

7 August 2017

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

Interim Results for the half-year ended 30 June 2017 (unaudited)

Richland (AIM: RLD), the Australian sapphire producer and gemstones developer, announces its unaudited interim results for the half year ended 30 June 2017.

Highlights:

Financial Summary

- US\$1.18 million total income representing a 66 per cent. increase compared to H1 2016 (US\$0.71 million)
 - Income includes an Export Market Development Grant received of US\$38,000 (H1 2016: US\$ Nil)
 - Income includes fuel rebates of US\$60,000 (H1 2016: US\$67,000)
- 15% negative gross margin (110% negative gross margin in H1 2016)
- Operating loss of US\$0.96 million (H1 2016: US\$1.46 million loss)
- As at 30 June 2017
 - US\$0.3 million of unrestricted cash and cash equivalents
 - US\$4.2 million of total assets
 - US\$1.1 million of total current assets
 - US\$3.1 million of total non-current assets

Operational Summary - Capricorn Sapphire mine, Queensland, Australia

- Mine ramp-up process completed during Q2 2017
 - Q2 2017 production target of 1.2 million carats ("cts") achieved
- 1.96 million cts produced during H1 2017 comprising:
 - 0.70 million cts produced during Q1 2017
 - 1.26 million cts produced during Q2 2017
- 114.3 thousand tonnes of material processed during H1 2017
 - 42.4 thousand tonnes during Q1 2017
 - 71.9 thousand tonnes during Q2 2017
- Average grade of 17.2 cts per tonne achieved for H1 2017
- Approximately US\$341,000 revenue achieved from the following sales concluded during Q1 2017
 - 177,000 cts of mid to higher quality sapphires sold at an average price of US\$1.73 / ct
 - 691,000 cts of lower quality rough, untreated corundum and sapphire sold at an average price of 5 cents / ct

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- Approximately, US\$689,000 revenue achieved from the following sales concluded during Q2 2017
 - 163,000 cts of mid to higher quality sapphires sold at an average price of US\$3.89 / ct
 - 231,000 carats of lower quality rough, untreated corundum and sapphire sold at an average price of 23 cents / ct
- Project-level costs for Capricorn Sapphire of approximately US\$647,000 for Q1 2017
 - Production and Operating costs of US\$497,000 (net of quarterly fuel rebate of US\$23,000)
 - Production and Operating costs excludes, interest, royalties, tax, depreciation and amortisation
 - Capex cost in relation to ramp-up infrastructure work of US\$150,000
 - Average project-level cost per carat of US\$0.93 / ct including Capex costs
- Project-level costs for Capricorn Sapphire of approximately US\$780,000 for Q2 2017
 - Production and Operating costs of US\$703,000 (net of quarterly fuel rebate of US\$37,000)
 - Production and Operating costs excludes, interest, royalties, tax, depreciation and amortisation
 - Capex cost in relation to final ramp-up infrastructure work of US\$77,000
 - Average project level cost per carat of US\$0.62 / ct including Capex costs
- **Marketing activity:** First Capricorn Sapphire Sightholders appointed
 - Entered into both a sightholder agreement and an exclusivity and supply agreement for the project's production of green sapphires with Royal Touch LLC ("**Royal Touch**") and a sightholder agreement with China Stone Co, Ltd ("**China Stone**")

Corporate

- Settlement of certain outstanding director's fees via the issue of 1,371,576 common shares

Post Period Update

- Maiden JORC Resource of EPM 25973
 - Maiden independent inferred JORC resource of 5 million loose cubic meters ("**lcm**") of sapphire bearing gravel at an estimated average grade of 3.5 grammes per lcm (17.5 carats per lcm) estimated for Capricorn's exploration licence EPM 25973
 - Resource estimation equates to approximately 87.5 million carats in the ground

Commenting on the results, Chief Executive Officer, Bernard Olivier said:

"During Q2 2017, as well as achieving our ramp-up target of 1.2 million carats per quarter, our Q2 revenue covered over 95% of our Q2 Production and Operating costs for the Capricorn Sapphire project as we implemented the final ramp-up stage.

"I would particularly like to draw shareholders' attention to the quarterly production and sales breakdown. Operational ramp-up and sales initiatives have combined to enable us to mine both more efficiently and achieve higher revenue for our product as we seek to develop our brand. The

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quarterly comparisons within the period serve to demonstrate that we can maximise margins from a steady run of mine rate at Capricorn Sapphire.

“Richland remains firmly on schedule to achieve operational profitability from July 2017 onwards at its Australian Sapphire operations, as previously guided.”

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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.

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Chairman's Statement

Dear Shareholder,

On behalf of the Board, I am pleased to present the Group's unaudited results for the six months to 30 June 2017 and to update you on the Company's progress.

During the reporting period, we have successfully implemented the final phase of our production ramp-up to a run rate of approximately 1.2 million carats per quarter at our Capricorn Sapphire mine in Queensland, Australia. During the period, as part of the ramp-up process, capital expenditure of approximately US\$227,000 was committed to infrastructure development and improvement works.

Despite the final phase ramp-up process, we have also managed to further enhance recoveries and minimise costs with the production and operating costs per carat falling from 0.71 cents in Q1 to 0.56 cents in Q2. These production and operating costs figures exclude interest, royalties, tax, depreciation and amortisation.

During the period, we also launched our new Capricorn Sapphire Sightholder Sales System with the appointments of Royal Touch LLC ("**Royal Touch**") and China Stone Co, Ltd as Capricorn Sapphire Sightholders. In addition, we entered into an Exclusivity and Supply agreement with Royal Touch in respect of fully heated green sapphires. Under the terms of this agreement, Capricorn Sapphire is now supplying Royal Touch with all of the Company's production of heated green sapphires on an exclusive basis for the majority of the size fractions. We are also currently working on developing further sales and marketing channels.

As the Capricorn Sapphire Project approaches profitability, the Company will now focus greater attention on its exploration and expansion work, primarily in Central Queensland but also through the evaluation and potential acquisition of new additional projects in order to continue our growth plan for Richland into becoming a world-leading gemstone and associated minerals producer.

I am delighted with the group's progress and the team's considerable efforts during the period and look forward to the further development of our sales channels.

Mr Edward Nealon
Non-Executive Chairman

7 August 2017

1. Financial Performance

Revenue for the period was US\$1.08 million compared to US\$0.64 million in H1 2016, representing an increase of approximately 69 per cent. Revenue comprises US\$1.03 million from Sapphire and Corundum sales and US\$50,000 from online sales. During H1 2017, US\$38,000 was received from an Australian Export Marketing Development grant and US\$60,000 as fuel rebates from the Australian fuel tax scheme.

Operating loss for the period decreased by approximately 34 per cent., from US\$1.455 million in H1 2016 to US\$0.964 million primarily as a result of the increase in revenue. The operating loss reflects the significant costs associated with the final phase of mine ramp-up at the Capricorn Sapphire project.

The Company had net unrestricted cash available of US\$0.3 million at the period end compared to US\$0.4 million as at H1 2016.

Total non-current assets were US\$3.1 million at the period end, which primarily reflects the acquisition costs and capital expenditure associated with the Capricorn Sapphire project.

2. Operational Overview

2.1 Capricorn Sapphire Project

Production and Sales

Sapphire production totalling approximately 1.96 million cts was achieved in the first half of 2017 during the mine ramp-up process. A total of 114,300 tonnes of sapphire-bearing alluvial gravels were extracted and processed at an average grade of approximately 17.2 cts per tonne. Production comprised 0.70 million cts during Q1 2017 whilst 1.26 million cts were produced during Q2 2017.

During the period, 1.262 million cts were sold at an average price of US\$0.81 per ct resulting in total revenue for the period of US\$1.03 million from sapphire and corundum sales of which US\$0.341 million was achieved in Q1 and US\$0.689 million in Q2, representing a 102 per cent. increase in quarter on quarter revenue. A total of 341,000 cts of mid to higher quality sapphires were sold at an average price of US\$2.77 per ct, whilst 922,000 cts of lower quality, rough and untreated sapphire and corundum was sold at an average price of 10 cents per ct.

H1 2017 Production and Operating costs totalled US\$1.2 million, net of quarterly fuel rebates. Production and Operating costs exclude, interest, royalties, tax, depreciation and amortisation. Production and Operating costs increased 41 per cent. from US\$497,000 in Q1 to US\$703,000 in Q2 whilst the estimated average cost per carat fell from US\$0.71 in Q1 to US\$0.56 in Q2. Average project-level costs, inclusive of Capex infrastructure costs associated with the final ramp-up phase, fell from US\$0.93 per carat in Q1 to US\$0.62 per carat in Q2.

Infrastructure upgrade

During the period, further improvements were made to all aspects of the Capricorn Sapphire project's operations, including improvements to the processing plant, tailings dam and water re-treatment infrastructure, mining operations and a sorting facility, in order to achieve the planned final mine ramp-up production rate of in excess of 1.2 million cts per quarter.

Appointment of First Sightholders and Exclusivity Agreement

During the period, the Company implemented its Capricorn Sapphire Sightholder Sales System with the appointment of Royal Touch LLC ("**Royal Touch**") and China Stone Co, Ltd as Capricorn Sapphire Sightholders. In addition, the Company entered into an Exclusivity and Supply

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agreement with Royal Touch in respect of its fully heated green sapphires. Under the terms of this agreement, Capricorn Sapphire are now supplying Royal Touch with all of the Company's production of heated green sapphires on an exclusive basis for the majority of the size fractions. Such sapphires are heated at Capricorn Sapphire's beneficiation facility in Thailand. As part of the agreement the Company is also guaranteeing Royal Touch a minimum monthly supply of heated green sapphires to enable it to commit to the marketing and market development of such rare and exceptional coloured sapphires.

2.2 Online sales

The online sales division (www.richlandgemstones.com) was re-launched in June 2016 and a selection of exotic sapphires from our mine production is available for sale through our dedicated website. Sales revenue achieved via the online sales division was down approximately 29 per cent. in H1 2017 compared to H1 2016, from US\$70,000 to US\$50,000. Consequently, the online sales division made an approximate loss of US\$27,500 and the Company is therefore currently reviewing the feasibility of this division, its future prospects and its contribution to the market and brand development for Capricorn Sapphire. The online sales division currently continues to source both tanzanite and tanzanite jewellery from the Merelani tanzanite deposit which is also available for sale on the website.

3. Corporate Activity

On 19 April 2017, the Company announced the conversion and satisfaction of certain unpaid director's fees for the period 1 April 2016 to 1 April 2017 through the issue of 1,371,576 new common shares in order to conserve the Company's cash resources. These shares were issued at a price of 1.74 pence per new common share representing an approximate premium of 132 per cent. to the Company's closing mid-market share price of 0.75 pence on 18 April 2017.

During H1 2017, the Company launched its social media sites (www.facebook.com/Australiansapphire and @Aussapphire Twitter handle) as well as releasing a promotional video to showcase its Capricorn Sapphire operations, created for both investors and consumers alike. This informative video can be viewed on the Company's website homepage at: www.richlandresourcesltd.com.

4. Post Period End

The Company announced earlier today receipt of a maiden independent JORC Inferred Resource estimate of 5 million loose cubic metres ("lcm") of sapphire bearing gravel at an estimated average grade of 3.5 g per lcm (17.5 carats per lcm) for Capricorn Sapphire Pty Ltd's wholly owned EPM 25973 exploration licence, which was commissioned earlier this year based on a review of historic third party exploration work conducted on the licence area. This Resource estimation equates to approximately 87.5 million carats in the ground. As announced previously, the exploration licence was granted by the Queensland Government in November 2015 and is 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). This exploration licence, together with the EMP 25978 licence awarded at the same time, were previously identified and selected as hosting sapphire bearing palaeo-alluvial terraces with adjoining reworked colluvial and alluvial deposits. Historical sampling of the terraces by third parties recovered sapphire samples from the basal gravels.

Licence EPM 25973 has an exploration area of 39 sub-blocks (133 square kilometres) located within the Anakie sapphire deposit in Central Queensland within 45km of the Company's existing Nardoo operations.

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Glossary

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

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Financial Statements

Richland Resources Ltd

Condensed Consolidated Statement of Profit and Loss
For the Half Year ended 30 June 2017
(Unaudited)

	H1 2017	H1 2016	FY 2016
	\$'000	\$'000	\$'000
<u>CONTINUING OPERATIONS</u>			
Revenue	1,078	639	1,347
Cost of sales	(1,240)	(1,341)	(3,033)
Gross loss	(162)	(702)	(1,686)
<i>Gross margin %</i>	<i>(15%)</i>	<i>(110%)</i>	<i>(125%)</i>
Other income	98	67	489
Operating expenses	(900)	(820)	(1,754)
Operating loss	(964)	(1,455)	(2,951)
Financing costs paid	(2)	(6)	(46)
Loss before income tax	(966)	(1,461)	(2,997)
Income tax credit/(charge)	-	-	-
Loss after income tax from continuing operations	(966)	(1,461)	(2,997)
Basic and diluted EPS from continuing operations (cents per share)	(0.23)	(0.67)	(1.36)

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Richland Resources Ltd
Consolidated Statement of Financial Position
As at 30 June 2017 (Unaudited)

	H1 2017 \$'000	H1 2016 \$'000	FY 2016 \$'000
Non-current assets			
Property, plant and equipment	3,080	3,248	2,952
Intangible assets	35	84	31
Total non-current assets	3,115	3,332	2,983
Current assets			
Inventories	154	363	136
Trade and other receivables	288	254	226
Restricted cash	292	396	274
Cash and cash equivalents	299	440	326
	1,033	1,453	962
Non-current assets and Disposed Group classified as held for sale	50	50	50
Total current assets	1,083	1,503	1,012
Total assets	4,198	4,835	3,995
Equity			
Share capital	125	67	67
Share premium	53,836	51,875	51,875
Share option reserve	85	-	47
Foreign currency translation reserve	117	(94)	27
Accumulated loss	(50,805)	(48,303)	(49,839)
Total equity	3,358	3,545	2,177
Non-current liabilities			
Provision for environmental rehabilitation	261	354	237
Trade and other payables	-	30	29
Total non-current liabilities	261	384	266
Current liabilities			
Trade and other payables	494	471	937
Interest-bearing borrowings	-	350	530
	494	821	1,467
Liabilities associated with Disposed Group classified as held for sale	85	85	85
Total current liabilities	579	906	1,552
Total liabilities	840	1,290	1,818
Total equity and liabilities	4,198	4,835	3,995

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Richland Resources Ltd
Condensed Consolidated Statement of Cash Flows
For the Half Year Ended 30 June 2017
(Unaudited)

	H1 2017 \$'000	H1 2016 \$'000	FY 2016 \$'000
Cash flows from operating activities			
Cash absorbed by operations	(771)	(1,371)	(1,727)
Financing cost (paid)/received	(9)	5	5
Net cash used in operating activities	(780)	(1,366)	(1,722)
Cash flows from investing activities			
Purchase of property, plant and equipment	(258)	(122)	(100)
Purchase of intangible assets	(2)	(5)	(7)
Transfer to restricted cash	-	-	116
Net cash (used in)/provided by investing activities	(260)	(127)	9
Cash flows from financing activities			
Cash proceeds from issue of shares	1,025	-	-
Proceeds from convertible loans	-	350	500
Net cash generated from financing activities	1,025	350	500
Net decrease in cash and cash equivalents	(15)	(1,143)	(1,213)
Movement in cash and cash equivalents			
Exchange losses	(12)	19	(25)
At the beginning of the period	359	1,597	1,597
Decrease	(15)	(1,143)	(1,213)
At the end of the period	332	473	359
Cash and cash equivalents - continuing operations	299	440	326
Cash and cash equivalents net of borrowings included in asset from Disposed Group classified as held for sale	33	33	33