RICHLAND RESOURCES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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RICHLAND RESOURCES LTD

CORPORATE DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2014

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

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Fellow Shareholder,

The year 2014 was the start of a momentous change and restructuring of Richland. I believe that the successful sale of the Tanzanian operations and the acquisition of our Capricorn Sapphire mine in Australia (the "**Capricorn Sapphire Project**") marks a major achievement and an exciting new chapter for Richland.

The decision to sell the Tanzanian operations was made following repeated attempts to resolve the Tanzanian in-country issues. Richland created a successful and world-leading coloured gemstone mining operation since the Company listed in 2004, and the Company was profitable for 6 of its initial 8 years of operations. However, as reported in detail on many occasions over the last 3 years the Company has experienced significant challenges in Tanzania as a direct result of escalating invasions and attacks by illegal miners on both our workforce and key infrastructure. The increased violence and theft from illegal mining combined with a lack of appropriate support from the Tanzanian Government in addressing the security situation, placed our employees in significant danger, and consequently mining operations had to be scaled back. Due to the aggressive nature of the illegal miners several of our employees were seriously injured over the years and tragically, Willy Onesmo Mushi, was shot and killed underground by an armed illegal miner in July 2013, in the presence of a member of the Tanzanian Police Force.

Consequently, during the first half of 2014, a comprehensive strategic review of all our operations was undertaken across the group. As a result of the review the Board restricted ongoing funding of the Tanzanian activities and introduced significant cost cutting measures across all areas of the Group including a voluntary 50% reduction in Board salaries. A major decision was made to focus on the redevelopment of the Capricorn Sapphire mine in Queensland Australia. As a consequence of discussions initiated following the strategic review, we announced in November 2014, the proposed conditional sale of our Tanzanian operations. Richland received over 115 million votes in favour of the Sales Resolution and none against in a unanimous show of support from shareholders for both the sale of the Tanzanian operations as well as the Company's transformation strategy.

As a result of the completion of the conditional Sale, which was announced on 3 March 2015, the financial figures for the period to 31 December 2014, presented in this report, have been split into "**Discontinued Operations**" and "**Continuing Operations**". Since the sale was concluded in 2015 only, the conditional signing consideration of US$ 0.5 million is included in these Financial Statements and is reflected as part of both the net cash and total liabilities within the Continuing Operations as at year end.

I believe that the challenges that we faced over the last couple of years in Tanzania have sharpened and honed our skills and have proven the character, abilities, dedication and commitment of the small executive team. I am pleased to report that Richland, post the sale of its Tanzanian operations, has retained its core executive and management team with extensive skills ranging from mining through to gemstone branding, finance, marketing and sales. We are now applying our world-leading expertise, skills and knowledge of the coloured gemstone industry, from mine to market, to Capricorn Sapphire mine where operation have now commenced. First sapphire production is scheduled to start shortly. We plan to hold our initial corporate sales through the sight / auction system in June 2015 and our new online retail system, which is currently under construction, is set to replace our existing online sale platform in June 2015.

We are very excited about our Capricorn Sapphire project, which, we believe, once in full production will potentially make Richland an important source of sapphires to the global market place, providing stones with the reassurance of full certificate of origin. The potential for developing Australian sapphire as a premium gemstone destination, through the Capricorn Sapphire brand is a key objective for us. It has been reported that Australia was the world's biggest producer of sapphire in the 70's and 80's but that Australian sapphires are commonly rebranded as originating from other sources. As an example, in 1902, Mr B Dunstans (Australian Government Geologist) reportedly quoted from a letter written by a firm of lapidaries in Geneva "*Fine sapphires, equal to those from Burma have been found amongst the Australian gemstones. Most of these are sent to Germany by dealers, where they are sorted. The best gems are afterwards sold separately under another name, and the inferior lots sold as Australian".* We believe this misrepresentation still continues today and it is Richland's aim to work closely with the Queensland Sapphire Miners Association and other industry stakeholders to address this and to create a world-wide brand and recognition for Australian sapphires.

Finally, I would like to thank all our shareholders and industry stakeholders for their continued loyalty and support during the historically challenging periods that we have faced. Strong and lasting relationships are often forged in difficult times and we now look forward to 2015 and beyond.

Edward Nealon
Chairman

4 May 2015

RICHLAND RESOURCES LTD

CHIEF EXECUTIVE OPERATIONAL AND FINANCIAL REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Overview

During the period low grade areas continued to be mined at our Tanzanite operations in Tanzania due to our inability to access higher grade areas due to the unresolved dangers to employees caused by the failure of the authorities to undertake or permit the Company to undertake necessary action to prevent violent criminality at the mine. Following an extensive cost cutting exercise investment in TanzaniteOne Mining Limited ("**TML**") was significantly scaled back and we began work on fully assessing the potential of our Australian Sapphire opportunity.

Following a process of examination undertaken at the Queensland assets we concluded that the sapphire prospect in Australia was viable due to:

- Higher value 'mainstream' gemstone product which our current sight holders require;
- Established mining code and legislation in politically stable country;
- Area has 100 year track record of gemstone production but remains undeveloped in terms of application of advanced mining processing;
- A JORC sapphire resource in place for the asset;
- Existing plant, purpose built, at site in excellent condition;
- Low capex mine redevelopment route;
- Unconsolidated areas.

Consequently a decision was made by the Board that the best way to create near term shareholder value was from securing a new production base where revenues and profits could be established using cash from within the Company. A dual process was begun whereby a new owner for the Tanzania operations was sought while the Australian option was exercised and we began redevelopment work with a mine start objective of H1 2015.

During the second half of 2014 a buyer was secured for the majority of the Tanzanian operations and the sale was concluded in Q1 2015 for US$ 5.1 million which, as explained in Note 16 to the Financial Statements, involved the sale of subsidiaries which as at 31 December 2014 had Net Assets of US$ 4.6 million and generated a loss for 2014 of US$ 13.9 million.

Development of our Australian sapphire assets has occurred on budget and to schedule. At the time of writing we have commenced mining with first sapphire sales scheduled for the end of H1 2015. A summary of work at the Capricorn Sapphire assets in Australia is as follows:

- Queensland Government's permission to develop the mine
- Plant refurbishment completed
- Commissioning initiated on schedule
- Mining ramp up underway
- Mining Plan of Operations approved by Queensland Government
- Financial Assurance has been lodged with the Queensland Government
- Pre-production mining starts at Capricorn Sapphire project, Queensland Australia
- Rehabilitation and stabilisation of certain historical un-rehabilitated areas
- Removal of topsoil and overburden as part of first open pit development
- Plant process testing and circuit configuration underway
- Drilling programme underway to define pit design and layout as well as enabling mine scheduling
- Pilot plant test work processing geological samples
- Launch of the Capricorn Sapphire brand and sapphire sales platform
- Development of certification system

Richland excels at operating cost effective and profitable coloured gemstone operations. Our ability to provide customers with consistent sources of quality gemstones, with established provenance, is well established and I believe the Capricorn Sapphire assets are a huge opportunity for us to take advantage of prevailing conditions in the global gemstone markets based on our exploitation of a valuable resource in a well regulated environment.

2. Financial Performance

Richland successfully disposed of all of its remaining Tanzanian mining operations and related companies on 2 March 2015 and has closed its Tanzanite Experience retail operations (the "**Disposed Group**") and its audited financial results, in accordance with IFRS 5, distinguish between the financials of the Disposed Group ("**Discontinued Operations**") and Richland's ongoing operations ("**Continuing Operations**") as at 31 December 2014.

2.1 Discontinued Operations

Revenue for the year of US$ 7.4 million was 36% lower than prior year (2013: US$ 11.5 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 State Mining Corporation, Tanzania ("**STAMICO**") with effect from 20 June 2013, TML's mining revenue and costs have been reduced by 50% to account for STAMICO's 50% share of mine revenue and costs.

Other operating expenses for the year, of US$ 19.0 million, were 26% higher than prior year (2013: US$ 15.1 million) predominantly due to an impairment charge of US$ 9.4 million.

Net loss for the year, as a result of the factors discussed above, was US$ 13.9 million against the prior year loss of US$ 2.7 million.

The net book value of **property, plant, equipment and intangible assets** decreased from US$ 21.6 million at 31 December 2013 to US$ 11.9 million at 31 December 2014. This decrease was primarily a result of depreciation and amortisation charges of US$ 0.8 million and impairment charges of US$ 9.4 million.

The Discontinued Operation's year end **inventory** of tanzanite decreased from US$ 1.4 million to US$ 2,600 and is stated at its net realisable value.

The Discontinued Operations had a net **cash** position of US$ 0.5 million exclusive of a net overdraft of US$ 0.6 million compared with a net cash position in 2013 of US$ 0.3 million exclusive of net overdraft US$ 0.4 million.

The Discontinued Operations had total liabilities of US$ 10.7 million at year end.

Key Statistics 2014 for Discontinued Operations

Key statistics: (All amounts in US$M)	FY 2014	FY 2013	Movement
Net loss	13.9	2.7	415%
Revenue	7.4	11.5	(36%)
Tanzanite inventory stock	0.0	1.4	(100%)
Cash and cash equivalents excluding overdraft	0.5	0.3	67%

2.2 Continuing Operations

Revenue for the year of US$ 1.0 million was 900% higher than prior year (2013: US$ 0.1 million). The increase in revenue is primarily due increase in online sales at www.tanzaniteoneOnline.com.

Net loss for the year decreased by 18% to US$ 1.4 million against the prior year loss of US$ 1.7 million. The net loss for the year from Continuing Operations represents operating expenses incurred at the Capricorn Sapphire Project as well as Richland's corporate expenses.

The **total assets** of the Continuing Operation were US$ 4.0 million at year end and primarily reflects the acquisition of the Capricorn Sapphire Project and its capital expenditure.

The Continuing Operations had a net **cash** position of US$ 1.2 million (including US$ 0.3 million pledged as collateral for the financial assurance lodged with the Department of Natural Resources and Mines (Australia)), up 83% from the 2013 net cash position of US$ 0.6 million.

The continuing Operations had **total liabilities** of US$ 1.1 million as at year end. The net cash and total liabilities both include the signing consideration of US$ 0.5 million received from Sky as part of the sale of the Tanzanian mining operations.

2.2 Continuing Operations (continued)

Key Statistics 2014 for Continuing Operations

Key statistics: (All amount in US$M)	FY 2014	FY 2013	Movement
Net loss	1.4	1.7	(18%)
Revenue	1.0	0.1	900%
Cash and cash equivalents excluding overdraft	1.1	0.6	83%

3. Dividend

The directors have not declared a dividend (2013: nil).

4. Corporate Activities Summary

On 16 January 2014 Richland announced the completion of its placement and Open Offer, which, raised approximately US$ 4.3 million after expenses via the issue of 81,060,944 New Common Shares.

Due to the ongoing loss making of the Tanzanian Operations, Richland conducted a comprehensive strategic review of all its operations in H1 2014, including:

- Restricted ongoing funding of Tanzanian mining and exploration activities;
- Significant cost cutting programme initiated across all areas of the group including a voluntary 50% reduction of Board salaries;
- Focus on development of the Capricorn Sapphire Project.

On 26 November 2014 Richland announced a proposed US$ 5.1 million conditional sale of its Tanzanian operations:

- The sale was subject to shareholder, Tanzanian Minister of Energy and Minerals and if required South African Reserve Bank approval;
- Additional rights to payments of up to US$ 1.2 million, representing 30% of TML's share of the profits of the STAMICO/TML joint venture up to 2019.

On 22 December 2014 Shareholders unanimously approved the proposed Sale and the sale closed on 2 March 2015.

5. Operational Review

5.1 Review of Discontinued Operations

5.1.1 TanzaniteOne Mining Limited ("TML")

TML achieved production of 3,076,036 carats (inclusive of STAMICO share) of tanzanite produced from processing 24,106 tonnes of ore. This represents an 11% decrease in production compared to the 3,448,886 carats produced in 2013. The average carat per tonne recovered was up 14% from 112 carats per tonne in 2013 to 128 carats per tonne in 2014.

5.1 Production Statistics

	2014	2013	Movement
Tonnes processed [(1)]	24,106	30,906	(22%)
Carats per tonne	128	112	14%
Production (carats) recovered [(1)]	3.1 million	3.5 million	(11%)

(1) Includes STAMICO's share of joint operation's production.

TML achieved a Lost Time Injury Frequency Rating ("**LTIFR**") of 0.75 for 2014, which was an improvement from the LTFIR of 0.79 in 2013. The decrease in LTIFR was achieved despite the continuing negative impact of the illegal mining activities on operations.

5.1.2 TsavoriteOne Mining Limited

During the period, in the light of the ongoing operational issues in Tanzania and as part of Richland's strategic review conducted during H1 2014 announced on 14 April 2014, the Company decided to put the Tsavorite project on hold.

5.1.3 Tanzanite Foundation

As part of Richland's Group wide strategic review conducted during 2014, The Tanzanite Foundation's operations were re-aligned to support:

- A coordinated strategy integrated across all regions;
- As part of the re-alignment, the dedicated Tanzanite Foundation New York representative office was closed.

The Tanzanite Foundation continued to provide a platform for marketing Tanzanite internationally and inform buyers about certificated gemstones.

5.1.4 The Tanzanite Experience ("TTE")

Sky Associates Group Ltd did not wish to acquire the TTE retail operations as part of its acquisition of the Group's mining operation in Tanzania. The TTE retail operations have been dependent upon their link to and supplies from the Group's tanzanite mine in Tanzania and the Group was unable to find a buyer for the TTE business as a going concern.

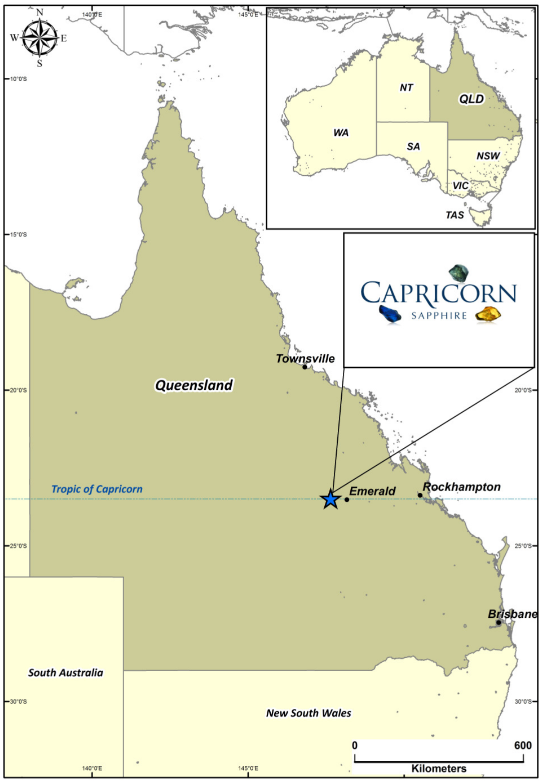
As the majority of the leases on retail premises of TTE were due to expire early in 2015 or could be terminated on 90 days' notice, the Group decided not to renew the applicable leases, to give notice to terminate the others, and to close its TTE retail outlets in Tanzania.

5.2 Review of Continuing Operations

5.2.1 Capricorn Sapphire Project

On 4 June 2014, Richland exercised its option for the acquisition of 100 per cent. of the Nardoo Sapphire project in Queensland, Australia which has subsequently been branded "**Capricorn Sapphire**". The project was acquired by Richland for consideration of AU$ 1.18 million (approximately US$ 1.1 million) and 18 million fully paid new common shares in Richland (approximately 8.3% of Richland's enlarged share capital).

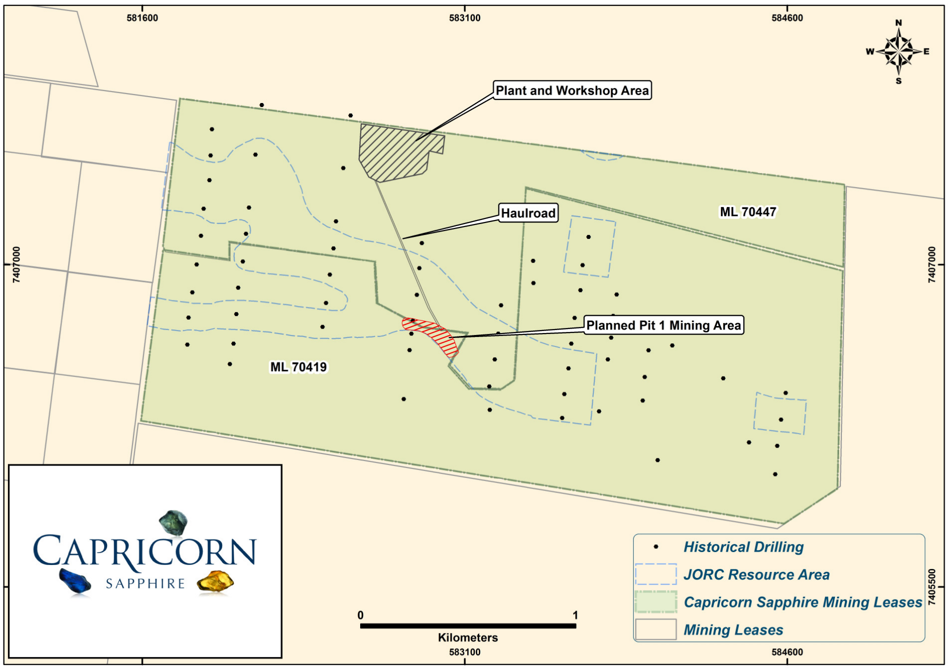
Figure 1. Capricorn Sapphire project locality map.



5.2.1 Capricorn Sapphire Project (continued)

The deposit lies within the world renowned Queensland Sapphire Gemfields, located near the township of Sapphire in Central Queensland (see Figure 1) In total the project tenements (mining leases 70419 & 70447) cover approximately 494 hectares of potential sapphire-rich alluvial placers within this known deposit (see Figure 2).

Figure 2. Mining Licences and known JORC Resource



The size and quality of stones produced from Nardoo is also significant for Richland. In addition to high levels of sapphire recovered greater than 5.5 millimetres in size, a number of “special” gemstones (those over about 10 carats in weight) have also been produced from Nardoo. Sapphires in this size range carry a significant premium to the smaller sapphires. “Special” gemstones produced during the 11 months of previous mining included a 63 carat dark blue sapphire, 41 carat yellow/green/blue fancy-colour sapphire, 33 carat yellow green sapphire, 31 carat blue sapphire and 20 carat green sapphire.

At the time they commenced mining, the previous operator commissioned a purpose-built alluvial processing plant which was reportedly the largest of its kind in the southern hemisphere. The processing plant was specified as being capable of treating 200 LCM per hour. The processing plant remained on site and has been acquired by Richland and at the reporting date the plant has been re-commissioned and is undergoing final testing and calibration.

Sapphires make up a significant part of the global colour gemstone market but with extraction in the main remaining generally artisanal and small scale with a fractured supply market. This variable, and in some instances declining production in the major production areas of the world, have led to inconsistent supply channels. Richland believes that the Chinese market demand for sapphire is increasing beyond their own domestic supply and, furthermore, that the US jewellery and gemstone market continues in its strengthening and recovery since 2013.

Single-origin supply of commercial colours and quantities are difficult to find due to blending in the wholesale and polishing markets. Richland has the expertise to apply first-rate mining practices to a proven sapphire resource and create a platform to supply consistent quantities of source-assured, ethical gemstones to major international buyers for mine-to-market assured supply chains.

5.2.2 Online Sales

Richland launched the start of its online retail business and website, TanzaniteOne Online (www.tanzaniteoneOnline.com) in August 2013. During 2014 this boutique online sales division focussed on selling tanzanite stones and jewellery directly to consumers. The online boutique is also a member of the World Responsible Jewellery Council. The online division achieved sales of approximately US$ 1 million during its first full year of operations. Richland is currently in the process of merging the online sales platform with its newly established platform, www.richlandgemstones.com which, will be launched during H1 2015.

6. Post Period Highlights

On 2 March 2015 Richland concluded the Sale of its remaining Tanzanian operations and was paid US$ 4 million (including the release of US$ 510,000 previously paid into escrow by Sky). Further deferred consideration of US$ 510,000, subject to any adjustments and deductions in accordance with the Sales Agreement will be payable to Richland on 8 June 2015. The 31 December 2014 net asset value of the Disposed Group sold to Sky was US$ 4.6 million.

On 31 March 2015, in preparation of first sales from the Capricorn Sapphire mine as well as to highlight the new phase that Richland has entered following the sale of its Tanzanian operations, a group wide rebranding and new website was launched.

On 13 April 2015 Richland announced the start of pre-production mining at Capricorn Sapphire. This historical milestone for the Company includes:

- Rehabilitation and stabilisation of certain historic un-rehabilitated areas;
- Removal of topsoil and overburden as part of the first open pit development;
- Final plant testing and circuit configuration underway.

Richland is also currently conducting a drilling programme at its Sapphire Project to delineate and schedule the development and mining of the first open pit.

7. Glossary of Terms

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

Bernard Olivier

Dr Bernard Olivier
Chief Executive Officer

4 May 2015

RICHLAND RESOURCES LTD

STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws and regulations. The directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). The financial statements are required to give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures discussed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any point in time, the financial position of the Group which are free from material misstatement whether due to fraud or error and to enable them to ensure that the financial statements comply with IFRS. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for taking such steps such as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatements or loss.

DIRECTORS' DECLARATION

The directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Richland Resources Ltd and the undertakings included in the consolidation as a whole;
- the Report of the Directors includes a fair review of the development or performance of the business and the position of Richland Resources Ltd and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- there are reasonable grounds to believe that the Group will be able to pay its debts when they become due and payable in the foreseeable future (at least 12 months from the date of this report).

On behalf of the board

Bernard Olivier

Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd

4 May 2015

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present this report, together with the audited consolidated financial statements for the year ended 31 December 2014 for Richland Resources Ltd ("**the Company**" or "**Richland Resources**" or "**Richland**") and its subsidiaries ("**the Group**").

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Richland Resources Ltd is a Bermudian registered holding company of a group of companies involved in the mining and marketing of coloured gemstones. Through its subsidiary, TanzaniteOne Mining Limited, the Group held an interest in the mining licence over a property containing a significant proportion of the world's only known significant tanzanite resource. Post reporting date (Note 33) the Group concluded the sale of its Tanzanian tanzanite mining operations and tsavorite exploration project and is now focussed on mining sapphires at its Capricorn Sapphire mine site in Queensland, Australia. Accordingly the Group's accounts and financial performance as presented distinguishes between that of the Disposed Group ("**Discontinued Operations**") and Richland's ongoing operations ("**Continuing Operations**").

GOING CONCERN

The Group made a loss from all operations for the year after tax of US$ 15.3 million (2013: US$ 4.5 million) and had negative cash flows from operations. The underlying operating performance was negatively impacted by illegal mining and underground incursions at the mine operated by TanzaniteOne Mining Limited, a wholly owned subsidiary of Richland Resources and part of the Disposal Group disposed of on 2 March 2015, 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 received a further US$ 4 million for the sale of its tanzanite mining and beneficiation business and tsavorite license interest in Tanzania operated by the Disposal Group. The Group is now focussing on bringing its Capricorn Sapphire Project in Australia into production. Geological factors and market conditions could adversely affect the gemstone grades, size distributions and value per carat achieved, these together with disruptions and delays to its operations may negatively impact cash flows which may require management to seek further debt or equity funding. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

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

RESULTS

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 and the consolidated statement of financial position at that date are set out on pages 25 and 26 of this report respectively. The Group recorded a loss from continuing operations for the year ended 31 December 2014 of US$ 1.4 million (2013: US$ 1.7 million) and a loss from discontinued operations of US$ 13.9 million (2013: US$ 2.7 million). Taking into account these losses, shareholders' equity at 31 December 2014 is US$ 7.7 million (2013: US$ 18.2 million). The directors have not declared a dividend (2013: Nil).

A CLASS SHARE CAPITAL

When Richland Resources acquired the tanzanite assets from Afgem Limited ("**Afgem**"), a mechanism was put into place to accommodate any of Afgem's South African shareholders' desire to maintain their investment in the tanzanite assets and to comply with South African Reserve Bank ("**SARB**") foreign exchange regulations pertaining to foreign investments by South African citizens. This mechanism involved the creation of TanzaniteOne (SA) Proprietary 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 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 may elect to implement the sale 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 to ensure 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 shareholders.

See events subsequent to year end note below regarding Scheme of Arrangement approved post year end.

PLACING AND OPEN OFFER

On 16 January 2014 the Company announced it has successfully raised approximately US$ 4.3 million after expenses via the issue of 81,060,944 New Common Shares.

CAPRICORN 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 which has subsequently been branded "Capricorn Sapphire" through its 100% owned subsidiary Capricorn Sapphire Pty Ltd incorporated in Australia. The project has been acquired by Richland for consideration of AU$ 1.18 million (approximately US$ 1.1 million) and 18 million fully paid new common shares in Richland (approximately 8.3% of Richland's enlarged share capital).

DIRECTORS

At the date of this report, the directors of the Company who have held office since 1 January 2014, unless otherwise stated are:

Edward Nealon (64), Chairman

Mr Nealon assumed Chairmanship of the Group on 27 June 2012. Mr Nealon is a geologist with 41 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.

DIRECTORS (CONTINUED)

Ami Mpungwe (64), Non-executive Deputy Chairman

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

Dr Bernard Olivier (39), Chief Executive Officer

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

Nicholas Sibley (76), Non-executive director

Mr Sibley is a Chartered Accountant. He was formerly Chairman of Wheelock Capital from 1994 to 1997, Executive Chairman of Barclays de Zoete Wedd (Asia Pacific) Limited from 1989 to 1993 and Chairman of Aquarius Platinum Limited from 2003 to 2015. He is a former managing director of Jardine Fleming Holdings and director of Robert Fleming Holdings, Barclays de Zoete Wedd Holdings and Corney and Barrow Group. He is presently a director of Wah Kwong Maritime Transportation Company Ltd and Asia Pacific Fund Inc.

MEETINGS OF DIRECTORS

The number of meetings of the board of directors of the Company and its committees held during the year ended 31 December 2014 and the number of meetings attended by each director is tabled below:

2014

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	7	1	2	1	6	1	2	1
Edward Nealon	7	1	2	1	7	1	2	1
Dr Bernard Olivier	7	-	-	1	7	-	-	1
Nicholas Sibley	7	1	2	1	7	1	2	1

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.

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 remuneration of each director of the Group during the financial year are shown in the table below. Refer also Note 19 – Share options reserve for participation by the directors in the Company's Group Share Option Plan.

	Base salary/fees US$	Consulting fees US$	Other US$	Total US$
2014				
Ami Mpungwe	37,813[1]	120,000[2]	-	157,813
Edward Nealon	32,813[1]	-	-	32,813
Nicholas Sibley	29,688[1]	-	-	29,688
Bernard Olivier	25,000[1]	-	72,225[3]	97,225
2013				
Ami Mpungwe	60,500	120,000[2]	-	180,500
Edward Nealon	52,500	-	-	52,500
Nicholas Sibley	47,500	-	-	47,500
Bernard Olivier	40,000	-	160,437[3]	200,437

(1) Fees accrued but not paid at 31 December 2014.

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

CORPORATE GOVERNANCE

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

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

BOARD OF DIRECTORS

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

In order to retain full and effective control over the Company and monitor the executive management team, the board meets regularly and at least on a quarterly basis. Details of directors' attendance at these meetings are set out on page 13. 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 2014 and as at the time of this report and their relevant qualifications and experience are set out on pages 12 and 13. 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

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 and sapphire 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, 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 and Australia. The programme enables the new appointees to gain an understanding of the Group's financial, strategic, operational and risk management position. Full access to all documentation pertaining to the Company is provided. It ensures new directors and key executives are aware of their rights, duties and responsibilities.

PERFORMANCE REVIEW

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

DIRECTORS' RETIREMENT AND RE-ELECTION

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

SECURITIES TRADING POLICY

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

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

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 12 to 13.

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

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

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

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

The Committee assesses the Group's structure, business and controls annually. It ensures the board is made aware of internal control practices, risk management and compliance matters which may significantly impact upon the Group in a timely manner. The Committee meets when deemed necessary and at least twice a year. The Group Company Secretary acts as secretary of the Committee and distributes minutes to all board members. Details of attendance at Committee meetings are set out on page 13.

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 14.

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 13.

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 in relation to its Continuing Operations are as follows:

Risk of development, construction, mining operations and uninsured risks

The Group's ability to meet production, timing and cost estimates for its properties cannot be assured. Furthermore, the business of mining is subject to a variety of risks such as actual production and cost varying from estimated future production, cash cost and capital costs; revisions to mine plans; risks and hazards associated with mining; natural phenomena; unexpected labour shortages or strikes; delays in permitting and licensing processes; and the timely completion of expansion projects, including land acquisitions required for the expansion of our operations from time to time. Geological grade and product value estimations are based on independent resource calculations, studies and historical sales records. Geological risk factors and adverse market conditions could cause actual results to materially deviate from estimated future production and revenue. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the future business, cash flows, profitability, results of operations and financial condition. While steps, such as production and mining planning are in place to limit these risks, occurrence of such incidents do exist and should be noted.

Currency risk

The Group reports its financial results and maintains its accounts in United States Dollars, the currency in which the Group primarily operates. The Group's operations in Australia make it subject to further foreign currency fluctuations and such fluctuations may materially affect the Group's financial position and results. The Group does not have any currency hedges in place and is exposed to foreign currency movements.

Gemstone price volatility

The profitability going forward of the Group's operations is significantly affected by changes in realisable gemstone prices. The price of gemstones can fluctuate widely and is affected by numerous factors beyond the Group's control, including jewellery demand, inflation and expectations with respect to the rate of inflation, the strength of the United States Dollar and of other currencies, interest rates, global or regional political or financial events, and production and cost levels.

Loss of critical processes

The Group's mining, processing, development and exploration activities depend on the continuous availability of the Group's operational infrastructure, in addition to reliable utilities and water supplies and access to roads. Any failure or unavailability of operational infrastructure, for example through equipment failure or disruption, could adversely affect production output and/or impact exploration and development activities.

Competition

The Group competes with numerous other companies and individuals, in the search for and acquisition of exploration and development rights on attractive mineral properties and also in relation to the purchase, marketing and sale of gemstones. There is no assurance that the Group will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties and also in relation to the purchase, marketing and sale of gemstones.

Future funding requirements

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

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.

EVENTS SUBSEQUENT TO YEAR END DATE

Tanzania mining business sale closes

The sale agreement entered into with Sky Associates Group Limited ("**Sky**") on 25 November 2014 ("**Sale Agreement**") closed on 2 March 2015. In return for payment of US$ 5.1 million of which US$ 4.59 million has been received (US$ 510,000 in the period and US$ 4.08 million on closing on 2 March 2015). Sky has acquired (i) Richland's wholly owned subsidiary, TanzaniteOne (SA) Proprietary Limited ("**TanzaniteOne SA**") (which holds the interest in TanzaniteOne Mining Limited ("**TML**") and includes all companies related with tanzanite mining, (ii) TsavoriteOne Mining Limited which owns tsavorite licences, and (iii) Urafiki Gemstones EPZ Ltd which operated the Group's cutting facilities (the "**Sold Group**").

In addition, Sky has agreed that it will pay to Richland 30% of any deferred consideration received by TML under the STAMICO joint venture agreement up until 31 December 2019.

Further deferred consideration of US$ 510,000, which is subject to any adjustments and deductions in accordance with the Sales Agreement, is payable on 8 June 2015.

Scheme of arrangement – A Class shareholders

On 28 February 2015, TanzaniteOne SA issued notice to Class A shareholders convening a Scheme meeting on 26 March 2015 and notice to shareholders convening a meeting of shareholders of TanzaniteOne SA on 26 March 2015, both meetings have approved a Scheme of Arrangement the details of which are:

(a) Each A class shareholder will receive one redeemable Class A share with no par value and a premium of R0.0003 per share in the capital of Rohstein Properties Proprietary Limited, Registration Number 2014/093972/07 ("**Rohstein**"), a wholly owned subsidiary of TanzaniteOne SA for each Class A share they currently own in TanzaniteOne SA (the "**Scheme Consideration Shares**"); and
(b) All the class A shares will be cancelled.

Richland Resources made an offer on 25 February 2015 which expires on 29 April 2024 ("**the Offer**") to all holders of the Scheme Consideration Shares to purchase their Scheme Consideration Shares on *mutatis mutandis* the same terms and conditions as the terms and conditions on which Richland Resources has offered to purchase each existing Class A share of TanzaniteOne SA.

On 27 March 2015, Rohstein was sold by TanzaniteOne SA to Richland Resources so that the Scheme Consideration Shares are issued by a wholly owned subsidiary of Richland Resources rather than TanzaniteOne SA which is now owned by Sky.

TRA Assessment

Richland have obtained advice from PwC that no Tanzanian Capital Gains Tax is due by Richland on the sale by Richland of TanzaniteOne (SA) (Pty) Ltd to Sky Associates and the consequent change in beneficial control of TanzaniteOne Mining Ltd. On 17 April 2015 the Company received an assessment from the Tanzanian Revenue Authority ("**TRA**") assessing tax on a notional capital gain of US$ 20.2 million (the "**Assessment**") in relation to its transaction with Sky Associates despite the consideration only being US$ 5.1 million and only US$ 4.59 million having been received as at the date of the Assessment.

PwC have advised the Assessment has been issued incorrectly and that as there is an indirect sale of shares tax on a capital gain is not applicable or due. The Company will be lodging an objection to the Assessment with the TRA as it believes that the basis upon which the Assessment has been raised is incorrect and not in accordance with the tax laws and regulations of Tanzania and tax on any notional capital gain is not due.

EVENTS SUBSEQUENT TO YEAR END DATE (CONTINUED)

Group wide rebranding and new website launched

On 31 March 2015, in preparation of first sales from the Capricorn Sapphire mine, Richland announced the rollout of a new, phased, brand launch across all areas of the Group. The new Capricorn Sapphire brand has been launched under which only fully certificated sapphire from Australia will be sold. The certification will provide buyers and customers with a guaranteed proof of origin. Sales will be conducted through a two tier sales system to begin with: via sight/auction sales with commercial buyers and through an online portal for the general retail market.

The pre-existing www.tanzaniteoneOnline.com website will shortly be migrated to a new and improved platform at, www.RichlandGemstones.com, that will be able to host sales of a range of different gemstones. Utilising its unsurpassed knowledge of the tanzanite industry, world class tanzanite will be sourced by Richland from the Merelani tanzanite deposit and will be retailed as "Merelani Tanzanite" on the Company's online sales website. The Company's sapphires will be sold under the Capricorn Sapphire brand. At the core of the Richland brand is an ability to supply the luxury goods market with its own ethically mined gemstones of known provenance. The brand consistency engendered by the Group wide launch will look to establish a reputation for the reliable supply of natural gemstones across a growing portfolio of products.

Commencement of pre-preproduction mining at Capricorn Sapphire

On 13 April 2015, Richland announced that Mining operations at its Capricorn Sapphire project in Queensland, Australia are underway and all earth moving machinery required for production is on site. Current operations are focussed on the development of the first open pit, “Pit 1”, which will host the initial phase of sapphire mining during 2015. Topsoil and overburden removal has commenced as part of the development of Pit 1, which is located within the pre-existing JORC defined sapphire resource. As part of the pit development work a drilling contractor is on site and is working with Richland’s geologists to define Pit 1’s final open pit design, layout and mining. Following completion of the production design work confirmation and definition holes will also be drilled to enhance the Company’s understanding of the resource. The use of a small-scale processing facility has been secured near the mine and independent geologists and engineers are currently running samples through this pilot plant for assessment. Sapphires have been recovered.

Earth moving work is also underway to stabilise and rehabilitate areas disturbed by earlier operations. In addition to benefiting the production mining start, this work has been undertaken by Richland as part of its commitment to the Queensland Government to help remediate the historic mine workings.

Plant testing continues successfully with the various circuits being configured for maximum efficiency. Cameras and other security measures are currently being installed at the processing plant. Final sapphire separation, sorting and grading of the concentrate will be undertaken at the secure facility in the neighbouring town of Emerald overseen by full modern gemstone security systems. Richland currently anticipates its first commercial sapphire recovery in May 2015 in preparation for sale of sapphires in June 2015.

Signed in accordance with a resolution of the directors.

Bernard Olivier

Dr Bernard Olivier
Chief Executive Officer
Richland Resources Ltd

4 May 2015

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 2014, 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 2014 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$ 15.3 million during the year ended 31 December 2014. 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.

Juvinal Betambira

For and on behalf of BDO East Africa
Certified Public Accountants
Dar es Salaam

4 May 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2014 US$ '000	2013 US$ '000
CONTINUING OPERATIONS			
Revenue	4	**995**	75
Cost of sales	6	**(699)**	(167)
Gross profit/(loss)		**296**	(92)
Other income	5	**3**	-
Operating expenses	6	**(1,712)**	(1,641)
Operating loss		**(1,413)**	(1,733)
Finance income	7	**3**	-
Loss before taxation		**(1,410)**	(1,733)
Income tax charge	8	**-**	-
Loss for the year from continuing operations		**(1,410)**	(1,733)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	16	**(13,895)**	(2,737)
Loss for the year		**(15,305)**	(4,470)
Attributable to:			
Equity owners of the parent			
- Continuing operations		**(1,410)**	(1,733)
- Discontinued operations		**(12,429)**	(2,748)
Non-controlling interest – Discontinued operations	21	**(1,466)**	11
Other comprehensive income			
Loss for the year		**(15,305)**	(4,470)
Items that may be reclassified to profit or loss:			
Foreign exchange (loss)/gain on translation of foreign operation		**(22)**	8
Total comprehensive loss for the year		**(15,327)**	(4,462)
Attributable to:			
Equity owners of the parent		**(13,861)**	(4,473)
- Continuing operations		**(1,380)**	(1,733)
- Discontinued operations		**(12,481)**	(2,740)
Non-controlling interest – Discontinued operations	21	**(1,466)**	11
Total comprehensive loss for the year		**(15,327)**	(4,462)
Loss per share attributable to the owners of the parent during the year			
Basic and diluted loss per share from continuing operations (US cents/share)	22.1	**(0.70)**	(1.47)
Basic and diluted loss per share from discontinued operations (US cents/share)	22.1	**(6.20)**	(2.33)
Basic and diluted loss per common share from all operations (US cents/share)	22.1	**(6.90)**	(3.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 US$ '000	2013 US$ '000
Assets			
Non-current assets			
Property, plant and equipment	9	**2,676**	17,239
Intangible assets	10	**-**	4,571
Deferred income tax assets	11	**-**	2,383
Inventories	12	**-**	81
Total non-current assets		**2,676**	24,274
Current assets			
Inventories	12	**5**	1,645
Income tax recoverable	13	**-**	168
Trade and other receivables	14	**73**	2,647
Restricted cash and cash equivalents	15	**251**	-
Cash and cash equivalents	15	**962**	897
Total current assets		**1,291**	5,357
Non-current assets and disposal groups classified as held for sale	16	**15,327**	-
Total assets		**19,294**	29,631
Equity			
Share capital	17	**65**	36
Share premium	18	**51,711**	46,855
Convertible loans	26	**-**	453
Share option reserve	19	**-**	896
Foreign currency translation reserve	20	**(1,531)**	(1,509)
Accumulated loss		**(41,329)**	(28,386)
Total equity attributable to equity owners of the parent		**8,916**	18,345
Non-controlling interest	21	**(1,539)**	(73)
Total equity		**7,377**	18,272
Liabilities			
Non-current liabilities			
Provision for environmental rehabilitation	23	**205**	74
Trade and other payables	24	**98**	**-**
Total non-current liabilities		**303**	74
Current liabilities			
Trade and other payables	24	**877**	8,388
Current income tax payable	13	**-**	2,199
Borrowings	25	**-**	576
Provision for environmental rehabilitation	23	**-**	122
Total current liabilities		**877**	11,285
Liabilities associated with disposal groups classified as held for sale	16	**10,737**	-
Total liabilities		**11,917**	11,359
Total equity and liabilities		**19,294**	29,631

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 2014												
At start of year		**35**	**1**	**36**	**46,855**	**896**	**(1,509)**	**(28,386)**	**453**	**18,345**	**(73)**	**18,272**
Total comprehensive income for the year		-	-	-	-	-	(22)	(13,839)	-	(13,861)	(1,466)	(15,327)
Loss for the year		-	-	-	-	-	-	(13,839)	-	(13,839)	(1,466)	(15,305)
Foreign exchange gain on translation	*20*	-	-	-	-	-	(22)	-	-	(22)	-	(22)
Transactions with owners:												
Shares issued		29	-	29	5,035	-	-	-	(453)	4,611	-	4,611
Share issue cost		-	-	-	(179)	-	-	-	-	(179)	-	(179)
Share option reserve transfer		-	-	-	-	(896)	-	896	-	-	-	-
At end of year		**64**	**1**	**65**	**51,711**	**-**	**(1,531)**	**(41,329)**	**-**	**8,916**	**(1,539)**	**7,377**
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	*20*	-	-	-	-	-	8	-	-	8	-	8
Transactions with owners:												
Convertible loans – equity component	*26*	-	-	-	-	-	-	-	453	453	-	453
At end of year		**35**	**1**	**36**	**46,855**	**896**	**(1,509)**	**(28,386)**	**453**	**18,345**	**(73)**	**18,272**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2014 US$ '000	2013 US$ '000
Cash flows from operating activities			
Cash generated from operations	27.1	**(244)**	1,224
Interest cost paid		**(56)**	(75)
Income tax refunded/(paid)	27.2	**8**	(14)
Net cash (utilised in)/from operating activities		**(292)**	1,135
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,198)**	(1,252)
Proceeds on disposal of property, plant and equipment		**-**	650
Purchase of intangible assets (exploration expenditure)		**-**	(162)
Purchase of interest in subsidiary	35	**(1,124)**	-
Transfer to restricted cash		**(251)**	-
Net cash utilised in investing activities		**(2,573)**	(764)
Cash flows from financing activities			
Proceeds from borrowings (convertible loans)		**-**	453
Repayment of borrowings		**(174)**	(723)
Proceeds from issue of shares	27.3	**3,444**	-
Net cash generated from/(utilised in) financing activities		**3,270**	(270)
Net increase in cash and cash equivalents		**405**	101
Movement in cash and cash equivalents			
Exchange (losses)/gains		**(22)**	8
At the beginning of the year		**495**	386
Increase		**405**	101
At the end of the year		**878**	495
Cash and cash equivalents - continuing operations	15	**962**	640
Cash and cash equivalents net of borrowings included in asset from disposal group classified as held for sale	16	**(84)**	(145)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Richland Resources Ltd ("**the Company**" or "**Richland Resources**" or "**Richland**") and its subsidiaries (together "**the Group**") mines, distributes and sells coloured gemstones. Post reporting date (Note 33) the Group concluded the sale of its Tanzanian tanzanite mining and beneficiation operations and tsavorite exploration project and is now focused on mining sapphires at its Capricorn Sapphire mine site in Queensland, Australia.

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

The Company is listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange. The financial statements were authorised for issue by the directors on 4 May 2015.

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$ 15.3 million (2013: US$ 4.5 million) and had negative cash flows from operations. The underlying operating performance was negatively impacted by illegal mining and underground incursions at the mine operated by TanzaniteOne Mining Limited, a wholly owned subsidiary of Richland Resources and part of the Disposal Group disposed of on 2 March 2015, 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 received US$ 4 million for the sale of its tanzanite mining and beneficiation business and tsavorite license interest in Tanzania operated by the Disposal Group. The Group is now focussing on bringing its Capricorn Sapphire Project in Australia into production. Geological factors and market conditions could adversely affect the gemstone grades, size distributions and value per carat achieved, these together with disruptions and delays to its operations may negatively impact cash flows which may require management to seek further debt or equity funding. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

Considering the above, the sale of the Disposal Group post the year end and the expectation that the Group will successfully be able to bring the Capricorn Sapphire Project into production and if required 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 of 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 gemstone resource – Note 2(l) and 31;
- 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 9;
- 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 30;
- Recognition of deferred 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 inventory – 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 2014 and have a material impact on the Group:

Standard		Effective date
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interest in other entities	1 January 2014
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Recoverable amounts disclosures for non-financial assets	1 January 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

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 2015, and have not been applied in preparing these financial statements:

Standard		Effective date
IFRIC 21	Interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets on the accounting for levies imposed by governments.	17 June 2014
Annual Improvements to IFRSs	2010-2012 Cycle	1 February 2015
Annual Improvements to IFRSs	2011-2013 Cycle	1 January 2015
IFRS 11 (Amendment)	Interest in Joint Operations	1 January 2016
IAS 16 and IAS 38 (Amendment)	Clarification of Acceptable methods of depreciation and amortisation	1 January 2016
Annual Improvements to IFRSs	2012-2014 Cycle	1January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(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.

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 and A class shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are shown in equity as a deduction, net of tax, from the proceeds.

(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.

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 resources

The Group estimates its resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting Exploration Results of Mineral Resources and Ore Reserves December 2004 ("**JORC**"). Reports to support these estimates are only prepared periodically due to the difficult nature of the mineralogy and geology. This has resulted in determination of an Indicated and Inferred resources only and not a reserve. As such, Indicated and Inferred resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, and for forecasting the timing of the payments related to the environmental rehabilitation provision.

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

There are numerous uncertainties inherent in estimating gemstone ore resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of resource and may, ultimately, result in the resource being revised.

(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 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. Receivables that are not individually significant are collectively assessed for impairment by grouping these together with similar risk characteristics. All impairment losses are recognised in profit or loss.

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

(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 gemstones

Revenue from the sale of gemstones 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) Tax expense

Tax expense comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future; and
- the initial recognition of assets and liabilities in a transaction that is not a business combination.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rate enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Additional taxes that arise from the distribution of dividends to A Class shareholders in South Africa are recognised at the same time as the liability to pay the related dividend.

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.

(v) Non-current assets or disposal groups held-for-sale and discontinued operations

Non-current assets or disposal groups are classified as held-for-sale if their carrying amount will be recoverable principally through a sale transaction, not through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

These assets may be a component of an entity, a disposal group or an individual non-current asset. Upon initial classification as held-for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair values less cost to sell.

A discontinued operation is a significant distinguishable component of the Group's business that is abandoned or terminated pursuant to a single formal plan, and which represents a separate major line of business or geographical area of operation. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale.

The profit or loss on sale or abandonment of a discontinued operation is determined from the formalised discontinuance date. Discontinued operations are separately recognised in the financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal which should be expected to quality for recognition as a completed sale within one year of classification.

3 SEGMENT REPORTING

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

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

3 SEGMENT REPORTING (CONTINUED)

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 two reportable segments, as described below which are the Group's strategic business units. The strategic business units offer different focus areas for the Group. The Group comprises the following reportable segments:

- Mining: The extraction of rough gemstones
- Online sales: Online sales of jewellery and polished gemstones

The accounting policies of the reportable segments are the same as described in note 2.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/loss before income tax, as included in the internal management reports that are reviewed by the Executive Committee. Segment profit/loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

	Mining 2014 US$'000	Mining 2013 US$'000	Online sales 2014 US$'000	Online sales 2013 US$'000	Unallo-cated 2014 US$'000	Unallo-cated 2013 US$'000	Total Continuing 2014 US$'000	Total Continuing 2013 US$'000	Total Dis-continued 2014 US$'000	Total Dis-continued 2013 US$'000	Total All operations 2014 US$'000	Total All operations 2013 US$'000
External revenues	-	-	995	75	-	-	995	75	7,374	11,512	8,369	11,587
Finance income/(costs)	3	-	-	-	-	-	3	-	(73)	(133)	(70)	(133)
Depreciation and amortisation of property, plant and equipment and intangible assets	(22)	-	-	-	-	-	(22)	-	(812)	(1,335)	(834)	(1,335)
Impairment charge	-	-	-	-	(184)	-	(184)	-	(9,444)	(2,143)	(9,628)	(2,143)
Reportable segment (loss)/profit before income tax	(380)	-	117	(180)	(1,147)	(1,553)	(1,410)	(1,733)	(11,526)	(3,571)	(12,936)	(5,304)
Income tax (charge)/credit	-	-	-	-	-	-	-	-	(2,369)	834	(2,369)	834
Capital expenditure	1,807	-	-	-	-	-	1,807	-				
Reportable segment assets	3,208	-	209	73	550	824	3,967	897				
Reportable segment liabilities	365	-	78	19	736	597	1,179	616				

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

Geographical segments

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

	Revenues US$ '000	Non-current assets US$ '000
Geographical information		
31 December 2014		
Continuing operations		
Australia	**26**	**2,676**
United States	**823**	**-**
Other countries	**146**	**-**
	995	**2,676**
31 December 2013		
Tanzania	2,928	24,009
India	8,481	-
Other countries	178	265
	11,587	24,274

4 REVENUE

	2014 US$ '000	2013 US$ '000
Sale of tanzanite	**8,369**	11,587
– Continuing operations	**995**	75
– Discontinued operations	**7,374**	11,512

5 OTHER INCOME

	2014 US$ '000	2013 US$ '000
Fuel levy credit	**3**	-
Net gain on disposal of property, plant and equipment	**-**	200
Management fee income	**186**	15
	189	215
- Continuing operations	**3**	-
- Discontinued operations	**186**	215

6 (A) EXPENSES BY NATURE

	2014 US$ '000	2013 US$ '000
Raw materials and consumables used	**(6,078)**	(5,390)
Auditors' remuneration	**(317)**	(296)
Royalties	**(165)**	(203)
Depreciation and amortisation of property, plant and equipment	**(834)**	(1,335)
Inventory write-off	**(119)**	(228)
Impairment charges of property, plant and equipment	**(9,628)**	(2,143)
Write (off)/back of trade receivables	**(12)**	223
Net foreign exchange gain on working capital items	**325**	773
Directors' emoluments and consulting fees	**(318)**	(639)
Operating leases instalments	**(317)**	(356)
Employee benefits expense (Note 6(b))	**(3,772)**	(5,307)
Penalties and interests	**(174)**	(242)
Other expenses	**(15)**	(1,830)
Total of cost of sales and operating expenses	**(21,424)**	(16,973)
Classified as follows:		
Cost of sales	**(6,081)**	(7,113)
- Continuing operations	**(699)**	(167)
- Discontinued operations	**(5,382)**	(6,946)
Operating expenses	**(15,343)**	(9,860)
- Continuing operations	**(1,712)**	(1,641)
- Discontinued operations	**(13,631)**	(8,219)
	(21,424)	(16,973)

(B) EMPLOYEE BENEFITS EXPENSE

	2014 US$ '000	2013 US$ '000
Wages and salaries	**(3,456)**	(4,981)
Social security contributions	**(283)**	(288)
Other employment benefits	**(33)**	(38)
	(3,772)	(5,307)

7 FINANCE (COST)/INCOME

	2014 US$ '000	2013 US$ '000
Continuing operations	**3**	-
Interest income	**3**	-
Accretion expense – asset retirement obligation	**-**	-
Discontinued operations	**(73)**	(133)
Interest expense	**(59)**	(126)
Accretion expense – asset retirement obligation	**(14)**	(7)
Total finance cost	**(70)**	(133)

8 INCOME TAX CREDIT

	2014 US$ '000	2013 US$ '000
Current tax charge		
Current period	**-**	-
Prior periods	**(14)**	-
	(14)	-
Deferred tax credit (Note 11)	**2,383**	(834)
Total income tax charge/(credit)	**2,369**	(834)
- Continuing operations	**-**	-
- Discontinued operations	**2,369**	(834)

8 INCOME TAX CREDIT (CONTINUED)

	2014 US$ '000	2013 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	**(12,936)**	(5,304)
Taxation at 30%	**(3,881)**	(1,591)
Non-deductible expenses	**2,941**	715
Effect of tax rates in foreign jurisdictions	**-**	(19)
Deferred tax assets derecognised	**3,309**	61
Income tax charge/(credit)	**2,369**	(834)

9 PROPERTY, PLANT AND EQUIPMENT

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

Reconciliation of property, plant and equipment

31 December 2014	Opening balance US$'000	Additions US$'000	Acquisition of subsidiary US$'000	Transfers in/(out) US$'000	Depre-ciation US$'000	Assets classified as held for sale US$'000	Total US$'000
Computer and other equipment	68	69	-	22	(24)	(134)	1
Cutting and gemmological equipment	83	-	-	-	(22)	(61)	-
Development costs	12,197	712	1,750	139	(379)	(12,322)	2,097
Furniture, fittings and improvements to leased premises	184	55	-	11	(70)	(180)	-
Infrastructure and surface buildings	1,270	-	-	-	(177)	(1,093)	-
Plant, machinery and mining equipment	3,046	-	-	-	(40)	(3,006)	-
Motor vehicles	85	10	-	-	(33)	(52)	10
Assets under construction	306	413	155	(172)	-	(134)	568
	17,239	1,259	1,905	-	(745)	(16,982)	2,676

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

10 INTANGIBLE ASSETS

31 December 2014	Cost US$ '000	Accumulated amortisation US$ '000	Carrying amount US$ '000
Exploration expenditure (Tsavorite)	**-**	**-**	**-**
Mining licence	**-**	**-**	**-**
	-	**-**	**-**

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

Reconciliation of intangible assets

31 December 2014	Opening balance US$ '000	Amortisation and impairments US$ '000	Assets classified as held for sale US$ '000	Total US$ '000
Exploration expenditure (Tsavorite)	**4,224**	**(4,224)**	**-**	**-**
Mining licence	**347**	**(89)**	**(258)**	**-**
	4,571	**(4,313)**	**(258)**	**-**

11 DEFERRED INCOME TAX

	At 01 January US$ '000	Assets held for sale (debit)/credit to profit or loss US$ '000	At 31 December US$ '000
2014			
Estimated income tax losses	**3,934**	**(3,934)**	**-**
Property, plant and equipment	**(1,551)**	**1,551**	**-**
Net deferred income tax (liability)/asset	**2,383**	**(2,383)**	**-**
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

12 INVENTORIES

	2014 US$ '000	2013 US$ '000
Non-current		
Show jewellery	**-**	81
Current		
Rough gemstones and jewellery	**5**	1,327
Consumables	**-**	318
	5	1,645
	5	1,726

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)

	2014	2013
Income tax recoverable	**-**	168
Income tax payable	**-**	(2,199)

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. Balances have been classified as held for sale.

14 TRADE AND OTHER RECEIVABLES

	2014 US$ '000	2013 US$ '000
Trade receivables	**-**	412
Prepayments	**40**	180
Other receivables	**33**	2,157
Provision for impairment of trade receivables	**-**	(102)
	73	2,647

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2014, trade receivables of US$ Nil (2013: US$ 143,000) 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:

	2014 US$ '000	2013 US$ '000
More than 120 days	**-**	143

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2014, trade receivables of US$ Nil (2013: US$ 102,000) 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:

	2014 US$ '000	2013 US$ '000
At 1 January	**102**	325
Reversal	**-**	(223)
Classified as held for sale	**(102)**	-
At 31 December	**-**	102

	2014 US$ '000	2013 US$ '000
Trade and other receivables consists of balances receivable in the following currencies:		
United States Dollars	**25**	340
Australian Dollars	**48**	-
South African Rands	**-**	28
Tanzanian Shillings	**-**	2,279
	73	2,647

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 28.1.

15 CASH AND CASH EQUIVALENTS

	2014 US$ '000	2013 US$ '000
Cash at bank and on hand	**962**	897
Bank overdraft (Note 25)	**-**	(402)
Cash and cash equivalents in the statement of cash flows	**962**	495
Restricted		
Short-term deposits	**251**	-
Total cash and cash equivalents	**1,213**	495

Short-term deposits have been pledged as collateral for the financial assurance lodged with the Department of Natural Resources and Mines (Australia).

	2014 US$ '000	2013 US$ '000
Cash and cash equivalents consists of balances denominated in the following currencies:		
United States Dollars (net of overdraft)	**696**	325
Australian Dollars*	**486**	-
Hong Kong Dollars*	**31**	-
South African Rands*	**-**	64
Tanzanian Shillings*	**-**	104
UAE Dirhams*	**-**	2
	1,213	495

* 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 28.

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

Following a comprehensive review of the strategic options available for its mining operations in Tanzania, Richland entered into a conditional sale agreement on 25 November 2014 ("**Sale Agreement**") with Sky Associates Group Limited ("**Sky Associates**") pursuant to which the Company sold to Sky Associates the Group's tanzanite mining and beneficiation business and tsavorite license interests in Tanzania.

The sale closed on 2 March 2015 and as a result of the transaction, this group of assets ("**disposal group**") are disclosed as a disposal group held for sale. The assets and liabilities to be disposed of are set out below and are stated at the lower of carrying amount and fair value less cost to sell which resulted in an impairment charge of US$ 5 million (2013: nil) based on receipt of proceeds received. As at the reporting date the following amounts have been received:

(a) US$ 510,000 on 28 November 2014 this amount is included in these Financial Statements
(b) US$ 4,080,000 paid to Richland on closing on 2 March 2015, which includes the release of US$ 510,000 previously paid into escrow by Sky Associates this amount is not included in these Financial Statements.

Further Deferred Consideration of US$ 510,000, subject to any adjustments and deductions in accordance with the Sales Agreement is payable to Richland on 8 June 2015.

As summarised below the Net Assets as of 31 December 2014 of the subsidiaries sold to Sky Associates and discontinued operations is US$ 4.59 million (Total assets of US$ 15.3 million less Total liabilities of US$ 10.7 million).

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

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

Comparative information has been restated to ensure comparability.	**2014** **US$ '000**	2013 US$ '000
Revenue	**7,374**	11,512
Other income	**186**	215
Operating expenses	**(13,995)**	(15,165)
Finance cost	**(73)**	(133)
Loss before tax on discontinued operations	**(6,508)**	(3,571)
Tax (charge)/credit	**(2,369)**	834
Loss after tax of discontinued operations	**(8,877)**	(2,737)
Impairment loss on disposal group	**(5,018)**	-
Loss for the year from discontinued operations	**(13,895)**	(2,737)
Cash flow information		
Operating cash flows	**463**	2,257
Investing cash flows	**(515)**	(704)
Financing cash flows	**(174)**	(723)
Total cash flows	**(226)**	830

17 SHARE CAPITAL

17.1 Common share capital

	2014 US$ '000	2013 US$ '000
Authorised		
333,333,333 (2013: 333,333,333) common shares of US$0.0003 each	**100**	100
Issued		
217,209,895 (2013: 118,148,951) common shares of US$0.0003 each	**64**	35
Share capital		
Balance at the beginning of the year	**35**	35
Shares issued during the year	**29**	-
Balance at the end of the year	**64**	35

Reconciliation of number of common shares in issue	Number of shares 2014	Number of shares 2013
Shares in issue at beginning of the year	**118,148,951**	118,148,951
Share issued open offer to shareholders	**81,060,944**	-
Shares issued pursuant to Sapphire project purchase	**18,000,000**	-
Shares in issue at end of the year*	**217,209,895**	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.

17.2 A class share capital

	2014 US$ '000	2013 US$ '000
Authorised		
66,666,667 A class shares of ZAR 0.0003 each	**3**	3
Issued		
1,480,393 (2013: 1,568,202) A class shares of ZAR 0.0003 each issued by the Company's wholly-owned subsidiary, TanzaniteOne (SA) Proprietary Limited ("**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.

	2014 US$ '000	2013 US$ '000
Total issued share capital (Common shares and A class shares)	**65**	36

Reconciliation of A Class share capital	Number of shares 2014	Number of shares 2013
Shares in issue at beginning of the year	**1,568,202**	1,568,202
Issued	**7,255**	-
Share buy back	**(95,064)**	-
Shares in issue at end of the year	**1,480,393**	1,568,202

An equivalent amount of common shares are held by Rembrandt Nominees via an account with Investec Wealth & Investment.

17 SHARE CAPITAL (CONTINUED)

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 has been issued on the basis that:

1. if the Richland Resources common shares are consolidated or subdivided, the same will apply, *mutatis mutandis*, to the TanzaniteOne SA Limited A class shares;
2. if any rights issue is implemented by Richland Resources, 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, which will include but not be limited to the price per rights issue share and ratio of rights shares to exiting shares; and
3. if the common shareholders of Richland Resources receive shares in substitution for all their Richland Resources common shares then the number of 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 common shares.

The holders of the TanzaniteOne SA Limited A class shares will only be entitled to a dividend if Richland Resources 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 in respect of each Richland Resources common share; and

F = the spot foreign exchange rate quoted by Standard Bank of South Africa Limited on the date upon which the relevant Richland Resources dividend is payable to Richland Resources common shareholders.

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, to the holders of the TanzaniteOne SA Limited A class shares registered as such on the declaration date of the relevant Richland Resources 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.

17 SHARE CAPITAL (CONTINUED)

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.

Should Richland Resources acquire any TanzaniteOne SA Limited A class shares, TanzaniteOne SA Limited will automatically redeem out of moneys which may be lawfully applied for that purpose those TanzaniteOne SA Limited A class shares 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 0.003 (point zero zero three) cent per TanzaniteOne SA Limited A class share. Notwithstanding the provisions of this clause, 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 0.003 (point zero zero three) 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 arrears) accrued in respect of the same, up to the date fixed for redemption thereof, and the preference dividends thereon shall cease to accrue from that date unless, upon surrender of the share certificate in respect of the 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 arrears) 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 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. Please refer to note 33 regarding scheme of arrangement approved post year end.

18 SHARE PREMIUM

	2014 US$ '000	2013 US$ '000
Balance at beginning of the year	**46,855**	46,855
Issue of shares	**5,035**	-
Share issue cost	**(179)**	-
Balance at end of year	**51,711**	46,855

19 SHARE OPTION RESERVE

	2014 US$ '000	2013 US$ '000
Balance at beginning of the year	**896**	896
Transferred to accumulated loss – options vested	**(896)**	-
Balance at end of year	**-**	896

Share-based payments

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

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

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

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

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

	2014		2013	
	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 2014 have an exercise price of 16.237 UK pence and a weighted average contractual life of 4.2 years (2013: 5.2 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.

19 SHARE OPTION RESERVE (CONTINUED)

Share option assumptions at issue date	2009 Senior employees
Share price	£0.42 - £0.72
Exercise price	£0.16
Expected volatility	35%
Expected dividends	0%
Risk-free interest rate (based on South African government bonds)	7.5%
Option life	0.9 years – 2.9 years

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

20 FOREIGN CURRENCY TRANSLATION RESERVE

	2014 **US$ '000**	2013 US$ '000
Balance at beginning of the year	**(1,509)**	(1,517)
Translation of foreign operations	**(22)**	8
- Continuing operations	**30**	-
- Discontinued operations	**(52)**	8
Balance at end of the year	**(1,531)**	(1,509)

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

21 NON-CONTROLLING INTEREST

	2014 **US$ '000**	2013 US$ '000
25% interest in the equity of TanzaniteOne Trading Limited	**(418)**	(22)
25% interest in the equity of TsavoriteOne Mining Limited	**(1,121)**	(51)
	(1,539)	(73)
Movement during the year:		
25% interest in the (loss)/profit for the year of TanzaniteOne Trading Limited	**(396)**	16
25% interest in the loss for the year of TsavoriteOne Mining Limited	**(1,070)**	(5)
Net (loss)/profit accounted for in non-controlling interest account	**(1,466)**	11

22 EARNINGS PER SHARE

22.1 Basic and diluted loss per share

The calculation of basic and diluted loss per share at 31 December 2014 was based on the loss attributable to common shareholders from continuing operations of US$ 1,410,000 (2013: US$ 1,733,000), discontinued operations of US$ 12,429,000 (2013: US$ 2,748,000) and a weighted average number of common shares outstanding during the year ended 31 December 2014 of 200,588,045 (2013: 118,148,951) calculated as follows:

22 EARNINGS PER SHARE (CONTINUED)

22.1 Basic and diluted loss per share (continued)

	2014 US$ '000	2013 US$ '000
Loss attributable to common shareholders from continuing operations	**(1,410)**	(1,733)
Loss attributable to common shareholders from discontinued operations	**(12,429)**	(2,748)

Weighted average number of common shares	**Number of shares 2014**	Number of shares 2013
Weighted average number of common shares	**200,588,045**	118,148,951
Basic and diluted loss per common share from continuing operations (US cents/share)	**(0.70)**	(1.47)
Basic and diluted loss per common share from discontinued operations (US cents/share)	**(6.20)**	(2.33)
Basic and diluted loss per common share from all operations (US cents/share)	**(6.90)**	(3.79)

22.2 Net asset value per common share

	2014	2013
Net assets (US$'000)	**7,377**	18,272
Number of common shares in issue at 31 December	**217,209,895**	118,148,951
Net asset value per common share (US cents/share)	**3.40**	15.47
No dividend was declared	**-**	-

23 PROVISION FOR ENVIRONMENTAL REHABILITATION

	2014 US$ '000	2013 US$ '000
Balance at beginning of the year	**196**	139
Additions	**205**	50
Unwinding of discount	**14**	7
Classified as held for sale	**(210)**	-
Balance at end of the year	**205**	196
Total provision for environmental rehabilitation		
Non-current	**205**	74
Current	**-**	122
	205	196

24 TRADE AND OTHER PAYABLES

	2014 US$ '000	2013 US$ '000
Non-current		
Mining lease creditor	**98**	-
Current		
Trade and other payables	**241**	7,845
Deposit received from Sky Associates Group Limited	**510**	-
Amounts due to directors (Note 32)	**126**	482
STAMICO/Joint Operation	**-**	61
	877	8,388
Total trade and other payables	**975**	8,388
Trade and other payables consists of balances payable in the following currencies:		
United States Dollars	**771**	747
Australian Dollars	**171**	-
British Pounds	**30**	-
South African Rands	**1**	1,649
Tanzanian Shillings	**-**	5,991
Hong Kong Dollars	**2**	1
	975	8,388

25 BORROWINGS

	2014 US$ '000	2013 US$ '000
NBC Limited Bank loan	**-**	174
Less: Current portion transferred to current liabilities	**-**	(174)
Balance payable between one and five years	**-**	-
Bank loan (current portion)	**-**	174
Bank overdraft	**549**	402
Classified as held for sale	**(549)**	-
Balance payable within 12 months	**-**	576

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, sold post reporting date (Note 33) 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. The bank was notified of the breach and as of the date of this report have not recalled the loan amount.

26 CONVERTIBLE LOANS

	2014	2013
	US$ '000	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 32. No interest was paid or is due in relation to the December 2013 GBP convertible loan notes.

27 NOTES TO THE STATEMENT OF CASH FLOWS

	2014	2013
	US$ '000	US$ '000
27.1 Cash generated from operations		
Loss before income tax	**(12,936)**	(5,304)
Adjusted for:		
▪ Depreciation and amortisation of property, plant and equipment	**834**	1,335
▪ Inventory write-off	**119**	228
▪ Impairment charge	**9,628**	2,143
▪ Finance cost	**56**	126
▪ Unwinding of discount	**14**	7
▪ Write off/(back) of trade receivables	**12**	(223)
▪ Net gain on disposal of property, plant and equipment	**-**	(200)
▪ Net foreign exchange difference	**(325)**	(773)
Cash from operations before working capital changes	**(2,598)**	(2,661)
Working capital changes:		
Inventories	**1,237**	479
Trade and other receivables	**119**	2,732
Trade and other payables	**998**	674
Cash generated from operations before interest and tax	**(244)**	1,224
27.2 Net income tax paid		
Income tax (payable)/recoverable at 1 January	**(2,031)**	(2,010)
Current taxation charge (Note 8)	**14**	-
Foreign exchange difference	**212**	(35)
Income tax payable at 31 December	**1,813**	2,031
	8	(14)
27.3 Net proceeds from the issue of share capital		
Issue of common share capital	**5,064**	-
Share issue expenses paid	**(179)**	-
Directors loans converted to common share capital	**(400)**	-
Convertible loans converted to common share capital (cash received in prior year)	**(453)**	-
Paid for the acquisition of Capricorn Sapphire	**(588)**	-
	3,444	-

28 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.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 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.

28.2 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* US$ '000	Bank overdraft US$ '000	Trade and other payables US$ '000
31 December 2014			
Less than one year	**-**	**-**	**877**
One to five years	**-**	**-**	**98**
31 December 2013			
Less than one year	186	402	8,327

* Inclusive of interest payable in subsequent year.

28.3 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.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3 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 2013.

	2014 US$ '000	2013 US$ '000
Profit or loss		
South African Rands	**(328)**	(156)
Tanzanian Shillings	**(85)**	(599)

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.

28.4 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.

28.5 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 199% in 2013 (2013: 25%). 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.

29 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.

29 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
2014			
Trade and other receivables (excluding prepayments)	14	**33**	**33**
Cash at bank and on hand	15	**1,213**	**1,213**
Loans and receivables		**1,246**	**1,246**
Trade and other payables (excluding statutory liabilities)	24	**975**	**975**
Borrowings	25	**-**	**-**
Financial liabilities measured at amortised cost		**975**	**975**
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)	24	5,060	5,060
Borrowings	25	576	576
Financial liabilities measured at amortised cost		5,636	5,636

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

30 COMMITMENTS AND CONTINGENCIES

30.1 *Capital commitments*
No capital commitments existed at year end (2013: US$ nil).

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

	2014 US$ '000	2013 US$ '000
Less than one year	**45**	240
Between two and five years	**-**	45
	45	285

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

30 COMMITMENTS AND CONTINGENCIES (CONTINUED)

30.3 Legal contingencies – Discontinued operations

The Group is a defendant against various legal cases instituted by former employees with claims amounting to US$ 0.8 million (2013: US$ 0.9 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.

30.4 Tax contingencies – Discontinued operations

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 tax 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.

31 RESOURCES AND RESERVE STATEMENT

CAPRICORN SAPPHIRE

The Capricorn Sapphire project consists of two mining leases (ML 70419 and ML 70447) comprising about 490 hectares. The mining leases contain a JORC compliant Measured Sapphire Resource of approximately 21.6 million grammes (109 million carats) of sapphire, based on extensive previous exploration and following a brief period of mining.

32 RELATED PARTIES

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

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

Directors of the holding company and their close family members as at the date of this report control 15.5% (2013: 16.9%) of the voting shares of Richland Resources.

	2014	2013
	US$ '000	US$ '000
Short-term benefits		
Directors' emoluments for the year		
Services as directors of the Company		
Non-executive directors		
Salary	**125**	214
Executive directors		
Salary	**72**	161
Services as directors of the subsidiaries		
Executive directors		
Salary	**-**	306
Consulting fees paid to Strategic Works Consulting Limited in respect of Ami Mpungwe	**120**	120
Short term advances from directors		
Ami Mpungwe	**38**	121
Edward Nealon	**33**	105
Nicholas Sibley	**30**	136
Bernard Olivier	**25**	120
	126	482*

* Balance excludes GBP125,000 convertible loan from Nicholas Sibley as disclosed per note 26 and subsequently 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$ 0.7 million (2013: US$ 1.0 million). No terminal or other long term benefits were paid to key management personnel during the year (2013: Nil). There were no transactions with key management personnel during the year.

32 RELATED PARTIES (CONTINUED)

Group entities

Significant subsidiaries	Country of incorporation	Products/Services	Net amounts owing by/(to) Subsidiaries by other Group companies 2014 US$ '000	2013 US$ '000	Functional currency	Share holding %
Disposed Group						
TanzaniteOne (SA) Proprietary Limited	South Africa	Management services	**(18,288)**	(20,188)	ZAR	100%
TanzaniteOne Polished Sales (Proprietary) Limited	South Africa	Polished gemstone and jewellery sales	**-**	1,924	ZAR	100%
TanzaniteOne Holding Limited	Mauritius	Holding company	**(129)**	(111)	US$	100%
TanzaniteOne Mauritius Limited	Mauritius	Rough and polished tanzanite sales	**13,976**	14,039	US$	100%
TanzaniteOne Marketing DMCC*	UAE-Dubai	Rough and polished tanzanite sales	**13,136**	13,169	US$	100%
TanzaniteOne Mining Limited	Tanzania	Tanzanite mining	**1,402**	1,963	US$	100%
TanzaniteOne Trading Limited*	Tanzania	Rough and polished tanzanite trading	**(1,311)**	(1,649)	US$	75%
The Tanzanite Laboratory Limited*	Tanzania	Certification of tanzanite	**(214)**	(202)	US$	100%
TsavoriteOne Mining Limited	Tanzania	Tsavorite exploration	**(4,627)**	(4,580)	US$	75%
Tanzanite Foundation Limited	Nevis	Tanzanite marketing	**(5,577)**	(5,456)	US$	100%
Urafiki Gemstones EPZ Limited	Tanzania	Cutting gemstones	**(442)**	(489)	US$	100%
Continuing operations						
TanzaniteOne Jewellery Collection Ltd	Hong Kong, China	Polished and jewellery sales	**(220)**	(259)	US$	100%
TanzaniteOne Corporate Limited	Bermuda	Investment holding company	**(1,750)**	-	US$	100%
Capricorn Sapphire Pty Ltd	Australia	Sapphire mining	**(1,488)**	-	AU$	100%

* Operations to be discontinued due to close relationship required with Tanzanian operations which were sold post year end.

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

32 RELATED PARTIES (CONTINUED)

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.

(1) Name	(2) Open Offer entitlements	(3) Number of Shares 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.

33 SUBSEQUENT EVENTS

Closing of Sale

On 26 November 2014, Richland announced its conditional sale of its mining operations in Tanzania, to Sky Associates Group Limited pursuant to which the Richland will sell to Sky Associates Group Limited the Group's tanzanite mining and beneficiation business and tsavorite license interests in Tanzania (the "**Sale**"). The Sale closed on 2 March 2015 and Richland has sold its shares in the Company to Sky Associates Group Limited.

33 SUBSEQUENT EVENTS (CONTINUED)

Scheme of Arrangement - A Class shareholders

On 28 February 2015, TanzaniteOne SA Limited issued notice to Class A shareholders convening a Scheme meeting on 26 March 2015 and notice to shareholders convening a meeting of shareholders of the Company on 26 March 2015, both meetings have approved a Scheme of Arrangement the details of which are:.

(a) each A class shareholder will receive one redeemable Class A shares with no par value and a premium of R0.0003 per share in the capital of Rohstein Properties Proprietary Limited, Registration Number 2014/093972/07 ("**Rohstein**"), a wholly owned subsidiary of the Company for each Class A share they currently own in the Company (the "**Scheme Consideration Shares**"); and

(b) all the class A shares will be cancelled.

Richland Resources made an offer on 25 February 2015 which expires on 29 April 2024 ("**the Offer**") to all holders of the Scheme Consideration Shares to purchase their Scheme Consideration Shares on mutatis mutandis the same terms and conditions as the terms and conditions on which Richland Resources has offered to purchase each existing Class A share of TanzaniteOne SA Limited.

On 27 March 2015 TanzaniteOne SA Limited sold Rohstein to Richland so that the Scheme Consideration Shares will be issued by a wholly owned subsidiary of Richland rather than TanzaniteOne SA Limited (which is now owned by Sky Associates Group Limited).

Commencement of Sapphire mining

On 13 April 2015, Richland announced that mining operations are underway and all earth moving machinery required for production is on site. Current operations are focussed on the development of the first open pit, "Pit 1", which will host the initial phase of sapphire mining during 2015. Topsoil and overburden removal has commenced as part of the development of Pit 1, which is located within the pre-existing JORC defined sapphire resource. As part of the pit development work a drilling contractor is on site and is working with Richland's geologists to define Pit 1's final open pit design, layout and mining. Following completion of the production design work confirmation and definition holes will also be drilled to enhance the Company's understanding of the resource. The use of a small-scale processing facility has been secured near the mine and independent geologists and engineers are currently running samples through this pilot plant for assessment. Sapphires have been recovered.

Earth moving work is also underway to stabilise and rehabilitate areas disturbed by earlier operations. In addition to benefiting the production mining start, this work has been undertaken by Richland as part of its commitment to the Queensland Government to help remediate the historic mine workings.

Plant testing continues successfully with the various circuits being configured for maximum efficiency. Cameras and other security measures are currently being installed at the processing plant. Final sapphire separation, sorting and grading of the concentrate will be undertaken at the secure facility in the neighbouring town of Emerald overseen by full modern gemstone security systems. Richland currently anticipates its first commercial sapphire recovery in May 2015 in preparation for sale of sapphires in June 2015.

TRA assessment

Richland have obtained advice from PwC that no Tanzanian Capital Gains Tax is due by Richland on the sale by Richland of TanzaniteOne (SA) (Pty) Ltd to Sky Associates and the consequent change in beneficial control of TanzaniteOne Mining Ltd. On 17 April 2015 the Company received an assessment from the TRA assessing tax on a notional capital gain of US$ 20.2 million (the "**Assessment**") in relation to its transaction with Sky Associates despite the consideration only being US$ 5.1 million and only US$ 4.59 million having been received as at the date of the Assessment.

PwC have advised the Assessment has been issued incorrectly and that as there is an indirect sale of shares tax on a capital gain is not applicable or due. The Company will be lodging an objection to the Assessment with the TRA as it believes that the basis upon which the Assessment has been raised is incorrect and not in accordance with the tax laws and regulations of Tanzania and tax on any notional capital gain is not due.

34 ULTIMATE HOLDING COMPANY

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

35 ACQUISITION OF SUBSIDIARY

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

At reporting date the Capricorn Sapphire Project was in the development stage and no revenue has been generated. A loss of US$ 388,000 is included in the Group's statement of profit or loss and other comprehensive income. However, if Capricorn Sapphire Pty Ltd's results were included in the Group's results for the entire year, the Group's loss would have increased with a further US$ 25,000.

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

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