382% from the prior year as the mine progressed from the development phase into production. Revenue from the online sales division was US\$0.2 million - down 64% from last year, partly due to the rebranding of the website to RichlandGemstones.com and its disassociation from the TanzaniteOne.com site sold to Sky which was a condition of the sale.

Net loss for the year increased by 36% to US\$3.0 million against the prior year loss of US\$2.2 million. The net loss for the year from Continuing Operations represents operating expenses incurred as we progressed the Capricorn Sapphire Project through development into production as well as Richland’s corporate expenses.

The **total assets** for Continuing Operations were US\$4.0 million at the year end (2015: US\$5.8 million) which primarily reflects the investment in the Capricorn Sapphire Project and its associated capital expenditure.

The Continuing Operations had a net **cash** position of US\$0.6 million as at the year end (including US\$0.3 million pledged as collateral for the financial assurance lodged with the Department of Natural Resources and Mines (Australia)).

The Continuing Operations had **total liabilities** of US\$1.7 million as at the year end (2015: US\$1.0 million) of which loans of US\$530,000 were converted into shares on 5 January 2017.

3. Dividend

The directors have not declared a dividend (2015: nil).

4. Corporate Activities

On 18 April 2016, the Company announced that its directors had opted to convert all their accrued directors’ fees, which had been unpaid since 1 January 2014 up to 31 March 2016 into new common shares in order to continue conserving the cash reserves within Richland as the Company continues its mine ramp-up activities at the Capricorn Sapphire project located in Queensland, Australia. This conversion occurred at the volume weighted average price (“VWAP”) of the Company’s shares over the period the fees were outstanding. The VWAP over the period concerned of 3.4 pence represented a premium of 60% to the closing share price of 2.125 pence on Friday 15 April 2016. In total, unpaid fees of US\$260,625 were converted into 5,400,709 shares.

RICHLAND

RESOURCES LTD

In early June 2016, the Company was pleased to appoint Strand Hanson Limited as its Nominated Adviser.

In late June 2016, Richland entered into a US\$500,000 unsecured loan facility with certain of the Company's Directors and a long-term significant shareholder to satisfy its ongoing working capital requirements.

On 13 December 2016, the Company announced the successful completion of an equity fundraising of approximately £1 million gross. The Company issued 133,333,334 new Common Shares of US\$ 0.0003 each in the capital of the Company ("**Common Shares**") to certain new and existing shareholders including Nicholas Sibley, a Non-Executive Director, at an issue price of 0.75 per placing share. Richland also issued a further 54,933,334 new Common Shares in respect of the settlement of the abovementioned unsecured loan facility of US\$ 500,000 entered into on 27 June 2016 and some of the accrued interest thereon. The Company's 2016 AGM also approved the cancellation of 7,275,000 restricted shares issued in 2009 and their acquisition as Treasury Shares. The Company is prohibited from receiving dividends on Treasury Stock and voting shares which it holds in Treasury, such that the number of Shares for voting purposes has been reduced by 7,275,000 shares.

In addition, on 13 December 2016, certain Company directors and management also agreed to convert their outstanding fees and salaries from 1 April to 30 November 2016 into new Common Shares in the Company at a price of 1.74 pence per new Common Share representing a premium of approximately 55 per cent to the closing mid-market price of 1.125 pence on 12 December 2016. A total of 5,392,520 new Common Shares were issued as part of the conversion of such unpaid fees and salaries.

5. Operational Review

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.

Production

During 2016, the Capricorn Sapphire mine produced approximately 2.68 million carats of sapphire, of all sizes, quality and value, as part of the ongoing mine ramp-up and optimisation process. A total of 190,060 tonnes of sapphire-bearing alluvial gravels were extracted and processed at an average grade of approximately 14.1 carats per tonne. Table 1 below shows the quarterly breakdown of sapphire production statistics for Capricorn's operations.

Operational improvements

The year saw significant improvements made to all operational aspects including, the processing plant, tailings dam and water retreatment infrastructure, mining operations and sorting facility.

Key elements of the optimisation programme are as follows:

- o Redesign of tailings treatment and water recirculation circuit and its associated infrastructure;
- o Infrastructure construction and modifications commenced and were completed;
- o Processing plant changes were made to improve efficiencies and reduce double handling of material;

RICHLAND

RESOURCES LTD

- o Modifications were made to the primary jigs, scrubber system and feedbin to improve processing efficiencies and their ability to treat different gravel compositions; and
- o A new pilot testing plant was constructed and commissioned to allow run of mine testing as part of the ongoing mine planning and mine development process.

These upgrades plus general optimisation of all aspects of the mining operations enabled the doubling of production during 2016 from 415,456 carats in Q1 to 839,898 carats in Q4, as per Table 1 below. The optimisation activities and improvement of efficiencies is also evident from the increase in average grade achieved from the operations from 12.0 ct/t to 15.7 ct/t during the year.

Table 1: Breakdown of 2016 Production statistics

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total 2016
Tonnes	34,603	45,888	55,985	53,584	190,060
Carats	415,456	617,740	801,443	839,898	2,674,536
Carats per tonnes	12.2	13.7	14	15.4	14.1
Operating Costs (US\$)	830,114	820,383	733,815	655,720	3,040,032
Cost per Carat (US\$)	2.00	1.33	0.92	0.78	1.14

The mine's total operational costs, inclusive of heating, cutting and polishing costs, have fallen from approximately US\$2.00 per carat in Q1 2016 to approximately US\$0.78 per carat during Q4 2016, providing further evidence of the ongoing optimisation and improvement of the operations during the ramp-up phase.

Sales, Marketing and Beneficiation

During the second half of 2016, Richland concluded a comprehensive review of the sales and marketing channels for its Capricorn Sapphire project. The review process highlighted the reluctance of the traditional, rough, untreated wholesale sapphire industry to engage in the sale and marketing of non-blue sapphires, despite very positive feedback and interest from the retail industry and end-consumers for fancy sapphires, including green and multi-coloured sapphires. The review further highlighted the additional margins that can be achieved through additional beneficiation of not only the fancy coloured sapphires, but also in the case of traditional blue sapphires. Beneficiation also significantly widens the potential market for Capricorn Sapphire's entire product range.

The Company subsequently decided that it needed to further develop its beneficiation pipeline in order to achieve both higher prices for its product range as well as to enable the development of new sales channels, particularly for its fancy coloured sapphires. As announced on 23 November 2016, Capricorn Sapphire has engaged Bangkok based Anthony Brooke and Gem Dreams Co., Ltd ("**Gem Dreams**") to develop and implement Capricorn Sapphire's beneficiation processes and its vertical integration strategy.

Following its newly established association with Anthony Brooke and Gem Dreams, Capricorn Sapphire entered into two significant downstream beneficiation arrangements:

- Securing of the preferential use of a specialist sapphire heat treatment facility for Capricorn Sapphire's product, located in Chanthaburi, Thailand on a fixed price per carat contracted basis; and
- Preferential use of Bangkok-based cutting and polishing facilities also on fixed price per carat commercial terms.

RICHLAND

RESOURCES LTD

Thailand is the world's leader in treating sapphires and through the above mentioned beneficiation agreements, stones from Capricorn Sapphire will be granted full access to specialist sapphire beneficiation services and treatments in Thailand. As the beneficiation strategy is further developed the Company will be able to provide larger quantities of cut and polished blue and fancy coloured sapphires with full provenance and authenticity, produced to the highest ethical standards in Australia, from one of the world's largest sapphire mines.

Exploration and JORC Resource Update

On 22 June 2016, the Company announced an updated JORC Resource estimate for its Capricorn Sapphire mine. One of the Company's core objectives during the period has been to update the geological model at the group's Capricorn Sapphire mine and further expand the resource estimate in compliance with the JORC Code (2012). Our geological delineation programme enables the Company to improve and refine its mine programme and scheduling.

The updated Measured and Inferred Mineral Resource estimate at 20 June 2016 of 115.5 million carats of sapphire and corundum comprises:

- *original JORC Code (2004) compliant historical Measured Resource of 107.5 million carats following the mining of 1.5 million carats since July 2015; and*
- *additional JORC Code (2012) Inferred Resource of 8 million carats at a grade of 10 carats per tonne established more recently.*

5.2 RichlandGemstones.com

The online sales division, www.richlandgemstones.com, was re-launched in June 2016 with a selection of unique and exotic sapphires from mine production available for sale through the website. Reflecting this re-launch, online sales decreased from US\$459,000 in 2015 to US\$167,000 in 2016. The online division continues to source and offer both tanzanite and tanzanite jewellery from the Merelani tanzanite deposit.

6. Outlook

The planned final-stage ramp-up of production to 1.2 million carats per quarter is currently progressing ahead of schedule and the beneficiation strategy detailed on 30 November 2016 continues to be developed. The Company remains on track to achieve operational profitability on or before the end of July 2017 as announced on 13 December 2016.

RICHLAND

RESOURCES LTD

Financial Statements

Richland Resources Ltd

Consolidated statement of profit or loss
for the Year Ended 31 December 2016
(Audited)

	<u>2016</u> US\$ '000	<u>2015</u> US\$ '000
<u>CONTINUING OPERATIONS</u>		
Revenue	1,347	704
Cost of sales	<u>(3,033)</u>	<u>(997)</u>
Gross loss	(1,686)	(293)
Other income	489	67
Operating expenses	<u>(1,754)</u>	<u>(1,961)</u>
Operating loss	(2,951)	(2,187)
Finance cost	<u>(46)</u>	<u>(14)</u>
Loss before taxation	(2,997)	(2,201)
Income tax charge	<u>-</u>	<u>-</u>
Loss for the year from continuing operations	(2,997)	(2,201)
<u>DISCONTINUED OPERATIONS</u>		
Loss for the year from discontinued operations	<u>-</u>	<u>(3,312)</u>
Loss for the year	<u>(2,997)</u>	<u>(5,513)</u>
Attributable to:		
Equity owners of the parent	(2,997)	(2,201)
- Continuing operations	-	(3,312)
- Discontinued operations	-	-
Non-controlling interest – Discontinued operations	-	-
Other comprehensive income		
Loss for the year	(2,997)	(5,513)
<i>Items that may be reclassified to profit or loss:</i>		
Foreign exchange gain/(loss) on translation of foreign operation	<u>171</u>	<u>(442)</u>
Total comprehensive loss for the year	<u>(2,826)</u>	<u>(5,955)</u>
Attributable to:		
Equity owners of the parent	(2,826)	(5,955)
- Continuing operations	(2,826)	(2,643)
- Discontinued operations	-	(3,312)
Non-controlling interest – Discontinued operations	-	-
Total comprehensive loss for the year	<u>(2,826)</u>	<u>(5,955)</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)	(1.36)	(1.01)
Basic and diluted loss per share from discontinued operations (US cents/share)	-	(1.52)
Basic and diluted loss per common share from all operations (US cents/share)	(1.36)	(2.53)

RICHLAND

RESOURCES LTD

Richland Resources Ltd
 Consolidated statement of financial position
 as at 31 December 2016
 (Audited)

	2016 US\$ '000	2015 US\$ '000
Assets		
Non-current assets		
Property, plant and equipment	2,952	3,306
Intangible assets	31	79
Total non-current assets	2,983	3,385
Current assets		
Inventories	136	243
Trade and other receivables	226	202
Restricted cash and cash equivalents	274	389
Cash and cash equivalents	326	1,564
	962	2,398
Non-current assets and disposal groups classified as held for sale	50	50
Total current assets	1,012	2,448
Total assets	3,995	5,833
Equity		
Share capital	67	65
Share premium	51,875	51,711
Share option reserve	47	-
Foreign currency translation reserve	27	(144)
Accumulated loss	(49,839)	(46,842)
Total equity attributable to equity owners of the parent	2,177	4,790
Liabilities		
Non-current liabilities		
Provision for environmental rehabilitation	237	337
Trade and other payables	29	58
Total non-current liabilities	266	395
Current liabilities		
Trade and other payables	937	563
Convertible loans	530	-
	1,467	563
Liabilities associated with disposal groups classified as held for sale	85	85
Total current liabilities	1,552	648
Total liabilities	1,818	1,043
Total equity and liabilities	3,995	5,833

RICHLAND

RESOURCES LTD

Richland Resources Ltd
 Consolidated statement of cash flows
 for the Year Ended 31 December 2016
 (Audited)

	<u>2016</u>	<u>2015</u>
	US\$ '000	US\$ '000
Cash flows from operating activities		
Cash utilised by operations	(1,727)	(2,632)
Interest received	5	3
	(1,722)	(2,629)
Net cash utilised in operating activities		
Cash flows from investing activities		
Purchase of property, plant and equipment	(100)	(670)
Purchase of intangible assets	(7)	(79)
Proceeds from disposal of group, net of cash and overdraft disposed	-	4,401
Minority shareholders' share of proceeds from Sky	-	(46)
Purchase of interest in subsidiary	-	(2)
Transfer from/(to) restricted cash	116	(181)
	9	3,423
Net cash generated from investing activities		
Cash flows from financing activities		
Proceeds from convertible loans	500	-
	500	-
Net cash generated from financing activities		
	500	-
Net (decrease)/increase in cash and cash equivalents	(1,213)	794
Movement in cash and cash equivalents		
Exchange losses	(25)	(75)
At the beginning of the year	1,597	878
(Decrease)/increase	(1,213)	794
At the end of the year	359	1,597
Cash and cash equivalents - continuing operations	326	1,564
Cash and cash equivalents net of borrowings included in asset from disposal group classified as held for sale	33	33