



**RICHLAND RESOURCES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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RICHLAND RESOURCES LTD

**CORPORATE DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2019**

Directors:	Edward Nealon - Non-Executive Chairman Anthony Brooke - Chief Executive Officer Nicholas Sibley - Non-Executive Director
Registered office:	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda Telephone: +61 (0)893 678 455 Email: info@richlandresourcesltd.com Website: www.richlandresourcesltd.com
Transfer secretary:	Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom Telephone: +44 (0)370 702 0003 Facsimile: +44 (0)370 703 6116 Website: www.computershare.com/uk
Nominated adviser:	Strand Hanson Limited 26 Mount Row, London W1K 3SQ Telephone: +44 (0)20 7409 3494
Broker:	Peterhouse Capital Limited 3rd Floor 80 Cheapside, London EC2V 6EE Telephone: +44 (0)20 7 469 0930
Solicitors:	Joelson JD LLP 30 Portland Place, London W1B 1LZ
Auditors:	BDO Audit (WA) Pty Ltd 38 Station Street, Subiaco, WA 6008, Australia

RICHLAND RESOURCES LTD

CHAIRMAN'S STATEMENT

Dear Fellow Shareholder,

As Chairman of Richland Resources Ltd ("**Richland**" or the "**Company**"), I am pleased to present the Group's final results for the financial year ending 31 December 2019 and to report on the Company's on-going activities to the date of this statement.

Sale of Capricorn Sapphire Project: The accounts provide details of the sale of the Company's Capricorn Sapphire mine to Fura Gems Inc. ("**Fura**") which was completed on 31 December 2019. Fura paid total cash consideration of US\$1,250,000, of which US\$880,000 was, as detailed in Note 17, paid directly to the Lender in order to settle the total amount outstanding under the Company's pre-existing Secured Convertible Loan Facility (including all accrued interest) resulting in net consideration of US\$370,000 being paid to the Company.

Background to the sale of the Capricorn Sapphire Project: The Company had, for some time, been engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at its Capricorn Sapphire mine or, alternatively, had been seeking to conclude negotiations in respect of the sale of all or part of Capricorn Sapphire. Accordingly, there was no production from the Capricorn Sapphire mine during the year under review.

Regulatory effect of the sale of the Capricorn Sapphire Project: Following completion of the project's sale on 31 December 2019, Richland became an AIM Rule 15 cash shell and, as such, is now required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from such completion date. Alternatively, within such time period, the Company could seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document.

Accounting effect of the sale of the Capricorn Sapphire Project: The transaction was effected by way of Fura acquiring: (i) all of the issued shares of the Company's wholly owned subsidiary Richland Corporate Ltd ("**Richland Corporate**"); and (ii) all of the Company's loans to Richland Corporate (together, the "**Disposal**"). Richland Corporate owns 100 per cent. of Capricorn Sapphire Pty Ltd ("**Capricorn Sapphire**"), which in turn owns the Capricorn Sapphire project in Queensland, Australia. As Fura did not wish to acquire Richland Gemstones Ltd ("**Richland Gemstones**"), which operated the Company's online operations, it was decided to wind down the affairs of Richland Gemstones. The Company's audited financial results for the year ended 31 December 2019, in accordance with IFRS 5, therefore distinguish between the financials of Richland Corporate, Capricorn Sapphire and Richland Gemstones (the "**Disposal Group**") ("**Discontinued Operations**") and Richland's ongoing operations ("**Continuing Operations**") and comparative information has been restated to ensure comparability.

Financing during the reporting period: During the reporting period, the Company announced on 4 July 2019 that it had raised approximately £100,000 (before expenses) through a placing to certain new investors at an issue price of 0.063 pence per new Common Share. These funds were used to enable the Company to complete the Disposal and address general corporate expenses.

Financial Performance:

	2019	2018
	(US\$m)	(US\$m)
Continuing operations		
Net loss	(0.5)	(0.1)
Total assets	0.4	0.1
Total liabilities	0.4	0.7
Disposal Group		
Net profit/(loss)	0.3	(0.9)
Total assets	N/A	1.0
Total liabilities	N/A	0.3
Net assets	N/A	0.7

Company's strategy: The Company is focussed on identifying a suitable reverse takeover transaction, in the mining sector with a particular focus on precious metals projects. There are unavoidable professional fees and costs involved with such a process, but the Company is seeking to minimise these where possible without compromising on the quality of evaluation and due diligence work. Summarised below are the various fee waivers, fee reductions and fee deferrals undertaken by the Board and senior management in order to assist the Company in conserving its cash resources, which I trust serves to demonstrate our continuing commitment to align our interests with those of the Company's shareholders.

RICHLAND RESOURCES LTD

CHAIRMAN'S STATEMENT (CONTINUED)

Fee waivers: The Directors and senior management personnel agreed to waive, in aggregate, US\$452,559 of accrued fees due to them for periods from 1 June 2018 up to and including 30 June 2019 (the "**2019 Fee Waiver**"), as detailed below and in Note 22:

Directors	Amount waived (US\$)
Edward Nealon	28,438
Nicholas Sibley	25,729
Anthony ("Tony") Brooke	160,209
Total Directors	214,376
Gem Dreams (related to Tony Brooke)	18,750
Senior Management	219,433
Total Fee Waiver	452,559

The net effect of the above fee waivers by the Directors is that there was a credit to the Income Statement of US\$53,125 during the period in respect of Directors' remuneration (2018: US\$80,011 debit).

Deferment of Director and senior management fees: The Directors have not been paid any fees since 1 July 2019 and have agreed to defer payment until the earlier of the completion of a transaction approved by shareholders and 30 June 2020. Senior management have only been paid US\$10,000 in respect of fees since 1 July 2019 and have similarly agreed to defer payment of other fees due since 1 July 2019 until the earlier of the completion of a transaction approved by shareholders and 30 June 2020.

Reduction of fees: The Directors have agreed, with effect from 1 July 2019, to reduce their fees to US\$2,000 per month and senior management costs have also been reduced and are now, in aggregate, US\$9,000 per month. The Company currently has no employees.

Financing post reporting period end to implement the Company's strategy: The Company announced: i) on 13 January 2020, that it had raised, approximately £150,000 (before expenses) via a placing and subscription with certain new investors at an issue price of 0.1 pence per new Common Share; and ii) on 12 March 2020, that it had raised, approximately £100,000 (before expenses) via a placing with an existing major shareholder, Mark Greenwood, and certain new investors at an issue price of 0.12 pence per new Common Share. These funds will enable the Company to pursue its stated strategy and satisfy general corporate expenses.

COVID-19: At the time of writing this statement and subsequent to the year end, the COVID-19 pandemic announced by the World Health Organisation is having a markedly negative impact on global stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its directors, consultants and contractors, and their families, in the face of the COVID-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown. In the meantime, the Board, senior management and the Company's principal advisers are tele/remote working and remain focussed on progressing the Company's strategy.

Lastly, but not least, on behalf of the Board I wish to express our appreciation for the valued support and patience of the Company's various stakeholders as we endeavour to secure a suitable reverse takeover transaction to generate long term shareholder value.



Edward Nealon
Non-Executive Chairman

7 April 2020

RICHLAND RESOURCES LTD

CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2019

1. Overview

In mid-December 2017, the Company decided to temporarily halt mining operations in light of, *inter alia*, adverse weather conditions and a weak market environment in order to conserve its cash resources. Following a comprehensive review of the strategic options available for its mining operations in Australia, on 28 September 2018, Richland announced, *inter alia*, that it was engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at the Capricorn Sapphire mine or, alternatively, was seeking to conclude ongoing negotiations with different parties in relation to the potential sale of all or a part of Capricorn Sapphire.

Subsequently, Richland entered into an option agreement on 26 June 2019 (the "**Option Date**") with Fura Gems Inc. ("**Fura**") which is listed on the TSX Venture Exchange ("**TSX-V**") which, as detailed in Note 10, was amended on 19 July 2019, 31 October 2019, 15 November 2019, 29 November 2019, 6 December 2019, 13 December 2019 and 20 December 2019 (the "**Option Agreement**"). Pursuant to the terms of the agreement, Fura paid an option fee of CAD25,000 (the "**Option**") to conditionally acquire from the Company: (i) all of the issued shares of its wholly owned subsidiary Richland Corporate Ltd ("**Richland Corporate**") (the "**Shares**"); and (ii) all of the Company's loans to Richland Corporate (the "**Shareholder Loan**") (together, the "**Option Assets**") (the "**Disposal**"). Richland Corporate owns 100 per cent. of Capricorn Sapphire Pty Ltd ("**Capricorn Sapphire**"), which in turn held the group's Capricorn Sapphire project in Queensland, Australia.

As Fura did not wish to acquire Richland Gemstones Ltd ("**Richland Gemstones**"), which operated the Company's online operations, it was decided to wind down the affairs of Richland Gemstones. The Disposal was eventually completed on 31 December 2019 (the "**Completion Date**"). Accordingly, Fura paid total cash consideration of US\$1,250,000 (the "**Consideration**"), of which US\$880,000 was, as detailed in Note 17, paid directly to the Lender in order to settle the total amount outstanding under the Company's pre-existing Secured Convertible Loan Facility (including all accrued interest) resulting in net consideration of US\$370,000 being paid to the Company (the "**Net Consideration**").

The Company's audited financial results, in accordance with IFRS 5, therefore distinguish between the financials of Richland Corporate, Capricorn Sapphire and Richland Gemstones (the "**Disposal Group**") ("**Discontinued Operations**") and Richland's ongoing operations ("**Continuing Operations**") and comparative information has been restated to ensure comparability.

2. Financial Performance

2.1 Discontinued Operations

Net profit from Discontinued Operations of US\$0.3 million (2018: loss of US\$0.9 million) has been recognised and all associated assets and liabilities were derecognised following completion of the Disposal.

2.2 Continuing Operations

Net loss for the year was US\$0.5 million against the prior year loss of US\$0.1 million.

The **total assets** for Continuing Operations were US\$0.4 million which includes the Net Consideration received on 2 January 2020 (2018: US\$0.06 million) at the year end.

The Continuing Operations had a net **cash** position of US\$0.01 million (2018: US\$0.03 million) as at the year end.

The Continuing Operations had **total liabilities** of US\$0.36 million (2018: US\$0.7 million) as at the year end.

3. Dividend

The directors have not declared a dividend (2018: Nil).

RICHLAND RESOURCES LTD

CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4. Corporate Activities

Share placements

As announced on 4 July 2019:

- a) the Company raised approximately £100,000 (before expenses) through a placing of 158,730,159 new common shares of US\$0.0003 each in the capital of the Company ("**Common Shares**") (the "**Placing Shares**") (the "**Placing**") with certain new investors at an issue price of 0.063 pence per Placing Share (the "**Placing Price**"). The Placing Price represented a discount of approximately 16 per cent. to the closing middle market price of a Common Share of 0.075 pence on 3 July 2019; and
- b) the Placing was arranged via Peterhouse Capital Limited ("**Peterhouse**") as agent of the Company. Peterhouse were due 5 per cent. commission on the gross proceeds of the Placing which it agreed to settle by the issue of 7,936,508 new Common Shares to Peterhouse (the "**Commission Shares**") at the Placing Price. Peterhouse were appointed the Company's sole broker on 4 July 2019 and agreed that their initial six month retainer fee be settled by the issue to them of a further 15,873,016 new Common Shares at the Placing Price (the "**Broker Fee Shares**").

As announced on 29 August 2019, a Director and senior management agreed to the conversion of an aggregate amount of US\$86,250 of unpaid fees accrued for periods up to 30 June 2019 into new Common Shares (the "**Fee Conversions**"). Pursuant to the Fee Conversions, the Company issued, in aggregate, 108,246,025 new Common Shares (the "**Conversion Shares**") at an issue price of 0.065 pence per share (the "**Conversion Price**"), being the Company's closing mid-market share price on 28 August 2019 and representing a premium of approximately 3.17 per cent. to the Placing Price for the Company's last equity fundraising of 4 July 2019.

Waiver of certain Directors' and Management's Fees

As announced on 28 June 2019, in order to preserve cash reserves within the Company, the Directors and senior management personnel agreed to waive, in aggregate, US\$452,559 of accrued fees due to them for periods from 1 June 2018 up to and including 30 June 2019 (the "**Fee Waiver**"), as detailed below and in Note 22:

Directors	Amount waived (US\$)
Edward Nealon	28,438
Nicholas Sibley	25,729
Anthony ("Tony") Brooke	160,209
Total Directors	214,376
Gem Dreams (related to Tony Brooke)	18,750
Senior Management	219,433
Total Fee Waiver	452,559

The net effect of the above fee waivers by the Directors is that there was a credit to the Income Statement of US\$53,125 during the period in respect of Directors' remuneration (2018: US\$80,011 debit).

5. AIM Rule 15 Cash Shell Status

Pursuant to the successful completion of the Disposal, the Company became an AIM Rule 15 cash shell on 31 December 2019 and, as such, is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from 31 December 2019. Alternatively, within such time period, the Company can seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document. In the event that the Company does not complete a reverse takeover under AIM Rule 14 within such six month period or seek re-admission to trading on AIM as an investing company pursuant to AIM Rule 8 (either being, a "**Re-admission Transaction**"), the Company's Common Shares will be suspended from trading pursuant to AIM Rule 40. Thereafter, if a Re-admission Transaction has not been completed within a further six month period, admission to trading on AIM of the Company's common shares would be cancelled.

RICHLAND RESOURCES LTD

CHIEF EXECUTIVE'S OPERATIONAL AND FINANCIAL REVIEW (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6. Post Period End Fundraisings

As set out in more detail in Note 23, post the year end the Company announced two further fundraisings, as follows:

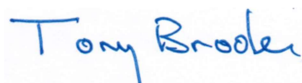
- a) on 13 January 2020, the Company announced that it had raised, in aggregate, approximately £150,000 (before expenses) through a placing of 105,000,000 new Common Shares (the **"January 2020 Placing Shares"**) (the **"January 2020 Placing"**) with certain new investors at an issue price of 0.10 pence per share (the **"Issue Price"**) and a subscription for a further 45,000,000 new Common Shares (the **"Subscription Shares"**) by a new investor also at the Issue Price (the **"January 2020 Subscription"**) (the January 2020 Placing and January 2020 Subscription together being the **"January 2020 Equity Fundraising"**); and
- b) on 12 March 2020, the Company announced that it had raised, in aggregate, approximately £100,000 (before expenses) through the placing of 83,333,333 new Common Shares (the **"March 2020 Placing Shares"**) with an existing major shareholder, Mark Greenwood, and certain new investors at an issue price of 0.12 pence per share (the **"Issue Price"**) (the **"March 2020 Equity Fundraising"**),

(jointly, the **"2020 Equity Fundraisings"**).

7. Outlook

The Company is focussed on identifying a suitable reverse takeover transaction in the mining sector and the net proceeds from the 2020 Equity Fundraisings together with the Company's existing funds will be utilised to actively pursue this strategy, with a particular focus on precious metals projects, as well as providing financing to meet the Company's general corporate working capital requirements. However, there can be no guarantee that the Company will be able to secure a suitable reverse takeover transaction and subsequently be re-admitted to AIM.

To assist the Company in cost-effectively meeting its objectives, the Company's directors have not been paid any fees since 1 July 2019 and have agreed to defer payment of their fees of US\$2,000 per month until the earlier of the completion of a transaction approved by shareholders and 30 June 2020.



Anthony Brooke
Chief Executive Officer

7 April 2020

RICHLAND RESOURCES LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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. They are also responsible for taking such steps 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



Anthony Brooke
Chief Executive Officer
Richland Resources Ltd

7 April 2020

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present this report, together with the audited consolidated financial statements for the year ended 31 December 2019 for Richland Resources Ltd (**"the Company"**, **"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. Further to the disposal of all of the issued shares of its formerly wholly owned subsidiary, Richland Corporate Ltd (**"Richland Corporate"**) (the **"Shares"**); and (ii) all of the Company's loans to Richland Corporate (the **"Shareholder Loan"**) (together, the **"Option Assets"**) (the **"Disposal"**) to Fura Gems Inc. (**"Fura"**) on 31 December 2019 (the **"Completion Date"**), the Company is now an AIM Rule 15 cash shell and, as such, is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date. Alternatively, within such time period, the Company can seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document. In the event that the Company does not complete a reverse takeover under AIM Rule 14 within such six month period or seek re-admission to trading on AIM as an investing company pursuant to AIM Rule 8 (either being, a **"Re-admission Transaction"**), the Company's Common Shares would be suspended from trading pursuant to AIM Rule 40. Thereafter, if a Re-admission Transaction has not been completed within a further six month period, admission to trading on AIM of the Company's common shares would be cancelled.

GOING CONCERN

For the year ended 31 December 2019, the Group recorded a loss of US\$0.2 million and had net cash outflows from operating activities of US\$0.39 million. As noted above, further to the disposal on the Completion Date of Richland Corporate, the holder of the Capricorn Sapphire Project, the Company became an AIM Rule 15 cash shell and, as such, is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date. The ability of the entity to continue as a going concern is dependent on the Group generating positive operating cash flows and/or securing additional funding through the raising of debt or equity to fund its future projects. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future. If no such acquisition or acquisitions are completed within the timeframe, the Company's shares would then be suspended from trading on AIM pursuant to AIM Rule 40. Thereafter, if a Re-admission Transaction has not been completed within a further six month period, admission to trading on AIM of the Company's common shares would be cancelled. Subsequent to the year end, the COVID-19 pandemic announced by the World Health Organisation is having a markedly negative impact on global stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its directors, consultants and contractors, and their families, in the face of the COVID-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially a post balance sheet date impact.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company is an AIM Rule 15 cash shell and, as such, is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date and is seeking to identify a suitable reverse takeover transaction in the mining sector.
- The Company plans to raise sufficient additional capital in order to fund new projects and the Company announced: i) on 13 January 2020 that it had raised approximately £150,000 (before expenses) via the January 2020 Equity Fundraising; and ii) on 12 March 2020 that it had raised approximately £100,000 (before expenses) via the March 2020 Equity Fundraising (jointly, the **"2020 Equity Fundraisings"**).
- Management has successfully raised money in the past and post period end secured the 2020 Equity Fundraisings.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

GOING CONCERN (CONTINUED)

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

RESULTS

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and the consolidated statement of financial position at that date are set out on pages 20 and 21 of this report respectively. The Group recorded a loss from continuing operations for the year ended 31 December 2019 of US\$0.5 million (2018: US\$0.1 million) and a profit from discontinued operations of US\$0.3 million (2018: loss of US\$0.9 million).

Taking into account these losses, shareholders' equity at 31 December 2019 was US\$0.025 million (2018: US\$0.1 million). The directors have not declared a dividend (2018: Nil).

A CLASS SHARE CAPITAL

When Richland Resources historically acquired certain tanzanite assets from Afgem Limited ("**Afgem**"), a mechanism was put in 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, a South African domiciled wholly-owned subsidiary of Richland Resources Ltd.

In order to facilitate an exit for those TanzaniteOne SA A class shareholders, Richland Resources made an offer to acquire their A class shares, where the offer shall be binding on Richland Resources for a period of 20 years from April 2004.

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 duly approved a Scheme of Arrangement the details of which are:

- (a) each A class shareholder received one redeemable Class A share with no par value and a premium of R0.0003 per share in the capital of Rohstein Class A Proprietary Limited, Registration Number 2014/093972/07 ("**Rohstein**"), a wholly owned subsidiary of Richland Resources for each Class A share they owned in the Company (the "**Scheme Consideration Shares**"); and
- (b) all the TanzaniteOne SA class A shares were 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 offered to purchase each existing Class A share of TanzaniteOne SA.

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

DIRECTORS

The following directors have held office during and subsequent to the reporting year up to the date of sign-off:

Edward Nealon
Nicholas Sibley
Anthony Brooke

RICHLAND RESOURCES LTD**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019****DIRECTORS (CONTINUED)**

The current Directors' biographical details:

Edward Nealon (69), Chairman

Mr Nealon assumed Chairmanship of the Group on 27 June 2012. Mr Nealon is a geologist with over 45 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 the founder of Aquarius Platinum Ltd and served as either the CEO or Executive Chairman for a number of years. He holds a Masters degree in Geology and is a member of the Australian Institute of Mining and Metallurgy.

Nicholas Sibley (81), 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 Ltd 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.

Anthony Brooke (60), Chief Executive Officer

Mr Brooke has approximately 38 years' experience in the gemstone industry based in Bangkok, Thailand, the commercial centre of the ruby and sapphire industries, where he established Gem Dreams Co. Limited ("Gem Dreams") in 1985. Gem Dreams is a gemstone wholesaler and consultancy business which operates a traditional jewellery business in the Jewellery Trade Centre in Bangkok and represents and advises luxury jewellery brands, individual collectors and mines looking to market sapphires and other gemstones. He has been a member of the Thai Gems and Jewellery Traders Association for fourteen years and is presently a vice president. From 2011 to 2017, he acted as its Chairman for overseas trade and development for Europe, Central and South America and Africa. He has been involved in the ownership and management of sapphire mining operations in both Tanzania and Thailand and has represented mines operating in Australia, Malawi, Kenya and the USA. He has also been a Gemfields ruby auction site holder. He is managing director of Gem Dreams Co. Limited.

MEETINGS OF THE DIRECTORS

The number of meetings of the board of directors of the Company and its committees held during the year ended 31 December 2019 and the number of meetings attended by each director is tabled below:

2019

Director	Number of meetings held whilst in office				Number of meetings attended			
		Remuneration and Succession Planning	Audit and Risk Management	Nomination		Remuneration and Succession Planning	Audit and Risk Management	Nomination
Edward Nealon	2	1	1	1	2	1	1	1
Nicholas Sibley	2	1	1	1	2	1	1	1
Anthony Brooke	2	-	1	1	2	-	1	1

2018

Director	Number of meetings held whilst in office				Number of meetings attended			
		Remuneration and Succession Planning	Audit and Risk Management	Nomination		Remuneration and Succession Planning	Audit and Risk Management	Nomination
Edward Nealon	4	1	2	1	4	1	2	1
Nicholas Sibley	4	1	2	1	4	1	2	1
Anthony Brooke	4	-	2	-	4	-	2	-
Ami Mpungwe	-	1	-	1	-	1	-	1

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

The interest of the current directors and their related entities in the shares of Richland Resources were:

	As at 31 December 2019	As at date of report
	<u>Common Shares</u>	<u>Common Shares</u>
Edward Nealon	29,644,415	29,644,415
Nicholas Sibley	65,287,741	65,287,741
Anthony Brooke	54,961,530	54,961,530

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:

2019

	Directors' fees	Executive fees	Share based payments	Fees waived 2018/2019	Total	Accrued and unpaid
	US\$	US\$⁽¹⁾	US\$	US\$⁽²⁾	US\$	US\$⁽³⁾
Edward Nealon	25,125	-	-	(28,438)	(3,313)	12,000
Nicholas Sibley	23,875	-	-	(25,729)	(1,854)	12,000
Anthony Brooke	32,000	80,250	-	(160,209)	(47,959)	12,000
	<u>81,000</u>	<u>80,250</u>	<u>-</u>	<u>(214,376)</u>	<u>(53,126)</u>	<u>36,000</u>

2018

	Directors' fees	Executive fees	Share based payments	Fees waived 2017/2018	Total	Accrued and unpaid
	US\$	US\$⁽¹⁾	US\$	US\$⁽⁴⁾	US\$	US\$
Edward Nealon	26,250	-	-	(39,375)	(13,125)	15,313
Nicholas Sibley	23,750	-	-	(17,813)	5,938	13,854
Anthony Brooke	40,000	160,500	-	(41,771)	158,729	89,959
Ami Mpungwe	12,604	-	-	(17,646)	(5,042)	-
Dr. Bernard Olivier	3,871	15,532	(30,728) ⁽⁸⁾	(55,165)	(66,489)	-
	<u>106,475</u>	<u>176,033</u>	<u>(30,728)</u>	<u>(171,769)</u>	<u>80,011</u>	<u>119,125</u>

(1) For duties as an executive director.

(2) The Directors agreed to waive accrued fees due to them for periods from 1 June 2018 up to and including 30 June 2019 (Note 22).

(3) The Directors have agreed to defer payment of these fees until the earlier of the completion of a transaction approved by shareholders and 30 June 2020.

(4) The Directors agreed to waive accrued fees that were due to them in relation to periods from December 2016 to 31 May 2018.

(5) Outstanding fees of US\$31,250 were converted to new common shares of US\$0.0003 each in the capital of the Company at a price of 0.065 pence per new Common Share. The conversion price on 29 August 2019 represented a premium of approximately 3.17 per cent. to the Company's placing price of 0.063 pence per share for the equity fundraising of 4 July 2019.

(6) Outstanding fees of US\$133,426 were converted to new common shares of US\$0.0003 each in the capital of the Company at a price of 0.28 pence per new Common Share. The conversion price on 6 July 2018 represented a premium of approximately 27 per cent. to the Company's closing mid-market price of 0.22 pence on 5 July 2018.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' AND EXECUTIVES' EMOLUMENTS (CONTINUED)

- (7) Outstanding fees of US\$7,563 were converted to new common shares of US\$0.0003 each in the capital of the Company at a price of 1.74 pence per new Common Share. The conversion price on 19 April 2017 represented a premium of approximately 132 per cent. to the Company's closing mid-market price of 0.75 pence on 18 April 2017.
- (8) Under the terms of the Share Options detailed in Note 17 to the Accounts, Dr. Bernard Olivier was allocated but not issued 3,000,000 Share Options. Bernard Olivier resigned as a director of the Company on 5 February 2018 and he is therefore no longer entitled to be issued the 3,000,000 Share Options previously allocated to him.

DIRECTORS' AND OFFICERS' INSURANCE

During the year, the Company paid an insurance premium in respect of an insurance contract, taken out against the 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. Anthony Brooke, 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 and environmental management programmes, approved by relevant authorities, have been met. There have been no known significant breaches of any environmental conditions.

CORPORATE GOVERNANCE

As an AIM-quoted company, the Company and its subsidiaries are required to apply a recognised corporate governance code, demonstrating how the Group complies with such corporate governance code and where it departs from it.

The Directors of the Company have formally taken the decision to apply the QCA Corporate Governance Code (the "**QCA Code**"). The Board recognises the principles of the QCA Code, which focus on the creation of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which small to medium sized companies, such as Richland, have been created.

THE BOARD

The Board comprises three Directors of which one is an executive and two are non-executive, reflecting a blend of different experience and backgrounds. The Board considers Edward Nealon to be an independent non-executive and Nicholas Sibley to be a non-executive in terms of the QCA guidelines.

The Board is responsible for determining policy and business strategy, setting financial and other performance objectives and monitoring achievement throughout the year and all major decisions are taken by the full Board. The Chairman takes responsibility for the conduct of the Company and Board meetings and ensures that directors are properly briefed to enable full and constructive discussions to take place. The Group's day-to-day operations are managed by the Executive Director. All Directors have access to the Company's Solicitors, along with the Group Company Secretary and any Director needing independent professional advice in the furtherance of his/her duties may obtain this advice at the expense of the Group. However, no formal procedure has been agreed with the Board regarding the circumstances in which individual directors may take independent professional advice.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively, and that all Directors have adequate time to fill their roles.

Details of the current Directors, their roles and background are set out on the Company's website at www.richlandresourcesltd.com.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

THE BOARD (CONTINUED)

The role of the Chairman is to provide leadership of the Board and ensure its effectiveness on all aspects of its remit to maintain control of the Group. In addition, the Chairman is responsible for the implementation and practice of sound corporate governance. The Chairman is considered independent and has adequate separation from the day-to-day running of the Group.

The role of the Chief Executive Officer is for the strategic development of the Group and for communicating it clearly to the Board and, once approved by the Board, for implementing it. In addition, the Chief Executive Officer is responsible for overseeing the management of the Group and its executive management.

Under the Company's Bye-laws, the appointment of all new Directors must be approved by shareholders in a general meeting. In addition, one third of Directors are required to retire and to submit themselves for re-election at each Annual General Meeting.

APPLICATION OF THE QCA CODE

In the spirit of the QCA Code it is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders and other stakeholders with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to the Group. The Board will continue to monitor the governance framework of the Group as it grows.

The Company seeks to promote long-term value for shareholders by leveraging the technical knowledge and experience of its directors and senior management to develop and realise value from its projects. The key performance indicators for the Company are therefore linked to the achievement of project milestones and the increase in overall enterprise value.

The Company does not have any current operations and in considering potential transactions it is focussed on those whose operations are conducted in a manner that protects the environment, the health and safety of employees, third parties and local communities in general. Richland believes that a successful project is best achieved through maintaining close working relationships with local communities, this social ideology is at the forefront of all of Richland's mining activities by establishing and maintaining co-operative relationships with local communities, hiring local personnel and using local contractors and suppliers. Where issues are raised, the Board takes the matters seriously and, where appropriate, steps are taken to ensure that these are integrated into the Company's strategy.

Careful attention is given to ensure that all exploration and mining activity is performed in an environmentally responsible manner and abides by all relevant mining and environmental acts. Richland takes a conscientious role in all of its operations and is aware of its social responsibility and its environmental duty.

Both the engagement with local communities and the performance of all activities in an environmentally and socially responsible way are closely monitored by the Board to ensure that ethical values and behaviours are recognised.

CORPORATE GOVERNANCE COMMITTEES

The Board has established two committees comprising Non-Executive Directors and Executive Directors.

The composition of the committees is as follows:

Audit

Nicholas Sibley (*Chairman*)
Edward Nealon
Anthony Brooke

Remuneration

Edward Nealon (*Chairman*)
Nicholas Sibley

Nomination Committee

Edward Nealon (*Chairman*)
Nicholas Sibley
Anthony Brooke

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

THE AUDIT COMMITTEE

The audit committee receives reports from management and the external auditors relating to the interim report and the annual report and financial statements, reviews reporting requirements and ensures that the maintenance of accounting systems and controls is effective.

The audit committee has unrestricted access to the Company's auditors. The audit committee also monitors the controls which are in force and any perceived gaps in the control environment. The Board believes that the current size of the Group does not justify the establishment of an independent internal audit department. Finance personnel are periodically instructed to conduct specific reviews of business functions relating to key risk areas and to report their findings to the Board.

The audit committee meets during the year to review the published financial information, the effectiveness of external audit and internal financial controls including the specific matters set out below.

The audit committee does not consider there is a need for an internal audit function given the size and nature of the Group.

Significant issues considered by the audit committee during the year have been the Principal Risks and Uncertainties and their effect on the financial statements. The audit committee tracked the Principal Risks and Uncertainties through the year and kept in contact with the Group's management, external service providers and advisers. The audit committee is satisfied that there has been appropriate focus and challenge on the high-risk areas.

BDO Audit (WA) Pty Ltd, the current external auditors, have been in office since 2015 which was the last time a tender for the audit took place. The external auditors present their annual audit findings to the Board.

REMUNERATION COMMITTEE

The remuneration committee determines the scale and structure of the remuneration of the executive Directors and approves the granting of options to Directors and senior employees and the performance related conditions thereof. The remuneration committee also recommends to the Board a framework for rewarding senior management, including Executive Directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group and ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group.

NOMINATIONS COMMITTEE

All the Board are members of the nominations committee which is involved in the identification and approval of Board members which the Board considers to be appropriate given the Company's size and nature, but it will continue to monitor the situation as it grows.

INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems manage rather than eliminate the risks to which the Group is exposed and such systems, by their nature, can provide reasonable but not absolute assurance against misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The key procedures which the Directors have established with a view to providing effective internal control, are as follows:

- Identification and control of business risks
The Board identifies the major business risks faced by the Group and determines the appropriate course of action to manage those risks.
- Budgets and business plans
Each year the Board approves the business plan and annual budget. Performance is monitored and relevant action taken throughout the year through the regular reporting to the Board of changes to the business forecasts.

RICHLAND RESOURCES LTD

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

INTERNAL CONTROL (CONTINUED)

- Investment appraisal
Capital expenditure is controlled by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board. Appropriate due diligence work is carried out if a business or asset is to be acquired.
- Annual review and assessment
The Board during the year conducted a detailed review and assessment of the effectiveness of the Group's strategy, a process that will be maintained on an ongoing basis.

Financial Statements

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

In preparing 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 accounting standards have been followed, subject to any material departures disclosed 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.

RELATIONS WITH SHAREHOLDERS

The Board attaches considerable importance to the maintenance of good relationships with shareholders. Presentations by the Directors to institutional shareholders and City analysts are made as and when considered appropriate by the Board and the Company's advisers.

The Company's principal shareholder contact is its Chief Executive Officer Anthony Brooke tony@richlandresourcesltd.com.

The Company has its own web-site (www.richlandresourcesltd.com) for the purposes of improving information flow to shareholders, as well as to potential investors.

DEPARTURE FROM THE QCA CODE

In accordance with the AIM Rules for Companies, Richland departs from the QCA Code in the following way:

Principle 7 - "Evaluate board performance based on clear and relevant objectives, seeking continuous improvement."

Richland's board is small and extremely focussed on implementing the Company's strategy. However, given the size and nature of Richland, the Board does not consider it appropriate to have a formal performance evaluation procedure in place, as described and recommended in Principle 7 of the QCA Code. The Board will closely monitor this situation as it grows.

Shareholder Meetings held in Bermuda

The Company is incorporated in Bermuda and holds its Shareholder Meetings in Bermuda which does not facilitate shareholder engagement as much as a UK incorporated company holding meetings in England. The Company does provide detailed explanatory notes of all resolutions put to Shareholder Meetings in notices of shareholder meetings so as to assist shareholders in their voting decisions.

RICHLAND RESOURCES LTD

**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 as an AIM Rule 15 Cash Shell are as follows:

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 does not have any currency hedges in place and is exposed to foreign currency movements.

Competition for potential reverse takeover transactions

The Group is currently focussed on identifying a suitable reverse takeover transaction, with a particular focus on precious metals projects, which means that it competes with numerous other companies and individuals, in the search for and potential acquisition of exploration and development rights on attractive mineral properties and also in relation to the purchase, marketing and sale of commodities.

Future funding requirements

As referred to in Note 2(a) of the Financial Statements, the Group has sold its Capricorn Sapphire project and intends to seek funding for a new project by way of further debt and/or equity raisings. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

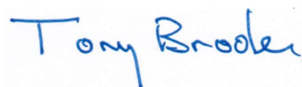
Dependence on key personnel

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.

COVID-19 pandemic

The COVID-19 pandemic announced by the World Health Organisation post year end is having a markedly negative impact on global stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its directors, consultants and contractors, and their families, in the face of the COVID-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially a post balance sheet date impact.

Signed in accordance with a resolution of the directors.



**Anthony Brooke
Chief Executive Officer
Richland Resources Ltd**

7 April 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Richland Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Richland Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Bermuda Companies Act 1981*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with International Accounting Standards and the *Bermuda Companies Act 1981*.

Basis for opinion

We conducted our audit in accordance with International Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the *Bermuda Companies Act 1981* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Disposal of Richland Corporate Ltd

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Richland disposed of its wholly owned subsidiary Richland Corporate Ltd on 31 December 2019 for consideration of \$1.25 million.</p> <p>Due to the significance of this transaction during the year and the material impact of the profit on disposal on the financial report, we have identified this as a key audit matter.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing the Option Agreement and holding discussions with management as to the background of the transaction; • Reviewing the carrying value of the assets and liabilities disposed; • Re-performing the calculation of the profit on disposal of the subsidiary by comparing the consideration received to the carrying value of the identified assets and liabilities at 31 December 2019; • Agreeing the cash consideration received to post year end bank statements and to the settlement agreement with Astor Management; and • Assessing adequacy of disclosure in Notes 10 and 18 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards and the *Bermuda Companies Act 1981* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd



Jarrad Prue

Director

Perth, 7 April 2020

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2019	2018
	Note	US\$'000	US\$'000
<u>CONTINUING OPERATIONS</u>			
Other income	4	19	74
Operating expenses	5	(84)	(426)
Operating loss		(65)	(352)
Net finance (cost)/income	6	(417)	269
Loss before taxation		(482)	(83)
Income tax charge	7	-	-
Loss for the year from continuing operations		(482)	(83)
<u>DISCONTINUED OPERATIONS</u>			
Profit/(loss) for the year from discontinued operations	10	281	(941)
Loss for the year		(201)	(1,024)
Attributable to:			
Equity owners of the parent		(201)	(1,024)
- Continuing operations		(482)	(83)
- Discontinued operations		281	(941)
Other comprehensive income			
Loss for the year		(201)	(1,024)
<i>Items that may be reclassified to profit or loss:</i>			
Foreign exchange loss on translation of discontinued operations		(54)	(79)
Total comprehensive loss for the year		(255)	(1,103)
Attributable to:			
Equity owners of the parent		(255)	(1,103)
- Continuing operations		(482)	(83)
- Discontinued operations		227	(1,020)
Total comprehensive loss for the year		(255)	(1,103)
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)	15	(0.07)	(0.02)
Basic and diluted profit/(loss) per share from discontinued operations (US cents/share)	15	0.04	(0.18)
Basic and diluted loss per share from all operations (US cents/share)	15	(0.03)	(0.20)

The accompanying notes form part of these financial statements.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 US\$'000	2018 US\$'000
Current assets			
Trade and other receivables	8	376	30
Cash and cash equivalents	9	12	28
		388	58
Non-current assets and disposal groups classified as held for sale	10	-	1,007
Total current assets		388	1,065
Equity			
Share capital	11	260	173
Share premium	12	54,782	54,644
Share option reserve	13	-	47
Foreign currency translation reserve	14	-	54
Accumulated loss		(55,017)	(54,816)
Total equity		25	102
Current liabilities			
Trade and other payables	16	363	451
Convertible loan	17	-	249
		363	700
Liabilities associated with disposal groups classified as held for sale	10	-	263
Total current liabilities		363	963
Total equity and liabilities		388	1,065

The accompanying notes form part of these financial statements.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	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	Total equity US\$'000
Year ended 31 December 2019									
At start of year		172	1	173	54,644	47	54	(54,816)	102
Total comprehensive loss for the year		-	-	-	-	-	(54)	(201)	(255)
Loss for the year		-	-	-	-	-	-	(201)	(201)
Foreign exchange gain on translation	14	-	-	-	-	-	(54)	-	(54)
Issue of share capital	11&12	87	-	87	145	-	-	-	232
Share issue cost	11&12	-	-	-	(7)	-	-	-	(7)
Share options	13	-	-	-	-	(47)	-	-	(47)
At end of year		259	1	260	54,782	-	-	(55,017)	25
Year ended 31 December 2018									
At start of year		144	1	145	54,389	123	133	(53,792)	998
Total comprehensive loss for the year		-	-	-	-	-	(79)	(1,024)	(1,103)
Loss for the year		-	-	-	-	-	-	(1,024)	(1,024)
Foreign exchange gain on translation	14	-	-	-	-	-	(79)	-	(79)
Issue of share capital	11&12	28	-	28	255	-	-	-	283
A Class share buy back	11.2	-	_*	_*	-	-	-	-	_*
Share options	13	-	-	-	-	(76)	-	-	(76)
At end of year		172	1	173	54,644	47	54	(54,816)	102

* Less than US\$1,000

The accompanying notes form part of these financial statements.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

CONSOLIDATED STATEMENT OF CASH FLOWS

		2019	2018
	Note	US\$'000	US\$'000
Cash flows from operating activities			
Cash utilised by operations	18.1	(254)	(827)
Interest received		4	2
Interest and finance charges paid		(133)	(6)
Net cash utilised in operating activities		(383)	(831)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(10)
Purchase of intangible assets		(10)	(11)
Proceeds from sale of Disposal Group, net of cash	18.2	871	-
Net cash generated/(utilised)		861	(21)
Cash flows from financing activities			
Proceeds from issue of shares	18.3	119	-
Proceeds from borrowings		244	533
Repayment of borrowings		(880)	-
Net cash (utilised by)/generated from financing activities		(517)	533
Net decrease in cash and cash equivalents		(39)	(319)
Movement in cash and cash equivalents			
Exchange losses		(8)	(8)
At the beginning of the year		59	386
Decrease		(39)	(319)
At the end of the year		12	59
Cash and cash equivalents - continuing operations	9	12	28
Cash and cash equivalents included in asset from disposal group classified as held for sale	10	-	31

The accompanying notes form part of these financial statements.

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Richland Resources Ltd (the “Company”, “Richland Resources” or “Richland”) and its subsidiaries (together “the Group”) mined, distributed and sold coloured gemstones prior to becoming an AIM Rule 15 cash shell on 31 December 2019 (see note 2 (a)) such that it is now seeking to identify a suitable reverse takeover transaction in the mining sector.

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 11, Bermuda.

The Company is quoted on the Alternative Investment Market (“AIM”) of the London Stock Exchange. The financial statements were authorised for issue by the directors on 7 April 2020.

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

For the year ended 31 December 2019, the Group recorded a loss of US\$0.2 million and had net cash outflows from operating activities of US\$0.39 million. Further to the disposal on the Completion Date of Richland Corporate, the holder of the Capricorn Sapphire Project, the Company became an AIM Rule 15 cash shell and, as such, is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date. The ability of the entity to continue as a going concern is dependent on the Group generating positive operating cash flows and/or securing additional funding through the raising of debt or equity to fund its future projects. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future. If no such acquisition or acquisitions are completed within the timeframe, the Company’s shares would then be suspended from trading on AIM pursuant to AIM Rule 40. Thereafter, if a Re-admission Transaction has not been completed within a further six month period, admission to trading on AIM of the Company’s common shares would be cancelled. Subsequent to the year end, the COVID-19 pandemic announced by the World Health Organisation is having a markedly negative impact on global stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its directors, consultants and contractors, and their families, in the face of the COVID-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially a post balance sheet date impact.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company is an AIM Rule 15 cash shell and, as such, is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date and is seeking to identify a suitable reverse takeover transaction in the mining sector.
- The Company plans to raise sufficient additional capital in order to fund new projects and the Company announced: i) on 13 January 2020 that it had raised approximately £150,000 (before expenses) via the January 2020 Equity Fundraising; and ii) on 12 March 2020 that it had raised approximately £100,000 (before expenses) via the March 2020 Equity Fundraising (jointly, the “2020 Equity Fundraisings”).
- Management has successfully raised money in the past and post period end secured the 2020 Equity Fundraisings.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Going concern basis of accounting (continued)

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(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.

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:

- Determining fair value of non-current assets or disposal groups held-for-sale and discontinued operations and reclassification – Note 2(n); and
- Determination of fair value of stock options and financial instruments – Note 2(i) and 2(g).

(d) New and amended standards adopted by the Group

At the date of approval of these financial statements, the following Standards and Interpretations which may be applicable to the Group, but have not been applied in these financial statements, were in issue but not yet effective:

<i>Standard</i>	<i>Details of amendment</i>	<i>Effective date</i>
IFRS 3 <i>Business Combinations</i>	<ul style="list-style-type: none">• <i>Definition of Business:</i> The amendments:<ul style="list-style-type: none">○ confirmed that a business must include inputs and a process, and clarified that:<ul style="list-style-type: none">– the process must be substantive; and– the inputs and process must together significantly contribute to creating outputs.○ narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and○ added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.	1 January 2020

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) New and amended standards adopted by the Group (continued)

<i>Standard</i>	<i>Details of amendment</i>	<i>Effective date</i>
IFRS 7 <i>Financial Instruments: Disclosures</i>	<ul style="list-style-type: none"> • Interest Rate Benchmark Reform: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. <ul style="list-style-type: none"> ○ The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. ○ In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. 	1 January 2020
IFRS 9 <i>Financial Instruments</i>		
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>		
IAS 1 <i>Presentation of Financial Statements</i>	<ul style="list-style-type: none"> • Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. 	1 January 2020
	<ul style="list-style-type: none"> • Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. 	1 January 2022
IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<ul style="list-style-type: none"> • Definition of Material: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. 	1 January 2020

The Group is in the process of assessing the impact that the adoption of these standards will have on its financial statements in the period of initial adoption.

(e) 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 the non-controlling interest's proportionate share of the recognised amounts of the 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.

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**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

(f) 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 unless stated otherwise.

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.

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**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset;
- The contractual cash flow characteristics of the financial assets.

(iii) Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(iv) Impairment of Financial assets

IFRS 9's impairment requirements use more forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(v) Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

(vi) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9.

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(vii) Derivative financial instruments

Derivative financial instruments are accounted for at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) 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).

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.

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Provisions

Provisions for 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.

(k) Expenses

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.

(l) 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.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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 qualify for recognition as a completed sale within one year of classification.

(o) Convertible loan

Convertible loans can be converted to share capital at the option of the holder. The liability component of the convertible loan is recognised initially at fair value. Any directly attributable transaction costs are allocated to the convertible loan liability. Subsequent to initial recognition, the liability component of the convertible loan is measured at amortised cost using the effective interest method. The convertible loan liability is removed from the statement of financial position when the obligations specified in the contract are discharged. This can occur upon the option holder exercising their option or the option period lapses requiring the company to discharge the obligation. On initial recognition, the fair value of the convertible loan with embedded derivatives will equate to the proceeds received and subsequently the embedded derivative liability is measured at fair value at each reporting date until settlement. The fair value movements are recognised on the Consolidated Statement of Profit or Loss as financial costs.

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT REPORTING

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

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

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

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

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

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

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

3.1 Business operating segments

The Group had two reportable segments up to 31 December 2019 when it sold its Capricorn Sapphire business and became a holding company. 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. The Company sold its Capricorn Sapphire mining project in 2019 and the net gain on this sale (Note 10) has been included in the mining segment.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 SEGMENT REPORTING (CONTINUED)

3.1 Business operating segments (continued)

	Corporate 2019 US\$'000	Corporate 2018 US\$'000	Total Continuing 2019 US\$'000	Total Continuing 2018 US\$'000	Mining 2019 US\$'000	Mining 2018 US\$'000	Online sales 2019 US\$'000	Online sales 2018 US\$'000	Total Dis- continued 2019 US\$'000	Total Dis- continued 2018 US\$'000	Total All operations 2019 US\$'000	Total All operations 2018 US\$'000
External revenues	-	-	-	-	32	67	-	14	32	81	32	81
Finance income/(costs)	(341)	269	(341)	269	(10)	(14)	-	-	(10)	(14)	(351)	255
Depreciation, amortisation of property, plant and equipment and intangible assets	-	-	-	-	-	(303)	-	-	-	(303)	-	(303)
Reportable segment loss before income tax	(482)	(83)	(482)	(83)	285	(930)	(4)	(11)	281	(941)	(201)	(1,024)
Income tax (charge)/credit	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure	-	-	-	-	10	10	-	-	10	10	10	10
Reportable segment assets	388	58	388	58	-	1,002	-	5	-	1,007	388	1,065
Reportable segment liabilities	363	700	363	700	-	261	-	2	-	263	363	963

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4	OTHER INCOME	2019 US\$'000	2018 US\$'000
	Gain on settlement of fees (Note 11)	-	74
	Option fee income	19	-
		<u>19</u>	<u>74</u>
5	OPERATING EXPENSES		
	Auditors' remuneration	(30)	(28)
	Directors' emoluments and fees	53	(82)
	Net foreign exchange (loss)/gain	(30)	12
	Office expenses	(29)	(29)
	Professional and other services	(89)	(369)
	Share option income (Note 13)	47	76
	Loss on settlement of fees (Note 11)	(1)	-
	Travel and accommodation	(5)	-
	Other expenses	-	(6)
	Total operating expenses	<u>(84)</u>	<u>(426)</u>
6	FINANCE (COST)/INCOME		
	Fair value adjustment on embedded derivative element of convertible loan (Note 17)	-	284
	Interest and finance charges paid	(417)	(15)
	Total finance income	<u>(417)</u>	<u>269</u>
7	INCOME TAX CREDIT		
	Current tax charge		
	Current period	-	-
	Deferred tax credit	-	-
	Total income tax charge/(credit)	<u>-</u>	<u>-</u>
	Most of the tax losses of the continuing operations were sustained in Bermuda. No income tax or capital gains tax is payable in Bermuda and therefore there is no contingent deferred tax asset.		
	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	(482)	(83)
	Taxation at 0%	-	-
	Deferred tax assets not brought to account	-	-
	Income tax charge/(credit)	<u>-</u>	<u>-</u>

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**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8	TRADE AND OTHER RECEIVABLES	<u>2019</u> US\$'000	<u>2018</u> US\$'000
	Prepayments	6	30
	Receivable from Fura	370	-
		<u>376</u>	<u>30</u>

All of the Group's trade and other receivables have been reviewed for indicators of impairment. None of the receivables were found to be impaired. The receivable from Fura was received on 2 January 2020.

Trade and other receivables consists of balances receivable in the following currencies:

United States Dollars	<u>376</u>	<u>30</u>
	<u>376</u>	<u>30</u>

Translated into United States Dollars at foreign exchange rates applicable at the reporting date. The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in note 19.1.

9 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	<u>12</u>	<u>28</u>
	<u>12</u>	<u>28</u>

Cash and cash equivalents consists of balances denominated in the following currencies:

United States Dollars	4	28
British Pounds*	8	-
	<u>12</u>	<u>28</u>

* Translated into United States Dollars at foreign exchange rates applicable at the reporting date. The Group's exposure to interest rate risk and sensitivity analysis for financial instruments is disclosed in note 19.

10 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 Australia, on 28 September 2018 Richland announced that it was engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at the Capricorn Sapphire mine or, alternatively, was seeking to conclude ongoing negotiations with different parties in relation to the potential sale of all or a part of Capricorn Sapphire. Further to such announcement, an option agreement was entered into with Fura Gems Inc. ("**Fura**") on 26 June 2019 for the disposal of Richland's wholly owned subsidiary, Richland Corporate Ltd, the holder of the Capricorn Sapphire Project (and the Company's loans to Richland Corporate Ltd) which was subsequently amended on 19 July 2019, 31 October 2019, 15 November 2019, 29 November 2019, 6 December 2019, 13 December 2019 and 20 December 2019 (the "**Disposal**").

RICHLAND RESOURCES LTD

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTINUED)

	<u>2018</u> US\$'000
<i>Assets of disposal group classified as held for sale</i>	
Property, plant and equipment	550
Intangible assets	58
Inventories	61
Trade and other receivables	45
Restricted cash	262
Cash and cash equivalents	31
	<hr/>
Total assets	1,007
	<hr/>
Foreign currency translation reserve	54
	<hr/>
<i>Liabilities of disposal group classified as held for sale</i>	
Trade and other payables	52
Provision for environmental rehabilitation	211
	<hr/>
Total liabilities	263
	<hr/>

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.

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
Consideration	1,250	-
Net assets disposed	(492)	-
Foreign currency translation reserve of group sold	47	-
Cost to sell	(105)	-
	<hr/>	<hr/>
Profit on sale of disposal group	700	-
Revenue	32	81
Cost of sales	(390)	(874)
Other income	16	39
Operating expenses	(67)	(173)
Finance cost	(10)	(14)
	<hr/>	<hr/>
Gain/(loss) before tax on discontinued operations	281	(941)
Tax (charge)/credit	-	-
	<hr/>	<hr/>
Profit/(loss) for the year from discontinued operations	281	(941)
	<hr/>	<hr/>
Cash flow information		
Operating cash flows	(188)	(757)
Investing cash flows	(10)	(16)
Financing cash flows	-	-
	<hr/>	<hr/>
Total cash flows	(198)	(773)
	<hr/>	<hr/>

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11	SHARE CAPITAL	<u>2019</u> US\$'000	<u>2018</u> US\$'000
	11.1 Common share capital		
	Authorised		
	2,500,000,000 common shares of US\$0.0003 each	750	750
	Issued		
	859,139,558 (2018: 568,353,850) common shares of US\$0.0003 each	259	172
	Common share capital		
	Balance at the beginning of the year	172	144
	Share placement	48	-
	Fees converted	39	28
	Balance at the end of the year	259	172

Each fully paid common share carries the right to one vote at a meeting of the Company. Holders of common shares also have the right to receive dividends and to participate in the proceeds from sale of all surplus assets in proportion to the total shares issued in the event of the Company winding up.

Reconciliation of number of common shares in issue	Number of shares <u>2019</u>	Number of shares <u>2018</u>
Shares in issue at beginning of the year	568,353,850	474,652,082
Share placement	158,730,159⁽¹⁾	-
Fees converted	132,055,549⁽²⁾	93,701,768 ⁽³⁾
Shares in issue at end of the year	859,139,558	568,353,850

(1) As announced on 4 July 2019, the Company raised approximately £100,000 (before expenses) through a placing of 158,730,159 new common shares of US\$0.0003 each in the capital of the Company ("Common Shares") (the "Placing Shares") (the "Placing") with certain new investors at an issue price of 0.063 pence per Placing Share (the "Placing Price"). The Placing Price represented a discount of approximately 16 per cent. to the closing middle market price of a Common Share of 0.075 pence on 3 July 2019.

(2) As announced on 4 July 2019, the Placing was arranged via Peterhouse Capital Limited ("Peterhouse") as agent of the Company. Peterhouse were due 5 per cent. commission on the gross proceeds of the Placing which it agreed to settle by the issue of 7,936,508 new Common Shares to Peterhouse (the "Commission Shares") at the Placing Price. Peterhouse were appointed the Company's sole broker on 4 July 2019 and also agreed that their initial six month retainer fee be settled by the issue to them of a further 15,873,016 new Common Shares at the Placing Price (the "Broker Fee Shares").

As announced on 29 August 2019, a Director and senior management agreed to the conversion of an aggregate amount of US\$86,250 of unpaid fees accrued for periods up to 30 June 2019 to be converted into Common Shares (the "Fee Conversion"). Pursuant to the Fee Conversion, the Company issued, in aggregate, 108,246,025 new Common Shares (the "Conversion Shares") at an issue price of 0.065 pence per share (the "Conversion Price"), being the Company's closing mid-market share price on 28 August 2019 and representing a premium of approximately 3.17 per cent. to the Placing Price for the Company's last equity fundraising of 4 July 2019.

(3) On 5 February 2018, pursuant to certain pre-existing contractual arrangements between Capricorn Sapphire, Anthony Brooke and Gem Dreams in connection with sales and marketing assistance and the Company's beneficiation strategy, the Company issued 3,581,237 new Common Shares to Anthony Brooke in respect of sales commissions of US\$42,717 earned during the period from 1 December 2016 to 31 December 2018 (the "Commission Shares"). On 6 July 2018, certain of the Company's existing Directors and senior management team, certain former directors and a former consultant converted an aggregate amount of £207,537 (comprising US\$275,215 at the USD:GBP exchange rate of 1.3261 on 22 June 2018) of fees accrued for periods ranging from December 2016 to 31 May 2018 into new Common Shares (the "2018 Fee Conversion"). Pursuant to the 2018 Fee Conversion, the Company issued, in aggregate, 74,120,531 new Common Shares (the "2018 Conversion Shares") at an issue price of 0.28 pence per share, representing a premium of approximately 27 per cent. to the Company's closing mid-market share price of 0.22 pence on 5 July 2018. In addition, the Company issued a further 16,000,000 new Common Shares (the "Professional Fee Shares") at the same price in relation to professional fees due through to 31 December 2019. The settlement of the outstanding fees resulted in a gain on settlement of US\$74,000.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 SHARE CAPITAL (CONTINUED)

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
11.2 A class share capital		
Authorised		
66,666,667 A class shares of ZAR 0.0003 each	<u>3</u>	<u>3</u>
Issued		
1,009,029 A class shares of ZAR 0.0003 each issued by the Company's wholly-owned subsidiary, Rohstein Class A (Proprietary) Limited ("Rohstein Class A (Pty) Ltd")	<u>1</u>	<u>1</u>
A class shares have been converted at the historical rate at 1 June 2004 of ZAR6.52 to the US Dollar.		
Total issued share capital (Common shares and A class shares)	<u>260</u>	<u>173</u>
Reconciliation of A Class share capital	Number of shares 2019	Number of shares 2018
Shares in issue at beginning of the year	1,009,029	1,033,892
Share buyback pursuant to A Class rights	<u>-</u>	<u>(24,863)</u>
Shares in issue at end of the year	<u>1,009,029</u>	<u>1,009,029</u>

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

Rights attaching to A Class shares

The following rights, privileges and conditions attach to the Rohstein Class A (Pty) Ltd A Class shares:

Each Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares;
2. if any rights issue is implemented by Richland Resources, Rohstein Class A (Pty) Ltd will automatically have a rights issue in respect of the Rohstein Class A (Pty) Ltd 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 existing 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 Rohstein Class A (Pty) Ltd A class shares will be automatically adjusted such that each Rohstein Class A (Pty) Ltd A class shareholder will own the number of Rohstein Class A (Pty) Ltd Class A shares as equals their existing number of Rohstein Class A (Pty) Ltd A class shares, multiplied by the number of substitution shares issued for each Richland Resources common share.

The holders of the Rohstein Class A (Pty) Ltd A class shares will only be entitled to a dividend if Richland Resources declares dividends in respect of any year, and then the Rohstein Class A (Pty) Ltd A class shares will be entitled to a preference dividend out of the profits of Rohstein Class A (Pty) Ltd available for distribution per Rohstein Class A (Pty) Ltd 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.

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 SHARE CAPITAL (CONTINUED)

Rights attaching to A Class shares (continued)

Rohstein Class A (Pty) Ltd in general meeting or the directors of Rohstein Class A (Pty) Ltd shall be entitled to declare preference dividends in respect of the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares registered as such on the declaration date of the relevant Richland Resources dividend.

With respect to voting rights in Rohstein Class A (Pty) Ltd, each Rohstein Class A (Pty) Ltd ordinary share shall have 1,000,000 votes and each Rohstein Class A (Pty) Ltd A class share shall have one vote. The holders of Rohstein Class A (Pty) Ltd A class shares will be entitled to receive notice of and to attend and vote at any general meeting of Rohstein Class A (Pty) Ltd.

Payment in respect of preference dividends and any other payments will be made in the currency of South African Rand at the risk of the relevant holder of Rohstein Class A (Pty) Ltd A class shares either by cheque sent by prepaid registered post to the address of each holder of Rohstein Class A (Pty) Ltd A class shares as recorded in the register of Rohstein Class A (Pty) Ltd's shareholders or by electronic transfer to such bank account nominated in writing by any holder of Rohstein Class A (Pty) Ltd A class shares for such purpose.

All or any of the rights attaching to the issued Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares present in person or by proxy are entitled to vote; and
2. holders of three quarters of the ordinary shares.

No shares in the capital of Rohstein Class A (Pty) Ltd, ranking in priority to or *pari passu* with the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares or the sanction of a resolution of the holders of the issued Rohstein Class A (Pty) Ltd A class shares passed at a separate general meeting of such holders and at which the holders of the Rohstein Class A (Pty) Ltd A class shares holding in the aggregate not less than one quarter of the total votes of all the holders of the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class shares present in person or by proxy are entitled to vote.

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

RICHLAND RESOURCES LTD**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****11 SHARE CAPITAL (CONTINUED)****Rights attaching to A Class shares (continued)**

Should Richland Resources acquire any Rohstein Class A (Pty) Ltd A class shares, Rohstein Class A (Pty) Ltd will automatically redeem out of moneys which may be lawfully applied for that purpose those Rohstein Class A (Pty) Ltd A class shares on the basis that the price payable for each Rohstein Class A (Pty) Ltd A class share on redemption of same will be at a redemption price of 0.003 (point zero zero three) cents per Rohstein Class A (Pty) Ltd A class share. Notwithstanding the provisions of this clause, all of the Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd A class share.

At every meeting of the holders of the Rohstein Class A (Pty) Ltd A class shares the provisions of the articles of Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd 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 Rohstein Class A (Pty) Ltd relating to adjourned meetings shall, mutatis mutandis, apply.

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

Rohstein Class A (Pty) Ltd shall not be liable to a shareholder of Rohstein Class A (Pty) Ltd A class shares for interest on any unclaimed redemption moneys and arrears of dividends.

Any dividends payable in respect of Rohstein Class A (Pty) Ltd A class shares (including any which are in arrears) that remain unclaimed for 3 (three) years may become the property of Rohstein Class A (Pty) Ltd.

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

12 SHARE PREMIUM

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
Balance at beginning of the year	54,644	54,389
Share placement	78	-
Share issue costs	(7)	-
Fees converted	67	255
	<hr/> 54,782 <hr/>	<hr/> 54,644 <hr/>
Balance at end of year		

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13	SHARE OPTION RESERVE	<u>2019</u> US\$'000	<u>2018</u> US\$'000
	Balance at beginning of the year	47	123
	Share options forfeited/cancelled	(47)	(76)
	Balance at end of year	-	47

Share-based payments

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

Grant date	Number of share options/warrants	Vesting conditions	Contractual life
20 May 2016 (options) ⁽¹⁾	12,000,000	3 years of service	7 years from vesting date
5 September 2017 (warrants)	<u>3,000,000</u>		365 days
Total share options	<u>15,000,000</u>		

⁽¹⁾ The issue of the options was not due until Capricorn Sapphire Pty Ltd had its first profitable quarter. As Capricorn Sapphire Pty Ltd was part of the Disposal Group sold on 31 December 2019, these options have been cancelled.

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

	<u>2019</u>		<u>2018</u>	
	Weighted average exercise price (UK pence/ share)	Number of options	Weighted average exercise price (UK pence/ share)	Number of options/ warrants
Outstanding at the beginning year	3.5	3,500,000	3.0	15,000,000
Share options forfeited/cancelled	3.5	(3,500,000)	3.5	(8,500,000)
Warrants expired	-	-	1.0	(3,000,000)
Exercisable at the end of the year		<u>-</u>	3.5	<u>3,500,000</u>

14	FOREIGN CURRENCY TRANSLATION RESERVE	<u>2019</u> US\$'000	<u>2018</u> US\$'000
	Balance at beginning of the year	54	133
	Translation of foreign operations in the year	(7)	(79)
	Foreign operations translation disposed	(47)	-
	Balance at end of the year	-	54

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

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**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 EARNINGS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share at 31 December 2019 was based on the loss attributable to common shareholders from continuing operations of US\$482,000 (2018: US\$83,000), discontinued operations profit of US\$281,000 (2018: loss US\$941,000) and a weighted average number of common shares outstanding during the year ended 31 December 2019 of 694,850,847 (2018: 520,308,612) calculated as follows:

	<u>2019</u> <u>US\$'000</u>	<u>2018</u> <u>US\$'000</u>
Loss attributable to common shareholders from continuing operations	<u>(482)</u>	<u>(83)</u>
Profit/(loss) attributable to common shareholders from discontinued operations	<u>281</u>	<u>(941)</u>
	Number of shares 2019	Number of shares 2018
Weighted average number of common shares	<u>694,850,847</u>	<u>520,308,612</u>
Basic and diluted loss per common share from continuing operations (US cents/share)	<u>(0.07)</u>	<u>(0.02)</u>
Basic and diluted profit/(loss) per common share from discontinued operations (US cents/share)	<u>0.04</u>	<u>(0.18)</u>
Basic and diluted loss per common share from all operations (US cents/share)	<u>(0.03)</u>	<u>(0.20)</u>

The diluted loss per share and the basic loss per share are recorded as the same amount, as conversion of share options decreases the basic loss per share, thus being anti-dilutive.

16 TRADE AND OTHER PAYABLES

	<u>2019</u> <u>US\$'000</u>	<u>2018</u> <u>US\$'000</u>
Trade and other payables	<u>327</u>	<u>332</u>
Short term advances due to directors (Note 22)	<u>36</u>	<u>119</u>
Total trade and other payables	<u>363</u>	<u>451</u>

The Directors have agreed to defer payment of the short term advances due to them until the earlier of the completion of a transaction approved by shareholders and 30 June 2020.

Trade and other payables consists of balances payable in the following currencies:

United States Dollars	<u>187</u>	<u>367</u>
Australian Dollars	<u>34</u>	<u>19</u>
British Pounds	<u>126</u>	<u>62</u>
Other currencies	<u>16</u>	<u>3</u>
	<u>363</u>	<u>451</u>

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17	CONVERTIBLE LOAN	2019 US\$'000	2018 US\$'000
	Loan at beginning of year	208	-
	Proceeds from convertible loan	244	533
	Embedded derivative	41	(325)
	Finance charge	417	-
	Interest paid	(56)	-
	Foreign exchange	26	-
	Loan settled	(880)	-
	Total loan at end of year	-	208
	Embedded derivative at beginning of year	41	-
	Embedded derivative	(41)	325
	Fair value adjustment on embedded derivative (Note 6)	-	(284)
	Total embedded derivative at end of year	-	41
	Carrying amount of liability	-	249

As announced on 25 June 2018, the Company obtained a £300,000 Secured Convertible Loan facility from Astor Management AG (the "**Lender**"), a private company whose majority shareholder is a long-term significant shareholder in the Company. Subsequently, the loan facility was increased from £300,000 to £400,000 on 28 September 2018 and by a further US\$150,000 on 31 March 2019 and CAD125,000 on 19 July 2019. The loan was settled on 31 December 2019. The salient terms of the Secured Convertible Loan Facility are summarised below:

- (i) Term: A scheduled maturity date of 31 December 2019 (conditional on completion of the Disposal) when, unless otherwise converted, the principal amount and any accrued interest is repayable in full. The Company may pre-pay the whole or any part of the loan on any day prior to the scheduled maturity date upon giving not less than 15 business days' prior written notice to the Lender and provided that any amount prepaid will still accrue interest as though it were repaid on the maturity date.
- (ii) Principal amount: £400,000, US\$150,000 and CAD125,000 (with the Company to pay the Lender's legal costs in respect of preparing and entering into the facility documentation).
- (iii) Interest rate: 3 month GBP LIBOR + 7.5 per cent. per annum, payable quarterly in arrears.
- (iv) Security: Charge over all of the assets of Capricorn Sapphire, the Company's former wholly owned subsidiary that held the Company's mining tenements and operated the Capricorn Sapphire mine, as well as the group's shares in Capricorn Sapphire.
- (v) Conversion rights: Sterling principal amount and any accrued interest convertible at the discretion of the Lender during the Term at the lower of:
 - a) 0.25 pence per share;
 - b) the Company's volume weighted average share price for the thirty trading days up to and including the trading day prior to the conversion date specified in the conversion notice or such other date as the parties may agree; and
 - c) any price at which the Company issues new shares for cash from the commencement of the loan period to the date of conversion.
- (vi) Board representation: The Lender had the right to nominate a non-executive director, subject to the prior approval of the Company's Nominated Adviser, whilst the Lender and its associates had (a) a shareholding representing more than 10 per cent. of the Company's issued share capital from time to time; or (b) greater than or equal to £75,000 principal amount was outstanding under the Secured Convertible Loan Facility.
- (vii) Events of default included customary solvency and regulatory matters for a facility of this nature, including whether the Company's financial statements were qualified by its auditor on a going concern basis, if the Company's shares were cancelled from admission to trading on AIM and if the Company was in breach of the AIM Rules for Companies.
- (viii) If an event of default was not remediated or had not been remedied within 7 business days then the conversion price as calculated in accordance with clause v) above was to be reduced by 50 per cent. with respect to any conversion notice issued after such an event had occurred.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18	NOTES TO THE STATEMENT OF CASH FLOWS	2019 US\$'000	2018 US\$'000
	18.1 Cash utilised by operations		
	Loss before income tax	(201)	(1,024)
	Adjusted for:		
	▪ Depreciation, amortisation and impairment of property, plant and equipment	-	303
	▪ Shares issued at discount/(premium)	1	(74)
	▪ Finance cost	413	(270)
	▪ Unwinding of discount	14	16
	▪ Write off of inventory	3	-
	▪ Write off of trade receivables provision	-	(3)
	▪ Profit on sale of group	(700)	-
	▪ Share options income	(47)	(76)
	▪ Net foreign exchange difference	32	1
	Cash from operations before working capital changes	(485)	(1,127)
	Working capital changes:		
	Inventories	13	78
	Trade and other receivables	19	218
	Trade and other payables	199	4
	Cash utilised by operations before interest and tax	(254)	(827)
	18.2 Proceeds from disposal of group, net of cash		
	Property, plant and equipment	548	-
	Intangible assets	68	-
	Inventory	46	-
	Receivables	48	-
	Restricted cash	261	-
	Cash and cash equivalents	9	-
	Trade and other payables	(264)	-
	Provisions	(224)	-
	Foreign currency translation	492	-
	Accruals to settle liabilities	(47)	-
	Profit on sale of group (note 10)	105	-
	Consideration	700	-
	Consideration received from Fura post balance sheet date	1,250	-
	Cash of group sold	(370)	-
		(9)	-
	Net cash proceeds	871	-
	18.3 Proceeds from issue of shares		
	Share capital and premium at end of year (Note 11 & 12)	55,042	54,817
	Directors, consulting and other fees converted to shares ⁽¹⁾	(105)	(357)
	Shares issued at (premium)/discount ⁽¹⁾	(1)	74
	Share capital and premium at beginning of year	(54,817)	(54,534)
		119	-
	⁽¹⁾ Non-cash financing and investing activities		

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**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 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.

19.1 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.

19.2 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:

	Trade and other payables US\$'000
31 December 2019	
Less than one year	363
One to five years	-
	<hr/>
31 December 2018	
Less than one year	963
One to five years	-
	<hr/>

19.3 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 FINANCIAL RISK MANAGEMENT (CONTINUED)

In the normal course of business, the Group enters into transactions primarily 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's strategy towards managing its foreign currency exposure is through transacting using its functional currency.

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 2018.

	2019 US\$'000	2018 US\$'000
Profit or loss		
Australian Dollars	3	(41)
British Pounds	12	24
Other currencies	1	-

A 10 per cent. 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.

19.4 Price risk

The Group's 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.

19.5 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 per cent. The Group achieved a negative return on capital of 1,896% in 2019 (2018: 894%). 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.

20 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.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 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.

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
<u>2019</u>			
Trade and other receivables (excluding prepayments)	8	370	370
Cash at bank and on hand	9	12	12
Financial assets measured at amortised cost		382	382
Trade and other payables	16	363	363
Financial liabilities measured at amortised cost		363	363
Convertible loan	17	-	-
Convertible loans at fair value		-	-
<u>2018</u>			
Trade and other receivables (excluding prepayments)	8 & 10	18	18
Cash at bank and on hand	9 & 10	59	59
Financial assets measured at amortised cost		77	77
Trade and other payables	16 & 10	451	451
Financial liabilities measured at amortised cost		451	451
Convertible loan	17	249	249
Convertible loans at fair value		249	249

The carrying amount of bank overdraft and trade and other payable approximate their fair value.

Recognised fair value measurements

The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Consolidated Statement of Financial Position and in the notes to the Consolidated Statement of Financial Position.

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments.

(i) Financial instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 FINANCIAL INSTRUMENTS (CONTINUED)

Recognised fair value measurements (continued)

(ii) *Financial instruments Measured at Fair Value*

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

(iii) *Fair value hierarchy*

The fair value hierarchy consists of the following levels

- Quoted prices in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset and liability that are not based on observable market data (unobservable inputs) (Level 3).

	<u>Level 1</u> US\$'000	<u>Level 2</u> US\$'000	<u>Level 3</u> US\$'000	<u>Total</u> US\$'000
2019				
Convertible loan	-	-	-	-
	<u>Level 1</u> US\$'000	<u>Level 2</u> US\$'000	<u>Level 3</u> US\$'000	<u>Total</u> US\$'000
2018				
Convertible loan	-	-	249	249

There were no transfers between levels for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as at the end of the reporting period.

Level 1: the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. The fair value of the convertible loan not traded in an active market is determined using an internally prepared discounted cash flow valuation technique using observable inputs (such as share price and terms and conditions of the convertible loan) and released of the initial calibration adjustment to the profit and loss.

(iv) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- Use of the quoted market price or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments as determined using discounted cash flow analysis.

RICHLAND RESOURCES LTD

**FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 COMMITMENTS AND CONTINGENCIES

21.1 Capital commitments

No capital commitments existed at year end (2018: US\$ Nil).

21.2 Finance lease commitments

Non-cancellable lease rentals are payable as follows:

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
Less than one year	-	10
Between one and five years	-	-
	<u>-</u>	<u>10</u>

These leases relate to the rental of business premises.

There are no contingencies for the year ended 31 December 2019 (2018: Nil).

22 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.

Current directors of the holding company and their close family members as at the date of this report control 13.53% (2018: 19.47%) of the voting shares of Richland Resources.

	<u>2019</u> US\$'000	<u>2018</u> US\$'000
Short-term benefits		
Directors' emoluments for the year		
Services as directors of the Company		
Non-executive directors		
Salary	<u>(5)*</u>	<u>4</u>
Executive directors		
Salary	<u>(48)*</u>	<u>78</u>
Services as directors of the subsidiaries		
Executive directors		
Salary	<u>-</u>	<u>29</u>
Share options	<u>-</u>	<u>(31)</u>
 Short term advances from directors (unpaid directors' fees)		
Edward Nealon	12	15
Nicholas Sibley	12	14
Anthony Brooke	12	90
	<u>36</u>	<u>119</u>

* Credit due to waiver of fees as disclosed below.

The Directors have agreed to defer payment of the short term advances due to them until the earlier of the completion of a transaction approved by shareholders and 30 June 2020.

RICHLAND RESOURCES LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 RELATED PARTIES (CONTINUED)

2019 Waiver of Directors' and Management's Fees

As announced on 28 June 2019, in order to preserve cash reserves within the Company, the Directors and senior management personnel agreed to waive, in aggregate, US\$452,559 of accrued fees due to them for periods from 1 June 2018 up to and including 30 June 2019 (the "**Fee Waiver**"), as detailed below:

Directors	Amount waived (US\$)
Edward Nealon	28,438
Nicholas Sibley	25,729
Anthony ("Tony") Brooke	160,209
Total Directors	214,376
Gem Dreams (related to Tony Brooke)	18,750
Senior Management	219,433
Total Fee Waiver	452,559

The net effect of the above Fee Waiver by the Directors is that there was a credit to the Income Statement of US\$53,125 during the period in respect of Directors' remuneration (2018: US\$80,011 charge).

2019 Conversion of certain Directors' and Management's Fees into new Common Shares

As announced on 28 June 2019, in order to further conserve the Company's cash reserves, certain of the Directors and senior management personnel confirmed their intention, to convert, in aggregate, US\$86,250 of unpaid fees due to them for periods from 1 June 2018 up to and including 30 June 2019 into new Common Shares (the "**Fee Conversion**"). The Fee Conversion was announced on 29 August 2019 and settled all remaining fees due to the current directors and senior management up to 30 June 2019 with the fees converted by such directors and senior management summarised in the table below:

Current Directors	Fees converted (US\$)
Edward Nealon	Nil (as all outstanding fees waived)
Nicholas Sibley	Nil (as all outstanding fees waived)
Anthony ("Tony") Brooke	31,250
Senior Management	55,000

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 a credit of US\$0.05 million (2018: debit of US\$0.1 million). No terminal or other long term benefits were paid to key management personnel during the year (2018: Nil).

Group entities

Significant subsidiaries	Country of incorporation	Products/Services	Net amounts owing by subsidiaries		Functional currency	Share holding 2019	Share holding 2018
			2019 US\$'000	2018 US\$'000			
Richland Gemstones Ltd ⁽¹⁾	Hong Kong, China	Polished and jewellery sales	-	(236)	US\$	100%	100%
Richland Corporate Ltd ⁽¹⁾	Bermuda	Investment holding company	-	(1,793)	US\$	-	100%
Capricorn Sapphire Pty Ltd ⁽¹⁾	Australia	Sapphire mining	-	(7,185)	AU\$	-	100%
Rohstein Class A (Pty) Ltd	South Africa	A Class shareholding	-	-	ZAR	100%	100%

⁽¹⁾ Part of the Disposal Group - see note 10.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 SUBSEQUENT EVENTS

As announced on 13 January 2020, the Company raised, in aggregate, approximately £150,000 (before expenses) through a placing of 105,000,000 new Common Shares (the **"January 2020 Placing Shares"**) (the **"Placing"**) with certain new investors at an issue price of 0.10 pence per January 2020 Placing Share (the **"Issue Price"**) and a subscription for a further 45,000,000 new Common Shares (the **"January 2020 Subscription Shares"**) by a new investor also at the Issue Price (the **"Subscription"**) (the Placing and Subscription together being the **"January 2020 Equity Fundraising"**).

The Placing was arranged via Peterhouse Capital Limited (**"Peterhouse"**) as agent of the Company. Pursuant to the Placing and Subscription, in aggregate, 150,000,000 new Common Shares were issued at the Issue Price to certain new investors. The Issue Price represented a discount of approximately 5 per cent. to the closing price of a Common Share of 0.105 pence on 9 January 2020, which was used to set the Issue Price, and a discount of approximately 31 per cent. to the closing middle market price of a Common Share of 0.145 pence on 10 January 2020.

Peterhouse was due 5 per cent. commission on the gross proceeds of the Placing and 1 per cent. commission on the gross proceeds of the Subscription which it agreed to be settled by the issue of 5,700,000 new Common Shares to Peterhouse (the **"Commission Shares"**). In addition, Peterhouse agreed that its initial six monthly retainer fee for 2020 would be settled by the issue to it of a further 10,000,000 new Common Shares at the Issue Price (the **"Broker Fee Shares"**).

As announced on 12 March 2020, the Company raised, in aggregate, approximately £100,000 (before expenses) through the placing of 83,333,333 new Common Shares (the **"March 2020 Placing Shares"**) with an existing major shareholder, Mark Greenwood, and certain new investors at an issue price of 0.12 pence per March 2020 Placing Share (the **"March Placing Price"**) (the **"March Placing"**).

Pursuant to the March Placing, in aggregate, 83,333,333 new Common Shares were issued at the March Placing Price of which 41,666,667 were issued to Mark Greenwood (the **"Greenwood Placing Shares"**) and the balance to certain new investors. The March Placing Price represented a discount of approximately 17.2 per cent. to the closing middle market price of a Common Share of 0.145 pence on 11 March 2020.

Peterhouse was due 5 per cent. commission on the gross proceeds of the March Placing with new investors and 1 per cent. commission on the gross proceeds of the placing with Mark Greenwood.

The COVID-19 pandemic announced by the World Health Organisation post year end is having a markedly negative impact on global stock markets, currencies and general business activity. The Company has developed a policy and is evolving procedures to address the health and wellbeing of its directors, consultants and contractors, and their families, in the face of the COVID-19 outbreak. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on activities and potentially a post balance sheet date impact.

Other than these matters, no significant events have occurred subsequent to the reporting date that would have a material impact on the consolidated financial statements.

24 ULTIMATE HOLDING COMPANY

The company is widely owned by the public and has its primary listing on AIM, a market operated by the London Stock Exchange.