RICHLAND

RESOURCES

RICHLAND RESOURCES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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FOR THE YEAR ENDED 31 DECEMBER 2013

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

Dear Fellow Shareholder,

The 2013 financial year was another extremely challenging period for the Company, especially regarding its tanzanite mining operations in Tanzania. TanzaniteOne Mining Limited ("**TML**" or "**TanzaniteOne**"), the wholly-owned subsidiary of Richland, faced significant operational challenges as a direct result of severe undermining by illegal miners.

Licence negotiations with Government

During 2013, TML concluded negotiations with the Tanzanian Government (the "**Government**") and the State Mining Corporation of Tanzania ("**STAMICO**") regarding a co-ownership structure of the Block C Mining Licence as summarised below:

Date	Event
2 May 2013	Letter of Intent ("LOI") signed with STAMICO
20 June 2013	TML and STAMICO issued 10-year mining licence on a 50:50 basis.
5 December 2013	Joint Venture Agreement signed with STAMICO and TML appointed as mine operator (the "STAMICO Agreement"), with STAMICO undertaking to use its best endeavour to liaise with Government in stopping rampant tanzanite smuggling and stopping large scale illegal mining operations in the Mining Licence Area.

We believed that the above agreements would secure a long-term licence for our tanzanite operations and significantly curtail the illegal mining, security and theft issues, however, as referred to below illegal mining remains a major issue.

Illegal Mining

The significant increase in illegal underground mining into TML's operations during 2012 continued in 2013, with the illegal miners entering underground from neighbouring blocks. The illegal mining activities have resulted in significant danger to our employees and very substantial damage to our mining infrastructure at Bravo, Delta, Investor and CT-Shafts; with considerable theft of gemstones, especially those of high quality and damage to underground infrastructure and equipment. Due to the aggressive nature of these incursions, which included shooting of firearms and the use of home-made explosive devices, it has proved very difficult to maintain proper security at the mine site and the risk to our staff is substantial.

Following the issue of the Mining Licence, the Government co-ordinated an initial effort to clear illegal miners from Block C. Tragically during this operation, Mr. Mushi, a TML employee who was assisting police was shot dead by illegal miners. Subsequently, in August 2013, the operation removed illegal miners from the northern area of Block C. Since that time, no further physical action has been taken by the Government to clear illegal miners from the other areas of Block C, with the result that safe and productive mining cannot be carried out by the Company across all of Block C.

With good reason, the Board had anticipated that following the formalisation of the joint venture with STAMICO, in December 2013, the illegal miners in Block C would be removed, allowing reinvestment in the mining infrastructure and therefore boosting production. However, due to Government inaction, we continue to be unable to operate in most of the mining areas in the Mining Licence Area.

Mine Production

Whilst the mine was able to increase production to 3.4 million carats from 2.7 million carats in 2012 the quality of stones mined was of a lower quality than earlier years as mining activity was predominantly restricted to Main Shaft and parts of Investor Shaft with limited or no access to many known high quality areas. This lower quality production adversely affected revenue.

Financial Summary

In US$M	**2013**	**2012**	**Movement**
Revenue	11.6	16.4	(29%)
After tax loss	4.5	13.6	67%

As explained in the accounts and the Operational and Financial review for the year as a result of entering into the STAMICO Agreement only 50% of mine revenue and mine costs from 20 June 2013 onwards are recognised in these accounts.

Other Operational Issues

In February 2013, following a thorough loss assessment, the underwriters approved a US$ 1.44 million pay-out, as full and final settlement, against the insurance claim relating to the sort house theft in December 2012. Whilst 16 suspects were arrested in connection with the theft, we understand they have since been released.

In September 2013, we launched our online retail website at www.tanzaniteoneonline.com which although still in its early stages is already covering its costs, and announced a 'polished' sight holder agreement with Chow Tai Seng Jewellery Co. Ltd. ("**Chow Tai Seng**") for tanzanite jewellery to be marketed in China, where Chow Tai Seng have over 2,200 jewellery stores and counters.

In November 2013, we sold the Group's Dubai office for net sale proceeds of approximately US$ 640,000 and an accounting gain of approximately US$ 260,000.

Open Offer

In December 2013, we announced an Open Offer to shareholders which closed in January 2014 raising approximately £2.6 million (approximately US$ 4.53 million) net of which £588K (approximately US$ 958K) was contributed by the directors who in aggregate own 16.9% of our Company. The intention was that these monies would, subject to positive Government action on illegal mining, be used in Tanzania and to support the Group's diversification strategy. Due to continued Government inaction on illegal mining and smuggling after the year end, the board decided in April 2014 to undertake a Group wide strategic review of its operations and not to provide any further funding to TML until the conclusion of this review. We also need Government action to ensure a peaceful and secure environment for TML employees across the whole of the Mining Licence Area.

Reasons for April 2014 Strategic Review

The present TML operating structure will remain unprofitable due to it being set up for mining the entirety of Block C. The Company had maintained this cost structure on the basis of previous assurances from the Government. When the decision to undertake the review was not made the Government had not taken the anticipated security action, TML have informed STAMICO, and the Government, that until the Government enforces an environment at Block C where worker safety can be assured, and mining undertaken economically by TML that TML cannot continue to operate under its current cost structure and TML will not, due to safety concerns, sanction any attempt to restart mining across the whole of Block C.

I would like to thank all our shareholders, particularly those who participated in the Open Offer, and other industry stakeholders, for their continued loyalty and support during this challenging period, and we look forward to reporting more positive developments during 2014.

Last but by no means least, I would as a personal note, like to recognise the efforts of our employees. The financial results have not been good, but the operating environment in Tanzania is difficult and dangerous. Sadly, some employee may have to be made redundant due to the continued unwillingness of the Government to enforce its own laws.

Edward Nealon
Chairman

23 June 2014

FINANCIAL PERFORMANCE

The Group's financial performance summarised below has taken account of the State Mining Corporation of Tanzania ("STAMICO")'s 50% share of the results of the Joint Operation between STAMICO and TanzaniteOne Mining Limited ("TML" or "TanzaniteOne") post 20 June 2013.

Revenue for the year of US$ 11.6 million was 29% lower than prior year (2012: US$ 16.4 million). The decrease in revenue is primarily due to lower quantities of high grade tanzanite available for sale due to production constraints at the mine operated by TML arising from the continuing effect of illegal mining. In addition to this, following the joint venture agreement between TML and STAMICO, TML revenues for the second half of the year have been reduced to account for STAMICO's 50% share of mine revenue.

Cost of sales, selling and distribution and administrative expenses was US$12.2 million for the year, representing a decrease of 37% on prior year, primarily due to the Group's cost cutting measures, and following the joint venture agreement between TML and STAMICO, TML costs for the second half of the year have been reduced to account for STAMICO's 50% share of mine costs.

Other operating expenses for the year, of US$ 4.6 million, were 54% lower than prior year (2012: US$ 10 million) predominantly due to lower impairment charges and lower taxes and penalties.

Net loss for the year, as a result of the factors discussed above, was US$4.5 million against the prior year loss of US$ 13.6 million. The Group made a loss before interest, taxes, depreciation, amortisation and impairment ("EBITDA") of US$ 1.7 million for the year (2012: US$ 6.8 million).

The net book value of **property, plant and equipment** decreased from US$ 19.8 million at 31 December 2012 to US$ 17.2 million at 31 December 2013. The main capital expenditure drivers included US$ 1.2 million spent mainly on development of existing shafts to seek to access higher grade tanzanite ore bodies and on mining plant and equipment. This was offset by depreciation and amortisation charges of US$ 1.2 million and impairment charges of US$ 2.1 million. The impairment charge is explained in note 9 to the consolidated financial statements.

The Group's **inventory** of tanzanite decreased by 18%, to US$ 1.4 million, and is stated at its net realisable value.

The Group had US$ 0.4 million in **trade receivables** at year end, all of which was collected within 3 months of the year end.

The Group had a net **cash** position (net of overdraft) of US$ 0.5 million as at year end.

Key statistics:	FY 2013	FY 2012	Movement
EBITDA (loss)	$1.7 million	$11.3 million	85%
Net loss	$4.5 million	$13.6 million	67%
Revenue	$11.6 million	$16.4 million	(29%)
Gross margin	39%	25%	54%
Depreciation, amortisation and impairment	$3.5 million	$6.1 million	43%
Corporate administration and other operating costs	$1.7 million	$3.2 million	47%
Mine administration	$2.1 million	$3.9 million	28%
Tanzanite inventory stock	$1.4 million	$1.7 million	(18%)
Cash and cash equivalents excluding overdraft	$0.9 million	$1.5 million	(40)%
Carats recovered	3.4 million*	2.7 million	26%
Tonnes processed	30,906	33,287	(7%)
Carats per tonne	112	81	38%
On mine cash cost per carat	$3.47	$4.47	(22%)

* Includes STAMICO's share of joint operations production.

TANZANITEONE MINING LIMITED

Background

TML is a wholly-owned subsidiary of Richland Resources Ltd and is the largest and most scientifically advanced miner and supplier of tanzanite in the world. This unique position allows the opportunity to support and influence the entire mine-to-market process, ensuring that maximum stakeholder value is achieved at every stage. Tanzanite is growing in demand, not only because of its exquisite beauty, but also because of its inherent scarcity. Tanzanite is only found in one place on earth – in Tanzania – in the foothills of Mount Kilimanjaro.

The tanzanite resource is divided into five blocks. TML undertakes large scale mining in Block C, with medium scale mining undertaken by Kilimanjaro Mining in Block A and Tanzanite Africa in Block D-extension. The Company's neighbouring Blocks B and D are mined largely by artisanal miners. This poses a challenge for TML, notably in terms of undermining, whereby, the artisanal miners are mining into TML and STAMICO's designated license area. The Company's mining operation is considered a modern, low-cost operation and boasts an exemplary safety record. It applies international best practice in the design and implementation of its employment, social and environmental policies.

Mining

The Company again achieved a record volume production of tanzanite in 2013, with 3,448,886 carats (inclusive of STAMICO share) of tanzanite produced from processing 30,906 tonnes of ore. The average grade recovered was 112 carats per tonne, however, similar to 2012 (a) the average quality profile was lower than previous years and (b), the increase in production was achieved despite large scale illegal mining within the boundaries of our mining licence, which resulted in a significant reduction in the number of faces which could be mined.

As explained in the security section of this review illegal undermining again severely restricted the available mining areas and therefore mining operations concentrated in the following structures:

- Main Shaft
    - Mining and benching of the Level 67 limb boudins north;
    - Selective mining of the closely spaced ramping structures located between Level 68 and Level 77;
    - Continuation of selective mining, stoping and benching along the fold noses of fold stack (FS3) in the Level 77 structures, including both 77A and 77B towards the north and south;
    - Mining of Level 82 ramp structures towards the north and south; and
    - Exploration work at Pilot Shaft located at the bottom of Main Shaft at Level 94.
- Investor Shaft
    - Selective mining and stoping of the level 18 upper and lower fold structures and limbs;
    - Mining of the UF2 limb and fold structures and sub drives to the north and south at Level 21; and
    - Development and mining of the Level 23 sub-drive.

On Mine Cash Cost

The on-mine cash cost for the period reduced by 22% to US$ 3.47 per carat versus US$ 4.47 per carat for the previous reporting period. The decrease in the on-mine cash cost is attributed to the ongoing stringent control over costs as well as the effect of increased production, accounting for STAMICO and TML agreement, attention to efficiencies and recycling of used equipment remains a management priority. On mine cash costs include operating costs, mine administration costs and royalty charges incurred at the Merelani mine.

Processing

Processing and sorting takes place on site within purpose built infrastructure and facilities. The ore treatment plant, which includes a Dense Media Separator ("DMS"), has a current capacity estimated at approximately 10,000 tonnes per month on a single shift. The DMS concentrate passes through a fully automated optical sorting system, after which the concentrate is then hand sorted and graded. Rough tanzanite is sorted both manually and using a fully automated optical sorting and primary grading system, a world first within the coloured gemstones industry.

TANZANITEONE MINING LIMITED (CONTINUED)

Processing (continued))

The DMS plant processed 30,906 tonnes in 2013, thus leaving ample capacity to introduce a second shift should this be required.

Geology

The Geology Department, comprised of qualified geologists and surveyors continued to form an integral part of our business. The department is responsible for planning the location and interception of new mining structures and planning of off-reef development, undertaking analysis and providing data in a timely manner for optimised mining. Technical services provided by the department included all aspects of geology and survey. All faces being worked were visited, mapped, interpreted and the data collected and disseminated for communication to the Mining Department. Additionally the survey section updated all workings, prepared layouts, calculated tonnage and measured mining advances.

Licence Renewal and STAMICO agreements

A new Mining Licence ("ML") was granted to TML on 20 June 2013, which replaced the previous Special Mining Licence, which had expired in August 2012. The New Mining licence is held jointly, on a 50:50 basis, between TML and STAMICO. As part of the requirement for the new mining licence, TML executed a Letter of Intent ("LOI") with STAMICO on 3 May 2013 regarding the terms upon which it was intended that the new ML would be held, how operations thereunder would be conducted and how costs and revenue would be allocated.

On 5 and 12 December 2013 the STAMICO Agreements were signed between TML and STAMICO and govern the relationship between the parties, the operation of mining in the Mining Licence Area and the sharing of revenue, income and costs arising from mining in the Mining Licence Area. The STAMICO Agreements only relate to the mining operations in the Mining Licence Area and do not include other Group activities in Tanzania, including the Tsavorite Project and the trading activities of the Company's subsidiary TanzaniteOne Trading Limited which includes the Tanzanite Experience retail operations.

Under the STAMICO Joint Operation Agreement, both TML and STAMICO have a 50% undivided participating interest in the joint operation and STAMICO will reimburse TML a sum of US$ 4 million (inclusive of tax) in recognition of the expenditure incurred by TML in developing mine infrastructure prior to the date of the issue of the ML. This will be paid by STAMICO utilising 40% of its share of the net residual profit payable to STAMICO until the amount is paid in full.

TML and STAMICO have agreed to use their respective reasonable endeavours to curb tanzanite smuggling and illegal mining operations in the area to which the ML relates and which have had an adverse effect on the profitability of the operations under the ML and underground mining operations.

As a result of entering into the STAMICO agreements only 50% of mine revenue and mine costs from 20 June 2013 onwards are recognised in these accounts.

Security

TML continuously engaged with local law enforcement agencies and regional government institutions during 2013 in order to try and address the security situation and risk associated with the illegal mining activities affecting its operations. The year was characterised by a significant increase in both the extent of illegal mining and the level of aggression displayed by the illegal miners.

Every incident of illegal mining within the Block C licence area was reported to the office of the Resident Inspector of Mines in Merelani, as well as to the local police. Formal reports, indicating the extent of the issue, have been submitted to the relevant stake holders at all levels.

On 18 July 2013, a Government led and supported operation to expel the illegal miners, which included the Field Force - a division of the Tanzanian Police Force, as well as officials from the Ministry of Energy and Minerals ("MEM"), worked in conjunction with TML to re-enter areas of the Block C Merelani mine that were previously taken over by hostile illegal miners from neighbouring blocks.

TANZANITEONE MINING LIMITED (CONTINUED)

Security (continued)

On 19 July 2013 part of Level 18 in Investor Shaft was re-claimed by the Company following the assistance received from Government.

Tragically, on 21 July 2013, while the operation was still on-going, Mr Mushi, a Company employee, was shot and killed by an armed illegal miner underground at Level 23, in Delta shaft, in the presence of the Tanzanian Police Force. Following the killing a murder investigation was initiated.

Following the killing in Delta Shaft, the Government extended its operations, to address the illegal mining activities, into the Block C licence area. This resulted in the majority of the northern side of the Block C licence, including Investor and Delta Shafts, being cleared of illegal miners.

It was the Company's understanding that the second phase of the Government operation, to address and remove all illegal mining on the southern side of the Block C licence, including CT Shaft and Bravo Shaft, would commence shortly after the completion of the operation on the northern side. However, no such operation has been completed, to date, by the Government. Both CT and Bravo Shafts have therefore remained closed during 2013 due to the dangers posed to our work force by the illegal miners.

Illegal miners continue to display a total disregard for police and officials of MEM – with police being fired at underground when accompanying TML security personnel. The illegal miners have also made extensive use of Improvised Explosive Devices ("IED"), booby trapping the access tunnels and barricades, which they have built within TML's mining area. During the year both Richland and TML, continued its appeal to the Tanzanian Government to address the illegal mining within the Block C licence area.

The use of X-Scan (non-invasive personal search facility), used to detect tanzanite concealed upon a person, continued to remain the subject of discussion with Government during the year after a ban was imposed in 2010 due to concerns on the health of employees. This is despite a comprehensive investigation conducted by a team of professionals from the Tanzania Atomic Energy Commission as well as a multi-disciplinary medical team, found no evidence to support these concerns. Post the year end, approval has been granted to use the X-Scan machines which have been in storage. Quotes are being obtained to service and re-commission the machines.

On 2 December 2012, a break-in occurred at the Company's main sorting facility at its tanzanite mining operation. Approximately 89,066 grams of material with a total value of around US$ 1.46 million was stolen during the break-in. Approximately 6,955 grams of material was recovered by the Tanzania Police Force. Following a thorough loss adjuster's assessment, the Company received a total pay-out during the first quarter of 2013 of approximately US$1.44 million. The Sort House facility has been upgraded in accordance with the specifications of the insurers.

Safety

The Company achieved a Lost Time Injury Frequency Rating ("LTIFR") of 0.79 for 2013, which was significantly improved from the LTFIR of 1.19 in 2012. The decrease in LTIFR was achieved despite the continuing negative impact of the illegal mining activities on operations.

Each individual lost time injury is analysed with the aim of improving health and safety awareness and adherence to work related process and procedures. Management continues to address these issues at its management and union meetings as far as possible, given the challenges with addressing the illegal mining activities and the risk this activity poses to the TML workforce.

TML is committed to ensuring the health and safety of our employees. We continue to focus on a LTIFR free 2014, by reviewing and intensifying the regular inductions and refresher training to Company employees, adherence to policies and procedures in order to meet or better the required Safety Standards. TML workplace Safety Standards is based on International Occupational Health and Safety Standards.

TANZANITEONE MINING LIMITED (CONTINUED)

Training

Training during 2013 continued to focus on skills enhancement and exposure to outcome-based training and assessment. Training courses consisted of both theory and practical assignments. Practical evaluation was achieved through planned task observations, interviews, random inspections and verbal assessments.

The following certificates of excellence have been issued in 2013 after the successful completion of training courses:

Supervisory skills	3
Blasting Ticket Refresher Course	8
Explosive Handling/Support/Safety	10
Winder/Banksman/onsetter operator course	10
English courses	8
Swahili courses	8
Fire Fighting course	153
Basic Computer skills	12

Environment

Environmental training and awareness continued through inductions, toolbox meetings and presentations. Environmental monitoring, auditing and inspections continued as per the Environmental Management Plan.

During 2013 both the National Environment Management Council (“NEMC”) and Tanzania Mineral Audit Agency (“TMAA”) conducted site visits and inspections. The findings and recommendations received from both NEMC and TMAA are currently being addressed. Site Preventive and Corrective Actions were formulated and communicated, compiled and official feedback was provided to the TMAA and NEMC.

Human Resources

During 2013 there were significant management changes and restructuring within TML. Several work permit renewals for expatriates were denied on various grounds, including qualifications, localisation and other related policy issues. The majority of the vacant positions left by expatriates were subsequently filled by Tanzanians. During 2013 the average number of employees was 670 compared with 654 in 2012. Management continued to engage with employees through regular meetings in order to consolidate the productivity and relationship gains made in 2011 and 2012.

The evaluation of work performance continued during the year in terms of productivity and efficiency.

In executing day to day operations, the Company continued to be observant and compliant with labour laws and relevant legislation, its policies and procedures in recruitment, training and development, disciplinary regulations, administration of manpower and employee benefits and all other matters relating to human resources capital and or any other related issues were appropriate to improve outcomes and efficiency.

TML continued to provide free medical services to all employees and their family members from the mine site clinic and designated hospitals in Arusha and Moshi including contributions to members of the National Health Insurance Fund (NHIF).

TSAVORITEONE

In the light of the ongoing operational issues in Tanzania, Richland continued with its decision to tightly control expenditure on the project, but to also utilise the synergies with the tanzanite operation to enable the continuation of the tsavorite exploration programme.

During 2013, excavation and treatment of further large-scale bulk sampling continued alongside excavation of initial samples from prospective joint venture partners. During the year, bulk samples from the Ngrigo Creek area to the north west of Lemshuku were excavated and treated. Overall, bulk samples to date total some 460 cubic metres with results indicating that a potentially economic alluvial

TSAVORITEONE (CONTINUED)

operation is possible in the Lemshuku Project Area. Tsavorite recovered to date is in the range of between 8mm and 2mm in size with some bright, clear examples. Detailed work quantifying grade in g/loose cubic metre is continuing with preliminary estimates in the order of up to 1g tsavorite product per loose cubic metre in coarser cobble wash bands.

GRAPHITE PROJECT

The Company continued discussions regarding potential Joint Venturing of the Merelani Graphite project during 2013. The Merelani Graphite mine was operational between 1996 and 1998 before being converted to a tanzanite mining operation only. The exclusivity and right-of-first-refusal signed in March 2013, with a major international trading company regarding the graphite potential of Block C, lapsed in August 2013 without a definitive decision being reach regarding their future interest. The Company has therefore initiated discussions with other interested parties. Following the period end, Richland announced a Memorandum of Understanding with ASX quoted Kibaran to consolidate and mine both companies' graphite deposits in the Merelani region.

AUSTRALIAN SAPPHIRE PROJECT

In 2011 Richland entered into an option and exclusivity agreement to acquire an established sapphire project in Australia. The option remained valid during 2013 while the Company assessed the situation in Tanzania and its diversification programme.

On 4 June 2014, Richland exercised its option for the acquisition of 100 per cent. of the Nardoo Sapphire project in Queensland, Australia ("Nardoo"). The project was acquired by Richland for consideration of AUD$ 1.18 million (approximately US$ 1.10 million) and 18 million fully paid new common shares in Richland (approximately 8.3% of Richland's enlarged share capital) which will be issued after a three month escrow period.

Project highlights include:

- Rapid mine redevelopment of the Nardoo Sapphire project to bring this back into production, facilitated by previous mining on site until 2006;
- The Nardoo sapphire project has a well-defined resource and processing plant on site:
  - Measured JORC (2004) resource: 109 million carats (21.8 million grams) with an average grade of 20 carats per tonne (8 grams per loose cubic metre "LCM");
  - Existing plant capable of treating 200 LCM/hour and annual production of 4 million grams (20 million carats) of sapphire which Richland will be refurbishing as part of the mine restart; and
  - Priority now shifts to mine planning and engagement with regulators and stakeholders to fast track production.
- Richland is planning to use existing cash resources and working capital facilities to take the project into production by Q1 2015; and
- Sapphire with provenance to be sold through established Richland sales channels.

SALES AND MARKETING

The quality of the tanzanite produced during 2013 remained low due to the lack of high-quality production areas available to be mined by TML as a direct result of the illegal mining activities on the Block C licence area. The low quality mining product mix presented challenges to the sale and marketing team as customer programmes needed to be refocused onto lighter materials and sell-through of included material.

The product mix change happened at the same time as the marketing team was able to reposition smaller tanzanite into the recovering US market with a renewed focus of tanzanite into bricks and mortar retail stores. This became a trend established at the JCK Las Vegas Show in June 2013 and remained strong through the rest of the year, continuing into 2014. Jaipur polished inventory of the same material dropped over the corresponding period with polished prices strengthening in the smaller sizes.

The sell through of the entire production range remained a key focus for the sales team, with non-blue colour tanzanite being given specific analysis and strategies formulated to bring it into the mainstream product offering.

SALES AND MARKETING (CONTINUED)

The Chinese market was quiet for the first few months of the year with the once a decade leadership change causing the manufacturing and retail sector to pause and watch for direction changes.

Demand picked up again in May and remained strong through the year. Indications were that tanzanite would be sold during the winter and Chinese New Year seasons, which had not happened in the past. This increased demand had positive implications on polished stocks in the larger and mid sizes by year-end and will be a significant factor in 2014 for demand and price growth as wholesaler inventory reaches low points.

Illegal mining and unregulated supply of large size material continued to be a factor in volatility in the marketplace. Large rough and polished tanzanite was being taken into the Hong Kong market place directly from Arusha sources, somewhat holding back price recovery of this material until towards the end of the year.

With the US and Chinese markets showing simultaneous strength again late in the year, other markets had to compete on price and quality. The European designer market continued in its use of tanzanite from the previous year. The Japanese market has started programmes for smaller sized, top quality material, in particular for products combined with pearls.

Discussions in Hong Kong and Jaipur with the sight holders led to renewed sightholder contracts with an amended structure. The customer base is now organised into large scale sight holders, regular sight holders, and preferred marketing partners of varied supply. These changes positioned a new varying supply of goods to each customer to better focus on market strengths and marketing programmes to drive growth in demand and price. At the same time, a Polished Sightholder was appointed to position a direct-polished mine to market marketing programme in China.

URAFIKI GEMSTONES EPZ

The construction of the Urafiki cutting and polishing gemstone facility was completed in 2012. The facility has enabled the implementation of a sales and value add strategy. The 450m^2 facility has the potential capacity of 200,000 stones per annum. This capacity is large enough to cover all TML production affected by the ban on the export of one gram and above rough tanzanite from Tanzania and provides the basis of a processed trading operation.

During the year all the production from TML, affected by the ban on the export of one gram, was cut and polished through the mixture of traditional and precision cutting benches. The facility also provided production to support the expansion of The Tanzanite Experience retail operations and their proposed and ongoing franchise expansion.

Continued in-house training, to maintain and improve on cutting and polishing skills on the cutting benches brought online, remain key to the successful implementation of the value add strategy.

The TANZANITE EXPERIENCE ("TTE")

The Tanzanite Experience retail operations had sales of US$ 2.9 million for the year from its five stores, an increase of 21% over 2012. This was achieved through increased promotion and marketing activities in Tanzania resulting in growing awareness of the Tanzanite Experience's retail operations by both the local market and tourists. During the year, construction was completed on an additional retail outlet, The Manor, which is on route to the Ngorongoro Crater. Franchise expansion outside of Tanzania remains a key development item in the sales mix and TTE will continue to pursue and explore all avenues. More information on TTE is available on its website www.tanzaniteexperience.com.

TANZANITE FOUNDATION

The Tanzanite Foundation has achieved another successful year in promoting Tanzanite to the International Gem and Jewellery Industries, as well as to consumers. A record number of Tanzanite entries in various Industry Design Award competitions, as well as a significant presence in leading European *Haute Joaillerie* collections, are the result of an increase in awareness and popularity of the gem.

Tanzanite Foundation initiatives in 2013 included the on-going management of The Maasai Ladies' Project, an effort started in 2012 to teach a group of local Maasai Ladies how to make wire-wrap Jewellery with tumbled tanzanite donated by TML. The handmade pieces have proved popular, and are

TANZANITE FOUNDATION (CONTINUED)

being sold on websites and international television. The project has been completely sustainable to date, and the proceeds go back to the local community. The construction of the New Vision Orphanage in Merelani is also being completed with funds raised from the 2012 Kilimanjaro climb, as well as generous donations from the Vaibhav Group (Sightholder).

These meaningful and sustainable projects in the community outside the tanzanite mining area have kept TML and the Tanzanite Foundation in the industry media, adding value and entrenching credibility, making this year another highly successful, productive and impactful one. Consistent presence at Gem and Jewellery Trade Shows, Industry events, Educational Seminars and Conferences has helped disseminate information and build trust, focusing on empowering the market while entrenching our values for all participants operating in an ethically and socially conscious industry.

Tanzanite popularity grows while continuously proving to be an extremely marketable and saleable gemstone.

TANZANITEONE ONLINE

On 19 August 2013 Richland launched the start of its online retail business and website, TanzaniteOne Online (www.tanzaniteoneOnline.com), an online tanzanite boutique which sells both tanzanite stones and jewellery directly to consumers. Traditionally a wholesaler, this is the first time the Group has offered its gemstones directly to consumers, outside of Africa. The online boutique is also a member of the World Responsible Jewellery Council.

CORPORATE SOCIAL RESPONSIBILITY

Richland is committed to supporting the local communities in which it operates and in the case of TML, this includes not only its designated mining area but also the entire Simanjiro District and Manyara Region as a whole.

In 2013 the Company initiated several new initiatives and continued to support all its long-term community projects. New and existing projects/initiatives undertaken to the end of 2013 include:

- Completion and formal opening of the Nasinyai Police station;
- Ongoing monitoring of the Commissioning of the reverse osmosis plant (OR plant), opened in 2012 that provides purified drinking water to the local communities;
- Continued maintenance of the 14km road that links the Merelani village and tanzanite mining area to the Arusha and Moshi road network;
- New Vision Orphanage renovation and expansion project initiated after employees and board members of the Company raised money by successfully climbing Kilimanjaro;
- The on-going provision of water to over 2,000 villagers and 4,500 heads of cattle on a daily basis;
- On-going donation of our processing plant tailings to the local communities, which also serves as a community uplift project. The tailings contain tanzanite that is uneconomical for TML to extract. The main beneficiaries include Naisinyai Village, orphanage centres and non-governmental groups;
- On-going geological, mining, survey, safety, logistical, operational and other guidance to small-scale tanzanite miners in the area through our Small Miners Assistance Programme ("SMAP"). The aim of the programme is to develop and advance the entire tanzanite mining industry; and
- Provision of employment opportunities, not only to the local Naisinyai Village, but the entire Manyara.

CORPORATE ACTIVITIES

On 20 November 2013, the Company sold the Dubai Office for gross proceeds of approximately US$ 650,000 and net sale proceeds of approximately US$ 640,000 after deduction of all costs and taxes. The Dubai Office was recorded in the Group's accounts at US$ 390,000 and there was an accounting gain of US$ 260,000 on the sale.

On 18 December 2013 the Company announced that it was proposing to raise up to £4.0 million (approximately US$ 6.5 million) through the issue of up to 118,148,951 New Common Shares by way of a Placing and Open Offer at an issue price of 3.4 UK pence per New Common Share.

CORPORATE ACTIVITIES (CONTINUED)

On 16 January 2014, the Company announced that it had raised approximately £2.76 million (approximately US$ 4.5 million – gross; US$ 4.3 million - net) via the issue of 81,060,944 New Common Shares. This exceeded the Company's minimum fundraising target of £2.1 million.

Dr Bernard Olivier
Chief Executive Officer

23 June 2014

STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law 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

23 June 2014

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present this report, together with the audited consolidated financial statements for the year ended 31 December 2013 for Richland Resources Ltd ("the Company" or "Richland Resources") 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 the rare gemstone tanzanite via its subsidiary companies. Through its subsidiary, TanzaniteOne Mining Limited, the Group holds an interest in the mining licence over a property containing a significant proportion of the world's only known tanzanite resource (the "Mining Licence"). This interest was 100% until 20 June 2013 when a new mining licence was issued jointly on a 50:50 ownership basis to TanzaniteOne Mining Limited and the Tanzania State Mining Corporation ("STAMICO"). Pursuant to the Agreement dated 5 December 2013 but effective from 20 June 2013 between TanzaniteOne Mining Limited and STAMICO, TanzaniteOne Mining Limited has been appointed the operator of the mine in the Mining Licence area. The Group also conducts outside buying, operates beneficiation facilities, manages tanzanite grading and certification and markets both rough and polished tanzanite. The Group is also involved in exploration for other coloured gemstones.

GOING CONCERN

The Group made a loss for the year after tax of US$ 4,470,000 (2012: US$ 13,605,000) and had net cash inflow of US$ 101,000 (2012: net cash outflow of US$ 430,000). An impairment charge of US$ 2,143,000 (2012: US$ 4,441,000) was also recognised in the loss for the year. The underlying operating performance was negatively impacted by illegal mining and underground incursions at the mine operated by TanzaniteOne Mining Limited, a fully owned subsidiary of Richland Resources Ltd, which reduced the accessible mining area and had a severe and detrimental effect on the production profile and resulting revenues. Subsequent to year end, the Group was able to raise GBP2.76 million through an Open Offer placement. Continued disruption to 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.

In addition to this, the TanzaniteOne Mining Limited executive management team is working with the Government of the United Republic of Tanzania to resolve the recurring operational issues as part of the agreement to the renewed mining license for the subsidiary.

Considering the actions described above and the expectation that the Group will successfully be able to raise the required funding to meets 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 the 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 2013 and the consolidated statement of financial position at that date are set out on pages 28 and 29 of this report respectively. The Group recorded a loss of US$ 4.5 million (2012: US$ 13.6 million) for the financial year after non-controlling interest. Taking into account this loss, shareholders' equity at 31 December 2013 is US$ 17.8 million (2012: US$ 22.3 million). The directors have not declared a dividend (2012: Nil) as the Board feel it prudent to defer dividends until the remaining operational issues are resolved, market conditions strengthen and the Group returns to relative stable profitability.

A CLASS SHARE CAPITAL

At the time of Richland Resources Ltd ("Richland" or "Richland Resources") acquiring 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. This mechanism involved the creation of TanzaniteOne (SA) Limited ("TanzaniteOne SA"), a South African domiciled wholly-owned subsidiary of Richland Resources.

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 all or a portion of their A class shares, which offer shall be binding on Richland Resources for a period of 20 years from April 2004.

Upon valid acceptance of the offer by a TanzaniteOne SA A class shareholder, a share sale agreement will become effective between the disposing A class shareholder and Richland Resources. The disposing shareholder has a choice of making a Cash Acceptance or a Share Acceptance in respect of their A class shares. If the acceptance is a:

a) Share Acceptance, the disposing A class shareholder shall have the election to implement the purchase of their shares by exchanging one Richland Resources share (held by Rembrandt Nominees in London) for each A class share disposed of; or
b) Cash Acceptance, Richland Resources shall procure the sale of the number of Richland Resources shares, out of Rembrandt Nominees Limited, equal to the number of A class shares that the disposing A class shareholder wishes to sell. As such, the number of shares held by Rembrandt Nominees Limited will at all times equal the number of TanzaniteOne SA A class shares in issue. Sale costs incurred in the implementation of the Richland Resources offer shall be for the account of the disposing A class shareholder.

DIRECTORS

At the date of this report, the directors of the Company who have held office since 1 January 2013, unless otherwise stated are:

Edward Nealon (63), Chairman

Mr Nealon assumed Chairmanship of the Group on 27 June 2012. Mr Nealon is a geologist with 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 (63), 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, National Bank of Commerce Ltd, Tanzania Breweries Ltd, Kilombero Sugar Co Ltd, MultiChoice Tanzania Ltd and Niko Insurance Co (Tanzania) Ltd and has also been the Chairman of the Tanzania Chamber of Minerals and Energy from 2007 to 2012.

Dr Bernard Olivier (38), 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 dissertation covered all aspects of the Merelani Tanzanite deposit and formed the foundations of the development of the current mining operations. He has been closely associated with the gemstone tanzanite since 1999 and prior to joining the board he acted as a consultant to Richland Resources. Dr Olivier has been working as a geologist since 1998 and has worked throughout several of sub-Saharan African countries including Tanzania, South Africa, Zambia, Burundi, Malawi and Namibia. He also worked in Cambodia and the Philippines. He is executive director of Bezant Resources Plc (AIM: BZT) and non-executive director of LP Hill Plc (AIM: LPH).

DIRECTORS (CONTINUED)

Nicholas Sibley (76), Non-executive director

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

Farai Manyemba (40), Finance Director

Mr Manyemba is a Chartered Accountant. He is a holder of a B. Com (Accounting), B Compt (Accounting), Certificate in Theory of Accounting and a CA(Z). He has over 10 years of accounting and finance experience with a number of companies including Deloitte & Touche, Zimasco (Pty) Limited (chrome business) and Mimosa Platinum (Pty) Limited, a division of Aquarius Platinum. In January 2007, Mr Manyemba joined the business as financial manager and has been instrumental in group systems and controls, cost management and cash management, reporting and part of the team implementing various business plans of the Group. Mr Manyemba has been involved with mining industry in Southern Africa over the last 10 years. He resigned as a Director with effect from 30 April 2013. In July 2013 Farai re-joined the Group in the capacity of managing director of the Group's Tanzanian operations.

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 2013 and the number of meetings attended by each director is tabled below:

2013

Director	Number of meetings held whilst in office				Number of meetings attended			
	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation
Ami Mpungwe	6	1	3	1	5	1	3	-
Edward Nealon	6	1	3	1	6	1	3	1
Dr Bernard Olivier	6	-	-	1	6	-	-	1
Nicholas Sibley	6	1	3	1	6	1	3	1
Farai Manyemba*	1	-	-	1	-	-	-	-

* Resigned with effect from 30 April 2013.

2012

Director	Number of meetings held whilst in office				Number of meetings attended			
	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation	Board	Remuneration and Succession Planning	Audit and Risk Management	Nomi-nation
Ami Mpungwe	4	4	3	-	4	1	3	-
Edward Nealon	4	4	3	-	4	1	3	-
Dr Bernard Olivier	4	4	3	-	4	1	3	-
Nicholas Sibley	4	4	3	-	4	1	2	-
Farai Manyemba	4	4	3	-	4	1	3	-

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	14,311,788	-

(1) Options exercisable at £0.160327 per share up to 28 September 2019.

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 emolument of each director of the Group during the financial year are shown in the table below. Refer also Note 18 – Share options reserve for participation by the directors in the Company's Group Share Option Plan.

Director	Base salary/fees US$	Consulting fees US$	Other US$	Total US$
Ami Mpungwe	60,500(1)	120,000(2)	-	180,500
Edward Nealon	52,500(1)	-	-	52,500
Nicholas Sibley	47,500(1)	-	-	47,500
Bernard Olivier	40,000(1)	-	160,437(3)	200,437
Farai Manyemba	13,333	-	131,868(4)	145,201

(1) Fees accrued but not paid at 31 December 2013.

(2) The payment was for advisory and consultancy services for the financial year.

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

(4) The payment was for duties as executive director up to 30 April 2013 of Tanzanian subsidiaries and includes PAYE taxes payable in Tanzania.

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 and at least on a quarterly basis. Details of directors' attendance at these meetings are set out on page 16. 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.

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 2013 and as at the time of this report and their relevant qualifications and experience are set out on pages 15 and 16. 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	Indepen-dent
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
Farai Manyamba*	Zimbabwean	27 June 2012	Executive	No

* Resigned with effect from 30 April 2013.

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 tanzanite 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.

GROUP COMPANY SECRETARY

The Group Company Secretary, Mr 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 Tanzania. 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, 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.

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.

AUDIT AND RISK COMMITTEE (CONTINUED)

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 15 to 16.

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 and meets with them at least twice a year to:

- review the results and findings of the audit at year end and review at half 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 16.

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.

REMUNERATION AND SUCCESSION PLANNING COMMITTEE (CONTINUED)

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 17.

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 16.

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.

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 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 tanzanite mining is subject to a variety of risks such as damage to the Group's property due to illegal mining activities and the lack of enforceable security resulting in significant losses due to theft, cave-ins and other hazards. 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; the Tanzanian Management is in regular communication with the appropriate agencies of the Tanzanian Government in attempts to obtain protection for employees and TML's mining rights.

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 main operations in Tanzania 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.

Tanzanite price volatility

The profitability of the Group's operations is significantly affected by changes in realisable tanzanite prices. The price of tanzanite 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. The grading system for rough tanzanite, initiated during 2009, is affording the Group better marketing opportunities. However it has also to be noted, due to illegal mining, stolen and smuggled un-cut tanzanite representing an unspecified but significant share of the market is being sold into the market without payment of the appropriate taxes resulting in additional price volatility.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Group's most important assets are located in Tanzania and while Tanzania has a track record of stability and is a signatory to the Multilateral Investment Guarantee Agency, mineral exploration and mining activities may be affected to varying degrees by political stability and government regulations relating to the mining industry. Our security personnel are very limited in their effectiveness against illegal miners as the local authorities do not permit the use of force to counter the threat against our employees. Local police have been reluctant to be involved in curbing illegal activities and have rarely intervened. So far we are unaware of any successful prosecution of these criminals.

Local disturbances

The Group's mining operations in Tanzania have been and continue to be subjected to various surface and underground disturbances in the nature of illegal trespass and undermining within the Group's mining licence area. The Group has taken measures to protect the mine and the mining licence area from these risks, including the employment of trained security personnel and the installation of perimeter fencing. However the lack of action by the Government of Tanzania and its agencies (the "Tanzanian Government") in relation to enforcing security in the Mine Licence Area continues to have a significant adverse effect on the operations of TanzaniteOne Mining Limited.

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.

The Group's continued efforts to act as an exemplary corporate citizen in Tanzania should go some way to mitigating these risks. Unfortunately the illegal miners stealing stones from TML's area appear to make no such efforts.

RISK FACTORS AND MANAGEMENT (CONTINUED)

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.

A Group-wide share incentive scheme has been implemented for all staff. This has proven to be effective through all levels of management. The Group's human resources department has identified succession planning as a key imperative for the forthcoming year and will look for ways to reduce this potential exposure.

CORPORATE SOCIAL RESPONSIBILITY

Details of the Company's corporate social responsibility activities and initiatives are disclosed on page 11 of the Annual Report.

EVENTS SUBSEQUENT TO YEAR END DATE

Kibaran JV

On 5 February 2014, the Company announced the signing of a Non-Binding Memorandum of Understanding ("MoU") with ASX quoted Kibaran Resources Limited ("Kibaran") over consolidation and development, through a Joint Venture ("JV") of both companies' respective graphite assets located in Northern Tanzania.

Placing and Open Offer

On 16 January 2014 the Company announced, valid applications were received in respect of 52,119,766 Open Offer Shares from Qualifying Shareholders, representing approximately 44 per cent. of the total Open Offer Shares. This represents gross proceeds to the Company of approximately £1.78 million under the Open Offer. Of the 52,119,766 Open Offer Shares validly applied for, 28,843,721 Open Offer Shares were taken up by certain Shareholders and Directors pursuant to their Irrevocable Undertakings representing all of the irrevocable commitments.

As set out in the Circular, 28,941,178 Clawback Shares were placed with certain existing institutional and other new investors as part of a Placing and these have been issued from the balance of the Open Offer Shares for a further approximately £0.98 million.

In total, the Company has therefore raised approximately £2.76 million (approximately US$ 4.5 million gross; US$ 4.3 million net) via the issue of, in aggregate, 81,060,944 New Common Shares. Application has been granted by the London Stock Exchange for the admission of 81,060,944 New Common Shares to trading on AIM (the "New Shares") ("Admission").

Following the issue of the above mentioned New Common Shares, the Company's issued share capital will consist of 199,209,895 Common Shares.

Sapphire Project

On 4 June 2014, the Company announced that it has exercised its option for the acquisition of 100 per cent of the Nardoo Sapphire project in Queensland Australia ("Nardoo") through its 100% owned subsidiary Gregcarbil Pty Ltd incorporated in Australia. The project has been acquired by Richland for consideration of AUD$1.18 million (approximately GBP 653,000) and 18 million fully paid new common shares in Richland (approximately 8.3% of Richland's enlarged share capital) which will be issued after a three month escrow period.

EVENTS SUBSEQUENT TO YEAR END DATE (CONTINUED)

TRA Assessments

On 19 February 2014, the Tanzanian Revenue Authority ("TRA") issued a demand notice for 2007 year of income against TanzaniteOne Trading Limited ("TOTL"), a subsidiary of Richland Resources Ltd, demanding corporate tax on assessment amounting to TZS 869,477,026 (ca. US$ 522,400). The subsidiary responded to the notice on 24 February 2014 and TRA is yet to provide official response to the latest notice objection filed by the subsidiary. In the opinion of the Directors and the Company's tax advisors no additional material tax liabilities are expected to crystalize from the latest demand notice from the TRA.

Strategic review

On 14 April 2014, the Company announced that it is undertaking a Group wide strategic review of its operations, which will include a review of all costs, revenue optimization and best use of funds available for investment in gemstone projects. The reason for this review is that the improvements to security anticipated by the Company at the mine in the Mining Licence Area have not occurred. The mine is operated by TanzaniteOne Mining Limited. The consequence of this is that TanzaniteOne Mining Limited's employees continue to be unable to safely work in large parts of the Mining Licence area due to the on-going presence of illegal miners with a record of fatal attack on one employee and injuries to others and TanzaniteOne Mining Limited is not able to mine profitably with its current cost structure in the currently constrained mining area. The initial results of this ongoing review was announced on 11 June 2014.

Signed in accordance with a resolution of the directors.

Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd

23 June 2014

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF RICHLAND RESOURCES LTD

Report on the financial statements

We have audited the accompanying consolidated financial statements of Richland Resources Ltd and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the state of the Group's financial affairs as at 31 December 2013 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Bermuda Companies Act, 1981.

Emphasis of matter

We draw attention to Note 2(a) to these financial statements, which states that the Group incurred a net loss of US$ 4.47 million during the year ended 31 December 2013. This, along with other matters as described in Note 2(a), indicates the existence of a material uncertainty which may cast significant doubt about the ability of Richland Resources Ltd to continue as a going concern. Our opinion is not qualified in respect of this matter.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

TO THE MEMBERS OF RICHLAND RESOURCES LTD

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.

Nelson E. Msuya, FCPA-PP

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

23 June 2014

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2013 US$ '000	2012 US$ '000
Revenue	4	**11,587**	16,375
Cost of sales	6	**(7,113)**	(12,332)
Gross profit		**4,474**	4,043
Other income	5	**215**	-
Selling and distribution expenses	6	**(2,974)**	(2,931)
Administrative expenses	6	**(2,063)**	(3,954)
Other operating expenses	6	**(4,823)**	(10,116)
Operating loss		**(5,171)**	(12,958)
Finance costs	7	**(133)**	(213)
Loss before taxation		**(5,304)**	(13,171)
Income tax credit/(charge)	8	**834**	(434)
Loss for the year		**(4,470)**	(13,605)
Attributable to:			
Equity owners of the parent		**(4,481)**	(13,587)
Non-controlling interest	20	**11**	(18)
Other comprehensive income			
Loss for the year		**(4,470)**	(13,605)
Items that will not be reclassified to profit or loss:			
Foreign exchange gain/(loss) on translation of foreign operation		**8**	(69)
Total comprehensive loss for the year		**(4,462)**	(13,674)
Attributable to:			
Equity owners of the parent		**(4,473)**	(13,656)
Non-controlling interest	20	**11**	(18)
Total comprehensive loss for the year		**(4,462)**	(13,674)
Earnings per share attributable to the owners of the parent during the year			
Basic and diluted loss per share (US cents/share)	21.1	**(3.79)**	(11.50)

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 US$ '000	2012 US$ '000
Assets			
Non-current assets			
Property, plant and equipment	9	**17,239**	19,818
Intangible assets	10	**4,571**	4,506
Deferred income tax assets	11	**2,383**	1,549
Inventories	12	**81**	87
Total non-current assets		**24,274**	25,960
Current assets			
Inventories	12	**1,645**	2,346
Income tax recoverable	13	**168**	699
Trade and other receivables	14	**2,647**	5,156
Cash and cash equivalents	15	**897**	1,491
Total current assets		**5,357**	9,692
Total assets		**29,631**	35,652
Equity			
Share capital	16	**36**	36
Share premium	17	**46,855**	46,855
Convertible loans	25	**453**	-
Share option reserve	18	**896**	896
Foreign currency translation reserve	19	**(1,509)**	(1,517)
Accumulated loss		**(28,386)**	(23,905)
Total equity attributable to equity owners of the parent		**18,345**	22,365
Non-controlling interest	20	**(73)**	(84)
Total equity		**18,272**	22,281
Liabilities			
Non-current liabilities			
Provision for environmental rehabilitation	22	**74**	139
Total non-current liabilities		**74**	139
Current liabilities			
Trade and other payables	23	**8,388**	8,521
Current income tax payable	13	**2,199**	2,709
Borrowings	24	**576**	2,002
Provision for environmental rehabilitation	22	**122**	-
Total current liabilities		**11,285**	13,232
Total liabilities		**11,359**	13,371
Total equity and liabilities		**29,631**	35,652

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Common share capital US$ '000	A class share capital US$ '000	Total issued share capital US$ '000	Share premium US$ '000	Share option reserve US$ '000	Foreign currency translation reserve US$ '000	Accumu-lated loss US$ '000	Convertible loans US$ '000	Total equity attributable to shareholders US$ '000	Non-controlling interest US$ '000	Total equity US$ '000
Year ended 31 December 2013												
At start of year		35	1	36	46,855	896	(1,517)	(23,905)	-	22,365	(84)	22,281
Total comprehensive income for the year		-	-	-	-	-	8	(4,481)	-	(4,473)	11	(4,462)
Loss for the year		-	-	-	-	-	-	(4,481)	-	(4,481)	11	(4,470)
Foreign exchange loss on translation	*19*	-	-	-	-	-	8	-	-	8	-	8
Transactions with owners:												
Convertible loans – equity component	*25*	-	-	-	-	-	-	-	453	453	-	453
At end of year		**35**	**1**	**36**	**46,855**	**896**	**(1,509)**	**(28,386)**	**453**	**18,345**	**(73)**	**18,272**
Year ended 31 December 2012												
As start of year		35	1	36	46,855	896	(1,448)	(10,318)	-	36,021	(66)	35,955
Total comprehensive income for the year		-	-	-	-	-	(69)	(13,587)	-	(13,656)	(18)	(13,674)
Loss for the year		-	-	-	-	-	-	(13,587)	-	(13,587)	(18)	(13,605)
Foreign exchange loss on translation	*19*	-	-	-	-	-	(69)	-	-	(69)	-	(69)
At end of year		**35**	**1**	**36**	**46,855**	**896**	**(1,517)**	**(23,905)**	**-**	**22,365**	**(84)**	**22,281**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2013 US$ '000	2012 US$ '000
Cash flows from operating activities			
Cash generated from operations	26.1	**1,224**	2,150
Interest cost paid		**(75)**	(204)
Income tax paid	26.2	**(14)**	(10)
Net cash from operating activities		**1,135**	1,936
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(1,252)**	(1,414)
Proceeds on disposal of property, plant and equipment		**650**	-
Purchase of intangible assets (exploration expenditure)	10	**(162)**	(258)
Net cash used in investing activities		**(764)**	(1,672)
Cash flows from financing activities			
Proceeds from borrowings (convertible loans)		**453**	-
Repayment of borrowings		**(723)**	(694)
Net cash used in financing activities		**(270)**	(694)
Net increase in cash and cash equivalents		**101**	(430)
Movement in cash and cash equivalents			
Exchange gains		**8**	-
At the beginning of the year		**386**	816
Increase		**101**	(430)
At the end of the year	15	**495**	386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Richland Resources Ltd ("the Company") and its subsidiaries (together "the Group") mines, distributes and sells tanzanite, a precious stone found in Tanzania. The Group is also involved with exploration for other coloured gemstones.

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM II, Bermuda.

The Company has its primary listing on the Alternative Investment Market ("AIM") of the London Stock Exchange. The financial statements were authorised for issue by the directors on 23 June 2014.

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 for the year after tax of US$ 4,470,000 (2012: US$ 13,605,000) and had net cash inflow of US$ 101,000 (2012: net cash outflow of US$ 430,000). Moreover an impairment charge of US$ 2,143,000 (2012: US$ 4,441,000) was also recognised in the loss for the year. The underlying operating performance was negatively impacted by illegal mining and underground incursions at mine operated by TanzaniteOne Mining Limited, a fully owned subsidiary of Richland Resources Ltd, which reduced the accessible mining area and had a severe and detrimental effect on the production profile and resulting revenues. Subsequent to year end, the Group was able to raise US$ 4.3 million through an Open Offer placement. Continued disruption to 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.

In addition to this, the TanzaniteOne Mining Limited executive management team is working with the Government of the United Republic of Tanzania to resolve the recurring operational issues as part of the agreement to the renewed mining license for the subsidiary.

Considering the actions described above and the expectation that the Group will successfully be able to 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 the 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.

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 tanzanite resource – Note 2(l) and 28;
- The capitalisation of mine development costs – Note 2(j);
- 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(j), 2(n) and 9.
- The estimated useful lives of tangible and long-lived assets and the measurement of depreciation expense – Notes 2(j) and 8;
- Recognition of a provision for environmental rehabilitation and the estimation of the rehabilitation costs and timing of expenditure – Note 2(p);
- Whether to recognise a liability for loss contingencies and the amount of any such provision – Note 27;
- Recognition of deferred income tax assets, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes – Note 2(s);
- Determination of the net realisable value of tanzanite – Note 2(m);
- Determination of fair value of stock options and cash-settled share based payments – Note 2(o); and
- Whether the actions of the Tanzanian Government will be effective in curtailing illegal mining in the Mining Licence Area. Inaction by the Government could result in significant financial losses for the Group.

(d) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2013 and have a material impact on the Group:

- Amendment to IAS 1, 'Presentation of Financial Statements ' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment only affects presentation on the face of the statement of comprehensive income.
- IFRS 10, 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The impact of adopting of IFRS 12 has been increased disclosures in the financial statements.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of IFRS 13 has increased the extent of fair value disclosures in the financial statements.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. There are no other new or revised standards or interpretations issued and effective that would be expected to have a material impact on the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.
- Annual improvements 2010-2012 and 2011-2013 cycles – These are collections of 7 and 4 amendments to standards respectively as part of the IASB's programme to annual improvements. The amendments are all effective for annual periods beginning on or after 1 July 2014 and the directors are currently assessing the impact of these improvements on their financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(f) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Consolidation (continued)

(i) *Subsidiaries (continued)*

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.

(ii) *Joint arrangements*

The Group has assessed the nature of its joint arrangements and determined the TML/STAMICO arrangement to be a joint operation.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A joint operator shall recognise in relation to its interest in a joint operation:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

(g) 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, which is the Group's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to US$ at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to US$ at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss. Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Share capital

Ordinary 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.

(j) 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.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described in accounting policy 2(r).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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
earthmoving equipment	4 years
furniture, fittings and improvements to leased premises	6 years
infrastructure and surface buildings	12 years
plant, machinery and mining equipment	4 years
motor vehicles	5 years
office equipment	6 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.

(k) 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 and sufficient data exists to determine technical feasibility and commercial feasibility.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (continued)

Mineral licence

Mineral licence represents the cost incurred in respect of the tanzanite mining licence. The cost is amortised over the licence period.

(l) Determination of tanzanite resource

The Group estimates its tanzanite ore resources based on information compiled by Competent Persons as defined in accordance with the South African Code for Reporting of Mineral Resources and Mineral Reserves, prepared by the South African Mineral Resource Committee (SAMREC) under the auspices of the South African Institute of Mining and Metallurgy, March 2000. 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 tanzanite 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.

(m) 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.

Non-current inventories

Non-current inventories comprise rough gemstone specimen inventory and show jewellery. Non-current inventories are carried at the lower of cost and net realisable value. The cost of non-current inventory is based on the weighted average principle and includes expenditure incurred in acquiring the inventories.

(n) Impairment

Non-financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment (continued)

Non-financial assets (continued)

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. All individually significant receivables found not to be specifically impaired are then collectively assessed for impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping 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.

(o) 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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue

Sale of tanzanite

Revenue from the sale of tanzanite 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 tanzanite 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 tanzanite can be estimated reliably, there is no continuing management involvement with the tanzanite and the amount of revenue can be measured reliably.

(r) Expenses

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income 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 income taxes that arise from the distribution of dividends to A Class shareholders in South Africa are recognised at the same time as the liability to pay the related dividend.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

3 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incurs expenses, including revenue and expenses that relate to transactions with any of the Group’s other components.

An operating segment’s operating results are reviewed regularly by the Chief Operating Decision Maker (“CODM”) which in the case of the Group is the Board of Directors. The CODM makes decisions about the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group’s headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions.

Segment information is presented in respect of the Group’s business segment. The primary format, business segments, is based on the Group’s management and internal reporting structures.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

3.1 Business operating segments

The Group has five 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 tanzanite
- Trading: The purchase and sale of rough tanzanite and retail sales via the Tanzanite Experience Shops
- Exploration: The exploration of other coloured gemstones
- Marketing: The sale of cut and rough tanzanite and the promotion of tanzanite
- Online sales and lapidary: Online sales and cutting and polishing tanzanite

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

There are varying levels of integration between the Mining, Trading, and Marketing reportable segments. The integration includes the transfers of rough tanzanite. 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.

	Mining **2013** **US$'000**	Mining **2012** **US$'000**	Trading & TTE **2013** **US$'000**	Trading & TTE **2012** **US$'000**	Exploration **2013** **US$'000**	Exploration **2012** **US$'000**	Marketing **2013** **US$'000**	Marketing **2012** **US$'000**	Online sales & lapidary **2013** **US$'000**	Online sales & lapidary **2012** **US$'000**	Unallocated **2013** **US$'000**	Unallocated **2012** **US$'000**	Total **2013** **US$'000**	Total **2012** **US$'000**
External revenues	**8,084**	9,803	**4,379**	3,595	**-**	-	**238**	4,834	**160**	49	**(1,274)**	**(1,906)**	**11,587**	16,375
Finance costs	**(133)**	(213)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	**-**	**(133)**	(213)
Depreciation and amortisation of property, plant and equipment and intangible assets	**(1,192)**	(1,557)	**(60)**	(49)	**(4)**	-	**(42)**	(59)	**(37)**	(1)	**-**	**-**	**(1,335)**	(1,666)
Impairment charge	**(2,143)**	(4,441)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	**-**	**(2,143)**	(4,441)
Reportable segment (loss)/profit before income tax	**(3,289)**	(11,782)	**117**	(85)	**(19)**	(19)	**(220)**	313	**(314)**	(21)	**(1,581)**	**(1,577)**	**(5,304)**	(13,171)
Income tax credit/ (charge)	**888**	3,451	**(54)**	30	**-**	-	**-**	(3,856)	**-**	(59)	**-**	**-**	**834**	(434)
Reportable segment assets	**21,499**	25,840	**2,314**	2,315	**4,383**	4,248	**137**	1,178	**422**	603	**876**	**1,468**	**29,631**	35,652
Capital expenditure	**1,160**	998	**59**	144	**162**	259	-	-	**33**	271	**-**	**-**	**1,414**	1,672
Reportable segment liabilities	**5,976**	11,643	**754**	445	**6**	6	**3,938**	61	**46**	24	**1,092**	**1,192**	**11,812**	13,371

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

Geographical segments

The Mining, Trading and Exploration segments operate mining facilities and sales offices in Tanzania. 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.

	Revenues US$ '000	Non-current assets US$ '000
Geographical information		
31 December 2013		
Tanzania	**2,928**	**24,009**
India	**8,481**	**-**
Other countries	**178**	**265**
	11,587	**24,274**
31 December 2012		
Tanzania	11,492	25,280
India	4,834	-
Dubai	-	431
Other countries	49	249
	16,375	25,960

Major customers

Revenue from seven sight holders represents approximately US$ 7.1 million (2012: US$ 10.3 million) of the Group's total revenue.

4 REVENUE

	2013 US$ '000	2012 US$ '000
Sale of tanzanite	**11,587**	16,375

5 OTHER INCOME

Net gain on disposal of property, plant and equipment	**200**	-
Management fee income	**15**	-
	215	-

6 (A) EXPENSES BY NATURE

	2013 US$ '000	2012 US$ '000
Raw materials and consumables used	**(5,390)**	(6,195)
Auditors' remuneration	**(296)**	(311)
Royalties	**(203)**	(473)
Depreciation and amortisation of property, plant and equipment	**(1,335)**	(1,666)
Inventory write-off	**(228)**	(432)
Impairment charges of property, plant and equipment (Note 9)	**(2,143)**	(4,441)
Write back/(off) of trade receivables	**223**	(48)
Net foreign exchange gain/(loss) on working capital items	**773**	(240)
Directors' emoluments and consulting fees	**(639)**	(821)
Operating leases instalments	**(356)**	(296)
Employee benefits expense (Note 6(b))	**(5,307)**	(7,222)
Penalties and interests	**(242)**	(1,815)
Other expenses	**(1,830)**	(5,373)
Total of cost of sales, selling and distribution, administration and other operating expenses	**(16,973)**	(29,333)
Classified as follows:		
Cost of sales	**(7,113)**	(12,332)
Selling and distribution expenses	**(2,974)**	(2,931)
Administrative expenses	**(2,063)**	(3,954)
Other operating expenses	**(4,823)**	(10,116)
	(16,973)	(29,333)

(B) EMPLOYEE BENEFITS EXPENSE

	2013 US$ '000	2012 US$ '000
Wages and salaries	**(4,981)**	(6,808)
Social security contributions	**(288)**	(350)
Other employment benefits	**(38)**	(64)
	(5,307)	(7,222)

7 FINANCE COST

	2013 US$ '000	2012 US$ '000
Interest expense	**(126)**	(204)
Accretion expense – asset retirement obligation	**(7)**	(9)
	(133)	(213)

8 INCOME TAX CREDIT

	2013 US$ '000	2012 US$ '000
Current tax charge		
Current period	**-**	120
Prior periods*	**-**	3,810
	-	3,930
Deferred tax credit (Note 11)	**(834)**	(3,496)
Total income tax (credit)/charge	**(834)**	434

8 INCOME TAX CREDIT (CONTINUED)

	2013 US$ '000	2012 US$ '000
The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Loss before income tax	**(5,304)**	(13,171)
Taxation at 30%	**(1,591)**	(3,951)
Non-deductible expenses	**715**	103
Effect of tax rates in foreign jurisdictions	**(19)**	(60)
Deferred tax assets not recognised	**61**	532
Under provision in prior periods	**-**	3,810
Income tax (credit)/charge	**(834)**	434

*** Prior periods tax expense**

The Company has in all previous respective years prepared and submitted its tax returns, in Mauritius and South Africa, on the basis of its interpretation and understanding of its entitlement in terms of the double tax treaty between Mauritius and South African (the "Double Tax Treaty") which entitles the company to claim full credit for Mauritius tax "suffered" (the "Mauritius Tax") against the Company's South African tax liabilities.

In 2012, the South African Revenue Service ("SARS") advised the Company that pursuant to a review of the Company's South African tax returns for the years 2004 to 2008 it disallowed previously accepted tax credits.

The Company has lodged an objection to these Revised Assessments, as it believes that the basis upon which such Revised Assessments have disallowed all previously allowed foreign tax credits is incorrect and not supported by the interpretation of the wording of the Double Tax Treaty. In the opinion of the directors the Double Tax Treaty does not specifically require proof that all income and expenses are attributable to the Mauritius Permanent Establishment ("PE") in order to claim the foreign tax credit for taxes suffered in Mauritius.

9 PROPERTY, PLANT AND EQUIPMENT

31 December 2013	Cost US$ '000	Accumulated depreciation and impairment losses US$ '000	Carrying amount US$ '000
Computer and other equipment	**280**	**(212)**	**68**
Cutting and gemmological equipment	**119**	**(36)**	**83**
Development costs	**25,959**	**(13,762)**	**12,197**
Earthmoving equipment	**292**	**(292)**	**-**
Furniture, fittings and improvements to leased premises	**685**	**(501)**	**184**
Infrastructure and surface buildings	**4,449**	**(3,179)**	**1,270**
Plant, machinery and mining equipment	**6,144**	**(3,098)**	**3,046**
Motor vehicles	**830**	**(745)**	**85**
Assets under construction	**306**	**-**	**306**
	39,064	**(21,825)**	**17,239**

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment

31 December 2013	Opening balance US$'000	Additions US$'000	Transfers in/(out) US$'000	Disposal US$'000	Impair-ment* US$'000	Depre-ciation US$'000	Total US$'000
Computer and other equipment	98	47	(37)	-	-	(40)	68
Cutting and gemmological equipment	28	2	74	-	-	(21)	83
Development costs	13,900	990	(165)	(60)	(1,959)	(509)	12,197
Furniture, fittings and improvements to leased premises	234	26	26	(17)	-	(85)	184
Infrastructure and surface buildings	1,382	37	507	(373)	-	(283)	1,270
Plant, machinery and mining equipment	3,184	70	-	-	-	(208)	3,046
Motor vehicles	192	-	(14)	-	-	(93)	85
Assets under construction	800	80	(391)	-	(183)	-	306
	19,818	1,252	-	(450)	(2,143)	(1,238)	17,239

31 December 2012	Cost US$ '000	Accumulated depreciation and impairment losses US$ '000	Carrying amount US$ '000
Computer and other equipment	270	(172)	98
Cutting and gemmological equipment	43	(15)	28
Development costs	27,093	(13,193)	13,900
Earthmoving equipment	292	(292)	-
Furniture, fittings and improvements to leased premises	633	(399)	234
Infrastructure and surface buildings	3,906	(2,524)	1,382
Plant, machinery and mining equipment	6,074	(2,890)	3,184
Motor vehicles	844	(652)	192
Assets under construction	800	-	800
	39,955	(20,137)	19,818

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment

31 December 2012	Opening balance US$'000	Additions US$'000	Transfers in/(out) US$'000	Impairment* US$'000	Depreciation US$'000	Total US$'000
Computer and other equipment	88	21	1	-	(12)	98
Cutting and gemmological equipment	18	11	-	-	(1)	28
Development costs	18,226	831	-	(4,441)	(716)	13,900
Furniture, fittings and improvements to leased premises	247	93	(1)	-	(105)	234
Infrastructure and surface buildings	1,761	9	-	-	(388)	1,382
Plant, machinery and mining equipment	3,282	101	-	-	(199)	3,184
Motor vehicles	267	83	-	-	(158)	192
Assets under construction	535	265	-	-	-	800
	24,424	1,414	-	(4,441)	(1,579)	19,818

Security

Except for the equipment acquired through National Bank of Commerce (NBC) bank loan (refer note 24) with a carrying amount of US$ 563,000 as 31 December 2013 (2012: US$ 641,000), there are no other restrictions on title and no other property, plant and equipment has been pledged as security for liabilities.

**** Impairment charges***

Following an impairment review arising from continued losses and inability to access certain ore shafts due to illegal mining at TanzaniteOne Mining Ltd, a fully owned subsidiary of the Company, an impairment charge of US$ 2,143,000 (2012: US$ 4,441,000) was recognised during the year.

The review compared the recoverable amount of the non-current assets for each cash generating unit ("CGU") to the carrying value of the CGU. The economic assumptions used in this review were:

	At 31 December 2013	At 31 December 2012
Tanzanite average price per carat	$6.52	$8.10
Annual inflation rate	2.5%	2.5%
Discount rate	8%	8%

For purposes of testing for impairment of non-current assets of the Group's operating mine, a reasonably possible change could result in further impairment charges. The calculation is highly sensitive to changes in the key assumptions, and if the estimated cost of capital used in determining the pre-tax discount rate for the CGU had been 1% higher than management's estimates, the Group would have recognised a further impairment charge of US$ 2,662,000 (2012: US$ 3,670,000).

If the estimate for the annual inflation rate was increased by 1% the Group would have recognised a further impairment charge of US$ 6,230,000 (2012: US$ 7,786,000).

If the average price per carat decreased by 5% the Group would have recognised a further impairment charge of US$1,603,000 (2012: US$ 1,577,000).

10 INTANGIBLE ASSETS

31 December 2013	Cost US$ '000	Accumulated amortisation US$ '000	Carrying amount US$ '000
Exploration expenditure (Tsavorite)	**4,224**	**-**	**4,224**
Mining licence	**1,001**	**(654)**	**347**
	5,225	**(654)**	**4,571**
31 December 2012			
Exploration expenditure (Tsavorite)	4,062	-	4,062
Mining licence	1,001	(557)	444
	5,063	(557)	4,506

Reconciliation of intangible assets

31 December 2013	Opening balance US$ '000	Additions US$ '000	Amortisation US$ '000	Total US$ '000
Exploration expenditure (Tsavorite)	**4,062**	**162**	**-**	**4,224**
Mining licence	**444**	**-**	**(97)**	**347**
	4,506	**162**	**(97)**	**4,571**
31 December 2012				
Exploration expenditure (Tsavorite)	3,804	258	-	4,062
Mining licence	31	500	(87)	444
	3,835	758	(87)	4,506

11 DEFERRED INCOME TAX

	At 01 January US$ '000	Credit to profit or loss US$ '000	At 31 December US$ '000
2013			
Estimated income tax losses	**5,179**	**(1,245)**	**3,934**
Property, plant and equipment	**(3,630)**	**2,079**	**(1,551)**
Net deferred income tax (liability)/asset	**1,549**	**834**	**2,383**
2012			
Estimated income tax losses	2,593	2,586	5,179
Property, plant and equipment	(4,540)	910	(3,630)
Net deferred income tax (liability)/asset	(1,947)	3,496	1,549

The above deferred tax asset relating to estimated income tax losses has been recognised as management believes that the business will return to profitability and create sufficient taxable profit in the period in which unused tax losses and tax credits can be utilised.

11 DEFERRED INCOME TAX (CONTINUED)

	2013 US$ '000	2012 US$ '000
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**4,636**	4,575

Deferred tax assets have not been recognised in respect of the tax losses in The TanzaniteOne Polished Sales (Proprietary) Limited, TanzaniteOne (SA) Limited, The Tanzanite Laboratory Limited, TsavoriteOne Mining Limited and Urafiki Gemstone EPZ Limited as it is not probable that sufficient future taxable profit will be available against which the companies can utilise the benefits there from. These losses do not expire.

12 INVENTORIES

	2013 US$ '000	2012 US$ '000
Non-current		
Show jewellery	**81**	87
Current		
Rough gemstones	**1,327**	1,711
Consumables	**318**	635
	1,645	2,346
	1,726	2,433

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

13 INCOME TAX RECOVERABLE/(PAYABLE)

	2013	2012
Income tax recoverable	**168**	699
Income tax payable	**(2,199)**	(2,709)

The current income tax recoverable represents the amount of income taxes overpaid in Tanzania. The current income tax payable represents the amounts of income tax payable in South Africa in respect of current income tax.

14 TRADE AND OTHER RECEIVABLES

	2013 US$ '000	2012 US$ '000
Trade receivables	**412**	1,426
Prepayments	**180**	207
Other receivables	**2,157**	3,848
Provision for impairment of trade receivables	**(102)**	(325)
	2,647	5,156

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2013, trade receivables of US$ 143,000 (2012: US$ 65,000) were past due but not impaired. These relate to some independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2013 US$ '000	2012 US$ '000
More than 120 days	**143**	65

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2013, trade receivables of US$ 102,000 (2012: US$ 325,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. It was assessed that no amount is recoverable from the identified impaired receivables. These receivables are outstanding for more than a year. Movements on the Group provision for impairment of trade receivables are as follows:

	2013 **US$ '000**	2012 US$ '000
At 1 January	**325**	277
(Reversal)/additions	**(223)**	48
At 31 December	**102**	325

	2013 **US$ '000**	2012 US$ '000
Trade and other receivables consists of balances receivable in the following currencies:		
United States Dollars	**340**	2,928
South African Rands	**28**	23
Tanzanian Shillings	**2,279**	2,205
	2,647	5,156

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 27.1.

15 CASH AND CASH EQUIVALENTS

	2013 **US$ '000**	2012 US$ '000
Cash at bank and on hand	**897**	1,491
Bank overdraft (Note 24)	**(402)**	(1,105)
Cash and cash equivalents in the statement of cash flows	**495**	386
Cash and cash equivalents consists of balances denominated in the following currencies:		
United States Dollar (net of overdraft)	**325**	(237)
South African Rand*	**64**	490
Tanzanian Shilling*	**104**	79
UAE Dirham*	**2**	15
UK Pound Sterling*	**-**	39
	495	386

* 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 27.

16 SHARE CAPITAL

16.1 Common share capital

	2013 **US$ '000**	2012 US$ '000
Authorised		
333,333,333 (2012: 250,000,000) common shares of US$0.0003 each	**100**	75

The increase in authorised share capital was approved at the 2012 Annual General Meeting.

Issued		
118,148,951 (2012: 118,148,951) common shares of US$0.0003 each	**35**	35
Share capital		
Balance at the beginning and end of the year	**35**	35

16 SHARE CAPITAL (CONTINUED)

Reconciliation of number of common shares in issue	**Number of shares 2013**	Number of shares 2012
Shares in issue at beginning and end of the year*	**118,148,951**	118,148,951

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

	2013 US$ '000	2012 US$ '000
16.2 **A class share capital**		
Authorised		
66,666,667 A class shares of ZAR 0.0003 each	**3**	3
Issued		
1,568,202 (2012: 1,568,202) A class shares of ZAR 0.0003 each issued by the Company's wholly-owned subsidiary, TanzaniteOne SA Limited.	**1**	1
A class shares have been converted at the historical rate at 1 June 2004 of ZAR 6.52 to the US Dollar.		
Total issued share capital (Common shares and A class shares)	**36**	36

Reconciliation of A Class share capital	**Number of shares 2013**	Number of shares 2012
Shares in issue at beginning of the year	**1,568,202**	1,868,426
Share buy back	**-**	(300,224)
Shares in issue at end of the year	**1,568,202**	1,568,202

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 TanzaniteOne SA Limited A Class shares:

Each TanzaniteOne SA Limited A class share will be issued on the basis that:

1. if the Richland Resources Ltd common shares are consolidated or subdivided, the same will apply, *mutatis mutandis*, to the TanzaniteOne SA Limited A class shares;
2. if any rights issue is implemented by Richland Resources Ltd, TanzaniteOne SA Limited will automatically have a rights issue in respect of the TanzaniteOne SA Limited A class shares on identical terms to the rights issue implemented by Richland Resources Ltd, 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 Ltd receive shares in substitution for all their Richland Resources Ltd common shares then the number of TanzaniteOne SA Limited A class shares will be automatically adjusted such that each TanzaniteOne SA Limited A class shareholder will own the number of TanzaniteOne SA Limited Class A shares as equals their existing number of TanzaniteOne SA Limited A class shares, multiplied by the number of substitution shares issued for each Richland Resources Ltd common shares.

16 SHARE CAPITAL (CONTINUED)

The holders of the TanzaniteOne SA Limited A class shares will only be entitled to a dividend if Richland Resources Ltd declares dividends in respect of any year, and then the TanzaniteOne SA Limited A class shares will be entitled to a preference dividend out of the profits of TanzaniteOne SA Limited available for distribution per TanzaniteOne SA Limited 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 Ltd in respect of each Richland Resources Ltd 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 Ltd dividend is payable to Richland Resources Ltd common shareholders.

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

With respect to voting rights in TanzaniteOne SA Limited, each TanzaniteOne SA Limited ordinary share shall have 1,000,000 votes and each TanzaniteOne SA Limited A class share shall have one vote. The holders of TanzaniteOne SA Limited A class shares will be entitled to receive notice of and to attend and vote at any general meeting of TanzaniteOne SA Limited.

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 TanzaniteOne SA Limited A class shares either by cheque sent by prepaid registered post to the address of each holder of TanzaniteOne SA Limited A class shares as recorded in the register of TanzaniteOne SA Limited's shareholders or by electronic transfer to such bank account nominated in writing by any holder of TanzaniteOne SA Limited A class shares for such purpose.

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

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

16 SHARE CAPITAL (CONTINUED)

Should Richland Resources Ltd acquire any TanzaniteOne SA Limited A class share, TanzaniteOne SA Limited will automatically redeem out of moneys which may be lawfully applied for that purpose those TanzaniteOne SA Limited A class share on the basis that the price payable for each TanzaniteOne SA Limited A class share on redemption of same will be at a redemption price of 0.01 (point zero one) cent per TanzaniteOne SA Limited A class share. Notwithstanding the provisions of this clause 9, all of the TanzaniteOne SA Limited 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 0.01 (point zero one) cents per TanzaniteOne SA Limited A class share.

At every meeting of the holders of the TanzaniteOne SA Limited A class shares the provisions of the articles of TanzaniteOne SA Limited 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 TanzaniteOne SA Limited 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 TanzaniteOne SA Limited relating to adjourned meetings shall, *mutatis mutandis*, apply.

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

TanzaniteOne SA Limited shall not be liable to a shareholder of TanzaniteOne SA Limited A class shares for interest on any unclaimed redemption moneys and arrears of dividends.

Any dividends payable in respect of TanzaniteOne SA Limited A class shares (including any which are in arrear) that remain unclaimed for 3 (three) years may become the property of TanzaniteOne SA Limited.

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

17 SHARE PREMIUM

	2013	2012
	US$ '000	US$ '000
Balance at beginning and end of the year	**46,855**	46,855

18 SHARE OPTION RESERVE

	2013	2012
	US$ '000	US$ '000
Balance at beginning and end of the year	**896**	896

18 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
3 August 2004	3,391,726	Three years of service	10 years
23 December 2004	1,396,500	Three years of service	10 years
16 December 2005	585,000	Three years of service	10 years
23 September 2009	7,275,000	Three years of service	10 years
Total share options	12,648,226		

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

	2013		2012	
	Weighted average exercise price (UK pence/ share)	**Number of options**	Weighted average exercise price (UK pence/ share)	Number of options
Outstanding at the beginning and end of the year	**16**	**7,275,000**	16	7,275,000
Exercisable at the end of the year		**7,275,000**		7,275,000

The 7,275,000 options outstanding at 31 December 2013 have an exercise price of 16.237 UK pence and a weighted average contractual life of 5.2 years (2012: 6.2 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.

Fair value of share options and assumptions	**2013 Senior employees**	2012 Senior employees
Fair value at grant date	**£0.05 – £0.23**	£0.05 – £0.23
Share price	**£0.42 - £0.72**	£0.42 - £0.72
Exercise price	**£0.26 - £0.68**	£0.26 - £0.68
Expected volatility	**35%**	35%
Expected dividends	**0%**	0%
Risk-free interest rate (based on South African government bonds)	**7.5%**	7.5%
Option life	**0.9 years – 2.9 years**	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.

19 FOREIGN CURRENCY TRANSLATION RESERVE

	2013 US$ '000	2012 US$ '000
Balance at beginning of the year	**(1,517)**	(1,448)
Translation of foreign operations	**8**	(69)
Balance at end of the year	**(1,509)**	(1,517)

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

20 NON-CONTROLLING INTEREST

	2013 US$ '000	2012 US$ '000
25% interest in the equity of TanzaniteOne Trading Limited	**(22)**	(38)
25% interest in the equity of TsavoriteOne Mining Limited	**(51)**	(46)
	(73)	(84)
Movement during the year:		
25% interest in the profit/(loss) for the year of TanzaniteOne Trading Limited	**16**	(14)
25% interest in the loss for the year of TsavoriteOne Mining Limited	**(5)**	(4)
Net profit/(loss) accounted for in non-controlling interest account	**11**	(18)

21 EARNINGS PER SHARE

21.1 Basic and diluted loss per share

The calculation of basic and diluted loss per share at 31 December 2013 was based on the loss attributable to common shareholders of US$ 4,481,000 (2012: US$ 13,587,000) and a weighted average number of common shares outstanding during the year ended 31 December 2013 of 118,148,951 (2012: 118,148,951) calculated as follows:

	2013 US$ '000	2012 US$ '000
Loss attributable to common shareholders	**(4,481)**	(13,587)
Weighted average number of common shares	**Number of shares 2013**	Number of shares 2012
Weighted average number of common shares	**118,148,951**	118,148,951
Basic and diluted loss per common share (US cents/share)	**(3.79)**	(11.50)

21.2 Net asset value per common share

	2013	2012
Net assets (US$'000)	**18,272**	22,281
Number of common shares in issue at 31 December	**118,148,951**	118,148,951
Net asset value per common share (US cents/share)	**15.47**	18.86
No dividend was declared	**-**	-

22 PROVISION FOR ENVIRONMENTAL REHABILITATION

	2013 US$ '000	2012 US$ '000
Balance at beginning of the year	**139**	130
Additions	**50**	-
Unwinding of discount	**7**	9
Balance at end of the year	**196**	139
Total provision for environmental rehabilitation		
Non-current	**74**	139
Current	**122**	-
	196	139

23 TRADE AND OTHER PAYABLES

	2013 US$ '000	2012 US$ '000
Trade and other payables	**7,845**	8,319
Amounts due to directors (Note 31)	**482**	202
STAMICO/Joint Operation	**61**	-
	8,388	8,521
Trade and other payables consists of balances payable in the following currencies:		
United States Dollars	**747**	2,321
South African Rands	**1,649**	1,786
Tanzanian Shillings	**5,991**	4,414
Hong Kong Dollars	**1**	-
	8,388	8,521

24 BORROWINGS

	2013 US$ '000	2012 US$ '000
NBC Limited Bank loan	**174**	897
Less: Current portion transferred to current liabilities	**(174)**	(897)
Balance payable between one and five years	**-**	-
Bank loan (current portion)	**174**	897
Bank overdraft	**402**	1,105
Balance payable between within 12 months	**576**	2,002

The NBC Limited bank loan and overdraft are denominated in US$ and is secured over plant and equipment, and bearing interest at NBC base rate of 7% per annum and is charged on a monthly basis.

NBC Limited loan

The NBC loan agreements require that, TanzaniteOne Mining Limited, a fully owned subsidiary of Richland Resources Ltd, maintain certain financial and other covenants. The current year results have affected our ability to comply with these covenants. A violation of these covenants constitutes an event of default under our credit facilities, which would, unless waived by our lenders, provide our lenders with the right to cancel the borrowing facilities. For the year ended 31 December 2013, all of the loan amount was classified as current liabilities. The bank was notified of the breach and as of the date of this report have not recalled the loan amount.

25 CONVERTIBLE LOANS

	2013 US$ '000	2012 US$ '000
Nicholas Sibley (a Director)	**205**	-
Tomori Enterprises Limited	**124**	-
Ashwath Mehra	**124**	-
Convertible loans	**453**	-

The GBP convertible loan notes outstanding at 31 December 2013 were repaid on 15 January 2014 by conversion into shares at 3.4 pence per shares as part of the Open Offer referred to in note 30. No interest was paid or is due in relation to the December 2013 GBP convertible loan notes.

26 NOTES TO THE STATEMENT OF CASH FLOWS

	2013 US$ '000	2012 US$ '000
26.1 Cash generated from operations		
Loss before income tax	**(5,304)**	(13,171)
Adjusted for:		
▪ Depreciation and amortisation of property, plant and equipment	**1,335**	1,666
▪ Inventory write-off	**228**	432
▪ Impairment charge	**2,143**	4,441
▪ Finance cost	**126**	204
▪ Unwinding of discount	**7**	9
▪ Write (back)/off of trade receivables	**(223)**	48
▪ Net gain on disposal of property, plant and equipment	**(200)**	-
▪ Net foreign exchange difference	**(773)**	(31)
Cash from operations before working capital changes	**(2,661)**	(6,402)
Working capital changes:		
Inventories	**479**	3,879
Trade and other receivables	**2,732**	755
Trade and other payables	**674**	3,918
Cash generated from operations before interest and tax	**1,224**	2,150
26.2 Net income tax paid		
Income tax (payable)/recoverable at 1 January	**(2,010)**	1,948
Current taxation charge (Note 8)	**-**	(3,930)
Foreign exchange difference	**(35)**	(38)
Income tax payable at 31 December	**2,031**	2,010
	(14)	(10)

27 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.

Risk management is carried out by management under policies approved by the board of directors.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 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. Individual risk limits are set in accordance with limits set by the board. The utilisation of credit limits is monitored monthly. The Group generally deals with customers of high credit quality. Sales to retail customers are settled in cash or using major bank cards.

27.2 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:	**Interest bearing borrowings***	**Bank overdraft**	**Trade and other payables**
	US$ '000	**US$ '000**	**US$ '000**
31 December 2013			
Less than one year	**186**	**402**	**8,327**
31 December 2012			
Less than one year	897	1,105	8,521

* Inclusive of interest payable in subsequent year.

27.3 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.

The company strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3 Market risk (continued)

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 2012.

	2013	2012
	US$ '000	US$ '000
Profit or loss		
South African Rands	**(156)**	(675)
Tanzanian Shillings	**(599)**	(239)

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.

27.4 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.

27.5 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 25% in 2013 (2012: 62%). 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.

28 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.

28 FINANCIAL INSTRUMENTS (CONTINUED)

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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

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
2013			
Trade and other receivables (excluding prepayments)	14	**2,467**	**2,467**
Cash at bank and on hand	15	**897**	**897**
Loans and receivables		**3,364**	**3,364**
Trade and other payables (excluding statutory liabilities)	23	**5,060**	**5,060**
Borrowings	24	**576**	**576**
Financial liabilities measured at amortised cost		**5,636**	**5,636**
2012			
Trade and other receivables (excluding prepayments)	14	4,949	4,949
Cash at bank and on hand	15	1,491	1,491
Loans and receivables		6,440	6,440
Trade and other payables (excluding statutory liabilities)	23	4,709	4,709
Borrowings	24	2,002	2,002
Financial liabilities measured at amortised cost		6,711	6,711

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

29 COMMITMENTS AND CONTINGENCIES

29.1 *Capital commitments*
No capital commitments existed at year end (2012: US$ nil).

29.2 *Finance lease commitments*
Non-cancellable lease rentals are payable as follows:

	2013 US$ '000	2012 US$ '000
Less than one year	**240**	154
Between two and five years	**45**	219
	285	373

These leases relate to the rental of business premises in locations where the Group operates.

29 COMMITMENTS AND CONTINGENCIES (CONTINUED)

29.3 Legal contingencies

The Group is a defendant against various legal cases instituted by former employees with claims amounting to US$ 0.9 million (2012: US$ 0.6 million). The Group has provided for US$ 0.2 million on recommendation of legal advisor. In the opinion of the Directors and Company's legal counsel, no additional material liabilities are expected to crystallise from the above cases over and above what has been provided for in the books of account.

29.4 Tax contingencies

Tanzanian Tax liabilities

The Tanzanian Revenue Authority ("TRA") have conducted audits of TanzaniteOne Mining Limited covering periods from 2008 to 2010 and have issued additional assessments (the "Additional TRA Assessments"). Additional taxes assessed and not agreed or provided for by TanzaniteOne Mining Limited amounted to TZS 2,993,941,881 (ca. US$ 1.9 million).

Under Tanzanian tax law an on account payment of up to 33% of the tax assessed is required to be paid by a taxpayer to lodge an objection against an assessment. TanzaniteOne Mining Limited has applied the corporate tax credit from previous periods against the 33% payment and the TRA has accepted payment in order to validate the objection against the Additional TRA Assessments. Discussions with TRA are on-going in relation to the Additional TRA Assessments. The Directors having sought appropriate expert tax advice, believe that the tax assessed and not agreed or provided for in relation to the Additional TRA Assessments will not be payable and consequently no provision has been made for this tax or the related interest and penalties.

The TRA have issued assessment for withholding for the year of income 2009 to TsavoriteOne Mining Limited ("TsavoriteOne"). The assessment shows an additional tax liability of TZS 84,244,128 (ca. US$ 50,615). This was in relation to deemed interest on intergroup loans.

TsavoriteOne has objected against the assessment and have requested to settle the deposit to validate the objection of TZS 28,081,376 by offsetting it against the outstanding balance due to TsavoriteOne from VAT refund claims.

TRA has not formally responded on whether the proposed settlement of deposit has been accepted.

In the opinion of the directors this would not result in a material liability for the TsavoriteOne and therefore no provision has been for this in the financial statements.

30 RESOURCES AND RESERVE STATEMENT

Tanzanite

As at 18 January 2012, the total inferred and indicated mineral resource was estimated at 105 million carats. Since then the total carats produced was 6.2 million leaving the total estimated resource at 98.8 million carats at 31 December 2013. At the current production rate of 3.5 million carats per annum and current recovery rates, indicate an estimated useful life for those assets depreciated by unit of production of approximately 28 years.

Tsavorite

As at 31 December 2013, the total inferred mineral resource was estimated at between 7.6 million to 10.4 million bank cubic metres or approximately 18.2 to 24.9 million tonnes. The total indicated resource was estimated at between 0.89 million to 2.17 million bank cubic metres or approximately 2.1 million to 5.2 million tonnes located within the inferred resource. At an estimated tsavorite grade of 1.6 carats per loose cubic metre for indicated resource, the estimated tsavorite was 1.4 million to 3.5 million carats located within the indicated resource only. The Tsavorite project resource statement was prepared on 10 January 2012 for the Group in accordance with the guidelines of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (JORC Code-2004 edition).

31 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 16.9% (2012: 15%) of the voting shares of Richland Resources Ltd.

	2013	2012
	US$ '000	US$ '000
Short-term benefits		
Directors' emoluments for the year		
Services as directors of the Company		
Non-executive directors		
Salary	**161**	161
Executive directors		
Salary	**53**	80
Services as directors of the subsidiaries		
Executive directors		
Salary	**306**	410
Consulting fees paid to Strategic Works Consulting Limited in respect of Ami Mpungwe	**120**	120
Short term advances to directors	**-**	19
Short term advances from directors*		
Ami Mpungwe	**121**	61
Edward Nealon	**105**	53
Nicholas Sibley	**136**	48
Bernard Olivier	**120**	40
	482	202

* Balance excludes GBP125,000 convertible loan from Nicholas Sibley as disclosed per note 25 and later in this note.

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$ 1.0 million (2012: US$ 1.2 million). No terminal or other long term benefits were paid to key management personnel during the year (2012: Nil). There were no transactions with key management personnel during the year.

31 RELATED PARTIES (CONTINUED)

Group entities

Significant subsidiaries	Country of incorporation	Products/Services	Net amounts owing by/(to) Subsidiaries by other Group companies 2013 US$ '000	2012 US$ '000	Functional currency	Share holding %
TanzaniteOne (SA) Limited	South Africa	Management services	**(20,188)**	(20,606)	ZAR	100%
TanzaniteOne Polished Sales (Proprietary) Limited	South Africa	Polished gemstone and jewellery sales	**1,924**	2,377	ZAR	100%
TanzaniteOne Holding Limited	Mauritius	Holding company	**(111)**	(92)	US$	100%
TanzaniteOne Mauritius Limited	Mauritius	Rough and polished tanzanite sales	**14,039**	14,125	US$	100%
TanzaniteOne Marketing DMCC	UAE-Dubai	Rough and polished tanzanite sales	**13,169**	12,608	US$	100%
TanzaniteOne Mining Limited	Tanzania	Tanzanite mining	**1,963**	1,203	US$	100%
TanzaniteOne Trading Limited	Tanzania	Rough and polished tanzanite trading	**(1,649)**	(1,977)	US$	75%
The Tanzanite Laboratory Limited	Tanzania	Certification of tanzanite	**(202)**	(191)	US$	100%
TsavoriteOne Mining Limited	Tanzania	Tsavorite exploration	**(4,580)**	(4,426)	US$	75%
Tanzanite Foundation Limited	Nevis	Tanzanite marketing	**(5,456)**	(5,206)	US$	100%
TanzaniteOne Jewellery Collection Ltd	Hong Kong, China	Polished and jewellery sales	**(259)**	(262)	US$	100%
Urafiki Gemstones EPZ Limited	Tanzania	Cutting gemstones	**(489)**	(383)	US$	100%

All transfers of funds between South African entities and non-South African entities are monitored and approved by the South African Reserve Bank, and all necessary approvals have been obtained from the South African Reserve Bank.

31 RELATED PARTIES (CONTINUED)

Joint Operation Agreement with State Mining Corporation, Tanzania ("STAMICO")

On 5 December 2013, TanzaniteOne Mining Limited ("TML") signed a full and formal legally binding Agreement stipulating the terms upon which Mining Licence 490/2013 will be held, how operations thereunder will be conducted and how costs and revenues will be allocated.

Under the agreement, both TML and STAMICO shall have 50% undivided participating interests in the Joint Operation. Interests in the Mining Licence will not be transferable to any third party without obtaining the prior consent of the other party or, alternatively, that each party will be entitled to a right-of-first-refusal on any proposed sale or transfer of the other party's interest in the Mining Licence.

The agreement will continue for 10 years with effect from 20 June 2013 or for the term of the Mining Licence if renewed or extended.

The movement between 20 June 2013 and 31 December 2013 in revenue, cost of sales and operating expenses and the receivable and payable balances as at 31 December 2013 associated with them have been apportioned on a 50:50 basis between TML and STAMICO in accordance with IFRS 11 Joint Arrangements.

STAMICO will reimburse TML US$ 4 million (inclusive of taxes) in recognition of the expenditure incurred by TML in developing mine infrastructure prior to the date of the issue of the Mining Licence. The reimbursement will be paid by STAMICO utilising 40% of its share of the Net Residual Profit until the amount is paid in full. The US$ 4 million was agreed by the parties as representing a fair and reasonable amount taking into account the costs incurred by TML in developing the mine infrastructure from which both parties will benefit. This amount has not been accounted for as recoverability of this amount is not virtually certain.

All revenue and profits earned from activities other than the current tanzanite mining operation on Block C by TML or other Richland subsidiaries shall be excluded and this shall be for the sole benefit of Richland.

All existing assets including, but not limited to, buildings, machinery and plant and equipment currently owned by TML and used for the purposes of operations under the former special mining licence (the "Existing Assets") shall remain in the sole and absolute ownership of TML. TML will give STAMICO reasonable notice of any intention to sell, transfer or otherwise dispose of the Existing Assets or any of them.

TML and STAMICO will use their respective reasonable endeavours to curb tanzanite smuggling and illegal mining operations in the area to which the Mining Licence relates and which have had an adverse effect on the profitability of the operations under the Mining Licence and underground mining operations. In particular, STAMICO will use best endeavours to facilitate and liaise with the Tanzanian Government authorities to ensure that necessary regulatory actions are taken in a coordinated and timely manner, both parties will work together to ensure mining operations are conducted in a safe, secure and conducive environment.

The parties intend that the Mining Operation shall be self-financed from the proceeds therefore, subject to the retention from Net Residual Profits otherwise available for distribution of an appropriate sum to cover future anticipated working capital and capital expenditure.

TML has been appointed the Operator to run the Joint Operation under the agreement. TML shall be responsible for the day to day mining operations and all associated obligations, as well as technical and financial matters relating to the search for, mill, process, refine, transport, use and with prior consent from the Joint Operating Committee, market of graphite, marble, tanzanite or other minerals found to occur with those minerals. The Operator shall be paid a management fee of 1% Gross Sales Revenue.

Under the agreement, TML and STAMICO shall establish a Joint Operating Committee ("JOC") which shall constitute three representatives from each Party. The JOC shall decide all matters relating to the conduct of the operations, including but not limited to, overseeing the Operator (TML), make strategic decisions relating to the conduct of the operations, consider and approve budgets and other operation plans. Each party shall receive 2.5% Gross Sale Revenue being administrative charges of the Joint Operation. The budget of the JOC which shall be deducted from the calculation of Gross Sales Revenue shall not exceed US$100,000 per financial year.

The parties shall also establish an independent Monitoring and Evaluation Unit ("Monitoring Unit") with each party appointing two executives. The Monitoring Unit is mandated to monitor and evaluate implementations of the Operator.

31 RELATED PARTIES (CONTINUED)

Richland's wholly owned subsidiary, Urafiki Gemstones EPZ Limited ("Urafiki") has been awarded a 3 year Marketing Contract for the cutting and polishing of all material produced by the Joint Operation with effect from 20 June 2013.

Both parties agree to work together to evaluate the graphite resource found in the Mining Licence Area with a view to re-starting graphite mining operations and develop a mechanism for financing the graphite mining operations in attracting new investment into the venture.

Intentions of the Directors in relation to the Open Offer

As detailed in the circular issued to shareholders on 19 December 2013 in connection with the proposed placing and open offer to qualifying shareholders and qualifying depository interest holders of up to 118,148,951 open offer Shares in each case at an issue price of 3.4 UK pence per new Shares (the "**Open Offer**") (the "**Circular**") the Directors made irrevocable commitments to (a) acquire Shares pursuant to the entitlements under the open offer of the directors, their immediate families and person connected with the directors (all of which are beneficial unless otherwise stated) as set out in column (2) below; and (b) to further subscribe for additional Shares under the excess application facility in relation to the open offer as specified in column (3) (the "**Directors' Commitments**"). On 15 January 2014 the Shares related to the Directors' Commitments were issued.

Intentions of the Directors in relation to the Open Offer (continued)

(1) Name	(2) Open Offer entitlements	(3) Number of Shares intended to be applied for under the excess application facility
Edward Nealon	5,100,680	-
Bernard Olivier	921,746	512,974
Ami Mpungwe	3,122,343	-
Nicholas Sibley	7,155,894	-
	16,300,663	512,974

Convertible loan agreements

On 18 December 2013, the Company entered into convertible loan agreements with third parties and the directors identified below as Lenders in each case on identical terms save for the amounts of the Loans;

Lenders (each a "**Lender**")	Loan Amount (each a "**Loan Amount**")
Nicholas Sibley	£125,000
Edward Nealon	£125,000*

* Payment received on 10 January 2014.

(together the "**Loans**", and each a "**Loan**").

Each director provided the Company with an irrevocable undertaking in relation to the Open Offer as part of the Directors' Commitments. Under the Loan Agreements the Lenders agreed to advance the Loan Amounts to the Company as unsecured loans. The Loan Amounts were, in each case, less than each of the Lender's committed entitlement as part of the Directors' Commitments. Conditional on the Open Offer being completed and the Lenders taking up their committed entitlements, the Loans were due to be repaid by being applied towards taking up the Lender's entitlements under the Open Offer. The Loans were repaid on 15 January 2014 by conversion into shares at 3.4 pence per share as part of the Open Offer. No interest was paid or is due in relation to the Loans.

32 SUBSEQUENT EVENTS

Kibaran JV

On 5 February 2014, the Company announced the signing of a Non-Binding Memorandum of Understanding ("MoU") with ASX quoted Kibaran Resources Limited ("Kibaran") over consolidation and development, through a Joint Venture ("JV") of both companies' respective graphite assets located in Northern Tanzania.

32 SUBSEQUENT EVENTS (CONTINUED)

Placing and Open Offer

On 16 January 2014 the Company announced, valid applications were received in respect of 52,119,766 Open Offer Shares from Qualifying Shareholders, representing approximately 44 per cent. of the total Open Offer Shares. This represents gross proceeds to the Company of approximately £1.78 million under the Open Offer. Of the 52,119,766 Open Offer Shares validly applied for, 28,843,721 Open Offer Shares were taken up by certain Shareholders and Directors pursuant to their Irrevocable Undertakings representing all of the irrevocable commitments.

As set out in the Circular, 28,941,178 Clawback Shares were placed with certain existing institutional and other new investors as part of a Placing and these have been issued from the balance of the Open Offer Shares for a further approximately £ 0.98 million.

In total, the Company has therefore raised approximately £2.76 million (approximately US$ 4.5 million gross; US$ 4.3 million net) via the issue of, in aggregate, 81,060,944 New Common Shares. Application has been granted by the London Stock Exchange for the admission of 81,060,944 New Common Shares to trading on AIM (the "New Shares") ("Admission").

Following the issue of the above mentioned New Common Shares, the Company's issued share capital will consist of 199,209,895 Common Shares.

Sapphire Project

On 4 June 2014, the Company announced that it has exercised its option for the acquisition of 100 per cent of the Nardoo Sapphire project in Queensland Australia ("Nardoo") through its 100% owned subsidiary Gregcarbil Pty Ltd incorporated in Australia. The project has been acquired by Richland for consideration of AUD$ 1.18 million (approximately. GBP 653,000) and 18 million fully paid new common shares in Richland (approximately 8.3% of Richland's enlarged share capital) which will be issued after a three month escrow period.

Tanzania Revenue Authority Assessments

On 19 February 2014, the Tanzanian Revenue Authority ("TRA") issued a demand notice for 2007 year of income against TanzaniteOne Trading Limited ("TOTL"), a subsidiary of Richland Resources Ltd, demanding corporate tax on assessment amounting to TZS 869,477,026 (ca. US$ 522,400). The subsidiary responded to the notice on 24 February 2014 and TRA is yet to provide official response to the latest notice objection filed by the subsidiary. In the opinion of the Directors and the Company's tax advisors no additional material tax liabilities are expected to crystalize from the latest demand notice from the TRA.

Strategic review

On 14 April 2014, the Company announced that it is undertaking a Group wide strategic review of its operations, which will include a review of all costs, revenue optimization and best use of funds available for investment in gemstone projects. The reason for this review is that the improvements to security anticipated by the Company at the mine in the Mining Licence Area have not occurred. The mine is operated by TanzaniteOne Mining Limited. The consequence of this is that (a) TanzaniteOne Mining Limited's employees continue to be unable to safely work in large parts of the Mining Licence area due to the on-going presence of illegal miners with a record of fatal attack on one employee and injuries to others and (b) TanzaniteOne Mining Limited is not able to mine profitably with its current cost structure in the currently constrained mining area. The initial results of this ongoing review were announced on 11 June 2014.

33 ULTIMATE HOLDING COMPANY

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